



# *Indequity Group Limited*

ANNUAL REPORT 2018

**INDEQUITY**  
Indequity Group Limited

## CONTENTS

Primary objective	1	Corporate Governance report	6
Nature of business	1	Sustainability report	21
Group activities	2	Group annual financial statements	23
Directorate	2	Notice to shareholders	84
Chairman's report	3	Form of proxy	93
Letter to stakeholders	4	Contact details of group	96

## 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 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 ACTIVITIES**

<p>Insurance</p> <ul style="list-style-type: none"><li>➤ Short-term insurance underwriting<ul style="list-style-type: none"><li>• General short-term insurance products to the professional and affluent private client markets<ul style="list-style-type: none"><li>➤ Personal lines</li><li>➤ Business insurance</li></ul></li><li>• Specialised Risk Solutions</li></ul></li></ul>
---

## **DIRECTORATE**

Johan F Zwarts (54)  
Adv Tax Cert, BCom (Hons), CA (SA)  
Independent non – executive  
Chairman

Theo E Vorster (39)  
BCom (Hons), CA (SA)  
Executive director  
Financial director

George Williamson (49)  
Independent non – executive  
BCom (Hons)

Lourens Jansen van Rensburg (54)  
BCom (Hons), CA (SA)  
Executive director  
Chief Executive Officer

Adriaan V van Jaarsveldt (54)  
(British)  
Independent non – executive  
BCom (Hons), CA (SA)

## **CHAIRMAN'S REPORT**

As chairman of the board I would like to congratulate the management team of Indequity in delivering an excellent set of results for the 2018 financial year. To have consistently achieved growth in the last number of years is extraordinary, both from an operational and risk management point of view and serves as testimony to the Group's well established and proven business model.

The 2018 financial year once again proved extremely challenging to the short term insurance industry, mainly due to severe weather conditions and other natural disasters which have impacted the results of most short term insurers during the year. Taking this into account together with the fact that market conditions remained highly competitive and the continued stagnation of the South African economy, these results are indeed very satisfying. The Group managed to increase Gross Premium Income by 9.6%, while profit before taxation increased by 16.4%. Taking the adverse economic and weather conditions into account, this is a further indication of a well-managed business. Headline earnings per share increased by 24.1%. The difference between this increase and the increase in profit before taxation is mainly due to share buy-backs done during the year under review. The board will continue to strive for a holistic oversight of the Group's activities and the challenges it faces.

I would once again like to thank my fellow non-executive directors, Mr. Van Jaarsveldt and Mr. Williamson for their contributions and support during the 2018 financial year.



**JF Zwarts**  
15 November 2018

## LETTER TO STAKEHOLDERS

### Introduction

Indequity is once again pleased to report a very gratifying set of results for the year ended 30 September 2018. As has become the custom, we wish to highlight a few noteworthy figures. Our pre-taxation return on capital was 29.4% (2017: 24.9%), which comfortably exceeds our target of 20% per annum. Turnover grew by 9.6% (2017: 10%) whilst our gross claims ratio decreased from 45.9% in 2017 to 43% in 2018. This translated into growth in pre-taxation profit of 16.4% over the prior year.

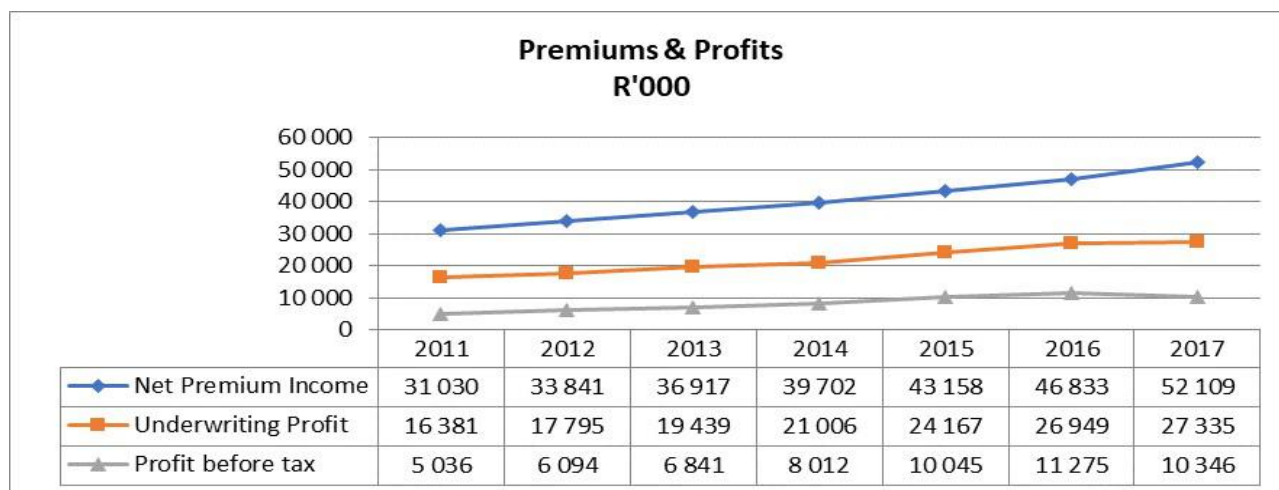
As a result of share repurchases made by the Group in terms of its share repurchase program, the weighted average number of shares outstanding at year-end decreased which, in addition to the increased profits, contributed to a 21.2% increase in diluted earnings per share and a headline earnings per share increase of 24.1% to 74.06 (2017: 59.70) cents per share.

### Operations

The insurance industry in South Africa remains exceedingly competitive. With this as a backdrop, achieving growth targets and delivering superior results is always a challenge. On a positive note, no major natural disasters impacted the Group during the year, which enabled the Group to deliver a very pleasing set of financial results. A particularly noteworthy aspect in this year's results, is the cash generated by our insurance operations, which came to R12.7 million.

### Long term growth of the business

The progress Indequity has made over the years, can be illustrated through the following graph and statistics:



## **Indequity Group Limited Annual Report**

*(Reg.no. 1998/015883/06)*

### **Prospects**

The Group's cash resources amounted to approximately R50 million at year end. The challenge remains to utilize these as optimally as possible. To this end, R 19.5 million (\$ 1.3 million) was invested in a US subsidiary with the objective to serve as a hedge against a depreciation of the South African Rand, but also to seek opportunities to deploy the cash more productively internationally.

The Group continues to look for attractive investment opportunities where returns on the capital could be maximized. As with any long-term investment strategy, we do not expect immediate results, but we are confident that our efforts will be rewarded over time and that the contribution from this avenue will be material over time.

As far as Indequity's insurance operations are concerned, we are confident that a solid foundation has been established. Consequently, we expect similar long-term growth patterns to those from the past, to continue into the foreseeable future.

### **Conclusion**

Favourable results such as these published by Indequity, would not have been possible without the loyalty, support and commitment of Indequity's many stakeholders. As always, we wish to express our sincere gratitude for the contributions made by each and every stakeholder.



**L Jansen van Rensburg** *(Chief Executive Officer)*

15 November 2018

## 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 with the 16 principles of the King Report on Corporate Governance for South Africa issued in 2016 (“King IV”).

KING IV
---------

To obtain a full understanding as to Indequity's application of the principles of King IV, Indequity's Corporate Governance Register may be viewed on our website, [www.indequity.com](http://www.indequity.com)

Indequity's interpretation and application of King IV is analysed below:

Background:

Corporate governance is the exercise of ethical and effective leadership by the governing body towards the achievement of the following governance outcomes:

- Ethical culture
- Good performance
- Effective control
- Legitimacy

Governing body:

The governing body is the structure that has primary accountability for the governance and performance of the organisation. Depending on context, it includes, amongst others, the board of directors of a company. "Members of the governing body" (also referred to those charged with governance duties) are those who are duly appointed to serve on the governing body and/ or its committees.

Principles and practices:

<b>Principle 1</b>	<b>The governing body leads ethically and effectively.</b>
--------------------	--

<b>Lead with Integrity:</b>	The governing body continuously strives to act in good faith and in the best interest of the organisation. The governing body avoids conflict of interest. Members of the governing body are required to sign a conflict of interest disclosure on an annual basis.
<b>Board and committee Competence:</b>	Indequity Group Limited continuously encourages members of the governing body to attend industry updates, training and seminars. The Chairman of the board performs an evaluation of the board on an annual basis. The board and the relevant committees consist of individuals with the necessary skills and experience to lead the group.
<b>Accountability:</b>	Members of the governing body are held accountable to answer for the execution of their responsibilities, even when they are delegated.
<b>Fairness:</b>	Members of the governing body have adopted a stakeholder- inclusive approach in execution of their governance role and responsibilities.
<b>Transparency:</b>	Members of the governing body are transparent in the manner in which they exercise their governance roles and responsibilities.
<b>Responsibility:</b>	Members of the governing body attends all committee and board meetings as required. Members of the governing body exercises courage in taking risks and capturing opportunities, but do so in a responsible manner and in the best interest of the organisation.

**Corporate Governance Report (Continued)**

**Meetings held during the period under review:**

<b>Board</b>	<b>Audit Committee</b>	<b>Social &amp; Ethics</b>	<b>Risk</b>	<b>Remuneration</b>
2017/11/16	2017/11/16	2017/11/16		2017/11/16
2018/04/24			2018/04/24	
2018/06/20	2018/06/20	2018/06/20	2018/06/20	
2018/09/20			2018/09/20	

**Director meeting attendance:**

<b>Director</b>	<b>Board</b>	<b>Remuneration Committee</b>	<b>Social &amp; Ethics Committee</b>	<b>Audit Committee</b>	<b>Risk Committee</b>
L Jansen van Rensburg	4/4		2/2		
TE Vorster	4/4				
JF Zwarts	4/4	1/1	2/2	2/2	3/3
G Williamson	4/4	1/1	2/2	2/2	3/3
AV van Jaarsveldt	4/4	1/1	2/2	2/2	3/3

Indequity Group Limited's governing body is willing and open to provide clear information to shareholders and other stakeholders. The governing body prides itself in the fact that information provided to shareholders and other stakeholders is accurate and truthful. The governing body has embodied the above ethical characteristics in day-to-day business so as to promote effective leadership and which will aid in achieving strategic objectives and positive outcomes over time.

<b>Principle 2</b>	<b>The governing body governs the ethics of the organisation in a way that supports the establishment of an ethical culture.</b>
--------------------	--

The governing body approves a code of conduct and ethics policy which articulates and gives effect to its direction on organisational ethics on an annual basis. The governing body of Indequity Group Limited assumes responsibility for the governance of ethics by setting the direction for how ethics should be approached and addressed by the organisation. The responsibility for implementation and execution of the codes of conduct and ethics policies have been delegated to management by the governing body.

<b>Principle 3</b>	<b>The governing body ensures that the organisation is and is seen to be a responsible corporate citizen.</b>
--------------------	---

The governing body of Indequity Group Limited ensures that it adheres to all compliance and regulatory requirements as set out by various regulatory institutions. The governing body reviews and approves all required regulatory and compliance requirements on a regular basis.

<b>Principle 4</b>	<b>The governing body appreciates that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.</b>
--------------------	--

The governing body ensures that it approves the policies and operational plans developed by management to give effect to approved strategies. These include key performance measures and targets for assessing achievement of strategic objectives as well as positive outcomes over the short, medium and long term. The governing body forms an integral part of all policies and strategies of the company.



## Indequity Group Limited Annual Report

(Reg.no. 1998/015883/06)

### Corporate Governance Report (Continued)

All policies and strategies are reviewed and approved on an annual basis. The governing body exercises ongoing oversight of the implementation of set strategies and operational plans against agreed upon performance measures and targets. Management accounts are used as an analysing and measurement tool whereby results are compared on a month-to-month as well as cumulative basis.

<b>Principle 5</b>	<b>The governing body ensures that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short, medium and long-term prospects.</b>
--------------------	--

The governing body oversees that the following reports are issued as is necessary to comply with legal requirements and to meet the information needs of stakeholders:

- Annual Financial Statements
- Interim Financial Statements
- Provisional tax and annual tax returns - SARS
- Own Risk and Solvency Assessment – FSB
- SAM CPR Quarterly Solo Quantitative Report – FSB
- Short Term Insurance Quarterly Return – FSB
- Short Term Insurance Annual Return – FSB
- Quarterly Conduct of Business Return (CBR) - FSB
- Quarterly balance sheet statistics of subsidiary companies of insurers – SARB
- Quarterly return by insurers transacting business in South Africa -SARB

All of the above documents are presented to, reviewed and signed-off by the governing body as and when they become due.

<b>Principle 6</b>	<b>The governing body serves as the focal point and custodian of corporate governance in the organisation.</b>
--------------------	--

The governing body ensures they exercise a leadership role by:

- Steering the organisation and setting strategic direction.
- Policy approval that gives effect to the direction provided.
- Overseeing and monitoring of the implementation and execution by management of policies and strategic plans set by the governing body.
- Ensuring accountability for the organisational performance by means of, among other, reporting and disclosure.

A corporate governance report is prepared on an annual basis. This Report is reviewed and approved by the governing body on an annual basis.

<b>Principle 7</b>	<b>The governing body comprises of the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.</b>
--------------------	---

#### **Composition:**

The governing body has assumed responsibility for its composition by setting the direction and approving the processes for it to attain the appropriate balance of knowledge, skills, experience, diversity and independence to objectively and effectively discharge its governance role and responsibilities. The following has been considered for determining the requisite number of members of the governing body:

- The appropriate mix of knowledge, skills and experience, including the business, commercial and industry experience, needed to govern the organisation.

## **Corporate Governance Report (Continued)**

- The appropriate mix of executive, non-executive and independent non-executive members.
- The need for a sufficient number of members that qualify to serve on the committees of the governing body.
- Regulatory requirements.

### **The governing body consist of five directors and the composition is as follows:**

<b>Director</b>	<b>Name</b>	<b>Position</b>
Director 1:	L Jansen van Rensburg	Executive: CEO
Director 2:	TE Vorster	Executive: FD
Director 3:	JF Zwarts	Independent Non-Executive: Chairman
Director 4:	A van Jaarsveldt	Independent Non-Executive
Director 5:	G Williamson	Independent Non-Executive

### **Policy for nomination, election and appointment of members of the governing body:**

The nomination for re-election of an incumbent of the governing body is considered on the basis of that member's performance, including attendance at meetings of the governing body and its committees. The process for nomination, election and ultimately the appointment of members of the governing body is formal, transparent and takes place on an annual basis. Terms and conditions for serving as a member of the governing body is formalised in a letter of appointment. In order to address gender and racial diversity at board level, the Group will evaluate appointment of such suitable candidates in future as and when new directors are appointed. There were no new appointments during the last financial year.

### **Independence and conflicts:**

The non-executive members of the governing body of Indequity Group Limited signs a declaration of independence on an annual basis. The governing body of Indequity Group Limited declares, on an annual basis, any possible conflict of interest in or towards the company. At the beginning of each meeting of the governing body or its committees, all members are required to declare whether they have any conflicting interests with regards to any matter set on the meeting agenda. Non-executive members hold no interest, position, association or relationship which, when judged from the perspective of a reasonable and informed third party, is likely to influence unduly or cause bias in decision-making in the best interest of the organisation. The governing body is satisfied that its composition reflects the appropriate mix of knowledge, skill, experience, diversity and independence.

### **Qualification and experience of members:**

#### **Adriaan van Jaarsveldt – (CA ANZ)**

Adriaan is a Senior Vice President of Brookfield, a global alternative asset manager. Based in Sydney, he helps to oversee a portfolio of infrastructure assets across Australia, New Zealand and India. Previously Adriaan was an independent consultant and held senior positions at Ernst & Young and KPMG in Australia and the UK. In these roles he provided strategic, regulatory, and financial advice in the energy, water, transport and financial sectors. He has worked on projects in Australia, the UK, USA and South Africa. Adriaan 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 - CA(SA)**

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.

## Indequity Group Limited Annual Report

(Reg.no. 1998/015883/06)

### Corporate Governance Report (Continued)

#### 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, which provided him with a wealth of entrepreneurial & management experience.

#### Johan F Zwarts - CA(SA)

Johannes Frederick Zwarts passed the Institute 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, JZA Audit Incorporated, in 1992. He is currently still in practice with offices on the East Rand and Pretoria employing 34 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.

#### Theo E Vorster - CA(SA)

Theo obtained the B Com (Acc) degree (Cum Laude) in 2000 and B Com (Hons) degree in 2001 from the Rand Afrikaans University, before qualifying as a Chartered Accountant. Prior to his involvement with Indequity, he held management positions with KPMG, RMB Asset Management, Absa Insurance Company and 37 West Capital. During his tenure at KPMG, Theo was seconded to the KPMG New York office where he was involved in audit and Sarbanes Oxley consultation services. He has extensive experience in the financial services industry, as he provided consulting and audit services to various large market players in the insurance and asset management industry. Theo has significant experience in insurance product design, reinsurance structuring, insurance accounting, process design and system implementation. Theo has been the financial director of Indequity since June 2012.

