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CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

nictus

Condensed consolidated statement of financial position

as at 30 September 2020

Figures in R'000	Unaudited 30 Sep 2020	Unaudited Restated* 30 Sep 2019	Unaudited Restated* 30 Sep 2018	Audited 31 Mar 2020
Assets				
Non-current assets	**52 982**	52 221	51 934	57 870
Property, plant and equipment	**15 501**	17 846	18 096	15 580
Intangible assets	**477**	952	647	702
Right-of-use asset**	**1 295**	2 298	–	1 514
Investments	**31 475**	24 309	26 271	32 168
Deferred tax assets	**882**	2 795	3 212	2 421
Trade and other receivables***	**3 352**	4 021	3 708	5 485
Current assets	**559 563**	641 024	565 376	691 610
Inventories	**11 673**	11 826	11 993	10 796
Loans and receivables	**–**	47 028	37 277	–
Trade and other receivables	**311 639**	382 140	362 271	432 555
Investments	**197 364**	148 116	89 270	192 173
Cash and cash equivalents	**38 887**	51 844	64 565	56 014
Current tax receivable	**–**	70	–	72
Total assets	**612 545**	693 245	617 310	749 480
Equity and liabilities				
Equity	**100 957**	96 523	100 169	95 555
Stated capital	**25 969**	25 969	48 668	25 969
Revaluation reserve	**1 152**	7 983	7 983	1 152
Retained earnings	**73 836**	62 571	43 518	68 434
Liabilities				
Non-current liabilities	**3 731**	7 289	5 343	3 186
Deferred tax liabilities	**3 107**	6 407	5 343	3 115
Lease liabilities	**624**	882	–	71
Current liabilities	**507 857**	589 433	511 798	650 739
Trade and other payables	**7 692**	5 879	7 059	8 306
Insurance contract liability	**499 360**	581 808	504 413	640 705
Lease liabilities	**805**	1 746	–	1 728
Current tax payable	**–**	–	326	–
Total liabilities	**511 588**	596 722	517 141	653 925
Total equity and liabilities	**612 545**	693 245	617 310	749 480

* *The comparative figures were restated, refer to note 10 for detail of the restatement.*

** *In the comparative figures, 30 September 2019, this line was disclosed as part of property, plant and equipment.*

*** *This line was referenced to loans and receivables in the prior year.*

Condensed consolidated statement of profit or loss and other comprehensive income

for the six months ended 30 September 2020

Figures in R'000	Unaudited Six months ended 30 Sep 2020	Unaudited Restated* Six months ended 30 Sep 2019	Audited Year ended 31 Mar 2020
Revenue (note 9)	**25 588**	25 189	50 894
Effective interest revenue	**939**	1 234	2 416
Total revenue	**26 527**	26 423	53 310
Cost of sales	**(10 036)**	(10 979)	(25 714)
Gross profit	**16 491**	15 444	27 596
Other income	**437**	447	942
Investment income from operations	**22 869**	23 129	42 895
Notional interest allocation	**(8 783)**	(14 510)	(30 032)
Claims paid	**(9 102)**	(6 417)	(7 527)
Operating and administrative expenses	**(15 309)**	(16 816)	(33 832)
Results from operating activities	**6 603**	1 277	42
Investment income	**406**	2 511	3 441
Finance expenses	**(76)**	(151)	(260)
Profit before taxation	**6 933**	3 637	3 223
Taxation (expense)/credit	**(1 531)**	(574)	417
Profit for the period	**5 402**	3 063	3 640
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Revaluation of land and buildings	**–**	–	(2 146)
Income tax relating to these items	**–**	–	601
Other comprehensive income for the period, net of tax	**–**	–	(1 545)
Total comprehensive income for the period	**5 402**	3 063	2 095
Profit attributable to:			
Owners	**5 402**	3 063	3 640
Total comprehensive income attributable to:			
Owners	**5 402**	3 063	2 095
Basic earnings per share (cents)	**10,11**	5,73	6,81
Diluted basic earnings per share (cents)	**10,11**	5,73	6,81
Weighted average number of shares in issue (000s)	**53 444**	53 444	53 444

* *The comparative figures were restated, refer to note 10 for detail of the restatement.*

