



NICTUS LIMITED
CONDENSED
CONSOLIDATED
INTERIM
FINANCIAL
STATEMENTS

for the six months ended 30 September 2023

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 September 2023

Figures in R'000	30 Sep 2023	Restated* 30 Sep 2022	Restated* 31 Mar 2023
Assets			
Non-current assets			
Property, plant and equipment	1 544	1 891	1 689
Investment property	13 250	13 250	13 250
Intangible assets	22	22	22
Right-of-use asset	5 960	9 699	7 830
Investments	29 879	21 682	28 441
Deferred tax assets	2 033	1 316	1 960
Trade and other receivables	3 338	3 620	5 095
	56 026	51 480	58 287
Current assets			
Inventories	9 625	10 320	9 063
Trade and other receivables	12 252	9 767	10 514
Investments	440 919	288 362	334 469
Cash and cash equivalents	68 706	39 321	74 536
	531 502	347 770	428 582
Total assets	587 528	399 250	486 869
Equity and liabilities			
Equity			
Stated capital	25 969	25 969	25 969
Revaluation reserve	1 152	1 152	1 152
Retained earnings	83 285	75 296	82 254
	110 406	102 417	109 375
Liabilities			
Non-current liabilities			
Deferred tax liabilities	4 509	3 359	4 573
Lease liabilities	3 284	6 975	4 961
	7 793	10 334	9 534
Current liabilities			
Trade and other payables	8 637	6 008	8 564
Insurance contract liabilities (note 8.1)	456 087	276 675	355 458
Lease liabilities	3 691	3 671	3 915
Current tax payable	914	145	23
	469 329	286 499	367 960
Total liabilities	477 122	296 833	377 494
Total equity and liabilities	587 528	399 250	486 869

* Comparative information was restated for the initial application of IFRS 17. Refer to note 7 for additional information.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 September 2023

Figures in R'000	Six months ended 30 Sep 2023	Restated* Six months ended 30 Sep 2022	Restated* Year ended 31 Mar 2023
Revenue from contracts with customers (note 11)	14 249	15 807	35 501
Effective interest revenue	839	803	1 545
Total revenue from contracts with customers	15 088	16 610	37 046
Cost of sales	(9 059)	(10 237)	(23 122)
Gross profit	6 029	6 373	13 924
Insurance service result	4 484	2 238	3 450
Insurance revenue (note 8.2)	6 586	2 891	6 547
Insurance service expenses	(2 102)	(653)	(3 097)
Net insurance finance expenses (note 8.2)	(8 460)	(165)	(2 761)
Notional interest charge to profit or loss	(22 385)	(9 570)	(25 532)
Finance income earned from secured advances	13 925	9 405	22 771
Net investment income	21 019	7 755	28 699
Other income	955	567	1 209
Operating and administrative expenses	(18 675)	(16 857)	(35 474)
Profit/(loss) before finance expenses and taxation	5 352	(89)	9 047
Finance expenses	(273)	(396)	(730)
Profit/(loss) before taxation	5 079	(485)	8 317
Taxation (expense)/credit	(1 376)	107	(1 737)
Profit/(loss) for the period	3 703	(378)	6 580
Other comprehensive income for the period, net of tax	–	–	–
Total comprehensive income for the period	3 703	(378)	6 580
Profit attributable to:			
Owners	3 703	(378)	6 580
Total comprehensive income attributable to:			
Owners	3 703	(378)	6 580
Basic earnings/(loss) per share (cents)	6,93	(0,71)	12,31
Diluted basic earnings/(loss) per share (cents)	6,93	(0,71)	12,31
Weighted average number of shares in issue ('000s)	53 444	53 444	53 444

* Comparative information was restated for the initial application of IFRS 17. Refer to note 7 for additional information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 September 2023

Figures in R'000	Stated capital	Revaluation reserve	Retained earnings	Total equity
Balance as at 1 April 2022	25 969	1 152	78 844	105 965
IFRS 17 transitional adjustment	–	–	(1 567)	(1 567)
Balance as at 1 April 2022 (restated)	25 969	1 152	77 277	104 398
<i>Total comprehensive income for the period</i>				
Loss for the period*	–	–	(378)	(378)
Total comprehensive income for the period	–	–	(378)	(378)
<i>Transactions with the owners of the company</i>				
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	75 296	102 417
<i>Total comprehensive income for the period</i>				
Profit for the period*	–	–	6 958	6 958
Total comprehensive income for the period	–	–	6 958	6 958
<i>Transactions with the owners of the company</i>				
Total transactions with the owners of the company	–	–	–	–
Balance as at 31 March 2023	25 969	1 152	82 254	109 375
<i>Total comprehensive income for the period</i>				
Profit for the period	–	–	3 703	3 703
Total comprehensive income for the period	–	–	3 703	3 703
<i>Transactions with the owners of the company</i>				
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 2023	25 969	1 152	83 285	110 406

* Comparative information was restated for the initial application of IFRS 17. Refer to note 7 for additional information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 September 2023

