

## Indequity Group Limited

Registration number: 1998/015883/06

"Indequity" or "the Group" or "the Company" Share code: IDQ ISIN: ZAE000016606

### INDEQUITY INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 MARCH 2019

#### COMMENTS ON RESULTS

Indequity is pleased to announce that its basic earnings per share has increased by 42.5% compared to the basic earnings per share reported in the previous six month period, from 28.72 cents for the six months ended 31 March 2018, to 40.94 cents per share for the six months ended 31 March 2019. The pre-taxation return on capital for the period was an excellent 29.7% (2018: 22.3%), exceeding our target of 20% per annum. The growth in EPS is largely due to an increase in investment income as well as a reduction in the weighted average number of shares in issue due to share repurchases after the previous corresponding period. The Group continues to maintain a strategic hedge against possible depreciation of the value of the Rand by investing a large portion of liquid company assets in US Dollar based investments and will thus maintain a large exposure to the US Dollar. Indequity will continue to utilise its disciplined underwriting strategy to optimise the returns of the Group. Indequity has always believed in having rational and unbending standards for measuring progress and its main objective therefore remains the creation of superior stakeholder wealth. We are thankful that the Group has again achieved the exceptional results to which stakeholders have become accustomed.

#### CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME

	6 Months ended 31 March 2019 Unaudited R'000	6 Months ended 31 March 2018 Unaudited R'000	Year ended 30 September 2018 Audited R'000
<b>Gross written premium</b>	<b>31 383</b>	<b>28 987</b>	<b>59 148</b>
Less: reinsurance premium	(679)	(611)	(1 179)
<b>Net premium written</b>	<b>30 704</b>	<b>28 376</b>	<b>57 969</b>
Change in provision for gross unearned premiums	(26)	(70)	(33)
<b>Net insurance premium earned</b>	<b>30 678</b>	<b>28 306</b>	<b>57 936</b>
<b>Other income</b>	<b>125</b>	<b>240</b>	<b>388</b>
<b>Investment income</b>	<b>1 744</b>	<b>(2)</b>	<b>1 006</b>
<b>Total income</b>	<b>32 547</b>	<b>28 544</b>	<b>59 330</b>
Gross claims incurred	(14 772)	(12 851)	(25 424)
Reinsurance recoveries	(2)	(46)	(11)
Administration expenses	(9 275)	(8 716)	(17 694)
Acquisition costs	(2 149)	(2 048)	(4 163)
<b>Profit before taxation</b>	<b>6 349</b>	<b>4 883</b>	<b>12 038</b>
Taxation	(1 653)	(1 345)	(3 442)
<b>Profit for the period</b>	<b>4 696</b>	<b>3 538</b>	<b>8 596</b>
<b>Other comprehensive income, net of tax</b>			
Items that may subsequently be reclassified to income:			
Fair value adjustment on available for sale assets	-	-	405
Related tax on fair value adjustment on available for sale assets	-	-	(113)
Exchange differences on translation of foreign operations	595	(3 994)	(1 036)
<b>Total comprehensive income for the period</b>	<b>5 291</b>	<b>(456)</b>	<b>7 852</b>
<b>Profit attributable to:</b>			
- Equity holders of the parent	5 291	(456)	7 852
<b>Earnings attributable to the equity holders</b>			
- Basic earnings per share (cents)	40.94	28.72	71.41
- Diluted earnings per share (cents)	40.94	28.72	71.41

#### CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

	31 March 2019 Unaudited R'000	31 March 2018 Unaudited R'000	30 September 2018 Audited R'000
<b>ASSETS</b>			
Property and equipment	2 037	2 126	1 336
Intangible assets	588	809	806
Investments	15 570	6 443	10 695
Deferred tax asset	148	303	248
Subrogation and salvage recoveries	2 366	2 061	2 080
Reinsurance portion of insurance contract provisions	29	38	31
Normal tax receivable	-	-	7
Loans and receivables	67	413	84
Cash and cash equivalents	35 338	33 145	38 997
<b>Total assets</b>	<b>56 143</b>	<b>45 338</b>	<b>54 284</b>
<b>EQUITY</b>			
<b>Capital and reserve attributed to the company's equity holders</b>			
Share capital	24	21	25
Share premium	13 008	17 036	16 964
Retained income	33 821	25 500	29 125
Foreign currency translation reserve	(441)	(3 994)	(1 036)
<b>Total equity</b>	<b>46 412</b>	<b>38 563</b>	<b>45 078</b>
<b>LIABILITIES</b>			
Insurance contract provisions	6 342	4 131	5 354
Deferred tax liability	271	391	183
Dividends payable	316	349	258
Normal tax payable	67	-	-
Trade and other payables	2 735	1 904	3 411
<b>Total liabilities</b>	<b>9 731</b>	<b>6 775</b>	<b>9 206</b>
<b>Total shareholders' equity and liabilities</b>	<b>56 143</b>	<b>45 338</b>	<b>54 284</b>

#### CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

	6 Months ended 31 March 2019 Unaudited R'000	6 Months ended 31 March 2018 Unaudited R'000	Year ended 30 September 2018 Audited R'000
Cash generated by operations	5 050	3 205	12 726
Interest received	1 131	1 007	1 987
Dividend received	87	111	125
Taxation paid	(1 653)	(1 380)	(3 504)
<b>Net cash from operating activities</b>	<b>4 615</b>	<b>2 943</b>	<b>11 334</b>
Movement in intangible assets	-	(7)	(28)
Movement in fixed assets	(884)	(294)	175
Movement in equity investments	(3 885)	(3 645)	(6 306)
Movement in loans receivable	-	22	-
<b>Net cash used in investing activities</b>	<b>(4 769)</b>	<b>(3 924)</b>	<b>(6 159)</b>
Dividends paid to shareholders	(1 919)	(1 990)	(3 514)
Purchase of treasury shares	-	(5 921)	(5 924)
Shares repurchased and cancelled	(1 981)	(317)	(380)
<b>Net cash used in financing activities</b>	<b>(3 900)</b>	<b>(8 228)</b>	<b>(9 818)</b>
<b>Net movement in cash and cash equivalents</b>	<b>(4 054)</b>	<b>(9 209)</b>	<b>(4 643)</b>
<b>Effects of currency translation on cash and cash equivalents</b>	<b>395</b>	<b>(3 427)</b>	<b>(2 141)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>38 997</b>	<b>45 781</b>	<b>45 781</b>
<b>Cash and cash equivalents at end of the period</b>	<b>35 338</b>	<b>33 145</b>	<b>38 997</b>

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

	Share capital and premium R'000	Retained income R'000	Non-distributable reserve R'000	Foreign currency translation reserve R'000	Total R'000
<b>Balance as at 30 September 2017</b>	<b>23 293</b>	<b>24 086</b>	<b>(292)</b>	<b>-</b>	<b>47 087</b>
<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 translation of foreign operations				(1 036)	(1 036)
<i>Transactions with owners of the company</i>					
Dividend declared to shareholders		(3 557)			(3 557)
Group shares purchased by subsidiary	(5 924)				(5 924)
Group shares repurchased and cancelled	(380)				(380)
<b>Balance as at 30 September 2018</b>	<b>16 989</b>	<b>29 125</b>	<b>-</b>	<b>(1 036)</b>	<b>45 078</b>
<i>Changes in Equity for the 6 months ended 31 March 2019</i>					
Profit for the period		4 696			4 696
Exchange differences on translation of foreign operations				595	595
<i>Transactions with owners of the company</i>					
Capital distribution out of share premium	(1 976)				(1 976)
Group shares repurchased and cancelled	(1 981)				(1 981)
<b>Balance as at 31 March 2019</b>	<b>13 032</b>	<b>33 821</b>	<b>-</b>	<b>(441)</b>	<b>46 412</b>
<b>Balance as at 1 October 2017</b>	<b>23 293</b>	<b>24 086</b>	<b>(292)</b>	<b>-</b>	<b>47 087</b>
<i>Changes in Equity for the 6 months ended 31 March 2018</i>					
Profit for the period		3 538			3 538
Fair value adjustment on available for sale assets			292		292
Exchange differences on translation of foreign operations				(3 994)	(3 994)
<i>Transactions with owners of the company</i>					
Dividend declared to shareholders		(2 124)			(2 124)
Group shares purchased by subsidiary	(5 921)				(5 921)
Cancellation of shares	(315)				(315)
<b>Balance as at 31 March 2018</b>	<b>17 057</b>	<b>25 500</b>	<b>-</b>	<b>(3 994)</b>	<b>38 563</b>
	<b>31 March 2019 Unaudited R'000</b>	<b>31 March 2018 Unaudited R'000</b>	<b>30 September 2018 Audited R'000</b>		
<b>Dividends per share (cents)</b>					
- Ordinary shares	13.50	13.50	24.00		
- A class preference shares	2.38	2.34	4.22		