Condensed consolidated statement of changes in equity

for the six months ended 30 September 2020

Figures in R'000	Stated capital	Revaluation reserve	Retained earnings	Total equity
Balance as at 1 April 2019	25 969	7 983	65 147	99 099
Effect of restatement*	–	–	(3 658)	(3 658)
Restated total equity at the beginning of the financial period	25 969	7 983	61 489	95 441
Total comprehensive income for the period				
Profit for the period (restated*)	–	–	3 063	3 063
Total comprehensive income for the period	–	–	3 063	3 063
Transactions with the owners of the company				
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 30 September 2019	25 969	7 983	62 571	96 523
Total comprehensive income for the period				
Profit for the period	–	–	577	577
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 period	–	(6 831)	5 863	(968)
Transactions with the owners of the company				
Total transactions with the owners of the company	–	–	–	–
Balance as at 31 March 2020	25 969	1 152	68 434	95 555
Total comprehensive income for the period				
Profit for the period	–	–	5 402	5 402
Total comprehensive income for the period	–	–	5 402	5 402
Transactions with the owners of the company				
Total transactions with the owners of the company	–	–	–	–
Balance as at 30 September 2020	25 969	1 152	73 836	100 957

** The comparative figures were restated, refer to note 10 for detail of the restatement.*

Condensed consolidated statement of cash flows

for the six months ended 30 September 2020

Figures in R'000	Unaudited Six months ended 30 Sep 2020	Unaudited Restated* Six months ended 30 Sep 2019	Audited Year ended 31 Mar 2020
Cash flows from operating activities			
Cash (utilised by)/generated from operations (note 7)	**(35 013)**	24 136	14 896
Investment income received from operations	**20 198**	24 913	49 393
Acquisition of investments	**(1 315)**	(49 929)	(49 619)
Short-term investments at amortised cost invested	**(2 452)**	(521)	(55 665)
Dividends received	**470**	548	1 233
Dividends paid	**–**	(2 004)	(2 004)
Finance expenses paid	**(76)**	(151)	(260)
Tax refund received/(expense paid)	**72**	–	(1 302)
Net cash utilised by operating activities	**(18 116)**	(3 008)	(43 328)
Cash flows from investing activities			
Acquisition of property, plant and equipment	**(220)**	(71)	(198)
Proceeds on sale of property, plant and equipment	**43**	–	–
Disposal/(acquisition) of investments	**1 876**	–	(1 551)
Loans (advanced to)/repaid by related party	**–**	(8 943)	38 081
Proceeds on disposal of subsidiary	**–**	–	5
Net cash generated from/(utilised by) investing activities	**1 699**	(9 014)	36 337
Cash flows from financing activities			
Payment of lease liabilities	**(710)**	(774)	(1 603)
Net cash utilised by financing activities	**(710)**	(774)	(1 603)
Total cash movement for the period	**(17 127)**	(12 796)	(8 594)
Total cash sold by subsidiary for the period		–	(32)
Cash and cash equivalents at the beginning of the period	**56 014**	64 640	64 640
Total cash and cash equivalents at the end of the period	**38 887**	51 844	56 014

** The comparative figures were restated, refer to note 10 for detail of the restatement.*

Condensed segmental report

for the six months ended 30 September 2020

Figures in R'000	Unaudited Six months ended 30 Sep 2020	Unaudited Restated* Six months ended 30 Sep 2019	Audited Year ended 31 Mar 2020
Segment assets			
Furniture retail[1]	**37 332**	55 445	35 306
Insurance[2]	**571 051**	645 605	710 234
	608 383	701 050	745 540
Head office and eliminations	**4 162**	(7 805)	3 940
	612 545	693 245	749 480
Segment liabilities			
Furniture retail	**9 903**	15 947	8 264
Insurance	**516 777**	595 696	660 823
	526 680	611 643	669 087
Head office and eliminations	**(15 092)**	(14 921)	(15 162)
	511 588	596 722	653 925
Segment revenue			
Furniture retail	**15 891**	18 969	42 345
Insurance	**10 653**	7 934	12 429
	26 544	26 903	54 774
Head office and eliminations	**(17)**	(480)	(1 464)
	26 527	26 423	53 310
Net profit/(loss) for the period			
Furniture retail	**386**	811	(1 308)
Insurance	**4 863**	1 079	582
	5 249	1 890	(726)
Head office and eliminations	**153**	1 173	4 366
	5 402	3 063	3 640

