REGENT

YOUR COVER OF CHOICE

ANNUAL REPORT

2011

CONTENTS

KEY

The Regent Group	–	Regent Insurance Group and Regent Life Group
Regent Life Group	–	Regent Life Assurance Company Limited and its subsidaries
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
ANW	–	Adjusted Net Worth
ALM	–	Asset Liability Management
ALSI	–	All Share Index
ASSA	–	Actuarial Society of South Africa
BSR	–	Bonus Smoothing Reserve
CAR	–	Capital Adequacy Requirement
CEO	–	Chief Executive Officer
CGU	–	Cash Generating Unit
CRO	–	Chief Risk Officer
DAC	–	Deferred Acquisition Costs
ERM	–	Enterprise Risk Management
FSV	–	Financial Soundness Valuation
GAAS	–	Generally Accepted Actuarial Standards
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
PGN	–	Professional Guidance Note
PPFM	–	Principles and Practices of Financial Management
ZAR	–	South African Rand
SCAR	–	Statutory Capital Adequacy Requirement
SIC	–	Standing Interpretations Committee
SPE	–	Special Purpose Entity
STC	–	Secondary Tax on Companies
SVM	–	Statutory Valuation Method
TCAR	–	Termination Capital Adequacy Requirement

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

Make the Right Choice

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 – your cover of choice who:

– Provides a wide range of motor insurance products

– Is one of the top two commercial vehicle insurers in the country

– Offers specialist resources and expertise across a range of insurance markets

– Is a leading general aviation insurer

– Is a fast growing insurer in the country

The Regent Story

The Regent Group is part of the Imperial family. Imperial is a diversified multinational mobility group with activities that include motor vehicle sales 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 have became well-known specialists and market leaders in their chosen markets. 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 and in Lesotho.

The following annual financial statements have been audited and have been approved by the board of directors. Peter Hibbit CA(SA) was responsible for the preparation of these annual financial statements.

Corporate governance

for the year ended 30 June 2011

A common board is responsible for both the statutory entities. Although the board meetings for both companies are held on the same day, the board allocates separate time slots to fulfill 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 of directors, having applied it to both the 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, explanations have been provided in the applicable section. 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 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 best practice.

Corporate governance (continued)

for the year ended 30 June 2011

Board composition, appointment and responsibilities

All directors of the board, as at 30 June 2011, are appointed to both Regent Insurance Company and to Regent Life Company. In accordance with Imperial Holdings Limited policy, HR Brody serves as the non-executive chairman for both companies and although not independent, this is considered acceptable in view of the significant number of independent non-executive directors.

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 ten non-executive directors and four executive directors. Six of the non-executive directors are independent. No bloc of directors can dominate the board. All non-executive directors have attended at least two meetings in the year under review. 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. In addition, other senior executives are invited to attend meetings as required to ensure comprehensive reporting to the board.

The responsibilities of the board are clearly defined. 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 committees 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.

The current members of the board are HR Brody (Chairman), DD Gnodde (Group Chief Executive Officer), JJ Strydom (Executive Director), AN Tennick (Executive Director), PCW Hibbit (Group Chief Financial Officer), RG Cottrell, BJ Francis, S Handler, RL Hiemstra, S Masinga, JPR Mbau, JR McAlpine (retired 30 June 2011), R Mumford and RJA Sparks.

Roy McAlpine retired from the board on 30 June 2011.

The Regent Group would like to thank Roy McAlpine for his valuable contribution to the group over many years, particularly for the important role he played in building the group into the successful organisation it is today.

Appraisals of the board and sub committees will be conducted in the next financial year.

Corporate governance (continued)

for the year ended 30 June 2011

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 and risk committee

The audit and risk committee comprises three independent non-executive members, namely, RG Cottrell, S Handler and RJA Sparks, chaired by RG Cottrell.

The committee is constituted as a statutory committee in respect of its statutory duties in terms of the Companies Act, 2008, 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.

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 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 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 new Companies Act, which reports appear on pages 32 and 93 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;
- 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;
- 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 and risk committee has, in the past financial year, satisfied its responsibilities in compliance with the new Companies Act and its predecessor, the Companies Act 71 of 1973, as well as its responsibilities in accordance with its terms of reference.

Corporate governance (continued)
for the year ended 30 June 2011

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, which is chaired by S Handler, 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 quarterly.

Remuneration committee

The Regent Group does not have a formal remuneration committee but rather follows recommendations from its holding company's remuneration committee. The Regent Group subscribes to fair remuneration practices and benchmarks are used as considered necessary. A formal appraisal system is used to measure the 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 pre-determined performance criteria over the vesting period.

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 Regent Life Group. The statutory actuary attends the year-end board meetings 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.

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.

Corporate governance (continued)

for the year ended 30 June 2011

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 committee 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 and risk 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 and risk 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 risk management, control and governance processes.

The internal audit function did not report any material breakdowns in internal control.

Risk management

During the year under review, the Regent Group made significant strides in strengthening its risk management competencies. The board adopted a new ERM policy and strategy, including an ERM reporting structure which drew on the lessons learnt from the recent risk management failures globally. In addition excellence in risk management is an imperative for efficient capital and business management in both the Life and Short-Term insurance industries.

Since Imperial Holdings Limited is the sole shareholder of the Regent Group, with the approval of the directors the transformation, remuneration and directors affairs are dealt with by the relevant Imperial Holdings Limited committees. The CEO of the Regent Group is a member of the Imperial Group executive committee.

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. A dedicated CRO was appointed during the period under review to oversee the group's risk management activities at executive committee level and risk and compliance champions were appointed in each division to ensure the cascading of risk processes into the business.

The board is responsible for the governance of risk and disclosure which includes the approval of a documented risk policy and plan. It reviews the risk management plan at least annually with continuous monitoring.

Oversight of risk and compliance has been delegated to the audit and risk committee where the terms of reference set out the link between the board and management, and where the committee considers the risk

Corporate governance (continued)

for the year ended 30 June 2011

management policy and plan, the efficiency of management in their risk management responsibilities as well as the assurances provided by the external and internal auditors. The actuarial committee considers capital adequacy and asset/liability matching risks and the investment committee considers investment risks. A member of the audit and risk committee is represented on each of the two aforementioned committees.

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.

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.

The CRO of the Regent Group oversees the ERM framework facilitating and coordinating the process and reporting the status to the executive management, the audit and risk committee and the board. The CRO has direct access to the chairman of the audit and risk committee, but reports administratively to the CEO.

In all business areas, managers are trained in carrying out risk assessments, recording the findings and taking appropriate management action in a timely fashion. A risk and governance committee was established, consisting of divisional executives as well as risk and compliance champions, under the chairmanship of the CRO, which meets monthly to review the group's risk profiles and ensure that cross-cutting and concentration risk is considered.

In particular, the following activities have been undertaken:

- Comprehensive risk assessments;
- Cost effective mitigation of risks;
- Regular monitoring of risks;
- Comprehensive reporting to the audit and risk committee and the board on the current risk status of the Regent Group;
- Reporting to the regulator on risks where required; and
- Completion of the FSB risk-based prudential supervisory framework risk matrix.

The Regent Group strives to achieve continuous improvement in the management of risk through the effectiveness of its risk management processes and its three lines of defence through the reporting structures. The Regent Group has laid a solid foundation on which 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.

The board has agreed to establish a separate risk committee from the ensuing financial year as a result of regulatory developments impacting on the insurance industry requiring more focus on this area.

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 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 group.

Corporate governance (continued)

for the year ended 30 June 2011

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

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;
- provide 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

The Regent Group's IT strategy over the next strategic forecast cycle (2012 – 2015), will follow a phased delivery approach, understanding the organisational IT maturity level (governance, process and architecture) and the capacity to absorb change over the period.

The IT strategy will be supported by the following elements:

- single IT strategy;
- single value delivery framework (IT architectures and maturity model);
- single governance and risk management approach; and a
- single organisational design (resource and performance management).

Strategic business value delivery, through the plan, focuses on:

- best practice architecture design (align, re-organise and simplify);
- efficiency (create and realise value through efficient development, implementation, support and maintenance);
- effectiveness (shifting performance through monitoring, evaluating and continuously improving and optimising the IT architectures); and
- transforming (innovating the industry through technology and leadership).

The strategy will grow IT to an acceptable level of industry maturity through the business plan (2012 – 2015), the growth rate of which will be tempered by an IT maturity growth model as framed within best practice IT governance, risk management and internal control methodologies.

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.

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.

Corporate governance (continued)

for the year ended 30 June 2011

Board of directors

Hubert Brody

BAcc Honours CA(SA)

Non-executive Chairman

Joined in 2006

David Gnodde

BCom BCompt Honours CA(SA)

Chief Executive Officer

Joined in 2009

Peter Hibbit

BCom H.Dip Tax AMP Harvard CA(SA)

Chief Financial Officer

Joined in 2010

Jurie Strydom

B Bus Sc FIA FASSA CFA (MIT)

Executive Director

Joined in 2008

Andrew Tennick

BCom FCII

Executive Director

Joined in 2007

Rick Cottrell

FCA CA(SA) SEP (Stanford)

Independent non-executive Director

Joined in 2008

Berenice Francis

BCompt Honours CIA

Non-executive Director

Joined in 2008

Stephen Handler

BCom FFA FASSA ASA

Independent non-executive Director

Joined in 2003

Recht Hiemstra

BCompt Honours CA(SA)

Non-executive Director

Joined in 1992

Sibongile Masinga

BCom

Independent non-executive Director

Joined in 2008

Jethro Mbau

Executive Management Programme

Independent non-executive Director

Joined in 1994

Roy McAlpine

BSc CA(SA)

Independent non-executive Director

Joined in 2001 (resigned 30 June 2011)

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

Corporate governance (continued)

for the year ended 30 June 2011

Executive team

Bilal Adam

BCom Honours, CA(SA)

General Manager: Corporate Finance

Joined in 2007

Rob Barker

BA Honours

General Manager: Strategic Partnerships

Joined in 2011

Werner Behrens

B Juris LLB

Executive General Manager: Corporate Services

Joined in 2008

Clifford Brooke

BCom ACII CA(SA)

Executive General Manager: Special Projects

Joined in 2009

André Cloete

BCom Honours FIA FASSA

General Manager: Personal Lines, Product & Actuarial

Joined 2008

David Gnodde

BCom BCompt Honours CA(SA)

Chief Executive Officer

Joined in 2009

Kumeshnie Govender

Matric

General Manager: IT Operations

Joined in 2009

Craig Grasko

National Diploma: CDP

Executive General Manager: IT

Joined in 1991

Reginald Haman

MBA

Chief Risk Officer

Joined in 2010

Peter Hibbit

BCom H.Dip Tax AMP Harvard CA(SA)

Chief Financial Officer

Joined in 2010

Christo Krouwkamp

BCom

Executive General Manager: Specialised Life

Joined in 2005

Jacques le Roux

National Diploma in Marketing and Sales

Executive General Manager: Motor Division

Joined 1993

Dashnee Naidoo

Honours Diploma Labour Law

General Manager: Human Capital Strategies

Joined 2008

Besa Ruele

BSc Mathematics FIA FASSA

General Manager: Life Product and Actuarial

Joined in 2007

Jurie Strydom

B Bus Sc FIA FASSA CFA

Executive Director

Joined in 2007

Andrew Tennick

BCom FCII

Executive Director

Joined in 2007

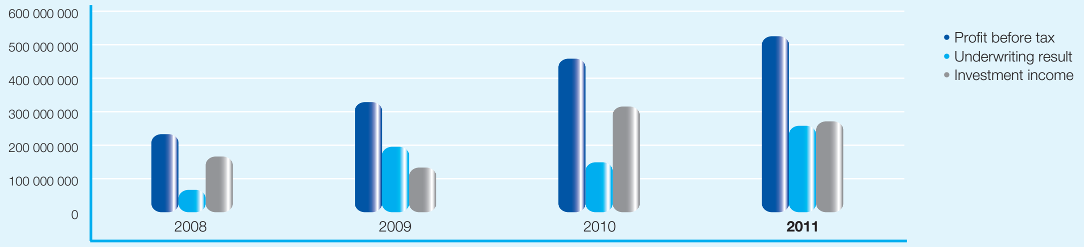
Combined salient features

for the year ended 30 June 2011

	Regent Life Group 2011 R'000	Regent Insurance Group 2011 R'000	Regent Group 2011 R'000	Regent Life Group 2010 R'000	Regent Insurance Group 2010 R'000	Regent Group 2010 R'000	Regent Group % change
Statement of comprehensive income							
Gross written premium income	692 654	2 038 204	2 730 858	574 924	2 032 170	2 607 094	5
Investment income, including investment gains	106 411	164 877	271 288	106 879	208 612	315 491	(14)
Net claims and benefits incurred	253 980	880 846	1 134 826	256 845	1 011 657	1 268 502	11
Underwriting result	11 984	245 990	257 974	38 860	110 156	149 016	73
Profit before taxation	116 963	408 425	525 388	145 116	313 230	458 346	15
Statement of financial position							
Total assets	1 438 721	2 687 058	4 125 779	1 384 398	2 692 778	4 077 176	1
Total cash and cash equivalents, including short term financial instruments	649 028	1 261 637	1 910 665	588 446	1 459 724	2 048 170	(7)
Total liabilities	877 861	1 496 678	2 374 539	875 078	1 563 859	2 438 937	3
Total equity	560 860	1 190 380	1 751 240	509 320	1 128 919	1 638 239	7

2011	Insurance	Investment policy-holder funds and float	Investment shareholder funds	Total
Underwriting result	257 974	—	—	257 974
Investment income	—	159 023	112 264	271 287
Profit before tax	254 101	159 023	112 264	525 388
2010				
Underwriting result	149 016	_	—	149 016
Investment income	—	167 659	147 832	315 491
Profit before tax	142 855	167 659	147 832	458 346

Four year review



REGENT
YOUR COVER OF CHOICE

ANNUAL REPORT

REGENT LIFE

2011

Directors' approval and statement of responsibility

for the year ended 30 June 2011

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 89 have been prepared in accordance with International Financial Reporting Standards. 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 the 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 the 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 the 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 the Regent Life Company and Regent Life Group on pages 16 to 30 and 32 to 89 were approved by the board of directors on 25 October 2011 and are signed on its behalf by:

HR Brody
Chairman

25 October 2011

DD Gnodde
Chief Executive Officer

25 October 2011

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 that the Regent Life Group has lodged with the Commissioner, for the financial year ended 30 June 2011, 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.

