



CORPORATE SOCIAL RESPONSIBILITY REPORT

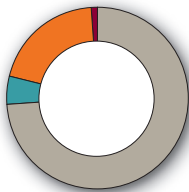
Foreword by the chairperson

The Nictus Group can once again look back at a satisfying year. As a group, we focus on compliance and aim to be a good corporate citizen in all aspects of the business.

Involvement 2023

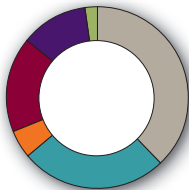
We are pleased to report on the following relating to our involvement and contributions made:

Community involvement development



Community relations
Social development
Sport development
Education

Overall



Gauteng
Western Cape
Limpopo
North West
Free state
Mpumalanga

Report 2023

The social and ethics committee compiled this report in line with the charter set by the board and industry practices.

Training and development of our staff received renewed focus, and significant time, resources and energy went into the process. We aim to be the preferred employer with skilled, dedicated staff who are trained for their specific responsibilities. Management development was a primary focus area, and senior management embraced this to take on the challenges that we may face in the future.

Equal opportunities are always a top priority and, with the overview that was conducted, no discrimination on the basis of race, age and gender was found. We strive to appoint the best person suitable for the responsibility required. We are comfortable with the status of our gender equality as well as the progress made toward the certification for black economic empowerment during the year under review. Some of the companies have already approved a formal transformation plan which they are working towards.

It was clear from the overview that we maintained a high ethical culture, upheld our values and adhered to our code of conduct.

Long-term sustainability remains a major discussion point, and the group is committed to ensuring that we build a sustainable business for the future.

The board of directors remains committed to complying with internationally recognised standards such as IFRS, King IV™, the National Credit Act, 34 of 2005, the Companies Act of South Africa and the JSE Listings Requirements. The company is audited annually and has an internal audit function as well as separate remuneration and nomination, audit and risk, executive and social and ethics committees. The group strives to adhere to good corporate governance practices.

As our businesses are not involved in manufacturing, our emissions impact on the environment is minimal. We are, however, cognisant that we need to reduce our carbon footprint wherever possible. We give consideration to suppliers that operate and adhere to standards set in manufacturing.

We have commenced a formal review process of our environmental, social and governance (ESG) standards. During the second half of the year, in a formal feedback process, the group will evaluate aspects relating to ESG and the areas requiring adherence should this be necessary.

Conclusion

The committee is comfortable that the guidelines set by the board of directors were met during its review process. The group continues to conduct its business ethically and is comfortable that it is managed with long-term sustainability in mind for the future.

Philippus J de W Tromp

Chairperson: social and ethics committee

22 June 2023

Annual financial statements

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DIRECTORS' RESPONSIBILITIES AND APPROVAL

Directors' responsibility statement

The directors are required by the Companies Act of South Africa, 71 of 2008 (Companies Act of South Africa) to maintain adequate accounting records and are responsible for the content and integrity of the group annual financial statements and company annual financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the group and company as at 31 March 2023 and the results of their operations and changes in equity and cash flows for the year then ended, in conformity with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa. The directors are also responsible for the preparation of the directors' report. The external auditor is engaged to express an independent opinion on the group annual financial statements and company annual financial statements.

The group annual financial statements and company annual financial statements are prepared in accordance with IFRS and the requirements of the Companies Act of South Africa and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the group and company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting policies and procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the group and all employees are required to maintain the highest ethical standards in ensuring that the group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group.

While operating risk cannot be fully eliminated, the group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. Any system of internal financial control can, however, provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the group's and company's budgets for the year ending 31 March 2024 and, in light of this review and the current financial position, they are satisfied that the group and company have access to adequate resources to continue in operational existence for the foreseeable future. The directors have made an assessment of the group's and company's ability to continue as going concerns and there is no reason to believe that the businesses will not be going concerns in the year ahead.

The auditor is responsible for reporting on whether the group annual financial statements and company annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of the group annual financial statements and company annual financial statements

The group annual financial statements and company annual financial statements of Nictus Limited, which have been prepared on the going concern basis, were approved by the board on 22 June 2023 and were signed by:

Gerard R de V Tromp

Authorised director
Group managing director

Professor Barend J Willemse

Authorised director
Chairperson

MANAGING DIRECTOR'S AND FINANCIAL DIRECTOR'S RESPONSIBILITY STATEMENT

The directors, whose names are stated below, hereby confirm that:

- The annual financial statements set out on pages 42 to 106, fairly present, in all material respects, the financial position, financial performance and cash flows of Nictus in terms of IFRS;
- To the best of our knowledge and belief, no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
- Internal financial controls have been put in place to ensure that material information relating to Nictus and its consolidated subsidiaries has been provided to effectively prepare the financial statements of Nictus;

- The internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function as executive directors with primary responsibility for implementation and execution of controls;
- Where we are not satisfied, we have disclosed to the audit and risk committee and the auditors any deficiencies in design and operational effectiveness of the internal financial controls and have remediated the deficiencies; and
- We are not aware of any fraud involving directors.

Gerard R de V Tromp
Group managing director

Eckhart H Prozesky
Group financial director

22 June 2023

CERTIFICATE OF THE COMPANY SECRETARY

In our opinion, as company secretary, we hereby confirm, in terms of the Companies Act of South Africa that, for the year ended 31 March 2023, the company has lodged with the Commissioner of the Companies and Intellectual Property Commission, all such returns and notices as are required of a public company in terms of the Companies Act of South Africa and that all such returns and notices are true, correct and up to date.

Willem H Boshoff

Veritas Eksekuteurskamer Proprietary Limited
Company secretary

22 June 2023

AUDIT AND RISK COMMITTEE REPORT

I am pleased to present the group audit and risk committee report for the financial year ended 31 March 2023.

The chairperson and members of the committee were individually re-elected at the 2022 annual general meeting of Nictus Limited, in compliance with the requirements of the Companies Act of South Africa. The committee continues to fulfil the function of the audit and risk committee requirement in terms of the Insurance Act, 18 of 2017 (Insurance Act), in respect of Corporate Guarantee (South Africa) (RF) Limited, a wholly-owned subsidiary of Nictus Limited.

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

The committee's work includes oversight of risk management; all of its members are financially literate and bring business and financial acumen to the committee.

The group managing director, the group financial director and representatives of the external and internal auditors are invited to attend the committee meetings.

The committee met twice during the year and engaged, among other work, in considering the reappointment of PricewaterhouseCoopers Inc. as auditor to the Nictus group of companies. PricewaterhouseCoopers Inc. was recommended for reappointment as the group and company external auditor based on recent performance and regulatory reviews of the firm, with Jorge M Goncalves acting as the designated audit partner for the current financial year ended 31 March 2023. The introduction of ISA 315 (Revised) by the International Audit and Assurance Standards Board requires that external audit obtain a more granular understanding of Nictus' business, with specific focus on areas such as the information technology (IT) environment, understanding the entity's business model and the introduction of inherent risk factors. The additional and/or revised requirements of ISA 315 (Revised) did result in additional external audit effort and increased fees associated with same, from 1 April 2023 onwards. The governance register was reviewed during the year for completeness by a third party and was approved by the committee. Based on prudential standards, Nictus had

to apply for a controlling entity licence to be classified as an insurance group which is still being attended to. Internal audit reports are provided to the committee at each meeting. Internal audit's activity is governed by an internal audit charter which is approved by the group audit and risk committee and is reviewed annually. The charter defines the purpose, authority and responsibilities of the function. The committee reviewed the charter and measured its effectiveness during the year under review.

The committee's key objectives and responsibilities which were met during the period are as follows:

- Determine whether management has created and maintains an effective control environment and that they demonstrate and stimulate the necessary respect for the internal control structure among all parties;
- Ensure that the company has established appropriate financial reporting procedures and that these procedures are operating effectively, which should include consideration of all entities included in the group annual financial statements, to ensure that it has access to all the financial information of the company to allow the company to effectively prepare and report on its financial statements;
- Assess the external auditor's and designated external audit partner's suitability for appointment in accordance with the JSE Limited (JSE) Listings Requirements and the information detailed in paragraph 22.15(h) therein;
- Review the scope and outcome of external and internal audits. The review is to include an assessment of the efficiency of the audit function, ensuring that emphasis is placed in areas where the committee, management and the auditor believe special attention is necessary;
- Ensure that the appointment of the auditor is presented and included as a resolution at the annual general meeting of Nictus, pursuant to section 61(8) of the Companies Act of South Africa;
- Ensure that the board makes informed decisions and is aware of the implications of such decisions regarding accounting policies, practices and disclosures;
- Provide a safeguard of directors' responsibilities by

informing the board on issues of importance to the business and the status of the financial reporting;

- Review and recommend, for approval, to the board, the group's annual and interim reports;
- Assist the board in its evaluation of the adequacy and effectiveness of the risk management system;
- Assist the board in the identification of the build-up and concentration of the various risks to which the insurer is exposed;
- Assist the board in identifying and regularly monitoring all material risks to ensure that its decision-making capability and accuracy of its reporting are adequately maintained;
- Facilitate and promote communication, through reporting structures, regarding the adequacy and effectiveness of the risk management system or any other related matter, between the board and managing executives;
- Introduce such measures as may serve to enhance the adequacy and effectiveness of the risk management system; and
- Coordinate the monitoring of risk management on an enterprise-wide and individual business unit basis.

The committee does not rely only on the internal control processes but receives and regularly reviews the findings of both the internal and external auditors covering:

- A system of internal control;
- Compliance with relevant laws and regulations; and
- The credibility, independence and objectivity of both the external and internal auditor.

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

The committee has adopted a policy of limiting the non-audit work undertaken by the external auditor. Prior approval of any consulting work in excess of R250 000 is required. No non-audit work was undertaken by the external auditor during the reporting period.

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

The committee is satisfied that:

- It has complied with the responsibilities set out in its charter, as well as the relevant legal and regulatory responsibilities based on the information and explanations given by management and discussions with the external auditor regarding the results of their audit;
- The financial director has the necessary training, expertise and experience to discharge his duties and responsibilities;
- The board is aware of the implications and actions required to apply and explain the principles of the King IV Report on Corporate Governance for South Africa, 2016™;
- There was no material breakdown in the internal financial controls that was noted or reported during the financial year under review; and
- The external auditor is considered to be independent of the company and the group and is thereby able to conduct its audit functions without any undue influence from the company and the group.

Cornelius J de Vrye

Chairperson: audit and risk committee

22 June 2023

DIRECTORS' REPORT

to the shareholders of Nictus Limited

The directors have pleasure in reporting on the activities and financial results of the group for the year ended 31 March 2023.

Review of subsidiaries

Details of subsidiaries are dealt with in note 6 to the group financial statements.

Figures in R'000	2023	2022
The interest of the company in the aggregate net profit after tax of subsidiaries is:		
Profit/(loss) after taxation	4 304	3 785

The subsidiaries of the company are mainly involved in furniture retail and non-life insurance in South Africa.

Financial results

For the year under review, the group's profit before taxation amounted to R10,6 million compared to a profit of R5,5 million in the previous year. The company's profit before taxation for the year was R4,2 million compared to a profit of R2,8 million in the previous year.

Segmental analysis

A detailed segmental analysis is included in note 37 to the group annual financial statements.

Directors

	Date of initial appointment	Date of election/re-election
Executive		
Gerard R de V Tromp (<i>Group managing director</i>)	18 November 2014	22 August 2018
Eckhart H Prozesky (<i>Group financial director</i>)	1 March 2015	22 August 2018
Non-executive		
Philippus J de W Tromp	1 April 2012	1 September 2022
Independent non-executives and members of the audit and risk committee		
Professor Barend J Willemse (<i>Chairperson</i>)	15 June 2010	1 September 2022
Cornelius J de Vrye	1 November 2018	1 September 2021
Sarita Martin	1 February 2021	1 September 2022

Shareholding

Composition of shareholders	Number of shareholders	%	Number of shares	%
Ordinary shares				
Non-public shareholders	9	0,87	42 639 089	79,78
Directors and associates	9	0,87	42 639 089	79,78
Public shareholders	1 030	99,13	10 804 411	20,22
	1 039	100,00	53 443 500	100,00

Distribution of shareholders	Number of shareholders	%	Number of shares	%
Ordinary shares				
Banks/brokers	17	1,64	81 982	0,15
Close corporations	1	0,10	2	0,00
Individuals	403	38,79	1 051 599	1,97
Insurance companies	1	0,10	9 375	0,02
Nominees and trusts	590	56,79	10 026 934	18,76
Other corporations	4	0,38	43 172	0,08
Private companies	21	2,01	42 223 871	79,01
Public companies	2	0,19	6 565	0,01
	1 039	100,00	53 443 500	100,00

	Number of shares	%
Shareholders, other than directors, with an interest above 5% in stated capital		
Landswyd Beleggings Proprietary Limited	25 340 209	47,41
Namprop Proprietary Limited	6 318 622	11,82
Trocor Proprietary Limited	5 939 864	11,11
PC Investment Holdings Proprietary Limited	4 108 955	7,69

As at 31 March, the directors, prescribed officers and their associates (as defined in terms of the JSE Listings Requirements) had the following direct and indirect beneficial interest in the stated capital of the company:

	Number of shares	
	2023	2022
Direct interests		
Professor Barend J Willemse	50 000	50 000
Eckhart H Prozesky	425 000	425 000
Indirect interests		
Professor Barend J Willemse	45 165	45 165
Nicolaas C Tromp*, Gerard R de V Tromp and Philippus J de W Tromp	42 118 924	41 998 459
	42 639 089	42 518 624

* Nicolaas C Tromp, a non-executive director of the company, was part of the board of directors up until his passing on 27 June 2021.

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

DIRECTORS' REPORT continued

Analysis of executive directors' share options as at 31 March 2023

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

Stated capital

There were no changes in stated capital during the current and prior financial year, as further detailed in note 14 of the annual financial statements.

58 966 950 (2022: 58 966 950) unissued ordinary shares are under the control of the directors in terms of a resolution of shareholders passed at the last annual general meeting and in terms of the Memorandum of Incorporation (MOI), but subject to compliance with the relevant regulations, i.e. the Companies Act of South Africa and the JSE Listings Requirements.

Dividends

Final dividend

The board, within its discretion, has declared a final dividend of 5,00 cents per Nictus ordinary share (ordinary share) (2022: 3,00 cents per ordinary share) for the year ended 31 March 2023, to all ordinary shareholders recorded in the share register of Nictus at the close of business on Friday, 21 July 2023 which will be paid on Monday, 24 July 2023.

The cash dividend timetable is structured as follows:

- Declaration date is Friday, 30 June 2023;
- The last day to trade *cum* dividend in order to participate in the dividend is Tuesday, 18 July 2023;
- The shares commence trading *ex-dividend* from the commencement of business on Wednesday, 19 July 2023;
- The record date is Friday, 21 July 2023; and
- The dividend is to be paid on Monday, 24 July 2023.

Shares will not be rematerialised or dematerialised between Wednesday, 19 July 2023 and Friday, 21 July 2023, both days inclusive.

Events after the reporting date

The directors are not aware of any matter or circumstances since the end of the financial year and up to the date of this report which require adjustments to or disclosure in the financial statements.

