# 2020

## Summarised Audited Consolidated Results

FOR THE YEAR ENDED 31 MARCH

Invicta
HOLDINGS LIMITED

# Letter to shareholders

## Dear shareholder

This summary of our results for the year to 31 March 2020 also includes an executive review of our performance.

In line with global trends and as a responsible corporate citizen, we have taken the decision to publish our annual reports on our website since current financial reporting requirements and corporate governance disclosures make for bulky and costly posted annual reports.

The annual consolidated financial statements will be available on our website **www.invictaholdings.co.za** on Monday, 27 July 2020. The integrated annual report and social and governance report will be available on our website **www.invictaholdings.co.za** on Friday, 31 July 2020. We believe that this approach to reporting confirms our commitment to protecting the environment where we can, while we grow our business in a sustainable manner.

Thank you for your support.

**Dr CH Wiese**
*Chairman*

# Executive review of our performance

## Overview of the year

2020 was a challenging year. This was a year which included load shedding, water restrictions, a drought in many parts of South Africa, massive currency volatility and hardly any growth. It was also a year in which we saw previously giant construction companies go into business rescue, SA sovereign debt downgraded, rising government debt and rising unemployment. Though we are fortunate to have a business based in Singapore, trade tensions between America and China adversely affected that entire region.

## Group performance

The operations comprise:

- ESG (Engineering Solutions Group) is a distributor of engineering products (bearings, belts, tools, electric motors, hydraulics), technical services and solutions.
- CEG (Capital Equipment Group) is distributor of agricultural machinery, construction and earthmoving machinery, forklifts and related parts.
- KAG (Kian Ann Group), based in Singapore, has a heavy machinery division and an automotive division.

Revenue for the Group decreased by 4% to R10.038 billion. Gross margin decreased as a result of additional stock provisions taken in response to revised sell-through rates. The Group has taken R1.102 billion in impairments in the context of the COVID-19 pandemic, of which goodwill was R639 million, property was R196 million, and deferred tax assets were R71 million. Consequently, operating profit declined from R699 million to an operating loss of R312 million. The implementation of IFRS16 Leases had a negative impact of R12.76 million on the current year.

IFRS 16 added R44 million to the finance cost for the year and finance income fell as a result of the sale of FirstRand bonds. The proceeds on the sale of the bonds were used to redeem the preference shares held by Standard Bank.

Profit for the year fell from R229 million, to a loss of R673 million after the impairments. This is reflected in the basic loss per share of 712 cents and headline earnings per share of 58 cents.

## ESG

Revenue for the ESG Group was down less than 1% on the prior year. Consumables amounted to 61% of revenue, and Engineering which includes value added to products, amounted to 39% of sales. ESG businesses in Africa and Europe are growing faster than South Africa and that trend is expected to continue.

## CEG

Revenue for the CEG Group was down 3%. Agriculture and forestry accounted for 50% of the revenue, with construction accounting for 43% and material handling 7%. The cost of the operation is covered by the revenue stream from parts, services and rentals.

## KAG

Revenue was down 20% year on year, mainly due to the China America impasse. Specifically, the year was characterised by sluggish coal mining in Indonesia and logging in Malaysia, affected by demand from China. The demand for spares followed suit. Heavy machinery accounted for 78% of revenue and automotive accounted for 22%.

## Strategic focus and prospects

Management focus will be on implementing the disposal of the CEG divisions to CNH Industrial. Attention will also be firmly on developing the BMG e-commerce platform, and the Oxygen Helmet and Ventilator project. The tool business will be restructured to eliminate costs, and the Kian Group business model will be re-evaluated strategically.

Additionally, the Group will be guided by the principles of targeting lower gearing, driving operational performance on return on equity/assets and simplification of both the Group structure and Group reporting.

Please note that any forward looking statements in this announcement have not been reviewed nor audited by Group's auditors.

# Executive review of our performance

## Changes to the Board and Board committees

Mr. Steven Joffe was appointed Group Chief Executive Officer effective 1 January 2020, following the resignation of Mr. Arnold Goldstone. Further changes to the Board effected after year end were announced on 30 April. Please refer to the SENS for details.

## Dividend policy

The Board has resolved not to declare further dividends until gearing levels improve. The normal dividend policy (of a total dividend cover ratio of 3.5 times at interim results adjusted to 2.75 times at year-end) will then resume.

## Appreciation

The Board is once again highly appreciative to the executive management, the respective management teams of our businesses and most importantly all the staff, for the excellent commitment and performance in what can only be described as difficult and uncertain economic times.

The Board is confident that the Group will successfully face these challenges which include the COVID-19 pandemic, and will emerge stronger than ever.

## Approval

The Directors take full responsibility for the preparation of the Summarised Audited Consolidated Results, and confirm that the financial information has been correctly extracted from the underlying Audited Annual Consolidated Financial Statements.