PW Behrens
Company secretary

25 October 2011

Company statutory actuary's report

Statement of assets and liabilities, excess assets and capital requirements at 30 June 2011

	2011 R'000	2010 R'000
Published reporting basis		
Total value of assets as per statement of financial position	**1 062 080**	1 047 384
Less: reinsurances	**(81 350)**	(78 583)
Statement of financial position assets net of reinsurances	**980 730**	968 801
Value of policy liabilities	**218 420**	248 800
Less: reinsurances	**(81 350)**	(78 583)
Investment contract liabilities	**67 360**	64 407
Current and other liabilities as per statement of financial position	**286 098**	281 544
Total value of liabilities net of reinsurances	**490 528**	516 167
Excess assets	**490 202**	452 633
Statutory basis		
Value of assets as per statutory basis	**972 765**	952 660
Value of policy liabilities	**508 834**	527 341
Less reinsurances	**(112 738)**	(107 583)
Investment contract liabilities	**67 360**	64 407
Current and other liabilities as per statement of financial position	**213 696**	281 544
Total value of liabilities net of reinsurances	**677 152**	765 709
Excess assets	**295 613**	186 951
CAR – refer to page 20	**58 026**	73 950
Ratio of excess assets to CAR	**5.1**	2.5
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 end of the year	**490 202**	452 633
Excess assets at beginning of the year	**452 633**	369 963
Change in excess over the year	**37 569**	82 670
The change in excess assets is due to the following factors:		
Investment income on excess assets	**18 192**	19 903
Capital gain on excess assets	**5 019**	10 707
Total investment return on excess assets	**23 211**	30 610
Operating profit	**56 681**	98 605
Dividends received from subsidiaries	**4 664**	40 925
Decrease in excess assets due to change in valuation methods or assumptions – refer page 17	**(7 563)**	(24 515)
Taxation	**(26 778)**	(26 385)
Total earnings as per statement of comprehensive income	**50 215**	119 240
Dividends paid	**(26 140)**	(44 551)
Movement in non-controlling interest	**20 500**	—
Change in share-based equity in respect of employee remuneration arrangements	**(7 006)**	7 981
Total change in excess assets	**37 569**	82 670

Company statutory actuary's report (continued)

Statement of assets and liabilities, excess assets and capital requirements at 30 June 2011

	2011 R'000	2010 R'000
Reconciliation of excess assets between published reporting basis and statutory basis		
Excess assets on published reporting basis	**490 202**	452 633
Less: assets excluded in terms of schedule 3 of the Act	**(7 965)**	(16 140)
Less: excess of statutory liabilities over published reporting liabilities*	**(186 624)**	(249 542)
Excess assets on statutory basis	**295 613**	186 951

**Net of reinsurances*

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

The following changes were made to the published reporting valuation basis:

- the economic assumptions were reviewed to reflect the movement in the yield curve and current economic environment. As a result of these economic changes, the actuarial liabilities reduced by R15.2 million.
- the other valuation assumptions were also reviewed in the light of the most recent experience investigation and as a result per policy expense, withdrawal and decrement assumptions were changed and negative reserves were eliminated for all policies with premiums outstanding for three or more months.
- as a result of these other valuation assumption changes, the actuarial liabilities increased by R22.8 million.
- the overall impact of all the above basis changes was an increase in the actuarial liabilities of R7.6 million.

Published reporting valuation methods and assumptions

The valuation was performed using the FSV method for insurance contracts as specified in PGN104. 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 premiums. 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 was based on the expected benefit payments, commission and expenses less the expected charges. The actuarial liabilities also allow for the minimum surrender and paid-up values as per Regulation 5 of the Long-term Insurance Act, 1998.

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

- the best estimate of the future experience; plus
- the compulsory margins prescribed by PGN104; 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;
  - a 10% margin was incorporated in the credit life decrement assumptions to ensure the prudent release of profits in line with the policy design;
  - a 7.5% margin was incorporated for the individual life dependants mortality in view of the observed volatility in claims experience;
  - an additional 10% margin was incorporated in the individual life expense assumptions given the uncertainty associated with the expenses on this portfolio in light of the recent restructuring of the Regent Life Group;
  - negative reserves were eliminated for all policies with premiums outstanding for three or more months;
  - the combined effect of the discretionary margins amounted to R116.7 million.

Company statutory actuary's report (continued)

Statement of assets and liabilities, excess assets and capital requirements at 30 June 2011

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

Economic assumptions	**2011 % per annum**	2010 % per annum
Investment return		
• Credit life – regular premium	**5.62**	7.91
• Credit life – single premium	**6.12**	6.96
• Other individual business	**7.93**	8.54
• Disability annuitants	**8.45**	9.09
• With-profit annuitants	**3.75**	3.75
Expense inflation		
• Credit life	**4.70**	7.14
• Individual life	**6.13**	7.14
Disability annuity increases	**6.25**	6.78

Taxation was ignored as an "excess E" position exists and is expected to persist for the foreseeable future under the four funds taxation structure.

Other valuation 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 expenses inflation rate.
- commission was modelled as its currently being paid; and

The assumptions used for lapse, surrender, mortality, morbidity and retrenchment rates were based on the results of recent experience investigations. Provision has been made for mortality improvements (on annuities) or mortality deterioration (AIDS).

The expense and decrement assumptions are based on investigations carried out during 2011.

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 relevant. A check was made to ensure that the operating ratio was satisfactory. Where necessary, a deficiency reserve was established.

Investment reserve for policies with maturity guarantees

For the with-profit annuitants and individual life savings policies with maturity guarantees, an investment reserve was established using stochastic modelling techniques in accordance with PGN110.

- The model used is a correlated 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 PGN110 reserves have been calculated are the immediate annuities (both with-profit and disability) and the Provider Series. The asset split used was as follows: 35% equity, 55% bonds and 10% cash for the immediate with-profit annuities; 90% bonds and 10% cash for the immediate disability annuities; while the corresponding split for the Provider Series was 65% equity, 30% 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 2011

- The following disclosures are required by PGN110 (Version 3):

Maturity (years)	Strike	Price %	Implied volatility %
1	Spot	7.3	23.3
1	0.8 times spot	1.3	23.3
1	Forward	9.1	23.3
5	Spot	9.6	26.3
5	1.04^{5} times spot	17.1	26.3
5	Forward	20.5	26.3
20	Spot	3.0	28.0
20	1.04^{20} times spot	13.3	28.0
20	Forward	29.3	28.0

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	6.2
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	0.08

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

Year	Rate %
1	6.04
2	6.66
3	7.17
4	7.58
5	7.92
10	8.62
15	8.80
20	9.05
25	9.30
30	9.50

The date of calibration was as at 30 June 2011.

Company statutory actuary's report (continued)

Statement of assets and liabilities, excess assets and capital requirements at 30 June 2011

With profit annuitants

For the with-profit annuitants, the difference between the underlying assets and actuarial liabilities was held as a BSR. Cognisance was taken of policyholder reasonable benefit expectations in that bonuses were allowed for, where applicable, on a basis consistent with the economic assumptions. Bonuses are determined in line with the PPFM.

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 PGN104. The asset allocation provided by management was used.

The minimum resilience value calculated in accordance with PGN110 was included. Credit risk was allowed for based on the credit rating of the cash and bond assets. Operational risk was allowed for based on the SA QIS1 formula, as per specifications of the solvency assessment and management, adjusted as deemed appropriate.

Certain management actions were assumed in the calculation of the OCAR, mainly that management will review future bonuses in light of the resilience scenarios stipulated in the CAR formula.

The off-setting management actions, assumed above, have been ratified by the board of directors, and I am satisfied that these actions would be taken if the corresponding risks were to materialise.

The IOCAR was assumed to be invested in the available cash. A grossing-up factor of 101.0% 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 as at 30 June 2011, 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 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

25 October 2011

Consolidated statutory actuary's report

Statement of assets and liabilities, excess assets and capital requirements at 30 June 2011

	2011 R'000	2010 R'000
Published reporting basis		
Total value of assets as per statement of financial position	**1 438 721**	1 384 398
Less: Reinsurances	**(91 280)**	(85 090)
Statement of financial position assets net of reinsurances	**1 347 441**	1 299 308
Value of policy liabilities	**452 360**	465 010
Less: Reinsurances	**(91 280)**	(85 090)
Investment contract liabilities	**104 521**	95 655
Current and other liabilities as per statement of financial position	**320 980**	314 414
Total value of liabilities net of reinsurances	**786 581**	789 988
Excess assets	**560 860**	509 320
Statutory basis		
Value of assets as per statutory basis	**1 427 374**	1 363 617
Less: Reinsurances	**(91 280)**	(85 090)
Net assets on the statutory basis	**1 336 094**	1 278 527
Value of policy liabilities	**742 772**	743 550
Less: Reinsurances	**(122 668)**	(114 089)
Investment contract liabilities	**104 521**	95 655
Current and other liabilities as per statement of financial position	**248 578**	314 414
Total value of liabilities net of reinsurances	**973 203**	1 039 530
Excess assets	**362 891**	238 998
CAR	**85 497**	111 786
Ratio of excess assets to CAR	**4,2**	2,1
Change in excess assets on published reporting basis		
Excess assets at end of the financial year	**560 860**	509 320
Excess assets at beginning of the financial year	**509 320**	442 394
Change in excess over the financial year	**51 540**	66 926
Analysis of change in excess assets on published reporting basis		
Investment income on excess assets	**27 647**	25 015
Capital gain on excess assets	**5 019**	10 635
Total investment return on excess assets	**32 666**	35 650
Operating profit	**92 914**	134 613
Decrease in excess assets due to change in valuation methods or assumptions	**(8 617)**	(25 147)
Taxation	**(35 187)**	(41 171)

Consolidated statutory actuary's report (continued)

Statement of assets and liabilities, excess assets and capital requirements at 30 June 2011

	2011 R'000	2010 R'000
Total earnings as per statements of financial position	**81 776**	103 945
Dividends paid	**(27 498)**	(45 019)
Foreign currency translation reserve and exchange differences	**(4 232)**	(4 508)
Increase in interest in subsidiary	**(12 000)**	4 527
Change in share-based equity in respect of employee remuneration arrangements	**(7 006)**	7 981
Movement in non-controlling interests	**20 500**	—
Total change in excess assets	**51 540**	66 926
Reconciliation to reported earnings		
Total earnings as per table above	**81 776**	103 945
Reported earnings in Annual Financial Statements	**81 776**	103 945
Difference	**—**	—
Reconciliation of excess assets between published reporting basis and statutory		
Excess assets on published reporting basis	**560 860**	509 320
Less: Assets on statutory basis	**(362 891)**	(238 998)
Difference	**197 969**	270 322
The difference arises due to the following:		
Difference in statutory and published reporting asset values	**11 347**	20 781
Difference in statutory and published reporting liabilities	**186 622**	249 541
Difference	**197 969**	270 322

Certification of statutory financial position

I hereby certify that:

- the valuation on the Statutory Basis of Regent Life Group as at 30 June 2011, 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

25 October 2011

Consolidated embedded value report

for the year ended 30 June 2011

The embedded value of the covered business of the Regent Life Group at 30 June 2011 is shown below. Covered business is defined as all long term insurance business and incorporates all expected cashflows generated within the Regent Life Group on that business. Covered business includes term assurance, endowment, funeral, group life and annuity products. Profits accruing to cell captive business shareholders were excluded but their impact was shown separately as they do not form part of earnings attributable to the Regent Life Group. The corresponding prior year figures have been provided as a comparative.

The embedded value consists of the following components:

- the adjusted net worth;
- *plus:* the present value at the valuation date of future shareholders cash flows from the covered business;
- *less:* the cost of required capital.

The ANW is the excess of all assets at fair value attributed to the covered business over their liabilities calculated on the SVM. The assets disallowed in the SVM solvency calculation are added back. 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, are also 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 company's case is twice the SCAR. 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 present value of future shareholder cash flows from the in-force covered business (the value of in-force) 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 are based on the release of margins included in the liabilities under the SVM basis. Allowance was made for allocations to participating business policyholders, where applicable. The value of in-force was calculated on an approximate basis for the Lesotho-based subsidiary.

The 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. New business was not quantified for the Lesotho business.

The embedded value of the Regent Life Group is calculated in accordance with the Actuarial Society of South Africa's Professional Guidance Note 107: Embedded Value Reporting (Version 4).

Consolidated embedded value report (continued)

for the year ended 30 June 2011

Table 1: Embedded value of covered business

R'000	2011	2010
Free surplus	**215 766**	127 438
Required capital	**158 595**	203 572
Adjusted net worth(1)	**374 361**	331 010
Attributable to cell captives	**53 986**	34 531
Attributable to the Regent Life Group	**320 375**	296 479
Value of in-force business	**379 456**	306 358
Attributable to cell captives	**38 649**	30 851
Attributable to the Regent Life Group	**340 807**	275 507
Cost of required capital	**(65 506)**	(61 828)
Attributable to cell captives	**(5 131)**	—
Attributable to the Regent Life Group	**(60 375)**	(61 828)
Embedded value of covered business	**688 311**	575 540
Attributable to cell captives	**87 504**	65 382
Attributable to the Regent Life Group	**600 807**	510 158
Return on embedded value on covered business	**20,8%**	27,1%
Return on embedded value attributable to the Regent Life Group	**19,0%**	19,5%

1. ANW is based on the net asset value but excludes DAC and part of the deferred tax liability.
2. Return on embedded value is defined as embedded value earnings (see table 2 below) divided by the embedded value at the start of the financial period.

