



Executive review of our performance

Overview of the period

The Invicta Holdings Limited Group (“Invicta” or the “Group”) has produced a commendable profit for the six months of R276 million on a revenue of R3,57 billion with a gross profit percentage of 31%, down from the comparative period of 33%. This can be primarily attributed to the sale of certain branches to third party Broad-Based Black Economic Empowerment (“B-BBEE”) distributors where a recovery was made in sundry income, which together with additional inventory provisions accounting for 1% of this difference. The further 1% is attributable to additional logistics and product costs resulting in margin compression, the latter should normalise over the short to medium term.

The operating environment required adapting to various levels of Covid restrictions, responding to the July civil unrest, the volatility of raw material supplies which impacted lead times and availability of products sold by the Group, as well as disruptions relating to shipping and logistics. Notwithstanding this, the Group has delivered an excellent operating profit before net finance income on financing transactions and foreign exchange movements, 55% higher than the comparative period. This result has validated the tough decisions and decisive action taken in the prior period to reduce overheads and debt. While we do not note any specific Covid impact on the results, efforts are underway to mitigate the impact of Covid on some suppliers and related supply chains while monitoring trading levels and potential Covid threats in key markets.

This operating profit of R368 million includes R28.6 million profit from the disposal of the controlling interest in the wholly owned Kian Ann Group “KAG”, and R12 million from the disposal of branches. The KAG disposal has resulted in recognition of KAG as an equity accounted joint venture, effective 1 August 2021. This disposal is covered in more detail below under the KAG segment. The civil unrest in the country during July 2021 resulted in theft, destruction, and loss of life, which has sadly led to the hardship and insecurity experienced by many fellow South Africans. The Group took steps to safeguard staff and property, including the closure of operations for several days. The KwaZulu-Natal region was hardest hit, and the Group chartered flights to get emergency supplies of food, nappies, and medicine to staff in the area. The cost of looting and emergency measures undertaken is estimated at only R2 million while the disruptive impact on profits is estimated at R14 million.

The continued focus on cost control and working capital has resulted in net cash from operating activities of R549 million, which exceeds Invicta’s investing and financing activities resulting in a closing net cash of R1 086 million. Continued efforts to settle debt has brought the net interest-bearing debt: equity ratio to a record low of 11%.

Group performance

Operational overview

Operations comprise:

- ESG (Engineering Solutions Group) – Wholesalers of engineering consumables, tools & equipment, and belting, supported by technical services.
- CEG (Capital Equipment Group) – Suppliers of earth moving equipment, forklifts, and spare parts.
- KAG (Kian Ann Group) – distributor of heavy machinery parts and diesel engine components, based in Singapore with activities in Asia (China in particular), North America and the United Kingdom.

ESG

ESG adapted swiftly to Covid conditions following the tough decisions taken to review and re-set the levels of working capital, overheads and capital expenditure.

Revenue was 19% higher than the comparative prior period at R2.5 billion.

Operating profit before net finance income on financing transactions and foreign exchange movements increased by 58% to R225 million. Profitability relative to revenue at this level was 9% compared to 7% in the comparative period, and 8% in the six months ended 30 September 2019. This reflects the sustained benefits achieved from the rightsizing measures taken which included rationalising both the branch network and workforce.

The ESG results are extremely pleasing in the context of a subdued economy where the mining, construction and engineering sectors have not returned to pre-Covid levels.

The route to market has continued to receive close attention, through the BMG e-commerce initiative as well as the direct delivery to customers from the central warehouse and logistics hub in Johannesburg.

The current focus area is on the development of a sustainable BMG e-commerce and distribution business model in China.

CEG

CEG has maintained its consistent record of strong performance and delivered revenue of R757 million. This marks a 26% increase over the comparative prior period and is 13% higher than the revenue achieved for the six months ended 30 September 2019. Profitability before tax at R109 million was 12% higher year-on-year.

Executive review of our performance (continued)

CEG (continued)

These results were achieved despite global supply issues and escalating costs. A shortage of capital equipment inventory has resulted in customers having to retain their current equipment for longer periods, resulting in the demand for spare parts increasing. It is anticipated that demand will remain consistent, with some tapering off toward the holiday season. Future performance is dependent on the sustained supply of capital equipment and spare parts inventory from abroad.

KAG

The KAG transaction was a key focus area during the period under review. The disposal of a 51.19% interest in KAG generated cash proceeds and a dividend of R437 million and was part of the Group's strategy to realise part of its investment in KAG. The second part of the Group strategy was to increase KAG's interests in the roller manufacturing operation (Kunshan Kensetsu Buhin Co. Ltd. "KKB") and in the product distribution operations in both the USA and Canada (Modesty Investment Group Pte. Ltd. "MIH"), to 100%, as these have been identified as growth areas.

The profit from discontinued operations of R385 million comprises the 'fair value gain on the remeasurement of joint ventures' which amounted to R372 million, with the balance of R12 million relating to the income until 1 August 2021, when the KAG transaction became effective.

The KAG profit for four months is shown as "profits from discontinued operations" amounting to R30 million, after adjusting for the remeasurement gain and the put and call options. Thereafter the KAG result is disclosed as equity accounted earnings from investment in joint venture and contributed R21.5 million for the final two months till end September 2021.

The total contribution of KAG for the period under review is therefore R51 million, compared to a comparative prior period of R53 million.

This transaction has created a lower investment with a carrying value of R1 226 million compared to the fair value of the asset as held for sale on 31 March 2021 of R1 868 million, improving the return of investment going forward.

Strategic focus and prospects

The Group's strategic focus is now on establishing appropriate net debt levels and covenant ratios, optimising the return on equity, simplifying the Group structure and continuing the focus on key operational areas.

The Group is now perfectly positioned to explore new growth opportunities, with several projects being under review. The most significant is the acquisition of a controlling interest in Dartcom SA. The Dartcom Group is one of the foremost distributors of communication and renewable energy technology equipment and solutions both in South Africa and across the African continent. The Dartcom Group has an experienced workforce that operates the business' accredited manufacturing and distribution facilities. The business has aligned itself with leading global telecommunication and power solutions brands, thus enabling it to provide its customers with the best of breed products and services across the continent. This acquisition brings diversification into areas that have been identified as growth markets.

While it is expected that the Covid-related supply chain challenges and product shortages will persist in the short to medium term, the Group's resilience is evident in the form of its relatively low levels of debt and lean overhead structure. It is thus well-positioned to face these challenges while still taking advantage of growth opportunities. Management continues to recognise the strengths of the current businesses that ranks Invicta as 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 auditor.

Changes to the board and board committees

There have been no changes during the period under review.

Ordinary dividend policy

The board intends paying dividends on an annual basis at financial year end, by applying a cover ratio between 2.75 and 3.25 times on sustainable earnings. It is anticipated from next year that the payment of an interim dividend will resume.

Appreciation

The board extends its gratitude to management and staff who have demonstrated operational excellence and personal commitment in the performance of their duties.

The board is confident management will continue to explore and focus on those strategic areas which have been identified as being able to deliver sustainable value to all stakeholders.