## Auditors

Ernst & young Inc. are the Group's auditors and have issued an unmodified opinion on the Audited Annual Consolidated Financial Statements. A copy of the auditor's report including the key audit matters is available for inspection at the Company's registered office, together with the Audited Annual Consolidated Financial Statements identified in the auditor's report, as well as on the Company's website at www.invictaholdings.co.za. This summarised report is extracted from the audited information, but is not itself audited.

The auditor's report does not necessarily report on all of the information contained in this announcement. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's report together with the accompanying financial information from the issuer's registered office.

On behalf of the Board

**Steven Joffe**
Chief Executive Officer

**Nazlee Rajmohamed**
Group Financial Director

# Summarised consolidated statement of profit or loss and other comprehensive income

| | % change | 31 March 2020 R'000 | 2019 R'000 |
|---|---|---|---|
| Revenue | (4) | **10,037,636** | 10,449,704 |
| Gross profit | | **2,696,673** | 2,987,824 |
| Operating (loss)/profit before net finance income on financing transactions and foreign exchange movements | (145) | **(312,492)** | 699,364 |
| Finance income from financing transactions | | **22,943** | 16,158 |
| Finance costs on financing transactions | | **(12,649)** | (8,315) |
| Net foreign exchange cost | | **(47,269)** | (17,317) |
| **Operating (loss)/profit** | (151) | **(349,467)** | 689,890 |
| Finance income and dividends received | | **88,294** | 128,572 |
| Finance costs | | **(289,745)** | (242,811) |
| Equity accounted earning from investment in associates | | **31,273** | 27,171 |
| Equity accounted earning from investment in joint ventures | | **23,583** | 11,630 |
| **(Loss)/profit before tax** | (181) | **(496,062)** | 614,452 |
| Income tax expense | | **(177,235)** | (385,838) |
| **(Loss)/profit for the year** | (395) | **(673,297)** | 228,614 |
| **Other comprehensive income** | | | |
| *Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax):* | | | |
| Exchange differences on translation of equity loans* | | **–** | 3,979 |
| Exchange differences on translation of foreign operations | | **282,417** | 238,455 |
| Changes in the fair value of financial investments | | **443** | 5,927 |
| **Total comprehensive (loss)/income for the year** | | **(390,437)** | 476,975 |
| **(Loss)/profit attributable to:** | | | |
| Owners of the Company - Ordinary shares | | **(761,462)** | 134,555 |
| Non-controlling interest | | **6,700** | 11,195 |
| Preference shareholders - Preference shares | | **81,465** | 82,864 |
| | | **(673,297)** | 228,614 |
| **Total comprehensive (loss)/income attributable to:** | | | |
| Owners of the Company - Ordinary shares | | **(492,287)** | 377,982 |
| Non-controlling interest | | **20,385** | 16,129 |
| Preference shareholders - Preference shares | | **81,465** | 82,864 |
| | | **(390,437)** | 476,975 |

*The equity loans form part of the net investment in foreign subsidiaries.

| | % change | 2020 | 2019 |
|---|---|---|---|
| **Basic (loss)/earnings per share (cents)** | (665) | **(712)** | 126 |
| **Diluted (loss)/earnings per share (cents)** | (665) | **(712)** | 126 |

# Summarised consolidated headline earnings and earnings per share

| (Loss)/earnings per share (cents) | 31 March 2020 | 2019 |
|---|---|---|
| Basic (loss)/earnings per share | **(712)** | 126 |
| Diluted (loss)/basic earnings per share | **(712)** | 126 |
| Headline earnings per share | **58** | 112 |
| Diluted headline earnings per share | **58** | 112 |
| **Ordinary shares ('000)** | | |
| In issue | **108,495** | 108,495 |
| Weighted average | **106,953** | 106,953 |
| Diluted weighted average | **106,953** | 106,953 |

| Headline earning per share | 31 March 2020 R'000 | 2019 R'000 |
|---|---|---|
| (Loss)/Profit for the year attributable to owners of the Company | **(761,462)** | 134,555 |
| **Headline earnings adjustments** | | |
| Adjustments for: | | |
| Gain from bargain purchase price recognised | **–** | (10,377) |
| Profit on disposal of property, plant and equipment | **(3,075)** | (7,286) |
| Less: Tax thereon | **802** | 1,786 |
| Less: other shareholders interest thereon | **154** | – |
| Profit on disposal of investment | **(5,817)** | (2,270) |
| Less: Tax thereon | **1,600** | – |
| Impairment of investment in associate | **–** | 2,849 |
| Impairment of goodwill | **639,588** | – |
| Impairment of property, plant and equipment | **146,594** | – |
| Impairment of investment property | **49,228** | – |
| Less: Tax thereon | **(5,724)** | – |
| **Headline earnings** | **61,888** | 119,257 |

