

2020

Summarised
Unaudited Condensed
Consolidated Results

FOR THE SIX MONTH ENDED 30 SEPTEMBER



Invicta
HOLDINGS LIMITED

Executive review of our performance

Overview of the period

The Invicta Holdings Limited Group “Invicta” has produced profit for the period of R224 million on a revenue level of R3.57 billion, and gross profit at R1.07 billion, in the context of Covid-19 and related uncertainties. The profit for the period is 7.7% higher than the comparative period despite revenue being 18% lower. Further there have been no significant changes in estimates and judgements since the year end 31 March 2020, which was reported under Covid-19 conditions.

The focus has been on cost containment, working capital management and close monitoring of cash flows. Further, attention has been given to implementing the sale of certain of the capital equipment and parts businesses (“Capital Equipment Business Disposal”), and to the disposal of the Samrand property, which was reflected as held for sale at the last year end.

We are pleased to report the increase in net cash on hand of R728 million, bringing the closing net cash balance to R1.5 billion.

Group performance

Operational overview

Operations comprise:

- ESG (Engineering Solutions Group) – distributor of engineering products (e.g. bearings, belts, tools, electric motors, hydraulics etc.), technical services and solutions.
- CEG (Capital Equipment Group) – distributor of agricultural machinery, construction and earthmoving machinery, forklifts, related spare parts and workshops and technical support services.
- KAG (Kian Ann Group) – distributor of heavy machinery parts and diesel engine components, based in Singapore with activities in Asia, China, North America and the United Kingdom.

ESG

The Engineering Solutions Group (ESG) has adapted swiftly and effectively during the financial year which began with Covid-19 and a country wide lockdown, by taking the tough decisions required to review and reset the levels of working capital, overheads, and capital expenditure.

Revenue was 24% lower at R2.1 billion while gross profit has been maintained at a level of 35%.

Operating profit before net finance income on financing transactions and foreign exchange movements fell by 35% to R143 million. Profitability relative to revenue at this level was 7% compared to 8% in the comparative prior period. This was achieved by taking significant right-sizing measures which included rationalizing both the branch network and workforce.

The strong engineering talent at ESG responded to the pandemic by developing ESG medical equipment, while other new areas of focus such as renewable and alternate energies and recycling, have also evolved.

The route to market has received close attention through the BMG e-commerce initiative and direct delivery to customer from the central warehouse and logistics hub in Johannesburg. The tool business is now also operating from this location, with the relocation of tool inventory to this site.

Bearing Man Group acquired the Melnic Technical Services business including the intellectual property and proprietary information. The acquisition price of R5 million was allocated to net assets (R1.9 million) taken over and the balance to goodwill.

CEG

CEG’s excellent performance reflects the recovery in the agricultural markets and strong hands on management and cost containment. There has also been improved infrastructure spending and mining has continued to lead the way in the demand for earthmoving equipment. Rental demand in the logistics (forklift) market is also increasing. CEG performed well under the Covid-19 circumstances with revenue declining by only 10%, and gross profit on continuing business increasing by 1%. A highly commendable 46% increase in operating profit before net finance income on financing transactions and foreign exchange movements was achieved through the careful management of costs to create a leaner group.

The Capital Equipment Business Disposal disclosed as assets held for sale has enjoyed a very good first season, with the second season looking likewise as promising. CEG has overcome the lack of liquidity of customers to obtain finance and the uncertainty of the prior period and has delivered results that are 60% above the prior year.

CEG has delivered strong cash generation throughout the period from both operation and working capital management, which has further contributed to the Group’s interest income.

Executive review of our performance (continued)

KAG

Despite the continued USA and China trade wars and Covid-19 lockdown in South East Asia, KAG has managed to limit its revenue decline to only 5% below the comparative period. Gross profit declined to 18% underpinning the tough trading conditions and the battle for whatever business was available. However, cost containment and government support meant that the operating profit before net finance income on financing transactions and foreign exchange movements only declined by 17%. The investment in KKB the roller manufacturer and the distribution operations primarily in the USA, have performed strongly in the period under review growing by 45%, this has all resulted in a commendable increase in profits by the KAG of 33% over the prior period. From a working capital point of view KAG has likewise come to the party, by reducing its stock holding by R117 million and adding to the Groups' cash pile.