Figures in R'000	Six months ended 30 Sep 2023	Restated* Six months ended 30 Sep 2022	Restated* Year ended 31 Mar 2023
Cash flows from operating activities			
Cash generated from operations (note 9)	86 655	37 593	108 362
Interest received	20 469	9 834	22 603
Acquisition of investments	(101 924)	(14 806)	(54 396)
Short-term investments at amortised cost invested	(5 559)	(62 833)	(55 899)
Dividends received	146	408	809
Dividends paid	(2 672)	(1 603)	(1 603)
Finance expenses paid	(273)	(347)	(730)
Tax paid	(622)	–	(1 397)
Net cash (utilised by)/generated from operating activities	(3 780)	(31 754)	17 749
Cash flows from investing activities			
Acquisition of property, plant and equipment	(149)	(15)	(97)
Proceeds on sale of property, plant and equipment	–	113	113
Acquisition of investments	–	–	(12 436)
Net cash (utilised by)/generated from investing activities	(149)	98	(12 420)
Cash flows from financing activities			
Payment of lease liabilities	(1 901)	(1 666)	(3 436)
Net cash utilised by financing activities	(1 901)	(1 666)	(3 436)
Total cash movement for the period	(5 830)	(33 322)	1 893
Cash and cash equivalents at the beginning of the period	74 536	72 643	72 643
Total cash and cash equivalents at the end of the period	68 706	39 321	74 536

* Comparative information was restated for the initial application of IFRS 17. Refer to note 7 for additional information.

RECONCILIATION BETWEEN EARNINGS AND HEADLINE EARNINGS

for the six months ended 30 September 2023

Figures in R'000	Profit/(loss) from ordinary activities	Taxation	Net profit/(loss)
Six months ended 30 September 2023			
Profit before taxation	5 079	(1 376)	3 703
<i>Adjustments for:</i>			
Loss on disposal of property, plant and equipment	5	(1)	4
Headline earnings	5 084	(1 377)	3 707
Six months ended 30 September 2022*			
Loss before taxation	(485)	107	(378)
<i>Adjustments for:</i>			
Profit on disposal of property, plant and equipment	(83)	22	(61)
Headline loss	(568)	129	(439)
Year ended 31 March 2023*			
Profit before taxation	8 317	(1 737)	6 580
<i>Adjustments for:</i>			
Profit on disposal of property, plant and equipment	(83)	22	(61)
Headline earnings	8 234	(1 715)	6 519

* Comparative information was restated for the initial application of IFRS 17. Refer to note 7 for additional information.

	Six months ended 30 Sep 2023	Restated* Six months ended 30 Sep 2022	Restated* Year ended 31 Mar 2023
Headline earnings/(loss) per share (cents)	6,94	(0,82)	12,20
Diluted headline earnings/(loss) per share (cents)	6,94	(0,82)	12,20

* Comparative information was restated for the initial application of IFRS 17. Refer to note 7 for additional information.

CONDENSED SEGMENTAL REPORT

for the six months ended 30 September 2023

Figures in R'000	Six months ended 30 Sep 2023	Restated* Six months ended 30 Sep 2022	Restated* Year ended 31 Mar 2023
Segment assets			
Furniture retail ¹	31 142	34 763	34 189
Insurance ²	526 452	343 214	427 315
	557 594	377 977	461 504
Head office and eliminations	29 934	21 273	25 365
	587 528	399 250	486 869
Segment liabilities			
Furniture retail	9 491	12 199	11 743
Insurance	466 347	292 445	371 959
	475 838	304 644	383 702
Head office and eliminations	1 284	(7 811)	(6 208)
	477 122	296 833	377 494
Segment revenue			
Furniture retail (total revenue from contracts with customers)	15 088	16 610	37 046
Insurance (insurance revenue)	6 620	2 891	6 558
	21 708	19 501	43 604
Head office and eliminations	(34)	-	(11)
	21 674	19 501	43 593
Profit/(loss) for the period			
Furniture retail	(796)	(745)	(862)
Insurance	3 082	(1 088)	3 525
	2 286	(1 833)	2 663
Head office and eliminations	1 417	1 455	3 917
	3 703	(378)	6 580

* Comparative information was restated for the initial application of IFRS 17. Refer to note 7 for additional information.

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 at period end.

² 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.

NOTES TO THE FINANCIAL INFORMATION

for the six months ended 30 September 2023

1. Basis of preparation

The condensed consolidated interim financial statements (interim financial statements) are prepared in accordance with the requirements of the JSE Limited (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, except as indicated otherwise in the case of new accounting standards implemented effective 1 April 2023. Refer to note 7 for the details.

The interim financial statements have been prepared on the historical cost basis, except for the following material items in the statement of financial position:

- 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 2023, together with the statements regarding the prospects of the group, have not been audited or reviewed by the group's auditor. Furthermore, the restated comparative information in relation to the initial application of IFRS 17 has 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 2023. Refer to the 2023 audited consolidated annual financial statements for further information, which is 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 2023.

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 2023 nor for the comparative prior period.

The board declared a final dividend of 5,00 cents per ordinary share for the year ended 31 March 2023 on Friday, 30 June 2023, to all ordinary shareholders recorded in the share register of Nictus at the close of business on Friday, 21 July 2023, which was paid on Monday, 24 July 2023.

7. Accounting policies

The accounting policies applied in the preparation of the condensed consolidated interim financial statements are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements. The adoption of new and revised IFRS standards did not have a material impact, apart from the first-time application of IFRS 17 *Insurance Contracts* and the amendments. Refer to the following section titled IFRS 17 *Insurance Contracts* for more detail.