# Summarised consolidated statement of financial position

| | 31 March 2020 R'000 | 31 March 2019 R'000 |
|---|---|---|
| **ASSETS** | | |
| **Non-current assets** | **2,896,774** | 3,193,159 |
| Property, plant and equipment | **1,738,241** | 1,942,332 |
| Right of use assets | **423,271** | – |
| Investment in associates and joint ventures | **293,136** | 216,167 |
| Financial investments | **1,178** | 958 |
| Goodwill | **24,847** | 662,927 |
| Other intangible assets | **77,183** | 62,241 |
| Other financial assets | **98,113** | 99,506 |
| Deferred taxation | **240,805** | 209,028 |
| **Current assets** | **7,399,961** | 8,079,043 |
| Inventories | **4,221,757** | 4,543,864 |
| Trade and other receivables | **1,874,183** | 1,890,432 |
| Current portion of financial assets | **144,522** | 679,699 |
| Current tax assets | **27,795** | 29,333 |
| Bank and cash balances | **1,131,704** | 935,715 |
| Assets classified as held for sale | **126,532** | – |
| **Total assets** | **10,423,267** | 11,272,202 |
| **EQUITY AND LIABILITIES** | | |
| **Capital and reserves** | **4,634,517** | 5,182,056 |
| Equity attributable to the equity holders | **4,505,480** | 5,060,541 |
| Non-controlling interest | **129,037** | 121,515 |
| **Non-current liabilities** | **3,006,554** | 2,620,353 |
| Borrowings | **2,326,733** | 2,271,858 |
| Right of use lease liabilities | **443,430** | – |
| Finance lease liabilities | **68,194** | 95,377 |
| Long-term tax liability | **100,000** | 200,000 |
| Deferred tax | **68,197** | 53,118 |
| **Current liabilities** | **2,782,196** | 3,469,793 |
| Trade, other payables and provisions | **1,860,737** | 2,119,751 |
| Current tax liability | **146,327** | 158,621 |
| Dividends payable | **35,058** | 47,263 |
| Borrowings | **201,620** | 812,241 |
| Right of use lease liabilities | **86,831** | – |
| Finance lease liabilities | **67,265** | 68,787 |
| Financial liabilities | **75,287** | 79,890 |
| Bank overdrafts | **309,071** | 183,240 |
| **Total liabilities** | **5,788,750** | 6,090,146 |
| **Total equity and liabilities** | **10,423,267** | 11,272,202 |

# Summarised consolidated statement of changes in equity

| | 31 March | |
|---|---|---|
| | **2020** | 2019 |
| | **R'000** | R'000 |
| **Share capital, share premium and preference share capital** | | |
| Share capital | **5,424** | 5,424 |
| Share premium | **2,653,151** | 2,653,151 |
| Treasury shares - Balance at the beginning of the year | **(49,406)** | (68,057) |
| Treasury shares - Movement for the year | **–** | 18,651 |
| Treasury shares - Balance at the end of the year | **(49,406)** | (49,406) |
| Preference shares | **750,000** | 750,000 |
| **Retained earnings** | | |
| Balance at the beginning of the year | **1,430,250** | 1,419,989 |
| Total comprehensive income | **(679,554)** | 223,346 |
| Transfer between reserves | **20,969** | (15,112) |
| Adjustment on initial application of IFRS 16 & 9, net of tax | **(62,167)** | (5,589) |
| Ordinary and preference dividends paid | **(83,991)** | (192,384) |
| **Balance at the end of the year** | **625,507** | 1,430,250 |
| **Foreign currency translation reserve** | | |
| Balance at the beginning of the year | **354,614** | 117,114 |
| Total comprehensive income | **268,732** | 237,500 |
| **Balance at the end of the year** | **623,346** | 354,614 |
| **Other reserves** | | |
| Balance at the beginning of the year | **(83,492)** | (99,395) |
| Equity-settled share-based payments | **2,718** | 4,342 |
| Other reserve movements | **(188)** | – |
| Acquisition of non-controlling interests | **(611)** | 330 |
| Transfer between reserves | **(20,969)** | 11,231 |
| **Balance at the end of the year** | **(102,542)** | (83,492) |
| Attributable to equity shareholders | **4,505,480** | 5,060,541 |
| **Non-controlling interest** | | |
| Balance at the beginning of the year | **121,515** | 99,473 |
| Total comprehensive income | **20,385** | 16,129 |
| Transfers between reserves | **–** | 3,881 |
| Non-controlling interest arising on the issue of additional share capital in a subsidiary | **1,215** | 6,236 |
| Disposal of subsidiary | **(6,312)** | – |
| Acquisition of non-controlling interests | **(434)** | (1,959) |
| Adjustment on initial application of IFRS 16 | **(23)** | – |
| Ordinary dividend paid | **(7,309)** | (2,245) |
| **Balance at the end of the year** | **129,037** | 121,515 |
| **Total equity** | **4,634,517** | 5,182,056 |