Strategic focus and prospects

The Group's strategic focus is based upon lowering gearing levels, optimizing return on equity, simplifying structures and maintaining focus on key operational areas. Initiatives include the Capital Equipment Business Disposal, BMG digital and ecommerce platform, the oxygen helmet and ventilator project, restructuring Industri (the tool business), and reviewing the KAG business model.

Last year we reported that trading conditions in South Africa remained challenging, with global trade uncertainties weighing on the foreign operations. This remains true for the current period, with the added handicap of the effects of Covid-19.

The businesses that make up the Group have significant competitive advantages and have demonstrated the ability to deliver strong results despite the operational challenges. Management will continue to consolidate the strengths of the current businesses that make Invicta one of the leading suppliers of industrial consumable products, capital equipment and spare parts in Southern Africa and South East Asia.

Any forward-looking statement in this announcement has not been reviewed nor reported on by the Company's auditors.

Changes to the board and board committees

Mpho Makwana, Frank Davidson, and Iaan van Heerden were appointed to the board on the 1st May 2020.

Byron Nichles and David Samuels resigned on the 1st May 2020 and 31st July 2020 respectively. The Board wishes to thank them for their valuable contribution over their years of service.

The board committees were reconstituted:

Audit committee - Rashid Wally (Chair), Frank Davidson, Mpho Makwana

Investment committee - Jacob Wiese (Chair), Iaan van Heerden, Frank Davidson, Steven Joffe

Social and ethics committee - Mpho Makwana (Chair), Rashid Wally, Lance Sherrell, Steven Joffe

Remuneration committee - Mpho Makwana (Chair), Rashid Wally, Christo Wiese

Nominations committee - Christo Wiese (Chair), Mpho Makwana, Rashid Wally

Ordinary dividend policy

The board has resolved not to declare an interim dividend given the possibility of a second wave of Covid-19 infections, following the trend seen in Europe and North America. The normal dividend policy (of a total dividend cover ratio of 3.5 times at interim adjusted to 2.75 times at year end) should be resumed once this risk has passed and conditions have stabilized.

Appreciation

The board extends its gratitude to management and staff for the operational resilience and personal commitment that was required to deliver these results under pandemic conditions.

The board is confident that management will continue to adapt its strategic focus areas to the changing environment with the necessary agility, and will deliver sustainable value to stakeholders.

Condensed consolidated statement of profit or loss and other comprehensive income

	% change*	Unaudited six months ended		Unaudited year ended
		30 Sep 2020 R'000	30 Sep 2019 R'000	31 March 2020 R'000
Continuing operations				
Revenue	(18)	3,572,419	4,372,029	8,267,680
Gross profit		1,077,104	1,365,252	2,311,234
Operating profit/(loss) before net finance income on financing transactions and foreign exchange movements	(20)	260,953	325,089	(435,431)
Finance income from financing transactions		9,962	10,291	20,936
Finance costs on financing transactions		(4,118)	(5,893)	(11,485)
Net foreign exchange income/(cost)		697	(10,629)	(42,245)
Operating profit/(loss)	(16)	267,494	318,858	(468,225)
Finance income and dividends received		29,119	56,960	87,963
Finance costs		(112,452)	(150,697)	(282,380)
Equity accounted earnings from investment in associates		22,131	13,951	31,273
Equity accounted earnings from investment in joint ventures		21,809	15,168	23,583
Profit/(loss) before tax	(10)	228,101	254,240	(607,786)
Income tax expense		(72,777)	(89,295)	(145,952)
Profit/(loss) for the period from continuing operations	(6)	155,324	164,945	(753,738)
Discontinued operations				
Profit for the period from discontinued operations		68,538	42,927	80,441
Profit/(loss) for the period	8	223,862	207,872	(673,297)
Other comprehensive income				
<i>Other comprehensive income that may be reclassified subsequently to profit or loss in subsequent periods (net of tax):</i>				
Exchange differences on translation of equity loans [^]		–	(1,527)	–
Exchange differences on translation of foreign operations		(36,565)	40,015	282,417
Changes in the fair value of financial investments and borrowings		1,692	(873)	443
Total comprehensive income/(loss) for the period		188,989	245,487	(390,437)
Profit/(loss) attributable to:				
Owners of the Company - Ordinary shares		183,975	159,734	(761,462)
Non-controlling interests		9,785	6,638	6,700
Preference shareholders - Preference shares		30,102	41,500	81,465
		223,862	207,872	(673,297)
Total comprehensive income/(loss) attributable to:				
Owners of the Company - Ordinary shares		155,377	198,674	(492,287)
Non-controlling interests		3,510	5,313	20,385
Preference shareholders - Preference shares		30,102	41,500	81,465
		188,989	245,487	(390,437)
*The % change is calculated based on the September year on year movement.				
[^] The equity loans form part of the net investment in foreign subsidiaries.				
		cents	cents	cents
Basic earnings per share from continuing operations	(1)	108	109	(787)
Basic earnings per share	15	172	149	(712)
Diluted earnings per share from continuing operations	(1)	108	109	(787)
Diluted earnings per share	15	172	149	(712)