IFRS 17 *Insurance Contracts*

Introduction

In May 2017, the International Accounting Standards Board (IASB) completed its project on insurance contracts with the issuance of IFRS 17 *Insurance Contracts*. IFRS 17 replaces IFRS 4 and sets out principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of IFRS 17. In June 2020, the IASB issued Amendments to IFRS 17, and subsequently in

December 2021, the Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendment to IFRS 17). The effective date of IFRS 17 is for annual reporting periods beginning on or after 1 January 2023. The group adopted the standard on 1 April 2023 and restated comparative information.

Transition approach

The group adopted IFRS 17 as of 1 April 2023 on a fully retrospective basis for all its insurance contracts owing to the fact that the group has determined that there is reasonable and supportable information available for all contracts in force at transition date. Comparative information has been restated as required by the transitional provisions of IFRS 17. The change in carrying amounts of insurance assets and liabilities at the date of transition has been recognised in retained earnings on 1 April 2022 (the comparative period). The group has identified, recognised and measured each group of insurance contracts as if IFRS 17 had always applied, derecognised any existing balances that would not exist if IFRS 17 had always applied and recognised any resulting net difference in equity.

Impact on opening reserves on transition to IFRS 17

	Impact on reserves at the beginning of 2023			Impact on reserves at the end of 2023		
	As previously reported Audited 31 Mar 2022	IFRS 17 restatement	Restated* as at 1 Apr 2022	As previously reported Audited 31 Mar 2023	IFRS 17 restatement	Restated* as at 31 Mar 2023
Figures in R'000						
Distributable reserves – retained earnings	78 844	(1 567)	77 277	85 462	(3 208)	82 254

* Restated as a result of the adoption of IFRS 17.

NOTES TO THE FINANCIAL INFORMATION continued

for the six months ended 30 September 2023

7. Accounting policies continued

IFRS 17 Insurance Contracts continued

Impact on the statement of financial position on transition to IFRS 17

Figures in R'000	As previously reported Audited 31 Mar 2023	Reclassifications, measurements and restatements*	Restated 31 Mar 2023	As previously reported Audited 31 Mar 2022	Reclassifications, measurements and restatements*	Restated 1 Apr 2022
Assets						
Non-current assets						
Property, plant and equipment	1 689	–	1 689	2 265	–	2 265
Investment property	13 250	–	13 250	13 250	–	13 250
Intangible assets	22	–	22	22	–	22
Right-of-use asset	7 830	–	7 830	11 569	–	11 569
Investments	28 441	–	28 441	26 513	–	26 513
Deferred tax assets ¹	774	1 186	1 960	455	579	1 034
Trade and other receivables ²	5 095	–	5 095	4 389	–	4 389
	57 101	1 186	58 287	58 463	579	59 042
Current assets						
Inventories	9 063	–	9 063	9 345	–	9 345
Trade and other receivables ²	395 239	(384 725)	10 514	361 162	(350 895)	10 267
Investments	334 469	–	334 469	208 379	–	208 379
Cash and cash equivalents	74 536	–	74 536	72 643	–	72 643
Current tax receivable	–	–	–	3	–	3
	813 307	(384 725)	428 582	651 532	(350 895)	300 637
Total assets	870 408	(383 539)	486 869	709 995	(350 316)	359 679

* Restated as a result of the adoption of IFRS 17.

² Previously referred to as trade, insurance and other receivables before the adoption of IFRS 17.

¹ Deferred tax impact as a result of the change in the carrying amount of liabilities on initial application of IFRS 17.

² Secured advances, considered part of the insurance contract under IFRS 17, have been reclassified to insurance contract liabilities.

With the adoption of IFRS 17 the insurance receivables (premium debtors) has been derecognised against insurance contract liabilities to solely reflect premiums received.

Figures in R'000	As previously reported Audited 31 Mar 2023	Reclassifications, measurements and restatements*	Restated 31 Mar 2023	As previously reported Audited 31 Mar 2022	Reclassifications, measurements and restatements*	Restated 1 Apr 2022
Equity and liabilities						
Equity						
Stated capital	25 969	–	25 969	25 969	–	25 969
Revaluation reserve	1 152	–	1 152	1 152	–	1 152
Retained earnings ³	85 462	(3 208)	82 254	78 844	(1 567)	77 277
	112 583	(3 208)	109 375	105 965	(1 567)	104 398
Liabilities						
Non-current liabilities						
Deferred tax liabilities	4 573	–	4 573	3 333	–	3 333
Lease liabilities	4 961	–	4 961	8 876	–	8 876
	9 534	–	9 534	12 209	–	12 209
Current liabilities						
Trade and other payables	8 564	–	8 564	8 283	–	8 283
Insurance contract liabilities ⁴	735 789	(380 331)	355 458	580 102	(348 749)	231 353
Lease liabilities	3 915	–	3 915	3 436	–	3 436
Current tax payable	23	–	23	–	–	–
	748 291	(380 331)	367 960	591 821	(348 749)	243 072
Total liabilities	757 825	(380 331)	377 494	604 030	(348 749)	255 281
Total equity and liabilities	870 408	(383 539)	486 869	709 995	(350 316)	359 679

* Restated as a result of the adoption of IFRS 17.