Condensed consolidated statement of profit or loss and other comprehensive income

			Unaudited six months ended		Audited year ended
			30 Sep	30 Sep **	31 March
			2021	2020	2021
	Change				
	Notes	% *	R'000	R'000	R'000
Continuing operations					
Revenue	4	25	3,574,242	2,865,298	6,251,484
Cost of sales			(2,481,915)	(1,916,362)	(4,259,699)
Gross profit			1,092,327	948,936	1,991,785
Expected credit losses reversed /(recognised) on trade receivables			1,676	(15,125)	(1,904)
Expected credit losses reversed on loans and receivables			614	–	8,643
Selling, administration and distribution costs			(726,647)	(695,657)	(1,413,349)
Operating profit before net finance income on financing transactions and foreign exchange movements	55		367,970	238,154	585,175
Finance income from financing transactions			7,037	9,962	19,160
Finance costs on financing transactions			(3,896)	(3,974)	(7,999)
Foreign exchange gains			61,275	70,999	241,549
Foreign exchange losses and costs			(50,168)	(71,298)	(245,408)
Operating profit	5	57	382,218	243,843	592,477
Finance costs			(55,266)	(107,050)	(194,526)
Dividends received			1,465	–	2,230
Equity-accounted earnings from investment in associates			2,048	3,621	3,862
Equity-accounted earnings from investment in joint venture	10		21,573	–	–
Finance income			15,668	27,551	53,482
Profit before tax		119	367,706	167,965	457,525
Income tax expense	6		(91,405)	(65,739)	(160,686)
Profit for the period from continuing operations		170	276,301	102,226	296,839
Discontinued operations					
Profit for the period from discontinued operations	8		385,330	121,636	79,233
Profit for the period	196		661,631	223,862	376,072
Other comprehensive income					
<i>Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods (net of tax):</i>					
Exchange differences on translation of foreign operations			32,388	(36,565)	(251,103)
Changes in the fair value of financial investments and borrowings			–	1,692	1,410
Total comprehensive income for the period			694,019	188,989	126,379

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

** Restated refer to note 8.

Condensed consolidated statement of profit or loss and other comprehensive income

			Unaudited six months ended		Audited year ended
			30 Sep	30 Sep **	31 March
Change			2021	2020	2021
Notes	% *		R'000	R'000	R'000
Profit attributable to:					
Owners of the company - Ordinary shares (continuing)			232,292	62,339	228,794
Owners of the company - Ordinary shares (discontinued operations)			385,330	121,636	79,233
Non-controlling interests			16,301	9,785	9,595
Preference shareholders - Preference shares			27,708	30,102	58,450
			661,631	223,862	376,072
Total comprehensive income/(loss) attributable to:					
Owners of the company - Ordinary shares (continuing)			261,524	33,741	(11,644)
Owners of the company - Ordinary shares (discontinued operations)			385,330	121,636	79,233
Non-controlling interests			19,457	3,510	340
Preference shareholders - Preference shares			27,708	30,102	58,450
			694,019	188,989	126,379
			cents	cents	cents
Basic earnings per share from continuing operations			7 264 211	58	212
Basic earnings per share (cents)			7 227 562	172	285
Diluted earnings per share from continuing operations			7 255 206	58	206
Diluted earnings per share (cents)			7 218 547	172	277

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

** Restated refer to note 8.

Condensed consolidated statement of financial position

		Unaudited six months ended		Audited year ended
		30 Sep	30 Sep	31 March
		2021	2020	2021
		R'000	R'000	R'000
Notes				
ASSETS				
Non-current assets				
Property, plant and equipment		975,417	1,647,822	887,574
Investment property		116,198	–	116,198
Right of use assets		225,874	362,079	245,782
Financial investments		994	1,111	972
Goodwill		3,391	27,989	3,391
Other intangible assets		27,526	64,584	41,539
Finance lease receivables		32,754	83,731	75,915
Loans and receivables	9	129,078	5,822	112,431
Derivatives		6,813	3,993	6,205
Investments in associates		41,115	197,597	8,059
Investment in joint venture	10	1,285,310	122,982	–
Deferred tax		166,531	236,162	174,842
		3,011,001	2,753,872	1,672,908
Current assets				
Inventories		2,172,929	3,229,736	2,149,182
Trade and other receivables		1,167,467	1,468,718	1,102,727
Finance lease receivables		66,170	111,665	85,946
Loans and receivables	9	5,847	9,324	110,939
Financial assets		–	30,970	–
Financial investments		–	3	–
Current tax assets		71,236	47,719	32,498
Bank and cash balances		1,139,561	1,819,272	896,900
		4,623,210	6,717,407	4,378,192
Assets classified as held for sale		132,783	1,037,230	2,623,205
Total assets		7,766,994	10,508,509	8,674,305

Condensed consolidated statement of financial position

		Unaudited six months ended		Audited year ended
		30 Sep	30 Sep	31 March
		2021	2020	2021
		R'000	R'000	R'000
Notes				
EQUITY AND LIABILITIES				
Capital and reserves				
		5,574	5,424	5,574
Ordinary share capital				
Share premium		2,679,310	2,653,151	2,679,310
Treasury shares		(71,024)	(49,406)	(49,406)
Preference shares		750,000	750,000	750,000
Other reserves		(31,551)	(101,263)	(98,147)
Foreign currency translation reserve	15	(138,660)	593,056	381,498
Retained earnings		1,412,720	810,941	931,823
Equity attributable to owners of the Company				
		4,606,369	4,661,903	4,600,652
Non-controlling interest		59,074	132,750	125,436
Shareholders' equity				
		4,665,443	4,794,653	4,726,088
LIABILITIES				
Non-current liabilities				
Borrowings	11	655,901	1,969,747	737,634
Right of use lease liabilities		213,742	387,211	237,632
Finance lease liabilities		56,571	67,572	46,286
Deferred tax		27,615	58,344	24,716
		953,829	2,482,874	1,046,268
Current liabilities				
Trade and other payables		1,205,951	1,367,745	1,074,980
Provisions		104,460	126,443	139,421
Current tax liability		36,078	173,008	16,807
Dividends payable		17,708	18,049	27,230
Borrowings	11	527,534	493,265	548,836
Right of use lease liabilities		70,132	78,467	71,761
Finance lease liabilities		55,181	79,554	69,917
Financial liabilities		77,480	75,130	79,624
Bank overdrafts		53,198	277,082	253,926
		2,147,722	2,688,743	2,282,502
Liabilities associated with assets held for sale		–	542,239	619,447
Total liabilities		3,101,551	5,713,856	3,948,217
Total equity and liabilities		7,766,994	10,508,509	8,674,305