#### Period of service on the governing body:

Director	Name	Position	Date
Director 1:	L Jansen van Rensburg	Executive: CEO	August 1998 to present: ±20 years
Director 2:	TE Vorster	Executive: FD	June 2012 to present: ± 6 years
Director 3:	JF Zwarts	Independent Non-Executive: Chairman	December 2001 to present: ± 17 years
Director 4:	A van Jaarsveldt	Independent Non-Executive	August 1998 to present: ± 20 years
Director 5:	G Williamson	Independent Non-Executive	December 2008 to present: ± 10 years

#### Professional positions held by each member:

Director	Name	Position	Positions held
Director 1:	L Jansen van Rensburg	Executive: CEO	Serves on the board, social and ethics committee.
Director 2:	TE Vorster	Executive: FD	Serves on the board.
Director 3:	J Zwarts	Independent Non-Executive: Chairman	Serves on the board, audit committee, risk committee, social and ethics committee and remuneration committee.
Director 4:	A van Jaarsveldt	Independent Non-Executive	Serves on the board, audit committee, risk committee, social and ethics committee and remuneration committee.
Director 5:	G Williamson	Independent Non-Executive	Serves on the board, audit committee, risk committee, social and ethics committee and remuneration committee.

## **Corporate Governance Report (Continued)**

### **Chair of the governing body:**

The Chairman of the governing body is a member of the audit committee. This appointment has been approved by the shareholders of the company. The company considers the Chairman of the governing body to be independent. Independence of independent non-executive directors is formally declared and documented on an annual basis.

The governing body elected an independent lead non-executive member. The following functions will be performed by the lead independent member:

- To lead in the absence of the chair
- To serve as sounding board for the chair.
- To act as an intermediary between the chair and the other members of the governing body if necessary
- To chair discussion and decision- making by governing body on matters where the chair has a conflict of interest.

Indequity Group Limited's governing body has appointed Mr. G Williamson as lead independent. The lead independent non-executive is elected on an annual basis. The CEO is not the chair of the governing body.

<b>Principle 8</b>	<b>The governing body ensures that its arrangements for delegation within its own structures promote independent judgement, and assists with balance of power and the effective discharge of its duties.</b>
--------------------	--

The governing body ensures that each committee, as a whole, has the necessary knowledge skill, experience and capacity to execute its duties effectively. Executive members and senior management are invited to attend committee meetings either by standing invitation or on an ad-hoc basis to provide pertinent information and insights in their area of responsibilities. Every member of the governing body is entitled to attend any committee meeting as an observer, however, unless that member is also a member of the committee, the member is not entitled to participate without the consent of the chair; does not have a vote; and is not entitled to fee payment for such attendance (unless payment of a fee is agreed to by the governing body or shareholders).

The governing body has assumed responsibility to disclose the following in relation to each committee:

- Its overall role and associated responsibilities and functions.
- Key areas of focus during a reporting period.
- The number of meetings held during the reporting period and attendance of those meetings.

Indequity Group Limited duly discloses the number of meetings held and keeps an attendance register on record for each such meeting.

### **Audit Committee:**

#### **The audit committee consists of three directors. Composition is as follows:**

<b>Director</b>	<b>Name</b>	<b>Position</b>
Director 1:	JF Zwarts	Independent Non-Executive
Director 2:	A van Jaarsveldt	Independent Non-Executive
Director 3:	G Williamson	Independent Non-Executive: Chairman

## **Corporate Governance Report (Continued)**

The establishment of an audit committee is a statutory requirement for Indequity Group Limited. As a matter of leading practice, the governing body of Indequity Group Limited issues audited financial statements; it is therefore required to establish an audit committee, the role of which is to provide independent oversight of, amongst other:

- the effectiveness of the origination's assurance functions and services with particular focus on combined assurance arrangements, including an external assurance service provider, the internal audit function as well as the finance function;
- the integrity of the annual financial statements and to the extent delegated by the governing body, other external reports issued by the organisation.

### **The governing body has appointed an independent, non-executive member to chair the audit committee:**

- Mr. G Williamson was appointed by the governing body of Indequity Group Limited as the chair of the audit committee.

Members of the audit committee, as a whole, have the necessary financial literacy, skill and experience to execute their duties effectively. The audit committee meets at least annually with internal and external auditors without management being present, to facilitate an exchange of views and concerns that may not be appropriate for discussions in an open forum. The Chairman of the board is a member of the audit committee. This has been approved by the shareholders of Indequity Group Limited.

### **Committee responsible for risk governance:**

The governing body of Indequity Group Limited has allocated the oversight of risk governance to a dedicated committee. Risk committee meetings are held at least twice within a reporting period. The risk committee consists of three directors. Composition is as follows:

<b>Director</b>	<b>Name</b>	<b>Position</b>
Director 1:	J Zwarts	Independent Non-Executive
Director 2:	A van Jaarsveldt	Independent Non-Executive
Director 3:	G Williamson	Independent Non-Executive: Chairman

### **Committee responsible for remuneration:**

The governing body of Indequity Group Limited has allocated the oversight of remuneration to a dedicated committee. The remuneration committee meets at least once per reporting period. The remuneration committee consists of three directors. Composition is as follows:

<b>Director</b>	<b>Name</b>	<b>Position</b>
Director 1:	J Zwarts	Independent Non-Executive
Director 2:	A van Jaarsveldt	Independent Non-Executive
Director 3:	G Williamson	Independent Non-Executive: Chairman

## Indequity Group Limited Annual Report

(Reg.no. 1998/015883/06)

### Corporate Governance Report (Continued)

#### Social and ethics committee:

The governing body of the organisation have considered allocating oversight of, and reporting on, organisational ethics, responsible corporate citizenship, sustainable development and stakeholder relationships to a dedicated committee. The governing body has established a social and ethics committee and this committee meets at least twice per reporting period. The social and ethics committee consist of four directors. Composition is as follows:

Director	Name	Position
Director 1:	L Jansen van Rensburg	Executive: CEO
Director 2:	J Zwarts	Independent Non-Executive
Director 3:	A van Jaarsveldt	Independent Non-Executive
Director 5:	G Williamson	Independent Non-Executive: Chairman

<b>Principle 9</b>	<b>The governing body ensures that the evaluation of its own performance and that of its committees support continued improvement in its performance and effectiveness.</b>
--------------------	---

The governing body assumes responsibility for evaluation of its own performance and that of its committees, its chair and its individual members by determining how it must be approached and conducted. The governing body continually strives to improve the performance and effectiveness of the company. The board performance is evaluated by the chairman on an annual basis. Those charged with governance complete a fit and proper declaration on an annual basis.

<b>Principle 10</b>	<b>The governing body ensures that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.</b>
---------------------	---

#### CEO Appointment and role:

The governing body has appointed Mr. L Jansen van Rensburg as CEO. The CEO is responsible for leading the implementation and execution of approved strategy, policy and operation planning, and serves as the chief link between management and governing body. The CEO is held accountable, and reports to, the governing body and is not a member of the remuneration or audit committee, but attends by invitation any meeting, or part thereof, if needed to contribute pertinent insight and information. The governing body is satisfied that there is succession planning for the CEO position in place to provide continuity of executive leadership. Succession planning is reviewed periodically, and provides for both succession in emergency situations and succession over the long term. The board reviews and approves the succession policy on an annual basis. The governing body formally evaluates the performance of the CEO against agreed performance measures and targets at least annually.

The governing body assumes responsibility to disclose the following in relation to the CEO:

- The notice period stipulated in the CEO's employment contract and the contractual conditions related to termination.
- Whether succession planning is in place for the CEO position.

## **Corporate Governance Report (Continued)**

### **Delegation:**

The governing body oversees that key management functions are:

- headed by an individual with the necessary competence and authority; and
- the group is adequately resourced.

The governing body is satisfied that there is a succession plan in place for both executive management and other key staff positions. Succession planning is reviewed periodically, and provides for both succession in emergency situations and succession over the longer term.

### **Professional corporate governance services to the governing body:**

The governing body ensures that it has access to professional and independent guidance on corporate governance and its legal duties, and also that it has support to coordinate the functioning of the governing body and its committees. The appointment of a company secretary is a statutory requirement for Indequity Group Limited. The company secretary provides professional corporate governance services to the company. The governing body appointed Mr. WS de Vries as company secretary on 01 March 2016.

<b>Principle 11</b>	<b>The governing body governs risk in a way that supports the organisation in setting and achieving its strategic objectives.</b>
---------------------	---

The governing body assumes responsibility for the governance of risk by setting the direction for how risk should be approached and addressed in the organisation. Risk governance encompasses both:

- Opportunities and associated risks to be considered when developing strategy; and
- The potential positive and negative effects of the same risks on the achievement of organisational objectives.

The governing body approves policies that articulates and gives effect to its set direction on risk. The governing body reviews and approves all risk policies and reports on an annual basis.

The governing body evaluates and agrees the nature and extent of the risk that the organisation is willing to take in pursuit of its strategic objectives. The governing body approves in particular:

- The organisation's risk appetite, namely its propensity to take appropriate levels of risks.
- The limit of the potential loss that the organisation has the capacity to tolerate.

The governing body reviews and approves the risk appetite on an annual basis. The governing body thoroughly discuss the potential losses that the company may incur as well as the organisational capacity to tolerate such losses. The governing body delegates to management the responsibility to implement and execute effective risk management. Management prepares an ORSA (Own Risk and Solvency Assessment) report on an annual basis. This report is then reviewed and approved by the governing body for each reporting period.

<b>Principle 12</b>	<b>The governing body governs technology and information in a way that supports the organisation setting and achieving its strategic objectives.</b>
---------------------	--

The governing body approves policies that articulate and give effect to its set direction on the employment of technology and information on an annual basis and delegates to management the responsibility to implement and execute effective technology and information management.

**Corporate Governance Report (Continued)**

The governing body exercises oversight of technology and information management and, in particular, oversees that it results in the following:

- Integration of people, technology, information and processes across the organisation;
- Integration of technology risk and information risks into the organisation-wide management of risk;
- The ethical and responsible use of technology and information;
- The responsible disposal of obsolete technology and information in a way that has regard to environmental impact and information security;
- Compliance with relevant laws;
- Technology architecture that enables the achievement of strategic and operational objectives;
- Management of the risk pertaining to the sourcing of technology;
- Information architecture that supports confidentiality, integrity and availability of information;
- The protection of privacy and personal information;
- The continual monitoring of information security.

Indequity Group Limited disposes of all obsolete technology in an environmentally friendly way, this is done by means of recycling. All sensitive information that is required to be disposed of, is done so in a highly secure manner.

<b>Principle 13</b>	<b>The governing body governs compliance with applicable laws and adopted non-binding rules, codes and standards in a way that supports the organisation in being an ethical and good corporate citizen.</b>
---------------------	--

The governing body assumes responsibility for the governance of compliance with applicable laws and adopts, non-binding rules, codes and standards by setting the direction for how compliance should be approached and addressed in the organisation. The governing body approves policies that articulates and gives effect to its set direction on compliance and identifies which non-binding rules, codes and standards the organisation has adopted. The governing body reviews and approves all compliance policies on an annual basis and delegates to management the responsibility for implementation and execution of effective compliance management.

The governing body exercises oversight of compliance, in particular, oversees that it results in the following:

- Compliance being understood, not only for the obligation it creates, but also for the rights and protection it offers;
- Compliance management taking a holistic view of how applicable laws and non-binding rules, codes and standards relate to one another;
- Continual monitoring of the regulatory environment and appropriate responses to change and developments.

The governing body considers the need to receive periodic independent assurance on the effectiveness of compliance management. The governing body reviews internally formulated compliance reporting on a quarterly basis. Material or repeated regulatory penalties, sanction of fines for contraventions of, or non-compliance with, statutory obligations, whether imposed on the organisation or on members of the governing body shall be disclosed.

<b>Principle 14</b>	<b>The governing body ensures that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.</b>
---------------------	--

The governing body assumes responsibility for the governance of remuneration by setting the direction for how remuneration should be approached and addressed in an organisation-wide basis. The governing body approves policies which articulate and give effect to its set direction on fair, responsible and transparent remuneration. The governing body reviews and approves the "Remuneration Policy" on an annual basis. A remuneration committee has been established to ensure that the remuneration of staff is in line with the remuneration policy.



## **Corporate Governance Report (Continued)**

### **Overview of remuneration policy:**

The overview of the main provision of the remuneration policy addresses the objective of the policy and manner in which the policy seeks to accomplish these. The remuneration elements and design principles inform the remuneration arrangements for executive management and at a high level, for all other employees. Indequity Group Limited's staff remuneration is market related. Executive remuneration packages are reviewed and approved by the board of directors. Any change to the bonus formula of the CEO must be approved by the shareholders at an AGM.

### **Voting on remuneration:**

In terms of the Companies Act, fees for non-executive directors for services rendered as directors are to be submitted for approval at the AGM by means of special resolution. If either the remuneration policy or the implementation report is voted against by 25% or more of the votes exercised at the Annual General Meeting, the company will send an invitation to dissenting shareholders to engage with the issuer within one calendar month after such vote.

### **Disclosure of remuneration:**

Director salaries and other forms of remuneration are disclosed in the annual report.

<b>Principle 15</b>	<b>The governing body ensures that assurance services and functions enable an effective control environment and that these support the integrity of information for internal decision-making and of the organisation's external reports.</b>
---------------------	--

### **Combined assurance:**

The governing body assumes responsibility for assurance by setting the direction concerning the arrangements for assurance services and function. The governing body delegates to the audit committee the responsibility for overseeing that arrangements are effective in achieving the following:

- Enabling an effective internal control environment.
- Supporting the integrity of information used for internal decision making by management, the governing body and its committees.
- Supporting the integrity of external reports.

### **Assurance of external reports:**

The governing body assumes responsibility for the integrity of external reports issued by the organisation by setting the direction for how assurance of these should be approached and addressed.

### **Internal Audit:**

The governing body assumes responsibility for internal audit by setting arrangements needed to provide objective and relevant assurance that contributes to the effectiveness of governance, risk management and control processes. The governing body delegates oversight of internal audit to the audit committee. The governing body approves an internal audit charter that defines the role within combined assurance and the internal audit standard to be adopted. The governing body ensures that internal audit provides an overall statement (on an annual basis) as to the effectiveness of the organisation's governance, risk management and control processes. The governing body ensures that the arrangements regarding internal audit provide for the necessary skill and resources to address the complexity and volume of risks faced by the organisation and that the internal audit is supplemented, as required, by specialist services such as those provided by auditors and statutory actuaries. Internal audit is currently appointed to perform work on Indequity Specialised Insurance Limited, which is the main trading entity of the Group.

## **Corporate Governance Report (Continued)**

<b>Principle 16</b>	<b>In the execution of its governance role and responsibilities, the governing body has adopted a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.</b>
---------------------	--

### **Stakeholder relationships:**

The governing body assumes responsibility for the governance of stakeholder relationship by setting the direction for how stakeholder relationships should be approached and dealt with in the organisation. The governing body have delegated to management the responsibility for implementation and execution of effective stakeholder relationship management.

The governing body exercises ongoing stakeholder relationship management oversight, in particular, overseeing that it results in the following:

- Methodologies for identifying stakeholders and stakeholder groupings;
- Determination of material stakeholders based on the extent to which they affect, or are affected by, the activities, output and outcomes of the organisation.

### **Shareholders relationship:**

The board oversees that the company encourages proactive engagement with shareholders, including engagement at the annual general meeting (AGM) of the company. All directors are available at the AGM to respond to shareholder queries on how the board executed its governance duties. The board ensures that shareholders are equitably treated, and that the interest of minority shareholders are adequately protected.

## **BOARD AND SUB COMMITTEES**

### **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 set out on page 2.

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

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.

The Group has a formal and transparent policy regarding the appointment of directors to the board. New directors are appointed by the board during the year. These appointments are ratified by the shareholders at the annual general meeting. The board will first consider a proposed director's CV and do the necessary interviews and reference checks. All new directors need to meet the fit and proper requirements set by the Financial Services Board, JSE Limited ("JSE") and other legislation.

All non-executive 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 in Appendix 1 to the Notice to shareholders.

## **Indequity Group Limited Annual Report**

*(Reg.no. 1998/015883/06)*

### **Board and Sub Committee Report (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.

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

The Group has a formal policy with regard to a balance of power, stating that the board should consist of a majority of non-executive directors who are independent. The board consists of 3 independent non-executive directors and 2 executive directors.

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 IV and the Companies Act No. 71 of 2008, as amended (“the Act”).