³ The impact of the adoption of IFRS 17 is recognised in retained earnings as a "IFRS 17 transitional adjustment". This adjustment mostly relates to insurance revenue that is now based on expected premium receipts, recognised in profit or loss on the basis of passage of time. Premiums earned on the date of attachment of risk are no longer permitted in IFRS 17.

⁴ Impacted by footnotes 1 and 2 on page 10 and footnote 3 as disclosed above and calculated in accordance with the principles of IFRS 17.

7. Accounting policies continued

IFRS 17 Insurance Contracts continued

Impact on the statement of profit or loss and other comprehensive income on transition to IFRS 17

Figures in R'000	As previously reported Audited 31 Mar 2023	Reclassifications, measurements and restatements*	Restated 31 Mar 2023
Revenue from contracts with customers ¹	44 935	(9 434)	35 501
Effective interest revenue	1 545	–	1 545
Total revenue from contracts with customers²	46 480	(9 434)	37 046
Cost of sales	(23 122)	–	(23 122)
Gross profit	23 358	(9 434)	13 924
Insurance service result	–	3 450	3 450
Insurance revenue	–	6 547	6 547
Insurance service expenses	–	(3 097)	(3 097)
Net insurance finance expenses	–	(2 761)	(2 761)
Notional interest charge to profit or loss	–	(25 532)	(25 532)
Finance income earned from secured advances	–	22 771	22 771
Net investment income ³	51 470	(22 771)	28 699
Claims paid ⁴	(981)	981	–
Notional interest allocation ⁵	(25 532)	25 532	–
Other income	1 209	–	1 209
Operating and administrative expenses ⁶	(38 229)	2 755	(35 474)
Profit/(loss) before finance expenses and taxation	11 295	(2 248)	9 047
Finance expenses	(730)	–	(730)
Profit/(loss) before taxation	10 565	(2 248)	8 317
Taxation (expense)/credit	(2 344)	607	(1 737)
Profit/(loss) for the period	8 221	(1 641)	6 580
Other comprehensive income for the period, net of tax	–	–	–
Total comprehensive income for the period	8 221	(1 641)	6 580

* Restated as a result of the adoption of IFRS 17.

¹ Previously referred to as revenue.

² Previously referred to as total revenue.

³ Previously referred to as investment income from operations.

⁴ Reclassified to insurance service expenses as part of the adoption of IFRS 17.

⁵ Included in notional interest charge to profit or loss, as part of net insurance finance expenses owing to the adoption of IFRS 17.

⁶ Reclassification of commission, fee expenses and the refund provision from operating and administrative expenses to insurance service expenses as a result of the adoption of IFRS 17.

Classification of insurance policies

In return for payment of an insurance premium, Corporate Guarantee (South Africa) (RF) Limited (Corporate Guarantee), a wholly-owned subsidiary of the company and registered South African non-life insurer, undertakes to indemnify the policyholder for loss suffered by reason of the occurrence of any of the event(s) defined in the multi-peril contingency policy (policy or policies), occurring during the period of insurance, in accordance with the terms and conditions of the policy, by payment up to the policy indemnity limit or, at the insurer's sole discretion, by replacement, reinstatement or repair.

Policies under which the group accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary are classified as insurance contracts as envisaged by IFRS 17. Once a contract has been classified as an insurance contract, the classification remains unchanged for the remainder of its lifetime, even if the insurance risk reduces significantly during the coverage period, unless the terms of the contract are modified.

The contingency policies that the group sells are insurance contracts as envisaged in the scope of IFRS 17. A policyholder may also elect to contractually apply to receive a secured advance from the group. The contingency policy is pledged and ceded to the group as security for the secured advance. Currently, these advances are predominantly secured by policy benefits being ceded to the group. In terms of the guidance in IFRS 17, where a secured advance is provided to a policyholder, the agreements between the group and the policyholder are considered to be a single insurance contract due to the interdependency between the agreements. Various repayment terms, none of which exceed 12 months, and interest rates apply. Cash flows with regard to secured advances are solely payments of principal and interest on the principal amount outstanding. The secured advances form part of the total insurance contract liabilities, disclosed on an aggregate basis.

The group offers insurance contracts that provide both insurance cover and the payment of a specified amount in the form of an experience bonus (the amount to be determined by the group at its discretion, from time to time, by deducting the allowable deductions from the experience account, in its sole and absolute discretion, together with interest (if any) calculated on such amount from time to time, in the sole and absolute discretion of the group). These specified amounts meet the definition of an investment component as they will be paid to policyholders in all circumstances, regardless of whether an insured event occurs. The group considers the investment component and insurance component as highly inter-related as the lapse or maturity of one component in a contract causes the lapse or maturity of the other and the value of one component varies according to the value of the other. The entire contingency policy, including the non-distinct investment component, issued by the group is accounted for and measured as part of the insurance liability as a single unit of account in terms of IFRS 17.

Recognition and derecognition

Groups of insurance contracts issued are initially recognised from the earliest of either the beginning of the coverage period or the date when the first payment from the policyholder is due or actually received, if there is no due date.

The group will derecognise an insurance contract when an insurance contract is extinguished, it is no longer at risk and is therefore no longer required to transfer any economic resources to satisfy the insurance contract.