* *The comparative figures were restated, refer to note 10 for detail of the restatement.*

[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. Refer to note 11 for an overview of the results achieved.*

[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 situated in Randburg. Refer to note 11 for an overview of the results achieved.*

Reconciliation between earnings and headline earnings

for the six months ended 30 September 2020

Figures in R'000	Profit on ordinary activities	Taxation	Net profit
Unaudited – Six months ended 30 September 2020			
Profit before taxation	**6 933**	**(1 531)**	**5 402**
Adjustments for:			
Profit on disposal of property, plant and equipment	**(2)**	**1**	**(1)**
Headline earnings	**6 931**	**(1 530)**	**5 401**
Unaudited – Six months ended 30 September 2019*			
Profit before taxation	3 637	(574)	3 063
Headline earnings	3 637	(574)	3 063
Audited – Year ended 31 March 2020			
Profit before taxation	3 223	417	3 640
Adjustments for:			
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

* *The comparative figures were restated, refer to note 10 for detail of the restatement.*

	Unaudited Six months ended 30 Sep 2020	Unaudited Restated* Six months ended 30 Sep 2019	Audited Year ended 31 Mar 2020
Headline earnings per share (cents)	**10,11**	5,73	6,86
Diluted headline earnings per share (cents)	**10,11**	5,73	6,86

* *The comparative figures were restated, refer to note 10 for detail of the restatement.*

Notes to the financial information

for the six months ended 30 September 2020

1. Basis of preparation

The condensed consolidated interim financial statements (interim financial statements) are prepared in accordance with the requirements of the JSE Limited Listings Requirements (JSE Listings Requirements) for interim financial statements and the requirements of the Companies Act of South Africa applicable to condensed financial statements. The JSE Listings Requirements require interim financial statements to be prepared in accordance with and contain the information required by IAS 34 *Interim Financial Reporting*, as well as the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council. The accounting policies applied in the preparation of these interim financial statements are in terms of International Financial Reporting Standards and are consistent those applied in the previous annual financial statements.

The interim 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.

The interim financial statements are presented in thousands of South African Rands (R'000).

The interim financial statements for the period ended 30 September 2020, together with the statements regarding the prospects of the group, have not been audited or reviewed by the group's auditor.

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

2. Directors' responsibility

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

3. Related parties

During the period, certain companies within the group entered into transactions with each other. These intra-group transactions have been eliminated on consolidation. Related party information is unchanged from that reported at 31 March 2020. Refer to the 2020 audited consolidated financial statements for further information, accessible on the Nictus website.

4. Events after the reporting date

There were no material events after the reporting date and up to the date of approval of these interim financial statements that required adjustment or disclosure in the interim financial statements for the period ended 30 September 2020.

5. Changes to the board

There were no changes to the board of directors during the period under review.

6. Dividend

No interim dividend has been declared for the period ended 30 September 2020.

The board declared a final dividend of 3,00 cents per ordinary share for the year ended 31 March 2020 on Friday, 11 September 2020, to all ordinary shareholders recorded in the share register of Nictus at the close of business on Friday, 2 October 2020, which was paid on Monday, 5 October 2020.

7. Cash (utilised by)/generated from operations

	Unaudited		Audited
Figures in R'000	**Six months ended 30 Sep 2020**	Six months ended 30 Sep 2019	Year ended 31 Mar 2020
Profit before taxation	**6 933**	3 637	3 223
Other comprehensive income	**–**	–	(2 146)
Adjustments for:			
Depreciation of property, plant and equipment	**258**	251	488
Depreciation of right-of-use asset	**781**	785	1 569
(Profit)/loss on disposal of property, plant and equipment	**(2)**	–	10
Amortisation of intangible asset	**225**	249	499
Net impairments and movements in credit loss allowances	**167**	100	129
Leasehold property balance adjustment	**(222)**	319	319
Dividend income	**(470)**	(548)	(1 233)
Investment income	**(406)**	(2 511)	(3 441)
Finance expenses	**76**	151	260
Investment income from operations	**(19 792)**	(22 402)	(45 952)
Loss on sale of subsidiary	**–**	–	23
Profit on disposal of investments	**(307)**	(1 283)	(1 482)
Inventories lost, written off and provided for obsolescence	**446**	298	364
Fair value adjustments on investments	**(2 300)**	1 104	5 772
Revaluation of land and buildings and property	**–**	–	2 146
Receivable from SARS increase – interest-related	**–**	–	(2)
(Decrease)/increase in insurance contract liability	**(141 345)**	32 153	87 297
Changes in working capital:			
Working capital disposed of with sale of subsidiary	**–**	–	(20)
Increase in inventories	**(1 323)**	(2 005)	(1 041)
Increase/(decrease) in trade and other receivables	**122 882**	19 414	(32 490)
(Decrease)/increase in trade and other payables	**(614)**	(5 576)	604
	(35 013)	24 136	14 896

