



'20

INTEGRATED
ANNUAL
REPORT

FOR THE YEAR ENDED 31 MARCH 2020





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GROUP TOTAL ASSETS



increased by

**13,07% to
R749,5 million**

(2019: R662,9 million)

GROUP REVENUE



increased by

**5,04% to
R53,3 million**

(2019: R50,8 million)

INVESTMENT INCOME FROM OPERATIONS



decreased by

**2,93% to
R42,9 million**

(2019: R44,2 million)

PROFIT FOR THE YEAR



decreased by

**34,51% to
R3,6 million**

(2019: R5,6 million)

DIVIDEND DECLARED



decreased by

**20,00% to
3,00 cents per share**

(2019: 3,75 cents per share)

ABOUT this report

The 2020 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 the King IV™ Report on Corporate Governance for South Africa, 2016 (King IV™) and the provisions of the Companies Act of South Africa, 71 of 2008 (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 www.nictuslimited.co.za and on request from the company secretary at 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 2020. 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 Limited 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, PricewaterhouseCoopers 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 groupsec@nictus.com.na which will enable the group to gauge the adequacy and standard of its integrated reporting.

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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 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

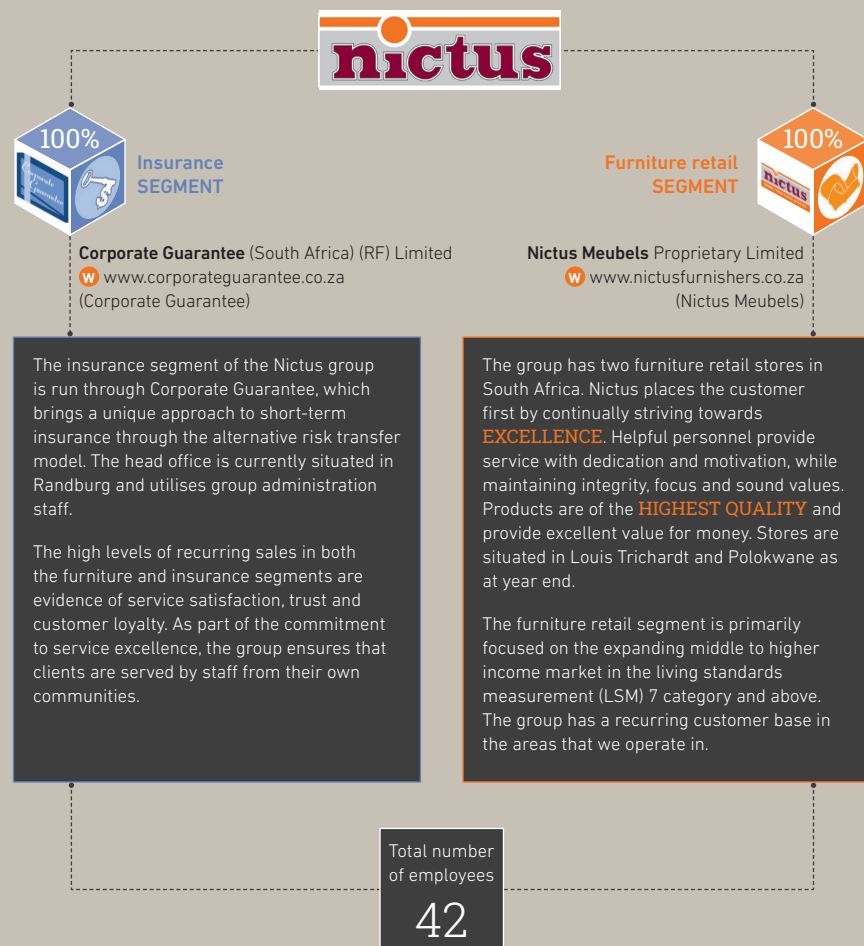
Being the preferred employer

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

Aristotle (384 BC – 322 BC)

About Nictus continued

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



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

Milestones



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	2020	2019*	2018	2017
Statements of financial position				
Assets				
Non-current assets	57 870	55 605	37 916	44 884
Current assets	691 610	607 260	602 390	549 903
Total assets	749 480	662 865	640 306	594 787
Equity and liabilities				
Total shareholders' equity	95 555	95 441	102 727	99 303
Non-current liabilities	3 186	6 291	2 400	2 398
Current liabilities	650 739	561 133	535 179	493 086
Total equity and liabilities	749 480	662 865	640 306	594 787
Statements of profit or loss and other comprehensive income				
Revenue	53 310	50 752	47 361	44 651
Operating profit	3 483	6 543	4 870	7 069
Financing costs	(260)	–	–	–
Profit before taxation	3 223	6 543	4 870	7 069
Taxation credit/(expense)	417	(985)	542	(178)
Profit after taxation	3 640	5 558	5 412	6 891
Attributable to:				
Owners	3 640	5 558	5 412	6 891
Profit after taxation	3 640	5 558	5 412	6 891
Other comprehensive income for the period, net of tax	(1 545)	–	–	–
Total comprehensive income for the year	2 095	5 558	5 412	6 891
Attributable to:				
Owners	2 095	5 558	5 412	6 891
Ordinary dividends paid	2 004	1 988	1 988	1 988
Number of ordinary shares issued (number of shares)	53 443 500	53 443 500	66 269 940	66 269 940
Weighted average number of shares	53 443 500	61 736 760	66 269 940	66 269 940

* Certain comparative figures were restated, refer to note 39 of the financial statements (pages 147 and 148) for detail of the restatement.

	2020	2019*	2018	2017
Key ratios				
Performance per ordinary share				
Basic earnings (cents)	6,81	9,00	8,17	10,40
Headline earnings (cents)	6,86	8,92	8,17	10,45
Dividends paid (cents)	3,75	3,00	3,00	3,00
Net worth (cents)	178,80	178,58	155,01	149,85
Profitability and asset management				
Net operating income* to turnover (%)	6,53	12,89	10,28	15,83
Return on assets managed (%)	3,47	6,33	4,71	7,12
Net asset turn (times)	0,53	0,49	0,46	0,45
Return on shareholders' equity (%)	3,81	5,82	5,27	6,94
Liquidity				
Interest cover (times)	13,40	–	–	–
Dividend cover (times)	1,82	2,80	2,72	3,47
Liability ratio	6,76	5,70	5,24	4,92
Current ratio	1,06	1,08	1,13	1,12
JSE performance				
Market price (cents) High	100	70	75	70
Market price (cents) Low	41	35	31	45
Market price at year end (cents)	90	69	45	52
Price earnings ratio	13,21	7,66	5,51	4,98
Earnings yield (%)	7,57	13,05	18,16	20,08
Volume of shares traded to weighted number of issued shares (%)	1,11	1,14	1,07	1,84
Market capitalisation (R'000)	48 099	36 876	29 821	34 460

* Certain comparative figures were restated, refer to note 39 of the financial statements (pages 147 and 148) for detail of the restatement.

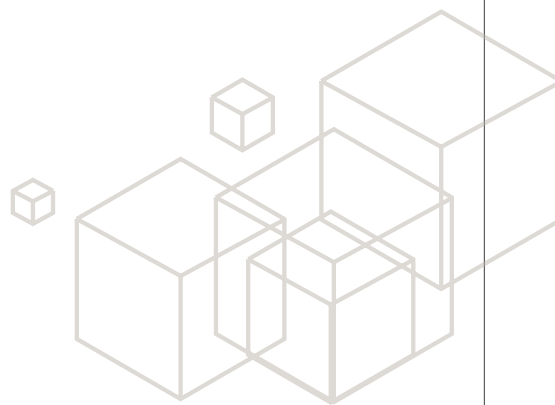
Amounts stated before taking into account finance costs.

Refer to page 166 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.	



Group



Insurance segment



Furniture segment

Risk	Impact	Mitigation	Segment
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. Exposure limits are carefully considered to minimise the effect of sudden fluctuations in the market when investments are made. Furthermore, investments are made with the intention to obtain maximum return with minimal to no loss in the initial capital invested.	
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 avert losses. Appropriate thresholds, actuarial modelling and risk appetite are defined and monitored at board level to address concentration risk. Our marketing strategy is aimed at increasing exposure in other geographic areas.	

High-level risks of the group continued

Risk	Impact	Mitigation	Segment
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.	
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 customers can 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.	

 Group  Insurance segment  Furniture segment

Risk	Impact	Mitigation	Segment
Operational risk continued			
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.	
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.	



02

LEADERSHIP

WE ARE SATISFIED WITH THE PROGRESS MADE DURING THE PAST TWO FINANCIAL YEARS WHERE STRATEGIES AND SYNERGIES ARE FALLING INTO PLACE AND WHERE THE FOCUS ON EACH SUBSIDIARY IN THE GROUP IS BEGINNING TO PAY OFF.



Board of directors,

EXECUTIVE MANAGEMENT AND COMPANY SECRETARY

2

Gerard Tromp

*Executive group managing
director and executive
management*

4

Nico Tromp

Non-executive director

6

Gerard Swart

*Independent
non-executive director*

8

Ion Gerber

*Executive management:
Insurance segment
(prescribed officer)*

9

Willem Boshoff

Company secretary

1

Professor Johan Willemse

Independent non-executive chairman

3

Eckhart Prozesky

*Executive group financial
director and executive
management*

5

Philippus Tromp

Non-executive director

7

Ronnie de Vrye

*Independent
non-executive director*

Board of directors, executive management and company secretary continued

1

Professor Johan Willemse (65)

Independent non-executive chairman

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

Professor 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 Bloemfontein 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).

2

Gerard Tromp (39)

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 (34)

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 (71)

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 31 years. He stepped down as managing director of the group on 18 April 2016.

5

Philippus Tromp (44)

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 16 years.

6

Gerard Swart (65)

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 (66)

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 10 years.

8

Ion Gerber (33)

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 and as chief executive officer, effective 1 April 2020.

9

Willem Boshoff (34)

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 Eksekuteurskamer Proprietary Limited.



Chairman's REPORT

SOUTH AFRICA'S ECONOMY SLID INTO AN OFFICIAL RECESSION, WITH THREE CONSECUTIVE QUARTERS OF NEGATIVE ECONOMIC GROWTH (A SHRINKING ECONOMY) DURING THE GROUP'S FINANCIAL YEAR, WHILE OFFICIAL UNEMPLOYMENT INCREASED TO 30,2% IN THE FIRST QUARTER OF 2020.



Professor Barend J Willemse | Chairman

During the past nine quarters, six quarters registered negative economic growth. Household consumer spending declined with the Reserve Bank continuing to drop the repo rate to support markets. This led to a reduction in interest deposit rates which had a negative effect on the insurance company, with the largest portion of insurance assets with financial institutions. Electricity supply interruptions added to the negative business environment during the past financial year.

Early 2020 was also marked by the effect of the COVID-19 global pandemic (COVID-19), with a large decline in stock markets during March 2020, resulting in a mark down on investments on 31 March 2020. The rebound in the share market took place in the new financial year of the group and valuations improved substantially.

The fact that consumer confidence has dropped to a 35-year low, during the second quarter of 2020, underpins the profoundly negative impact of COVID-19 and the related economic restrictions on South African consumers.

Although economic activity is gradually resuming now that the government has lifted many of the lockdown restrictions, consumers' willingness and ability to spend have nevertheless been dealt a serious further blow (having already been under significant pressure in 2019). Low income households seem to be especially hard hit, despite a marked increase in social grants expenditure by the government to buffer vulnerable households.

THE ECONOMIC OUTLOOK FOR THE NEW FINANCIAL YEAR IS NOT POSITIVE, WITH AN EXPECTATION OF 8% TO 10% NEGATIVE ECONOMIC GROWTH AND CONSUMER SPENDING REMAINING UNDER PRESSURE. THE TWO MONTHS IN LOCKDOWN, WILL REDUCE FURNITURE EARNINGS IN THE NEW FINANCIAL YEAR. WHILE WE CAN EXPECT THAT THE RECESSION WILL HAVE AN IMPACT ON INSURANCE, MOST CLIENTS ARE HIGH NETT WORTH BUSINESSES.

A detailed analysis was undertaken to determine what actions needed to be taken, to keep costs low, protect cash flow and capital. The board was satisfied; that the group has sufficient reserves and cash going forward, that shareholders can be confidently rewarded with a dividend payment, without jeopardising the future of the company, and that actions taken by management together with the level of reserves will continue to support the share price of Nictus Limited and close the gap on the net asset value of the group.

The board is of the view that the business is well positioned to weather the economic recession. The outlook is that the economy will recover late in 2020 and early 2021, as business returns to more normal levels. The board will also continue to investigate new opportunities to expand and diversify the business and increase profitability, to the benefit of shareholders.

Corporate scandals and corruption remain a problem in the South African economy, with very few prosecutions. The board and management remain focused on maintaining our values and integrity and fulfilling our fiduciary duties to our shareholders.

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

Professor Barend J Willemse
Chairman

4 September 2020



GROUP managing director's REPORT

IT HAS BEEN A MOST CHALLENGING PROCESS TO CONCLUDE A REPORT FOR THE PAST FINANCIAL YEAR, AND IT IS EVEN MORE CHALLENGING LOOKING FORWARD TO THE FUTURE AND HOW TO SHAPE IT.

Gerard R de V Tromp | Executive group managing director

Segmental performance



Insurance segment

We experienced great growth in new insurance premiums during the past financial year. No excessive claims were experienced throughout the year and we are delighted that our tailor-made client-specific solutions are adding value for our policyholders. Although the investment strategy was realigned during the year, good returns were achieved for the 11 months preceding COVID-19 which assisted in absorbing the impact thereof. We are confident that our investments are well positioned where maximum returns can be achieved in relation to our risk appetite. Client service remains our top priority and we strive to go the extra mile for our clients in achieving mutually beneficial outcomes.



Furniture segment

Longer-term strategies in furniture retail are being realised and we are confident that this segment is now on a solid foundation to continue offering exceptional value for money products. Apart from our product offering, our customer base is of a very high standard. We managed to limit bad debts and provisions for bad debts to percentages way below industry norms. We are thankful for our customers' commitment towards Nictus and their efforts in managing their accounts. We value our stakeholder relationships and I would like to thank all of our suppliers for their contribution in achieving a profitable result for the segment.

As part of the execution of our long-term strategy, the Nictus Meubels Randburg store was closed on 31 March 2020. The upside of this was the exciting announcement of Nictus Emporium, a specialist brand furniture showroom that opened in Louis Trichardt. Although planned for 1 April 2020, the opening of Nictus Emporium was delayed to 1 June 2020 due to the national COVID-19 lockdown. We are excited to bring even more exclusive offerings to our customers with the backing of world-renowned brands.

A further change that occurred during the financial year under review, was the sale of Erf 2134 by Kruben Holdings Proprietary Limited to Corporate Guarantee. This was done for various strategic reasons and we project that profitable returns will be achieved in the investment portfolio of the insurance segment as opposed to the furniture segment.

One would never have thought that an event such as the COVID-19 pandemic would impact South Africa and the world with such devastating effects. The effects on the economy and markets are still to be determined and we need to adjust to the exponential changing environment to keep up with the rapid rate of change. Rate of change versus human adaptability is one of the biggest challenges at the moment and our learning curve is constant.

Nictus is preparing for this ever-changing situation by developing strategies to maintain and promote a sustainable business. The immediate effect of the pandemic hit Nictus during the latter part of March 2020, which was also just before our financial year end. The sharp drop in local and global markets had a significant impact on the current value of investments and impairments were experienced which were not recovered by 31 March 2020.

We are thankful that with the grace of God, we could endure the initial effects of the pandemic. Although short-term losses were incurred, we were able to maintain our capital solvency requirements as at 31 March 2020. This impact was absorbed due to the positive results the group experienced during the 11 months preceding the COVID-19 pandemic.

I am satisfied with the progress made during the past two years where strategies and synergies are falling into place and where the focus on each subsidiary in the group is beginning to pay off. Relationships with our clients, customers, suppliers, employees and all other stakeholders are at a highly satisfactory level and this contributes to our success, as it remains a team effort to contribute to a successful outcome.

Corporate governance

Nictus remains committed to the highest standards of corporate governance and transparency. As we operate in a highly regulated environment, we value that conforming to these rules and regulations contributes to a better South Africa where we should stand together against inappropriate and corrupt practices. We remain committed to working together with all governing and regulating bodies in achieving sound relationships and strong corporate governance.

Outlook

Due to the long-term nature of the COVID-19 pandemic, determining an outlook is not an easy task. South Africa is experiencing the lowest inflation rate as well as the lowest interest rate in years with forecasts of the interest rate further decreasing. Investor confidence in South Africa remains a challenge. The ability of the South African people to cope with the emotional and physical aspects of the pandemic, short and longer term, will be a significant challenge.

We believe that God will nurture and protect us, and we will also do everything physically and intellectually possible to build on what we have achieved in the past as I believe this will create new disciplines whereafter bigger heights can be achieved. We will focus day-to-day, week-to-week, month-to-month, to ensure we remain not only relevant, but also innovative and loyal.

Nictus remains committed to all of our esteemed stakeholders and will continue to build on our strategy to create wealth for them all. We are looking forward to an exciting period and are confident that the future will unfold great value for us all.

Appreciation

My appreciation goes out to all of our committed employees with the support of their families, whose valuable inputs cannot go unseen. Further appreciation is extended to our clients, customers, landlords, suppliers and associates and the relationships we have with each to ensure sustainability for all involved. Thank you to all board members, the chairmen of our committees and the chairman of the board for their vision, leadership and support, and lastly, thank you to my family.

Our success and stability can only be attributed to our loving God and we remain humble and thankful in his presence.

Gerard R de V Tromp
Executive group managing director

4 September 2020

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 Meubels

Nictus Meubels 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. The first brand specialist shop has opened its doors where high-quality brands are accentuated and well presented to deliver an excellent shopping experience.



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

REVENUE
 **R42,3 million**
 (2019: R42,7 million)

ASSETS
 **R35,3 million**
 (2019: R51,8 million)



Corporate Guarantee

Corporate Guarantee 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 the role of risk 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. We enable our clients to build up a 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 cash flow and financial stability.

