

Indequity Group Limited
Registration number: 1998/015883/06
Incorporated in the Republic of South Africa
Share code: IDQ
ISIN: ZAE000016606
("Indequity" or "the Group" or "the Company")

ABRIDGED REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2019

GROUP STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2019

	30-Sep-19 Audited R'000	30-Sep-18 Audited R'000
ASSETS		
Property and equipment	2 586	1 336
Intangible assets	383	806
Investments	17 576	10 695
Deferred tax asset	668	248
Subrogation and salvage recoveries	2 116	2 080
Reinsurance portion of insurance contract provisions	30	31
Normal tax receivable	-	7
Loans and receivables	62	84
Cash and cash equivalents	40 497	38 997
Total assets	63 918	54 284
EQUITY		
Capital and reserves attributed to the Company's equity holders		
Share capital	24	25
Share premium	10 478	16 964
Retained income	40 058	29 125
Foreign currency translation reserve	1 140	(1 036)
Total equity	51 700	45 078
LIABILITIES		
Insurance contract provisions	4 921	5 354
Deferred tax liability	250	183
Normal tax payable	343	264
Dividends payable	351	258
Trade and other payables and provisions	6 353	3 147
Total liabilities	12 218	9 206
Total shareholders' equity and liabilities	63 918	54 284

GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2019

	30-Sep-19 Audited R'000	30-Sep-18 Audited R'000
Gross written premium	63 565	59 148
Less: reinsurance premium	(1 385)	(1 179)
Net written premium	62 180	57 969
Change in provision for gross unearned premiums	47	(33)
Net insurance premium earned	62 227	57 936
Other income	172	388
Investment income	4 190	1 006
Total income	66 589	59 330
Gross claims incurred	(26 214)	(25 424)
Reinsurance recoveries	(1)	(11)
Administration expenses	(20 810)	(17 694)
Acquisition costs	(4 377)	(4 163)
Profit before taxation	15 187	12 038
Taxation	(4 254)	(3 442)
Profit for the year	10 933	8 596
Other comprehensive income, net of tax		
<i>Items that may subsequently be reclassified to profit or loss:</i>		
Fair value adjustment on available-for-sale assets	-	405
Related tax on fair value movement of available-for-sale assets	-	(113)
Exchange differences on translation of foreign operations	2 176	(1 036)
Total comprehensive income for the year	13 109	7 852
Profit attributable to:		
Equity holders of the parent	13 109	7 852
Earnings attributable to the equity holders		
Basic earnings per share (cents)	96.47	71.41
Diluted earnings per share (cents)	96.47	71.41

GROUP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2019

Group	Share Capital and premium R'000	Retained income R'000	Fair value reserve R'000	Foreign currency translation reserve R'000	Total R'000
Balance at 1 October 2017	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 asset:			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)
Balance 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 foreign operations				2 176	2 176
<i>Transactions with owner 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

	2019	2018
Capital distribution (2018: Dividend) per ordinary share (cents)	29.72	24.00
Capital distribution (2018: Dividend) per A-class share (cents)	5.09	4.22

GROUP STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 SEPTEMBER 2019

	30-Sep-19	30-Sep-18
	Audited	Audited
	R'000	R'000
Operating activities		
Cash generated / (utilised) by operations	14 704	12 726
Interest received	2 190	1 987
Dividend received	207	125
Taxation paid	(4 534)	(3 504)
Net cash movement in operating activities	12 567	11 334
Investing activities		
Proceeds from the disposal of property and equipment	257	475
Acquisition of property and equipment	(2 032)	(300)
Acquisition of intangible assets	-	(28)
Acquisition of shares	(10 915)	(16 692)
Proceeds from the disposal of shares	7 025	10 386
Net cash movement in investing activities	(5 665)	(6 159)
Financing activities		
Purchase of treasury shares	-	(5 924)
Shares repurchased and cancelled	(2 329)	(380)
Dividends paid to shareholders	(4 065)	(3 514)
Net cash movement in financing activities	(6 394)	(9 818)
Movement in cash and cash equivalents	508	(4 643)
Cash and cash equivalents		
At the beginning of the year	38 997	45 781
Movement per above	508	(4 643)
Effect of exchange rate changes	992	(2 141)
At the end of the year	40 497	38 997