Secretary

Veritas Eksekutieskamer Proprietary Limited
Block C, 1st Floor
The Main Straight Office Park, 392 Main Road
Bryanston, Gauteng 2191
PO Box 2878, Randburg 2125

Registered offices

Republic of South Africa

Nictus Limited
Block C, 1st Floor
The Main Straight Office Park, 392 Main Road
Bryanston, Gauteng 2191
PO Box 2878, Randburg 2125

Namibia

Nictus Limited
Nictus Building, 1st Floor
140 Mandume Ndemufayo Avenue, Windhoek, Namibia
Private Bag 13231, Windhoek, Namibia

22 June 2023

INDEPENDENT AUDITOR'S REPORT

to the shareholders of Nictus Limited

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Nictus Limited (the Company) and its subsidiaries (together the Group) as at 31 March 2023, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Nictus Limited's consolidated and separate financial statements set out on pages 42 to 106 comprise:

- the consolidated and separate statements of financial position as at 31 March 2023;
- the consolidated and separate statements of profit or loss and comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

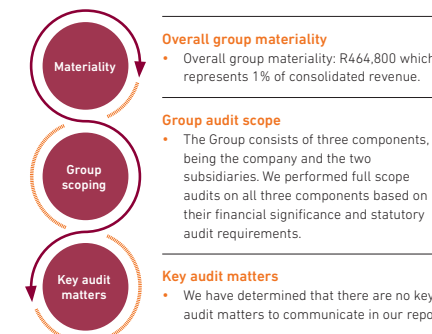
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report.

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

Independence

We are independent of the Group in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants* (including *International Independence Standards*).

Our audit approach Overview



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

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

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

INDEPENDENT AUDITOR'S REPORT continued

Overall group materiality	<i>R464,800</i>
How we determined it	<i>1% of consolidated revenue</i>
Rationale for the materiality benchmark applied	<i>We selected consolidated revenue as our materiality benchmark because, in our view, it reflects the activity levels of the Group and it is a benchmark against which the performance of the Group can be consistently measured in circumstances of volatile year-on-year earnings. This benchmark has remained a key driver of the Group's business.</i> <i>We chose 1% based on our professional judgement, after consideration of the range of quantitative materiality thresholds that we would typically apply when using revenue to compute materiality.</i>

How we tailored our group audit scope

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

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

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed by us, as the group engagement team for both the group and the components. All testing was performed centrally by the group audit team. By performing the procedure outlined above, we obtained sufficient and appropriate audit evidence regarding the financial information of the Group to provide a basis for our opinion on the consolidated financial statements as a whole.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Nictus Limited Integrated Annual Report for the year ended 31 March 2023" which includes the Directors' Report, the Audit and Risk Committee Report and the Certificate of the Company Secretary as required by the Companies Act of South Africa. The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Nictus Limited for 4 years.

PricewaterhouseCoopers Inc.

Director: Jorge Goncalves
Registered Auditor

4 Lisbon Lane
Waterfall City
Jukskei View 2090

22 June 2023

The examination of controls over the maintenance and integrity of the Group's website is beyond the scope of the audit of the financial statements. Accordingly, we accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

STATEMENTS OF FINANCIAL POSITION

as at 31 March 2023

Figures in R'000	Note(s)	GROUP		COMPANY	
		2023	2022	2023	2022
Assets					
Non-current assets					
Property, plant and equipment	3	1 689	2 265	170	247
Investment property	4	13 250	13 250	–	–
Intangible assets	5	22	22	22	22
Investments in subsidiaries	6	–	–	65 347	74 409
Right-of-use asset	7	7 830	11 569	1 268	1 832
Investments	8	28 441	26 513	21 086	5 998
Deferred tax assets	9	774	455	–	–
Trade, insurance and other receivables	12	5 095	4 389	–	–
		57 101	58 463	87 893	82 508
Current assets					
Inventories	10	9 063	9 345	–	–
Loans to group companies	11	–	–	1 252	–
Trade, insurance and other receivables	12	395 239	361 162	16 990	14 815
Investments	8	334 469	208 379	–	–
Cash and cash equivalents	13	74 536	72 643	2 893	6 793
Current tax receivable	25	–	3	–	–
		813 307	651 532	21 135	21 608
Total assets		870 408	709 995	109 028	104 116
Equity and liabilities					
Equity					
Stated capital	14	25 969	25 969	25 969	25 969
Revaluation reserve	15	1 152	1 152	–	–
Retained earnings		85 462	78 844	72 554	71 103
		112 583	105 965	98 523	97 072
Liabilities					
Non-current liabilities					
Deferred tax liabilities	9	4 573	3 333	4 077	2 889
Lease liabilities	7	4 961	8 876	885	1 482
		9 534	12 209	4 962	4 371
Current liabilities					
Loans from group companies	11	–	–	2 527	–
Trade and other payables	16	8 564	8 283	2 419	2 160
Insurance contract liabilities	17	735 789	580 102	–	–
Lease liabilities	7	3 915	3 436	597	513
Current tax payable	25	23	–	–	–
		748 291	591 821	5 543	2 673
Total liabilities		757 825	604 030	10 505	7 044
Total equity and liabilities		870 408	709 995	109 028	104 116

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 March 2023

Figures in R'000	Note(s)	GROUP		COMPANY	
		2023	2022	2023	2022
Revenue	18	44 935	42 867	15 960	14 600
Effective interest revenue		1 545	1 767	–	–
Total revenue		46 480	44 634	15 960	14 600
Cost of sales		(23 122)	(23 112)	–	–
Gross profit		23 358	21 522	15 960	14 600
Other income	19	1 209	1 493	2 135	543
Investment income from operations	21	51 470	31 999	3 338	1 165
Notional interest allocation	17	(25 532)	(12 702)	–	–
Claims paid	17	(981)	(1 690)	–	–
Operating expenses	20	(24 319)	(20 842)	(9 355)	(5 734)
Administrative expenses	20	(13 910)	(13 450)	(7 614)	(7 306)
Profit before finance expenses and taxation		11 295	6 330	4 464	3 268
Finance expenses	22	(730)	(869)	(222)	(424)
Profit before taxation		10 565	5 461	4 242	2 844
Taxation expense	23	(2 344)	(419)	(1 188)	(280)
Profit for the year		8 221	5 042	3 054	2 564
Other comprehensive income for the year, net of tax					
		–	–	–	–
Total comprehensive income for the year		8 221	5 042	3 054	2 564
Profit attributable to:					
Owners		8 221	5 042	3 054	2 564
Total comprehensive income attributable to:					
Owners		8 221	5 042	3 054	2 564
Basic earnings per share (cents)	36	15,38	9,43		
Diluted basic earnings per share (cents)	36	15,38	9,43		



STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 March 2023

Figures in R'000	GROUP			
	Stated capital	Revaluation reserve	Retained earnings	Total equity
Balance as at 1 April 2021	25 969	1 152	76 474	103 595
<i>Total comprehensive income for the year</i>				
Profit for the year	–	–	5 042	5 042
Total comprehensive income for the year	–	–	5 042	5 042
<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 31 March 2022	25 969	1 152	78 844	105 965
<i>Total comprehensive income for the year</i>				
Profit for the year	–	–	8 221	8 221
Total comprehensive income for the year	–	–	8 221	8 221
<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 31 March 2023	25 969	1 152	85 462	112 583
Note(s)	14	15		

Figures in R'000	COMPANY		
	Stated capital	Retained earnings	Total equity
Balance as at 1 April 2021	25 969	71 211	97 180
<i>Total comprehensive income for the year</i>			
Profit for the year	–	2 564	2 564
Total comprehensive income for the year	–	2 564	2 564
<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 31 March 2022	25 969	71 103	97 072
<i>Total comprehensive income for the year</i>			
Profit for the year	–	3 054	3 054
Total comprehensive income for the year	–	3 054	3 054
<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 31 March 2023	25 969	72 554	98 523
Note	14		

STATEMENTS OF CASH FLOWS

for the year ended 31 March 2023

Figures in R'000	Note(s)	GROUP		COMPANY	
		2023	2022	2023	2022
Cash flows from operating activities					
Cash generated from/(utilised by) operations	24	85 591	(406)	749	115
Interest received		45 374	29 263	544	374
Acquisition of investments		(54 396)	(18 464)	–	–
Acquisition of short-term investments at amortised cost		(55 899)	(7 173)	–	–
Dividends received		809	559	142	131
Dividends paid		(1 603)	(2 672)	(1 603)	(2 672)
Finance expenses paid		(730)	(869)	(222)	(424)
Tax paid	25	(1 397)	(70)	–	–
Net cash generated from/(utilised in) operating activities		17 749	168	(390)	(2 476)
Cash flows from investing activities					
Acquisition of property, plant and equipment	3	(97)	(1 777)	(36)	(121)
Proceeds on sale of property, plant and equipment		113	255	–	255
Acquisition of investments		(12 436)	–	(12 436)	–
Proceeds from repurchase by Nictus Meubels Proprietary Limited: General buy-back by subsidiaries		–	–	8 200	–
Net cash (utilised in)/generated from investing activities		(12 420)	(1 522)	(4 272)	134
Cash flows from financing activities					
Payment of lease liabilities		(3 436)	(2 682)	(513)	(439)
Loans advanced to subsidiary companies		–	–	(1 252)	–
Loans received from/(repaid to) subsidiary companies		–	–	2 527	(139)
Net cash (utilised by)/generated from financing activities		(3 436)	(2 682)	762	(578)
Total cash movement for the year		1 893	(4 036)	(3 900)	(2 920)
Cash and cash equivalents at the beginning of the year		72 643	76 679	6 793	9 713
Total cash and cash equivalents at the end of the year	13	74 536	72 643	2 893	6 793

SIGNIFICANT ACCOUNTING POLICIES

for the year ended 31 March 2023

1. Presentation of the financial statements

Nictus Limited (Nictus or the company) is a company incorporated and domiciled in the Republic of South Africa. The group annual financial statements as at and for the year ended 31 March 2023 comprise the company and its subsidiaries. Where reference is made to group it should be interpreted as group or company as the context requires.

Nictus is a retailer of household furniture, electrical appliances and home electronics sold through the Nictus Meubels Proprietary Limited brand as well as a non-life insurer through the Corporate Guarantee (South Africa) (RF) Limited brand.

The group and company annual financial statements have been prepared in accordance with and in compliance with IFRS and the interpretations adopted by the International Accounting Standards Board (IASB), the JSE Listings Requirements, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa. They were authorised for issue by the company's board of directors on 22 June 2023.

Basis of measurement

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

- Land and buildings are measured at revalued amounts;
- Investment property;
- Insurance contract liabilities; and
- Financial instruments classified at fair value through profit or loss are measured at fair value.

These accounting policies are consistent with those applied in the previous year, except as indicated otherwise in the case of new accounting standards implemented effective 1 April 2022.

Adoption of new and revised accounting policies

The group is eligible and has elected the temporary exemption from IFRS 9 *Financial Instruments* as the standard will be adopted with IFRS 17 *Insurance Contracts*. Refer to note 32 for more information regarding the latter.

The group was not materially affected by any new and revised accounting standards, amendments to standards or new interpretations during the year.

1.1 Significant judgements and estimates

In preparing the financial statements in conformity with IFRS, management is required to make estimates and assumptions that affect the application of accounting policies and the amounts represented in the financial statements and related disclosures. Use of available information, historical experience and various other factors that are believed to be reasonable in the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statement is included in the following notes:

- Note 1.17 – Classification of insurance contracts;
- Note 9 – Utilisation of tax losses; and
- Note 13 – Classification of cash and cash equivalents.

Classification of insurance contracts

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

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

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

SIGNIFICANT ACCOUNTING POLICIES continued

for the year ended 31 March 2023

The settlement amounts payable to the policyholders under the contingency policies depend on whether the policyholders also entered into secured advances. The outstanding secured advance balances are settled before the group settles the liabilities under the contingency policies. These agreements are therefore interdependent, as the value of the net policyholder liabilities depend on the value of the outstanding secured advances. Management has concluded on this basis that these agreements form a single unit of account.

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

Utilisation of tax losses

Judgement is required in determining the recognition of income taxes due to the complexity of legislation.

The group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and tax losses can be utilised. Assessing the recoverability of deferred income tax assets requires the group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws.

Classification of cash and cash equivalents

Judgement is required in determining the appropriate classification of unit trust investments held by the group based on the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For a unit trust investment to qualify as a cash equivalent it must be readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value. The group considers factors including but not limited to the unit trust fund objective, the liquidity provided by the unit trust, day-to-day unit price fluctuations, the group's investment purpose, frequency of transactions (investments/withdrawals) and the underlying maturity profile of instruments that constitute the unit trust investment, when determining the appropriate classification.

1.2 Investments in subsidiaries

Subsidiaries are entities controlled by the group. The group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the group financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the group financial statements.

Investments in subsidiaries are stated at cost less accumulated impairment losses in the company financial statements.

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

1.3 Property, plant and equipment

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

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

Property, plant and equipment is initially measured at cost.

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

Only land and buildings are carried at revalued amounts, determined from market-based evidence by appraisals undertaken by professional valuers at least every five years or as required on an *ad hoc* basis and by the group's directors' valuation on an annual basis, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Formal revaluations are performed annually by the directors such that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

Any increase in an asset's carrying amount, as a result of a revaluation, is recognised in other comprehensive income and accumulated in the revaluation reserve in equity. The increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in profit or loss in the current period. The decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in the revaluation reserve in equity.

On the subsequent sale or retirement of revalued property, the attributable revaluation surplus remaining in the property revaluation reserve is transferred directly to retained earnings.

Subsequent costs

The group recognises, in the carrying amount of an item of property, plant and equipment, the cost of replacing part of such item when that cost is incurred and if it is probable that the future economic benefits embodied with the item will flow to the group and the cost of the item can be measured reliably. All other costs are recognised in profit or loss as an expense as incurred.

Depreciation

Depreciation is recognised in profit or loss and is calculated on the depreciable amount on a straight-line basis over the estimated useful life of each major component of an item of property, plant and equipment. Items of property, plant and equipment are depreciated from the date they are installed and are ready for use. Land is not depreciated.

The depreciable amount is the difference between the cost of an item of property, plant and equipment and its residual value.

Residual value is the estimated amount that the group would currently obtain from disposal of the item of property, plant and equipment, after deducting the estimated costs of disposal, if the item of property, plant and equipment was already of age and in the condition expected at the end of its useful life.

The estimated useful lives for current and comparative years are as follows:

Item	Average useful life
Buildings	50 years
Motor vehicles	5 years
Leasehold improvements	Over the lease term
Plant and machinery	3 to 20 years
Furniture and fittings	3 to 10 years
Generator equipment	15 years
Shop fittings	3 years
Solar equipment	5 years
Office equipment	3 to 5 years

The depreciation method, residual value and the useful life of each item of property, plant and equipment are reviewed at each reporting date and adjusted if appropriate.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.4 Earnings and diluted earnings per share

The group presents earnings per share and diluted earnings per share data for its ordinary shares. Earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated by dividing profit or loss attributable to ordinary shareholders of the company, after the adjustment for the effects of all dilutive potential ordinary shares, by the weighted average number of ordinary shares outstanding during the period.