Notes to the financial information continued

for the six months ended 30 September 2020

8. Determination and disclosure 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:

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. The carrying amount of short-term trade and other receivables at amortised cost is believed to approximate their fair values.

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.

8. Determination and disclosure of fair values continued

8.1 Fair value of land and buildings

Land and buildings consists of business premises situated on Erf 2134, Ferndale, Johannesburg (property), measuring 8 030m^2. 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. 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.

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 land and buildings at fair value in Level 3:	
Balance as at 1 April 2020	14 000
Fair value measurements	–
Balance as at 30 September 2020	14 000

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

8. Determination and disclosure of fair values continued

8.1 Fair value of land and buildings continued

Sensitivity analysis

Land and buildings

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

8. Determination and disclosure of fair values continued

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

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. 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.

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.

	Unaudited		Audited
Figures in R'000	Six months ended 30 Sep 2020	Six months ended 30 Sep 2019	Year ended 31 Mar 2020
Level 1			
Listed shares	**6 334**	10 808	5 979
Listed debt securities	**17 104**	10 166	17 258
Unit trusts	**4 109**	3 335	3 549
	27 547	24 309	26 786
Level 2			
Unit trusts	**131 271**	135 691	129 986
	131 271	135 691	129 986

Notes to the financial information continued

for the six months ended 30 September 2020

8. Determination and disclosure of fair values continued

8.3 Financial assets by category

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

Figures in R'000	Receivables at amortised cost	Fair value through profit or loss	Total
30 September 2020			
Investments	**–**	**158 818**	**158 818**
Trade receivables	**21 952**	**–**	**21 952**
Secured advances	**270 547**	**–**	**270 547**
Short-term deposits	**70 021**	**–**	**70 021**
Cash and cash equivalents	**38 887**	**–**	**38 887**
	401 407	**158 818**	**560 225**
30 September 2019			
Loans and receivables	47 028	–	47 028
Investments	–	160 000	160 000
Trade receivables	25 043	–	25 043
Secured advances	359 709	–	359 709
Investments – short-term deposits	12 425	–	12 425
Cash and cash equivalents	51 844	–	51 844
	496 049	160 000	656 049
31 March 2020			
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

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

8. Determination and disclosure of fair values continued

8.4 Financial liability by category

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

Figures in R'000	Financial liabilities at amortised cost	Total
30 September 2020		
Lease liabilities	**1 429**	**1 429**
Trade and other payables	**7 470**	**7 470**
	8 899	**8 899**
30 September 2019		
Lease liabilities	2 628	2 628
Trade and other payables	5 637	5 637
	8 265	8 265
31 March 2020		
Lease liabilities	1 799	1 799
Trade and other payables	5 609	5 609
	7 408	7 408

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

9. Revenue

	Unaudited		Audited
Figures in R'000	Six months ended 30 Sep 2020	Restated* Six months ended 30 Sep 2019	Year ended 31 Mar 2020
Sale of goods	**14 404**	16 530	37 620
Rental income	**–**	15	–
Rendering of services	**548**	621	1 280
Earned insurance premium	**10 636**	7 933	11 994
Dividends received	**–**	90	–
	25 588	25 189	50 894

** The comparative figures were restated, refer to note 10 for detail of the restatement.*

10. Enhancement of disclosure – restatement and reclassification of prior period figures

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

The following reclassifications, disclosure enhancements and restatements were applied to the 30 September 2019 results:

