

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 2020

COMMENTS ON RESULTS

Indequity's core operations continued to deliver increased earnings during the period. However, a decrease in investment income in comparison to the previous corresponding period resulted in an overall decrease in the Group's basic earnings per share ("EPS").

EPS for the period ended 31 March 2020 was 24.77 cents per share, which is a decrease of 39.5% when compared to the EPS of 40.94 cents for the period ended 31 March 2019.

The decrease in investment income is due to a significant decrease in the market value of US listed equities as a result of the COVID-19 pandemic, with the Dow Jones Index closing more than 18% lower as at 31 March 2020, than as at 30 September 2019.

The Group's investment in US Dollar based investments continues to serve as a hedge against depreciation in the value of the Rand. A disciplined underwriting approach again delivered positive results for the Group's core operations.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

	31 March 2020 Unaudited R'000	31 March 2019 Unaudited R'000	30 September 2019 Audited R'000
ASSETS			
Property and equipment	4 606	2 037	2 586
Intangible assets	279	588	383
Investments	19 664	15 570	17 576
Deferred tax asset	714	148	668
Subrogation and salvage recoveries	2 106	2 366	2 116
Reinsurance portion of insurance contract provisions	31	29	30
Normal tax receivable	479	-	-
Loans and receivables	69	67	62
Cash and cash equivalents	29 115	35 338	40 497
Total assets	57 063	56 143	63 918
EQUITY			
Capital and reserves attributed to the company's equity holders			
Share capital	23	24	24
Share premium	4 202	13 008	10 478
Retained income	42 663	33 821	40 058
Foreign currency translation reserve	710	(441)	1 140
Total equity	47 598	46 412	51 700
LIABILITIES			
Insurance contract provisions	4 418	6 342	4 921
Deferred tax liability	301	271	250
Dividends payable	381	316	351
Normal tax payable	-	67	343
Trade and other payables & provisions	4 365	2 735	6 353
Total liabilities	9 465	9 731	12 218
Total shareholders' equity and liabilities	57 063	56 143	63 918

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME

	6 Months ended 31 March 2020 Unaudited R'000	6 Months ended 31 March 2019 Unaudited R'000	Year ended 30 September 2019 Audited R'000
Gross written premium	33 083	31 383	63 565
Less: reinsurance premium	(771)	(679)	(1 385)
Net premium written	32 312	30 704	62 180
Change in provision for gross unearned premiums	(68)	(26)	47
Net insurance premium earned	32 244	30 678	62 227
Other income	114	125	172
Investment income	(2 862)	1 744	4 190
Total income	29 496	32 547	66 589
Gross claims incurred	(12 880)	(14 772)	(26 214)
Reinsurance recoveries	1	(2)	(1)
Administration expenses	(10 039)	(9 275)	(20 810)
Acquisition costs	(2 238)	(2 149)	(4 377)
Profit before taxation	4 340	6 349	15 187
Taxation	(1 628)	(1 653)	(4 254)
Profit for the period	2 712	4 696	10 933
Other comprehensive income, net of tax			
<i>Items that may subsequently be reclassified to income:</i>			
Exchange differences on translation of foreign operations	(430)	595	2 176
Total comprehensive income for the period	2 282	5 291	13 109
Profit attributable to:			
- Equity holders of the parent	2 282	5 291	13 109
Earnings attributable to the equity holders	24.77	40.94	96.47
- Basic earnings per share (cents)	24.77	40.94	96.47
- Diluted earnings per share (cents)	24.77	40.94	96.47

EARNINGS PER SHARE

	6 Months ended 31 March 2020 Unaudited	6 Months ended 31 March 2019 Unaudited	Year ended 30 September 2019 Audited
Basic earnings per share (cents)	24.77	40.94	96.47
Diluted earnings per share (cents)	24.77	40.94	96.47
Headline earnings per share (cents)	24.77	40.94	97.01
Fully diluted headline earnings per share (cents)	24.77	40.94	97.01
Number of shares			
- in issue	11 787 418	12 451 404	12 337 418
- weighted average	10 946 885	11 471 273	11 332 228

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	2 712	4 696	10 933
Adjusted for:			
Loss on sale of property and equipment	-	-	83
Tax on the above	-	-	(23)
Headline earnings	2 712	4 696	10 933

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.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