1.5 Intangible assets

An intangible asset is recognised when:

- It is probable that the expected future economic benefits that are attributable to the intangible asset will flow to the entity; and
- The cost of the intangible asset can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Acquired computer software is capitalised as an intangible asset at cost where the recognition criteria are met. External costs that are directly associated with the development and production of identifiable computer software products controlled by the company, and that will probably generate economic benefits exceeding one year, are recognised as intangible assets.

Recognition of costs in the carrying amount of computer software ceases when the computer software is in a condition necessary for it to be capable of operating in the manner intended by management.

Costs associated with maintaining computer software programs are capitalised as intangible assets only if they qualify for recognition. In all other cases these costs are recognised as an expense as incurred.

Amortisation is provided on a straight-line basis in profit or loss over their estimated useful lives to their residual values from the date they are available for use.

SIGNIFICANT ACCOUNTING POLICIES continued

for the year ended 31 March 2023

The estimated useful lives for the current and comparative years are as follows:

Item	Useful life
Computer software	3 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. The gain or loss arising from the derecognition of an intangible asset is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.6 Financial instruments

Non-derivative financial instruments

Initial recognition

Financial instruments are recognised when, and only when, the group becomes party to the contractual provisions of the particular instrument. Regular purchases and sales of financial assets are accounted for at trade date i.e. the date that the group commits itself to purchase or sell the asset.

Derecognition

Financial assets are derecognised if the group's contractual rights to the cash flows arising from the financial asset have expired or if the group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the group's obligations specified in the contract expire or are discharged or cancelled.

Initial measurement

Non-derivative financial instruments comprise short-term investments, financial instruments at fair value through profit or loss, loans and receivables, trade and other receivables, cash and cash equivalents, interest-bearing borrowings and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

Subsequent measurement

Subsequent to initial recognition, non-derivative financial instruments are measured as set out below. Non-derivative financial instruments that are of a short-term nature are not discounted due to the insignificance of the difference between the carrying value and the fair value. The carrying value less impairment allowance of short-term trade receivables and the carrying value of short-term payables are deemed to approximate their fair values. The fair value of financial instruments for disclosure purposes is estimated by discounting the future contractual cash flows at the current

market interest rate that is available to the group for similar financial instruments.

Trade, insurance and other receivables

Trade, insurance and other receivables are measured at amortised cost less impairment losses.

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

Short-term investments

Short-term investments consist of short-term deposits with an original maturity date of more than three months. Short-term investments are measured at amortised cost.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits and deposits with an original maturity date of less than three months. Unit trusts, where the majority of the underlying instruments have original maturities of less than three months, and the investment is made to meet short-term operational obligations as they fall due, will be classified as cash and cash equivalents. Cash and cash equivalents are measured at amortised cost.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are measured at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings on an effective interest basis.

Loans from group companies are classified as financial liabilities at amortised cost.

Trade and other payables

Trade and other payables are carried at amortised cost using the effective interest method.

Financial instruments at fair value through profit or loss

Investments at fair value through profit or loss
An instrument is classified at fair value through profit or loss if it is held-for-trading or is designated as such upon initial recognition.

Financial instruments are designated at fair value through profit or loss if the group manages such investments and makes purchase and sale decisions based on their fair value. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value and changes therein are recognised in profit or loss.

Listed investments held by the group are classified at fair value through profit or loss. The fair values are calculated by reference to stock exchange market prices and/or the market value of debt securities, the latter being quoted on the JSE Debt Market, at the close of business on the reporting date.

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

Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the group has access at that date. The fair value of a liability reflects its non-performance risk.

The fair value of financial instruments traded in active markets (such as trading securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the group is the current closing price as reflected on the recognised exchange.

The group measures fair values using the following fair value hierarchy that reflects the significance of the inputs in making the measurements.

Level 1: Quoted market price in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation techniques include inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

1.7 Income tax and deferred tax

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

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following temporary differences are not provided for:

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

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

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

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

The company withholds dividends tax on behalf of its shareholders at a rate of 20% on dividends declared unless shareholders are exempt. Amounts withheld are not recognised as part of the company's tax charge, but rather as part of the dividend paid recognised directly in equity.

Where withholding tax is withheld on dividends received, the dividend is recognised as the gross amount with the related withholding tax recognised as part of the tax expense unless it is otherwise reimbursable, in which case it is recognised as an asset.

SIGNIFICANT ACCOUNTING POLICIES continued

for the year ended 31 March 2023

1.8 Leases

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

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

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

Group as lessee

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date, for all lease agreements for which the company is a lessee, except for short-term leases of 12 months or less, or leases of low-value assets. For these leases, the company recognises the lease payments as an operating expense (note 7) on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Details of leasing arrangements where the company is a lessee are presented in note 7 Leases (group as lessee).

Lease liability

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

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

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

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

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

Right-of-use assets

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

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

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

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

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

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

The depreciation charge for each year is recognised in profit or loss.

1.9 Inventories

Inventories are measured at the lower of cost and net realisable value. The technique for the measurement of the cost of inventories is the standard cost method. The cost formula applied is the weighted average cost.

The cost of retail inventory – inventory held by the furniture retail segment – comprises all costs incurred to procure and deliver the inventories to the retail stores.

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

When inventories are sold, the carrying amounts of those inventories are derecognised as an expense – cost of sales – in profit or loss in the period in which the related revenue is recognised. The amount of any write-down of inventories to their net realisable value and all losses of inventories are recognised as an expense in profit or loss in the period the write-down or loss occurs.

Obsolete, damaged and slow-moving retail inventory is identified on a continuous basis and written down to its net realisable value.

1.10 Impairment of assets

Non-derivative financial assets

Financial assets not classified at fair value through profit or loss are assessed for impairment at each reporting date to determine whether there is any objective evidence that they are impaired.

A financial asset is considered to be impaired if objective evidence indicates that one or more events that occurred after the initial recognition of the asset have had a negative effect on the estimated future cash flows of that asset.

Financial assets measured at amortised cost

The group considers evidence of impairment for financial assets measured at amortised cost at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Losses are recognised in profit or loss and reflected in the allowance account against loans and receivables. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is recognised in profit or loss.

Indicators of impairment

Objective evidence that financial assets are impaired includes:

- Default or delinquency by a debtor;
- Restructuring of an amount due to the group on terms that the group would not otherwise consider;
- Indications that a debtor will enter bankruptcy;
- Adverse changes in the payment status of borrowers or issuers; or

- Observable data indicating that there is a measurable decrease in expected cash flows from a group of financial assets.

Non-financial assets

The carrying amounts of the group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised in profit or loss if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent that it reverses a previous revaluation on the same asset.

A cash-generating unit is a group of assets that are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (group of units) on a *pro rata* basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.11 Stated capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

1.12 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits (those employee benefits other than termination benefits) that are expected to

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for the year ended 31 March 2023

be settled wholly before 12 months after the reporting date are recognised in profit or loss in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement.

The expected cost of profit sharing and incentive payments is recognised as an expense in profit or loss when there is a legal or constructive obligation to make such payments as a result of past performance.

1.13 Revenue

The group's revenue comprises the following:

- Revenue from contracts with customers:
 - Sale of goods;
 - Rendering of services; and
 - Finance income on instalment sales.
- Insurance-related revenue:
 - Earned premium income.

The company's revenue comprises the following:

- Management fees from wholly-owned subsidiaries; and
- Dividends received from wholly-owned subsidiaries.

Group

Sale of goods, rendering of services and finance income on instalment sales

A subsidiary is in the business of furniture retail. Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the subsidiary company expects to be entitled in exchange for those goods or services.

Revenue from sales of furniture is recognised at the point in time when control of the furniture is transferred to the customer, generally upon the conclusion of the sale transaction inside the furniture store. The group allocates a transaction price to each inventory item – the performance obligation – which depicts the amount of consideration to which the entity expects to be entitled in exchange for transferring the promised goods to the customer.

Revenue in respect of services rendered is recognised at a point in time or over time as the services are rendered. The services predominantly include administration fees, service fees and transport recoveries earned.

Variable consideration

The retail contracts for the sale of furniture provide customers with a right of return. The group undertakes at its election, either to enforce at the request of the customer any warranty

given by any manufacturer or supplier of the goods, or to cede the benefit of such warranty to the customer on such conditions for recession of the warranty as the group may reasonably impose.

If it is probable that trade discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue when the sales are recognised.

Significant financing component

Using the practical expedient in IFRS 15, the group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised goods or service to the customer and the payment by the customer for the goods or service will be less than 12 months.

The group enters into payment arrangements with some of its customers who elect to enter into an instalment sale agreement, for a period up to 24 months, and accordingly charges finance costs on the amount outstanding. Finance income comprises interest on instalment debtors arising from credit sales. The earned portion of interest received is recognised as revenue. Interest is earned from the date that the sales contract is concluded, over the period of the contract, based on the terms and conditions of the instalment sale agreement.

Earned insurance premium

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

Company

Management fees from wholly-owned subsidiaries

The company provides specific management and/or business-related services to its subsidiaries with regard to certain processes and functions. Management fees are recognised as revenue by the company when services are rendered to subsidiaries, predominantly on a month-to-month basis.

Dividend income from wholly-owned subsidiaries

Dividend income from subsidiaries is recognised as revenue in the company financial statements. Dividend income is recognised on the date that the company's right to receive payment is established – the dividend declaration date.

Group and company

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivables

A receivable represents the company's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due).

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the company can transfer goods or services to the customer, a contract liability is recognised when the payment is made. Contract liabilities are recognised as revenue when the company performs under the contract.

1.14 Other income

Transactions not recognised as revenue or finance and investment income are classified as other income and include external insurance claims, profit on disposal of property, plant and equipment, diverse recoveries and *ad hoc* rebates received.

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

1.15 Investment income and finance expenses

Investment income comprises interest income, fair value adjustments on funds invested and dividend income. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Investment income on the assets of the insurance segment and the investments of the company are recognised as investment income from operations as investments are part of their day-to-day operations. Dividend income is recognised in profit or loss on the date that the group's right to receive payment is established, which, in the case of quoted securities, is the *ex-dividend* date. Interest and dividend income are presented separately and not as part of the fair value changes of the financial assets measured at fair value through profit or loss.

Financing expenses comprise interest paid on borrowings calculated using the effective interest method.

1.16 Functional and presentation currency

Functional and presentation currency and foreign currency transactions

The company's functional currency is the South African Rand. The financial statements have been presented in South African Rands, rounded to the nearest thousand unless stated otherwise.

Transactions in foreign currencies are translated to the functional currency of the group entities at exchange rates ruling at the dates of the transactions. Monetary assets and

liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date.

1.17 Classification of insurance policies

In return for payment of an insurance premium, Corporate Guarantee (South Africa) (RF) Limited, 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 4 *Insurance Contracts*.

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

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

Premiums and renewal premiums

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

The earned portion of premiums received constitute and is recognised as revenue. Premiums are earned from the date of attachment of risk.

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for the year ended 31 March 2023

Cancellation and expired premiums

Cancellation and expired premiums comprise the premiums on insurance contracts entered into previously, being cancelled in terms of the insurance policy stipulations or the period of insurance expiring in terms of the policy duration. The amount is recognised as an expense on the transaction date. The expensed amount is included in net written premium during the reporting period.

The cancellation and expired premiums reduce the unearned premium provision and impose a corresponding adjustment to reduce the provision of same.

Unearned premium provision

The provision for unearned premiums comprises the proportion of premiums written that relates to the unexpired terms of policies issued reduced by claims incurred, computed separately for each insurance contract.

Claims incurred

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

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

While the directors consider that the gross provisions for claims are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made and disclosed separately if material. The methods used to value these provisions, and estimates made, are reviewed regularly.

Liability adequacy test

The liability recognised for insurance contracts is tested for adequacy by discounting current estimates of all future contractual cash flows and comparing this amount to the carrying value of the liability. Where a shortfall is identified, an additional provision is made and the group recognises the shortfall in profit or loss for the year.

Notional interest

Monthly notional interest is allocated to the experience account of the policy. 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 the account. The notional interest accrues and is paid to the policyholder on expiry or cancellation of the policy. The notional interest liability is disclosed as part of the insurance contract liability balance and measured in terms of IFRS 4.

Secured advances

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

1.18 Segment reporting

An operating segment is a component of the group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the group's other components and for which discrete financial information is available. All operating segments' operating results are reviewed regularly by the group's managing director, who is the chief operating decision maker, to make decisions pertaining to resources to be allocated to the segment and to assess its performance.

Segment results

Segment results consist of segment revenue less segment expenses.

Segment revenue

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

Segment expense

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

General administrative expenses, such as head office expenses, and other expenses that arise at group level and relate to the group as a whole, are also excluded from segment expense. Costs incurred at group level on behalf of a segment, however, are included in segment expense if they relate to the segment's operating activities and they can be directly attributed or allocated to the segment on a reasonable basis.

Segment assets

Segment assets consist of those assets that are employed by a segment in its operating activities and are either directly attributable to the segment or can be allocated on a reasonable basis.

Segment liabilities

Segment liabilities consist of those operating liabilities that result from the operating activities of a segment that are either directly attributable to the segment or can be allocated on a reasonable basis to the segment.

1.19 Determination of fair values

A number of the group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Property, plant and equipment

The fair value of land and buildings is estimated by using a combination of the income capitalisation method and the depreciated replacement value method. This method requires the net annual income generated by the property, based on market trends, to be capitalised at an appropriate rate of return to reflect risk, specific investment demands and the overall condition of the structures. 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. Details are disclosed in note 4 regarding the determination of fair value in the current financial year.

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.

1.20 Company-specific accounting policies

Financial instruments

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

The company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the right to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The company enters into transactions whereby it transfers assets recognised in the statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

The company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire. The company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the

SIGNIFICANT ACCOUNTING POLICIES continued

for the year ended 31 March 2023

difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Non-derivative financial instruments

Recognition and initial measurement

Non-derivative financial assets comprise investments, trade and other receivables and cash and cash equivalents. The company initially recognises trade receivables on the date that these are originated. All other financial assets are recognised on the trade date, which is the date that the company becomes party to the contractual provisions of the instrument.

A trade receivable and loans and receivables without a significant financing component are initially measured at the transaction price. Other financial assets are initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at amortised cost, debt investments at fair value through other comprehensive income, equity instruments at fair value through other comprehensive income, or at fair value through profit or loss.

Financial assets are not reclassified subsequent to their initial recognition unless the company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

The objective of the company's business model in relation to all financial assets is to hold assets to collect contractual cash flows. In assessing whether the contractual cash flows are solely payments of principal and interest, the company considers the contractual terms of the instrument.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated at fair value through profit or loss:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

In assessing whether the contractual cash flows are solely payments of principal and interest, the company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the company considers:

- Contingent events that would change the amount or timing of cash flows;
- Terms that may adjust the contractual coupon rate, including variable rate features;
- Prepayment and extension features; and
- Terms that limit the company's claim to cash flows from specified assets (e.g. non-recourse features).

For purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by the loss allowances for expected credit losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial assets at amortised cost comprise trade and other receivables, loans to group companies and cash and cash equivalents.

Financial liabilities at amortised cost

Trade and other payables are recognised when the company becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

Trade and other payables are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and basis points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance expenses.