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. When analysing the earnings attributable to the Regent Life Group, cell captive dividends were excluded. The change in embedded value split between the ANW, cost of required capital and value of in-force is shown in the table below:

Table 2.1: Embedded value earnings attributable to all covered business

EV Component (R'000)	EV 2011	Plus dividends paid out	Less capital injections	Less EV 2010	EV earnings 2011
Adjusted net worth	374 361	27 498	(20 500)	331 010	50 349
Cost of required capital	(65 506)	—	—	(61 828)	(3 678)
Present value of in-force	379 456	—	—	306 358	73 098
Embedded value	688 311	27 498	(20 500)	575 540	119 769

Consolidated embedded value report (continued)

for the year ended 30 June 2011

Table 2.2: Embedded value earnings attributable to Regent Life Group

(R'000)	EV 2011	Plus dividends paid out	Less capital injections	EV 2010	EV earnings 2011
Adjusted net worth	320 375	6 249	—	296 478	30 146
Cost of required capital	(60 375)	—	—	(61 827)	1 452
Present value of in-force	340 807	—	—	275 506	65 301
Embedded value	600 807	6 249	—	510 157	96 899

The cost of required capital allocated to cell captive shareholders was determined on an approximate basis. In the previous year, the whole cost of the capital was allocated to the Regent Life Group. The impact was immaterial.

Table 3 : 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 (R'000)	Increase/ (decrease) adjusted net worth	Increase/ (decrease) cost of required capital	Increase/ (decrease) value of in-force	Increase/ (decrease) in EV
New business (1)	(80 337)	(9 152)	141 694	52 205
Expected return on covered business (2)	—	9 730	45 912	55 642
Expected profit transfer (3)	99 507	—	(99 507)	—
Operating experience variances (4)	2 143	1 529	(16 256)	(12 584)
Operating assumption and methodology changes (5)	25 479	568	(11 770)	14 277
Extraordinary and head office expenses (6)	(11 700)	—	—	(11 700)
Expected return on adjusted net worth (7)	32 295	—	—	32 295
Earnings attributable to Lesotho subsidiary (8)	(6 485)	(3 269)	10 791	1 037
Embedded value operating return	60 902	(594)	70 864	131 172
Investment return variances (9)	(1 235)	686	676	127
Effect of economic assumption changes (5)	3 909	(3 771)	1 559	1 697
Change in share-based equity	(7 006)	—	—	(7 006)
Taxation variances (10)	(6 221)	—	—	(6 221)
Embedded value earnings	50 349	(3 679)	73 099	119 769
Change in cell captives (11)	(20 203)	5 131	(7 798)	(22 870)
Embedded value earnings attributable to the Regent Life Group	30 146	1 452	65 301	96 899

1 New business is calculated at point-of-sale on the closing embedded value basis. The ANW component represents the profits expected to be released from the point-of-sale to 30 June 2011. This figure excludes the value of new business in respect of group business.

2 This represents the unwinding of the risk discount rate (last year's basis) on in-force and new business.

Consolidated embedded value report (continued)

for the year ended 30 June 2011

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 below. This also includes variances in new business experience relative to the closing embedded value basis.

5 A breakdown of assumptions and methodology changes is provided in table 4 below.

6 The main contributor to this item are the general head office expenses not allocated to divisions, less any income attributable to the head office cost centre net of expected tax.

7 This item represents the return expected on the ANW (risk discount rate, less expected tax).

8 This represents the increase in the embedded value of the Lesotho subsidiary. It was not possible to split these earnings by source.

9 This item reflects investment returns on assets in excess of expectations.

10 The taxation variance reflects the difference between the expected and actual taxation.

11 This item reflects the portion of the earnings which are due to cell captives.

Table 4 : Methodology and assumption changes

The table below reflects the net of expected taxation impact of the methodology and assumption changes on renewal business as at 30 June 2011.

R'000	Increase/ (decrease) in adjusted net worth	(Increase)/ decrease in cost of required capital	Increase/ (decrease) in value of in-force	Increase/ (decrease) in EV
Modelling and other technical changes (1)	8 739	(1 840)	(10 604)	(3 705)
Lapse and surrenders (2)	(1 580)	—	305	(1 275)
Mortality and morbidity (2)	809	153	(93)	869
Expenses (2)	17 511	2 255	(1 378)	18 388
Operating assumption changes	25 479	568	(11 770)	14 277
Risk discount rate gap (3)	—	(5 722)	(3 015)	(8 737)
Economic assumptions (3)	3 909	1 951	4 574	10 434
Economic assumption changes	3 909	(3 771)	1 559	1 697
Total	29 388	(3 203)	(10 211)	15 974

1 The discretionary margins were reduced which resulted in an increase in ANW and reduction in the value of in-force. The treatment of DAC has also changed since last year, causing a reduction in the ANW. The impact on the cost of required capital reflects mainly a change to the method of aggregation of cell captives business into the capital requirement formula, as well as the change for the tax allowance on the rate of the investment return.

2 These assumption changes reflect the latest investigations and expected future experience.

3 These two items represent the total effect of economic assumption changes per table 3. The gap between the risk discount rate and risk free rate has increased resulting in a reduction in embedded value. The change in economic assumptions follows the changes in the economic environment and more specifically movements in the government bond zero coupon yield curve.

Consolidated embedded value report (continued)

for the year ended 30 June 2011

Table 5 : Operating experience variations

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

R'000	Increase/ (decrease) in adjusted net worth	(Increase)/ decrease in cost of required capital	Increase/ (decrease) in value of in-force	Increase/ (decrease) in EV
Expenses (1)	(677)	—	—	(677)
Lapses and surrenders (2)	(17 880)	2 189	(12 404)	(28 095)
Mortality and morbidity (3)	14 586	(213)	2 899	17 272
Profit on annuities and group business (4)	5 391	—	(7 545)	(2 154)
Non-captured and backdated policies (5)	723	(447)	794	1 070
Total	2 143	1 529	(16 256)	(12 584)

1 The expense losses are mainly due to the performance fees paid in respect of new business sales.

2 Overall the withdrawal experience variation had a negative impact on the embedded value.

3 Overall mortality and morbidity experience was favourable.

4 This item represents the profit made on the annuity and group business portfolios. The allocation of the expenses to group business was higher than expected leading to losses on this business.

5 This item represents profits from new business that was not captured last year and the reserve strain on policies not explicitly modelled.

Table 6 : Embedded value of new business

R'000	2011	2010
Value of future profits from new business at point-of-sale	**61 357**	59 512
Attributable to cell captives	**19 086**	10 147
Attributable the Regent Life Group	**42 270**	49 365
Cost of required capital (1)	**(9 152)**	(7 609)
Embedded value of new business (a)	**52 205**	51 902
Attributable to the Regent Life Group	**33 118**	41 756
Value of premiums from new business at point-of-sale (b)	**657 403**	536 883
Profit margin (a/b) (2)	**7,9%**	9,7%
Attributable to the Regent Life Group	**5,0%**	7,8%

1 The cost of required capital for new business could not be split between cell captives and the Regent Life Group so all was allocated to the Regent Life Group.

2 The main reasons for the reduced profit margin is higher expenses allocated to the term assurance business and an increased proportion of cell captive business.

Consolidated embedded value report (continued)

for the year ended 30 June 2011

Assumptions

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

Table 7.1: Embedded value economic assumptions for South Africa

	2011 **%**	2010 %
Risk free rate (Individual life business)	**7.68**	8.99
Risk free rate (Credit life business)	**5.87**	7.41
Beta coefficient	**186.72**	169.97
Equity risk premium (non-annuity business)	**3.00**	3.00
Equity risk premium (annuity business)	**3.00**	3.00
Risk discount rate (all business)	**13.18**	13.90
Expense inflation	**5.58**	6.49
Individual life		
Pre-tax investment returns (%) – cash	**7.08**	7.99
Pre-tax investment returns (%) – bonds	**7.68**	8.99
Pre-tax investment returns (%) – equity	**9.58**	10.49
Credit life		
Pre-tax investment returns (%) – cash	**5.77**	6.41
Pre-tax investment returns (%) – bonds	**5.87**	7.41
Pre-tax investment returns (%) – equity	**8.27**	8.91
STC allowance	**0.00**	0.00
STC payout rate (1)	**0.00**	0.00
Profit tax rate	**28.00**	28.00

1. Regent is a wholly owned subsidiary of Imperial Holdings Limited and hence exempt from STC.

Table 7.2 : Embedded value economic assumptions for Botswana

	2011 **%**	2010 %
Risk free rate	**5.65**	7.15
Beta coefficient	**267.64**	241.76
Equity risk premium	**3.00**	3.00
Risk discount rate	**13.68**	14.40
Expense inflation	**5.15**	5.65
Pre-tax investment returns		
Cash	**4.65**	6.15
Bonds	**5.65**	7.15
Equity	**8.65**	10.15
STC allowance	**10.00**	10.00
STC payout rate (1)	**100.00**	100.00
Profit tax rate	**15.00**	15.00

1. The STC rate is 100% of 10%.

Consolidated embedded value report (continued)

for the year ended 30 June 2011

Table 7.3 : Embedded value economic assumptions Lesotho

	2011 %
Risk free rate	**8.80**
Beta coefficient	**162.57**
Equity risk premium	**3.00**
Risk discount rate	**13.68**
Expense inflation	**6.30**
Pre-tax investment returns	
Cash	**6.80**
Bonds	**8.80**
Equity	**8.80**
STC allowance	**0.00**
STC payout rate	**0.00**
Profit tax rate (1)	**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 into Rands is maintained at 1.

The investment return assumptions were based on the interest rates derived from the risk free zero coupon government bond yield curve at the mean outstanding duration of each product class. Other economic assumptions were set relative to these yields. The current and projected tax position of the company has been taken into account in determining the net investment return assumption.

The risk discount rate in each case has been determined using a top-down weighted average cost of capital approach. It has been set equal to the risk-free rate increased by a risk premium determined as a market equity risk premium multiplied by the company's beta coefficient.

The beta coefficient reflects the historic performance of the company's earnings relative to the market and contains an implicit allowance for non-market related and non-financial risk. These risks are allowed for through a higher beta and hence risk discount rate. 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 future economic environment (particularly for lapses and retrenchments).

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

The cost of capital has been calculated using the greater of the SCAR and the targeted level of economic capital as set by the board to cover the risks inherent in the in-force business. The level of required capital is targeted at two times the SCAR.

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 90% cash, 9% equities and 1% bonds. Allowance has been made for tax and investment expenses in the calculation of the cost of capital.

Future bonus on participation business

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

Consolidated embedded value report (continued)

for the year ended 30 June 2011

Table 8: Embedded value sensitivities attributable to the Regent Life Group

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

R'000	Adjusted net worth	Value of in-force	Cost of required capital	Embedded value	% change from standard
Standard	320 375	340 807	(60 375)	600 807	—
Risk discount rate +1%	320 375	326 657	(64 202)	582 830	(3)
Inflation, expected return, risk discount rate -1%	320 375	344 603	(61 860)	603 118	—
10% decrease in equity/property capital values	320 375	336 062	(60 375)	596 062	(1)
1% increase in equity/property returns	320 375	314 385	(67 209)	567 552	(6)
Renewal expenses -10%	320 375	355 319	(60 348)	615 346	2
Withdrawals -10%	320 375	384 550	(64 327)	640 598	7
Claims -5%	320 375	366 131	(60 132)	626 375	4

Table 9: Value of new business sensitivities attributable to the Regent Life Group

For all the sensitivities the reserving basis was left unchanged.

R'000	Value of in-force	Cost of required capital	Embedded value	% change from standard
Standard	42 270	(9 152)	33 118	—
Risk discount rate +1%	37 955	(9 651)	28 304	(15)
Inflation, expected return, risk discount rate -1%	46 819	(9 466)	37 373	13
10% decrease in equity/property capital values	42 270	(9 152)	33 118	—
1% increase in equity/property returns	34 213	(10 028)	24 186	(27)
Renewal expenses -10%	47 480	(9 112)	38 368	16
Acquisitions expenses -10% (1)	48 360	(9 152)	39 208	18
Withdrawals -10%	53 574	(10 753)	42 822	29
Claims -5%	46 642	(8 792)	37 850	14

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

Independent auditor's report

To the member of Regent Life Assurance Company Limited

for the year ended 30 June 2011

Report on the Financial Statements

We have audited the group annual financial statements and annual financial statements of Regent Life Assurance Company Limited, which comprise the statements of financial position as at 30 June 2011, and the statements of comprehensive income, statements of changes in equity and statements of changes in cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and the directors' report, set on pages 32 to 89.

Directors' Responsibility for the Financial Statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these 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 judgment, 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 control 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, the financial statements present fairly, in all material respects, the consolidated and separate financial position of Regent Life Company Limited as at 30 June 2011, and of its consolidated and separate financial performance, financial position and cashflows for the year then ended in accordance with IFRS, and in the manner required by the Companies Act of South Africa.

Deloitte + Touche

Deloitte & Touche

Registered Auditor

Per: **D Jorge**

Partner

25 October 2011

Building 8, Deloitte Place
The Woodlands Office Park
Woodlands Drive
Sandton

National Executive:
GG Gelink (Chief Executive), AE Swiegers (Chief Operating Officer), GM Pinnock (Audit), DL Kennedy (Risk Advisory & Legal Services), NB Kader (Tax), L Geeringh (Consulting), L Bam (Corporate Finance), JK Mazzocco (Human Resources), CR Beukman (Finance), TJ Brown (Chairman of the board), MJ Comber (Deputy Chairman of the board).