Condensed consolidated statement of changes in equity

	Notes	Unaudited six months ended		Audited
		30 Sep	30 Sep	year ended
		2021	2020	2021
		R'000	R'000	R'000
Share capital				
Balance at the beginning of the year		5,574	5,424	5,424
Ordinary shares issued		–	–	150
Balance at the end of the year		5,574	5,424	5,574
Share premium				
Balance at the beginning of the year		2,679,310	2,653,151	2,653,151
Ordinary shares issued		–	–	26,159
Balance at the end of the year		2,679,310	2,653,151	2,679,310
Treasury shares				
Balance at the beginning of the year		(49,406)	(49,406)	(49,406)
Treasury shares purchased		(21,618)	–	–
Balance at the end of the year		(71,024)	(49,406)	(49,406)
Preference shares		750,000	750,000	750,000
Retained earnings				
Balance at the beginning of the period		931,823	625,507	625,507
Total comprehensive income		645,330	215,769	367,887
Treasury shares purchased		(5,285)	–	–
Transfers between reserves		3,618	(233)	(257)
Disposal of subsidiary	15	(69,086)	–	(611)
Ordinary dividends paid		(65,972)	–	(2,253)
Preference dividends paid		(27,708)	(30,102)	(58,450)
Balance at the end of the period		1,412,720	810,941	931,823
Foreign currency translation reserve				
Balance at the beginning of the period		381,498	623,346	623,346
Disposal of subsidiary	15	(549,390)	–	–
Total comprehensive income		29,232	(30,290)	(241,848)
Balance at the end of the period		(138,660)	593,056	381,498
Other reserves				
Balance at the beginning of the period		(98,147)	(102,542)	(102,542)
Equity-settled share appreciation rights issued		3,051	1,125	3,565
Acquisition of non-controlling interests		(6,342)	–	–
Disposal of subsidiary	15	69,086	–	611
Other reserve movements		(43)	(79)	(38)
Transfers between reserves		844	233	257
Balance at the end of the period		(31,551)	(101,263)	(98,147)
Attributable to equity shareholders		4,606,369	4,661,903	4,600,652
Non-controlling interest				
Balance at the beginning of the period		125,436	129,037	129,037
Total comprehensive income		19,457	3,510	340
Disposal of subsidiary	15	(287,455)	–	2,842
Transfers between reserves		(4,462)	–	–
Acquisition of non-controlling interests		(2,820)	203	203
Non-controlling interest arising on the issue of additional share capital in a subsidiary		209,427	–	–
Ordinary dividends paid		(509)	–	(6,986)
Balance at the end of the period		59,074	132,750	125,436
Total equity		4,665,443	4,794,653	4,726,088

Condensed consolidated statement of cash flows

		Unaudited six months ended		Audited year ended
		30 Sep	30 Sep	31 Mar
		2021	2020	2021
	Notes	R'000	R'000	R'000
Cash flows from operating activities				
Cash generated from operations	12	783,183	1,108,270	1,856,936
Finance costs		(54,289)	(129,481)	(207,204)
Finance cost on financing transactions		(4,465)	–	(6,683)
Dividends paid to Group shareholders		(103,358)	(47,111)	(68,375)
Dividends paid to non-controlling interests		(509)	–	(6,986)
Tax paid	13	(97,052)	(193,781)	(425,521)
Finance income and dividend received		18,872	37,748	55,271
Finance income from financing transactions		7,037	–	19,160
Net cash inflow from operating activities		549,419	775,645	1,216,598
Cash flows from investing activities				
Proceeds on sale of property, plant and equipment and		8,089	24,016	43,943
Additions to property, plant and equipment		(94,643)	(24,867)	(118,473)
Additions to intangible assets		(1,383)	(4,380)	(7,175)
Acquisition of subsidiaries and businesses	14	(1,089)	(5,097)	–
Acquisition of associate		(30,925)	–	–
Cash (outflow)/proceeds on disposal on subsidiaries and businesses including cash and cash equivalents disposed)	15	(292,490)	–	84,221
Dividend received from joint venture		20,091	–	–
Funds lent in relation to loans and receivables		(100)	(3,565)	(10,400)
Payments received from loans and receivables		104,899	10,945	5,189
Net cash outflow from investing activities		(287,551)	(2,948)	(2,695)
Funding received in respect of borrowings		262,838	93,919	208,654
Principal repayment of borrowings		(343,887)	(117,479)	(1,123,277)
Funding received in respect of finance lease liabilities		67,012	139,125	120,190
Repayment of finance lease liabilities		(70,904)	(118,139)	(126,728)
Payment of right of use lease liabilities		(39,216)	(42,421)	(83,135)
Ordinary shares issued		–	–	26,309
Treasury shares acquired		(26,903)	–	–
Acquisition of non-controlling interest		(9,162)	203	203
Proceeds from issue of shares to non-controlling interests		1,790	–	–
Net cash outflow from financing activities		(158,432)	(44,792)	(977,784)
Net increase in cash and cash equivalents		103,436	727,905	236,119
Cash and cash equivalents at the beginning of the period		998,966	822,633	822,633
Effect of foreign exchange rate movement on cash		(16,039)	(8,348)	(59,786)
Cash and cash equivalents at the end of the period		1,086,363	1,542,190	998,966
Cash and cash equivalents				
Bank and cash balances		1,139,561	1,819,272	896,900
Bank overdrafts		(53,198)	(277,082)	(253,926)
Cash and cash equivalents		1,086,363	1,542,190	642,974
Cash and cash equivalents classified as held for sale		–	–	355,992
Total		1,086,363	1,542,190	998,966

Other information

	Unaudited six months ended		Audited year ended
	30 Sep	30 Sep	31 Mar
	2021	2020	2021
Net interest-bearing debt:equity ratio	11%	34%	23%
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) / capital and reserves.			
Net asset value per ordinary share (cents)	3,512	3,728	3,566
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 (cents)	3,484	3,643	3,526
Tangible net asset value per ordinary share represents the ordinary shareholders share in the tangible net assets of the Group			
Capital expenditure (R'000)	96,026	29,247	125,648

Bank covenants

	Limit	Achieved 30 Sep 2021
Net debt to EBITDA ratio	3.0 <	0.69
Interest cover ratio	3.5 >	8.70

Segment information

The Group has the following reportable operational segments:

Reportable segment	Operations
Engineering Solutions Group (ESG)	Wholesalers of engineering consumables, tools & equipment and belting, supported by technical services.
Capital Equipment Group (CEG)	Suppliers of earth moving equipment, forklifts and parts.
Kian Ann Group (KAG): held-for-sale and discontinued to 31 July 2021.	Distributors of heavy machine parts, diesel engine components and bus and truck parts.
Thereafter it is recognised as an equity accounted joint venture.	
Corporate Group	Comprises MacNeil Plastics and the Group financing, investment holding, property and support service operations.

All segments are operating within South-Africa, Asia and some parts of Africa and Europe.

Monthly operating segment results are reviewed by the Group Executive Committee and this forms the basis for executive interventions and resource allocations.

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 Assets held for sale	Total operations
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
2021							
Segment revenue	2,483,880	756,765	—	333,597	3,574,242	461,233	4,035,475
Sale of goods	2,481,354	605,172	—	312,788	3,399,314	461,233	3,860,547
Rendering of services	2,526	48,791	—	—	51,317	—	51,317
Rental income	—	102,802	—	20,809	123,611	—	123,611
Operating profit before net finance income on financing transactions and foreign exchange	225,043	92,080	—	50,847	367,970	384,051	752,021
Profit before tax	183,159	108,976	21,573	53,998	367,706	390,892	758,598
Segment assets	3,839,237	1,266,563	1,285,310	1,243,101	7,634,211	132,783	7,766,994
Segment liabilities	1,581,081	509,046	—	1,011,424	3,101,551	—	3,101,551

2020							
Segment revenue	2,088,383	600,246	—	176,669	2,865,298	1,682,176	4,547,474
Sale of goods	2,086,903	521,509	—	156,150	2,764,562	1,660,677	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	—	8,668	236,184	124,057	360,241
Profit/(loss) before tax	76,605	97,118	—	(8,385)	165,338	157,813	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

Audited year ended 31 March

2021							
Segment revenue	4,520,988	1,271,683	—	458,813	6,251,484	2,937,355	9,188,839
Sale of goods	4,517,385	1,160,024	—	430,550	6,107,959	2,901,340	9,009,299
Rendering of services	3,603	38,092	—	10,658	52,353	35,963	88,316
Rental income	—	73,567	—	17,605	91,172	52	91,224
Operating profit/(loss) before net finance income on financing transactions and foreign exchange movements	375,359	234,395	—	(24,577)	585,177	70,060	655,237
Profit/(loss) before tax	244,454	248,019	—	(34,948)	457,525	128,463	585,988
Segment assets	3,715,979	1,354,114	—	981,007	6,051,100	2,623,205	8,674,305
Segment liabilities	1,808,854	545,009	—	974,907	3,328,770	619,447	3,948,217

* Restated refer to note 8.