#### ACCOUNTING POLICIES AND PREPARATIONS

The principal accounting policies applied in preparing the condensed interim financial statements for the six months ended 31 March 2019 are in terms of International Financial Reporting Standards ("IFRS") and are consistent with those of the annual financial statements for the year ended 30 September 2018. The interim financial statements were prepared in accordance with and containing information required by the recognition, measurement, presentation and disclosure requirements of IFRS, IAS 34 - Interim Financial Reporting as well as the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and in compliance with the Listing Requirements of the JSE Limited and the Companies Act (No.71 of 2008), as amended. The financial information has been prepared in accordance with standards of IFRS that are currently effective. This may differ from interpretive guidance from the International Financial Reporting Interpretation Committee of International Accounting Standards Board.

#### EARNINGS PER SHARE

	6 Months ended 31 March 2019 Unaudited	6 Months ended 31 March 2018 Unaudited	Year ended 30 September 2018 Audited
Basic earnings per share (cents)	40.94	28.72	71.41
Diluted earnings per share (cents)	40.94	28.72	71.41
Headline earnings per share (cents)	40.94	30.76	74.06
Fully diluted headline earnings per share (cents)	40.94	30.76	74.06
Number of shares			
- in issue	12 451 404	13 060 632	13 050 632
- weighted average	11 471 273	12 321 050	12 037 132

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

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

	R'000	R'000	R'000
Net profit attributable to shareholders of the parent and headline earnings	4 696	3 538	8 596
Adjusted for:			
Loss on sale of property and equipment	-	-	95
Tax on the above	-	-	(27)
Loss on sale of shares held as available for sale assets	-	349	349
Tax on the above	-	(97)	(98)
<b>Headline earnings</b>	<b>4 696</b>	<b>3 790</b>	<b>8 915</b>

#### SEGMENT INFORMATION

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

#### CAPITAL DISTRIBUTION

The board has declared a capital distribution out of share premium of 15.72 cents per Indequity ordinary share ("Ordinary Share") (March 2018: 10.5 cents) and 2.63 cents per Indequity A class preference share ("A Class Preference Share") (March 2018: 1.85 cents) for the six months ended 31 March 2019, to all ordinary shareholders and A class preference shareholders recorded in the books of Indequity at close of business on Friday 17 May 2019. This payment is being paid out of contributed tax capital ("CTC"). 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 01 January 2011.

The capital distribution timetable is structured as follows: the declaration date is Tuesday, 23 April 2019. The last day to trade cum-capital distribution in order to participate in the distribution is Tuesday, 14 May 2019. The shares commence trading ex-capital distribution from the commencement of business on Wednesday, 15 May 2019 and the record date is Friday, 17 May 2019. The capital distribution is to be paid on Monday, 20 May 2019. Share certificates will not be able to be rematerialised or dematerialised between Wednesday, 15 May 2019 and Friday, 17 May 2019, both days inclusive.

Relative to this distribution, the directors have confirmed that the Company will satisfy the solvency and liquidity test immediately after completing the distribution.

For income tax purposes, shareholders are advised that the distribution will be paid out of qualifying contributed tax capital as contemplated in the definition of "contributed tax capital" in section 1 of the Income Tax Act, 1962, and as it will be regarded as a return of capital with no dividend tax being payable, consideration should be given to the potential capital gains tax consequences. Indequity shareholders are, therefore, advised to consult their tax advisors with regard to how they may be impacted by the distribution.

- Indequity's income tax reference number is 9887001718.
- The group has 12 451 404 Ordinary Shares, 14 870 000 A Class Preference Shares and 11 669 680 B Class Preference Shares in issue on declaration date.
- Both A Class Preference Shares and B Class Preference Shares are unlisted.

- This interim report has not been audited or reviewed by the Group auditor.

- This report has been published on 23 April 2019

#### On behalf of the board

L.J. van Rensburg (Chief Executive Officer) J.F. Zwarts (Chairman) Johannesburg 23 April 2019

Directors: L.J. van Rensburg, TE Vorster, J.F. Zwarts\*, G. Williamson\*, AV van Jaarsveldt\* (British), (\*non-executive)

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

Sponsor: Merchantec Capital Registered address: First Floor, Cascade House, Constantia Office Park, cnr 14th Avenue and Hendrik Potgieter Road, Constantia Kloof, 1709 Postal address: PO Box 5433, Weltevredenpark, 1715 Telephone: (+27 11) 475-0816 Fax: (+27 11) 475 0877 Prepared by: W du Preez CA(SA) (Financial Manager) under the supervision of TE Vorster CA(SA) (Financial Director)