# Summarised consolidated statement of cash flows

| | Notes | 31 March 2020 R'000 | 2019 R'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 5 | **959,891** | 545,062 |
| Finance costs | | **(310,337)** | (251,126) |
| Dividends paid to Group shareholders and non-controlling interest | | **(91,730)** | (196,361) |
| Tax paid | 6 | **(287,583)** | (612,977) |
| Finance income and dividends received | | **111,124** | 144,730 |
| **Net cash inflow/(outflow) from operating activities** | | **381,365** | (370,672) |
| **Cash flows from investing activities** | | | |
| Proceeds on sale of property, plant and equipment and other intangible assets | | **28,497** | 66,553 |
| Additions to property, plant and equipment | | **(168,562)** | (209,727) |
| Additions to intangible assets | | **(37,857)** | (23,158) |
| Acquisition of subsidiaries and businesses | | **–** | (314,818) |
| Acquisition of joint venture | | **–** | (36,918) |
| Acquisition of non-controlling interests | | **(1,045)** | (1,629) |
| Proceeds on disposal of subsidiaries (including cash and cash equivalents disposed) | | **19,130** | (3,231) |
| Settlement of directors' loans | | **–** | 6,394 |
| Funds lent in relation to long-term receivables | | **(6,119)** | (5,911) |
| Payments received from long-term receivables | | **2,015** | – |
| Funds invested in relation to financial investments | | **–** | (954) |
| Payments received from financial investments | | **593,208** | 964 |
| **Net cash inflow/(outflow) from investing activities** | | **429,267** | (522,435) |
| **Cash flows from financing activities** | | | |
| Funding received in respect of borrowings | | **550,826** | 737,705 |
| Principle repayment of borrowings | | **(1,257,533)** | – |
| Payment of right of use lease liabilities | | **(85,365)** | – |
| Funding received in respect of finance lease liabilities | | **78,380** | – |
| Repayment of finance lease liabilities | | **(95,229)** | – |
| Proceeds from issue of shares to non-controlling interests | | **1,215** | 6,236 |
| Principle repayment of financial liabilities | | **(2,009)** | – |
| Increase in financial liabilities | | **–** | 3,071 |
| **Net cash (outflow)/inflow from financing activities** | | **(809,715)** | 747,012 |
| **Net increase/(decrease) in cash and cash equivalents** | | **917** | (146,095) |
| Cash and cash equivalents at the beginning of the year | | **752,475** | 858,102 |
| Effect of foreign exchange rate movement on cash balance | | **69,241** | 40,468 |
| **Cash and cash equivalents at the end of the year** | | **822,633** | 752,475 |

| **Cash and cash equivalents** | 2020 R'000 | 2019 R'000 |
|---|---|---|
| Bank and Cash balances | **1,131,704** | 935,715 |
| Bank overdrafts | **(309,071)** | (183,240) |
| **Total** | **822,633** | 752,475 |

# Other information

| | 31 March | |
|---|---|---|
| | **2020** | 2019 |
| Net interest-bearing debt:equity ratio (excluding long-term debt secured by investments and loans)* | **55%** | 44% |
| Net interest-bearing debt:equity ratio (excluding right of use lease liabilities and debt secured by investments)** | **44%** | 44% |
| Depreciation and amortisation (R'000) | **251,964** | 139,480 |
| Depreciation of property, plant and equipment (R'000) | **131,403** | 118,417 |
| Depreciation of right of use assets (R'000) | **98,125** | – |
| Amortisation of intangible assets (R'000) | **22,436** | 21,063 |
| Net asset value per ordinary share (cents)^ | **3,580** | 4,085 |
| Tangible net asset value per ordinary share (cents)^^ | **3,486** | 3,417 |
| Capital expenditure (R'000) | **206,419** | 232,885 |

* The net interest-bearing debt:equity ratio represents the proportion of the Group's net asset value which is financed by net interest bearing debt and is calculated as follows: (non-current portion of interest bearing debt+current portion of interest bearing debt-net cash on hand- debt secured by investments) / capital and reserves.

** The net interest-bearing debt:equity ratio represents the proportion of the Group's net asset value which is financed by net interest bearing debt and is calculated as follows: (non-current portion of interest bearing debt+current portion of interest bearing debt-net cash on hand- debt secured by investments-non-current right of use liabilities-current right of use lease liabilities) / capital and reserves.

^ Net asset value per ordinary share represents the ordinary shareholders share in the net assets of the Group excluding those funded through preference share equity and is calculated as follows: (total assets-total liabilities-preference share equity) / number of issued ordinary shares.

^^ Tangible net asset value per ordinary share represents the ordinary shareholders share in the tangible net assets of the Group excluding those funded through preference share equity and is calculated as follows: (total assets-goodwill-other intangible assets-total liabilities-preference share equity) / number of issued ordinary shares.

