Indequity Group Limited

ANNUAL REPORT 2012

INDEQUITY

Indequity Group Limited

CONTENTS

OUR PRIMARY OBJECTIVE

The primary objective of the group is to create prosperity for all our stakeholders over the longer term. The creation of prosperity is therefore deeply rooted in Indequity's distinctive culture and rich heritage of integrity, stability, and passion; underpinned by an uncompromising determination to achieve excellence in everything we do. We consider prosperity to be both a tangible and an intangible asset in people's lives and regard it as an integral part of Indequity.

NATURE OF BUSINESS

- The group's operations are focused on the short term insurance industry.
- As a specialised short-term insurer, Indequity provides market leading short-term insurance products to the professional and affluent private client markets.
- Indequity is confident that its unique business model will ensure above-average growth in earnings and net asset value per share over the longer term.

GROUP ACTIVITIES

Insurance

- Short-term insurance underwriting
  - General short-term insurance products to the professional and affluent private client markets
    - Personal lines
    - Business insurance
  - Specialised Risk Solutions

DIRECTORATE

Johan F Zwarts (48)
Adv Tax Cert, BCom (Hons), CA (SA)
Independent non – executive
Chairman

Theo E Vorster (33)
BCom (Hons), CA (SA)
Executive director
Financial director

George Williamson (43)
Independent non – executive
BCom (Hons)

Lourens Jansen van Rensburg (48)
BCom (Hons), CA (SA)
Executive director
Chief Executive Officer

Adriaan V van Jaarsveldt (48)
(British)
Independent non – executive
BCom (Hons), CA (SA)

CHAIRMAN'S REPORT

In light of the current state of the global economy and specifically the South African economy, with all the turmoil in labour intensive industries, we can only but congratulate Lourens J van Rensburg and his team at Indequity on the exceptional results achieved during the past financial year. These results could only be achieved through extremely hard work and the utmost dedication from Lourens and his highly experienced management team. The board wishes to thank Lourens and his team for showing what can be achieved despite the extremely difficult market conditions.

The board welcomes Mr Theo Vorster, who was appointed as financial director on the 5th of June 2012. We are confident that Theo will excel in this position and that the shareholders will reap the benefits of his contribution to the company in years to come.

I would also like to thank Mr TC Meyer, our former chairman and long serving director, for his invaluable contribution and dedication to the group. The board wishes Chris only the best in his position as Chief Executive Officer of Atlantic Africa Investments Limited.

I also wish to thank my fellow non-executive directors, Messrs Van Jaarsveldt and Williamson for their contributions during the financial year. I have come to respect their insight and opinions over the years of serving with them on the boards of Indequity Group Limited and several of its subsidiaries. I would also like to thank the board for the privilege of serving as chairman of a company, that I have had the pleasure to have been associated with, since its inception.

JF Zwarts
5 December 2012

LETTER TO STAKEHOLDERS

Introduction

Indequity's main objective is to create significant shareholder wealth, by utilising the capital resources at our disposal more effectively than our competitors. We therefore do not measure our progress and our success by the size of our operation or only by the growth in our premiums (turnover). Consequently, the primary yardstick we use in measuring our performance is the return on capital achieved. In the year under review our pre-taxation return on capital was an outstanding 44.5% (2011: 50.8%). Also noteworthy is the fact that operations generated cash of R6.1 million for the year (2011: R3.1 million).

Insurance operations

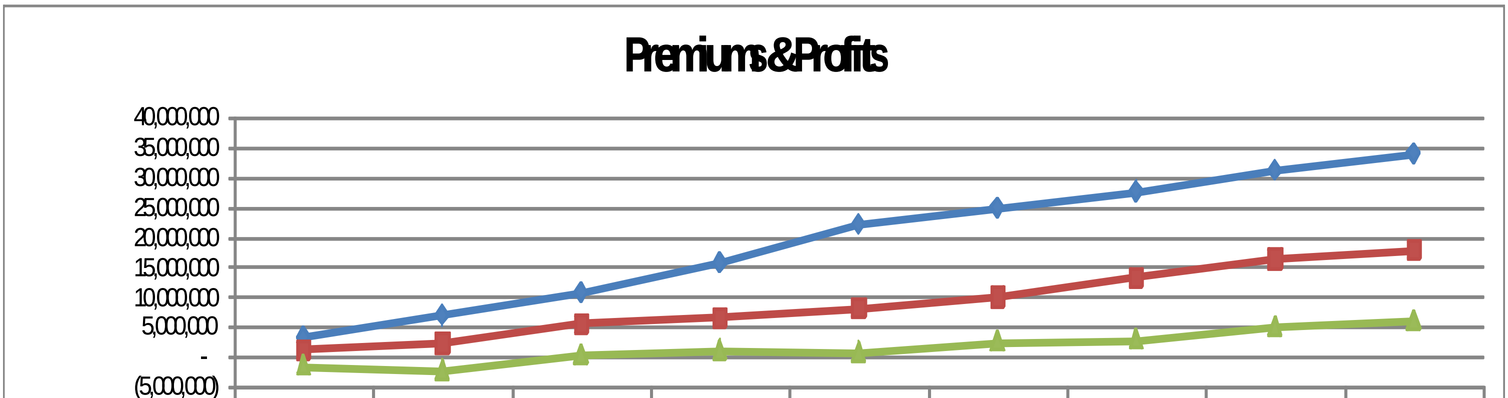
Conditions in the short term insurance market remained tough, with a focus by most insurers on business retention rather than expansion. The industry has also seen a substantial increase in claims over the last few months, notably an increase in weather related claims. In light of these market factors, we are pleased to announce that our insurance operations managed to grow its profit before tax by 21%, from R5 million in 2011 to R6.1 million in 2012.

Indequity has remained focused on attracting the "right" business at sensible premiums, consequently gross written premium increased by 10% over the prior year. Indequity managed to maintain its exceptional net claims ratio on 47%. This should be compared with industry averages of approximately 58% for the same period-a truly outstanding performance!

We constantly strive to improve efficiency in our business and we are therefore pleased to announce a phenomenal profit before tax margin of 17% (2011:16%) for the financial year. This can be compared to the negative profit margins reported by some general insurers on their personal lines businesses over the last few years. This bears testimony to the exceptional quality of Indequity's insurance business.

Results

As has become customary, we again wish to summarize the progress made by the insurance business, through the following graph and statistics:



	2004	2005	2006	2007	2008	2009	2010	2011	2012
Net Premium Income	3,314,903	6,961,283	10,729,443	15,668,000	22,068,000	24,836,000	27,574,000	31,029,552	33,840,607
Underwriting Profit	1,148,778	2,251,892	5,523,026	6,507,000	8,059,000	9,995,000	13,259,000	16,380,673	17,795,171
Profit before tax	(1,565,224)	(2,283,682)	297,920	1,056,271	728,694	2,535,206	2,850,948	5,036,265	6,094,262

Letter to stakeholders (continued)

Prospects

As far as the general personal lines and business insurance operations are concerned, we anticipate the business environment to be increasingly competitive with various new entrants to the market. We anticipate growth to remain under pressure as the same business considerations as outlined above will continue to be pertinent. We again commit to place emphasis on building a quality long-term sustainable business and as a result we will continue to follow the same disciplined approach in these operations, that we had in the past. As always, we are constantly considering and implementing innovative methods to increase the efficiency of our business.

In order to continue to deliver superior growth, we remain hard at work to develop novel, innovative products to compliment the Group's existing product offering. Indequity received no income from new products during the year under review, as only test marketing of these products was done. Based on the outcome thereof, enhancements were made to our new product offerings and we are confident that we will soon be able to report a positive contribution to group results from these.

Conclusion

We again wish to express our gratitude to our stakeholders for their continued support and faith in Indequity and its management over many years. We trust that their patience will be well rewarded over time.

We also wish to thank our management and employees for their commitment, dedication and perseverance, without which such outstanding results would not have materialised.

L.J. van Rensburg

L Jansen van Rensburg *(Chief Executive Officer)*
5 December 2012

AUDITED ANNUAL FINANCIAL STATEMENTS
for the year ended 30 September 2012

Contents

These annual financial statements have been published on 12 December 2012.

Statement of Responsibility by the Board of Directors

The board of directors are required by the Companies Act No. 71 of 2008, as amended ("the Act") to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the group and company as at the end of the financial year and the results of its operations and cash flows for the year then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with International Financial Reporting Standards, the AC500 Standards issued by the Accounting Practices Board and its successors and the Act, and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The annual report has been prepared by D. Deoraj (Bcom Accounting UJ) **-** Financial Accountant, under the supervision of TE Vorster (Financial Director).

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the group and company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the directors set standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the group and company and all employees are required to maintain the highest ethical standards in ensuring the group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group. While operating risk cannot be fully eliminated, the group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

The directors have reviewed the group's and company's cash flow forecast for the year to 30 September 2013 and, in the light of this review and the current financial position, they are satisfied that the group and company have or have access to adequate resources to continue in operational existence for the foreseeable future.

The directors are responsible for the financial affairs of the group and company.

The financial statements have been examined by the company's external auditors and their report is presented on page 20.

The financial statements set out on pages 21 to 59, which have been prepared on the going concern basis, and the directors' report set out on pages 16 to 19, were approved by the directors on 5 December 2012 and were signed on their behalf by:

L. J. van Rensburg

L Jansen van Rensburg *(Chief Executive Officer)*

JF Zwarts *(Non-executive Director)*

Declaration by Company Secretary

In terms of Section 88(2) (e) of the Act, I certify that the company has lodged with the Registrar all such returns as are required of a public company in terms of the Act, and that all such returns are true, correct and up to date.

D Deoraj
Company Secretary
5 December 2012

Analysis of Ordinary Shareholding

The issued ordinary shares at the date of this report are held in the following percentages:

	Number of shares	% held
Public shareholders	**2 696 017**	**20.47**
Non-public shareholders	**9 190 800**	**69.79**
Directors	**9 190 800**	**69.79**
Treasury shares	**1 283 183**	**9.74**
	13 170 000	**100.00**

At 30 September 2012 Indequity Group Limited had 81 public shareholders holding ordinary shares in the company. According to information received by the directors, the following are the only shareholders beneficially holding, directly or indirectly, in excess of 5% of the share capital of the company at the date of this report:

Indo Atlantic Investment Corporation Proprietary Limited	65.16%
Indequity Specialised Insurance Limited	9.74%

Corporate Governance Report

Indequity is committed to a high standard of corporate governance and internal control. Directors and employees are expected to conduct themselves in a manner that reflects openness and integrity. The group complies in all material respects with the provisions of the King Report on Corporate Governance for South Africa issued in 2009 ("King III") except as set out in the table below. The directors, considering the circumstances and relevance of the compliance, are of the opinion that areas of non-compliance do not in any way compromise the high standard of corporate governance of the group.

Approach to Integrated Reporting

This is Indequity's second annual integrated report (as envisaged by King III). Currently very little guidance is available on what integrated reporting entails. We accept that our approach will evolve as the insurance community moves towards the formalisation of a framework for integrated reporting.

Indequity does not believe integrated reporting has a significant influence on how we run the business but have evolved our reporting structure into a more transparent approach and have connected the various areas of financial statement reporting, management commentary, governance and remuneration into a more cohesive whole.

King III

During the year under review, Indequity applied all principles of King III, unless otherwise indicated in the King III gap analysis below:

Principle per King III	**Status**	**Comments**
Ethical leadership and corporate citizenship		
Effective leadership based on an ethical foundation	✔	
Responsible corporate citizen	✔	
Effective management of the company's ethics	✔	
Board and Directors		
The board is the focal point for and custodian of corporate governance	✔	
Strategy, risk, performance and sustainability are inseparable	✔	
The board and its directors should act in the best interests of the Company	✔	
Elect a chairman of the board who is an independent non-executive director.	✔	
The board comprises a balance of power, with a majority of non-executive directors.	✔	

Corporate Governance Report (continued)

Directors should be appointed through a formal process	✔	
Formal induction and ongoing training and development of directors should be conducted through formal processes	✔	
The board assisted by a competent, suitably qualified and experienced company secretary	✔	
Remuneration of each individual director and certain senior executives is disclosed	✔	
The Company's remuneration policy is approved by Indequity Group Limited shareholders	✔	
Audit Committees		
Effective and independent audit committee	✔	
Chaired by an independent non-executive director	✔	
Responsible for overseeing of internal audit	**N/A**	There is no internal audit function. However, the Audit and Risk committee is responsible for overseeing the adequacy of internal controls. The Audit and Risk committee assesses the need for an internal audit function.
Integral component of the risk management process	✔	
Oversees the external audit process	✔	
Reports to the board and shareholders on how it discharged its duties	✔	
The governance of risk		
The board is responsible for the governance of risk and setting levels of risk tolerance	✔	
The Audit and Risk management committee assists the board in carrying out its risk responsibilities	✔	
The board ensures that risk assessments and monitoring are performed on a continual basis	✔	

Corporate Governance Report (continued)

Frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks	✔	
Management implements appropriate risk responses	✔	
Sufficient risk disclosure to stakeholders	✔	
The governance of Information Technology		
The board is responsible for information technology (IT) governance	✔	
IT is aligned with the performance and sustainability objectives of the Company	✔	
The board should delegate to management the responsibility for the implementation of an IT governance framework	✔	
IT assets are managed effectively	✔	
The Audit and Risk committee assists the board in carrying out its IT responsibilities.	✔	
Compliance with laws, codes, rules and standards		
The board ensures that the company complies with relevant laws	✔	
The board and directors have a working understanding of the relevance and implications of non-compliance	✔	
Compliance risk forms an integral part of the Company's risk management process	✔	
Internal Audit	**x**	An internal audit function is deemed unnecessary due to the size of the entity. The entity relies on strong internal controls. Refer to internal control environment note below.
Governing stakeholder relationships		
Appreciation that stakeholders' perceptions affect a company's reputation	✔	

Corporate Governance Report (continued)

Management to proactively deal with stakeholder relationships	✔	
There is an appropriate balance between its various stakeholder groupings, in the best interests of the Company	✔	
Equitable treatment of shareholders	✔	
Transparent and effective communication to stakeholders	✔	
Integrated Reporting and disclosure		
Ensures the integrity of the Company's integrated report.	✔	
Sustainability reporting and disclosure is integrated with the Company's financial reporting	**x**	Due to the nature of the insurance industry not having a significant impact on the environment, no sustainability report has been prepared.
Sustainability reporting and disclosure is independently assured	**x**	

Board of Directors

The board comprises of two executive directors and three independent non-executive directors. The positions of Chairman and Chief Executive Officer are separate. The Chairman of the Board is an independent, non-executive director. The non-executive directors contribute to the formulation of policy and decision-making through their knowledge and experience. Details of the directors are on page 2.

The board is governed by a board mandate and board meetings are held on a quarterly basis.

The board as a whole selects and appoints directors. Prior to appointment, potential board members are subject to a 'fit and proper' test as required by the JSE Limited ("JSE") and as prescribed by the Short-term Insurance Act.