Future strategy

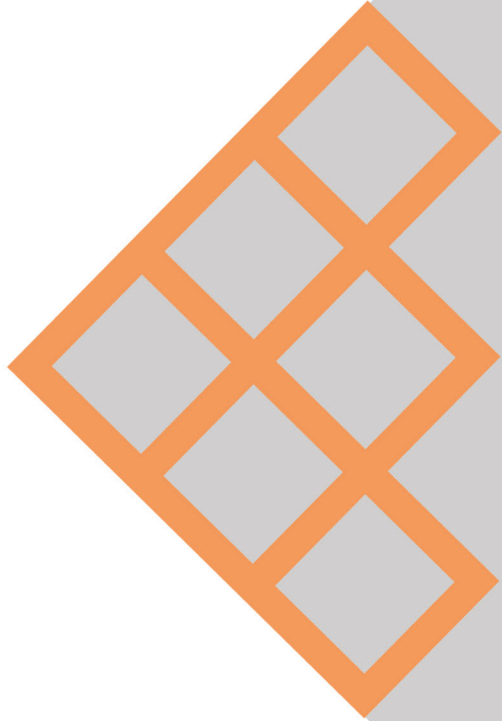
Increasing investment return automatically increases profit within the segment as well as the group. An investment committee assists with the management of investments within the group, especially the insurance segment. An investment mandate is in place within the segment, providing management with specific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



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

REVENUE
 **R12,4 million**
 (2019: R9,2 million)

ASSETS
 **R710,2 million**
 (2019: R617,1 million)



03

GOVERNANCE

NICTUS REMAINS COMMITTED TO THE HIGHEST STANDARDS OF CORPORATE GOVERNANCE AND TRANSPARENCY. AS WE OPERATE IN A HIGHLY REGULATED ENVIRONMENT, WE VALUE THAT CONFORMING TO THESE RULES AND REGULATIONS CONTRIBUTES TO A BETTER SOUTH AFRICA WHERE WE SHOULD STAND TOGETHER AGAINST INAPPROPRIATE AND CORRUPT PRACTICES.



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.

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 with the Companies Act of South Africa and the JSE Limited 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.

The company is in compliance with the provisions of the Companies Act of South Africa and the relevant laws governing its establishment, specifically relating to its incorporation. Furthermore, the company is operating in conformity with its memorandum of incorporation.

Principles	Nictus application
Governance outcome one: Ethical culture	
Principle 1	
Leadership "The governing body should lead ethically and effectively"	The board 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
Governance outcome one: Ethical culture <i>continued</i>	
Principle 2	
Organisational ethics "Govern the ethics of the organisation in a way that supports the establishment of an ethical culture"	The board, 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 among employees of the group's ethical compliance requirements. The board sets an example by undertaking to conform to the code of conduct themselves. Nictus' code of conduct is disclosed on page 5 of this 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 board 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 Eksekuteurskamer 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.
Governance outcome two: Performance and value creation	
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.

Corporate governance report continued

Principles	Nictus application
Governance outcome two: Performance and value creation continued	
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.
Governance outcome three: Adequate and effective control	
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 35 of this 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.

Principles	Nictus application
Governance outcome three: Adequate and effective control continued	
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. 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. The board comprises two executive directors, three independent non-executive directors and two non-executive directors. For the financial year under review, one of the independent non-executive directors had served on the board for longer than nine years. The chairman of the board, Professor Barend J Willemse, who is categorised and confirmed as independent, has been on the board since 2010. Although serving on the board for more than nine years is relevant to the determination of a non-executive director’s independence, the board recognises that an individual’s independence cannot be determined arbitrarily on the basis of a set period of time. It is the board’s view that continued tenure brings considerable stability to the board, that has benefitted greatly from the presence of individuals who have over time gained valuable insight into the group and its markets.

Corporate governance report continued

Principles	Nictus application
Governance outcome three: Adequate and effective control continued	
Principle 7 continued	
	Directors' independence is judged from the perspective of a reasonable and informed third party, based on prevailing circumstances, the definition of independence in terms of the Companies Act, the King IV guidance in terms of the assessment of independence (substance over form basis), conflicts of interest (whether perceived or actual) and other relevant considerations. Attention is given to ensure that independent non-executive directors remain independent in character and judgement, and continue to present an objective and constructive challenge to the assumptions and viewpoints presented by management and the board. In terms of the above, annual independence evaluations are conducted for directors whose tenure exceeds nine years. The board has made an assessment of Professor Barend J Willemse's independence and is of the view that his extensive experience far outweighs the potential downside of the length of his service.
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 board 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 pages 35 to 36 of this integrated annual report.

Principles	Nictus application
Governance outcome three: Adequate and effective control continued	
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.
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 board 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, 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.

Corporate governance report continued

Principles	Nictus application
Governance outcome three: Adequate and effective control continued	
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 executive management and the 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 this 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 audit and risk committee annually considers independent assurance on the effectiveness of the technology and information, including outsourcing.

Principles	Nictus application
Governance outcome three: Adequate and effective control continued	
Principle 13	
Compliance governance “The governing body should govern in compliance with applicable laws and 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 current reporting period was to work with the Prudential Authority in preparation for the re-licensing/ conversion of Corporate Guarantee as required by the Insurance Act, the process was completed by 30 June 2020. 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 recommended practices of King IV. It aims to appeal to and retain those individuals that will support and contribute towards achieving the group’s desired results and strategy. The policy, philosophy and strategy are encapsulated in the following: Remuneration should: • Contribute towards appealing to and retaining motivated and loyal employees; • Reflect a direct correlation with the vision and results of the group; • Be reviewed and benchmarked annually; • Support the strategy of the group; and • Reward performance and motivate employees. The remuneration report, policy and implementation report are presented on pages 37 to 41 of this integrated annual report.

Corporate governance report continued

Principles	Nictus application
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Governance outcome three: Adequate and effective control continued

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.

Governance outcome four: Trust, good reputation and legitimacy

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 board 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.

The board and the group's external auditor will be available at the annual general meeting to respond to any shareholder queries.

Principle 17

Responsible investing

"The governing body of an institutional investor organisation should ensure that responsible investment is practised by the organisation to promote the good governance and the creation of value by the companies in which it invests"

The function of the investment committee is to evaluate and advise the board on all group and subsidiary investments of substantial monetary value or business importance, including 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	Remuneration and nomination committee*	Social and ethics committee	Investment committee
Professor Barend J Willemse	Independent non-executive chairman	4/4	✓ 3/3	✓ 1/1		✓ C 2/2
Gerard Swart	Independent non-executive	4/4	✓ 3/3	✓ C 1/1		
Nicolaas C Tromp	Non-executive	4/4				
Eckhart H Prozesky	Executive (Financial)	3/4				✓ 2/2
Gerard R de V Tromp	Executive (Managing)	4/4			✓ 2/2	✓ 2/2
Philippus J de W Tromp	Non-executive	4/4			✓ C 2/2	
Cornelius J de Vrye	Independent non-executive	4/4	✓ C 3/3	✓ 1/1		
Stephanus J Gerber	Managing executive: Corporate Guarantee				✓ 2/2	

✓ 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.

* Due to the COVID-19 pandemic and the associated lockdown restrictions announced, effective 27 March 2020, the second scheduled remuneration and nomination committee meeting for the financial ended 31 March 2020, was postponed from 25 March 2020 to 18 May 2020.

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 and reviewed annually. 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 biannually.

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.



Corporate governance report continued

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 biannually.

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 biannually. 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 executive of the insurance segment has an *ex-officio* seat on the committee, which meets at least biannually.

Remuneration REPORT

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

Background statement

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 undertakes 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 implemented during the previous financial year, 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 prevailing economic climate.

No remuneration consultants have been engaged by the remuneration and nomination committee or the board during the past financial year.

The resolutions presented to shareholders at the 2019 Annual General Meeting of the company for the approval of the remuneration policy and remuneration implementation report were passed, by 100% in favour of each resolution by all shareholders present or represented by proxy.

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.

Areas of focus for the immediate future will entail successfully managing the company through the COVID-19 pandemic and current economic crises with which South Africa is confronted. Specific care and continuous focus will be on employee retention and to carefully manage employee well-being and efficiency in the workplace. Nictus strives to provide job security and all considerations will be evaluated in achieving such outcome.

Further focus areas may include development of incentive programmes to reward senior management for achieving longer term predetermined outcomes at predetermined time frames.

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.

Remuneration report continued

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.

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 laws and regulations 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 made, 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 (MOI) of the company. The board and each of its committees have charters which set out their responsibilities.

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 14 October 2020 and August 2021, are to be approved by the shareholders at the annual

general meeting on 14 October 2020. 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 remuneration changes to the

general staff complement, executive management and the non-executive directors. The latter was approved by shareholders and the implementation applied for the 2020 financial year was as follows:

- General staff 5,0%
- Executive management 1,3%
- Non-executive directors (57,2%)

Executive management remuneration for the 2019/2020 year:

Figures in R'000	Paid by the company		
	Basic salary	Bonuses [*]	Total
2020			
Gerard R de V Tromp*	420	–	420
Eckhart H Prozesky	1 560	390	1 950
Stephanus J Gerber	1 238	309	1 547
	3 218	699	3 917
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

^{*} As disclosed in note 28 to the financial statements, a management fee of R2,775 million (2019: R4,167 million) was paid to a related party, Veritas Eksekuteurskamer Proprietary Limited, including services rendered by Gerard R de V Tromp as executive director, to the value of R2,775 million (2019: R3,020 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 laws and regulations 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 to engaging 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 2020/2021

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 2020/2021 year, as set out below, have been recommended for approval.

From 14 October 2020

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 2020, 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

4 September 2020

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.

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 to meet best practice and achieve the group's overall objectives.

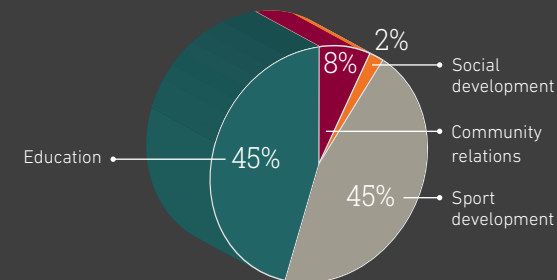
Variation

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

NICTUS COMMITS ITSELF TO CONTINUOUS GROWTH IN ITS CONTRIBUTION AS A GOOD CORPORATE CITIZEN AND STRIVES FOR THE BENEFIT OF ALL ITS STAKEHOLDERS.



Community involvement development

Foreword by the chairman

The social and ethics committee supports the board in its commitment to monitoring the group's social and ethics governance performance, in South Africa where its operations are conducted. With the current environment being ever-changing and challenging, I hereby present the following report to shareholders for the 2020 financial period, in accordance with the requirements of the Companies Act of South Africa, the JSE Listings Requirements and the recommendations of King IV.

Responsibilities

The objectives and responsibilities of the committee are recorded in its charter and are aligned with the committee's statutory functions. The committee's responsibilities are also aligned with King IV recommendations that it should have oversight of organisational ethics, responsible corporate citizenship, sustainable development and stakeholder relationships. The committee has a duty to:

- Monitor the social, economic, governance, employment and environmental activities of the group;
- Bring matters relating to these activities to the attention of the board as appropriate;
- Report annually to shareholders on the matters within the scope of its responsibilities. The specific activities required to be monitored by

the committee include the group's adherence to legislation, regulations and codes of best practice relating to:

- Social and economic development, including the group's standing relative to the United Nations Global Compact Principles, the Organisation for Economic Cooperation and Development's recommendations regarding the combating of corruption, and South Africa's Employment Equity Act and Broad-based Black Economic Empowerment Act (B-BBEE);
- Good corporate citizenship, including the group's positioning and efforts in promoting equality, preventing unfair discrimination and combating corruption, the group's contribution to the development of communities in which it operates or markets its products and the group's record of sponsorships, donations and charitable giving;
- The environment, health and public safety, including the impacts of the group's activities and products on the environment and society;
- Consumer relationships, including the group's advertising, public relations, and compliance with consumer protection laws; and
- Labour and employment and the contribution to the continuous training and development of its employees in all the areas needed.

Monitoring

Key issues considered by the committee during the period included:

- The initiatives investigated and/or undertaken to ensure continued compliance by the group with regard to the B-BBEE generic scorecard reporting requirements, as achieved at the end of the previous reporting period;
- The Employment Equity plan in respect of the group's workforce for the period under review;
- The involvement in social responsibility projects together with current involvement in the development of sport, community relations, education and facilities in Gauteng, Limpopo and the Western Cape where the majority of economic activity is taking place;
- The measures implemented to ensure sustainability and cost savings, including the use of solar energy to contribute to our green footprint; and
- The measures in place to ensure that equal opportunities are created and that human rights are not violated. This includes anti-bribery and the protection of whistle-blowers, where misconduct can be reported.

Matters brought to the attention of the board

During the current reporting period, the committee brought the following key matters to the attention

of the board as part of the committee chairman's reporting responsibilities at board meetings:

- The committee continued its oversight and monitoring to cover the broad scope of its mandate as required by legislation, King IV and the committee charter;
- Management continued to act in the interest of equal opportunities and improving the overall B-BBEE status; and
- Management enhanced their stakeholder relations throughout the group and its subsidiaries.

Conclusion

There were no material legislation, compliance or regulatory fines or penalties relevant to the areas reported within the committee's mandate. The group is making progress in contributing to its social and ethics environment as can be seen through the improving financial results as stated in this report.

Philippus J de W Tromp

Chairman: social and ethics committee

4 September 2020

04

FINANCIAL STATEMENTS

ALTHOUGH SHORT-TERM LOSSES WERE INCURRED, WE WERE ABLE TO MAINTAIN OUR CAPITAL SOLVENCY REQUIREMENTS AS AT 31 MARCH 2020. THIS IMPACT WAS ABSORBED DUE TO THE POSITIVE RESULTS THE GROUP EXPERIENCED FOR THE 11 MONTHS PRECEDING THE COVID-19 PANDEMIC.



Group annual financial statements and annual financial statements for the year ended 31 March 2020

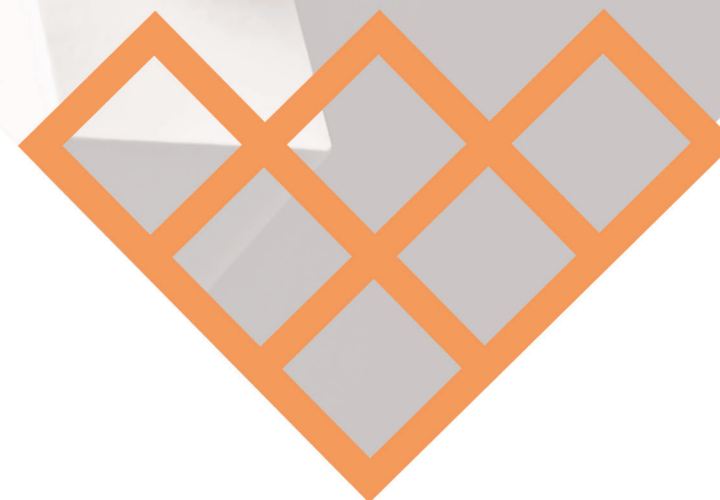
The reports set out below comprise the group annual financial statements and annual financial statements presented to the shareholders:

46	Directors' responsibilities and approval
47	Certificate of the company secretary
48	Audit and risk committee report
50	Directors' report
54	Independent auditor's report
60	Statements of financial position
61	Statements of profit or loss and other comprehensive income
62	Statements of changes in equity
64	Statements of cash flows
65	Significant accounting policies
84	Notes to the financial statements

The financial statements of Nictus Limited as published on 11 September 2020 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
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 2020 and the results of their operations and changes in equity 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 group financial statements and 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. Any system of internal financial control can, however, provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the group's and company's budgets for the year ending 31 March 2021 and, in 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 4 September 2020 and were signed by:

Gerard R de V Tromp
Authorised director
Group managing director

Professor Barend J Willemse
Authorised director
Chairman

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 2020, 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 the Companies Act of South Africa and that all such returns and notices are true, correct and up to date.

Willem H Boshoff
Veritas Eksekuteurskamer Proprietary Limited
Company secretary

4 September 2020



Audit and risk committee report

I am pleased to present you with the group audit and risk committee report for the financial year ended 31 March 2020.

The members and chairman of the committee were individually re-elected at the 2019 annual general meeting of Nictus Limited, in compliance with the requirements of the Companies Act of South Africa. The committee continues to fulfil the function of the audit and risk committee requirement in terms of the Insurance Act in respect of Corporate Guarantee, a wholly-owned subsidiary of Nictus Limited.

The committee operates in terms of the board of directors' approved charter and its three elected members, one of which is the chairman of the board, are all independent non-executive directors.

The committee's work includes 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 and internal auditors are invited to attend the committee meetings.

The committee met twice during the year and engaged, among other work, in the important task of appointing PricewaterhouseCoopers Inc. as the new auditor to the Nictus group of companies. PricewaterhouseCoopers Inc. was appointed as the group and company external auditor, with Mr Jorge M Goncalves acting as the designated audit partner, replacing KPMG Inc., for the current financial year ending 31 March 2020, as a result of an audit firm rotation process initiated by the respective companies. The committee also considered the internal audit function and agreed to outsource the function to an independent service provider who is also rendering the service to Nictus in Namibia. In terms of the committee's charter, it reviewed the charter and measured its effectiveness during the year under review.

The committee's 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 among all parties;
- Ensure that the company has established appropriate financial reporting procedures and that these procedures are operating effectively;
- 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 appointment of the auditor is presented and included as a resolution at the annual general meeting of Nictus, pursuant to section 61(8) of the Companies Act of South Africa;
- 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' responsibilities 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 group'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 are adequately maintained;
- Facilitate and promote communication, through reporting structures, regarding the adequacy and effectiveness of the risk management system or any other related matter, between the board of directors and managing executives;
- Introduce such measures as may serve to enhance the adequacy and effectiveness of the risk management system; and
- Coordinate the monitoring of risk management on an enterprise-wide and individual business unit basis.

The 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 both the external and internal auditor.

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

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

The external and internal auditors have unrestricted access to committee members.

The committee is satisfied that:

- It has complied with the responsibilities set out in its 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 to discharge his duties and responsibilities;
- The board is aware of the implications and actions required to apply and explain the principles of King IV;
- 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 undue influence from the company/group.

Cornelius J de Vrye

Chairman: audit and risk committee

4 September 2020



Directors' report

to the shareholders of Nictus Limited

Your directors have pleasure in reporting on the activities and financial results of the group for the year ended 31 March 2020.

Review of subsidiaries

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

Figures in R'000	2020	2019
The interest of the company in the aggregate net profit after tax of subsidiaries is:		
(Loss)/profit after taxation	(726)	4 135

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

Financial results

For the year under review, the group's profit from operations before taxation amounted to R3,22 million compared to a profit of R6,54 million in the previous year. The company's profit before taxation for the year was R3,66 million compared to a profit of R27,74 million in the previous year.

Segmental analysis

A detailed segmental analysis is included in note 38 to the financial statements.

