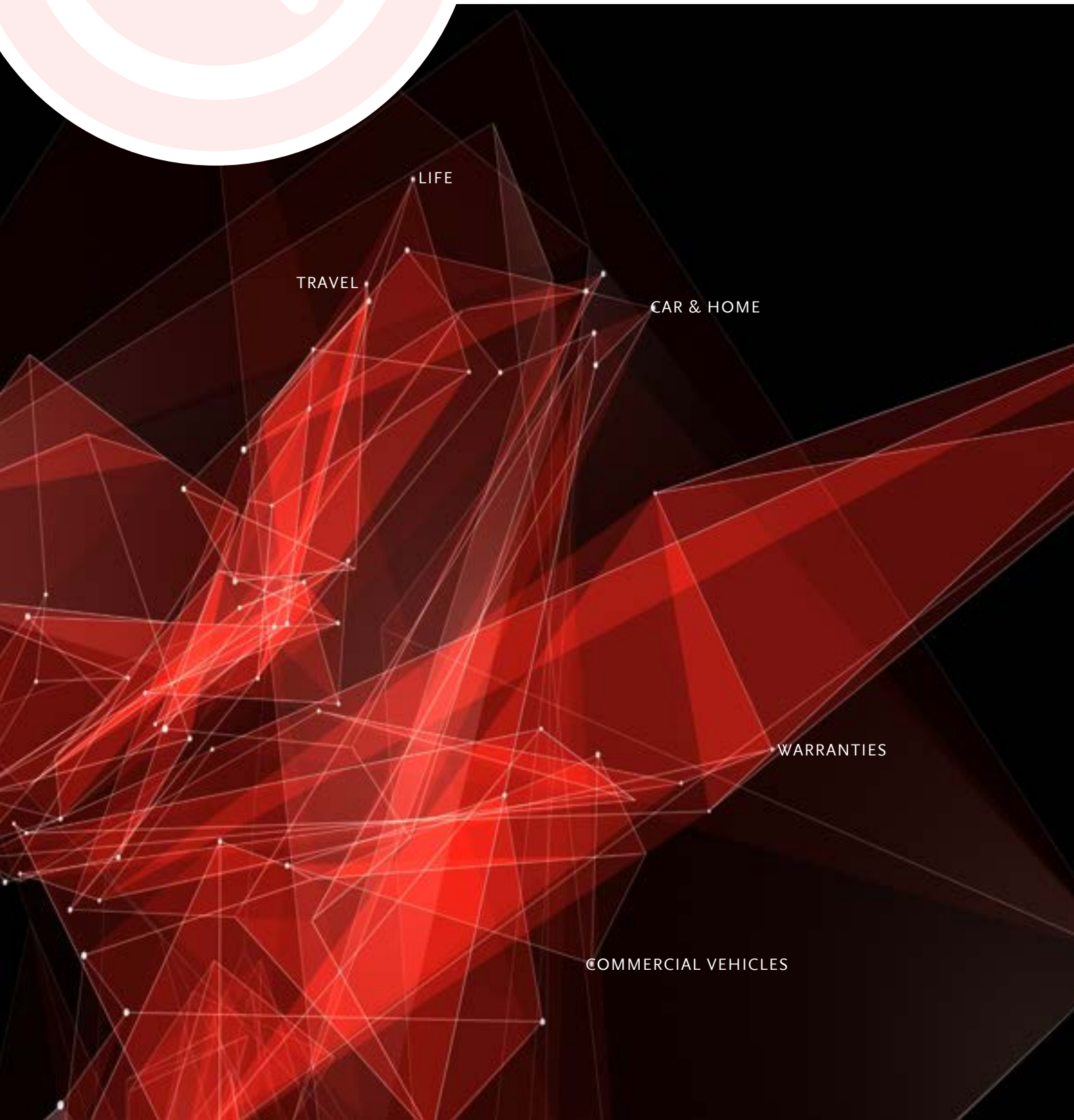
REGENT®

GO ON. YOU'RE COVERED.

Regent is an authorised financial services provider.



CONTENTS

THE REGENT GROUP

REGENT LIFE GROUP

REGENT INSURANCE GROUP

KEYS

The Regent Group – Regent Insurance Group and Regent Life Group

Regent Life Group – Regent Life Assurance Company Limited and its subsidiaries

Regent Insurance Group – Regent Insurance Company Limited and its subsidiaries

Regent Life Company – Regent Life Assurance Company Limited

Regent Insurance Company – Regent Insurance Company Limited

ALM – Asset Liability Management

ANW – Adjusted Net Worth

ALBI – All Share Bond Index

ASI – All Share Index

ASSA – Actuarial Society of South Africa

BSR – Bonus Smoothing Reserve

BWP – Botswana Pula

CAR – Capital Adequacy Requirement

CEO – Chief Executive Officer

CFO – Chief Financial Officer

CGU – Cash-generating Unit

CGT – Capital Gains Taxation

CRO – Chief Risk Officer

DAC – Deferred Acquisition Costs

ERM – Enterprise Risk Management

FSB – Financial Services Board

FSV – Financial Soundness Valuation

IAS – International Accounting Standards

IASB – International Accounting Standards Board

IBNR – Incurred But Not Reported

IFRIC – International Financial Reporting Interpretations Committee

IFRS – International Financial Reporting Standards

IT – Information Technology

IOCAR – Intermediate Ordinary Capital Adequacy Requirement

JSE – Johannesburg Stock Exchange

MCAR – Minimum Capital Adequacy Requirement

OCAR – Ordinary Capital Adequacy Requirement

ORSA – Own Risk and Solvency Assessment

PGN – Professional Guidance Note

PPFM – Principles and Practices of Financial Management

SAM – Solvency Assessment and Management

SAP – Standard of Actuarial Practice

ZAR – South African Rand

SCAR – Statutory Capital Adequacy Requirement

SIC – Standing Interpretations Committee

SPE – Special Purpose Entity

SVM – Statutory Valuation Method

STC – Secondary Taxation on Companies

TCAR – Termination Capital Adequacy Requirement

TCF – Treating Customers Fairly

Regent Life Company and Regent Insurance Company are wholly owned subsidiaries of Imperial Holdings Limited.

GO ON. YOU'RE COVERED

Who can you trust for the widest choice of innovative insurance solutions to provide financial security in these unpredictable times? Look no further than the Regent Group which:

- provides a wide range of motor insurance products;
- is one of the top two commercial vehicle insurers in the country;
- provides innovative and affordable life assurance products; and
- offers specialist resources and expertise across a range of insurance markets.

THE REGENT STORY

The Regent Group is part of the Imperial Group. Imperial is a diversified multinational mobility group with activities that include motor vehicles and related operations across all modes of transport for people and freight, both locally and abroad. As part of this diversified group, the Regent culture is based on entrepreneurship, innovation and an adherence to industry-specific best practices that characterise the way Imperial does business.

The Regent Group has become a well-known specialist and market leader in its chosen markets and an exceptional range of short-term insurance and life assurance products are available to you under one Regent brand, offering you a one-stop shop. Regent also operates in Botswana, Lesotho and Zambia.

The following annual financial statements have been audited and have been approved by the board of directors. Deon Naidoo CA(SA) (General Manager: Corporate and Regulatory Reporting) was responsible for the preparation of the annual financial statements.

THE REGENT
GROUP

Corporate governance

for the year ended 30 June 2016

A common board of directors (board) is responsible for both statutory entities. Although the board meetings for both companies are held on the same day, the board allocates separate time slots to fulfil and apply its responsibility to each company, thus ensuring that all statutory and regulatory requirements are fully met by each company. The corporate governance statement that follows is a combined statement by the board, having applied it to both entities.

Principles of corporate governance

The board is committed to the principles of openness, integrity and accountability, and to providing timely, relevant and meaningful reporting to all stakeholders. The board ensures that the Regent Group's business is conducted to high standards of corporate governance, and in line with best practice. These standards are entrenched in the Regent Group's established systems of internal control, by its procedures and policies governing corporate conduct, with particular emphasis on the importance of qualitative aspects of corporate governance.

The Regent Group is committed to an open governance process such that all stakeholders may derive assurance that its directors and managers at all levels are managing the Regent Group responsibly. The board subscribes to the principles of the code of corporate practices and conduct as set out in the King III report on corporate governance (King III). The board has assessed its governance practices and procedures against the King III report and adjustments have been made to comply with King III where appropriate. Where King III was not applied, the board considered that and was satisfied with the position. The Regent Group also complies with the industry and other relevant legislation in this regard. No integrated report has been prepared as the Regent Group is wholly owned by Imperial Holdings Limited which produces a group integrated report.

The principles contained in King III and the provisions made in the relevant legislation are reflected in the Regent Group's corporate governance structures, which are reviewed from time to time to accommodate organisational changes and international developments in the field of corporate governance. It is the policy of the board and management to actively review and enhance the Regent Group's systems of control and governance continuously to ensure the Regent Group's business is managed ethically and within prudently determined risk parameters that conform to applicable laws and best practice.

Board composition, appointment and responsibilities

All directors of the board, as at 30 June 2016, are appointed to both Regent Insurance Company and to Regent Life Company. In accordance with Imperial Holdings Group policy, MJ Lamberti serves as the non-executive Chairman for both companies. RJA Sparks is the lead independent director for both Regent Insurance Company and Regent Life Company.

Directors are appointed on the basis of skill, experience and their level of contribution to, and their impact on, the activities of the Regent Group. The board decides on the appointment of directors based on recommendations from the remuneration and nomination committee of the holding company, Imperial Holdings Limited. Incoming directors are provided with formal induction material to facilitate their understanding of the Regent Group.

Currently, the board consists of eight non-executive directors and three executive directors. Five of the non-executive directors are independent. No bloc of directors can dominate the board. All board members are kept abreast of current developments and required governance structures.

The board of directors is responsible for setting the direction of the Regent Group through the establishment of strategic objectives and key policies. Board meetings are held at least quarterly with additional meetings called when necessary. The quorum for meetings is a majority of directors.

The responsibilities of the board are clearly defined in terms of its board charter, which was updated during the current financial year. The board has also adopted, and regularly reviews, an authority policy governing the authority delegated to the management of the Regent Group and detailing matters retained for decision by the board.

The responsibilities of the board include issues of strategic direction, business plans and annual budgets, major acquisitions and disposals, changes to the board on recommendation from the remuneration and nomination committee of Imperial Holdings Limited and other matters having a material effect on the Regent Group or required by statute.

Board members and executive management are required to regularly declare any interest they might have in transactions with the Regent Group.

All directors are given access to the information needed to carry out their duties and responsibilities fully and effectively. Furthermore, all directors are entitled to seek independent professional advice about the affairs of the Regent Group, at the expense of the company concerned.

Board composition, appointment and responsibilities *(continued)*

The members of the board during the year were MJ Lamberti (chairman), JJ Strydom (group chief executive officer) (resigned 29 September 2015), MM Janzen (acting joint chief executive) (appointed 29 September 2015), AN Tennick (acting joint chief executive), B Adam (group chief financial officer) (resigned 30 September 2015), B Ruele (executive director) (appointed 29 September 2015), M Akoojee (resigned 30 September 2015), C Erasmus, BJ Francis, BR Mallinson, S Masinga, JPR Mbau, R Mumford and RJA Sparks (lead independent director).

Board committees and governance structures

The board has established a number of sub-committees, which operate within defined terms of reference laid down by the board in writing. Members of these committees are suitably qualified and experienced to meaningfully contribute to the workings of the committees on which they serve. All committees report to the board and operate in accordance with written terms of reference approved by the board.

Audit committee

The audit committee comprises three independent non-executive members, namely C Erasmus, BR Mallinson and RJA Sparks, chaired by BR Mallinson.

The committee is constituted as a statutory committee in respect of its statutory duties in terms of the Companies Act, No 71 of 2008, and in line with the provisions of the Long-term and the Short-term Insurance Acts and is a committee of the board in respect of all other duties assigned to it by the board. The committee operates in terms of a charter that has been approved by the board.

The chief executive officer, chief risk officer, chief financial officer, chief audit executive of Imperial Holdings, group risk executive of Imperial Holdings, representatives from the external auditors, the head of the internal audit service provider, other assurance providers, professional advisers and board members may be in attendance at committee meetings, but by invitation only and they may not vote.

The statutory and board delegated duties of the committee include, *inter alia,* the following:

- Monitoring the integrity of the annual report and reviewing the content thereof to ensure that the information is reliable as well as reviewing any information to be included in the Imperial Group interim and preliminary announcements, and any other financial information to be made public
- Preparing a report to be included in the annual financial statements in terms of section 94(7) of the Companies Act, which report appears on pages 32 and 87 of this report and provides further information on the activities of the committee
- Monitoring and reviewing the effectiveness of the internal audit function
- Recommending to the board the appointment of the external auditors, approving their remuneration and terms of engagement and monitoring their independence, objectivity and effectiveness, taking into consideration relevant professional and regulatory requirements
- Reviewing the skills and experience of the chief financial officer and the expertise, resources and experience of the company's finance function
- Determining the nature and extent of any non-audit services which the external auditor may provide to the company and pre-approval of any proposed contract with the external auditor for the provision of those non-audit services
- Receiving and dealing appropriately with any complaints (whether from within or outside the company) relating either to the accounting practices and internal audit of the company or to the content or auditing of its financial statements, or to any related matter.

The external and internal auditors have unrestricted access to the chairman of the committee and have attended all meetings during the period to report on their findings and to discuss accounting, auditing, internal control and financial reporting matters.

The audit committee has, in the past financial year, satisfied its responsibilities in compliance with the Companies Act as well as its responsibilities in accordance with its terms of reference.

During the year under review, the performance of the audit committee was assessed. Individual questionnaires were completed by audit committee members and the results collated by the company secretary, which were reported to the board. The board concluded that the audit committee operates effectively and that it remains relevant to the business objectives of the Regent Group.

Risk committee

The objective of the committee is to ensure that the Regent Group has implemented an effective policy and plan for risk management and IT governance that will enhance the Regent Group's ability to achieve its strategic objectives and that the disclosure regarding risk is comprehensive, timely and relevant. It also deals with other regulatory developments such as SAM and TCF, and compliance and legal matters. The risk committee is constituted in line with the new provisions of the Long-term and the Short-term Insurance Acts.

The risk committee, which is chaired by S Masinga, an independent non-executive director of the Regent Group, meets at least quarterly.

During the year under review, the performance of the risk committee was assessed. Individual questionnaires were completed by risk committee members and the results collated by the company secretary, which were reported to the board. The board concluded that the risk committee operates effectively and that it remains relevant to the business objectives of the Regent Group.

Actuarial committee

The primary objective of the actuarial committee is to ensure the integrity of the reported actuarial estimates, including reserves of the Regent Group and embedded value of the Regent Life Group. It also monitors the statutory solvency of Regent Life Company and Regent Insurance Company, and their insurance subsidiaries.

The actuarial committee, chaired by C Erasmus, an independent non-executive director of the Regent Group, meets at least quarterly.

Investment committee

The objective of the investment committee is to ensure that appropriate decisions are taken with regard to the investments of the Regent Group. The committee recommends guidelines and principles to the board and takes advice where appropriate from external investment professionals.

The investment committee, chaired by W Reitsma who is the Group treasurer of Imperial Holdings Limited, meets at least quarterly.

Remuneration committee

The Regent Group established a remuneration committee during the prior financial year. However, as a wholly owned subsidiary of Imperial Holdings Limited, the nomination of directors and certain aspects of remuneration for the Regent Group are performed by the holding company's nomination and remuneration committee. The Regent Group subscribes to fair remuneration practices and benchmarks are used where considered necessary. A formal appraisal system is used to measure performance of all employees and ultimately guide remuneration and incentive awards. Executives and certain senior management participate in a share appreciation rights scheme that is subject to the fulfilment of predetermined performance criteria over the vesting period. The remuneration committee is constituted in line with the new provisions of the Long-term and the Short-term Insurance Acts.

The remuneration committee is chaired by C Erasmus, an independent non-executive director of the Regent Group. The committee is required to hold sufficient meetings to discharge its duties as set out in its terms of reference, and to meet at least once a year.

Social and ethics committee

The holding company's social, ethics and sustainability committee fulfils the responsibilities required in terms of the Companies Act on behalf of the Regent Group.

The Imperial Holdings group risk executive reports to the board on the social, ethics and sustainability matters dealt with at the Imperial Holdings meetings.

Statutory actuary

The independent statutory actuary, who is not in the employment of the Regent Group, assists the board in all actuarial matters and reviews the actuarial valuation of the policyholder liabilities of the Regent Life Group. The statutory actuary is represented at the year-end board meeting and all actuarial committee meetings.

Company secretary

All directors have access to the advice and services of the company secretary who ensures compliance with applicable procedures and legislation.

Meeting attendance

The table below details attendance by directors of board and committee meetings during the year.

	Board	Audit committee	Risk committee	Investment committee	Actuarial committee	Remuneration committee
Number of meetings during the year	5	4	4	4	4	1
B Adam	1/1	1/1	1/1	1/1	1/1	n/a
M Akoojee	0/1	n/a	n/a	1/1	n/a	n/a
C Erasmus	5	4	4	4	4	1
BJ Francis	5	n/a	4	n/a	n/a	n/a
MM Janzen	4/4	3/3	3/3	2/2	2/3	n/a
MJ Lamberti	4	n/a	n/a	n/a	n/a	1
BR Mallinson	5	4	4	n/a	4	1
S Masinga	4	n/a	4	n/a	n/a	n/a
JPR Mbau	4	n/a	n/a	n/a	n/a	n/a
R Mumford	3	n/a	n/a	n/a	n/a	n/a
B Ruele	3/4	2/3	3/3	n/a	3/3	n/a
RJA Sparks	4	3	n/a	3/4	n/a	1
JJ Strydom	1/1	1/1	1/1	1/1	1/1	n/a
AN Tennick	5	4	4	4	4	n/a

n/a Not applicable.
B Adam and M Akoojee resigned as directors as at 30 September 2015.
JJ Strydom resigned as director as at 29 September 2015.
MM Janzen and B Ruele were appointed as directors as at 29 September 2015.

Accountability and audit

Going concern

The Regent Group audit committee considers the facts and assumptions used in the assessment of the Regent Group as a going concern at the financial year-end date. This provides assurance to the directors in confirming their assessment that the annual financial statements are properly prepared on the going concern basis.

Internal financial controls

The directors acknowledge that they are responsible for instituting internal control systems that provide reasonable assurance on safeguarding of assets and prevention of their unauthorised use or disposal, as well as maintenance of proper accounting records that give reasonable assurance on the reliability of financial information produced.

Although there is room for improvement in the automated processes and controls, compensating controls are in place and the board is satisfied that these compensating controls provide reasonable assurance that significant associated risks are appropriately managed and that adequate internal controls are in place.

The improvement of processes and controls continues to receive the ongoing attention of the audit and risk committees and of the board and will continue to improve in accordance with established plans. The board is satisfied that there have been no material breakdowns of the internal controls.

Internal audit

The internal audit function is outsourced to an external service provider, which is staffed by qualified and experienced individuals. The responsible partner has direct access to the Regent Group audit committee as well as to the group audit executive of Imperial Holdings. The responsibilities of the internal audit department are defined in a written charter approved by the audit committee and ratified by the board.

Internal audit is an independent, objective assurance and consulting activity established to add value and improve operations of the Regent Group. It helps the Regent Group accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the adequacy and effectiveness of control and governance processes.

The internal audit function did not report any material breakdowns in internal control during the course of the financial year.

Risk management

The Regent Group has continued enhancing its risk management capability during the year. This continues to be driven by the board and senior management, and is underpinned by the desire to not only meet emerging regulatory requirements but also to support sound business decisions and meet strategic objectives. While there have been ongoing delays in regulatory reform under the Solvency Assessment and Management (SAM) regime, the Regent Group is confident of its ability to meet the requirements for risk management, ahead of the expected final measures implementation date.

The Regent Group has embedded its ERM policy, framework and governance structure, which includes a stand-alone board risk committee and executive risk and governance committee to support the risk management process. In addition, the Regent Group continued to revise its risk appetite statement for both Regent Life Assurance Company and Regent Insurance Company at a risk type level, in conjunction with the Regent Group's business and capital management strategy. The combined assurance model is now providing a view of the assurance activities across the Regent Group and is used to facilitate improved assurance planning going forward. The strategic risks facing the Regent Group have been quantified in order to assist with designing mitigation measures. Draft solo ORSA reports have been produced for both Regent Insurance Company and for Regent Life Assurance Company. Preparation of the Regent Group ORSA report is nearing completion for submission to the FSB.

The allocation of roles and responsibilities for risk management within the Regent Group is consistent with the guidelines provided in the King III Report on corporate governance as well as board notice 158 published by the FSB.

While the board is ultimately responsible for the governance of risk and information technology, oversight of risk and compliance has been delegated to the board risk committee where the terms of reference set out the link between the board and management and where the committee considers the risk management policy and plan, IT governance, the efficiency of management in their risk management responsibilities as well as the effectiveness of internal controls. The actuarial committee considers capital adequacy and asset/liability matching risks and the investment committee considers investment risks. A member of the audit committee is represented on each of the aforementioned committees. The remuneration policy, in line with SAM requirements, is overseen by the remuneration committee.

Executive management is accountable to the board for the design, implementation and monitoring of the process of risk management and integrating it into the day-to-day activities of the Regent Group. A CRO is appointed at executive committee level, reporting to the CEO, to independently oversee the Regent Group's risk management activities. Risk champions are appointed in each business division to ensure the cascading of risk processes into the business. The CRO assists all levels in the business in achieving the strategic objectives of the Regent Group by bringing a systematic approach to evaluating and improving the effectiveness of risk management and control, overseeing the implementation of the ERM framework and reporting the status to executive management, the audit committee, the risk committee and the board. The CRO has direct access to the chairpersons of the audit committee and the risk committee, but reports administratively to the CEO.

In all business areas, managers are trained in carrying out risk assessments of the risks within their division (while Regent risk management conducts independent risk assessments), recording the findings and taking appropriate management action in a timely fashion. The executive risk and governance committee, consisting of divisional executives and risk and compliance champions, meets monthly, under the chairmanship of the CEO, to review the Regent Group's risk profiles and ensure that cross-cutting risks are considered.

The Regent Group strives to achieve continuous improvement in the management of risk, through the revising and improving the effectiveness of its risk management processes and its three lines of defence through good reporting structures. The foundation for risk management has been laid and implementation and embedment have progressed satisfactorily. The Regent Group is well placed to further develop its risk management and assurance capabilities so as to ensure that not only the regulatory and business obligations and objectives are met but also to ensure that risk management is successfully embedded into the capital management process.

Since Imperial Holdings Limited is the sole shareholder of the Regent Group, with the approval of the directors, the transformation, certain remuneration and directors affairs are dealt with by the relevant Imperial Holdings Limited committees.

Compliance

The governance and compliance function is responsible for the monitoring of regulatory and reputational risk and the setting of related policies. The Regent Group's governance strategy, objectives and structures have been designed to ensure that the Regent Group complies with legislation and all relevant codes.

Compliance risk is the risk to earnings, capital and reputation arising from violations of, or non-compliance with, laws, rules, regulations, supervisory requirements, prescribed practices or ethical standards.

The Regent Group is committed to the highest standards of integrity, professionalism and ethical behaviour and requires all its employees to comply with all relevant laws, rules, standards and policies when conducting the business of the Regent Group.

The Regent Group's compliance function is an independent function that identifies, evaluates, advises, monitors and reports on the Regent Group's compliance risk.

Compliance *(continued)*

Compliance risk is managed within the organisation through the following key activities:

- Creating awareness through training employees on the impact and responsibilities related to legislative requirements;
- Monitoring and reporting on the level of compliance with regulatory requirements, including reporting specific incidents of non-compliance to senior management and the board;
- Providing assurance that the risks relating to regulatory requirements are identified, understood and effectively managed; and
- Consulting with the business units and providing compliance opinions with regard to new business ventures and processes.

Information technology

Focus

The IT strategy has focused on training our people, maturing our infrastructure environment and on developing new technologies in support of the customer-focused transformation journey for both Regent Insurance Company and Regent Life Company.

Governance of IT strategy, risk and financial elements

IT strategy, risks, costs and benefits are made transparent through the board risk committee and assured through the enterprise risk management framework. All long-term transformational architecture changes are governed by the architecture review committee, which ensures that the design and implementation of applications, information technology solutions are effectively employed to deliver on the shareholder requirements of good IT governance, data governance, customer focus, sustainability and total cost of ownership. IT initiatives and operations flowing from this are managed via the IT strategic committee, enterprise project committee and specific programme steering committees.

Customer

IT delivery is aligned to business unit strategies with a focus on the customer, which includes a compliance focus on treating customers fairly and protection of personal information. In addition, the redesign of our business processes around the customer is a stated intent of the enterprise transformation programmes for both short-term and life businesses, ensuring that IT architecture decisions are made with a priority focus on the customer experience throughout the value chain.

Learning and growth

The introduction of a strong corporate focus on people, leadership and learning and growth aligns to the IT leadership academy, which continues to add value with a focus on leadership, financial and technical training thereby ensuring that we continuously improve and mature within the IT governance frameworks adopted. We have further initiated an internship programme focused on previously disadvantaged individuals, to ensure that we nurture the next generation of IT talent.

Principles of conduct

Business integrity and ethics

The Regent Group has a written code of ethics. The Regent Group supports free enterprise as the system best able to contribute to the economic welfare of society and to promote individual liberty. Without satisfactory profits and a strong financial foundation, it would not be possible to fulfil the responsibilities to shareholders, employees, society and those with whom we do business. Our corporate actions are governed by economic criteria as well as social, environmental and political considerations.

The Regent Group is committed to the principles of sustainable development, striking a balance between economic, environmental and social development. We strive to innovate and adopt best practice wherever we operate, working in consultation with stakeholders.

Management and employees operate within a framework that requires compliance with all applicable laws and maintenance of the highest integrity in the conduct of the business of the Regent Group.

Treating customers fairly

The Regent Group is committed to TCF. A group-wide project under the sponsorship of a member of executive management is developing the Regent Group's approach to TCF. Monthly reports on TCF initiatives and delivery are tabled at the executive risk and governance committee.

Employment and labour rights

The Regent Group subscribes to the principle of fair labour practices at our workplaces, and our conditions of service comply with applicable laws and industry standards.

Board of directors

Mark Lamberti
BCom (Unisa), MBA (Wits)
Non-executive Chairman
Joined in 2014

Jurie Strydom
BBusSc, FIA, FASSA, CFA
Chief Executive Officer
Resigned in 2015

Andrew Tennick
BCom, FCII
Joint Chief Executive Officer
Joined in 2007

Mahommed Akoojee
BCom Honours, CA(SA), CFA
Non-executive Director
Resigned in 2015

Bilal Adam
BCom Honours, CA(SA)
Chief Financial Officer
Resigned in 2015

Magdalena Janzen
BSc Engineering, BA Honours, HRD, MBA
Joint Chief Executive Officer
Joined in 2015

Besa Ruele
BSc Mathematics FIA(UK) FASSA
Executive director
Joined in 2015

Charles Erasmus
BSc, FIA
Independent non-executive director
Joined in 2011

Berenice Francis
BCompt Honours, CIA
Non-executive director
Joined in 2008

Brian Mallinson
CA(SA)
Independent non-executive director
Joined in 2013

Sibongile Masinga
BCom
Independent non-executive director
Joined in 2008

Jethro Mbau
Executive Management Programme
Independent non-executive director
Joined in 1994

Russell Mumford
BCom, BAcc Honours, CA(SA)
Non-executive director
Joined in 1995

Roddy Sparks
BCom Honours, CA(SA), MBA
Independent non-executive director
Joined in 2009

Executive team

Bilal Adam
BCom Honours, CA(SA)
Chief Financial Officer
Resigned in 2015

Werner Behrens
BJuris, LLB
General Legal Counsel
Joined in 2008

Kumeshnie Govender
Gibbs Executive Leadership Course
Executive General Manager: Business Change
Joined in 2010

Heydon Hall
BCom, MBA, DCom
Chief Information Officer
Joined in 2011

Magdalena Janzen
BSc Engineering, BA Honours, HRD, MBA
Joint Chief Executive Officer
Joined in 2013

Masenyane Molefe
BComm, MBA
Executive Head: Human Resources
Resigned in 2016

Besa Ruele
BSc Mathematics FIA (UK) FASSA
Executive General Manager: Life
Joined in 2010

Jurie Strydom
BBusSc FIA FASSA CFA
Chief Executive Officer
Resigned in 2015

John Tager
EDP, CIM, IEP, MBiA
Executive General Manager: Motor Retail
Joined in 2012

Andrew Tennick
BCom, FCII
Joint Chief Executive Officer
Joined in 2007

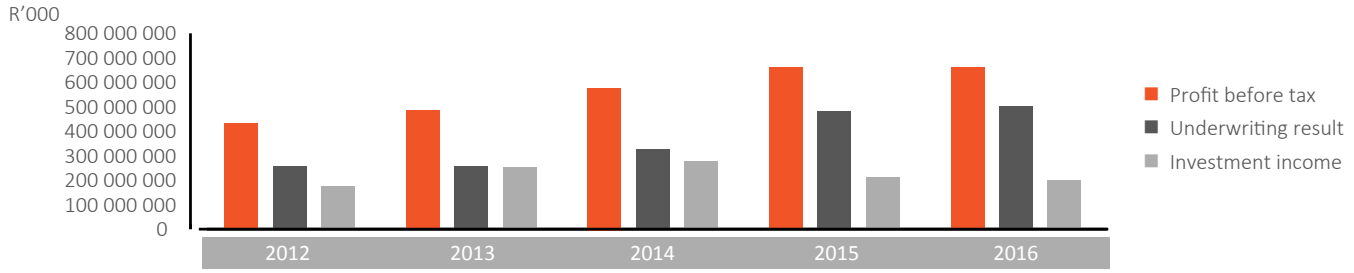
Combined salient features

for the year ended 30 June 2016

	Regent Life Group 2016 R'000	Regent Insurance Group 2016 R'000	Regent Group 2016 R'000	Regent Life Group 2015 R'000	Regent Insurance Group 2015 R'000	Regent Group 2015 R'000	Regent Group % change
Statement of comprehensive income							
Gross written premium income	**1 124 015**	**1 866 644**	**2 990 659**	1 021 627	1 905 718	2 927 345	2
Investment income, including investment gains	**82 989**	**166 824**	**249 813**	113 592	151 538	265 130	(6)
Net claims and benefits incurred	**359 260**	**850 468**	**1 209 728**	333 868	899 063	1 232 931	2
Underwriting result	**296 213**	**206 739**	**502 952**	279 776	199 625	479 401	5
Profit before taxation	**308 186**	**352 843**	**661 029**	331 665	329 521	661 186	—
Statement of financial position							
Total assets	**2 246 496**	**2 837 713**	**5 084 209**	2 003 915	2 697 455	4 701 370	8
Total cash and cash equivalents, including short-term financial instruments	**931 237**	**998 226**	**1 929 463**	727 841	825 553	1 553 394	24
Total liabilities	**1 284 273**	**1 442 732**	**2 727 005**	1 249 074	1 479 857	2 728 931	—
Total equity	**962 223**	**1 394 981**	**2 357 204**	754 841	1 217 598	1 972 439	20

	Insurance R'000	Investment policy-holder funds R'000	Investment shareholder funds R'000	Total R'000
2016				
Underwriting result	**448 811**	**54 141**	**—**	**502 952**
Investment income	**—**	**—**	**198 641**	**198 641**
Non-operating items	**(40 564)**	**—**	**—**	**(40 564)**
Profit before tax	**408 247**	**54 141**	**198 641**	**661 029**
2015				
Underwriting result	424 351	55 050	—	479 401
Investment income	—	—	211 895	211 895
Non-operating items	(30 110)	—	—	(30 110)
Profit before tax	394 241	55 050	211 895	661 186

Five-year review



REGENT

LIFE

Directors' approval and statement of responsibility

for the year ended 30 June 2016

The directors of the Regent Life Group are responsible for the maintenance of adequate accounting records and the integrity of the annual financial statements and group annual financial statements of Regent Life Company. The annual financial statements presented on pages 16 to 30 and 32 to 83 have been prepared in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa. The Regent Life Group's external auditors, Deloitte & Touche, have audited the annual financial statements and their audit report appears on page 31.

The directors are also responsible for Regent Life Company and Regent Life Group's systems of internal control. These are designed to provide reasonable, but not absolute assurance as to the reliability of the annual financial statements and group annual financial statements, to adequately safeguard, verify and maintain accountability for assets and to prevent and detect material misstatement and loss.

The going concern basis has been adopted in preparing the annual financial statements. The directors have no reason to believe that Regent Life Company and Regent Life Group will not be a going concern in the foreseeable future based on forecasts and available cash resources. The viability of Regent Life Company and Regent Life Group is supported by the annual financial statements.

Deloitte & Touche were given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the board of directors and committees of the board. The directors believe that all representations made to the independent auditors during their audit were valid and appropriate.

The annual financial statements of Regent Life Company and the Regent Life Group on pages 16 to 30 and 32 to 83 were approved by the board of directors on 26 October 2016 and are signed on its behalf by:

MJ Lamberti
Chairman

26 October 2016

AN Tennick
Acting Joint Chief Executive

26 October 2016

Certificate by the company secretary

In accordance with section 88(e) of the Companies Act, it is hereby certified that to the best of my knowledge and belief Regent Life Company has lodged with the commissioner, for the financial year ended 30 June 2016 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.

G Tyusha
Company secretary

26 October 2016

Company statutory actuary's report

Statement of assets and liabilities, excess assets and capital requirements at 30 June 2016

	2016 R'000	2015 R'000
Published reporting basis		
Total value of assets as per statement of financial position	**1 469 627**	1 354 243
Less: Reinsurances	**(128 864)**	(110 192)
Statement of financial position assets net of reinsurances	**1 340 763**	1 244 051
Value of policy liabilities	**108 596**	122 627
Less: Reinsurances	**(128 864)**	(110 192)
Investment contract liabilities	**253 379**	246 425
Current and other liabilities as per statement of financial position	**366 119**	377 749
Total value of liabilities net of reinsurances	**599 230**	636 609
Excess assets	**741 533**	607 442
Statutory basis		
Total value of assets as per statement of financial position	**1 469 627**	1 354 243
Less: Reinsurances	**(128 864)**	(110 192)
Less: Disallowed assets	**(21 682)**	(15 507)
Net assets on the statutory basis	**1 319 081**	1 228 544
Value of policy liabilities	**627 996**	579 157
Less: Reinsurances	**(145 795)**	(131 817)
Investment contract liabilities	**253 379**	246 425
Current and other liabilities as per statement of financial position	**225 331**	255 975
Total value of liabilities net of reinsurances	**960 911**	949 740
Excess assets	**358 170**	278 804
CAR – refer to page 20	**40 266**	34 931
Ratio of excess assets to CAR	**8.9**	8.0
Analysis of change in excess assets on published reporting basis		
The excess of the value of assets over the value of liabilities has changed as follows over the reporting period:		
Excess assets at the end of the year	**741 533**	607 442
Excess assets at the beginning of the year	**607 442**	487 806
Change in excess over the year	**134 091**	119 636
The change in excess assets is due to the following factors:		
Investment income on excess assets	**18 643**	17 369
Capital gain on excess assets	**17 940**	9 396
Total investment return on excess assets	**36 583**	26 765
Operating profit	**189 198**	135 366
Dividends received from subsidiaries	**—**	55 413
Increase/(decrease) in excess assets due to change in valuation methods or assumptions – refer to page 17	**(2 802)**	61 868
Taxation	**(67 867)**	(63 298)
Total earnings as per statement of comprehensive income	**155 112**	216 114
Dividends paid	**—**	(71 826)
Dividends paid to non-controlling interests	**(25 570)**	(25 017)
Change in share-based equity in respect of employee remuneration arrangements	**4 549**	365
Total change in excess assets	**134 091**	119 636

Company statutory actuary's report (continued)

Statement of assets and liabilities, excess assets and capital requirements at 30 June 2016

	2016 R'000	2015 R'000
Reconciliation of excess assets between published reporting basis and statutory basis		
Excess assets on published reporting basis	**741 533**	607 442
Less: Assets excluded in terms of Schedule 3 of the Act	**(21 682)**	(15 507)
Plus: Deferred tax adjustment	**140 788**	121 774
Less: Excess of statutory liabilities over published reporting liabilities*	**(502 469)**	(434 905)
Excess assets on statutory basis	**358 170**	278 804

** Net of reinsurances.*

1. Summary of impact of changes in published reporting valuation methods and assumptions

The following changes were made to the best estimate assumptions used in the published reporting basis:

- The economic assumptions were reviewed to reflect the movements in the yield curve and implied inflation curve in line with the current economic environment. Loan interest rates on credit life business were also revised in line with the increase in the SA prime rate since the previous valuation; and
- As a result of these economic changes, the actuarial liabilities (net of reinsurance) increased by R2.8 million.

2. Published reporting valuation methods and assumptions

The valuation was performed using the FSV method for insurance contracts as specified in SAP104. Investment contracts without discretionary features have been valued in terms of IAS 39. Assets and policy liabilities have been valued on methods and assumptions that are consistent with each other.

The effect of the valuation methods and assumptions used is that profits for insurance contracts and investment contracts without participation in profits on a discretionary basis are released appropriately over the term of each policy, in order to reduce the likelihood of losses in later years.

Policy liabilities net of reinsurance were determined by discounting the expected benefit payments, commission and expenses, less expected premium. For unitised insurance contracts, the market value of the unit account, as well as a non-unit reserve was held as the liability. The non-unit reserve is based on the expected benefit payments, commission and expenses less the expected charges.

In the calculation of actuarial liabilities, provision has been made for:

- the best estimate of the future experience; plus
- the compulsory margins prescribed by SAP104; plus
- discretionary margins as detailed below:
  - An additional 30% margin was incorporated for the credit life retrenchment benefit in view of the potential volatility of claims experience and uncertain economic environment;
  - A 20% margin was incorporated in the other credit life decrement assumptions to ensure the prudent release of profits in line with the policy design;
  - A 20% margin was incorporated in the individual life and disabled annuity decrement assumptions to ensure the prudent release of profits in line with the policy design;
  - A 20% margin was held for lapses on the affinity business in years one and two and 50% from year three onwards as this is a new channel with limited experience and increased volatility;
  - Negative reserves were eliminated for all policies with premiums outstanding for three or more months. Negative reserves were also eliminated for the individual life affinity business until sufficient credible experience is built up; and
  - The combined effect of the discretionary margins on the published reporting basis amounts to R138.9 million.

The main assumptions (including compulsory and discretionary margins) used to calculate the liabilities are summarised below.

Economic assumptions

Investment return

- Credit life – South Africa's risk-free yield curve
- Individual life – South Africa's risk-free yield curve
- Disability annuity business – South Africa's risk-free yield curve.

Expense inflation

- South Africa's implied inflation curve.

Disability annuity increases

- South Africa's implied inflation curve.

Taxation ignored as the company is in an "excess E" position in terms of the four funds taxation basis.

Other assumptions

- Renewal expenses were based on the level of budgeted expenses for the 12 months following the valuation date, thereafter expenses were assumed to increase at the expense inflation rate.
- Commission and premium collection costs were modelled as they are currently being paid.

The assumptions used for lapse, surrender, mortality, morbidity and retrenchment rates were based on the results of recent experience investigations and taking into account past trends. Provision has also been made for mortality deterioration (AIDS).

An IBNR reserve was established based on the results of a recent run-off investigation. For group business, an unexpired premium reserve was established where applicable. A check was done to ensure that the operating ratio was satisfactory. Where necessary, a deficiency reserve was established.