Trade and other payables expose the company to liquidity risk and possibly to interest rate risk. Refer to note 29 for details of risk exposure and the management thereof.

Financial assets at fair value through profit or loss

All financial assets not classified as measured at amortised cost or at fair value through other comprehensive income as described previously are measured at fair value through profit or loss. On initial recognition, the company may irrevocably designate a financial asset at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Impairment of assets

Non-derivative financial assets

The company recognises loss allowances for expected credit losses on financial assets measured at amortised cost.

Loss allowances for trade receivables without a significant financing component are measured at an amount equal to lifetime expected credit losses. The company has elected to measure loss allowances for trade receivables which have a significant financing component at an amount equal to lifetime expected credit losses. Loss allowances for other financial assets measured at amortised cost are measured at an amount equal to 12-month expected credit losses, unless there has been a significant increase in credit risk since initial recognition in which case the loss allowance is measured at an amount equal to lifetime expected credit losses.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the company's historical experience and includes forward-looking information. The company assumes that the credit risk on trade and other receivables has increased significantly if it is more than 30 days past due. The company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the company in full, or the financial asset is more than 90 days past due.

At each reporting date, the company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or being more than 90 days past due;
- The restructuring of a loan or advance by the group on terms that the company would not consider otherwise;
- It is probable that the borrower will enter bankruptcy or other financial reorganisation; and
- The disappearance of an active market for a security because of financial difficulties.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument. The 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the group is exposed to credit risk.

Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the group expects to receive). Expected credit losses are discounted at the effective interest rate of the financial asset.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

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for the year ended 31 March 2023

2. New standards and interpretations not yet effective

At the date of authorisation of the group annual financial statements and company annual financial statements for the year ended 31 March 2023, the following standards and interpretations were in issue, but not yet effective:

	Standard/interpretation	Effective date: years beginning on or after
IAS 1	<i>Amendment to IAS 1 Presentation of Financial Statements on Classification of Liabilities as Current or Non-current</i>	Annual periods beginning on or after 1 April 2023*
IAS 12	<i>Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	Annual periods beginning on or after 1 April 2023*
IAS 1, Practice statement 2 and IAS 8	<i>Narrow scope amendments to IAS 1 Presentation of Financial Statements, Practice statement 2 and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors</i>	Annual periods beginning on or after 1 April 2023*
IFRS 17	<i>Insurance Contracts</i>	Annual periods beginning on or after 1 April 2023*
IFRS 9	<i>Financial Instruments</i>	Annual periods beginning on or after 1 April 2023*

* All standards and interpretations will be adopted at their effective date despite early application being permitted under IFRS (except for those standards and interpretations that are not applicable to the entity).

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

Amendment to IAS 1 Presentation of Financial Statements on Classification of Liabilities as Current or Non-current

The IASB issued a narrow scope amendment to IAS 1 *Presentation of Financial Statements* to clarify that liabilities are classified as either current or non-current depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the "settlement" of a liability.

The impact on the financial statements of the group is not expected to be significant and the application of this standard will be done on a case-by-case basis.

Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

These amendments should be applied for annual periods beginning on or after 1 January 2023. Earlier application is permitted.

The impact on the financial statements of the group is not expected to be significant and the application of this standard will be done on a case-by-case basis.

Narrow scope amendments to IAS 1 Presentation of Financial Statements, Practice statement 2 and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

The amendments aim to improve accounting policy disclosures and to help users of the financial statements distinguish changes in accounting policies from changes in accounting estimates.

These amendments should be applied for annual periods beginning on or after 1 January 2023. Earlier application is permitted.

The impact on the financial statements of the group is not expected to be significant and the application of this standard will be done on a case-by-case basis.

2. New standards and interpretations not yet effective continued

IFRS 17 Insurance Contracts

IFRS 17 supersedes IFRS 4 *Insurance Contracts* and aims to increase comparability and transparency about profitability. The new standard introduces a new comprehensive model (general model) for the recognition and measurement of liabilities arising from insurance contracts. In addition, it includes a simplified approach and modifications to the general measurement model that can be applied in certain circumstances and to specific contracts, such as:

- Insurance contracts issued;
- Reinsurance contracts held;
- Direct participating contracts; and
- Investment contracts with discretionary participation features.

Under the new standard, investment components are excluded from insurance revenue and service expenses. Entities can also choose to present the effect of changes in discount rates and other financial risks in profit or loss or other comprehensive income.

The new standard includes various new disclosures and requires additional granularity in disclosures to assist users to assess the effects of insurance contracts on the entity's financial statements.

A subsidiary, being an insurance company, in conjunction with a suitable external IFRS advisor, are in the process of finalising the work regarding the adoption of subsequent accounting for and disclosures in terms of IFRS 17. The following can be communicated at this stage following the work completed as of 31 March 2023:

- The entire contingency policy issued by the insurance company will be accounted for in terms of IFRS 17;
- The insurance contract issued by the insurance company has a defined coverage period of one year or less;
- The insurance company qualifies and elects to measure the insurance contracts in issue based on the premium allocation approach to determine the liability for remaining coverage;
- The insurance company is not required to adjust the carrying amount of the liability for remaining coverage 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 insurance risk remains consistent throughout the duration of the insurance contract, from inception to expiration, save for any insurance policy endorsements. Given the latter, it is considered appropriate that the insurance company shall allocate the expected premium receipts to each period of coverage on the basis of the passage of time; and
- Cash outflows relating to secured advances will be considered part of the fulfilment cash flows of the overall insurance contract in terms of IFRS 17. Consequently, the secured advance balance should be net-off against the liability for remaining coverage and the net amount reflected on the face of the statement of financial position.

These amendments should be applied for annual periods beginning on or after 1 January 2023. Earlier application is permitted.

IFRS 9 Financial Instruments

On 24 July 2014, the IASB issued the final IFRS 9 *Financial Instruments* standard which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*.

This standard includes changes in the measurement bases of the group's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model.

The change from an incurred loss model to an expected credit loss model when assessing the impairment of trade receivables is not expected to have a significant impact on the company under the new standard based on the nature of the customer base and the level of historical credit losses.

The group and insurance subsidiary are eligible and have elected the temporary exemption from IFRS 9 (refer to note 32 for the required disclosures).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2023

3. Property, plant and equipment

Figures in R'000	2023			2022		
	Cost/ valuation	Accumulated depreciation and impairments	Carrying value	Cost/ valuation	Accumulated depreciation and impairments	Carrying value
GROUP						
At valuation						
Land and buildings	–	–	–	–	–	–
At cost						
Leasehold improvements	1 140	(459)	681	1 098	(172)	926
Office equipment	1 328	(898)	430	1 273	(651)	622
Furniture and fittings	300	(140)	160	300	(89)	211
Motor vehicles	831	(413)	418	1 062	(556)	506
Total	3 599	(1 910)	1 689	3 733	(1 468)	2 265
COMPANY						
At cost						
Office equipment	624	(529)	95	603	(442)	161
Motor vehicles	65	(32)	33	65	(25)	40
Leasehold improvements	61	(19)	42	46	–	46
	750	(580)	170	714	(467)	247

3. Property, plant and equipment continued

Reconciliation of movement in the carrying value of property, plant and equipment

Figures in R'000	GROUP					
	Opening carrying value	Additions	Disposals	Transfer upon reclas- sification	Depreciation and impairment	Closing carrying value
2023						
At valuation						
Land and buildings	–	–	–	–	–	–
At cost						
Leasehold improvements	926	42	–	–	(287)	681
Office equipment	622	55	–	–	(247)	430
Furniture and fittings	211	–	–	–	(51)	160
Motor vehicles	506	–	(30)	–	(58)	418
	2 265	97	(30)	–	(643)	1 689
2022						
At valuation						
Land and buildings	14 000	–	–	(14 000)	–	–
At cost						
Leasehold improvements	124	927	–	–	(125)	926
Office equipment	284	557	–	–	(219)	622
Furniture and fittings	264	–	–	–	(53)	211
Motor vehicles	460	293	(97)	–	(150)	506
	15 132	1 777	(97)	(14 000)	(547)	2 265
Figures in R'000	COMPANY					
	Opening carrying value	Additions	Disposals	Revaluation	Depreciation and impairment	Closing carrying value
2023						
At cost						
Office equipment	161	21	–	–	(87)	95
Motor vehicles	40	–	–	–	(7)	33
Leasehold improvements	46	15	–	–	(19)	42
	247	36	–	–	(113)	170
2022						
At cost						
Office equipment	177	75	–	–	(91)	161
Motor vehicles	174	–	(97)	–	(37)	40
Leasehold improvements	–	46	–	–	–	46
	351	121	(97)	–	(128)	247

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for the year ended 31 March 2023

3. Property, plant and equipment continued

Pledged as security

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

Land and buildings

Land and buildings consisted of business premises situated on Erf 2134, Ferndale, Johannesburg (property), measuring 8 030m². As of 1 April 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, from that date and in terms of IAS 40, more appropriate. Refer to note 4 for disclosures associated with the investment property.

4. Investment property

Figures in R'000	2023			2022		
	Cost/ valuation	Accumulated depreciation and impairments	Carrying value	Cost/ valuation	Accumulated depreciation and impairments	Carrying value
GROUP						
At valuation						
Land and buildings	13 250	–	13 250	13 250	–	13 250
Total	13 250	–	13 250	13 250	–	13 250

Reconciliation of movement in the carrying value of investment property

Figures in R'000	Opening carrying value	Transfer upon reclas- sification	Disposals	Revaluation	Depreciation and impairment	Closing carrying value
GROUP						
2023						
At valuation						
Land and buildings	13 250	–	–	–	–	13 250
	13 250	–	–	–	–	13 250
2022						
At valuation						
Land and buildings	–	14 000	–	(750)	–	13 250
	–	14 000	–	(750)	–	13 250

Pledged as security

None of the group's investment property is mortgaged or encumbered.

Investment property details

Land and buildings consists of business premises situated on Erf 2134, Ferndale, Johannesburg (property), measuring 8 030m². The fair value as at 31 March 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 31 March 2023. The directors determined that the property's value is within a range of reasonable fair value estimates.

4. Investment property continued

Measuring investment property

Investment property, principally land and buildings as described previously, is currently held for capital appreciation and is not occupied by the group. On initial recognition, the property at the end of owner-occupation, for a transfer from owner-occupied property to investment property, was transferred at the value determined in terms of IAS 16 up to the date of change in use. There was no difference between the IAS 16 valuation and the fair value of the property on 1 April 2021. 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.

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 2021	–
Transfer from owner-occupied property (note 3)	14 000
Fair value loss recognised in investment income (note 21)	(750)
Balance as at 31 March 2022	13 250
Fair value loss recognised in investment income (note 21)	–
Balance as at 31 March 2023	13 250

Figures in R'000	GROUP	
	2023	2022
Direct expenses from property that did not generate rental income		
Assessment rates and municipal charges	750	743
Short-term insurance charges	12	22
Repairs and maintenance expenses	195	104
	957	869

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2023

5. Intangible assets

Figures in R'000	2023			2022		
	Cost	Accumulated amortisation and impairment losses	Carrying value	Cost	Accumulated amortisation and impairment losses	Carrying value
GROUP						
Computer software	1 972	(1 972)	–	1 972	(1 972)	–
Trademark	22	–	22	22	–	22
	1 994	(1 972)	22	1 994	(1 972)	22
COMPANY						
Computer software	–	–	–	–	–	–
Trademark	22	–	22	22	–	22
	22	–	22	22	–	22

Reconciliation of movement in the carrying value of intangible assets

Figures in R'000	Opening carrying value	Amortisation	Closing carrying value
GROUP			
2023			
Computer software	–	–	–
Trademark	22	–	22
	22	–	22
2022			
Computer software	229	(229)	–
Trademark	22	–	22
	251	(229)	22
COMPANY			
2023			
Trademark	22	–	22
	22	–	22
2022			
Trademark	22	–	22
	22	–	22

Pledged as security

There is no restricted title on computer software and no computer software has been pledged as security for liabilities of the group or the company. As at 31 March 2023, there were no contractual commitments relating to intangible assets.

6. Investments in subsidiaries

Name of company	Held by	Voting power		Shares at cost	
		2023 %	2022 %	2023 R'000	2022 R'000
Corporate Guarantee (South Africa) (RF) Limited	Nictus Limited	100,00	100,00	42 900	42 900
Nictus Meubels Proprietary Limited*	Nictus Limited	100,00	100,00	33 020	41 220
				75 920	84 120
Impairment of investment in subsidiaries				(10 573)	(9 711)
Carrying value at the end of the year				65 347	74 409
Accumulated impairment allowances					
Opening balance				9 711	11 020
Current year: impairment losses recognised/(reversed)				862	(1 309)
				10 573	9 711

* During the financial year ended 31 March 2023, Nictus Meubels Proprietary Limited completed a general repurchase transaction, in terms of sections 4, 48(2)(a) and 48(8)(a) of the Companies Act of South Africa, read together with section 46, and the company's MOI, by the company of 82 shares (constituting 0,81% of the total company's ordinary shares in issue) for R8,2 million, equal to the original investment consideration.

As a result of prior period trading losses, the investment in Nictus Meubels Proprietary Limited has been impaired in prior years. The current year's impairment and prior year's reversal, based on trading losses incurred or profits generated by Nictus Meubels Proprietary Limited, have been accounted for in profit or loss as part of administrative and operating expenses (refer to note 20). The remaining impairment is based on the recoverable amount, constituting the fair value less costs to sell of the subsidiary as at 31 March 2023.

The company has no sponsored entities.

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

7. Leases

The group entered into three new lease agreements during the 2021 financial year for retail space and a storeroom with regard to the furniture retail segment and office space from a Nictus perspective, which constitute multi-year lease agreements. These leases generally do not exceed an initial period of 60 months. Periods covered by an option to extend the lease, if the lessee is reasonably certain to exercise that option, are also taken into account. The latter is unlikely in a furniture retail environment given the amount of external factors to be considered before extending a lease agreement.