## Segment information

| | 31 March | | | | | | |
|---|---|---|---|---|---|---|---|
| | Engineering Solutions Group R'000 | Capital Equipment Group R'000 | Kian Ann Group R'000 | Corporate and inter-segment eliminations R'000 | Total continuing operations R'000 | Assets held for sale R'000 | Total operations R'000 |
| **2020** | | | | | | | |
| Revenue | **5,180,328** | **3,124,287** | **1,393,773** | **339,248** | **10,037,636** | **–** | **10,037,636** |
| - Sale of goods | **5,167,461** | **2,936,542** | **1,393,773** | **289,042** | **9,786,818** | **–** | **9,786,818** |
| - Rendering of services | **12,867** | **123,205** | **–** | **30,173** | **166,245** | **–** | **166,245** |
| - Rental income | **–** | **64,540** | **–** | **20,033** | **84,573** | **–** | **84,573** |
| Operating (loss)/profit before interest on financing trans and foreign exchange movements | **(343,050)** | **150,721** | **34,507** | **(154,672)** | **(312,494)** | **–** | **(312,494)** |
| (Loss)/profit before tax | **(479,721)** | **153,768** | **69,981** | **(240,090)** | **(496,062)** | **–** | **(496,062)** |
| Assets | **4,094,492** | **2,349,985** | **2,699,722** | **1,152,536** | **10,296,735** | **126,532** | **10,423,267** |
| Liabilities | **1,998,035** | **980,244** | **797,602** | **2,012,869** | **5,788,750** | **–** | **5,788,750** |
| **2019** | | | | | | | |
| Revenue | 5,238,443 | 3,205,861 | 1,632,152 | 373,248 | 10,449,704 | – | 10,449,704 |
| - Sale of goods | 5,233,309 | 3,063,330 | 1,632,152 | 359,492 | 10,288,283 | – | 10,288,283 |
| - Rendering of services | 5,134 | 142,531 | – | – | 147,665 | – | 147,665 |
| - Rental income | – | – | – | 13,756 | 13,756 | – | 13,756 |
| Operating (loss)/profit before interest on financing trans and foreign exchange movements | 334,795 | 249,775 | 122,883 | (8,089) | 699,364 | – | 699,364 |
| (Loss)/profit before tax | 263,404 | 300,781 | 138,462 | (88,195) | 614,452 | – | 614,452 |
| Assets | 4,335,156 | 2,367,536 | 2,364,033 | 2,205,477 | 11,272,202 | – | 11,272,202 |
| Liabilities | 1,434,595 | 999,347 | 745,066 | 2,911,138 | 6,090,146 | – | 6,090,146 |

Following the appointment of the new Group Chief Executive Officer, the Kian Ann Group ("KAG") segment now reports directly into Invicta Group executive committee as the chief decision maker, comprising the executive directors. The Kian Ann Group was previously reported as part of the Capital Equipment Group ("CEG"). The reportable segments have been represented to disclose the three main reportable operational segments namely the Engineering Solutions Group ("ESG"), the Capital Equipment Group and the Kian Ann Group. A fourth segment comprises MacNeil Plastics and all the Group financing, investment, property and support service operations ("Corporate") including inter-group elimination, with separate disclosure of the discontinued operations.

# Notes to the summarised audited consolidated results

## 1. Basis of preparation

The summarised consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, and the requirements of the Companies Act of South Africa applicable to summary financial statements. The JSE Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS"), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, and to also, as a minimum, contain the information required by IAS 34, Interim Financial Reporting. The accounting policies applied in the preparation of the consolidated financial statements, from which the summarised consolidated financial statements were derived, are in terms of IFRS and are consistent with the accounting policies applied in the preparation of the previous consolidated financial statements with the exception of IFRS 16: Leases and IFRIC 23: Uncertainty over Income Tax Treatment, which became effective in the current year and IFRS 8 Operating Segments where the operating segments were represented.

These summarised audited consolidated financial statements have been extracted from the audited annual consolidated financial statements of Invicta Holdings Limited for the year ended 31 March 2020, but is not itself audited. In accordance with Section 30(2) and 30(3) of the Companies Act, the consolidated annual financial statements for the year ended 31 March 2020 have been audited by Ernst & Young Inc., the company's independent external auditors, whose unqualified audit report can be found under the Independent Auditor's Report in the Annual Consolidated Financial Statements. A copy of the auditor's report including the key audit matters is available for inspection at the Company's registered office, together with the Audited Annual Consolidated Financial Statements identified in the auditor's report, as well as on the Company's website at www.invictaholdings.co.za.

## 2. Prepared by

These summarised consolidated results have been prepared under the supervision of Ms. Nazlee Rajmohamed CA (SA), the Group Financial Director.

