NICTUS LIMITED

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended
30 September 2022

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 September 2022

Figures in R'000	Unaudited 30 Sep 2022	Unaudited 30 Sep 2021	Audited 31 Mar 2022
Assets			
Non-current assets			
Property, plant and equipment	**1 891**	15 944	2 265
Investment property	**13 250**	–	13 250
Intangible assets	**22**	136	22
Right-of-use asset	**9 699**	8 984	11 569
Investments	**21 682**	32 719	26 513
Deferred tax assets	**975**	–	455
Trade, insurance and other receivables	**3 620**	3 556	4 389
	51 139	61 339	58 463
Current assets			
Inventories	**10 320**	13 225	9 345
Trade, insurance and other receivables	**331 791**	318 018	361 162
Investments	**288 362**	204 681	208 379
Cash and cash equivalents	**39 321**	29 694	72 643
Current tax receivable	**–**	–	3
	669 794	565 618	651 532
Total assets	**720 933**	626 957	709 995
Equity and liabilities			
Equity			
Stated capital	**25 969**	25 969	25 969
Revaluation reserve	**1 152**	1 152	1 152
Retained earnings	**76 219**	75 403	78 844
	103 340	102 524	105 965
Liabilities			
Non-current liabilities			
Deferred tax liabilities	**3 359**	2 686	3 333
Lease liabilities	**6 975**	7 595	8 876
	10 334	10 281	12 209
Current liabilities			
Trade and other payables	**6 006**	5 773	8 283
Current tax payable	**145**	–	–
Insurance contract liabilities	**597 437**	506 628	580 102
Lease liabilities	**3 671**	1 751	3 436
	607 259	514 152	591 821
Total liabilities	**617 593**	524 433	604 030
Total equity and liabilities	**720 933**	626 957	709 995

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 September 2022

Figures in R'000	Unaudited Six months ended 30 Sep 2022	Unaudited Six months ended 30 Sep 2021	Audited Year ended 31 Mar 2022
Revenue (note 9)	**18 012**	18 208	42 867
Effective interest revenue	**803**	862	1 767
Total revenue	**18 815**	19 070	44 634
Cost of sales	**(10 237)**	(9 554)	(23 112)
Gross profit	**8 578**	9 516	21 522
Other income	**567**	610	1 493
Investment income from operations	**17 160**	16 080	31 999
Notional interest allocation	**(9 569)**	(6 139)	(12 702)
Claims paid	**(198)**	(1 071)	(1 690)
Operating and administrative expenses	**(17 510)**	(16 897)	(34 292)
(Loss)/profit before finance expenses and taxation	**(972)**	2 099	6 330
Finance expenses	**(396)**	(338)	(869)
(Loss)/profit before taxation	**(1 368)**	1 761	5 461
Taxation credit/(expense)	**346**	(160)	(419)
(Loss)/profit for the period	**(1 022)**	1 601	5 042
Other comprehensive income for the period, net of tax	**–**	–	–
Total comprehensive income for the period	**(1 022)**	1 601	5 042
(Loss)/profit attributable to:			
Owners	**(1 022)**	1 601	5 042
Total comprehensive income attributable to:			
Owners	**(1 022)**	1 601	5 042
Basic (loss)/earnings per share (cents)	**(1,91)**	3,00	9,43
Diluted basic (loss)/earnings per share (cents)	**(1,91)**	3,00	9,43
Weighted average number of shares in issue (000s)	**53 444**	53 444	53 444

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 September 2022

Figures in R'000	Stated capital	Revaluation reserve	Retained earnings	Total equity
Balance as at 1 April 2021	25 969	1 152	76 474	103 595
Total comprehensive income for the period				
Profit for the period	–	–	1 601	1 601
Total comprehensive income for the period	–	–	1 601	1 601
Transactions with the owners of the company				
Distributions to the owners of the company				
Dividends paid	–	–	(2 672)	(2 672)
Total transactions with the owners of the company	–	–	(2 672)	(2 672)
Balance as at 30 September 2021	25 969	1 152	75 403	102 524
Total comprehensive income for the period				
Profit for the period	–	–	3 441	3 441
Total comprehensive income for the period	–	–	3 441	3 441
Transactions with the owners of the company				
Total transactions with the owners of the company	–	–	–	–
Balance as at 31 March 2022	25 969	1 152	78 844	105 965
Total comprehensive income for the period				
Loss for the period	**–**	**–**	**(1 022)**	**(1 022)**
Total comprehensive income for the period	**–**	**–**	**(1 022)**	**(1 022)**
Transactions with the owners of the company				
Distributions to the owners of the company				
Dividends paid	**–**	**–**	**(1 603)**	**(1 603)**
Total transactions with the owners of the company	**–**	**–**	**(1 603)**	**(1 603)**
Balance as at 30 September 2022	**25 969**	**1 152**	**76 219**	**103 340**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 September 2022