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

A lease contract relating to the Louis Trichardt retail and store space was not initially included in the IFRS 16 calculation and is treated as a short-term lease. Negotiations were ongoing to formalise the specifics with regard to future periods and subject to rental finalisation. Effective 1 July 2021, all negotiations were concluded and the lease contract is included in the IFRS 16 calculations.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2023

7. Leases continued

Amounts recognised in the statement of financial position

Right-of-use assets

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

Figures in R'000	GROUP		COMPANY	
	2023	2022	2023	2022
Opening balance	11 569	10 045	1 832	2 396
New lease contracts entered into during the financial year	–	4 858	–	–
Depreciation recognised	(3 739)	(3 334)	(564)	(564)
Net carrying amounts of right-of-use assets	7 830	11 569	1 268	1 832

Lease liabilities

Figures in R'000	GROUP		COMPANY	
	2023	2022	2023	2022
Opening balance	12 312	10 136	1 995	2 434
New lease contracts entered into during the financial year	–	4 858	–	–
Finance charges incurred (note 22)	730	869	120	153
Finance charges paid	(730)	(869)	(120)	(153)
Lease liability repayment	(3 436)	(2 682)	(513)	(439)
Net carrying amounts of lease liabilities	8 876	12 312	1 482	1 995

The maturity analysis of lease liabilities is as follows:

Figures in R'000	GROUP		COMPANY	
	2023	2022	2023	2022
Within one year	4 388	4 166	678	633
Between one and two years	4 434	4 388	725	678
Between two and five years	767	5 201	191	916
	9 589	13 755	1 594	2 227
Less: Finance charges component	(713)	(1 443)	(112)	(232)
	8 876	12 312	1 482	1 995
Non-current component	4 961	8 876	885	1 482
Current component	3 915	3 436	597	513

Amounts recognised in the statement of profit or loss

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

Figures in R'000	GROUP		COMPANY	
	2023	2022	2023	2022
Depreciation charge of right-of-use assets	3 739	3 334	564	564
Interest expense (included in finance expense (note 22))	730	869	120	153
Expense on short-term leases included in operating expenses (note 20)	–	290	–	–

8. Investments

Figures in R'000	GROUP		COMPANY	
	2023	2022	2023	2022
At fair value through profit or loss				
Listed shares	1 059	8 004	–	29
Listed debt securities	–	7 078	–	–
Unit trusts	239 272	153 130	21 086	5 969
In 2022, listed debt securities consisted of senior unsecured floating rate notes held in a Southern African bank which were redeemable on 31 October 2022, which earn interest at a rate of three-month JIBAR + 225 basis points per annum; the applicable rate of return is adjusted on a quarterly basis.				
A register containing particulars of companies in which shares and unit trusts are held is available for inspection at the registered office and head office of the group.				
Amortised cost				
Short-term investments	122 579	66 680	–	–
Short-term investments consist of short-term deposits with an original maturity date of more than three months.				
Due to the short-term nature of these deposits and the market-related interest rate attached to them, the carrying value approximates the fair value.				
Total investments	362 910	234 892	21 086	5 998
<i>Disclosure</i>				
Non-current assets	28 441	26 513	21 086	5 998
At fair value through profit or loss*	28 441	26 513	21 086	5 998
Current assets	334 469	208 379	–	–
At fair value through profit or loss	211 890	141 699	–	–
Amortised cost	122 579	66 680	–	–
	362 910	234 892	21 086	5 998

* These financial assets are mandatorily measured at fair value through profit or loss at a company level.

Refer to note 1.19 on determining the fair value of financial assets.

Refer to note 29 on financial risk management for the sensitivity analysis.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2023

8. Investments continued

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.

Figures in R'000	GROUP		COMPANY	
	2023	2022	2023	2022
Level 1				
Listed shares	1 059	8 004	–	29
Listed debt securities	–	7 078	–	–
Unit trusts	5 382	5 412	2 282	2 390
	6 441	20 494	2 282	2 419
Level 2				
Unit trusts	233 890	147 718	18 804	3 579

Interests in unconsolidated structured entities

Unit trust – Investment 1

The fund aims primarily to provide a high level of income. The secondary aim is to maximise total return (the combination of income and capital growth). The fund invests primarily in high income-bearing bonds, cash and other interest-bearing securities. The fund is actively managed. As at year end, the group's interest in the unit trust totalled R81,79 million (2022: R52,86 million) compared to a total unit trust size of R20,80 billion (2022: R21,40 billion).

Unit trust – Investment 2

The fund aims to produce compound total returns in excess of the MCSI World Index over the medium to long term. The fund invests up to 100% in equity. The investment process of the fund is unconstrained, seeking to invest in companies with predictable revenue growth that produce sustainable economic value over the long term. As at year end, the group's and company's interest in the unit trust totalled R1,50 million (2022: R1,29 million) and R0,50 million (2022: R0,43 million), respectively, compared to the total unit trust size of R10,15 billion (2022: R8,97 billion).

Unit trust – Investment 3

The unit trust can invest in a wide variety of assets, such as cash, government and corporate bonds, inflation-linked bonds and listed property, both in South Africa and internationally. The unit trust has a flexible mandate with no prescribed maturity or duration limits for its investments. The unit trust is actively managed. As at year end, the group's interest in the unit trust totalled Rnil (2022: R55,16 million) compared to a total unit trust size of R36,70 billion (2022: R40,81 billion).

Unit trust – Investment 4

The fund seeks to provide a return on investment that tracks, as consistently as possible, international equity markets, as measured by the MSCI World ex UNGC and CW Index (with reinvestment of net dividends). As at year end, the group's and company's interest in the fund totalled R1,46 million (2022: R1,31 million) and R0,37 million (2022: R0,33 million), respectively, compared to the total fund size of R5,54 billion (2022: R5,79 billion).

8. Investments continued

Interests in unconsolidated structured entities continued

Unit trust – Investment 5

These unit trusts constitute smaller investments in equity-based funds. The underlying unit trusts will invest in equities on a global basis, for some of which the objective is to achieve long-term capital growth by outperforming the MSCI Emerging Markets Total Return Net Index over a rolling three-year period. The underlying unit trusts invest up to 100% in equity. As at year end, the group's and company's interest in these funds totalled R1,97 million (2022: R1,69 million) and R0,87 million (2022: R0,75 million), respectively, compared to the combined total unit trust(s) size in excess of R500 billion (2022: R496 billion and more).

Unit trust (Exchange traded fund) – Investment 6

The investment policy of the portfolio shall be to track the FTSE/JSE Preference Share Index as closely as possible, by buying only constituent securities in the same weightings in which they are included in the Index and selling only securities which are excluded from the Index from time to time as a result of quarterly Index reviews or corporate actions. The investment constitutes an exchange traded fund. As at year end, the group's and company's interest in the fund totalled R4,44 million (2022: R4,65 million) and R2,28 million (2022: R2,39 million), respectively, compared to the total fund size of R0,35 billion (2022: R0,43 billion).

Unit trust (Exchange traded fund) – Investment 7

This exchange traded fund is one of the simplest and cost-efficient methods to invest directly in actual gold. It continuously tracks the gold spot price. As at year end, the group's interest in the fund totalled R0,94 million (2022: R0,76 million), compared to the total fund size of R16,05 billion (2022: R16,24 billion).

Unit trust – Investment 8

The investment goal of the fund is to generate absolute returns in excess of an agreed benchmark of the STeFI Index. The fund will consist of exposure to various local and international financial instruments, primarily equities and, at times, derivatives, fixed income and unlisted instruments. As at year end, the group's interest in the fund totalled Rnil (2022: R4,73 million), compared to the total fund size of R0,36 billion (2022: R0,53 billion).

Unit trust – Investment 9

The fund seeks to achieve an investment medium for investors, with its main objective being the maximum total return by primarily investing in bonds. This fund has relatively low equity exposure, resulting in relatively low volatility compared to higher-risk portfolios. As at year end, the group's interest in the fund totalled R15,11 million (2022: R26,60 million), compared to the total fund size of R2,94 billion (2022: R3,03 billion).

Unit trust – Investment 10

The portfolio invests in several strategies over various instruments, asset classes and portfolios. It combines a strategic risk allocation which provides the optimal diversification benefit across the various strategies, with tactical risk allocation to the most attractive opportunity sets as identified on a bottom-up basis. As at year end, the group's and company's interest in the fund totalled R17,07 million (2022: Rnil) compared to the total fund size of R1,19 billion.

Unit trust – Investment 11

This strategy largely invests in funds within the ASISA South African Multi Asset Income category that display higher volatility than money market and enhanced yield solutions. Funds included are considered best-of-breed, top-rated and award-winning from fund managers with proven track records and a repeatable investment process. As at year end, the company's interest in the fund totalled R114,99 million (2022: Rnil), compared to the total fund(s) size of R59,83 billion.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2023

9. Deferred tax assets/(liabilities)

Figures in R'000	GROUP		COMPANY	
	2023	2022	2023	2022
Reconciliation of movement for the year				
Balance at the beginning of the year	(2 878)	(2 526)	(2 889)	(2 609)
Current period movements:				
– Recognised in profit or loss	(921)	(352)	(1 188)	(280)
	(3 799)	(2 878)	(4 077)	(2 889)
The net deferred tax assets/(liabilities) comprise:				
Deferred tax assets	774	455	–	–
Deferred tax liabilities	(4 573)	(3 333)	(4 077)	(2 889)
	(3 799)	(2 878)	(4 077)	(2 889)
The net deferred tax assets/(liabilities) comprise the following temporary differences:				
Available tax losses	662	903	241	397
Accruals	1 483	1 172	561	465
IFRS 16 related assets and liabilities	282	201	57	44
Revaluation of land and buildings	(230)	(230)	–	–
Fair value gains on investments	(1 488)	(634)	(674)	(195)
Loss – impairment and sale of investments	221	315	221	315
Other receivable – contingency policy (note 12)	(4 739)	(4 596)	(4 483)	(3 915)
Capital allowances	10	(9)	–	–
	(3 799)	(2 878)	(4 077)	(2 889)

Deferred tax assets in respect of available tax losses and deductible temporary differences have been recognised to the extent that the directors are of the opinion that sufficient future taxable profits will be available in the foreseeable future to enable the group and its subsidiary companies to utilise the available tax losses and deductible temporary differences.

9. Deferred tax assets/(liabilities) continued

Tax rates

The deferred tax rate applied to the fair value adjustments of financial assets or revaluations of owner-occupied property is determined by the expected manner of recovery. Where the expected recovery is through a sale, the capital gains tax rate of 21,6% (2022: 21,6%) has been used. If the expected manner of recovery is through indefinite use, the corporate tax rate of 27% (2022: 27%) has been applied.

If the manner of recovery is partly through use and partly through sale, a combination of the capital gains tax rate and corporate tax rate has been used.

The following deferred tax assets have not been recognised by the group and company in respect of available tax losses and deductible temporary differences due to the fact that there is not sufficient certainty at the reporting date whether the subsidiary or company would be able to generate sufficient taxable income in the immediate future to utilise the available tax losses and deductible temporary differences.

Figures in R'000	GROUP		COMPANY	
	2023	2022	2023	2022
Estimated available tax losses	2 449	3 344	891	1 469
Tax losses recognised in determining deferred tax assets	(2 449)	(3 344)	(891)	(1 469)
Unrecognised tax losses	–	–	–	–
Unrecognised deferred tax assets pertaining to unutilised tax losses	–	–	–	–

The estimated tax losses will be available to the company and the respective subsidiaries indefinitely per the Income Tax Act as long as the entities are trading. There is currently no intention for the company or the subsidiaries to cease trading activities.

10. Inventories

Figures in R'000	GROUP		COMPANY	
	2023	2022	2023	2022
Merchandise	9 035	9 312	–	–
Consumables	28	33	–	–
	9 063	9 345	–	–
Provision for inventory write downs	–	–	–	–
	9 063	9 345	–	–

No inventories have been written down to net realisable value.

Inventory pledged as security

No inventory has been encumbered or pledged as security.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2023

11. Loans to/(from) group companies

Figures in R'000	GROUP		COMPANY	
	2023	2022	2023	2022
Current loans to Nictus Meubels Proprietary Limited	–	–	1 252	–
Secured advances from Corporate Guarantee (South Africa) (RF) Limited	–	–	(2 527)	–
	–	–	(1 275)	–
Reconciliation – Loans to/(from) subsidiary companies				
Opening balance as at 1 April	–	–	–	(139)
Secured advances received from subsidiary companies	–	–	(2 527)	–
Loans advanced to subsidiary companies	–	–	1 252	–
Loans repaid to subsidiary companies	–	–	–	139
Finance income accrued	–	–	59	–
Finance income received	–	–	(59)	–
Finance expenses accrued	–	–	(102)	(271)
Finance expenses paid	–	–	102	271
	–	–	(1 275)	–

Loans to/(from) subsidiary companies

Loans due from subsidiaries bear interest at the South African prime lending rate, are unsecured and repayable on demand.

Loans due to subsidiaries bear interest at the South African prime lending rate minus 1%, are unsecured and repayable on demand.

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

Secured advances from subsidiary companies

Secured advances due to subsidiaries bear interest at the South African prime lending rate minus 2%, are secured and repayable within 12 months. The contingency policy receivable was pledged as security. Refer to note 12.

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

Figures in R'000	GROUP		COMPANY	
	2023	2022	2023	2022
Disclosure				
Current assets	–	–	1 252	–
Current liabilities	–	–	(2 527)	–
	–	–	(1 275)	–

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

12. Trade, insurance and other receivables

Figures in R'000	GROUP		COMPANY	
	2023	2022	2023	2022
Trade receivables: furniture	14 087	13 660	–	–
Insurance receivables: premium debtors	83 826	47 357	–	–
Prepayments	971	677	236	168
Secured advances	300 899	303 538	–	–
Other receivable – contingency policy	–	–	16 603	14 501
Deposits	26	26	–	–
Sundry debtors	525	293	151	146
	400 334	365 551	16 990	14 815
Split between non-current and current portions				
Non-current	5 095	4 389	–	–
Current	395 239	361 162	16 990	14 815
	400 334	365 551	16 990	14 815

General

The carrying amounts of short-term trade receivables are deemed to approximate their fair values.

The maximum exposure to credit risk at the reporting date is as disclosed in note 29.

Trade receivables include instalment sale agreements relating to furniture and household appliances that are sold to customers using instalment sale agreements, which are non-cancellable and which are on average for a period of two years. Goods sold by the furniture retail segment are sold subject to retention of title clauses, so that in the event of non-payment, the group has a secured claim.

As at 31 March 2023, the future minimum instalment sale agreements and premium debtors payments receivable within one year amounting to R95,8 million (2022: R59,7 million) and R5,1 million (2022: R4,4 million), respectively, are receivable between one and two years, and are included in trade receivables.

Other receivable – contingency policy (company)

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2023

12. Trade, insurance and other receivables continued

Other receivable – contingency policy (company) continued

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

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

Secured advances (group)

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

Trade, insurance and other receivables ageing

Figures in R'000	GROUP		COMPANY	
	2023	2022	2023	2022
The ageing of trade and other receivables at the reporting date was:				
Gross				
Not past due	400 699	365 744	16 990	14 815
Past due 0 – 30 days	33	18	–	–
Past due 31 – 90 days	72	58	–	–
Past due 91+ days	77	626	–	–
	400 881	366 446	16 990	14 815
Impairment allowance				
Not past due	(397)	(360)	–	–
Past due 0 – 30 days	(56)	(47)	–	–
Past due 31 – 90 days	(58)	(45)	–	–
Past due 91+ days	(36)	(443)	–	–
	(547)	(895)	–	–
Net carrying value	400 334	365 551	16 990	14 815

As at 31 March 2023, group trade, insurance and other receivables of R0,03 million (2022: R0,2 million) were past due but no impairment allowance was raised. From a company perspective, Rnil (2022: Rnil) was past due but no impairment allowance was raised. The directors are of the opinion that the impairment allowance raised is adequate and past experience indicates that trade and other receivables past due but not impaired are recoverable.

12. Trade, insurance and other receivables continued

Figures in R'000	GROUP		COMPANY	
	2023	2022	2023	2022
Reconciliation of movement in impairment allowance				
Opening balance	895	992	–	–
Impairment allowance released	(348)	(97)	–	–
	547	895	–	–

13. Cash and cash equivalents

Figures in R'000	GROUP		COMPANY	
	2023	2022	2023	2022
Cash and cash equivalents consist of:				
Cash on hand	17	17	7	7
Bank balances	1 620	2 924	268	213
Short-term deposits*	72 899	69 702	2 618	6 573
	74 536	72 643	2 893	6 793

* Short-term deposits included a call deposit amounting to R2,5 million (2022: R4,2 million). The rights, title and interest in and to the aforementioned deposit are subject to a cession/pledge in favour of an independent third party. The group's exposure has been fully mitigated due to collateral provided in favour of the group by a Corporate Guarantee (South Africa) (RF) Limited policyholder.