## 3. Events after the reporting date

After year end the South Africa lockdown at level 5 was extended by a further two weeks. This was followed by a lift of the lockdown in controlled stages. At date of this report the country was at level 3. There remains uncertainty regarding timing to reach full lift of the lockdown, and the rate of recovery from the impact of the COVID-19 pandemic. The situation continues to be closely monitored so that the various businesses may adapt as necessary to comply with regulations and meet the needs of our customers. Our top priority remains the safety and well-being of our employees.

The operating results since year ended 2020 have shown that the corrective actions taken in relation to the pandemic have yielded benefits. Despite revenue still tracking below volumes of the prior year, cost containment measures have ensured that the initial level 5 losses are recovered and a breakeven result is likely for the first quarter of the 2021 financial year.

Agreements have been reached with bankers to establish new covenants for the next six months that accommodate our Covid-19 trading conditions. This will be reviewed, and if necessary revised, in the context of an updated forecast to be prepared in September. The revised covenants will then serve until the financial year ended 2021.

The Group through its' subsidiary t/a Africa Medical Equipment (has engaged with Virgin Unite, and as result will support the charity "Global and African Philanthropists", by producing and supplying ventilators and oxygen helmets to the African continent. The first orders have been received.

Subsequent to year-end and as a result of the impact of COVID-19, the Group has commenced with a section 189 and section 189A of the Labour Relations Act 66 of 1995. It is expected that the cost of the total severance packages will be R37.5 million.

## 3. Events after the reporting date (cont.)

BMG has launched its new B2B e-commerce platform, which provides 24-hour ordering to all BMG account clients. Customers have the options of either collecting at the nearest branch for free, or receiving on-site delivery at an additional fee. The site has launched with Bearings and will include Tools and Equipment and Power Transmission products next.

**Disposal of CEG operating divisions**

Agreement has been reached to dispose a number of CEG's ("Capital Equipment Group") operating divisions to CNHi. CNHi is the principal in respect of the CASE product which CEG imports and distributes in South Africa. The transaction is subject to both shareholder and competition Commission approval amongst other conditions, and is targeted to be effective on 1 January 2021 at a purchase consideration of NAV plus USD6million.

## 4. Standards that became effective in the current period

***IFRS 16 leases***

The Group has adopted IFRS16 'Leases' using the modified retrospective approach by recognizing the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of equity at 1 April 2019.

IFRS 16 has had a significant impact for the Group, given the number of branch properties, vehicles and equipment that are leased. IFRS 16 has had no impact on the accounting of existing finance leases. It has however impacted most leases that were previously recorded as operating leases under IAS 17, where only the rental charge was recorded in profit or loss. IFRS 16 now requires leases to be recognised in the Statement of Financial Position in the form of a capitalised right-of-use asset and corresponding liability. Changes to profit or loss result in rental costs being replaced by the depreciation of the right-of-use asset and lease finance costs on the liability. In applying IFRS 16 for the first time, the Group has used the following expedients permitted by the standard:

- Modified retrospective adoption – no comparatives required to be disclosed;
- Exemption of short-term leases and leases for which the underlying asset is of low value; and
- Portfolio approach applied to classes of leases that have similar characteristics.

The effect of the adoption IFRS 16 as at 1 April 2019 (increase/(decrease)) is as follows:

| | 1 April 2019 R'000 |
|---|---|
| **Assets** | |
| Right of use assets | 454,145 |
| Deferred tax asset | 18,709 |
| **Total assets** | **472,854** |
| **Liabilities** | |
| Right of use lease liability | 549,069 |
| Finance lease liability | (2,537) |
| Long term borrowings * | (9,386) |
| Trade and other payables * | (2,102) |
| **Total liabilities** | **535,044** |
| **Equity** | |
| Retained earnings | (62,167) |
| Non-controlling interest | (23) |
| **Total equity** | **(62,190)** |
| **Total equity and liabilities** | **472,854** |

* Lease smoothing liabilities

# Notes to the summarised audited consolidated results

## 4. Standards that became effective in the current period (cont.)

***IFRIC 23 – Uncertainty over Income Tax Treatment***

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The Group considered whether it had any uncertain tax positions relating to the company’s and the subsidiary’s tax filings in different jurisdictions. The Group determined based on its assessments that the tax treatments will be accepted by the taxation authorities. The application of IFRIC 23 did not have an impact on the consolidated financial statements of the Group.