Condensed consolidated headline earnings and earnings per share

	Unaudited six months ended		Unaudited year ended
	30 Sep	30 Sep	31 Mar
Earnings/(loss) per share (cents)	2020	2019	2020
Basic earnings/(loss) per share from continuing operations	108	109	(787)
Basic earnings/(loss) per share	172	149	(712)
Diluted basic earnings/(loss) per share from continuing operations	108	109	(787)
Diluted basic earnings/(loss) per share	172	149	(712)
Headline earnings/(loss) per share from continuing operations	108	109	(17)
Headline earnings per share	172	149	58
Diluted headline earnings/(loss) per share from continuing operations	108	109	(17)
Diluted headline earnings per share	172	149	58
Ordinary shares ('000)			
In Issue	108,495	108,495	108,495
Weighted average	106,953	106,953	106,953
Diluted weighted average	106,953	106,953	106,953
Headline earnings/(loss)	R'000	R'000	R'000
Earnings/(loss)			
Profit/(loss) from continuing operations attributable to owners of the Company	115,437	116,807	(841,903)
Adjusted for profit for the period from discontinued operations	68,538	42,927	80,441
Profit/(loss) attributable to owners of the Company - Ordinary shares	183,975	159,734	(761,462)
Headline adjustments			
Adjustments for:			
Profit on disposal of property, plant and equipment	(79)	(357)	(2,873)
Less: Tax thereon	44	114	745
Less: other shareholders interest thereon	-	-	154
Profit on disposal of investment	-	-	(5,817)
Less: Tax thereon	-	-	1,600
Impairment of goodwill	-	-	639,588
Impairment of property, plant and equipment	-	-	146,594
Impairment of investment property	-	-	49,228
Less: Tax thereon	-	-	(5,724)
Headline earnings adjustments from continuing operations	(35)	(243)	823,495
Profit/(loss) from continuing operations attributable to owners of the Company	115,437	116,807	(841,903)
Headline earnings/(loss) from continuing operations	115,402	116,564	(18,408)
Headline earnings adjustments from discontinued operations	-	(148)	(145)
Profit for the period from discontinued operations	68,538	42,927	80,441
Headline earnings	183,940	159,343	61,888

Condensed consolidated statement of financial position

	Unaudited six months ended		Audited
	30 Sep	30 Sep	year ended
	2020	2019	2020
	R'000	R'000	R'000
ASSETS			
Non-current assets	2,753,872	3,734,562	2,896,774
Property, plant and equipment	1,647,822	1,994,876	1,738,241
Right of use assets	362,079	448,700	423,271
Investment in associates and joint ventures	320,579	242,304	293,136
Financial investments	1,111	1,002	1,178
Goodwill	27,989	662,927	24,847
Other intangible assets	64,584	53,142	77,183
Other financial assets	93,546	99,708	98,113
Deferred tax	236,162	231,903	240,805
Current assets	6,717,407	8,228,179	7,399,961
Inventories	3,229,736	4,739,758	4,221,757
Trade and other receivables	1,468,718	1,847,690	1,874,183
Current portion of financial assets	151,962	681,975	144,522
Current tax assets	47,719	37,450	27,795
Bank and cash balances	1,819,272	921,306	1,131,704
Assets classified as held for sale	1,037,230	–	126,532
Total assets	10,508,509	11,962,741	10,423,267
EQUITY AND LIABILITIES			
Capital and reserves	4,794,653	5,317,476	4,634,517
Equity attributable to the equity holders	4,661,903	5,193,531	4,505,480
Non-controlling interest	132,750	123,945	129,037
Non-current liabilities	2,482,874	3,093,356	3,006,554
Borrowings	1,969,747	2,276,047	2,326,733
Right of use lease liabilities	387,211	461,452	443,430
Finance lease liabilities	67,572	98,853	68,194
Long-term tax liability	–	200,000	100,000
Deferred tax	58,344	57,004	68,197
Current liabilities	2,688,743	3,551,909	2,782,196
Trade, other payables and provisions	1,494,188	2,205,640	1,860,737
Current tax liability	173,008	156,300	146,327
Dividends payable	18,049	39,495	35,058
Borrowings	493,265	721,396	201,620
Right of use lease liabilities	78,467	92,480	86,831
Finance lease liabilities	79,554	56,962	67,265
Financial liabilities	75,130	79,890	75,287
Bank overdrafts	277,082	199,746	309,071
Liabilities associated with assets held for sale	542,239	–	–
Total liabilities	5,713,856	6,645,265	5,788,750
Total equity and liabilities	10,508,509	11,962,741	10,423,267