The chairman of the board does an appraisal of the effectiveness of the board as a whole, the individual directors and the subcommittees of the board. Appraisal of directors is one of the formal duties of the chairman and is applied at his discretion.

All directors are subject to re-election every two or three years. Details of directors available for re-election to the Board at the next annual general meeting are included on page 60.

Corporate Governance Report (continued)

Board of Directors (continued)

The Board has defined segregation of duties and authority of Board members. The main functions of the Board are to:

- determine the overall strategy for the group;
- formulate group policies;
- monitor and evaluate the performance of the group;
- approve dividend declarations;
- approve financial statements;
- approve budgets;
- evaluate risks;
- consider feedback from its committees; and
- establish and ensure the group complies with appropriate legislation.

A company secretary is in place to provide information and services to all members of the Board. They may also seek independent professional advice on group affairs, should this be considered appropriate.

Directors are required to comply with JSE Listings Requirements regarding transactions and disclosure of transactions.

The independence of independent directors is assessed on an annual basis via a declaration signed by all independent directors. This declaration refers to the independence requirements as set out in King III and the Act.

The Board has established an audit and risk committee as well as a remuneration committee. Although the Board delegates certain functions to these committees, it still remains ultimately responsible for all activities.

Remuneration committee

The Remuneration committee comprises of two independent, non-executive directors - JF Zwarts and G Williamson. The remuneration committee meets once a year to determine the remuneration strategy of the group, approve bonuses and make any other appropriate remuneration decisions. It is also responsible for making recommendations to the board regarding the remuneration of directors and key personnel.

Remuneration policy

The Group agrees that competitive, market-related remuneration for executive directors, management and staff is essential for the development and retention of top-level talent and intellectual capital within Indequity. Given the current economic climate, changes in the regulatory requirements and the on-going skills shortage, it is essential that adequate measures be implemented to attract and retain the required skills. Over and above this, the remuneration philosophy is positioned to reward exceptional performance and to maintain such performance over time.

Executive performance bonuses are predominantly based on profit growth and return on capital and therefore ensure that decisions are made not to just grow turnover, but to write profitable insurance business in order to maximise profit and return on capital, which creates a sustainable superior business.

Indequity has adopted a performance based reward strategy for its employees. This strategy offers a value proposition consisting of a fixed salary plus a performance bonus.

Salaries are benchmarked against industry norms. No excessive salaries were paid.

Details of directors' service contracts

Name	Role	Effective date of contract	Notice period
L Jansen van Rensburg	Chief Executive Officer	15 October 2009	2 years
TE Vorster	Financial director	5 June 2012	1 month

Corporate Governance Report (continued)

Social and Ethics committee

The group has established a social and ethics committee and had their first meeting on 20 September 2012.
The committee comprises of one executive director – L. Jansen van Rensburg, and two independent, non-executive directors – JF Zwarts and G Williamson. The social and ethics committee has addressed the new financial services BEE charter, Indequity's sustainability and impact on the environment. During the forthcoming financial year, the committee undertakes to implement energy saving and environmentally friendly ways of carrying on business. Indequity has already seen a noted decline in their paper and printing usage in the form of a 31% decrease in their printing and stationery expense from the 2011 financial year to the current financial year.

Internal control environment

The Board has overall responsibility for the system of internal control of the group and for reviewing its effectiveness. The role of executive management is to implement Board policies on risk and control.

The internal control structures of the group are designed to provide reasonable, but not absolute, assurance as to the integrity and reliability of the annual financial statements so that assets are adequately safeguarded against material loss and transactions are properly authorised and recorded. Such controls are monitored and applied by skilled personnel with appropriate segregation of duties through clearly defined lines of accountability and delegation of authority.

Nothing has come to the attention of the directors to indicate that any material breakdown in the key internal controls and systems occurred during the period under review.

A risk report identifying company risks with related compensating controls is presented to both the Audit and Risk committee and Board of directors.

Code of ethics

The group has a formal code of ethics which is issued to employees of the group. Employees are required to comply with the code provisions which are consistent with the principles of integrity, honesty, ethical behaviour and compliance with laws and regulations.

Going concern

The directors have no reason to believe that the operations of the group will not continue as a going concern in the year ahead.

Closed period of trading

During periods of corporate action, which could result in the availability of information of a price sensitive nature, the group imposes a closed period of trading in its shares on management and directors. The closed period extends from the end of the financial year to the date of publication of the results on the Stock Exchange News Service of the JSE ("SENS").

Report of the Audit and Risk Committee

The Audit and Risk committee ("ARC") comprises the following three independent, non-executive directors:

- JF Zwarts
- G Williamson
- A van Jaarsveldt

The ARC meets twice a year and is chaired by Mr G Williamson. The composition of the committee complies with the Act.

The role of the ARC is to assist the Board by performing an objective and independent review of the finance and risk management function. This is achieved through close co-operation and communication with management. The audit committee performed the following functions during the year under review.

- Reviewed and recommended for approval the interim and annual financial statements and related SENS and press announcements;
- Monitored and reviewed the effectiveness of internal control systems;
- Reviewing the need for an internal audit function;
- Reviewed and evaluated the effectiveness of the financial risk management and compliance functions;
- Reviewed developments in the Act and corporate governance in relation to the Audit Committee's functions;
- Reviewed and, where appropriate, updated the Audit Committee's own terms of reference; and
- Assessed the effectiveness of the external audit process following the end of the annual audit cycle.

External Auditor
For the year ended 30 September 2012, the committee was satisfied that the registered auditor, Grant Thornton represented by VR De Villiers, was independent of all companies within the group. The ARC, in consultation with executive management, agreed to the engagement letter, terms, audit plan and budgeted audit fees for the year ended 30 September 2012. No non-audit services were provided during the current financial year.

Financial director
The ARC is satisfied with the expertise and experience of the financial director.

Annual Financial Statements
The committee reviewed the Annual Financial Statements for the year ended 30 September 2012 and recommended these financial statements for approval by the Board on 5 December 2012.

Going concern
The ARC reviewed a documented assessment by management of the going-concern assumption of the company and the Indequity group before concluding that the company and the Indequity group is a going concern for the foreseeable future.

Risk management
The committee considered, and found to be appropriate, management's assessment of the group's risk management policies and controls.
The ARC is satisfied that the internal control framework is adequate, although the company does not have an internal audit function.

Approval of audit and risk committee report
The Committee hereby confirms that it has functioned in terms of its charter and discharged all its duties for the financial year under review.

G Williamson
Audit and Risk Committee chairman
5 December 2012

Directors' Report

The directors present their annual report, which forms part of the audited financial statements of the group and of the company for the year ended 30 September 2012.

Corporate governance

Refer to the Corporate governance report on page 9.

Nature of business

The group's operations are focused on the short term insurance industry. As a specialised short-term insurer, Indequity provides market leading short-term insurance products to the professional and affluent private client markets and business insurance. Indequity is confident that its unique business model will ensure above-average growth in earnings and net asset value per share over the longer term.

Group results

The consolidated statement of comprehensive income for the year is set out on page 22. The performance against the previous year's results can be summarised as follows:

	2012	**2011**	**% change**
Total Revenue (R'000)	34 925	32 241	8.3
Profit before taxation (R'000)	6 094	5 036	21.0
Net profit attributable to equity holders (R'000)	4 294	3 682	16.62
Headline earnings per share (cents)	35.61	31.33	13.66

Total revenue
Consolidated revenue increased from R32,241 million in 2011 to R34,925 million in 2012.

Results
The group had a consolidated profit for the year of R4,294 million in 2012 in comparison to a consolidated profit of R3,682 million in 2011. This can be attributed to an improvement in the profitability of the insurance operations due to an increase in premiums written and better claims experience.

Headline earnings per share
Headline earnings per share increased from 31.33 cents per share in 2011 to 35.61 cents per share in 2012.

Dividends

No dividends have been declared during the year.

Events subsequent to reporting date

There were no material adjusting or non-adjusting events subsequent to the reporting date.

Interest in subsidiaries

Details of the holding company's interest in its subsidiaries are set out in note 8 to the financial statements. The holding company's interest in the net income after tax of subsidiaries amounted to R4,292 million (2011: R3,462 million).

Employee share incentive scheme

The Indequity Group Limited Share Incentive Trust was terminated on 12 August 2012. All outstanding loans were repaid and the trust did not hold any shares on the termination date.

Directors' Report (continued)

Directors

The following were directors of the company during the financial year:

L Jansen van Rensburg	Chief Executive Officer	(Executive)
TE Vorster	Financial Director	(Executive)
JF Zwarts	Chairman	(Independent non-executive)
AV van Jaarsveldt		(Independent non-executive)
G Williamson		(Independent non-executive)
TC Meyer		(Non-executive)

TE Vorster was appointed on 5 June 2012.
TC Meyer resigned on 6 February 2012.

Address

The contact details of the group are set out on the last page of this report.

Directors' interest in share capital

Ordinary shares

	2012		2011	
	No. of shares	**% holding**	**No. of shares**	**% holding**
L Jansen van Rensburg	373 500	2.84	373 500	2.84
AV van Jaarsveldt	50 000	0.38	50 000	0.38
TE Vorster	16 100	0.12	-	-
JF Zwarts	5 000	0.04	5 000	0.04
G Williamson	206 000	1.56	206 000	1.56
TC Meyer*	13 700	0.10	238 948	1.81
Indo Atlantic Investment Corporation Proprietary Limited	8 526 500	64.75	8 581 500	65.16
Total	9 190 800	69.79	9 454 948	71.79

The directors collectively hold indirect discretionary non beneficial interests in Indo Atlantic Investment Corporation Proprietary Limited.

Unlisted shares

A class preference shares

	2012		2011	
	No. of shares	**% holding**	**No. of shares**	**% holding**
L Jansen van Rensburg	479 459	3.64	479 459	3.64
AV van Jaarsveldt	56 427	0.43	56 427	0.43
TE Vorster	18 169	0.16	-	-
JF Zwarts	5 643	0.04	5 643	0.04
G Williamson	210 923	1.60	210 923	1.60
TC Meyer*	986 621	7.49	986 621	7.49
Indo Atlantic Investment Corporation Proprietary Limited	8 674 482	65.87	8 674 482	65.87
Total	10 431 724	79.23	10 413 555	79.07

The directors collectively hold indirect discretionary non beneficial interests in Indo Atlantic Investment Corporation Proprietary Limited.

Directors' Report (continued)

B class preference shares

	2012		2011	
	No. of shares	**% holding**	**No. of shares**	**% holding**
L Jansen van Rensburg	424 844	3.63	424 844	3.63
AV van Jaarsveldt	49 999	0.43	49 999	0.43
TE Vorster	16 100	0.14	-	-
JF Zwarts	5 000	0.04	5 000	0.04
G Williamson	186 898	1.60	186 898	1.60
TC Meyer*	874 239	7.49	874 239	7.49
Indo Atlantic Investment Corporation Proprietary Limited	7 686 401	65.87	7 686 401	65.87
Total	9 243 481	79.20	9 227 381	79.06

The directors collectively hold indirect discretionary non beneficial interests in Indo Atlantic Investment Corporation Proprietary Limited.

*TC Meyer resigned as non-executive on 6 February 2012

There were no changes to the shareholdings disclosed above between the end of the financial year and the date of the approval of the financial statements.

Directors' remuneration

Details of the directors' remuneration are set out in note 24 to the financial statements.

Directors' interest in contracts

No material contracts involving directors' interest were entered into during the period under review other than the transactions detailed in note 24 to the financial statements.

Company secretary

The company secretary of Indequity Group Limited is DJ Deoraj (Bcom Accounting). She was appointed by the board effective 5 June 2012. All directors have unlimited access to the services of the company secretary, who is responsible to the board for ensuring that proper corporate governance principles are adhered to.

The Board is satisfied with the competence, qualifications and experience of the company secretary. The Board compared the performance of the company secretary against the industry's expectations for the role. This comparison is done on an annual basis.

The company secretary is not a member of the Board. An arms length relationship exists between the Board and the company secretary due to the fact that the company secretary is an employee and earns a market related salary.

Auditors

Grant Thornton is responsible for the audits of Indequity Group Limited and its subsidiaries.

Subject to approval at the annual general meeting, Grant Thornton will continue as auditors of Indequity Group Limited in accordance with Section 90 of the Act.

Directors' Report (continued)

Special Resolutions

The following special resolution was passed during the financial year:

Special Resolution No 1

"Resolved that the directors of the company be and are hereby authorised, by way of a general authority, to acquire the issued ordinary shares of the company, or to permit the acquisition of shares in the company by a subsidiary of the company, as and when deemed appropriate subject to the provisions of the Act, as amended, and the JSE Listings Requirements and subject to such other conditions as may be imposed by any relevant authority, and provided that -

- the general authority shall be valid until the company's next annual general meeting or for 15 months from the date of registration of this special resolution, whichever period is shorter
- the general acquisition of shares may only be implemented by one agent appointed by the company through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counter party (reported trades are prohibited);
- any general acquisition may not exceed 20% of the company's issued share capital of that class in any one financial year;
- the company may not pay a price more than 10% above the weighted average of the market value of the shares for the five business days immediately preceding the date of acquisition;
- prior to and subsequent to such acquisition, the company will continue to meet its solvency and liquidity requirements;
- the company being authorised thereto by its memorandum of incorporation;
- an announcement being published as soon as the company has repurchased shares constituting, on a cumulative basis, 3% of the initial number of shares, and for each 3% in aggregate of the initial number of ordinary shares repurchased thereafter, containing full details of such repurchases;
- the company remaining in compliance with all the JSE Listings Requirements regarding shareholder spread requirements; and
- the repurchase/s may not be effected during a prohibited period as defined in the JSE Listings Requirements unless they have in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and full details of the programme have been disclosed in an announcement over SENS prior to the commencement of the prohibited period."

Reason for and effect of special resolution No 1

The reason for this special resolution is to authorise the company or a subsidiary thereof, by way of general authority, to acquire its own shares. The directors may therefore approve the acquisition of shares issued by the company, should the directors be of the opinion that it would be in the interest of the company to do so, taking into account the prevailing circumstances (including the tax dispensation and market conditions).

The directors, after considering the effect of repurchasing up to 20% of the company's issued ordinary shares, will ensure that for a period of 12 months after the implementation of such repurchase:

- the company and the group will be able to pay their debts in the ordinary course of business;
- the assets of the company and the group will be in excess of the liabilities of the company and the group;
- the share capital and reserves of the company and the group will be adequate for ordinary business purposes;
- the working capital of the company and the group will be adequate for ordinary business purposes.

The directors undertake that the company will not enter the market to repurchase securities in terms of this authority until such time as the company's JSE sponsor, at the company's request, has furnished the JSE with written confirmation regarding the director's working capital statement.