## 5. Operating profit from operations

| | 31 March | |
|---|---|---|
| | **2020** | 2019 |
| | **R'000** | R'000 |
| Operating profit from operations includes the following: | | |
| **Income** | | |
| Profit on disposal of property, plant and equipment | **3,675** | 7,286 |
| Profit on disposal of investment | **5,817** | 2,269 |
| Fair value adjustment on profit share liability | **5,527** | – |
| Gain on revaluation of derivatives | **33,533** | – |
| Gain on bargain purchase price on acquisition of subsidiaries | **–** | 10,077 |
| **Expense** | | |
| Depreciation | **131,403** | 118,417 |
| Amortisation of intangible assets | **22,436** | 21,063 |
| Depreciation of right-of-use assets | **98,125** | – |
| Impairment of property, plant and equipment | **146,594** | – |
| Impairment of investment property | **49,228** | – |
| Impairment of goodwill | **639,588** | – |
| Impairment of investment in associate | **–** | 2,849 |
| Expected credit loss on loans and receivables | **17,456** | – |
| Loss on disposal of property, plant and equipment | **600** | – |
| Auditors' remuneration | **20,151** | 16,386 |
| Equity settled share-based payment expense | **2,717** | 3,491 |
| Employment benefit expense | **1,340,234** | 1,414,176 |
| Operating lease expenses * | **38,301** | 135,345 |

*Relates to lease payments that are not based on an index or rate and thus not part of minimum lease payments. These are either short term, low value or have variable payments and therefore do not fall under IFRS 16.

# Notes to the summarised audited consolidated results

## 6. Inventory

*Allowance for obsolete inventory*

The economic impact of the COVID 19 pandemic on the year ended 31 March 2020 led to a refinement of the assumptions used in the calculation of the allowance for obsolete inventory, including the re-assessment of sell-through rates. This resulted in a R216,952,000 increase in the allowance for obsolete inventory recognized to R667,422,000 (2019: R450,470,000).

## 7. Financial Investments

The listed FirstRand Bank bonds recognized at fair value through other comprehensive income, which were valued at R593, 208, 000 in the prior period were disposed at market value in December 2019.

## 8. Borrowings

The short-term loans from Southchester RF Proprietary limited which were secured by the FirstRand Bank listed bonds and valued at R492,824,000 in the prior year were fully repaid in the current year. This has resulted in a decrease in total borrowings in the current year.

## 9. Taxation paid

| | 31 March | |
|---|---|---|
| | **2020** | 2019 |
| | **R'000** | R'000 |
| Amounts unpaid at the beginning of the year | **(329,288)** | (557,934) |
| Acquisition through business combinations | **–** | (2,669) |
| Recognised in profit or loss | **(176,979)** | (381,662) |
| Derecognised on disposal of subsidiary | **152** | – |
| Amounts unpaid at the end of the year | **218,532** | 329,288 |
| **Total** | **(287,583)** | (612,977) |
| **Comprising:** | | |
| Payment of specific tax expense | **(100,000)** | (450,000) |
| Normal tax paid | **(187,583)** | (162,977) |
| **Total** | **(287,583)** | (612,977) |

# Notes to the summarised audited consolidated results

## 10. Reconciliation of profit before taxation to cash generated from operations

| | 31 March | |
|---|---|---|
| | **2020** | 2019 |
| | **R'000** | R'000 |
| Profit before taxation | **(496,062)** | 614,452 |
| Adjusted for: | | |
| Depreciation and amortisation | **251,964** | 139,480 |
| Impairment of assets | **835,410** | 2,849 |
| Expected credit loss on receivables | **17,456** | – |
| Exchange differences on translating capitalised loans | **–** | 3,979 |
| Value recognised as a result of the derecognition of the put option on directors' loans | **–** | 18,351 |
| Revaluation of profit share liability | **(5,527)** | – |
| Net profit on disposal of assets | **(15,416)** | (9,555) |
| Prescription of dividend liability | **(11,775)** | – |
| Revaluation of derivatives | **(33,533)** | – |
| Gain on bargain purchase price recognised | **–** | (10,377) |
| Finance costs | **302,394** | 251,126 |
| Finance income | **(109,049)** | (141,815) |
| Dividend received | **(2,188)** | (2,915) |
| Net share of profits of associates and joint ventures | **(37,184)** | (32,132) |
| Share appreciation rights movement | **–** | (851) |
| Share appreciation rights issued - equity settled | **2,718** | 4,342 |
| Distributable reserve recognised | **(188)** | – |
| **Cash generated before movements in working capital** | **699,020** | 836,934 |
| **Working capital changes:** | **260,871** | (291,872) |
| Decrease/(increase) in inventories | **438,974** | (298,211) |
| Increase in trade and other receivables | **(327)** | (101,418) |
| Increase/(decrease) in trade and other payables and provisions | **(163,569)** | 100,744 |
| Increase in finance lease receivables | **(14,207)** | (73,608) |
| Increase/(decrease) in financial lease liabilities | **–** | 80,621 |
| **Cash generated from operations** | **959,891** | 545,062 |

# Notes to the summarised audited consolidated results

## 11. Fair value disclosure

The following is an analysis of the financial instruments that are measured subsequent to initial recognition at fair value. They are grouped into levels 1 to 3 based on the extent to which the fair value is observable.