Investment reserve for policies with investment guarantees

For the policies with maturity guarantees, an investment reserve was established using stochastic modelling techniques in accordance with APN110.

- The model used is a risk-neutral model calibrated to market data for the appropriate time period. The calibration considers equity, bond and money market data provided by the JSE, the bond exchange of South Africa and various other sources. Several call and put options with varying terms together with a zero-coupon yield curve based on South African government bonds are used to calibrate the model.
- The products for which the APN110 reserves have been calculated are the immediate annuities which have embedded investment derivatives and some of the provider series savings products. The asset split used were as follows: 90% bonds and 10% cash for the immediate disability annuities, while the corresponding split for the provider series was: 70% equity, 25% bonds and 5% cash.
- The Monte Carlo simulation technique was used to quantify the liability and CAR requirement in respect of the embedded investment derivatives.

Company statutory actuary's report (continued)

Statement of assets and liabilities, excess assets and capital requirements at 30 June 2016

The following disclosures are required by APN110 (Version 4):

Maturity (years)	Strike	Price %	Implied volatility %
1	Spot	6.8	23.4
1	0.8 times spot	2.3	29.0
1	Forward	9.1	23.4
5	Spot	8.8	25.0
5	1.045 times spot	17.6	27.1
5	Forward	20.6	27.1
20	Spot	1.9	26.0
20	1.0420 times spot	9.4	26.0
20	Forward	24.6	26.0

Description of derivative contract	Calculated price (% of spot price)
A five-year put option with a strike price equal to $(1.04)^5$ of spot price, on an underlying index constructed as 60% FTSE/JSE top 40 and 40% ALBI, with rebalancing of the underlying index back to these weights taking place annually	4.9
A twenty-year put option based on an interest rate with a strike equal to the present five-year forward rate as at maturity of the put option (based on the zero-coupon yield curve), which pays out if the five-year interest rate at the time of maturity (in twenty years) is lower than this strike	0

The zero-coupon yield curve used can be summarised as follows:

Year	Rate %
1	7.9
2	7.6
3	8.0
4	8.2
5	8.4
10	9.0
15	9.6
20	10.0
25	11.1
30	10.3

The date of calibration was as at 30 June 2016.

Published reporting asset valuation methods and assumptions

All assets (including the excess assets over liabilities) have been valued at fair value (as described in the notes to the consolidated financial statements).

3. Statutory capital adequacy requirements (CAR)

The CAR has been calculated in accordance with SAP104. The asset allocation provided by management was used.

The minimum investment guarantee resilience value calculated in accordance with APN110 was included. Credit risk was allowed for based on the credit rating of the cash and bond assets, as well as that of the relevant reinsurers. Operational risk was allowed for based on the SA QIS3 formula, as per specifications of the SAM, adjusted as deemed appropriate.

No management actions were assumed in the calculation of OCAR.

The IOCAR was assumed to be invested in the available cash. A grossing up factor of 99% was applied to obtain the OCAR.

The CAR is based on the maximum of TCAR, the MCAR and OCAR. In the case of Regent Life Company, the maximum is OCAR.

Certification of statutory financial position

I hereby certify that:

- the valuation on the statutory basis of Regent Life Company Limited as at 30 June 2016, the results of which are summarised above, has been conducted in accordance with, and this statutory actuary's report has been produced in accordance with, applicable Actuarial Society of South Africa's Advisory Practice Notes and Standards of Actuarial Practice;
- in terms of section 31(c) of the Long-Term Insurance Act of 1998, some of Regent Life Company's assets exceed the maximum allowable level. However, after adjusting the assets for the asset spreading restrictions, Regent Life Company is still in a financially sound condition; and
- Regent Life Company was financially sound on the statutory basis as at the valuation date, and in my opinion is likely to remain financially sound for the foreseeable future.

PC Falconer
Statutory actuary

26 October 2016

Consolidated statutory actuary's report

Statement of assets and liabilities, excess assets and capital requirements at 30 June 2016

The Regent Life Group is made up of the following insurance companies:

- Regent Life Assurance Company Limited;
- Regent Life Botswana Limited;
- Lesotho National Life Assurance Company; and
- Regent Life Zambia Limited.

	2016 R'000	2015 R'000
Published reporting basis		
Total value of assets as per statement of financial position	**2 246 496**	2 003 915
Less: Reinsurances	**(131 406)**	(112 922)
Statement of financial position assets net of reinsurances	**2 115 090**	1 890 993
Value of policy liabilities	**499 159**	477 818
Less: Reinsurances	**(131 406)**	(112 922)
Investment contract liabilities	**341 461**	320 968
Current and other liabilities as per statement of financial position	**443 653**	450 288
Total value of liabilities net of reinsurances	**1 152 867**	1 136 152
Excess assets	**962 223**	754 841
Statutory basis		
Total value of assets as per statement of financial position	**2 246 496**	2 003 915
Less: Reinsurances	**(131 406)**	(112 922)
Less: Disallowed assets	**(22 785)**	(17 190)
Net assets on the statutory basis	**2 092 305**	1 873 803
Value of policy liabilities	**1 017 985**	930 300
Less: Reinsurances	**(148 337)**	(134 547)
Investment contract liabilities	**341 461**	320 968
Current and other liabilities as per statement of financial position	**302 865**	328 514
Total value of liabilities net of reinsurances	**1 513 974**	1 445 235
Excess assets	**578 331**	428 568
CAR	**108 422**	81 888
Ratio of excess assets to CAR	**5.3**	5.2
Change in excess assets on published reporting basis		
Excess assets at the end of the financial year	**962 223**	754 841
Excess assets at the beginning of the financial year	**754 841**	610 041
Change in excess over the financial year	**207 382**	144 800

Consolidated statutory actuary's report (continued)

Statement of assets and liabilities, excess assets and capital requirements at 30 June 2016

	2016 R'000	2015 R'000
Analysis of change in excess assets on published reporting basis		
Investment income on excess assets	**26 976**	24 254
Capital gain on excess assets	**(15 144)**	11 292
Total investment return on excess assets	**11 832**	35 546
Operating profit	**319 463**	232 179
(Decrease)/increase in excess assets due to change in valuation methods or assumptions	**(23 109)**	63 940
Taxation	**(92 879)**	(86 622)
Total earnings as per statements of comprehensive income	**215 307**	245 043
Dividends paid	**(25 595)**	(102 579)
Foreign currency translation reserve and exchange differences	**14 605**	4 789
Transfer to statutory reserve	**(1 484)**	(1 418)
Increase in interest in subsidiary	**—**	(1 400)
Change in share-based equity in respect of employee remuneration arrangements	**4 549**	365
Total change in excess assets	**207 382**	144 800
Reconciliation of excess assets between published reporting basis and statutory basis		
Excess assets on published reporting basis	**962 223**	754 841
Less: Assets excluded in terms of Schedule 3 of the Act	**(22 785)**	(17 190)
Plus: Deferred tax adjustment	**140 788**	121 774
Less: Excess of statutory liabilities over published reporting liabilities*	**(501 895)**	(430 857)
Excess assets on statutory basis	**578 331**	428 568

** Net of reinsurances.*

Certification of statutory financial position

I hereby certify that:

- the valuation on the statutory basis of Regent Life Group as at 30 June 2016, the results of which are summarised above, has been conducted in accordance with, and this statutory actuary's report has been produced in accordance with, applicable Actuarial Society of South Africa Professional Guidance Notes and;
- the Regent Life Group was financially sound on the statutory basis as at the valuation date, and in my opinion is likely to remain financially sound for the foreseeable future.

PC Falconer

Statutory actuary

26 October 2016

Consolidated embedded value report

as at 30 June 2016

The embedded value of the covered business of Regent Life Group at 2016 is shown below. The corresponding prior year figures have been provided as a comparative. The Regent Life Group is made up of the following insurance companies:

- Regent Life Assurance Company Limited;
- Regent Life Botswana Limited;
- Lesotho National Life Assurance Company; and
- Regent Life Zambia Limited.

Regent Life Assurance Company Limited (the parent) owns 100% of Regent Life Botswana Limited and 76% of Lesotho National Life Assurance Company Limited. In addition, there are a number of preference shareholdings with cell captive arrangements who form part of non-controlling interests. During 2015, Regent Life Botswana Limited acquired 100% of Regent Zambia Limited. The carrying value of Regent Zambia is on Regent Life Botswana's balance sheet.

The group also includes other non-insurance subsidiaries (Cedar, Bridge, I'SURE and Struland). These are valued at their net asset value.

Covered business is defined as all in-force long-term insurance business and incorporates all expected cash flows generated within the company on that business. Covered business includes:

- funeral;
- term assurance;
- savings;
- group life; and
- annuity products.

Profits accruing to non-controlling interests have been included but their impact was also shown separately. The corresponding prior year figures have been provided as a comparative.

The embedded value consists of the following components:

- ANW; plus
- The value of in-force of future shareholder cash flows from covered business; less
- Cost of required capital.

The ANW is the excess of all assets (including any disallowed assets) at fair value attributed to the covered business over the corresponding liabilities on the SVM. Deferred tax assets/liabilities arising due to the difference in the timing of corporation taxation on the SVM basis and what is recognised in the financial statements, is excluded for ANW. The ANW comprises:

- the free surplus; plus
- the required capital to support the in-force business.

The required capital is the risk capital required to be held in addition to the covered business liabilities. It is the greater of the SCAR and the amount required to meet internal objectives, which in the Regent Life Group's case is twice the SCAR for Regent Life Assurance Company Limited and Regent Life Botswana. Lesotho National Life Assurance Company Limited's required CAR was set at two times the OCAR as at 30 June 2016. The required capital is not available for distribution to shareholders.

The cost of required capital is the opportunity cost of having to hold this capital aside instead of investing it in future business development or paying it out as dividends. The cost is calculated as the present value of the difference between the shareholders' required return (the risk discount rate) and the expected return on the actual underlying assets, over the expected lifetime of the covered business.

The value of in-force is the present value of future shareholder cash flows from the in-force covered business. It is calculated as the value of projected future after-tax shareholder cash flows of the business in-force at the valuation date, discounted at the risk discount rate. The shareholder cash flows represent the value of the release of margins included in the liabilities under the SVM basis. Allowance was made for allocations to with-profits policyholders, where applicable.

The embedded value of new business was calculated at point of sale using the closing embedded value assumptions and investment yields as at year end. New business includes all policies written over the year where at least one premium is received.

The embedded value of the company had been calculated in accordance with the Actuarial Society of South Africa's Advisory Practice Note 107: Embedded Value Reporting (Version 7).

Consolidated embedded value report (continued)

as at 30 June 2016

Table 1: Embedded value of covered business

	2016 R'000	2015 R'000
Free surplus	**381 630**	289 783
Required capital	**216 843**	155 973
Adjusted net worth	**598 473**	445 756
Attributable to non-controlling interests	**38 157**	38 206
Attributable to Regent Life Group	**560 316**	407 550
Value of in-force business	**779 106**	709 031
Attributable to non-controlling interests	**68 112**	70 152
Attributable to Regent Life Group	**710 994**	638 879
Cost of required capital	**(52 825)**	(41 438)
Attributable to non-controlling interests	**(2 374)**	(1 627)
Attributable to Regent Life Group	**(50 451)**	(39 811)
Embedded value of covered business	**1 324 755**	1 006 617
Attributable to non-controlling interests	**103 895**	1 113 349
Attributable to Regent Life Group	**1 220 860**	106 732
Return on embedded value on covered business (1)	**21.3%**	42.7%
Return on embedded value attributable to Regent Life Group (1)	**21.3%**	45.2%

1. Return on embedded value is defined as embedded value earnings (see table below) divided by the embedded value at the start of the financial period. The earnings last year were inflated by some once-off assumption and methodology changes which were made to move the embedded value basis closer to a true best estimate. This year's positive experience variances are also lower as a result of these changes.

Embedded value earnings for the reporting period

The embedded value earnings are defined as the change in embedded value over the period plus any dividends paid less any capital issued during the period. The change in embedded value split between the adjusted net worth, cost of required capital and value of in-force is shown in the table below:

Table 2: Embedded value earnings attributable to all covered business

Embedded value component	2016 R'000	Plus dividends R'000	Less 2015 R'000	Embedded value earnings 2016 R'000
Adjusted net worth	**598 473**	25 570	445 757	**178 286**
Cost of required capital	**(52 824)**	—	(41 438)	**(11 386)**
Present value of in-force	**779 105**	—	709 030	**70 075**
Embedded value	**1 324 754**	25 570	1 113 349	**236 975**

Consolidated embedded value report (continued)

as at 30 June 2016

Table 3: Embedded value earnings attributable to the parent

Embedded value component	2016 R'000	Less 2015 R'000	Embedded value earnings 2016 R'000
Adjusted net worth	**560 317**	407 550	**152 767**
Cost of required capital	**(50 451)**	(39 811)	**10 640**
Present value of in-force	**710 994**	638 879	**72 115**
Embedded value	**1 220 860**	1 006 618	**214 242**

Table 4: Analysis by source of embedded value earnings

The embedded value earnings defined in the previous table are analysed by source in the table below. The impact of each item on the ANW, cost of required capital and value of in-force have been shown separately.

Source	Notes	Adjusted net worth increase/ (decrease) R'000	Cost of required capital (increase)/ decrease R'000	Value of in-force increase/ (decrease) R'000	Embedded value increase/ (decrease) R'000
Embedded value of new business	1	(82 671)	(18 769)	212 067	110 627
Expected return on covered business	2	—	16 208	77 478	93 686
Expected profit transfer	3	187 365	—	(187 365)	—
Operating experience variances	4	65 985	(5 609)	(22 245)	38 131
Operating assumption and methodology changes	5	(1 057)	(2 937)	(417)	(4 411)
Embedded value operating return		169 622	(11 107)	79 518	238 033
Investment return variances	6	1 563	—	—	1 563
Economic assumption changes	5	37	(279)	(9 444)	(9 686)
Tax variance	7	(10 605)	—	—	(10 605)
Below the line items	8	17 670	—	—	17 670
Embedded value earnings on covered business		178 287	(11 386)	70 074	236 975
Earnings attributable to non-controlling interests		25 520	(747)	(2 040)	22 733
Embedded value earnings to parent		152 767	(10 639)	72 114	214 242

1. The new business contribution for the covered business is calculated at point of sale on the closing embedded value basis. The adjusted net worth component reflects the expected losses from the point of sale to 30 June 2016 due to new business costs such as upfront commission, initial expenses and reserving strain.
2. This represents the unwinding of the risk discount rate (last year's basis) on in-force and new business.
3. This is the after tax profit expected from business in-force at the beginning of the year on last year's embedded value basis.
4. An analysis of the variation in operating experience relative to that expected on last year's embedded value basis is provided in table 6 on the following page. This also includes variances in new business experience relative to the closing embedded value basis. Overall, the operating experience variance had a positive impact on the embedded value.
5. An analysis of the effect of changes in assumptions and methodology is provided in table 5 below.
6. This item reflects investment earnings on assets in excess of expectations, the returns on the adjusted net worth and the movement in investment guarantee reserves.
7. The tax variance reflects the difference between the expected and actual taxation.
8. This includes the foreign currency translation reserves, transfer to statutory reserves and the change in share-based equity.

Consolidated embedded value report (continued)

as at 30 June 2016

Table 5: Assumption and methodology changes

The table below reflects the impact of the assumptions and methodology changes on renewal business as at 30 June 2016. All figures are net of expected tax.

	Notes	Adjusted net worth increase/ (decrease) R'000	Cost of required capital (increase)/ decrease R'000	Value of in-force increase/ (decrease) R'000	Embedded value increase/ (decrease) R'000
Modelling and other technical changes	1	**(3 527)**	**(2 936)**	**1 977**	**(4 486)**
Lapse and surrenders	2	**475**	**—**	**(1 570)**	**(1 095)**
Mortality and morbidity	2	**2 209**	**—**	**(421)**	**1 788**
Expenses	2	**(214)**	**(1)**	**(402)**	**(617)**
Operating and methodology assumption changes		**(1 057)**	**(2 937)**	**(416)**	**(4 410)**
Risk discount rate	3	**—**	**(1 616)**	**(6 797)**	**(8 413)**
Other economic assumptions	3	**37**	**1 336**	**(2 647)**	**(1 274)**
Economic assumption changes		**37**	**(280)**	**(9 444)**	**(9 687)**
Total		**(1 020)**	**(3 217)**	**(9 860)**	**(14 097)**

1. This reflects the impact of modelling and data refinements. The main impact is due to a system overhaul undertaken on one of the subsidiaries.
2. These assumption changes reflect the latest investigations and expected future experience.
3. These two items represent the total effect of economic assumption changes due to changes in the economic environments in South Africa, Lesotho and Botswana.

Table 6: Operating experience variations

The operating experience variances are summarised below. The variances relate to new business and in-force business.

	Notes	Adjusted net worth increase/ (decrease) R'000	Cost of required capital (increase)/ decrease R'000	Value of in-force increase/ (decrease) R'000	Embedded value increase/ (decrease) R'000
Expenses	1	9 218	—	—	9 218
Lapses and surrenders	2	(7 998)	(4 418)	(21 283)	(33 699)
Mortality and morbidity	3	41 540	(191)	553	41 902
Earnings on group business	4	18 733	479	(1 932)	17 280
Uncultured business and other income earned	5	4 492	(1 479)	417	3 430
Total		65 985	(5 611)	(22 245)	38 131

1. The combined new business and renewal expenses were lower than expected.
2. Overall the withdrawal experience variation had a negative impact on the embedded value. The lapse losses include partial withdrawals, the impact of premium holidays, cancellations and refunds on existing and new business.
3. The mortality and morbidity experience was favourable.
4. This refers to the earnings attributable to group business and disabled annuitants (that arise from members of the group). Any other non-modelled business is also included.
5. The impact of experience variances on the shareholder profits arising from the with-profit fund of the Lesotho subsidiary has been shown in aggregate and not analysed by source. Note that shareholders receive 10% of surplus arising.

The embedded value of individual new business is summarised below. Group business is excluded. The value of new business for 2016 was based on the long-term initial expense assumption. Any profits or losses are capitalised in the operating experience variances.

Consolidated embedded value report (continued)

as at 30 June 2016

Table 7: Embedded value of new business

	2016 R'000	2015 R'000
Value of future profits from new business at point-of-sale	**129 397**	109 076
Attributable to non-controlling interest	**18 326**	21 347
Attributable to the Regent Life Group	**111 071**	87 729
Cost of required capital (1)	**(18 769)**	(15 194)
Attributable to non-controlling interest	**(3 216)**	(142)
Attributable to the Regent Life Group	**(15 553)**	(15 052)
Embedded value of new business (a)	**110 628**	93 883
Attributable to non-controlling interest	**15 110**	21 206
Attributable to the Regent Life Group	**95 518**	72 677
Value of premiums from new business at point-of-sale (b)	**937 753**	799 238
Attributable to non-controlling interest	**149 340**	136 599
Attributable to the Regent Life Group	**788 413**	662 639
Profit margin (a/b)	**11.8%**	12.1%
Attributable to non-controlling interest	**10.1%**	15.5%
Attributable to the Regent Life Group	**12.1%**	11.0%
New business annualised premium income (c)	**298 962**	254 930
Annualised profit margin (a/c)	**37.0%**	37.2%
Attributable to non-controlling interest	**5.1%**	8.3%
Attributable to the Regent Life Group	**31.9%**	28.5%

1. The cost of required capital for new business was split between the Regent Life Group and non-controlling interests on an approximate basis.

Assumptions

The following table summarises the economic assumptions used in the embedded value calculations:

Table 8: Embedded value economic assumptions for South Africa

	2016 %	2015 %
Risk-free rate (Individual life business)	**Nominal yield curve***	Nominal yield curve
Risk-free rate (Credit life business)	**Nominal yield curve***	Nominal yield curve
Beta coefficient	**150.00**	150.00
Equity risk premium (non-annuity business)	**3.00**	3.00
Equity risk premium (annuity business)	**3.00**	3.00
Risk discount rate (all business)	**RDR curve**	RDR curve
Expense inflation	**Inflation yield curve**	Inflation yield curve
Profit tax rate	**28.00**	28.00

**The yield curve shifted up on average (taking into account the discounted mean term of the portfolio).*

Table 9: Embedded value economic assumptions for Botswana

	2016 %	2015 %
Risk-free rate	**Nominal yield curve – 3**	Nominal yield curve – 1.25
Beta coefficient	**200.00**	200.00
Equity risk premium	**3.00**	3.00
Risk discount rate	**RDR curve**	RDR curve
Expense inflation	**Inflation yield curve**	Inflation yield curve
Dividend allowance	**10.00**	10.00
Dividend pay-out rate	**100.00**	100.00
Profit tax rate	**22.00**	22.00

The exchange rate for conversion from the Botswana pula into South African rand applicable at 30 June 2016 is 1.372 (June 2015: 1.232).

Table 10: Embedded value economic assumptions Lesotho

	2016 %	2015 %
Risk-free rate	**Nominal yield curve**	Nominal yield curve + 1.25
Beta coefficient	**200**	200
Equity risk premium	**3.00**	3.00
Risk discount rate	**RDR curve**	RDR curve
Expense inflation	**Inflation yield curve**	Inflation yield curve
Profit tax rate (1)	**25.00**	25.00

1. The profit tax rate of 25% applies to group business. The remaining life business is not subject to tax on profits.

The exchange rate for conversion from Lesotho maloti into South African rand is 1.0.

The investment return assumptions were based on the nominal risk yield curve for all asset classes. The yield curves for Lesotho and Botswana were adjusted to reflect the difference in the prime rates of those countries to the prime rate in South Africa. The inflation curve was derived as the difference between the nominal and real yield curves.

A risk discount rate curve was used which has been set equal to the yield curve increased by a risk premium determined as a market equity risk premium multiplied by the Regent Life Assurance Company Limited's beta coefficient. The beta was based on published beta values for the insurance industry but adjusted based on the board's view of the additional risks involved. An additional risk margin of 0.5% was added to Lesotho and Botswana's risk discount rate to allow for the additional market volatility compared to South Africa.

The approach to calculating the beta coefficient contains an implicit allowance for non-market-related and non-financial risk. Investors may want to form their own view on an appropriate allowance for the non-financial risks, which have not been modelled explicitly. The sensitivities of the value of in-force covered business and the value of new business to changes in the risk discount rate are shown below, along with other sensitivity tests.

Non-economic assumptions

Mortality, morbidity and lapse assumptions were derived from internal experience investigations, taking into account prior year assumptions and the outlook for the future economic environment (particularly for lapses and retrenchments). Last year, the decrement assumptions were revised to target a long-term experience ratio of 90% of actual to expected experience. Discretionary margins were also applied where there was insufficient data to allow for volatility in experience and to ensure consistency between the pricing and reserving basis.

Maintenance expense assumptions were based on the results of the latest expense and budget information. No explicit allowance has been made for potential productivity gains in the future expense basis.

It is assumed for the purposes of calculating the cost of required capital, that the required capital amount will be backed by surplus assets consisting of cash. Allowance has been made for tax and investment expenses in the calculation of the cost of required capital.

Future bonus on with-profits business

Future bonuses were allowed for where applicable, consistently with the long-term economic assumptions. The accumulated effect of past over and underdistributions was held as a BSR.

Table 11: Embedded value sensitivities attributable to the parent

For all the sensitivities the reserving basis was left unchanged, leaving ANW mainly unaffected.

	Adjusted net worth R'000	Value of in-force R'000	Cost of required capital R'000	Embedded value R'000	% change from standard
Standard	560 317	710 994	(50 451)	1 220 860	
Risk discount rate +1%	560 317	701 057	(51 305)	1 210 068	(0.9)
Inflation, expected return, risk discount rate -1%	560 317	748 905	(53 038)	1 256 184	2.9
Equity/property capital values -10%	560 317	672 837	(53 504)	1 176 490	(3.6)
Equity/property returns +1%	560 317	667 673	(57 006)	1 170 984	(4.1)
Renewal expenses -10%	560 317	746 475	(48 767)	1 258 025	3.0
Withdrawals -10%	560 317	761 643	(52 213)	1 269 747	4.0
Claims -5%	560 317	748 712	(51 235)	1 257 794	3.0

Table 12: Value of new business sensitivities attributable to the parent

For all the sensitivities the reserving basis was left unchanged. The value of new business attributable to non-controlling interests has been excluded.

	Note	Value of in-force R'000	Cost of required capital R'000	Embedded value R'000	% change from standard
Standard		111 071	(15 553)	95 518	0.0
Risk discount rate +1%		104 959	(20 458)	84 501	11.5
Inflation, expected return, risk discount rate -1%		118 220	(19 366)	98 854	3.5
Equity/property capital values -10%		122 223	(18 709)	103 514	8.4
Equity/property returns +1%		104 959	(20 458)	84 501	(11.5)
Renewal expenses -10%		118 828	(18 626)	100 203	4.9
Acquisition expenses -10%	1	118 100	(18 709)	99 391	4.1
Withdrawals -10%		124 585	(18 955)	105 630	10.6
Claims -5%		116 153	(18 611)	97 542	2.1

1. This shows the impact of reducing the non-commission acquisition expenses by 10%.

Independent auditor's report

to the shareholder of Regent Life Assurance Company Limited

Report on the financial statements

We have audited the consolidated and separate financial statements of Regent Life Assurance Company Limited, set out on pages 37 to 83, which comprise the statements of financial position as at 30 June 2016, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

Regent Life Assurance Company's directors are responsible for the preparation and fair presentation of these consolidated and separate annual financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Regent Life Assurance Company Limited as at 30 June 2016, and its consolidated and separate financial performance and its 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.

Other reports required by the Companies Act

As part of our audit of the financial statements for the year ended 30 June 2016, we have read the directors' report, the audit committee's report, the company and consolidated statutory actuary's reports, the consolidated embedded value report and the company secretary's certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Report on other legal and regulatory requirements

In terms of the Independent Regulatory Board of Auditors (IRBA) Rule published in *Government Gazette* Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor for Regent Life Group for 12 years.

Deloitte & Touche

Deloitte & Touche
Registered auditors

Per: **D Munu**
Partner

26 October 2016

Building 8, Deloitte Place
The Woodlands
Woodlands Drive
Sandton

National Executive: *LL Bam Chief Executive Officer * TMM Jordan Deputy Chief Executive Officer *MJ Jarvis Chief Operating Officer *GM Pinnock Audit *N Sing Risk Advisory *NB Kader Tax TP Pillay Consulting S Gwala BPaaS *K Black Clients & Industries *JK Mazzocco Talent & Transformation *MJ Comber Reputation & Risk *TJ Brown Chairman of the Board

A full list of partners and directors is available on request *Partner and Registered Auditor

B-BBEE rating: Level 2 contributor in terms of the Chartered Accountancy Profession Sector Code

Associate of Deloitte Africa, a Member of Deloitte Touche Tohmatsu Limited

Audit committee report

for the year ended 30 June 2016

The audit committee presents its report for the year ended 30 June 2016. The audit committee is an independent statutory committee, as well as a committee of the board in respect of other duties assigned to it by the board. The committee has conducted its affairs in compliance with the board-approved terms of reference and has discharged its responsibilities contained herein.

Objectives and scope

The overall objective of the committee is to assist the board in discharging its duties relating to the safeguarding of assets, the operation of adequate systems and internal financial controls processes, the reviewing of financial information and the preparation of the annual financial statements.

In terms of its charter, which was reviewed during the current financial year, the main responsibilities of the audit committee include:

- carrying out all the functions as required in terms of legislation;
- performing all the functions of an audit committee for those operating subsidiaries that do not have their own audit committee;
- overseeing the integrity of the annual report and reviewing content thereof to ensure that the information is reliable;
- nominating to the shareholder a registered external auditor who, in the opinion of the committee, is independent of the company, for appointment as external auditor of the company, as well as nominating for appointment the designated individual auditor;
- consideration and recommendation to the board of the appointment, removal or replacement of the internal and external auditors of the Regent Life Group;
- consideration of the accounting treatment of significant or unusual transactions and areas of judgement that have a significant impact on the annual financial statements;
- determination of the nature and extent of any non-audit services which the external auditor may provide to the company and pre-approval of any proposed contract with the external auditor for the provision of those non-audit services;
- review and approval of the annual internal audit operational plan;
- monitoring the compliance of the Regent Life Group with legal requirements, statutes, regulations and the Regent Life Group's code of ethics;
- consideration of the reports by the internal and external auditors on their findings and recommendations;
- consideration of the annual financial statements and of any information to be included in the Imperial Group interim and preliminary announcements, and any other financial information to be made public, prior to submission and approval by the board;
- review of the effectiveness of the Regent Life Group's systems of internal control, including internal financial control and business risk management;
- review of the relationship between management, the internal auditors and the external auditors; and
- oversight of risk management.

Committee performance

The committee discharged its statutory and board responsibilities by meeting at least quarterly and during the period under review met four times. For the period under review, the committee underwent a process of self-assessment in order to ensure that it functioned effectively in accordance with its terms of reference and is satisfied that it has done so. The record of attendance by each committee member was as follows:

	11 August 2015	19 October 2015	11 February 2016	14 June 2016
BR Mallinson (Chairman)	√	√	√	√
RJA Sparks	√	ap	√	√
C Erasmus	√	√	√	√

√ Present *ap Absent with apology*

Audit committee report (continued)

for the year ended 30 June 2016

During the period under review the committee:

- received and reviewed reports from both the internal and external auditors concerning the effectiveness of the internal control environment, systems and processes;
- reviewed the reports of both the internal and external audit findings and management's responses thereto;
- considered the independence and objectivity of the external auditors and ensured that the scope of their additional services did not impair their independence;
- received and dealt with concerns and complaints through the "whistle blowing" service provided by the Imperial Group and ensured that such concerns and complaints were dealt with appropriately by management;
- reviewed the documented going concern assumptions prepared by management and made recommendations to the board;
- reviewed and recommended for adoption by the board the annual report of the Regent Life Group and of the annual financial statements of Regent Life Company for the year ended 30 June 2016;
- considered the effectiveness of internal audit, and approved their annual plan and the rolling three-year internal audit plan;
- received and reviewed reports from the CRO on the enterprise risk management process; and
- satisfied itself that the Chief Financial Officer of the company possesses the appropriate expertise and experience to meet the responsibilities of that position and that the company's finance function is staffed with adequately experienced and qualified people.

The committee is satisfied that it has fulfilled its obligations in respect of the scope of its responsibilities.

Membership and constitution

The membership of the committee during the year under review comprised solely of independent non-executive directors. The Chief Executive Officer, Chief Risk Officer, Chief Financial Officer, Chief Audit Executive of Imperial Holdings, Group Risk Executive of Imperial Holdings, representatives from the external auditors, the head of the internal audit service provider, other assurance providers, professional advisers and invited board members also attend the meetings as permanent invitees.

The audit committee is constituted as a statutory committee in respect of its statutory duties in terms of the Companies Act, 2008 and the Long-Term Insurance Act, and a committee of the board in respect of all other duties assigned to it by the board. The committee operates in terms of a charter that has been approved by the board. As required by the Companies Act, the committee is to be elected by the shareholder at the forthcoming annual general meeting of Regent Life Company.

External audit

The committee has satisfied itself, through enquiry, that the auditor of Regent Life Company is independent as defined by the Companies Act.

Non-audit services were provided by the external auditors during the year under review and this was appropriately authorised.

The committee has nominated, for approval at the annual general meeting, Deloitte & Touche as the external auditor for the 2017 financial year for Regent Life Company. Mr D Munu is the designated auditor for Regent Life Company. This will be Mr Munu's second year as the designated auditor since the rotation requirement in terms of the Companies Act, 2008, became effective.

Annual report

Having considered the annual report of the Regent Life Group, incorporating the annual financial statements, for the year ended 30 June 2016, the committee recommends the annual report for approval to the board.

Complaints

No complaints relating either to the accounting practices and internal audit of the company or to the contents or auditing of its financial statements, or to any related matter were received by the committee.

BR Mallinson

Chairman of the audit committee

26 October 2016

Directors' report

for the year ended 30 June 2016

The directors present their annual report which forms part of the audited financial statements of the Regent Life Group and Regent Life Company for the financial year ended 30 June 2016.

Nature of business

Regent Life Company is incorporated in the Republic of South Africa and is involved predominately in the credit and individual life markets. The Regent Life Group operates in South Africa, Botswana, Lesotho and Zambia.

Holding company

The holding company is Imperial Holdings Limited, a company incorporated in the Republic of South Africa.

	Percentage holding	Country of incorporation
Subsidiaries and associates		
Regent Life Botswana Limited	100	Botswana
– Regent Life Zambia Limited	100	Zambia
Struland Office Park (Properties) Proprietary Limited	100	South Africa
Lesotho National Life Assurance Company Limited	76	Lesotho
Cedar Employee Benefits Proprietary Limited	100	South Africa
– Cedar Healthcare Consultants Proprietary Limited	100	South Africa
– Cedar Advisory Services Proprietary Limited	51	South Africa
– Medi Call Proprietary Limited	100	South Africa
I'SURE Risk Solutions Proprietary Limited	100	South Africa
Odinfin Life Proprietary Limited	30	South Africa

Regent Life Company's interest in the aggregate profit after tax in subsidiaries amounted to R60.2 million (2015: R84.1 million).

Dividends

Regent Life Group declared and paid dividends of R25.6 million (2015: R102.6 million) and Regent Life Company declared and paid dividends of R25.6 million (2015: R96.8 million).

Share capital

Details of share capital are provided in note 19 to the annual financial statements.

Special resolutions

Regent Life Company passed the following resolutions during the current financial year:

- Approved the fees in respect of the independent non-executive directors; and
- Authorised the company to provide any direct, or indirect financial assistance to any related or inter-related company, subject to the provisions of the Companies Act.

None of the subsidiaries passed any special resolutions, which might be significant to members in their appreciation of the state of affairs of the Regent Life Group.

Events after the reporting period

During September 2015, Regent Life Company's shareholder, Imperial Holdings, accepted an offer by the Hollard Insurance Group and the Yellowwoods Group to dispose of its shareholding in Regent Life Company, subject to regulatory approval. On 21 October 2016, we received confirmation that the Competition Commission would be recommending to the Competition Tribunal that the Regent Life Company acquisition be prohibited from going ahead. Given that the merger is categorised as a large merger, the recommendation of the Competition Commission does not constitute a final binding decision. Such final binding decision will be made by the Competition Tribunal subsequent to the hearing regarding the merger. No other material facts or circumstances have arisen between the reporting date and the date of this report which affect the financial position of the Regent Insurance Group as reflected in these annual financial statements.

Financial performance

The life business operating profit reduced by 3.1% year on year and is made up of an adjusted underwriting result which improved by 5.9% and a lower investment result of 45.9%. The growth in the adjusted underwriting result was masked by once-off positive actuarial adjustments in the prior year. On a normalised basis the growth equated to 31.8% which resulted from strong volume growth and an improved loss experience. The disappointing investment result included a large impairment of an investment made in the Zambian market – after normalising for this impairment, investment results were flat compared to the prior financial year due to subdued domestic equity markets.

Board of directors to the date of this report

MJ Lamberti (Chairman, non-executive director)

Executive directors

B Adam (Chief Financial Officer) (resigned 30 September 2015)

MM Janzen (Acting Joint CEO) (appointed 29 September 2015)

B Ruele (executive director) (appointed 29 September 2015)

JJ Strydom (Chief Executive Officer) (resigned 29 September 2015)

AN Tennick (Acting Joint CEO) (appointed 29 September 2015)

Non-executive directors

M Akoojee (resigned 30 September 2015)

C Erasmus

BJ Francis

BR Mallinson

S Masinga

JPR Mbau

R Mumford

RJA Sparks

Audit committee

Independent non-executive directors

BR Mallinson (Chairman)

C Erasmus

RJA Sparks

Investment committee

Executive directors

B Adam (resigned 30 September 2015)

JJ Strydom (resigned 29 September 2015)

AN Tennick

Non-executive directors

M Akoojee (resigned 30 September 2015)

Independent non-executive directors

C Erasmus

RJA Sparks

External

W Reitsma (Chairman)

Actuarial committee

Executive directors

B Adam (resigned 30 September 2015)

JJ Strydom (resigned 29 September 2015)

AN Tennick

Independent non-executive directors

C Erasmus (Chairman)

Risk committee

Executive directors

B Adam (resigned 30 September 2015)

JJ Strydom (resigned 29 September 2015)

AN Tennick

Non-executive directors

BJ Francis

Independent non-executive directors

C Erasmus

BR Mallinson

S Masinga (Chairman)

Remuneration committee

Independent non-executive directors

C Erasmus (Chairman)

BR Mallinson

RJA Sparks

Non-executive directors

MJ Lamberti

Board meetings

Attendance of directors at board meetings for the year was as follows:

	18 August 2015	27 October 2015	18 February 2016	22 June 2016
Independent non-executive directors				
S Masinga	√	ap	√	√
JPR Mbau	√	√	ap	√
RJA Sparks	√	√	ap	√
C Erasmus	√	√	√	√
BR Mallinson	√	√	√	√
Non-executive directors				
MJ Lamberti	ap	√	√	√
BJ Francis	√	√	√	√
R Mumford	ap	√	ap	√
M Akoojee (resigned 30 September 2015)	ap	n/a	n/a	n/a
Executive directors				
AN Tennick	√	√	√	√
MM Janzen (appointed 29 September 2015)	n/a	√	√	√
B Ruele (appointed 29 September 2015)	n/a	√	√	√
JJ Strydom (resigned 29 September 2015)	√	n/a	n/a	n/a
B Adam (resigned 30 September 2015)	√	n/a	n/a	n/a

√ Present *ap Absent with apology* *n/a Not applicable*

Company Secretary

G Tyusha

The addresses of the Secretary of Regent Life Company are:

Business address
5 Boeing Road East
Elma Park
Edenvale
1609

Postal address
PO Box 674
Edenvale
1610

Auditors

Deloitte & Touche will continue in office in accordance with section 90(2) of the Companies Act subject to the shareholder making such appointment.