An independent, non-executive director is a non-executive director who:

- is not a representative of a shareholder who has the ability to control or significantly influence management of the board;
- does not have a direct or indirect interest in the company which exceeds 5% of the shares in issue;
- does not have a direct or indirect interest which is material to his/her personal wealth;
- has not been employed or is not immediate family of an individual who was employed by the company or the group of which it currently forms part in any executive capacity for the preceding three financial years;
- is not a professional advisor to the company or the group;
- does not receive remuneration contingent upon the performance of the company;
- does not participate in a share incentive scheme/option scheme of the company; and
- is free from any business or other relationship which could be seen by an objective outsider to interfere materially with the individual’s capacity to act in an independent manner.

#### **Board Committees**

The Board has established an audit committee, risk committee, social and ethics committee and 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 three independent, non-executive directors - JF Zwarts, G Williamson and AV van Jaarsveldt. G. Williamson is the chairman of the remuneration committee. 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.

## **Board and Sub Committees Report (Continued)**

### *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*

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

### **Social and Ethics committee**

The group has established a social and ethics committee comprising 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, corporate governance and the Treating Customers Fairly legislation.

### **Audit Committee**

The audit committee comprises three independent non-executive directors – G Williamson, JF Zwarts and AV van Jaarsveldt. G Williamson is the chairman of the audit committee. The chairman of the board, JF Zwarts, is a member of the audit committee. This has been approved by the shareholders at the annual general meeting held on 16 January 2018.

The report of the Audit committee has been included on pages 26 to 27.

### **Risk committee**

The risk committee comprises three independent non-executive directors – G. Williamson, JF Zwarts and AV van Jaarsveldt, an independent member. G. Williamson is the chairman of the risk committee. The risk committee ensures that the Group has sufficient risk management policies and processes in place and monitors adherence to these policies and processes. The risk committee meets at least twice a year.

### **Directors' meeting attendance**

Directors meeting attendance up to the date of this report was as follows:

Directors	Board	Remuneration Committee	Social & Ethics Committee	Audit Committee	Risk Committee
L Jansen van Rensburg	4/4		2/2		
TE Vorster	4/4				
JF Zwarts	4/4	1/1	2/2	2/2	3/3
G Williamson	4/4	1/1	2/2	2/2	3/3
AV van Jaarsveldt	4/4	1/1	2/2	2/2	3/3

## **Indequity Group Limited Annual Report**

*(Reg.no. 1998/015883/06)*

### **Company Secretary**

The company secretary as appointed by the board is WS de Vries. All directors have unlimited access to the company secretary, who is responsible to the board for ensuring that proper corporate governance principles are adhered to.

The board considers on an annual basis, the competence, qualifications and experience of the company secretary.

The company secretary is not a member of the board. An arm's 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.

Based on evaluations as outlined above, the board confirmed that the company secretary had adequately and effectively performed and carried out his duties as the gatekeeper of good governance at Indequity.

### **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 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").

## **Sustainability report**

Indequity is committed to good corporate citizenship practices and organisational integrity in the direction, control and management of its affairs.

Indequity subscribes to a philosophy of providing meaningful, timely and accurate communication to its key stakeholders, based on transparency, accountability and integrity.

The direct stakeholders of Indequity are shareholders, customers, employees, suppliers, regulators, government and the communities in which group companies operate.

### **Shareholders**

#### *Communication*

Indequity's communication practices are designed to allow investors to make decisions about the acquisition and ownership of shares. The company communicates formally with shareholders twice a year when it announces interim and year-end results. Comprehensive reports are sent to all shareholders. The chief executive officer and financial director meet with investors and investment analysts from time to time.

#### *Ownership*

Significant shareholdings are disclosed on page 25.

### **Customers**

The group companies provide short term insurance products and services to South African businesses and individuals. In this regard, the integrity of Indequity's brand, image and reputation is paramount. To ensure the sustainability of our business, we regularly engage with our customers to ensure satisfaction levels and gain insight into their needs. We continuously endeavour to improve our products and processes in order to ensure that customers' needs are addressed.

### **Employees**

Indequity believes that employees have an important role to play in sustaining the positive performance of the group. The human resource strategy is to attract, develop and retain the best talent from our community.

We seek people with entrepreneurial attitude who can add value to both the company and its stakeholders. People are empowered, held accountable for their actions and rewarded accordingly.

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 and no excessive salaries were paid.

Remuneration is based on individual and company performance. Annual remuneration reviews encompass both elements.

## **Sustainability report (Continued)**

### *Employee wellness*

The group is committed to the health and safety of employees and has implemented measures to ensure optimal health and safety conditions for its employees.

### **Suppliers**

The group has procedures in place to ensure that it deals with ethical suppliers. The group also interacts with its key suppliers to ensure that they have projects and processes in place to reduce their impact on the environment.

### **Regulators**

The group is subject to the independent oversight of South African regulatory authorities. Group company representatives interact with a wide spectrum of regulatory bodies, including the Financial Services Board and the JSE. The relationship sought is one of compliance to the regulations set by these regulatory authorities.

### **Communities**

The group is committed to uplifting the societies in which they operate by following sound employment practices. The group also seeks to employ people out of the communities it serves.

### **Natural environment**

The group is committed to reduce both the direct and indirect impacts its business activities have on the natural environment. Various measures have been implemented in our offices to ensure that we reduce our impact on the environment. The nature of our business is such that the largest impact on the environment is made by our claim suppliers. We interact with our suppliers to ensure that they have projects and processes in place to reduce their impact on the environment.

## **GROUP ANNUAL FINANCIAL STATEMENTS AND ANNUAL FINANCIAL STATEMENTS**

For the year ended 30 September 2018

<b>Contents</b>	<b>Pages</b>
Statement of Responsibility by the Board of Directors	24
Declaration by Company Secretary and Analysis of Ordinary Shareholding	25
Report of the Audit Committee	26
Directors' Report	28-31
Independent Auditor's Report	32-34
Statements of Financial Position	35
Statements of Comprehensive Income	36
Statements of Changes in Equity	37
Statements of Cash Flows	38
Notes to the Financial Statements	39-83
The supplementary information presented below does not form part of the financial statements and is unaudited.	
Notice to Shareholders	84-95
Contact Details of Group	96

These annual financial statements have been published on 21 November 2018.

These annual financial statements have been prepared by B Payne CA(SA) – Group Financial Manager, under the supervision of TE Vorster CA(SA) (Financial Director) and has been audited by KPMG Inc.

The group annual financial statements and annual financial statements of Indequity Group Limited have been audited in compliance with S30 of the Companies Act.



## **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 these financial statements and related financial information included in this report. It is their responsibility to ensure that these 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 these financial statements.

These financial statements are prepared in accordance with International Financial Reporting Standards, the JSE Listing requirements, 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 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 B Payne CA(SA) – Group Financial Manager, under the supervision of TE Vorster CA(SA) (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 2019 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.

These financial statements have been audited by the company's external auditors and their report is presented on page 32-34.

### **Approval of the group annual financial statements and annual financial statements**

The group annual financial statements and annual financial statements set out on pages 35 to 83, which have been prepared on the going concern basis, and the directors’ report set out on pages 28 to 31, were approved by the directors on 15 November 2018 and are signed by:



**L Jansen van Rensburg**  
Authorised Director



**JF Zwarts**  
Authorised 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.



**WS de Vries**  
Company Secretary  
15 November 2018

## Analysis of Ordinary Shareholding

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

### Analysis of ordinary shareholding

	<b>Number of shares</b>	<b>% held</b>
Public shareholders	<b>4 207 775</b>	<b>32.2%</b>
Non-public shareholders	<b>8 842 857</b>	<b>67.8%</b>
Directors	<b>5 296 059</b>	<b>40.6%</b>
Shareholders holding more than 10% of issued ordinary shares	<b>2 246 798</b>	<b>17.2%</b>
Treasury shares	<b>1 300 000</b>	<b>10%</b>
<b>Total</b>	<b>13 050 632</b>	<b>100%</b>

At 30 September 2018 Indequity Group Limited had 267 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 ordinary share capital of the company at the date of this report:

Indo - Atlantic Investment Corporation	37.3%
Heiden Grimaud Limited	17.2%
Treasury shares	10%
TPF Canon Asset Mgrs - Equity	6.2%
ITransact Technical Fund	5.3%

## **Indequity Group Limited Annual Report**

*(Reg.no. 1998/015883/06)*

### **Report of the Audit Committee**

The audit committee (“AC”) is comprised of three independent, non-executive directors each of whom the Board has determined has no material relationship with the Company and each of whom is otherwise independent. The members of the audit committee are as follows:

- JF Zwarts
- G Williamson
- AV van Jaarsveldt

The audit committee meets twice a year and is chaired by Mr G Williamson. Special meetings are convened as required. The composition of the committee complies with the Companies Act No. 71 of 2008, as amended (“the Act”). The function of the Audit Committee is oversight. The audit committee fulfils this function for all subsidiaries within the Group. The company’s audit committee has considered the JSE’s most recent report back on proactive monitoring of financial statements, and where necessary those of previous periods, and taken appropriate action where necessary to respond to the findings as highlighted in the JSE report when preparing the annual financial statements for the year-ended 30 September 2018.

The role of the audit committee 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.
- Was responsible for the appointment, compensation, retention and oversight of the work of the independent auditors.

#### *External Auditor*

After conducting its own review for the year ended 30 September 2018, the committee was satisfied that the registered auditor, KPMG, represented by M. Danckwerts, was independent of all companies within the group. The external auditors attend committee meetings and have unrestricted access to the committee and its chairman, ensuring that their independence is in no way impaired. The AC, in consultation with executive management, agreed to the engagement letter, terms, audit plan and budgeted audit fees for the year ended 30 September 2018. KPMG is also the sponsor for Indequity Group Limited. No other non-audit services were provided during the current financial year.

#### *Compliance and independence*

The Audit Committee have prepared and reviewed with the Board an annual performance evaluation of the Audit Committee, which evaluation has compared the performance of the audit committee with the requirements of KING IV and the Act. The evaluation was performed after year-end in terms of which the committee satisfied itself that each member has suitable skill and experience to serve on the audit committee. Given the regulatory environment within which Indequity operates, the audit committee acknowledges the importance of compliance with regulatory frameworks and is satisfied that governance processes are reviewed on a regular basis in order to reflect best practice. The audit committee is satisfied that the company remain committed to good governance and compliance practices. All members of the audit committee have declared their independence from the Company and the Group for the year ended 30 September 2018.

## **Indequity Group Limited Annual Report**

(Reg.no. 1998/015883/06)

### **Report of the Audit Committee (Continued)**

#### *Financial director*

The audit committee is satisfied with the expertise and experience of the financial director.

#### *Group Financial Statements and Company Annual Financial Statements*

The committee reviewed the Group Annual Financial Statements and Company Annual Financial Statements for the year ended 30 September 2018 and recommended these financial statements for approval by the Board on 15 November 2018. After review of the annual financial statements, the audit committee is satisfied that the Company and the Group comply with all relevant provisions of the Companies Act, IFRS and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) where applicable, and that the annual financial statements fairly present in all material respects, the results of operations, cash flows and financial position of the Company and the Group.

#### *Going concern*

The audit committee 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 audit committee is satisfied that the internal control framework is adequate.

#### *Approval of committee report*

The audit 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 Committee Chairman

15 November 2018

## Indequity Group Limited Annual Report

(Reg.no. 1998/015883/06)

### Directors' Report

The directors present their annual report, which includes the annual financial statements of the group and of the company for the year ended 30 September 2018.

#### Corporate governance

Refer to the corporate governance report on page 6.

#### 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 group statement of comprehensive income for the year is set out on page 36. The performance against the previous year's results can be summarised as follows:

	2018 (R'000)	2017 (R'000)	% change
Gross written premium	59 148	53 956	9.6%
Total income	59 330	54 511	8.8%
Profit before taxation	12 038	10 346	16.4%
Profit for the year	8 596	7 534	14.1%
Headline earnings per share (cents)	74.06	59.70	24.1%

#### Total income

Consolidated income increased from R54.511 million in 2017 to R59.330 million in 2018.

#### Results

The group had a consolidated profit for the year of R8.60 million in 2018 in comparison to a consolidated profit of R7.53 million in 2017. The abovementioned performances are largely due to an increase in premium income and an improved claims experience when compared to the previous year.

#### Headline earnings per share

Headline earnings per share increased from 59.70 cents per share in 2017 to 74.06 cents per share in 2018.

#### Dividends

##### **The following dividends were paid to all ordinary shareholders and A class preference shareholders:**

	2018	2017
Final dividend (2018/2017)	Cents per share	Cents per share
- Ordinary share	13.50	13.50
- A class preference share	2.38	2.34
Interim dividend (2018/2017)	2018	2017
	Cents per share	Cents per share
- Ordinary share	10.50	10.50
- A class preference share	1.84	1.85

## Indequity Group Limited Annual Report

(Reg.no. 1998/015883/06)

### Directors' Report (Continued)

For the year ending 30 September 2018, a capital reduction of 14.00 cents per ordinary share (2017:dividends of 13.50 cents per share) and 2.46 cents per A class preference share (2017:dividends of 2.38 cents per share) has been declared to all ordinary shareholders and A class preference shareholders recorded in the books of Indequity at the close of business on Friday, 14 December 2018. Given the abovementioned capital reduction declaration, the Group has a dividend cover of 2.23 times (2017: 2.15 times). This payment is being paid out of contributed tax capital. CTC is defined as stated capital before 01 January 2011 less any deemed dividend before that date plus the consideration for new share issues subsequent to 01 January 2011 less any distribution from contributed tax capital after 1 January 2011.

The cash dividend timetable is structured as follows:

Declaration and finalisation date	Wednesday, 21 November 2018
Last day to trade cum capital reduction	Tuesday, 11 December 2018
First day to trade ex-capital reduction	Wednesday, 12 December 2018
Record date	Friday, 14 December 2018
Payment date	Tuesday, 17 December 2018
Share certificates will not be able to be rematerialised or dematerialized between (Both days inclusive)	Tuesday, 11 December 2018 and Friday, 14 December 2018

#### 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 profit for the year of subsidiaries amounted to R9.05 million (2017: R7.40 million).

#### 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)

#### Address

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

## Directors' Report (Continued)

### Directors' beneficial interest in share capital

#### Ordinary shares

	2018		2017	
	No. of shares	% holding	No. of shares	% holding
L Jansen van Rensburg – Direct	157 759	1.21	140 500	1.07
– Indirect	4 867 200	37.29	4 867 200	37.14
AV van Jaarsveldt	50 000	0.38	50 000	0.38
TE Vorster	16 100	0.12	16 100	0.12
JF Zwarts	5 000	0.04	5 000	0.04
G Williamson	200 000	1.53	200 000	1.53
<b>Total</b>	<b>5 296 059</b>	<b>40.57</b>	<b>5 278 800</b>	<b>40.28</b>

#### Unlisted shares

#### A class preference shares

	2018		2017	
	No. of shares	% holding	No. of shares	% holding
L Jansen van Rensburg – Direct	541 339	3.64	541 339	3.64
– Indirect	7 115 947	47.85	7 115 947	47.85
AV van Jaarsveldt	63 737	0.43	63 737	0.43
TE Vorster	20 889	0.14	20 889	0.14
JF Zwarts	6 323	0.04	6 323	0.04
G Williamson	238 123	1.60	238 123	1.60
<b>Total</b>	<b>7 986 358</b>	<b>53.70</b>	<b>7 986 358</b>	<b>53.70</b>

#### B class preference shares

	2018		2017	
	No. of shares	% holding	No. of shares	% holding
L Jansen van Rensburg – Direct	424 838	3.64	424 838	3.64
– Indirect	5 584 447	47.85	5 584 447	47.85
AV van Jaarsveldt	49 998	0.43	49 998	0.43
TE Vorster	16 100	0.14	16 100	0.14
JF Zwarts	5 000	0.04	5 000	0.04
G Williamson	186 895	1.60	186 895	1.60
<b>Total</b>	<b>6 267 278</b>	<b>53.70</b>	<b>6 267 278</b>	<b>53.70</b>

### Directors' remuneration

Details of the directors' remuneration are set out in note 23 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 23 to the financial statements.

## **Directors' Report (Continued)**

### **Company secretary**

The company secretary of Indequity Group Limited is WS de Vries (BCom), who was appointed by the board effective 1 March 2016. 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 arm's 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**

KPMG Inc is responsible for the audits of Indequity Group Limited and its subsidiaries.

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

### **Ordinary Resolutions**

The following ordinary resolution was passed during the financial year:

- Indequity Specialised Insurance Limited issued 30 000 ordinary shares at R100.00 each to Indequity Insurance Holdings Limited.