Included in cash and cash equivalents are investments made in terms of the various South African insurance regulations to comply with necessary liquidity requirements.

Short-term deposits include a unit trust investment of R54,09 million (2022: R37,9 million). The money market fund invests in call accounts and short-term money market instruments, the majority with original maturities less than three months. The investment has been made to meet short-term operational obligations as they fall due and form an integral part of the group's cash management.

The carrying amount of cash and cash equivalents is deemed to approximate its fair value.

The borrowing capacity, as determined by the MOI, is unrestricted and at the discretion of the directors.

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for the year ended 31 March 2023

14. Stated capital

Figures in '000	GROUP		COMPANY	
	2023	2022	2023	2022
Authorised – no par value shares				
250 million ordinary shares of no par value	250 000	250 000	250 000	250 000
10 million redeemable cumulative preference shares of no par value	10 000	10 000	10 000	10 000
	260 000	260 000	260 000	260 000

Figures in R'000	GROUP		COMPANY	
	2023	2022	2023	2022
Issued – no par value shares				
Opening balance – ordinary shares (53 443 500 (2022: 53 443 500))	25 969	25 969	25 969	25 969
Movement	–	–	–	–
Closing balance – ordinary shares (53 443 500 (2022: 53 443 500))	25 969	25 969	25 969	25 969

All ordinary shares rank equally with regard to the company's residual assets.

Unissued ordinary shares are under the control of the directors in terms of a resolution of shareholders passed at the last annual general meeting and in terms of the MOI, but subject to compliance with the relevant regulations i.e. the Companies Act of South Africa and the JSE Listings Requirements. This authority remains in force until the next annual general meeting.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of shareholders of the company. All issued share capital is fully paid up.

15. Revaluation reserve

Figures in R'000	GROUP		COMPANY	
	2023	2022	2023	2022
The revaluation reserve relates to property that was carried at its revalued amount, but now classified as investment property.				
As at 1 April	1 152	1 152	–	–
Movements during the current financial year	–	–	–	–
As at 31 March	1 152	1 152	–	–

16. Trade and other payables

Figures in R'000	GROUP		COMPANY	
	2023	2022	2023	2022
Accruals	6 022	4 391	2 137	1 786
Personnel/management fee-related	3 278	2 622	2 077	1 723
Effective interest revenue refundable	580	795	–	–
Commission and fee expenses – third parties	710	594	–	–
Insurance premium income – refund provision	1 262	329	–	–
Other	192	51	60	63
Trade payables	1 380	2 464	42	50
Sundry creditors	180	205	104	116
Value added tax	982	1 223	136	208
	8 564	8 283	2 419	2 160

The group's and company's exposure to liquidity risk related to trade and other payables is disclosed in note 29. For fair value disclosure, refer to note 31.

17. Insurance contract liabilities

Figures in R'000	GROUP		COMPANY	
	2023	2022	2023	2022
Gross provision for unearned premiums	720 571	573 241	–	–
Gross provision for notional interest	15 218	6 861	–	–
	735 789	580 102	–	–
Analysis of movements in gross provision for unearned premiums				
Opening balance	573 241	537 417	–	–
Reallocation adjustment to notional interest provision	(41)	–	–	–
Change in gross provision for unearned premiums	147 371	35 824	–	–
Claims paid	(981)	(1 690)	–	–
Net underwriting result	(8 453)	(5 213)	–	–
Net written premiums	156 805	42 727	–	–
Gross premiums received	201 829	127 669	–	–
Gross renewal premiums	587 611	512 075	–	–
Gross cancellation and expired premiums	(632 635)	(597 017)	–	–
	720 571	573 241	–	–
Analysis of movements in notional interest provision				
Opening balance	6 861	6 630	–	–
Reallocation adjustment from gross provision for unearned premiums	41	–	–	–
Notional interest charge to profit or loss	25 532	12 702	–	–
Notional interest paid	(17 216)	(12 471)	–	–
	15 218	6 861	–	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2023

17. Insurance contract liabilities continued

Process used to determine significant assumptions

Insurance risks are unpredictable and the group recognises that it is impossible to forecast, with certainty, future claims payable under existing insurance contracts. Over time, the group has developed a methodology that is aimed at establishing insurance provisions that have a reasonable likelihood of being adequate to settle all of its insurance obligations.

Claim provisions

The group's outstanding claim provisions include notified claims as well as IBNR claims.

Notified claims

Each notified claim is assessed on a separate, case-by-case basis with due regard to the specific circumstances, information available from the insured and/or loss adjuster and past experience with similar claims. The group employs staff experienced in claims handling and applies standardised policies and procedures around claims assessment. The provision for each notified claim includes value added tax, where applicable. There were no unpaid notified claims as at 31 March 2023.

Claims incurred but not reported

Insurers are permitted to apply simplified methods in valuing technical provisions, subject to satisfying the principle of proportionality. As a result of the nature of Corporate Guarantee (South Africa) (RF) Limited's business, and the likely scale of the IBNR provision, it is proportionate to adopt a simplified method to consider the contribution of IBNR claims to the IFRS technical provisions.

Due to the short duration between the occurrence, reporting and settlement of claims, applying a simplified method for calculating the contribution of IBNR claims to the IFRS claim provisions would be proportionate to the nature and scale of the risks faced by Corporate Guarantee (South Africa) (RF) Limited. The reserve resulting from this method is likely to be negligible. Subsequent to year end, claims amounting to Rnil (2022: Rnil) were received and settled by Corporate Guarantee (South Africa) (RF) Limited relating to the financial year ended 31 March 2023.

The adequacy of this provision is assessed on an annual basis as part of the liability adequacy test performed on the total of insurance contract liabilities.

Assumptions

Considering the nature of the insurance contracts sold, it is expected that all insurance liabilities will be settled within 12 months from the reporting date.

18. Revenue

Figures in R'000	GROUP		COMPANY	
	2023	2022	2023	2022
Revenue from contracts with customers	35 501	35 964	–	–
Sale of goods*	34 394	34 610	–	–
Rendering of services*	1 107	1 354	–	–
Management fees from subsidiaries	–	–	15 960	14 600
Insurance premium income	9 434	6 903	–	–
	44 935	42 867	15 960	14 600
Insurance premium income in terms of IFRS 4 consists of:				
Net written premiums (note 17)	156 805	42 727	–	–
Change in net provision for unearned premiums (note 17)	(147 371)	(35 824)	–	–
	9 434	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 R0,4 million (2022: R0,5 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.

19. Other income

Figures in R'000	GROUP		COMPANY	
	2023	2022	2023	2022
Profit on sale of property, plant and equipment	83	158	–	158
Guarantee fees received	87	50	–	–
Broker fees earned	529	535	–	–
Other services rendered	30	97	–	1
Insurance claims	10	86	–	–
Advertising recoveries	163	242	–	–
Bad debts recovered	90	97	–	–
Portfolio management fee – rebate	185	203	–	–
Prescribed dividends	32	25	32	25
Movement – contingency policy balance	–	–	2 103	359
	1 209	1 493	2 135	543

20. Administrative and operating expenses

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

Figures in R'000	GROUP		COMPANY	
	2023	2022	2023	2022
Administrative expenses	13 910	13 450	7 614	7 306
Advertising expenses	2 357	1 892	–	–
Allowance for trade receivables impairment raised	(348)	(97)	–	–
Auditors' remuneration	1 887	1 752	1 139	1 068
Assessment rates and municipal charges	1 414	1 343	160	177
Bad debt written off	660	530	–	–
Consulting fees	577	600	587	587
Lease payments – short-term leases	–	290	–	–
Management fees paid to related party	4 030	3 800	4 030	3 800
Other administrative expenses/(income)	501	612	(321)	(185)
Secretarial fees	414	390	282	260
Telephone and IT-related expenses	1 682	1 870	1 449	1 358
Travel expenses	736	468	288	241
Operating expenses	24 319	20 842	9 355	5 734
Amortisation of intangible asset	–	229	–	–
Depreciation of property, plant and equipment	643	547	113	128
Depreciation on right-of-use asset	3 739	3 334	564	564
Employee costs and directors' emoluments	15 352	14 090	6 208	6 015
– Salaries	10 663	9 574	2 096	2 052
– Medical aid contributions	309	281	65	61
– Fees for services as directors expenses	4 380	4 235	4 047	3 902
Insurance premium expenses	181	160	1 538	36
Professional fees	986	966	–	–
Commission and fee expenses – third parties	1 822	732	–	–
Insurance premium income – refund provision	933	(12)	–	–
Other operating expenses	663	796	70	300
Recognition/(reversal) of impairment against investments in subsidiaries	–	–	862	(1 309)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2023

21. Investment income

Figures in R'000	GROUP		COMPANY	
	2023	2022	2023	2022
Investment income from operations				
Dividends received	809	559	142	131
Financial assets at fair value through profit or loss*	5 287	2 177	2 652	660
Profit on disposal of investments	1 259	984	432	–
Fair value adjustments	4 028	1 193	2 220	660
Unit trusts	4 747	1 086	2 199	657
Investment property	–	(750)	–	–
Listed debt securities	(78)	(27)	–	–
Listed shares	(641)	884	21	3
Interest received [#]	45 374	29 263	544	374
	51 470	31 999	3 338	1 165

* Represents income on financial assets measured mandatorily at fair value through profit or loss at a company level.

[#] Represents income on financial assets measured at amortised cost at a company level.

22. Finance expense

Figures in R'000	GROUP		COMPANY	
	2023	2022	2023	2022
Loans from subsidiaries	–	–	–	(265)
Secured advances from subsidiaries	–	–	(102)	(6)
Lease liability (IFRS 16)	(730)	(869)	(120)	(153)
	(730)	(869)	(222)	(424)

23. Taxation (expense)/credit

Figures in R'000	GROUP		COMPANY	
	2023	2022	2023	2022
Major components of the tax expense				
Current taxation				
Recognised in profit or loss – current year charge	(1 423)	(67)	–	–
Deferred taxation				
Recognised in profit or loss – current year charge	(921)	(352)	(1 188)	(280)
	(2 344)	(419)	(1 188)	(280)
Reconciliation of the effective tax expense				
Reconciliation between tax at the statutory tax rate and the effective tax rate:				
Profit before taxation	10 565	5 461	4 242	2 844
Tax at the applicable tax rate of 27% (2022: 28%)	(2 853)	(1 529)	(1 145)	(796)
Tax rate adjusted for:				
Profit on sale of investments	68	55	23	–
Ordinary dividends received	218	156	38	37
Fair value adjustment on listed shares, listed debt securities and unit trusts	218	109	120	37
Non-taxable income – prescribed dividends	9	7	9	7
Expenses of a capital nature	–	(38)	–	(38)
Impairment provision (recognised)/reversed	–	–	(233)	366
Over provision previous years	–	4	–	–
Administration fees – buying and selling of listed shares	(4)	(2)	–	–
Recognition of previously unrecognised deferred tax asset – Nictus Meubels Proprietary Limited	–	711	–	–
Change in effective tax rate – effective 1 April 2022	–	108	–	107
Effective taxation	(2 344)	(419)	(1 188)	(280)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2023

24. Cash (utilised by)/generated from operations

Figures in R'000	GROUP		COMPANY	
	2023	2022	2023	2022
Profit before taxation	10 565	5 461	4 242	2 844
Adjustments for:				
Depreciation of property, plant and equipment	643	547	113	128
Depreciation of right-of-use asset	3 739	3 334	564	564
Profit on disposal of property, plant and equipment	(83)	(158)	–	(158)
Amortisation of intangible asset	–	229	–	–
Net impairments and movements in credit loss allowances	312	433	–	–
Dividend income	(809)	(559)	(142)	(131)
Finance expenses	730	869	222	424
Interest received	(45 374)	(29 263)	(544)	(374)
Impairment recognised/(reversed) on investments in subsidiaries	–	–	862	(1 309)
Profit on disposal of investments	(1 259)	(984)	(432)	–
Inventories lost or written off	13	124	–	–
Fair value adjustments on investments	(4 028)	(1 943)	(2 220)	(660)
Fair value adjustments on investment property	–	750	–	–
Prescribed dividends recognised in profit before taxation	(32)	(25)	(32)	(25)
Changes in working capital:				
Decrease in inventories	269	707	–	6
Increase in trade, insurance and other receivables	(35 095)	(13 522)	(2 175)	(507)
Increase in insurance contract liabilities	155 687	36 055	–	–
Increase/(decrease) in trade and other payables	313	(2 461)	291	(687)
	85 591	(406)	749	115

25. Tax paid

Figures in R'000	GROUP		COMPANY	
	2023	2022	2023	2022
Balance receivable at the beginning of the year	3	–	–	–
Interest accrued on tax receivable	–	–	–	–
Current tax for the year recognised in profit or loss	(1 423)	(67)	–	–
Balance payable/(receivable) at the end of the year	23	(3)	–	–
Tax paid during the current financial year	(1 397)	(70)	–	–

26. Dividends

Figures in R'000	GROUP		COMPANY	
	2023	2022	2023	2022
Ordinary dividends paid				
– on 25 July 2022*	1 603	–	1 603	–
– on 26 July 2021†	–	2 672	–	2 672
	1 603	2 672	1 603	2 672

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

† The board, within its discretion, declared a final dividend of 5,00 cents per ordinary share for the year ended 31 March 2021 on 30 June 2021, to all ordinary shareholders recorded in the books of Nictus Limited at the close of business on Friday, 23 July 2021. The dividend was paid on Monday, 26 July 2021.

27. Related parties

Relationships

Subsidiaries	Refer to note 6
Other related parties transacted with	Nictus Holdings Limited Veritas Eksekuteurskamer Proprietary Limited Auas Motors Proprietary Limited
Members of key management	Gerard R de V Tromp (Managing director and key management of the group) Eckhart H Prozesky (Financial director and key management of the group) Philippus J de W Tromp (Non-executive director) Stephanus J Gerber (Chief executive officer: insurance segment) (resigned effective 31 August 2021)
Independent non-executive directors	Professor Barend J Willemse Cornelius J de Vrye Sarita Martin

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

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

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

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

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27. Related parties continued

Transactions with key management personnel

Directors and prescribed officers of the company and their immediate relatives beneficially control 79,78% (2022: 79,56%) of the voting shares of the company. Details pertaining to directors' and key management's compensation are set out in note 28.