Statements of financial position

as at 30 June 2016

	Notes	Group 2016 R'000	Group 2015 R'000	Company 2016 R'000	Company 2015 R'000
ASSETS					
Property and equipment	3	**2 480**	2 904	**198**	254
Intangible assets	4	**21 575**	13 474	**17 465**	9 830
Investment property	5	**5 579**		**5 579**	
Investments in subsidiaries	6	**—**	—	**46 335**	46 335
Investment in associate	7	**11 356**	14 875	**3 247**	14 875
Reinsurers' share of policyholder liabilities under insurance contracts	8	**131 406**	112 922	**128 864**	110 192
Financial assets	9	**1 241 768**	1 296 850	**989 442**	891 838
Non-current assets held for sale		**—**	5 579	**—**	5 579
Deferred taxation	15	**1 456**	1 851	**—**	—
Current taxation		**8 003**	2 748	**3 869**	—
Receivables including insurance receivables	10	**100 434**	95 007	**60 290**	52 369
Due from group companies	11	**—**	—	**2 371**	3 017
Cash and cash equivalents	12	**722 439**	457 705	**211 967**	219 954
TOTAL ASSETS		**2 246 496**	2 003 915	**1 469 627**	1 354 243
LIABILITIES					
Policyholders' liabilities		**840 620**	798 786	**361 975**	369 052
> Insurance contracts	13	**499 159**	477 818	**108 596**	122 627
> Investment contracts	14	**341 461**	320 968	**253 379**	246 425
Deferred taxation	15	**138 145**	122 334	**138 145**	122 334
Provisions	16	**57 863**	58 460	**39 288**	43 022
Current taxation		**5 278**	3 595	**—**	2 082
Due to group companies	11	**2 590**	14 020	**2 590**	14 020
Insurance and other payables	18	**239 777**	251 879	**186 096**	196 291
TOTAL LIABILITIES		**1 284 273**	1 249 074	**728 094**	746 801
EQUITY					
Share capital	19	**21**	21	**21**	21
Share premium	19	**144 667**	144 667	**144 667**	144 667
Statutory reserve*		**100 038**	93 344	**—**	—
Share-based equity reserve	26	**(1 633)**	(6 512)	**(1 633)**	(6 512)
Foreign currency translation reserve		**27 432**	12 827	**—**	—
Retained earnings		**637 437**	460 427	**551 029**	423 390
Equity attributable to the equity holders of the parent		**907 962**	704 774	**694 084**	561 566
Non-controlling interests		**54 261**	50 067	**47 449**	45 876
TOTAL EQUITY		**962 223**	754 841	**741 533**	607 442
TOTAL EQUITY AND LIABILITIES		**2 246 496**	2 003 915	**1 469 627**	1 354 243

** Relates to Regent Life Botswana Limited and is a statutory requirement.*

Statements of comprehensive income

for the year ended 30 June 2016

	Notes	Group 2016 R'000	Group 2015 R'000	Company 2016 R'000	Company 2015 R'000
Gross written premiums		**1 124 015**	1 021 627	**802 781**	751 920
Outward reinsurance premium		**(113 596)**	(108 959)	**(84 086)**	(84 415)
Net written premiums	20	**1 010 419**	912 668	**718 695**	667 505
Investment income	21	**95 671**	76 110	**59 445**	103 946
Investment gains	22	**(9 714)**	37 462	**17 940**	28 218
Other operating income	23	**128 400**	122 291	**57 200**	54 876
Net income		**1 224 776**	1 148 531	**853 280**	854 545
Net claims and benefits incurred	24	**(359 260)**	(333 868)	**(260 596)**	(250 797)
Claims and benefits incurred		**(424 880**	(409 041)	**(312 057)**	(314 832)
Claims handling costs		**(2 301)**	(2 292)	**(2 301)**	(2 292)
Reinsurers' share of claims and benefits incurred		**67 921**	77 465	**53 762**	66 327
Change in policyholder liabilities under insurance and investment contracts		**(7 477)**	(5 972)	**21 746**	26 354
Transfer to life fund – insurance contracts	13	**(10 839**	45 481	**18 196**	74 253
Life fund – economic assumption	13	**(4 165)**	(5 710)	**(4 165)**	(5 710)
Reinsurers' share	8	**18 484**	(35 451)	**18 672**	(31 897)
Transfer to investment contracts		**(10 957)**	(10 292)	**(10 957)**	(10 292)
Finance cost		**(3 026)**	(318)	**(3 029)**	(211)
Commission and acquisition expenses		**(258 125)**	(221 094)	**(196 539)**	(169 894)
General marketing and administration expenses		**(272 966)**	(254 309)	**(176 755)**	(174 757)
Exceptional items*		**(13 517)**	(680)	**(13 517)**	(4 965)
Loss from associate		**(2 219)**	(625)	**(1 611)**	(863)
Profit before taxation	25	**308 186**	331 665	**222 979**	279 412
Taxation	27	**(92 879)**	(86 622)	**(67 867)**	(63 298)
Profit after taxation		**215 307**	245 043	**155 112**	216 114
Other comprehensive income					
Currency translation differences		**14 605**	4 789	**—**	—
Total comprehensive income for the year		**229 912**	249 832	**155 112**	216 114
Profit attributable to:					
Equity owners of the company		**185 549**	213 535	**128 000**	187 256
Non-controlling interests		**29 758**	31 508	**27 112**	28 858
		215 307	245 043	**155 112**	216 114
Total comprehensive income attributable to:					
Equity owners of the company		**200 154**	218 324	**128 000**	187 256
Non-controlling interests		**29 758**	31 508	**27 112**	28 858
		229 912	249 832	**155 112**	216 114

** Exceptional items for the current financial year relate to the impairment of the associate, Odinfin Proprietary Limited while for the prior financial year, they relate to profit on sale of the disposal of Boland Cavaliers Proprietary Limited, loan write off of Bridgeworks Proprietary Limited and impairment of investment in Regent Life Zambia Limited.*

Statements of changes in equity

for the year ended 30 June 2016

Group	Share capital* and share premium R'000	Statutory reserve R'000	Share-based equity reserve R'000	Foreign currency translation reserve R'000	Retained earnings R'000	Non-controlling interests R'000	Total R'000
Balance at 1 July 2015	144 688	81 268	(7 565)	8 038	333 780	49 832	610 041
Net profit for the year	—	—	—	—	213 535	31 508	245 043
Other comprehensive income							
Arising from translation of foreign entity				4 789	—		4 789
Total comprehensive income for the year ended 30 June 2015	—	—	—	4 789	213 535	31 508	249 832
Transfer to statutory reserve	—	12 076	—	—	(13 494)	—	(1 418)
Movement in interest in subsidiary					(880)	(520)	(1 400)
Share-based equity reserve transferred to retained earnings on vesting	—	—	688	—	(688)	—	—
Share-based equity			365				365
Dividends paid	—	—	—	—	(71 826)	(30 753)	(102 579)
Balance at 30 June 2015	144 688	93 344	(6 512)	12 827	460 427	50 067	754 841
Net profit for the year	—	—	—	—	185 549	29 758	215 307
Other comprehensive income							
Arising from translation of foreign entity				14 605	—		14 605
Total comprehensive income for the year ended 30 June 2016	**—**	**—**	**—**	**14 605**	**185 549**	**29 758**	**229 912**
Transfer to statutory reserve	**—**	**6 694**	**—**	**—**	**(8 178)**	**—**	**(1 484)**
Movement in interest in subsidiary							**—**
Share-based equity reserve transferred to retained earnings on vesting	**—**	**—**	**330**	**—**	**(330)**	**—**	**—**
Share-based equity			**4 549**				**4 549**
Dividends paid	**—**	**—**	**—**	**—**	**—**	**(25 595)**	**(25 595)**
Allocation of prior year retained earnings to cell captive					**(31)**	**31**	
Balance at 30 June 2016	**144 688**	**100 038**	**(1 633)**	**27 432**	**637 437**	**54 261**	**962 223**
Company							
Balance at 1 July 2015	144 688	—	(7 565)	—	308 648	42 035	487 806
Net profit for the year	—	—	—	—	187 256	28 858	216 114
Total comprehensive income for the year ended 30 June 2015	—	—	—	—	187 256	28 858	216 114
Share-based equity reserve transferred to retained earnings on vesting	—	—	688	—	(688)	—	—
Share-based equity			365	—	—	—	365
Dividends paid	—	—	—	—	(71 826)	(25 017)	(96 843)
Balance at 30 June 2015	**144 688**	**—**	**(6 512)**	**—**	**423 390**	**45 876**	**607 442**
Net profit for the year	**—**	**—**	**—**	**—**	**128 000**	**27 112**	**155 112**
Total comprehensive income for the year ended 30 June 2016	**—**	**—**	**—**	**—**	**128 000**	**27 112**	**155 112**
Share-based equity reserve transferred to retained earnings on vesting	**—**	**—**	**330**	**—**	**(330)**	**—**	**—**
Share-based equity			**4 549**	**—**	**—**	**—**	**4 549**
Dividends paid	**—**	**—**	**—**	**—**		**(25 570)**	**(25 570)**
Allocation of prior year retained earnings to cell captive					**(31)**	**31**	
Balance at 30 June 2016	**144 688**	**—**	**(1 633)**	**—**	**551 029**	**47 449**	**741 533**

** Included in share capital and share premium are eight preference shares issued at a value of R0.01.*

Statements of cash flows

for the year ended 30 June 2016

	Notes	Group 2016 R'000	Group 2015 R'000	Company 2016 R'000	Company 2015 R'000
Cash flow from operating activities					
Cash generated from/(utilised in) operations	28.1	**216 930**	252 055	**108 877**	140 317
Interest received	28.2	**86 111**	69 868	**52 336**	39 439
Interest paid		**(3 026)**	(318)	**(3 029)**	(211)
Share-based equity movement		**4 315**	(183)	**4 315**	(183)
Taxation paid	28.3	**(80 011)**	(73 640)	**(57 774)**	(51 454)
Net cash inflow (outflow) from operating activities		**224 319**	247 782	**104 725**	127 908
Cash flow from investing activities					
Acquisition of property and equipment	3	**(563)**	(1 789)	**—**	—
Acquisition of intangible assets	4	**(11 744)**	(6 989)	**(9 780)**	(4 815)
Proceeds on disposal of property and equipment		**—**	9 313	**—**	9 210
Proceeds on sale of investments		**879 983**	683 110	**677 766**	684 272
Acquisition of associate		**(12 217)**	(15 500)	**(3 500)**	(15 500)
Acquisition of investments		**(818 528)**	(999 141)	**(757 380)**	(951 741)
Net cash outflow on acquisition of subsidiaries	28.5	**—**	(5 879)	**—**	—
Movement in investment contracts		**(4 539)**	(9 360)	**(5 468)**	(18 551)
Dividends received	28.2	**11 220**	12 000	**11 220**	67 413
Net cash inflow from investing activities		**43 612**	(334 235)	**(87 142)**	(229 712)
Cash flow from financing activities					
Dividends paid	28.4	**(25 595)**	(102 579)	**(25 570)**	(96 843)
Net cash outflow from financing activities		**(25 595)**	(102 579)	**(25 570)**	(96 843)
Net increase in cash and cash equivalents		**242 336**	(189 032)	**(7 987)**	(198 647)
Foreign currency translation differences on cash balances		**22 398**	7 563	**—**	—
Cash and cash equivalents at the beginning of the year		**457 705**	639 174	**219 954**	418 601
Cash and cash equivalents at the end of the year		**722 439**	457 705	**211 967**	219 954

Notes to the consolidated annual financial statements

for the year ended 30 June 2016

1. Summary of significant accounting policies

Statement of compliance

The consolidated and separate annual financial statements are stated in South African rand and are prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations, adopted by the International Accounting Standards Board (IASB), in issue and effective for the group at 30 June 2016 and 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 Companies Act of South Africa, 2008.

Accounting policies

The principal accounting policies adopted and the methods of computation used in the preparation of these consolidated and separate annual financial statements are set out below and are consistent in all material respects with those applied during the previous year except for the adoption of new and amended statements and interpretations as disclosed in note 1.1.

1.1 Basis of preparation

IFRS comprise IAS and interpretations originated by the IFRIC or the former SIC. The standards referred to are set by the IASB.

The consolidated and separate annual financial statements have been prepared in compliance with IFRS and interpretations for year ends commencing on or before 1 July 2015 and in compliance with the Companies Act, No 71 of 2008.

The consolidated and separate annual financial statements have been prepared on a historical cost basis, except for:

Carried at fair value:

- Financial instruments (which include derivative financial instruments) which are designated at fair value through profit and loss;
- Policyholder investment contract liabilities; and
- Liabilities for cash-settled share-based payment arrangements.

Carried at different measurement basis:

- Policyholder insurance contract liabilities and related reinsurance assets that are measured in terms of the FSV basis as set out in note 1.22 to the accounting policies.

Changes in accounting policies and disclosures

The Regent Life Group has adopted the following amended accounting standards:

- IAS 32 *Financial Instruments: Presentation*
- IAS 16 *Property, Plant and Equipment*

None of these have had a significant impact on the Regent Life Group's accounting policies and methods of computation.

Standards, interpretations and amendments to published standards that are not yet effective

The following are some amendments to IFRS that could have an impact on the Regent Life Group's future financial statements. The Regent Life Group does not anticipate that other amendments resulting from annual improvements to have an impact on its financial statements other than additional disclosures.

IFRS 4 *Insurance Contracts*

This standard is expected to materially change, an exposure draft is currently in circulation for comment.

The Regent Life Group is currently assessing the impact of the changes to the standard on its results, financial position and cash flows. The standard is expected to first become applicable for the financial year ending 30 June 2021.

IFRS 9 *Financial Instruments*

IFRS 9 introduces a single classification and measurement model for financial assets which is dependent on the entities business model objective for managing financial assets and on the contractual cash flow characteristics of financial assets.

Financial assets are classified as either amortised cost, fair value through profit or loss or fair value through other comprehensive income while financial liabilities are classified as amortised cost or fair value through profit or loss.

The standard also introduces a new impairment model which follows a three-stage approach based on changes in expected credit losses of a financial instrument. The model also determines the recognition of impairment as well as the recognition of interest revenue.

Amendments were also made to the criteria for applying hedge accounting, more specifically on the hedge effectiveness which requires the existence of an economic relationship between the hedge item and the hedging instrument and that credit risk does not dominate changes in the fair value of the hedge item or hedging instrument and lastly that the hedge ratio is the same for both the hedging relationship and the quantity of the hedged item actually hedged and the quantity of the hedging instrument used to hedge it.

The Regent Life Group anticipates that the application of IFRS 9 may have a significant impact on amounts reported in respect of the Regent Life Group's financial assets and financial liabilities. However, it is not practical to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

IFRS 9 was originally issued in January 2014 and applies to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2018.

The standard is expected to first become applicable for the financial year ending 30 June 2019.

IFRS 14 *Regulatory Deferral Accounts*

IFRS 14 regulatory deferral accounts permits an entity which is a first-time adopter of IFRS to continue to account, with some limited changes, for "regulatory deferral account balances" in accordance with its previous generally accepted accounting practices, both on initial adoption of IFRS and in subsequent financial statements. Regulatory deferral account balances, and movements in them, are presented separately in the statement of financial position and statement of comprehensive income, and specific disclosures are required.

1.1 Basis of preparation *(continued)*

The Regent Life Group anticipates that this standard will have no significant effect on its consolidated and separate annual financial statements. The standard is expected to first become applicable for the financial year ending 30 June 2017.

IFRS 15 *Revenue From Contracts With Customers*

The objective of IFRS 15 is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer.

The core principle of IFRS 15 is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is delivered in a five-step model framework:

- Identify the contract(s) with a customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Application of this guidance will depend on the facts and circumstances present in a contract with a customer and will require the exercise of judgement.

IFRS 15 was issued in January 2014 and replaces the following standards and interpretations when it becomes effective:

- IAS 11 *Construction contracts*
- IAS 18 *Revenue*
- IFRIC 13 *Customer Loyalty Programmes*
- IFRIC 15 *Agreements for the Construction of Real Estate*
- IFRIC 18 *Transfers of Assets from Customers*
- SIC 31 Revenue – *Barter Transactions Involving Advertising Services*

The Regent Life Group is in the process of assessing the impact of IFRS 15 on its consolidated and separate annual financial statements.

The standard is expected to first become applicable for the financial year ending 30 June 2018.

IFRS 16 *Leases*

IFRS 16 Leases introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term longer than 12 months.

A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Depreciation is recognised on the right-of-use asset and interest on the lease liability.

In terms of lessor accounting IFRS 16 substantially carries forward the requirements in IAS 17 and accordingly a lessor continues to account for its leases as operating leases or finance leases.

The group anticipates that the application of IFRS 16 will have an impact on amounts reported in respect of the group's financial assets and financial liabilities. A detailed review of the potential impact of IFRS 16 is ongoing.

The standard is expected to first become applicable for the financial year ending 30 June 2019.

IAS 7 *Statement of Cash Flows*

The amendments to IAS 7 are intended to improve information provided to users of financial statements about an entity's financing activities.

The standard is expected to be first become applicable for the financial year ending 30 June 2018.

1.2 Consolidation

The consolidated annual financial statements incorporate the financial statements of Regent Life Company and entities controlled by the company (its subsidiaries).

Subsidiaries

Subsidiary undertakings, which are those companies in which the Regent Life Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations, have been consolidated. Control is achieved where the Regent Life Group has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities and when the Regent Life Group has the majority of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Regent Life Group and are no longer included from the date on which control ceases (effective date of disposal). Gains and losses on disposal of subsidiaries are included in the statement of comprehensive income. In the company's financial statements, interests in subsidiary companies are shown at cost less any required impairment (which is assessed annually as set out in note 1.12 to the accounting policies).

The Regent Life Group uses the purchase method of accounting to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

The excess of the cost of acquisition over the fair value of the Regent Life Group's share of the identifiable net assets acquired is recorded as goodwill. If after the reassessment, the Regent Life Group's interest in the fair value of the net assets of the subsidiary acquired exceeds the cost of the business combination, the excess is recognised immediately in the statement of comprehensive income.

At the acquisition date, the identifiable assets acquired and liabilities assumed are measured at fair values except deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements which are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee benefits* respectively.

The accounting policies for subsidiaries are consistent, in all material respects, with the policies adopted by the Regent Life Group. Inter-group transactions, balances and unrealised gains and losses are eliminated on consolidation.

The Regent Life Group consolidates an SPE when the substance of the relationship between the Regent Life Group and the SPE indicates that the Regent Life Group controls the SPE. The Regent Life Group operates cell captives on behalf of entities that wish to participate in the insurance result of a particular category of insured risk. Preference shares are issued to those participants giving them the rights to share in profits on an agreed basis. To reflect the substance of the transaction it is consolidated and the participants' share of profits is treated as a non-controlling interest.

Non-controlling interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Regent Life Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination (see below) and the non-controlling interest's share of changes in equity since the date of the combination. Losses applicable to the non-controlling interest in excess of the non-controlling interest's share in the subsidiary's equity are allocated against the interests of the Regent Life Group except to the extent that the non-controlling interest has a binding obligation and is able to make an additional investment to cover the losses.

Associates

Associates are all entities over which the Regent Life Group has significant influence that are neither a subsidiary nor an interest in a joint venture. Significant influence is presumed to exist when the Regent Life Group holds between 20% and 50% of the voting power of another entity. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The Regent Life Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Regent Life Group's share of its associates' post-acquisition profits or losses is recognised in the statement of comprehensive income, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying value of the investment. When the Regent Life Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Regent Life Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Regent Life Group and an associate are eliminated to the extent of the Regent Life Group's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred. Associates' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Regent Life Group.

1.3 Foreign currencies

Foreign currency translation

The Regent Life Group's presentation currency is South African rand. The functional currency of the Regent Life Group's operations is the currency of the primary economic environment where each operation physically has its main activities.

Transactions and balances

Transactions in foreign currencies are translated into the functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies different to the functional currency at the statement of financial position date are translated into the functional currency at the ruling rate at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transaction, and those measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined. Foreign exchange gains or losses are recognised as part of fair value adjustments on financial instruments in the statement of comprehensive income.

Group foreign companies

Assets and liabilities of companies whose functional currency is different to the presentation currency are translated from their respective functional currency to the Regent Life Group's presentation currency at closing rates ruling at statement of financial position date. The income and expenditure and equity movements are translated into the Regent Life Group's presentation currency using exchange rates prevailing at the end of each reporting period. All resulting translation differences arising from the consolidation and translation of foreign companies are recognised in other comprehensive income and accumulated in the foreign currency translation reserve in equity. On the disposal of a foreign operation, all the exchange differences accumulated in equity relating to that foreign operation is recognised in profit or loss when the gain or loss on disposal is recognised.

1.4 Property and equipment

Property and equipment comprises owner-occupied properties, which are held for use in the supply of services or for administrative purposes, computer equipment, office equipment, furniture and fittings and motor vehicles. These assets are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying value or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Regent Life Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred. Depreciation on property, plant and equipment is calculated using the straight-line

1.4 Property and equipment *(continued)*

method after allocating their cost to their residual values over their estimated useful lives. The assets residual values and useful lives are reviewed at each statement of financial position date and adjusted if appropriate. The expected useful lives are as follows:

Office equipment	5 years
Computer equipment	2 – 3 years
Motor vehicles	2 – 5 years
Furniture and fittings	6 years
Leasehold improvements	Over the period of the lease
Land	Not depreciated
Buildings	20 years

Depreciation commences when the assets are ready for their intended use.

There has been no change to the useful lives from those applied in the previous financial year. The residual values and useful lives are reassessed on an annual basis.

Where the carrying amount of the asset is greater than its estimated recoverable amount, the asset is written down immediately to its recoverable amount

Property and equipment are derecognised on disposal or when future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from the derecognition of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Where the residual value is greater than or equal to the carrying value, no depreciation is provided for.

1.5 Intangible assets

Computer software

Costs associated with maintaining computer software are recognised as an expense when incurred. Costs clearly associated with an identifiable and unique system, which will be controlled by the Regent Life Group and has a probable benefit exceeding the cost beyond one year, are recognised as an asset. These costs comprise all directly attributable costs necessary to create, produce and prepare the asset for its intended use, such as costs of material and supplier services used or consumed in generating the intangible asset. Expenditure that enhances and extends the benefits of computer software beyond their original specifications and lives is recognised as a capital improvement and capitalised to the original cost of the software. Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives, between three to five years. Where the carrying amount of an asset is greater than its estimated recoverable amount, the asset is written down immediately to its recoverable amount.

Amortisation of intangibles

Amortisation of intangibles is charged to the statement of comprehensive income. The expected useful lives are as follows:

- Computer software development: three to five years

Amortisation commences from the date the software is applied to day-to-day business processing. As the software is proprietary and specific to the Regent Life Group's operations, no residual value is estimated.

Goodwill

Goodwill represents the excess of the purchase price consideration of an acquisition over the fair value attributable to the net identifiable assets, liabilities and contingent liabilities at the date of acquisition.

Goodwill on acquisition of subsidiaries is included in intangible assets and goodwill on acquisitions of associates is included in interests in associates.

For the purpose of impairment testing, goodwill is allocated to each of the Regent Life Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which the goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit *pro rata* on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

1.6 Investment properties

Investment property is property held to earn rentals and/or for capital appreciation.

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that the cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of comprehensive income in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation, commencement of an operating lease to another party or completion of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sell.

For a transfer from investment property to owner-occupied property, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Regent Life Group as an owner-occupied property becomes an investment property, the Regent Life Group accounts for such property in accordance with the policy stated under

property and equipment up to the end of change in use. When the Regent Life Group completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of comprehensive income.

1.7 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Regent Life Group as lessor

Operating leases

Rental income is recognised in the statement of comprehensive income over the term of the relevant lease on the straight-line basis. Assets leased under operating leases are included under the appropriate category of assets in the statement of financial position. They are depreciated over their expected useful lives on a basis consistent with similar fixed assets.

The Regent Life Group as lessee

Finance leases

Assets held under finance leases are recognised as assets of the Regent Life Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the statement of comprehensive income over the term of the relevant lease.

The interest element of the finance cost is charged to the statement of comprehensive income over the lease period according to the effective interest rate method. The assets acquired under the finance leases are depreciated over the shorter of the useful life of the asset and the lease term. Leased assets under finance leases are treated in the same manner as owned fixed assets.

Operating leases

Operating lease costs are recognised in the statement of comprehensive income over the lease term on the straight-line basis. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

1.8 Acquisition costs associated with insurance contracts

Acquisition costs for insurance contracts represent commission payments and other costs that relate to the securing of new contracts and the renewing of existing contracts.

1.9 Operating and administrative expenditure

Operating expenses include administration expenditure, marketing and development expenditure, indirect taxes and levies other than life insurance taxes as well as all other non-commission-related expenditure, and are expensed as incurred.

1.10 Impairment of tangible and intangible assets

At the end of each reporting period, the Regent Life Group assesses if there is any indication that such assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Regent Life Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and the value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of the asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount, in which case the impairment loss is taken to profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years.

1.11 Financial assets

Financial assets are recognised in the Regent Life Group's consolidated statement of financial position when the Regent Life Group becomes party to the contractual provisions of the instrument.

The Regent Life Group classifies its investments at initial recognition into financial assets held at fair value through profit and loss, held-to-maturity financial assets, loans and other receivables and available-for-sale.

Financial assets are initially recorded at fair value plus, in the case of financial assets not fair valued through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset.

The classification depends on the purpose for which the investments were acquired or originated. In general, financial assets are classified as at fair value through profit and loss, as the Regent Life Group's strategy is to manage financial investments acquired to cover its insurance and investment contract liabilities. In addition shareholders' capital is invested under a formal capital management strategy that actively measures the performance on a fair value basis. The available-for-sale and held-to-maturity categories are used when the relevant liability (including shareholders' funds) are passively managed and/or carried at amortised cost.

All regular way purchases and sales of financial assets are recognised on the trade date, i.e. the date the Regent Life Group commits to purchase or sell the asset. Regular way purchases or sales of financial assets require delivery of assets within the timeframe generally established by regulation or convention in the marketplace.

1.11 Financial assets *(continued)*

Financial assets at fair value through profit and loss have two sub-categories, namely financial assets held for trading and those designated at fair value through profit and loss at inception. Investments typically bought with the intention to sell in the near future are classified as held for trading. For investments designated as at fair value through profit and loss, the following criteria must be met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis; or
- The assets or liabilities are part of a Regent Life Group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

Financial assets at fair value through profit or loss, including derivative assets, are subsequently measured at fair value. Fair value adjustments and realised gains and losses are recognised in the statement of comprehensive income.

Held-to-maturity financial assets are non-derivative financial assets that comprise fixed or determinable payments and maturities of which the Regent Life Group has the positive intention and ability to hold until maturity. Investments intended to be held for an undefined period are not included in this classification. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are expensed when incurred. Subsequent to initial recognition, these investments are carried at amortised cost, using the effective interest rate method. The cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest rate method. Gains and losses are recognised in the statement of comprehensive income when the investments are derecognised or impaired, as well as through the amortisation process.

Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are expensed when incurred. Subsequent to initial recognition, these investments are carried at amortised cost, using the effective interest method. Gains and losses are recognised in the statement of comprehensive income when the investments are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or which are not classified in any of the above categories. These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are remeasured at fair value. Fair value gains and losses are reported as a separate component of equity until the investment is derecognised or the investment is determined to be impaired. At derecognition or impairment, the cumulative fair value gains and losses previously reported in equity is transferred to the statement of comprehensive income.

1.12 Impairment of financial assets

Financial assets, other than those fair valued through profit or loss, are assessed for indicators of impairment at the end of each reporting period.

The Regent Life Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics which are collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. The impairment assessment is performed at the end of each reporting period.

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. Any subsequent reversal of an impairment loss is recognised in the statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of comprehensive income, is transferred from equity to the statement of comprehensive income. Reversals in respect of equity instruments classified as available-for-sale are reversed through the statement of comprehensive income if the increase in the fair value of the instruments can be objectively related to an event occurring after the impairment losses were recognised in the statement of comprehensive income.

For assets carried at cost, if there is objective evidence that an impairment loss on an unquoted equity investment that is not carried at fair value, because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return of a similar asset.

For held-to-maturity financial assets and loans and other receivables carried at amortised cost, the amount of the impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced by the impairment loss and the loss is recorded in the statement of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Regent Life Group may measure impairment on the basis of an instrument's fair value using an observable market price.

1.13 Derecognition of financial assets

A financial asset (or, when applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Regent Life Group retains the right to receive cash flows from the asset, but assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Regent Life Group has transferred its rights to receive cash flows from the asset and either:
  - has transferred substantially all the risks and rewards of the asset; or
  - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Regent Life Group has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Regent Life Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Regent Life Group could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including cash-settled option or similar provision) on the transferred asset, the extent of the Regent Life Group's continuing involvement is the amount of the transferred asset that the Regent Life Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Regent Life Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.14 Derivative financial instruments

Derivative financial instruments are designated at fair value through profit and loss. All derivatives are carried as assets when the fair values are positive and as liabilities when the fair values are negative.

Embedded derivatives are treated as separate derivatives and are recorded at fair value if their economic characteristics and risks are not closely related to those of the related host contract and the host contract is not itself recorded at fair value through the statement of comprehensive income. Embedded derivatives that meet the definition of insurance contracts are treated and measured as insurance contracts.

1.15 Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration paid plus incremental cost. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of comprehensive income.

1.16 Reinsurance contracts

The Regent Life Group cedes insurance risk in the normal course of business. Reinsurance contracts are contracts entered into by the Regent Life Group with reinsurers under which the Regent Life Group is compensated for the entire or a portion of losses arising on one or more of the insurance contracts issued by the Regent Life Group.

Reinsurance assets represent balances due from reinsurance companies. These assets consist of short-term balances due from reinsurers (classified within loans and receivables) as well as longer-term receivables (classified as reinsurance assets) that are dependent on the present value of the expected claims and benefits arising, net of expected premiums payable under the related reinsurance contracts. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Regent Life Group may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Regent Life Group will receive from the reinsurer can be measured reliably. The impairment loss is recorded in the statement of comprehensive income.

Reinsurance arrangements do not relieve the Regent Life Group from its obligations to policyholders.

Premiums and claims on assumed reinsurance are recognised as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the associated reinsurance contract.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

1.17 Cash and cash equivalents

Cash and cash equivalents comprise balances with bankers, highly liquid short-term funds on deposit and cash on hand, but do not include money market securities held for investment.

1.18 Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets to the holder. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

1.19 Classification of contracts

Insurance contracts are those contracts where the Regent Life Group (the insurer) has accepted significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. As a general guideline, the Regent Life Group determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Investment contracts are those contracts that transfer significant financial risk with no significant insurance 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, a credit rating or credit index or other variable.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can, however, be reclassified as insurance contracts after inception, if insurance risk becomes significant.

1.20 Income recognition

Insurance contracts

Premiums and annuity considerations on insurance contracts are recognised when due in terms of the contract, other than group schemes. Premiums receivable in respect of group schemes that are due after the year-end date are ignored. However, where the operating ratios exceed 100%, a deficiency reserve would be established to offset any expected losses up until the next renewal date. Premium income on insurance contracts is shown gross of reinsurance. Premiums are shown before deduction of commission. Premium income received in advance is included in trade and other payables. Amounts received under investment contracts, such as premiums, are recorded as deposits to investment contract liabilities.

Reinsurance contracts

Reinsurance premiums are recognised when due for payment in accordance with the terms of each reinsurance contract.

Investment contracts

Amounts received under investment contracts, such as premiums, are recorded as deposits to investment contract liabilities.

Investment income

Investment return comprises interest, dividends and realised and unrealised gains or losses. Dividend income from investments is recognised when the Regent Life Group's rights to receive payment have been established.

Interest income is recognised using the effective interest method by reference to the principal debt outstanding and the interest rate. Other investment returns are accounted for on an accrual basis.

Policy fee income

The Regent Life Group recognises policy fees on investment management contracts on an accrual basis when the service is rendered. Fees consist primarily of investment management fees arising from services rendered in conjunction with the issue and management of investment contracts where the Regent Life Group actively manages the considerations received from its customers to fund a return that is based on the investment profile that the customer selected on origination of the contract.

1.21 Benefits and claims recognition

Gross benefits and claims consist of benefits and claims accrued to policyholders, which include changes in the gross valuation of insurance and investment contract liabilities. It further includes internal and external claims handling costs that are directly related to the processing and settlement of claims.

Insurance contracts

Claims on insurance contracts, which include death, disability, maturity, surrender and annuity payments, are charged to income when notified of a claim based on the estimated liability for compensation owed to policyholders. They also include allowance for claims that arise from death and disability events that have occurred up to the statement of financial position date even if they have not been reported to the Regent Life Group. Unpaid disability claims are estimated using the input of assessors for individual cases reported to the Regent Life Group and statistical analyses for the claims incurred but not reported. Outstanding claims are recognised in insurance and other payables. Reinsurance recoveries are accounted for in the same period as the related claim.

Investment contracts

Claims incurred are recorded as deductions from investment contract liabilities.

Reinsurance contracts

Contracts entered into with reinsurers, under which the Regent Life Group is compensated for losses on one or more contracts, and which meet the classification requirements for insurance contracts, are classified as reinsurance contracts held.

Premiums payable on assumed reinsurance are recognised when due. Reinsurance recoveries are accounted for in the same period as the related claim.

The benefits to which the Regent Life Group is entitled under their reinsurance contracts held are recognised as reinsurance assets, consisting of long-term balances due from reinsurers that are dependent on the expected claims and benefits. Reinsurance liabilities are primarily premiums payable and are recognised as an expense when due. Reinsurance assets are assessed for impairment on an annual basis, reducing the carrying amount of the reinsurance asset to its recoverable amount through the statement of comprehensive income.

1.22 Policyholder insurance and investment contracts

SAPs issued by the ASSA

In terms of IFRS 4, defined insurance liabilities are measured under existing local practice at the date of adoption of IFRS 4. The Regent Life Group has, prior to the adoption of IFRS 4, adopted the SAPs to determine the liability in respect of insurance contracts issued in South Africa.

The SAPs are available on the ASSA website (www.assa.org.za).

Where applicable, the SAPs are referred to in the accounting policies and notes to the annual financial statements.

Insurance and investment contract valuation

The Regent Life Group issues contracts that transfer insurance risk or financial risk or, in some cases, both. Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. Investment contracts are those contracts that transfer financial risk with no significant insurance risk.

Insurance contracts are classified into individual credit life contracts, individual life contracts, group funeral, group life and group credit life contracts.

All policyholder contracts that transfer significant insurance risk are classified as insurance contracts. Insurance contracts are valued in terms of the FSV basis contained in SAP 104 issued by the ASSA and are reflected as "Policyholder liabilities under insurance contracts" on the statement of financial position.

The Regent Life Group's statutory actuary calculates the Regent Life Group's liabilities under insurance contracts and investment contracts annually at the statement of financial position date in accordance with prevailing legislation and IFRS as appropriate. The transfers to or from policyholder liabilities reflected in the notes to the financial statements represent the increase or decrease in liabilities, including provisions for policyholders' bonuses, net adjustments to policyholders' bonus stabilisation reserves, and net adjustments to margins held within the policyholder liabilities.

Fair value adjustments to policyholder liabilities under investment contracts

The operating profits or losses are determined in accordance with the guidance note on FSVs, SAP 104 issued by the Actuarial Society of South Africa. The profits or losses are arrived at after taking into account the changes over the period in values of actuarial liabilities under unmatured policies, corresponding assets, provisions for policyholder bonuses and adjustments to other margins within policyholder liabilities.

IBNR – insurance contracts

Provision is made in the policyholder's liabilities under insurance contracts for the estimated cost at the end of the year for claims IBNR at that date. IBNR provisions are calculated as a multiple, based on the average historical reporting delay, of the claims reported in the three weeks following the valuation date but where the claims event occurred prior to valuation date. These liabilities are not discounted due to the short-term nature of outstanding claims.

Liability adequacy test – insurance contracts

At each reporting date the adequacy of the insurance liabilities is assessed, using current estimates of future cash flows under the insurance contracts. If that assessment shows that the carrying amount of the insurance liabilities (less related deferred acquisition costs) is inadequate in the light of the estimated future cash flows, the entire deficiency is recognised in profit and loss.

1.23 Financial liabilities

Financial liabilities comprise policyholders' liabilities under investment contracts

Financial liabilities are initially measured at fair value, net of transaction costs that are directly attributable to the raising of the funds. The measurement of policyholder liabilities under investment contracts is described in note 1.22 to the accounting policies.

Policyholder contracts that do not transfer significant insurance risk are classified in the financial statements as financial liabilities held at fair value through profit and loss, with changes in fair value being accounted for in the statement of comprehensive income. The premiums and benefit payments relating to these investment contracts have been excluded from the statement of comprehensive income and accounted for directly as a liability. Fees earned from these contracts are disclosed separately through profit and loss. These liabilities have been designated as financial liabilities held at fair value through income by management at inception.

Financial liabilities are initially recognised at fair value. Thereafter, financial liabilities are measured at amortised cost using the effective interest rate method, except for financial liabilities at fair value through profit and loss, which are measured at fair value.

Fair value is measured by taking into consideration the time value of money, credit risk, commodity and equity prices, volatility and servicing costs.

Trade and other payables

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

1.24 Provisions

Provisions are recognised when the Regent Life Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Regent Life Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain and the amount can be measured reliably. The expense relating to any provision is presented in the statement of comprehensive income. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at pre-tax rates that reflect current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

Leave pay provision

Leave pay provision is calculated based on the outstanding number of days' leave due to employees, applied to the total cost of their employment.

Employee bonus provision

Within the Regent Life Group there are various formulas to calculate bonuses payable to employees. Provisions are raised based on the estimates of the total amount due.

1.25 Taxation

Income taxation on the profit or loss for the periods presented comprises current and deferred taxation.

Current taxation

The charge for current tax is based on the results for the year as adjusted for items that are non-taxable or are disallowed. It is calculated using the tax rates that have been enacted or substantively enacted on the statement of financial position date, in each particular jurisdiction in which the Regent Life Group operates.

Deferred taxation

Deferred tax is recognised on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same tax authority and the Regent Life Group intends to settle its current tax assets and liabilities on a net basis.

Dividends tax

Dividends tax is levied on non-exempt shareholders. The group is responsible for the collection of the dividends tax and payment of the amounts collected to the South African Revenue Service (SARS). As this tax is levied on the shareholders and not the company, it does not form part of the tax expense recognised in profit or loss or in other comprehensive income. Dividends are reflected gross of tax.

1.26 Employee retirement benefits

The policy of the Regent Life Group is to provide retirement benefits for its employees. The contributions paid by the Regent Life Group to fund obligations for the payment of retirement benefits are charged to the statement of comprehensive income in the year to which they relate. The Regent Life Group's employees are members of a defined contribution plan, which is governed by the Pension Funds Act, 24 of 1956.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

For defined contribution plans, the Regent Life Group pays contributions to privately administered pension insurance plans on a mandatory basis. The Regent Life Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

1.27 Share-based payments transactions

The Imperial Holdings Group operates equity-settled share-based compensation plans for senior employees and executives of the Regent Life Group which bears the cost thereof.

Equity-settled share-based payments to employees are measured at the fair value of the equity instrument at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 26.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Regent Life Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity.

At the end of each reporting period, the Regent Life Group revises its estimates of the number of equity instruments that are expected to vest.

The impact of the revision of original estimates, if any, is recognised in profit or loss with a corresponding adjustment to the share-based payment reserve in equity.

1.28 Exceptional items

Exceptional items include income and expense items which are not considered to be of a trading nature and include items such as impairments of goodwill, and profit on sale of property.

1.29 Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and where there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.30 Dividend distribution

Dividend distribution to the Regent Life Group's shareholders is recognised as a liability in the Regent Life Group's financial statements in the period in which the dividends are approved by the Regent Life Group's board of directors.

1.31 Events after statement of financial position date

The financial statements are adjusted to reflect events that occurred between the end of the reporting period and the date when the financial statements are authorised for issue, only if those events provide evidence of conditions that existed at the end of the reporting period. Events that are indicative of conditions that arose after the reporting period are disclosed, with no adjustment to the financial statements.

1.32 Transactions with related parties

Transactions with related parties are subject to terms and conditions that are no less favourable than those arranged with third parties.

1.33 Key assumptions in applying accounting policies

Key assumptions are those used to derive estimates, which require management judgement.

The Regent Life Group's management decides on assumptions that can materially affect the reported amounts of assets and liabilities within the next financial year. These estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The most significant assets and liabilities, which typically require such assumptions, are the following:

- Policyholders' liabilities under insurance contracts are derived from estimates of the net present value of future claims and benefits under existing contracts, offset by probable future premiums to be received (net of expected service costs). The key assumptions have been detailed in note 13 of the notes.
- The Regent Life Group holds a number of financial assets that are designated at fair value through profit/loss. These are valued at quoted market prices as far as possible. However, if such prices are unavailable, fair value is based either on internal valuations or management's best estimates of realisable amounts.
- Impairment tests are conducted on all assets included in the statement of financial position. In determining the value in use, various estimates are used by management including deriving future cash flows and applicable discount rates. These estimates are most applicable to the impairment tests on reinsurance assets, intangible assets (including goodwill), deferred acquisition costs and receivables. Further details are contained in note 1.10 and 1.12 of the accounting policies.