A full list of partners and directors is available on request.

B-BBEE rating: Level 2 contributor/AAA (certified by Empowerdex)

Member of Deloitte Touche Tohmatsu Limited

Audit and risk committee report

for the year ended 30 June 2011

Audit and risk committee report

The audit and risk committee presents its report for the year ended 30 June 2011. The audit and risk 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 therein.

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, the main responsibilities of the audit and risk 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 auditors of the Regent Life Group;
- consideration of the accounting treatment of significant or unusual transactions and areas of judgment 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. The record of attendance by each committee member was as follows:

	13 August 2010	18 October 2010	10 February 2011	8 June 2011
RG Cottrell	✓	✓	✓	✓
S Handler	✓	✓	ap	✓
RJA Sparks	✓	✓	✓	✓

Legend

✓ Present ap Absent with apology

Audit and risk committee report (continued)

for the year ended 30 June 2011

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 2011;
- considered the effectiveness of internal audit, and approved their annual plan and the rolling three-year internal audit plan; and
- received and reviewed reports from the CRO on the enterprise risk management process.

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

Membership

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 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 new 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 new Companies Act.

No non-audit services were provided by the external auditors during the year under review.

The committee has nominated, for approval at the annual general meeting, Deloitte & Touche as the external auditor for the 2012 financial year for Regent Life Company. Mrs D Jorge is the designated auditor for Regent Life Company. In terms of the rotation requirements of the Companies Act, this will be Mrs Jorge's second year as designated auditor.

Annual report

Having considered the annual report, incorporating the annual financial statements, for the year ended 30 June 2011, 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.

RG Cottrell

Chairman of the audit and risk committee

25 October 2011

Directors' report

for the year ended 30 June 2011

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 2011.

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 and Lesotho.

Holding company

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

	Percentage holding	Country of incorporation
Subsidiaries		
Regent Life Botswana Limited	100	Botswana
Bridge Works Finance Proprietary Limited	100	South Africa
Struland Office Park Properties Proprietary Limited	100	South Africa
Lesotho National Life Assurance Company Limited	76	Lesotho
Cedar Employee Benefits and Consultants Limited and subsidiaries	100	South Africa
I'sure Risk Solutions Proprietary Limited (previously Hemisphere Risk Solutions Proprietary Limited)	100	South Africa

Regent Life Company's interest in the aggregate profit after tax in subsidiaries amounted to R36.4 million (2010: R31.6 million) and in the losses amounted to R4.2 million (2010: R5.8 million).

Dividends

Dividends of R26.1 million were declared during the current financial year (2010: R44.5 million).

Share capital

Details of share capital are provided in note 18 to the annual financial statements.

Special resolutions

The Regent Life Company and its subsidiaries did not pass any special resolutions during the current financial year.

Events after the reporting period

No 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.

Financial performance

The Regent Life Group achieved revenue growth of 20% during the year under review, a commendable achievement, in the current uncertain global economy. Profit before taxation and the underwriting result both reduced significantly, mainly due to the lower life fund transfers as compared to the previous financial year. Total assets increased by approximately R54 million while net assets grew by R52 million.

The CAR cover increased from 2.1 in the previous financial year to a healthy 3.9 for the current financial year.

Directors' report (continued)

for the year ended 30 June 2011

Board of directors to the date of this report

HR Brody (Chairman, non-executive director)

Executive directors

DD Gnodde (Chief Executive Officer)

PCW Hibbit (Chief Financial Officer)

JJ Strydom (Executive Director)

AN Tennick (Executive Director)

Non-executive directors

RG Cottrell

BJ Francis

S Handler

RL Hiemstra

S Masinga

JPR Mbau

JR McAlpine (resigned 30 June 2011)

R Mumford (Zambian)

RJA Sparks

Audit Committee

Independent non-executive directors

RG Cottrell (Chairman)

S Handler

RJA Sparks

Investment Committee

Executive directors

DD Gnodde

PCW Hibbit

JJ Strydom

AN Tennick

Non-executive directors

RL Hiemstra

Independent non-executive directors

S Handler

JR McAlpine (resigned 30 June 2011)

RJA Sparks (appointed 10 February 2011)

External

W Reitsma (Chairman)

Actuarial Committee

Executive directors

DD Gnodde

PCW Hibbit

JJ Strydom

AN Tennick

Independent non-executive directors

S Handler (Chairman)

External

PC Falconer (Statutory actuary)

Prescribed officers

R Haman

C Krouwkamp

J le Roux

CJ Brooke

Directors' report (continued)

for the year ended 30 June 2011

Board meetings

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

	18 August 2010	27 October 2010	16 February 2011	13 June 2011
Executive directors				
DD Gnodde	√	√	√	√
PCW Hibbit	√	√	√	√
JJ Strydom	s	s	s	s
AN Tennick	√	√	√	√
Non-executive directors				
HR Brody	√	√	√	√
BJ Francis	√	√	√	√
RL Hiemstra	√	ap	ap	√
R Mumford	ap	√	√	√
Independent non-executive directors				
RG Cottrell	√	√	√	√
S Handler	√	√	√	√
S Masinga	ap	√	ap	√
JPR Mbau	ap	ap	√	√
JR McAlpine (resigned 30 June 2011)	√	√	√	ap
RJA Sparks	√	√	√	√

Legend

√ Present ap Absent with apology s Sabbatical

Company secretary

PW Behrens

The addresses of the secretary of the Regent Life Company are:

Business address	Postal address
146 Boeing Road East	PO Box 674
Elma Park	Edenvale
Edenvale	1610
1609	

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

at 30 June 2011

	Notes	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
ASSETS					
Property and equipment	3	**27 784**	29 945	**16 180**	17 650
Intangible assets	4	**16 259**	13 612	**7 537**	4 570
Investments in subsidiaries	5	**–**	–	**45 326**	33 326
Reinsurers' share of policyholder liabilities under insurance contracts	6	**91 280**	85 090	**81 350**	78 583
Financial assets	7	**669 514**	668 478	**540 327**	560 685
Deferred taxation	14	**406**	–	**–**	–
Current taxation		**3 539**	30 309	**–**	30 285
Receivables including insurance receivables	8	**78 495**	98 949	**47 753**	102 938
Due from Group companies	9	**1**	9 794	**28 687**	25 854
Cash and cash equivalents	10	**551 443**	448 221	**294 920**	193 493
Total assets		**1 438 721**	1 384 398	**1 062 080**	1 047 384
LIABILITIES					
Policyholders' liabilities		**556 881**	560 665	**285 780**	313 207
• Insurance contracts	11	**452 360**	465 010	**218 420**	248 800
• Investment contracts	12	**104 521**	95 655	**67 360**	64 407
Embedded derivative financial instruments	13	**–**	(21)	**–**	(21)
Deferred taxation	14	**71 539**	67 250	**72 402**	68 396
Provisions	15	**47 006**	48 289	**37 546**	39 289
Current taxation		**4 241**	4 241	**2 426**	–
Due to Group companies	9	**15 402**	–	**15 442**	–
Insurance and other payables	17	**182 792**	194 654	**158 282**	173 880
Total liabilities		**877 861**	875 078	**571 878**	594 751
EQUITY					
Share capital	18	**21**	21	**21**	21
Share premium	18	**144 667**	144 667	**144 667**	144 667
Statutory reserve		**57 716**	51 752	**–**	–
Share-based equity reserve	25	**(10 154)**	(3 148)	**(10 154)**	(3 148)
Foreign currency translation reserve		**(10 275)**	(6 392)	**–**	–
Retained earnings		**322 387**	283 533	**301 682**	276 562
Equity attributable to the equityholders of the parent		**504 362**	470 433	**436 216**	418 102
Non-controlling interests		**56 498**	38 887	**53 986**	34 531
Total equity		**560 860**	509 320	**490 202**	452 633
Total equity and liabilities		**1 438 721**	1 384 398	**1 062 080**	1 047 384

Statements of comprehensive income

for the year ended 30 June 2011

	Notes	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
Gross written premiums		**692 654**	574 924	**568 116**	479 523
Outward reinsurance premium		**(81 553)**	(69 229)	**(71 208)**	(55 429)
Net written premiums	19	**611 101**	505 695	**496 908**	424 094
Investment income	20	**61 554**	67 397	**44 309**	89 481
Investment gains	21	**43 336**	38 859	**37 683**	29 654
Other operating income	22	**53 946**	47 088	**7 255**	7 005
Net income		**769 937**	659 039	**586 155**	550 234
Net claims and benefits incurred	23	**(253 980)**	(256 845)	**(207 376)**	(189 857)
• Claims and benefits incurred		**(299 418)**	(302 082)	**(250 144)**	(230 433)
• Reinsurers' share of claims and benefits incurred		**45 438**	45 237	**42 768**	40 576
Change in policyholder liabilities under insurance contracts		**15 770**	131 187	**32 580**	102 715
• Transfer from life fund	11	**9 254**	136 554	**29 813**	109 435
• Reinsurers' share	6	**6 516**	(5 367)	**2 767**	(6 720)
Fair value adjustment to embedded derivative financial instruments	13	**(21)**	315	**(21)**	315
Finance cost		**(89)**	(387)	**(68)**	(82)
Commission and acquisition expenses		**(188 888)**	(171 326)	**(172 223)**	(160 024)
General marketing and administration expenses		**(225 766)**	(216 867)	**(162 054)**	(157 676)
Profit before taxation	24	**116 963**	145 116	**76 993**	145 625
Taxation	26	**(35 187)**	(41 171)	**(26 778)**	(26 385)
Profit after taxation		**81 776**	103 945	**50 215**	119 240
Other comprehensive income					
Currency translation differences		**(3 883)**	(800)	**—**	—
Total comprehensive income for the year		**77 893**	103 145	**50 215**	119 240
Profit attributable to:					
Equity owners of the company		**59 041**	86 936	**30 651**	103 593
Non-controlling interests		**22 735**	17 009	**19 564**	15 647
		81 776	103 945	**50 215**	119 240
Total comprehensive income attributable to:					
Equity owners of the company		**55 158**	86 136	**30 651**	103 593
Non-controlling interests		**22 735**	17 009	**19 564**	15 647
		77 893	103 145	**50 215**	119 240

Statements of changes in equity

for the year ended 30 June 2011

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 2009	144 688	47 717	(11 129)	(5 592)	233 898	32 812	442 394
Net profit for the year	—	—	—	—	86 936	17 009	103 945
Other comprehensive income							
Arising from translation of foreign entity	—	—	—	(800)	—	—	(800)
Total comprehensive income for the year ended 30 June 2010	—	—	—	(800)	86 936	17 009	103 145
Transfer to statutory reserve	—	4 035	—	—	(7 743)	—	(3 708)
Share-based equity	—	—	7 981	—	—	—	7 981
Dividends paid	—	—	—	—	(33 000)	(12 019)	(45 019)
Purchase of subsidiary	—	—	—	—	3 442	1 085	4 527
Balance at 30 June 2010	**144 688**	**51 752**	**(3 148)**	**(6 392)**	**283 533**	**38 887**	**509 320**
Net profit for the year	**—**	**—**	**—**	**—**	**59 041**	**22 735**	**81 776**
Other comprehensive income							
Arising from translation of foreign entity	**—**	**—**	**—**	**(3 883)**	**—**	**—**	**(3 883)**
Total comprehensive income for the year ended 30 June 2011	**—**	**—**	**—**	**(3 883)**	**59 041**	**22 735**	**77 893**
Transfer to statutory reserve	**—**	**5 964**	**—**	**—**	**(6 313)**	**—**	**(349)**
Prior year allocation to non-controlling interest	**—**	**—**	**—**	**—**	**(1 080)**	**1 080**	**—**
Increase in interest in subsidiary	**—**	**—**	**—**	**—**	**(7 794)**	**(4 206)**	**(12 000)**
Non-controlling interest capital movement	**—**	**—**	**—**	**—**	**—**	**20 500**	**20 500**
Share-based equity	**—**	**—**	**(7 006)**	**—**	**—**	**—**	**(7 006)**
Dividends paid	**—**	**—**	**—**	**—**	**(5 000)**	**(22 498)**	**(27 498)**
Balance at 30 June 2011	**144 688**	**57 716**	**(10 154)**	**(10 275)**	**322 387**	**56 498**	**560 860**
Company							
Balance at 1 July 2009	144 688	—	(11 129)	—	236 404	—	369 963
Net profit for the year	—	—	—	—	103 593	15 647	119 240
Total comprehensive income for the year ended 30 June 2010	—	—	—	—	103 593	15 647	119 240
Prior year allocation to non-controlling interest					(30 435)	30 435	—
Share-based equity	—	—	7 981	—	—	—	7 981
Dividends paid	—	—	—	—	(33 000)	(11 551)	(44 551)
Balance at 30 June 2010	**144 688**	**—**	**(3 148)**	**—**	**276 562**	**34 531**	**452 633**
Net profit for the year	**—**	**—**	**—**	**—**	**30 651**	**19 564**	**50 215**
Total comprehensive income for the year ended 30 June 2011	**—**	**—**	**—**	**—**	**30 651**	**19 564**	**50 215**
Prior year allocation to non-controlling interest	**—**	**—**	**—**	**—**	**(531)**	**531**	**—**
Non-controlling interest capital movement						**20 500**	**20 500**
Share-based equity	**—**	**—**	**(7 006)**	**—**	**—**	**—**	**(7 006)**
Dividends paid	**—**	**—**	**—**	**—**	**(5 000)**	**(21 140)**	**(26 140)**
Balance at 30 June 2011	**144 688**	**—**	**(10 154)**	**—**	**301 682**	**53 986**	**490 202**