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

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

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

Figures in R'000	2023	2022
Related party balances		
GROUP		
<i>Amounts included in gross provision for unearned premiums – refer to note 17</i>		
Veritas Eksekuteurskamer Proprietary Limited	(435)	(419)
<i>Amounts included in gross provision for notional interest – refer to note 17</i>		
Veritas Eksekuteurskamer Proprietary Limited	(6)	(3)
COMPANY		
<i>Loan accounts – refer to note 11</i>		
Loan from subsidiary (Corporate Guarantee (South Africa) (RF) Limited)	(2 527)	–
Loan to subsidiary (Nictus Meubels Proprietary Limited)	1 252	–
<i>Amounts included in trade, insurance and other receivables – refer to note 12</i>		
Corporate Guarantee (South Africa) (RF) Limited	16 603	14 501

27. Related parties continued

Transactions with key management personnel continued

Figures in R'000	2023	2022
Related party transactions		
GROUP		
Management fees expensed to related party (Veritas Eksekuteurskamer Proprietary Limited)	4 030	3 800
Secretarial fees paid to related party (Veritas Eksekuteurskamer Proprietary Limited)	282	390
<i>Notional interest allocation</i>		
Veritas Eksekuteurskamer Proprietary Limited	15	11
Motor vehicle purchased from related party (Auas Motors Proprietary Limited)	–	293
Motor vehicle sold to related party (Auas Motors Proprietary Limited)	–	(209)
Director fees received from related party (Nictus Holdings Limited)	(757)	(648)
COMPANY		
Interest paid to subsidiaries	102	271
Interest received from subsidiaries	(59)	–
Management fees received from subsidiaries	(15 960)	(14 600)
Management fees expensed to related party (Veritas Eksekuteurskamer Proprietary Limited)	4 030	3 800
Secretarial fees paid to related party (Veritas Eksekuteurskamer Proprietary Limited)	282	260
Insurance premium expense paid to related party (Corporate Guarantee (South Africa) (RF) Limited)	1 500	–
Movement – contingency policy balance (Corporate Guarantee (South Africa) (RF) Limited)	(2 103)	(359)
Motor vehicle sold to related party (Auas Motors Proprietary Limited)	–	(209)
Director fees received from related party (Nictus Holdings Limited)	(757)	(648)

Inter-company trade receivables and payables are subject to the same terms and conditions applied to the general public. Interest is charged at market-related rates and settlement is expected to be made in cash.

No guarantees nor doubtful debt were provided for relating to related party balances.

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for the year ended 31 March 2023

28. Directors', key management's and prescribed officers' remuneration

Figures in R'000	Paid by the company		Paid by the subsidiaries	Total
	Basic salary*	Bonuses*	Directors' fees*	
Executive directors				
2023				
Gerard R de V Tromp [#]	445	–	–	445
Eckhart H Prozesky	1 880	443	–	2 323
	2 325	443	–	2 768
2022				
Gerard R de V Tromp [#]	420	–	–	420
Eckhart H Prozesky	1 772	790	–	2 562
	2 192	790	–	2 982

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

[#] A management fee of R4,0 million (2022: R4,3 million) was paid to a related party, Veritas Eksekuteurskamer Proprietary Limited, for services rendered by Gerard R de V Tromp as an executive director.

Figures in R'000	Directors' fees – company	Directors' fees – subsidiaries	Basic salary – company*	Total
Non-executive directors				
2023				
Professor Barend J Willemse	432	83	–	515
Philippus J de W Tromp	204	–	–	204
Cornelius J de Vrye	343	–	–	343
Sarita Martin	300	–	–	300
	1 279	83	–	1 362
2022				
Professor Barend J Willemse	426	78	–	504
Philippus J de W Tromp	191	–	–	191
Nicolaas C Tromp	80	20	–	100
Cornelius J de Vrye	302	–	–	302
Sarita Martin	281	–	–	281
	1 280	98	–	1 378

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

28. Directors', key management's and prescribed officers' remuneration continued

Figures in R'000	Paid by the subsidiaries			Total
	Basic salary*	Bonuses*	Leave pay upon resignation*	
Prescribed officers other than directors				
2023				
None	–	–	–	–
	–	–	–	–
2022				
Stephanus J Gerber [#]	659	350	50	1 059
	659	350	50	1 059

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

[#] Resigned effective 31 August 2021.

29. Financial risk management

The group's activities expose it to a variety of financial risks from the use of financial instruments: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

This note presents information about the group's exposure to each of the above risks, the group's objectives, policies and processes for measuring and managing risk and the group's management of capital. Further quantitative disclosures are included throughout these group financial statements.

The board of directors has overall responsibility for the establishment and oversight of the group's risk management framework. The board has an audit and risk committee which is responsible for developing and monitoring the group's risk management policies.

The group's risk management policies are established to identify and analyse the risks faced by the group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the group's activities. The group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The group audit and risk committee oversees how management monitors compliance with the group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the group.

Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

The group monitors its cash flow requirements on a daily basis against monthly projections and focuses on optimising its cash return on investments. Typically, the group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 30 days, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted such as natural disasters. With regard to the group, the contractual maturities of secured advances, R300,9 million (2022: R303,5 million), disclosed as part of trade, insurance and other receivables, would mirror that of the insurance contract liabilities due to the interdependent nature that exists. At the end of the reporting period, and for purposes of managing liquidity risk, the group held cash and cash equivalents, together with a portion of investments amounting to R280,9 million (2022: R191,3 million), that are available to meet cash flow obligations within a period of 30 days.

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for the year ended 31 March 2023

29. Financial risk management continued

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

Figures in R'000	Carrying amount	Contractual cash flows	Less than 6 months	6 to 12 months	Between 1 and 2 years	Between 2 and 5 years
2023						
GROUP						
Trade payables	1 380	1 380	1 380	–	–	–
Other payables	6 202	6 202	6 202	–	–	–
Insurance contract liabilities*	735 789	720 571	493 289	227 282	–	–
Lease liabilities	8 876	9 589	2 172	2 216	3 142	2 059
COMPANY						
Loans from group companies	2 527	2 527	2 527	–	–	–
Trade payables	42	42	42	–	–	–
Other payables	2 241	2 241	2 241	–	–	–
Lease liabilities	1 482	1 594	333	345	725	191
2022						
GROUP						
Trade payables	2 464	2 464	2 464	–	–	–
Other payables	4 596	4 596	4 596	–	–	–
Insurance contract liabilities*	580 102	573 241	397 959	175 282	–	–
Lease liabilities	12 312	13 755	2 062	2 104	4 388	5 201
COMPANY						
Trade payables	50	50	50	–	–	–
Other payables	1 902	1 902	1 902	–	–	–
Lease liabilities	1 995	2 227	311	322	678	916

* As at 31 March 2023 and 31 March 2022, the contractual cash flows associated with insurance contract liabilities exclude the gross provision for notional interest as no current contractual obligation exists relating to same.

Market risk

Market risk is the risk associated with changes in market prices, such as interest rates and equity prices that will affect the group's income or the value of its holdings in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The group incurs financial liabilities and acquires assets in order to manage market risks. All such transactions are carried out within the guidelines set by the group executive committee.

Interest rate risk

The group adopts a policy of ensuring that its exposure to changes in interest rates and borrowings is limited by setting the terms and conditions of loans to adjust with changes in market conditions. The group also aims to ensure that the profit margin is sufficient to cover any rate change.

Other market price risk

The group executive committee monitors the mix of listed debt and equity securities and unit trusts in its investment portfolio based on market expectations. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the directors of the relevant segment.

The primary goal of the group's investment strategy is to maximise profitability through well-managed investments. Management is assisted by external advisors in this regard.

29. Financial risk management continued

Interest rate risk

The group is exposed to interest rate risk as the majority of its interest-bearing financial assets are on a variable rate basis.

Exposure to interest rate risks

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

Figures in R'000	GROUP		COMPANY	
	2023	2022	2023	2022
Variable rate instruments				
Financial assets at amortised cost	111 603	105 544	3 870	6 573
Financial assets at fair value through profit or loss	211 890	134 622	–	–
Secured advances	300 899	303 538	–	–
Financial liabilities	–	–	(2 527)	–
	624 392	543 704	1 343	6 573

Sensitivity analysis

An increase of 100 basis points in interest rates at the reporting date would have increased profit/(loss) and increased/ (decreased) equity by the amounts shown below. A decrease of 100 basis points would have an equal but opposite effect on profit. This analysis assumes that all other variables remain constant. This analysis was performed on the same basis for 2022.

Figures in R'000	GROUP		COMPANY	
	2023	2022	2023	2022
Variable rate instruments	4 558	3 915	10	47

Price risk

The group is exposed to equity securities price risk because of investments held by the company and the group's insurance subsidiary and classified on the statement of financial position at fair value through profit or loss. To manage its price risk arising from investments in listed equity securities, debt securities and unit trusts, the company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the company.

At the reporting date, the price risk impact of the group's financial instruments was:

Figures in R'000	10% increase in market prices	10% decrease in market prices	10% increase in market prices	10% decrease in market prices
	2023	2023	2022	2022
GROUP				
Listed shares	106	(106)	800	(800)
Listed debt securities	–	–	708	(708)
Unit trusts	23 927	(23 927)	15 313	(15 313)
COMPANY				
Listed shares	–	–	3	(3)
Unit trusts	2 109	(2 109)	597	(597)

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29. Financial risk management continued

Foreign exchange risk

The group and company operate locally and are exposed to limited foreign exchange risk, primarily the US Dollar. Foreign exchange risk arises from investments denominated in a currency that is not the functional currency of the group and company. The investments are reviewed regularly in conjunction with external investment professionals. As at year end, the group's and company's interest in investments that are exposed to foreign exchange fluctuations amounted to R4,9 million (2022: R8,8 million) and R1,7 million (2022: R4,0 million), respectively.

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

Credit risk

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises primarily from the group's receivables from customers and investments in short-term deposits.

Trade and other receivables

The group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the group's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk.

Geographically, the concentration of credit risk is in South Africa.

The board has established a credit policy for each segment under which each new customer is analysed individually for creditworthiness before the group's standard payment and delivery terms and conditions are offered. The group's review includes external ratings obtained from an external credit bureau, reviews of claims history for insurance contracts, where available, and in some cases bank references.

Purchase limits are established for each customer, which represent the maximum opening amount without requiring approval from the subsidiary's executive management. These limits are reviewed when required per customer. Customers who fail to meet the group's benchmark creditworthiness may transact with the group only on a cash basis.

The majority of the group's customers have been transacting with the group for a number of years, and losses have occurred infrequently. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, geographic location, industry, ageing profile, maturity and existence of previous financial difficulties or insurance claims.

Trade and other receivables relate only to the group's end-user customers. Customers that are graded as high risk are restricted by tighter credit limits and their trading activity is monitored monthly by management.

Goods and services are sold subject to retention of title clauses, so that in the event of non-payment, the group has a secured claim.

The group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Secured advances include advances made to companies, property companies and other entities in the normal course of business of the insurance segment. These advances are secured by assets, rights to claims in the company, mortgage bonds, pledges and suretyships to the amount of R531,77 million (2022: R479,15 million). Various repayment terms and interest rates apply. There is therefore no credit risk associated with these advances.

29. Financial risk management continued

Credit risk continued

Investments

The group limits its exposure to credit risk by only investing in short-term investments or reputable institutions. These investments in the insurance segment are based on the requirements as set out in the Insurance Act (Short-term Insurance Act of South Africa prior to 1 July 2018).

The investment portfolios are evaluated monthly by the group executive committee with sufficient financial and investment background. This committee reviews the valuation and returns on investments monthly for listed investments and non-listed investments to determine whether the investment portfolio requires change.

Given this, management does not expect any counterparty to fail to meet its obligations other than specifically provided for at year end.

Company-specific disclosure

Trade receivables are collected over a period of 12 months based on the terms of the contract. The company measures the loss allowance at an amount equal to lifetime expected credit losses for all trade receivables and insurance assets.

Estimated credit losses are determined based on an analysis of the ageing of trade receivables and insurance assets, and past write-off history for a period of two and a half years.

The following tables provide information regarding the aggregated credit risk exposure for financial instruments and other assets of the company with and without an external credit rating as at 31 March (credit ratings assigned are the international scale credit ratings issued by S&P Global Ratings agency):

Figures in R'000	AA/A	BB/B*	Unrated	Total
2023				
GROUP				
Investments – debt securities	–	–	–	–
Investments – unit trusts	–	239 272	–	239 272
Investments – short-term deposits	–	122 579	–	122 579
Trade, insurance and other receivables	–	–	97 913	97 913
Cash and cash equivalents – bank balances	–	1 620	–	1 620
Cash and cash equivalents – cash on hand	–	–	17	17
Cash and cash equivalents – short-term deposits	–	72 899	–	72 899
	–	436 370	97 930	534 300
COMPANY				
Investments – unit trusts	–	21 086	–	21 086
Trade, insurance and other receivables [†]	–	–	16 603	16 603
Cash and cash equivalents – bank balances	–	268	–	268
Cash and cash equivalents – cash on hand	–	–	7	7
Cash and cash equivalents – short-term deposits	–	2 618	–	2 618
	–	23 972	16 610	40 582

* As at 31 March 2023, at group level, approximately 72% of aggregated credit risk exposure relating to these categories of credit ratings represented exposure to the major South African banks and Republic of South Africa government bonds.

[†] The company assessed the underlying financial asset(s) that constitute trade, insurance and other receivables as at year end to quantify expected credit losses or identify indicators of impairment loss at that date. Based on the assessment, the potential effect of expected credit losses is considered immaterial and no evidence was found to support any undue credit risk associated with the financial asset(s). The risk associated with these unrated instrument(s) is managed based on a deep understanding of the counterparties' financial position and regular reporting regarding same; this includes quarterly regulatory reporting to the Prudential Authority.

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for the year ended 31 March 2023

29. Financial risk management continued

Credit risk continued

Company-specific disclosure continued

Figures in R'000	AA/A	BB/B*	Unrated	Total
2022				
GROUP				
Investments – debt securities	–	7 078	–	7 078
Investments – unit trusts	–	153 130	–	153 130
Investments – short-term deposits	–	66 680	–	66 680
Trade, insurance and other receivables	–	–	61 017	61 017
Cash and cash equivalents – bank balances	–	2 924	–	2 924
Cash and cash equivalents – cash on hand	–	–	17	17
Cash and cash equivalents – short-term deposits	–	69 702	–	69 702
	–	299 514	61 034	360 548
COMPANY				
Investments – unit trusts	–	5 969	–	5 969
Trade, insurance and other receivables ^a	–	–	14 501	14 501
Cash and cash equivalents – bank balances	–	213	–	213
Cash and cash equivalents – cash on hand	–	–	7	7
Cash and cash equivalents – short-term deposits	–	6 573	–	6 573
	–	12 755	14 508	27 263

* As at 31 March 2022, at group level, approximately 74% of aggregated credit risk exposure relating to these categories of credit ratings represented exposure to the major South African banks and Republic of South Africa government bonds.

^a The company assessed the underlying financial asset(s) that constitute trade, insurance and other receivables as at year end to quantify expected credit losses or identify indicators of impairment loss at that date. Based on the assessment, the potential effect of expected credit losses is considered immaterial and no evidence was found to support any undue credit risk associated with the financial asset(s). The risk associated with these unrated instrument(s) is managed based on a deep understanding of the counterparties' financial position and regular reporting regarding same; this includes quarterly regulatory reporting to the Prudential Authority.

Insurance risk

Terms and conditions of insurance contracts

Corporate Guarantee (South Africa) (RF) Limited (Corporate Guarantee) is licensed as a non-life insurer in terms of section 23 of the Insurance Act, to conduct insurance business and operations, subject to the classes and subclasses of insurance business defined as part of the insurer's licensing conditions.

