

INDEQUITY

Indequity Group Limited

Registration number: 1998/015883/06
"Indequity" or "the Group" or "the Company" Share code: IDQ ISIN: ZAE00016606

INDEQUITY INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 MARCH 2018

COMMENTS ON RESULTS

Indequity is delighted to announce that it has increased its basic earnings per share by 26.7% when compared to the basic earnings per share reported in the previous six month period, from 22.66 cents for the six months ended 31 March 2017 to 28.72 cents per share for the six months ended 31 March 2018. It is noteworthy that in a highly competitive marketplace, premiums increased by 10% and Indequity achieved a net claims ratio of 44% (2017:48%) and therefore once again significantly outperformed its industry sector peers. The decrease in the claims ratio bears testimony to the discipline and patience exercised by the Group. Indequity will continue to utilize its disciplined underwriting strategy to optimize the returns of the Group. The Group continues to maintain a strategic hedge against possible depreciation in the value of the Rand over the longer term and this has led to investing a large portion of liquid company assets in US Dollar based investments. In the period under review this strategy translated into negative returns largely as a result of the strengthening of the Rand against the US dollar. The Group continues to believe that this is a prudent strategy and will thus maintain a large exposure to US Dollar investments. Furthermore, the Group brings to notice that it has also directed significant cash resources towards its share buyback program during the period under review. Indequity has always believed in having a rational and unbending standard for measuring progress and its main objective remains to create superior stakeholder wealth. We are thankful that the company has again achieved the exceptional operational results that the stakeholders have become accustomed to.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME

	6 Months ended 31 March 2018 Unaudited R'000	6 Months ended 31 March 2017 Unaudited R'000	Year ended 30 September 2017 Audited R'000
Gross written premium	28 987	26 388	53 956
Less: reinsurance premium	(611)	(888)	(1 847)
Net premium written	28 376	25 500	52 109
Change in provision for gross unearned premiums	(70)	28	12
Net insurance premium earned	28 306	25 528	52 121
Other income	240	28	59
Investment income	(2)	169	2 331
Total income	28 544	25 725	54 511
Gross claims incurred	(12 851)	(12 657)	(24 763)
Reinsurance recoveries	(46)	31	(11)
Administration expenses	(8 716)	(7 270)	(15 467)
Expenses for the acquisition of insurance contracts	(2 048)	(1 964)	(3 924)
Profit before taxation	4 883	3 865	10 346
Taxation	(1 345)	(1 022)	(2 812)
Profit for the year	3 538	2 843	7 534
Other comprehensive income, net of tax			
Items that may subsequently be reclassified to income:			
Available for sale assets-net of tax	-	373	44
Exchange differences on foreign operations	(3 994)		
Total comprehensive income for the year	(456)	3 216	7 578
Profit attributable to:			
- Equity holders of the parent	(456)	3 216	7 578
Earnings attributable to the equity holders			
- Basic earnings per share (cents)	28.72	22.66	58.92
- Diluted earnings per share (cents)	28.72	22.66	58.92
Dividends per share (cents)			
- Ordinary shares	13.50	13.50	22.25
- "A" class preference shares	2.38	2.34	3.92

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

	31 March 2018 Unaudited R'000	31 March 2017 Unaudited R'000	30 September 2017 Audited R'000
ASSETS			
Property and equipment	2 126	2 150	2 058
Intangible assets	809	859	825
Subrogation and salvage recoveries	2 061	2 449	2 095
Reinsurance portion of insurance contract provisions	38	84	42
Investments	6 443	24 506	3 985
Deferred tax asset	303	106	250
Loans and receivables	413	319	145
Normal tax receivable	-	11	-
Cash and cash equivalents	33 145	24 797	45 781
Total assets	45 338	55 281	55 181
EQUITY			
Capital and reserve attributed to the company's equity holders			
Share capital	21	25	25
Share premium	17 036	28 101	23 268
Retained income	25 500	21 047	24 086
Foreign currency translation reserve	(3 994)	-	-
Non-distributable reserve	-	37	(292)
Total Equity	38 563	49 210	47 087
LIABILITIES			
Insurance contract provisions	4 131	4 184	5 187
Deferred tax liability	391	558	352
VAT tax payable	356	-	39
Dividends payable	349	234	215
Trade and other payables	1 548	1 095	2 301
Total liabilities	6 775	6 071	8 094
Total shareholders' equity and liabilities	45 338	55 281	55 181