### **Special Resolutions**

The following special resolution was passed during the financial year:

- Authorisation for the repurchase of shares



## Independent Auditor's Report

To the Shareholders of Indequity Group Limited

### Report on the Audit of the Consolidated and Separate Financial Statements

#### Opinion

We have audited the consolidated and separate financial statements of Indequity Group Limited (the group and company) set out on pages 35 to 83, which comprise the statements of financial position as at 30 September 2018, and the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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 2018, 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.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the group and company in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters for the consolidated financial statements are set out below, but we have determined that there are no key audit matters to communicate in respect of the separate financial statements.

Key Audit Matter	How the Key Audit Matter was addressed during the audit
<b>Valuation of the Subrogation and Salvage Recoveries Asset</b> Refer to notes 1.4, 1.7 and 11	
<p>Where the group has the right to the damaged asset after settling an origination insurance claim, management recognises a subrogation and salvage recovery asset for the estimated value that the group expects to recover from the sale or scrapping of that asset, as well as recovery from insurers of the liable party. The value of the group gross subrogation and salvage recovery asset is estimated at R2.08 million at 30 September 2018.</p> <p>The valuation of the subrogation and salvage recovery asset requires significant judgement about the likelihood of recoveries. Management includes 75% of total estimated recoveries with a likelihood greater than 70% of recovery into this asset class, based on historical experience of subrogation and salvage recovery.</p> <p>This was determined to be a key audit matter because of the significant judgments applied by management in estimating the value of the subrogation and salvage recovery asset.</p>	<p>The following audit procedures were performed as part of our audit:</p> <ul style="list-style-type: none"> <li>- For a sample of items included in management's calculation, we inspected correspondence with third parties to assess that the underlying assets existed and were supported by appropriate documentation.</li> <li>- We evaluated the reasonableness of the valuation of the subrogation and salvage recoveries asset by:                             <ul style="list-style-type: none"> <li>- comparing the estimate of the recoverable value of these assets at the end of the prior year to the final cash received in the current financial year where the sale or scrapping of an asset or recovery from third party insurers was finalised; and</li> <li>- performing a comparison of the actual recovery to the estimated recovery for the previous three years to evaluate the historical accuracy of the percentages applied.</li> </ul> </li> </ul>

<b>Revenue Recognition</b> Refer to notes 1.7 and 3.2	
There is an inherent risk of fraud identified in revenue recognition. Revenue from insurance premiums drives the profitability of the group and is used to measure the performance of the group and affects management incentives. Therefore it is noted as a key audit matter as there is possible incentive to fraudulently overstate revenue.	The following audit procedures were performed as part of our audit:  - Tested the design, implementation and operating effectiveness of the control operating over the authorisation of insurance premiums.  - Analytical procedures were carried out over the insurance premiums to identify any unusual or unexpected trends.  - A sample of revenue transactions was selected from the insurance premiums listing, and were traced to the customer signed insurance policy documents.
<b>Valuation of the Outstanding Claims Provision (OCP)</b> Refer to notes 1.7, 3.4 and 11	
When claims are initially reported, an estimated provision is raised for the amount that the group expects to pay in settlement of the claim. Given the lack of certainty relating to the potential claim amount, this is a judgemental area. Therefore the valuation of this provision has been raised as a key audit matter.  The value of this provision is R3.72 million at 30 September 2018.	The following audit procedures were performed as part of our audit:  - An assessment was done to determine whether the prior year OCP was accurate by comparing the claims paid in the current year to the prior year OCP.  - A sample of items was selected from the OCR listing, and the amount raised was compared to the various quotes received, as well as what was eventually paid (if the claim had subsequently been settled), to determine whether the provision was correctly valued at year end.

#### *Other Information*

The directors are responsible for the other information. The other information comprises the Declaration by Company Secretary, the Report of the Audit Committee and the Directors' Report as required by the Companies Act of South Africa and the rest of the information contained in the Annual Report. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### *Responsibilities of the Directors for the Consolidated and Separate Financial Statements*

The directors are responsible for the preparation and fair presentation of the 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 misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and / or the company or to cease operations, or have no realistic alternative but to do so.

#### *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are

considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 group's and the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and/or the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Report on Other Legal and Regulatory Requirements**

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that KPMG Inc. has been the auditor of Indequity Group Limited for six years.

KPMG Inc  
Registered Auditor



Per Mark Danckwerts  
Chartered Accountant (SA)  
Registered Auditor  
Director  
19 November 2018

KPMG Crescent  
85 Empire Rd  
Parktown  
2193

**Statements of Financial Position**

at 30 September 2018

	Notes	Group		Company	
		2018 R'000	2017 R'000	2018 R'000	2017 R'000
<b>ASSETS</b>					
Property and equipment	6	1 336	2 058	-	-
Intangible assets	7	806	825	-	-
Investment in subsidiaries	8	-	-	27 350	9 669
Investments	9.2	10 695	3 985	-	2 150
Deferred tax asset	12	248	250	79	137
Subrogation and salvage recoveries	11	2 080	2 095	-	-
Reinsurance portion of insurance contract provisions	11	31	42	-	-
Normal tax receivable		7	-	7	104
Loans and receivables	9.4	84	145	-	3 949
Cash and cash equivalents	9.5	38 997	45 781	2 737	16 767
<b>Total assets</b>		<b>54 284</b>	<b>55 181</b>	<b>30 173</b>	<b>32 776</b>
<b>EQUITY</b>					
<b>Capital and reserves attributed to the company's equity holders</b>					
Share capital	13	25	25	25	25
Share premium	14	16 964	23 268	22 625	23 005
Retained Income		29 125	24 086	7 143	9 439
Non-distributable reserve		-	( 292)	-	-
Foreign currency translation reserve		( 1 036)	-	-	-
<b>Total equity</b>		<b>45 078</b>	<b>47 087</b>	<b>29 793</b>	<b>32 469</b>
<b>LIABILITIES</b>					
Insurance contract provisions	11	5 354	5 187	-	-
Deferred tax liability	12	183	352	-	-
Normal tax payable		264	39	-	-
Dividends payable		258	215	161	117
Trade and other payables	9.6	3 147	2 301	219	190
<b>Total liabilities</b>		<b>9 206</b>	<b>8 094</b>	<b>380</b>	<b>307</b>
<b>Total shareholders' equity and liabilities</b>		<b>54 284</b>	<b>55 181</b>	<b>30 173</b>	<b>32 776</b>

# Indequity Group Limited Annual Report

(Reg. no. 1998/015883/06)

## Statements of Comprehensive Income

for the year ended 30 September 2018

	Notes	Group		Company	
		2018 R'000	2017 R'000	2018 R'000	2017 R'000
<b>Gross written premium</b>		<b>59 148</b>	53 956	-	-
Less: reinsurance premium		( 1 179)	( 1 847)	-	-
<b>Net premium written</b>		<b>57 969</b>	52 109	-	-
Change in provision for gross unearned premiums	11	( 33)	12	-	-
<b>Net insurance premium earned</b>		<b>57 936</b>	52 121	-	-
<b>Other income</b>	15	<b>388</b>	59	<b>626</b>	512
<b>Investment income</b>	16	<b>1 006</b>	2 331	<b>1 533</b>	663
<b>Total income</b>		<b>59 330</b>	54 511	<b>2 159</b>	1 175
Gross claims incurred	17	( 25 424)	( 24 763)	-	-
Reinsurance recoveries	17	( 11)	( 11)	-	-
Administration expenses	18	( 17 694)	( 15 467)	( 626)	( 712)
Acquisition costs		( 4 163)	( 3 924)	-	-
<b>Profit before taxation</b>		<b>12 038</b>	10 346	<b>1 533</b>	463
Taxation	19	( 3 442)	( 2 812)	( 58)	( 78)
<b>Profit for the year</b>		<b>8 596</b>	7 534	<b>1 475</b>	385
<b>Other comprehensive income, net of tax</b>					
<i>Items that may subsequently be reclassified to profit or loss:</i>					
Fair value adjustment on available-for-sale assets		405	61	-	-
Related tax on fair value movement of available-for-sale assets		( 113)	( 17)	-	-
<b>Total comprehensive income for the year</b>		<b>8 888</b>	7 578	<b>1 475</b>	385
<b>Earnings attributable to the equity holders</b>					
Basic earnings per share (cents)	20	<b>71.41</b>	58.92		
Diluted earnings per share (cents)	20	<b>71.41</b>	58.92		

# Indequity Group Limited Annual Report

(Reg. no. 1998/015883/06)

## Statements of Changes in Equity

for the year ended 30 September 2018

Group	Share capital and premium	Retained Income	Non-distributable reserve	Foreign currency translation reserve	Total
	R'000	R'000	R'000	R'000	R'000
<b>Balance at 1 October 2016</b>	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		7 534			7 534
Fair value adjustment on available for sale assets			44		44
<i>Transactions with owner of the company</i>					
Dividend paid to shareholders		( 3 499)			( 3 499)
Group shares purchased by subsidiary	(5 041)				( 5 041)
<b>Balance at 30 September 2017</b>	23 293	24 086	( 292)	-	47 087
<i>Changes in Equity for the year ended 30 September 2018</i>					
Profit for the year		8 596			8 596
Fair value adjustment on available for sale assets			292		292
Exchange differences on foreign operations				( 1 036)	( 1 036)
<i>Transactions with owner of the company</i>					
Dividend paid to shareholders		( 3 557)			( 3 557)
Group shares purchased by subsidiary	(5 924)				( 5 924)
Group Shares repurchased and cancelled	( 380)				( 380)
<b>Balance at 30 September 2018</b>	16 989	29 125	-	( 1 036)	45 078
<b>Company</b>					
<b>Balance at 01 October 2016</b>	6 030	12 553	( 129)	-	18 454
<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		385			385
Fair value adjustment on available for sale assets			129		129
<i>Transactions with the owners of the company</i>					
Dividend paid to shareholders		( 3 499)			( 3 499)
<b>Balance at 30 September 2017</b>	23 030	9 439	-	-	32 469
<i>Changes in Equity for the year ended 30 September 2018</i>					
Group shares repurchased and cancelled	( 380)				( 380)
Profit for the year		1 475			1 475
Fair value adjustment on available for sale assets					
<i>Transactions with the owners of the company</i>					
Dividend paid to shareholders		( 3 771)			( 3 771)
<b>Balance at 30 September 2018</b>	22 650	7 143	-	-	29 793
<b>Dividends paid during the financial year</b>					
	2018	Group 2017	2018	Company 2017	
Dividend per ordinary share (cents)	24.00	22.25	24.00	22.25	
Dividend per A-class share (cents)	4.22	3.92	4.22	3.92	

\* Amounts less than R1 000.

# Indequity Group Limited Annual Report

(Reg. no. 1998/015883/06)

## Statements of Cash Flows

for the year ended 30 September 2018

	Notes	Group		Company	
		2018 R'000	2017 R'000	2018 R'000	2017 R'000
<b>Operating activities</b>					
Cash generated/(utilised) by operations	21.1	12 726	9 388	29	( 281)
Interest received		1 987	1 771	133	103
Dividend received		125	295	1 355	187
Taxation paid	21.2	( 3 504)	( 3 027)	97	( 104)
<b>Net cash movement in operating activities</b>		<b>11 334</b>	<b>8 427</b>	<b>1 614</b>	<b>( 95)</b>
<b>Investing activities</b>					
Proceeds from the disposal of property and equipment		475	90	-	-
Acquisition of property and equipment		( 300)	( 1 567)	-	-
Acquisition of intangible assets		( 28)	( 330)	-	-
Acquisition of shares		( 16 692)	( 19 364)	( 1 316)	( 16 206)
Proceeds from the disposal of shares		10 386	24 720	3 513	19 703
Decrease/(Increase) in loan to subsidiaries		-	-	3 949	( 3 949)
Investments in subsidiary		-	-	( 17 681)	-
<b>Net cash movement in investing activities</b>		<b>( 6 159)</b>	<b>3 549</b>	<b>( 11 535)</b>	<b>( 452)</b>
<b>Financing activities</b>					
Purchase of treasury shares		( 5 924)	( 5 041)	-	-
Shares repurchased and cancelled		( 380)	-	( 380)	-
Proceeds from issue of shares		-	17 000	-	17 000
Dividends paid to shareholders		( 3 514)	( 3 495)	( 3 729)	( 3 495)
<b>Net cash movement in financing activities</b>		<b>( 9 818)</b>	<b>8 464</b>	<b>( 4 109)</b>	<b>13 505</b>
<b>Movement in cash and cash equivalents</b>		<b>( 4 643)</b>	<b>20 440</b>	<b>( 14 030)</b>	<b>12 958</b>
<b>Cash and cash equivalents</b>					
At beginning of the year		45 781	25 341	16 767	3 809
Movement per above		( 4 643)	20 440	( 14 030)	12 958
Effect of exchange rate changes		( 2 141)	-	-	-
At end of the year	9.5	<b>38 997</b>	<b>45 781</b>	<b>2 737</b>	<b>16 767</b>

## **Notes to the Financial Statements**

*For the year ended 30 September 2018*

### **1. Accounting policies**

These financial statements comprise the Company and its subsidiaries (together referred to as the Group). Indequity Group Limited and all of its subsidiaries are domiciled in South-Africa. The company is a South-African publicly listed company. The country of incorporation is South-Africa. The registered address of the company is First Floor, Cascade House, Constantia Office Park, Corner 14th Avenue and Hendrik Potgieter Road, Constantia Kloof, 1709. The postal address of the company is PO Box 5433, Weltevredenpark, 1715. These financial statements comprise both the Group financial statements and financial statements of the company. The Group is primarily involved in short term insurance. The accounting policies for the Group and the Company are the same unless otherwise stated. The principal accounting policies adopted in the preparation of these financial statements are set out below:

#### **1.1 Statement of compliance**

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by Financial Reporting Standards Council and the requirements of the Companies Act of South Africa.

#### **1.2 Basis of preparation**

The financial statements are prepared in accordance with the going concern principle. The financial statements are presented in South African Rand, which is also the company’s functional currency, rounded to the nearest thousand. The financial statements are prepared on the historical-cost basis, except for certain financial assets and liabilities where it adopts the fair value basis of accounting. Such financial assets and liabilities include financial assets and liabilities classified as available-for-sale. Foreign exchange movements on the US Dollar cash balances are recognised through profit or loss.

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, liabilities, income and expenses of the company and all of its subsidiary companies (together referred to as the “Group”).

##### *Subsidiary companies*

Subsidiaries are entities controlled by the company. The company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiary companies in the separate financial statements of the company are measured at cost less impairment.

A listing of the company’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.



**Notes to the Financial Statements**  
For the year ended 30 September 2018

**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 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 provision, claims provisions, claims recoveries and salvages (refer to note 11).

*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 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 that it is probable that future taxable profit will be available against which the deferred tax asset can be utilised, 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 12).

*Impairment testing of non-financial assets*

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 discount 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 note 7).

**1.5 Foreign currency translation**

Foreign currency transactions are translated into the reporting currency using the closing exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of assets and liabilities denominated in foreign currencies are recognised in profit or loss.

**1.6 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 Financial Statements**

For the year ended 30 September 2018

### **1.7 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.

The earned portion of premiums written is recognised as income. 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 provision*

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 profit or loss for the period in which the adjustments are made and disclosed separately if material.

#### *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.

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.

## **Notes to the Financial Statements**

*For the year ended 30 September 2018*

### **1.7 Recognition and measurement of insurance contracts (Continued)**

#### *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 or loss for the year as an unexpired risk provision.

#### *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.

### **1.8 Property and equipment**

Property and equipment are stated at historical cost less accumulated depreciation and any accumulated 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 profit or loss 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 and depreciation methods are reviewed at each reporting date and adjusted if appropriate. Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

### **1.9 Intangible assets**

Intangible assets include computer software and customer contracts.

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. Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other subsequent expenditure is expensed as incurred.

**Notes to the Financial Statements**  
For the year ended 30 September 2018

**1.9 Intangible assets (Continued)**

Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.

The gain or loss arising from derecognition of an intangible asset is determined as the difference between the proceeds and the carrying amount. This difference is recognised in profit or loss.

Intangible assets are amortised using the straight-line method over their estimated useful lives, ranging between two and ten years and recognised in profit or loss.

The amortisation method and useful life of intangible assets are reassessed at each reporting date.

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 with reference to discounted future cashflows.

**1.10 Financial instruments**

**Recognition and classification**

Financial instruments are recognised when the Group becomes party to a contractual arrangement that constitutes a financial asset or financial liability for the Group that is not subject to suspensive conditions.

The classification of financial instruments is determined at initial recognition based on the purpose for which the financial assets are acquired or liabilities assumed. 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 recognised directly in other comprehensive income. 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 company unless otherwise stated.