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. 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 2021.

The Directors have reviewed the Group's performance and forecasts, as well the level of covenant compliance and the results of liquidity & solvency tests. They consider it appropriate that the group's interim results be prepared on the going concern basis.

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

Dartcom SA Proprietary Limited

A SENS was issued on the 7th October 2021 announcing the heads of agreement entered into with Tuludi Capital Proprietary Limited, to purchase a majority shareholding in Dartcom SA Proprietary Limited whereby Invicta will acquire, whether directly or indirectly for a total purchase consideration of approximately R570 million:

- Tuludi's 78.03% shareholding in the Dartcom Group;
- all of the shares in and claims against Kgalauwane 2 Proprietary Limited which holds two properties key to the Dartcom Group's operations via Kgalauwane; and
- the relevant individual ECNS and ECS Independent Communications Authority of South Africa ("ICASA") licenses held by Tuludi (collectively the "Transaction").

The conditions precedent including Competition Commission approval remain outstanding.

NUMSA strike

On 5 October 2021, members affiliated to the National Union of Metalworkers of South Africa ("NUMSA") embarked on a strike demanding increased salaries. The strike ended on 21 October 2021. ESG was impacted over the 13 business days of strike action as the majority of ESG was unable to operate at full capacity. Manufacturing facilities were closed for the duration of the strike and increased security measures were taken to protect staff and limit any damages to property. Management has estimated ESG's operating profits post the reporting period have been negatively impacted by approximately R18 million, through lost sales and additional security costs, offset by decreased wages through a "no work no pay" policy applied.

Notes to the financial information

3. Events after the reporting date (continued)

Disposal of 100% shareholding in Rustenburg Engineering and Foundry Proprietary Limited

On 12 November 2021, the Group ("the seller") approved and entered a Sale of Shares Agreement ("the agreement") for the disposal of its 100% shareholding in Rustenburg Engineering and Foundry Proprietary Limited for a discounted purchase consideration of R9 million effective 1 October 2021. Rustenburg Engineering and Foundry Proprietary Limited is reported in the ESG segment and its net asset value at 30 September 2021 is R14 million.

The purchase consideration of R9 million was partially settled with R3 million received on 12 November 2021 and the outstanding balance is payable in eight equal monthly instalments with the option to be settled at an earlier date. Any outstanding instalment or balance outstanding on 31 March 2022, attracts interest at the prime rate plus 3%. Amongst other protections, the shares are pledged as security to the seller until the outstanding purchase consideration is settled in full.

The disposal group has not been classified as held for sale as at 30 September 2021 as the criteria for such classification was met after the reporting period, once the disposal was considered to be highly probable on 12 November 2021 following approval by the board.

Samrand property

The group has received a further non-refundable deposit of R4million subsequent to the reporting date. A further R1million is due by 17 November 2021 bringing the total non-refundable deposit to R15million.

Facilities

The Group has reached agreement in principle on the increase of its revolving credit facilities to R1.5billion. The agreements and relevant terms are currently being finalized.

Notes to the financial information

4. Revenue

	Unaudited six months ended		Audited
	30 Sep	30 Sep	Year ended
	2021	2020	2021
	R'000	R'000	R'000
Type of products and service			
<i>Revenue from contracts with customers</i>			
Sale of goods	3,399,313	2,786,061	6,107,959
-Equipment and parts	606,943	540,318	1,157,272
-Engineering consumables and tools	2,563,772	2,086,354	4,618,100
-Plastic pipe ware and hardware	228,598	159,389	332,587
Rendering of services	53,571	38,790	52,353
	3,452,884	2,824,851	6,160,312
Other revenue			
Rental income	121,358	40,447	91,172
External revenue	3,574,242	2,865,298	6,251,484
Timing of revenue recognition			
Goods and services transferred at a point in time	3,401,840	2,800,770	6,122,220
Services transferred over time	51,044	24,081	38,092
Rental income	121,358	40,447	91,172
External revenue	3,574,242	2,865,298	6,251,484

Geographical sales

South African operations and other African operations comprise 86% and 11% of Group revenue respectively, with the remaining 3% being operations in Europe.

5. Operating profit from operations

Operating profit from operations includes the following:

Income			
Profit on disposal of property, plant and equipment	2,683	408	1,996
Profit on disposal of investments and businesses	40,633	–	98,596
Fair value adjustment on profit share liability	2,235	–	(4,557)
Expense			
Depreciation	43,079	47,159	89,295
Amortisation of intangible assets	10,728	15,992	32,459
Depreciation of right-of-use assets	37,956	30,842	82,606
Impairment of property, plant and equipment	–	–	3,396
Impairment of goodwill	–	–	21,456
Loss on disposal of investment	21	–	2,041
Loss on disposal of property, plant and equipment	803	332	4,507
Auditors' remuneration	8,392	6,443	14,141
Equity settled share-based payment expense	3,051	1,125	3,566
Employment benefit expense	517,649	447,237	900,276

Notes to the financial information

6. Income tax

	Unaudited six months ended		Audited year ended
	30 Sep 2021 R'000	30 Sep 2020 R'000	31 March 2021 R'000
Current tax			
– current year	51,894	52,813	132,863
– prior year	72	(4,755)	(13,094)
Deferred tax			
– current year	10,305	1,696	4,001
– prior year	2,145	(89)	7,359
Withholding tax	480	(13)	2,028
Share transfer tax	4	–	–
Current tax in foreign jurisdictions	26,505	16,087	27,529
Tax expense for continuing operations	91,405	65,739	160,686
Reconciliation of effective tax rate	%	%	%
Tax using the Group's domestic tax rate	28.0	28.0	28.0
Profit on disposal of subsidiary	(2.4)	–	0.1
Share in profit of associates and joint ventures	(1.8)	(0.6)	(0.2)
Dividends received and accrued	(0.1)	–	(0.1)
Employee tax incentive	–	(0.1)	(0.1)
Learnership allowances	–	–	(0.3)
Fair value adjustments	–	–	0.1
Profit share liability revaluation	(0.2)	–	0.1
Other permanent differences and exempt income**	0.5	0.6	1.1
Consulting, legal and secretarial fees	0.3	0.4	0.3
Amortisation of agency rights	–	0.5	–
Leasehold depreciation	0.1	0.3	0.2
Penalties and interest	–	1.3	0.7
Impairment	–	–	1.5
Expenditure apportioned due to exempt income	–	–	0.5
Effect of tax rates in foreign jurisdictions	1.9	1.5	0.8
Capital gains tax differential	(0.2)	–	(1.0)
Prior year tax adjustments	0.4	1.1	(2.7)
Dividend withholding tax	0.1	–	0.4
Tax losses utilised where no deferred tax asset was previously recognised	(2.0)	–	–
Tax losses where no deferred tax asset has been recognised	0.3	4.1	2.5
Deferred tax not realised on disposal of going concern	–	–	3.2
Effective tax rate	24.9	37.1	35.1

**Other permanent differences and exempt income comprise foreign statutory disallowed expenses and exempt income, value added tax disallowed and capital costs of the disposal of going concern.