The levels are classified as follows:

Level 1 – fair value is based on quoted prices in active markets for identical financial assets or liabilities
Level 2 – fair value is determined using directly observable inputs other than Level 1 inputs
Level 3 – fair value is determined on inputs not based on observable market data

| | 31 March | | | | |
|---|---|---|---|---|---|
| | Balance at reporting date | Valuation technique(s) and key inputs | | | |
| **2020** | **R'000** | | **Level 1** | **Level 2** | **Level 3** |
| ***Financial assets at fair value*** | | | | | |
| Derivative forward exchange contract asset | **40,741** | **2** | **–** | **40,741** | **–** |
| Put option asset | **4,063** | **4** | **–** | **–** | **4,063** |
| Call option asset | **31,510** | **4** | **–** | **–** | **31,510** |
| Financial investments - unlisted securities | **1,181** | **5** | **–** | **–** | **1,181** |
| ***Financial liabilities at fair value*** | | | | | |
| Other financial liabilities | **75,287** | **3** | **–** | **–** | **75,287** |
| Derivative foreign exchange contract liability | **26** | **2** | **–** | **26** | **–** |
| 2019 | | | | | |
| ***Financial assets at fair value*** | | | | | |
| FirstRand Bank Bonds | 593,208 | 1 | – | 593,208 | – |
| Derivative forward exchange contract asset | 8,127 | 2 | – | 8,127 | – |
| ***Financial liabilities at fair value*** | | | | | |
| Other financial liabilities | 79,890 | 3 | – | – | 79,890 |
| Derivative foreign exchange contract liability | 9 | 2 | – | 9 | – |

Valuation technique(s) and key inputs:

1. Quoted price
2. Expected settlement value
3. Earnings multiple valuation
4. Monte Carlo Simulation Technique along with the Geometric Brownian Motion Model
5. Net asset value

The other financial liabilities are valued based on a multiple of reported earnings, as such they are not sensitive to a change in assumptions.

# Preference share cash dividend

As announced on SENS on 12 June 2020 the directors of the Company have declared a gross cash dividend of 576.24324 cents per preference share for the period from Wednesday, 13 November 2019 to Friday, 12 June 2020. Dividends are to be paid out of distributable reserves.

- Dividends tax (DT) of 20% will be withheld in terms of the Income Tax Act for those shareholders who are not exempt from the DT;
- Accordingly, shareholders who are not exempt from DT will receive a net dividend of 460.99459 cents per preference share;
- Invicta Holdings Limited has 7 500 000 preference shares in issue; and
- Invicta Holdings Limited's income tax reference number is 9400/012/03/6.

**The salient dates for the preference share cash dividend will be as follows:**

| | |
|---|---|
| Last day of trade to receive a dividend | Tuesday, 30 June 2020 |
| Shares commence trading “ex” dividend | Wednesday, 1 July 2020 |
| Record date | Friday, 3 July 2020 |
| Payment date | Monday, 6 July 2020 |

Share certificates may not be dematerialised or rematerialised between Wednesday, 1 July 2020 and Friday, 3 July 2020, both days inclusive.

# Ordinary share cash dividend

In light of the tax settlement and the resultant higher gearing in the group, the board has resolved not to declare a final dividend. It is anticipated that the normal dividend policy (of a total dividend cover ratio of 3.5 times at interim results adjusted to 2.75 times at year-end) will be resumed once cash flow and gearing permit.

By order of the Board

**L Dubery**
Group company secretary

Johannesburg
26 July 2020

Date of publication 27 July 2020

# Administrative and corporate information

**Registered office:** Invicta Holdings Limited, 3 Droste Crescent, Droste Park, Johannesburg, Gauteng, 2094.
PO Box 33431, Jeppestown, Johannesburg, Gauteng, 2043
info@invictaholdings.co.za | www.invictaholdings.co.za

**Transfer secretaries:** Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196. Private Bag X9000, Saxonwold, 2132, South Africa

Tel: 011 370 5000 www.computershare.com

**Sponsor:** Deloitte & Touche Sponsor Services Proprietary Limited, 5 Magwa Crescent, Waterfall City, Johannesburg, Gauteng, 2090

**Directors:** Dr CH Wiese* (Chairman), SB Joffe (Chief Executive Officer) (Appointed 1 January 2020), C Barnard, N Rajmohamed, GM Pelser, DI Samuels^, LR Sherrell*, AM Sinclair, RA Wally^, Adv JD Wiese*, PM Makwana^ (Appointed 1 May 2020), I Van Heerden* (Appointed 1 May 2020), F Davidson^ (Appointed 1 May 2020)

** Non-executive ^ Independent non-executive*

**Group company secretary:** L Dubery

ESG
Engineering Solutions Group

CEG
Capital Equipment Group

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