Grant Thornton

Independent Auditor's Report
To the shareholders of
Indequity Group Limited

We have audited the consolidated and separate financial statements of Indequity Group Limited set out on pages 21 to 59, which comprise the statements of financial position as at 30 September 2012, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Indequity Group Limited as at 30 September 2012, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the year ended 30 September 2012, we have read the Directors' Report and Audit Committee's Report for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Grant Thornton

GRANT THORNTON
Chartered Accountants (SA)
Registered Auditors

VR de Villiers
Partner
Chartered Accountant (SA)
Registered Auditor

5 December 2012

Grant Thornton Office Park
137 Daisy Street
Sandown
Johannesburg, 2196

Statements of Financial Position

at 30 September 2012

	Notes	**Group** **2012**	Group 2011	**Company** **2012**	Company 2011
		R'000	R'000	**R'000**	R'000
ASSETS					
Property and equipment	*6*	**500**	465	**-**	-
Intangible assets	*7*	**532**	534	**-**	-
Investment in subsidiaries	*8*	**-**	-	**10 028**	9 819
Subrogation and salvage recoveries	*12*	**2 147**	2 263	**-**	-
Reinsurance portion of insurance contract provisions	*12*	**35**	23	**-**	-
Deferred tax asset	*11*	**21**	66	**-**	-
Loans and receivables	*9.3*	**91**	306	**-**	69
Cash and cash equivalents	*9.4*	**20 142**	15 987	**29**	306
Total assets		**23 468**	19 644	**10 057**	10 194
EQUITY					
Capital and reserves attributed to the company's equity holders					
Share capital	*13*	**24**	24	**25**	25
Share premium	*14*	**13 702**	13 633	**15 350**	15 350
Contingency reserve	*15*	**-**	3 104	**-**	-
Retained Income/(Accumulated loss)		**3 220**	(4 178)	**(5 371)**	(5 373)
Equity attributable to equity holders of the parent		**16 946**	12 583	**10 004**	10 002
Non-controlling interest		**-**	1 100	**-**	-
Total equity		**16 946**	13 683	**10 004**	10 002
LIABILITIES					
Insurance contract provisions	*12*	**4 168**	3 292	**-**	-
Normal Tax payable		**82**	142	**-**	2
Dividends payable		**3**	3	**3**	3
Loans from subsidiaries	*8*	**-**	-	**-**	5
Trade and other payables	*9.5*	**2 269**	2 524	**50**	182
Total liabilities		**6 522**	5 961	**53**	192
Total shareholders' equity and liabilities		**23 468**	19 644	**10 057**	10 194

Statements of Comprehensive Income

for the year ended 30 September 2012

	Notes	Group 2012 R'000	Group 2011 R'000	Company 2012 R'000	Company 2011 R'000
Gross written premium		**35 384**	32 196	**-**	-
Less: reinsurance premium		**(1 543)**	(1 166)	**-**	-
Net premium written		**33 841**	31 030	**-**	-
Change in provision for unearned premiums, net of reinsurance		**(16)**	(4)	**-**	-
Net insurance premium revenue		**33 825**	31 026		
Other income	*16*	**150**	504	**312**	565
Investment income	*17*	**950**	711	**5**	6
Total revenue		**34 925**	32 241	**317**	571
Claims incurred, net of reinsurance	*18*	**(16 045)**	(14 649)	**-**	-
Administration expenses		**(9 966)**	(10 124)	**(317)**	(349)
Acquisition costs		**(2 820)**	(2 430)	**-**	-
Finance costs	*17*	**-**	(2)	**-**	(2)
Profit before taxation		**6 094**	5 036	**-**	220
Taxation	*19*	**(1,800)**	(1 354)	**2**	-
Profit for the year		**4 294**	3 682	**2**	220
Total comprehensive income for the year		**4 294**	3 682	**2**	220
Profit attributable to:					
- Equity holders of the parent		**4 294**	3 682	**2**	220
- Non-controlling interest		**-**	-	**-**	-
		4 294	3 682	**2**	220
Earnings attributable to the equity holders					
Basic earnings per share (cents)	*20*	**36.12**	31.33		
Diluted earnings per share (cents)	*20*	**36.12**	30.98		
Dividends per share (cents)					
- Ordinary shares		**-**	-	**-**	-
- A Class preference shares		**-**	-	**-**	-

Statements of changes in equity

for the year ended 30 September 2012

	Ordinary shares R'000	Preference shares R'000	Share Premium R'000	Contingency reserve R'000	Retained Income/ (Accumulated loss) R'000	Non-controlling interest R'000	Total R'000
Group							
Balance at 1 October 2010	12	12	13 554	2 758	(7 514)	1 100	9 922
Changes in Equity for the year ended 30 September 2011							
Total comprehensive income for the year ended 30 September 2011					3 682		3 682
Transfer to contingency reserve				346	(346)		-
Ordinary shares distributed by Indequity Group Limited Employee Share incentive purchase scheme			79				79
Balance at 30 September 2011	12	12	13 633	3 104	(4 178)	1 100	13 683
Changes in Equity for the year ended 30 September 2012							
Total comprehensive income for the year ended 30 September 2012					**4 294**		**4 294**
Transfer from contingency reserve				**(3 104)**	**3 104**		**-**
Ordinary shares distributed by Indequity Group Limited Employee Share incentive purchase scheme			**69**				**69**
Redemption of preference shares in subsidiary						**(1 100)**	**(1 100)**
Balance at 30 September 2012	**12**	**12**	**13 702**	**-**	**3 220**	**-**	**16 946**
Company							
Balance at 1 October 2010	13	12	15 350	-	(5 593)	-	9 782
Total comprehensive income for the year ended 30 September 2011					220		220
Balance at 30 September 2011	13	12	15 350	-	(5 373)	-	10 002
Total comprehensive income for the year ended 30 September 2012					**2**		**2**
Balance at 30 September 2012	**13**	**12**	**15 350**	**-**	**(5 371)**	**-**	**10 004**

Statements of Cash Flows

for the year ended 30 September 2012

	Notes	Group 2012 R'000	Group 2011 R'000	Company 2012 R'000	Company 2011 R'000
Operating activities					
Cash generated/(utilised) by operations	*21.1*	**6 096**	3 121	**(137)**	206
Interest received		**950**	711	**5**	6
Finance costs		**-**	(2)	**-**	(2)
Taxation paid	*21.2*	**(1 815)**	(1 214)	**-**	-
Net cash movement in operating activities		**5 231**	2 616	**(132)**	210
Investing activities					
Disposal of propert and equipment		**221**	-	**-**	-
Acquisition of property and equipment		**(266)**	(251)	**-**	-
Purchase of intangible assets		**-**	(5)	**-**	-
Decrease in shares in share incentive trust		**69**	79	**-**	-
Increase in loan to subsidiaries		**-**	-	**(209)**	(214)
Decrease/(Increase)in loans receivable		**-**	-	**69**	77
Net cash movement in investing activities		**24**	(177)	**(140)**	(137)
Financing activities					
Decrease in loans payable		-	(219)	**-**	(219)
Decrease in loans from subsidiaries		-	-	**(5)**	-
Repayment of preference shares of subsidiary		**(1 100)**	-	**-**	-
Net cash movement in financing activities		**(1 100)**	(219)	**(5)**	(219)
Movement in cash and cash equivalents		**4 155**	2 220	**(277)**	(146)
Cash and cash equivalents					
At beginning of the year		**15 987**	13 767	**306**	452
Increase per above		**4 155**	2 220	**(277)**	(146)
At end of the year	*9.4*	**20 142**	15 987	**29**	306

Notes to the Audited Annual Financial Statements
for the year ended 30 September 2012

1. Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below:

1.1 Statement of compliance

The annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the AC 500 standards as issued by the Accounting Practices Board, the JSE Listings Requirements and the Act.

1.2 Basis of preparation

The financial statements are presented in South African Rand, which is also the group's functional currency, rounded to the nearest thousand. The financial statements are prepared on the historical-cost basis, except for the measurement of certain financial instruments at fair value.

The accounting policies set out below have been applied consistently to all years presented in these financial statements.

1.3 Basis of consolidation

The consolidated financial statements include the assets and liabilities of the company and all of its subsidiary companies.

Subsidiary companies

Subsidiaries are entities controlled by the company. Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the group. Separate disclosure is made of minority and preference shareholder interest.

Investments in subsidiary companies in the separate financial statements of the company are measured at cost less impairment. Impairment is calculated using a discounted earnings model.

A listing of the group's principal subsidiaries is set out in note 8 to the financial statements.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any realised and unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

1.4 Significant judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The use of available information and the application of judgement are inherent in the formation of estimates. Actual results in the future could differ from these estimates, which may be material to the annual financial statements. Significant judgements include:

Insurance liabilities

The most significant area in which the directors have applied judgement during the current financial year relate to the determination of the 'Incurred But Not Reported' provision, other claims provisions, claims recoveries and salvages (refer to note 12).

Deferred taxation assets

The assessment of the probability of future taxable income against which deferred tax assets can be utilised is based on the Group's latest approved budget forecast, which is adjusted for significant non-taxable income and expenses and specific limits for the use of any unused tax loss or credit. The tax rules in the jurisdictions in which the Group operates are also carefully taken into consideration. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilised without a time limit, then the deferred tax asset is usually recognised in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances (refer to note 11).

Impairment testing

The recoverable amounts of cash generating units and individual assets, including customer contracts, have been determined based on either the higher of value-in-use calculations or fair values less cost to sell. These calculations require the use of estimates and assumptions.

To determine the recoverable amount, management estimates expected future cash flows from each cash generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows, management makes assumptions about future profits, which are dependent on future events and circumstances (refer to notes 7).

1.5 Classification of insurance contracts

Contracts under which the group accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary are classified as insurance contracts. Insurance risk is risk other than financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Insurance contracts may also transfer some financial risk.

Notes to the Audited Annual Financial Statements
for the year ended 30 September 2012

1.6 Recognition and measurement of insurance contracts

Premiums

Premiums written comprise the premiums on insurance contracts entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period. Premiums are disclosed gross of commission to intermediaries and exclude Value Added Tax. Premiums written include adjustments to premiums written in prior accounting periods.

Outward reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct insurance or reinsurance business assumed.

The earned portion of premiums received is recognised as revenue. Premiums are earned from the date of attachment of risk, over the indemnity period, based on the pattern of risks underwritten. Outward reinsurance premiums are recognised as an expense in accordance with the pattern of indemnity received.

Unearned premium reserve

The provision for unearned premiums comprises the proportion of premiums written which is estimated to be earned in subsequent financial years, computed separately for each insurance contract using a time proportionate basis.

Claims incurred

Claims incurred consist of claims paid during the financial year together with the movement in the provision for outstanding claims. Claims outstanding comprise provisions for the company's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date whether reported or not, and an appropriate risk margin.

Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made, and disclosed separately if material.

Unexpired risk provision

Provision is made for unexpired risks arising where the expected value of claims and expenses attributable to the unexpired periods of policies in force at the reporting date exceeds the unearned premium provision in relation to such policies. The provision for unexpired risks is calculated separately by reference to classes of business which are managed together, after taking into account relevant investment return.

Reinsurance

The group cedes reinsurance in the normal course of business for the purpose of limiting its net loss potential through the diversification of its risks. Reinsurance arrangements do not relieve the group from its direct obligations to its policyholders.

Only reinsurance agreements that give rise to a significant transfer of insurance risk are accounted for as reinsurance contracts. Amounts recoverable under such contracts are recognised in the same year as the related claim.

Notes to the Audited Annual Financial Statements
for the year ended 30 September 2012

1.6 Recognition and measurement of insurance contracts (continued)

Reinsurance (continued)

Amounts recoverable under reinsurance contracts are assessed for impairment at each reporting date. Such assets are considered impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the group may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the group will receive from the re-insurer.

Liabilities and related assets under liability adequacy test

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

Contingency reserve

A reserve in equity was made for the full amount of the contingency reserve as previously required by the regulatory authorities in South Africa. Transfers to and from this reserve are treated as appropriations of retained income (Refer note 15).

Subrogation and salvage recoveries

In certain circumstances the group acquires the right to pursue third parties for losses paid to policyholders under insurance contracts. The group has recognised and disclosed all identifiable and measurable amounts it expects to recover, in future, from past loss events, as a separate asset on the statement of financial position. Salvage recoveries are included in these recoverable amounts. Subrogation and salvage recoveries are recognised when it is reasonably certain that the amounts will be recovered. The recoveries are credited to claims incurred in the statement of comprehensive income.

1.7 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and any impairment losses. Historical cost includes expenditure that is directly attributed to the acquisition of the items. Depreciation is calculated as the difference between the cost and the residual value of the asset and is charged to the statement of comprehensive income over the estimated useful lives of the assets concerned using the straight-line method. The estimated useful lives of the assets are as follows:

- Computer equipment 3 years
- Office equipment 5 years
- Furniture and fittings 6 years
- Motor vehicles 5 years

The residual values and useful lives are reviewed at each reporting date and adjusted if appropriate.

Notes to the Audited Annual Financial Statements
for the year ended 30 September 2012

1.8 Intangible assets

Costs associated with maintaining computer software programs are recognised as an expense when incurred. Costs that are directly associated with identifiable and unique software products controlled by the group, and that will generate economic benefits exceeding costs beyond one year, are recognised as intangible assets.

Computer software development costs recognised as intangible assets are amortised using the straight-line method over their estimated useful lives, ranging between two and five years.

Subsequent expenditure on capitalised intangible assets is capitalised only when it meets the definition of an intangible asset and the recognition criteria thereof. All other subsequent expenditure is expensed as incurred.

1.9 Customer contracts (Intangible assets)

Customer contracts are stated at cost less any accumulated amortisation and impairment losses unless they are determined to have an indefinite life. These are not amortised but tested for impairment annually.

1.10 Financial instruments

Financial assets

Financial assets are assigned to the different categories as per IAS 39 on initial recognition, depending on the characteristics of the instrument and its purpose. A financial instrument’s category is relevant for the way it is measured and whether resulting income and expenses are recognised in profit or loss or charged directly against equity.

An assessment of whether a financial asset is impaired or not is made at least at each reporting date. For receivables, this is based on the latest credit information available. Financial assets that are substantially past due are also considered for impairment. All income and expense relating to financial assets are recognised in the statement of comprehensive income line item ‘finance cost’ or ‘finance income’.

Loans and receivables

Loans advanced by the group are initially stated at fair value and subsequently carried at amortised cost.

Trade and other receivables

Trade and other receivables are initially stated at fair value and subsequently at amortised cost.

Cash and cash equivalents

Cash and cash equivalents are measured at fair value, by reference to expected cash flows and current market interest rates.

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and bank balances, all of which are available for use by the group unless otherwise stated.

Notes to the Audited Annual Financial Statements
for the year ended 30 September 2012

1.10 Financial instruments (continued)

Financial liabilities

The group's financial liabilities include loans payable and trade and other payables, which are initially measured at fair value and subsequently at amortised cost using the effective interest rate method.