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

Corporate Guarantee aims to deliver innovative and tailored insurance risk solutions to its clients allowing them to retain some insurance risk and effectively operate as autonomous insurance entities. The finite risk policies expose Corporate Guarantee to specific risks and include profit participation measures to promote good risk management among the insured. The terms and conditions of insurance contracts that have a material effect on the amount, timing and uncertainty of future cash flows arising from insurance contracts are set out in the notes. Currently, Corporate Guarantee offers one type of insurance contract, being a contingency policy to cover insurance risk.

29. Financial risk management continued

Insurance risk continued

Insurance risk and policies for mitigating insurance risk

The primary activity of Corporate Guarantee relates to the assumption of the risk of loss from events involving persons or organisations. Such risks relate to the following classes of business; property, agriculture, transportation, motor, accident and health, guarantee, liability and miscellaneous from an insured event within South Africa. As such, the group is exposed to uncertainty surrounding the timing, severity and frequency of claims under insurance contracts.

The theory of probability is applied to the pricing and provisioning for a portfolio of insurance contracts. The principal risk is that the frequency and severity of claims are greater than expected and that Corporate Guarantee does not charge premiums appropriate for the risk accepted. Insurance events are, by nature, random, and the actual number and size of events during any one year may vary from those estimated using established statistical techniques.

Corporate Guarantee manages its insurance risk through underwriting limits, approval procedures for new clients, pricing guidelines, centralised management of risk and monitoring of emerging issues. These actions are described below.

Underwriting strategy

Corporate Guarantee's underwriting strategy seeks diversity to ensure a balanced portfolio and is based on a portfolio of similar risks spread over a large geographical area. The underwriting strategy is continuously monitored, updated and determines the classes of business to be written, the territories in which business is to be written and the industry sectors to which Corporate Guarantee is prepared to accept exposure. The strategy is cascaded down by the respective segment board to management that set the limits for management by client size, class of business, region and industry in order to enforce appropriate risk selection within the portfolio. In addition, management meets monthly to review underwriting information including premium income and loss ratios by class, region and industry.

Concentrations of insurance risk and policies mitigating the concentrations

Within the insurance process, concentrations of risk may arise where a particular event or series of events could impact heavily upon Corporate Guarantee's resources. The group monitors the concentration risk by geographical area and class of business. Corporate Guarantee is broadly represented across South Africa, with the majority of clients being concentrated in the Western Cape and Gauteng. Corporate Guarantee has exposure to specific classes of insurance business, with approximately 90% (2022: 86%) of all exposure being represented by the classes of business; property, agriculture and liability as at the reporting date.

Exposure relating to catastrophic events

Corporate Guarantee sets out the total aggregate exposure that it is prepared to accept in certain regions to a range of events such as natural catastrophes. The aggregate position is reviewed annually.

Corporate Guarantee considers that its most significant exposure would arise in the event of a major environmental disaster. This analysis has been performed through identifying key concentration of risks based on different classes of business exposed in the event of such an incident.

Other risks and policies for mitigating these risks

Insurance companies are exposed to the risk of false, invalid and exaggerated claims. Measures are in place to improve Corporate Guarantee's ability to proactively detect fraudulent claims.

Claims development

Corporate Guarantee is liable for all insured events that occur during the term of a contract, even if the loss is discovered after the end of the contract term, subject to predetermined time scales dependent on the nature of the insurance contract. Corporate Guarantee is therefore exposed to risk that claim reserves will not be adequate to fund historical claims (run-off risk). To manage run-off risk, Corporate Guarantee takes all reasonable steps to ensure that it has appropriate information regarding its claim exposures and adopts sound reserving practices. Consequently, Corporate Guarantee's history has proven the reserves to be sufficient to fund the actual claims paid.

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29. Financial risk management continued

Insurance risk continued

Claims development continued

Corporate Guarantee takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. Given the uncertainty in establishing claims provisions, however, it is possible that the final outcome may prove to be different from the original liability established. The uncertainty about the amount and timing of claims payments is, however, typically resolved within a year.

The majority of Corporate Guarantee's insurance contracts are classified as "short tail", meaning that any claim is settled within a year after the loss date.

In terms of IFRS 4, an insurer need only disclose claim run-off information where uncertainty exists about the amount and timing of claim payments not resolved within one year. Corporate Guarantee does not underwrite business that is "long tail" in nature.

Capital management

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

The board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The group's target is to achieve a return on shareholders' equity based on an accepted sovereign bond and risk factor. The group does not have external debt. Cash resources within the group are utilised for any capital commitments.

There were no changes in the group's approach to capital management during the year.

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

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

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

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

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

30. 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
2023			
GROUP			
Investments	–	240 331	240 331
Trade and insurance receivables	97 913	–	97 913
Secured advances	300 899	–	300 899
Short-term deposits	122 579	–	122 579
Cash and cash equivalents	74 536	–	74 536
	595 927	240 331	836 258
COMPANY			
Investments	–	21 086	21 086
Loans to group companies	1 252	–	1 252
Trade and other receivables	16 603	–	16 603
Cash and cash equivalents	2 893	–	2 893
	20 748	21 086	41 834
2022			
GROUP			
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
COMPANY			
Investments	–	5 998	5 998
Trade and other receivables	14 501	–	14 501
Cash and cash equivalents	6 793	–	6 793
	21 294	5 998	27 292

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2023

31. Financial liabilities by category

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

Figures in R'000	Financial liabilities at amortised cost	Total
2023		
GROUP		
Lease liabilities	8 876	8 876
Trade and other payables	7 582	7 582
	16 458	16 458
COMPANY		
Lease liabilities	1 482	1 482
Loans from group companies	2 527	2 527
Trade and other payables	2 283	2 283
	6 292	6 292
2022		
GROUP		
Lease liabilities	12 312	12 312
Trade and other payables	7 060	7 060
	19 372	19 372
COMPANY		
Lease liabilities	1 995	1 995
Trade and other payables	1 952	1 952
	3 947	3 947

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

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

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

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

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

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

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

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

The group has assessed that the following financial assets have contractual cash flows that meet the solely payments of principal and interest criteria:

- Trade receivables – furniture;
- Insurance receivables – premium debtors;
- Investments – short-term deposits;
- Cash and cash equivalents – bank balances;
- Cash and cash equivalents – cash on hand; and
- Cash and cash equivalents – short-term deposits.

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2023

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

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

Figures in R'000	Change in value			Closing balance
	Opening balance	Other movements-related	Fair value-related	
At 31 March 2023				
Solely payments of principal and interest – financial assets (amortised cost)*				
Trade receivables – furniture	13 660	427	–	14 087
Insurance receivables – premium debtors	47 357	36 469	–	83 826
Investments – short-term deposits	66 680	55 899	–	122 579
Cash and cash equivalents – bank balances	2 924	(1 304)	–	1 620
Cash and cash equivalents – cash on hand	17	–	–	17
Cash and cash equivalents – short-term deposits	69 702	3 197	–	72 899
Other – financial assets at fair value through profit or loss				
Investments – listed shares	8 004	(6 304)	(641)	1 059
Investments – listed debt securities	7 078	(7 000)	(78)	–
Investments – unit trust investments	153 130	81 395	4 747	239 272
At 31 March 2022				
Solely payments of principal and interest – financial assets (amortised cost)*				
Trade receivables – furniture	14 748	(1 088)	–	13 660
Insurance receivables – premium debtors	39 017	8 340	–	47 357
Investments – short-term deposits	59 507	7 173	–	66 680
Cash and cash equivalents – bank balances	2 677	247	–	2 924
Cash and cash equivalents – cash on hand	19	(2)	–	17
Cash and cash equivalents – short-term deposits	73 983	(4 281)	–	69 702
Other – financial assets at fair value through profit or loss				
Investments – listed shares	6 856	264	884	8 004
Investments – listed debt securities	17 105	(10 000)	(27)	7 078
Investments – unit trust investments	122 860	29 184	1 086	153 130

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

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

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

The following table represents the entity's exposure to credit risk on financial assets that meet the solely payments of principal and interest criteria:

Figures in R'000	AA/A	BB/B	Unrated	Total
At 31 March 2023				
Solely payments of principal and interest – financial assets (amortised cost)				
Trade receivables – furniture	–	–	14 634	14 634
Insurance receivables – premium debtors	–	–	83 826	83 826
Investments – short-term deposits	–	122 579	–	122 579
Cash and cash equivalents – bank balances	–	1 620	–	1 620
Cash and cash equivalents – cash on hand	–	–	17	17
Cash and cash equivalents – short-term deposits	–	72 899	–	72 899
At 31 March 2022				
Solely payments of principal and interest – financial assets (amortised cost)				
Trade receivables – furniture	–	–	14 555	14 555
Insurance receivables – premium debtors	–	–	47 357	47 357
Investments – short-term deposits	–	66 680	–	66 680
Cash and cash equivalents – bank balances	–	2 924	–	2 924
Cash and cash equivalents – cash on hand	–	–	17	17
Cash and cash equivalents – short-term deposits	–	69 702	–	69 702

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

The table above includes R0,2 million (2022: R0,7 million) trade receivables that are not considered to have low credit risk as defined in note 1.20. The fair value of these financial assets as at 31 March 2023 and 31 March 2022 is equal to their carrying value.

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33. Commitments

Authorised capital expenditure

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

34. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. Management is not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the group and company's ability to continue as a going concern.

35. Events after the reporting date

There were no material events after the reporting date and up to the date of approval of these financial statements that required adjustment or disclosure in the group and company financial statements for the year ended 31 March 2023, other than that a dividend of 5,00 cents per share was declared by the directors subsequent to year end, payable to shareholders registered on 21 July 2023.

36. Earnings per share

Basic earnings per share

The basic earnings per ordinary share from operations for the year is 15,38 cents (2022: 9,43 cents). The calculation of basic earnings per share from operations is based on profit of R8,22 million (2022: profit of R5,04 million) and a weighted average number of shares in issue of 53 443 500 (2022: 53 443 500).

Diluted earnings per share

The diluted earnings per ordinary share from operations for the year is 15,38 cents (2022: 9,43 cents). There are no dilutive instruments outstanding.

Headline earnings per share

The headline earnings per share from operations for the year is 15,27 cents (2022: 9,22 cents). The calculation of headline earnings per share from operations is based on profit of R8,16 million (2022: profit of R4,93 million) and a weighted average number of shares in issue of 53 443 500 (2022: 53 443 500).

Diluted headline earnings per share

The diluted headline earnings per share from operations for the year is 15,27 cents (2022: 9,22 cents). There are no dilutive instruments outstanding.

Figures in R'000	Profit on ordinary activities	Taxation	Non- controlling interest	Net profit
Reconciliation between earnings and headline earnings: 2023				
Profit before taxation	10 565	(2 344)	–	8 221
<i>Adjustments for:</i>				
Profit on disposal of property, plant and equipment	(83)	22	–	(61)
Headline earnings	10 482	(2 322)	–	8 160
2022				
Profit before taxation	5 461	(419)	–	5 042
<i>Adjustments for:</i>				
Profit on disposal of property, plant and equipment	(158)	44	–	(114)
Headline earnings	5 303	(375)	–	4 928

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37. Group segmental analysis

Figures in R'000	Furniture retail ¹		Insurance ²		Head office	Eliminations	Consolidated	
	2023	2022	2023	2022			2023	2022
Segment revenue								
Revenue from contracts with customers	37 046	37 731	–	–	–	–	37 046	37 731
Sale of goods ³	34 394	34 610	–	–	–	–	34 394	34 610
Rendering of services ⁴	1 107	1 354	–	–	–	–	1 107	1 354
Effective interest revenue	1 545	1 767	–	–	–	–	1 545	1 767
Management fees	–	–	–	–	15 960	14 600	–	–
Insurance premium income	–	–	9 846	6 903	–	–	9 434	6 903
Total revenue from external customers	37 046	37 731	9 846	6 903	15 960	14 600	46 480	44 634
Inter-segment revenue	–	–	–	–	–	–	–	–
Total segment revenue	37 046	37 731	9 846	6 903	15 960	14 600	46 480	44 634
Segment result								
Profit/(loss) before financing expenses, depreciation, amortisation and taxation	3 197	4 795	6 698	3 263	5 141	3 960	15 677	9 265
Depreciation and amortisation	(3 648)	(3 226)	(57)	(192)	(677)	(692)	(4 382)	(2 935)
Financing costs	(730)	(716)	–	–	(222)	(424)	(730)	(869)
Profit/(loss) before taxation	(1 181)	853	6 641	3 071	4 242	2 844	10 565	5 461
Taxation credit/(expense)	319	455	(1 475)	(594)	(1 188)	(280)	(2 344)	(419)
Profit/(loss) for the year	(862)	1 308	5 166	2 477	3 054	2 564	8 221	5 042
Segment assets*	34 189	45 636	814 402	651 674	109 028	104 116	870 408	709 995
Segment liabilities*	11 743	14 127	757 380	599 818	10 505	7 044	757 825	604 030
Cash flows from operating activities	2 611	3 622	12 464	(977)	(390)	(2 476)	17 749	168
Cash flows from investing activities	87	(1 204)	(34)	(313)	(4 272)	134	(12 420)	(1 522)
Cash flows from financing activities	(9 335)	(2 244)	–	–	762	(578)	(3 436)	(2 682)
Capital expenditure	(27)	(1 343)	(34)	(313)	(36)	(121)	(97)	(1 777)

¹ The segment has two furniture retail stores in South Africa. Nictus places the customer first by continually striving towards excellence. Helpful personnel provide service with dedication and motivation, while maintaining integrity, focus and sound values. Products are of the highest quality and provide excellent value for money. Stores are situated in Louis Trichardt and Polokwane as at year end.

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.

³ The sale of goods consists of revenue from goods transferred to customers at a point in time.

⁴ Rendering of services consists of revenue from services provided to customers over time amounting to R0,46 million (2022: R0,46 million). The remainder is provided at a point in time.

* The segment assets and liabilities include tax assets and liabilities and have been included in the elimination column to agree to the amounts per the financial statements. On the next page, a reconciliation is performed to reflect the amount for segment assets and liabilities as defined in the accounting policies.

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for the year ended 31 March 2023

37. Group segmental analysis continued

Figures in R'000	2023	2022
Reconciliation between consolidated segment assets and liabilities and total consolidated assets and liabilities		
Assets		
Segment assets	869 634	709 537
Deferred tax	774	455
Current tax receivable	–	3
Consolidated assets	870 408	709 995
Liabilities		
Segment liabilities	753 229	600 697
Deferred tax	4 573	3 333
Current tax payable	23	–
Consolidated liabilities	757 825	604 030
Segment assets		
Furniture retail	34 189	45 636
Insurance	814 402	651 674
	848 591	697 310
Head office and eliminations	21 817	12 685
	870 408	709 995
Segment revenue		
Furniture retail	37 046	37 731
Insurance	9 846	6 903
	46 892	44 634
Head office and eliminations	(412)	–
	46 480	44 634
(Loss)/profit for the year		
Furniture retail	(862)	1 308
Insurance	5 166	2 477
	4 304	3 785
Head office and eliminations	3 917	1 257
	8 221	5 042

Shareholder information

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