The directors of the Group have applied appropriate judgement in assessing the tax treatment of instruments in the tax computations and that the Group has reasonable tax provision for any potential exposures.

Notes to the financial information

7. Earnings per share

	Unaudited six months ended		Audited year ended
	30 Sep 2021	30 Sep 2020	31 Mar 2021
Earnings per share (cents)			
Basic earnings per share from continuing operations	211	58	212
Basic earnings per share	562	172	285
Diluted basic earnings per share from continuing operations	206	58	206
Diluted basic earnings per share	547	172	277
Headline earnings per share from continuing operations	176	58	172
Headline earnings per share	188	172	316
Diluted headline earnings per share from continuing operations	171	58	167
Diluted headline earnings per share	182	172	307
Ordinary shares ('000)			
In Issue	111,495	108,495	111,495
Weighted average	109,854	106,953	107,939
Diluted weighted average	112,965	106,953	111,050
Headline earnings	R'000	R'000	R'000
Earnings			
Profit from continuing operations attributable to owners of the Company	232,292	62,339	228,794
Adjusted for profit for the year from discontinued operations	385,330	121,636	79,233
Profit attributable to owners of the Company - Ordinary shares	617,622	183,975	308,027
Headline earnings			
Profit from continuing operations attributable to owners of the Company	232,292	62,339	228,794
Headline adjustments			
Adjustments for:			
Profit on disposal of property, plant and equipment	(2,683)	(366)	(1,996)
Less: Tax thereon	660	102	561
Less: other shareholders interest thereon	–	–	15
Loss on disposal of property, plant and equipment	802	332	4,507
Less: Tax thereon	(163)	(66)	(1,155)
Profit on disposal of a business/investment	(40,633)	–	(98,596)
Less: Tax thereon	2,683	–	26,561
Loss on disposal of investment	21	–	2,041
Impairment of goodwill	–	–	21,456
Impairment of property, plant and equipment	–	–	3,396
Headline earnings from continuing operations	192,979	62,341	185,584
Profit for the year from discontinued operations	385,330	121,636	79,233
Adjustments for:			
Fair value gain on remeasurement of joint ventures	(372,202)	–	–
Profit on disposal of property, plant and equipment	–	(45)	(1,074)
Less: Tax thereon	–	8	292
Loss on disposal of property, plant and equipment	–	–	37
Less: Tax thereon	–	–	(6)
Profit on disposal of investment	–	–	(1,818)
Less: Tax thereon	–	–	309
Loss on disposal of investment	–	–	2,086
Less: Tax thereon	–	–	(355)
IFRS 5 impairment of disposal group	–	–	76,864
Headline earnings	206,107	183,940	341,152

Notes to the financial information

8. Discontinued operations

The Kian Ann Group

The transactions leading to the classification of the results of the Kian Ann Group as discontinued is fully described in note 15. The prior year interim numbers are re-presented.

	Unaudited six months ended		Audited year ended
	30 Sep	30 Sep	31 Mar
	2021	2020	2021
	R'000	R'000	R'000
The Kian Ann Group			
Profit for the period from discontinued operations			
Revenue	461,233	707,121	1,417,213
Cost of sales	(360,711)	(578,953)	(1,150,225)
Gross profit	100,522	128,168	266,988
Expected credit losses recognised on trade receivables	5,969	846	(12,560)
Fair value adjustment on assets held for sale	–	–	(76,864)
Fair value adjustment on put and call assets *	(17,235)	–	(13,905)
Remeasurement gain on fair value of investment in joint venture previously held	372,202	–	–
Selling, administration and distribution costs	(77,407)	(106,215)	(222,820)
Operating profit/(loss) before net finance income on financing transactions and foreign exchange movements	384,051	22,799	(59,161)
Finance costs on financing transactions	(84)	(144)	–
Foreign exchange gains	–	3,388	10,282
Foreign exchange losses and costs	(6,522)	(2,392)	(14,131)
Operating profit/(loss)	377,445	23,651	(63,010)
Finance income & dividends received	873	1,568	3,211
Equity accounted earnings from investment in associates	–	18,510	36,356
Equity accounted earnings from investment in joint ventures	15,130	21,809	37,886
Finance costs	(2,556)	(5,402)	(9,959)
Profit before tax	390,892	60,136	4,484
Income tax expense	(5,562)	(7,038)	(16,841)
Total profit/(loss) for the year from discontinued operations	385,330	53,098	(12,357)
	cents	cents	cents
Basic earnings/(loss) per share from discontinued operations	360	50	(11)
Diluted earnings/(loss) per share from discontinued	360	50	(11)
	R'000	R'000	R'000
Cashflows from discontinued operations			
Net cash (outflow)/inflow from operating activities	(99,037)	217,403	329,124
Net cash outflow from investing activities	(286,558)	(2,436)	(6,339)
Net cash inflow/(outflow) from financing activities	38,602	(55,422)	(109,606)
Effect of foreign exchange rate movement on cash balance	(8,999)	(6,029)	(39,382)
Net cash (outflow)/inflow attributable to discontinued	(355,992)	153,516	173,797

*The put and call options on investments in joint ventures lapsed due the acquisition thereof as subsidiaries, as a result the put and call assets were taken to profit and loss.

Notes to the financial information

8. Discontinued operations (continued)

CEG agricultural and earthmoving divisions

In July 2020 an agreement was reached to dispose of the net assets excluding cash, interest-bearing debt and non-trading assets and liabilities of a number of the Capital Equipment Group's ("CEG") operating divisions to CNH Industrial SA Proprietary Limited (CNHi). CNHi is the principal in respect of the CASE agricultural, earthmoving and construction products which CEG currently imports and distributes in South Africa. The rationale for the disposal is for CNHi to continue with its strategy to have a direct operational footprint and infrastructure in South Africa, for the selling of world class products in both South Africa and the Southern African market. The rationale for the Invicta Group is to apply the Disposal Consideration in the short-term to reduce the most expensive debt of the Group as appropriate, hereby realigning its funding and enabling the Group to focus on other strategic initiatives and its other core operations.

These operating divisions were not previously classified as held-for-sale or as a discontinued operation. The comparative consolidated statement of profit or loss and OCI has been presented to show the discontinued operation separately from the continuing operations. The effective date of sale was 31 December 2020 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 goodwill payment is the profit on disposal, and the recognition is described in note 15.