SEGMENT ANALYSIS – BUSINESS SEGMENTS

No segment analysis has been prepared as the Group is only involved in insurance activities, which are managed as a whole. There is no segmented information reported to management.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

ACCOUNTING POLICIES AND BASIS OF PREPARATION

This abridged report has been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (“IFRS”), the SAICA Financial Reporting Guides and Financial Reporting Pronouncements as issued by Financial Reporting Standards Council, the JSE Listings Requirements and the Companies Act (71 of 2008), as amended. This abridged report contains the information required by IAS 34: Interim Financial Reporting. The financial information included in this abridged report has been extracted from the underlying audited financial statements.

The financial statements have been prepared on the historical cost basis.

The accounting policies are in terms of IFRS and have been applied consistently to all periods presented in this abridged report and agree with those principal policies used in the preparation of the 30 September 2019 financial statements, which are consistent with those applied in the preparation of the 30 September 2018 financial statements. The accounting policies have been applied consistently by all Group entities.

The abridged report has been prepared by W du Preez CA(SA) (Financial Manager), under the supervision of TE Vorster CA(SA) (Financial Director).

HEADLINE EARNINGS PER SHARE AND DILUTED HEADLINE EARNINGS PER SHARE

	30-Sep-19 Audited	30-Sep-18 Audited
<i>Basic earnings per share (cents)</i>	96.47	71.41
Profit attributable to shareholders of the parent (R'000)	10 933	8 596
Weighted average number of ordinary shares in issue	11 332 228	12 037 132
<i>Diluted earnings per share (cents)</i>	96.47	71.41
Profit attributable to shareholders of the parent (R'000)	10 933	8 596
Weighted average number of ordinary shares in issue	11 332 228	12 037 132
<i>Headline earnings per share (cents)</i>	97.01	74.06
Headline earnings (R'000)	10 993	8 915
Weighted average number of ordinary shares in issue	11 332 228	12 037 132
<i>Diluted headline earnings per ordinary share (cents)</i>	97.01	74.06
Headline earnings (R'000)	10 993	8 915
Weighted average number of ordinary shares in issue	11 332 228	12 037 132
<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)	10 933	8 596
Loss on sale of shares held as available for sale assets (R'000)	-	251
- Before tax	-	349
- Tax	-	(98)
Loss on sale of property and equipment (R'000)	60	68
- Before tax	83	95
- Tax	(23)	(27)
Headline earnings (R'000)	10 993	8 915

COMMENTS ON RESULTS

The Group is delighted to present a very satisfying set of results for the year ended 30 September 2019, especially in light of current economic conditions.

A few highlights are detailed as follows:

Our pre-taxation return on capital was 37.1% (2018: 29.4%), which comfortably exceeds our target of 20% per annum. Turnover grew by 7.5% (2018: 9.6%) whilst our gross claims ratio decreased from 43% in 2018 to 41.2% in 2019. Investment income increased to R4.2 million (2018: R1 million). This translated into growth in profit before tax of 26.2% over the prior year.

As a result of further 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 35.1% increase in diluted earnings per share and a headline earnings per share increase of 31.0% to 97.01 (2018: 74.06) cents per share.

OPERATIONS

The insurance industry in South Africa remains exceedingly competitive and the economic climate in the past few years has become increasingly challenging. Achieving growth targets and delivering superior results remains a challenge. No major natural disasters impacted the Group during the year, which enabled the Group to deliver a very pleasing set of financial results from its insurance operations. In addition, the Group's investments have performed well and have started contributing positively to the Group's profits. The cash generated by the Group amounted to R14.7 million.