2. Accounting estimates and 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 estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years. In terms of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, changes in accounting estimates do not necessitate a prior period adjustment.

	Note	Property R'000	Computer and office equipment R'000	Furniture and fittings R'000	Motor vehicles R'000	Total R'000
3. Property and equipment						
Group						
2016						
Balance at the beginning of the year		**108**	**816**	**1 464**	**516**	**2 904**
Additions		**—**	**557**	**6**	**—**	**563**
Disposals		**—**	**(125)**	**(104)**	**—**	**(229)**
Depreciation charge for the year	24	**—**	**(477)**	**(408)**	**(178)**	**(1 063)**
Accumulated depreciation on disposals		**—**	**124**	**104**	**—**	**228**
Arising from translation of foreign assets		**10**	**10**	**16**	**41**	**77**
Balance at the end of the year		**118**	**905**	**1 078**	**379**	**2 480**
Cost		**2 837**	**9 128**	**3 530**	**1 658**	**17 153**
Accumulated depreciation		**(2 719)**	**(8 223)**	**(2 452)**	**(1 279)**	**(14 673)**
Balance at the end of the year		**118**	**905**	**1 078**	**379**	**2 480**
2015						
Balance at the beginning of the year		12 859	958	938	110	14 865
Acquisition of subsidiary		—	7	6	66	79
Additions		—	243	985	561	1 789
Disposals		(7 916)	(58)	—	(196)	(8 170)
Depreciation charge for the year	24	(314)	(394)	(466)	(158)	(1 332)
Accumulated depreciation on disposals		1 055	58	—	131	1 244
Arising from translation of foreign assets		3	2	1	2	8
Transfer to non-current assets held for sale		(5 579)	—	—	—	(5 579)
Balance at the end of the year		108	816	1 464	516	2 904
Cost		2 827	8 377	3 463	1 435	16 102
Accumulated depreciation		(2 719)	(7 561)	(1 999)	(919)	(13 198)
Balance at the end of the year		108	816	1 464	516	2 904

	Note	Property R'000	Computer and office equipment R'000	Furniture and fittings R'000	Total R'000
3. Property and equipment *(continued)*					
Company					
2016					
Balance at the beginning of the year		**—**	**32**	**222**	**254**
Depreciation charge for the year	24	**—**	**(8)**	**(48)**	**(56)**
Balance at the end of the year		**—**	**24**	**174**	**198**
Cost		**—**	**4 121**	**288**	**4 409**
Accumulated depreciation		**—**	**(4 097)**	**(114)**	**(4 211)**
Balance at the end of the year		**—**	**24**	**174**	**198**
2015					
Balance at the beginning of the year		12 650	40	270	12 960
Additions		—	—	—	—
Disposals		(7 916)	—	—	(7 916)
Depreciation charge for the year	24	(210)	(8)	(48)	(266)
Accumulated depreciation on disposals		1 055	—	—	1 055
Transfer to non-current assets held for sale		(5 579)	—	—	(5 579)
Balance at the end of the year		—	32	222	254
Cost		—	4 121	288	4 409
Accumulated depreciation		—	(4 089)	(66)	(4 155)
Balance at the end of the year		—	32	222	254

Property valued at R2.8 million (2015: R2.8 million) relates to capitalised leasehold improvements. All valuations were performed by independent valuators and facilitated by an Imperial Group division, Imperial Properties Proprietary Limited which deals with property-related matters.

	Note	Group 2016 R'000	Group 2015 R'000	Company 2016 R'000	Company 2015 R'000
4. Intangible assets					
Application software					
Balance at the beginning of the year		**13 474**	8 379	**9 830**	5 538
Acquisition of subsidiary		**—**	48	**—**	—
Development costs capitalised during the year		**11 744**	6 989	**9 780**	4 815
Disposals		**—**	—	**—**	—
Amortisation for the year	24	**(3 639)**	(1 943)	**(2 145)**	(523)
Arising from translation foreign assets		**(4)**	1	**—**	—
Balance at the end of the year		**21 575**	13 474	**17 465**	9 830
Cost		**60 123**	50 040	**53 633**	43 853
Accumulated amortisation		**(38 548)**	(36 566)	**(36 168)**	(34 023)
Balance at the end of the year		**21 575**	13 474	**17 465**	9 830

	Group 2016 R'000	Group 2015 R'000	Company 2016 R'000	Company 2015 R'000
5. Investment property				
Transfer to investment property from non-current assets held for sale	**5 579**	5 579	**5 579**	5 579
	5 579	5 579	**5 579**	5 579

Property comprises an investment property situated on Erf 35326 and 35327 in Bellville, Cape Town. The cost of the property is R5.6 million (2015: R5.6 million) and market value of R6.5 million (2015: R6.5 million). All valuations were performed by independent valuators and facilitated by an Imperial Group division, Imperial Properties Proprietary Limited which deals with property-related matters.

	Company 2016 R'000	Company 2015 R'000
6. Investments in subsidiaries		
Balance at the beginning of the year	**46 335**	46 335
	46 335	46 335

Regent Life Company's interest in the aggregate profit after tax in subsidiaries amounted to R60.2 million (2015: R84.1 million)

Details of subsidiaries have been provided in note 33.

	Group 2016 R'000	Group 2015 R'000	Company 2016 R'000	Company 2015 R'000
7. Investment in associate				
Balance at the beginning of the year	**14 875**	(238)	**14 875**	—
Additions	**12 217**	15 500	**3 500**	15 500
Disposal	**—**	238	**—**	238
Impairment	**(13 517)**	—	**(13 517)**	—
Share of loss in associate	**(2 219)**	(625)	**(1 611)**	(863)
Balance at the end of the year	**11 356**	14 875	**3 247**	14 875

Details of the Regent Life Group's investment in the associate is as follows:

	% holding	Country of incorporation	Principal activity	Reporting date
Odinfin Life Proprietary Limited	30	South Africa	Financial services	30 June 2016
Jenzoweb Proprietary Limited	30	South Africa	Financial services	30 June 2016
Advance Development Proprietary Limited	26.7	South Africa	Development, management and operation of commercial properties	31 March 2016

The directors' value of the associate approximates its carrying value.
The summarised financial information in respect of the Regent Life Group's shares in the associates is set out below:

	Group 2016 R'000	Group 2015 R'000	Company 2016 R'000	Company 2015 R'000
Total assets attributable	**35 254**	2 281	**5 417**	2 281
Total liabilities attributable	**24 780**	1 568	**3 581**	1 568
Net assets attributable	**10 474**	713	**1 836**	713
Revenue attributable	**22 833**	9 758	**19 760**	9 758

	Group 2016 R'000	Group 2015 R'000	Company 2016 R'000	Company 2015 R'000
8. Reinsurers' share of policyholder liabilities under insurance contracts				
Movements in the reinsurers' share of insurance contract liabilities for the year were as follows:				
Balance at the beginning of the year	**112 922**	148 373	**110 192**	142 089
Transfer to statement of comprehensive income	**18 484**	(35 451)	**18 672**	(31 897)
Balance at the end of the year	**131 406**	112 922	**128 864**	110 192
9. Financial assets				
The Regent Life Group's financial assets designated at fair value through profit and loss				
Fixed interest debt securities:	**143 307**	217 501	**123 917**	178 362
> Government bonds	**99 553**	75 896	**80 163**	61 397
> Corporate bonds: listed	**43 754**	141 605	**43 754**	116 965
Equity securities: listed	**393 988**	398 611	**381 842**	387 806
Preference shares: listed	**19 212**	19 313	**19 212**	19 313
Preference shares: unlisted	**—**	18 500	**—**	18 500
Collective investment schemes	**476 463**	372 789	**263 971**	155 857
Short-term cash deposits less than one year	**208 798**	270 136	**200 500**	132 000
Total	**1 241 768**	1 296 850	**989 442**	891 838
9.1 Total financial assets				
Balance at the beginning of the year	**1 296 850**	941 656	**891 838**	598 500
Additions	**818 528**	999 141	**757 380**	951 741
Disposals	**(879 983)**	(683 110)	**(677 766)**	(684 272)
Fair value adjustment	**(9 664)**	35 113	**17 990**	25 869
Arising from translation of foreign assets	**16 037**	4 050	**—**	—
Balance at the end of the year	**1 241 768**	1 296 850	**989 442**	891 838

The collective investment schemes comprise balanced equity portfolios on behalf of policyholders and yield enhanced money market funds.

	Group 2016 R'000	Group 2015 R'000	Company 2016 R'000	Company 2015 R'000
10. Receivables including insurance receivables				
Premium debtors – insurance contracts	**67 881**	61 154	**66 028**	57 905
Accrued interest	**8 329**	5 817	**4 227**	4 166
Other receivables	**43 801**	43 933	**10 960**	8 705
Reinsurance recoveries on intimated claims	**13 545**	11 137	**9 673**	8 627
	133 556	122 041	**90 888**	79 403
Less provision for impairment of receivables	**(33 122)**	(27 034)	**(30 598)**	(27 034)
Total	**100 434**	95 007	**60 290**	52 369

All receivables are classified as current as all economic benefits are expected to occur within one year. These receivables include all prepayments, insurance and other receivables and dividends receivable.

10. Receivables including insurance receivables *(continued)*

Insurance premium receivables

Insurance premium receivables are aged according to the terms and conditions of the underlying agreements. Past due policies are reviewed for recoverability and either lapsed or provided for where necessary. No interest is charged on the outstanding insurance premium receivables. If a claim is payable, the outstanding amount receivable will be recovered from the amount payable to the client.

	Group 2016 R'000	Group 2015 R'000	Company 2016 R'000	Company 2015 R'000
Movement in the provision for impairment of receivables				
Balance at the beginning of the year	**27 034**	24 680	**27 034**	21 636
Increase in allowance recognised in profit or loss	**7 251**	6 036	**7 251**	6 036
Amounts written off during the year	**(1 163)**	(3 682)	**(3 687)**	(638)
Balance at the end of the year	**33 122**	27 034	**30 598**	27 034

In determining the recoverability of a receivable, the Regent Life Group considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

10.1 Age analysis

Ageing of total loans and other receivables				
Not past due	**102 289**	85 423	**60 290**	42 947
Past due 31 – 90 days	**11 444**	11 887	**10 774**	11 725
Past due 91 – 360 days	**8 956**	9 688	**8 956**	9 688
Past due more than one year	**10 867**	15 043	**10 868**	15 043
Total	**133 556**	122 041	**90 888**	79 403

11. Due from/(to) group companies

Due from group companies				
Due from Regent Life Group subsidiaries	**—**	—	**2 371**	3 017
Due from group companies	**—**	—	**2 371**	3 017
Due to group companies				
Due to Imperial Holdings Limited and fellow subsidiaries	**(2 590)**	(14 020)	**(2 590)**	(14 020)
Due to group companies	**(2 590)**	(14 020)	**(2 590)**	(14 020)
Due to group companies	**(2 590)**	(14 020)	**(219)**	(11 003)

These are call loans payable on demand.

12. Cash and cash equivalents

Cash at bank and on hand	**702 262**	272 530	**211 967**	219 954
Cash deposits*	**20 177**	185 175	**—**	—
Total	**722 439**	457 705	**211 967**	219 954

** Call and cash deposits maturing within three months or less.*

The average call rate on short-term bank deposits was 6.19% (2015: 5.25%).

	Group 2016 R'000	Group 2015 R'000	Company 2016 R'000	Company 2015 R'000
13. Policyholder liabilities under insurance contracts				
Movements in the insurance contract liabilities for the year were as follows:				
Balance at the beginning of the year	**477 818**	515 399	**122 627**	191 170
Transfer to statement of comprehensive income	**10 839**	(45 481)	**(18 196)**	(74 253)
Life fund – economic assumption*	**4 165**	5 710	**4 165**	5 710
Arising from translation of foreign liabilities	**6 337**	2 190	**—**	—
Balance at the end of the year	**499 159**	477 818	**108 596**	122 627

** This is the impact on the policyholder liabilities as a result of changes in the economic assumptions such as the inflation rate, interest rate and loan interest rate as well as any derivation methodology changes.*

Process used to decide on long-term insurance assumptions

The business was divided up into homogenous groupings and then each grouping was analysed. Best estimate assumptions were then derived based on these experience investigations. Where data was limited, industry information was used. Recent trends evident in the data were allowed for.

The value of insurance liabilities is based on best estimate assumptions of future experience plus compulsory margins as required in terms of SAP104, plus additional discretionary margins determined by the statutory actuary.

The compulsory margins are summarised as follows:

Assumption	Compulsory margin
Investment earnings	Investment earnings assumption was increased or decreased by 0.25% depending on which gives the higher liability.
Expense inflation	10% loading on the expense inflation assumption.
Mortality	Assumption was decreased by 7.5% for annuities and increased for all other classes.
Morbidity	Assumption was increased by 10%.
Dread disease	Assumption was increased by 15%.
Retrenchment	Assumption was increased by 20%.
Lapses	Lapse rate assumptions were increased or decreased by 25% depending on which gives the higher liability.
Surrenders	Surrender rate assumptions were increased or decreased by 10% depending on which gives the higher liability.
Expenses	10% loading on the expense assumption.

In addition to the above compulsory margins, the following additional discretionary margins were incorporated:

Mortality	For credit life and individual life, an additional 20% margin was added.
Morbidity	For credit life and individual life, an additional 20% margin was added.
Dread disease	For credit life, an additional 20% margin was added.
Retrenchment	For credit life, an additional 30% margin was added.
Lapses	20% margin in year one and two and 50% thereafter in respect of the Clicks portfolio.
Disabled annuities	20% margin on recovery rates was added.

Discretionary margins were added to all decrements to ensure the prudent release of profits in line with the pricing basis. In some instances, where data is limited and experience has been more volatile, the discretionary margin was also justified.

Negative reserves arise when the present value of future estimated benefits is less than the present value of future valuation net premiums. Negative reserves are eliminated on a policy by policy basis for all policies that have three or more premiums in arrears. For some of the cell captive arrangements as well as for business written via new distribution channels where limited experience has been observed, all negative reserves are eliminated.

13. Policyholder liabilities under insurance contracts *(continued)*

The assumptions used for insurance contracts are as follows:

All the assumptions below are based on the most recent experience investigations in each country modified for expected trends. Generally experience investigations are carried out for all assumptions every year.

a) Mortality

Adjusted standard assured lives and annuity tables were used to reflect the Regent Life Group's recent claims experience. The adjustments allow for the expected additional AIDS-related claims. The allowance for AIDS is based on the relevant actuarial guidance notes as provided by the Actuarial Society of South Africa.

b) Morbidity

Disability and dread disease rates are based on standard morbidity tables and critical illness tables and where appropriate, adjusted to reflect the Regent Life Group's recent claims experience.

c) Medical and retrenchments

The incidence of medical and retrenchment claims is derived from the risk premium rates determined from annual investigations. The adjusted rates are intended to reflect future expected experience.

d) Withdrawal

The withdrawal assumptions are based on the most recent withdrawal investigations taking into account past as well as expected future trends. The withdrawal rates are calculated every year for each company/country, and by class and policy duration. Typically the rates are higher at early durations.

e) Investment returns

For SA, the same approach was used across all product lines. The calculation of the liabilities was based on the risk-free interest rate term structure of the nominal South African government bonds curve.

For Botswana and Lesotho, the investment return derivation has remained the same this year. The calculation of the liabilities was based on the risk-free interest rate term structure of the nominal South African government bonds curve but adjusted for the difference in prime rates between Botswana and Lesotho with that of South Africa.

The long-term investment returns (before compulsory margins) are as follows:

South Africa

All classes used the FSB published risk-free yield curve as at 30 June 2016 (2015: the nominal South African government bond yield curve as at 30 June 2015).

Botswana

South African FSB published risk-free yield curve adjusted for the difference in prime rates between South Africa and Botswana (2015: adjusted nominal South African government bond yield curve as at 30 June 2015).

Lesotho

South African FSB published risk-free yield curve adjusted for the difference in prime rates between South Africa and Lesotho (2015: adjusted nominal South African government bond yield curve as at 30 June 2015).

Lesotho future reversionary bonus: 5% (2015: 5%).

f) Renewal expenses and inflation

A detailed expense investigation for each company/country was undertaken and the expenses were split by line of business and between new business and maintenance expenses.

The maintenance expenses were adjusted for expected inflation in the future and spread over the anticipated volumes of business over the next year to derive a per policy expense for each class. The expenses allocated to new business are expected to be covered by future new business written.

g) Taxation

The interest and expense assumptions are net of any taxation payable based on the tax environment for each country and the tax position of the company.

Change in assumptions

The following changes were made to the valuation basis for Regent Life South Africa. All assumptions include compulsory margins.

The value of liabilities as at 30 June 2016 increased by R2.8 million as a result of changes to valuation assumptions.

13. Policyholder liabilities under insurance contracts *(continued)*

The yield curves and inflation curves were updated for the current valuation date and as a result of these economic changes, the actuarial liabilities increased by R2.8 million.

The non-economic assumptions were also reviewed and were found to be in line with the current experience. No changes were made.

Regarding Botswana, the value of liabilities as at 30 June 2016 decreased by P3.24 million as a result of changes to valuation assumptions.

The main assumptions changes causing this decrease were as follows:

- The economic assumptions were amended to reflect the current economic environment. This resulted in an increase in reserves of P0.69 million.
- Lapse rates were amended to reflect current and expected future experience. This resulted in a decrease in actuarial liabilities of P0.58 million.
- Mortality rates were amended to reflect current and expected future experience. This resulted in a decrease in actuarial liabilities of P3.35 million.

Regarding Lesotho, the changes detailed below were made to the valuation assumptions. As a result of these changes, the with-profit bonus stabilisation reserve (BSR) decreased by M27.3 million while the without-profit reserves increased by M0.1 million.

- The economic assumptions were amended to reflect the current economic environment. This resulted in a decrease in the with-profit BSR of M8 million.
- Per policy expenses were amended to reflect the current and expected future experience. This resulted in a decrease in the with-profit BSR of M1.8 million and an increase in without-profit reserves of M0.1 million.
- Data corrections were made, the APN110 reserve was released while the data reserve was increased. These changes resulted in a decrease in the with-profit BSR of M17.5 million.

Sensitivity analysis: Life operations

The following table presents the sensitivity of the value of insurance liabilities disclosed in this note to movements in the assumptions used in the estimation of insurance liabilities.

	Change in variable	Change in liability 2016 R'million	Change in liability 2015 R'million
Variable			
Worsening of mortality	10% worse claims	**45.5**	43.1
Lowering of investment returns	15% lower returns	**8.1**	5.1
Worsening of base renewal expense level	10% higher expenses	**32.2**	28.0
Worsening of expense inflation	10% higher expense inflation	**7.3**	6.4
Worsening of lapse rate	25% higher withdrawals	**56.0**	51.2

The 2016 sensitivities are in line with the prior year. The increases observed are consistent with the underlying growth in policy volumes.

The above analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and the changes in some assumptions may be correlated – e.g. change in interest rate and inflation.

	Notes	Group 2016 R'000	Group 2015 R'000	Company 2016 R'000	Company 2015 R'000
14. Financial liabilities under investment contracts – long-term operations					
Balance at the beginning of the year		**320 968**	314 961	**246 425**	254 684
Transfer from other payables	18	**6 311**	—	**—**	—
Deposits		**19 542**	18 674	**11 578**	7 453
Payments		**(25 340)**	(15 122)	**(18 305)**	(13 092)
Transfer to/(from) fund		**1 259**	(12 912)	**1 259**	(12 912)
Fair value adjustment		**19 274**	15 367	**12 422**	10 292
Arising from translation of foreign balances		**(553)**	—	**—**	—
Balance at the end of the year		**341 461**	320 968	**253 379**	246 425
15. Deferred taxation					
Balance at the beginning of the year		**(120 483)**	(110 919)	**(122 334)**	(112 560)
Statutory reserves and provisions	26	**(19 088)**	(8 153)	**(18 693)**	(8 327)
Capital gains taxation (CGT) deferred liability	26	**2 679**	(1 496)	**2 679**	(1 496)
Prior year over provision	26	**203**	85	**203**	49
Balance at the end of the year		**(136 689)**	(120 483)	**(138 145)**	(122 334)
The deferred tax comprises:					
Bonus scheme		**828**	609	**828**	609
Provisions – current year		**1 795**	1 885	**339**	34
CGT deferred liability		**1 476**	(1 203)	**1 476**	(1 203)
Negative reserves		**(140 788)**	(121 774)	**(140 788)**	(121 774)
Balance at the end of the year		**(136 689)**	(120 483)	**(138 145)**	(122 334)
Deferred taxation asset		**1 456**	1 851	**—**	—
Deferred taxation liability		**(138 145)**	(122 334)	**(138 145)**	(122 334)
Balance at the end of the year		**(136 689)**	(120 483)	**(138 145)**	(122 334)

No deferred tax asset has been raised for losses in the policyholder funds, as these losses are not likely to be utilised in the foreseeable future.

16. Provisions

16.1 Leave pay

In terms of the Regent Life Group's policy, employees are entitled to accumulate a maximum of 30 days' leave. Minimum leave of 15 days has to be taken within 12 months of earning it.

16.2 Bonus

In terms of the Regent Life Group's policy, selected employees at the discretion of directors receive an incentive bonus. The incentive bonus relates to employee, corporate and divisional performance and it is approved by the remuneration committee.

16.3 Other

Other provisions include amongst others, provisions for internal audit, actuarial and investment management fees and provision for reserves.

	Leave pay R'000	Bonus R'000	Other R'000	Total R'000
Group				
2016				
Balance at the beginning of the year	**5 385**	**24 432**	**28 643**	**58 460**
Charge to statement of comprehensive income	**1 022**	**26 212**	**19 033**	**46 267**
Provisions utilised	**(1 029)**	**(23 236)**	**(23 794)**	**(48 059)**
Arising from translation of foreign provisions	**3**	**1 211**	**(19)**	**1 195**
Balance at the end of the year	**5 381**	**28 619**	**23 863**	**57 863**
2015				
Balance at the beginning of the year	4 568	20 606	25 341	50 515
Subsidiary acquisition	214	—	—	214
Charge to statement of comprehensive income	1 433	22 775	12 042	36 250
Provisions utilised	(838)	(19 065)	(8 764)	(28 667)
Arising from translation of foreign provisions	8	116	24	148
Balance at the end of the year	5 385	24 432	28 643	58 460
Company				
2016				
Balance at the beginning of the year	**3 611**	**15 459**	**23 952**	**43 022**
Charge to statement of comprehensive income	**595**	**15 733**	**17 548**	**33 876**
Provisions utilised	**(655)**	**(14 265)**	**(22 690)**	**(37 610)**
Balance at the end of the year	**3 551**	**16 927**	**18 810**	**39 288**
2015				
Balance at the beginning of the year	3 281	12 468	21 369	37 118
Charge to statement of comprehensive income	881	14 260	10 774	25 915
Provisions utilised	(551)	(11 269)	(8 191)	(20 011)
Balance at the end of the year	3 611	15 459	23 952	43 022

	Note	Group 2016 R'000	Group 2015 R'000	Company 2016 R'000	Company 2015 R'000
17. Commitments					
Operating lease					
The Regent Life Group leases various offices and vehicles under non-cancellable operating lease agreements.					
The leases have varying terms, escalation clauses and renewal rights.					
The future minimum lease payments are as follows:					
Not later than one year		**5 294**	6 422	**2 975**	2 279
Later than one year and not later than five years		**5 425**	4 921	**3 974**	3 102
Balanced at the end of year		**10 719**	11 343	**6 949**	5 381
The above mentioned commitments will be funded from cash generated by operations.					
Capital commitments					
IT projects		**—**	6 164	**—**	6 164
		—	6 164	**—**	6 164
18. Insurance and other payables					
Accrued benefit payments on insurance contracts		**92 175**	71 692	**77 101**	60 677
Trade payables		**153 913**	180 187	**108 995**	135 614
Transfer to investment contracts	14	**(6 311)**	—	**—**	—
Balanced at the end of year		**239 777**	251 879	**186 096**	196 291
All trade and other payables are current liabilities. The carrying amounts approximate the fair value given the demand feature of the financial instruments. Refer to note 31.3.3 for age analysis.					
19. Share capital and share premium					
Authorised share capital					
3 000 000 ordinary shares of 1 cent each		30	30	30	30
1 000 preference shares of 1 cent each		—*	—*	—*	—*
Issued share capital					
2 125 000 ordinary shares of 1 cent each		21	21	21	21
8 preference shares of 1 cent each		—*	—*	—*	—*
Share premium		144 667	144 667	144 667	144 667

** Denotes an amount less than R1 000.*

The directors are authorised, until the forthcoming annual general meeting, to issue the unissued shares for any purpose and upon such terms and conditions as they deem fit but subject to the provisions of the Companies Act 71 of 2008 and the company's memorandum of incorporation.

	Note	Group 2016 R'000	Group 2015 R'000	Company 2016 R'000	Company 2015 R'000
20. Net written premiums					
Individual and credit life premium income					
> Single premiums		**139 021**	117 522	**—**	—
		139 021	117 522	**—**	—
> Recurring premiums		**706 807**	660 520	**626 411**	588 249
> Reinsurance		**(22 027)**	(24 090)	**(18 827)**	(21 761)
		684 780	636 430	**607 584**	566 488
Group life premium income					—
> Recurring premiums		**278 187**	243 585	**176 370**	163 671
> Reinsurance		**(91 569)**	(84 869)	**(65 259)**	(62 654)
		186 618	158 716	**111 111**	101 017
Total		**1 010 419**	912 668	**718 695**	667 505
21. Investment income					
Dividend income – subsidiaries		**—**	—	**—**	55 413
Dividend income – other		**11 220**	12 000	**11 220**	12 000
Interest income from investments designated at fair value through profit and loss		**88 623**	67 522	**52 397**	39 945
Investment management expenses		**(4 172)**	(3 412)	**(4 172)**	(3 412)
Total		**95 671**	76 110	**59 445**	103 946
22. Investment gains					
Realised gains – listed instruments		**22 531**	35 908	**17 676**	35 908
Unrealised (losses)/gains – listed instruments		**(32 195)**	(795)	**314**	(10 039)
	9.1	**(9 664)**	35 113	**17 990**	25 869
Other investment gains/(losses)		**(50)**	2 349	**(50)**	2 349
Total		**(9 714)**	37 462	**17 940**	28 218
23. Other operating income					
Commission		**2**	1 323	**—**	—
Administration fees*		**127 278**	119 597	**57 080**	54 505
Rent received		**120**	371	**120**	371
Sundry income**		**1 000**	1 000	**—**	—
Total		**128 400**	122 291	**57 200**	54 876

** The majority of this figure relates to non-insurance-related activities, specifically the administration fee received by Cedar Employee Benefits Proprietary Limited.*

*** Sundry income comprises profit on sale of operations.*

	Notes	Group 2016 R'000	Group 2015 R'000	Company 2016 R'000	Company 2015 R'000
24. Net claims and benefits incurred					
Individual life benefits:					
> Death and disability benefits		**108 924**	109 748	**92 778**	97 803
> Retrenchment and surrenders		**108 433**	107 208	**82 109**	84 659
> Annuities		**7**	(66)	**(27)**	(113)
> Maturities and endowments		**52 107**	44 948	**23 703**	19 568
> Reinsurance recoveries		**(8 816)**	(11 469)	**(7 727)**	(11 029)
		260 655	250 369	**190 836**	190 888
Group benefits:					
> Death, disability and retrenchment benefits		**154 231**	147 203	**113 494**	112 915
> Surrenders		**1 178**	—	**—**	—
> Reinsurance recoveries		**(59 105)**	(65 996)	**(46 035)**	(55 298)
		96 304	81 207	**67 459**	57 617
Other:					
> Claims handling costs		**2 301**	2 292	**2 301**	2 292
Total		**359 260**	333 868	**260 596**	250 797
25. Profit before taxation					
Profit before taxation is determined after taking the following into account:					
Property and equipment – depreciation	3, 28.1	**1 063**	1 332	**56**	266
> Property		**—**	211	**—**	210
> Computer and office equipment		**477**	394	**8**	8
> Furniture and fittings		**408**	466	**48**	48
> Motor vehicles		**178**	158	**—**	—
> Leasehold improvements		**—**	103	**—**	—
Impairment losses on financial assets		**7 251**	6 036	**7 251**	6 036
Amortisation of intangible assets – computer software	4, 28.1	**3 639**	1 943	**2 145**	523
Investment management expenses		**4 172**	3 412	**4 172**	3 412
Rentals under operating leases		**9 182**	7 638	**3 899**	3 030
Foreign exchange gains		**50**	14	**50**	14
Auditors' remuneration		**5 815**	4 755	**4 270**	3 416
Consultancy fees		**9 566**	7 094	**3 835**	2 781
> Actuarial		**4 083**	3 162	**2 788**	2 136
> Other		**5 483**	3 932	**1 047**	645
Legal fees		**1 261**	638	**439**	56
Staff costs		**131 867**	121 673	**76 932**	74 468
> Pension contributions*		**4 933**	4 507	**3 738**	3 528
> Share-based payments	26	**4 315**	5 125	**4 315**	5 125
> Salaries and wages		**122 619**	112 041	**68 879**	65 815
Profit on disposal of property and equipment	28.1	**—**	38	**—**	—
Number of employees		**371**	331	**244**	203

** Post-employment benefits.*

The Regent Life Group provides retirement benefits through independent funds under the control of trustees and all contributions to those funds are charged to the statement of comprehensive income. The large majority of employees, other than those employees required by legislation to be members of various industry funds, are members of the Imperial Group Pension Fund and the Imperial Group Provident Fund which are governed by the Pensions Funds Act, 1956.

	Note	Group 2016 R'000	Group 2015 R'000	Company 2016 R'000	Company 2015 R'000
26. Share-based equity reserve					
Reconciliation of share-based payment reserve:					
Opening balance		**6 512**	7 565	**6 512**	7 565
Hedge premium paid		**—**	5 308	**—**	5 308
Direct transfer to equity		**—**	(689)	**—**	(689)
Share-based equity reserve raised					
> Direct cost	25	**(4 315)**	(5 125)	**(4 315)**	(5 125)
> Tax effect		**(564)**	(547)	**(564)**	(547)
Total share-based payments equity reserve		**1 633**	6 512	**1 633**	6 512

	Note	Group 2016	Group 2015	Company 2016	Company 2015
27. Taxation					
Current year		**74 795**	66 347	**50 178**	43 665
CGT		**110**	352	**110**	352
Prior year under provision		**445**	3 762	**445**	2 910
Withholding taxation and STC		**1 323**	6 597	**1 323**	6 597
		76 673	77 058	**52 056**	53 524
Deferred taxation					
> Statutory reserves and provisions	15	**19 088**	8 153	**18 693**	8 327
> CGT	15	**(2 679)**	1 496	**(2 679)**	1 496
> Prior year over provision	15	**(203)**	(85)	**(203)**	(49)
		16 206	9 564	**15 811**	9 774
		92 879	86 622	**67 867**	63 298

	Group 2016 %	Group 2015 %	Company 2016 %	Company 2015 %
Taxation rate reconciliation				
South African normal taxation rate	**28.00**	28.00	**28.00**	28.00
Non-allowable expenditure/(income)	**1.86**	(3.26)	**0.29**	(8.35)
Capital gains taxation	**(0.18)**	(0.31)	**(0.25)**	(0.37)
Withholding taxation and STC	**0.35**	1.83	**0.59**	2.22
Losses in subsidiaries	**1.23**	0.13	**1.70**	0.15
Rate differential	**(1.20)**	(1.35)	**—**	—
Prior year under provision	**0.08**	1.11	**0.11**	1.02
Taxation charge in statement of comprehensive income	**30.14**	26.15	**30.44**	22.67

	Notes	Group 2016 R'000	Group 2015 R'000	Company 2016 R'000	Company 2015 R'000
28. Notes to the cash flow statement					
28.1 Cash generated from operations					
Profit before taxation		**308 186**	331 665	**222 979**	279 412
Adjustments made for non-cash flow items:					
Depreciation	3, 25	**1 063**	1 332	**56**	266
Amortisation of intangible assets – computer software	4, 25	**3 639**	1 943	**2 145**	523
Goodwill impairment		**—**	—	**—**	—
Fair value adjustments		**9 714**	(37 462)	**(17 940)**	(28 218)
Change in policyholder liabilities under insurance contracts		**7 477**	5 972	**(21 746)**	(26 354)
Profit on disposal of property and equipment	25	**—**	(38)	**—**	—
Interest income		**(88 623)**	(67 522)	**(52 397)**	(39 945)
Interest expense		**3 026**	318	**3 029**	211
Dividends received		**(11 220)**	(12 000)	**(11 220)**	(67 413)
Impairment of associate		**13 517**	—	**13 517**	—
Profit on sale of associate		**—**	—	**—**	(238)
Share of loss from associate		**2 219**	625	**1 611**	863
		248 998	224 833	**140 034**	119 107
Changes in working capital					
Increase in trade and other receivables		**(7 939)**	9 660	**(5 798)**	8 729
Decrease/(increase) in trade and other payables		**(23 532)**	9 895	**(21 625)**	6 577
Decrease/(increase) in provisions		**(597)**	7 667	**(3 734)**	5 904
		(32 068)	27 222	**(31 157)**	21 210
Cash generated from operations		**216 930**	252 055	**108 877**	140 317
28.2 Investment income					
Dividends received					
Dividends received per statements of comprehensive income		**11 220**	12 000	**11 220**	67 413
Dividends received		**11 220**	12 000	**11 220**	67 413
Interest received					
Accrued interest income at the beginning of the year		**5 817**	8 163	**4 166**	3 660
Interest income per statement of comprehensive income		**88 623**	67 522	**52 397**	39 945
Accrued interest income at the end of the year		**(8 329)**	(5 817)	**(4 227)**	(4 166)
Interest received		**86 111**	69 868	**52 336**	39 439
28.3 Taxation paid					
Amount (payable)/receivable at the beginning of the year		**(847)**	2 025	**(2 082)**	(558)
Amount charged to the statement of comprehensive income		**(92 879)**	(86 622)	**(67 867)**	(63 298)
Movement on share-based equity reserve		**233**	547	**233**	547
Movement in deferred tax		**16 207**	9 563	**15 811**	9 773
		(77 286)	(74 487)	**(53 905)**	(53 536)
Amount (receivable)/payable at the end of the year		**(2 725)**	847	**(3 869)**	2 082
Taxation paid		**(80 011)**	(73 640)	**(57 774)**	(51 454)

	Group 2016 R'000	Group 2015 R'000	Company 2016 R'000	Company 2015 R'000
28.4 Dividends paid				
Dividends per statement of changes in equity	**(25 595)**	(102 579)	**(25 570)**	(96 843)
Dividends paid	**(25 595)**	(102 579)	**(25 570)**	(96 843)
28.5 Acquisition of subsidiaries				
During the previous financial year Cedar Employee Benefits Proprietary Limited increased its shareholding in its subsidiary Cedar Healthcare Proprietary Limited from 90% to 100%. The fair values of the assets and liabilities at transaction date were as follows:				
Property and equipment	—	97	—	—
Intangibles	—	192	—	—
Other receivables	—	1 335	—	—
Cash and cash equivalents	—	2 406	—	—
Deferred tax asset	—	104	—	—
Provisions	—	(248)	—	—
Current taxation	—	(233)	—	—
Insurance and other payables	—	(1 947)	—	—
	—	1 706	—	—
Net cash outflow	—	1 400	—	—
During the previous financial year Regent Life Botswana Limited purchased 100% shareholding of Blue Assurance Services Zambia Limited. The fair values of assets and liabilities at transaction date were as follows:				
Property and equipment	—	102	—	—
Intangibles	—	63	—	—
Investments	—	2 648	—	—
Other receivables	—	15 566	—	—
Cash and cash equivalents	—	3 253	—	—
Deferred tax asset	—	—	—	—
Provisions	—	(278)	—	—
Current taxation	—	—	—	—
Insurance and other payables	—	(12 158)	—	—
	—	9 196	—	—
Cash paid on purchase of interest	—	10 380	—	—
Less: Cash and cash equivalent in subsidiary	—	(3 253)	—	—
Less: Investments in subsidiaries	—	(2 648)	—	—
Net cash outflow	—	4 479	—	—
Total cash outflow	—	5 879	—	—

29. Related party transactions

29.1 Identity of related parties

The Regent Life Assurance Company has a related party relationship with its holding company, subsidiaries and fellow subsidiaries and with its directors and key management personnel.

29.2 Other related party transactions and balances

The company has balances receivable with subsidiary companies. These balances are disclosed below in note 29.2.2. Transactions between the Regent Life Assurance Company and its subsidiaries, which are related parties, have been eliminated on consolidation.

During the year, the Regent Life Assurance Company and its subsidiaries, in the ordinary course of business, entered into various transactions with fellow subsidiary companies in the greater Imperial group of companies. These transactions occurred under terms that are no less favourable than those arranged with third parties.

	Group 2016 R'000	Group 2015 R'000	Company 2016 R'000	Company 2015 R'000
29.2.1 Transactions with related parties				
Fees paid to holding company	**1 756**	25 554	**1 756**	25 554
Internal audit fee paid to holding company	**—**	182	**—**	182
Interest paid to holding company	**4**	4	**4**	4
Vehicle operating lease costs paid to group company	**2 244**	2 006	**2 244**	2 006
Administration fee paid to subsidiary	**—**	—	**733**	768
Management fee received from subsidiary	**—**	—	**335**	313
29.2.2 Year-end balances with related parties				
Receivable from related parties	**—**	—	**2 371**	3 017
> Regent Life Group subsidiaries and associates	**—**	—	**2 371**	3 017
Payable to related parties	**2 590**	14 020	**2 590**	14 020
> Imperial Holdings Limited and subsidiaries	**2 590**	14 020	**2 590**	14 020

	Group 2016 R'000	Group 2015 R'000
30. Remuneration		
30.1 Directors' emoluments		
Directors' emoluments comprise:		
Directors' remuneration	**34 558**	35 708
> Basic remuneration	**15 050**	15 543
> Retirement and medical benefits	**1 525**	1 861
> Other incentives and benefits	**17 983**	18 304
Independent non-executive directors' fees		
Regent Group fees	**3 118**	2 408
C Erasmus		
> Regent Group	**563**	472
> Imperial Group	**560**	250
S Masinga		
> Regent Group	**252**	240
JPR Mbau		
> Regent Group	**119**	114
BR Mallinson		
> Regent Group	**431**	391
> Imperial Group	**46**	46
RJA Sparks		
> Regent Group	**331**	295
> Imperial Group	**816**	600

Fees for services as director for the year ended 30 June 2016 were approved by the shareholder at the annual general meeting. The remuneration of directors is determined by the remuneration committee based on the performance of the individual and market trends. All executive directors are eligible for annual performance-related bonus payments. The remuneration of directors and prescribed officers reflects a total remuneration paid by the Imperial Group.