	Unaudited six months ended 30 Sep	Audited year ended 31 Mar
	2020 R'000	2021 R'000
CEG agricultural and earthmoving divisions		
Profit for the period from discontinued operations		
Revenue	975,055	1,520,142
Cost of sales	(752,672)	(1,202,509)
Gross profit	222,383	317,633
Expected credit losses recognised on trade receivables	(2,493)	(469)
Selling, administration and distribution costs	(120,602)	(187,943)
Operating profit before net finance income on financing transactions and foreign exchange movements	99,288	129,221
Finance income on financing transactions	732	1,008
Finance costs on financing transactions	(369)	(512)
Foreign exchange gains	–	27
Foreign exchange losses and costs	(1,465)	(4,347)
Operating profit	98,186	125,397
Finance income & dividends received	–	3,779
Finance costs	(3,136)	(5,197)
Profit before tax	95,050	123,979
Attributable income tax expense	(26,512)	(32,389)
Total profit for the year from discontinued operations	68,538	91,590
	cents	cents
Basic earnings per share from discontinued operations	64	85
Diluted earnings per share from discontinued operations	64	82
	R'000	R'000
Cashflows from discontinued operations		
Net cash inflow from operating activities	209,928	346,204
Net cash (outflows)/inflow from investing activities	(481)	86,545
Net cash outflow from financing activities	(10,364)	(432,749)
Net cash inflows attributable to discontinued operations	199,083	–

Notes to the financial information

9. Loan and receivables

Loans and receivables have reduced largely due to receipt of R105 million of the CNH receivable disclosed as current at 31 March 2021.

10. Investment in joint venture

The investment in joint venture arose as a result of the disposal of the controlling interest in KAG described fully in note 15. The related income for two months has been shown in the condensed consolidated statement of profit or loss and other comprehensive income as equity-accounted earnings from investment in joint venture.

11. Borrowings

The group used funds generated from operations and from drawing down from existing facilities to settle debt. The net settlement of borrowings was R103 million from continuing operations.

Notes to the financial information

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

	Unaudited six months ended		Audited
	30 Sep	30 Sep	year ended
	2021	2020	2021
	R'000	R'000	R'000
Profit before tax from continuing operations	758,598	323,151	585,988
<i>Adjusted for:</i>			
Depreciation	91,174	128,804	214,096
Amortisation	11,419	–	34,729
Impairment of property, plant and equipment	–	–	3,396
Impairment of goodwill	–	–	21,456
Expected credit loss on receivables	(614)	–	(8,643)
Fair value adjustment on assets held for sale	–	–	76,864
Rental concession discount	–	–	(1,273)
Fair value adjustment on profit share liability	(2,235)	–	4,557
Profit on disposal of property, plant and equipment	(2,683)	(79)	(1,996)
Profit on disposal of investments and businesses	(40,633)	–	(98,596)
Profit on derecognition of right of use leases	(5,623)	(2,555)	(7,241)
Loss on disposal of property, plant and equipment	802	–	4,507
Loss on disposal of investments	21	–	4,126
Lease smoothing	168	1,788	(688)
Revaluation of derivatives	16,627	556	7,699
Finance costs	57,822	116,570	194,526
Finance cost on financing transactions	3,896	–	7,999
Dividend received	(1,465)	–	(2,230)
Finance income	(16,541)	(39,081)	(53,482)
Finance income on financing transactions	(7,037)	–	(19,160)
Distributable reserve recognised**	(43)	(79)	(38)
Share of profits of associates	(2,048)	(35,829)	(40,218)
Share of profits of joint ventures	(36,702)	–	(37,886)
Remeasurement gain on fair value of investment in joint venture previously held	(372,202)	–	–
Elimination of unrealised losses in joint ventures	602	–	489
Share appreciation rights issued - equity settled	3,051	1,125	3,565
Cash generated before movements in working capital	456,354	494,371	892,546
Working capital changes	326,829	613,899	964,390
(Increase)/decrease in inventories	(9,283)	310,148	558,366
(Increase)/decrease in trade and other receivables	(47,716)	180,678	166,348
Increase in trade and other payables	349,721	159,767	212,811
(Decrease)/increase in provisions	(32,777)	(15,789)	12,929
Decrease/(increase) in finance lease receivables*	66,884	(20,905)	13,936
Cash generated from operations	783,183	1,108,270	1,856,936

* The Group finances certain capital equipment transactions to customers at market related interest rates, resulting in the recognition of a finance lease receivable. The financed asset consequently serves as security for the lease transactions. As a result, the cash flow implications of the finance lease receivables are considered to be cash flows from operations.

**Statutory reserve raised in China where a portion of the profit is taken to a reserve.

Notes to the financial information

13. Tax paid

	Unaudited six months ended		Audited year ended 31 March
	30 Sep	30 Sep	
	2021 R'000	2020 R'000	2021 R'000
Amounts unpaid at the beginning of the year	5,883	(218,532)	(218,532)
Acquisition of subsidiary	7,883	–	–
Recognised in profit or loss*	(84,347)	(100,538)	(200,931)
Derecognised on disposal of subsidiary	8,687	–	(175)
Amounts unpaid at the end of the period	(35,158)	125,289	(5,883)
Total	(97,052)	(193,781)	(425,521)
Comprising:			
Payment of specific tax expense	–	(100,000)	(200,000)
Normal tax paid	(97,052)	(93,781)	(225,521)
Total	(97,052)	(193,781)	(425,521)

*This relates to income tax expense (excluding deferred tax expense) from both continuing and discontinued operations.

Notes to the financial information

14. Acquisition of subsidiaries

The current year acquisitions detailed below are recognized as wholly-owned subsidiaries of the Kian Ann Group ("KAG") and are simultaneously disposed of as part of the "loss of control" in the KAG. As part of the series of transactions leading to the loss of control in the KAG, a controlling interest was acquired in MIH and KKB which required the existing joint venture investments to be recognised at fair value. The fair value of the investments and purchase consideration paid exceeded the "at acquisition" fair value of the net assets of MIH and KKB, resulting in the goodwill recognised by KAG. The consideration paid for these combinations included amounts in relation to expected synergies, revenue growth and future market development. In terms of IFRS 3 Business Combinations, management is currently determining the purchase price allocation, to establish any fair value adjustments to the assets and liabilities acquired. The final allocation will be determined by the close of the 2022 financial year.

Subsidiary	Previous shareholding	Acquisition type	Acquisition date	Purchase consideration
7.1 Modesty Investment Group Pte Ltd (MIH)	50.01%	Acquisition of 49.99% of issued share capital to increase holding to 100%	1 August 2021	R323 million
7.2 Kunshan Kensetsu Buhin Co. Ltd (KKB)	27.604%	Acquisition of 72.396% of issued share capital to increase holding to 100%	1 August 2021	R63 million

2021	Unaudited six months ended		
	30 Sept	30 Sept	30 Sept
	MIH	KKB	Total
A summary of the financial impact of the acquisitions is disclosed below:			
	R'000	R'000	R'000
Fair value of net assets acquired:			
Property, plant and equipment	9,655	60,229	69,884
Intangible assets	8,348	–	8,348
Bank and cash balances	59,039	71,057	130,096
Inventories	69,483	223,316	292,799
Trade and other receivables	67,152	307,060	374,212
Current portion of long-term receivables	–	2,175	2,175
Tax assets	–	17,381	17,381
Long-term borrowings	(762)	–	(762)
Deferred tax liabilities	(460)	–	(460)
Trade, other payables	(118,492)	(500,949)	(619,441)
Shareholders for dividends	–	(85,199)	(85,199)
Current portion of long-term borrowings	(2,233)	–	(2,233)
Tax liabilities	(9,498)	–	(9,498)
Fair value of net assets acquired	82,232	95,070	177,302
Cash purchase price	67,737	63,448	131,185
Non-cash purchase consideration - loan account settlement	255,171	–	255,171
Fair value of investments in joint ventures previously held	363,417	191,095	554,512
Fair value of net assets acquired	(82,232)	(95,070)	(177,302)
Total goodwill	604,093	159,473	763,566
Cash purchase price	(67,737)	(63,448)	(131,185)
Bank and cash balances acquired	59,039	71,057	130,096
Cash (outflow)/inflow on acquisitions of subsidiaries	(8,698)	7,609	(1,089)

Notes to the financial information

14. Acquisition of subsidiaries (continued)

Determination of the fair value of the joint venture investments previously held

The fair value of the investments in joint ventures previously held have been determined by using the discounted cash flow method. The Group based its cash flow calculations on the five-year forecasted information. The forecast average growth rates were used to extrapolate cash flows from year 2 to year 5 and the long-term average growth rate was used to calculate the terminal value. The post-tax discount rates used reflect specific risks relating to the relevant joint ventures whilst maximising the use of market observable data. Assumptions of growth rates are closely linked to entity-specific key performance indicators i.e., product supply and margin pressures.