**Initial measurement**

All financial instruments are measured initially at fair value plus directly attributable transaction costs and fees, except for those financial instruments that are subsequently measured at fair value through profit or loss where such transaction costs and fees are immediately recognised in profit or loss. Financial instruments are recognised (derecognised) on the date the group commits to purchase (sell) the instruments (trade date accounting).

**Financial Assets**

**Definition**

***Held-to-maturity and loans and receivables***

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified as at fair value through profit or loss or available-for-sale.

**Notes to the Financial Statements**  
For the year ended 30 September 2018

**1.10 Financial instruments (Continued)**

Loans and receivables consist of:

- Trade and other receivables
- Cash and cash equivalents

***Held-for-trading***

Those financial assets acquired principally for the purpose of selling in the near term (including all derivative financial assets), those that form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. Included are commodities that are acquired principally for the purpose of selling in the near future.

***Available-for-sale***

Available-for-sale assets are any non-derivative financial assets designated on initial recognition as available for sale or any other instruments that are not classified as (a) loans and receivables, (b) held-for-trading investments.

**Subsequent measurement**

Subsequent to initial measurement, financial assets are classified in their respective categories and measured at either amortised cost or fair value as follows:

***Held-to-maturity and loans and receivables***

Amortised cost using the effective interest method with interest recognised in interest income. Directly attributable transaction costs and fees received are capitalised and amortised through interest income as part of the effective interest method.

***Held-for-trading***

Fair value, with gains and losses arising from changes in fair value (including interest and dividends) recognised in profit or loss.

***Available-for-sale***

Fair value changes on available-for-sale assets are recognised directly in other comprehensive income as part of equity, through the statement of changes in equity, except for interest on available-for-sale assets (which is recognised in income on an effective yield basis), impairment losses and (for interest-bearing available-for-sale debt instruments) foreign exchange gains or losses. The cumulative gain or loss that was recognised in equity is recognised in profit or loss when an available-for-sale financial asset is derecognised. Dividends received are recognised in profit or loss as and when they accrue. When available-for-sale financial assets are disposed of, the cumulative fair value adjustments in OCI are reclassified to profit or loss.

**Reclassification**

Reclassifications of financial assets are permitted only in the following instances:

***Available-for-sale***

The group may choose to reclassify financial assets that would meet the definition of loans and receivables if the group, at the date of reclassification, has the intention and ability to hold these financial assets for the foreseeable future or until maturity.

## **Notes to the Financial Statements**

For the year ended 30 September 2018

### **1.10 Financial instruments (Continued)**

#### ***Held-for-trading***

The group may elect to reclassify non-derivative financial assets out of held-for-trading category in the following instances: if the financial asset is no longer held for the purpose of selling it in the near term and the financial asset would not otherwise have met the definition of loans and receivables, it is permitted to be reclassified only in rare circumstances if the financial asset is no longer held for the purpose of selling it in the near term and the financial asset would have met the definition of loans and receivables, it is permitted to be reclassified if the group, at the date of reclassification, has the intention and ability to hold these financial assets for the foreseeable future or until maturity.

Reclassifications are made at fair value as of the reclassification date. Effective interest rates for financial assets reclassified to loans and receivables and available-for-sale categories are determined at the reclassification date.

#### **Derecognition**

Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired, or where the group has transferred its contractual rights to receive cash flows on the financial asset such that it has transferred substantially all the risks and rewards of ownership of the financial asset. Any interest in the transferred financial assets that is created or retained by the group is recognised as a separate asset or liability. In transfers where control over the asset is retained, the group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset. Where the company retains substantially all the risks and rewards of ownership of the financial asset, the company continues to recognise the asset. If a transfer does not result in derecognition because the company has retained substantially all the risks and rewards of ownership of the transferred asset, the company continues to recognise the transferred asset in its entirety and recognises a financial liability for the consideration received. In subsequent years, the company recognises any income on the transferred asset and any expense incurred on the financial liability.

#### **Financial Liabilities**

##### **Definition**

##### ***At amortised cost***

The group's financial liabilities include loans payable and trade and other payables.

##### **Subsequent measurement**

Subsequent to initial measurement, financial liabilities are classified in their respective categories and measured at either amortised cost or fair value as follows:

##### ***At amortised cost***

Amortised cost using the effective interest method.

##### **Derecognition**

Financial liabilities are derecognised when the contractual obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.

**Notes to the Financial Statements**  
For the year ended 30 September 2018

**1.10 Financial instruments (Continued)**

**Offsetting**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle the asset and the liability on a net basis, or to realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the counterparties to the transaction.

**1.11 Impairment**

**Impairment of non-financial assets**

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.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU's.

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 profit or loss.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in profit or loss to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined net of depreciation and amortisation, if no impairment loss had been recognised.

**Impairment of financial assets**

The group assesses at each reporting date whether there is objective evidence that financial assets are impaired. The financial assets are impaired and impairment losses are recognised 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 financial asset that can be reliably estimated.

Objective evidence that a financial 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; and
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

If there is objective evidence that an impairment loss has been incurred on financial 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 effective interest rate that reflect the risks specific to the financial asset). The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

## **Notes to the Financial Statements**

For the year ended 30 September 2018

### **1.11 Impairment (Continued)**

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised. If there is objective evidence that the insurance receivable is impaired, the company reduces the carrying amount of the insurance receivable accordingly and recognises the impairment loss in the statement of comprehensive income. The company 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 Taxation**

#### *1.13.1 Tax Expense*

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the profit or loss except to the extent that it relates to a business combination, or items recognised directly in other comprehensive income or equity.

#### *1.13.2 Current tax*

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

#### *1.13.3 Deferred tax*

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases.

Deferred tax is not recognised for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.

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 profit or loss except to the extent that it relates to a transaction that is recognised directly in other comprehensive income, or a business combination. The effect on deferred tax of any changes in tax rates is recognised in profit or loss, except to the extent that it relates to items previously charged or credited directly to other comprehensive income or 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.



## **Notes to the Financial Statements**

For the year ended 30 September 2018

### **1.14 Income recognition and other income**

Total income comprises interest income, profit on the disposal of shares, dividend income, commission and earned premium from insurance contracts. Other income comprises of commission received from Sasria and the sale of add-on products included in insurance policies.

#### *Income from insurance contracts*

Refer to accounting policy 1.7 for recognition and measurement of insurance contract income.

#### *Commission*

Commission is recognised as income over the period during which it is earned.

#### *Interest income*

Interest income is accounted for on an accrual basis using the effective interest method.

#### *Dividend income*

Dividends are recognised, in profit or loss, when the company's right to receive payment has been established.

#### *Gains on disposal of investments*

Profit on disposal of shares consists of net realised surpluses and deficits on the sale of shares, net unrealised surpluses and deficits on the valuation of shares at fair value through profit or loss.

Realised and unrealised surpluses and deficits are recognised in the statement of comprehensive income.

### **1.15 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 recognised in profit or loss on a straight-line basis over the period of the lease.

### **1.16 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.

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 reporting date. The accrual has been calculated at undiscounted amounts based on current salary rates.

### **1.17 Dividends payable**

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

### **1.18 Segment reporting**

IFRS 8 Operating Segments (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.

**Notes to the Financial Statements**

For the year ended 30 September 2018

**1.18 Segment reporting (Continued)**

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.

The group is only involved in insurance activities, which is managed as a whole. There is no segmented information reported to the chief operating decision maker. The group therefore consists of only one segment and consequently no segment analysis has been prepared.

**1.19 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.

**1.20 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	Implementation date	Description
IFRS9, ‘Financial instruments’	01-Jan-18	<p>This standard replaces the guidance in IAS 39. The new standard includes requirements on:</p> <ul style="list-style-type: none"> <li>• Classification and measurement of financial assets and liabilities;</li> <li>• Expected credit loss model (replacing the current incurred loss impairment model).</li> </ul> <p>This standard will have a limited impact on the measurement of financial assets within the Group, as the financial instruments are mostly short duration instruments. However, the IFRS 9 impairment model has been changed from an “incurred loss” model from IAS 39 to an “expected credit loss” model, which may increase the provision for bad debts recognised in the Company.</p> <p>The Company will adopt the Standard for the year ended 30 September 2021. Financial instruments category disclosure is expected to change from “available for sale” to “fair value movement through other comprehensive income”.</p> <p>Management is currently assessing the impact of these new standards, amendments and improvements but it is not expected to have a significant impact on the results of the Company.</p>
IFRS16, ‘Leases’	01-Jan-19 with earlier application permissible	<p>This standard replaces the current guidance in IAS 17. IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a ‘right-of-use asset’ separately.</p> <p>Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.</p> <p>This standard will impact the Group through the operating lease which is in place – for rented property.</p>

**Notes to the Financial Statements**

For the year ended 30 September 2018

**1.20 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 (Continued)**

Standard	Implementation date	Description
Amendments to IFRS4, 'Insurance contracts' regarding the implementation of IFRS9, 'Financial instruments'	01-Jan-18	<p>These amendments introduce two approaches: an overlay approach and a deferral approach. The amended standard will:</p> <ul style="list-style-type: none"> <li>• Give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is applied; and;</li> <li>• Give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments standard - IAS 39.</li> </ul> <p>For the Group it is unlikely that the deferral approach will be selected as there are no long duration insurance risks that are managed through holding longer duration instruments and it is also unlikely that any inadvertent mismatches will occur.</p> <p>While management acknowledge that the impact of this new standard will be far reaching, early investigations suggest that the premium allocation approach will be used (PAA), given the short tail nature of the insurance risk underwritten. Projects will commence in due course so as to finalise impact assessments and begin system gap analysis to prepare for this new standard.</p>
IFRS17, 'Insurance contracts'	01-Jan-21	<p>This standard replaces IFRS 4. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.</p> <p>While management acknowledge that the impact of this new standard will be far reaching, early investigations suggest that the premium allocation approach will be used (PAA), given the short tail nature of the insurance risk underwritten. Projects will commence in due course so as to finalise impact assessments and begin system gap analysis to prepare for this new standard.</p>
IFRIC22, 'Foreign currency transactions and advance consideration'	01-Jan-18	<p>This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.</p> <p>The impact on existing business is likely to be limited.</p>

## **Notes to the Financial Statements**

For the year ended 30 September 2018

### **2. Terms and conditions of insurance contracts**

Indequity underwrites the following types of insurance contracts:

<b>Types of insurance contracts</b>	<b>Personal lines</b>	<b>Commercial lines</b>
Property	✓	✓
Personal accident	✓	✓
Motor	✓	✓
Liability	✓	✓
Accident	✓	✓

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. Almost all 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.

#### *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.

## **Notes to the Financial Statements**

*For the year ended 30 September 2018*

### **2. Terms and conditions of insurance contracts (Continued)**

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.

##### *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. Policies are sold as a combined solution to clients and underwriting is reported on as a whole. Property and motor products are sold jointly to customers. 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.

## **Notes to the Financial Statements**

For the year ended 30 September 2018

### **3.2 Concentrations of insurance risk and policies mitigating the concentrations (Continued)**

*Gross written premiums per line of business*

	<b>2018</b>	2017
	<b>R'000</b>	R'000
Commercial lines	<b>4 185</b>	3 877
Personal lines	<b>54 963</b>	50 079
	<b>59 148</b>	53 956

### **3.3 Policies for mitigating the risk of fraudulent claims**

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 provisions 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 provisioning practices. Consequently, the group has a history of positive claims development, i.e. the provisions created over time proved to be sufficient to fund the actual claims paid.

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 Insurance Contracts (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 (insurance contracts).

**Notes to the Financial Statements**

For the year ended 30 September 2018

**4. Maturity profile - Group**

The maturity profile of assets is as follows:

**Maturity profile - Group**

The maturity profile of assets is as follows:

	<b>2018</b>	2017
	<b>R'000</b>	R'000
<i>0 – 12 months</i>		
Deferred tax asset	248	250
Intangible assets	22	-
Subrogation and recoveries	1 074	1 433
Reinsurance portion of insurance contract provisions	31	42
Investments	10 695	2 150
Cash and cash equivalents	38 997	45 781
Loans and receivables	25	11
Normal tax receivable	7	-
<i>&gt; 12 months</i>		
Property and equipment	1 336	2 058
Intangible assets	784	825
Investments	-	1 835
Subrogation and recoveries	1 006	662
Loans and receivables	59	134

The maturity profile of liabilities is as follows:

	<b>2018</b>	2017
	<b>R'000</b>	R'000
<i>0 – 12 months</i>		
Insurance contract provisions	5 354	5 187
Deferred tax liability	84	352
Normal tax payable	264	39
Trade and other payables	3 147	2 301
<i>&gt; 12 months</i>		
Dividends payable	258	215
Deferred tax liability	99	-

**Notes to the Financial Statements**

For the year ended 30 September 2018

**5. Maturity profile - Company**

The maturity profile of assets is as follows:

The maturity profile of assets is as follows:

	<b>2018</b>	2017
	<b>R'000</b>	R'000
<i>0 – 12 months</i>		
Deferred tax asset	<b>79</b>	137
Cash and cash equivalents	<b>2 737</b>	16 767
Normal tax receivable	<b>7</b>	104
Loans and receivables	<b>-</b>	3 949
Investments	<b>-</b>	2 150
<i>&gt; 12 months</i>		
Investment in subsidiaries	<b>27 350</b>	9 669

The maturity profile of liabilities is as follows:

	<b>2018</b>	2017
	<b>R'000</b>	R'000
<i>0 – 12 months</i>		
Trade and other payables	<b>219</b>	190
<i>&gt; 12 months</i>		
Dividends payable	<b>161</b>	117



# Indequity Group Limited Annual Report

(Reg. no. 1998/015883/06)

## Notes to the Financial Statements

for the year ended 30 September 2018

### 6. Property and equipment - Group

At 30 September 2018	Cost R'000	Accumulated depreciation R'000	Carrying amount R'000
Computer hardware	452	( 379)	73
Office equipment	387	( 219)	168
Furniture and fittings	670	( 622)	48
Motor vehicles	1 359	( 312)	1 047
	<b>2 868</b>	<b>( 1 532)</b>	<b>1 336</b>

At 30 September 2017			
Computer hardware	438	( 314)	124
Office equipment	387	( 153)	234
Furniture and fittings	664	( 555)	109
Motor vehicles	1 893	( 302)	1 591
	<b>3 382</b>	<b>( 1 324)</b>	<b>2 058</b>

#### Reconciliation of carrying amounts:

At 30 September 2018	Opening carrying amount R'000	Acquisitions R'000	Disposals R'000	Depreciation R'000	Closing carrying amount R'000
Computer hardware	124	14	-	( 65)	73
Office equipment	234	-	-	( 66)	168
Furniture and fittings	109	6	-	( 67)	48
Motor vehicles	1 591	280	( 570)	( 254)	1 047
Total	<b>2 058</b>	<b>300</b>	<b>( 570)</b>	<b>( 452)</b>	<b>1 336</b>

At 30 September 2017					
Computer hardware	43	148	-	( 67)	124
Office equipment	95	191	-	( 52)	234
Furniture and fittings	121	57	-	( 69)	109
Motor vehicles	758	1 171	( 119)	( 219)	1 591
Total	<b>1 017</b>	<b>1 567</b>	<b>( 119)</b>	<b>( 407)</b>	<b>2 058</b>

# Indequity Group Limited Annual Report

(Reg. no. 1998/015883/06)

## Notes to the Financial Statements

for the year ended 30 September 2018

### 7. Intangible assets - Group

At 30 September 2018	Cost R'000	Accumulated amortisation R'000	Carrying amount R'000
Customer contracts	784	-	784
Computer software	315	( 293)	22
	<b>1 099</b>	<b>( 293)</b>	<b>806</b>

At 30 September 2017

Customer contracts	767	-	767
Computer software	305	( 247)	58
	<b>1 072</b>	<b>( 247)</b>	<b>825</b>

*Reconciliation of carrying amounts:*

At 30 September 2018	Opening carrying amount R'000	Acquisitions R'000	Amortisation R'000	Closing carrying amount R'000
Customer contracts	767	17	-	784
Computer software	58	11	( 47)	22
Total	<b>825</b>	<b>28</b>	<b>( 47)</b>	<b>806</b>

At 30 September 2017

Customer contracts	530	237	-	767
Computer software	55	93	( 90)	58
Total	<b>585</b>	<b>330</b>	<b>( 90)</b>	<b>825</b>

Customer contracts have an indefinite useful life.

# Indequity Group Limited Annual Report

(Reg. no. 1998/015883/06)

## Notes to the Financial Statements

for the year ended 30 September 2018

### 7. Intangible assets - Group (Continued)

*Impairment testing for intangible assets.*

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use, for the group this is the value in use. Cash flows have been projected over various periods as there are various customer contracts to account for. Impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Calculation of the recoverable amount of customer contracts are done by valuing only the remaining active customer contracts which formed part of the initial purchase thereof. The individual assets/customer contracts have thus all been tested individually. The recoverable amounts have been determined by estimating the future cash flows expected to arise from these contracts and discounting these values at a suitable discount rate to calculate the present value.