	Unaudited		Audited
Figures in R'000	**Six months ended 30 Sep 2022**	**Six months ended 30 Sep 2021**	**Year ended 31 Mar 2022**
Cash flows from operating activities			
Cash generated from/(utilised by) operations (note 7)	**28 188**	(27 206)	(406)
Interest received	**19 239**	13 705	29 263
Acquisition of investments	**(14 806)**	(27 218)	(18 464)
Acquisition of short-term investments at amortised cost	**(62 833)**	(1 799)	(7 173)
Dividends received	**408**	320	559
Dividends paid	**(1 603)**	(2 672)	(2 672)
Finance expenses paid	**(347)**	(338)	(869)
Tax paid	**–**	–	(70)
Net cash (utilised by)/generated from operating activities	**(31 754)**	(45 208)	168
Cash flows from investing activities			
Acquisition of property, plant and equipment	**(15)**	(1 032)	(1 777)
Proceeds on sale of property, plant and equipment	**113**	45	255
Net cash generated from/(utilised by) investing activities	**98**	(987)	(1 522)
Cash flows from financing activities			
Payment of lease liabilities	**(1 666)**	(790)	(2 682)
Net cash utilised by financing activities	**(1 666)**	(790)	(2 682)
Total cash movement for the period	**(33 322)**	(46 985)	(4 036)
Cash and cash equivalents at the beginning of the period	**72 643**	76 679	76 679
Total cash and cash equivalents at the end of the period	**39 321**	29 694	72 643

CONDENSED SEGMENTAL REPORT

for the six months ended 30 September 2022

Figures in R'000	Unaudited Six months ended 30 Sep 2022	Unaudited Six months ended 30 Sep 2021	Audited Year ended 31 Mar 2022
Segment assets			
Furniture retail*	**34 763**	41 479	45 636
Insurance#	**664 962**	575 055	651 674
	699 725	616 534	697 310
Head office and eliminations	**21 208**	10 423	12 685
	720 933	626 957	709 995
Segment liabilities			
Furniture retail	**12 199**	10 893	14 127
Insurance	**614 838**	524 307	599 818
	627 037	535 200	613 945
Head office and eliminations	**(9 444)**	(10 767)	(9 915)
	617 593	524 433	604 030
Segment revenue			
Furniture retail	**16 610**	16 526	37 731
Insurance	**2 415**	2 544	6 903
	19 025	19 070	44 634
Head office and eliminations	**(210)**	–	–
	18 815	19 070	44 634
(Loss)/profit for the period			
Furniture retail	**(745)**	386	1 308
Insurance	**(1 733)**	1 369	2 477
	(2 478)	1 755	3 785
Head office and eliminations	**1 456**	(154)	1 257
	(1 022)	1 601	5 042

* *The segment has two furniture retail stores in South Africa. The furniture retail segment is primarily focused on the middle to higher income market in the living standards measurement (LSM) 7 category and above. The segment has a recurring customer base in the areas that it operates in. Stores are situated in Louis Trichardt and Polokwane as at period end.*

\# *The insurance segment of the group is run through Corporate Guarantee (South Africa) (RF) Limited, which brings a unique approach to non-life insurance through the alternative risk transfer model. The head office is currently situated in Bryanston and utilises group administration staff.*

RECONCILIATION BETWEEN EARNINGS AND HEADLINE EARNINGS

for the six months ended 30 September 2022

Figures in R'000	(Loss)/profit on ordinary activities	Taxation	Net (loss)/profit
Unaudited – Six months ended 30 September 2022			
Loss before taxation	**(1 368)**	**346**	**(1 022)**
Adjustments for:			
Profit on disposal of property, plant and equipment	**(83)**	**22**	**(61)**
Headline loss	**(1 451)**	**368**	**(1 083)**
Unaudited – Six months ended 30 September 2021			
Profit before taxation	1 761	(160)	1 601
Adjustments for:			
Profit on disposal of property, plant and equipment	(45)	13	(32)
Headline earnings	1 716	(147)	1 569
Audited – Year ended 31 March 2022			
Profit before taxation	5 461	(419)	5 042
Adjustments for:			
Profit on disposal of property, plant and equipment	(158)	44	(114)
Headline earnings	5 303	(375)	4 928

	Unaudited Six months ended 30 Sep 2022	Unaudited Six months ended 30 Sep 2021	Audited Year ended 31 Mar 2022
Headline (loss)/earnings per share (cents)	**(2,03)**	2,94	9,22
Diluted headline (loss)/earnings per share (cents)	**(2,03)**	2,94	9,22

NOTES TO THE FINANCIAL INFORMATION

for the six months ended 30 September 2022

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, 71 of 2008 applicable to condensed financial statements. The JSE Listings Requirements require interim financial statements to be prepared in accordance with and to 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 (IFRS) and are consistent with 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;
- Investment property;
- Insurance contract liabilities; and
- Financial instruments classified at fair value through profit or loss are measured at fair value.