Figures in R'000	Prior to adoption of change in classification or restatement	Impact of change in classification or restatement	Including the change in classification or restatement
Statement of financial position			
GROUP			
Equity			
Retained earnings[1]	66 344	(3 773)	62 571
Non-current liabilities			
Deferred tax liabilities[1]	2 634	3 773	6 407
Statement of profit or loss and other comprehensive income			
GROUP			
Revenue[2]	26 423	(1 234)	25 189
Effective interest revenue[2]	–	1 234	1 234
Notional interest allocation[3]	–	(14 510)	(14 510)
Claims paid[3]	–	(6 417)	(6 417)
Operating and administrative expenses[3]	(37 743)	20 927	(16 816)
Taxation (expense)/credit[1]	(459)	(115)	(574)

10. Enhancement of disclosure – restatement and reclassification of prior period figures continued

Figures in R'000	Prior to adoption of change in classification or restatement	Impact of change in classification or restatement	Including the change in classification or restatement
Statement of cash flows[4]			
GROUP			
Cash flows from operating activities			
Investment income received from operations	22 402	2 511	24 913
Acquisition of investments	–	(49 929)	(49 929)
Short-term funds (invested)/disinvested	–	(521)	(521)
Finance expenses paid	–	(151)	(151)
Net cash generated from/(utilised by) operating activities	45 082	(48 090)	(3 008)
Cash flows from investing activities			
Investment income received	2 511	(2 511)	–
Acquisition of investments	(49 929)	49 929	–
Short-term funds invested	(521)	521	–
Net cash (utilised by)/generated from investing activities	(56 953)	47 939	(9 014)
Cash flows from financing activities			
Finance expenses paid – interest portion of lease liabilities	(151)	151	–
Net cash utilised by financing activities	(925)	151	(774)

[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 interim 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 0,22 cents, respectively.

[2] 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.

Notes to the financial information continued

for the six months ended 30 September 2020

10. Enhancement of disclosure – restatement and reclassification of prior period figures continued

[3] 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.

[4] 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 and finance expenses are now included in cash flows from operating activities. These reclassifications did not impact the total cash movement for the period ended 30 September 2019.

11. Results overview

11.1 Furniture segment

The retail sector is negatively affected by the fact that consumers remain under pressure due to the struggling local economy with persistent low levels of economic growth and high unemployment. The effects of the COVID-19 pandemic on the already financially constrained consumer have been exacerbated and could persist for some time. Total revenue of Nictus Furnishers Proprietary Limited (Nictus Furnishers) decreased by approximately 14% due to the closure of our furniture branches during April and May 2020 as a result of the national "lockdown". The decrease in revenue was offset by the positive results of the continued and deliberate focus to reduce costs and enhance efficiency throughout all aspects within Nictus Furnishers, together with COVID-19 assistance received, decreasing expenditure for the period by approximately 17%. The segment remained profitable for the period ended 30 September 2020. The prior year figures of the segment included 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 segment was negatively affected by the operational results of Kruben Holdings Proprietary Limited. The losses incurred by same amounted to R3,55 million and R0,07 million, for the respective periods ended 31 March 2020 and 30 September 2019.

11.2 Insurance segment

The segment continued to deliver positive results during the six-month period ended 30 September 2020. The increased profitability during the reporting period was caused by, among other contributing factors, the recovery of financial markets and 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. Claims paid and policy endorsements amounted to approximately R174 million during the period. This was in line with expectations but should not be interpreted as a proxy for the remainder of the 2021 financial year. Operating and administrative expenses decreased by approximately 13% over the period and can be ascribed to short-term reductions and measures implemented due to the COVID-19 pandemic.

12. Prospects

We are fortunate to have a strong capital base to carry the group during times of uncertainty and adverse economic conditions. The ramifications and long-term effect of the COVID-19 pandemic 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.

The board is confident that despite the economic, political and environmental challenges within the South African economy, the various segments are positioned to preserve and build on the results achieved during the first six months of the 2021 financial year.

On behalf of the board

Gerard R de V Tromp
Group managing director

Eckhart H Prozesky
Group financial director

Randburg
1 December 2020

Contact information

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("Nictus" or the "company" or the "group")
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JSE share code: NCS
ISIN number: NA0009123481
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