Financial liabilities are recognised when the company becomes a party to the contractual arrangements of the instrument. All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included in the statement of comprehensive income line items 'finance costs' or 'finance income'.

1.11 Impairment

The group assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the group estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, a recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs, is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less cost to sell and its value in use. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. The reduction is an impairment loss and is charged to the statement of comprehensive income.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

Reinsurance assets

The group assesses at each balance sheet date whether there is objective evidence that reinsurance assets are impaired. The reinsurance assets are impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the reinsurance asset that can be reliably estimated.

Objective evidence that a reinsurance asset is impaired includes observable data that comes to the attention of the group about the following events:

- significant financial difficulty of the issuer or debtor;
- a breach of contract, such as a default or delinquency in payments;
- it becoming probable that the reinsurer will enter bankruptcy or other financial reorganisation.

If there is objective evidence that an impairment loss has been incurred on reinsurance assets, the amount of the loss is measured as the difference between the assets' carrying amount and the recoverable amount (present value of estimated future cash flows discounted at the pre-tax interest rate that reflect the risks specific to the reinsurance asset). The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income. If in a subsequent period, the amount of the impairment loss decreases and

1.11 Impairment (continued)

Reinsurance assets (continued)

the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed in the statement of comprehensive income.

Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from insurance contract holders. If there is objective evidence that the insurance receivable is impaired, the group reduces the carrying amount of the insurance receivable accordingly and recognises the impairment loss in the statement of comprehensive income. The group gathers the objective evidence that an insurance receivable is impaired using the same process adopted for reinsurance assets. The impairment loss is also calculated under the same method used for reinsurance assets.

1.12 Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds.

1.13 Treasury shares

Shares held by subsidiaries are classified as treasury shares on consolidation and presented as a deduction from equity. These shares are held at cost.

Statement of financial position presentation

On purchase, the cost of the shares acquired is deducted from equity. Subsequently, any gain or loss on the sale or cancellation of the company’s own equity instruments is recognised directly in equity.

Statement of comprehensive income presentation

Both dividends received and unrealised losses on own shares are eliminated before stating group profit for the year. Dividends paid in respect of these shares are eliminated when determining the group profit for the year.

Earnings per share

In calculating the basic earnings per share, the treasury shares are deducted from the weighted average number of shares in issue.

When calculating the diluted earnings per share, the number of shares at year-end that have a dilutive effect is included in the weighted average number of shares.

1.14 Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case the related income tax is also recognised in equity.

Notes to the Audited Annual Financial Statements
for the year ended 30 September 2012

1.14 Taxation (continued)

Current tax comprises tax payable calculated on the basis of the expected taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment of tax payable for previous years.

Deferred tax is provided using the balance sheet liability method, based on temporary differences. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the reporting date. Deferred tax is charged to the statement of comprehensive income except to the extent that it relates to a transaction that is recognised directly in equity, or a business combination. The effect on deferred tax of any changes in tax rates is recognised in the statement of comprehensive income, except to the extent that it relates to items previously charged or credited directly to equity.

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

1.15 Revenue recognition

Revenue comprises interest income, commission and revenue from insurance contracts.

Commission
Insurance brokerage commission is recognised as revenue over the period during which the related policy is in force.

Revenue from insurance contracts
Refer to accounting policy 1.6 for recognition and measurement of insurance contract income.

Interest income
Interest income is accounted for on an accrual basis.

1.16 Leases

Leases where the lessor retains the risks and rewards of ownership of the underlying asset are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

1.17 Finance costs

Finance costs comprise interest expense on borrowings. Borrowing costs are recognised in the statement of comprehensive income using the effective interest rate method.

1.18 Short-term employee benefits

The cost of all short-term employee benefits is recognised during the period in which the employee renders the related service.

1.18 Short-term employee benefits (continued)

The accrual for employee entitlements to annual leave represents the amount which the group has a present obligation to pay, as a result of employees' service provided up to the statement of financial position date. The accrual has been calculated at undiscounted amounts based on current salary rates.

1.19 Dividends payable

Dividends payable and the related taxation thereon are recorded in the group's financial statements in the period in which the shareholders' rights to receive payment have been established

1.20 Segment reporting

IFRS 8 requires the identification of operating segments on the basis of internal reports that are regularly reviewed by the "chief operating decision maker" in order to allocate to the segment and assess its performance.

IFRS 8 requires reconciliation for total reportable segments to the total reported IFRS figures for all of the following items:

- Revenue;
- Profit or loss before income tax expense/income and discontinued operations;
- Assets;
- Liabilities; and
- Every other material item of information disclosed as required by IFRS 8.

An operating segment is a component of an entity:

- that engages in business activities from which it may earn revenues and incur expenses (including revenue or expenses relating to transactions with other components of the same entity);
- whose operating results are regularly reviewed by the entity's chief operating decision makers about resources to be allocated to the segment and assess its performance; and
- for which discrete financial information is available.

1.21 Contingencies and commitments

Transactions are classified as contingencies where the group's obligations depend on uncertain future events. Items are classified as commitments where the group commits itself to future transactions with external parties.

1.22 New standards, amendments and interpretations to existing standards that are relevant to the Group but are not yet effective and have not been adopted early by the Group

Standard or interpretation	Description	Effective date for annual reporting periods commencing on or after
Improvements to IFRSs	The IASB has issued its 2011 annual improvements. The annual improvements project aims to clarify and improve the accounting standards. The improvements include clarifications or removal of unintended inconsistencies between IFRSs. These improvements are effective for annual periods commencing on or after 1 January 2013 but early application is permitted and must be applied retrospectively. There are no significant changes in the improvement projects that are expected to affect the group.	1 January 2013

Notes to the Audited Annual Financial Statements
for the year ended 30 September 2012

1.22 New standards, amendments and interpretations to existing standards that are relevant to the Group but are not yet effective and have not been adopted early by the Group

IFRS 7 (amended) – Financial instruments: Disclosures and IAS 32 (amended) – Financial instruments: Presentation	The amendments to IFRS 7 requires additional disclosure of gross amounts subject to rights of set-off, amounts set-off in accordance with the accounting standards and the related net credit exposure to enable investors to understand the extent to which an entity has set-off in its statement of financial position and the effects of rights of set-off on the entity's rights and obligations. This amendment is not expected to have a significant impact on the disclosures made by the group.	1 January 2013
IFRS 9: Financial instruments	The IFRS is the first phase of the IASB's three-part project to replace the current *IAS 39 Financial instruments: Recognition and measurement*. Currently the IFRS only deals with the classification and measurement of financial assets and includes guidance on financial liabilities and derecognition of financial instruments. Financial assets can be classified as financial assets at amortised cost or fair value. The classification is based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. The accounting and presentation for financial liabilities and for derecognising a financial instrument has been relocated from IAS 39 without change, except for financial liabilities that are designated at fair value through profit or loss. The standard is not expected to result in material reclassifications for the group.	1 January 2015
IFRS 10: Consolidated financial statements	This standard replaces the consolidation requirements in SIC 12: Consolidation – Special purpose entities and *IAS 27: Consolidated and separate financial statements*. This standard builds on existing principles by identifying the concept of control as the determining factor when deciding whether an entity should be consolidated. The standard provides additional guidance to assist in determining control where this is difficult to assess. This new standard will not have a significant impact on the group.	1 January 2013
IFRS 11: Joint arrangements	This standard provides for a more realistic reflection of joint arrangements by focusing more on the rights and obligations of the arrangement, rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The standard is not expected to have a significant impact on the group.	1 January 2013

Notes to the Audited Annual Financial Statements
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1.22 New standards, amendments and interpretations to existing standards that are relevant to the Group but are not yet effective and have not been adopted early by the Group

IFRS 12: Disclosures of interests in other entities	This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. This amendment addresses disclosure in the financial statements and will not affect recognition and measurement. The impact on the revised disclosure is not expected to be significant for the group.	1 January 2013
IFRS 13: Fair value measurement	This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS or US GAAP. The new standard is not expected to impact the group's results significantly.	1 January 2013
IAS 1: Presentation of financial statements	1 was amended to require companies to group together items within other comprehensive income that may be reclassified to profit or loss. The amendments also reaffirm existing requirements that items in other comprehensive income and profit or loss should be presented as either a single statement or two consecutive statements. The impact of the revised disclosure is not expected to be significant for the group.	1 July 2012
IAS 19: Employee benefits	IAS 19 was amended to eliminate the corridor approach and recognise all gains and losses in other comprehensive income as they occur. Further amendments include recognising all past service costs immediately, replacing interest cost and expected return on plan assets with a net interest amount calculated by applying the discount rate to the net defined benefit liability/ asset. This amendment is not expected to have an impact on the results of the group as the group does not have defined benefit plans.	1 January 2013

1.22 New standards, amendments and interpretations to existing standards that are relevant to the Group but are not yet effective and have not been adopted early by the Group

IAS 27: Separate financial statements	This standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10. The standard is not expected to have a significant impact on the group.	1 January 2013
IAS 28: Associates and joint ventures	This standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11. The standard is not expected to have a significant impact on the group.	1 January 2013
IFRS 4 phase II	The IASB is currently in the process of developing a new standard to ensure comprehensive IFRS is in place for insurance contracts. The new standard is not expected to be effective before the 2016 financial year.	Unknown

2. Terms and conditions of insurance contracts

Indequity underwrites the following types of insurance contracts:

Types of insurance contracts	Personal lines	Commercial
Property	X	X
Personal accident	X	X
Motor	X	X
Liability	X	X
Accident	X	X

The commercial segment underwrites the risks of office based and professional businesses. The personal segment provides insurance to the general public in their personal capacities. Ninety nine percent of the group's insurance contracts are renewed on a monthly basis, which allows the group to make premium adjustments whenever it is needed.

Property

The group provides indemnity against loss of or damage to immovable and movable property caused by perils such as fire, lightning, explosion, weather, water, earthquake and malicious damage.

The fire classes also include business interruption policies which insure the loss of profits incurred by a business as a result of loss or damage to insured property by these perils.

Personal accident

Compensation is provided arising out of the death, permanent or temporary total disability of the insured and the family of the insured. Such death or disability is restricted to certain accidents and does not provide the wider cover available from the life insurance industry.

2. Terms and conditions of insurance contracts (continued)

Motor

Indemnity for the loss of or damage to the insured's motor vehicle is provided. The cover is normally on an all risks basis providing a wide scope of cover following an accident or a theft of the vehicle but the insured can select restricted forms of cover such as cover for fire and theft only. Legal liabilities arising out of the use or ownership of the motor vehicle following an accident for damage to third party property or death or injury to a third party are also covered under this class of business.

Liability

Indemnity for losses suffered by the insured due to the following types of liabilities incurred:

- Public liability;
- Employers liability;
- Fidelity; and
- Personal liability.

Accident

Indemnity is provided for loss of or damage to mainly movable property for losses caused by crime, certain accidental damage such as damage to goods in transit or accidental damage to glass. Included under the accident classes are legal liabilities that an insured party may incur as a result of accidental damage to third party property or accidental death or injury to a third party caused by the insured.

The return to shareholders under the above products arises from the total premiums charged to policyholders less the amounts paid to cover claims and the expenses incurred by the group. There is also scope for the group to earn investment income owing to the time delay between the receipt of premiums and the payment of claims.

3. Risk that arises from insurance contracts

3.1 Insurance risk and policies for mitigating insurance risk

The primary activity of the group relates to the assumption of the risk of loss from events involving individuals. Such risks may relate to property, personal accident, motor and other perils that may arise from an insured event. As such the group is exposed to the uncertainty surrounding the timing, severity and frequency of claims under insurance contracts.

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

The group manages its insurance risk through underwriting limits, approval procedures for transactions that involve new products or that exceed set limits, pricing guidelines, centralised management of reinsurance and monitoring of emerging issues. These actions are described below:

Notes to the Audited Annual Financial Statements

for the year ended 30 September 2012

3.1 Insurance risk and policies for mitigating insurance risk (continued)

Underwriting strategy

The group's underwriting strategy seeks professional and high net-worth individuals as well as professional and office based businesses as they are seen to have a lower risk profile than other individuals. Strict underwriting guidelines for acceptance of new policies are maintained. Adequacy of the pricing structure is monitored through regular review of claims ratios per class of business.

Reinsurance strategy

The group buys a combination of non-proportional reinsurance treaties to reduce the net exposure. This includes facultative excess of loss and catastrophe cover to reduce the risk on large and catastrophe claims. Reinsurance is only taken out with large reinsurers with acceptable credit ratings.

3.2 Concentrations of insurance risk and policies mitigating the concentrations

Within the insurance process, concentrations of risk may arise where a particular event or series of events could impact heavily upon the group's resources. A geographical concentration of insurance risks exists as a large portion of risks underwritten relate to risks situated in Gauteng. Catastrophe reinsurance cover is used to mitigate this risk.

Gross written premiums per line of business

	2012 R'000	2011 R'000
Commercial lines	**2 615**	**2 441**
Personal lines	**32 769**	**29 755**
	35 384	**32 196**

3.3 Other risks and policies for mitigating these risks

Insurance companies are exposed to the risk of false, invalid and exaggerated claims. Fraud detection measurements are in place to improve the group's ability to proactively detect fraudulent claims**.**

3.4 Claims development

The group is liable for all insured events that occur during the term of the contract, even if the loss is discovered after the end of the contract term, subject to pre-determined time scales dependent on the nature of the insurance contract. The group is therefore exposed to the risk that claims reserves will not be adequate to fund historic claims (run-off risk). To manage run-off risk the group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures and adopts sound reserving practices. Consequently, the company has a history of positive claims development, i.e. the reserves created over time proved to be sufficient to fund the actual claims paid.

Notes to the Audited Annual Financial Statements
for the year ended 30 September 2012

3.4 Claims development (continued)

The vast majority of the insurance contracts are classified as 'short-tailed', meaning that any claim is settled within a year after the loss date. This contrasts with the 'long-tailed' classes where the claims cost takes longer to materialise and settle. The group's long-tailed business is generally limited to personal accident and third-party motor liability.

In terms of IFRS 4, an insurer need only disclose claims run-off information where uncertainty exists about the amount and timing of claims payments not resolved within one year. The group has never had any claims from its 'long-tailed' classes of business.

4. Maturity profile

The maturity profile of assets is as follows:

Group

	2012 R'000	2011 R'000
0 – 12 months		
Subrogation and recoveries	**1 033**	1 086
Reinsurance portion of insurance contract provisions	**35**	23
Cash and cash equivalents	**20 142**	15 987
Loans and receivables	**64**	215
> 12 months		
Property and equipment	**500**	465
Intangible assets	**532**	534
Subrogation and recoveries	**1 114**	1 177
Loans and receivables	**27**	91
Deferred tax asset	**21**	66

Company

	2012 R'000	2011 R'000
0 – 12 months		
Loans to subsidiaries	**461**	252
Cash and cash equivalents	**29**	306
Loans and receivables	**-**	69
> 12 months		
Investment in subsidiaries	**9 567**	9 567

Notes to the audited financial statements

for the year ended 30 September 2012

5. Segment analysis

No segment analysis has been prepared as the group is only involved in insurance activities, which are managed as a whole. There is no segmented information reported to management.