The interim financial statements for the period ended 30 September 2022, 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 what was reported on for the year ended 31 March 2022. Refer to the 2022 audited consolidated annual financial statements for further information, which is accessible on the Nictus website.

4. Events after the reporting period

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 2022.

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 2022 nor for the comparative prior period.

The board declared a final dividend of 3,00 cents per ordinary share for the year ended 31 March 2022 on Thursday, 30 June 2022, to all ordinary shareholders recorded in the share register of Nictus at the close of business on Friday, 22 July 2022, which was paid on Monday, 25 July 2022.

7. Cash generated from/(utilised by) operations

	Unaudited		Audited
Figures in R'000	**Six months ended 30 Sep 2022**	**Six months ended 30 Sep 2021**	**Year ended 31 Mar 2022**
(Loss)/profit before taxation	**(1 368)**	1 761	5 461
Adjustments for:			
Depreciation of property, plant and equipment	**359**	220	547
Depreciation of right-of-use asset	**1 870**	1 061	3 334
Profit on disposal of property, plant and equipment	**(83)**	(45)	(158)
Amortisation of intangible asset	**–**	115	229
Net impairments and movements in credit loss allowances	**200**	28	433
Dividend income	**(408)**	(320)	(559)
Finance expenses	**347**	338	869
Interest received	**(19 239)**	(13 705)	(29 263)
Profit on disposal of investments	**(579)**	(304)	(984)
Inventories lost or written off	**12**	154	124
Fair value adjustments on investments	**3 066**	(1 751)	(1 943)
Fair value adjustments on investment property	**–**	–	750
Prescribed dividends recognised in profit before taxation	**(35)**	–	(25)
Changes in working capital:			
(Increase)/decrease in inventories	**(987)**	(3 203)	707
Decrease/(increase) in trade and other receivables	**29 940**	30 860	(13 522)
Increase/(decrease) in insurance contract liabilities	**17 335**	(37 419)	36 055
Decrease in trade and other payables	**(2 242)**	(4 996)	(2 461)
	28 188	(27 206)	(406)

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. 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. The group uses alternative valuation methods where deemed more appropriate at the financial position reporting date.

Investment property

The fair value of investment property is determined using available information on a case-by-case basis. The group will use alternative valuation methods where deemed more appropriate at the financial position reporting date. Subsequent to initial measurement, investment property is measured at fair value. Changes in fair values are presented in profit or loss as part of investment income.

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 prices 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, insurance 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.

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 the investments made to meet short-term operational obligations as they fall due is deemed to approximate the carrying amount.

8. Determination and disclosure of fair values continued

8.1 Fair value of investment property

Investment property consist of business premises situated on Erf 2134, Ferndale, Johannesburg (property), measuring 8 030m^2. The fair value as at 30 September 2022 was based on initial terms agreed between the insurance segment and an unrelated third party to sell the property subsequent to the period end. The key input under this approach is the consideration offered for the purchase of the property. The sale of the property within the next 12 months is not assessed as highly probable as at 30 September 2022. The directors determined that the property's value is within a range of reasonable fair value estimates.

Fair value hierarchy

Figures in R'000	Level 1	Level 2	Level 3	Total
Investment property – 2022	–	–	13 250	13 250
Investment property – 2021*	–	–	–	–

* *The property was vacated and no longer served as the registered offices for any of the companies within the Nictus group, marking the end of owner-occupation. Based on the latter, and in terms of IFRS, the directors considered the classification of the property as an investment property, in terms of IAS 40, more appropriate. The carrying value was disclosed as part of property, plant and equipment in the prior period ended 30 September 2021.*

Figures in R'000	Investment property
Reconciliation of fair value assets in Level 3:	
Balance as at 1 April 2022	13 250
Fair value changes recognised in investment income	–
Balance as at 30 September 2022	**13 250**

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.