Contract boundary

The coverage period is the period during which the group provides coverage for insured events. This period includes the coverage that relates to all premiums within the boundary of the insurance contract. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the entity can compel the policyholder to pay the premiums or in which the group has a substantive obligation to provide the policyholder with services. A substantive obligation to provide services ends when:

- the entity has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks; or

7. Accounting policies continued
IFRS 17 Insurance Contracts continued

Contract boundary continued

- both of the following criteria are satisfied:
 - the entity has the practical ability to reassess the risks of the portfolio of insurance contracts that contains the contract and, as a result, can set a price or level of benefits that fully reflect the risk of that portfolio; and
 - the pricing of the premiums for coverage up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date.

The insurance policies issued by the group have an explicit policy start – and expiry date, thus indicating the period during which the group provides coverage for insured events, and in effect the boundary of the insurance contract. Insurance premiums are for the period of insurance as set out in the policy schedule. At the policy anniversary, either the group or policyholder can review the terms associated with the insurance contract. The group considers the legal rights and commercial substance of the contracts in the assessment. This supports a specific boundary of the insurance contract as the group and the policyholder have the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks as required.

From an insurer’s perspective, all insurance contracts issued have a contract boundary of one year or less. Cash flows outside the boundary of the insurance contract relate to future insurance contracts and are recognised when those contracts meet the recognition criteria.

The policyholder can renew their insurance cover should they choose, resulting in a new insurance contract being entered into on the day following the expiration of the previous insurance contract. This process will be repeated at every policy anniversary. No renewal fee will be levied upon renewal on the expiry of the policy, all circumstances remaining constant. Upon renewal, for practical consideration, no physical cash flow is applicable. The latter will not influence the full recognition of the liability for remaining coverage (LRC) associated with the newly issued insurance policy on day one of the coverage period with initial recognition.

The appropriate measurement model applicable to the insurance contracts is the premium allocation approach.

Level of aggregation

IFRS 17 requires that the group identifies portfolios of insurance contracts. A portfolio comprises contracts subject to similar risks and managed together. Contracts within a product line would be expected to have similar risks and hence would be expected to be in the same portfolio if they are managed together. The group currently has one product portfolio consisting of multiple multi-peril contingency policies in issue, inclusive of a risk transfer represented within the annual aggregate policy indemnity limit. The group generally manages its insurance policy on a policy-per-policy basis with the risks being limited to the risk transfer represented within the annual aggregate policy indemnity limit irrespective of the class of business underwritten. Only one portfolio of insurance contracts is identifiable.

The group shall divide a portfolio of insurance contracts issued into a minimum of:

- a group of contracts that are onerous at initial recognition, if any;
- a group of contracts that at initial recognition have no significant possibility of becoming onerous subsequently, if any; and
- a group of the remaining contracts in the portfolio, if any.

Given the IFRS 17 requirements and the loss experience, the portfolio of insurance contracts identified would be appropriately designated/grouped as a group of contracts that at initial recognition has no significant possibility of becoming onerous subsequently. The group’s underwriting strategy seeks diversity to ensure a balanced portfolio and is based on a portfolio of similar risks spread over a large geographical area. The underwriting strategy is continuously monitored and updated and determines the classes of business to be written, the territories in which business is to be written and the industry sectors to which the group is prepared to accept exposure. The strategy is cascaded down by the respective segment board to management that sets the limits for management by client size, class of business, region and industry in order to enforce appropriate risk selection within the portfolio.

Contracts issued more than one year apart cannot be included in the same group. The portfolio is grouped at initial recognition and the insurer shall not reassess the composition of the groups subsequently.

Measurement

IFRS 17 introduces three new measurement models:

- Premium allocation approach (PAA): Simplification available to contracts which are of short duration or where certain eligibility criteria are met;
- General measurement model (GMM): Applicable to all insurance contracts issued and reinsurance contracts held; and
- Variable fee approach: Applicable to insurance contracts with a discretionary participation feature.

Insurance liabilities and assets are measured using the PAA, which is the simplified measurement model applicable to contracts with a coverage period of 12 months or less, or where the measurement of the insurance liability is not significantly different between the PAA or GMM. This criterion is satisfied from a Corporate Guarantee perspective; all insurance contracts issued have a contract boundary of one year or less.

Using the PAA, the balance of the LRC for the group will consist, in essence, of the following elements:

- Premiums, if any, received at initial recognition;
- Plus the premiums received in the subsequent reporting period;
- Plus any adjustment to a financing component;
- Minus the amount recognised as insurance revenue for coverage provided in that period;
- Minus any investment component paid or transferred to the liability for incurred claims (LIC); and
- Minus any incurred claims paid or transferred to the LIC.

The group is not required to adjust the carrying amount of the LRC to reflect the time value of money and the effect of financial risk, at initial recognition, as it expects that the time between providing each part of the coverage and the related premium due date is no more than a year. This criterion is satisfied from Corporate Guarantee’s perspective as all insurance contracts issued have a coverage period of one year or less.