Directors

	Date of initial appointment	Date of election/re-election
Executive		
Gerard R de V Tromp (<i>Managing director</i>)	18 November 2014	22 August 2018
Eckhart H Prozesky (<i>Financial director</i>)	1 March 2015	22 August 2018
Non-executive		
Philippus J de W Tromp	1 April 2012	17 August 2017
Nicolaas C Tromp	27 April 1979	21 August 2019
Independent non-executive and members of the audit and risk committee		
Professor Barend J Willemse (<i>Chairman</i>)	15 June 2010	22 August 2018
Gerard Swart	15 October 2013	21 August 2019
Cornelius J de Vrye	1 November 2018	21 August 2019

Shareholding

Composition of shareholders	Number of shareholders	%	Number of shares	%
Ordinary shares				
Non-public shareholders	9	1,45	41 368 503	77,41
Directors and associates	9	1,45	41 368 503	77,41
Public shareholders	613	98,55	12 074 997	22,59
	622	100,00	53 443 500	100,00

Distribution of shareholders	Number of shareholders	%	Number of shares	%
Ordinary shares				
Banks/brokers	1	0,16	30 688	0,06
Close corporations	1	0,16	2	0,00
Individuals	424	68,17	1 587 685	2,97
Insurance companies	1	0,16	9 375	0,02
Nominees and trusts	167	26,85	12 267 943	22,95
Other corporations	4	0,64	43 172	0,08
Private companies	21	3,38	39 497 920	73,91
Public companies	3	0,48	6 715	0,01
	622	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	24 926 623	46,64
Namprop Proprietary Limited	6 254 503	11,70
Trocor Proprietary Limited	5 697 103	10,66
PC Investment Holdings Proprietary Limited	4 207 272	7,87



Directors' report continued

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	
	2020	2019
Direct interests		
Professor Barend J Willemse	50 000	50 000
Eckhart H Prozesky	325 000	172 000
Indirect interests		
Professor Barend J Willemse	45 165	33 665
Nicolaas C Tromp, Gerard R de V Tromp and Philippus J de W Tromp	40 948 338	40 958 062
	41 368 503	41 213 727

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

Analysis of executive directors' share options as at 31 March 2020

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

Stated capital

During the prior 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' MOI, 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 R7,47 million, being a price of 58,25 cents per share. There were no changes in stated capital during the current year.

The 196 556 500 (2019: 196 556 500) unissued ordinary shares, are under the control of the directors in terms of a resolution of shareholders passed at the last annual general meeting and in terms of the MOI, but subject to compliance with the relevant regulations, i.e. Companies Act of South Africa and the JSE Listings Requirements.

This authority remains in force until the next annual general meeting.

Dividends

Final dividend

The board, within its discretion, has declared a final dividend of 3,00 cents per Nictus ordinary share (ordinary share) (2019: 3,75 cents per ordinary share) for the year ended 31 March 2020, to all ordinary shareholders recorded in the books of Nictus at the close of business on Friday, 2 October 2020 which will be paid on Monday, 5 October 2020.

The cash dividend timetable is structured as follows:

- The declaration date is Friday, 11 September 2020;
- The last day to trade *cum* dividend in order to participate in the dividend is Tuesday, 29 September 2020;
- The shares commence trading *ex-dividend* from the commencement of business on Wednesday, 30 September 2020;
- The record date is Friday, 2 October 2020; and
- The dividend is to be paid on Monday, 5 October 2020.

Shares will not be rematerialised or dematerialised between Wednesday, 30 September 2020 and Friday, 2 October 2020, 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 Eksekuteurskamer 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

4 September 2020



Independent auditor's report

to the shareholders of Nictus Limited

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Nictus Limited (the Company) and its subsidiaries (together the Group) as at 31 March 2020, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa.

What we have audited

Nictus Limited's consolidated and separate financial statements set out on pages 60 to 148 comprise:

- the consolidated and separate statements of financial position as at 31 March 2020;
- the consolidated and separate statements of profit or loss and other comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended;
- the significant accounting policies; and
- the notes to the financial statements.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group 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 Codes 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.

Our audit approach

Overview



Overall group materiality

- Overall group materiality: R339,000, which represents 5% of the consolidated profit before tax adjusted for items that are not considered to be part of the normal operations of the Group.

Group audit scope

- The Group consists of three components, being the Company and two subsidiaries. We performed full scope audits on all three components based on their financial significance and statutory audit requirements.

Key audit matters

- Classification of insurance contracts and secured advances.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error.

They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Independent auditor's report continued

Overall group materiality	<i>R339,000</i>
How we determined it	<i>5% of the consolidated profit before tax adjusted for items that are not considered to be part of the normal operations of the Group.</i>
Rationale for the materiality benchmark applied	<i>We chose the consolidated profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. Consolidated profit before tax was adjusted to exclude the fair value losses for the month of March 2020, which was attributable to a COVID-19 financial market shock, as this is not considered to be part of the normal operations of the Group. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.</i>

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group consists of three components, being the Company and two subsidiaries. We performed full scope audits on all three components based on their financial significance and statutory audit requirements. We also performed analytical reviews on a subsidiary that was disposed of at the end of the current year.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed by us, as the group engagement team, and the component auditor from within

the PwC network firms operating under our instruction. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole.

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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 matters below relate to the consolidated financial statements. We have determined that there are no key audit matters in respect of the separate financial statements of the Company to communicate in our report.

Key audit matter	How our audit addressed the key audit matter
Classification of insurance contracts and secured advances Refer to the following accounting policies and notes to the consolidated financial statements: - Accounting policy note 1.1, 'Significant judgements and estimates, 'Classification of insurance contracts'; - Accounting policy 1.6, 'Financial instruments, Non-derivative financial instruments, Trade and other receivables'; - Accounting policy 1.17, 'Classification of insurance policies'; - Note 12, 'Trade and other receivables'; and - Note 17, 'Insurance contract liability'.	We inspected a sample of insurance policies and the relevant underwriting documents to evaluate whether there are scenarios, with commercial substance, that could result in the Group paying the policyholder significant additional benefits under the policy, which would then indicate whether a contract has significant insurance risk or not. We noted that the selected insurance policies and the relevant underwriting documents did transfer significant insurance risk to the Group.
The Group underwrites contingency policies which are unconventional insurance policies because of the high proportion of self-funding on the part of the policyholders. Management has concluded that the insurance contracts transfer significant insurance risk to the Group. The Group also issues secured advances (secured advances/loans) to certain policyholders which are secured by the 'experience account' balance on the policyholders' insurance policies.	We inspected a sample of secured advance balances, the relevant 'experience account' balances, cession agreements and insurance policies of the policyholders to evaluate whether these agreements are, in substance, interdependent. We noted that the policy benefits to be paid to the policyholders are dependent on the outstanding loan balances. We further noted that the loan book is managed in tandem with the insurance policy book on the basis that the security on the loans in default are not called upon while the policy status is active. Based on our evaluation performed, we accepted management's conclusion that these contracts are interdependent.
The settlement amounts payable to each policyholder under the contingency policies depend on whether the policyholder also entered into a secured loan agreement with the Group. The loan agreements and the insurance policies are interdependent as the outstanding secured loan balances are settled before any payment under the insurance policy is made to the policyholders. Management has concluded that the secured advances, included in trade and other receivables, and contingency policies form single insurance contracts in scope of IFRS 4 'Insurance contracts' (IFRS 4). Despite the interdependency of the agreements, the loans are classified as trade and other receivables, separately from the insurance contract liabilities.	Utilising our accounting expertise, and taking into account that IFRS 4 allows entities to apply their existing accounting policies prior to the adoption of the standard, we assessed whether it was appropriate to recognise the secured advances as an asset in the consolidated statement of financial position, and not netted off against the insurance contract liabilities recognised in the consolidated statement of financial position. Based on our assessment, we accepted management's recognition and presentation of the secured advances and insurance contract liabilities in the consolidated statement of financial position.
We identified this to be a matter of most significance to the audit due to the following: - Judgement is required in determining the classification of these insurance contracts and the related accounting standard applicable to these insurance contracts; - Significant judgement is involved in determining whether the secured advances and the contingency policies form a single unit of account; and - A potential incorrect classification of the insurance contracts and the loans could have a significant impact on the financial and insurance risks of the related balances disclosed in the consolidated financial statements.	



Independent auditor's report continued

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Nictus '20 Integrated Annual Report for the year ended 31 March 2020", which includes the Directors' Report, the Audit and Risk Committee Report and the Certificate of the Company Secretary as required by the Companies Act of South Africa. The other information does not include the consolidated or the 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 identified above 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 and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or 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, actions taken to eliminate threats or safeguards applied.

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 PricewaterhouseCoopers Inc. has been the auditor of Nictus Limited for one year.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: Jorge Goncalves
Registered Auditor

Johannesburg
7 September 2020



Statements of financial position

as at 31 March 2020

		GROUP			COMPANY	
Figures in R'000	Note(s)	2020	Restated* 2019	Restated* 2018	2020	2019
Assets						
Non-current assets						
Property, plant and equipment	3	15 580	18 026	18 051	941	557
Intangible assets	4	702	1 201	118	22	22
Investments in subsidiaries	5	–	–	–	69 942	79 220
Right-of-use asset	6	1 514	–	–	–	–
Investments	7	32 168	28 640	11 340	4 581	3 185
Deferred tax assets	8	2 421	3 253	3 020	–	–
Trade and other receivables [#]	12	5 485	4 485	5 387	–	–
		57 870	55 605	37 916	75 486	82 984
Current assets						
Inventories	10	10 796	10 119	10 993	6	6
Loans and receivables	9	–	38 085	44 226	–	33 910
Trade and other receivables	12	432 555	401 190	358 645	14 065	12 854
Investments	7	192 173	93 156	98 809	–	–
Cash and cash equivalents	13	56 014	64 640	89 717	5 658	340
Current tax receivable	26	72	70	–	–	–
		691 610	607 260	602 390	19 729	47 110
Total assets		749 480	662 865	640 306	95 215	130 094
Equity and liabilities						
Equity						
Stated capital	14	25 969	25 969	48 668	25 969	25 969
Revaluation reserve	15	1 152	7 983	7 983	–	–
Retained earnings		68 434	61 489	43 403	63 141	61 925
		95 555	95 441	100 054	89 110	87 894
Liabilities						
Non-current liabilities						
Deferred tax liabilities	8	3 115	6 291	5 073	3 115	2 656
Lease liabilities	6	71	–	–	–	–
		3 186	6 291	5 073	3 115	2 656
Current liabilities						
Loans from group companies	11	–	–	–	409	37 647
Trade and other payables	16	8 306	7 725	10 974	2 581	1 897
Insurance contract liability	17	640 705	553 408	524 193	–	–
Lease liabilities	6	1 728	–	12	–	–
		650 739	561 133	535 179	2 990	39 544
Total liabilities		653 925	567 424	540 252	6 105	42 200
Total equity and liabilities		749 480	662 865	640 306	95 215	130 094

* The comparative figures were restated, refer to note 39 for detail of the restatement.

[#] This line was referenced to loans and receivables in the prior year.

Statements of profit or loss and other comprehensive income

for the year ended 31 March 2020

Figures in R'000	Note(s)	GROUP		COMPANY	
		2020	Restated* 2019	2020	2019
Revenue	18	50 894	48 340	16 600	42 700
Effective interest revenue		2 416	2 412	–	–
Total revenue		53 310	50 752	16 600	42 700
Cost of sales		(25 714)	(25 468)	–	–
Gross profit		27 596	25 284	16 600	42 700
Other income	19	942	734	1 465	3 436
Investment income/(loss) from operations	21	42 895	44 190	(1 856)	209
Notional interest allocation	17	(30 032)	(26 934)	–	–
Claims paid	17	(7 527)	(5 416)	–	–
Operating expenses	20	(19 974)	(18 244)	(4 799)	(9 642)
Administrative expenses	20	(13 858)	(17 263)	(7 623)	(8 536)
Results from operating activities		42	2 351	3 787	28 167
Investment income	21	3 441	4 192	3 250	3 979
Finance expenses	22	(260)	–	(3 381)	(4 411)
Profit before taxation		3 223	6 543	3 656	27 735
Taxation credit/(expense)	23	417	(985)	(459)	(538)
Profit for the year		3 640	5 558	3 197	27 197
Other comprehensive income					
<i>Items that will not be reclassified to profit or loss:</i>					
Revaluation of land and buildings		(2 146)	–	–	–
Income tax relating to these items	23	601	–	–	–
Other comprehensive income for the year, net of tax		(1 545)	–	–	–
Total comprehensive income for the year		2 095	5 558	3 197	27 197
Profit attributable to:					
Owners		3 640	5 558	3 197	27 197
Total comprehensive income attributable to:					
Owners		2 095	5 558	3 197	27 197
Basic earnings per share (cents)	37	6.81	9.00		
Diluted basic earnings per share (cents)	37	6.81	9.00		

* The comparative figures were restated, refer to note 39 for detail of the restatement.



Statements of changes in equity

for the year ended 31 March 2020

Figures in R'000	Stated capital	Revaluation reserve	Retained earnings	Total equity
GROUP				
Balance as at 1 April 2018	48 668	7 983	46 076	102 727
Effect of restatement**	–	–	(2 673)	(2 673)
Restated total equity at the beginning of the financial year	48 668	7 983	43 403	100 054
Total comprehensive income for the year				
Profit for the year (restated**)	–	–	5 558	5 558
Total comprehensive income for the year	–	–	5 558	5 558
<i>Transactions with the owners of the company</i>				
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	61 489	95 441
<i>Total comprehensive income for the year</i>				
Profit for the year	–	–	3 640	3 640
Other comprehensive income	–	(1 545)	–	(1 545)
Transfer of gain on disposal of land and buildings measured at fair value through other comprehensive income to retained earnings	–	(5 286)	5 286	–
Total comprehensive income for the year	–	(6 831)	8 926	2 095
<i>Transactions with the owners of the company</i>				
Distributions to the owners of the company				
Dividends paid	–	–	(2 004)	(2 004)
Prescribed dividends	–	–	23	23
Total transactions with the owners of the company	–	–	(1 981)	(1 981)
Balance as at 31 March 2020	25 969	1 152	68 434	95 555
Note(s)	14	15		

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

** The comparative figures were restated, refer to note 39 for detail of the restatement.

Figures in R'000	Stated capital	Retained earnings	Total equity
COMPANY			
Balance as at 1 April 2018	48 668	22 200	70 868
<i>Total comprehensive income for the year</i>			
Profit for the year	–	27 197	27 197
Total comprehensive income for the year	–	27 197	27 197
<i>Transactions with the owners of the company</i>			
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
<i>Total comprehensive income for the year</i>			
Profit for the year	–	3 197	3 197
Total comprehensive income for the year	–	3 197	3 197
<i>Transactions with the owners of the company</i>			
Distributions to the owners of the company			
Dividends paid	–	(2 004)	(2 004)
Prescribed dividends	–	23	23
Total transactions with the owners of the company	–	(1 981)	(1 981)
Balance as at 31 March 2020	25 969	63 141	89 110
Note(s)	14		

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

Statements of cash flows

for the year ended 31 March 2020

		GROUP		COMPANY	
Figures in R'000	Note(s)	2020	Restated* 2019	2020	Restated* 2019
Cash flows from operating activities					
Cash generated from/(utilised by) operations	25	14 896	(57 908)	3 071	(3 700)
Investment income received from operations		49 393	47 150	3 250	3 979
Acquisition of investments		(49 619)	(48 690)	–	–
Short-term investments at amortised cost (invested)/disinvested		(55 665)	42 081	–	–
Dividends received		1 233	1 232	185	25 000
Dividends paid		(2 004)	(1 988)	(2 004)	(1 988)
Finance expenses paid		(260)	–	(3 381)	(4 411)
Tax paid	26	(1 302)	(82)	–	–
Net cash (utilised by)/generated from operating activities		(43 328)	(18 205)	1 121	18 880
Cash flows from investing activities					
Acquisition of property, plant and equipment	3	(198)	(629)	(550)	(354)
Proceeds on sale of property, plant and equipment		–	169	–	–
Acquisition of intangible assets	4	–	(1 353)	–	–
Acquisition of investments		(1 551)	(2 976)	(1 551)	(2 976)
Loans repaid by related party		38 081	6 141	33 906	6 141
Proceeds from share buy-back by subsidiary		–	–	9 625	–
Proceeds on disposal of subsidiary		5	–	5	–
Net cash generated from investing activities		36 337	1 352	41 435	2 811
Cash flows from financing activities					
Repurchase of company shares: Specific buy-back from shareholder		–	(8 224)	–	(8 224)
Payment of lease liabilities		(1 603)	–	–	–
Repayments to subsidiary companies		–	–	(37 238)	(13 580)
Net cash utilised by financing activities		(1 603)	(8 224)	(37 238)	(21 804)
Total cash movement for the year		(8 594)	(25 077)	5 318	(113)
Total cash sold by subsidiary for the year		(32)	–	–	–
Cash and cash equivalents at the beginning of the year		64 640	89 717	340	453
Total cash and cash equivalents at the end of the year		56 014	64 640	5 658	340

* The comparative figures were restated, refer to note 39 for detail of the restatement.

Significant accounting policies

for the year ended 31 March 2020

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 2020 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 Meubels 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 20 August 2020.

Basis of measurement

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;
- Insurance contract liabilities; 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 2019.

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 16 *Leases* 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*. Refer to note 33 for more information regarding the latter.

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

The group 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.

The adoption of IFRS 16 had no material impact on the results from operating activities of the group.

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.

Significant accounting policies continued

for the year ended 31 March 2020

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 1.17 – Classification of insurance contracts
- Note 8 – Utilisation of tax losses

Classification of insurance contracts

A significant judgement area for the group is whether a contingency policy and a loan/cession agreement with a policyholder form a single unit of account. This impacts the assessment on whether significant insurance risk is transferred to the group as well as the accounting standard that is relevant to the arrangement.

The group issues contingency policies, while also offering loans (secured advances) to certain policyholders. The policyholders may cede their contingency policies as security for these secured advances.

The group considers whether the contingency policies transfer significant insurance risk to the group. In performing this assessment, management needs to identify all contracts that are entered into simultaneously with a single counterparty (or contracts that are otherwise interdependent), as these form a single contract.

The settlement amounts payable to the policyholders under the contingency policies depend on whether the policyholders also entered into secured advances. The outstanding secured advance balances are settled before the group settles the liabilities under the contingency policies. These agreements are therefore interdependent, as the value of the net

policyholder liabilities depend on the value of the outstanding secured advances. Management has concluded on this basis that these agreements form a single unit of account.

The arrangement with the policyholder is regarded as a single contract when determining whether significant insurance risk is transferred to the group. The group assessed that the single contracts do transfer significant insurance risk to the group. The contracts are therefore in scope of IFRS 4, the insurance standard. If these were not considered to form a single contract, the secured advances would have been accounted for under IAS 39, the financial instruments standard, separately from the contingency policies. (Refer to accounting policy 1.6 for the accounting policy for the accounting treatment of the secured advance component and accounting policy 1.17 for the accounting treatment of the insurance contract component).

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.

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

1.3 Property, plant and equipment

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

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

Property, plant and equipment is initially measured at cost.

Costs include costs incurred initially that are directly attributable to the acquisition of an item of property, plant and equipment and costs incurred subsequently to add to, replace part of 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.

Only 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.

Significant accounting policies continued

for the year ended 31 March 2020

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 was 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
Office equipment	3 to 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

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. External 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.