6. Property and equipment - Group

At 30 September 2012	**Cost R'000**	**Accumulated depreciation R'000**	**Carrying amount R'000**
Computer hardware	**216**	**(197)**	**19**
Office equipment	**48**	**(39)**	**9**
Furniture and fittings	**393**	**(210)**	**183**
Motor vehicles	**336**	**(47)**	**289**
	993	**(493)**	**500**

At 30 September 2011	Cost R'000	Accumulated depreciation R'000	Carrying amount R'000
Computer hardware	206	(178)	28
Office equipment	48	(30)	18
Furniture and fittings	264	(192)	72
Motor vehicles	509	(162)	347
	1 027	(562)	465

Reconciliation of carrying amounts:

At 30 September 2012	**Opening carrying amount R'000**	**Acquisitions/ (Disposals) R'000**	**Depreciation R'000**	**Closing carrying amount R'000**
Computer hardware	**28**	**10**	**(19)**	**19**
Office equipment	**18**	**-**	**(9)**	**9**
Furniture and fittings	**72**	**129**	**(18)**	**183**
Motor vehicles	**347**	**(9)**	**(49)**	**289**
Total	**465**	**130**	**(95)**	**500**

Notes to the audited financial statements
for the year ended 30 September 2012

6. Property and equipment (continued)

At 30 September 2011	Opening carrying amount R'000	Acquisitions R'000	Depreciation R'000	Closing carrying amount R'000
Computer hardware	58	1	(31)	28
Office equipment	27	-	(9)	18
Furniture and fittings	52	41	(21)	72
Motor vehicles	205	209	(67)	347
Total	342	251	(128)	465

7. Intangible assets - Group

At 30 September 2012	**Cost R'000**	**Accumulated amortisation R'000**	**Carrying amount R'000**
Customer contracts	**530**	**-**	**530**
Computer software	**55**	**(53)**	**2**
	585	**(53)**	**532**

At 30 September 2011	Cost R'000	Accumulated amortisation R'000	Carrying amount R'000
Customer contracts	530	-	530
Computer software	55	(51)	4
	585	(51)	534

Reconciliation of carrying amounts:

At 30 September 2012	**Opening carrying amount R'000**	**Amortisation R'000**	**Closing carrying amount R'000**
Customer contracts	**530**	**-**	**530**
Computer software	**4**	**(2)**	**2**
Total	**534**	**(2)**	**532**

Notes to the audited financial statements
for the year ended 30 September 2012

7. Intangible assets - Group (continued)

At 30 September 2011	Opening carrying amount	Acquisitions R'000	Amortisation R'000	Closing carrying R'000
Customer contracts	530	-	-	530
Computer software	-	5	(1)	4
Total	530	5	(1)	534

The remaining useful life of computer software is 9 months and customer contracts has an indefinite useful life.

Impairment testing for intangible assets.

The recoverable amounts of the cash-generating units were determined based on a detailed five-year forecast, followed by an extrapolation of expected cash flows using appropriate declining rates of 5%. The growth rates reflect the expected growth rates for the product lines and industries of the cash-generating units.

Management's key assumptions include stable profit margins, which have been determined based on past experience in the market. The Group's management believes that this is the best available input for forecasting this market.

Apart from the considerations described in determining the value in use of the cash-generating units described above, management is not currently aware of any other probable changes that would necessitate changes in its key estimates.

Based on the calculation performed no impairment is required.

8. Investment in subsidiaries - Company

These investments represent 100% (unless otherwise stated) unlisted shareholdings in the following:

	2012 R'000	2011 R'000
Investment in subsidiaries:		
IDQ Nominees Proprietary Limited	*	*
Indequity Insurance Holdings Limited	**9 567**	9 567
Indequity Specialised Insurance Limited*[1]	**-**	-
Shares at cost	**9 567**	9 567
Investment in subsidiaries at cost less impairment losses	**9 567**	9 567

* Amounts less than R1 000

Notes to the audited financial statements
for the year ended 30 September 2012

8. Investment in subsidiaries - Company (continued)

	2012	2011
	R'000	R'000
Loans to subsidiaries:		
Indequity Specialised Insurance Limited *[1]	**456**	252
IDQ Nominees Proprietary Limited	**5**	-
Loan to subsidiaries at cost	**461**	252
Interest in subsidiaries	**10 028**	9 819

Loans to and from subsidiaries are interest-free, unsecured and not subject to any fixed terms of repayment.

*[1] 100% held by Indequity Insurance Holdings Limited

All the subsidiaries are incorporated in the Republic of South Africa.

9. Financial assets and liabilities

9.1 Financial assets by category - Group

At 30 September 2012	**Loans and receivables**	**Total**
	R'000	**R'000**
Loans and receivables	**91**	**91**
Cash and cash equivalents	**20 142**	**20 142**
	20 234	**20 234**

At 30 September 2011		
Loans receivable	306	306
Cash and cash equivalents	15 987	15 987
	16 293	16 293

Notes to the audited financial statements
for the year ended 30 September 2012

9. Financial assets and liabilities (Continued)

9.1 Financial assets by category - Company

At 30 September 2012	**Loans and receivables R'000**	**Total R'000**
Loans to subsidiaries	**461**	**461**
Cash and cash equivalents	**29**	**29**
	490	**490**
At 30 September 2011		
Loans to subsidiaries	252	252
Loans and receivables	69	69
Cash and cash equivalents	306	306
	627	627

9.2 Financial liabilities by category - Group

At 30 September 2012	**Financial liabilities at amortised cost R'000**	**Total R'000**
Trade and other payables	**2 269**	**2 269**
	2 269	**2 269**
At 30 September 2011		
Trade and other payables	2 524	2 524
	2 524	2 524

Financial liabilities by category - Company

At 30 September 2012		
Trade and other payables	**50**	**50**
	50	**50**

Notes to the audited financial statements
for the year ended 30 September 2012

9. Financial assets and liabilities (Continued)

9.2 Financial liabilities by category - Company (continued)

At 30 September 2011	Financial liabilities at amortised cost R'000	Total R'000
Trade and other payables	182	182
Loans payable	5	5
	187	187

9.3 Loans and receivables - Group	**2012 R'000**	2011 R'000
Amounts owing by Company employees	**33**	298
Trade receivables	**58**	8
	91	306

Interest on the loans to employees is charged at prime less 1.5% and is repayable over the next five years.

Loans and receivables - Company		
Loan to share incentive scheme	-	69
	-	69

Interest on the loan to the share incentive scheme was charged at prime less 2% and has no fixed repayment
This loan has been fully repaid in the current year.

Trade and other receivables are neither past due nor impaired.

9.4 Cash and cash equivalents

	Group		**Company**	
	2012	2011	**2012**	2011
	R'000	R'000	**R'000**	R'000
Current accounts	**2 385**	120	**1**	1
Savings	**232**	464	**28**	305
Call accounts	**5 132**	4 206	**-**	-
Money Market accounts	**12 203**	9 423	-	-
Market Link accounts	**189**	1 772	-	-
Petty cash	**1**	2	-	-
	20 142	15 987	**29**	306

Notes to the audited financial statements

for the year ended 30 September 2012

		Group		Company	
		2012	2011	**2012**	2011
9.5	**Trade and other payables**	**R'000**	R'000	**R'000**	R'000
	Trade payables	**-**	191	**-**	70
	Accruals	**2 269**	2 333	**50**	112
		2 269	2 524	**50**	182

10. Risk management

Transactions in financial instruments result in the group assuming financial risk. These risks are described below, together with a summary of the way in which the group manages these risks.

10.1 Market risk

Market risk can be described as the risk of a change in the fair value of a financial instrument brought about by changes in currency, interest rates and equity prices.

Equity price risk

The group is not exposed to equity risk as they do not have any investments in listed or unlisted equities, except for investments in subsidiaries.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest.

Exposure to interest rate risk is limited to the group's balances held at call with banks which earn interest at rates that vary on a daily basis.

Interest rate sensitivity on profit and loss	**2012**	2011	**2012**	2011
	R'000	R'000	**R'000**	R'000
- Group	2% increase	2% increase	**2% decrease**	2% decrease
Cash and cash equivalents	**403**	320	**(403)**	(320)
	403	320	**(403)**	(320)

Currency risk

The group is not exposed to currency risk as they have no financial instruments denominated in foreign currencies.

Notes to the audited financial statements

for the year ended 30 September 2012

10.2 Credit risk

Credit risk is the risk that a counterparty to a financial instrument will default in its obligation to the group, thereby causing financial loss to the group.

Key areas where the group is exposed to credit risk are:
- investments and cash equivalents; and
- reinsurers' share of insurance liabilities

The group determines counterparty credit quality by reference to ratings from independent ratings agencies such as Fitch or, where such ratings are not available, by internal analysis. The group seeks to avoid concentration of credit risk to groups of counterparties, to business sectors, product types and geographical segments.

The following tables provide information regarding the aggregated credit risk exposure for financial assets with external credit ratings.

Cash and cash equivalents	**Group**		**Company**	
	2012	2011	**2012**	2011
	R'000	R'000	**R'000**	R'000
AAA	**-**	4 015	**29**	306
AA+	**4 316**	-	**-**	-
AA	**11 973**	8 991	**-**	**-**
AA-	**3 852**	2 979	**-**	-
	20 141	15 985	**29**	306

The carrying amount of financial assets included on the statement of financial position represents the maximum credit exposure.

The group considers that the financial assets that are not rated amount to R91 381 (2011: R308 353) and are of good credit quality.

The group is not exposed to an undue concentration of credit risk as cash and cash equivalents are evenly ditributed major South African banks.

None of the financial assets mentioned above are impaired nor are any past due.

Notes to the audited financial statements
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10.3 Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost.

The group monitors its available cash resources to ensure sufficient cash is available to settle expected and unexpected insurance claims and other liabilities.

As at 30 September 2012, the group's financial liabilities have contractual maturities which are summarised below:

At 30 September 2012

- Group	**Insurance liabilities R'000**	**Accounts payable R'000**
0-12 months	**4 168**	**2 354**
1-5 years	**-**	**-**
>5 years	**-**	**-**
	4 168	**2 354**

At 30 September 2011	Insurance liabilities R'000	Accounts payable R'000
0-12 months	3 292	2 669
1-5 years	-	-
>5 years	-	-
	3 292	2 669

- Company

	Accounts payable	
	2012 R'000	2011 R'000
0-12 months	**53**	192
1-5 years	**-**	-
>5 years	**-**	-
	53	192

Notes to the audited financial statements

for the year ended 30 September 2012

11. Deferred tax - Group	**2012 R'000**	2011 R'000
Asset		
Asset at beginning of year	**66**	80
Statement of comprehensive movement - current year	**(45)**	(14)
Asset at end of year	**21**	**66**
Comprising:		
Temporary differences - provision for leave pay	**28**	25
Temporary differences - depreciation on vehicles	**(7)**	-
Temporary differences - additional rental	**-**	41
	21	**66**

The group has normal tax losses of R56 980 (2011: R56 980) and capital gains losses of R2 373 480 (2011: R 2 373 480) to carry forward to use against future taxable income, which have not been recognised in these financial statements due to the uncertainty of their recoverability.

12. Insurance contract provisions - Group	**2012 R'000**	2011 R'000
Unearned premiums	**151**	135
Notified outstanding claims	**3 209**	2 448
Incurred But Not Reported reserve (IBNR)	**773**	686
Gross IBNR	**808**	709
Reinsurance portion	**(35)**	(23)
	4 133	3 269
Comprising:		
Gross insurance contract provisions	**4 168**	3 292
Reinsurance portion of insurance contract provisions	**(35)**	(23)

The insurance contract provisions are expected to mature within the next year.

Analysis of movements in notified outstanding claims

As at 30 September 2012	**Gross outstanding claims R'000**	**Subrogation and salvage recoveries R'000**	**Outstanding claims less recoveries R'000**
Balance at the beginning of the year	**2 448**	**(2 263)**	**185**
Change in prior year estimate	**(276)**	**(307)**	**(583)**
Claims paid/recoveries received	**(17 566)**	**2 486**	**(15 080)**
Current year claims reported/recoveries raised	**18 603**	**(2 063)**	**16 540**
Closing balance	**3 209**	**(2 147)**	**1 062**

Notes to the audited financial statements
for the year ended 30 September 2012

12. Insurance contract provisions - Group (continued)

As at 30 September 2011	Gross outstanding claims	Subrogation and salvage recoveries	Outstanding claims less recoveries
	R'000	R'000	R'000
Balance at the beginning of the year	2 540	(2 705)	(165)
Change in prior year estimate	785	279	1 064
Claims paid/recoveries received	(16 948)	2 782	(14 166)
Current year claims reported/recoveries raised	16 071	(2 619)	13 452
Closing balance	2 448	(2 263)	185

	2012	2011
	R'000	R'000
Analysis of movement in IBNR		
Balance at the beginning of the year	**686**	551
IBNR utilised	**(53)**	(284)
Prior year IBNR released	**(633)**	(267)
IBNR raised in current year	**773**	686
Closing balance	**773**	686
Analysis of movement in Unearned Premiums		
Balance at the beginning of the year	**135**	131
Charged to the statement of comprehensive income	**16**	4
Closing balance	**151**	135

12.1 Process used to determine significant assumption

Insurance risks are unpredictable and the group recognises that it is impossible to forecast with absolute precision, future claims payable under existing insurance contracts. Over time, the group has developed a methodology based on past experience and current market prices that is aimed at establishing insurance provisions that have a reasonable likelihood of being adequate to settle all its insurance obligations. An external expert was utilised to determine the IBNR percentages.

12.1.1 Claims provision

The outstanding claims provision include notified claims as well as incurred but not yet reported claims.

Notified claims

Each notified claim is assessed on a separate, case-by-case basis with due regard to the specific circumstances, information available from the insured and/or loss adjuster and past experience with similar claims. The group employs staff experienced in claims handling and rigorously applies standardised policies and procedures around claims assessment.

Notes to the audited financial statements
for the year ended 30 September 2012

12. Insurance contract provisions (continued)

12.1.1 Claims provision (continued)

The ultimate cost of the reported claims may vary as a result of future developments or better information becoming available about the current circumstances. Case estimates are therefore reviewed regularly and updated if new information becomes available.

Subrogation and salvage recoveries

75% of the total amount of recoveries, that have a likelihood of 70% or more of recovery, are included in subrogation and salvage recoveries.

Claims incurred but not yet reported.