30.2 Directors and prescribed officers' remuneration

	Salary R'000	Bonus R'000	Retirement and medical contribu-tions R'000	Other benefits R'000	2016 Total R'000	2015 Total R'000
Executive directors						
B Adam (resigned during the year)	523	—	55	311	**889**	3 796
AN Tennick	2 660	1 800	257	924	**5 641**	4 860
JJ Strydom (resigned during the year)	1 834	—	165	120	**2 119**	8 482
MM Janzen	2 323	2 200	159	4	**4 686**	—
B Ruele	2 225	1 720	153	621	**4 719**	—
Non-executive directors						
MJ Lamberti	—	—	—	—	**—**	—
M Akoojee (resigned during the year)	811	963	122	30	**1 926**	8 169
B Francis	1 842	1 975	180	679	**4 676**	4 364
R Mumford	2 832	2 650	434	929	**6 845**	6 037
	15 050	11 308	1 525	6 675	**34 558**	35 708

30. Remuneration *(continued)*

30.2 Directors and prescribed officers' remuneration *(continued)*

	Commence-ment date	Price on commence-ment date (R)	Number of rights	Exercised	Number of rights remaining	Vesting date
Participation in Imperial Holdings Limited Share Appreciation Rights scheme						
AN Tennick	14 June 2012	170.57	23 979	—	21 850	26 August 2015
	11 June 2013	195.20	29 513	—	29 513	15 September 2016
	11 June 2014	193.77	30 417	—	30 417	15 September 2017
JJ Strydom	14 June 2012	170.57	29 342	—	26 736	26 August 2015
	11 June 2013	195.20	48 263	—	48 263	15 September 2016
B Adam	14 June 2012	170.57	16 421	—	16 421	26 August 2015
	11 June 2013	195.20	25 000	—	25 000	15 September 2016
	11 June 2014	193.77	30 417	—	30 417	15 September 2017
B Ruele	14 June 2012	170.57	17 205	—	15 677	26 August 2015
	11 June 2013	195.20	22 967	—	22 967	15 September 2016
	11 June 2014	193.77	23 894	—	23 894	15 September 2017
M Janzen	11 June 2013	195.20	30 000	—	30 000	15 September 2016
	11 June 2014	193.77	25 422	—	25 422	15 September 2017
M Akoojee	14 June 2012	170.57	24 016	—	21 883	26 August 2015
	11 June 2013	195.20	38 154	—	38 154	15 June 2016
B Francis	14 June 2012	170.57	16 133	—	14 700	26 August 2015
	11 June 2013	195.20	26 668	—	26 668	15 June 2016
	24 June 2014	193.77	27 653	—	27 653	15 September 2017
	6 October 2015	174.65	28 093	—	28 093	15 September 2018
	18 May 2016	127.77	43 574	—	43 574	15 September 2019
R Mumford	14 June 2012	170.57	26 706	—	24 335	26 August 2015
	11 June 2013	195.20	33 509	—	33 509	15 June 2016
	24 June 2014	193.77	35 972	—	35 972	15 September 2017
	6 October 2015	174.65	45 206	—	45 206	15 September 2018
	18 May 2016	127.77	70 119	—	70 119	15 September 2019

30. Remuneration *(continued)*

30.2 Directors and prescribed officers' remuneration *(continued)*

	Allocation date	Number of rights allocated	Number of shares committed to the plan	Forfeited	Balance available to be taken up	Vested during the year	Balance remaining	Vesting date
Participation in Imperial Holdings Limited Deferred bonus plan								
AN Tennick	13 June 2012	3 326	2 836	—	—	2 836	—	26 August 2015
	11 June 2013	2 567	2 567	—	—	—	2 567	15 September 2016
	13 June 2014	2 742	2 742	—	—	—	2 742	15 September 2017
JJ Strydom	13 June 2012	5 931	3 957	—	—	3 957	—	26 August 2015
	11 June 2013	3 689	3 689	—	—	—	3 689	15 September 2016
	13 June 2014	21 159	21 159	—	—	—	21 159	15 September 2017
B Ruele	13 June 2012	1 789	1 789	—	—	1 789	—	26 August 2015
	11 June 2013	1 998	1 998	—	—	—	1 998	15 September 2016
MJ Lamberti	3 June 2014	60 787	60 787	—	—	—	60 787	15 September 2017
	6 October 2015	37 217	37 217				37 217	15 September 2018
	18 May 2016	43 383	—				—	16 September 2019
M Akoojee	13 June 2012	4 854	4 854	—	—	4 854	—	26 August 2015
	13 June 2013	3 266	3 266				3 266	15 September 2016
	13 June 2014	18 579	18 579	—	—	—	18 579	15 September 2017
	6 October 2015	22 044	17 301	—	—	—	17 301	15 September 2018
	18 May 2016	31 940	—	—	—	—	—	16 September 2019
B Francis	14 June 2012	3 261	2 199	—	—	2 199	—	26 August 2015
	13 June 2013	1 921	1 921	—	—	—	1 921	15 September 2016
	13 June 2014	2 648	2 648				2 648	15 September 2017
	6 October 2015	3 113	3 113	—	—	—	3 113	15 September 2018
	18 May 2016	4 872	—	—	—	—	—	16 September 2019
R Mumford	14 June 2012	3 705	2 902	—	—	2 902	—	26 August 2015
	13 June 2013	2 914	2 914	—	—	—	2 914	15 September 2016
	13 June 2014	3 937	3 937				3 937	15 September 2017
	6 October 2015	5 010	5 010	—	—	—	5 010	15 September 2018
	18 May 2016	7 840	—	—	—	—	—	16 September 2019

	Number of CSPs
Conditional share plan (CSP)	
The following CSPs were granted to MJ Lamberti:	
Granted on 10 September 2014 in relation to the 1 July 2014 to 30 June 2017 performance period	67 064
Granted on 6 October 2015 in relation to the 1 July 2015 to 30 June 2018 performance period	48 915
Granted on 18 May 2016 in relation to the 1 July 2016 to 30 June 2019 performance period	80 340
	196 319

31. Critical accounting estimates and judgements in applying accounting policies

The Regent Life Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

31.1 The ultimate liability arising from claims under insurance contracts

The estimation of the ultimate liability arising from claims under insurance contracts is the Regent Life Group's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Regent Life Group will ultimately pay for such claims.

Claim amounts are generally fixed or relatively easy to estimate. There is therefore limited uncertainty as to the expected claim amount on a particular policy. The reinsurance terms are also known in advance and the allowance for reinsurance recoveries is readily determinable. However it is necessary to estimate the timing of the claim payments. This is based on the probability that a policy will be in force and the probability of a claim arising in the future. For each policy the present value of the expected claims is estimated based on age and calendar-year based standard tables modified to reflect the recent claims experience of the Regent Life Group and incorporating an allowance for trends.

The assumptions used are generally best estimate assumptions with compulsory margins and in certain instances discretionary margins have been included for additional prudence. The discount rate used to capitalise the claim values is also based on current economic conditions, but reflects the Regent Life Group's asset mix with an allowance for mismatching risk.

31.2 Estimate of future benefit payments and premiums arising from long-term insurance contracts and related deferred acquisition costs

The determination of the liabilities under long-term insurance contracts are dependent on estimates made by the Regent Life Group. Estimates are made as to the expected number of deaths for each of the years in which the Regent Life Group is exposed to risk. The Regent Life Group bases these estimates on standard industry and national mortality tables that reflect recent historical mortality experience, adjusted where appropriate to reflect the Regent Life Group's own experience.

Where future premiums are payable they have also been valued based on the current premium being paid. Future premiums are projected over the lifetime of each policy on a policy-by-policy basis. The value of the premiums takes into account the possibility that the policy may terminate due to early cancellation through lapsing or surrender. The interest rate used to discount the premiums reflects current economic conditions, the asset mix of the Regent Life Group and allows for mismatching risk.

Margins in premium rates to recoup up-front commission costs which have been capitalised as negative reserves have been recognised in full.

31.3 Fair value of investment contracts

The Regent Life Group issues investment contracts that are designated at fair value through profit or loss.

The liability held under these contracts is based on the account balance which represents the accumulated value of the allocated premiums less charges at the interest rate credited to the policies based on the investment performance of the underlying assets. The liability is set equal to a minimum of the surrender value payable on each policy. In most cases the liability held exceeds the minimum surrender value.

32. Management of insurance and financial risk

32.1 Capital risk

The Regent Life Group manages capital risk to ensure that entities in the Regent Life Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Regent Life Group's overall strategy remains unchanged.

The capital structure of the Regent Life Group consisted of debt, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the statement of changes in equity.

32.2 Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in the accounting policies.

32.3 Financial risk management objectives

The Regent Life Group is exposed to financial risk through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance and investment contracts. An investment committee sets policies and receives monthly and quarterly reports on compliance with investment policies.

The Regent Life Group manages these positions within an ALM framework that has been developed to achieve long-term investment returns in excess of its obligations under insurance and investment contracts. The principle technique of the Regent Life Group's ALM is to match assets to the liabilities arising from insurance and investment contracts by reference to the type of benefits payable to policyholders.

The Regent Life Group's activities expose it primarily to the financial risks of changes in equity prices, interest rates and foreign currency rates. There has been no change to the Regent Life Group's exposure to market risks or the manner in which it manages and measures the risk.

32.3.1 Market risk

This can be described as the risk of a change in fair value or future cash flows of a financial instrument brought about by changes in interest rates, equity prices or foreign exchange rates.

Equity market risk

The Regent Life Group invests in equity investments on behalf of policyholders and shareholders. The investments in equities are reflected in the statement of financial position at fair values, which are susceptible to fluctuations in value. Continuous monitoring takes place to ensure that appropriate assets are held where the liabilities are dependent upon the performance of specific portfolios of assets. Equity investments are held for long-term investment rather than trading purposes. The Regent Life Group does not actively trade these investments.

Equity market price sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date. A hypothetical 1% decrease in the all share index of the JSE, based on similar sensitivities used in the industry and on market conditions, would result in an estimated reduction in profit before tax of R0.3 million (2015: R0.8 million).

32. Management of insurance and financial risk *(continued)*

32.3 Financial risk management objectives *(continued)*

32.3.1 Market risk *(continued)*

Fair value hierarchy disclosures

The table below shows the Regent Life Group's financial assets and liabilities that are recognised and subsequently measured at fair value analysed by valuation technique. The classification is based on the lowest level input that is significant to the fair value measurement in its entirety.

	Valuations with reference to quoted prices in an active market Level 1 R'000	Valuations based on observable inputs Level 2 R'000	Total carried at fair value R'000
Financial assets held as at fair value through profit and loss			
2016			
Group			
Listed preference shares	**19 212**	**—**	**19 212**
Unlisted preference shares	**—**	**—**	**—**
Short-term deposits less than one year	**—**	**208 798**	**208 798**
Government bonds	**99 553**	**—**	**99 553**
Corporate bonds	**43 754**	**—**	**43 754**
Listed equities	**393 988**	**—**	**393 988**
Collective investment schemes	**476 463**	**—**	**476 463**
Total financial assets	**1 032 970**	**208 798**	**1 241 768**
Company			
Listed preference shares	**19 212**	**—**	**19 212**
Unlisted preference shares	**—**	**—**	**—**
Short-term deposits less than one year	**—**	**200 500**	**200 500**
Government bonds	**80 163**	**—**	**80 163**
Corporate bonds	**43 754**	**—**	**43 754**
Listed equities	**381 842**	**—**	**381 842**
Collective investment schemes	**263 971**	**—**	**263 971**
Total financial assets	**788 942**	**200 500**	**989 442**
2015			
Group			
Listed preference shares	19 313	—	19 313
Unlisted preference shares	—	18 500	18 500
Short-term deposits more than one year	—	—	—
Short-term deposits less than one year	—	270 136	270 136
Government bonds	75 896	—	75 896
Corporate bonds	141 605	—	141 605
Listed equities	398 611	—	398 611
Collective investment schemes	372 789	—	372 789
Total financial assets	1 008 214	288 636	1 296 850
Company			
Listed preference shares	19 313	—	19 313
Unlisted preference shares	—	18 500	18 500
Short-term deposits less than one year	—	132 000	132 000
Government bonds	61 397	—	61 397
Corporate bonds	116 965	—	116 965
Listed equities	387 806	—	387 806
Collective investment schemes	155 857	—	155 857
Total financial assets	741 338	150 500	891 838

32. Management of insurance and financial risk *(continued)*

32.3.1 Market risk *(continued)*

Fair value hierarchy disclosures *(continued)*

Level 1 financial assets include assets where fair value is determined using quoted prices in an active market. For quoted prices in an active market to exist there should be actual and regular occurring market transactions and the prices of those transactions should be readily available.

Fair value for level 2 assets is determined by way of valuation techniques and the inputs into the valuation model are based on observable market inputs other than quoted prices included within level 1. An input is observable if it can be observed as a market price or can be derived from an observed market price.

If fair value is determined by way of valuation techniques and the inputs into the valuation model are not based on observable market data or the observable market data has been significantly altered then those instruments are classified as level 3.

Interest rate risk

Interest rate risk is the risk that the value and cash flows of a financial instrument will fluctuate due to a change in market interest rates.
The following investments which are held at fair value will be directly impacted by changes in market interest rates: Accounts receivable and accounts payable where settlement is expected within 90 days, are not included in the analysis below, since the effect of interest rate risk on these balances is not considered material given the short-term duration of these underlying cash flows. The Regent Life Group does not have any interest-bearing borrowings. Interest rate risk is therefore limited to the Regent Life Group's investment in variable rate investments, such as gilts and bonds.

The table below summarises the effective interest rates at the statement of financial position date:

	Group 2016 %	Group 2015 %	Company 2016 %	Company 2015 %
Debt securities – fixed interest rate:				
> Government bonds	**8.11**	8.27	**7.62**	7.68
> Listed bonds	**8.67**	8.08	**8.67**	8.08
Cash at bank	**5.83**	4.96	**6.19**	5.25

Investment decisions are delegated by the board to the investment committee, which has responsibility for the investment portfolio's risk profile and related decisions. To this end, the committee is supported by a well-developed research function utilising portfolio managers.

Interest rate sensitivity analysis

The sensitivity analysis above has been determined based on the exposure to interest rates for non-derivative instruments at statement of financial position date. A 1% increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If the interest rates had been 1% higher/lower and all other variables were held constant, the Regent Life Group's profit for the financial year ended 30 June 2016 would decrease/increase by R9.2 million (2015: R6.7 million decrease/increase).

Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate in rand due to the changes in foreign exchange rates.

The Regent Life Group operates in Botswana and its exposure arises primarily with respect to the Botswana pula.

The following table sets out the exchange rates used for each major currency:

	Group 2016 Average ZAR	Group 2015 Average ZAR	Group 2016 Closing ZAR	Group 2015 Closing ZAR
Botswana pula	1.36930	1.20047	1.34510	1.23200

The table below illustrates the analysis of assets and liabilities of the Regent Life Group in Botswana pula.

	2016 BWP'000	2015 BWP'000
Total assets	**273 673**	232 916
Total liabilities	**124 906**	110 679
Net assets	**148 767**	122 237

32. Management of insurance and financial risk *(continued)*

32.3.1 Market risk *(continued)*

Foreign currency risk *(continued)*

Foreign currency sensitivity analysis

The following table details the Regent Life Group's sensitivity to a 1% increase and decrease in the rand against the Botswana pula; 1% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonable possible change in foreign exchange rates. The sensitivity analysis includes outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 1% change in foreign currency rates. A positive number below indicates an increase in profit and other equity where the rand strengthens 1% against the relevant currency. For a 1% weakening of the rand against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

	2016 R'000	2015 R'000
Profit or loss	**269**	450

** Denotes an amount less than R1 000.*

32.3.2 Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation and cause the Regent Life Group to incur a financial loss.

Fair values of financial assets may be affected by the credit worthiness of the issuer. Limits of exposure are set by the investment committee and are continuously monitored. The concentrations of credit risk are throughout South Africa, Lesotho and Botswana, with the most significant portion in the Gauteng area. The Regent Life Group has policies that limit the credit exposure to any institution and reputable reinsurers are used for the Regent Life Group's reinsurance treaties.

With regard to credit risk contained in insurance and other receivables, the exposure amounts to R134 million (2015: R122 million), comprising balances with policyholders, agents, brokers, intermediaries and reinsurers:

	Group 2016 R'000	Group 2015 R'000	Company 2016 R'000	Company 2015 R'000
Policyholder short-term debtors	**67 881**	61 154	**66 028**	57 905
Agents, brokers and intermediaries	**1**	19	**1**	19
Investment debtors	**8 329**	5 817	**4 227**	4 166
Reinsurance recoveries	**13 545**	11 137	**9 673**	8 627
Other	**43 800**	43 914	**10 959**	8 686
	133 556	122 041	**90 888**	79 403

Group policy dictates that provision is made for all premium debtors that exceed 30 days.

Agents, brokers and intermediaries totalling R0.001 million (2015: R0.019 million) are subject to a comprehensive relationship management programme, including credit assessment. There is no material exposure to any single agent, broker or intermediary. The widespread nature of the individual amounts combined with the relationship programme reduces the credit risk.

Industry-supported default lists help to prevent rogue agents, brokers and intermediaries from conducting business with the Regent Life Group. Full provision is made for non-recoverability as soon as management is uncertain as to the recovery.

The Regent Life Group uses reputable reinsurers thereby reducing any credit risk.

32.3.3 Liquidity risk

Liquidity risk is the risk that the Regent Life Group will encounter difficulty in raising funds to meet commitments associated with financial liabilities.

Insurance companies are registered financial institutions and are required to hold minimum capital to, *inter alia*, reduce policyholder exposure to the entity's liquidity risk. The FSB is the regulatory authority that regularly reviews compliance with these minimum capital requirements. The statutory actuary and management continually manage and monitor liquidity and capital requirements – refer to the statutory actuary report (pages 16 to 20) and to the consolidated statutory actuary report (page 21 to 22).

Liabilities entered into by the Regent Life Group are continuously managed in order to control the liquidity risks to which the Regent Life Group is exposed. The Regent Life Group has sufficient liquid resources.

The following tables detail the Regent Life Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Regent Life Group can be required to pay. The table includes both interest and principal cash flows.

Management monitors the liquidity risks by ensuring that all short-term liabilities are not paid earlier or later than the credit terms and also by ensuring that the payment terms are favourable to the Regent Life Group.

	Total R'000	Within 1 year R'000	1 – 5 years R'000	Over 5 years R'000
Period when cash flow is expected to become due				
2016				
Group				
Liabilities				
Net policyholder liabilities	**709 214**	**237 623**	**225 367**	**246 224**
Current taxation	**5 278**	**5 278**	**—**	**—**
Due to group companies	**2 590**	**2 590**	**—**	**—**
Insurance and other payables	**239 778**	**239 778**	**—**	**—**
Total	**956 860**	**485 269**	**225 367**	**246 224**
Company				
Liabilities				
Net policyholder liabilities	**233 111**	**180 352**	**49 622**	**3 137**
Current taxation	**—**	**—**	**—**	**—**
Due to group companies	**2 590**	**2 590**	**—**	**—**
Insurance and other payables	**186 097**	**186 097**	**—**	**—**
Total	**421 798**	**369 039**	**49 622**	**3 137**
2015				
Group				
Liabilities				
Net policyholder liabilities	685 864	229 800	217 947	238 117
Current taxation	3 595	3 595	—	—
Due to group companies	14 020	14 020	—	—
Insurance and other payables	251 881	251 881	—	—
Total	955 360	499 296	217 947	238 117
Company				
Liabilities				
Net policyholder liabilities	258 860	200 274	55 103	3 483
Current taxation	2 082	2 082	—	—
Due to group companies	14 020	14 020	—	—
Insurance and other payables	196 291	196 291	—	—
Total	471 253	412 667	55 103	3 483

32. Management of insurance and financial risk *(continued)*

32.4 Insurance risk

Insurance risk is the risk that future claims and expenses will exceed the value placed on insurance liabilities.

It occurs due to the uncertainty of the timing and amount of future cash flows arising under insurance contracts. This could also occur because of the frequency or severity of claims and benefits being greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate (using statistical techniques). The Regent Life Group uses appropriate base tables of standard mortality and morbidity according to the type of contract being written and the territory in which the insured person resides. An investigation into the actual experience of the Regent Life Group over the last three years is carried out, and statistical methods are used to adjust the crude mortality rates to produce a best estimate of expected mortality for the future. The Regent Life Group maintains termination statistics to investigate the deviation of actual termination experience against assumptions. Statistical methods are used to determine appropriate termination rates. An allowance is then made for any trends in the data to arrive at the best estimate of future termination rates.

The timing is specifically influenced by future mortality, morbidity, and withdrawal rates, about which assumptions are made in order to place a value on the liabilities. Deviations from assumptions will result in actual cash flows different from those projected in liability calculations. As such, each assumption represents a source of uncertainty.

The larger the portfolio of uncorrelated insurance risks, the smaller the relative variability about what the expected outcome will be. In addition, a more diversified portfolio of risks in terms of type and amount of risk, geographical location and type of industry covered, is less likely to be affected, across the board, by a change in any subset of the risks.

Policyholder behaviour risks

Policyholders have the option to discontinue or withdraw benefits prior to expiry of the contract term. As a result policyholder behaviour contributes to insurance risk.

The main risk posed by this behaviour is the risk that expenses and commissions incurred early in the term of the contract, but priced to be recovered by means of ongoing charges over a longer period, are not fully recovered due to the decision by the policyholder to cease or reduce contributions.

On contracts where a withdrawal benefit is payable, this risk is mitigated by conditions built into policy contracts which enable the Regent Life Group to recoup these unrecovered expenses by means of a lump sum charge.

In addition, commission clawback provisions, included in contracts with intermediaries, enable the Regent Life Group to mitigate some of the risk of early termination.

Frequency and severity of claims

For contracts where death is the insured risk, the most significant factors that could increase the overall frequency of claims are epidemics such as AIDS. The Regent Life Group manages these risks through its underwriting strategy and reinsurance arrangements.

Catastrophe risk is the risk of multiple claims arising out of a single event. The Regent Life Group has catastrophe reinsurance in place as a mitigating action.

32. Management of insurance and financial risk *(continued)*

32.4 Insurance risk *(continued)*

Terms of liabilities net of reinsurance including investment contracts

	Group 2016 R'000	Group 2015 R'000	Company 2016 R'000	Company 2015 R'000
Payable within one year	**237 623**	229 800	**180 352**	200 274
Payable between one and five years	**225 367**	217 947	**49 622**	55 103
Payable after five years	**246 224**	238 117	**3 137**	3 483
	709 214	685 864	**233 111**	258 860

Claims development

The tables below show the claims development gross and net of reinsurance for the Regent Life Group and Company.

	2016 R'000	2015 R'000	2014 R'000
Group			
Insurance claims – gross			
Estimate of ultimate claim costs:			
At the end of the claim year	**424 880**	409 041	373 599
One year later	**—**	358 118	361 016
Two years later	**—**	—	316 464
Current estimate of cumulative claims	**424 880**	358 118	316 464
Cumulative payments to date	**(348 517)**	(348 637)	(310 133)
Liability recognised	**76 363**	9 481	6 331
Cumulative liability – statement of financial position	**92 175**		
Insurance claims – net			
Estimate of ultimate claim costs:			
At the end of the claim year	**356 959**	331 576	311 608
One year later	**—**	335 109	295 758
Two years later	**—**	—	295 438
Current estimate of cumulative claims	**356 959**	335 109	295 438
Cumulative payments to date	**(288 229)**	(329 796)	(290 851)
Liability recognised	**68 730**	5 313	4 587
Cumulative liability – statement of financial position	**78 630**		

32. Management of insurance and financial risk *(continued)*

32.4 Insurance risk *(continued)*

Terms of liabilities net of reinsurance including investment contracts

Claims development

	2016 R'000	2015 R'000	2014 R'000
Company			
Insurance claims – gross			
Estimate of ultimate claim costs:			
At the end of the claim year	**312 057**	314 832	294 780
One year later	**—**	263 909	282 197
Two years later	**—**	—	237 645
Current estimate of cumulative claims	**312 057**	263 909	237 645
Cumulative payments to date	**(242 942)**	(259 456)	(234 112)
Liability recognised	**69 115**	4 453	3 533
Cumulative liability – statement of financial position	**77 101**		
Insurance claims – net			
Estimate of ultimate claim costs:			
At the end of the claim year	**258 295**	248 505	246 090
One year later	**—**	252 038	230 240
Two years later	**—**	—	229 920
Current estimate of cumulative claims	**258 295**	252 038	229 920
Cumulative payments to date	**(196 476)**	(249 547)	(226 802)
Liability recognised	**61 819**	2 491	3 118
Cumulative liability – statement of financial position	**67 428**		

32. Management of insurance and financial risk *(continued)*

32.5 Other risks

Legal risk

The Regent Life Group's legal obligations arise throughout its operations and where the Regent Life Group may be faced with risk where legal proceedings are brought against it.

Legal risk arises where:

- the Regent Life Group's businesses may not be conducted in accordance with applicable laws in the countries in which it operates;
- the Regent Life Group may be liable for damages to third parties; and
- contractual obligations may be enforced against the Regent Life Group in an adverse way, resulting in legal proceedings being instituted against it.

The Regent Life Group has processes and controls in place to manage its legal risk.

Operational risk

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events.

The initiation of all transactions and their administration is conducted on the foundation of segregation of duties that has been designed to ensure materially the completeness, accuracy and validity of all transactions. These controls are augmented by management and executive review of control accounts and systems, electronic and manual checks and controls, back-up facilities and contingency planning. The internal control systems and procedures are also subjected to regular internal audit reviews.

Taxation risk

Taxation risk is the risk that the Regent Life Group will incur a financial loss due to an incorrect interpretation and application of taxation legislation or due to the impact of new taxation legislation on existing structures.

During the development stage of any new product and prior to any corporate transactions, the taxation resources of the Regent Life Group, and if required external resources, identify and advise on any material potential taxation impact thereof.

Proposed new taxation legislation is researched fully by the legal and taxation resources to identify any potential impact to the Regent Life Group.

Taxation risk is further mitigated through policy terms and conditions, which enable the risk to be passed back to policyholders.

Regulatory risk

Regulatory risk is the risk arising from the non-compliance with, or incorrect application of, regulatory requirements.

In order to manage this risk, the Regent Life Group is an active participant in industry bodies that engage in discussions with policy makers and regulators. The Regent Life Group also has a compliance function which monitors conformance to all regulatory requirements.

Underwriting risk

The Statutory Actuary reports annually on the actuarial soundness of the premium rates in use and the profitability of the business taking into consideration the reasonable benefit expectation of policyholders. All new rate tables are approved and authorised by the statutory actuary prior to being issued. Regular investigations into mortality and morbidity experience are conducted.

All applications for risk cover in excess of specified limits are reviewed by experienced underwriters and evaluated against established standards. All risk-related liabilities in excess of specified monetary or impairment limits are reinsured.

32. Management of insurance and financial risk *(continued)*

32.6 Capital adequacy requirement (CAR)

The Regent Life Group is required to demonstrate solvency to the Registrar of Long-term Insurance, in accordance with the Long-term Insurance Act, No 52 of 1998 (as amended). This requires the Regent Life Group to demonstrate that it has sufficient assets to meet its liabilities and CAR for statutory purposes. Statutory returns are submitted to the Registrar quarterly, and valuations are performed half-yearly.

The CAR is intended to approximate a risk-based capital measure and gives guidance to the board concerning acceptable minimum Regent Life Group capital requirements. The CAR is calculated in accordance with the Long-term Insurance Act (1998) and SAP 104, as the greater of the TCAR and the OCAR. The TCAR examines a highly selective scenario in which all policies, where the surrender value is greater than the policy liability, terminate immediately. The OCAR is calculated based on a number of stress tests, which together with compulsory margins are intended to provide approximately a 95% confidence level over the long term that the insurer will be able to meet all its obligations. It explicitly includes stress tests for the following risks:

- Financial risk arising from mismatches between assets and liabilities in respect of embedded derivatives and the liabilities themselves;
- Changes in lapse and withdrawal experience; and
- Fluctuations in experience for mortality, morbidity and expenses.

Regent Life Company's CAR was covered 8.9 times at 30 June 2016 (2015: 8.0 times). The CAR is R40.2 million (2015: 34.9 million).
The Regent Life Group's CAR was covered 5.3 times at 30 June 2016 (2015: 5.2 times). The CAR is R108.4 million (2015: R81.9 million).

The FSB is in the process of developing a new Solvency Assessment and Management (SAM) regime for the South African insurance industry to be in line with international standards. The implementation date for SAM is expected to be in the second half of 2017. However, certain interim requirements were introduced in 2012, which prescribes the method used to calculate the statutory capital requirement and IBNR on a more risk-sensitive basis. Regent Life Company meets the requirements under the interim measures.

33. Subsidiaries

Details of Regent Life Company's subsidiaries are as follows:

Subsidiaries	Holding 2016 %	Holding 2015 %	Cost of shares R'000	Principal activity
Regent Life Botswana Limited	**100**	100	20 000	Life assurance
Regent Life Zambia Limited	**100**	100	—	Life assurance
Lesotho National Life Assurance Company Limited	**76**	76	7 333	Life assurance
Cedar Employee Benefits Proprietary Limited	**100**	100	16 993	Retirement fund Administrators
Cedar Healthcare Proprietary Limited	**90**	86	—	Administrators
Medi Call Proprietary Limited	**100**	86	—	Administrators
Verso Health Proprietary Limited	**100**	—	—	Administrators
I'SURE Risk Solutions Proprietary Limited	**100**	100	—	Insurance administrator
Struland Office Park Properties Proprietary Limited	**100**	100	2 009	Property
			46 335	

34. Contingent liabilities

The Regent Life Group, in the ordinary course of business, enters into transactions which expose the Regent Life Group to tax, legal and business risk. Provisions are made for known liabilities which are expected to materialise. Possible obligations and known liabilities where no reliable estimate can be made or where it is considered improbable that an outflow would result, are noted as a contingent liability. This is in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. At statement of financial position date there were no material contingent liabilities for the Regent Life Group.

35. Events after the reporting period

During September 2015, Regent Life Company's shareholder, Imperial Holdings, accepted an offer by the Hollard Insurance Group and the Yellowwoods Group to dispose of its shareholding in Regent Life Company, subject to regulatory approval. On 21 October 2016, we received confirmation that the Competition Commission would be recommending to the Competition Tribunal that the Regent Life Company acquisition be prohibited from going ahead. Given that the merger is categorised as a large merger, the recommendation of the Competition Commission does not constitute a final binding decision. Such final binding decision will be made by the Competition Tribunal subsequent to the hearing regarding the merger. No other material facts or circumstances have arisen between the reporting date and the date of this report which affect the financial position of the Regent Life Group as reflected in these annual financial statements.

REGENT

INSURANCE

Directors' approval and statement of responsibility

for the year ended 30 June 2016

The directors of the Regent Insurance Group are responsible for the maintenance of adequate accounting records and the integrity of the annual financial statements and group annual financial statements of Regent Insurance Company. The annual financial statements presented on pages 87 to 139 have been prepared in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa. The Regent Insurance Group's external auditors, Deloitte & Touche, have audited the annual financial statements and their audit report appears on page 86.

The directors are also responsible for Regent Insurance Company and Regent Insurance Group's systems of internal control. These are designed to provide reasonable, but not absolute assurance as to the reliability of the annual financial statements and group annual financial statements, to adequately safeguard, verify and maintain accountability for assets and to prevent and detect material misstatement and loss.

The going concern basis has been adopted in preparing the annual financial statements. The directors have no reason to believe that Regent Insurance Company and Regent Insurance Group will not be a going concern in the foreseeable future based on forecasts and available cash resources. The viability of Regent Insurance Company and Regent Insurance Group is supported by the annual financial statements.

Deloitte & Touche were given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the board of directors and committees of the board. The directors believe that all representations made to the independent auditors during their audit were valid and appropriate.

The annual financial statements of Regent Insurance Company and the Regent Insurance Group on pages 87 to 139 were approved by the board of directors on 26 October 2016 and are signed on its behalf by:

MJ Lamberti
Chairman

26 October 2016

AN Tennick
Acting Joint Chief Executive

26 October 2016

Certificate by the Company Secretary

In accordance with section 88(e) of the Companies Act, it is hereby certified that to the best of my knowledge and belief, Regent Insurance Company has lodged with the Registrar of Companies, for the financial year ended 30 June 2016, all such returns as are required by a public company in terms of the Act and that such returns are true, correct and up to date.

G Tyusha
Company Secretary

26 October 2016

Independent auditor's report

to the shareholders of Regent Insurance Company Limited for the year ended 30 June 2016

Report on the financial statements

We have audited the consolidated and separate financial statements and annual financial statements of Regent Insurance Company Limited, set out on pages 92 to 139, which comprise the statements of financial position as at 30 June 2016, the statements of comprehensive income, the statements of changes in equity and the statements of cash flow for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

Regent Insurance Company's directors are responsible for the preparation and fair presentation of these 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 controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Regent Insurance Company Limited as at 30 June 2016, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the year ended 30 June 2016, we have read the directors' report, the audit committee's report and the company secretary's certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Report on other legal and regulatory requirements

In terms of the Independent Regulatory Board of Auditors (IRBA) Rule published in *Government Gazette* Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor for Regent Insurance Group for 12 years.

Deloitte & Touche
Registered auditors

Per: **D Jorge**
Partner

26 October 2016

Building 8, Deloitte Place
The Woodlands
Woodlands Drive
Sandton

National Executive: *LL Bam Chief Executive Officer * TMM Jordan Deputy Chief Executive Officer *MJ Jarvis Chief Operating Officer *GM Pinnock Audit *N Sing Risk Advisory *NB Kader Tax TP Pillay Consulting S Gwala BPaaS *K Black Clients & Industries *JK Mazzocco Talent & Transformation *MJ Comber Reputation & Risk *TJ Brown Chairman of the Board

A full list of partners and directors is available on request *Partner and Registered Auditor

B-BBEE rating: Level 2 contributor in terms of the Chartered Accountancy Profession Sector Code

Associate of Deloitte Africa, a Member of Deloitte Touche Tohmatsu Limited

Audit committee report

for the year ended 30 June 2016

The audit committee presents its report for the year ended 30 June 2016. The audit committee is an independent statutory committee, as well as a committee of the board in respect of other duties assigned to it by the board. The committee has conducted its affairs in compliance with the board approved terms of reference and has discharged its responsibilities contained herein.

Objectives and scope

The overall objective of the committee is to assist the board in discharging its duties relating to the safeguarding of assets, the operation of adequate systems and internal financial controls processes, the reviewing of financial information and the preparation of the annual financial statements.

In terms of its charter, which was reviewed during the current financial year, the main responsibilities of the audit committee include:

- carrying out all the functions as required in terms of legislation;
- performing all the functions of an audit committee for those operating subsidiaries that do not have their own audit committee;
- overseeing the integrity of the annual report and reviewing content thereof to ensure that the information is reliable;
- nominating to the shareholder a registered external auditor who, in the opinion of the committee, is independent of the company, for appointment as external auditor of the company, as well as nominating for appointment the designated individual auditor;
- consideration and recommendation to the board of the appointment, removal or replacement of the internal and external auditors of the Regent Insurance Group;
- consideration of the accounting treatment of significant or unusual transactions and areas of judgement that have a significant impact on the annual financial statements;
- determination of the nature and extent of any non-audit services which the external auditor may provide to the company and pre-approval of any proposed contract with the external auditor for the provision of those non-audit services;
- review and approval of the annual internal audit operational plan;
- monitoring the compliance of the Regent Insurance Group with legal requirements, statutes, regulations and the Regent Insurance Group's code of ethics;
- consideration of the reports by the internal and external auditors on their findings and recommendations;
- consideration of the annual financial statements and of any information to be included in the Imperial Group interim and preliminary announcements, and any other financial information to be made public, prior to submission and approval by the board;
- review of the effectiveness of the Regent Insurance Group's systems of internal control, including internal financial control and business risk management;
- review of the relationship between management, the internal auditors and the external auditors; and
- oversight of risk management.

Committee performance

The committee discharged its statutory and board responsibilities by meeting at least quarterly and during the period under review met four times. For the period under review, the committee underwent a process of self-assessment in order to ensure that it functioned effectively in accordance with its terms of reference and is satisfied that it has done so. The record of attendance by each committee member was as follows:

	11 August 2015	19 October 2015	11 February 2016	14 June 2016
C Erasmus	√	√	√	√
BR Mallinson (Chairman)	√	√	√	√
RJA Sparks	√	ap	√	√

√ Present *ap Absent with apology*

Audit committee report (continued)

for the year ended 30 June 2016

During the period under review the committee:

- received and reviewed reports from both the internal and external auditors concerning the effectiveness of the internal control environment, systems and processes;
- reviewed the reports of both the internal and external audit findings and management's responses thereto;
- considered the independence and objectivity of the external auditors and ensured that the scope of their additional services did not impair their independence;
- received and dealt with concerns and complaints through the "whistle blowing" service provided by the Imperial Group and ensured that such concerns and complaints were dealt with appropriately by management;
- reviewed the documented going concern assumptions prepared by management and made recommendations to the board;
- reviewed and recommended for adoption by the board the annual report of the Regent Insurance Group and of the annual financial statements of Regent Insurance Company for the year ended 30 June 2016;
- considered the effectiveness of internal audit, and approved their annual plan and the rolling three-year internal audit plan;
- received and reviewed reports from the CRO on the enterprise risk management process; and
- satisfied itself that the Chief Financial Officer of the company possesses the appropriate expertise and experience to meet the responsibilities of that position and that the company's finance function is staffed with adequately experienced and qualified people.

The committee is satisfied that it has fulfilled its obligations in respect of the scope of its responsibilities.

Membership and constitution

The membership of the committee during the year under review solely comprised independent non-executive directors. The Chief Executive Officer, Chief Risk Officer, Chief Financial Officer, Chief Audit Executive of Imperial Holdings, group risk executive of Imperial Holdings, representatives from the external auditors, the head of the internal audit service provider, other assurance providers, professional advisers and invited board members also attend the meetings as permanent invitees.

The audit committee is constituted as a statutory committee in respect of its statutory duties in terms of the Companies Act, 2008 and the Short-term Insurance Act, and a committee of the board in respect of all other duties assigned to it by the board. The committee operates in terms of a charter that has been approved by the board. As required by the Companies Act, the committee is to be elected by the shareholder at the forthcoming annual general meeting of Regent Insurance Company.

External audit

The committee has satisfied itself, through enquiry, that the auditor of Regent Insurance Company is independent as defined by the Companies Act.

Non-audit services were provided by the external auditors during the year under review and this was appropriately authorised.

The committee has nominated, for approval at the annual general meeting, Deloitte & Touche as the external auditor for the 2017 financial year for Regent Insurance Company. Mrs D Jorge is the designated auditor for Regent Insurance Company.

Annual report

Having considered the annual report of the Regent Insurance Group, incorporating the annual financial statements, for the year ended 30 June 2016, the committee recommends the annual report for approval to the board.

Complaints

No complaints relating either to the accounting practices and internal audit of the company or to the contents or auditing of its financial statements, or to any related matter were received by the committee.

BR Mallinson

Chairman of the audit committee

26 October 2016

Directors' report

for the year ended 30 June 2016

The directors present their annual report which forms part of the audited annual financial statements of the Regent Insurance Group and Regent Insurance Company for the year ended 30 June 2016.

Nature of business

Regent Insurance Company, Regent Insurance Botswana and Lesotho National General Insurance Company are registered short-term insurers and underwrite all classes of business. Subsidiary companies own properties for rental and provide other insurance-related and administrative services. Regent Insurance Company is incorporated in the Republic of South Africa and is involved predominately in underwriting all classes of business. The Regent Insurance Group operates in South Africa, Botswana and Lesotho.

Holding company

The holding company is Imperial Holdings Limited, a company incorporated in the Republic of South Africa.