Condensed consolidated statement of changes in equity

	Unaudited six months ended		Audited year ended
	30 Sep	30 Sep	31 March
	2020	2019	2020
	R'000	R'000	R'000
Share capital, share premium and preference share capital			
Share capital	5,424	5,424	5,424
Share premium	2,653,151	2,653,151	2,653,151
Treasury shares - Balance at the beginning of the period	(49,406)	(49,406)	(49,406)
Treasury shares - Movement for the period	–	–	–
Treasury shares - Balance at the end of the period	(49,406)	(49,406)	(49,406)
Preference shares	750,000	750,000	750,000
Retained earnings			
Balance at the beginning of the period	625,507	1,430,250	1,430,250
Total comprehensive income	215,769	200,360	(679,554)
Transfers between reserves	(233)	(218)	20,969
Adjustment on initial application of IFRS 16, net of tax	–	(66,180)	(62,167)
Ordinary and preference dividends paid	(30,102)	(41,500)	(83,991)
Balance at the end of the period	810,941	1,522,712	625,507
Foreign currency translation reserve			
Balance at the beginning of the period	623,346	354,614	354,614
Total comprehensive income	(30,290)	38,487	268,732
Balance at the end of the period	593,056	393,101	623,346
Other reserves			
Balance at the beginning of the period	(102,542)	(83,492)	(83,492)
Equity-settled share-based payments	1,125	2,443	2,718
Acquisition of non-controlling interests	–	(611)	(611)
Transfers between reserves	233	218	(20,969)
Other reserve movements	(79)	–	(188)
Distributable reserve recognised	–	(9)	–
Balance at the end of the period	(101,263)	(81,451)	(102,542)
Attributable to equity shareholders	4,661,903	5,193,531	4,505,480
Non-controlling interest			
Balance at the beginning of the period	129,037	121,515	121,515
Total comprehensive income	3,510	5,314	20,385
Adjustment on initial application of IFRS 16	–	(235)	(23)
Acquisition of non-controlling interests	–	(433)	(434)
Non-controlling interest arising on the issue of additional share capital in a subsidiary	203	–	1,215
Disposal of subsidiary	–	–	(6,312)
Ordinary and preference dividends paid	–	(2,216)	(7,309)
Balance at the end of the period	132,750	123,945	129,037
Total equity	4,794,653	5,317,476	4,634,517

Condensed consolidated statement of cash flows

	Unaudited six months ended		Audited year ended
	30 Sep 2020 R'000	30 Sep 2019 R'000	31 Mar 2020 R'000
Cash flows from operating activities			
Cash generated from operations	1,108,270	518,124	959,891
Finance costs	(129,481)	(164,118)	(310,337)
Dividends paid to Group shareholders and non-controlling interest	(47,111)	(48,516)	(91,730)
Tax paid	(193,781)	(118,916)	(287,583)
Finance income and dividends received	37,748	68,870	111,124
Net cash inflow from operating activities	775,645	255,444	381,365
Cash flows from investing activities			
Proceeds on sale of property, plant and equipment and other intangible assets	24,016	9,262	28,497
Additions to property, plant and equipment	(24,867)	(119,597)	(168,562)
Additions to intangible assets	(4,380)	(6,625)	(37,857)
Acquisition of business	(5,097)	–	–
Acquisition of non-controlling interest	–	(1,043)	(1,045)
Proceeds on disposal of subsidiaries (including cash and cash equivalents disposed)	–	–	19,130
Funds lent in relation to other financial assets	(3,565)	(24,667)	(6,119)
Payments received from other financial assets	10,945	7,377	2,015
Payments received from financial investments	–	–	593,208
Net cash (outflow)/inflow from investing activities	(2,948)	(135,293)	429,267
Cash flows from financing activities			
Funding received in respect of borrowings	93,919	18,776	550,826
Principal repayment of borrowings and financial liabilities	(117,479)	(126,127)	(1,259,542)
Payment of right of use lease liabilities	(42,421)	(41,479)	(85,365)
Funding received in respect of finance lease liabilities	139,125	35,810	78,380
Repayment of finance lease liabilities	(118,139)	(44,732)	(95,229)
Proceeds from issue of shares to non-controlling interests	203	–	1,215
Net cash (outflow) from financing activities	(44,792)	(157,752)	(809,715)
Net increase/(decrease) in cash and cash equivalents	727,905	(37,601)	917
Cash and cash equivalents at the beginning of the period	822,633	752,475	752,475
Effect of foreign exchange rate movement on cash balance	(8,348)	6,686	69,241
Cash and cash equivalents at the end of the period	1,542,190	721,560	822,633
Cash and cash equivalents			
Bank and cash balances	1,819,272	921,306	1,131,704
Bank overdrafts	(277,082)	(199,746)	(309,071)
Total	1,542,190	721,560	822,633