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.

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

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.

Secured advances, included in trade and other receivables, and contingency policies form single insurance contracts in scope of IFRS 4 (refer to accounting policy 1.17). The secured advances components are included in, and measured as, trade and other receivables based on the group's accounting policy.

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.

Significant accounting policies continued

for the year ended 31 March 2020

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 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 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, the latter being quoted on the JSE Debt Market, at the close of business on the reporting date.

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

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.

1.7 Income tax and deferred tax

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

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

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

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

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

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

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

The company withholds 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

The company assesses whether a contract is, or contains a lease, at the inception of the contract.

A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Significant accounting policies continued

for the year ended 31 March 2020

In order to assess whether a contract is, or contains a lease, management determine whether the asset under consideration is "identified", which means that the asset is either explicitly or implicitly specified in the contract and that the supplier does not have a substantial right of substitution throughout the period of use. Once management has concluded that the contract deals with an identified asset, the right to control the use thereof is considered. To this end, control over the use of an identified asset only exists when the company has the right to substantially all of the economic benefits from the use of the asset as well as the right to direct the use of the asset.

In circumstances where the determination of whether the contract is or contains a lease requires significant judgement, the relevant disclosures are provided in the significant judgements and sources of estimation uncertainty section of these accounting policies.

Group as lessee

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date, for all lease agreements for which the company is a lessee, except for short-term leases of 12 months or less, or leases of low value assets. For these leases, the company recognises the lease payments as an operating expense (note 6) on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The various lease and non-lease components of contracts containing leases are accounted for separately, with consideration being allocated to each lease component on the basis of the relative stand-alone prices of the lease components and the aggregate stand-alone price of the non-lease components (where non-lease components exist).

As an exception to the preceding paragraph, however, the company has elected not to separate the non-lease components for leases of land and buildings.

Details of leasing arrangements where the company is a lessee are presented in note 6 Leases (group as lessee).

Lease liability

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed lease payments, including in-substance fixed payments, less any lease incentives; and
- Lease payments in an optional renewal period if the company is reasonably certain to exercise an extension option.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability (or right-of-use asset). The related payments are recognised as an expense in the period incurred and are included in operating expenses (note 20).

The lease liability is presented as a separate line item on the statements of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made. Interest charged on the lease liability is included in finance costs (note 22).

The company remeasures the lease liability, when applicable, in accordance with the following table:

Lease liability remeasurement scenario	Lease liability remeasurement methodology
Change to the lease term	• Discounting the revised lease payments using a revised discount rate
Change in the assessment of whether the company will exercise a purchase, termination or extension option	• Discounting the revised lease payments using a revised discount rate
Lease contract has been modified and the lease modification is not accounted for as a separate lease	• Discounting the revised payments using a revised discount rate

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognised in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Right-of-use assets

Lease payments included in the measurement of the right-of-use assets comprise the following:

- The initial amount of the corresponding lease liability;
- Any lease payments made at or before the commencement date; and
- Any initial direct costs incurred.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and accumulated impairment losses.

The right-of-use asset is presented as a separate line item on the statements of financial position.

Right-of-use assets are depreciated over the shorter period of the lease term and useful life of the underlying asset. Depreciation starts at the commencement date of a lease.

For right-of-use assets which are depreciated over their useful lives, the useful lives are presented in the following table:

Item	Depreciation method	Average useful life
Leasehold property	Straight-line	Over the remaining lease term

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate. Each part of a right-of-use asset with a cost that is significant in relation to the total cost of the asset is depreciated separately.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.



Significant accounting policies continued

for the year ended 31 March 2020

Leases (Comparatives under IAS 17)

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 retail inventory comprises all costs incurred to procure and deliver the inventories to the retail stores.

Net realisable value is the estimated selling price in the ordinary course of business less 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 retail 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.

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 is 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.



Significant accounting policies continued

for the year ended 31 March 2020

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.

1.13 Revenue

The group's revenue comprises the following:

- Sale of goods, rendering of services and finance income on instalment sales; and
- Earned premium income.

The company's revenue comprises the following:

- Management fee from wholly-owned subsidiaries; and
- Dividend and interest income from wholly-owned 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 is 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.

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.

Revenue in respect of services rendered is recognised at a point in time or over time as the services are rendered. The services predominantly include administration fees, service 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 does not exceed seven days.

Payment is generally due within 24 months from delivery with regard to instalment sale agreements entered into and immediately with regard 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 sale 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 sale 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 sale agreement.

Earned insurance premium

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

Company

Management fees from wholly-owned subsidiaries

The holding company provides specific services to its subsidiaries on a proactive basis with regard 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.

Dividend income from wholly-owned subsidiaries

Dividend income from subsidiaries is 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.

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 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.

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, diverse recoveries and *ad hoc* rebates received.

Other income is recognised in profit or loss when the right to receive payment is established at the amount receivable.

Significant accounting policies continued

for the year ended 31 March 2020

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 are 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.

1.17 Classification of insurance policies

In return for payment of an insurance premium, Corporate Guarantee, a wholly-owned subsidiary of the company and registered South African short-term insurer, undertakes to indemnify the policyholder for loss suffered by reason of the

occurrence of any of the event(s) defined in the multi-peril contingency policy (policy or policies), occurring during the period of insurance, in accordance with the terms and conditions of the policy, by payment up to the policy indemnity limit or, at the insurer's sole discretion, by replacement, reinstatement or repair.

Policies 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 as envisaged by IFRS 4 *Insurance Contracts*.

The contingency policies that the group sells are insurance contracts as envisaged in scope of IFRS 4. A policyholder may also elect to take out a secured advance with the group. The contingency policy is pledged and ceded to the group as security for the secured advance. In terms of the guidance in IFRS 4, where a secured advance is provided to a policyholder, the agreements between the group and the policyholder are considered to be a single insurance contract due to the interdependency between the agreements (refer to note 1.1 for the information relating to significant judgement). The group's accounting policy is to present separately the secured advances component that form part of the insurance contracts (refer to accounting policy 1.6) and include it in trade and other receivables.

The insurance contract liability predominantly consists of the premium provision that relates to the unexpired terms of issued policies which can be accurately measured. The policies are also of a short-term basis, with the period of insurance not exceeding 12 months from issue.

Premiums

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

tax. Premiums written include adjustments to premiums written in prior reporting periods.

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

Unearned premium provision

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

Claims incurred

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

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.

Claims incurred are recognised in profit or loss upon receipt of a valid claim in terms of the policy, measured in terms of same, to compensate the policyholder for the adverse effect of the insured event.

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 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.

Notional interest (no-claim bonus)

A monthly no-claim bonus is allocated to the experience account of the policy. Notional interest is calculated on the positive cash balance of the experience account, at a rate determined by the group, according to market conditions. The no-claim bonus will not be forfeited, even if claims were made against the experience account – it is always calculated on the remaining balance in the account. The notional interest accrues and is paid to the policyholder on expiry or cancellation of the policy. The notional interest liability is disclosed as part of the insurance contract liability balance and measured in terms of IFRS 4.

Significant accounting policies continued

for the year ended 31 March 2020

Secured advances

The secured advances include advances made to companies, property companies and other entities in the normal course of business of the insurance segment. These advances could be secured by assets, rights to claims in the company, mortgage bonds, pledges and suretyships. Currently these advances are predominantly secured by policy benefits being ceded to the group. Various repayment terms, none of which exceed 12 months, and interest rates apply. Cash flows with regard to secured advances are solely payments of principal and interest on the principal amount outstanding. In its current form, these secured advances are closely linked to the policies and accounted for separately from same in terms of IFRS 4.

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 pertaining to resources to be allocated to the segment and to assess its performance.

Segment results

Segment results consist of segment revenue less segment expenses.

Segment revenue

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

Segment expense

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

General administrative expenses, such as head office expenses, and other expenses that arise at group level and relate to the group as a whole, are also excluded from segment expense. 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 JSE Debt Market. 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 or published 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.

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

Financial instruments

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

The company derecognises 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 transfers 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.

Significant accounting policies continued

for the year ended 31 March 2020

Non-derivative financial instruments

Recognition and initial measurement

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

On initial recognition, a financial asset is classified as measured at amortised cost; debt investments at fair value through other comprehensive income, 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.

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

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 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 2020

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 2020, the following standards and interpretations were in issue, but not yet effective:

	Standard/interpretation	Effective date: years beginning on or after
Various standards	<i>Amendments to References to Conceptual Framework in IFRS Standards</i>	Annual periods beginning on or after 1 April 2020*
IFRS 3 amendment	<i>Definition of a Business</i>	Annual periods beginning on or after 1 April 2020*
IAS 1 and IAS 8	<i>Definition of Material</i>	Annual periods beginning on or after 1 April 2020*
IFRS 17	<i>Insurance Contracts</i>	Annual periods beginning on or after 1 April 2023*
IFRS 9	<i>Financial Instruments</i>	Annual periods beginning on or after 1 April 2023*

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

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.

2. New standards and interpretations not yet effective continued

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.

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 IASB 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 and the application of this standard will be done on a case-by-case basis.



Notes to the financial statements continued

for the year ended 31 March 2020

2. New standards and interpretations not yet effective continued

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 contracts 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, contracted a suitable external IFRS advisor to assist with the process of determining the impact of IFRS 17 and this process was concluded during the financial year ended 31 March 2020. Despite the latter, the group used the additional 12-month extension granted to the insurance industry for the adoption of IFRS 17 to conduct further analysis and consultations to determine an accurate impact of IFRS 17. More detailed disclosure on the impact of the new standard will be provided in future financial statements.

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 group'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 historical credit losses.

The group and insurance subsidiary are eligible and have elected the temporary exemption from IFRS 9 (refer to note 33 for the required disclosures).

3. Property, plant and equipment

Figures in R'000	2020			2019		
	Cost/ valuation	Accu- mulated deprecia- tion and impair- ments	Carrying value	Cost/ valuation	Accu- mulated deprecia- tion and impair- ments	Carrying value
GROUP						
At valuation						
Land and buildings	14 000	–	14 000	16 146	–	16 146
At cost						
Leasehold improvements	88	(67)	21	88	(46)	42
Office equipment	598	(302)	296	1 179	(893)	286
Furniture and fittings	74	(11)	63	55	(26)	29
Motor vehicles	1 078	(418)	660	1 078	(248)	830
Generator equipment	269	(2)	267	401	(107)	294
Shop fittings	480	(480)	–	480	(453)	27
Solar equipment	281	(8)	273	496	(124)	372
	16 868	(1 288)	15 580	19 923	(1 897)	18 026
COMPANY						
At cost						
Office equipment	425	(245)	180	425	(136)	289
Motor vehicles	295	(74)	221	295	(27)	268
Generator equipment	269	(2)	267	–	–	–
Solar equipment	281	(8)	273	–	–	–
	1 270	(329)	941	720	(163)	557



Notes to the financial statements continued

for the year ended 31 March 2020

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	Revaluation	Depreciation	Closing carrying value
2020						
At valuation						
Land and buildings	16 146	–	–	(2 146)	–	14 000
At cost						
Leasehold improvements	42	–	–	–	(21)	21
Office equipment	286	148	–	–	(138)	296
Furniture and fittings	29	50	(10)	–	(6)	63
Motor vehicles	830	–	–	–	(170)	660
Generator equipment	294	–	–	–	(27)	267
Shop fittings	27	–	–	–	(27)	–
Solar equipment	372	–	–	–	(99)	273
	18 026	198	(10)	(2 146)	(488)	15 580
2019						
At valuation						
Land and buildings	16 146	–	–	–	–	16 146
At cost						
Leasehold improvements	41	20	–	–	(19)	42
Office equipment	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

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	Revaluation	Depreciation	Closing carrying value
2020						
At cost						
Office equipment	289	–	–	–	(109)	180
Motor vehicles	268	–	–	–	(47)	221
Generator equipment	–	269	–	–	(2)	267
Solar equipment	–	281	–	–	(8)	273
	557	550	–	–	(166)	941
2019						
At cost						
Office equipment	334	59	–	–	(104)	289
Motor vehicles	–	295	–	–	(27)	268
	334	354	–	–	(131)	557

Pledged as security

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



Notes to the financial statements continued

for the year ended 31 March 2020

3. Property, plant and equipment continued

Revaluations

Land and buildings consists of business premises situated on Erf 2134, Ferndale Johannesburg (property), measuring 8 030m². The property was valued by the company's directors as at 31 March 2020. The valuation was based on terms agreed between the company and an unrelated third party to sell the property subsequent to year end. The key input under this approach is the consideration offered for the purchase of the property. The directors updated their assessment of the fair value of the property, taking into account the most recent independent valuation, effective 31 March 2020. The directors determined that the property's value is within a range of reasonable fair value estimates. Ownership of the property changed during the current financial year, Kruben Holdings Proprietary Limited sold its business, which included the property, as a going concern to Corporate Guarantee, a fellow subsidiary at the time. In spite of the ownership change, the property remained within the group. The effective date of this transaction was 1 March 2020. No depreciation has therefore been recognised in the current or prior period in respect of the property. The directors have assessed the residual value of the properties as at 31 March 2020 and calculated that the residual value approximates the current carrying value.

The carrying value of the revalued assets and original cost price is R5,40 million (2019: R5,40 million) for the group.

Fair value hierarchy

Figures in R'000	Level 1	Level 2	Level 3	Total
Land and buildings – 2020	–	–	14 000	14 000
Land and buildings – 2019	–	–	16 146	16 146

Figures in R'000	Land and buildings
Reconciliation of fair value assets in Level 3	
Balance as at 1 April 2019	16 146
Fair value measurements	(2 146)
Balance as at 31 March 2020	14 000

3. Property, plant and equipment continued

Fair value hierarchy continued

The valuation techniques to fair value assets and liabilities in Level 3 included the following in the prior financial year.

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

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 of the prior year:

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, R15,95 million, and the value attributed to the investment property in the prior year, R16,15 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 2020

4. Intangible assets

Figures in R'000	2020			2019		
	Cost	Accumulated amortisation and impairment losses	Carrying value	Cost	Accumulated amortisation and impairment losses	Carrying value
GROUP						
Computer software	2 328	(1 648)	680	2 328	(1 149)	1 179
Trademark	22	–	22	22	–	22
	2 350	(1 648)	702	2 350	(1 149)	1 201
COMPANY						
Computer software	356	(356)	–	356	(356)	–
Trademark	22	–	22	22	–	22
	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
2020				
GROUP				
Computer software	1 179	–	(499)	680
Trademark	22	–	–	22
	1 201	–	(499)	702
COMPANY				
Computer software	–	–	–	–
Trademark	22	–	–	22
	22	–	–	22

4. Intangible assets continued

Reconciliation of movement in the carrying value of intangible assets continued

Figures in R'000	Opening carrying value	Additions	Amortisation	Closing carrying value
2019				
GROUP				
Computer software	96	1 353	(270)	1 179
Trademark	22	–	–	22
	118	1 353	(270)	1 201
COMPANY				
Computer software	–	–	–	–
Trademark	22	–	–	22
	22	–	–	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 2020, there were no contractual commitments relating to intangible assets.

5. Investments in subsidiaries

Name of company	Held by	Voting power		Shares at cost	
		2020 %	2019 %	2020 R'000	2019 R'000
Corporate Guarantee	Nictus Limited	100,00	100,00	42 900	42 900
Kruben Holdings Proprietary Limited*	Nictus Limited	–	100,00	–	11 516
Nictus Meubels	Nictus Limited	100,00	100,00	41 220	41 220
				84 120	95 636
Impairment of investment in subsidiaries				(14 178)	(16 416)
Carrying value at the end of year				69 942	79 220
Accumulated impairment allowances					
Opening balance				16 416	17 192
Current year: impairment losses (reversed) (refer to note 20)				(2 238)	(776)
				14 178	16 416

* On 31 March 2020, the company sold its interest in Kruben Holdings Proprietary Limited as it could not be aligned to fit into the company's strategy. It was sold to Willem H Boshoff as a shelf company. The results of Kruben Holdings Proprietary Limited were previously disclosed as part of the furniture retail segment (refer to note 38).

Notes to the financial statements continued

for the year ended 31 March 2020

5. Investments in subsidiaries continued

As a result of prior period trading losses, the investment in Nictus Meubels has been impaired. The current and prior year's reversal has 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 2020. The latter increased based on the operational results achieved by the subsidiary.

The company has no interests in unconsolidated entities.

The company has no sponsored entities, apart from those disclosed in note 7.

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

6. Leases

The group entered into two lease agreements in the past, for retail space and a storeroom, which constitute multi-year lease agreements. These leases generally do not exceed an initial period of 60 months. Periods covered by an option to extend the lease, if the lessee is reasonably certain to exercise that option is also taken into account. The latter is highly unlikely in a furniture retail environment given the amount of external factors to be considered before extending a lease agreement.

The lease payments for the above-mentioned lease agreements shall be discounted using the lessee's incremental borrowing rate as the interest rate implicit in the lease could not be readily determined.

A lease contract relating to the Louis Trichardt retail and store space was not included in the IFRS 16 calculation as the entity applied hindsight to estimate the lease term for lease contracts existing on the effective date, and concluded that based on the negotiations, a renewal at this stage is not certain as it is subject to rental finalisation.

IFRS 16 was adopted for the first time in the current financial period. Comparative figures have been accounted for in accordance with IAS 17 and accordingly, any assets recognised under finance leases in accordance with IAS 17 for the comparative have been recognised as part of property, plant and equipment. The information presented in this note for right-of-use assets therefore only includes the current period.

The group and company used the following practical expedient in transition:

- Applied hindsight to estimate the lease term for lease contracts existing on the effective date;
- Assessed whether a contract is, or contains a lease, at the inception of the contract;
- Elected not to recognise lease liabilities and right-of-use assets in respect of leases for which the lease term ends within 12 months of the date of initial application; 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.

6. Leases continued

Amounts recognised in the statement of financial position

Right-of-use assets

The statement of financial position shows the following amounts relating to leases:

	GROUP		COMPANY	
Figures in R'000	2020	2019	2020	2019
Opening balance	–	–	–	–
Adjustment on adoption of IFRS 16 – 1 April 2019	3 402	–	–	–
Lease – straight-lining accrual adjustment	(319)	–	–	–
Depreciation recognised	(1 569)	–	–	–
Net carrying amounts of right-of-use assets	1 514	–	–	–

Lease liabilities

The maturity analysis of lease liabilities is as follows:

	GROUP		COMPANY	
Figures in R'000	2020	2019	2020	2019
Within one year	1 835	–	–	–
Two to five years	73	–	–	–
	1 908	–	–	–
<i>Less: Finance charges component</i>	<i>(109)</i>	<i>–</i>	<i>–</i>	<i>–</i>
	1 799	–	–	–
Non-current component	71	–	–	–
Current component	1 728	–	–	–
	1 799	–	–	–



Notes to the financial statements continued

for the year ended 31 March 2020

6. Leases continued

Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	GROUP		COMPANY	
	2020	2019	2020	2019
Figures in R'000				
Depreciation charge of right-of-use assets	1 569	–	–	–
Interest expense (included in finance expense (note 22))	260	–	–	–
Expense on short-term leases included in administrative expenses (note 20)	1 200	1 200	1 032	900

Comparative information for leases under IAS 17

The group and company leases fixed property under operating leases. These leases typically run for a period of between one and five years with the option to renew the lease after that date.