	% held	Country of incorporation
Subsidiaries and associates		
Regent Insurance Botswana Proprietary Limited	100	Botswana
– Manik Enterprises Proprietary Limited	100	Botswana
Motor Compliance Solutions Proprietary Limited	100	South Africa
Legal Advice Consultants Proprietary Limited (in process of liquidation)	100	South Africa
Erf Four Nine Nine Spartan Proprietary Limited	100	South Africa
Lesotho National General Insurance Company Limited	60	Lesotho
Anvil Investments Proprietary Limited	100	South Africa
SA Warranties Proprietary Limited	100	South Africa
– SA Vehicle Maintenance Proprietary Limited	100	South Africa
– Auto Renewal Technology Proprietary Limited	50	South Africa
Paint Tech Maintenance Proprietary Limited	100	South Africa
Banoscene Proprietary Limited	100	South Africa

Regent Insurance Company's interest in the aggregate profit after tax in subsidiaries amounted to R117.5 million (2015: R96.4 million).

Dividends

Regent Insurance Group declared and paid dividends of R119.4 million (2015: R138.4 million) and Regent Insurance Company declared and paid dividends of R109.2 million (2015: R127.4 million).

Share capital

Details of the authorised and issued share capital of Regent Insurance Company are reflected in note 19 to the annual financial statements.

Special resolutions

Regent Insurance Company passed the following special resolutions:

- Approved the fees in respect of the independent non-executive directors; and
- Authorised the company to provide any direct, or indirect financial assistance to any related or inter-related company, subject to the provisions of the Companies Act

None of the subsidiaries passed any special resolutions, which might be significant to members in their appreciation of the state of affairs of the Regent Insurance Group.

Events after reporting period

During September 2015, Regent Insurance Company's shareholder, Imperial Holdings, accepted an offer by the Hollard Insurance Group and the Yellowwoods Group to dispose of its shareholding in Regent Insurance Company, subject to regulatory approval. On 21 October 2016, we received confirmation that the Competition Commission would be recommending to the Competition Tribunal that the Regent Life Company acquisition be prohibited from going ahead. Given that the merger is categorised as a large merger, the recommendation of the Competition Commission does not constitute a final binding decision. Such final binding decision will be made by the Competition Tribunal subsequent to the hearing regarding the merger. In July 2016, Regent Insurance Company disposed of the majority of its property for R124 million to one of its subsidiaries, Banoscene Proprietary Limited. No other material facts or circumstances have arisen between the reporting date and the date of this report which affect the financial position of the Regent Insurance Group as reflected in these annual financial statements.

Financial performance

Profit before tax was up 6.4% compared to the prior year. The adjusted underwriting results were up 3.6%. However, due to an improved investment return, resulting from a higher interest rate environment relative to the prior year, the operating profit was up 5.9%. The underwriting result was impacted by improved margins in the commercial vehicle market resulting from enhanced risk management initiatives; lower loss ratios in the car and home environment largely driven by the cancellation of non-profitable portfolios and the value-added products business experienced a contraction in margins. During the financial year, Regent Insurance company also exited the taxi insurance business due to its substandard financial performance.

Board of directors to the date of this report
MJ Lamberti (Chairman, non-executive director)

Executive directors
B Adam (Chief Financial Officer) (resigned 30 September 2015)
MM Janzen (Acting Joint CEO) (appointed 29 September 2015)
B Ruele (Executive Director) (appointed 29 September 2015)
JJ Strydom (Chief Executive Officer) (resigned 29 September 2015)
AN Tennick (Acting Joint CEO) (appointed 29 September 2015)

Non-executive directors
M Akoojee (resigned 30 September 2015)
C Erasmus
BJ Francis
BR Mallinson
S Masinga
JPR Mbau
R Mumford
RJA Sparks

Audit committee
Independent non-executive directors
BR Mallinson (Chairman)
C Erasmus
RJA Sparks

Investment committee
Executive directors
B Adam (resigned 30 September 2015)
JJ Strydom (resigned 29 September 2015)
AN Tennick

Non-executive directors
M Akoojee (resigned 30 September 2015)

Independent non-executive directors
C Erasmus
RJA Sparks

External
W Reitsma (Chairman)

Actuarial committee
Executive directors
B Adam (resigned 30 September 2015)
JJ Strydom (resigned 29 September 2015)
AN Tennick

Independent non-executive directors
C Erasmus (Chairman)

Risk committee
Executive directors
B Adam (resigned 30 September 2015)
JJ Strydom (resigned 29 September 2015)
AN Tennick

Non-executive directors
BJ Francis

Independent non-executive directors
C Erasmus
BR Mallinson
S Masinga (Chairman)

Remuneration committee
Independent non-executive directors
C Erasmus (Chairman)
BR Mallinson
RJA Sparks

Non-executive directors
MJ Lamberti

Board meetings

Attendance of directors at board meetings for the year was as follows:

	18 August 2015	30 October 2015	17 February 2016	18 June 2016
Independent non-executives				
S Masinga	√	ap	√	√
JPR Mbau	√	√	ap	√
RJA Sparks	√	√	ap	√
C Erasmus	√	√	√	√
BR Mallinson	√	√	√	√
Non-executive directors				
MJ Lamberti	ap	√	√	√
BJ Francis	√	√	√	√
R Mumford	ap	√	ap	√
M Akoojee (resigned 30 September 2015)	ap	n/a	n/a	n/a
Executive directors				
AN Tennick	√	√	√	√
MM Janzen (appointed 29 September 2015)	n/a	√	√	√
B Ruele (appointed 29 September 2015)	n/a	√	√	√
JJ Strydom (resigned 29 September 2015)	√	n/a	n/a	n/a
B Adam (resigned 30 September 2015)	√	n/a	n/a	n/a

√ Present *ap Absent with apology* *n/a Not applicable*

Company Secretary

G Tyusha

The addresses of the Secretary of Regent Insurance Company are:

Business address
5 Boeing Road East
Elma Park
Edenvale
1609

Postal address
PO Box 674
Edenvale
1610

Auditors

Deloitte & Touche will continue in office in accordance with section 90(2) of the Companies Act subject to the shareholder making such appointment.

Statements of financial position

as at 30 June 2016

	Notes	Group 2016 R'000	Group 2015 R'000	Company 2016 R'000	Company 2015 R'000
ASSETS					
Property and equipment	3	**139 784**	142 286	**106 677**	110 056
Investment property	4	**20 890**	16 000	**2 490**	—
Intangible assets	5	**148 039**	95 375	**148 008**	95 250
Investments in subsidiaries	6	**—**	—	**81 915**	81 915
Investments in associates	7	**6 537**	(11 256)	**—**	(2 874)
Reinsurers' share of outstanding claims	8	**82 380**	84 980	**51 079**	56 371
Reinsurers' share of unearned premiums	8	**21 402**	19 697	**694**	1 082
Financial assets	9	**1 639 171**	1 699 617	**1 440 766**	1 490 397
Non-current assets held for sale	10	**1 099**	3 589	**—**	2 490
Agents and other insurers' balances	11	**87 696**	110 481	**27 557**	30 147
Deferred tax asset	12	**10 995**	11 371	**—**	—
Current taxation		**3 277**	4 703	**2 332**	—
Other receivables including insurance receivables	14	**52 226**	29 263	**32 997**	24 269
Due from group companies	15	**72 293**	103 694	**5 635**	29 371
Cash and cash equivalents	16	**551 924**	387 655	**92 592**	85 497
Total assets		**2 837 713**	2 697 455	**1 992 742**	2 003 971
LIABILITIES					
Outstanding claims	8	**515 590**	514 802	**338 625**	360 688
Unearned premiums	8	**482 416**	494 172	**358 114**	366 770
Agents' and other insurers' balances	11	**41 966**	38 909	**40 031**	37 042
Deferred tax liability	12	**50 956**	61 050	**36 188**	48 258
Provisions	17	**179 375**	176 325	**87 391**	82 767
Current taxation		**3 212**	8 764	**—**	7 724
Insurance and other payables	18	**169 217**	185 835	**74 174**	110 807
Total liabilities		**1 442 732**	1 479 857	**934 523**	1 014 056
EQUITY					
Share capital	19	**2 940**	2 940	**2 940**	2 940
Share premium	19	**452 564**	452 564	**452 564**	452 564
Subordinated debt capital	28.2.2	**200 000**	200 000	**200 000**	200 000
Statutory reserve*		**140 026**	123 457	**—**	—
Share-based equity reserve	26	**(9 084)**	(25 687)	**(9 084)**	(25 687)
Foreign currency translation reserve		**(16 330)**	(28 782)	**—**	—
Retained earnings		**257 606**	154 915	**66 065**	45 050
Equity attributable to the equity holders of the parent		**1 027 722**	879 407	**712 485**	674 867
Non-controlling interests		**367 259**	338 191	**345 734**	315 048
Total equity		**1 394 981**	1 217 598	**1 058 229**	989 915
Total equity and liabilities		**2 837 713**	2 697 455	**1 992 742**	2 003 971

** Relates to Regent Insurance Botswana Proprietary Limited and is a statutory requirement.*

Statements of comprehensive income

for the year ended 30 June 2016

	Notes	Group 2016 R'000	Group 2015 R'000	Company 2016 R'000	Company 2015 R'000
Gross written premiums		**1 866 604**	1 905 718	**1 385 079**	1 452 028
Outward reinsurance premiums		**(157 865)**	(149 272)	**(34 562)**	(38 358)
Net written premiums		**1 708 739**	1 756 446	**1 350 517**	1 413 670
Change in provision for unearned premium		**20 791**	9 154	**8 268**	18 596
> Change in gross provision		**20 134**	12 975	**8 656**	18 095
> Reinsurers' share		**657**	(3 821)	**(388)**	501
Net premiums earned	20	**1 729 530**	1 765 600	**1 358 785**	1 432 266
Commission income		**31 106**	32 299	**5 678**	10 589
Investment income	21	**142 374**	109 560	**118 731**	136 763
Investment gains	22	**24 450**	43 282	**23 436**	29 491
Other operating income	23	**88 556**	88 498	**24 721**	30 703
Net income		**2 016 016**	2 039 239	**1 531 351**	1 639 812
Net claims incurred		**(850 469)**	(899 063)	**(627 182)**	(699 326)
> Gross insurance claims paid	24	**(804 659)**	(890 016)	**(588 964)**	(692 357)
> Reinsurers' share of claims paid	24	**30 618**	43 686	**10 913**	23 000
> Claims handling costs	24	**(78 681)**	(78 243)	**(65 901)**	(67 844)
> Change in provision for outstanding claims	24	**7 574**	28 000	**22 062**	44 084
> Change in reinsurers' share of provision for outstanding claims	24	**(5 321)**	(2 490)	**(5 292)**	(6 209)
Finance costs		**(953)**	(1 303)	**(947)**	(1 298)
Commission and acquisition expenses		**(364 419)**	(350 105)	**(288 750)**	(272 158)
General marketing and administration expenses		**(426 669)**	(436 151)	**(366 241)**	(388 033)
Share of (loss) from associate		**1 996**	(2 081)	**4 215**	(2 874)
Exceptional items*		**(4 469)**	—	**(17 265)**	165
Subordinated debt finance cost		**(18 190)**	(17 108)	**(18 190)**	(17 108)
Goodwill impairment		**—**	(3 907)	**—**	—
Profit before taxation	25	**352 843**	329 521	**216 991**	259 180
Taxation	13	**(86 684)**	(90 614)	**(52 985)**	(58 018)
Profit after taxation		**266 159**	238 907	**164 006**	201 162
Other comprehensive income		**—**	—	**—**	—
Currency translation differences		**12 452**	(2 667)	**—**	—
Total comprehensive income for the year		**278 611**	236 240	**164 006**	201 162
Profit attributable to:					
Equity owners of the company		**118 726**	97 641	**25 217**	68 415
Non-controlling interests		**147 433**	141 266	**138 789**	132 747
		266 157	238 907	**164 006**	201 162
Total comprehensive income attributable to:					
Equity owners of the company		**131 178**	94 974	**25 217**	68 415
Non-controlling interests		**147 433**	141 266	**138 789**	132 747
		278 611	236 240	**164 006**	201 162

** Exceptional items for the current financial year relates to the write-back of losses on disposal of associate, 360 Plus Proprietary Limited, as well as the impairment of the loan to Mobility Insurance Underwriting Managers Proprietary Limited.*

Statements of changes in equity

for the year ended 30 June 2016

Group	Share capital* R'000	Share premium R'000	Statutory reserve R'000	Share-based equity reserve R'000	Foreign currency translation reserve R'000	Retained earnings R'000	Sub-ordinated debt capital R'000	Non-con-trolling interests R'000	Total R'000
Balance at 1 July 2015	2 940	452 564	103 443	(26 568)	(26 115)	93 678	200 000	312 059	1 112 001
Net profit for the year	—	—	—	—	—	97 641	—	141 266	238 907
Other comprehensive income									
Arising from translation of foreign entity	—	—	—	—	(2 667)	—	—	—	(2 667)
Total comprehensive income for the year ended 30 June 2015	—	—	—	—	(2 667)	97 641	—	141 266	236 240
Transfer to statutory reserve	—	—	20 014	—	—	(12 920)	—	—	7 094
Share-based equity reserve transferred to retained earnings on vesting	—	—	—	182	—	(182)	—	—	—
Share-based equity	—	—	—	699	—	—	—	—	699
Dividends paid	—	—	—	—	—	(23 302)	—	(115 134)	(138 436)
Balance at 30 June 2015	**2 940**	**452 564**	**123 457**	**(25 687)**	**(28 782)**	**154 915**	**200 000**	**338 191**	**1 217 598**
Net profit for the year	**—**	**—**	**—**	**—**	**—**	**118 726**	**—**	**147 433**	**266 159**
Other comprehensive income									
Arising from translation of foreign entity	**—**	**—**	**—**	**—**	**12 452**	**—**	**—**	**—**	**12 452**
Total comprehensive income for the year ended 30 June 2016	**—**	**—**	**—**	**—**	**12 452**	**118 726**	**—**	**147 433**	**278 611**
Transfers to statutory reserves			**16 569**			**(11 833)**	**—**		**4 736**
Share-based equity reserve transferred to retained earnings on vesting	**—**	**—**	**—**	**3 140**	**—**	**(3 140)**	**—**	**—**	**—**
Share-based equity	**—**	**—**	**—**	**13 463**	**—**		**—**	**—**	**13 463**
Dividends paid	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(119 427)**	**(119 427)**
Allocation of prior year retained earnings to cell captive	**—**	**—**	**—**	**—**	**—**	**(1 062)**	**—**	**1 062**	**—**
Balance at 30 June 2016	**2 940**	**452 564**	**140 026**	**(9 084)**	**(16 330)**	**257 606**	**200 000**	**367 259**	**1 394 981**
Company									
Balance at 30 June 2015	2 940	452 564	—	(26 568)	—	119	200 000	286 375	915 430
Net profit for the year	—	—	—	—	—	68 415	—	132 747	201 162
Other comprehensive income									
Arising from translation of foreign entity	—	—	—	—	—	—	—	—	—
Total comprehensive income for the year ended 30 June 2015	—	—	—	—	—	68 415	—	132 747	201 162
Share-based equity reserve transferred to retained earnings on vesting	—	—	—	182	—	(182)	—	—	—
Share-based equity	—	—	—	699	—	—	—	—	699
Dividends paid	—	—	—	—	—	(23 302)	—	(104 074)	(127 376)
Balance at 30 June 2015	**2 940**	**452 564**	**—**	**(25 687)**	**—**	**45 050**	**200 000**	**315 048**	**989 915**
Net profit for the year	**—**	**—**	**—**	**—**	**—**	**25 217**	**—**	**138 789**	**164 006**
Total comprehensive income for the year ended 30 June 2016	**—**	**—**	**—**	**—**	**—**	**25 217**	**—**	**138 789**	**164 006**
Share-based equity reserve transferred to retained earnings on vesting	**—**	**—**	**—**	**3 140**	**—**	**(3 140)**	**—**	**—**	**—**
Share-based equity	**—**	**—**	**—**	**13 463**	**—**	**—**	**—**	**—**	**13 463**
Dividends paid	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(109 165)**	**(109 165)**
Allocation of prior year retained earnings to cell captive	**—**	**—**	**—**	**—**	**—**	**(1 062)**	**—**	**1 062**	**—**
Balance at 30 June 2016	**2 940**	**452 564**	**—**	**(9 084)**	**—**	**66 065**	**200 000**	**345 734**	**1 058 219**

** Included in share capital and share premium are 10 preference shares issued at a value of R0.01.*

Statements of cash flows

for the year ended 30 June 2016

	Notes	Group 2016 R'000	Group 2015 R'000	Company 2016 R'000	Company 2015 R'000
Cash flow from operating activities					
Cash generated from operations	27.1	**238 417**	173 641	**83 543**	83 689
Interest received	27.2	**126 291**	100 395	**93 594**	66 135
Interest paid		**(19 143)**	(18 410)	**(19 137)**	(18 406)
Share-based equity movement		**12 423**	(1 354)	**12 423**	(1 354)
Taxation paid	27.3	**(99 490)**	(80 263)	**(74 070)**	(45 769)
Net cash inflow from operating activities		**258 500**	174 009	**96 353**	84 295
Cash flows from investing activities					
Acquisition of property and equipment		**(16 658)**	(52 476)	**(13 898)**	(49 147)
Additions of intangible assets		**(72 575)**	(61 760)	**(72 573)**	(61 654)
Acquisition of associate		**(4 343)**	—	**—**	—
Proceeds on sale of property and equipment		**4 939**	604	**4 812**	551
Acquisition of investment property		**—**	(406)	**—**	—
Proceeds on sale of financial assets		**1 095 571**	2 056 201	**1 009 322**	2 051 974
Acquisition of financial assets		**(1 005 413)**	(2 736 158)	**(936 254)**	(2 691 454)
Dividends received	27.2	**16 280**	12 277	**28 498**	75 067
Net cash (outflow)/inflow from investing activities		**17 800**	(781 718)	**19 907**	(674 663)
Cash flow from financing activities					
Dividends paid	27.4	**(119 427)**	(138 436)	**(109 165)**	(127 376)
Net cash outflow from financing activities		**(119 427)**	(138 436)	**(109 165)**	(127 376)
Net increase in cash and cash equivalents		**156 873**	(746 145)	**7 095**	(717 744)
Foreign currency translation differences on cash balances		**7 396**	5 990	**—**	—
Cash and cash equivalents at the beginning of the year		**387 655**	1 127 810	**85 497**	803 241
Cash and cash equivalents at the end of the year		**551 924**	387 655	**92 592**	85 497

1. Summary of significant accounting policies

Statement of compliance

The consolidated and separate annual financial statements are stated in South African rand and are prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB) in issue and effective for the group at 30 June 2016 and 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 Companies Act of South Africa, 2008.

Accounting policies

The principal accounting policies adopted and the methods of computation used in the preparation of these consolidated annual financial statements are set out below and are consistent in all material respects with those applied during the previous year except for the adoption of new and amended statements and interpretations as disclosed in note 1.1.

1.1 Basis of preparation

IFRS comprise IAS and interpretations originated by the IFRIC or the former SIC. The standards referred to are set by the IASB.

The consolidated and separate annual financial statements have been prepared in compliance with IFRS and interpretations for year ends commencing on or before 1 July 2015 and in compliance with the Companies Act, No 71 of 2008.

The consolidated and separate financial statements have been prepared on a historical cost basis, except for:

Carried at fair value:

- financial instruments (which include derivative financial instruments) which are designated at fair value through profit and loss; and
- liabilities for cash-settled share-based payment arrangements.

Changes in accounting policies and disclosures

The Regent Insurance Group has adopted the following amended accounting standards:

- IAS 32 *Financial Instruments: Presentation*
- IAS 16 *Property, Plant and Equipment*

None of these have had a significant impact on the Regent Insurance Group's accounting policies and methods of computation.

Standards, interpretations and amendments to published standards that are not yet effective

The following are some amendments to IFRS that could have an impact on the Regent Insurance Group's future financial statements. The Regent Insurance Group does not anticipate that other amendments resulting from annual improvements will have an impact on its financial statements other than additional disclosures.

IFRS 4 *Insurance Contracts*

This standard is expected to materially change, an exposure draft is currently in circulation for comment.

The Regent Insurance Group is currently assessing the impact of the changes to the standard on its results, financial position and cash flows. The standard is expected to be first become applicable for the financial year ending 30 June 2021.

IFRS 9 *Financial Instruments*

IFRS 9 introduces a single classification and measurement model for financial assets which is dependent on the entity's business model objective for managing financial assets and on the contractual cash flow characteristics of financial assets.

Financial assets are classified as either amortised cost, fair value through profit or loss or fair value through other comprehensive income while financial liabilities are classified as amortised cost or fair value through profit or loss.

The standard also introduces a new impairment model which follows a three-stage approach based on changes in expected credit losses of a financial instrument. The model also determines the recognition of impairment as well as the recognition of interest revenue.

Amendments were also made to the criteria for applying hedge accounting, more specifically on the hedge effectiveness which requires the existence of an economic relationship between the hedge item and the hedging instrument and that credit risk does not dominate changes in the fair value of the hedge item or hedging instrument and lastly that the hedge ratio is the same for both the hedging relationship and the quantity of the hedged item actually hedged and the quantity of the hedging instrument used to hedge it.

The Regent Insurance Group anticipates that the application of IFRS 9 may have a significant impact on amounts reported in respect of the Regent Insurance Group's financial assets and financial liabilities. However, it is not practical to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

IFRS 9 was originally issued in January 2014 and applies to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2018.

The standard is expected to first become applicable for the financial year ending 30 June 2019.

IFRS 14 *Regulatory Deferral Accounts*

IFRS 14 regulatory deferral accounts permits an entity which is a first-time adopter of IFRS to continue to account, with some limited changes, for "regulatory deferral account balances" in accordance with its previous generally accepted accounting practices, both on initial adoption of IFRS and in subsequent financial statements. Regulatory deferral account balances and movements in them are presented separately in the statement of financial position and statement of comprehensive income, and specific disclosures are required.

The Regent Insurance Group anticipates that this standard will have no significant effect on its consolidated and separate annual financial statements. The standard is expected to first become applicable for the financial year ending 30 June 2017.

IFRS 15 *Revenue From Contracts With Customers*

The objective of IFRS 15 is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.

The core principle of IFRS 15 is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is delivered in a five-step model framework:

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Application of this guidance will depend on the facts and circumstances present in a contract with a customer and will require the exercise of judgement.

IFRS 15 was issued in January 2014 and replaces the following standards and interpretations when it becomes effective:

- IAS 11 *Construction contracts*
- IAS 18 *Revenue*
- IFRIC 13 *Customer Loyalty Programmes*
- IFRIC 15 *Agreements for the Construction of Real Estate*
- IFRIC 18 *Transfers of Assets from Customers*
- SIC 31 *Revenue – Barter Transactions Involving Advertising Services*

The Regent Insurance Group is in the process of assessing the impact of IFRS 15 on its consolidated and separate annual financial statements.

The standard is expected to first become applicable for the financial year ending 30 June 2018.

IFRS 16 *Leases*

IFRS 16 Leases introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term longer than 12 months.

A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Depreciation is recognised on the right-of-use asset and interest on the lease liability.

In terms of lessor accounting, IFRS 16 substantially carries forward the requirements in IAS 17 and accordingly a lessor continues to account for its leases as operating leases or finance leases.

The group anticipates that the application of IFRS 16 will have an impact on amounts reported in respect of the group's financial assets and financial liabilities. A detailed review of the potential impact of IFRS 16 is ongoing.

The standard is expected to first become applicable for the financial year ending 30 June 2019.

IAS 7 *Statement of Cash Flows*

The amendments to IAS 7 are intended to improve information provided to users of financial statements about an entity's financing activities.

The standard is expected to first become applicable for the financial year ending 30 June 2018.

1.2 Consolidation

The consolidated annual financial statements incorporate the financial statements of Regent Insurance Company and entities controlled by Regent Insurance Company (its subsidiaries).

Subsidiaries

Subsidiary undertakings, which are those companies in which the Regent Insurance Group, directly or indirectly, has an interest of more than one-half of the voting rights or otherwise has power to exercise control over the operations, have been consolidated. Control is achieved where the Regent Insurance Group has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities and when the Regent Insurance Group has the majority of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Regent Insurance Group and are no longer included from the date on which control ceases (effective date of disposal). Gains and losses on disposal of subsidiaries are included in the statement of comprehensive income. In the company's financial statements, interests in subsidiary companies are shown at cost less any required impairment (which is assessed annually as set out in the accounting policies).

The Regent Insurance Group uses the purchase method of accounting to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

The excess of the cost of acquisition over the fair value of the Regent Insurance Group's share of the identifiable net assets acquired is recorded as goodwill. If after the reassessment, the Regent Insurance Group's interest in the fair value of the net assets of the subsidiary acquired exceeds the cost of the business combination, the excess is recognised immediately in the statement of comprehensive income.

At the acquisition date, the identifiable assets acquired and liabilities assumed are measured at fair values except deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements which are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively.

Subsidiaries *(continued)*

The accounting policies for subsidiaries are consistent, in all material respects, with the policies adopted by the Regent Insurance Group. Inter-group transactions, balances and unrealised gains and losses are eliminated on consolidation.

The Regent Insurance Group consolidates an SPE when the substance of the relationship between the Regent Insurance Group and the SPE indicates that the Regent Insurance Group controls the SPE. The Regent Insurance Group operates cell captives on behalf of entities that wish to participate in the insurance result of a particular category of insured risk. Preference shares are issued to those participants giving them the rights to share in profits on an agreed basis. To reflect the substance of the transaction it is consolidated and the participants' share of profits is treated as a non-controlling interest.

Non-controlling interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Regent Insurance Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination (see below) and the non-controlling interests' share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Regent Insurance Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Associates

Associates are all entities over which the Regent Insurance Group has significant influence that is neither a subsidiary nor an interest in a joint venture. Significant influence is presumed to exist when the Regent Insurance Group holds between 20% and 50% of the voting power of another entity. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The Regent Insurance Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Regent Insurance Group's share of its associates' post-acquisition profits or losses is recognised in the statement of comprehensive income, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying value of the investment. When the Regent Insurance Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Regent Insurance Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Regent Insurance Group and an associate are eliminated to the extent of the Regent Insurance Group's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred. Associates' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Regent Insurance Group.

1.3 Foreign currencies

Foreign currency translation

The Regent Insurance Group's presentation currency is South African rand. The functional currency of the Regent Insurance Group's operations is the currency of the primary economic environment where each operation physically has its main activities.

Transactions in foreign currencies are translated into the functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies different to the functional currency at the statement of financial position date are translated into the functional currency at the ruling rate at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transaction, and those measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined. Foreign exchange gains or losses are recognised as part of fair value adjustments on financial instruments in the statement of comprehensive income.

Group foreign companies

Assets and liabilities of companies whose functional currency is different to the presentation currency are translated from their respective functional currency to the Regent Life Group's presentation currency at closing rates ruling at statement of financial position date. The income and expenditure and equity movements are translated into the Regent Life Group's presentation currency at rates approximating the foreign exchange rates ruling at the dates of the various transactions. All resulting translation differences arising from the consolidation and translation of foreign companies are recognised in other comprehensive income as a foreign currency translation reserve and accumulated in equity. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is recognised in profit or loss when the gain or loss on disposal is recognised.

1.4 Property and equipment

Property and equipment comprise of owner-occupied properties, which are held for use in the supply of services or for administrative purposes, computer equipment, office equipment, furniture and fittings and motor vehicles. These assets are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying value or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Regent Insurance Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred. Depreciation on property and equipment is calculated using the straight-line method after allocating their cost to their residual values over

their estimated useful lives. The assets residual values and useful lives are reviewed at each statement of financial position date and adjusted if appropriate. The expected useful lives are as follows:

Buildings	20 years
Office equipment	5 years
Computer equipment	2 – 3 years
Motor vehicles	2 – 5 years
Furniture and fittings	6 years
Leasehold improvements	Over the period of the lease
Land	Not depreciated

There has been no change to the useful lives from those applied in the previous financial year. The residual values and useful lives are reassessed on an annual basis.

Where the carrying amount of the asset is greater than its estimated recoverable amount, the asset is written down immediately to its recoverable amount. Gains and losses on disposal are determined by reference to the carrying amount of the asset and the net profit is recorded in the statement of comprehensive income on disposal.

Where the residual value is greater than or equal to the carrying value, no depreciation is provided for.

1.5 Intangible assets

Computer software

Costs associated with maintaining computer software are recognised as an expense when incurred. Costs clearly associated with an identifiable and unique system, which will be controlled by the Regent Insurance Group and has a probable benefit exceeding the cost beyond one year, are recognised as an asset. These costs comprise all directly attributable costs necessary to create, produce and prepare the asset for its intended use, such as costs of material and supplier services used or consumed in generating the intangible asset. Expenditure that enhances and extends the benefits of computer software beyond their original specifications and lives is recognised as a capital improvement and capitalised to the original cost of the software. Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives, not exceeding a period of three years. Where the carrying amount of an asset is greater than its estimated recoverable amount, the asset is written down immediately to its recoverable amount.

Amortisation of intangibles

Amortisation of intangibles is charged to the statement of comprehensive income. The expected useful lives are as follows:

- Computer software development costs: three to five years

Amortisation commences from the date the software is applied to day-to-day business processing. As the software is proprietary and specific to the Regent Insurance Group's operations, no residual value is estimated.

Goodwill

Goodwill represents the excess of the purchase price consideration of an acquisition over the fair value attributable to the net identifiable assets, liabilities and contingent liabilities at the date of acquisition.

Goodwill on acquisition of subsidiaries is included in intangible assets and goodwill on acquisitions of associates is included in interests in associates.

For the purpose of impairment testing, goodwill is allocated to each of the Regent Insurance Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which the goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit *pro rata* on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

1.6 Investment properties

Investment property is property held to earn rentals and/or for capital appreciation.

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that the cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property.

Transfers are made to investment property when, and only when there is a change in use, evidenced by the end of owner occupation, commencement of an operating lease to another party or completion of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sell.

For a transfer from investment property to owner-occupied property, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Regent Insurance Group as an owner-occupied property becomes an investment property, the Regent Insurance Group accounts for such property in accordance with the policy stated under property and equipment up to the end of change in use. When the Regent Insurance Group completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of comprehensive income.

1.7 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which is expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

1.8 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Regent Insurance Group as lessor

Operating leases

Rental income is recognised in the statement of comprehensive income over the period of the lease term on the straight-line basis. Assets leased under operating leases are included under the appropriate category of assets in the statement of financial position. They are depreciated over their expected useful lives on a basis consistent with similar fixed assets.

The Regent Insurance Group as lessee

Finance leases

Assets held under finance leases are recognised as assets of the Regent Insurance Group at their fair value at the date of acquisition. The corresponding liability to the lessor is included in the statement of financial position as a finance obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the statement of comprehensive income over the term of the relevant lease.

The interest element of the finance cost is charged to the statement of comprehensive income over the lease period according to the effective interest method. The assets acquired under the finance leases are depreciated over the shorter of the useful life of the asset and the lease term, while the property is depreciated over its useful life. Leased assets under finance leases are treated in the same manner as owned fixed assets.

Operating leases

Operating lease costs are recognised in the statement of comprehensive income over the lease term on the straight-line basis. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

1.9 Acquisition costs associated with insurance contracts

Acquisition costs for insurance contracts represent commission payments and other costs that relate to the securing of new contracts and the renewing of existing contracts. These costs are expensed as incurred.

1.10 Operating and administration expenditure

Operating expenses include administration expenditure, marketing and development expenditure, indirect taxes and levies other than life insurance taxes as well as all other non-commission-related expenditure, and are expensed as incurred.

1.11 Impairment of tangible and intangible assets

At each statement of financial position date, the Regent Insurance Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Regent Insurance Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and the value in use. In assessing value in use, the estimated cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

If the recoverable amount of the asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount, in which case the impairment loss is taken to profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years.

1.12 Financial assets

The Regent Insurance Group classifies its investments at initial recognition into financial assets held at fair value through profit and loss, held-to-maturity financial assets, loans and other receivables and available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired or originated. In general, financial assets are classified as at fair value through profit or loss, as the Regent Insurance Group's strategy is to manage financial investments acquired to cover its insurance and investment contract liabilities. In addition shareholders' capital is invested under a formal capital management strategy that actively measures the performance on a fair value basis. The available-for-sale and held-to-maturity categories are used when the relevant liability (including shareholders' funds) are passively managed and/or carried at amortised cost.

All regular way purchases and sales of financial assets are recognised on the trade date, i.e. the date the Regent Insurance Group commits to purchase or sell the asset. Regular way purchases or sales of financial assets require delivery of assets within the timeframe generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit and loss have two sub-categories, namely financial assets held for trading and those designated at fair value through profit and loss at inception. Investments typically bought with the intention to sell in the near future are classified as held for trading. For investments designated as at fair value through profit and loss, the following criteria must be met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis, or

- the assets or liabilities are part of a Regent Insurance Group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are remeasured at fair value. Fair value adjustments and realised gain and losses are recognised in the statement of comprehensive income.

Financial assets at fair value through profit and loss include derivative financial instruments.

Held-to-maturity financial assets are non-derivative financial assets that comprise fixed or determinable payments and maturities of which the Regent Insurance Group has the positive intention and ability to hold until maturity. Investments intended to be held for an undefined period are not included in this classification. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are expensed when incurred. Subsequent to initial recognition, these investments are carried at amortised cost, using the effective interest method. The cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method. Gains and losses are recognised in the statement of comprehensive income when the investments are derecognised or impaired, as well as through the amortisation process.

Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are expensed when incurred. Subsequent to initial recognition, these investments are carried at amortised cost, using the effective interest method. Gains and losses are recognised in the statement of comprehensive income when the investments are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or which are not classified in any of the above categories. These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are remeasured at fair value. Fair value gains and losses are reported as a separate component of equity until the investment is derecognised or the investment is determined to be impaired. At derecognition or impairment, the cumulative fair value gains and losses previously reported in equity is transferred to the statement of comprehensive income.

1.13 Impairment of financial assets

The Regent Insurance Group assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

The Regent Insurance Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics which are collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. The impairment assessment is performed at each statement of financial position date.

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. Any subsequent reversal of an impairment loss is recognised in the statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of comprehensive income, is transferred from equity to the statement of comprehensive income. Reversals in respect of equity instruments classified as available-for-sale are reversed through the statement of comprehensive income if the increase in the fair value of the instruments can be objectively related to an event occurring after the impairment losses were recognised in the statement of comprehensive income.

For assets carried at cost, if there is objective evidence that an impairment loss on an unquoted equity investment that is not carried at fair value, because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return of a similar asset.

For held-to-maturity financial assets and loans and other receivables carried at amortised cost, the amount of the impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced by the impairment loss and the loss is recorded in the statement of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Regent Insurance Group may measure impairment on the basis of an instrument's fair value using an observable market price.

1.14 Derecognition of financial assets

A financial asset (or, when applicable, a part of a financial asset or part of a Regent Insurance Group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Regent Insurance Group retains the right to receive cash flows from the asset, but assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

1.14 Derecognition of financial assets *(continued)*

- the Regent Insurance Group has transferred its rights to receive cash flows from the asset and either:
  - has transferred substantially all the risks and rewards of the asset; or
  - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Regent Insurance Group has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Regent Insurance Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Regent Insurance Group could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including cash-settled option or similar provision) on the transferred asset, the extent of the Regent Insurance Group's continuing involvement is the amount of the transferred asset that the Regent Insurance Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Regent Insurance Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.15 Derivative financial instruments

Derivative financial instruments are designated at fair value through profit and loss. All derivatives are carried as assets when the fair values are positive and as liabilities when the fair values are negative.

Embedded derivatives are treated as separate derivatives and are recorded at fair value if their economic characteristics and risks are not closely related to those of the related host contract and the host contract is not itself recorded at fair value through the statement of comprehensive income. Embedded derivatives that meet the definition of insurance contracts are treated and measured as insurance contracts.

1.16 Agents' and other insurers' balances

Agents' and other insurers' balances comprise amounts due to and from underwriting agents, insurers and other insurance-related entities.

1.17 Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration paid plus incremental cost. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of comprehensive income.

1.18 Cash and cash equivalents

Cash and cash equivalents comprise balances with bankers, highly liquid short-term funds on deposit and cash on hand, but do not include money market securities held for investment.

1.19 Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets to the holder. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

1.20 Classification of insurance contracts

Insurance contracts are those contracts where the Regent Insurance Group has accepted significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Insurance risk is risk other than financial risk, transferred from the holder of the contract to the issuer. 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, a credit rating or credit index or other variable. Insurance contracts can also transfer financial risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can, however, be reclassified as insurance contracts after inception, if insurance risk becomes significant.

Reinsurance

Contracts entered into with reinsurers by the short-term operations, under which the Regent Insurance Group is compensated for losses on one or more contracts, and which meet the classification requirements for insurance contracts, are classified as reinsurance contracts held

The benefits to which Regent Insurance Group are entitled under their reinsurance contracts held are recognised as reinsurance assets, consisting of short-term balances due from reinsurers that are dependent on the expected claims and benefits. Reinsurance liabilities are primarily premiums payable and are recognised as an expense when due.

1.21 Income recognition

Premiums

Gross written premiums 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.

Premiums on reinsurance assumed are included in gross written premiums and accounted for as if the reinsurance was considered direct business, taking into account the product classification of the reinsured business.

Outward reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct insurance or reinsurance business assumed.

The earned portion of the premium received is recognised as revenue. Premiums are earned from the date of attachment of risk, over the indemnity period, based on the pattern of risks underwritten less provisions raised for cash backs. Outward reinsurance premiums are recognised as an expense in accordance with the pattern of indemnity received.

Unearned premiums

Premiums are earned from the date the risk attaches over the indemnity period, based on the pattern of the risk underwritten. Unearned premiums, which represent the proportion of premiums written in the current year which relate to the risks that have not expired by the end of the financial year, are calculated on the 365th basis for even risk business and other bases that best represent the unearned risk profile for uneven risk business.

Reinsurance contracts

The Regent Insurance Group cedes risks to reinsurers in the normal course of business for the purpose of limiting its exposure to liability. Reinsurance arrangements do not relieve the Regent Insurance Group from its direct obligations to its policyholders. Amounts recoverable under reinsurance contracts are assessed for impairment at each statement of financial position date. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Regent Insurance Group may not recover all amounts due and that there is a reliably measurable impact on the amounts that the Regent Insurance Group will receive from the reinsurer. Impairment losses are recognised in the statement of comprehensive income.

Only contracts that give rise to a significant transfer of insurance risk are accounted for as reinsurance. Amounts recoverable under such contracts are recognised in the same year as the related claim. Contracts that do not transfer significant risk (that is, financial reinsurance) are accounted for as financial assets. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

Investment income

Investment return comprises interest, dividends, rental income and realised and unrealised gains or losses. Dividend income from investments is recognised when the Regent Insurance Group's rights to receive payment have been established.

Interest income is recognised using the effective interest method by reference to the principal debt outstanding and the interest rate. Rental income is recognised on a straight-line basis over the term of the relevant lease. Other investment returns are accounted for on an accrual basis.

1.22 Claims recognition

Insurance contracts

Underwriting results

Regent Insurance Company's short-term underwriting results are determined after making provisions for unearned premiums, outstanding claims and such additional provisions as are considered necessary. The methods used to determine these provisions are set out below.

Claims incurred

Claims incurred consist of claims and claims handling expenses paid during the financial year together with the movement in the provision for outstanding claims. Claims outstanding comprise provisions for the Regent Insurance Group's estimate of the ultimate cost of settling all claims incurred but unpaid at the statement of financial position date whether reported or not, and an appropriate risk margin.