LONG TERM GROWTH OF THE BUSINESS

The progress the Group has made over the years can be illustrated through the following statistics (figures in R'000):

	2011	2012	2013	2014	2015	2016	2017	2018	2019
Net Premium Income	31,030	33,841	36,917	39,702	43,158	46,833	52,109	57,969	62,180
Underwriting Profit	16,381	17,795	19,439	21,006	24,167	26,949	27,335	32,534	35,965
Profit Before Tax	5,036	6,094	6,841	8,012	10,045	11,275	10,346	12,038	15,187

PROSPECTS

The Group continued to deliver growth in the insurance operations and is confident that this will continue into the future, despite an exceptionally challenging insurance landscape.

A further R7.5 million (\$539 thousand) was invested in the Group's US subsidiary with the objective to serve as a hedge against a depreciation of the South African Rand, and also to seek further opportunities to deploy the cash more productively internationally. The Group's cash and investments amounted to approximately R58 million at year end. The Group continues to look for attractive investment opportunities where returns on capital can be maximised. Although this is a long-term strategy, we are pleased to report that returns from investments have contributed notably to the Group's results in the current financial year.

CONCLUSION

Continued growth and increased profitability over the years and into the current year could only be achieved with the continued support and commitment of our many stakeholders. We thank each and every stakeholder for their continued contributions and together we look forward to even greater achievements in the future.

AUDIT OPINION

This abridged report is extracted from the audited information but is not itself audited. The directors take full responsibility for the preparation of the abridged report and the correct extraction of the financial information included therein from the underlying annual financial statements.

The financial statements have been audited by KPMG Inc. Both the financial statements and the unqualified audit opinion are available for inspection at the registered office of Indequity.

CAPITAL REDUCTION

For the year ending 30 September 2019, a capital reduction of 13.78 cents per ordinary share (2018: 14.00 cents per share) and 2.29 cents per A class preference share (2018: 2.46 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, 13 December 2019. This payment is being paid out of contributed tax capital. CTC is defined as stated capital before 1 January 2011 less any deemed dividend before that date plus the consideration for new share issues subsequent to 1 January 2011 less any distribution from contributed tax capital after 1 January 2011.

The capital distribution timetable is structured as follows:

Declaration and finalisation date	Wednesday, 20 November 2019
Last day to trade cum capital reduction	Tuesday, 10 December 2019
First day to trade ex-capital reduction	Wednesday, 11 December 2019
Record date	Friday, 13 December 2019
Payment date	Tuesday, 17 December 2019
Share certificates will not be able to be rematerialised or dematerialised between (both days inclusive)	Wednesday, 11 December 2019 and Friday, 13 December 2019

All ordinary shareholders and A class preference shareholders are hereby advised that the capital reduction will not be subject to dividends tax.

In accordance with paragraphs 11.17(a)(i) to (ix) and 11.17(c) of the JSE Listings Requirements, the following additional information is provided:

- The capital reduction has been declared out of stated capital

	Ordinary share capital reduction (cents per ordinary share)	A class preference share capital reduction (cents per A class preference share)
Capital reduction amount for ordinary shareholders/A class preference shareholders exempt from dividends tax	13.78	2.29

- Indequity's income tax reference number is 9887001718.

- The Group has 12 337 418 Ordinary shares, 14 870 000 A class preference shares and 11 669 680 B class preference shares in issue.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 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 14th Avenue and Hendrik Potgieter Road, Constantia Kloof, Johannesburg – on Wednesday, 22 January 2020 at 11:00.

The AGM timetable is structured as follows:

- Last day to trade: Tuesday, 14 January 2020
- Record date: Friday, 17 January 2020
- Proxy date: Monday, 20 January 2020
- Annual General Meeting: Wednesday, 22 January 2020

ON BEHALF OF THE BOARD

JF Zwarts
Chairman

L J van Rensburg
Chief Executive Officer

Johannesburg
20 November 2019

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

Company secretary: W du Preez

Transfer secretary: Link Market Services South Africa (Pty) Ltd

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