Monthly notional interest is allocated to the experience account of the policyholder based on the terms and conditions set out within the insurance contract. Notional interest is calculated on the positive balance of the experience account, at a rate determined by the group, according to market conditions. The notional interest will not be forfeited, even if claims were made against the experience account – it is always calculated on the remaining balance in this account. The notional interest accrues and is due to the policyholder on expiry or cancellation of the policy. The existence of the notional interest component would increase the LRC subsequent to initial recognition. The increase of the LRC will not coincide with cash flow receipts.

The best estimate provision for LIC relates to claim events that have occurred before or at the reporting date, whether reported or not. The group shall measure the LIC for the group of insurance contracts at the fulfilment cash flows relating to incurred claims. The group will not be required to adjust future cash flows for the time value of money and the effect of financial risk as those cash flows are expected to be paid or received in one year or less from the date the claims are incurred.

Insurance acquisition costs

Insurance acquisition costs are defined as those costs related to the selling, underwriting and starting a group of insurance contracts. The group’s policy is to expense any insurance acquisition cash flows.

Amounts recognised in the statement of comprehensive income

Insurance revenue, insurance service expenses, showing in aggregate incurred claims (excluding investment components) and other incurred insurance service expenses, and insurance acquisition costs are recognised in the statement of comprehensive income based on the concept of services provided during the period.

Expected premium receipts are allocated to insurance revenue based on the passage of time.

7. Accounting policies continued

IFRS 17 Insurance Contracts continued Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is the compensation an entity requires for bearing the uncertainty about the amount and timing of the cash flows that arise from non-financial risk as the insurer fulfils its insurance contracts. The risk adjustment for non-financial risk shall reflect the insurer's current estimates of how the actual behaviour of the policyholders may differ from the expected behaviour.

Corporate Guarantee manages its non-financial risk through underwriting limits, approval procedures for new clients, pricing guidelines, centralised management of risk and monitoring of emerging issues. These factors and the past claims experience, combined with the nature of the policies issued, are such that the technical reserves held are more than the 95th percentile of the net ultimate fulfilment cash flows. Corporate Guarantee considers the level of reserves sufficient and deems it unnecessary to increase same to account for specific risks linked to non-financial risks.

Impact of changes in tax legislation

National Treasury promulgated the 2022 Taxation Laws Amendment Act in January 2023, which contained the changes to section 28 of the Income Tax Act (the Act) to cater for the implementation of IFRS 17. The main objective of these changes was to ensure that

section 28 is aligned to the terminology and principles of IFRS 17, as well as to mitigate unintended tax implications as a result of the transition from IFRS 4 to IFRS 17. A phase-in period of three years applies to non-life insurers in terms of section 28(3D).

The draft 2023 Taxation Laws Amendment Bill (the Amendment Bill) was published for public comment on 31 July 2023, which contains proposals to further refine section 28 of the Act. The Amendment Bill, however, did not address all of the matters raised by the insurance sector, as the interpretation of the IFRS 17 disclosure requirements continued to evolve. Further corrections and clarification to the legislation are therefore required as the wording in the Act gives rise to uncertainty in interpretation and unintended phase-in amounts due to the disclosure and reclassification of certain items in terms of IFRS 17.

The group, in preparation of the condensed consolidated interim financial statements, has accounted for the tax implications as a result of the transition from IFRS 4 to IFRS 17, based on the group's interpretation of the intended outcomes of the changes to section 28 of the Act, as applicable specifically to non-life contingency insurance policies. Significant uncertainty therefore exists in respect of the final legislation to be published, which may impact the allocation between current income tax and deferred tax in the statement of financial position and the quantification of the group's overall tax position.

8. Insurance contracts

8.1 Insurance contracts issued overview

Figures in R'000	Note	Secured advances	Legal insurance contract liabilities	Total liabilities
Contingency policies – Premium allocation approach (PAA)				
<i>Insurance contract liabilities as at 30 September 2023</i>	Note 8.2	(331 124)	787 211	456 087
<i>Insurance contract liabilities as at 30 September 2022*</i>	Note 8.2	(302 979)	579 654	276 675
<i>Insurance contract liabilities as at 31 March 2023*</i>	Note 8.2	(300 899)	656 357	355 458

* Comparative information was restated for the initial application of IFRS 17. Refer to note 7 for additional information.

8.2 Movements in carrying amounts of insurance liabilities and assets

Contingency policies: Insurance contracts issued – premium allocation approach

Figures in R'000	Six months ended 30 Sep 2023		Total
	Liability for remaining coverage (LRC)	Liability for incurred claims (LIC)	
	Present value of expected future cash flows	Present value of expected future cash flows	
Insurance contract liabilities opening balance	355 458	–	355 458
Opening secured advances	(300 899)	–	(300 899)
Opening legal insurance contract liabilities	656 357	–	656 357
Amounts recognised in the statement of comprehensive income			
<i>Insurance service result</i>	(6 842)	369	(6 473)
Insurance revenue	(6 586)	–	(6 586)
Incurred claims and other insurance service expenses	(256)	369	113
<i>Net insurance finance expenses</i>	8 460	–	8 460
Notional interest charge to profit or loss	22 385	–	22 385
Finance income earned from secured advances	(13 925)	–	(13 925)
Total movements recognised in the statement of comprehensive income	1 618	369	1 987
Investment component	(510 419)	510 419	–
Cancellation and expired premiums	(487 870)	487 870	–
Notional interest incurred	(22 549)	22 549	–
Cash flows			
<i>Premiums received</i>	625 730	–	625 730
New premiums received	145 356	–	145 356
Renewal premiums received	480 374	–	480 374
<i>Claims and other insurance service expenses paid</i>	–	(369)	(369)
<i>Cancellation and expired premiums settlement</i>	–	(510 419)	(510 419)
<i>Secured advance finance income received</i>	13 925	–	13 925
<i>Secured advance payments made to policyholders</i>	(30 225)	–	(30 225)
Total cash flows	609 430	(510 788)	98 642
Closing secured advances	(331 124)	–	(331 124)
Closing legal insurance contract liabilities	787 211	–	787 211
Insurance contract liabilities closing balance	456 087	–	456 087