The IBNR provision consists of a best estimate and an implicit risk margin. The best estimate represents the expected value of the insurance liabilities. Implicit risk margins are added to the best estimate to reflect the uncertainty of the ultimate cost of claims. The risk margin represents an allowance based on judgement for instance where the actual claims development could be more severe than the best estimate liability. The appropriateness of the risk margins is assessed annually by management against the group's past claims experience and is adjusted if the recent claims experience shows that the methodology is no longer appropriate. represents the IBNR assumption for each financial year.

Best estimates makes use of historical claims development. They assume that the historical claims development will occur in the future.

12.1.2 Premium provisions

The group raises provisions for unearned premiums on a basis that reflects the underlying risk profile of its insurance contracts. An unearned premium provision is created at the commencement of each insurance contract and is then released as the risk expires. The group's insurance contracts have an even risk profile and therefore the unearned premium provision is released evenly over the period using a time proportionate basis.

Notes to the audited financial statements

for the year ended 30 September 2012

12. Insurance contract provisions (continued)

12.2 Assumptions

The assumption that has the greatest effect on the measurement of insurance contract provisions is the percentage applied to the premiums written in the IBNR calculation. The following percentages of earned premium were used to calculate the 2012 IBNR (2011: 2% on motor and property classes and 7% on other classes of written premium):

	Percentages applied to earned premium of:					
	2012	2011	2010	2009	2008	2007
Accident and health	5.67%	1.12%	0.26%	0.10%	0.07%	0.06%
Liability	12.49%	4.47%	1.65%	0.66%	0.31%	0.19%
Miscellaneous	7.18%	1.17%	0.25%	0.11%	0.09%	0.08%
Motor	2.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Property	2.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Transportation	7.20%	1.31%	0.30%	0.12%	0.09%	0.09%

12.3 Sensitivity assumptions

The table below demonstrates the before tax profit impact of a hypothetical change in material assumptions.

	2012	2011
	R'000	R'000
IBNR calculated at 1%	**325**	342
IBNR calculated at 3%	**(325)**	(342)

13. Share capital

	Group		**Company**	
	2012	2011	**2012**	2011
	R'000	R'000	**R'000**	R'000
Authorised				
100 000 000 ordinary shares of R0,001 each	**100**	100	**100**	100
26 000 000 cumulative redeemable convertible preference shares of R0.001 each	**26**	26	**26**	26
120 000 000 000 A Class preference shares of R0.0000001 each	**12**	12	**12**	12
12 000 000 B Class preference shares of R0.001 each	**12**	12	**12**	12

The A Class preference shareholders are entitled to a cumulative dividend equal to 20% of the cumulative dividend declared to ordinary shareholders. This dividend is payable in preference to the dividend payable to ordinary shareholders. The B Class preference shareholders are not entitled to any dividends.

Notes to the audited financial statements
for the year ended 30 September 2012

13. Share capital (continued)

	Group		Company	
	2012	2011	**2012**	2011
	R'000	R'000	**R'000**	R'000
Issued				
13 170 000 (2011: 13 170 000) ordinary shares of R0,001 each	**13**	13	**13**	13
1 283 183 (2011: 1 283 183) ordinary treasury shares held by Indequity Specialised Insurance Limited	**(1)**	(1)	**-**	-
0 (2011: 69 062) ordinary shares held by the Indequity Group Limited Employee Share incentive scheme	**-**	*	**-**	-
13 170 000 (2011: 13 170 000) A Class preference shares of R0.00001 each	*	*	**-**	-
11 669 950 (2011: 11 669 850) B Class preference shares of 0.001 cent each	**12**	12	**12**	12
	24	24	**25**	25

* Amounts less than R1 000.

Shares issued during the year

There were no shares issued during the year.

Unissued shares

The unissued shares are under the control of the directors in terms of a general authority to allot and issue them on such terms and conditions and at such times as they deem fit. This authority expires at the forthcoming annual general meeting of the company.

14. Share premium

	Group		Company	
	2012	2011	**2012**	2011
	R'000	R'000	**R'000**	R'000
Opening balance	**13 633**	13 554	**15 350**	15 350
69 062 (2011:79 368) ordinary shares distributed by Indequity Group Limited Employee Share incentive purchase scheme	**69**	79	**-**	-
	13 702	13 633	**15 350**	15 350

Notes to the audited financial statements
for the year ended 30 September 2012

15. Contingency reserve - Group

	2012	2011
	R'000	R'000
In terms of the Short-term Insurance Act the company was required for the previous financial year to raise a contingency reserve of 10 % of premiums written less approved reinsurances (as defined). The reserve could be utilised only with the prior permission of the Registrar of Short-term insurance. As per new interim solvency requirements issued by the Registrar of Short-term Insurance, the contingency reserve is no longer required. The previous balance has been transferred to retained income.	**-**	3 104

16. Other income

	Group		Company	
	2012	2011	**2012**	2011
	R'000	R'000	**R'000**	R'000
Service Fee	**-**	-	**312**	315
Sundry income	**150**	504	**-**	250
	150	504	**312**	565

17. Income and expenses on financial assets and liabilities - Group

At 30 September 2012	**Loans and receivables**	**Financial liabilities at amortised cost**	**Total**
	R'000	**R'000**	**R'000**
Interest income on financial assets	**950**	**-**	**950**
	950	**-**	**950**

At 30 September 2011	Loans and receivables	Financial liabilities at amortised cost	Total
	R'000	R'000	R'000
Interest income on financial assets	711	-	711
Finance cost on financial liabilities	-	(2)	(2)
	711	(2)	709

Notes to the audited financial statements

for the year ended 30 September 2012

17. Income and expenses on financial assets and liabilities (continue)

Income and expenses on financial assets and liabilities - Company

At 30 September 2012	**Loans and receivables R'000**	**Financial liabilities at amortised cost R'000**	**Total R'000**
Interest income on financial assets	**5**	**-**	**5**
	5	**-**	**5**

At 30 September 2011	Loans and receivables R'000	Financial liabilities at amortised cost R'000	Total R'000
Interest income on financial assets	4	2	6
Finance cost on financial liabilities	-	(2)	(2)
	4	-	4

18. Claims incurred, net of reinsurance

	Group	
	2012 R'000	2011 R'000
Claims paid	**(15 080)**	(14 166)
Gross amount	**(15 080)**	(14 166)
Reinsurer's share	**-**	-
Change in provisions for claims	**(965)**	(483)
Gross amount	**(977)**	(486)
Reinsurer's share	**12**	3
Claims incurred, net of reinsurance	**(16 045)**	(14 649)

Notes to the audited financial statements

for the year ended 30 September 2012

	Group		Company	
	2012	2011	**2012**	2011
19. Taxation	**R'000**	R'000	**R'000**	R'000
South African normal tax				
Normal tax - current year	1 663	1 340	-	-
Normal tax - prior years	92	-	**(2)**	-
Deferred tax - current year	45	14	-	-
	1 800	1 354	**(2)**	-
Reconciliation of tax rate				
Current year's income tax as a percentage of profit before taxation	**29.5**	26.9	-	-
Prior year underprovision	**(1.5)**	-	-	-
Assessed tax losses utilised	-	1.1	-	28.0
Standard tax rate	**28.0**	28.0	-	28.0

20. Earnings per share - Group	**2012**	2011
Basic earnings per share (cents)	**36.12**	31.33
Net profit attributable to shareholders of the parent (R'000)	**4 294**	3 682
Weighted average number of ordinary shares in issue	**11 886 817**	11 753 333
Diluted earnings per share (cents)	**36.12**	30.98
Net profit attributable to shareholders of the parent (R'000)	**4 294**	3 682
Weighted average number of ordinary shares in issue	**11 886 817**	11 886 817
Headline earnings per share (cents)	**35.61**	31.33
Headline earnings (R'000)	**4 233**	3 682
Weighted average number of ordinary shares in issue	**11 886 817**	11 753 333
Fully diluted headline earnings per ordinary share (cents)	**35.61**	30.98
Headline earnings (R'000)	**4 233**	3 682
Weighted average number of ordinary shares in issue	**11 886 817**	11 886 817

Reconciliation of Weighted Average Number of Shares used in diluted earnings

Weighted average number of shares	**11 886 817**	11 753 333
Weighted effect of shares in Indequity Group Limited Share Incentive Scheme	-	133 484
Diluted weighted average number of shares	**11 886 817**	11 886 817

Reconciliation of net profit attributable to shareholders of the parent to headline earnings

Net profit attributable to shareholders of the parent (R'000)	**4 294**	3 682
Profit on sale of property and equipment less taxation (R'000)	**(61)**	-
Headline earnings (R'000)	**4 233**	3 682

Notes to the audited financial statements
for the year ended 30 September 2012

21.1 Reconciliation of cash generated from/(utilised in) operations

	Group		Company	
	2012	2011	**2012**	2011
	R'000	R'000	**R'000**	R'000
Profit before taxation	**6 094**	5 036	**-**	220
Adjusted for:				
- Depreciation	**95**	128	**-**	-
- Amortisation	**2**	1	**-**	-
- Interest received	**(950)**	(711)	**(5)**	(6)
- Finance costs	**-**	2	**-**	2
- Profit from sale of propery and equipment	**(85)**	-	**-**	-
	5 156	4 456	**(5)**	216
Changes in working capital:				
- Decrease in subrogation and salvage recoveries	**116**	442	**-**	-
- Decrease in trade and other payables	**(255)**	(1 761)	**(132)**	(10)
- Decrease/(Increase) in trade and other receivables	**215**	(63)	**-**	-
- Increase in insurance contract provisions	**864**	47	**-**	-
Cash generated by operations	**6 096**	3 121	**(137)**	206

21.2 Tax Paid -Group

Opening balance	**142**	16	**2**	2
Normal tax charge in statement of comprehensive income	**1 755**	1 340	**(2)**	-
Closing balance	**(82)**	(142)	**-**	(2)
	1 815	1 214	**-**	-

22. Operating lease commitments

Operating lease - current year	**1 177**	1 077	**-**	-
Future minimum commitments in terms of leased premises:	**989**	1 094	**-**	-
Due within one year	**2 253**	-	**-**	-
Due within more than one year	**3 243**	1 094	**-**	-

The company's current lease agreement expired on 30 September 2012. The company has entered into a 3 year lease for the rental of their office premises from Growthpoint Properties Limited. The lease will commence on 1 October 2012.

Notes to the audited financial statements
for the year ended 30 September 2012

23. Contingent liabilities

Bank guarantees amounting to R324 176 (2011: R273 000) have been issued by ABSA Bank Limited in favour of Growthpoint Properties Limited in respect of the lease commitments disclosed in note 22. The group has ceded an amount equal to the bank guarantees to ABSA Bank Limited.

A guarantee of R0 (2011: R150 000) has been issued in favour of ABSA Bank Limited in respect of the ABSA debit order system used.

24. Related party transactions

24.1 *Identification of related parties*

Details of major shareholders are disclosed in the directors' report on page 16. The subsidiaries of the group are set out in note 8 to the financial statements. The directors are listed in the directors' report.

24.2 *Services rendered*
Management and administration services are performed by certain subsidiaries. Other subsidiaries in the group are charged for these services. All companies within the group make use of inter-company loans as a means of finance. Information regarding outstanding loans are set out in note 8 to the financial statements.

24.3 *Indequity Group Limited Employee Share Incentive Trust ("the Trust")*
The above-mentioned Trust held 0 (2011: 69 062) of the issued ordinary shares of the company as at 30 September 2012.
The beneficiaries of the Trust were the employees of the group which include the directors.

	2012 R'000	2011 R'000
24.4 *Directors' remuneration* **-** *Group and Company*		
Executive directors		
Basic salary – L Jansen van Rensburg	**880**	880
Travel allowance – L Jansen van Rensburg	**120**	120
Bonus - L Jansen van Rensburg	**1 500**	1 354
Basic salary – TE Vorster	**64**	-
Basic salary - CM Koekemoer	**-**	77
Less: Paid by subsidiaries	**(2 564)**	(2 431)
	-	-

TE Vorster was appointed as Financial Director on 5 June 2012.

Non-Executive directors		
Directors fee – J Zwarts	**30**	40
Directors fee – G Williamson	**20**	40
Directors fee - TC Meyer	**10**	40
	60	120

Notes to the audited financial statements

for the year ended 30 September 2012

24. Related party transactions(continued)

	2012	2011
	R'000	R'000
24.5 *Remunerations paid to key personnel (excluding directors)*		
Key person - A	**509**	511
Key person - B	**304**	277
Key person - C	**205**	159
Key person - D	**176**	208
Less: paid by subsidiaries	**(1 194)**	(1 156)
	-	-
Total employee costs	**3 226**	3 295

24.6 Related party transactions - Company

Fees received

Indequity Specialised Insurance Limited	**312**	315

All related party transactions are at arms length.

In the prior year, Atlantic Africa Investments Limited and it's subsidiaries were disclosed as related parties. Transactions in 2012 amounted to R0 (2011: R240 000).

25. Capital management policies - Group

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The group monitors capital based on the capital adequacy requirements set by the Financial Services Board. The requirement is currently that a minimum solvency margin of R10 million needs be held. Indequity currently has equity of R17 million.

The international solvency margin is calculated by showing the total equity at the end of the year as a percentage of net premiums written during the year.

	2012	2011
Indequity's international solvency margin	**50%**	41%

NOTICE TO SHAREHOLDERS

This document is important and requires your immediate attention.

If you are in any doubt as to the action you should take, please consult your Central Securities Depository Participant ("CSDP"), broker, banker, legal adviser, accountant or other professional adviser immediately.

It should be noted that the record date in terms of section 59 of the Companies Act for Indequity shareholders to be recorded on the register in order to receive notice of the annual general meeting is Friday, 30 November 2012

The record date for determining which Indequity shareholders are entitled to participate in and vote at the Annual general meeting is Friday, 11 January 2013. Accordingly, the last day to trade in order to be on the register on the record date to participate and vote at the annual general meeting shall be Friday, 4 January 2013.

ANNUAL GENERAL MEETING

Notice is hereby given that the ninth annual general meeting of the shareholders of Indequity Group Limited will be held at the registered office of the company, First Floor, Cascade House, Constantia Office Park, corner 14th Avenue and Hendrik Potgieter Road, Constantia Kloof, Johannesburg on Tuesday 22 January 2013, at 10:00 for the purpose of transacting the following business:

1. To receive and adopt the annual financial statements for the year ended 30 September 2012, together with the reports of the auditors and the directors.

2. To re-appoint Grant Thornton, with VR de Villiers as audit partner, as auditors until the next annual general meeting and authorise the directors to determine and pay the auditors' remuneration.

3. To elect directors in accordance with the company's Memorandum of Incorporation. The Memorandum of Incorporation requires that G Williamson and L Jansen van Rensburg retire at the annual general meeting. G Williamson and L Jansen van Rensburg are eligible for re-election. The curriculum vitae's of the proposed directors are attached in Appendix 1.

4. To confirm the appointment of TE Vorster as the company's financial director. The curriculum vitae of TE Vorster attached in Appendix 1.