Lease payments are increased annually to reflect markets rentals. None of the leases include contingent rentals.

	GROUP		COMPANY	
	2020	2019	2020	2019
Figures in R'000				
Operating leases – as lessee				
Minimum lease payments due:				
– Within one year	–	1 863	–	–
– In second to fifth year inclusive	–	1 908	–	–
– Lease straight-line accrual	–	(319)	–	–
	–	3 452	–	–

7. Investments

	GROUP		COMPANY	
	2020	2019	2020	2019
Figures in R'000				
At fair value through profit or loss				
Listed shares	5 979	10 687	26	–
Listed debt securities	17 258	10 198	–	–
Unit trusts	133 535	89 007	4 555	3 185
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.				
In 2020, listed debt securities consist of senior unsecured floating rate notes held in a South African bank which are redeemable between 31 May 2021 and 31 October 2022 and which earn interest at a rate of three-month JIBAR + 300 basis points and 225 basis points per annum, respectively. 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.				
Amortised cost	67 569	11 904	–	–
Short-term investments				
Short-term investments consist of short-term deposits with an original maturity date of more than three months. Due to the short-term nature of these deposits and the market-related interest rate attached to them, the carrying value approximates the fair value.				
Total investments	224 341	121 796	4 581	3 185

Notes to the financial statements continued

for the year ended 31 March 2020

7. Investments continued

	GROUP		COMPANY	
Figures in R'000	2020	2019	2020	2019
<i>Disclosure</i>				
Non-current assets	32 168	28 640	4 581	3 185
At fair value through profit or loss	32 168	28 640	4 581	3 185
Current assets	192 173	93 156	–	–
At fair value through profit or loss	124 604	81 252	–	–
Amortised cost	67 569	11 904	–	–
	224 341	121 796	4 581	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 regard to unit trusts are the closing units and closing price. There were no transfers between the levels for the reporting period.

	GROUP		COMPANY	
Figures in R'000	2020	2019	2020	2019
Level 1				
Listed shares	5 979	10 687	26	–
Listed debt securities	17 258	10 198	–	–
Unit trusts	3 549	7 755	1 424	3 185
	26 786	28 640	1 450	3 185

	GROUP		COMPANY	
Figures in R'000	2020	2019	2020	2019
Level 2				
Unit trusts	129 986	81 252	3 131	–

7. Investments continued

Interests in unconsolidated structured entities

Unit trust – Investment 1

The fund aims primarily to provide a high level of income. The secondary aim is to maximise total return (the combination of income and capital growth). The fund invests primarily in high-income-bearing bonds, cash and other interest-bearing securities. The fund is actively managed. As at year end, the group's interest in the unit trust totalled R71,11 million (2019: R55,20 million) compared to a total unit trust size of R18,40 billion (2019: R14,80 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 R5,81 million (2019: R0,53 million) compared to a total unit trust size of R1,32 billion (2019: R815,7 million).

Unit trust – Investment 3

The fund aims to produce compound total returns in excess of the MCSI World Index over the medium to long term. The fund invests up to 100% in equity. The investment process of the fund 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 R1,12 million (2019: R4,90 million) and R0,37 million (2019: R0,33 million) respectively, compared to the total unit trust size of R12,07 billion (2019: R6,42 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 R47,68 million (2019: R25,52 million) compared to a total unit trust size of R44,71 billion (2019: R38,24 billion).

Unit trust – Investment 5

The fund seeks to provide a return on investment that tracks, as consistently as possible, international equity markets, as measured by the MSCI World index with dividends reinvested. As at year end, the group's and company's interest in the fund totalled R0,96 million (2019: R0,22 million) and R0,24 million (2019: R0,22 million) respectively, compared to the total fund size of R3,07 billion.

Unit trust – Investment 6

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 R1,40 million (2019: R0,57 million) and R0,63 million (2019: R0,57 million), compared to the combined total unit trust(s) size in excess of R350,00 billion.



Notes to the financial statements continued

for the year ended 31 March 2020

7. Investments continued

Interests in unconsolidated structured entities continued

Unit trust (Exchange traded fund) – Investment 7

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 R2,77 million (2019: R2,07 million) and R1,42 million (2019: R2,07 million) respectively, compared to the total fund size of R248,2 million (2019: R304,4 million).

Unit trust (Exchange traded fund) – Investment 8

The ETF is one of the simplest and cost-efficient methods to invest directly in actual gold. It continuously tracks the gold spot price. As at year end, the group's interest in the fund totalled R0,78 million (2019: R0,51 million), compared to the total fund size of R18,64 billion.

8. Deferred tax assets/(liabilities)

	GROUP		COMPANY	
Figures in R'000	2020	2019*	2020	2019
Reconciliation of movement for the year				
Balance at the beginning of the year	(3 038)	(2 053)	(2 656)	(2 118)
Current period movements:				
– Recognised in profit or loss	1 743	(985)	(459)	(538)
– Recognised in other comprehensive income	601	–	–	–
	(694)	(3 038)	(3 115)	(2 656)
The net deferred tax assets/(liabilities) comprise:				
Deferred tax assets	2 421	3 253	–	–
Deferred tax liabilities	(3 115)	(6 291)	(3 115)	(2 656)
	(694)	(3 038)	(3 115)	(2 656)
The net deferred tax assets/(liabilities) comprise the following temporary differences:				
Available tax losses	2 127	690	115	456
Accruals	480	3 401	295	462
Revaluation of land and buildings	(448)	(2 718)	–	–
Fair value gains on investments	658	(649)	(14)	(49)
Loss – impairment and sale of investment in subsidiary	422	–	422	–
Other receivable – contingency policy (note 12)	(3 857)	(3 658)	(3 857)	(3 525)
Capital allowances	(76)	(104)	(76)	–
	(694)	(3 038)	(3 115)	(2 656)

* Specific comparative figures were restated, refer to note 39 for detail of the restatement

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 2020

8. 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% (2019: 22,4%) has been used. If the expected manner of recovery is through indefinite use, the corporate tax rate of 28% (2019: 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	2020	2019	2020	2019
Estimated available tax losses	14 197	8 622	2 295	1 630
Tax losses recognised in determining deferred tax assets	(7 596)	(2 463)	(2 295)	(1 630)
Unrecognised tax losses	6 601	6 159	–	–
Unrecognised deferred tax assets pertaining to unutilised tax losses	1 848	1 725	–	–

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.

9. Loans and receivables

	GROUP		COMPANY	
Figures in R'000	2020	2019	2020	2019
<i>Comprising:</i>				
Loans and receivables	–	33 910	–	33 910
Investments held in preference shares	–	4 175	–	–
	–	38 085	–	33 910
Gross				
Not past due	–	38 085	–	33 910

Investments held in preference shares

Preference shares relate to preference shares taken up by Corporate Guarantee 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. These preference shares were redeemed during the current financial year.

Loans and receivables

In the prior year, 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. The loan was settled in full during the current financial year.

10. Inventories

	GROUP		COMPANY	
Figures in R'000	2020	2019	2020	2019
Merchandise	10 733	10 163	–	–
Consumables	63	6	6	6
	10 796	10 169	6	6
Provision for inventory write-downs	–	(50)	–	–
	10 796	10 119	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.

Notes to the financial statements continued

for the year ended 31 March 2020

11. Loans from group companies

	GROUP		COMPANY	
Figures in R'000	2020	2019	2020	2019
Secured advances from Corporate Guarantee	–	–	(83)	(10 118)
Current loans from subsidiary companies				
Corporate Guarantee	–	–	–	(19 368)
Nictus Meubels	–	–	(326)	(6 003)
Kruben Holdings Proprietary Limited	–	–	–	(2 158)
	–	–	(409)	(37 647)
Reconciliation – loans from subsidiary companies				
Opening balance as at 1 April	–	–	(37 647)	(51 227)
Secured advances repaid to/(advanced) by subsidiary companies	–	–	10 035	(10 118)
Loans repaid to/(advanced by) subsidiary companies	–	–	27 203	23 698
Finance expenses accrued	–	–	(3 381)	(4 411)
Finance expenses paid	–	–	3 381	4 411
	–	–	(409)	(37 647)

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 contingency policy receivable was pledged as security. Refer to note 12.

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

	GROUP		COMPANY	
Figures in R'000	2020	2019	2020	2019
Disclosure				
Current liabilities	–	–	(409)	(37 647)

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

12. Trade and other receivables

	GROUP		COMPANY	
Figures in R'000	2020	2019	2020	2019
Trade receivables	36 430	45 113	–	–
Trade receivables: furniture	15 312	14 433	–	–
Trade receivables: premium debtors	21 118	30 680	–	–
Prepayments	437	219	243	124
Secured advances	400 513	360 076	–	–
Other receivable – contingency policy	–	–	13 775	12 591
Deposits	36	38	–	–
Value added tax	338	139	1	139
Sundry debtors	286	90	46	–
	438 040	405 675	14 065	12 854
Split between non-current and current portions				
Non-current*	5 485	4 485	–	–
Current	432 555	401 190	14 065	12 854
	438 040	405 675	14 065	12 854

* This line was disclosed as part of loans and receivables in the prior year.

General

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.

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 2020, the future minimum instalment sale agreements and premium debtors payments receivable within one year amounting to R34,8 million (2019: R43,4 million) and R5,5 million (2019: R4,5 million) are receivable between one to five years and are included in trade receivables.



Notes to the financial statements continued

for the year ended 31 March 2020

12. Trade and other receivables continued

Other receivable – Contingency policy (company)

The "other receivable – contingency policy" relates to the contingency policy (policy), entered into by the company (insured) and Corporate Guarantee (insurer), a fellow subsidiary of the company (i.e. a related party). The policy provides that the insurer, in return for the payment of a premium, undertakes to indemnify the insured for any loss suffered resulting from the occurrence of certain insured-events.

The insurer maintains an "experience account" throughout the period of insurance in respect of the policy. The balance of this experience account will be calculated as the total of all premiums received plus premiums receivable (including premiums receivable for the unexpired portion of the insurance period), less commission and claims paid, less fees as indicated in the policy schedule, plus a notional interest allocation calculated on the positive cash balance at a notional interest rate determined within discretion of the insurer. The balance of the experience account on expiry date, if positive, will be paid to the insured as an experience bonus by the insurer.

The experience bonus will only be paid on written acknowledgement by the insured that it accepts the payment as full and final settlement of its rights under the policy and that the Insured will have no further claim against the insurer. In addition, the experience bonus will only become payable after receipt of payment by the insurer of any outstanding premiums payable for the full period of insurance (including the unexpired portion of the period of insurance), or alternatively written confirmation by the insured that the insurer may set-off the amount of such outstanding premiums against the balance on the experience account in order to pay the experience bonus net of outstanding premiums. The existence of the experience account provides the insured with a contractual right to receive cash in the form of either a claim settlement or experience bonus at expiry or cancellation of the policy.

Consequently, the experience bonus meets the definition of a financial asset, being a contractual right to receive cash or another financial asset from another entity, which is measured at amortised cost.

Secured advances (group)

Secured advances include advances made to companies, property companies, individuals and other entities in the normal course of business. These advances are secured by assets, rights to insurance benefits/claims in Corporate Guarantee, mortgage bonds, pledges and suretyships. Various repayment terms, none of which exceed 12 months, and interest rates apply. Cash flows with regard to secured advances are solely payments of principal and interest on the principal amount outstanding.

12. Trade and other receivables continued

	GROUP		COMPANY	
Figures in R'000	2020	2019	2020	2019
The ageing of trade and other receivables at the reporting date was:				
Gross				
Not past due	437 512	405 816	14 064	12 853
Past due 0 – 30 days	432	31	–	–
Past due 31 – 90 days	330	118	–	–
Past due 91+ days	378	193	1	1
	438 652	406 158	14 065	12 854
Impairment allowance				
Not past due	(315)	(273)	–	–
Past due 0 – 30 days	(40)	(31)	–	–
Past due 31 – 90 days	(43)	(85)	–	–
Past due 91+ days	(214)	(94)	–	–
	(612)	(483)	–	–
Net carrying value	438 040	405 675	14 065	12 854

As at 31 March 2020, group trade and other receivables of R0,8 million (2019: R0,1 million) were past due but no impairment allowance was raised in respect of such amount. From a company perspective, R0,001 million (2019: R0,001 million) was past due but no impairment allowance was raised in respect of such amount. 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.

	GROUP		COMPANY	
Figures in R'000	2020	2019	2020	2019
Reconciliation of movement in impairment allowance				
Opening balance	483	487	–	–
Impairment allowance raised/(released)	129	(4)	–	–
	612	483	–	–



Notes to the financial statements continued

for the year ended 31 March 2020

13. Cash and cash equivalents

	GROUP		COMPANY	
Figures in R'000	2020	2019	2020	2019
Cash and cash equivalents consist of:				
Cash on hand	16	19	7	7
Bank balances	1 596	916	259	333
Short-term deposits	54 402	63 705	5 392	–
	56 014	64 640	5 658	340

Short-term deposits includes a unit trust investment of R30,90 million (2019: R11,33 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 MOI, is unrestricted and at the discretion of the directors.

14. Stated capital

	GROUP		COMPANY	
Figures in R'000	2020	2019	2020	2019
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

	GROUP		COMPANY	
Figures in R'000	2020	2019	2020	2019
Issued – no par value shares				
Opening balance – ordinary shares (53 443 500 (2019: 66 269 940))	25 969	48 668	25 969	48 668
Specific repurchase – original contribution*	–	(21 946)	–	(21 946)
Specific repurchase – transaction cost*	–	(753)	–	(753)
Closing balance – ordinary shares (53 443 500 (2019: 53 443 500))	25 969	25 969	25 969	25 969

* During the prior 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' MOI, 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.

Unissued ordinary shares are under the control of the directors in terms of a resolution of shareholders passed at the last annual general meeting and in terms of the MOI, but subject to compliance with the relevant regulations, i.e. Companies Act of South Africa and the JSE Listings Requirements. 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 shareholders of the company. All issued share capital is fully paid up.



Notes to the financial statements continued

for the year ended 31 March 2020

15. Revaluation reserve

	GROUP		COMPANY	
Figures in R'000	2020	2019	2020	2019
The revaluation reserve relates to property that is carried at its revalued amount.				
As at 1 April	7 983	7 983	–	–
Gross revaluation recognised in other comprehensive income	(2 146)	–	–	–
Deferred tax effect	601	–	–	–
Transfer to retained earnings on disposal of land and buildings	(5 286)	–	–	–
As at 31 March	1 152	7 983	–	–

16. Trade and other payables

	GROUP		COMPANY	
Figures in R'000	2020	2019*	2020	2019
Accruals	3 534	4 027	1 112	1 681
Personnel/management fee related	1 905	2 581	1 053	1 650
Other	1 629	1 446	59	31
Trade payables	1 886	2 028	83	142
Sundry creditors	189	195	1 286	74
Lease straight-line accrual	–	319	–	–
Value added tax	2 697	1 156	100	–
	8 306	7 725	2 581	1 897

* Specific comparative figures were restated, refer to note 39 for detail of the restatement.

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	2020	2019*	2020	2019
Gross provision for unearned premiums	625 274	539 767	–	–
Gross provision for notional interest	15 431	13 641	–	–
Gross provision for claims incurred but not reported (IBNR)	–	–	–	–
	640 705	553 408	–	–
Analysis of movements in gross provision for unearned premiums				
Opening balance	539 767	514 261	–	–
IBNR released	–	329	–	–
Change in gross provision for unearned premiums	85 507	25 177	–	–
Claims paid	(7 527)	(5 416)	–	–
Net underwriting result	(4 467)	(4 086)	–	–
Net written premiums	97 501	34 679	–	–
Gross premiums received	113 523	89 343	–	–
Gross renewal premiums	661 194	602 374	–	–
Gross cancellation and expired premiums	(677 216)	(657 038)	–	–
	625 274	539 767	–	–
Analysis of movements in notional interest provision				
Opening balance	13 641	9 603	–	–
Amount included as part of trade and other payables (note 39)	–	3 753	–	–
Notional interest charge to profit or loss	30 032	26 934	–	–
Notional interest paid	(28 242)	(26 649)	–	–
	15 431	13 641	–	–
Analysis of movement in gross IBNR provision				
Opening balance	–	329	–	–
IBNR released	–	(329)	–	–
	–	–	–	–

* Specific comparative figures were restated, refer to note 39 for detail of the restatement.



Notes to the financial statements continued

for the year ended 31 March 2020

17. Insurance contract liability continued

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 assessments. The provision for each notified claim includes value added tax, where applicable. There were no unpaid notified claims as at 31 March 2020.

Claims incurred but not reported (IBNR)

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 Corporate Guarantee'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 Corporate Guarantee. The reserve resulting from this method is likely to be negligible. Subsequent to year end, claims amounting to R1,67 million (2019: Rnil) were received and settled by Corporate Guarantee relating to the financial year ended 31 March.

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.

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.