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

	6 Months ended 31 March 2018 Unaudited R'000	6 Months ended 31 March 2017 Unaudited R'000	Year ended 30 September 2017 Audited R'000
Cash generated/(utilised) by operations	3 205	2 180	9 388
Interest received	1 007	778	1 771
Dividend received	111	145	295
Taxation paid	(1 380)	(1 060)	(3 027)
Net cash from operating activities	2 943	2 043	8 427
Movement in Intangible assets	(7)	(327)	(330)
Movement in Fixed assets	(294)	(1 348)	(1 477)
Movement in Equity investments	(3 645)	(15 900)	5 356
Movement in Loans receivable	22	20	-
Net cash used in investing activities	(3 924)	(17 555)	3 549
Dividends paid to shareholders	(1 990)	(1 824)	(3 495)
Proceeds from issue of share capital	-	17 000	17 000
Purchase of Treasury shares	(5 921)	(208)	(5 041)
Share buy back	(317)	-	-
Net cash used in financing activities	(8 228)	14 968	8 464
Net movement in cash and cash equivalents	(9 209)	(544)	20 440
Effects of currency translation on cash and cash equivalents	(3 427)	-	-
Cash and cash equivalents at beginning of the period	45 781	25 341	25 341
Cash and cash equivalents at end of the period	33 145	24 797	45 781

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

	Share capital and premium R'000	Retained income R'000	Non-distributable reserve R'000	Foreign currency translation reserve R'000	Total R'000
Balance as at 30 September 2016	11 334	20 051	(336)	-	31 049
<i>Changes in Equity for the year ended 30 September 2017</i>					
Share issue (1 700 000 shares at R10.00 each)	17 000				17 000
Profit for the year ended 30 September 2017		7 534			7 534
Movement in Items that may subsequently be reclassified to income:					
Available for sale assets			44		44
Dividend paid to shareholders		(3 499)			(3 499)
Treasury shares purchased by subsidiary	(5 041)				(5 041)
Balance as at 30 September 2017	23 293	24 086	(292)	-	47 087
<i>Changes in Equity for the 6 months ended 31 March 2018</i>					
Profit for the 6 months ended 31 March 2018		3 538			3 538
Movement in Items that may subsequently be reclassified to income:					
Available for sale assets			292		292
Dividend paid to shareholders		(2 124)			(2 124)
Treasury shares purchased by subsidiary	(5 921)				(5 921)
Cancellation of shares	(315)				(315)
Exchange differences on foreign operations				(3 994)	(3 994)
Balance as at 31 March 2018	17 057	25 500	-	(3 994)	38 563
<i>Balance as at 1 October 2016</i>	<i>11 334</i>	<i>20 051</i>	<i>(336)</i>	<i>-</i>	<i>31 049</i>
<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)
Balance as at 31 March 2017	28 126	21 047	37	-	49 210

ACCOUNTING POLICIES AND PREPARATIONS

The principal accounting policies applied in preparing the condensed interim financial statements for the six months ended 31 March 2018 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 2017. 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 2018 Unaudited	6 Months ended 31 March 2017 Unaudited	Year ended 30 September 2017 Audited
Basic earnings per share (cents)	28.72	22.66	58.92
Diluted earnings per share (cents)	28.72	22.66	58.92
Headline earnings per share (cents)	30.76	24.05	59.70
Fully diluted headline earnings per share (cents)	30.76	24.05	59.70
Number of shares			
- in issue	13 060 632	13 105 632	13 105 632
- weighted average	12 321 050	12 546 251	12 786 823

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	3 538	3 216	7 534
Adjusted for:			
Loss on sale of property and equipment	-	29	29
Tax on the above	-	(8)	(8)
Loss on sale of shares held as available for sale assets	349	212	108
Tax on the above	(97)	(59)	(30)
Headline earnings	3 790	3 390	7 633

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 2017: 10.5 cents) and 1.84 cents per Indequity A class preference share ("A Class Preference Share") (March 2017: 1.85 cents) for the six months ended 31 March 2018, to all ordinary shareholders and A class preference shareholders recorded in the books of Indequity at close of business on Friday 25 May 2018. The group has a dividend cover of 2.37 times. The cash dividend timetable is structured as follows: the declaration date is Wednesday 25 April 2018. The last day to trade cum-dividend in order to participate in the dividend is Tuesday 22 May 2018. The shares commence trading ex-dividend from the commencement of business on Wednesday 23 May 2018 and the record date is Friday 25 May 2018. The dividend is to be paid on Monday 28 May 2018. Share certificates will not be able to be rematerialised or dematerialised between Wednesday 23 May 2018 and Friday 25 May 2018, 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 dividend tax	10.50	1.84
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	8.40	1.47

- Indequity's income tax reference number is 9887001718.
- The group has 13 060 632 Ordinary Shares, 14 870 000 A Class Preference Shares and 11 669 680 B Class Preference Shares in issue on declaration date.
- Both A Class Preference Shares and B Class Preference Shares are unlisted.
- Payment number eight
- This interim report has not been audited or reviewed by the Group auditor.
- This report has been published on 25 April 2018

On behalf of the board

LJ van Rensburg (Chief Executive Officer) JF Zwarts (Chairman) Johannesburg 25 April 2018
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
Sponsor: KPMG Services (Pty) Ltd Registered address: First Floor, Cascade House, Constantia Office Park, cnr 14th Avenue and Hendrik Potgieter Road, Constantia Kloof, 1709 Postal address: PO Box 5433, Weltevredenpark, 1715 Telephone: (+27 11) 475-0816 Fax: (+27 11) 475 0877 Prepared by: B. Payne CA(SA) (Financial Manager) under the supervision of TE Vorster CA(SA) (Financial Director)