	Unaudited six months ended 30 September			
	Post-tax discount rate	Terminal value growth rate	Year 1 - 3 annual growth rate	Year 4 - 5 annual growth rate
2021	%	%	%	%
Joint Venture				
MIH	7.43%	0.30%	1.00%	0.50%
KKB	9.26%	0.30%	1.00%	0.50%

Sensitivity analysis

The fair values of the investments in joint ventures previously held are sensitive to the growth rates and weighted average cost of capital used. The effect of changes in these inputs will result in the valuations noted below:

	Unaudited six months ended 30 September			
	Fair Value of the investment in joint venture previously held	Consideration	Net asset value	Goodwill*
2021				
Description	R'000	R'000	R'000	R'000
Based on documented assumptions:				
MIH	363,417	322,908	82,232	604,093
KKB	191,095	63,448	95,070	159,473
Growth rate increased by 50% of the original factor				
MIH	376,117	322,908	82,232	616,793
KKB	199,048	63,448	95,070	167,426
Growth rate reduced by 50% of the original factor				
MIH	350,020	322,908	82,232	590,696
KKB	183,434	63,448	95,070	151,812
1% increase in WACC				
MIH	323,742	322,908	82,232	564,418
KKB	165,810	63,448	95,070	134,188
1% decrease in WACC				
MIH	414,522	322,908	82,232	655,198
KKB	222,727	63,448	95,070	191,105

* Goodwill is calculated by deducting the net asset value from the sum of the fair value of the investment in joint venture previously held and consideration values.

Notes to the financial information

15. Disposal of subsidiaries and businesses

Kian Ann Group (KAG)

The group entered into a series of transactions which have resulted in the Group reducing its shareholdings in the KAG from 100% to 48.81% on 1 August 2021 and the KAG increasing its interest in MIH and KKB to 100%. MIH and KKB have become fully owned subsidiaries of the KAG, see note 14 for further detail.

The transactions have resulted in a disposal of KAG as a subsidiary, due to loss of control. For the acquired investment of 48.81% in KAG, the Group concluded that it has met the conditions required for joint control in accordance with IFRS 11 - Joint Arrangements and have accounted for the transaction as an investment in joint venture.

The transactions occurred concurrently and were accounted for using a bottom up approach in terms of IFRS 10 - Consolidated Financial Statements, with the entries affecting the lower levels of the consolidation recorded before those affecting the higher levels. This has resulted in the acquisition of MIH and KKB as subsidiaries of KAG before the disposal of the controlling interest in KAG. These disposal steps resulted in a fair value gain on remeasurement of joint ventures of R372 million in profit or loss from discontinued operations.

Minor subsidiaries and businesses

The Group disposed of a controlling interest in AME Rustenburg (Pty) Ltd on 1 May 2021 and disposed of a number of branches over the interim period. The loss of control transaction of AME Rustenburg (Pty) Ltd has been recognised as a disposal of subsidiary and has subsequently been recognised as an investment in associates due to the Group retaining significant influence over that investment. The branches were sold to companies in which the Group holds a minority share investment with significant influence and have been recognised as investments in associates.

Notes to the financial information

15. Disposal of subsidiaries and businesses (continued)

	Unaudited six months ended 30 September		
	The Kian Ann Group	Minor subsidiaries and businesses	Total
	2021 R'000	2021 R'000	2021 R'000
A summary of the financial impact of the disposals is disclosed below:			
Fair value of net assets disposed of			
Property, plant and equipment	651,078	745	651,823
Right of use assets	76,293	–	76,293
Goodwill	763,566	–	763,566
Other intangible assets	12,689	–	12,689
Investment in joint venture	(698)	–	(698)
Deferred tax asset	36,995	493	37,488
Inventories	1,009,013	17	1,009,030
Trade and other receivables	956,268	7,853	964,121
Current portion of long-term assets	(74,689)	–	(74,689)
Current tax assets	17,388	756	18,144
Bank and cash	725,704	6,627	732,331
Borrowings	(95,285)	–	(95,285)
Lease liabilities	(3,079)	–	(3,079)
Right of use lease liabilities	(105,625)	–	(105,625)
Trade and other payables	(1,095,174)	(16,049)	(1,111,223)
Provisions	(16,918)	(10)	(16,928)
Deferred tax liability	(26,976)	–	(26,976)
Shareholders for dividends	(146,898)	–	(146,898)
Current borrowings	(126,797)	–	(126,797)
Current right of use lease liabilities	(5,289)	–	(5,289)
Current lease liabilities	(1,343)	–	(1,343)
Bank overdraft	(5,399)	–	(5,399)
Current tax liabilities	(26,831)	–	(26,831)
Reserves	(549,390)	–	(549,390)
Non-controlling interest	(287,455)	–	(287,455)
Fair value of net assets disposed of	1,681,148	432	1,681,580
Proceeds received	436,885	–	436,885
Payment of liability on disposal	–	(2,443)	(2,443)
Non-cash proceeds - loan account settlement	46,661	–	46,661
Interest in joint venture / associate raised	15.1 1,226,259	83	1,226,342
Proceeds receivable	–	14,747	14,747
Fair value of net assets disposed	(1,681,148)	(432)	(1,681,580)
Profit on disposal of subsidiaries/businesses	28,657	11,955	40,612
Proceeds received / (liability) paid	436,885	(2,443)	434,442
Cash and cash equivalents disposed	(720,305)	(6,627)	(726,932)
Total cash outflow on disposal	(283,420)	(9,070)	(292,490)

Notes to the financial information

15. Disposal of subsidiaries and businesses (continued)

15.1 Determination of the fair value of the joint venture

The fair value of the investment in joint venture raised on disposal of subsidiary has been determined by combining the valuations of Modesty Investment Holdings Pte Ltd and its subsidiaries ("MIH"), Kunshan Kensetsu Buhin Co. Ltd ("KKB") with a valuation of the balance of the Kian Ann Group ("KA"). The sum of the valuations was then adjusted to reflect the value of the Group's shareholding of 48.81% referred to as the Investment in the KAG, which is disclosed as an investment in joint venture.

Description	2021	Unaudited six months ended 30 September 2021			
		KA	MIH	KKB	Total
		R'000	R'000	R'000	R'000
Valuations at 100%:		1,094,655	725,383	692,272	2,512,310
Percentage held on conclusion of the transactions					48.81%
KAG joint venture					1,226,259

The three valuations were determined by using the discounted cash flow method. The Group based its cash flow calculations on the five-year budgeted and forecast information. The forecast average growth rates were used to extrapolate cash flows from year 2 to year 5 and the long-term average growth rate was used to calculate the terminal value. The post-tax discount rates used reflect specific risks relating to the relevant joint venture whilst maximising the use of market observable data. Other assumptions included in cash flow projections are closely linked to entity-specific key performance indicators i.e., product supply and margin pressures.