18. Revenue

	GROUP		COMPANY	
Figures in R'000	2020	2019	2020	2019
Sale of goods	37 620	37 266	–	–
Management fees from subsidiaries	–	–	16 600	17 700
Rental income	–	32	–	–
Rendering of services	1 280	1 540	–	–
Dividends received	–	–	–	25 000
Insurance premium income	11 994	9 502	–	–
	50 894	48 340	16 600	42 700
Insurance premium income consists of:				
Net written premiums (note 17)	97 501	34 679	–	–
Change in gross provision for unearned premiums (note 17)	(85 507)	(25 177)	–	–
	11 994	9 502	–	–

19. Other income

	GROUP		COMPANY	
Figures in R'000	2020	2019	2020	2019
Profit on sale of property, plant and equipment	–	70	–	–
Loss on sale of subsidiary	(23)	–	–	–
Commissions received	19	35	–	–
Other services rendered	26	–	–	–
Insurance claim	366	105	281	–
Sundry expense	(43)	(5)	–	–
Advertising recoveries	181	220	–	–
Bad debts recovered	166	223	–	–
Portfolio management fee – rebate	250	86	–	–
Movement – contingency policy balance	–	–	1 184	3 436
	942	734	1 465	3 436

Notes to the financial statements continued

for the year ended 31 March 2020

20. Administrative and operating expenses

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

	GROUP		COMPANY	
Figures in R'000	2020	2019	2020	2019
Administrative expenses	13 858	17 263	7 623	8 536
Advertising expenses	1 322	2 230	–	2
Allowance for trade receivables impairment raised/(released)	129	(4)	–	–
Auditors remuneration (note 24)	1 644	1 669	836	922
Assessment rates and municipal charges	1 177	1 048	–	–
Bad debt written-off	196	411	–	–
Consulting fees	459	319	450	319
Insurance premium expenses	163	157	–	–
Lease payments – short-term leases	1 200	1 200	1 032	900
Lease payments – operating leases (straight-lined)	–	1 772	–	–
Loss on scrapping/derecognition of equipment	10	–	–	–
Management fees paid to related party	2 775	4 167	2 775	4 167
Other administrative expenses	1 621	1 576	468	338
Secretarial fees	388	286	238	179
Telephone and IT related expenses	1 738	1 475	1 235	1 024
Travel expenses	1 036	957	589	685
Operating expenses	19 974	18 244	4 799	9 642
Amortisation on intangible asset	499	270	–	–
Depreciation on property, plant and equipment	488	555	167	131
Depreciation on right-of-use asset	1 569	–	–	–
Employee costs & directors' emoluments	14 707	15 395	5 917	7 125
– Salaries	10 747	10 830	2 289	2 930
– Medical aid contributions	235	262	51	32
– Fees for services as directors (refer to note 29)	3 725	4 303	3 577	4 163
Insurance premium expenses	31	31	836	3 031
Professional fees	840	473	–	–
Other operating expenses	1 840	1 520	117	131
Reversal of impairment against investment in subsidiaries	–	–	(2 238)	(776)

21. Investment income

	GROUP		COMPANY	
Figures in R'000	2020	2019	2020	2019
Investment income from operations				
Dividends received	1 233	1 232	185	–
Loss on sale of subsidiary	–	–	(1 886)	–
Financial assets at fair value through profit and loss	(4 290)	2 062	(155)	209
Profit/(loss) on disposal of investments	1 482	67	–	(18)
Fair value adjustments	(5 772)	1 995	(155)	227
Unit trusts	(3 256)	1 908	(131)	227
Listed debt securities	60	48	–	–
Listed shares	(2 576)	39	(24)	–
Interest received	45 952	40 896	–	–
	42 895	44 190	(1 856)	209
Interest income				
Bank and other	499	243	308	30
Loan to related party	2 942	3 949	2 942	3 949
	3 441	4 192	3 250	3 979
	46 336	48 382	1 394	4 188

22. Finance expense

	GROUP		COMPANY	
Figures in R'000	2020	2019	2020	2019
Loans from subsidiaries	–	–	(2 566)	(4 293)
Secured advances from subsidiaries	–	–	(815)	(118)
Lease liability (IFRS 16)	(260)	–	–	–
	(260)	–	(3 381)	(4 411)

Notes to the financial statements continued

for the year ended 31 March 2020

23. Taxation credit/(expense)

	GROUP		COMPANY	
Figures in R'000	2020	2019*	2020	2019
Major components of the tax expense				
Current taxation				
Recognised in profit or loss				
– current year charge	(1 326)	–	–	–
	(1 326)	–	–	–
Deferred taxation				
Recognised in profit or loss				
– current year credit/(charge)	1 743	(985)	(459)	(538)
Recognised in other comprehensive income				
– current year credit/(charge)	601	–	–	–
	2 344	(985)	(459)	(538)
	1 018	(985)	(459)	(538)
Reconciliation of the effective tax expense				
Reconciliation between tax at the statutory tax rate and the effective tax rate:				
Profit before taxation	3 218	6 543	3 656	27 735
Other comprehensive income	(2 146)	–	–	–
	1 072	6 543	3 656	27 735
Tax at the applicable tax rate of 28% (2019: 28%)	(300)	(1 832)	(1 024)	(7 766)
Tax rate adjusted for:				
Profit/(loss) on sale of investments	83	4	–	(1)
Ordinary dividends received	345	345	52	7 000
Fair value adjustment on listed shares, listed debt securities and unit trusts	(323)	112	(9)	13
Impairment recognised – subsidiary sold	422	–	–	–
Loss on sale of subsidiary	(6)	–	(105)	–
SARS – interest and penalties reversed	1	5	–	–
Expenses of a capital nature	(5)	–	–	–
Impairment provision reversed	–	–	627	217
Over-provision previous year	111	1	–	–
Utilisation of unrecognised deferred tax asset	562	460	–	–
Administration fees – buying and selling of listed shares	(4)	(3)	–	(1)
Change in unrecognised deductible temporary differences	134	(77)	–	–
Effective taxation	1 018	(985)	(459)	(538)

* Specific comparative figures were restated, refer to note 39 for detail of the restatement.

24. Auditor's remuneration

	GROUP		COMPANY	
Figures in R'000	2020	2019	2020	2019
Audit fees	1 644	1 669	836	922

25. Cash generated from/(utilised by) operations

	GROUP		COMPANY	
Figures in R'000	2020	2019*	2020	2019
Profit before taxation	3 223	6 543	3 656	27 735
Other comprehensive income	(2 146)	–	–	–
Adjustments for:				
Depreciation of property, plant and equipment	488	555	166	131
Depreciation of right-of-use asset	1 569	–	–	–
Loss/(profit) on disposal of property, plant and equipment	10	(70)	–	–
Amortisation of intangible asset	499	270	–	–
Net impairments and movements in credit loss allowances	129	(5)	–	–
Leasehold property balance adjustment on initial recognition (note 6)	319	–	–	–
Dividend income	(1 233)	(1 232)	(185)	(25 000)
Investment income	(3 441)	(4 192)	(3 250)	(3 979)
Finance expenses	260	–	3 381	4 411
Investment income from operations	(45 952)	(42 958)	–	–
Impairment of investment in subsidiary	–	–	1 886	–
Impairment reversed on investments in subsidiaries	–	–	(2 238)	(776)
Loss on sale of subsidiary	23	–	–	–
(Profit)/loss on disposal of investments	(1 482)	(67)	–	18
Inventories lost or written off	364	119	–	–
Fair value adjustments on investments	5 772	(1 995)	155	(227)
Revaluation of land, buildings and property	2 146	–	–	–
Receivable from SARS increase – interest-related	(2)	–	–	–
Increase in insurance contract liability	87 297	29 215	–	–
Changes in working capital:				
Working capital disposed of with sale of subsidiary	(20)	–	–	–
(Increase)/decrease in inventories	(1 041)	755	–	–
Increase in trade and other receivables	(32 490)	(41 638)	(1 207)	(3 553)
(Decrease)/increase in trade and other payables	604	(3 208)	707	(2 460)
	14 896	(57 908)	3 071	(3 700)

* The comparative figures have been recalculated to reflect the restatements as disclosed in note 39.

Notes to the financial statements continued

for the year ended 31 March 2020

26. Tax paid

	GROUP		COMPANY	
Figures in R'000	2020	2019	2020	2019
Balance receivable/(owing) at the beginning of the year	70	(12)	–	–
Interest accrued on tax receivable	2	–	–	–
Current tax for the year recognised in profit or loss	(1 326)	–	–	–
Reduction in tax liability – disposal of subsidiary	24	–	–	–
Balance (receivable)/owing at the end of the year	(72)	(70)	–	–
Tax paid during the current financial year	(1 302)	(82)	–	–

27. Dividends

	GROUP		COMPANY	
Figures in R'000	2020	2019	2020	2019
Ordinary dividend paid				
– On 22 July 2019*	2 004	–	2 004	–
– On 23 July 2018**	–	1 988	–	1 988
	2 004	1 988	2 004	1 988

Ordinary dividends paid

* The board, within its discretion, declared a final dividend of 3,75 cents per ordinary share for the year ended 31 March 2019 on 28 June 2019, to all ordinary shareholders recorded in the books of Nictus Limited at the close of business on Friday, 19 July 2019. The dividend was paid on Monday, 22 July 2019.

** 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.

28. Related parties

Relationships

Subsidiaries	Refer to note 5
Other related parties	Nictus Holdings Limited Veritas Eksekuteurskamer Proprietary Limited Auas Motors Proprietary Limited Nictus Proprietary Limited Corporate Guarantee and Insurance Company of Namibia Limited
Members of key management	Gerard R de V Tromp (<i>Managing director and key management of group</i>) Eckhart H Prozesky (<i>Financial director and key management of group</i>) Philippus J de W Tromp (<i>Non-executive director</i>) Nicolaas C Tromp (<i>Non-executive director</i>) Stephanus J Gerber (<i>Manager: Insurance segment</i>)
Independent non-executive directors	Professor Barend J Willemse Gerard Swart Cornelius J de Vrye

A person or a close member of that person's family is related to a reporting entity if that person; has control or joint control of the reporting entity, has significant influence over the reporting entity or is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. Key management personnel have been identified as the executive directors, non-executive directors and the managing executives of segments within the group.

Close members of the family related to key management would also be defined as related parties. Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the group and include; that person's children and spouse or domestic partner, the children of that person's spouse or domestic partner and dependants of that person or that person's spouse or domestic partner.

Commonly, an entity would be related to the reporting entity if a member of key management is also a member of the key management personnel of that entity (other related parties), or the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

Notes to the financial statements continued

for the year ended 31 March 2020

28. Related parties continued

Transactions with key management personnel

Directors of the company and their immediate relatives beneficially control 77,41% (2019: 77,12%) of the voting shares of the company. Details pertaining to directors' and key management's compensations are set out in note 29.

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

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

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

Figures in R'000	2020	2019
Related party balances		
GROUP		
Loan due by other related parties	4	33 910
Secured advance to key management	223	218
<i>Amounts included in gross provision for unearned premiums – refer to note 17</i>		
Veritas Eksekuteurskamer Proprietary Limited	(580)	(550)
Key management	(254)	(242)
<i>Amounts included in gross provision for notional interest/accrual – refer to notes 16 and 17</i>		
Veritas Eksekuteurskamer Proprietary Limited	(8)	(7)
Key management	(1)	(1)
COMPANY		
<i>Trade payables – refer to note 16</i>		
Kruben Holdings Proprietary Limited	–	(7)
Corporate Guarantee	–	–
<i>Loan accounts – refer to notes 9 and 11</i>		
Loan from subsidiaries	(326)	(27 529)
Loan due by other related parties	4	33 910
<i>Secured advances – refer to note 11</i>		
Secured advance from subsidiaries	(83)	(10 118)
<i>Amounts included in trade and other receivables – refer to note 12</i>		
Corporate Guarantee	13 775	12 591

28. Related parties continued

Transactions with key management personnel continued

Figures in R'000	2020	2019
Related party transactions		
GROUP		
Interest received (Nictus Holdings Limited)	(2 942)	(3 949)
Management fees paid (Veritas Eksekuteurskamer Proprietary Limited)	2 775	4 167
Secretarial fees paid (Veritas Eksekuteurskamer Proprietary Limited)	388	286
Rental received from other related parties	(13)	(16)
Asset purchases from member of key management	–	65
Asset purchases from other related parties	–	485
Insurance premiums received (Veritas Eksekuteurskamer Proprietary Limited)	–	(120)
<i>Notional interest allocation – refer to note 20</i>		
Veritas Eksekuteurskamer Proprietary Limited	30	26
Key management	13	17



Notes to the financial statements continued

for the year ended 31 March 2020

28. Related parties continued

Transactions with key management personnel continued

Figures in R'000	2020	2019
COMPANY		
Interest received (Nictus Holdings Limited)	(2 942)	(3 949)
Interest paid to subsidiaries	3 381	4 411
Management fees received from subsidiaries	(16 600)	(17 700)
Management fees paid (Veritas Eksekuteurskamer Proprietary Limited)	2 775	4 167
Rental paid to subsidiaries	1 089	958
Dividend received from subsidiary	–	(25 000)
Insurance premiums paid to subsidiary	805	3 000
Secretarial fees paid (Veritas Eksekuteurskamer Proprietary Limited)	238	179
Movement – contingency policy balance (Corporate Guarantee)	(1 184)	(3 436)
Insurance claims received from subsidiary	(281)	–
Goods purchased from subsidiary	27	50
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.

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

	Paid by the company		
Figures in R'000	Basic salary*	Bonuses*	Total
Executive directors			
2020			
Gerard R de V Tromp [#]	420	–	420
Eckhart H Prozesky	1 560	390	1 950
	1 980	390	2 370
2019			
Gerard R de V Tromp [#]	420	–	420
Eckhart H Prozesky	1 560	340	1 900
	1 980	340	2 320

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

[#] As disclosed in note 28, a management fee of R2,775 million (2019: R4,167 million) was paid to a related party, Veritas Eksekuteurskamer Proprietary Limited, including services rendered by Gerard R de V Tromp as executive director, to the value of R2,775 million (2019: R3,020 million).

Notes to the financial statements continued

for the year ended 31 March 2020

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				
2020				
Professor Barend J Willemse	485	74	–	559
John D Mandy	–	–	–	–
Gerard Swart	236	–	–	236
Philippus J de W Tromp	118	–	–	118
Nicolaas C Tromp*	92	74	–	166
Cornelius J de Vrye	276	–	–	276
	1 207	148	–	1 355
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

* As disclosed in note 28, a management fee of R2,775 million (2019: R4,167 million) was paid to a related party, Veritas Eksekuteurskamer Proprietary Limited, including services rendered by Nicolaas C Tromp as non-executive director, to the value of Rnil million (2019: R1,022 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	Paid by the subsidiaries		
	Basic salary*	Bonuses*	Total
Prescribed officers other than directors			
2020			
Stephanus J Gerber	1 238	292	1 530
	1 238	292	1 530
2019			
Stephanus J Gerber	1 168	180	1 348
	1 168	180	1 348

* 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.

Notes to the financial statements continued

for the year ended 31 March 2020

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. With regard to the group, the contractual maturities of secured advances, R400 million (2019: R360 million) disclosed as part of trade and other receivables, would mirror that of the insurance contract liabilities due to the interdependent nature that exists. At the end of the reporting period, the group held cash and cash equivalents, together with a portion of investments amounting to R181 million (2019: R146 million), that are available to meet cash flow obligations within a period of 30 days for managing liquidity risk.

The following are the contractual maturities of non-derivative financial liabilities and insurance liabilities, including interest payments and excluding the impact of netting agreements. The amounts disclosed in the table are the contractual undiscounted cash flows.

Figures in R'000	Carrying amount	Con-tractual cash flows	Less than 6 months	6 to 12 months	Between 1 and 2 years	Between 2 and 5 years
As at 31 March 2020						
GROUP						
Trade and other payables	5 609	5 609	5 609	–	–	–
Insurance contract liabilities	640 705	640 705	453 529	187 176	–	–
Lease liabilities	1 799	1 799	989	739	71	–
COMPANY						
Loans from group companies	409	409	409	–	–	–
Trade and other payables	2 481	2 481	2 481	–	–	–
As at 31 March 2019						
GROUP						
Trade and other payables	10 003	10 003	10 003	–	–	–
Insurance contract liabilities	549 655	549 655	398 710	150 945	–	–
COMPANY						
Loans from group companies	37 647	37 647	37 647	–	–	–
Trade and other payables	1 897	1 897	1 897	–	–	–

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

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

Figures in R'000	GROUP		COMPANY	
	2020	2019	2020	2019
Variable rate instruments				
Financial assets	212 500	194 175	5 662	34 250
Secured advances	400 513	360 076	–	–
Financial liabilities	–	–	(409)	(37 647)
	613 013	554 251	5 253	(3 397)

Notes to the financial statements continued

for the year ended 31 March 2020

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 2019.

Figures in R'000	GROUP		COMPANY	
	2020	2019	2020	2019
As at 31 March				
Variable rate instruments	6 130	5 543	53	(34)

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 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 2020	10% decrease in market prices 2020	10% increase in market prices 2019	10% decrease in market prices 2019
As at 31 March				
GROUP				
Listed shares	598	(598)	1 069	(1 069)
Listed debt securities	1 726	(1 726)	1 020	(1 020)
Unit trusts	13 354	(13 354)	8 901	(8 901)
COMPANY				
Listed shares	3	(3)	–	–
Unit trusts	456	(456)	319	(319)

Foreign exchange risk

The group and company operate locally and are exposed to limited foreign exchange risk, primarily the US Dollar. Foreign exchange risk arises from investments denominated in a currency that is not the functional currency of the group and company. The investments are reviewed regularly in conjunction with external investment professionals. As at year end, the group's and company's interest in investments that are exposed to foreign exchange fluctuations amounted to R5,34 million (2019: R5,69 million) and R3,11 million (2019: R1,12 million) respectively.

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

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

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.

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 R622,82 million (2019: R483,87 million). Various repayment terms and interest rates apply. There is therefore no credit risk associated with these advances.



Notes to the financial statements continued

for the year ended 31 March 2020

30. Financial risk management continued

Credit risk continued

Investments

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

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 two and a half years.

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 2020				
GROUP				
Investments – debt securities	–	17 258	–	17 258
Investments – unit trusts	2 668	121 936	–	124 604
Investments – short-term deposits	–	67 569	–	67 569
Trade and other receivables	–	–	36 430	36 430
Cash and cash equivalents – bank balances	–	1 596	–	1 596
Cash and cash equivalents – cash on hand	–	–	16	16
Cash and cash equivalents – short-term deposits	–	54 402	–	54 402
	2 668	262 761	36 446	301 875
COMPANY				
Trade and other receivables*	–	–	13 775	13 775
Cash and cash equivalents – bank balances	–	259	–	259
Cash and cash equivalents – cash on hand	–	–	7	7
Cash and cash equivalents – short-term deposits	–	5 392	–	5 392
	–	5 651	13 782	19 433

* The company assessed the underlying financial asset(s) that constitute trade and other receivables as at year end to quantify expected credit losses (ECLs) or identify indicators of impairment loss at that date. Based on the assessment, the potential effect of ECLs is considered immaterial and no evidence was found to support any undue credit risk associated with the financial asset(s).



Notes to the financial statements continued

for the year ended 31 March 2020

30. Financial risk management continued

Credit risk continued

Figures in R'000	AAA/AA/A	BBB/BB/B	Unrated	Total
As at 31 March 2019				
GROUP				
Investments – 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	–	–	38 085	38 085
Trade and other receivables	–	–	45 113	45 113
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	83 217	251 192
COMPANY				
Loans and receivables*	–	–	33 910	33 910
Trade and other receivables*	–	–	12 591	12 591
Cash and cash equivalents – bank balances	–	333	–	333
Cash and cash equivalents – cash on hand	–	–	7	7
	–	333	46 508	46 841

* The company assessed the underlying financial asset(s) that constitute loans and receivables and trade and other receivables as at year end to ECLs or identify indicators of impairment loss at that date. Based on the assessment, the potential effect of ECLs is considered immaterial and no evidence was found to support any undue credit risk associated with the financial asset(s).

Insurance risks

Terms and conditions of insurance contracts

Corporate Guarantee 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.