While the directors consider that the gross provisions for claims and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made, and disclosed separately if material. The methods used to value the provisions, and the estimates made, are reviewed regularly.

1.23 Policyholder insurance contracts

IBNR – insurance contracts

Provision is made in the policyholders liabilities under insurance contracts for the estimated cost at the end of the year for claims IBNR at that date. IBNR provisions are calculated using run-off triangle techniques or as a multiple, based on the average historical reporting delay, of the claims reported in the three weeks following the valuation date but where the claims event occurred prior to valuation date. These liabilities are not discounted due to the short-term nature of outstanding claims.

Unexpired risk provision

Provision is made for unexpired risks arising to the extent that the expected value of claims and claims handling expenses attributable to the unexpired periods of contracts in force at the statement of financial position date exceeds the unearned premiums provision in relation to such contracts and attributable investment income after the deduction of any deferred acquisition costs.

Cash-back provisions

A provision is made for the accrued expected obligations to policyholders to the extent that the premiums for these benefits are already received and other terms and conditions are met within the period leading up to the expected cash back.

1.23 Policyholder insurance contracts

Deferred acquisition costs

The costs of acquiring new and renewal insurance business that is commission and other acquisition costs, primarily related to the term products of that business, are deferred. Deferred acquisition costs are amortised on a *pro rata* basis over the contract term. Similarly, any reinsurance commissions received are deferred and recognised as income over the term of the reinsurance contract. Deferred acquisition costs and reinsurance commissions received are included in unearned premium provision.

Liability adequacy test – insurance contracts

At each reporting date the adequacy of the insurance liabilities is assessed. This is done using an unearned premium approach for pre-claims liabilities and by using a statistical approach for the claims liabilities. The claims liabilities are reported at a 75% level of sufficiency, claims liabilities are thus expected to be sufficient three out of every four years. If that assessment shows that the carrying amount of the insurance liabilities (less related deferred acquisition costs) is inadequate in the light of the estimated future cash flows, the insurance liability is increased and the deficiency is recognised as a loss.

1.24 Financial liabilities

Trade and other payables

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method.

1.25 Provisions

Provisions are recognised when the Regent Insurance Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Regent Insurance Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain and the amount can be measured reliably. The expense relating to any provision is presented in the statement of comprehensive income. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

Leave pay provision

Leave pay provision is calculated based on the outstanding number of days' leave due to employees, applied to the total cost of their employment.

Employee bonus provision

Within the Regent Insurance Group there are various formulas to calculate bonuses payable to employees. Provisions are raised based on the estimates of the total amount due.

1.26 Taxation

Income taxation on the profit or loss for the periods presented comprises current and deferred taxation.

Current taxation

The charge for current tax is based on the results for the year as adjusted for items that are non-taxable or are disallowed. It is calculated using the tax rates that have been enacted or substantively enacted on the statement of financial position date, in each particular jurisdiction in which the Regent Insurance Group operates.

Deferred taxation

Deferred tax is recognised on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same tax authority and the Regent Group intends to settle its current tax assets and liabilities on a net basis.

Dividends tax

A dividends tax became effective on 1 April 2012 and this tax is levied on non-exempt shareholders. The Regent Insurance Group is responsible for the collection of the dividends tax and payment of the amounts collected to the South African Revenue Service. As this tax is levied on the shareholders and not the company, it does not form part of the tax expense recognised in the statement of other comprehensive income. Dividends are reflected gross of tax.

1.27 Employee retirements benefits

The policy of the Regent Insurance Group is to provide retirement benefits for its employees. The contributions paid by the Regent Insurance Group to fund obligations for the payment of retirement benefits are charged to the statement of comprehensive income in the year to which they relate. The Regent Insurance Group's employees are members of a defined contribution plan, which is governed by the Pension Funds Act, No 24 of 1956.

For defined contribution plans, the Regent Insurance Group pays contributions to privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Regent Insurance Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

1.28 Share-based payments transactions

The Imperial Holdings Group operates equity-settled share-based compensation plans. Senior employees and executives of the Regent Insurance Group participate in the plan and Regent Insurance Group bears the costs thereof.

Equity-settled share-based payments to employees are measured at the fair value of the equity instrument at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 26.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity.

At the end of each reporting period, the Regent Insurance Group revises its estimates of the number of equity instruments that are expected to vest.

The impact of the revision of original estimates, if any, is recognised in profit or loss with a corresponding adjustment to the share-based payment reserve in equity.

1.29 Exceptional items

Exceptional items include income and expense items which are not considered to be of a trading nature and include impairments of goodwill and profit on sale of property.

1.30 Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and where there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.31 Dividend distribution

Dividend distribution to the Regent Insurance Group's shareholders is recognised as a liability in the Regent Insurance Group's financial statements in the period in which the dividends are approved by the Regent Insurance Group's board of directors.

1.32 Events after the statement of financial position date

The financial statements are adjusted to reflect events that occurred between the statement of financial position date and the date when the financial statements are authorised for issue, provided they provide evidence of conditions that existed at the statement of financial position date. Events that are indicative of conditions that arose after the statement of financial position date are disclosed (if material), but do not result in an adjustment of the financial statements themselves.

1.33 Transactions with related parties

Transactions with related parties are subject to terms and conditions that are no less favourable than those arranged with third parties.

1.34 Key assumptions in applying accounting policies

Key assumptions are those used to derive estimates, which require management's most complex or subjective judgements.

The Regent Insurance Group's management decides on assumptions that can materially affect the reported amounts of assets and liabilities within the next financial year. These estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The most significant assets and liabilities, which typically require such assumptions, are the following:

- The Regent Insurance Group holds a number of financial assets that are held at fair value through profit and loss. These are valued at quoted market prices as far as possible. However, if such prices are unavailable, fair value is based either on internal valuations or management's best estimates of realisable amounts.
- Impairment tests are conducted on all assets included in the statement of financial position. In determining the value in use, various estimates are used by management including deriving future cash flows and applicable discount rates. These estimates are most applicable to the impairment tests on reinsurance assets, intangible assets (including goodwill), deferred acquisition costs and receivables. Further details are contained in note 1.11 and 1.13 of the accounting policies.
- The IBNR provision consists of a best estimate reserve and an explicit risk margin. Further details are contained in note 8.3 of the notes to the consolidated annual financial statements

2. Accounting estimates and 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 estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years. In terms of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, changes in accounting estimates do not necessitate a prior period adjustment.

	Notes	Property R'000	Computer and office equipment R'000	Furniture and fittings R'000	Motor vehicles R'000	Total R'000
3. Property and equipment						
Group						
2016						
Balance at the beginning of the year		**105 504**	**22 600**	**13 458**	**724**	**142 287**
Additions		**4 836**	**10 848**	**294**	**680**	**16 658**
Disposals		**—**	**(10 308)**	**(278)**	**(612)**	**(11 198)**
Depreciation charge for the year	25	**(5 714)**	**(11 199)**	**(3 367)**	**(282)**	**(20 561)**
Accumulated depreciation on disposals		**—**	**9 940**	**48**	**466**	**10 453**
Arising from translation of foreign assets		**1 931**	**153**	**39**	**22**	**2 144**
Balance at the end of the year		**106 557**	**22 035**	**10 194**	**998**	**139 784**
Cost		**127 604**	**77 869**	**20 823**	**2 226**	**228 523**
Accumulated depreciation and impairments		**(21 047)**	**(55 834)**	**(10 629)**	**(1 228)**	**(88 739)**
Balance at the end of the year		**106 557**	**22 035**	**10 194**	**998**	**139 784**
2015						
Balance at the beginning of the year		82 433	20 084	5 710	904	109 131
Additions		29 966	11 737	10 607	166	52 476
Disposals		—	(569)	(20)	—	(589)
Transfer to non-current assets held for sale		(2 490)	—	—	—	(2 490)
Depreciation charge for the year	25	(4 823)	(9 256)	(2 785)	(344)	(17 208)
Accumulated depreciation on disposals		—	489	2	—	491
Arising from translation of foreign assets		418	115	(56)	(2)	475
Balance at the end of the year		105 504	22 600	13 458	724	142 286
Cost		120 506	77 059	20 630	2 767	220 962
Accumulated depreciation and impairments		(15 002)	(54 459)	(7 172)	(2 043)	(78 676)
Balance at the end of the year		105 504	22 600	13 458	724	142 286

	Notes	Property R'000	Computer and office equipment R'000	Furniture and fittings R'000	Total R'000
3. Property and equipment *(continued)*					
Company					
2016					
Balance at the beginning of the year		**78 705**	**19 436**	**11 915**	**110 056**
Additions		**4 836**	**8 897**	**165**	**13 898**
Disposals		**—**	**(8 580)**	**(255)**	**(8 836)**
Depreciation charge for the year	25	**(4 453)**	**(9 448)**	**(2 829)**	**(16 730)**
Accumulated depreciation on disposals		**—**	**8 264**	**25**	**8 289**
Balance at the end of the year		**79 087**	**18 569**	**9 020**	**106 677**
Cost		**94 972**	**69 548**	**17 025**	**181 545**
Accumulated depreciation and impairments		**(15 885)**	**(50 979)**	**(8 005)**	**(74 868)**
Balance at the end of the year		**79 087**	**18 569**	**9 020**	**106 677**
2015					
Balance at the beginning of the year		54 922	18 362	4 616	77 900
Additions		29 968	9 518	9 661	49 147
Disposals		—	(98)	(20)	(119)
Transfer to non-current assets held for sale		(2 490)	—	—	(2 490)
Depreciation charge for the year	25	(3 695)	(8 411)	(2 344)	(14 450)
Accumulated depreciation on disposals		—	66	2	68
Balance at the end of the year		78 705	19 436	11 915	110 056
Cost		90 136	69 232	17 116	176 484
Accumulated depreciation and impairments		(11 431)	(49 796)	(5 201)	(66 428)
Balance at the end of the year		78 705	19 436	11 915	110 056

A register of all property and equipment owned by Regent Insurance Company and the Regent Insurance Group is available for inspection at the registered office of the company. Property comprises the following:

- Property situated on Erf 262, Elma Park, Edenvale. The cost of the property is R27.8 million (2015: R20.3 million) and market value is R46.8 million.
- Property situated on Erf 264 and 265, Elma Park, Edenvale. The cost of the property is R61.2 million (2015: R54 million) and market value is R68.6 million.
- An amount of R8.5 million relates to the cost of land.
- Property situated on Erf 64511, Fairground Office Park, Gaborone. The cost of the property is R24.2 million and market value is R21.8 million.
- An amount of R5.9 million (2015: R3.0 million) relates to capitalised leasehold improvements.

All valuations were performed by independent valuators and facilitated by an Imperial Group division, Imperial Properties Proprietary Limited, which deals with property-related matters.

	Group 2016 R'000	Group 2015 R'000	Company 2016 R'000	Company 2015 R'000
4. Investment property				
Balance at the beginning of the year	**16 000**	11 175	**—**	—
Additions	**2 400**	406	**—**	—
Transfer from non-current assets held for sale	**2 490**	—	**2 490**	—
Depreciation reversal	**—**	4 419	**—**	—
Balance at the end of the year	**20 890**	16 000	**2 490**	—
Cost	**20 890**	11 581	**2 490**	—
Accumulated reversal of depreciation	**—**	4 419	**—**	—
Balance at the end of the year	**20 890**	16 000	**2 490**	—

Investment property comprises the following:

- Property situated on Erf 35325, Bellville, Cape Town. The cost of the property is R2.4 million and the market value is R3.2 million (2015: R3.2 million)
- Property situated in Irene Extension 3, Pretoria. The cost of the property is R18.4 million and the market value is R18.4 million (2015: R16 million)

All valuations were performed by independent valuators and facilitated by an Imperial Group division, Imperial Properties Proprietary Limited, which deals with property-related matters.

	Group 2016 R'000	Group 2015 R'000	Company 2016 R'000	Company 2015 R'000
5. Intangible assets				
Application software				
Balance at the beginning of the year	**95 387**	41 711	**95 250**	41 623
Additions	**72 575**	61 760	**72 573**	61 654
Disposals	**(3)**	(413)	**(3)**	(203)
Amortisation	**(19 920)**	(7 893)	**(19 812)**	(7 824)
Accumulated amortisation on disposals	**—**	210	**—**	—
Balance at the end of the year	**148 039**	95 375	**148 008**	95 250
Cost	**222 696**	150 095	**222 354**	149 783
Accumulated amortisation	**(74 657)**	(54 720)	**(74 346)**	(54 533)
Balance at the end of the year	**148 039**	95 375	**148 008**	95 250
Total	**148 039**	95 375	**148 008**	95 250

	Company 2016 R'000	Company 2015 R'000
6. Investments in subsidiaries		
Balance at the beginning of the year	**81 915**	81 915
Balance at the end of the year	**81 915**	81 915

Regent Insurance Company's interest in the aggregate profit after tax in subsidiaries amounted to R117.5 million (2015: R96.4 million).

Details of subsidiaries have been provided in note 35.

	Group 2016 R'000	Group 2015 R'000	Company 2016 R'000	Company 2015 R'000
7. Investments in associates				
Balance at the beginning of the year	**(11 256)**	(9 175)	**(2 874)**	—
Impairment	**(1 342)**	—	**(1 342)**	—
Acquisition of associate	**4 343**	—	**—**	—
Write-back of losses on disposal of associate	**12 796**	—	**—**	—
Prior year losses	**—**	—	**—**	(1 682)
Current year losses	**1 996**	(2 081)	**4 215**	(1 192)
Balance at the end of the year	**6 537**	(11 256)	**—**	(2 874)

Details of the Regent Insurance Group's investments in associates are as follows:

	Percentage holding	Country of incorporation	Principal activity	Reporting date
Auto Renewal Technology Proprietary Limited	50	South Africa	Maintenance	30 June 2016
Advance Development Proprietary Limited	13.3	Lesotho	Development management and operation of commercial properties	31 March 2016

The directors' value of the associates approximates its carrying value.

The summarised financial information in respect of the Regent Insurance Group's share in its associates are set out below:

	Group 2016 R'000	Group 2015 R'000	Company 2016 R'000	Company 2015 R'000
Total assets attributable	**14 862**	51 223	**—**	1 692
Total liabilities attributable	**10 560**	63 654	**—**	5 742
Net assets attributable	**4 302**	(12 431)	**—**	(4 050)
Revenue attributable	**1 531**	6 944	**—**	4 263

	2016 Gross R'000	2016 Reinsurance R'000	2016 Net R'000	2015 Gross R'000	2015 Reinsurance R'000	2015 Net R'000
8. General insurance liabilities						
Group						
Reported claims	**397 964**	**78 136**	**319 828**	408 428	81 517	326 911
Incurred but not reported	**117 626**	**4 244**	**113 382**	106 374	3 463	102 911
Outstanding claims, including claims IBNR	**515 590**	**82 380**	**433 210**	514 802	84 980	429 822
Unearned premiums	**482 416**	**21 402**	**461 014**	494 172	19 697	474 475
Balance at the end of the year	**998 006**	**103 782**	**894 224**	1 008 974	104 677	904 297
Company						
Reported claims	**271 977**	**50 692**	**221 285**	297 954	55 706	242 248
Incurred but not reported	**66 648**	**387**	**66 261**	62 734	665	62 069
Outstanding claims, including claims IBNR	**338 625**	**51 079**	**287 546**	360 688	56 371	304 317
Unearned premiums	**358 114**	**694**	**357 420**	366 770	1 082	365 688
Balance at the end of the year	**696 739**	**51 773**	**644 966**	727 458	57 453	670 005

	Group Gross R'000	Group Reinsurance R'000	Group Net R'000	Company Gross R'000	Company Reinsurance R'000	Company Net R'000
Analysis of movements in net outstanding claims including claims IBNR						
2016						
Balance at the beginning of the year	**514 802**	**84 980**	**429 822**	**360 688**	**56 371**	**304 317**
Claims incurred during the year	**797 085**	**25 297**	**771 788**	**566 901**	**5 621**	**561 280**
Less: Claims paid during the year	**(804 659)**	**(30 618)**	**(774 041)**	**(588 964)**	**(10 913)**	**(578 051)**
Effects of translation of foreign balances	**8 362**	**2 721**	**5 641**	**—**	**—**	**—**
Balance at the end of the year	**515 590**	**82 380**	**433 210**	**338 625**	**51 079**	**287 546**
2015						
Balance at the beginning of the year	545 453	89 425	456 028	404 772	62 580	342 192
Claims incurred during the year	862 016	41 196	820 820	648 273	16 791	631 482
Less: Claims paid during the year	(890 016)	(43 686)	(846 330)	(692 357)	(23 000)	(669 357)
Effects of translation of foreign balances	(2 651)	(1 955)	(696)	—	—	—
Balance at the end of the year	514 802	84 980	429 822	360 688	56 371	304 317
Analysis of movements in unearned premium						
2016						
Balance at the beginning of the year	**494 172**	**19 697**	**474 475**	**366 770**	**1 082**	**365 688**
Premiums written during the year	**1 866 604**	**157 865**	**1 708 739**	**1 385 079**	**34 562**	**1 350 517**
Less: Premiums earned during the year	**(1 886 738)**	**(157 208)**	**(1 729 530)**	**(1 393 735)**	**(34 950)**	**(1 358 785)**
Effects of translation of foreign balances	**8 378**	**1 048**	**7 330**	**—**	**—**	**—**
Balance at the end of the year	**482 416**	**21 402**	**461 014**	**358 114**	**694**	**357 420**
2015						
Balance at the beginning of the year	509 425	27 442	481 983	384 865	581	384 284
Premiums written during the year	1 905 718	149 272	1 756 446	1 452 028	38 358	1 413 670
Less: Premiums earned during the year	(1 918 693)	(153 093)	(1 765 600)	(1 470 123)	(37 857)	(1 432 266)
Effects of translation of foreign balances	(2 278)	(3 924)	1 646	—	—	—
Balance at the end of the year	494 172	19 697	474 475	366 770	1 082	365 688

8. General insurance liabilities *(continued)*

8.1 Maturity analysis of general insurance liabilities

Based on actuarial modelling of historical and future expected trends, the Regent Insurance Group has estimated the probable cash outflows associated with general insurance liabilities. The maturity analysis of the gross insurance liabilities is set out below. The maturity profile of the related reinsurance assets is expected to be similar to the profile of the gross liabilities.

	Maturity in less than 3 months R'000	Maturity between 3 months and 1 year R'000	Maturity more than 1 year R'000	Total R'000
Group				
2016				
Claims IBNR	**43 522**	**36 095**	**38 009**	**117 626**
Outstanding claims	**147 249**	**122 120**	**128 596**	**397 965**
Unearned premiums	**93 339**	**166 560**	**222 516**	**482 415**
Total	**284 110**	**324 775**	**389 121**	**998 006**
2015				
Claims IBNR	40 128	32 581	33 665	106 374
Outstanding claims	154 072	125 096	129 260	408 428
Unearned premiums	93 430	169 998	230 744	494 172
Total	287 630	327 675	393 669	1 008 974
Company				
2016				
Claims IBNR	**25 438**	**19 829**	**21 381**	**66 648**
Outstanding claims	**103 808**	**80 920**	**87 250**	**271 977**
Unearned premiums	**49 929**	**110 579**	**197 605**	**358 114**
Total	**179 175**	**211 328**	**306 236**	**696 739**
2015				
Claims IBNR	24 221	18 741	19 772	62 734
Outstanding claims	115 039	89 011	93 904	297 954
Unearned premiums	49 605	111 432	205 733	366 770
Total	188 865	219 184	319 409	727 458

8.2 Process used to determine significant assumptions

Insurance risks are unpredictable and the Regent Insurance Group recognises that it is impossible to forecast with absolute precision, future claims payable under existing insurance contracts. Over time, the Regent Insurance Group has developed methodologies that are aimed at establishing insurance provisions that are estimated to be adequate.

8. General insurance liabilities *(continued)*

8.3 Claim provisions

The Regent Insurance Group's outstanding claims provisions include notified claims as well as claims IBNR.

Notified claims

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 Regent Insurance Group employs staff experienced in claims handling and rigorously applies standardised policies and procedures around claim assessments.

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 initially set at a prudent level but are reviewed regularly and updated as new information becomes available.

Claims IBNR

The IBNR provision, other than for business originating from underwriting managers, consists of a best estimate reserve and an explicit risk margin. The best estimate represents the expected value of the insurance liabilities, that is the mean in a range of possible outcomes in the development of unreported claims and the future development of notified claims. The explicit risk margins are added to the best estimate to reflect the uncertainty of the ultimate cost of claims. The IBNR for business originating from underwriting managers is set at the historical industry average and adjusted if the experience indicates that the methodology is no longer appropriate. The aggregate of the best estimate reserve and risk margins expressed as a percentage of premiums written, represents the IBNR assumption for each financial year.

The methods applied by the Regent Insurance Group use historical claims development information and therefore the underlying basis assumes that the historical claims development pattern will occur again in the future. There are reasons why this may not be the case, which, insofar as they can be identified, have been allowed for by modifying the methods. Such reasons include:

- changes in processes that affect the development or recording of claims paid and incurred;
- economic, legal, political and social trends;
- changes in mix of business; and
- random fluctuations, including the impact of large losses.

The provision for the notified claims and IBNR are initially estimated at a gross level. A separate calculation is then carried out to determine the estimated reinsurance recoveries. The calculation of the reinsurance recoveries considers the type of risk underwritten, which year the gross claim occurred and therefore under which reinsurance programme the recovery will be made, the size of the claim and whether the claim was an isolated incident or forms part of a catastrophe reinsurance claim.

8.4 Premium provisions

The Regent Insurance 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 under the contract expires. The majority of the Regent Insurance Group's insurance contracts have an even risk profile and therefore the unearned premium provisions are released evenly over the period of insurance using a time proportionate basis. For the remainder of the insurance portfolio the unearned premium is released on a basis consistent with the increasing, decreasing or uneven risk profile of the contracts.

The provisions for unearned premiums are first determined on a gross level and thereafter the reinsurance impact is recognised. Deferred acquisition costs and reinsurance commission revenue are recognised on a basis consistent with the related provisions for unearned premiums.

8.5 Assumptions

The risk margins are determined statistically such that the level of confidence on the adequacy of the provision is approximately 75% (or only a 25% probability that the provision will be inadequate). The levels of the IBNR provisions and the risk margins are assessed annually by management against the Regent Insurance Group's past claims experience and adjusted if the experience indicates that the methodology is no longer appropriate.

The IBNR provision for policies underwritten by underwriting managers ranges from 3% to 21% net written premiums.

The unearned premiums provision for motor warranty policies takes account of assumed premium earning patterns. The premium earning patterns are reassessed and updated by management after review of the actual loss experience for these types of contracts.

8.6 Sensitivity of assumptions

The assumption that will have a significant impact on the Regent Insurance Group's results is the confidence level used in the IBNR calculation. A hypothetical increase in the IBNR from the 75th percentile confidence level to the 80th percentile will have an adverse effect of R4 million (2015: R4.5 million) in income before tax. The 75% level of adequacy is considered prudent until the requirements of the Financial Services Board's proposed solvency assessment and management (SAM) principles are finalised.

	Group 2016 R'000	Group 2015 R'000	Company 2016 R'000	Company 2015 R'000
9. Financial assets				
The Regent Insurance Group's financial assets at fair value through profit and loss comprise:				
Listed preference shares	**70 108**	66 113	**70 108**	66 113
Listed equities	**108 334**	191 608	**108 334**	156 464
Listed foreign government bonds	**6 190**	1 000	**—**	—
Corporate bonds	**241 480**	162 514	**241 480**	162 514
Collective investment schemes	**766 757**	840 484	**624 844**	740 306
Short-term cash deposits	**446 302**	437 898	**396 000**	365 000
Total	**1 639 171**	1 699 617	**1 440 766**	1 490 397
Market value				
Maturity analysis of gilts				
Maturing in less than one year from statement of financial position date	**10 000**	1 000	**10 000**	—
Maturing in more than one year and less than five years from statement of financial position date	**231 480**	—	**231 480**	—
Maturing in more than five years from statement of financial position date	**6 190**	162 514	**—**	162 514
Total	**247 670**	163 514	**241 480**	162 514
Movement				
Balance at the beginning of the year	**1 699 617**	974 506	**1 490 397**	821 427
Additions	**1 005 413**	2 736 158	**936 254**	2 691 454
Disposals	**(1 095 571)**	(2 056 201)	**(1 009 322)**	(2 051 974)
Fair value adjustment	**24 450**	43 533	**23 435**	29 490
FCTR	**5 263**	1 621	**—**	—
Balance at the end of the year	**1 639 171**	1 699 617	**1 440 766**	1 490 397

The collective investment schemes comprise protected equity and money market funds with a duration of greater than 90 days.

10. Non-current assets held for sale

In the 2009 financial year, management committed to the sale of the Cenez property that is held in Lesotho National General Insurance Company. The Deed of Sale, which is subject to approval by the authorities in Lesotho, was concluded. Management are still of the opinion that the sale will be approved by Lesotho authorities in the next financial year.

	Group 2016 R'000	Group 2015 R'000	Company 2016 R'000	Company 2015 R'000
10. Non-current assets held for sale *(continued)*				
Balance at the beginning of the year	**3 589**	1 099	**2 490**	—
Transfer from property, plant and equipment	**—**	2 490	**—**	2 490
Transfer to investment property	**(2 490)**	—	**(2 490)**	—
Balance at the end of the year	**1 099**	3 589	**—**	2 490
11. Agents and other insurers' balances				
Premium debtors	**119 855**	141 594	**43 205**	48 767
Provision for bad debts	**(32 159)**	(31 113)	**(15 648)**	(18 620)
Net receivable	**87 696**	110 481	**27 557**	30 147
Commission payable	**(41 966)**	(30 620)	**(40 031)**	(28 753)
Fees payable	**—**	(8 289)	**—**	(8 289)
Net payable	**(41 966)**	(38 909)	**(40 031)**	(37 042)
Net agent and other insurer's balances	**45 730**	71 572	**(12 474)**	(6 895)

This balance represents current amounts due to or from underwriters, brokers and premium debtors. The Regent Insurance Group is of the opinion that the carrying amounts of these assets represents a reasonable approximation of fair value.

11.1 Insurance premium receivables

Insurance premium receivables are aged according to the terms and conditions of the underlying agreements. Past due policies are reviewed for recoverability and either lapsed or provided for where necessary. No interest is charged on the outstanding insurance premium receivables. If a claim is payable the outstanding amount receivable will be recovered from the amount payable to the client.

Movement in the provision for impairment of trade receivables				
Balance at the beginning of the year	**31 113**	27 150	**18 620**	15 986
Increase/(decrease) in allowance recognised in profit and loss	**3 326**	(1 926)	**365**	(3 008)
Amounts (written off)/reversed during the year	**(2 280)**	5 889	**(3 337)**	5 642
Balance at the end of the year	**32 159**	31 113	**15 648**	18 620

11. Agents and other insurers' balances *(continued)*

In determining the recoverability of a receivable, the Regent Insurance Group considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

11.2 Age analysis

	Group 2016 R'000	Group 2015 R'000	Company 2016 R'000	Company 2015 R'000
Ageing of premium debtors				
Not past due	**57 446**	63 730	**23 210**	24 727
Past due 31 – 90 days	**33 249**	46 751	**5 122**	5 420
Past due 91 – 360 days	**2 464**	14 971	**605**	3 627
Past due more than one year	**26 696**	16 142	**14 268**	14 993
Total	**119 855**	141 594	**43 205**	48 767

12. Deferred tax

Balance at the beginning of the year	**(49 679)**	(45 802)	**(48 258)**	(42 037)
Movement during the year attributable to:				
> Temporary differences	**9 455**	(4 388)	**12 134**	(6 221)
> Prior year over/(under) provision	**263**	511	**(65)**	—
Balance at the end of the year	**(39 961)**	(49 679)	**(36 188)**	(48 258)
Comprising:				
Provisions	**(25 914)**	23 147	**(24 118)**	(23 306)
Unrealised appreciation on financial assets at fair value	**(14 047)**	26 532	**(12 071)**	(24 952)
Balance at the end of the year	**(39 961)**	49 679	**(36 188)**	(48 258)
Reflected in the statement of financial position*:				
Deferred tax asset	**10 995**	11 371	**—**	—
Deferred tax liability	**(50 956)**	(61 050)	**(36 188)**	(48 258)
Balance at the end of the year	**(39 961)**	(49 679)	**(36 188)**	(48 258)

**In terms of IAS 12, the deferred tax asset and liability cannot be offset against one another, as they have arisen in different legal entities.*

	Group 2016 R'000	Group 2015 R'000	Company 2016 R'000	Company 2015 R'000
13. Taxation				
South African and normal taxation				
Current	**92 227**	79 239	**60 879**	44 299
> Current year	**79 289**	77 581	**47 688**	42 820
> Prior year	**(1 110)**	1 138	**(857)**	959
> Capital gains	**14 048**	520	**14 048**	520
Deferred	**(9 718)**	3 877	**(12 069)**	6 221
> Current year	**(9 455)**	4 388	**(12 134)**	6 221
> Prior year adjustment	**(263)**	(511)	**65**	—
Withholding taxation and STC	**4 175**	7 498	**4 175**	7 498
Total	**86 684**	90 614	**52 985**	58 018
Reconciliation of taxation				
South African normal taxation at statutory rate of 28%	**28.00**	28.00	**28.00**	28.00
Adjusted for:				
Non-allowable income	**(0.82)**	(0.84)	**(3.04)**	(7.33)
Withholding tax and STC	**0.89**	1.65	**1.44**	2.10
Foreign tax rate difference	**(1.20)**	(1.31)	**—**	—
Losses in subsidiaries	**(0.67)**	0.89	**0.32**	0.31
Realised and unrealised gains for CGT	**(1.25)**	(1.08)	**(1.93)**	(1.06)
Prior year (over)/under provision	**(0.39)**	0.19	**(0.36)**	0.37
Taxation charge in income statement	**24.57**	27.50	**24.42**	22.39
14. Other receivables including insurance receivables				
Other receivables comprise:				
Reinsurance debtors	**10 171**	3 347	**309**	1 209
Salvage debtors	**13 389**	12 286	**12 514**	12 059
Sundry and other debtors	**32 882**	16 613	**24 390**	13 984
Gross receivables including insurance receivables	**56 442**	32 246	**37 213**	27 252
Bad debt provision	**(4 216)**	(2 983)	**(4 216)**	(2 983)
Balance at the end of the year	**52 226**	29 263	**32 997**	24 269

	Reinsurance debtors R'000	Salvage debtors R'000	Sundry and other debtors R'000	Total R'000
14. Other receivables including insurance receivables *(continued)*				
14.1 Ageing of other receivables				
2016				
Group				
Neither impaired nor past due	**10 171**	**2 909**	**30 592**	**43 672**
Past due but not impaired:	**—**	**6 264**	**2 156**	**8 420**
> 0 – 90 days	**—**	**6 264**	**2 156**	**8 420**
Impaired	**—**	**4 216**	**134**	**4 350**
Balance at the end of the year	**10 171**	**13 389**	**32 882**	**56 442**
Company				
Neither impaired nor past due	**309**	**2 034**	**22 200**	**24 543**
Past due but not impaired:	**—**	**6 264**	**2 156**	**8 420**
> 31 – 90 days	**—**	**6 264**	**2 156**	**8 420**
Impaired	**—**	**4 216**	**34**	**4 250**
Balance at the end of the year	**309**	**12 514**	**24 390**	**37 213**
2015				
Group				
Neither impaired nor past due	2 483	5 009	14 807	22 299
Past due but not impaired:	864	4 435	1 665	6 964
> 0 – 90 days	—	4 435	1 390	5 825
> 91 – 360 days	82	—	244	326
> More than one year	782	—	31	813
Impaired	—	2 842	141	2 983
Balance at the end of the year	3 347	12 286	16 613	32 246
Company				
Neither impaired nor past due	345	4 782	12 209	17 336
Past due but not impaired:	864	4 435	1 634	6 933
> 31 – 90 days	—	4 435	1 390	5 825
> 91 – 360 days	82	—	244	326
> More than one year	782	—	—	782
Impaired	—	2 842	141	2 983
Balance at the end of the year	1 209	12 059	13 984	27 252

	Group 2016 R'000	Group 2015 R'000	Company 2016 R'000	Company 2015 R'000
15. Due from group companies				
Due from Regent Insurance Group subsidiaries	**—**	—	**3 045**	4 053
Due from Regent Insurance Group associates	**—**	11 298	**—**	11 298
Due from Imperial Holdings and fellow Imperial Holdings subsidiaries	**72 293**	92 396	**2 590**	14 020
Due from group companies	**72 293**	103 694	**5 635**	29 371
These are call loans payable on demand.				
16. Cash and cash equivalents				
Cash at bank and on hand	**250 666**	136 604	**92 592**	85 497
Cash deposits*	**301 258**	251 051	**—**	—
Total cash and cash equivalents	**551 924**	387 655	**92 592**	85 497

** Call and cash deposits maturing within three months or less.*

The average call rate on short-term bank deposits was 5.31% (2015: 4.5%).

17. Provisions

17.1 Leave pay

In terms of the Regent Insurance Group's policy, employees are entitled to accumulate a maximum of 30 days leave. Minimum leave of 15 days has to be taken within 12 months of earning it.

17.2 Bonus

In terms of the Regent Insurance Group's policy, selected employees at the discretion of directors receive an incentive bonus. The incentive bonus relates to employee, corporate and divisional performance and it is approved by the remuneration committee.

17.3 Other

Other provisions include, among others, provisions for internal audit, actuarial and underwriting manager fees.

	Leave pay R'000	Bonus R'000	Service and main-tenance R'000	Other R'000	Total R'000
Group					
2016					
Balance at the beginning of the year	**19 346**	**73 658**	**74 528**	**8 793**	**176 325**
Charged to statement of comprehensive income	**2 973**	**72 569**	**56 113**	**6 272**	**137 927**
Utilised during the year	**(3 962)**	**(63 422)**	**(62 352)**	**(6 749)**	**(136 485)**
Arising from translation of foreign provisions	**127**	**477**	**—**	**53**	**657**
Reclassification	**(3 468)**	**(1 037)**	**—**	**5 456**	**951**
Balance at the end of the year	**15 016**	**82 245**	**68 289**	**13 825**	**179 375**
2015					
Balance at the beginning of the year	17 558	61 058	76 390	10 559	165 565
Charged to statement of comprehensive income	4 483	59 129	44 479	3 440	111 531
Utilised during the year	(2 724)	(46 638)	(46 341)	(5 206)	(100 909)
Arising from translation of foreign provisions	29	109	—	—	138
Balance at the end of the year	19 346	73 658	74 528	8 793	176 325
Company					
2016					
Balance at the beginning of the year	**13 013**	**61 794**	**—**	**7 960**	**82 767**
Charged to statement of comprehensive income	**1 630**	**59 006**	**—**	**4 117**	**64 753**
Utilised during the year	**(2 845)**	**(52 750)**	**—**	**(4 534)**	**(60 129)**
Balance at the end of the year	**11 798**	**68 050**	**—**	**7 543**	**87 391**
2015					
Balance at the beginning of the year	11 835	52 576	—	9 822	74 233
Charged to statement of comprehensive income	3 015	48 542	—	2 818	54 375
Utilised during the year	(1 837)	(39 324)	—	(4 680)	(45 841)
Balance at the end of the year	13 013	61 794	—	7 960	82 767

	Group 2016 R'000	Group 2015 R'000	Company 2016 R'000	Company 2015 R'000
18. Insurance and other payables				
Reinsurance payable	**70 468**	55 442	**32 008**	22 991
Sundry creditors	**27 232**	28 046	**1 511**	2 042
Accruals	**11 256**	23 335	**11 256**	22 384
Other	**60 261**	79 012	**29 399**	63 390
Balance at the end of the year	**169 217**	185 835	**74 174**	110 807

	Group 2016 R'000	Group 2015 R'000	Company 2016 R'000	Company 2015 R'000
19. Share capital and share premium				
Authorised share capital				
3 000 000 ordinary shares of R1 each and	**3 000**	3 000	**3 000**	3 000
1 000 preference shares of R0.01 each	*	*	*	*
Issued share capital				
2 939 800 ordinary shares of R1 each	**2 940**	2 940	**2 940**	2 940
10 preference shares of R0.01 each	*	*	*	*
Share premium	**452 564**	452 564	**452 564**	452 564

** Denotes an amount less than R1 000.*

The directors are authorised until the forthcoming annual general meeting to issue the unissued shares for any purpose and upon such terms and conditions as they deem fit but subject to the provisions of the Companies Act, No 71 of 2008 and the company's memorandum of incorporation.

	Group 2016 R'000	Group 2015 R'000	Company 2016 R'000	Company 2015 R'000
20. Net premiums earned				
Net premiums earned represents gross written insurance premiums from policyholders adjusted for unearned premiums and reinsurance premiums paid.				
Gross premium income	**1 866 604**	1 905 718	**1 385 079**	1 452 028
Reinsurance	**(157 865)**	(149 272)	**(34 562)**	(38 358)
Unearned premiums	**20 134**	12 975	**8 656**	18 095
Reinsurance on unearned premiums	**657**	(3 821)	**(388)**	501
Total	**1 729 530**	1 765 600	**1 358 785**	1 432 266

	Group 2016 R'000	Group 2015 R'000	Company 2016 R'000	Company 2015 R'000
21. Investment income				
Interest income	**128 871**	98 905	**95 552**	66 666
Rental income	**2 602**	3 497	**60**	—
Investment management expenses	**(5 379)**	(5 119)	**(5 379)**	(4 970)
Dividend income	**16 280**	12 277	**28 498**	75 067
> Listed	**13 050**	12 277	**9 874**	12 277
> Unlisted	**3 230**	—	**18 624**	62 790
Total	**142 374**	109 560	**118 731**	136 763
22. Investment gains				
Realised profit on disposal of investments	**87 043**	2 309	**80 942**	2 787
> Listed	**14 193**	2 309	**14 193**	2 787
> Unlisted	**72 850**	—	**66 749**	—
Unrealised profit on revaluation of investments	**(62 593)**	40 973	**(57 506)**	26 704
> Listed	**4 350**	40 973	**4 350**	26 704
> Unlisted	**(66 943)**	—	**(61 856)**	—
Total	**24 450**	43 282	**23 436**	29 491
23. Other operating income				
Policy and underwriting fees	**21 263**	27 485	**23 141**	27 485
Recoveries	**1 225**	5 813	**778**	1 369
Sundry income*	**66 068**	55 200	**802**	1 849
Total	**88 556**	88 498	**24 721**	30 703

** Included in sundry income is R62.5 million (2015: R48 million) that relates to fees earned from the sale of maintenance products.*

24. Net claims incurred				
Gross	**(797 085)**	(862 016)	**(566 902)**	(648 273)
> Claims paid	**(804 659)**	(890 016)	**(588 964)**	(692 357)
> Change in provision for outstanding claims	**7 574**	28 000	**22 062**	44 084
Reinsurers' share	**25 297**	41 196	**5 621**	16 791
> Claims paid	**30 618**	43 686	**10 913**	23 000
> Change in provision for outstanding claims	**(5 321)**	(2 490)	**(5 292)**	(6 209)
Other				
> Claims handling costs	**(78 681)**	(78 243)	**(65 901)**	(67 844)
Total	**(850 469)**	(899 063)	**(627 182)**	(699 326)

	Notes	Group 2016 R'000	Group 2015 R'000	Company 2016 R'000	Company 2015 R'000
25. Profit before taxation					
Profit before taxation is determined after taking the following into account:					
Property and equipment – depreciation	3	**20 564**	17 208	**16 730**	14 450
> Buildings		**5 393**	4 408	**4 132**	3 408
> Investment property		**—**	128		
> Furniture and fittings		**3 298**	2 785	**2 829**	2 344
> Computer and office equipment		**11 272**	9 256	**9 448**	8 411
> Leasehold improvements		**322**	287	**322**	287
> Motor vehicles		**280**	344	**—**	—
Amortisation of intangible assets	5, 27.1	**19 920**	7 893	**3**	7 824
Rentals under operating leases		**6 049**	8 549	**3 392**	5 118
Auditors' remuneration		**6 028**	4 375	**4 114**	2 696
Consultancy fees		**13 480**	12 650	**11 517**	10 983
Staff costs		**326 586**	314 780	**264 528**	260 098
> Pension contributions*		**14 998**	15 007	**11 738**	11 778
> Salaries		**299 165**	285 203	**240 365**	233 750
> Share-based payment expense	26	**12 424**	14 570	**12 424**	14 570
Foreign exchange (loss)/gains		**(5)**	2	**(5)**	2
(Loss)/profit on sale of property and equipment		**(4 191)**	303	**(4 268)**	298
Rental income	21	**2 603**	3 497	**—**	—
Administration fees received		**6 728**	10 030	**6 728**	10 030
Number of employees at year end		**646**	641	**523**	518

** Post-employment benefits.*

The Regent Insurance Group provides retirement benefits through independent funds under the control of trustees and all contributions to those funds are charged to the statement of comprehensive income. The majority of employees are members of the Imperial Group Pension Fund and the Imperial Group Provident Fund which are governed by the Pensions Funds Act, 1956.