5. To elect G Williamson, JF Zwarts and A van Jaarsveldt to the company's audit committee. The election of G Williamson will be subject to his re-election as a non-executive director. JF Zwarts is the Chairman of the Board, however he will serve a dual function as a member of the audit committee should he be elected by the shareholders. The curriculum vitae's of the proposed audit committee members are attached in Appendix 1.

6. To elect G Williamson, JF Zwarts and L Jansen van Rensburg to the social and ethics committee. The curriculum vitae's of the proposed members are attached in Appendix 1.

7. To consider and, if deemed fit, to pass with or without modification, the following special resolution of the company:

   Special Resolution No 1

   "Resolved that the directors of the company be and are hereby authorised, by way of a general authority, to acquire the issued ordinary shares of the company, or to permit the acquisition of shares in the company by a subsidiary of the company, as and when deemed appropriate subject to the provisions of the Companies Act, 71 of 2008 of South Africa, and the Listings Requirements of the JSE Limited ("JSE") and subject to such other conditions as may be imposed by any relevant authority, and provided that -

   - the general authority shall be valid until the company's next annual general meeting or for 15 months from the date of registration of this special resolution, whichever period is shorter;

Notice to Shareholders (Continued)

- the general acquisition of shares may only be implemented by one agent appointed by the company through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counter party (reported trades are prohibited);
- any general acquisition may not exceed 20% of the company's issued share capital of that class in any one financial year;
- the company may not pay a price more than 10% above the weighted average of the market value of the shares for the five business days immediately preceding the date of acquisition.
- prior to such acquisition, the board passing a resolution that it has authorised the repurchase, the company and its subsidiaries have passed the solvency and liquidity test and that, since the test was performed, there have been no material changes to the financial position of the group;
- the company being authorised thereto by its Memorandum of Incorporation;
- an announcement being published as soon as the company has repurchased shares constituting, on a cumulative basis, 3% of the initial number of shares, and for each 3% in aggregate of the initial number of ordinary shares repurchased thereafter, containing full details of such repurchases; and
- the repurchase/s may not be effected during a prohibited period as defined in the JSE Listings Requirements unless they have in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and full details of the programme have been disclosed in an announcement over SENS prior to the commencement of the prohibited period."

Reason for and effect of special resolution No 1

The reason for this special resolution is to authorise the company or a subsidiary thereof, by way of general authority, to acquire its own shares. The directors may therefore approve the acquisition of shares issued by the company, should the directors be of the opinion that it would be in the interest of the company to do so, taking into account the prevailing circumstances (including the tax dispensation and market conditions).

The directors, after considering the effect of repurchasing up to 20% of the company's issued ordinary shares, will ensure that for a period of 12 months after the implementation of such repurchase:

- the company and the group will be able to pay their debts in the ordinary course of business;
- the assets of the company and the group will be in excess of the liabilities of the company and the group;
- the share capital and reserves of the company and the group will be adequate for ordinary business purposes;
- the working capital of the company and the group will be adequate for ordinary business purposes.

The directors undertake that the company will not enter the market to repurchase securities in terms of this authority until such time as the company's JSE sponsor, at the company's request, has furnished the JSE with written confirmation regarding the director's working capital statement.

The following additional information, some of which may appear elsewhere in the annual report of which this notice forms part, is provided in terms of the JSE Listings Requirements for purposes of this general authority to repurchase shares:

- directors and management – page 2;
- major beneficial shareholders – page 8;
- directors' interests in shares – page 17;
- share capital of the company – page 52.

Notice to Shareholders (Continued)

Special Resolution No 2

Resolved that the following remuneration of directors of the company for their services as directors of the company be and is hereby approved, in terms of the provisions of section 66(9) of the Companies Act, No 71 of 2008 ("the Companies Act"):

(i) for the period 1 October 2012 to 30 September 2013

	Proposed	Present
Non-executive directors per day of attending meetings	R10 000	R10 000

(ii) thereafter but only until the expiry of a period of 24 months from the date of the passing of this special resolution number 2 (or until amended by a special resolution of Indequity shareholders prior to the expiry of such period), escalated as determined by the board of directors of Indequity, up to a maximum of 10% per annum.

Reason and effect

The reason for and effect of special resolution number 2 is to approve the remuneration of the directors of the company for their services as directors for the period from 1 October 2012 to 30 September 2014.

Special Resolution No 3

Resolved that the board of directors be and is hereby authorised in terms of the provisions of section 45(3)(a)(ii) of the Companies Act as a general approval, to authorise the company to provide any direct or indirect financial assistance ("financial assistance" will herein have the meaning attributed to it in section 45(1) of the Companies Act) that the board of directors may deem fit to any related or inter-related company or corporation of the company ("related" and "inter-related" will herein have the meaning attributed to it in section 2 of the Companies Act), on the terms and conditions and for amounts that the board of directors may determine.

Reason and effect

The reason for and effect of special resolution number 3 is to grant the directors of the company the general authority to provide direct or indirect financial assistance to any company or corporation forming part of its group of companies, including in the form of loans or the guaranteeing of their debts. This authority will be in place for a period of two years from the date of adoption of this special resolution number 3.

Special Resolution No 4

Resolved that, in terms of section 16(1)(c)(ii) of the Companies Act, and Item 4(2) of Schedule 5 to the Companies Act, the existing memorandum and articles of association of the company be and are hereby amended and substituted in their entirety by the new memorandum of incorporation signed by the chairperson of the annual general meeting on the first page thereof for identification purposes, with effect from the date of filing of the required notice of amendment with the Companies and Intellectual Property Commission.

Reason and effect

Special resolution number 4 is proposed in order to adopt a new memorandum of incorporation in substitution for the existing memorandum of incorporation the company which contain provisions which are in conflict with the provisions of the Companies Act, but which conflicting provisions generally override the

Notice to Shareholders (Continued)

provisions of the Companies Act, which became effective on 1 May 2011, for a period of two years after the effective date of the Companies Act, in order to bring the company's constitutional documents in harmony

with the provisions of the Companies Act. In terms of Item 4(2) of Schedule 5 to the Companies Act, a company that existed prior to the effective date of the Companies Act may at any time within two years immediately following the effective date file, without charge, an amendment to its memorandum and articles of association to bring it in harmony with the Companies Act.

A summary of the new memorandum of incorporation is available in Appendix 2. Copies of the new memorandum of incorporation will be available for inspection by any person who has a beneficial interest in any securities of the company at the registered office of the company at First Floor, Cascade House, Constantia Office Park, cnr 14th Avenue and Hendrik Potgieter Road, Constantia Kloof, Johannesburg during normal office hours from the date of issue of this notice of annual general meeting up to and including the date of the annual general meeting or any adjourned meeting.

8. To consider and, if deemed fit, to pass with or without modification, the following ordinary resolutions of the company:

Ordinary resolution No 1

"Resolved that the authorised but unissued shares of the company be and are hereby placed under the control of the directors of the company until the next annual general meeting and that, subject to the provisions of the Companies Act, as amended, and the Listings Requirements of the JSE, the directors be authorised to allot and issue such shares at their discretion, subject to the proviso that the aggregate number of shares to be allotted and issued in terms of this resolution shall be limited to 15% of the authorised share capital"

The reason for this ordinary resolution is to place the unissued shares of the company under the control of the directors until the next annual general meeting.

Ordinary Resolution No 2
"Resolved that the directors of the company and/or any of its subsidiaries from time to time be and they are hereby authorised, by way of a general authority, to:

- allot and issue shares or options in respect of all or any of the authorised but unissued ordinary shares in the capital of the company; and/or
- sell or otherwise dispose of or transfer, or issue any options in respect of, ordinary shares in the capital of the Company purchased by subsidiaries of the Company,

for cash, to such person/s on such terms and conditions and at such times as the directors in their discretion deem fit, subject to the Act, the Memorandum of Incorporation of the Company, the Listings Requirements of the JSE and the following limitations:

- The securities which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue.
- Any such issue may only be made to public shareholders as defined by the Listings Requirements and not to related parties.
- The number of ordinary shares issued for cash shall not in any 1 (one) financial year in the aggregate exceed 15% (fifteen percent) of the number of issued ordinary shares, including instruments which are convertible into ordinary shares. The number of ordinary shares which may be issued shall be based on the number of ordinary shares in issue at the date of such application less any ordinary shares issued during the current financial year, provided that any ordinary shares to be issued pursuant to a rights issue (announced, irrevocable and underwritten) or acquisition (which has had final terms announced) may be included as though they were in issue at the date of application.
- This general authority is valid until the earlier of the Company's next AGM or expiry of a period of 15 (fifteen) months from the date that this authority is given.

Notice to Shareholders (Continued)

- A published announcement giving full details, including the impact on the net asset value per share, net tangible asset value per share, earnings per share and headline earnings per share, will be published when the Company has issued ordinary shares representing, on a cumulative basis within 1 (one) financial year, 5% (five percent) or more of the number of ordinary shares in issue prior to the issue.
- In determining the price at which an issue of ordinary shares may be made in terms of this authority, the maximum discount permitted will be 10% (ten percent) of the weighted average traded price on the JSE of the ordinary shares over the 30 (thirty) business days prior to the date that the price of the issue is determined or agreed by the directors of the Company.
- Whenever the Company wishes to use ordinary shares, held as treasury stock by a subsidiary of the Company, such use must comply with the Listings Requirements as if such use was a fresh issue of ordinary shares".

In terms of the Listings Requirements of the JSE a 75% (seventy-five percent) majority of the votes cast by shareholders present or represented by proxy at the general meeting must be cast in favour of ordinary resolution number 2 for it to be approved.

Ordinary resolution No 3

"Resolved that any director of the company be and is hereby authorised to sign all such documents and do all such things as may be necessary for and incidental to the implementation of the resolutions to be proposed at the meeting convened to consider this resolution".

The reason for this ordinary resolution is to authorise any director of the company to sign all such documents and do all such things as may be necessary to implement the above-mentioned resolutions.

Ordinary resolution No 4

To cast a non-binding advisory vote on the company's remuneration policy set out in Appendix 3 of this document.

1. To transact such other business as may be transacted at any annual general meeting.

Litigation statement

The directors, whose names appear on page 2 of the annual report of which this notice forms part, are not aware of any legal or arbitration proceedings, including any proceedings that are pending or threatened, that may have or have had in the recent past, being at least 12 months, a material effect on the group's financial position.

Directors' responsibility statement

The directors, whose names appear on page 2 of the annual report of which this notice forms part, collectively and individually accept full responsibility for the accuracy of the information pertaining to this notice and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries have been made and that the special resolution contains all information required by law and the JSE Listings Requirements.

Material changes

Other than the facts and developments reported on in the annual report of which this notice forms part, there have been no material changes in the financial or trading position of the company and its subsidiaries that has occurred since the date of signature of the audit report and up to the date of this notice.

Notice to Shareholders (Continued)

Voting and proxies

Each Ordinary Shareholder of the Company who is present in person or represented by proxy at the general meeting is entitled to one vote on a show of hands. On a poll, an Ordinary Shareholder present in person or by proxy or represented, in terms of section 188 of the Companies Act of South Africa, shall be entitled to one vote for each Ordinary Share held. If you hold dematerialised shares not in your own name, you must furnish your CSDP or broker with your instructions for voting at the general meeting. If your CSDP or broker does not obtain instructions from you, they will be obliged to act in terms of your mandate furnished to them. If you hold Dematerialised Shares, other than own name Dematerialised Shares, you must NOT complete the attached form of proxy. Unless you advise your CSDP or broker in the manner and time stipulated in the agreement between your CSDP or broker that you wish to attend the general meeting or send a proxy, your CSDP or broker will assume that you do not wish to attend the general meeting or send a proxy. If you wish to attend the general meeting, you are required to request that your CSDP or broker issue the necessary letter of representation to you to enable you to attend the general meeting. If you hold Dematerialised Shares in your own name, or hold shares that are not dematerialised, and are unable to attend the general meeting and wish to be represented thereat, you must complete the attached form of proxy in accordance with the instructions therein and lodge it with or post it to the company secretary or the transfer secretaries of Indequity:

Hand deliveries to:

D Deoraj (Company Secretary)
First Floor, Cascade House, Constantia Office Park, cnr 14th Avenue and Hendrik Potgieter Road,
Constantia Kloof, 1709

B Botha (Transfer Secretary)
Link Market Services
11 Diagonal Street
Johannesburg
2001

Postal deliveries to:

D Deoraj (Company Secretary)
PO Box 5433
Weltevreden Park, 1715

B Botha (Transfer Secretary)
Link Market Services
PO Box 4844
Johannesburg
2000

to be received by no later than 10:00 on Friday 18 January 2013.

By order of the board

D Deoraj *(Company Secretary)*
5 December 2012

Appendix to Notice to shareholders

Appendix 1

Curriculum Vitae

Adriaan van Jaarsveldt

Mr van Jaarsveldt was appointed General Manager Regulation of BBI in December 2006. He is responsible for regulatory strategy and the management of regulatory risk across the Group.

Prior to joining BBI, Mr van Jaarsveldt was Managing Director of Global & Corporate and held senior positions at Ernst & Young and KPMG in Australia and the UK. In these roles he provided strategic, regulatory, policy, economic and financial advice on restructures, privatisations and other transactions in the energy, water and transport sectors. He has worked on projects in Australia, Cambodia, Fiji, the UK, Russia, Ukraine, India, the USA, South Africa and Zambia.

Mr van Jaarsveldt holds a Bachelor of Commerce from the University of Johannesburg with honours gained at the University of South Africa. He is a member of the Australian Institute of Chartered Accountants and Australian Institute of Company Directors.

Lourens Jansen van Rensburg

Lourens Jansen van Rensburg obtained a Bachelor of Commerce degree (cum laude) and an honours degree from the University of Johannesburg and passed the South African Institute of Chartered Accountants' board examination in 1988. Upon completion of his articles at Deloitte and Touché, he joined Rand Merchant Bank as a manager in the credit and risk management department.

In 1992, Lourens was approached by Sechold Limited to establish and manage a structured finance division. He joined the Sechold Group as a director of a number of subsidiaries and together with his team structured investment products for institutions and corporates.

Following the acquisition of Sechold by Investec Bank Limited, his division continued to contribute positively to Group results. Lourens resigned from Investec in May 1995 to establish Indequity Group Limited. As the Chief Executive Officer of Indequity, Lourens is responsible for the overall management, capital allocation decisions and the strategic direction of the group.

Theodore E Vorster

Theodore Eduard Vorster qualified as a chartered accountant at the end of 2004 after completing his articles at KPMG. He held a management position at KPMG in the financial services division where he managed audits of insurance companies and provided consulting services to the insurance industry. After leaving KPMG, he held the position of Head of Financial Reporting at RMB Asset Management.

Theo then delivered advisory services to the short term insurance industry, specifically focussing on financial process enhancement, system implementations, product development and transaction structuring.

George Williamson

George qualified as Chartered Accountant in 1991. Upon completion of his articles he joined UAL Merchant Bank where he spent time in the Treasury and Structured Finance Departments. In 1997 George left UAL Merchant Bank to join Capital Alliance, which eventually merged with Brait.