Other information

	Unaudited six months ended		Audited year ended
	30 Sep	30 Sep	31 Mar
	2020	2019	2020
Net interest-bearing debt:equity ratio (excluding debt secured by investments)*	34%	52%	55%
Net asset value per ordinary share (cents)^	3,728	4,210	3,580
Tangible net asset value per ordinary share (cents)^	3,643	3,550	3,486
Capital expenditure (R'000)	29,247	126,222	206,419

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

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

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

Segment information

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

For the purposes of monitoring segment performance, the impairment of goodwill and intangible assets and the amortisation of intangible assets (excluding computer software) have been represented in the applicable operational segments as the returns on those assets are included in the individual segment results.

Segment information continued

Unaudited six months ended 30 September

	Engineering Solutions	Capital Equipment	Kian Ann Group	Corporate and inter-segment eliminations	Total continuing operations	Discontinued Operations and Asset held for sale *	Total operations
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
2020							
Segment revenue	2,088,383	600,246	708,688	175,102	3,572,419	975,055	4,547,474
Sale of goods	2,086,903	521,509	708,688	154,583	3,471,683	953,556	4,425,239
Rendering of services	1,480	45,529	–	13,228	60,237	21,447	81,684
Rental income	–	33,208	–	7,291	40,499	52	40,551
Operating profit before net finance income on financing transactions and foreign exchange movements	142,829	84,687	24,769	8,668	260,953	99,288	360,241
Profit before tax	76,605	97,118	62,763	(8,385)	228,101	95,050	323,151
Segment assets	4,025,038	1,641,177	2,643,200	1,161,864	9,471,279	1,037,230	10,508,509
Segment liabilities	1,952,730	574,850	779,207	1,864,830	5,171,617	542,239	5,713,856

2019

Segment revenue	2,739,002	666,941	742,086	224,000	4,372,029	911,813	5,283,842
Sale of goods	2,731,317	625,899	742,086	198,624	4,297,926	885,897	5,183,823
Rendering of services	7,685	41,042	–	14,943	63,670	25,916	89,586
Rental income	–	–	–	10,433	10,433	–	10,433
Operating profit before net finance income on financing transactions and foreign exchange movements	219,149	58,126	29,997	17,817	325,089	59,763	384,852
Profit before tax	147,730	71,479	50,202	(15,171)	254,240	59,852	314,092
Segment assets	4,350,940	2,573,984	2,488,379	2,549,438	11,962,741	–	11,962,741
Segment liabilities	1,981,579	1,310,888	847,622	2,505,176	6,645,265	–	6,645,265

Unaudited year ended 31 March

2020							
Segment revenue	5,180,328	1,354,331	1,393,773	339,248	8,267,680	1,769,956	10,037,636
Sale of goods	5,167,461	1,218,087	1,393,773	289,042	8,068,363	1,718,455	9,786,818
Rendering of services	12,867	72,940	–	30,173	115,980	50,265	166,245
Rental income	–	63,304	–	20,033	83,337	1,236	84,573
Operating profit/(loss) before net finance income on financing transactions and foreign exchange movements	(343,050)	27,784	34,507	(154,672)	(435,431)	122,939	(312,492)
Profit before tax	(479,721)	42,044	69,981	(240,090)	(607,786)	111,724	(496,062)
Segment assets	4,094,492	2,349,985	2,699,722	1,152,536	10,296,735	126,532	10,423,267
Segment liabilities	1,998,035	980,244	797,602	2,012,869	5,788,750	–	5,788,750

*Refer to notes 4 and 5 for the split between discontinued operations and assets held for sale.