**Included in share capital and share premium are six preference shares issued at a nominal cost of R0.01.*

Statements of cash flows

for the year ended 30 June 2011

	Notes	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
Cash flow from operating activities					
Cash generated from/(utilised in) operations	27.1	**35 144**	(97 853)	**(20 058)**	(84 544)
Interest received	27.2	**54 527**	61 217	**34 806**	43 856
Interest paid		**(89)**	(387)	**(68)**	(82)
Shared-based equity movement		**(8 964)**	7 981	**(8 964)**	7 981
Taxation (paid)/refunded	27.3	**(3 110)**	(26 097)	**11 897**	(15 281)
Net cash inflow (outflow) from operating activities		**77 508**	(55 139)	**17 613**	(48 070)
Cash flow from investing activities					
Acquisition of property and equipment	3	**(639)**	(2 364)	**—**	(551)
Acquisition of intangible assets	4	**(9 355)**	(4 059)	**(7 827)**	(437)
Proceeds on disposal of property and equipment		**362**	1 799	**355**	1 744
Proceeds on sale of investments		**2 354 230**	1 482 501	**2 326 709**	1 284 677
Acquisition of investments		**(2 312 442)**	(1 066 410)	**(2 267 344)**	(1 038 048)
Net cash (outflow)/inflow on acquisition of subsidiaries	27.5	**(12 000)**	83 881	**(12 000)**	—
Disposal of interest in subsidiaries	27.6	**—**	2 289	**—**	2 289
Movement in investment contracts		**8 097**	16 047	**2 184**	9 496
Dividends received	27.2	**8 614**	7 106	**47 377**	12 509
Net cash inflow from investing activities		**36 867**	520 790	**89 454**	271 679
Cash flow from financing activities					
Dividends paid	27.4	**(27 498)**	(43 969)	**(26 140)**	(43 501)
Decrease in long-term borrowings		**—**	(5 622)	**—**	—
Non-controlling interest capital movement		**20 500**	—	**20 500**	—
Net cash outflow from financing activities		**(6 998)**	(49 591)	**(5 640)**	(43 501)
Net increase in cash and cash equivalents		**107 377**	416 060	**101 427**	180 108
Foreign currency translation differences on cash balances		**(4 155)**	(1 314)	**—**	—
Cash and cash equivalents at beginning of year		**448 221**	33 475	**193 493**	13 385
Cash and cash equivalents at end of year		**551 443**	448 221	**294 920**	193 493

Notes to the consolidated annual financial statements

for the year ended 30 June 2011

1. Summary of significant accounting policies

Statement of compliance

The consolidated financial statements of Regent Life Group and its interest in associates have been prepared in accordance with International Financial Reporting Standards (IFRS), incorporating the guidelines in the relevant Professional Guidance Notes issued by the Actuarial Society of South Africa.

All amounts are shown in rand thousands unless otherwise stated.

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 financial statements have been prepared in compliance with IFRS and interpretations for year-ends commencing on or before 1 July 2010 and in compliance with the Companies Act, No 71 of 2008.

The consolidated financial statements have been prepared on an historical cost basis, except for:

Carried at fair value:

- financial instruments (which includes 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 IFRS standards:

IAS 1 (Revised) – Presentation of financial statements

The revised standard separates owner and non-owner changes in equity requiring all owners changes in equity to be presented in a statement of changes in equity, and all non-owner changes either in one statement of comprehensive income or in two separate statements. The Regent Life Group has elected to use one statement of comprehensive income. The income tax effect of each component of comprehensive income is also disclosed.

IAS 27 (Revised) – Consolidated and Separate Financial Statements

The revised IAS 27 requires that a change in the parent's ownership interest of a subsidiary that does not result in a loss of control to be accounted for within equity. In addition, total comprehensive income must be attributed to owners of the parent and to the non-controlling interests even if this results in the non-controlling interest having a deficit balance.

IAS 28 (Revised) – Investments in Associates

As part of improvements to IFRSs issued in 2010, IAS 28 (2008) has been amended to clarify that the amendments to IAS 28 regarding transactions where the investor loses significant influence over an associate should be applied prospectively.

IFRS 3 – Business Combination and IAS 27 – Consolidated and Separate Financial statements (Revised)

The revised IFRS 3 standard has introduced changes in the accounting for business combinations that may impact the amount of goodwill recognised due to changes in the at acquisition measurement of identifiable assets acquired and the liabilities assumed.

IFRS 7 (Amended) – Financial Instruments – disclosures

The amendments to IFRS 7 clarify the required level of disclosures about credit risk and collateral held and provide relief from disclosures previously required regarding renegotiated loans. The amendments have been applied retrospectively.

Additional disclosure is required on fair value measurement by level based on a fair value measurement hierarchy as set out in note 31.

The accounting policies are consistent with those adopted in the previous year except for the adoption of the following new standards or amendments and changes:

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

The following new or revised IFRS and IFRIC standards have been issued with effective dates applicable to future financial statements of the Regent Life Group:

- *IFRS 1 – First time adoption of International Financial Reporting Standards*

  The amendment to this IFRS includes the accounting policy changes in the year of adoption, the revaluation basis as deemed cost and the use of deemed cost for operations subject to rate regulation.

  The amendment should have no significant impact on the Regent Life Group's results, and first becomes applicable for the financial year ending 30 June 2012.

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

Standards, interpretations and amendments to be published *(continued)*

- *IFRS 3 – Business combinations*

  There are consequential amendments to this IFRS resulting from IFRS 9 – Financial Instruments. The amendments may have no significant impact on the Regent Life Group's results, and the amendments resulting from IFRS 9 – Financial Instruments are applicable for the financial year ending 30 June 2014.

- *IFRS 4 – Insurance contracts*

  There are consequential amendments to this IFRS resulting from IFRS 9 – Financial Instruments. The amendments may have a significant impact on the Regent Life Group's results, and the amendments resulting from IFRS 9 – Financial Instruments are applicable for the financial year ending 30 June 2014.

- *IFRS 7 – Financial Instruments: Disclosures*

  There are consequential amendments to this IFRS resulting from the annual improvement project relating to the clarification of disclosures and from IFRS 9 – Financial Instruments. The amendment should have no significant impact on the Regent Life Group's results and first becomes applicable for the financial year ending 30 June 2012. The amendments resulting from IFRS 9 – Financial Instruments are applicable for the financial year ending 30 June 2014.

- *IFRS 8 — Operating Segments*

  There are consequential amendments to this IFRS resulting from the changes in IAS 24 – Related Party Disclosures (as revised in 2009) to clarify that entities must apply judgment to determine whether the government and entities under its control are considered as a single customer. The amendment should have no significant impact on the Regent Life Group's results and first becomes applicable for the financial year ending 30 June 2012.

- *IFRS 9 – Financial Instruments*

  IFRS 9 is a new standard with the objective of reducing the number of classification categories of financial instruments and aligning the measurement of financial instruments with how entities manage financial instruments. The amendment should have no significant impact on the Regent Life Group's results and first becomes applicable for the financial year ending 30 June 2014.

- *IFRS 10 – Consolidated financial statements*

  IFRS 10 is a new standard which replaces all of the guidance on control and consolidation in IAS 27 "Consolidated and separate financial statements" and SIC-12, "Consolidation – special purpose entities" so that the same criteria are applied to all entities to determine control. The Regent Life Group is currently assessing the impact of the standard on its results, financial position and cash flows. The standard first becomes applicable for the financial year ending 30 June 2014.

- *IFRS 11 – Joint arrangements*

  IFRS 11 is a new standard with the objective of reducing the types of joint arrangements to two: joint operations and joint ventures, and classification based on rights and obligations rather than legal structure. It also eliminates the policy choice of proportionate consolidation for joint ventures.

  The Regent Life Group is currently assessing the impact of the standard on its results, financial position and cash flows. The standard first becomes applicable for the financial year ending 30 June 2014.

- *IFRS 12 – Disclosure of interests in other entities*

  IFRS 12 is a new standard which sets out the required disclosures for entities reporting under the two new standards, IFRS 10, "Consolidated financial statements", and IFRS 11, "Joint arrangements"; it replaces the disclosure requirements currently found in IAS 28, "Investments in associates".

  The Regent Life Group is currently assessing the impact of the standard on its results, financial position and cash flows. The standard first becomes applicable for the financial year ending 30 June 2014.

- *IFRS 13 – Fair value measurement*

  IFRS 13 is a new standard which explains how to measure fair value and aims to enhance fair value disclosures.

  The Regent Life Group is currently assessing the impact of the standard on its results, financial position and cash flows. The standard first becomes applicable for the financial year ending 30 June 2014.

- *IAS 1 – Presentation of financial statements*

  There are consequential amendments to this statement resulting from the annual improvement project and IFRS 9 – Financial Instruments. The amendment should have no significant impact on the Regent Life Group's results and first becomes applicable for the financial years ending 30 June 2012 and 30 June 2013. The amendments resulting from IFRS 9 – Financial Instruments are applicable for the financial year ending 30 June 2014.

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

Standards, interpretations and amendments to be published *(continued)*

- *IAS 8 – Accounting policies, Changes in accounting policies and errors*

  There are consequential amendments to this statement resulting from IFRS 9 – Financial Instruments. The amendment should have no significant impact on the Regent Life Group's results and first becomes applicable when it applies IFRS 9 – Financial Instruments from the financial year ending 30 June 2014.

- *IAS 12 – Income taxes*

  There are consequential amendments to this statement resulting from amendments made by Deferred Tax: Recovery of Underlying Assets regarding Non-Depreciable Assets and IFRS 9 – Financial Instruments.

  The amendment should have no significant impact on the Regent Life Group's results and first becomes applicable for the financial year ending 30 June 2013 and the amendments resulting from IFRS 9 – Financial Instruments are applicable for the financial year ending 30 June 2014.

- *IAS 18 – Revenue*

  There are consequential amendments to the appendix to this statement resulting from IFRS 9 – Financial Instruments.

  The amendments resulting from IFRS 9 – Financial Instruments are applicable for the financial year ending 30 June 2014.

- *IAS 19 – Employee benefits*

  There are consequential amendments to this statement with significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits.

  The amendments first become applicable to the Regent Life Group for the financial year ending 30 June 2014 and are not expected to have a significant impact on the Regent Life Group.

- *IAS 21 – The Effects of Changes in Foreign Exchange Rates*

  There are consequential amendments to this statement resulting from IFRS 9 – Financial Instruments.The amendment should have no significant impact on the Regent Life Group's results and first becomes applicable when it applies IFRS 9 – Financial Instruments from the financial year ending 30 June 2014.

- *IAS 24 – Related Party Disclosures*

  There are amendments to simplify the definitions, clarify intended meaning and eliminate inconsistencies.The amendment should have no significant impact on the Regent Life Group's results and first becomes applicable for the financial year ending 30 June 2012 and must be applied retrospectively.

- *IAS 27 – Separate financial statements*

  IAS 27 – Consolidated and separate financial statements was renamed to "Separate financial statements" and it continues to be a standard dealing solely with separate financial statements. There are consequential amendments to this statement resulting from IFRS 9 – Financial Instruments.

  The amendments first become applicable for the financial year ending 30 June 2014.

- *IAS 28 – Investments in associates and joint ventures*

  There are consequential amendments to this statement resulting from IFRS 9 – Financial Instruments, the incorporation of SIC 13 – Jointly Controlled Entities – Non-Monetary Contributions by Venturers and guidance relating to the equity method for joint ventures.

  The amendments first become applicable for the financial year ending 30 June 2014.

- *IAS 31 – Investments in joint ventures*

  IAS 31 will be replaced by IFRS 11 – Joint arrangements.

  The amendment first becomes applicable for the financial year ending 30 June 2014.

- *IAS 32 – Financial instruments presentation*

  There are consequential amendments to this statement resulting from IFRS 9 – Financial Instruments.

  The amendment should have no significant impact on the Regent Life Group's results and becomes effective for the financial year ending 30 June 2014.

- *IAS 34 – Interim financial reporting*

  There are consequential amendments to this statement resulting from the annual improvement project. The amendments first become applicable to the Regent Life Group for the financial year ending 30 June 2012 and is not expected to have any significant impact on the Regent Life Group.

- *IAS 36 – Impairments of Assets*

  There are consequential amendments to this statement resulting from IFRS 9 – Financial Instruments.The amendments resulting from IFRS 9 – Financial Instruments are applicable for the financial year ending 30 June 2014.

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

Standards, interpretations and amendments to be published *(continued)*

- *IAS 39 – Financial instruments: Recognition and Measurement*

  There are consequential amendments to this statement, resulting from IFRS 9 – Financial Instruments. The amendment should have no significant impact on the Regent Life Group's results and first becomes applicable for the financial year ending 30 June 2014.

- *IFRIC 10 – Interim financial reporting and impairment*

  There are consequential amendments to this interpretation, resulting from IFRS 9 – Financial Instruments. The amendment should have no significant impact on the Regent Life Group's results and first becomes applicable when it applies IFRS 9 Financial Instruments for the financial year ending 30 June 2014.

1.2 Basis of consolidation

The consolidated annual financial statements incorporate the financial statements of the Company and all its subsidiaries and associates.

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.

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 right 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 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 interests 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 percent 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.

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

1.2 Basis of consolidation *(continued)*

Associates *(continued)*

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 the ZAR. 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 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 the statement of comprehensive income as a foreign currency translation reserve. 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 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 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

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 proceeds received are 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

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

1.5 Intangible assets *(continued)*

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 3 – 5 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.

DAC in respect of investment contracts

Commissions paid and other incremental acquisition costs are incurred when new investment contracts are obtained or existing investment contracts are renewed. These costs, if specifically attributable to an investment contract with an investment management service element, are deferred and amortised over the expected life of the contract, taking into account all decrements, on a straight-line basis, as they represent the right to receive future management services. All other costs are recognised as expenses when incurred. The DAC is subsequently amortised in line with premium revenue using assumptions consistent with those used in computing future policy benefit liabilities.

