

# INDEQUITY

## Indequity Group Limited

Registration number: 1998/015883/06  
"Indequity" or "the Group" or "the Company" Share code: IDQ ISIN: ZAE000016606

### INDEQUITY INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 MARCH 2017

#### COMMENTS ON RESULTS

The past summer has been an exceptionally difficult period for the short term insurance industry. Against this backdrop, Indequity's headline earnings per share for the six months ended 31 March 2017 decreased by 22% when compared to the headline earnings per share for the six months ended 31 March 2016. The main reason for this decline was the severe flooding experienced in Gauteng in November 2016, resulting in R1.4 million in additional claims in November 2016 compared to November 2015. Indequity's gross claims ratio therefore increased from 45% in 2016 to 48% in 2017, which still reflects an outperformance of its industry peers. Furthermore, as mentioned in the Annual Report of the Group for the year ended 30 September 2016, The Group took a strategic decision to hedge itself against the possible depreciation in the value of the Rand by investing a large portion of its asset base in US Dollar based investments. Foreign exchange losses of R542 thousand were attributed to this investment position during the six months under review. The Group still believes that this is a prudent strategy given the current uncertain economic and political climate in the country and will continue to maintain a large exposure to the US Dollar. If the aforementioned losses are disregarded, profit before taxation for the six months ended 31 March 2017, would have increased by 23%. Looking forward, barring any unforeseen events such as those mentioned above, the Group is confident that it will again achieve the growth in earnings which stakeholders have become accustomed to. The above forecast financial information has not been reviewed or reported on by the Company's auditors.

#### CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME

	6 Months ended 31 March 2017 Unaudited R'000	6 Months ended 31 March 2016 Unaudited R'000	Year ended 30 September 2016 Audited R'000
<b>Gross written premium</b>	<b>26 388</b>	<b>24 074</b>	<b>49 069</b>
Less: reinsurance premium	(888)	(1 052)	(2 236)
<b>Net premium written</b>	<b>25 500</b>	<b>23 022</b>	<b>46 833</b>
Change in provision for gross unearned premiums	28	12	(27)
<b>Net insurance premium earned</b>	<b>25 528</b>	<b>23 034</b>	<b>46 806</b>
Other income	28	19	103
Investment income	169	756	778
<b>Total income</b>	<b>25 725</b>	<b>23 809</b>	<b>47 687</b>
Gross claims incurred	(12 657)	(10 862)	(19 896)
Reinsurance recoveries	31	3	12
Administration expenses	(7 270)	(6 456)	(12 942)
Expenses for the acquisition of insurance contracts	(1 964)	(1 760)	(3 586)
<b>Profit before taxation</b>	<b>3 865</b>	<b>4 734</b>	<b>11 275</b>
Taxation	(1 022)	(1 201)	(3 157)
<b>Profit for the period</b>	<b>2 843</b>	<b>3 533</b>	<b>8 118</b>
<b>Other comprehensive income, net of tax</b>			
Items that may subsequently be reclassified to income:			
Available for sale assets	373	-	(336)
<b>Total comprehensive income for the period</b>	<b>3 216</b>	<b>3 533</b>	<b>7 782</b>
<b>Profit attributable to:</b>			
- Equity holders of the parent	3 216	3 533	7 782
<b>Earnings attributable to the equity holders</b>			
- Basic earnings per share (cents)	22,66	30,98	71,18
- Diluted earnings per share (cents)	22,66	30,98	71,18
<b>Dividends per share (cents)</b>			
- Ordinary shares	13,50	21	31,50
- "A" class preference shares	2,34	3,64	5,46

#### CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

	31 March 2017 Unaudited R'000	31 March 2016 Unaudited R'000	30 September 2016 Audited R'000
<b>ASSETS</b>			
Property and equipment	2 150	1 309	1 017
Intangible assets	859	618	585
Subrogation and salvage recoveries	2 449	1 434	2 263
Reinsurance portion of insurance contract provisions	84	44	53
Investments	24 506	-	8 879
Deferred tax asset	106	-	252
Loans and receivables	319	83	234
Normal tax receivable	11	7	-
Cash and cash equivalents	24 797	31 223	25 341
<b>Total assets</b>	<b>55 281</b>	<b>34 718</b>	<b>38 624</b>
<b>EQUITY</b>			
<b>Capital and reserve attributed to the company's equity holders</b>			
Share capital	25	23	23
Share premium	28 101	11 311	11 311
Retained income	21 047	16 902	20 051
Non-distributable reserve	37	-	(336)
<b>Total Equity</b>	<b>49 210</b>	<b>28 236</b>	<b>31 049</b>
<b>LIABILITIES</b>			
Insurance contract provisions	4 184	4 389	4 158
Deferred tax liability	558	130	289
Normal tax payable	-	-	334
Dividends payable	234	193	211
Trade and other payables	1 095	1 770	2 583
<b>Total liabilities</b>	<b>6 071</b>	<b>6 482</b>	<b>7 575</b>
<b>Total equity and liabilities</b>	<b>55 281</b>	<b>34 718</b>	<b>38 624</b>

#### CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

	6 Months ended 31 March 2017 Unaudited R'000	6 Months ended 31 March 2016 Unaudited R'000	Year ended 30 September 2016 Audited R'000
Cash generated/(utilised) by operations	2 180	4 254	10 070
Interest received	778	974	1 858
Dividend received	145	-	53
Taxation paid	(1 060)	(1 205)	(2 815)
<b>Net cash from operating activities</b>	<b>2 043</b>	<b>4 023</b>	<b>9 166</b>
Movement in Intangible assets	(327)	-	-
Movement in Fixed assets	(1 348)	(770)	(395)
Movement in Equity investments	(15 900)	-	(9 831)
Movement in Loans receivable	20	12	(139)
<b>Net cash used in investing activities</b>	<b>(17 555)</b>	<b>(758)</b>	<b>(10 365)</b>
Dividends paid to shareholders	(1 824)	(2 735)	(4 153)
Proceeds from issue of shares	17 000	-	-
Purchase of Treasury shares	(208)	-	-
<b>Net cash used in financing activities</b>	<b>14 968</b>	<b>(2 735)</b>	<b>(4 153)</b>
<b>Net movement in cash and cash equivalents</b>	<b>(544)</b>	<b>530</b>	<b>(5 352)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>25 341</b>	<b>30 693</b>	<b>30 693</b>
<b>Cash and cash equivalents at end of the period</b>	<b>24 797</b>	<b>31 223</b>	<b>25 341</b>

#### CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

	Share capital and premium R'000	Retained income R'000	Non-distributable reserve R'000	Total R'000
<b>Balance as at 30 September 2015</b>	<b>11 334</b>	<b>16 244</b>		<b>27 578</b>
<i>Changes in Equity for the year ended 30 September 2016</i>				
Profit for the year ended 30 September 2016		8 118		8 118
Movement in Items that may subsequently be reclassified to income: Available for sale assets			(336)	(336)
Dividend paid to shareholders		(4 311)		(4 311)
<b>Balance at 30 September 2016</b>	<b>11 334</b>	<b>20 051</b>	<b>(336)</b>	<b>31 049</b>
<i>Changes in Equity for the 6 months ended 31 March 2017</i>				
Share issue (1 700 000 shares at R10.00 each)	17 000			17 000
Profit for the 6 months ended 31 March 2017		2 843		2 843
Movement in Items that may subsequently be reclassified to income: Available for sale assets			373	373
Dividend paid to shareholders		(1 847)		(1 847)
Treasury shares purchased by subsidiary	(208)			(208)
<b>Balance at 31 March 2017</b>	<b>28 126</b>	<b>21 047</b>	<b>37</b>	<b>49 210</b>
<b>Balance as at 1 October 2015</b>	<b>11 334</b>	<b>16 244</b>		<b>27 578</b>
<i>Changes in Equity for the 6 months ended 31 March 2016</i>				
Profit for the 6 months ended 31 March 2016		3 533		3 533
Dividends Paid to shareholders		(2 875)		(2 875)
<b>Balance as at 31 March 2016</b>	<b>11 334</b>	<b>16 902</b>		<b>28 236</b>