Notes to the financial information

1. Basis of preparation

The Group's condensed consolidated interim results have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), its interpretations issued by the IFRS Interpretations Committee, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, presentation and disclosure as required by International Accounting Standard (IAS) 34 'Interim financial reporting', the JSE Limited Listings Requirements and the requirements of the Companies Act 71 of 2008 of South Africa. The accounting policies and methods of computation used in the preparation of the condensed consolidated interim results are in terms of IFRS and are consistent in all material respects with those applied in the most recent Annual Financial Statements, except for the IFRS 16 practical expedient on lease concessions which was applied for the first time and which did not have a material impact on the results. There are no other standards and interpretations that have become effective during the period that are applicable to the Group. The condensed consolidated interim results do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 March 2020.

The interim financial results and any forward-looking statements in this announcement have not been reviewed by the external auditors. The Board takes full responsibility for the preparation of this report and for ensuring that the financial information has been correctly prepared.

2. Prepared by

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

3. Events after the reporting date

An agreement, subject to a number of conditions precedent being met was concluded during November 2020 to dispose of the Samrand property classified as an asset held-for-sale at 31 March 2020. The selling price is R140 million, before transaction costs.

The shareholder and competition commission approvals required as part of the disposal of the CEG ("Capital Equipment Group") operating divisions to CNH were received after the reporting date and the transaction is targeted to be effective on 1 January 2021.

The agreements reached with bankers to establish new covenants that accommodate Covid-19 trading conditions, have been revised to reflect the results of the 6-month period and which have exceeded expectations. All covenants were thus met for the period ended 30 September 2020.

Invicta will issue 3 000 000 ordinary shares to the CEO Steven Joffe in terms of a subscription agreement, which will result in an IFRS 2 charge estimated at R7.5million. The share issue was approved at a general meeting on the 27th November 2020.

Notes to the financial information

4. Discontinued operations

An agreement has been reached to dispose of the net assets excluding cash, interest-bearing debt and non-trading assets and liabilities of a number of CEG's ("Capital Equipment Group") operating divisions to CNH. CNH is the principal in respect of the CASE product which CEG imports and distributes in South Africa. The transaction is subject to both shareholder and competition Commission approval amongst other conditions, and is targeted to be effective on 1 January 2021 at a purchase consideration equal to the tangible net asset value of the operations on the effective date, excluding interest bearing debt and cash, plus an additional US\$6 million goodwill payable in 3 equal instalments over a three-year period. The transaction became highly probable on 1 July 2020 and has therefore been disclosed as a discontinued operation.

	%change*	Unaudited six months ended		Unaudited year ended
		30 Sep	30 Sep	31 March
		2020	2019	2020
		R'000	R'000	R'000
Profit for the period from discontinued operations				
Revenue	7	975,055	911,813	1,769,956
Gross profit		222,383	188,392	385,439
Operating profit before net finance income on financing transactions and foreign exchange movements	66	99,288	59,763	122,939
Finance income from financing transactions		732	980	2,007
Finance costs on financing transactions		(369)	(596)	(1,164)
Net foreign exchange cost		(1,465)	3,656	(5,024)
Operating profit	54	98,186	63,803	118,758
Finance cost		(3,136)	(3,951)	(7,365)
Finance income and dividends received		–	–	331
Profit before tax	59	95,050	59,852	111,724
Attributable income tax		(26,512)	(16,925)	(31,283)
Total profit for the period from discontinued operations	60	68,538	42,927	80,441
		cents	cents	cents
Basic earnings per share from discontinued operations	60	64	40	75
Diluted earnings per share from discontinued operations	60	64	40	75

*The % change is calculated based on the September year on year movement.

	Unaudited six months ended		Unaudited year ended
	30 Sep	30 Sep	31 March
	2020	2019	2020
	R'000	R'000	R'000
Cashflows from discontinued operations			
Net cash inflows from operating activities	209,928	101,382	102,140
Net cash outflows from investing activities	(481)	(2,163)	(2,375)
Net cash outflows from financing activities	(10,364)	(2,598)	(8,302)
Net cash increase attributable to discontinued operations	199,083	96,621	91,463

The cash on hand at the effective date generated by the discontinued operations will remain within the group.