Joint Venture	2021	Unaudited six months ended 30 September			
		Post-tax discount rate	Terminal value growth rate	Year 1 - 3 annual growth	Year 4 - 5 annual growth
		%	%	%	%
KA		7.32%	0.50%	1.00%	0.50%
MIH		7.43%	0.30%	1.00%	0.50%
KKB		9.26%	0.30%	1.00%	0.50%

Notes to the financial information

15. Disposal of subsidiaries and businesses (continued)

CEG Agricultural businesses

In July 2020 an agreement was reached to dispose of the net assets excluding cash, interest-bearing debt and non-trading assets and liabilities of a number of the Capital Equipment Group's ("CEG") operating divisions, namely CSE, Northmec, NHSA and Landboupart, to CNH Industrial SA Proprietary Limited (CNHi). The rationale for the Invicta Group was to consider applying the disposal consideration in the short-term, to reduce the most expensive debt of the Group, hereby realigning its funding and enabling the Group to focus on other strategic initiatives and its core operations. The conditions were all met and the transaction took effect on 31 December 2020.

Minor Subsidiaries

The Group disposed of a number of minor subsidiaries during the current year. A.T. Group Holdings Co., Ltd. and A.T. Truck & Bus Parts Co., Ltd were disposed of on 1 October 2020. Controlling interests in AME Lephalale (Pty) Ltd and AME Emalahleni (Pty) Ltd (previously Alpha Bearings (Pty) Ltd) were disposed of on 1 October 2020 and 1 March 2021 respectively, the loss of control transactions have been recognised as disposals of subsidiaries and have subsequently been recognised as investments in associates due to the Group retaining significant influence over those investments.

	Audited year ended 31 March		
	CEG Agricultural businesses	Minor subsidiaries	Total
	2021	2021	2021
	R'000	R'000	R'000
A summary of the financial impact of the disposals is disclosed below:			
Fair value of net assets disposed of			
Property, plant and equipment	14,484	592	15,076
Right of use assets	15,663	582	16,245
Other intangible assets	–	1,911	1,911
Finance lease receivables	9,677	–	9,677
Deferred tax asset	–	336	336
Inventories	657,182	118	657,300
Trade and other receivables	136,385	8,256	144,641
Current tax assets	–	175	175
Bank and cash	–	5,079	5,079
Lease liabilities	(9,123)	–	(9,123)
Right of use lease liabilities	(21,513)	(598)	(22,111)
Trade and other payables	(616,111)	(10,540)	(626,651)
Provisions	(1,321)	(7)	(1,328)
Non-controlling interest	–	2,842	2,842
Fair value of net assets disposed of	185,323	8,746	194,069
Proceeds received	89,300	–	89,300
Interest in joint venture / associate raised	–	1,503	1,503
Proceeds receivable	172,787	24,949	197,736
Fair value of net assets disposed	(185,323)	(8,746)	(194,069)
Profit on disposal of subsidiaries/businesses	76,764	17,706	94,470
Proceeds received	89,300	–	89,300
Bank and cash disposed	–	(5,079)	(5,079)
Total cash inflow/(outflow) on disposal	89,300	(5,079)	84,221

Notes to the financial information

16. 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

2021	Unaudited six months ended 30 September				
	Balance at reporting date	Valuation technique(s) and key	Level 1	Level 2	Level 3
	R'000				
Financial assets at fair value					
Derivative forward exchange contract asset	11,454	2	–	11,454	–
Interest rate swaps	6,813	2	–	–	6,813
Financial investments - unlisted securities	994	4	–	–	994
Financial liabilities at fair value					
Profit share liability	77,480	3	–	–	77,480

2020

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					
Profit share liability	75,130	3	–	–	75,130
Derivative foreign exchange contract liability	2,302	2	–	2,302	–

2021	Audited year ended 31 March				
	Balance at reporting date	Valuation technique(s) and key	Level 1	Level 2	Level 3
	R'000				
Financial assets at fair value					
Put option asset*	1,048	4	–	–	1,048
Call option asset*	16,529	4	–	–	16,529
Financial investments - unlisted securities	972	5	–	–	972
Interest rate swaps	6,205	2	–	–	6,205
Financial liabilities at fair value					
Profit share liability	79,624	3	–	–	79,624
Derivative foreign exchange contract liability	10,995	2	–	10,995	–

Valuation technique(s) and key inputs:

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

* These items were included in assets held for sale as at 31 March 2021

Notes to the financial information

16. Fair value disclosure (continued)

The call and put options lapsed during the current period and sensitivity is thus not required.

The financial investments are denominated in USD. A sensitivity analysis indicates that a movement of plus R1 to the USD, and minus R1 to the USD will result in a respective increase/decrease of R65 840.

The interest rate swaps are sensitive to the change in interest rates. A 0.5% increase/decrease in the interest rate will increase/decrease the valuation by R3.6 million.

The other financial liabilities relate to the valuation of profit share liability that is based on historic earnings and contractually determined price earnings multiples; as such this valuation is not sensitive to a change in assumptions.

Movements in Level 3 financial assets and liabilities are as follows:

	Unaudited six months ended 30 September			
	Fair value at the beginning of the year	Fair value adjustment	Foreign currency translation	Fair value at the end of the year
2021	R'000	R'000	R'000	R'000
Financial assets at fair value				
Put option asset	1,048	(1,028)	(20)	–
Call option asset	16,529	(16,207)	(322)	–
Financial investments - unlisted securities	972	–	22	994
Interest rate swaps	6,205	608	–	6,813
Financial liabilities at fair value				–
Profit share liability	79,624	(2,235)	91	77,480

	Audited year ended 31 March			
	Fair value at the beginning of the year	Fair value adjustment	Foreign currency translation	Fair value at the end of the year
2021	R'000	R'000	R'000	R'000
Financial assets at fair value				
Put option asset*	4,063	(2,562)	(453)	1,048
Call option asset*	31,510	(11,342)	(3,639)	16,529
Financial investments - unlisted securities	1,181	–	(209)	972
Interest rate swaps	–	6,205	–	6,205
Financial liabilities at fair value				
Profit share liability	75,287	4,337	–	79,624

* These items were included in assets held for sale as at 31 March 2021

Preference share cash dividend

Notice is hereby given that the directors of the Company have declared a gross cash dividend of 322.15582 cents per preference share for the period from Tuesday, 8 June 2021 to Tuesday, 9 November 2021. The preference share cash dividend will 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 257.72466 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, 23 November 2021
Shares commence trading “ex” dividend	Wednesday, 24 November 2021
Record date	Friday, 26 November 2021
Payment date	Monday, 29 November 2021

Share certificates may not be dematerialised or rematerialised between Wednesday, 24 November 2021 and Friday, 26 November 2021, both days inclusive.

Ordinary share cash dividend

The board intends paying a dividend at financial year end, by applying a cover ratio between 2.75 and 3.25 times on sustainable earnings. It is anticipated from next year that the payment of an interim dividend will resume.

By order of the board

R Cloete <i>Acting Group company secretary</i>	Johannesburg 25 November 2021
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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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* Non-executive ^ Independent non-executive

Group acting company secretary: R Cloete