#### ACCOUNTING POLICIES AND PREPARATIONS

The principal accounting policies applied in preparing the condensed interim financial statements for the six months ended 31 March 2017 are in terms of International Financial Reporting Standards ("IFRS") and are consistent with those of the annual financial statements for the year ended 30 September 2016. The interim financial statements were prepared in accordance with and containing information required by the recognition, measurement, presentation and disclosure requirements of IFRS, IAS 34 - Interim Financial Reporting as well as the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and in compliance with the Listing Requirements of the JSE Limited and the Companies Act (No.71 of 2008), as amended. The financial information has been prepared in accordance with standards of IFRS that are currently effective. This may differ from interpretive guidance from the International Financial Reporting Interpretation Committee of International Accounting Standards Board. The condensed interim financial statements have not been audited, or reviewed by the Company's auditors.

#### EARNINGS PER SHARE

	6 Months ended 31 March 2017 Unaudited	6 Months ended 31 March 2016 Unaudited	Year ended 30 September 2016 Audited
Basic earnings per share (cents)	22,66	30,98	71,18
Diluted earnings per share (cents)	22,66	30,98	71,18
Headline earnings per share (cents)	24,05	30,98	71,18
Fully diluted headline earnings per share (cents)	24,05	30,98	71,18
Number of shares			
- in issue	13 105 632	11 405 632	11 405 632
- weighted average	12 546 251	11 405 632	11 405 632

The weighted average number of shares has been used in the calculations of earnings per share, diluted earnings per share, headline earnings per share and fully diluted headline earnings per share.

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

	R'000	R'000	R'000
Net profit attributable to shareholders of the parent and headline earnings	3 216	3 533	8 118
Adjusted for:			
Loss on sale of property and equipment	29	-	(31)
Tax on the above	(8)	-	9
Loss on sale of shares held as available for sale assets	212	-	558
Tax on the above	(59)	-	(156)
Headline earnings	3 390	3 533	8 498

#### SEGMENT INFORMATION

No segment analysis has been prepared for the six months as the Group's operations are focused only on short-term insurance activities.

#### DECLARATION OF DIVIDEND

The board has declared a interim dividend of 10.50 cents per Indequity ordinary share ("Ordinary Share") (March 2016: 10.5 cents) and 1.85 cents per Indequity A class preference share ("A Class Preference Share") (March 2016: 1.82 cents) for the six months ended 31 March 2017, to all ordinary shareholders and A class preference shareholders recorded in the books of Indequity at close of business on Friday 19 May 2017. The group has a dividend cover of 1.87 times. The cash dividend timetable is structured as follows: the declaration date is Friday 28 April 2017. The last day to trade cum-dividend in order to participate in the dividend is Tuesday 16 May 2017. The shares commence trading ex-dividend from the commencement of business on Wednesday 17 May 2017 and the record date is Friday 19 May 2017. The dividend is to be paid on Monday 22 May 2017. Share certificates will not be able to be rematerialised or dematerialised between Wednesday 17 May 2017 and Friday 19 May 2017, both days inclusive.

- The dividend has been declared out of income reserves.
- The local dividend tax rate is (20%).

	Ordinary share dividend (cents per Ordinary Share)	A Class Preference Share dividend (cents per A Class Preference Share)
Gross local dividend amount for ordinary shareholder / A class preference shareholders exempt from dividends tax	10,50	1,85
Local dividend withholding tax amount for ordinary shareholders / A class preference shareholders to pay the dividend tax	2,10	0,37
Net local dividend amount for ordinary shareholders / A class preference shareholders liable to pay the dividend tax	8,40	1,48

- Indequity's income tax reference number is 9887001718.
- The group has 13 105 632 Ordinary Shares, 14 870 000 A Class Preference Shares and 11 668 150 B Class Preference Shares in issue on declaration date.
- Both A Class Preference Shares and B Class Preference Shares are unlisted.
- Payment number seven

#### On behalf of the board

LJ van Rensburg (Chief Executive Officer) JF Zwarts (Chairman) Johannesburg 28 April 2017

Directors: LJ van Rensburg, TE Vorster, JF Zwarts\*, G Williamson\*, AV van Jaarsveldt\* (British), (\*non-executive)

Company secretary: WS de Vries Transfer secretary: Link Market Services South Africa (Pty) Ltd

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