Management's key assumptions include stable profit margins, which have been determined based on past experience as well as 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 customer contracts as described above, management is not currently aware of any other probable changes that would necessitate changes in any estimates.

8. Investment in subsidiaries - Company	2018 R'000	2017 R'000
---	---------------	---------------

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

*Investment in subsidiaries:*

IDQ Nominees Proprietary Limited	*	*
Indequity Insurance Holdings Limited	7 691	9 567
Indequity Specialised Insurance Limited* <sup>1</sup>	-	-
IDQ Investments Inc.	19 516	-
Shares at cost	27 207	9 567
Investment in subsidiaries at cost less impairment losses	27 207	9 567

*Effect of the interest held in subsidiary companies after elimination of intercompany transactions and balances, on:*

The financial position (Total equity)	42 492	24 287
The financial performance (Profit after tax)	8 922	7 661
The net cash flows	(5 135)	3 533

\*<sup>1</sup> 100% held by Indequity Insurance Holdings Limited

\* Amounts less than R1 000

## Indequity Group Limited Annual Report

(Reg. no. 1998/015883/06)

### Notes to the Financial Statements

for the year ended 30 September 2018

#### 8. Investment in subsidiaries - Company (Continued)

	2018 R'000	2017 R'000
<i>Loans to subsidiaries:</i>		
Indequity Specialised Insurance Limited * <sup>1</sup>	143	102
IDQ Nominees Proprietary Limited	-	-
Indequity Insurance Holdings Limited	-	-
Loan to subsidiaries at cost	-	102
Interest in subsidiaries	<b>27 350</b>	<b>9 669</b>

The details of subsidiary companies are as follows:

Subsidiary	Nature of business	Country of Incorporation	Effective Holding	
			2018	2017
IDQ Nominees Proprietary Limited	Nominee company	South Africa	100%	100%
Indequity Insurance Holdings Limited	Holding company	South Africa	100%	100%
Indequity Specialised Insurance Limited * <sup>1</sup>	Short-term insurer	South Africa	100%	100%
IDQ Investments Inc	Investment company	United States of America	100%	0%

\*<sup>1</sup> 100% held by Indequity Insurance Holdings Limited

#### 9. Financial assets and liabilities

##### 9.1 Financial assets by category

	Group				Company		
	Available for sale R'000	Held for trading	Loans and receivables R'000	Total R'000	Held for trading	Loans and receivables R'000	Total R'000
<b>At 30 September 2018</b>							
Loans and receivables	-	-	84	84	-	-	-
Cash and cash equivalents	-	-	38 997	38 997	-	2 737	2 737
Listed equities	-	10 695	-	10 695	-	-	-
	<b>-</b>	<b>10 695</b>	<b>39 081</b>	<b>49 776</b>	<b>-</b>	<b>2 737</b>	<b>2 737</b>
<b>At 30 September 2017</b>							
Loans and receivables	-	-	145	145	-	3 949	3 949
Cash and cash equivalents	-	-	45 781	45 781	-	16 767	16 767
Listed equities	1 835	2 150	-	3 985	2 150	-	2 150
	<b>1 835</b>	<b>2 150</b>	<b>45 926</b>	<b>49 911</b>	<b>2 150</b>	<b>20 716</b>	<b>22 866</b>

The carrying value of a majority of financial assets approximate fair value.

# Indequity Group Limited Annual Report

(Reg. no. 1998/015883/06)

## Notes to the Financial Statements

for the year ended 30 September 2018

### 9.2 Financial assets

	Group				Company	
	2018 R'000		2017 R'000		2018 R'000	2017 R'000
	Available for sale	Held for trading	Available for sale	Held for trading	Held for trading	Held for trading
<b>Cost</b>						
Listed shares - Local	-	-	2 241	779	-	779
Listed shares - Foreign	-	<b>9 815</b>	-	1 439	-	1 439
	-	<b>9 815</b>	2 241	2 218	-	2 218
<b>At fair value</b>						
Listed shares - Local	-	-	1 835	832	-	832
Listed shares - Foreign	-	<b>10 695</b>	-	1 318	-	1 318
	-	<b>10 695</b>	1 835	2 150	-	2 150

#### Fair value estimation of financial instruments

Financial instruments measured at fair value are grouped into the following levels based on the significance of the inputs used in determining fair value :

- Level 1 : Fair value is derived from quoted prices (unadjusted) in active markets for identical instruments.
- Level 2 : Fair value is derived through the use of valuation techniques based on observable inputs, either directly or indirectly.
- Level 3 : Fair value is derived through the use of valuation techniques using significant unobservable inputs.

The table below analyses financial instruments measured at fair value by the level into which the fair value measurement is categorised:

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Level 1	<b>10 695</b>	3 985	-	2 150
Level 2	-	-	-	-
Level 3	-	-	-	-
Total	<b>10 695</b>	3 985	-	2 150

# Indequity Group Limited Annual Report

(Reg. no. 1998/015883/06)

## Notes to the Financial Statements

for the year ended 30 September 2018

### 9. Financial assets and liabilities (Continued)

#### 9.3 Financial liabilities by category

	Group		Company	
	Financial liabilities at amortised cost	Total	Financial liabilities at amortised cost	Total
<b>At 30 September 2018</b>				
Trade and other payables	3 147	3 147	219	219
	<b>3 147</b>	<b>3 147</b>	<b>219</b>	<b>219</b>
<b>At 30 September 2017</b>				
Trade and other payables	2 301	2 301	190	190
	<b>2 301</b>	<b>2 301</b>	<b>190</b>	<b>190</b>

The carrying value of all financial liabilities approximate fair value due to their short-term nature.

9.4 Loans and receivables	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Loans to company employees	64	134	-	-
Trade receivables	20	11	-	3 949
	<b>84</b>	<b>145</b>	<b>-</b>	<b>3 949</b>

Interest on the loans to employees is charged at prime less 2% and is repayable over the next five years. Loans to company employees are unsecured.

Trade and other receivables are neither past due nor impaired.

# Indequity Group Limited Annual Report

(Reg. no. 1998/015883/06)

## Notes to the Financial Statements

for the year ended 30 September 2018

9.5 Cash and cash equivalents	Group		Company	
	2018	2017	2018	2017
	R'000	R'000	R'000	R'000
Current accounts	213	467	-	16 759
Savings	3 157	3	2 660	3
Call accounts	8 496	18 876	77	2
Money Market accounts	27 116	26 426	-	-
Market Link accounts	9	6	-	-
Petty cash	6	1	-	-
Foreign currency account	-	2	-	3
	<b>38 997</b>	<b>45 781</b>	<b>2 737</b>	<b>16 767</b>

9.6 Trade and other payables	Group		Company	
	2018	2017	2018	2017
	R'000	R'000	R'000	R'000
Trade payables held at amortised cost	432	413	-	-
Bonus provision	1 340	600	-	-
Audit fee accrual	529	498	132	124
Reinsurance accrual	242	211	-	-
PAYE accrual	164	182	-	-
Other accruals	440	397	87	66
	<b>3 147</b>	<b>2 301</b>	<b>219</b>	<b>190</b>

## 10. Financial 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. The consolidated statement of financial position includes amounts of assets and liabilities whose fair values are subject to market risks. The most significant market risks are primarily associated with equity prices, interest rates and foreign currency exchange rates. The fair values of our investment portfolios remain subject to considerable volatility. The following sections address the significant market risks associated with our business activities.

# Indequity Group Limited Annual Report

(Reg. no. 1998/015883/06)

## Notes to the Financial Statements

for the year ended 30 September 2018

### 10. Financial Management (Continued)

#### Equity price risk

Equity price risk is the risk that the price of an equity instrument will fluctuate due to market forces rather than as a direct result of some other market risk such as currency or interest rate risk. The Indequity Group Limited is exposed to equity price risk because of investments held and classified on the statement of financial position as available-for-sale and held for trading.

Equity securities represent a significant portion of the investment portfolio and these equity investments are concentrated in relatively few issuers. The group strives to maintain ample liquidity to provide a margin of safety against short-term price volatility. Currently, the group does not invest in any derivative instruments.

The following table summarizes the equity securities with significant equity price risk as of 30 September 2018 and the estimated effects on profit or loss of a hypothetical 10% increase and a 10% decrease in market prices. The selected 10% hypothetical increase and decrease is not indicative of a best or worst case scenario, but is rather an attempt to monetarise movements in equity prices. Results from declines could be far worse due both to the nature of equity markets and the aforementioned concentrations existing in our equity investment portfolio.

#### Equity price sensitivity on profit or loss

At 30 September 2018	Group		Company	
	Financial Instruments carried at fair value through profit and loss	Financial Instruments carried at fair value through other comprehensive income	Financial Instruments carried at fair value through profit and loss	Financial Instruments carried at fair value through other comprehensive income
	R'000	R'000	R'000	R'000
Fair Value	10 695	-	-	-
10% increase	1 070	-	-	-
10% decrease	( 1 070)	-	-	-

#### At 30 September 2017

Fair Value	2 150	1 835	2 150	-
10% increase	215	184	215	-
10% decrease	( 215)	( 184)	( 215)	-

The hypothetical percentage increase/(decrease) is before income taxes at the statutory rate in effect as of the statement of financial position date.



# Indequity Group Limited Annual Report

(Reg. no. 1998/015883/06)

## Notes to the Financial Statements

for the year ended 30 September 2018

### 10. Market risk (Continued)

#### *Interest rate risk*

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

The group invests all its cash and cash equivalents in short term instruments such as money market accounts and NCD accounts. The group does not invest in bonds, loans or other interest rate sensitive instruments. The group does not utilize any derivative products, such as interest rate swaps, to manage interest rate risks. Fair values of interest rate sensitive instruments may be affected by the creditworthiness of the issuer, prepayment options, relative values of alternative investments, the liquidity of the instrument and other general market conditions.

Exposure to interest rate risk is limited to the group's instruments within cash and cash equivalents which earn interest at rates that vary on a daily basis.

The following table summarizes the estimated effects on profit or loss of hypothetical changes in interest rates on the cash positions. The group assumes that the interest rate changes occur immediately and uniformly to each category of instrument containing interest rate risk, and that there were no significant changes to other factors used to determine the value of the instrument. The hypothetical changes in interest rates are not indicative of a best or worst case scenario, but is rather an attempt to monetarise possible movements.

<b>Interest rate sensitivity on profit or loss - Group</b>	<b>2018</b>	2017	<b>2018</b>	2017
	<b>R'000</b>	R'000	<b>R'000</b>	R'000
	<b>2% increase</b>	2% increase	<b>2% decrease</b>	2% decrease
Cash and cash equivalents	<b>780</b>	916	<b>( 780)</b>	( 916)
	<b>780</b>	916	<b>( 780)</b>	( 916)

# Indequity Group Limited Annual Report

(Reg. no. 1998/015883/06)

## Notes to the Financial Statements

for the year ended 30 September 2018

### 10 Market risk (Continued)

#### Currency risk

Foreign currency risk is the risk that the group will be negatively impacted by changes in the level or volatility of currency exchange rates relative to the South African Rand. Indequity Group Limited has a foreign currency exposure of R17.9 million as at year end (2017: R1.3 Million).

Some subsidiaries operate in foreign jurisdictions and the Group transacts business in foreign currencies. In addition, the Group holds investments in common stocks of major multinational companies that have significant foreign business and foreign currency risk of their own. The Group generally does not attempt to match assets and liabilities by currency and does not use derivative contracts to hedge or manage foreign currency price changes in any meaningful way. Net assets are subject to financial statement translation into South African Rand stem from financial investments within the United States of America. A summary of the impact of a change in the USD:ZAR exchange rate, after-tax, for each of the years ending 30 September 2018 and 2017 is set out below. Given the inherent volatility of currency movements a hypothetical 10% increase/decrease in USD:ZAR exchange rate has been applied.

	<b>2018</b>	2017	<b>2018</b>	2017
	<b>R'000</b>	R'000	<b>R'000</b>	R'000
	<b>10% increase</b>	10% increase	<b>10% decrease</b>	10% decrease
Change in value of: Translated Assets	<b>1 790</b>	130	<b>( 1 790)</b>	( 130)
Change in value of: Translated Liabilities	-	-	-	-
Change in value of: Translated Equity	<b>1 952</b>	-	<b>( 1 952)</b>	-
Change in value of: Translated Profit or (Loss)	<b>57</b>	-	<b>( 57)</b>	-
	<b>3 799</b>	130	<b>( 3 799)</b>	( 130)

# Indequity Group Limited Annual Report

(Reg. no. 1998/015883/06)

## Notes to the Financial Statements

for the year ended 30 September 2018

### 10. Market risk (Continued)

#### 10.2 Credit risk

Credit risk is the risk that a counterparty to a financial instrument or insurance contract 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:

- cash equivalents; and
- loans and receivables
- reinsurers' share of insurance liabilities
- subrogation and salvage recoveries

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 local credit ratings.

Cash and cash equivalents	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
AA	-	18 478	-	5
AA-	6 651	-	4	-
A+	534	17 205	-	16 762
BBB+	-	-	-	-
BB+	21 385	10 098	2 733	-
BB	10 420	-	-	-
	<b>38 990</b>	<b>45 781</b>	<b>2 737</b>	<b>16 767</b>

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

The group considers that the financial assets (other than equities) that are not rated amount to R 122 000 (2017: R147 000) to be of sound credit quality. Subrogation and salvage recoveries of R2.1 million (2017: R2.1 million) are not rated and are of sound credit quality.

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

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

# Indequity Group Limited Annual Report

(Reg. no. 1998/015883/06)

## Notes to the Financial Statements

for the year ended 30 September 2018

### 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.

The group's liabilities have contractual maturities which are summarised below:

#### At 30 September 2018

#### Liquidity risk - Group

	<b>Insurance liabilities R'000</b>	<b>Accounts payable R'000</b>	<b>Dividends payable R'000</b>
0-12 months	5 354	3 147	258
1-5 years	-	-	-
>5 years	-	-	-
	<b>5 354</b>	<b>3 147</b>	<b>258</b>

#### At 30 September 2017

0-12 months	5 187	2 301	215
1-5 years	-	-	-
>5 years	-	-	-
	<b>5 187</b>	<b>2 301</b>	<b>215</b>

#### Liquidity risk - Company

	<b>Accounts payable</b>		<b>Dividends payable</b>	
	<b>2018 R'000</b>	2017 R'000	<b>2018 R'000</b>	2017 R'000
0-12 months	219	190	-	-
1-5 years	-	-	-	-
>5 years	-	-	161	117
	<b>219</b>	190	<b>161</b>	117

# Indequity Group Limited Annual Report

(Reg. no. 1998/015883/06)

## Notes to the Financial Statements

for the year ended 30 September 2018

### 11. Insurance contract provisions - Group

	2018 R'000	2017 R'000
Unearned premiums	293	260
Gross outstanding claims	3 723	3 745
Incurred But Not Reported provision (IBNR)	1 307	1 140
Gross IBNR	1 338	1 182
Reinsurance portion	( 31)	( 42)
	5 323	5 145

Comprising:

Gross insurance contract provisions	5 354	5 187
Reinsurance portion of insurance contract provisions	( 31)	( 42)

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

*Analysis of movements in notified outstanding claims:*

As at 30 September 2018	Gross outstanding claims R'000	Subrogation and salvage recoveries R'000	Outstanding claims less recoveries R'000
Balance at the beginning of the year	3 745	( 2 095)	1 650
Change in prior year estimate	301	( 2 302)	( 2 001)
Claims paid/recoveries received	( 29 466)	4 191	( 25 275)
Current year claims reported/recoveries raised	29 143	( 1 874)	27 269
Closing balance	3 723	( 2 080)	1 643

As at 30 September 2017

Balance at the beginning of the year	2 788	( 2 263)	525
Change in prior year estimate	1 507	( 840)	667
Claims paid/recoveries received	( 26 651)	3 098	( 23 552)
Current year claims reported/recoveries raised	26 101	( 2 090)	24 011
Closing balance	3 745	( 2 095)	1 651

# Indequity Group Limited Annual Report

(Reg. no. 1998/015883/06)

## Notes to the Financial Statements

for the year ended 30 September 2018

### 11. Insurance contract provisions - Group (Continued)

<i>IBNR movement:</i>	<b>2018</b>	2017
	<b>R'000</b>	R'000
Balance at the beginning of the year	<b>1 140</b>	1 045
IBNR utilised	<b>( 455)</b>	(508)
Prior year IBNR released	<b>( 685)</b>	(537)
IBNR raised in current year	<b>1 307</b>	1 140
Closing balance	<b>1 307</b>	1 140

#### *Analysis of movement in Unearned Premiums*

Balance at the beginning of the year	<b>260</b>	272
Charged to profit or loss	<b>33</b>	( 12)
Closing balance	<b>293</b>	260

#### 11.1 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. External experts are used from time to time as and when necessary.