Notes to the financial information

4. Discontinued operations (continued)

	Unaudited six months ended	Audited year ended
	30 Sep	31 March
	2020	2020
	R'000	R'000
Assets classified as held for sale	1,037,230	126,532
Liabilities associated with assets classified as held for sale	(542,239)	–
Property, plant and equipment	14,133	–
Investment property*	126,532	126,532
Right of use assets	15,569	–
Other financial assets	10,984	–
Inventories	657,873	–
Trade and other receivables	212,139	–
Assets classified as held for sale	1,037,230	126,532
Right of use liabilities	21,399	–
Finance lease liabilities	10,056	–
Trade and other payables and provisions	510,784	–
Liabilities associated with assets classified as held for sale	542,239	–
Net assets classified as held for sale	494,991	126,532

* Refer to note 5 for further information on the investment property classified as an asset held for sale.

5. Asset held for sale

During the prior year the directors initiated a plan to dispose of the Samrand property, as the property is no longer occupied by a Group company and thus no longer forms part of the core business or strategic property holdings of the Group. The Group mandated a number of agents to market and dispose of the property on its behalf. The Group is marketing the property at the carrying value which is deemed to be a reasonable sales price to enable a sale within the short term (12 months).

	Unaudited six months ended	Audited year ended
	30 Sep	31 March
	2020	2020
	R'000	R'000
Investment property	126,532	126,532
Assets classified as held for sale	126,532	126,532

Notes to the financial information

6. Reconciliation of profit before tax to cash generated from operations

	Unaudited six months ended		Audited year ended
	30 Sep	30 Sep	31 March
	2020	2019	2020
	R'000	R'000	R'000
Profit before tax from continuing and discontinued operations	323,151	314,092	(496,062)
<i>Adjusted for:</i>			
Depreciation and amortisation	128,804	128,878	251,964
Impairment of assets	–	–	835,410
Expected credit loss on receivables	–	–	17,456
Exchange difference on translating capitalised loans	–	(1,527)	–
Revaluation of profit share liability	–	–	(5,527)
Valuation of derivatives	556	–	(33,533)
Prescription of dividend liability	–	–	(11,775)
Lease receivables smoothing	1,788	(948)	–
Net profit on disposal of assets	(79)	(562)	(15,416)
Net profit on termination of right of use leases	(2,555)	–	–
Finance costs	116,570	161,137	302,394
Finance income and dividend received	(39,081)	(68,231)	(111,237)
Net share of profits of associates and joint ventures	(35,829)	(20,651)	(37,184)
Distributable reserve recognised	(79)	(9)	(188)
Share appreciation rights issued - equity settled	1,125	2,443	2,718
Cash generated before movements in working capital	494,371	514,622	699,020
Working capital changes	613,899	3,502	260,871
Decrease/(increase) in inventories	310,148	(27,021)	438,974
Decrease/(increase) in trade and other receivables	180,678	5,486	(327)
Increase/(decrease) in trade and other payables and provisions	143,978	12,715	(163,569)
(Increase)/decrease in finance lease receivables	(20,905)	12,322	(14,207)
Cash generated from operations	1,108,270	518,124	959,891

7. Tax paid

	Unaudited six months ended		Audited year ended
	30 Sep	30 Sep	31 March
	2020	2019	2020
	R'000	R'000	R'000
Amounts unpaid at the beginning of the year	(218,532)	(329,288)	(329,288)
Recognised in profit or loss	(100,538)	(108,478)	(176,979)
Derecognised on disposal of subsidiary	–	–	152
Amounts unpaid at the end of the period	125,289	318,850	218,532
Total	(193,781)	(118,916)	(287,583)
Comprising:			
Payment of specific tax expense	(100,000)	–	(100,000)
Normal tax paid	(93,781)	(118,916)	(187,583)
Total	(193,781)	(118,916)	(287,583)

Notes to the financial information

8. Fair value disclosure

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

The levels are classified as follows:

Level 1 – fair value is based on quoted prices in active markets for identical financial assets or liabilities

Level 2 – fair value is determined using directly observable inputs other than Level 1 inputs

Level 3 – fair value is determined on inputs not based on observable market data

	Unaudited six months ended 30 September				
	2020	Valuation technique(s) and key inputs	Level 1	Level 2	Level 3
Financial assets at fair value					
Put option asset*	3,993	3	–	–	3,993
Call option asset*	30,970	3	–	–	30,970
Financial investments - unlisted securities**	1,114	4	–	–	1,114
Financial liabilities at fair value					
Other financial liabilities^	75,130	3	–	–	75,130
Derivative foreign exchange contract liability	2,302	1	–	2,302	–