NOTES TO THE FINANCIAL INFORMATION continued

for the six months ended 30 September 2023

8. Insurance contracts continued

8.2 Movements in carrying amounts of insurance liabilities and assets continued

Contingency policies: Insurance contracts issued – premium allocation approach continued

Figures in R'000	Restated* Six months ended 30 Sep 2022			
	Liability for remaining coverage (LRC)	Liability for incurred claims (LIC)	Total	
	Present value of expected future cash flows	Present value of expected future cash flows		
	Insurance contract liabilities opening balance	231 353		–
Opening secured advances	(303 538)	–		(303 538)
Opening legal insurance contract liabilities	534 891	–	534 891	
Amounts recognised in the statement of comprehensive income				
<i>Insurance service result</i>	(3 089)	198	(2 891)	
Insurance revenue	(2 891)	–	(2 891)	
Incurred claims and other insurance service expenses	(198)	198	–	
<i>Net insurance finance expenses</i>	165	–	165	
Notional interest charge to profit or loss	9 570	–	9 570	
Finance income earned from secured advances	(9 405)	–	(9 405)	
Total movements recognised in the statement of comprehensive income	(2 924)	198	(2 726)	
Investment component	(422 155)	422 155	–	
Cancellation and expired premiums	(411 944)	411 944	–	
Notional interest incurred	(10 211)	10 211	–	
Cash flows				
<i>Premiums received</i>	460 437	–	460 437	
New premiums received	77 452	–	77 452	
Renewal premiums received	382 985	–	382 985	
<i>Claims and other insurance service expenses paid</i>	–	(198)	(198)	
<i>Cancellation and expired premiums settlement</i>	–	(422 155)	(422 155)	
<i>Secured advance finance income received</i>	9 405	–	9 405	
<i>Secured advances repaid by policyholders</i>	559	–	559	
Total cash flows	470 401	(422 353)	48 048	
Closing secured advances	(302 979)	–	(302 979)	
Closing legal insurance contract liabilities	579 654	–	579 654	
Insurance contract liabilities closing balance	276 675	–	276 675	

* Comparative information was restated for the initial application of IFRS 17. Refer to note 7 for additional information.

Figures in R'000	Restated* Year ended 31 Mar 2023			
	Liability for remaining coverage (LRC)	Liability for incurred claims (LIC)	Total	
	Present value of expected future cash flows	Present value of expected future cash flows		
	Insurance contract liabilities opening balance	231 353		–
Opening secured advances	(303 538)	–		(303 538)
Opening legal insurance contract liabilities	534 891	–	534 891	
Amounts recognised in the statement of comprehensive income				
<i>Insurance service result</i>	(7 186)	981	(6 205)	
Insurance revenue	(6 547)	–	(6 547)	
Incurred claims and other insurance service expenses	(639)	981	342	
<i>Net insurance finance expenses</i>	2 761	–	2 761	
Notional interest charge to profit or loss	25 532	–	25 532	
Finance income earned from secured advances	(22 771)	–	(22 771)	
Total movements recognised in the statement of comprehensive income	(4 425)	981	(3 444)	
Investment component	(649 851)	649 851	–	
Cancellation and expired premiums	(632 635)	632 635	–	
Notional interest incurred	(17 216)	17 216	–	
Cash flows				
<i>Premiums received</i>	752 971	–	752 971	
New premiums received	165 360	–	165 360	
Renewal premiums received	587 611	–	587 611	
<i>Claims and other insurance service expenses paid</i>	–	(981)	(981)	
<i>Cancellation and expired premiums settlement</i>	–	(649 851)	(649 851)	
<i>Secured advance finance income received</i>	22 771	–	22 771	
<i>Secured advances repaid by policyholders</i>	2 639	–	2 639	
Total cash flows	778 381	(650 832)	127 549	
Closing secured advances	(300 899)	–	(300 899)	
Closing legal insurance contract liabilities	656 357	–	656 357	
Insurance contract liabilities closing balance	355 458	–	355 458	

* Comparative information was restated for the initial application of IFRS 17. Refer to note 7 for additional information.