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

30. Financial risk management continued

Insurance risks continued

Terms and conditions of insurance contracts continued

Corporate Guarantee 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 Corporate Guarantee to limited risk and include profit participation measures to promote good risk management among 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. Currently Corporate Guarantee offers one type of insurance contract, being a contingency policy to cover insurance risk.

Insurance risk and policies for mitigating insurance risk

The primary activity of Corporate Guarantee 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 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 Corporate Guarantee 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.

Corporate Guarantee 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

Corporate Guarantee'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 Corporate Guarantee 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 Corporate Guarantee's resources. The group monitors the concentration risk by geographical area and class of business. Corporate Guarantee is broadly represented across South Africa. Corporate Guarantee has exposure to all major lines of insurance business.



Notes to the financial statements continued

for the year ended 31 March 2020

30. Financial risk management continued

Insurance risks continued

Exposure relating to catastrophic events

Corporate Guarantee 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.

Corporate Guarantee 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 Corporate Guarantee ability to proactively detect fraudulent claims.

Claims development

Corporate Guarantee 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. Corporate Guarantee is therefore exposed to risk that claims reserves will not be adequate to fund historical claims (run-off risk). To manage run-off risk, Corporate Guarantee takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures and adopts sound reserving practices. Consequently, Corporate Guarantee's history has proven the reserves to be sufficient to fund the actual claims paid.

Corporate Guarantee 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 Corporate Guarantee'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. Corporate Guarantee does not underwrite business that is "long tail" in nature.

30. Financial risk management continued

Capital management

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

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.

Corporate Guarantee is required to demonstrate its solvency to the Prudential Authority (PA) in accordance with the Insurance Act. Corporate Guarantee therefore needs to maintain sufficient shareholder assets (own-funds), over and above the assets required to meet insurance contract liabilities to support a multiple of the solvency capital requirement (SCR). Corporate Guarantee also undertakes an own risk solvency assessment in addition to meeting the minimum requirements set by the PA. Corporate Guarantee's objective is to maintain a strong own-funds position to enhance investor, policyholder and market confidence and to stimulate business growth through the optimisation of business opportunities.

The SCR is calculated in accordance with the Prudential Standards as issued by the PA. The SCR is calculated quarterly and included as part of the quantitative reporting template which purpose is to demonstrate that Corporate Guarantee, as insurer, has sufficient capital resources to withstand a 1-in-200 year event, as per the requirements of the Financial Standards for Insurers implemented with effect from 1 July 2018.

The SCR specifically covers the following key areas of risk to Corporate Guarantee:

- Interest rate risk;
- Equity, currency and property risk;
- Counterparty spread and default risk;
- Concentration risk;
- Non-life underwriting risk; and
- Operational risk.

Corporate Guarantee has complied with all SCR requirements during the current and prior financial year.



Notes to the financial statements continued

for the year ended 31 March 2020

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	Total
2020			
GROUP			
Investments	–	156 772	156 772
Trade receivables	36 430	–	36 430
Secured advances	400 513	–	400 513
Short-term deposits	67 569	–	67 569
Cash and cash equivalents	56 014	–	56 014
	560 526	156 772	717 298
COMPANY			
Trade and other receivables	13 775	–	13 775
Cash and cash equivalents	5 658	–	5 658
	19 433	–	19 433
2019			
GROUP			
Loans and receivables	38 085	–	38 085
Investments	–	109 892	109 892
Trade receivables	45 113	–	45 113
Secured advances	360 076	–	360 076
Short-term deposits	11 904	–	11 904
Cash and cash equivalents	64 640	–	64 640
	519 818	109 892	629 710
COMPANY			
Loans and receivables	33 910	–	33 910
Loans to group companies	–	3 185	3 185
Trade and other receivables	12 591	–	12 591
Cash and cash equivalents	340	–	340
	46 841	3 185	50 026

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

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

32. Financial liabilities by category

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

Figures in R'000	Financial liabilities at amortised cost	Total
2020		
GROUP		
Lease liabilities	1 799	1 799
Trade and other payables	5 609	5 609
	7 408	7 408
COMPANY		
Loans from group companies	409	409
Trade and other payables	2 481	2 481
	2 890	2 890
2019		
GROUP		
Trade and other payables	6 250	6 250
COMPANY		
Loans from group companies	37 647	37 647
Trade and other payables	1 897	1 897
	39 544	39 544

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

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

Notes to the financial statements continued

for the year ended 31 March 2020

33. Additional disclosures required by amendments to IFRS 4 when applying the temporary exemption from IFRS 9

The activities of the group are predominantly connected with insurance. In this regard, management has assessed the following:

- The group has not previously applied any version of IFRS 9;
- The total carrying amount of liabilities arising from contracts within the scope of IFRS 4 for the year ended 31 March 2016 represents 98% of total liabilities. The insurer's activities are predominantly connected with insurance; and
- The total carrying amount of liabilities connected with insurance, which includes liabilities under IFRS 4 and investment contract liabilities measured at fair value under IAS 39, for the year ended 31 March 2016 is equivalent to 98% of total liabilities.

There has been no significant change in the group's activities that warrants a reassessment of the above information.

The amendment of IFRS 4 *Insurance Contracts* requires entities to disclose the fair value at the end of the reporting period and the change in fair value during the period for groups of financial assets with contractual cash flows that are solely payments of principal and interest (SPPI) and other financial assets separately.

There is no publicly available information that relates to the groups' application of IFRS 9. The group has elected the temporary exemption from applying IFRS 9, in terms of IFRS 4, and all the required disclosure in terms of IFRS 4 is included in this note for the current and prior reporting period.

The group has assessed that the following financial assets have contractual cash flows that meet the SPPI criteria:

- Loans and receivables – loans;
- Loans and receivables – investment held in preference shares;
- Loans and receivables – non-current portion of trade receivables;
- Trade receivables – furniture;
- Trade receivables – premium debtors;
- Investments – short-term deposits;
- Cash and cash equivalents – bank balances;
- Cash and cash equivalents – cash on hand; and
- Cash and cash equivalents – short-term deposit.

The remaining financial assets held by the entity have contractual cash flows that do not represent solely payments of principal and interest. This group includes the following financial assets:

- Investments – listed shares;
- Investments – listed debt securities; and
- Investments – unit trust investments.

33. Additional disclosures required by amendments to IFRS 4 when applying the temporary exemption from IFRS 9 continued

The fair value and change in fair value of the two groups of financial assets are disclosed in the following table:

Figures in R'000	Opening balance	Change in value	Closing balance
As at 31 March 2020			
SPPI – Financial assets (amortised cost)*			
Loans and receivables – loans	33 910	(33 910)	–
Loans and receivables – investment held in preference shares	4 175	(4 175)	–
Trade receivables – furniture	14 433	879	15 312
Trade receivables – premium debtors	30 710	(9 542)	21 168
Investments – short-term deposits	11 904	55 665	67 569
Cash and cash equivalents – bank balances	916	680	1 596
Cash and cash equivalents – cash on hand	19	(3)	16
Cash and cash equivalents – short-term deposit	63 705	(9 303)	54 402
Other – financial assets at fair value through profit and loss			
Investments – listed shares	10 687	(4 708)	5 979
Investments – listed debt securities	10 198	7 060	17 258
Investments – unit trust investments	89 007	44 528	133 535
As at 31 March 2019			
SPPI – financial assets (amortised cost)*			
Loans and receivables – loans	40 051	(6 141)	33 910
Loans and receivables – investment held in preference shares	4 175	–	4 175
Trade receivables – furniture	15 952	(1 519)	14 433
Trade receivables – premium debtors	12 262	18 448	30 710
Investments – short-term deposits	53 985	(42 081)	11 904
Cash and cash equivalents – bank balances	5 371	(4 455)	916
Cash and cash equivalents – cash on hand	17	2	19
Cash and cash equivalents – short-term deposit	84 329	(20 624)	63 705
Other – financial assets at fair value through profit and loss			
Investments – listed shares	11 340	(653)	10 687
Investments – listed debt securities	1 998	8 200	10 198
Investments – unit trust investments	42 826	46 181	89 007

* The carrying value of assets held at amortised cost approximate their fair values.

Secured advances are measured in terms of IFRS 4 and will therefore not be classified and measured in terms of IFRS 9 in future.

Notes to the financial statements continued

for the year ended 31 March 2020

33. Additional disclosures required by amendments to IFRS 4 when applying the temporary exemption from IFRS 9 continued

The following table represents the entity's exposure to credit risk on financial assets that meet the SPPI criteria:

Figures in R'000	AAA/AA/A	BBB/BB/B	Unrated	Total
As at 31 March 2020				
SPPI – financial assets (amortised cost)				
Trade receivables – furniture	–	–	15 924	15 924
Trade receivables – premium debtors	–	–	21 168	21 168
Investments – short-term deposits	–	67 569	–	67 569
Cash and cash equivalents – bank balances	–	1 596	–	1 596
Cash and cash equivalents – cash on hand	–	–	16	16
Cash and cash equivalents – short-term deposit	–	54 402	–	54 402
As at 31 March 2019				
SPPI – financial assets (amortised cost)				
Loans and receivables – loans	–	–	33 910	33 910
Loans and receivables – investment held in preference shares	–	–	4 175	4 175
Trade receivables – furniture	–	–	14 916	14 916
Trade receivables – premium debtors	–	–	30 710	30 710
Investments – short-term deposits	–	11 904	–	11 904
Cash and cash equivalents – bank balances	–	916	–	916
Cash and cash equivalents – cash on hand	–	–	19	19
Cash and cash equivalents – short-term deposit	–	63 705	–	63 705

In the case of financial assets held at amortised cost, the amounts disclosed are the carrying amounts applying IAS 39, before adjusting for any impairment allowances.

The table above includes R0,7 million (2019: R1.1 million) trade receivables that are not considered to have low credit risk as defined in note 1.20. The fair value of these financial assets as at 31 March 2020 and 31 March 2019 is equal to their carrying value.

34. Commitments

Authorised capital expenditure

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

35. 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. Management has considered the potential implications of COVID-19 and the measures taken to control it in assessing the entity's ability to continue as a going concern.

COVID-19 pandemic

On 31 December 2019, the World Health Organisation (WHO) was informed that a limited number of cases of pneumonia, of an unknown cause, were detected in Wuhan, Hubei. On 7 January 2020, Chinese authorities identified a new type of coronavirus (COVID-19) as the cause. WHO announced COVID-19 outbreak as a pandemic on 11 March 2020. A widespread international outbreak of COVID-19 followed, which has significantly affected lives, entities and economic activity around the world. Many countries around the world have, among other radical actions, implemented national "lockdowns" as part of attempts to contain the spread of the virus. In South Africa, a hard lockdown was announced commencing on 27 March 2020 whereafter a phased reopening of the South African economy followed from 1 May 2020.

It is not possible to provide accurate estimates of the financial effects of the pandemic on the group which is inherently uncertain, but the following can be communicated at this time:

- The health and safety of our employees remains a top priority together with avoiding/limiting job losses within the group;
- We are committed to working with our customers and clients throughout this period of change and uncertainty in the best interest of all stakeholders involved;
- The group is committed to a disciplined approach to cost and capital expenditure to manage its available resources; and
- Liquidity and cash flows remain a key aspect in weathering times of uncertainty. This is and will remain a priority as we move forward.

Impact on capital reserves

We are fortunate to have a strong capital base to carry the group during times of uncertainty and adverse economic conditions. The COVID-19 outbreak will bring about an extended period of reduced economic activity, particularly in South Africa. We are of the opinion that the group has sufficient capital reserves to carry itself through the months and years to come.

Impact on revenue

Revenue from the sale of goods will be negatively affected during the financial year 2021, firstly due to the closure of our furniture branches during April and May 2020 as a result of the national lockdown and also due to increased unemployment and weaker consumer demand. The segment's availability of inventory, despite general supply chain disruptions, and availability of working capital, will assist in keeping up with consumer demand, albeit at reduced levels. The insurance segment foresees reduced premium income, however, a diverse client base across different industries should mute the possible decline.



Notes to the financial statements continued

for the year ended 31 March 2020

35. Going concern continued

COVID-19 pandemic continued

Value of Investments

Potentially reduced investment values are expected due to reductions in market values of the group's investments in equities, bonds and unit trust funds. Up to the date of publication of the 2020 financial statements, markets have recovered some of the declines experienced during March 2020. It is important to note that the recovery and the extent thereof has not been uniform across all sectors and instruments. The group's investment portfolio remains conservatively positioned with the required liquidity in mind.

Impact on insurance claims

For Corporate Guarantee, the accurate prediction of the increase in claims to be expected during and following the COVID-19 pandemic is near impossible at this stage. Various scenarios have been modelled informing our investment decisions and the level of liquidity across the investment portfolio is sufficient to absorb a wide range of adverse scenarios.

36. Events after the 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 2020, other than that a dividend of 3,00 cents per share was declared by the directors subsequent to year end, payable to shareholders registered on 2 October 2020.

37. Earnings per share

Basic earnings per share

The basic earnings per ordinary share from operations for the year is 6,81 cents (2019: 9,00 cents). The calculation of basic earnings per share from operations is based on a profit of R3,64 million (2019: profit of R5,56 million) and a weighted average number of shares in issue of 53 443 500 (2019: 61 736 760).

Diluted earnings per share

The diluted earnings per share from operations for the year is 6,81 cents (2019: 9,00 cents). The calculation of the diluted earnings per share from operations is based on a profit of R3,64 million (2019: R5,56 million) and a weighted average number of shares in issue of 53 443 500 (2019: 61 736 760).

Headline earnings per share

The headline earnings per share from operations for the year is 6,86 cents (2019: 8,92 cents). The calculation of headline earnings per share from operations is based on a profit of R3,66 million (2019: R5,51 million) and a weighted average number of shares in issue of 53 443 500 (2019: 61 736 760).

37. Earnings per share continued

Diluted headline earnings per share

The diluted headline earnings per share from operations for the year is 6,86 cents (2019: 8,92 cents). The calculation of the diluted headline earnings per share from operations is based on a profit of R3,66 million (2019: profit of R5,51 million) and a weighted average number of shares in issue of 53 443 500 (2019: 61 736 760).

Figures in R'000	Profit on ordinary activities	Taxation	Non-controlling interest	Net profit
Reconciliation between earnings and headline earnings:				
2020				
Profit before taxation	3 223	417	–	3 640
<i>Adjustments for:</i>				
Loss on disposal of property, plant and equipment	10	(3)	–	7
Loss on disposal of subsidiary	23	(6)	–	17
Headline earnings	3 256	408	–	3 664
2019*				
Profit before taxation	6 543	(985)	–	5 558
<i>Adjustments for:</i>				
Profit on disposal of property, plant and equipment	(70)	20	–	(50)
Headline earnings	6 473	(965)	–	5 508

* The comparative figures were restated, refer to note 39 for detail of the restatement.

Notes to the financial statements continued

for the year ended 31 March 2020

38. Group segmental analysis

	Furniture retail ¹		Insurance ²		Head office		Eliminations		Consolidated	
Figures in R'000	2020	2019	2020	2019*	2020	2019*	2020	2019*	2020	2019*
Segment revenue										
Sales of goods	37 620	37 266	–	–	–	–	–	–	37 620	37 266
Rendering of services	1 280	1 540	–	–	–	–	–	–	1 280	1 540
Rental income	1 029	992	–	–	–	–	(1 029)	(960)	–	32
Effective interest revenue	2 416	2 412	–	–	–	–	–	–	2 416	2 412
Dividend Income	–	–	–	–	–	25 000	–	(25 000)	–	–
Management fees	–	–	–	–	16 600	17 700	(16 600)	(17 700)	–	–
Loss on sale of subsidiary	–	–	–	–	–	–	–	–	–	–
Insurance premium income	–	–	12 429	9 235	–	–	(435)	267	11 994	9 502
Total revenue from external customers	42 345	42 210	12 429	9 235	16 600	42 700	(18 064)	(43 393)	53 310	50 752
Inter-segment revenue	–	506	–	–	–	–	–	(480)	–	–
Total segment revenue	42 345	42 716	12 429	9 235	16 600	42 700	(18 064)	(43 873)	53 310	50 752
Segment result										
Operating profit/(loss) before financing costs	(2 016)	2 279	544	3 485	7 037	32 146	(2 082)	(31 367)	3 483	6 543
Financing costs	(730)	(1 181)	–	–	(3 381)	(4 411)	3 851	5 592	(260)	–
(Loss)/profit before taxation	(2 746)	1 098	544	3 485	3 656	27 735	1 769	(25 775)	3 223	6 543
Taxation credit/(expense)	1 438	(256)	38	(192)	(459)	(538)	(600)	1	417	(985)
(Loss)/profit for the year	(1 308)	842	582	3 293	3 197	27 197	1 169	(25 774)	3 640	5 558
Segment assets [#]	35 306	51 756	710 234	617 081	95 215	130 094	(91 275)	(136 066)	749 480	662 865
Segment liabilities [#]	8 264	13 754	660 823	568 252	6 000	42 200	(21 162)	(56 782)	653 925	567 424
Cash flows from operating activities	(2 894)	4 476	(27 353)	(51 680)	(2 129)	18 880	(10 952)	10 119	(43 328)	(18 205)
Cash flows from investing activities	20 636	14 717	10 425	27 523	44 685	2 811	(39 409)	(43 699)	36 337	1 352
Cash flows from financing activities	(14 728)	(20 000)	–	–	(37 238)	(8 224)	50 363	20 000	(1 603)	(8 224)
Capital expenditure	(153)	(783)	(43)	(845)	(550)	(354)	–	–	(746)	(1 982)

¹ The segment has two 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 and Polokwane as at year end. The segment was negatively affected by the operational results of Kruben Holdings Proprietary Limited which formed part of this segment up until 31 March 2020, the date on which the company was sold to an external third party. The loss relating to Kruben Holdings Proprietary Limited amounted to R3,55 million (2019: R0,07 million profit).

² 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 comparative figures have been recalculated to reflect the restatements as disclosed in note 39.

[#] 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 the next page, 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 2020

38. Group segmental analysis continued

Figures in R'000	2020	2019
Reconciliation between consolidated segment assets and liabilities and total consolidated assets and liabilities		
Assets		
Segment assets	746 987	659 542
Deferred tax	2 421	3 253
Current tax receivable	72	70
Consolidated assets	749 480	662 865
Liabilities		
Segment liabilities	650 810	561 133
Deferred tax	3 115	6 291
Current tax payable	–	–
Consolidated liabilities	653 925	567 424
Segment assets		
Furniture retail	35 306	51 756
Insurance and finance	710 234	617 081
	745 540	668 837
Head office and eliminations	3 940	(5 972)
	749 480	662 865
Segment revenue		
Furniture retail	42 345	42 716
Insurance and finance	12 429	9 235
	54 774	51 951
Head office and eliminations	(1 464)	(1 199)
	53 310	50 752
(Loss)/profit for the year		
Furniture retail	(1 308)	842
Insurance and finance	582	3 293
	(726)	4 135
Head office and eliminations	4 366	1 423
	3 640	5 558

39. Enhancement of disclosure – restatement and reclassification of prior year figures

During financial year ended 31 March 2020 a comprehensive review of the group's presentation and disclosure was undertaken in conjunction with PricewaterhouseCoopers. This was also deemed necessary following elements highlighted by the JSE Limited as part of their proactive monitoring of annual financial statements.