	Valuation technique(s) and key inputs				
	2019	Valuation technique(s) and key inputs	Level 1	Level 2	Level 3
Financial assets at fair value					
Derivative forward exchange contract asset	22,909	1	–	22,909	–
Financial investments - unlisted securities**	1,003	4	–	–	1,003
Financial liabilities at fair value					
Other financial liabilities^	79,890	2	–	–	79,890
Derivative foreign exchange contract liability	136	1	–	136	–

	Audited year ended 31 March				
	2020	Valuation technique(s) and key inputs	Level 1	Level 2	Level 3
Financial assets at fair value					
Derivative forward exchange contract asset	40,741	1	–	40,741	–
Put option asset*	4,063	3	–	–	4,063
Call option asset*	31,510	3	–	–	31,510
Financial investments - unlisted securities**	1,181	4	–	–	1,181
Financial liabilities at fair value					
Other financial liabilities^	75,287	2	–	–	75,287
Derivative foreign exchange contract liability	26	1	–	26	–

Valuation technique(s) and key inputs:

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

Notes to the financial information

8. Fair value disclosure (continued)

* The movement in the put option asset and call option asset recognised between reporting periods is due to the impact of foreign exchange variances. The foreign exchange impact has been recognised as an exchange difference on translation of foreign operations in other comprehensive income.

** The movement in the financial investment in unlisted securities recognised between reporting periods is due to the impact of foreign exchange variances. The foreign exchange impact has been recognised as an exchange difference on translation of foreign operations in other comprehensive income.

^ The movement in other financial liabilities recognised between reporting periods is due to the revaluation of the liability. The impact has been recognised in selling, administration and distribution costs in the statement of profit or loss.

No transfers of level 3 financial assets and liabilities at fair value have taken place during the reporting period.

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

Preference share cash dividend

Notice is hereby given that the Directors of the Company have declared a gross cash dividend on 9 November 2020 of 314.88134 cents per preference share, for the period from Saturday 13 June 2020 to Monday 9 November 2020. Dividends are to be paid out of distributable reserves.

- Dividends tax "DT" of 20% will be withheld in terms of the Income Tax Act for those shareholders who are not exempt from the DT;
- Accordingly, shareholders who are not exempt from DT will receive a net dividend of 251.90507 cents per preference share;
- Invicta Holdings Limited has 7 500 000 preference shares in issue; and
- Invicta Holdings Limited's income tax reference number is 9400/012/03/6.

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

Last day of trade to receive a dividend	Tuesday, 24 November 2020
Shares commence trading "ex" dividend	Wednesday, 25 November 2020
Record date	Friday, 27 November 2020
Payment date	Monday, 30 November 2020

Share certificates may not be dematerialised or rematerialised between Wednesday, 25 November 2020 and Friday, 27 November 2020, both days inclusive.

Ordinary share cash dividend

The board has resolved not to declare an interim dividend given the possibility of a second wave of Covid-19 infections, following the trend seen in Europe and North America. The normal dividend policy (of a total dividend cover ratio of 3.5 times at interim adjusted to 2.75 times at year end) should be resumed once this risk has passed and conditions have stabilized.

By order of the board



L Dubery
Group company secretary

Johannesburg
26 November 2020

Date of publication: 30 November 2020

Invicta Holdings Limited
Registration number 1966/002182/06
Ordinary Share code: IVT Ordinary Share ISIN ZAE000029773
Preference Share code: IVTP Preference Share ISIN: ZAE000173399
("Invicta" or the "Company" or the "Group")

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Transfer secretaries: Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196. Private Bag X9000, Saxonwold, 2132, South Africa
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Directors: Dr CH Wiese* (Chairman), SB Joffe (Chief Executive Officer), C Barnard, N Rajmohamed, GM Pelsler, B Nichles* (Resigned 1 May 2020), DI Samuels^ (Resigned 31 July 2020), LR Sherrell*, AM Sinclair, RA Wally^, Adv JD Wiese*, PM Makwana^ (Appointed 1 May 2020), I Van Heerden* (Appointed 1 May 2020), F Davidson^ (Appointed 1 May 2020)

* Non-executive ^ Independent non-executive

Group company secretary: L Dubery