George was head of the Structured Finance Division of Brait when he left in 2002. In 2003 he started his own company in the telecommunications industry with which he is currently still involved.

Appendix 1 (continued)

Curriculum Vitae (continued)

Johan F Zwarts

Johannes Frederick Zwarts passed the Insitute of Chartered Accountant's board examination in 1988. Upon completion of his articles at Deloitte and Touche, he started his own audit and consulting practice, Johan Zwarts & Associates, in 1992. He is currently still in practice with offices on the East Rand and Pretoria employing 26 members of staff.

During June 1997 he completed his Advanced Taxation Certificate through UNISA. He holds various directorships, is a trustee on numerous Trusts and is also the chairman of various audit committees.

Appendix 2

Summary of Memorandum of Incorporation

The new Companies Act, 2008 ("the Companies Act" or "the new Companies Act") became effective on 1 May 2011. The Companies Act differs substantially from the Companies Act, 1973 ("the 1973 Companies Act") and the memorandum and articles of association of companies need to be amended to bring it into harmony with the new Companies Act. In future a company will only have one constitutional document, being a memorandum of incorporation. In terms of the transitional provisions of the new Companies Act, a company has until 30 April 2013 to bring its memorandum and articles of association into harmony with the new Companies Act. In this transitional two-year period, provisions of a company's existing memorandum and articles of association that are in conflict with the provision of the new Companies Act, will, to the extent of the conflict, prevail, subject however to a few exceptions. A company that existed prior to the effective date of the new Companies Act may at any time within the two-year transitional period file, without charge, an amendment to its memorandum and articles of association to bring it into harmony with the new Companies Act.

The new memorandum of incorporation of Indequity Group Limited ("Indequity" or "the company") to be considered and if, approved, adopted at the annual general meeting of Indequity to be held on 22 January 2013, is consistent with the provisions of the new Companies Act and is proposed to replace the existing memorandum and articles of association of Indequity. The memorandum of incorporation also complies with the applicable provisions of the JSE Listings Requirements and has been formally approved by the JSE.

The approach adopted in preparing the memorandum of incorporation, was to as far as possible retain the provisions of the existing articles of association of Indequity that are not inconsistent with the new Companies Act (and to the extent that there were material deviations from this approach, details of such deviations are set out below). The memorandum of incorporation was prepared with a view to such document serving as a manual to the officers of Indequity and others when dealing with the day-to-day corporate issues affecting the company, without the need to consult the Companies Act and Regulations to the Companies Act on each and every point.

The following matters contained in the proposed memorandum of incorporation should be noted in particular:

Amendments to the memorandum of incorporation

1 Save for correcting errors substantiated as such from objective evidence or which are self-evident errors in the memorandum of incorporation, which the board is empowered to do, all amendments of the memorandum of incorporation should be effected by a special resolution of shareholders [clause 3.3].

Securities of the company

2 The share capital of Indequity is not affected by the new memorandum of incorporation and in particular its shares will remain par value shares and the rights attached to all classes of shares are unchanged [clause 4.1.1 and section 9].

Appendix 2 (continued)

3 The power to amend the authorisation (including increasing or decreasing the number) and classification of shares (including determining rights, limitations, preferences and other terms), is subject to the approval of the shareholders by way of a special resolution [clause 4.1.5].

4 Subject to the provisions of the Companies Act and the JSE Listings Requirements where a special resolution is required for the approval of an issue of shares, the board may issue shares at any time, and/or grant options to subscribe for shares but only to the extent that such issue or option has been approved by an ordinary resolution of shareholders, either by way of a general or specific authority. Such authority shall endure for the period provided in the resolution in question but may be revoked by ordinary resolution at any time [clauses 4.1.6 and 4.1.7].

5 The board may authorise the company to issue secured or unsecured debt instruments, but no special privileges associated with any such debt instruments, such as voting rights or right to appoint directors may be granted [clause 4.7].

6 The company may by special resolution buy back its own shares. Decision to acquire its own shares must satisfy the JSE Listing Requirements and the provisions of the Companies Act [clauses 4.1.16].

7 The company may provide financial assistance to any person for the purpose of the subscription of any option, or any securities, issued or to be issued by the company, or for the purchase of any such securities, subject to the provisions of section 44 of the Companies Act [clause 4.1.13].

Shareholders

8 The quorum for a shareholders' meeting to begin or for a matter to be considered, will be at least three shareholders entitled to attend and vote and present at the meeting and, in addition, a shareholders' meeting may not begin until persons are present at the meeting in person or proxy to exercise, in aggregate, at least 25% of the voting rights, and a matter to be decided at a shareholders' meeting may not begin to be considered unless sufficient persons are present at the meeting in person or proxy to exercise, in aggregate, at least 25% of all of the voting rights [clause 6.8].

9 Subject to the provisions of the JSE Listings Requirements, if determined by the board in its discretion, the company may conduct a shareholders' meeting entirely by electronic communication or provide for participation in a meeting by electronic communication [clause 6.7].

Directors and officers

10 The minimum number of directors will be four and the maximum twelve [clause 7.1.1].

11 The appointment of directors and retirement of non-executive directors by rotation are as provided for in Indequity's existing articles of association [clause 7.2].

12 Subject to the provisions of the JSE Listings Requirements, the board may elect a chairperson of their meetings and determine the period for which he is to hold office [clause 7.5.11].

13 The chairperson of the board or a director authorised by the board may, at any time, call a meeting of the board, and must call a meeting of the board if required to do so by at least two directors [clause 7.5.2].

14 A round robin board resolution will be as valid and effectual as if it had been passed at a meeting of the board duly called and constituted, provided that each director who is able to receive notice has received notice of the matter to be decided upon. A round robin resolution has to be signed by a majority of directors. [clause 7.5.5].

15 The board may determine the form and time of notice to be given of meetings of the board [clause 7.5.6].

Appendix 2 (continued)

16 The quorum necessary for the transaction of the business of the directors will be a majority of the then appointed directors [clause 7.5.8(b)].

17 Each director has one vote on a matter before the board [clause 7.1.8(c)].

18 A majority of the votes cast in favour of a board resolution is sufficient to approve that resolution [clause 7.1.8(d)]. In the case of a tied vote the chairperson will not have a second or casting vote and the matter being voted on fails [clause 7.1.8(e)].

19 The company may pay remuneration to the directors for their services as directors in accordance with a special resolution approved by the shareholders within the previous two years [clause 7.7]. This approval is not required for the salaries of executive directors.

20 The Directors may from time to time appoint one or more of their number to be managing Director, assistant managing Director, general manager or executive Directors (with or without specific designations) of the Company, or to be holder of any executive office in the Company, as the Directors think fit. [clause 7.9]

21 The authority of the Company to indemnify a Director in respect of any liability for which the Company may indemnify a Director, is not restricted, limited or varied by this Memorandum of Incorporation [clause 7.8.3].

22 The authority of the Board, to exercise all of the powers and perform any of the functions of the Company and to manage and direct the business and affairs of the Company, is not restricted, limited or varied by this Memorandum of Incorporation.

23 Subject to the provisions of the Companies Act, the board may, from time to time, at its discretion, raise or borrow or secure the payment of any sum or sums of money for the purposes of the company, provided that the total amount owing by the company in respect of moneys so raised, borrowed or secured shall not exceed the amount authorised by its listed holding company in respect of the company, if applicable [clause 7.6].

24 The board may appoint any number of board committees and delegate to such committees any authority of the board for managing any of the affairs of the Company [clause 7.10].

25 The Company must, at each annual general meeting, elect an Audit Committee comprising of at least three members. All members of the audit committee must be directors and may not be:

- involved in the day-to-day management of the Company;
- a prescribed officer or full time employee;
- a material supplier or customer. [clause 7.11]

26 The Company must, at each annual general meeting, elect a Social and Ethics Committee comprising of at least three directors or prescribed officers of the Company. At least one member must be a director who is not involved in the day-to-day management of the Company's business [clause 7.12].

27 The board must appoint a company secretary [clause 7.13].

Distributions to shareholders

28 The company may make distributions from time to time, provided that it will comply with section 46 of the Companies Act and the JSE Listings Requirements (to the extent applicable) in respect of each distribution to be made if that distribution is:

- pursuant to an existing legal obligation of the Company, or a court order; or
- is authorised by a resolution of the Board of Directors. [clause 8.1]

29 All unclaimed dividends or other distributions must be held by the company in trust indefinitely until claimed, but subject to the laws of prescription.

Appendix 3

Summary of Remuneration policy

The board agrees that competitive, market-related remuneration for executive directors, management and staff is essential for the development and retention of top-level talent and intellectual capital within Indequity. Given the current economic climate, changes in the regulatory requirements and the on-going skills shortage, it is essential that adequate measures be implemented to attract and retain the required skills. Over and above this, the remuneration philosophy is positioned to reward exceptional performance and to maintain such performance over time.

Executive performance bonuses are predominantly based on profit growth and return on capital and therefore ensure that decisions are made not to just grow turnover, but to write profitable insurance business in order to maximise profit and return on capital, which creates a sustainable superior business.

Indequity has adopted a performance based reward strategy for its employees. This strategy offers a value proposition consisting of a fixed salary plus a performance bonus.

FORM OF PROXY

Only to be completed by certificated shareholders and dematerialised shareholders with ‘own name’ registration

For use by shareholders at the annual general meeting of Indequity Group Limited (“Indequity” or “the company”) to be held at 10:00 Tuesday, 22 January 2013, at the registered office of the company, First Floor, Cascade House, Constantia Office Park, corner 14th Avenue and Hendrik Potgieter Road, Constantia Kloof (“the annual general meeting”). Beneficial owners, other than those holding shares in certified form or who are recorded on the sub-register in electronic form in “own name”, who have dematerialised their shares through a CSDP or broker, must provide the CSDP or broker with their voting instruction in terms of the custody agreement entered into between the beneficial owner and the CSDP or broker.

Holders of dematerialised shares wishing to attend the annual general meeting must inform their CSDP or broker of such intention and request their CSDP or broker to issue them with the relevant authorisation to attend.

A member entitled to attend and vote at the annual general meeting may appoint one or more proxies to attend, vote and speak in his/her/ its stead at the annual general meeting. A proxy need not be a member of the Company.

I / We (BLOCK LETTERS)	
Of	
Telephone (Work) ( )	(Home) ( )
Being the holder(s) of	ordinary shares of 0,1 cent each in the company do
hereby appoint	
Of	
or failing him / her	

or failing them, the chairman of the meeting, as my / our proxy to vote for me / us on my / our behalf at the annual general meeting of Indequity to be held at 10:00 on Tuesday, 22 January 2013, at the registered office of the company, First floor, Cascade House, Constantia Office Park, corner 14th Avenue and Hendrik Potgieter Road, Constantia Kloof, and at every adjournment thereof.

Please indicate with an “X” in the appropriate space below how you wish your vote to be cast. Unless this is done of if you return this form duly signed without any specific instructions, the proxy shall be entitled to vote as he / she thinks fit.

		In favour of	Against	Abstain
1.	To adopt the annual financial statements			
2.	To re-appoint Grant Thornton as auditors, with VR de Villiers as audit partner, and authorise the directors to determine the auditor's remuneration			
3.1	To re-elect G Williamson as non-executive director			
3.2	To re-elect L Jansen van Rensburg as executive director			
4.	To confirm the election of TE Vorster as financial director			
5.	To elect G Williamson, JF Zwarts and A van Jaarsveldt as members of the Audit and risk committee			
6.	To elect G Williamson, JF Zwarts and L Jansen van Rensberg as members of the social and ethics committee			
7.	Special resolution			
	No 1 – Repurchase of shares			
	No 2 – Directors remuneration			
	No 3 – Financial assistance			
	No 4 – New memorandum of incorporation			
8.	Ordinary Resolutions			
	No 1 – To place the unissued shares of the ɔany under the control of the directors			
	No 2 – To issue shares or sell treasury shares for			
	No 3 – Authority to sign documents			
	No 4 – Authorisation of remuneration policy			

Signed at this day of 2012

Signature(s)

Assisted by (where applicable)

Please read the notes on the next page

NOTES

1. A member may insert the name(s) of one or more proxies (none of whom need be a member of Indequity) in the space provided, with or without deleting the words "the chairman of the general meeting". The person whose name stands first on the form of proxy and has not been deleted and who is present at the general meeting will be entitled to act as proxy to the exclusion of those whose names follow. In the event that no names are indicated, the chairman of the general meeting shall exercise the proxy.
2. A member's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that member in the appropriate space provided. Failure to comply with the above will be deemed to authorise the proxy to vote as he / she thinks fit or, where the proxy is the chairman, such failure shall be deemed to authorise the chairman to vote in favour of the ordinary and special resolutions in respect of all the member's votes exercisable thereat.
3. The completion and lodging of this form of proxy shall in no way preclude the member from attending, speaking and voting in person at the general meeting to the exclusion of any proxy appointed in terms thereof.
4. Should this form of proxy not be completed and / or received in accordance with these notes, the chairman may accept or reject it, provided that in respect of its acceptance, the chairman is satisfied as to the manner in which the member wishes to vote.
5. Documentary evidence establishing the authority of the person signing the form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded by Indequity's transfer secretaries or waived by the chairman of the general meeting.
6. Where this form of proxy is signed under power of attorney, such power of attorney must accompany this form unless it has previously been registered with Indequity.
7. Where shares are held jointly, all joint holders are required to sign.
8. A minor must be assisted by his / her parent or guardian unless the relevant document establishing his / her legal capacity has been produced or has been registered with the transfer secretaries of Indequity.
9. Any alteration or correction made to this form of proxy must be signed in full and not initialled by the signatories.
10. This form of proxy must be lodged at the business address of the company for the attention of the company secretary, D Deoraj (First Floor, Cascade House, Constantia Office Park, corner 14th Avenue and Hendrik Potgieter Road, Constantia Kloof) so as to reach her by not later than 48 hours before the commencement of the meeting. As the annual general meeting is to be held at 10:00 on 22 January 2013, proxy forms must be lodged on or before 09:00 on 18 January 2013.

ADMINISTRATION

Registered Address
First Floor
Cascade House
Constantia Office Park
Corner 14th Avenue and
Hendrik Potgieter Road
Constantia Kloof
1709
Telephone: (+2711) 475 0816
Fax: (+2711) 475 0877
e-mail: indequity@indequity.com

Postal Address
PO Box 5433
Weltevredenpark
1715

Website
www.indequity.com

Company Registration Number
1998/015883/06

Definition
Throughout this annual report reference to "Indequity", "the group" or "the company" means Indequity Group Limited.

Auditors
Grant Thornton

Bankers
ABSA Bank Limited
Standard Bank Limited
Nedbank Limited
First National Bank Limited

Attorneys
Levin van Zyl
Van Hoepen

Transfer Secretaries
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