	Unaudited		Audited
Figures in R'000	**Six months ended 30 Sep 2022**	**Six months ended 30 Sep 2021**	**Year ended 31 Mar 2022**
Level 1			
Listed shares	**7 618**	7 486	8 004
Listed debt securities	**7 086**	7 045	7 078
Unit trusts	**5 691**	4 486	5 412
	20 395	19 017	20 494
Level 2			
Unit trusts	**160 136**	157 076	147 718

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	Loans and receivables at amortised cost	Fair value through profit or loss	Total
30 September 2022			
Investments	**–**	**180 531**	**180 531**
Trade and insurance receivables	**30 365**	**–**	**30 365**
Secured advances	**302 979**	**–**	**302 979**
Short-term deposits	**129 513**	**–**	**129 513**
Cash and cash equivalents	**39 321**	**–**	**39 321**
	502 178	**180 531**	**682 709**
30 September 2021			
Investments	–	176 093	176 093
Trade and insurance receivables	35 493	–	35 493
Secured advances	283 641	–	283 641
Short-term deposits	61 307	–	61 307
Cash and cash equivalents	29 694	–	29 694
	410 135	176 093	586 228
31 March 2022			
Investments	–	168 212	168 212
Trade and insurance receivables	61 017	–	61 017
Secured advances	303 538	–	303 538
Short-term deposits	66 680	–	66 680
Cash and cash equivalents	72 643	–	72 643
	503 878	168 212	672 090

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 2022		
Trade and other payables	**5 169**	**5 169**
30 September 2021		
Trade and other payables	5 655	5 655
31 March 2022		
Trade and other payables	7 060	7 060

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 2022**	**Six months ended 30 Sep 2021**	**Year ended 31 Mar 2022**
Revenue from contracts with customers	**15 807**	15 664	35 964
Sale of goods*	**15 243**	15 062	34 610
Rendering of services#	**564**	602	1 354
Insurance premium income	**2 205**	2 544	6 903
	18 012	18 208	42 867
Insurance premium income in terms of IFRS 4 consists of:			
Net written premiums	**20 182**	(32 320)	42 727
Change in net provision for unearned premiums	**(17 977)**	34 864	(35 824)
	2 205	2 544	6 903

* *The sale of goods consists of revenue from goods transferred to customers at a point in time.*

\# *Rendering of services consists of revenue from services provided to customers over time amounting to R0,2 million (2021: R0,2 million). The remainder is provided at a point in time, including but not limited to, the delivery of goods and initial administration services rendered associated with instalment sale agreements.*

NOTES TO THE FINANCIAL INFORMATION continued

for the six months ended 30 September 2022

10. Results overview

10.1 Furniture retail segment

The retail industry is negatively affected by the fact that consumers remain under pressure due to the struggling local economy with persistent low levels of consumer confidence and the increased frequency of load shedding. Over the reporting period, interest rates increased by 200 basis points and inflation averaged more than 7%; the negative effects of these factors on the already financially constrained consumer have been exacerbated and have suppressed consumer demand. Total revenue of Nictus Meubels Proprietary Limited has remained consistent despite challenging circumstances. Lower margins and higher advertising expenses weighed on profitability. A more efficient capital structure was defined as part of the longer-term strategy for the segment, resulting in the repurchase of issued shares from Nictus Limited to the value of R8,2 million.

10.2 Insurance segment

The decreased profitability during the reporting period was caused by, among other contributing factors, the decrease in investment values when compared to the comparative period. The negative fair value adjustments were primarily a result of the simultaneous drawdown in local equity as well as bond markets. The FTSE/JSE All Share (ZAR) and FTSE/JSE All Bond (ZAR) indexes returned -15,6% and -3,1%, respectively, over the reporting period. As a result, the overall positive impact of rising interest rates on investment income from operations, the latter increasing by 5,4% to R16,1 million in total during the reporting period, was negatively affected by fair value adjustments amounting to approximately R3,2 million. We continue to work with our external investment advisors to navigate these extraordinary circumstances with capital preservation as the foundation. New premiums increased by 32,7% over the period.

11. Prospects

We are fortunate to have a strong capital base to carry the group during times of uncertainty and adverse economic conditions. The group has no external debt financing. The ramifications and long-term effect of higher inflation in the near term and subdued consumer and business confidence will bring about an extended period of reduced economic activity in South Africa.

The board is confident that despite the economic, political and environmental challenges within the South African economy, the group and various segments are positioned to build on the sustainable foundation that has been preserved over the years. The group will continue to invest for the future, to become a sought-after wealth creator for all stakeholders involved, in line with its set strategies and action plans.

On behalf of the board

Gerard R de V Tromp
Authorised director
Group managing director

Professor Barend J Willemse
Authorised director
Chairperson

Bryanston
8 December 2022

CONTACT INFORMATION

Nictus Limited

(Nictus or the company or the group)
(Incorporated in the Republic of South Africa)
Registration number RSA: 1981/011858/06
Registration number NAM: F81/11858
JSE share code: NCS
ISIN number: NA0009123481
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Directors

Professor Barend J Willemse
Independent non-executive chairperson

Sarita Martin
Independent non-executive director

Cornelius J de Vrye
Independent non-executive director

Philippus J de W Tromp
Non-executive director

Gerard R de V Tromp
Executive group managing director

Eckhart H Prozesky
Executive group financial director

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