Amortisation periods are as follows:

- Linked annuities 5 – 45 years
- Other investment contracts 5 years

A DAC asset is recognised for all applicable policies with the amortisation being calculated on a portfolio basis.

An impairment test is conducted annually at reporting date on the DAC balance to ensure that the amount will be recovered from future revenue generated by the applicable remaining investment management contracts.

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 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

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

1.6 Investment properties *(continued)*

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 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 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 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 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 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.

1.10 Impairment of tangible and intangible assets

At each statement of financial position date, the Regent Life 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 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 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, 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

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.

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

1.11 Financial assets *(continued)*

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 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 time frame generally established by regulation or convention in the market place.

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 or 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 or 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.

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 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 method. The cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. 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

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

The Regent Life Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or 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

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

1.12 Impairment of financial assets *(continued)*

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 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

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

1.14 Derivative financial instruments *(continued)*

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 Reinsurers' share of policyholder liabilities under insurance 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.

Premiums and claims are presented on a gross basis.

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 when the Regent Life Group (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. 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 in respect of Regent Life Group schemes. Premiums receivable in respect of Regent Life Group schemes are recognised when there

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

1.20 Income recognition *(continued)*

is reasonable assurance of collection in terms of policy contract. 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 insurance and other payables.

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, rental income and realised and unrealised gains or losses. Dividend income is accounted for on an entitlement, "last day to register" basis in respect of listed shares, and on date of declaration in respect of unlisted shares.

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.

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.

Fair value adjustments to policyholder liabilities under investment contracts

The life insurance operating profits or losses are determined in accordance with the guidance note on FSV's, PGN104 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.

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

PGNs 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

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

1.22 Policyholder insurance and investment contracts *(continued)*

Regent Life Group has, prior to the adoption of IFRS 4, adopted the PGNs to determine the liability in respect of insurance contracts issued in South Africa.

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

Where applicable, the PGNs 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 PGN 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, GAAS in South Africa 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.

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 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. Outstanding claims and benefit payments are stated gross of reinsurance.

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 and related intangible assets) is inadequate in the light of the estimated future cash flows, the entire deficiency is recognised in profit or loss.

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.

1.23 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/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. 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 income, 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.

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

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. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement. 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

The 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.

1.26 Employee retirement benefits

The policy of the Regent Life Group and Regent Life Company 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, contractual or voluntary 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 are measured at fair value at the date of grant using the Black-Scholes option-pricing model. The fair value determined at the grant date of the equity-settled share-based payments is expensed on the straight-line basis over

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

1.27 Share-based payments transactions *(continued)*

the vesting period with a corresponding entry to equity. The expense takes into account the best estimate of the number of shares that are expected to vest. Non-market conditions such as time-based vesting conditions and non-market performance conditions are included in the assumptions for the number of options that are expected to vest. At each statement of financial position date, the entity revises its estimates on the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the statement of comprehensive income with a corresponding adjustment to equity.

1.28 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.

1.29 Dividend distribution

Dividend distribution to the Regent Life Group's shareholder 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.

1.30 Events after 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 indicate 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, but do not result in an adjustment of the financial statements themselves.

1.31 Key assumptions in applying accounting policies

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

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 judgments 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 1.22 on the financial statements;
- 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; and
- 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 judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, 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 judgments 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 to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

	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						
2011						
Balance at the beginning of the year		**24 592**	**1 577**	**2 370**	**1 406**	**29 945**
Additions		**—**	**315**	**159**	**165**	**639**
Disposals		**—**	**—**	**—**	**(269)**	**(269)**
Depreciation charge for the year	**27**	**(453)**	**(1 011)**	**(575)**	**(651)**	**(2 690)**
Accumulated depreciation on disposals		**—**	**—**	**—**	**183**	**183**
Arising from translation of foreign assets		**(4)**	**(9)**	**(10)**	**(1)**	**(24)**
Balance at the end of the year		**24 135**	**872**	**1 944**	**833**	**27 784**
Cost		**25 346**	**7 217**	**5 460**	**3 799**	**41 822**
Accumulated depreciation		**(1 211)**	**(6 345)**	**(3 516)**	**(2 966)**	**(14 038)**
Balance at the end of the year		**24 135**	**872**	**1 944**	**833**	**27 784**
2010						
Balance at the beginning of the year		16 155	3 097	1 576	3 790	24 618
Transfer from investment property		8 949	—	—	—	8 949
Additions		97	772	1 376	119	2 364
Disposals		—	(10 690)	(190)	(3 308)	(14 188)
Depreciation charge for the year	27	(603)	(1 955)	(526)	(1 027)	(4 111)
Accumulated depreciation on disposals		—	10 351	139	1 835	12 325
Arising from translation of foreign assets		(6)	2	(5)	(3)	(12)
Balance at the end of the year		24 592	1 577	2 370	1 406	29 945
Cost		25 346	6 902	5 301	3 902	41 451
Accumulated depreciation		(754)	(5 325)	(2 931)	(2 496)	(11 506)
Balance at the end of the year		24 592	1 577	2 370	1 406	29 945

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

	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 *(continued)*						
Company						
2011						
Balance at the beginning of the year		**14 647**	**560**	**1 237**	**1 206**	**17 650**
Disposals		**—**	**—**	**—**	**(150)**	**(150)**
Depreciation charge for the year	**27**	**—**	**(467)**	**(344)**	**(581)**	**(1 392)**
Accumulated depreciation on disposals		**—**	**—**	**—**	**72**	**72**
Balance at the end of the year		**14 647**	**93**	**893**	**547**	**16 180**
Cost		**14 647**	**4 081**	**3 560**	**3 146**	**25 434**
Accumulated depreciation		**—**	**(3 988)**	**(2 667)**	**(2 599)**	**(9 254)**
Balance at the end of the year		**14 647**	**93**	**893**	**547**	**16 180**
2010						
Balance at the beginning of the year		5 698	2 254	1 184	3 654	12 790
Transfer from investment property		8 949	—	—	—	8 949
Additions		—	47	504	—	551
Disposals		—	(10 597)	(190)	(3 309)	(14 096)
Depreciation charge for the year	27	—	(1 412)	(394)	(977)	(2 783)
Accumulated depreciation on disposals		—	10 268	133	1 838	12 239
Balance at the end of the year		14 647	560	1 237	1 206	17 650
Cost		14 647	4 081	3 560	3 296	25 584
Accumulated depreciation		—	(3 521)	(2 323)	(2 090)	(7 934)
Balance at the end of the year		14 647	560	1 237	1 206	17 650

Property comprises the following:

- Property situated on Erf 35326 and 35327, situated in Bellville, Cape Town. The cost of the property is R5.7 million (2010: R5.7 million) and market value at 30 June 2011 is R5.9 million (2010: 5.6 million).
- Property situated on Erf 1346, situated in Die Wilgers, Pretoria. The cost of the property is R16.8 million (2010: R16.8 million) and market value at 30 June 2011 is R19 million (2010: R18.8 million).
- An amount of R2.8 million (2010: R2.8 million) relates to capitalised leasehold improvements.
- All valuations were facilitated by an Imperial Group division, Imperial Properties Proprietary Limited, which deals with property related matters.

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

	Notes	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
4. Intangible assets					
Application software					
Balance at the beginning of the year		**4 366**	7 521	**725**	7 239
Development costs capitalised during the year		**9 355**	4 059	**7 827**	437
Disposals		**(54)**	(593)	**—**	(593)
Amortisation for the year	24	**(2 820)**	(6 621)	**(1 015)**	(6 358)
Arising from translation of foreign currency		**11**	—	**—**	—
Balance at the end of the year		**10 858**	4 366	**7 537**	725
Cost		**34 079**	25 767	**29 199**	21 373
Accumulated amortisation		**(23 221)**	(21 401)	**(21 662)**	(20 648)
Net book amount		**10 858**	4 366	**7 537**	725
Deferred acquisition costs					
Balance at the beginning of the year		**3 845**	6 016	**3 845**	6 016
Derecognised/amortised		**(3 845)**	(2 171)	**(3 845)**	(2 171)
Balance at the end of the year		**—**	3 845	**—**	3 845
Goodwill					
Balance at the beginning of the year		**5 401**	1872	**—**	—
Net movement on acquisition/(disposal) of subsidiaries		**—**	3 529	**—**	—
Balance at the end of the year		**5 401**	5 401	**—**	—
Total		**16 259**	13 612	**7 537**	4 570

Goodwill represents the excess of the cost of an acquisition over the fair value of the Regent Life Group's share of the net assets of the acquired subsidiaries at the initial date of acquisition. Intangible assets were assessed for impairment at year end and were found not to be impaired.

Goodwill impairment testing

Goodwill is allocated to cash generating units (CGUs) that are measured individually for the purposes of impairment testing. A CGU represents the business operation from which goodwill was originally generated. The recoverable amount of a CGU is determined being the higher of value in use, or the fair value less costs to sell method.

	Company 2011 R'000	Company 2010 R'000
5. Investments in subsidiaries		
Balance at the beginning of the year	**33 326**	26 093
Acquisition of new subsidiary	**—**	7 333
Increase/(decrease) in interest in subsidiary	**12 000**	(100)
	45 326	33 326

Regent Life Company's interest in the aggregate profit after tax in subsidiaries amounted to R36.4 million (2010: R31.6 million) and in the losses amounted to R4.2 million (2010: R5.8 million).

Regent Life Company increased its shareholding in Cedar Employee Benefits and Consultants Proprietary Limited and subsidiaries to 100% during the current financial year. The purchase price was R12 million and the fair values of liabilities and assets on purchase date was R14.3 million and R31.9 million respectively.

Details of subsidiaries have been provided in note 32.

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

	Notes	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
6. 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		**85 090**	90 798	**78 583**	85 303
Transfer to statement of comprehensive income		**6 516**	(5 367)	**2 767**	(6 720)
Arising from translation of foreign asset		**(326)**	(341)	**—**	—
Balance at the end of the year		**91 280**	85 090	**81 350**	78 583
7. Financial assets					
The Regent Life Group's financial assets are designated at fair value through profit and loss					
• Equity securities: listed		**157 628**	228 168	**157 628**	193 448
• Equity securities: unlisted		**15 000**	15 000	**15 000**	15 000
• Short-term deposits less than one year		**97 585**	140 225	**25 424**	73 549
• Debt securities		**112 910**	247 287	**103 813**	247 287
• Collective investment schemes		**286 391**	27 345	**238 462**	20 948
• Foreign securities		**—**	10 453	**—**	10 453
Total	7.1	**669 514**	668 478	**540 327**	560 685
7.1 Total financial assets					
Balance at the beginning of the year		**668 478**	965 829	**560 685**	777 210
Acquired with purchase of subsidiary		**—**	79 431	**—**	—
Additions		**2 312 442**	1 066 410	**2 267 344**	1 038 048
Disposals		**(2 354 230)**	(1 482 501)	**(2 326 709)**	(1 284 677)
Fair value adjustment		**44 662**	39 309	**39 007**	30 104
Arising from translation of foreign asset		**(1 838)**	—	**—**	—
Balance at the end of the year		**669 514**	668 478	**540 327**	560 685
Fixed interest debt securities		**112 910**	247 287	**103 813**	247 287
• Government bonds		**14 662**	130 864	**14 662**	130 864
• Corporate bonds: listed		**98 248**	116 423	**89 151**	116 423
Equity securities: listed		**157 628**	255 513	**157 628**	214 396
Equity securities: unlisted		**15 000**	15 000	**15 000**	15 000
Foreign securities: listed		**—**	10 453	**—**	10 453
Collective investment schemes		**286 391**	—	**238 462**	—
Short-term cash deposits		**97 585**	140 225	**25 424**	73 549
Total		**669 514**	668 478	**540 327**	560 685

The collective investment schemes comprise protected equity and balanced equity portfolios on behalf of policyholders.

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
8. Receivables including insurance receivables				
Premium debtors – insurance contracts	**66 403**	45 001	**65 562**	41 452
Prepaid expenses	**—**	13 023	**—**	11 570
Accrued interest	**8 943**	8 067	**5 213**	5 967
Accrued dividends	**—**	33	**—**	35 086
Other receivables	**51 705**	47 078	**19 518**	17 569
Reinsurance recoveries on intimated claims	**12 582**	10 506	**12 910**	10 518
	139 633	123 708	**103 203**	122 162
Less: provision for impairment of receivables	**(61 138)**	(24 759)	**(55 450)**	(19 224)
Total	**78 495**	98 949	**47 753**	102 938

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.

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	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
Balance at the beginning of the year	**24 759**	10 645	**19 224**	10 645
Increase in allowance recogised in profit or loss	**41 275**	16 092	**41 070**	13 016
Amounts written off during the year	**(4 896)**	(1 978)	**(4 844)**	(4 437)
Balance at the end of the year	**61 138**	24 759	**55 450**	19 224

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.

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
8. Receivables including insurance receivables *(continued)*				
8.1 Age analysis				
Ageing of total loans and other receivables (net)				
Not past due	**62 651**	65 136	**50 450**	101 106
Past due 0 – 30 days	**4 327**	8 061	**2 986**	6 034
Past due 31 – 120 days	**6 037**	5 436	**4 480**	1 182
Past due 121 – 360 days	**59 340**	42 826	**45 287**	13 233
Past due more than one year	**7 278**	2 249	**—**	607
Total	**139 633**	123 708	**103 203**	122 162
9. Due from/(to) group companies				
Due from group companies				
Due from Regent Life Group subsidiaries	**—**	—	**28 686**	25 213
Due from fellow Imperial Holdings Limited subsidiaries	**—**	9 792	**—**	9 792
Due from Imperial Holdings	**1**	2	**1**	2
Due from group companies	**1**	9 794	**28 687**	35 007
Due to group companies				
Due to Regent Life Group subsidiaries	**—**	—	**(40)**	(9 153)
Due to fellow Imperial Holdings Limited subsidiaries	**(15 402)**	—	**(15 402)**	—
Due to group companies	**(15 402)**	—	**(15 442)**	(9 153)
Due (to)/from group companies	**(15 401)**	9 794	**13 245**	25 854

Loans are unsecured, interest free and have no fixed terms of repayment.
During the previous financial year amounts were disclosed on a net basis.