Note 33 to the financial statements was included to incorporate additional disclosures required by the amendments to IFRS 4 when applying the temporary exemption from IFRS 9.

The following reclassifications, disclosure enhancements and restatements were applied to the 31 March 2019 results:

Figures in R'000	Prior to adoption of change in classification or restatement	Impact of change in classification or restatement	Impact of change in classification or restatement
Statement of financial position			
GROUP			
<i>Equity</i>			
Retained earnings ¹	65 147	(3 658)	61 489
<i>Non-current liabilities</i>			
Deferred tax liabilities ¹	2 633	3 658	6 291
<i>Current liabilities</i>			
Trade and other payables ²	11 478	(3 753)	7 725
Insurance contract liability ²	549 655	3 753	553 408
Statement of profit or loss and other comprehensive income			
GROUP			
Revenue ³	50 752	(2 412)	48 340
Effective interest revenue ³	–	2 412	2 412
Operating expenses ⁴	(50 594)	32 350	(18 244)
Notional interest allocation ⁴	–	(26 934)	(26 934)
Claims paid ⁴	–	(5 416)	(5 416)
Taxation credit/(expense) ¹	–	(985)	(985)
Statement of cash flows⁵			
GROUP			
<i>Cash flows from operating activities</i>			
Investment income received from operations	42 958	4 192	47 150
Acquisition of investments	–	(48 690)	(48 690)
Short-term funds (invested)/disinvested	–	42 081	42 081
Net cash utilised by operating activities	(15 788)	(2 417)	(18 205)
<i>Cash flows from investing activities</i>			
Investment income received	4 192	(4 192)	–
Acquisition of investments	(51 666)	48 690	(2 976)
Short-term funds disinvested	42 081	(42 081)	–
Net cash (utilised by)/generated from investing activities	(1 065)	2 417	1 352



Notes to the financial statements continued

for the year ended 31 March 2020

39. Enhancement of disclosure – restatement and reclassification of prior year figures continued

Figures in R'000	Prior to adoption of change in classification or restatement	Impact of change in classification or restatement	Impact of change in classification or restatement
Statement of cash flows⁵			
COMPANY			
<i>Cash flows from operating activities</i>			
Investment income received from operations	–	3 979	3 979
Net cash generated from operating activities	14 901	3 979	18 880
<i>Cash flows from investing activities</i>			
Investment income received	3 979	(3 979)	–
Net cash generated from investing activities	6 790	(3 979)	2 811

¹ In the past, the group has derecognised specific deferred tax liabilities recorded in the separate financial statements of Nictus Limited and other subsidiaries on consolidation. These deferred tax liabilities relate to intergroup transactions between Corporate Guarantee, Nictus Limited and other subsidiaries. The intergroup transactions are correctly eliminated on consolidation. The derecognition of the deferred tax liabilities in the consolidated financial statements were based on the strict and direct interpretation of IAS12.11 by the group. The carrying amount of the assets to which the deferred tax liabilities relate, reduces to Rnil in the consolidated financial statements, resulting in Rnil temporary differences upon recalculation. The group has restated the financial statements to conservatively reflect the financial position and operating results of the group, by recognising the deferred tax liability as calculated by the individual entities, prior to consolidation. Basic and diluted earnings per share for the prior year have also been restated. The amount of the correction for basic and diluted earnings per share was a decrease of 1,60 cents respectively.

² At 31 March 2020 the total notional interest provision was classified and included in the insurance contract liability. A portion of the notional interest provision, which would accrue to the policyholders on 1 April, was disclosed as trade and other payables at 31 March 2019. To ensure consistency, this amount was reclassified to be disclosed as part of the insurance contract liability at 31 March 2019. The reclassification was within current liabilities and has no effect on the group's basic or diluted earnings per share and had no impact on the group's statement of profit or loss and other comprehensive income.

³ Pursuant to the disclosure requirements of IAS1.82(a), effective interest revenue is now separately disclosed on the face of the statement of profit or loss and other comprehensive income. During the prior year, effective interest revenue was disclosed as revenue and included in the note of same as finance income. This amended disclosure has no effect on the group's basic or diluted earnings per share and had no impact on the group's profit or loss and total comprehensive income.

⁴ A change in disclosure relating to the aggregation of operating expenses in the statement of profit or loss and other comprehensive income was deemed appropriate to enhance the relevance of the disclosure, as the notional interest allocation expense and claims paid expense are specific to the insurance segment. Material year-on-year movements associated with these expenses items could thus result in comparability difficulties when disclosed as part of operating expenses. This amended disclosure has no effect on the group's basic or diluted earnings per share and had no impact on the group's profit or loss and total comprehensive income.

⁵ A change in disclosure relating to the appropriateness of all cash flows relating to investment portfolios backing insurance contract liabilities. Management are of the opinion that these should be reflected as cash flows from operating activities rather than as previously reflected as cash flows from investing activities. This provides more relevant information as it more accurately reflects the nature of the cash flows related to specific investments. Furthermore all investment income are now included in cash flows from operating activities. These reclassifications did not impact the total cash movement for the year ended 31 March 2019.

05

SHAREHOLDER INFORMATION

RELATIONSHIPS WITH OUR CLIENTS, CUSTOMERS, SUPPLIERS, EMPLOYEES AND ALL OTHER STAKEHOLDERS ARE AT A HIGHLY SATISFACTORY LEVEL AND THIS CONTRIBUTES TO OUR SUCCESS, AS IT REMAINS A TEAM EFFORT TO CONTRIBUTE TO A SUCCESSFUL OUTCOME.



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) in respect of the financial year ended 31 March 2020 will be held on Wednesday, 14 October 2020 at 12:00 (South African 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.

In light of the COVID-19 pandemic the board has, in the circumstances, determined that it is necessary, prudent and preferable that the annual general meeting be held by way of electronic participation, and not by way of a physical meeting. The annual general meeting will accordingly only be accessible through electronic communication, as permitted by the JSE Limited (JSE) and in accordance with the provisions of the Companies Act of South Africa, 71 of 2008 (the Companies Act of South Africa) and the company's Memorandum of Incorporation (MOI). The company has retained the services of The Meeting Specialist Proprietary Limited (TMS) to remotely host the annual general meeting on an interactive electronic platform in order to facilitate remote participation and voting by shareholders. TMS will also act as scrutineer for purposes of the annual general meeting.

Please refer to point 9 of the notice of annual general meeting for details.

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, for the purpose of determining which shareholders of the company are entitled to:

- 1.1 receive notice of the annual general meeting is Friday, 4 September 2020; and
- 1.2 participate in and vote at the annual general meeting is Friday, 9 October 2020. Accordingly, only shareholders who are registered in the register of members of the company, or their proxies, on Friday, 9 October 2020 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, 6 October 2020.

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 group 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 2020, 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 Philippus J de W Tromp as a director

"Resolved that Philippus J de W Tromp, who retires by rotation in terms of clause 16.3.2 of the company's 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 Professor Barend J Willemse as a director

"Resolved that Professor Barend J Willemse, 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: non-binding 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 page 41 of the integrated annual report of which this notice forms part."

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.

4.4 Ordinary resolution 4: non-binding 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 39 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.

The remuneration report of the remuneration and nomination committee (which includes the remuneration policy and implementation report) is set out on pages 37 to 41 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 numbers 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.

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.

4.5 Ordinary resolution 5: re-election of Cornelius J de Vrye as a member and chairman of the audit and risk committee

"Resolved that Cornelius J de Vrye, a director of the company who fulfils the requirements of section 94(4) of the Companies Act of South Africa, be and is hereby re-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."



Notice of annual general meeting continued

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.

4.6 Ordinary resolution 6: re-election of Professor Barend J Willemse as a member of the audit and risk committee

"Resolved that Professor 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, subject to his re-election as a director of the company pursuant to ordinary resolution number 2."

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. 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.

4.7 Ordinary resolution 7: re-election of Gerard Swart as a member of the audit and risk committee

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

In order for this ordinary resolution number 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.

4.8 Ordinary resolution 8: appointment of PricewaterhouseCoopers Inc. as independent external auditor

"Resolved that PricewaterhouseCoopers Inc. (with the designated external audit partner being Mr Jorge M Goncalves) be and is hereby 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 appointment of PricewaterhouseCoopers Inc. and Mr Jorge M Goncalves, following its assessment of the performance and independence of PricewaterhouseCoopers Inc. and Mr Jorge M Goncalves 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 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: 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 in 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 9 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.

4.10 Ordinary resolution 10: 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 10 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.

4.11 Special resolution 1: approval of non-executive 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 as follows, be and are hereby approved until such time as rescinded or amended by the shareholders by way of a special resolution."



Notice of annual general meeting continued

Name of director	Proposed fees*					
	Annual fee R	Board R	Audit and risk committee R	Remuneration and nomination committee R	Social and ethics committee R	Investment committee R
Professor 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	–	–	–	–

* 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.

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.

4.12 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:

- 4.12.1 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;
- 4.12.2 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;
- 4.12.3 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;
- 4.12.4 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;

- 4.12.5 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;
- 4.12.6 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;
- 4.12.7 At any point in time the company only appointing one agent to effect any repurchases on its behalf;
- 4.12.8 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
- 4.12.9 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:

- 4.12.9.1 The company and the group will be able, in the ordinary course of business, to pay its debts;
- 4.12.9.2 The working capital of the company and the group will be adequate for ordinary business purposes;
- 4.12.9.3 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
- 4.12.9.4 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 sections 46 and 48 of the Companies Act of South Africa having been met. The Companies Act of South Africa and the JSE Listings Requirements require the approval of at least 75% (seventy-five percent) 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.

4.13 Special resolution 3: financial assistance to entities related or interrelated 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 interrelated company or to any juristic person who is a member of or related to any such company/ies (related and interrelated 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,



Notice of annual general meeting continued

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 interrelated 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 51 of the integrated annual report of which this notice forms part;
- 5.2. Stated capital of the company – page 109 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. Participation, voting 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 Shareholders who wish to participate electronically in and/or vote at the annual general meeting are required to complete the electronic participation form available on page 159 of the notice and email it to TMS at proxy@tmsmeetings.co.za or alternatively contact them on +27 11 520 7950/1/2 as soon as possible, but in any event no later than 12:00 (South African time) on Monday, 12 October 2020.

TMS will assist shareholders with the requirements for electronic participation in, and/or voting at, the annual general meeting.

- 9.3 Shareholders will be liable for their own network charges in relation to electronic participation in and/or voting at the annual general meeting. Any such charges will not be for the account of the company, the JSE and/or TMS. The company, the JSE or TMS cannot be held accountable in the case of loss of network connectivity or other network failure due to insufficient airtime, internet connectivity, internet bandwidth and/or power outages which prevent any such shareholder from participating in and/or voting at the annual general meeting.
- 9.4 Shareholders are advised, and strongly encouraged, to participate in the annual general meeting electronically and, for administrative ease, to make use of proxy voting as outlined in this notice.
- 9.5 Shareholders are further advised that in terms of section 63(1) of the Companies Act, any person (including proxies) attending, participating in or voting at the annual general meeting must present reasonably satisfactory identification before being entitled to attend or participate in and vote at the annual general meeting. TMS is obliged to validate (in consultation with the company and, in particular, the company's transfer secretaries, Computershare Investor Services Proprietary Limited (Computershare), and your Central Securities Depository Participant (CSDP) each shareholder's entitlement to participate in and/or vote at the annual general meeting, before providing you with the necessary means to access the annual general meeting and the associated voting platform. Forms of identification include valid identity documents, driver's licences and passports.
- 9.6 All beneficial owners whose shares have been dematerialised through a 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 participate in the annual general meeting electronically.
- 9.7 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 participate in the annual general meeting electronically 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.
- 9.8 Forms of proxy (which form may be found enclosed) must be dated and signed by the shareholder appointing a proxy and must be emailed to TMS at proxy@tmsmeetings.co.za. Forms of proxy must be received not later than 12:00 on Monday, 12 October 2020. Before a proxy exercises any rights of a shareholder at the annual general meeting, such form of proxy must be so delivered.



Notice of annual general meeting continued

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 the registered offices of the company, the transfer secretaries or TMS, whose details are set out on the inside back cover.

- 9.9 Attention is drawn to the "Notes" to the form of proxy.
- 9.10 The completion of a form of proxy does not preclude any shareholder attending the annual general meeting.

By order of the board

Nictus Limited
Veritas Eksekuteurskamer Proprietary Limited
Company secretary

Randburg
4 September 2020

Electronic participation

in the Nictus Limited virtual annual general meeting to be held on Wednesday, 14 October 2020

The annual general meeting

- Shareholders or their proxies who wish to participate in the annual general meeting via electronic communication (participants), must apply to the company's meeting scrutineers to do so by emailing the form below (the application) to the email address of the company's meeting scrutineers, The Meeting Specialist Proprietary Limited (TMS), by no later than 12:00 on 12 October 2020. The email address is as follows: proxy@tmsmeetings.co.za.
- Shareholders who have dematerialised their shares, other than those shareholders who have dematerialised their shares with own name registration, should contact their CSDP or broker in the manner and time stipulated in their agreement with their CSDP or broker:
 - to furnish them with their voting instructions; and
 - in the event that they wish to participate in the meeting, to obtain the necessary authority to do so.
- Participants will be able to vote during the annual general meeting through an electronic participation platform. Such participants, should they wish to have their vote(s) counted at the annual general meeting, must provide TMS with the information requested below.
- Each shareholder, who has complied with the requirements below, will be contacted between 12 October 2020 and 14 October 2020 via email/mobile with a unique link to allow them to participate in the virtual annual general meeting.
- The cost of the participant's phone call or data usage will be at his/her own expense and will be billed separately by his/her own service provider.
- The participant's unique access credentials will be forwarded to the email/cell number provided below.

Application form

Name and surname of shareholder _____

Name and surname of shareholder representative _____
(if applicable)

ID number of shareholder or representative _____

Email address _____

Cell number _____

Telephone number _____

Name of CSDP or broker _____
(if shares are held in dematerialised format)

SCA number/broker account number or _____

Own name account number _____

Number of shares _____

Signature _____ Date _____

By signing this form, I agree and consent to the processing of my personal information above for the purpose of participation in the annual general meeting.



Electronic participation continued

Terms and conditions for participation at the Nictus Limited annual general meeting to be held on 14 October 2020 via electronic communication

- The cost of dialling in using a telecommunication line/webcast/web-streaming to participate in the annual general meeting is for the expense of the participant and will be billed separately by the participant's own service provider.
- The participant acknowledges that the telecommunication lines/webcast/web-streaming are provided by a third party and indemnifies the company, the JSE Limited and TMS and/or their third-party service providers against any loss, injury, damage, penalty or claim arising in any way from the use or possession of the telecommunication lines/webcast/web-streaming, whether or not the problem is caused by any act or omission on the part of the participant or anyone else. In particular, but not exclusively, the participant acknowledges that he/she will have no claim against the company, the JSE Limited and TMS and/or its third-party service providers, whether for consequential damages or otherwise, arising from the use of the telecommunication lines/webcast/web-streaming or any defect in it or from total or partial failure of the telecommunication lines/webcast/web-streaming and connections linking the telecommunication lines/webcast/web-streaming to the annual general meeting.
- Participants will be able to vote during the annual general meeting through an electronic participation platform. Such participants, should they wish to have their vote(s) counted at the annual general meeting, must act in accordance with the requirements set out above.
- Once the participant has received the link, the onus to safeguard this information remains with the participant.
- The application will only be deemed successful if this application form has been fully completed and signed by the participant and delivered or emailed to TMS at proxy@tmsmeetings.co.za and in the manner set out above.

Shareholder name _____

Signature _____ Date _____

Important: You are required to attach a copy of your identity document/driver's licence/passport when submitting the application.

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 use by shareholders of the company holding certificated shares and/or dematerialised shareholders who have elected "own-name" registration, nominee companies of Central Securities Depository Participants' (CSDP) and brokers' nominee companies, registered as such at the close of business on Friday, 9 October 2020 (the voting record date), at the annual general meeting of the company to be held on Wednesday, 14 October 2020, commencing at 12:00 (SA time), or at any adjournment thereof.

If you are a dematerialised shareholder, other than with own-name registration, do not use this form. Dematerialised shareholders, other than with own-name registration, should provide instructions to their appointed CSDP or broker in the form as stipulated in the agreement entered into between the shareholder and the CSDP or broker.

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 above-mentioned 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 Philippus J de W Tromp as a director				
Ordinary resolution 2: re-election of Professor Barend J Willemse as a director				



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 3: non-binding approval of the remuneration policy				
Ordinary resolution 4: non-binding approval of the remuneration implementation report				
Ordinary resolution 5: re-election of Cornelius J de Vrye as a member and chairman of the audit and risk committee				
Ordinary resolution 6: re-election of Professor Barend J Willemse as a member of the audit and risk committee				
Ordinary resolution 7: re-election of Gerard Swart as a member of the audit and risk committee				
Ordinary resolution 8: appointment of PricewaterhouseCoopers Inc. (with the designated external audit partner being Mr Jorge M Goncalves) as independent external auditor				
Ordinary resolution 9: authority to issue ordinary shares				
Ordinary resolution 10: signing authority				
Special resolution 1: approval of non-executive directors' remuneration				
Special resolution 2: general authority to repurchase shares				
Special resolution 3: financial assistance to entities related or interrelated 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 _____ 2020

Signature _____

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

Notes to the form of proxy

- Each shareholder is entitled to appoint one or more proxies (who need not be a shareholder(s) of the company) to participate in place of that shareholder at the annual general meeting.
- 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.
- 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 chairperson of the annual general meeting, if the chairperson 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.
- 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.
- 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 chairperson of the annual general meeting.
- 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.
- Any alterations or corrections to this form of proxy have to be initialised by the signatory(ies).
- The completion and lodging of this form of proxy shall not preclude the relevant shareholder from participating in the annual general meeting to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.
- 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 TMS of this instruction no less than 48 hours before the time appointed for the holding of the meeting. Should you, as the beneficial owner, however, wish to participate in the meeting, 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 TMS 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 TMS via email at E.proxy@tmsmeetings.co.za not less



Notes to the form of proxy continued

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 emailed to TMS at [E proxy@tmsmeetings.co.za](mailto:proxy@tmsmeetings.co.za). Forms of proxy must be received not later than 12:00 on Monday, 12 October 2020. Thereafter, forms of proxy must be handed to the chairperson 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

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JSE share code: NCS
ISIN number: NA0009123481
www.nictuslimited.co.za

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