# **Indequity Group Limited Annual Report**

*(Reg. no. 1998/015883/06)*

## **Notes to the Financial Statements**

*for the year ended 30 September 2018*

### **11.1.1 Claims provision**

Outstanding claims and claims incurred but not yet reported

The outstanding claims provision includes notified claims as well as incurred but not yet reported claims. Gross claims incurred represents the sum of paid losses and reserve changes during the period. The group primarily uses its own claims staff to manage and settle claims. Extraordinary weather conditions or other factors may have a significant effect upon the frequency and/or severity of claims. The group's claim reserving methodologies produce liability estimates based upon the individual claims. Two of the key assumptions affecting the liability estimates include claim frequency and average loss per claim.

The group records liabilities for unpaid losses and loss adjustment expenses based upon estimates of the ultimate amounts payable for losses occurring on or before the statement of financial position date. The timing and amount of ultimate loss payments are contingent upon, among other things, the timing of claim reporting from insureds and the final determination of the loss amount through the loss adjustment process. As of the statement of financial position date, recorded claim liabilities include provisions for reported claims, as well as claims not yet reported and the development of reported claims. The timing and/or amount of the payments under certain contracts are contingent upon the outcome of future events. Most significantly, the timing and amount of future payments of unpaid losses and loss adjustment expenses arising under short term insurance contracts are contingent upon the outcome of claim settlement activities or events. In particular, estimates of outstanding claims and the related reinsurance recoverables are subject to estimation error due to the inherent uncertainty in projecting ultimate claim costs. The group records liabilities for outstanding claims and loss adjustment expenses and the related reinsurance recoverables for loss events that have occurred on or before the statement of financial position date. Such liabilities represent the estimated ultimate payment amounts. As these payments are short term in nature, the amounts are not discounted.

Furthermore, 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. 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.

# **Indequity Group Limited Annual Report**

*(Reg. no. 1998/015883/06)*

## **Notes to the Financial Statements**

*for the year ended 30 September 2018*

### **11.1.1 Claims provision (Continued)**

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. The aggregate of the best estimate and the risk margins expressed as a percentage of premiums earned, represents the IBNR assumption for each financial year. For incurred-but-not-reported ("IBNR") claims, liabilities are based on projections of the ultimate number of claims expected (reported and unreported) for each significant coverage. Best estimates makes use of historical claims development. They assume that the historical claims development will occur in the future. Paid claims, claim settlement costs and changes in estimated outstanding claim liabilities are included in the consolidated statement of comprehensive income. Provisions for losses and loss adjustment expenses are charged to the statement of comprehensive income after deducting amounts recovered and estimates of recoverable amounts under reinsurance contracts.

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.

### **11.1.2 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.



# Indequity Group Limited Annual Report

(Reg. no. 1998/015883/06)

## Notes to the Financial Statements

for the year ended 30 September 2018

### 11.2 Assumptions

The assumption that has the greatest effect on the measurement of insurance contract provisions is the percentage applied to the gross and reinsurance premiums earned in the IBNR calculation. The following percentages of earned premium were used to calculate the IBNR:

For the year ended 30 September 2018

	Percentages applied to earned premium of:				
	2018	2017	2016	2015	2014
Accident and health	5.67%	1.12%	0.26%	0.10%	0.07%
Liability	12.49%	4.47%	1.65%	0.66%	0.31%
Miscellaneous	7.18%	1.70%	0.25%	0.11%	0.09%
Motor	2.57%	0.00%	0.00%	0.00%	0.00%
Property	1.11%	0.00%	0.00%	0.00%	0.00%
Transportation	7.20%	1.31%	0.30%	0.12%	0.09%

For the year ended 30 September 2017

	Percentages applied to earned premium of:				
	2017	2016	2015	2014	2013
Accident and health	5.67%	1.12%	0.26%	0.10%	0.07%
Liability	12.49%	4.47%	1.65%	0.66%	0.31%
Miscellaneous	7.18%	1.70%	0.25%	0.11%	0.09%
Motor	2.57%	0.00%	0.00%	0.00%	0.00%
Property	1.11%	0.00%	0.00%	0.00%	0.00%
Transportation	7.20%	1.31%	0.30%	0.12%	0.09%

### 11.3 Sensitivity assumptions

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

	<b>2018</b>	2017
	<b>R'000</b>	R'000
IBNR calculated at a decrease of 1% to percentages applied to earned premium	<b>579</b>	521
IBNR calculated at an increase of 1% to percentage applied to earned premium	<b>( 579)</b>	( 521)

# Indequity Group Limited Annual Report

(Reg. no. 1998/015883/06)

## Notes to the Financial Statements

for the year ended 30 September 2018

### 12. Deferred tax

Liability	Group	
	2018 R'000	2017 R'000
Liability at beginning of year	352	289
Charged through other comprehensive income	-	61
Charged through profit or loss	(169)	2
Liability at end of year	<u>183</u>	<u>352</u>

<i>Comprising:</i>	Group		
	2018	Movement	2017
<b>Charged through profit or loss</b>			
Temporary differences - accrual for leave pay	(71)	(8)	(63)
Temporary differences - depreciation on vehicles	47	2	45
Temporary differences - straight lining rental	-	45	(45)
Temporary differences - accrual for bonus	(375)	(207)	(168)
Temporary differences - provision for insurance	-	4	(4)
Temporary differences - provision for recoveries	582	(5)	587
	<u>183</u>	<u>(169)</u>	<u>352</u>

Asset	Group		Company	
	2018	2017	2018	2017
Asset at beginning of year	250	252	137	252
Charged through other comprehensive income	(113)	76	-	(37)
Charged through profit or loss	111	(78)	(58)	(78)
Asset at end of year	<u>248</u>	<u>250</u>	<u>79</u>	<u>137</u>

<i>Comprising:</i>	Group			Company		
	2018	Movement	2017	2018	Movement	2017
<b>Charged through profit or loss</b>						
Temporary differences - Tax losses	248	111	137	79	(58)	137
	<u>248</u>	<u>111</u>	<u>137</u>	<u>79</u>	<u>(58)</u>	<u>137</u>

<b>Charged through other comprehensive income</b>						
Temporary differences - unrealised fair value adjustment on equities	-	(113)	113	-	-	-
	<u>-</u>	<u>(113)</u>	<u>113</u>	<u>-</u>	<u>-</u>	<u>-</u>

The group has normal tax losses of R277 153.36 (2017: R459 234.14) in South-Africa and R860 995.25 (2017: Rnil) in the United States of America and capital gains losses of R2 373 480 (2017:R2 373 480) in South-Africa 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.

# Indequity Group Limited Annual Report

(Reg. no. 1998/015883/06)

## Notes to the Financial Statements

for the year ended 30 September 2018

### 13. Share capital

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
<i>Authorised</i>				
100 000 000 ordinary shares of R0.001 each	<b>100</b>	100	<b>100</b>	100
26 000 000 cumulative redeemable convertible preference shares of R0.001 each	<b>26</b>	26	<b>26</b>	26
120 000 000 000 A Class preference shares of R0.0000001 each	<b>12</b>	12	<b>12</b>	12
12 000 000 B Class preference shares of R0.001 each	<b>12</b>	12	<b>12</b>	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.

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
<i>Issued</i>				
13 050 632 (2017: 13 105 632) ordinary shares of R0,001 each	<b>13</b>	13	<b>13</b>	13
14 870 000 (2017: 14 870 000) A Class preference shares of R0.0000001 each	*	*	*	*
11 669 680 (2017: 11 669 680) B Class preference shares of R0.001 each	<b>12</b>	12	<b>12</b>	12
	<b>25</b>	25	<b>25</b>	25

\* Amounts less than R1 000.

# Indequity Group Limited Annual Report

(Reg. no. 1998/015883/06)

## Notes to the Financial Statements

for the year ended 30 September 2018

### 13. Share capital (Continued)

	Group		Company	
	2018	2017	2018	2017
	R'000	R'000	R'000	R'000
<i>Reconciliation of movements in share capital during the year:</i>				
Opening balance	25	23	25	23
Share issue (1 700 000 shares at R10.00 each)	-	2	-	2
Group shares purchased and held as treasury shares by subsidiary: 743 018 shares purchased at an average price of R7.98 per share (2017: 556 982 shares at an average price of R9.05 per share)	*	*	-	-
Closing balance	25	25	25	25

\* Amounts less than R1 000.

#### *Shares issued during the year*

No new shares were issued during the current year (2017: 1 700 000 ordinary shares issued at R10.00 per share which also led to 170 B Class Preference shares converting into 1 700 000 A Class Preference shares.)

#### *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. During the current year the company repurchased and cancelled 55 000 shares at an average price of R6.91 per share. These shares have reverted to authorised but unissued equity securities of the issuer.

### 14. Ordinary share premium

	Group		Company	
	2018	2017	2018	2017
	R'000	R'000	R'000	R'000
Opening balance	23 268	11 311	23 005	6 007
General share issue - ordinary shares	-	16 998	-	16 998
Ordinary Group shares purchased by subsidiary	( 5 924)	( 5 041)	-	-
Ordinary Group shares purchased and cancelled	( 380)	-	( 380)	-
	16 964	23 268	22 625	23 005

### 15. Other income

	Group		Company	
	2018	2017	2018	2017
	R'000	R'000	R'000	R'000
Service Fee	-	-	626	512
Sundry income	388	59	-	-
	388	59	626	512

# Indequity Group Limited Annual Report

(Reg. no. 1998/015883/06)

## Notes to the Financial Statements

for the year ended 30 September 2018

### 16. Investment income

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Interest income on financial assets	1 987	1 771	133	103
Dividends received from subsidiaries	-	-	1 350	-
Dividends received from share investments	125	295	5	187
Foreign currency loss	( 20)	( 146)	( 33)	( 146)
Realised (loss)/profit on sale of shares	( 493)	467	78	575
Fair value movement of shares recognised in profit or (loss)	( 593)	( 56)	-	( 56)
	<b>1 006</b>	<b>2 331</b>	<b>1 533</b>	<b>663</b>

#### At 30 September 2018

	Group			Company			
	Loans and receivables R'000	Held for trading R'000	Total R'000	Loans and receivables R'000	Held for trading R'000	Interest in subsidiaries	Total R'000
Interest income on financial assets	1 987	-	1 987	133	-	-	133
Dividends received from share investments	-	125	125	-	5	-	5
Realised (loss)/profit on sale of shares	-	( 493)	( 493)	-	78	-	78
Foreign currency loss	-	( 20)	( 20)	-	( 33)	-	( 33)
Fair value movement of shares recognised in (loss)/profit	-	( 593)	( 593)	-	-	-	-
Dividends received from subsidiari	-	-	-	-	-	1 350	1 350
	<b>1 987</b>	<b>( 981)</b>	<b>1 006</b>	<b>133</b>	<b>50</b>	<b>1 350</b>	<b>1 533</b>

#### At 30 September 2017

Interest income on financial assets	1 771	-	-	1 771	103	-	103
Dividends received from share investments	-	108	187	295	-	187	187
Realised (loss)/profit on sale of shares	-	( 108)	575	467	-	575	575
Foreign currency loss	( 146)	-	-	( 146)	( 146)	-	( 146)
Fair value movement of shares recognised in (loss)/profit	-	-	( 56)	( 56)	-	( 56)	( 56)
	<b>1 625</b>	<b>-</b>	<b>706</b>	<b>2 331</b>	<b>( 43)</b>	<b>706</b>	<b>663</b>

Interest was earned on money market and call accounts at an average rate of 5.98% (2017: 6.15%)

# Indequity Group Limited Annual Report

(Reg. no. 1998/015883/06)

## Notes to the Financial Statements

for the year ended 30 September 2018

### 17. Claims incurred, net of reinsurance

	Group	
	2018 R'000	2017 R'000
<b>Claims paid</b>	( 25 275)	( 23 552)
Gross amount	( 29 467)	( 26 650)
Recoveries and salvages made	4 192	3 098
Reinsurer's share	-	-
<b>Change in provisions for claims</b>	( 160)	( 1 222)
Gross amount	( 134)	( 1 043)
Recoveries made	( 15)	( 168)
Reinsurer's share	( 11)	( 11)
<b>Claims incurred, net of reinsurance</b>	<b>( 25 435)</b>	<b>( 24 774)</b>

### 18. Administration expenses - Group

The main categories of expenses are:

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Depreciation and amortisation	499	497	-	-
Employee costs, including bonuses	11 626	8 910	-	-
Operating lease	1 577	1 587	-	-
Non-executive director fees	264	264	264	264
Audit fees	529	562	132	124
Professional fees	544	464	-	166

### 19. Taxation

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
<b>South African normal tax</b>				
Normal tax - current year	3 722	2 732	-	-
Deferred tax - current year	( 280)	80	58	78
	<b>3 442</b>	<b>2 812</b>	<b>58</b>	<b>78</b>

# Indequity Group Limited Annual Report

(Reg. no. 1998/015883/06)

## Notes to the Financial Statements

for the year ended 30 September 2018

### 19. Taxation (continued)

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
<i>Reconciliation of tax rate</i>				
Current year's income tax as a percentage of profit before taxation	28.6	27.2	3.8	16.8
Non-deductible expenditure	0.3	-	-	-
Exempt income	(0.9)	0.8	24.2	11.2
Effects of profits taxed in different jurisdictions	(0.0)	-	-	-
Standard tax rate	<b>28.0</b>	28.0	<b>28.0</b>	28.0

### 20. Earnings per share - Group

	2018	2017
<i>Basic earnings per share (cents)</i>	71.41	58.92
Profit attributable to shareholders of the parent (R'000)	8 596	7 534
Weighted average number of ordinary shares in issue	12 037 132	12 786 823
<i>Diluted earnings per share (cents)</i>	71.41	58.92
Profit attributable to shareholders of the parent (R'000)	8 596	7 534
Weighted average number of ordinary shares in issue	12 037 132	12 786 823
<i>Headline earnings per share (cents)</i>	74.06	59.70
Headline earnings (R'000)	8 915	7 633
Weighted average number of ordinary shares in issue	12 037 132	12 786 823
<i>Diluted headline earnings per ordinary share (cents)</i>	74.06	59.70
Headline earnings (R'000)	8 915	7 633
Weighted average number of ordinary shares in issue	12 037 132	12 786 823
<i>Reconciliation of net profit attributable to shareholders of the parent to headline earnings:</i>		
Net profit attributable to shareholders of the parent (R'000)	8 596	7 534
Loss on sale of shares held as available for sale assets (R'000)	251	78
- Before tax	349	108
- Tax	( 98)	( 30)
Loss on sale of property and equipment (R'000)	68	21
- Before tax	95	29
- Tax	( 27)	( 8)
Headline earnings (R'000)	<b>8 915</b>	7 633

# Indequity Group Limited Annual Report

(Reg. no. 1998/015883/06)

## Notes to the Financial Statements

for the year ended 30 September 2018

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

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Profit after taxation	8 596	7 534	1 475	463
Adjusted for:				
- Taxation	3 442	2 812	58	-
- Depreciation	452	407	-	-
- Amortisation	47	90	-	-
- Interest income	(1 987)	(1 771)	(133)	(103)
- Dividend income	(125)	(295)	(1 355)	(187)
- Loss from sale of property and equipment	95	29	-	-
- Loss/(Profit) on sale of shares	493	(467)	(78)	(575)
- Fair value movement on financial assets	593	56	-	56
- Foreign currency loss	20	-	33	-
	<b>11 626</b>	<b>8 395</b>	<b>-</b>	<b>(346)</b>
Changes in working capital:				
- Decrease in subrogation and salvage recoveries	15	168	-	-
- Increase/(Decrease) in trade and other payables	846	(282)	29	65
- Decrease in trade and other receivables	61	89	-	-
- Increase in insurance contract provisions	167	1 029	-	-
- Increase in reinsurance portion of insurance contract provisions	11	(11)	-	-
Cash generated by/(utilised in) operations	<b>12 726</b>	<b>9 388</b>	<b>29</b>	<b>(281)</b>

### 21.2 Tax Paid

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Opening balance	39	334	(104)	-
Normal tax charge in statement of comprehensive income	3 722	2 732	-	-
Closing balance	(257)	(39)	7	104
	<b>3 504</b>	<b>3 027</b>	<b>(97)</b>	<b>104</b>



# Indequity Group Limited Annual Report

(Reg. no. 1998/015883/06)

## Notes to the Financial Statements

for the year ended 30 September 2018

### 22. Operating lease commitments

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Operating lease - current year	1 577	1 587	-	-
Future minimum commitments in terms of leased premises				
Due within one year	2 873	1 484	-	-
Due within more than one year but not more than five years	1 266	1 484	-	-

The Group has entered into a new 3 year lease for the rental of its office premises.