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
10. Cash and cash equivalents				
Cash at bank and on hand	**57 498**	28 196	**36 031**	15 458
Cash on call	**493 945**	420 025	**258 889**	178 035
Total	**551 443**	448 221	**294 920**	193 493

The weighted average effective interest rate on short-term bank deposits was 5% (2010: 6.6%) and has an average maturity of 15 days.

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
11. Policyholder liabilities under insurance contracts				
Movements in the insurance contract liabilities for the year were as follows:				
Balance at the beginning of the year	**465 010**	466 265	**248 800**	363 811
Transfer to statement of comprehensive income	**(9 254)**	(136 554)	**(29 813)**	(109 435)
Acquired through purchase of subsidiary	**—**	144 386	**—**	—
Arising from translation of foreign liabilities	**(3 396)**	(9 087)	**(567)**	(5 576)
Balance at the end of the year	**452 360**	465 010	**218 420**	248 800

Process used to decide an assumption

The business was divided up into homogenous groupings and each grouping was then analysed. Best estimate assumptions were then derived based on these experience investigations. Where data was limited, market statistics were 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 PGN 104, 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 increased by 7.5%.
Morbidity	Assumption was increased by 10%. For dread disease the margin is 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:

Retrenchment	An additional 30% margin was added.
Expenses	Individual life business has an additional 10% discretionary margin.
Extended lives mortality	An additional 7.5% margin was added.
All other decrements	For credit life an additional 10% margin was added.

Negative reserves were eliminated on a policy-by-policy basis for all policies that had three or more premiums in arrears. For some of the cell captive arrangements, all negative reserves were eliminated.

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

11. 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 increase in AIDS related claims. The allowance for AIDS is based on the relevant actuarial guidance notes as provided by the ASSA.

b) *Morbidity*

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

c) *Medical and retrenchment*

The incidence of medical and retrenchment claims is derived from the risk premium rates determined from annual investigations. The incidence rates are reviewed on an annual basis, based on claims 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

Separate investment returns were derived for the annuity and non-annuity business. Furthermore, for the non-annuity business, separate interest rates were determined for the Individual Life and Credit Life classes of business. The returns were based on the current bond yields of appropriate term and long-term differentials between bonds, cash and equities. The assumptions were based on the long-term rates and notional matched portfolio of assets. Allowance was made for mismatches. In cases where bond yield information was not available (for example in Lesotho), approximate methods were used based on the market information available.

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

	2011	2010
	%	%
South Africa		
Credit life single premium business	5.87	7.21
Credit life regular premium business	5.87	7.66
Individual life	7.68	8.79
Disabled annuity business	8.70	9.17
With-profit annuity business	8.80	9.34
Botswana		
Credit life and individual life	5.65	6.15
Lesotho		
Credit life and individual life	8.37	7.72
Lesotho future reversionary bonus	5.00	5.00

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

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

f) For with-profits business a BSR was established being surplus assets that belong to policyholders and are available to smooth future bonuses. From time to time, the BSR may go negative if asset values fall below the value of the underlying liabilities. This implies that there is an expectation that future bonuses will be less than what future investment earnings alone will justify.

g) *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.

h) *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 South Africa. All assumptions include compulsory margins.

The economic assumptions were reviewed in light of the recent level of interest and inflation rates. Generally interest, inflation and future bonus (where relevant) assumptions were reduced.

As a result of these economic changes, the actuarial liabilities reduced by R15.2 million.

The non-economic assumptions were also reviewed as follows:

- per policy expenses were amended to reflect the current and expected future experience. This resulted in a reduction in actuarial liabilities of R30.5 million;
- the withdrawal assumptions were adjusted to reflect the recent lapse experience. This resulted in an increase in actuarial liabilities of R7.3 million; and
- decrement assumptions were adjusted to reflect the current and expected future experience. This resulted in an increase to actuarial liabilities of R0.04 million.

As a result of these non-economic changes, the actuarial liabilities decreased by R23.2 million.

Negative reserves were eliminated for all policies with three or more premiums in arrears. This resulted in an increase to the actuarial liabilities of R46.0 million.

The overall impact of all the above changes was an increase in the actuarial liabilities of R7.6 million.

Regarding Regent Botswana, the value of liabilities as at 30 June 2011 increased by P1.0 million as a result of changes to valuation assumptions.

The main assumption changes causing this increase were as follows:

- the renewal expense assumptions were amended in the light of the most recent expense investigation. This resulted in a reduction of P0.4 million;
- the economic assumptions were amended to reflect the current economic environment. This resulted in an increase of reserves of P0.2 million;
- the withdrawal assumptions were adjusted to reflect the recent lapse experience. This resulted in an increase in actuarial liabilities of P0.3 million; and
- decrement assumptions were adjusted to reflect the current and expected future experience. This resulted in an increase to the actuarial liabilities of P0.9 million.

Regarding Lesotho, the changes detailed below were made to the assumptions. As a result the BSR increased by approximately M2.7 million and the excess assets by approximately M0.3 million.

- The renewal expense assumptions were amended in light of the most recent expense investigation. This resulted in a reduction of M0.3 million.
- The economic assumptions were amended to reflect the current economic environment. This resulted in a decrease of reserves of M2.6 million.
- Decrement assumptions were adjusted to reflect the current and expected future experience. This resulted in a decrease to the actuarial liabilities of M0.1 million.

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

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

Sensitivity analysis

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.

	Increase in variable	**Increase in liability 2011 R'million**	Increase in liability 2010 R'million
Variable			
Worsening of mortality	10% worse claims	**32.4**	30.1
Lowering of investment returns	15% lower returns	**0.3**	9.4
Worsening of base renewal expense level	10% higher expenses	**23.7**	20.5
Worsening of expense inflation	10% higher expenses inflation	**6.4**	5.0
Worsening of lapse rate	25% higher withdrawals	**28.8**	16.1

The 2011 withdrawal sensitivity has increased relative to last year. This is due to the build-up of policies relating to the new funeral product within the individual life business class. Due to their long-term nature and large negative reserves, they are relatively more sensitive to a change in laspe assumption.

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 2011 R'000**	Group 2010 R'000	**Company 2011 R'000**	Company 2010 R'000
12. Financial liabilities under investment contracts					
Movements in the investment contract liabilities for the year were as follows:					
Balance at the beginning of the year		**95 655**	58 376	**64 407**	58 376
Transfer from policyholder liabilities under investment contracts in terms of IAS 39					
Deposits		**16 327**	21 853	**5 905**	12 061
Payments		**(8 230)**	(5 806)	**(3 721)**	(2 565)
Acquired through purchase of subsidiary		**—**	24 697	**—**	—
Fair value adjustment to policyholder liabilities under investment contracts		**769**	(3 465)	**769**	(3 465)
Balance at the end of the year		**104 521**	95 655	**67 360**	64 407

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

	Notes	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
13. Embedded derivative financial instruments					
Balance at the beginning of the year		**(21)**	294	**(21)**	294
Reversal/(write-off)		**21**	(315)	**21**	(315)
Balance at the end of the year		**—**	(21)	**—**	(21)
14. Deferred taxation			—		—
Balance at the beginning of the year		**(67 250)**	(46 252)	**(68 396)**	(46 252)
Statutory reserves and provisions	26	**(5 131)**	(21 830)	**(5 254)**	(21 830)
Capital gains taxation (CGT) deferred liability	26	**1 248**	(385)	**1 248**	(385)
Prior year over provision	26	**—**	1 217	**—**	71
Balance at the end of the year		**(71 133)**	(67 250)	**(72 402)**	(68 396)
The deferred taxation comprises:					
Share appreciation		**—**	165	**—**	165
Bonus scheme		**173**	1 001	**173**	1 001
Provisions – current year		**1 366**	2 836	**97**	1 690
CGT deferred liability		**(145)**	(1 393)	**(145)**	(1 393)
Negative reserves		**(72 527)**	(69 859)	**(72 527)**	(69 859)
Balance at the end of the year		**(71 133)**	(67 250)	**(72 402)**	(68 396)
Deferred taxation asset		**406**	—	**—**	—
Deferred taxation liability		**(71 539)**	(67 250)	**(72 402)**	(68 396)
Balance at the end of the year		**(71 133)**	(67 250)	**(72 402)**	(68 396)

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

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

15. Provisions

15.1 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.

Incentive scheme

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 of Imperial Holdings Limited.

	Leave pay R'000	Bonus R'000	Other R'000	Total R'000
Group				
2011				
Balance at the beginning of the year	**6 068**	**21 496**	**20 725**	**48 289**
Charge to statement of comprehensive income	**1 028**	**13 022**	**28 713**	**42 763**
Provisions utilised	**(835)**	**(15 538)**	**(27 514)**	**(43 887)**
Arising from translation of foreign provisions	**(5)**	**(107)**	**(47)**	**(159)**
Balance at the end of the year	**6 256**	**18 873**	**21 877**	**47 006**
2010				
Balance at the beginning of the year	2 557	14 697	—	17 254
Reclassification to provisions	—	—	4 222	4 222
Charge to statement of comprehensive income	4 097	16 716	20 739	41 552
Provisions utilised	(586)	(9 917)	(4 236)	(14 739)
Balance at the end of the year	6 068	21 496	20 725	48 289
Company				
2011				
Balance at the beginning of the year	**3 146**	**16 531**	**19 612**	**39 289**
Charge to statement of comprehensive income	**780**	**7 792**	**27 647**	**36 219**
Provisions utilised	**(534)**	**(10 900)**	**(26 528)**	**(37 962)**
Balance at the end of the year	**3 392**	**13 423**	**20 731**	**37 546**
2010				
Balance at the beginning of the year	2 254	10 970	—	13 224
Reclassification to provisions	—	—	3 661	3 661
Charge to statement of comprehensive income	4 030	12 631	19 248	35 909
Provisions utilised	(3 138)	(7 070)	(3 297)	(13 505)
Balance at the end of the year	3 146	16 531	19 612	39 289

Provision for staff bonus and leave pay represents provisions made for year-end bonus payments and leave due to employees at year end.

Other provisions include, amongst others, provisions for audit, actuarial and investment management fees that were previously classified as other payables.

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
16. Commitments				
Operating lease liabilities				
The Regent Life Group leases various offices 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	**2 055**	2 185	**124**	443
Later than one year and not later than five years	**3 003**	5 023	**458**	490
Balance at the end of the year	**5 058**	7 208	**582**	933
The above mentioned commitments will be funded from cash generated by operations.				
17. Insurance and other payables				
Accrued benefit payments on insurance contracts	**44 567**	47 615	**39 741**	44 340
Trade payables	**138 225**	147 039	**118 541**	129 540
Balance at the end of the year	**182 792**	194 654	**158 282**	173 880
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.				
18. 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
6 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.

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
19. Net insurance premium income				
Individual and credit life premium income				
• Single premiums	**59 746**	43 434	**—**	—
• Reinsurance	**(520)**	(6 056)	**—**	—
	59 226	37 378	**—**	—
• Recurring premiums	**447 810**	365 686	**408 965**	333 330
• Reinsurance	**(31 600)**	(20 436)	**(30 084)**	(19 022)
	416 210	345 250	**378 881**	314 308
Group life premium income				
• Recurring premiums	**185 098**	165 804	**159 150**	146 193
• Reinsurance	**(49 433)**	(42 737)	**(41 123)**	(36 407)
	135 665	123 067	**118 027**	109 786
Total	**611 101**	505 695	**496 908**	424 094
20. Investment income				
Dividend income	**8 581**	7 135	**12 290**	47 592
Interest income from investments designated at fair value through profit and loss	**11 321**	62 150	**467**	43 969
Interest income from cash and cash equivalents	**44 082**	488	**33 585**	2
Investment management expenses	**(2 430)**	(2 376)	**(2 033)**	(2 082)
Total	**61 554**	67 397	**44 309**	89 481
21. Investment gains				
Realised gains/(losses)	**24 498**	9 889	**24 500**	7 667
• Listed instruments	**25 941**	9 745	**25 941**	7 667
• Unlisted instruments	**(1 443)**	144	**(1 441)**	—
Unrealised gains	**18 838**	28 970	**13 183**	21 987
• Listed instruments	**18 476**	23 455	**12 821**	21 987
• Unlisted instruments	**362**	5 515	**362**	—
Total	**43 336**	38 859	**37 683**	29 654

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
22. Other operating income				
Training income*	**1 500**	1 447	**—**	1 447
Administration fees**	**52 251**	45 531	**7 255**	5 558
Rent received	**195**	110	**—**	—
Total	**53 946**	47 088	**7 255**	7 005

Training income comprises revenue earned by Regent Life Company for courses provided.