	6 Months ended 31 March 2020 Unaudited R'000	6 Months ended 31 March 2019 Unaudited R'000	Year ended 30 September 2019 Audited R'000
Cash generated by operations	2 447	5 050	14 704
Interest received	981	1 131	2 190
Dividend received	99	87	207
Taxation paid	(2 292)	(1 653)	(4 534)
Net cash from operating activities	1 235	4 615	12 567
Movement in fixed assets	(29)	(884)	(1 775)
Movement in equity investments	(5 330)	(3 885)	(3 890)
Net cash used in investing activities	(5 359)	(4 769)	(5 665)
Capital distribution paid to shareholders	(1 847)	(1 919)	(4 065)
Shares repurchased and cancelled	(4 400)	(1 981)	(2 329)
Net cash used in financing activities	(6 247)	(3 900)	(6 394)
Net movement in cash and cash equivalents	(10 371)	(4 054)	508
Effects of currency translation on cash and cash equivalents	(1 011)	395	992
Cash and cash equivalents at beginning of the period	40 497	38 997	38 997
Cash and cash equivalents at end of the period	29 115	35 338	40 497

Note to the consolidated interim statements of cash flows

	6 Months ended 31 March 2020 Unaudited R'000	6 Months ended 31 March 2019 Unaudited R'000	Year ended 30 September 2019 Audited R'000
Cash generated by operations			
Profit before tax	4 340	6 349	15 187
Interest income	(981)	(1 131)	(2 190)
Dividend income	(99)	(87)	(207)
Fair value movement on financial assets	3 942	(1 930)	(3 198)
Other non-cash adjustments	375	1 804	2 352
Cash generated by operations before working capital changes	7 577	5 005	11 944
Changes in working capital	(5 130)	45	2 760
Total	2 447	5 050	14 704

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

	Share capital R'000	Retained income R'000	Foreign currency translation reserve R'000	Total R'000
Balance as at 30 September 2018	16 989	29 125	(1 036)	45 078
<i>Changes in Equity for the year ended 30 September 2019</i>				
Profit for the year		10 933		10 933
Exchange differences on translation of foreign operations			2 176	2 176
<i>Transactions with owners of the company</i>				
Capital distribution paid to shareholders	(4 158)			(4 158)
Group shares repurchased and cancelled	(2 329)			(2 329)
Balance at 30 September 2019	10 502	40 058	1 140	51 700
<i>Changes in Equity for the 6 months ended 31 March 2020</i>				
Profit for the period		2 712		2 712
Effect of adoption of new accounting standards		(107)		(107)
Exchange differences on translation of foreign operations			(430)	(430)
<i>Transactions with owners of the company</i>				
Capital distribution paid to shareholders	(1 877)			(1 877)
Group shares repurchased and cancelled	(4 400)			(4 400)
Balance at 31 March 2020	4 225	42 663	710	47 598
Balance as at 1 October 2018	16 989	29 125	(1 036)	45 078
<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 paid to shareholders	(1 976)			(1 976)
Group shares repurchased and cancelled	(1 981)			(1 981)
Balance at 31 March 2020	13 032	33 821	(441)	46 412

ACCOUNTING POLICIES AND PREPARATIONS

The principal accounting policies applied in preparing the condensed interim financial statements for the six months ended 31 March 2020 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 2019. 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.

CAPITAL DISTRIBUTION

The board has considered the challenging economic circumstances that Indequity currently faces during the COVID-19 pandemic and has decided that capital preservation is of utmost importance. Therefore, no capital distribution or dividend has been declared for the period ended 31 March 2020. The situation will be reassessed at financial year end.

In the prior corresponding period, the board declared a capital distribution out of share premium of 15.72 cents per Indequity ordinary share ("Ordinary Share") and 2.63 cents per Indequity A class preference share ("A Class Preference Share") for the six months ended 31 March 2019.

- Indequity's income tax reference number is 9887001718.
- The group has 11 787 418 Ordinary Shares, 14 870 000 A Class Preference Shares and 11 669 680 B Class Preference Shares in issue.
- 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 5 May 2020.

On behalf of the board

LJ van Rensburg (Chief Executive Officer) JF Zwarts (Chairman) Johannesburg 05 May 2020

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

Company secretary: W du Preez Transfer secretary: Link Market Services South Africa (Pty) Ltd

Sponsor: Merchantec Capital Registered address: First Floor, Cascade House, Constatia Office Park, cnr 14th Avenue and Hendrik Potgieter Road, Constatia 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)