	Group 2016 R'000	Group 2015 R'000	Company 2016 R'000	Company 2015 R'000
26. Share-based equity reserve				
Reconciliation of share-based payment reserve				
Balance at the beginning of the year	**25 687**	26 568	**25 687**	26 568
Hedge premium paid	**—**	15 923	**—**	15 923
Direct transfer to equity	**(3 140)**	(182)	**(3 140)**	(182)
> Direct cost	**(12 423)**	(14 570)	**(12 423)**	(14 570)
> Tax	**(1 040)**	(2 052)	**(1 040)**	(2 052)
Total share-based payments equity reserve	**9 084**	25 687	**9 084**	25 687

	Group 2016 R'000	Group 2015 R'000	Company 2016 R'000	Company 2015 R'000
27. Notes to the cash flow statement				
27.1 Cash generated by operations				
Profit before taxation	**352 842**	329 521	**216 991**	259 180
Adjusted for:				
Interest income	**(128 870)**	(98 905)	**(95 552)**	(66 666)
Interest expense	**19 143**	18 410	**19 137**	18 406
Dividends received	**(16 280)**	(12 277)	**(28 498)**	(75 067)
Unrealised profit on revaluation of investments	**62 593**	(40 973)	**57 506**	(26 704)
Depreciation of property and equipment	**20 561**	17 208	**16 730**	14 450
Reversal of depreciation on investment property	**—**	(4 419)	**—**	—
Amortisation of intangible assets	**19 920**	7 893	**19 812**	7 824
Profit on sale of property and equipment	**(4 191)**	(303)	**(4 268)**	(298)
Profit on sale of investments	**(87 043)**	(2 309)	**(80 942)**	(2 787)
Foreign exchange gains	**(26)**	(3)	**(26)**	(3)
Share of (profits)/loss from associate	**(1 996)**	2 081	**(4 215)**	2 874
Write-back of losses on disposal of associate	**(12 796)**	—	**—**	—
Impairment on associates	**1 342**	—	**1 342**	—
Changes in working capital:	**13 217**	(42 283)	**(34 461)**	(47 520)
> Increase/(decrease) in receivables	**2 402**	1 224	**(4 151)**	(2 514)
> (Decrease)/increase in other payables	**(13 561)**	(3 003)	**(33 644)**	16 199
> Increase in other provisions	**3 049**	10 761	**4 624**	8 534
> Net movement in group loans	**31 400**	(17 551)	**23 736**	(13 267)
> Increase/(decrease) in net outstanding claims and IBNR	**3 388**	(26 206)	**(16 771)**	(37 875)
> Decrease in unearned premiums	**(13 460)**	(7 508)	**(8 268)**	(18 597)
Total	**238 417**	173 641	**83 543**	83 689
27.2 Investment income				
Dividend received				
Dividend received per statement of comprehensive income	**16 280**	12 277	**28 498**	75 067
Total	**16 280**	12 277	**28 498**	75 067
Interest received				
Accrued interest income at the beginning of the year	**7 431**	8 921	**3 797**	3 266
Interest income per statement of comprehensive income	**128 870**	98 905	**95 552**	66 666
Accrued interest income at the end of the year	**(10 010)**	(7 431)	**(5 756)**	(3 797)
Total	**126 291**	100 395	**93 594**	66 135
27.3 Taxation paid				
Amount receivable at the beginning of the year	**(4 061)**	360	**(7 724)**	(3 749)
Amount charged to the statement of comprehensive income	**(86 684)**	(90 614)	**(52 985)**	(58 018)
Prior year over provision				
Tax effect on the share-based equity reserves	**1 040**	2 053	**1 040**	2 053
Movement in deferred tax	**(9 718)**	3 877	**(12 069)**	6 221
	(99 424)	(84 324)	**(71 738)**	(53 493)
Amount (receivable)/payable at the end of the year	**(65)**	4 061	**(2 332)**	7 724
Total	**(99 490)**	(80 263)	**(74 070)**	(45 769)
27.4 Dividends paid				
Dividends per statement of changes in equity	**(119 427)**	(138 436)	**(109 165)**	(127 376)
Dividends paid	**(119 427)**	(138 436)	**(109 165)**	(127 376)

28. Related party transactions

28.1 Identity of related parties

Regent Insurance Company has a related party relationship with its holding company subsidiaries and fellow subsidiaries and with its directors and key management personnel.

28.2 Other related party transactions and balances

The company has balances receivable with subsidiary companies. These balances are disclosed below in note 28.2.2. Transactions between Regent Insurance Company and its subsidiaries which are related parties have been eliminated on consolidation.

During the year, Regent Insurance Company and its subsidiaries in the ordinary course of business entered into various transactions with fellow subsidiary companies in the greater Imperial group of companies. These transactions occurred under terms that are no less favourable than those arranged with third parties.

	Group 2016 R'000	Group 2015 R'000	Company 2016 R'000	Company 2015 R'000
28.2.1 Transactions with group companies				
Management fee paid to holding company	**250**	29 778	**250**	29 778
Internal audit fee paid to holding company	**—**	160	**—**	160
Premiums received from Imperial Group companies	**7 920**	8 886	**7 920**	8 886
Admin fees paid to subsidiary	**—**	—	**51 396**	52 339
Rental income	**1 558**	1 624	**—**	—
Interest paid	**18 190**	17 108	**18 190**	17 108
Vehicle operating lease costs	**5 166**	5 047	**5 166**	5 047
28.2.2 Year-end balances with related parties				
Receivable from related parties	**72 294**	103 694	**5 635**	29 371
> Regent Insurance Group subsidiaries	**—**	—	**3 045**	4 053
> Regent Insurance Associates	**—**	11 298	**—**	11 298
> Fellow Imperial Holdings Limited subsidiaries	**72 294**	92 396	**2 590**	14 020
Payable to related parties	**(200 000)**	(200 000)	**(200 000)**	(200 000)
> Imperial Holdings*	**(200 000)**	(200 000)	**(200 000)**	(200 000)

** This loan has been subordinated in favour of all policyholders and creditors.*

	Group 2016 R'000	Group 2015 R'000	Company 2016 R'000	Company 2015 R'000
29. Operating lease commitments				
The future minimum lease payments under non-cancellable operating leases:	**49 243**	40 489	**26 778**	25 774
> Not later than one year	**12 746**	12 002	**8 759**	8 246
> Between one and five years	**36 497**	28 487	**18 019**	17 528
The Regent Insurance Group leases certain of its office buildings and office equipment in terms of operating leases. Regent Insurance Company does not have an option to acquire the assets at the termination of the lease.				
Capital commitments				
Commitments				
Project Real – upgrades to existing premises	**—**	5 500	**—**	5 500
IT projects	**25 335**	45 335	**25 335**	45 335
	25 335	50 835	**25 335**	50 835

	Company 2016 R'000	Company 2015 R'000
30. Remuneration		
30.1 Directors' emoluments		
Directors' emoluments comprise:		
Directors' remuneration	**34 558**	35 708
> Basic remuneration	**15 050**	15 543
> Retirement and medical benefits	**1 525**	1 861
> Other incentives and benefits	**17 983**	18 304
Non-executive directors' fees	**3 118**	2 408
C Erasmus		
> Regent Group	**563**	472
> Imperial Group	**560**	250
S Masinga		
> Regent Group	**252**	240
JPR Mbau		
> Regent Group	**119**	114
BR Mallinson		
> Regent Group	**431**	391
> Imperial Group	**46**	46
RJA Sparks		
> Regent Group	**331**	295
> Imperial Group	**816**	600

Fees for the services as director for the year ended 30 June 2016 were approved by the shareholder at the annual general meeting. The remuneration of directors is determined by the remuneration committee based on the performance of the individual and market trends. All executive directors are eligible for annual performance-related bonus payments. The remuneration of directors and prescribed officers reflects a total remuneration paid by the Imperial Group.

30. Remuneration *(continued)*

30.2 Directors' remuneration

	Salary R'000	Bonus R'000	Retirement and medical contribu-tions R'000	Other benefits R'000	2016 Total R'000	2015 Total R'000
Executive directors						
B Adam (resigned during the year)	523	—	55	311	**889**	3 796
AN Tennick	2 660	1 800	257	924	**5 641**	4 860
JJ Strydom (resigned during the year)	1 834	—	165	120	**2 119**	8 482
MM Janzen	2 323	2 200	159	4	**4 686**	—
B Ruele	2 225	1 720	153	621	**4 719**	—
Non-executive directors						
MJ Lamberti	—	—	—	—	**—**	—
M Akoojee (resigned during the year)	811	963	122	30	**1 926**	8 169
B Francis	1 842	1 975	180	679	**4 676**	4 364
R Mumford	2 832	2 650	434	929	**6 845**	6 037
	15 050	11 308	1 525	6 675	**34 558**	35 708

	Commence-ment date	Price on commence-ment date (R)	Number of rights	Exercised	Number of rights remaining	Vesting date
Participation in Imperial Holdings Limited Share Appreciation Rights scheme						
AN Tennick	14 June 2012	170.57	23 979	—	21 850	26 August 2015
	11 June 2013	195.20	29 513	—	29 513	15 September 2016
	24 June 2014	193.77	30 417	—	30 417	15 September 2017
JJ Strydom	14 June 2012	170.57	29 342	—	26 736	26 August 2015
	11 June 2013	195.20	48 263	—	48 263	15 September 2016
B Adam	14 June 2012	170.57	16 421	—	16 421	26 August 2015
	11 June 2013	195.20	25 000	—	25 000	15 September 2016
	24 June 2014	193.77	30 417	—	30 417	15 September 2017
B Ruele	14 June 2012	170.57	17 205	—	15 677	26 August 2015
	11 June 2013	195.20	22 967	—	22 967	15 September 2016
	11 June 2014	193.77	23 894	—	23 894	15 September 2017
M Janzen	11 June 2013	195.20	30 000	—	30 000	15 September 2016
	11 June 2014	193.77	25 422	—	25 422	15 September 2017
M Akoojee	14 June 2012	170.57	24 016	—	21 883	26 August 2015
	11 June 2013	195.20	38 154	—	38 154	15 June 2016
B Francis	14 June 2012	170.57	16 133	—	14 700	26 August 2015
	11 June 2013	195.20	26 668	—	26 668	15 June 2016
	24 June 2014	193.77	27 653	—	27 653	15 September 2017
	6 October 2015	174.65	28 093	—	28 093	15 September 2018
	18 May 2016	127.77	43 574	—	43 574	15 September 2019
R Mumford	14 June 2012	170.57	26 706	—	24 335	26 August 2015
	11 June 2013	195.20	33 509	—	33 509	15 June 2016
	24 June 2014	193.77	35 972	—	35 972	15 September 2017
	6 October 2015	174.65	45 206	—	45 206	15 September 2018
	18 May 2016	127.77	70 119	—	70 119	15 September 2019

	Allocation date	Number of rights allocated	Number of shares committed to the plan	Forfeited	Balance available to be taken up	Vested during the year	Balance remaining	Vesting date
Participation in Imperial Holdings Limited Deferred bonus plan								
AN Tennick	13 June 2012	3 326	2 836	—	—	2 836	—	26 August 2015
	11 June 2013	2 567	2 567	—	—	—	2 567	15 September 2016
	13 June 2014	2 742	2 742	—	—	—	2 742	15 September 2017
JJ Strydom	13 June 2012	3 957	3 957	—	—	3 957		26 August 2015
	11 June 2013	3 689	3 689	—	—	—	3 689	15 September 2016
	13 June 2014	21 159	21 159	—	—	—	21 159	15 September 2017
B Ruele	13 June 2012	1 789	1 789			1 789	—	26 August 2015
	11 June 2013	1 998	1 998			—	1 998	15 September 2016
MJ Lamberti	3 June 2014	60 787	60 787	—	—	—	60 787	15 September 2016
	6 October 2015	37 217	37 217	—	—	—	37 217	15 September 2018
	18 May 2016	43 383	—	—	—	—	—	16 September 2019
M Akoojee	13 June 2012	4 854	4 854	—	—	4 854	—	26 August 2015
	13 June 2013	3 266	3 266	—	—	—	3 266	15 September 2016
	13 June 2014	18 579	18 579	—	—	—	18 579	15 September 2017
	6 October 2015	22 044	17 301	—	—	—	17 301	15 September 2018
	18 May 2016	31 940	—	—	—	—	—	16 September 2019
B Francis	14 June 2012	3 261	2 199	—	—	2 199	—	26 August 2015
	13 June 2013	1 921	1 921	—	—	—	1 921	15 September 2016
	13 June 2014	2 648	2 648	—	—	—	2 648	15 September 2017
	6 October 2015	3 113	3 113	—	—	—	3 113	15 September 2018
	18 May 2016	4 872	—	—	—	—	—	16 September 2019
R Mumford	14 June 2012	3 705	2 902	—	—	2 902	—	26 August 2015
	13 June 2013	2 914	2 914	—	—	—	2 914	15 September 2016
	13 June 2014	3 937	3 937	—	—	—	3 937	15 September 2017
	6 October 2015	5 010	5 010	—	—	—	5 010	15 September 2018
	18 May 2016	7 840	—	—	—	—	—	16 September 2019

	Number of CSPs
Conditional share plan (CSP)	
The following CSPs were granted to MJ Lamberti:	
Granted on 10 September 2014 in relation to the 1 July 2014 to 30 June 2017 performance period	67 064
Granted on 6 October 2015 in relation to the 1 July 2015 to 30 June 2018 performance period	48 915
Granted on 18 May 2016 in relation to the 1 July 2016 to 30 June 2019 performance period	80 340
	196 319

31. Post-employment benefits

The Regent Insurance Group provides retirement benefits through independent funds under the control of trustees and all contributions to those funds are charged to the statement of comprehensive income. The large majority of employees are members of the Imperial Group Pension Fund and the Imperial Group Provident Fund which are governed by the Pensions Funds Act, 1956.

32. Contingent liabilities

The Regent Insurance Group, in the ordinary course of business, enters into transactions which expose the Regent Insurance Group to tax, legal and business risk. Provisions are made for known liabilities which are expected to materialise. Possible obligations and known liabilities where no reliable estimate can be made or where it is considered improbable that an outflow would result, are noted as a contingent liability. This is in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. At the statement of financial position date, there were no material contingent liabilities for the Regent Insurance Group.

Management of risk

33. Insurance risk

33.1 Terms and conditions of insurance contracts

The Regent Insurance Group underwrites risks that natural persons, corporates or other entities wish to transfer to an insurer. Such risks may relate to property, accident, personal accident, motor, engineering, marine, liability, aviation, and other perils that may give rise to an insurable event. The Regent Insurance Group is exposed to uncertainty surrounding the timing, frequency and severity of claims under insurance contracts. The principal risk is that the frequency and/or severity of claims is greater than expected. Insurance events are by their nature random and the actual size and number of events in any one year may vary from those estimated, or experienced in prior periods.

The Regent Insurance Group underwrites primarily short-tailed risks, that is, insurance under which claims are typically settled within one year of the occurrence of the events giving rise to the claims. Risks that are long-tailed in nature represent an insignificant portion of the Regent Insurance Group's insurance portfolio.

The product features of insurance contracts underwritten by the Regent Insurance Group that have a material effect on the amount, timing and uncertainty of future cash flows arising from insurance contracts in the Regent Insurance Group are described below:

Property

Provides indemnity for loss 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 the insured property.

Accident

Provides indemnity for loss 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, loss of money and fidelity guarantee for staff.

Personal accident

Provides compensation arising out of the death, permanent or temporary total disability of the insured, the family of the insured or possibly the employees of a business. Such death or disability is restricted to certain accidents and does not provide the wider cover available from the life insurance industry.

Motor

Provides indemnity for loss or damage to the insured motor vehicle. The cover is normally on a comprehensive 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 a motor vehicle for damage to third-party property or death or injury to a third party are also covered under this class of business.

Engineering

Provides indemnity for loss sustained through the use of machinery and equipment or the erection of buildings or structures. This type of contract may cover losses resulting from project delay, machinery breakdown, loss of profits and deterioration of stock.

Marine

Provides indemnity for both cargo and hull classes of business. Cargo covers physical loss of or damage to cargo, with a project delay option. Hull covers loss or damage to vessels as a result of accidents and may also include legal liability as a result of the accident.

Liability

Provides indemnity for the insured against damages consequent to a personal injury or property damage and includes professional indemnity as well as directors' and officers' liability for errors and omissions.

Aviation

Provides indemnity for cargo, hull and liability classes of business. Cargo covers physical loss or damage to cargo. Hull covers loss or damage to aircraft. Liability covers third party claims.

33.2 Risks that arise from insurance contracts

The Regent Insurance Group distributes these products to personal and commercial policyholders using traditional methods of distribution through intermediaries and direct sales, as well as through strategic partnerships with niche underwriting managers, retailers, banks and motor dealers. The Regent Insurance Group provides primary risk policies, which are contracts structured to provide entry-level insurance cover for corporate entities.

33.3 Limiting exposure to insurance risk

The Regent Insurance Group manages its insurance risk through setting underwriting limits, through approval procedures for transactions that involve new products or that exceed set limits or pricing guidelines and through monitoring of emerging issues. These procedures are described below:

Underwriting strategy

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered. Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability of risk incidence will be, and therefore a well-diversified portfolio is not likely to be affected across the board by a change in any subset of the portfolio. The Regent Insurance Group has developed its insurance underwriting strategy to stabilise risk experience by utilising a sufficiently large population of risks to reduce the variability of the expected outcome. The concentration of insurance risk is thereby substantially limited to the occurrence of natural disasters in densely populated areas.

The underwriting strategy is detailed in underwriting authorities which set the limits for underwriters in terms of amount of capacity, class of business, geographical location and industry to enforce the appropriate risk selection within the portfolio. The underwriting mandates are applicable to both internal underwriters and partners. Management review and periodic internal audits ensure that underwriters operate within these limits.

Ongoing review and analysis of underwriting information enables the Regent Insurance Group to monitor its risks and take timely corrective action. The ability to adjust premiums allows the Regent Insurance Group to mitigate the risks of underwriting losses by addressing adverse loss ratios in respect of different classes of business, different portfolios or specific classes of clients. The risk of fraudulent claims is reduced by internal controls embedded in claims handling processes and specific techniques developed to detect fraudulent claims proactively.

33.3 Limiting exposure to insurance risk

Reinsurance

The Regent Insurance Group obtains third-party reinsurance cover to reduce risks from single events or accumulation of risk which could have a significant impact on earnings for the current year or on the Regent Insurance Group's capital. This cover is placed in the local and international reinsurance markets.

Catastrophe events

The Regent Insurance Group defines in its underwriting strategy the total aggregate exposure that it is prepared to accept in certain territories from a range of events such as natural catastrophes. The aggregate position is reviewed annually. The Regent Insurance Group uses a number of modelling tools to monitor aggregation and to simulate catastrophe losses in order to measure the effectiveness of the reinsurance programmes and the net risk exposure of the Regent Insurance Group.

Other risks

Insurance companies are exposed to the risk of false, invalid and exaggerated claims. Sophisticated software and fraud detection measurements are in place to improve the Regent Insurance Group's ability to detect fraudulent claims proactively.

Claims development

The Regent Insurance Group is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term, subject to predetermined time scales dependent on the nature of the insurance contract. The Regent Insurance Group is therefore exposed to the risk that claims reserves will not be adequate to fund historic claims ''run-off risk''. To manage run-off risk, the Regent Insurance Group takes steps to ensure that it has appropriate information regarding its claims and exposures and adopts sound reserving practices.

The majority of the Regent Insurance Group's insurance contracts are classified as "short-tailed", meaning that generally claims are settled within a year after the loss date. This contrasts with the "long-tailed" classes where the claims cost takes longer to emerge. The Regent Insurance Group's long-tailed business is generally limited to third-party motor liability and some engineering classes.

In terms of IFRS 4, an insurer need only disclose claims run-off information where uncertainty exists about the amount and timing of claim payments not resolved within one year. In total, long-tail business comprises less than 7% (2015: 7%) of an average year's claims cost and consequently, detailed claims run-off information is not presented.

34. Financial risk

The Regent Insurance Group is exposed to various financial risks through its operating activities. The main financial risk is that the proceeds from the Regent Insurance Group's financial assets are insufficient to fund the obligations arising from insurance contracts. The major components of this risk are market risk, credit risk and liquidity risk. An investment committee proposes asset management policies to the board and implements the policy as approved. It also appoints and monitors the activities of asset managers, receiving quarterly reports on compliance with investment mandates.

34.1 Market risk

This can be described as the risk of a change in fair value or future cash flows of a financial instrument brought about by changes in interest rates, equity prices or foreign exchange rates.

Equity price risk

The portfolio of listed equities, gilts and foreign equities which are carried on the statement of financial position at fair value, are exposed to price risk, being the potential loss in market value resulting from an adverse change in prices.

At 30 June 2016, the Regent Insurance Group was exposed to equities through listed instruments and collective investment schemes to the value of R192 million (2015: R387 million) at fair value. A hypothetical 1% decrease in the All Share Index, based on similar sensitivities used in the industry and on market conditions, would result in an estimated reduction in profit before tax of R1.9 million (2015: R3.87 million).

Fair value hierarchy disclosures

The table below shows the Group's financial assets and liabilities that are recognised and subsequently measured at fair value analysed by valuation technique. The classification is based on the lowest level input that is significant to the fair value measurement in its entirety.

	Valuations with reference to quoted prices in an active market Level 1 R'000	Valuations based on observable inputs Level 2 R'000	Total carried at fair value R'000
Financial assets held as at fair value through profit and loss			
2016			
Group			
Listed preference shares	**70 108**	**—**	**70 108**
Government bonds	**6 190**	**—**	**6 190**
Corporate bonds	**241 480**	**—**	**241 480**
Collective investment schemes	**766 757**	**—**	**766 757**
Listed equities	**108 334**	**—**	**108 334**
Short-term deposits more than one year	**—**	**235 302**	**235 302**
Short-term deposits less than one year	**—**	**211 000**	**211 000**
Total financial assets	**1 192 869**	**446 302**	**1 639 171**
2016			
Company			
Listed preference shares	**70 108**	**—**	**70 108**
Corporate bonds	**241 480**	**—**	**241 480**
Collective investment schemes	**624 844**	**—**	**624 844**
Listed equities	**108 334**	**—**	**108 334**
Short-term deposits more than one year	**—**	**185 000**	**185 000**
Short-term deposits less than one year	**—**	**211 000**	**211 000**
Total financial assets	**1 044 766**	**396 000**	**1 440 766**

34. Financial risk *(continued)*

34.1 Market risk *(continued)*

Fair value hierarchy disclosures *(continued)*

	Valuations with reference to quoted prices in an active market Level 1 R'000	Valuations based on observable inputs Level 2 R'000	Total carried at fair value R'000
Financial assets held at fair value through profit and loss			
2015			
Group			
Listed preference shares	66 113	—	66 113
Government bonds	1 000	—	1 000
Corporate bonds	162 514	—	162 514
Collective investment schemes	840 484	—	840 484
Listed equities	191 608	—	191 608
Short-term deposits more than one year	—	310 000	310 000
Short-term deposits less than one year	—	127 898	127 898
Total financial assets	1 261 719	437 898	1 699 617
2015			
Company			
Listed preference shares	66 113	—	66 113
Corporate bonds	162 514	—	162 514
Collective investment schemes	740 306	—	740 306
Listed equities	156 464	—	156 464
Short-term deposits more than one year	—	310 000	310 000
Short-term deposits less than one year	—	55 000	55 000
Total financial assets	1 125 397	365 000	1 490 397

Level 1 financial assets include assets where fair value is determined using quoted prices in an active market. For quoted prices in an active market to exist there should be actual and regular occurring market transactions and the prices of those transactions should be readily available.

Fair value for level 2 assets is determined by way of valuation techniques and the inputs into the valuation model are based on observable market inputs other than quoted prices included within level 1. An input is observable if it can be observed as a market price or can be derived from an observed market price.

If fair value is determined by way of valuation techniques and the inputs into the valuation model are not based on observable market data or the observable market data has been significantly altered then those instruments are classified as level 3.

Movements on financial assets and liabilities subsequently measured at fair value using valuations based on unobservable inputs (level 3).

34. Financial risk (continued)

34.2 Interest rate risk

Interest rate risk is the risk that the value and cash flows of a financial instrument will fluctuate due to a change in market interest rates. The following investments which are held at fair value will be directly impacted by changes in market interest rates. Accounts receivable and accounts payable where settlement is expected within 90 days are not included in the analysis below, since the effect of interest rate risk on these balances is not considered material given the short-term duration of these underlying cash flows. The Regent Insurance Group does not have any interest-bearing borrowings. Interest rate risk is therefore limited to the Regent Insurance Group's investment in variable rate investments, such as gilts and bonds.

The table below summarised the effective interest rates at the financial position date:

	Group 2016 %	Group 2015 %	Company 2016 %	Company 2015 %
Debt securities – fixed interest rate:				
> Government bonds	**8.00**	9.00	**—**	—
> Listed bonds	**8.78**	7.47	**8.78**	7.47
Cash at bank	**5.31**	4.49	**6.19**	5.25

Investment decisions are delegated by the board to the investment committee, which has ultimate responsibility for the investment portfolio's risk profile and related decisions. To this end, the committee is supported by a well-developed research function utilising portfolio managers.

Interest rate sensitivity analysis

The sensitivity analysis above has been determined based on the exposure to interest rates for non-derivative instruments at statement of financial position date. A 1 percent increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

It is estimated that a 1% movement in the prime lending rate would increase/decrease the Regent Insurance Group's profit before tax by R7.3 million (2015: R7.3 million).

34. Financial risk (continued)

34.3 Foreign Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate in rand due to the changes in foreign exchange rates. The Regent Insurance Group manages this risk by limiting the extent of net foreign assets to predetermined amounts considering the type of asset and foreign currency.

The group also operates in Botswana and its exposure arises primarily with respect to the Botswana pula.

The following table sets out the exchange rates used for each major currency:

	2016 Average ZAR	2015 Average ZAR	2016 Closing ZAR	2015 Closing ZAR
Botswana pula	**1.34144**	1.20047	**1.34510**	1.23200

The table below illustrates the analysis of assets and liabilities of the Regent Insurance Group by major currency.

	2016 BWP'000	2015 BWP'000
Total assets	**349 174**	313 605
Total liabilities	**165 044**	161 506
Net assets	**184 130**	152 099

Foreign currency sensitivity analysis

The following table details the Regent Insurance Group's sensitivity to a 1% increase and decrease in the rand against the relevant foreign currencies. The sensitivity rate used is 1% when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 1% change in foreign currency rates. A positive number below indicates an increase in profit and other equity where the Rand strengthens 1% against the relevant currency. For a 1% weakening of the rand against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

	2016 BWP'000	2015 BWP'000
Profit and loss	**431**	458

This is attributable to the exposure outstanding on BWP.

34.4 Credit risk

The Regent Insurance Group is exposed to the risk that a counterparty will be unable to pay amounts in full when due. The main areas of exposure are:

- Reinsurer's share of insurance liabilities;
- Amounts due from reinsurers in respect of claims already paid;
- Amounts due from insurance contract holders; and
- Amounts due from insurance contract intermediaries.

The group structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty or groups of counterparties and industry segments. Reputable financial institutions are used for investment and cash handling purposes.

The group has policies in place to ensure that sales of products and services are made via brokers with an appropriate credit history.

Credit risk in terms of direct insurance clients is mitigated by the fact that where premiums are not paid to the Regent Insurance Group, the Regent Insurance Group is not obliged to perform in terms of the policy contract, with respect to monthly business.

All reinsurers have at least an "A-" rating or better as rated by Standard & Poor's. Some of the local reinsurers are not separately rated, however they are subsidiaries of international reinsurance groups, that are rated as above, and carry parental guarantees.

34. Financial risk *(continued)*

34.4 Credit risk *(continued)*

Analysis of the credit quality of the Regent Insurance Group's assets

	Normal monitoring R'000	Not rated R'000	Total R'000
Group			
2016			
Reinsurers' share of outstanding claims	**82 380**	**—**	**82 380**
Short-term deposits	**446 302**	**—**	**446 302**
Due from group companies	**—**	**72 293**	**72 293**
Cash and cash equivalents	**551 924**	**—**	**551 924**
Insurance and other receivables	**—**	**139 921**	**139 921**
Total	**1 080 606**	**212 215**	**1 292 821**
2015			
Reinsurers' share of outstanding claims	84 980	—	84 980
Short-term deposits	437 898	—	437 898
Due from group companies	—	103 694	103 694
Cash and cash equivalents	387 655	—	387 655
Insurance and other receivables	—	139 744	139 744
Total	910 533	243 438	1 153 971
Company			
2016			
Reinsurers' share of outstanding claims	**51 079**	**—**	**51 079**
Short-term deposits	**396 000**	**—**	**396 000**
Due from group companies	**—**	**5 635**	**5 635**
Cash and cash equivalents	**92 592**	**—**	**92 592**
Insurance and other receivables	**—**	**60 555**	**60 555**
Total	**539 671**	**66 189**	**605 861**
2015			
Reinsurers' share of outstanding claims	56 371	—	56 371
Short-term deposits	365 000	—	365 000
Due from group companies	—	29 371	29 371
Cash and cash equivalents	85 497	—	85 497
Insurance and other receivables	—	54 416	54 416
Total	506 868	83 787	590 655

** Denotes an amount less than R1 000.*

34. Financial risk *(continued)*

34.4 Credit risk *(continued)*

Normal monitoring

This refers to the credit ratings ranging from AAA to B-. AAA rating would refer to a counterparty being a superior financial security. The capacity to meet obligations is overwhelming under a variety of economic conditions. B- refers to counterparties which are partially vulnerable securities. Counterparties are able to meet current obligations, but the capacity to meet obligations is vulnerable during adverse economic conditions. All securities in this range need to be monitored whether AAA or B-.

Reinsurance

Reinsurance is used to manage insurance risk. This does not discharge the Regent Insurance Group's liability as the primary insurer. If the reinsurer fails to pay a claim for any reason, the Regent Insurance Group remains liable for the payment to the policyholder. The Regent Insurance Group monitors the financial condition of reinsurers on an ongoing basis and reviews its reinsurance arrangements periodically.

When selecting a reinsurer the Regent Insurance Group considers its security. This is assessed from public rating information and from internal investigations.

The ageing of the Regent Insurance Group's financial assets after impairment at the reporting date was as follows:

	Agents and other insurance balances R'000	Other receivables R'000	Due from group companies R'000	Cash and cash equivalents R'000	Reinsurers' share of outstanding claims R'000	Reinsurers' share of unearned premium R'000
Group						
2016						
Neither impaired nor past due	**57 446**	**43 705**	**72 293**	**551 924**	**82 380**	**21 403**
Past due but not impaired:	**33 248**	**8 521**	**—**	**—**	**—**	**—**
> 0 – 90 days	**33 248**	**8 421**	**—**	**—**	**—**	**—**
> More than one year	**—**	**100**	**—**	**—**	**—**	**—**
	90 694	**52 226**	**72 293**	**551 924**	**82 380**	**21 403**
2015						
Neither impaired nor past due	63 730	22 299	103 694	387 655	84 980	19 697
Past due but not impaired:	46 751	6 964	—	—	—	—
> 0 – 90 days	46 751	5 825	—	—	—	—
> 91 – 360 days	—	326	—	—	—	—
> More than one year	—	813	—	—	—	—
Balance at the end of the year	110 481	29 263	103 694	387 655	84 980	19 697

34. Financial risk *(continued)*

34.4 Credit risk *(continued)*

The ageing of Regent Insurance Company's financial assets after impairment at the reporting date was as follows:

	Agents and other insurance balances R'000	Other receivables R'000	Due from group companies R'000	Cash and cash equivalents R'000	Reinsurers' share of outstanding claims R'000	Reinsurers' share of unearned premium R'000
Company						
2016						
Neither impaired nor past due	**23 210**	**24 543**	**5 635**	**92 592**	**51 079**	**695**
Past due but not impaired:	**5 122**	**8 420**	**—**	**—**	**—**	**—**
> 0 – 90 days	**5 122**	**8 420**	**—**	**—**	**—**	**—**
Balance at the end of the year	**28 333**	**32 963**	**5 635**	**92 592**	**51 079**	**695**
2015						
Neither impaired nor past due	24 727	17 336	29 371	85 497	56 371	1 082
Past due but not impaired:	5 420	6 933	—	—	—	—
> 0 – 90 days	5 420	5 825	—	—	—	—
> 91 – 360 days	—	326	—	—	—	—
> More than one year	—	782	—	—	—	—
Balance at the end of the year	30 147	24 269	29 371	85 497	56 371	1 082

34. Financial risk *(continued)*

34.5 Liquidity risk

The Regent Insurance Group is exposed to daily calls on its available cash resources from claims arising. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The Regent Insurance Group's liabilities are matched by appropriate assets and it has significant liquid resources to cover its obligations. The Regent Insurance Group's liquidity and ability to meet such calls are monitored by the investment committee. The Regent Insurance Group has significant liquid resources to cover its obligations.

The maturity of the liquidity risk has been detailed in the table below:

	Total R'000	Within 1 year R'000	1 – 5 years R'000	Over 5 years R'000
Group				
2016				
Outstanding claims	**515 590**	**348 985**	**166 605**	**—**
Agents' and other insurers' balances	**41 966**	**41 966**	**—**	**—**
Current taxation	**3 212**	**3 212**	**—**	**—**
Insurance and other payables	**169 217**	**161 821**	**7 396**	**—**
	729 985	**555 984**	**174 001**	**—**
2015				
Outstanding claims	514 802	364 250	117 569	32 983
Agents' and other insurers' balances	38 909	38 909	—	—
Current taxation	8 764	8 764	—	—
Insurance and other payables	185 835	181 154	4 681	—
	748 310	593 077	122 250	32 983
Company				
2016				
Outstanding claims	**338 625**	**229 204**	**109 422**	**—**
Agents' and other insurers' balances	**40 031**	**40 031**	**—**	**—**
Insurance and other payables	**74 174**	**69 494**	**4 681**	**—**
	452 830	**338 729**	**114 103**	**—**
2015				
Outstanding claims	360 688	246 573	107 354	6 761
Agents' and other insurers' balances	37 042	37 042		—
Current taxation	7 724	7 724	—	—
Insurance and other payables	110 807	106 126	4 681	—
	516 261	397 465	112 035	6 761

34. Financial risk *(continued)*

34.6 Regulatory risks

Continuous legislation changes in the long-term and short-term environment may impact the operational and financial structures within these businesses. The Regent Insurance Group has sufficient resources to address the impact of legislation timeously and efficiently.

During the development stage of any new product, rights and obligations of all parties are clearly defined in the contracts and documentation.

34.7 Catastrophe risk

The Regent Insurance Group sets out the total aggregate exposure that it is prepared to accept in certain territories to a range of events such as natural catastrophes. The aggregate position is reviewed annually. The Regent Insurance Group uses a number of modelling tools to monitor aggregation and to simulate catastrophe losses in order to measure the effectiveness of the reinsurance programmes and the net exposure of operations.

34.8 Solvency risk

Regent Insurance Company is registered in South Africa, to provide short-term insurance and therefore submits quarterly and annual returns to the Financial Services Board in terms of the Short-term Insurance Act, 1998. It is required to maintain at all times a statutory surplus asset ratio as defined in the Short-term Insurance Act. The quarterly returns submitted to the regulator showed that Regent Insurance Company met the minimum capital requirements at year end.

The Financial Services Board is in the process of developing a new Solvency Assessment and Management (SAM) regime for the South African long-term and short-term insurance industries, to be in line with international standards. The implementation date for SAM is expected to be in the second half of 2017. However, certain interim requirements were introduced in 2012, which prescribes the method used to calculate the statutory capital requirement and IBNR on a more risk-sensitive basis. Regent Insurance Company meets the requirements under the interim measures.

The operating subsidiaries in Lesotho and Botswana are governed by the legislation in those jurisdictions and these insurers also met their respective solvency requirements.

International solvency margin

The Regent Insurance Group solvency margin is calculated as the ratio of capital and reserves to net premium. At year end, the Regent Insurance Group solvency margin was 52.8% (2015: 46%) and Regent Insurance Company was 2.14 times (2015: 1.79 times).

35. Subsidiaries

Details of Regent Insurance Company's subsidiaries are as follows:

	Holding 2016 %	Holding 2015 %	Cost of shares R'000	Principal activity
Subsidiaries				
Regent Insurance Botswana Proprietary Limited	**100**	100	12 000	Insurance
– Manik Enterprises Proprietary Limited	**100**	100	—	Insurance
Motor Compliance Solutions Proprietary Limited	**100**	100	—	Risk admin
Legal Advice Consultants Proprietary Limited (in process of liquidation)	**100**	100	—	Legal
Erf Four Nine Nine Spartan Proprietary Limited	**100**	100	1 774	Property
Anvil Investments Proprietary Limited	**100**	100	141	Investments
Lesotho National General Insurance Company Proprietary Limited	**60**	60	28 760	Insurance
SA Warranties Proprietary Limited	**100**	100	39 239	Maintenance and warranty
Paint Tech Maintenance Proprietary Limited	**100**	100	1	Maintenance
Banoscene Proprietary Limited	**100**	—	—	Property
			81 915	

36. Events after reporting period

During September 2015, Regent Insurance Company's shareholder, Imperial Holdings, accepted an offer by the Hollard Insurance Group and the Yellowwoods Group to dispose of its shareholding in Regent Insurance Company, subject to regulatory approval. On 21 October 2016, we received confirmation that the Competition Commission would be recommending to the Competition Tribunal that the Regent Life Company acquisition be prohibited from going ahead. Given that the merger is categorised as a large merger, the recommendation of the Competition Commission does not constitute a final binding decision. Such final binding decision will be made by the Competition Tribunal subsequent to the hearing regarding the merger. In July 2016, Regent Insurance Company disposed of the majority of its property for R124 million to one of its subsidiaries, Banoscene Proprietary Limited. No other material facts or circumstances have arisen between the reporting date and the date of this report which affect the financial position of the Regent Insurance Group as reflected in these annual financial statements.

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