The lease will commence 01 December 2018 and the lease fees are set to escalate by 9% per year.

### 23. Related party transactions

#### 23.1 Identification of related parties

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)

#### Directors' interest in shares

Ordinary shares	2018		2017	
	No. of shares	% holding	No. of shares	% holding
L Jansen van Rensburg - Direct	157 759	1.21	140 500	1.07
- Indirect	4 867 200	37.29	4 867 200	37.14
AV van Jaarsveldt	50 000	0.38	50 000	0.38
TE Vorster	16 100	0.12	16 100	0.12
JF Zwarts	5 000	0.04	5 000	0.04
G Williamson	200 000	1.53	200 000	1.53
Total	5 296 059	40.57	5 278 800	40.28

# Indequity Group Limited Annual Report

(Reg. no. 1998/015883/06)

## Notes to the Financial Statements

for the year ended 30 September 2018

### 23. Related party transactions (continued)

#### 23.1 Identification of related parties (continued)

##### Unlisted shares

##### A class preference shares

	2018		2017	
	No. of shares	% holding	No. of shares	% holding
L Jansen van Rensburg - Direct	541 339	3.64	541 339	3.64
- Indirect	7 115 947	47.85	7 115 947	47.85
AV van Jaarsveldt	63 737	0.43	63 737	0.43
TE Vorster	20 889	0.14	20 889	0.14
JF Zwarts	6 323	0.04	6 323	0.04
G Williamson	238 123	1.60	238 123	1.60
<b>Total</b>	<b>7 986 358</b>	<b>53.70</b>	<b>7 986 358</b>	<b>53.70</b>

##### B class preference shares

	2018		2017	
	No. of shares	% holding	No. of shares	% holding
L Jansen van Rensburg - Direct	424 838	3.64	424 838	3.64
- Indirect	5 584 447	47.85	5 584 447	47.85
AV van Jaarsveldt	49 998	0.43	49 998	0.43
TE Vorster	16 100	0.14	16 100	0.14
JF Zwarts	5 000	0.04	5 000	0.04
G Williamson	186 895	1.60	186 895	1.60
<b>Total</b>	<b>6 267 278</b>	<b>53.70</b>	<b>6 267 278</b>	<b>53.70</b>

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

The details of subsidiary companies are as follows:

Subsidiary	Nature of business	Country of Incorporation	Effective Holding	
			2018	2017
IDQ Nominees Proprietary Limited	Nominee company	South Africa	100%	100%
Indequity Insurance Holdings Limited	Holding company	South Africa	100%	100%
Indequity Specialised Insurance Limited *1	Short-term insurer	South Africa	100%	100%
IDQ Investments Inc	Investment company	United States of America	100%	0%

\*1 100% held by Indequity Insurance Holdings Limited

#### 23.2 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.

# Indequity Group Limited Annual Report

(Reg. no. 1998/015883/06)

## Notes to the Financial Statements

for the year ended 30 September 2018

<b>23.3 Directors' remuneration</b>	<b>2018</b>	<b>2017</b>
	<b>R'000</b>	<b>R'000</b>
Executive directors		
Basic salary – L Jansen van Rensburg	<b>1 840</b>	1 833
Travel allowance – L Jansen van Rensburg	<b>200</b>	120
Bonus - L Jansen van Rensburg	<b>2 400</b>	600
Basic salary – TE Vorster	<b>192</b>	269
Total remuneration	<b>4 632</b>	2 822
Less: Total paid	<b>( 4 632)</b>	( 2 822)
	<b>-</b>	-
Non-Executive directors		
Directors fee – J Zwarts	<b>88</b>	88
Directors fee – G Williamson	<b>88</b>	88
Directors fee - A van Jaarsveldt	<b>88</b>	88
Total remuneration	<b>264</b>	264
Less: Total paid	<b>-</b>	-
	<b>264</b>	264
Total employee costs, excluding director's remuneration	<b>6 994</b>	6 967
<b>23.4 Reconciliation of bonus provision</b>		
Opening balance	<b>600</b>	750
Paid	<b>( 1 660)</b>	( 750)
Raised	<b>2 400</b>	600
Closing balance	<b>1 340</b>	600
<b>23.4 Related party transactions - Company</b>	<b>2018</b>	<b>2017</b>
	<b>R'000</b>	<b>R'000</b>
<i>Fees received</i>		
IDQ Nominees Proprietary Limited	-	-
Indequity Insurance Holdings Limited	-	-
Indequity Specialised Insurance Limited	<b>626</b>	512
<i>Dividends received</i>		
Indequity Insurance Holdings Limited	<b>1 350</b>	-

# Indequity Group Limited Annual Report

(Reg. no. 1998/015883/06)

## Notes to the Financial Statements

for the year ended 30 September 2018

### 23. Related party transactions (continued)

23.5 Related party transactions - Company	2018 R'000	2017 R'000
<i>Movement in intercompany loans</i>		
IDQ Nominees Proprietary Limited	-	-
Indequity Insurance Holdings Limited	1 876	-
Indequity Specialised Insurance Limited	3 908	( 3 949)
<i>Investment made/(returned)</i>		
IDQ Investments Inc.	19 516	-
Indequity Insurance Holdings Limited	( 1 876)	-

### 24. 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. Capital management refers to the appropriate management of ordinary and preference share capital.

The Group monitors capital based on the capital adequacy requirements set by the Prudential Authority and Insurance Act. The insurers subsidiary's policy is to maintain a minimum capital level of 20% above the Insurance Act's solvency requirement. The requirement is currently that assets need to exceed liabilities by at least R15 million. Indequity Specialised Insurance Limited currently has statutory equity of R33.3 million (2017: R29.1 million) and the Group has equity of R45 million (2017: R47.1 million) which exceeds the required level.

Given the strong capital position of the group, and after having assessed the cashflow forecast for the group, management is of opinion that the company will be a going concern in the foreseeable future.

### 25. Events subsequent to reporting date

There were no material adjusting or non-adjusting events of which the directors are aware subsequent to the reporting date.

### 26. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. The directors have no reason to believe that the operations of the group will not continue as a going concern in the year ahead.

### 27. Contingent liabilities

Bank guarantees amounting to R325 000 (2017: R325 000) have been issued by ABSA Bank Limited in favour of Growthpoint Properties Limited in respect of the lease commitments disclosed in note 22.

## **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, 71 of 2008 of South Africa (“the Companies Act”) for Indequity shareholders to be recorded on the register in order to receive notice of the annual general meeting is Friday, 16 November 2018

The record date for determining which Indequity shareholders are entitled to participate in and vote at the annual general meeting is Friday, 11 January 2019. 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 Tuesday, 08 January 2019.

### **ANNUAL GENERAL MEETING**

Notice is hereby given that the tenth 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 14<sup>th</sup> Avenue and Hendrik Potgieter Road, Constantia Kloof, Johannesburg on Wednesday, 16 January 2019 at 11h00 for the purpose of transacting the following business and to pass, with or without modification, the ordinary and special resolutions as set out in this notice:

1. To receive and adopt the annual financial statements for the year ended 30 September 2018, together with the reports of the auditors and the directors.
2. To re-appoint KPMG Inc., with M Danckwerts as audit partner, as auditors until the next annual general meeting and authorise the directors to determine and pay the auditors’ remuneration.
3. To approve that KPMG Services Proprietary Limited provide JSE sponsor services to Indequity, although KPMG Inc. are the auditors of the group.
4. To elect directors in accordance with the company’s Memorandum of Incorporation. The Memorandum of Incorporation requires that AV van Jaarsveldt retire at the annual general meeting. AV van Jaarsveldt is eligible for re-election. The curriculum vita of the proposed director is attached in Appendix 1.
5. To elect G Williamson, JF Zwarts and A van Jaarsveldt to the company’s audit and risk committee. The election of G Williamson will be subject to his re-election as non-executive director. JF Zwarts is the chairman of the board, however he will serve a dual function as a member of the audit and risk committee should he be elected by the shareholders. The curricula vitae of the proposed audit and risk committee members are attached in Appendix 1.
6. To elect G Williamson, JF Zwarts, A van Jaarsveldt and L Jansen van Rensburg to the social and ethics committee. The curricula vitae of the proposed members are attached in Appendix 1. The election of G Williamson will be subject to his re-election as non-executive director.
7. To consider and, if deemed fit, to pass with or without modification, the following special resolutions of the company:

## **Notice to Shareholders (Continued)**

### **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, 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 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 or may not exceed 10% of the company’s issued share capital in the case of an acquisition by a subsidiary of the company;
- 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 has been submitted to the JSE in writing. Indequity must instruct an independent third party, which makes its investment decisions in relation to Indequity’s securities independently of, and uninfluenced by, Indequity prior to the commencement of the prohibited period to execute the repurchase programme submitted to the JSE.

#### *Reason for and effect of special resolution No 1*

The reason for this special resolution No 1 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 the repurchase 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.

## **Notice to Shareholders (Continued)**

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 25;
- directors’ interests in shares – page 29-30;
- share capital of the company – page 69-70.

### **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 2018 to 30 September 2020

	<b>Proposed</b>	<b>Present</b>
Non-executive directors per day of attending meetings	R24 000	R22 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 2018 to 30 September 2020.

### **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.

## **Notice to Shareholders (Continued)**

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 No 1 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 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, 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 Companies 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 securities issued for cash may not exceed 15% (fifteen percent) of the Company’s listed equity securities (excluding treasury shares), including instruments which are convertible into ordinary shares, as at the date of the notice of annual general meeting seeking the general authority. The Company shall not issue more than 1 965 844 ordinary shares in the Company.
- This general authority is valid until the earlier of the Company’s next annual general meeting or expiry of a period of 15 (fifteen) months from the date that this authority is given.
- A published announcement giving full details, including the number of securities issued, the average discount to 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, 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 the earlier of the Company’s next annual general meeting or expiry of a period of 15 (fifteen) months from the date that this authority is given, 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”.



## **Notice to Shareholders (Continued)**

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 No 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 No 3 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 2 of this document.

9. 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 11.26(b)(vi)*

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 11.26(b)(ii)*

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.

**Indequity Group Limited Annual Report**  
(Reg.no 1998/015883/06)

**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 annual 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 annual general meeting or send a proxy, your CSDP or broker will assume that you do not wish to attend the annual general meeting or send a proxy. If you wish to attend the annual 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 annual general meeting. If you hold Dematerialised Shares in your own name, or hold shares that are not dematerialised, and are unable to attend the annual 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:**

WS de Vries (Company Secretary)  
First Floor, Cascade House, Constantia Office Park, cnr  
14<sup>th</sup> Avenue and Hendrik Potgieter Road,  
Constantia Kloof, 1709

**Postal deliveries to:**

WS de Vries (Company Secretary)  
PO Box 5433  
Weltevreden Park, 1715

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

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

to be received by no later than 11h00 on Monday, 14 January 2019.

**Notice to Shareholders (Continued)**

**Electronic participation at the Annual General Meeting Indequity**

Shareholders are advised that they or their proxies may participate in the Annual General Meeting by means of a teleconference facility and, if they wish to do so:

- must contact Werner de Vries at the Company at telephone number +27 11 475 0816 before 11h00 on Monday, 14 January 2019 to receive dial-in instructions for the conference call;
- will be required to provide reasonably satisfactory identification; and
- will be billed separately by their own telephone service providers for their telephone call to participate in the Special General Meeting.

Please note that whilst it is possible to participate in the Annual General Meeting through this medium, there is no facility for electronic voting.

By order of the board

A handwritten signature in black ink, appearing to read 'WS de Vries', is written over a light-colored rectangular background.

**WS de Vries** (Company Secretary)  
15 November 2018

## **Appendix to Notice to shareholders**

### **Appendix 1**

#### **Curriculum Vitae**

##### *Adriaan van Jaarsveldt*

Adriaan is a Senior Vice President of Brookfield, a global alternative asset manager. Based in Sydney, he helps to oversee a portfolio of infrastructure assets across Australia, New Zealand and India. Previously Adriaan was an independent consultant and held senior positions at Ernst & Young and KPMG in Australia and the UK. In these roles he provided strategic, regulatory, and financial advice in the energy, water, transport and financial sectors. He has worked on projects in Australia, the UK, USA and South Africa. Adriaan 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.

##### *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, which provided him with a wealth of entrepreneurial & management experience.

##### *Johan F Zwarts*

Johannes Frederick Zwarts passed the Institute 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, JZA Audit Incorporated, in 1992. He is currently still in practice with offices on the East Rand and Pretoria employing 34 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.

##### *Theo E Vorster*

Theo obtained the B Com (Acc) degree (Cum Laude) in 2000 and B Com (Hons) degree in 2001 from the Rand Afrikaans University, before qualifying as a Chartered Accountant. Prior to his involvement with Indequity, he held management positions with KPMG, RMB Asset Management, Absa Insurance Company and 37 West Capital. During his tenure at KPMG, Theo was seconded to the KPMG New York office where he was involved in audit and Sarbanes Oxley consultation services. He has extensive experience in the financial services industry, as he provided consulting and audit services to various large market players in the insurance and asset management industry. Theo has significant experience in insurance product design, reinsurance structuring, insurance accounting, process design and system implementation. Theo has been the financial director of Indequity since June 2012.

## **Indequity Group Limited Annual Report**

*(Reg.no 1998/015883/06)*

### **Appendix 2**

#### **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 11h00 Wednesday, 16 January 2019 at the registered office of the company, First Floor, Cascade House, Constantia Office Park, corner 14<sup>th</sup> 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) ( )

Telephone (Cell)

Email address

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 11h00 on Wednesday, 16 January 2019 at the registered office of the company, First floor, Cascade House, Constantia Office Park, corner 14<sup>th</sup> 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.

**Indequity Group Limited Annual Report***(Reg.no 1998/015883/06)*

		<b>In favour of</b>	<b>Against</b>	<b>Abstain</b>
1.	To adopt the annual financial statements			
2.	To appoint KPMG Inc., with M Danckwerts as audit partner, as auditors until the next annual general meeting and authorise the directors to determine and pay the auditors' remuneration.			
3.	To approve that KPMG Services Proprietary Limited provide JSE sponsor services to Indequity, although KPMG Inc. are the auditors of the group.			
4.	To re-elect AV van Jaarsveldt as non-executive 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, A van Jaarsveldt and L Jansen van Rensburg as members of the social and ethics committee.			
7.	Special resolution			
	No 1 – Repurchase of shares			
	No 2 – Directors remuneration			
	No 3 – Financial assistance			
8.	Ordinary Resolutions			
	No 1 – To place the unissued shares of the company under the control of the directors.			
	No 2 – To issue shares or sell treasury shares for cash			
	No 3 – Authority to sign documents			
	No 4 – Authorisation of remuneration policy			

Signed at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_\_

Signature(s) \_\_\_\_\_

Assisted by (where applicable) \_\_\_\_\_

Please read the notes on the next page

## **Indequity Group Limited Annual Report**

*(Reg.no 1998/015883/06)*

### **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 annual 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 annual 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 annual 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 annual 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, WS de Vries (First Floor, Cascade House, Constantia Office Park, corner 14th Avenue and Hendrik Potgieter Road, Constantia Kloof) so as to reach him by not later than 48 hours before the commencement of the annual general meeting. As the annual general meeting is to be held at 11h00 on 16 January 2019, proxy forms must be lodged on or before 11h00 on 14 January 2019.



**Indequity Group Limited Annual Report**  
(Reg.no 1998/015883/06)

**CONTACT DETAILS OF GROUP**

**Registered Address**

First Floor  
Cascade House  
Constantia Office Park  
Corner 14<sup>th</sup> Avenue and  
Hendrik Potgieter Road  
Constantia Kloof  
1709

Telephone: (+2711) 475 0816

Fax: (+2711) 475 0877

e-mail: [info@indequity.com](mailto:info@indequity.com)

**Postal Address**

PO Box 5433  
Weltevredenpark  
1715

**Website**

[www.indequity.com](http://www.indequity.com)

**Company Registration Number**

1998/015883/06

**Company incorporated in**

South-Africa

**Definition**

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

**Auditors**

KPMG Inc.

**Bankers**

ABSA Bank Limited  
Standard Bank Limited  
Nedbank Limited  
Rand Merchant Bank Holdings Limited  
Investec

**Attorneys**

Werksmans

**Transfer Secretaries**

Link Market Services (Pty) Ltd

*Business Address:*

11 Diagonal Street

Johannesburg

2001

*Postal address:*

PO Box 4844

Johannesburg

2000