9. Cash generated from operations

Figures in R'000	Six months ended 30 Sep 2023	Restated* Six months ended 30 Sep 2022	Restated* Year ended 31 Mar 2023
Profit/(loss) before taxation	5 079	(485)	8 317
Adjustments for:			
Depreciation of property, plant and equipment	289	359	643
Depreciation of right-of-use asset	1 870	1 870	3 739
Loss/(profit) on disposal of property, plant and equipment	5	(83)	(83)
Net impairments and movements in credit loss allowances	38	200	312
Interest received	(20 469)	(9 834)	(22 603)
Dividend income	(146)	(408)	(809)
Profit on disposal of investments	(1 580)	(579)	(1 259)
Fair value adjustments on investments	1 175	3 066	(4 028)
Finance expenses	273	347	730
Inventories lost or written off	9	12	13
Prescribed dividends recognised in profit before taxation	(30)	(35)	(32)
Changes in insurance contract liabilities	100 629	45 322	124 105
Changes in working capital:			
(Increase)/decrease in inventories	(571)	(987)	269
(Increase)/decrease in trade and other receivables	(19)	1 069	(1 265)
Increase/(decrease) in trade and other payables	103	(2 241)	313
	86 655	37 593	108 362

* Comparative information was restated for the initial application of IFRS 17. Refer to note 7 for additional information.

10. 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.

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 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 managers.

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.

NOTES TO THE FINANCIAL INFORMATION continued

for the six months ended 30 September 2023

10. Determination and disclosure of fair values continued

10.1 Fair value of investment property

Land and buildings consists of business premises situated on Erf 2134, Ferndale, Johannesburg (property), measuring 8 030m². The fair value as at 30 September 2023 was based on initial terms agreed between the insurance segment 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 sale of the property within the next 12 months is not assessed as highly probable as at 30 September 2023. 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
Land and buildings – 2023	–	–	13 250	13 250
Land and buildings – 2022	–	–	13 250	13 250

Figures in R'000	Land and buildings
Reconciliation of fair value assets in Level 3:	
Balance as at 1 April 2023	13 250
Fair value change recognised in investment income	–
Balance as at 30 September 2023	13 250

10.2 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.

Figures in R'000	Six months ended 30 Sep 2023	Six months ended 30 Sep 2022	Year ended 31 Mar 2023
Level 1			
Listed shares	1 002	7 618	1 059
Listed debt securities	–	7 086	–
Unit trusts	5 351	5 691	5 382
	6 353	20 395	6 441
Level 2			
Unit trusts	336 307	160 136	233 890

10. Determination and disclosure of fair values continued

10.3 Financial assets by category

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

Figures in R'000	Solely payments of principal and interest – financial assets (amortised cost)	Financial assets at fair value through profit or loss	Total
30 September 2023			
Investments	–	342 660	342 660
Trade receivables	12 312	–	12 312
Short-term deposits	128 138	–	128 138
Cash and cash equivalents	68 706	–	68 706
	209 156	342 660	551 816
30 September 2022			
Investments	–	180 531	180 531
Trade receivables*	11 293	–	11 293
Short-term deposits	129 513	–	129 513
Cash and cash equivalents	39 321	–	39 321
	180 127	180 531	360 658
31 March 2023			
Investments	–	240 331	240 331
Trade receivables*	14 087	–	14 087
Short-term deposits	122 579	–	122 579
Cash and cash equivalents	74 536	–	74 536
	211 202	240 331	451 533

* Comparative information was restated for the initial application of IFRS 17. Refer to note 7 for additional information.

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

10.4 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 2023		
Lease liabilities	6 975	6 975
Trade and other payables	7 645	7 645
	14 620	14 620
30 September 2022		
Lease liabilities	10 646	10 646
Trade and other payables	5 169	5 169
	15 815	15 815
31 March 2023		
Lease liabilities	8 876	8 876
Trade and other payables	7 582	7 582
	16 458	16 458

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

11. Revenue

Figures in R'000	Six months ended 30 Sep 2023	Restated* Six months ended 30 Sep 2022	Restated* Year ended 31 Mar 2023
Sale of goods [^]	13 693	15 243	34 394
Rendering of services [#]	556	564	1 107
Revenue from contracts with customers	14 249	15 807	35 501

* Comparative information was restated for the initial application of IFRS 17. Refer to note 7 for additional information.

[^] 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 (2022: 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.

12. Results overview

12.1 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 persisting frequency of load shedding. Over the reporting period, interest rates increased by 50 basis points, bringing the prime interest rate to 11,75%. The negative effects of these factors have suppressed consumer demand, causing South African Retail Sales statistics to print a decline for five months during the reporting period. Total revenue of Nictus Meubels Proprietary Limited did decline, however, competitive margins and the prudent management of expenses protected profitability.

12.2 Insurance segment

The improved profitability during the reporting period was caused by, among other contributing factors, increased new premiums. On a new premium written (NPW) basis, premiums increased by 175,6%. It should be noted that NPW is not a metric reported under IFRS 17, but remains relevant from a management perspective, as a more accurate measure of new business activity during any specific reporting period. The FTSE/JSE All Share (ZAR) and FTSE/JSE All Bond (ZAR) indexes returned -4,9% and -1,9%, respectively, over the reporting period. The prudent and conservative investment methodology followed, together with the continued work by our external investment advisors, allowed the segment to successfully navigate a difficult and volatile investment environment. Higher average interest rates and a larger asset base contributed to a material increase in investment income.

13. 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*

Bryanston
8 December 2023

Professor Barend J Willemse

*Authorised director
Chairperson*

CONTACT INFORMATION

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Registration number NAM: F81/11858
JSE share code: NCS
ISIN number: NA0009123481
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Non-executive director

Gerard R de V Tromp

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