**The majority of this amount relates to non-insurance related activities, specifically the administration fee charged by Cedar Employee Benefits and Consultants Proprietary Limited and subsidiaries.*

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
23. Net claims and benefits incurrred				
Individual life benefits:				
• Death and disability benefits	**106 168**	85 315	**98 676**	80 560
• Retrenchment and surrenders	**52 798**	84 972	**37 392**	42 523
• Annuities	**13 587**	15 060	**13 532**	15 005
• Maturities and endowments	**20 200**	19 388	**—**	—
• Reinsurance recoveries	**(7 018)**	(12 712)	**(5 719)**	(9 639)
Total	**185 735**	192 023	**143 881**	128 449
Group benefits:				
• Death, disability and retrenchment benefits	**106 665**	97 347	**100 544**	92 345
• Reinsurance recoveries	**(38 420)**	(32 525)	**(37 049)**	(30 937)
	68 245	64 822	**63 495**	61 408
Total	**253 980**	256 845	**207 376**	189 857

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

	Notes	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
24. Profit before taxation					
Profit before taxation is determined before taking the following into account:					
Property and equipment – depreciation	3, 27.1	**2 690**	4 111	**1 392**	2 783
• Computer and office equipment		**1 011**	1 955	**467**	1 412
• Furniture and fittings		**575**	526	**344**	394
• Motor vehicles		**651**	1 027	**581**	977
• Leasehold improvements		**453**	603	**—**	—
Impairment losses on financial assets		**41 275**	16 092	**41 070**	13 016
Amortisation of intangible assets – computer software	4, 27.1	**2 820**	6 621	**1 015**	6 358
Investment management expenses		**2 430**	2 376	**2 033**	2 082
Rentals under operating leases		**9 949**	8 494	**5 918**	4 138
Foreign exchange gains		**1 326**	623	**1 324**	479
Auditors' remuneration		**3 405**	3 724	**2 415**	2 664
Consultancy fees		**6 388**	5 683	**3 531**	3 691
• Actuarial		**2 605**	3 015	**1 750**	2 584
• Other		**3 783**	2 668	**1 781**	1 107
Legal fees		**1 319**	286	**1 174**	195
Staff costs		**86 309**	97 963	**49 428**	65 775
• Pension contributions*		**5 436**	5 263	**2 485**	2 551
• Share based payments	25	**(652)**	7 706	**(652)**	7 706
• Salaries and wages		**81 525**	84 994	**47 595**	55 518
(Profit)/loss on disposal of property and equipment	27.1	**(215)**	64	**(172)**	113
Number of employees		**272**	318	**131**	160

Defined contribution plans

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 South African employees, other than those employees required by legislation to be members of various industry funds, are members of the Imperial Regent Life Group Pension Fund and the Imperial Regent Life Group Provident Fund which are governed by the Pensions Funds Act, 1956.

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

	Notes	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
25. Share-based equity reserve					
Reconciliation of share-based payment reserve:					
Opening balance		**3 148**	11 129	**3 148**	11 129
Hedge premium paid		**8 312**	—	**8 312**	—
Share-based equity reserve raised					
• Direct cost	24	**652**	(7 706)	**652**	(7 706)
• Tax effect		**(1 958)**	(275)	**(1 958)**	(275)
Total share-based payments equity reserve		**10 154**	3 148	**10 154**	3 148

The Imperial Holdings Share Appreciation Rights scheme was set up to provide executives and senior management including those of the Regent Life Group with an opportunity to own shares in the ultimate holding company of Regent Life Group, Imperial Holdings Limited, through the grant of rights to the appreciation in Imperial Holdings Limited's share price. Share Appreciation Rights are rights to receive shares equal in value to the appreciation of the Imperial Holdings Limited shares between the grant date and the vesting date, subject to the fulfilment of pre-determined performance criteria over the vesting period.

The fair values for the share-based payment reserves were calculated using a Black-Scholes pricing model.

The inputs into the model are set out below.

	Group 2011 R'000	Group 2010 R'000
Share appreciation rights scheme		
• Volatility (%)	**33.30**	33.00
• Weighted average share price (Rand)	**116.59**	96.71
• Weighted average exercise price (Rand)	**116.59**	96.71
• Expected life (years)	**3.24**	3.29
• Average risk-free rate (%)	**7.13**	7.44
• Expected dividend yield (%)	**3.60**	2.76
Deferred bonus plan		
• Volatility (%)	**33.30**	33.00
• Weighted average share price (Rand)	**116.59**	96.71
• Expected life (years)	**3.24**	3.29
• Average risk-free rate (%)	**7.13**	7.44
• Expected dividend yield (%)	**3.60**	2.76

The volatilities were determined by calculating the historical volatility of the Imperial Holdings Limited's share price over the previous five years.

The expected life is determined by the rules of the schemes which dictate the expiry date.

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

	Notes	Group 2011	Group 2010	Company 2011	Company 2010
26. Taxation					
Current taxation					
• Current year		**27 349**	19 612	**18 626**	—
• Capital gains taxation		**—**	—	**—**	—
• Prior year under/(over) provision		**1 841**	(704)	**1 842**	(704)
• Withholding taxation and STC		**2 114**	1 265	**2 304**	4 945
		31 304	20 173	**22 772**	4 241
Deferred taxation					
• Statutory reserves and provisions	14	**5 131**	21 830	**5 254**	21 830
• Capital gains taxation	14	**(1 248)**	385	**(1 248)**	385
• Prior year over provision	14	**—**	(1 217)	**—**	(71)
		3 883	20 998	**4 006**	22 144
		35 187	41 171	**26 778**	26 385

	Group 2011 %	Group 2010 %	Company 2011 %	Company 2010 %
Taxation rate reconciliation				
South African normal taxation rate	**28.00**	28.00	**28.00**	28.00
Non-allowable expenditure	**2.28**	(1.38)	**1.67**	(9.15)
Capital gains taxation	**(0.18)**	—	**(0.28)**	—
Withholding taxation and STC	**(1.34)**	0.09	**2.99**	0.34
Losses in subsidiaries	**1.01**	—	**—**	—
Rate differential	**(0.98)**	(1.22)	**—**	—
Prior year (over)/under provision	**1.30**	2.88	**2.39**	(1.07)
	30.09	28.37	**34.77**	18.12

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

	Notes	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
27. Notes to the cash flow statement					
27.1 Cash generated from/(utilised in) operations					
Profit before taxation		**116 963**	145 116	**76 993**	145 625
Adjustments made for non-cashflow items:					
Depreciation	3	**2 690**	4 111	**1 392**	2 783
Amortisation of intangible assets – computer software	4, 24	**2 820**	6 621	**1 015**	6 358
Movement in foreign denominated assets/liabilities		**—**	—	**—**	2 000
Fair value adjustments		**(44 641)**	(39 624)	**(38 986)**	(30 419)
Change in policyholder liabilities under insurance contracts		**(15 770)**	(131 187)	**(32 580)**	(102 715)
(Profit)/loss on disposal of fixed assets	24	**(215)**	64	**(172)**	113
Interest income		**(55 403)**	(62 638)	**(34 052)**	(43 971)
Interest expense		**89**	387	**68**	82
Dividends received		**(8 581)**	(7 135)	**(12 290)**	(47 592)
		(2 048)	(84 285)	**(38 612)**	(67 736)
Changes in working capital					
Decrease/(increase) in trade and other receivables		**31 090**	(11 370)	**16 608**	(21 787)
Increase/(decrease) in trade and other payables		**3 540**	(29 458)	**(156)**	(23 257)
Provisions		**(1 283)**	28 618	**(1 743)**	26 065
Intangible assets – deferred acquisition costs		**3 845**	2 171	**3 845**	2 171
Intangible assets – goodwill		**—**	(3 529)	**—**	—
		37 192	(13 568)	**18 554**	(16 808)
Cash generated from/(utilised in) operations		**35 144**	(97 853)	**(20 058)**	(84 544)
27.2 Investment income					
Dividends received					
Accrued dividend income at beginning of year		**33**	4	**35 087**	4
Dividend received per statements of comprehensive income		**8 581**	7 135	**12 290**	47 592
Accrued dividend income at end of year		**—**	(33)	**—**	(35 087)
Dividends received		**8 614**	7 106	**47 377**	12 509
Interest received					
Accrued interest income at beginning of year		**8 067**	6 646	**5 967**	5 852
Interest income per statements of comprehensive income		**55 403**	62 638	**34 052**	43 971
Accrued interest income at end of year		**(8 943)**	(8 067)	**(5 213)**	(5 967)
Interest received		**54 527**	61 217	**34 806**	43 856

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
27. Notes to the cash flow statement *(continued)*				
27.3 Taxation paid				
Amount receivable at the beginning of the year	**26 068**	34 998	**30 285**	33 004
Amount charged to the statement of comprehensive income	**(35 187)**	(41 171)	**(26 778)**	(26 385)
Prior year underprovision	**(534)**	–	**–**	–
Movement on share-based equity reserve	**1 958**	–	**1 958**	–
Movement in deferred tax	**3 883**	20 998	**4 006**	22 144
Tax asset utilised by holding company	**–**	(14 854)	**–**	(13 759)
	(3 812)	(29)	**9 471**	15 004
Amount payable/(receivable) at the end of the year	**702**	(26 068)	**2 426**	(30 285)
Taxation (paid)/refunded	**(3 110)**	(26 097)	**11 897**	(15 281)
27.4 Dividends paid				
Dividends per statement of changes in equity	**(27 498)**	(45 019)	**(26 140)**	(44 551)
Dividends paid	**(27 498)**	(43 969)	**(26 140)**	(43 501)

27.5 Acquisition of subsidiaries

In the prior financial year the company increased its shareholding in Lesotho Life. It was then accounted for as a subsidiary, having previously been accounted for as an associate. The fair value of assets and liabilities assumed were as follows:

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
Lesotho National Life Assurance Company				
Property and equipment	**–**	243	**–**	–
Intangible assets	**–**	2 545	**–**	–
Policyholder loans	**–**	9 689	**–**	–
Financial assets	**–**	79 431	**–**	–
Other receivables	**–**	7 279	**–**	–
Cash and cash equivalents	**–**	83 881	**–**	–
Policyholder liabilities under investment contracts	**–**	(24 697)	**–**	–
Policyholder liabilities under insurance contracts	**–**	(144 386)	**–**	–
Provisions	**–**	(2 417)	**–**	–
Current taxation	**–**	(46)	**–**	–
Insurance and other payables	**–**	(2 264)	**–**	–
	–	9 258	**–**	–
Less cash and cash equivalents in subsidiary	**–**	83 881	**–**	–
Net cash inflow	**–**	83 881	**–**	–

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
27. Notes to the cash flow statement *(continued)*				
27.5 Acquisition of subsidiaries *(continued)*				
During the current financial year Regent Life Company increased its shareholding in Cedar Employee Benefits and Consultants Proprietary Limited and Subsidiaries from 70% to 100%. The fair values of the assets and liabilities were as follows:				
Cedar Employee Benefits and Consultants Proprietary Limited and Subsidiaries				
Property and equipment	**2 646**	–	**–**	–
Intangible assets	**1 029**	–	**–**	–
Other receivables	**5 877**	–	**–**	–
Cash and cash equivalents	**20 756**	–	**–**	–
Deferred tax asset	**864**	–	**–**	–
Provisions	**(3 771)**	–	**–**	–
Current taxation	**(426)**	–	**–**	–
Insurance and other payables	**(9 327)**	–	**–**	–
	17 648	–	**–**	–
Net cash (outflow)/inflow on acquisition of subsidiaries	**(12 000)**	83 881	**(12 000)**	–

27.6 Disposal of subsidiaries

In the prior financial year, the Regent Life Group disposed of 10% of its shareholding in Cedar Employee Benefits and Consultants Proprietary Limited and Subsidiaries, resulting in its shareholding decreasing to 70%.

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
Net cash effect of disposal of 10% interest	**–**	2 289	**–**	2 289

28. Related party transactions

28.1 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.

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 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.

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
28. Related party transactions *(continued)*				
28.2.1 Transactions with related parties				
Administration fee paid to holding company	**8 116**	9 816	**8 116**	9 816
Internal audit fee to holding company	**143**	1 197	**143**	1 197
Policy and administration fees paid:				
• I'sure Risk Solutions Proprietary Limited	**—**	—	**2 388**	1 907
• Cedar Group Proprietary Limited	**—**	—	**919**	1 405
Interest paid	**46**	472	**46**	472
Vehicle operating lease costs	**1 843**	2 139	**1 843**	2 139
28.2.2 Year-end balances with related parties				
Receivable from related parties	**1**	9 794	**28 687**	35 007
• Imperial Group Proprietary Limited	**1**	2	**1**	2
• Regent Life Group subsidiaries	**—**	—	**28 686**	25 213
• Fellow Imperial Holdings Limited subsidiaries	**—**	9 792	—	9 792
Payable to related parties	**15 402**		**15 442**	9 153
• Regent Life Group subsidiaries	**—**	—	**40**	9 153
• Fellow Imperial Holdings Limited subsidiaries	**15 402**	—	**15 402**	—

	Company 2011 R'000	Company 2010 R'000
29. Remuneration		
29.1 Directors' emoluments		
Directors' emoluments comprise:		
Executive directors' remuneration	**14 527**	16 107
• Basic remuneration	**6 264**	6 953
• Retirement and medical benefits	**789**	922
• Other incentives and benefits	**7 474**	8 232
Non-executive directors' fees	**1 037**	886
• RG Cottrell	**239**	217
• S Handler	**285**	259
• S Masinga	**88**	80
• JPR Mbau	**84**	80
• JR McAlpine	**154**	140
• RJA Sparks	**187**	110

The remuneration of directors is determined by the remuneration committee of Imperial Holdings Limited 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 the total remuneration paid by both Regent Life Company and Regent Insurance Company.

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

29. Remuneration *(continued)*

29.2 Executive directors and prescribed officers' remuneration

	Salary R'000	Bonus R'000	Retirement and medical contributions R'000	Other benefits R'000	Total R'000	2010 Total R'000
Executive directors						
DD Gnodde	2 723	3 000	424	56	6 203	5 530
PCW Hibbit	1 500	928	—	1	2 429	125
AN Tennick	2 041	1 824	365	1	4 231	5 289
JJ Strydom	—	1 664	—	—	1 664	3 239
B Song	—	—	—	—	—	1 925
Prescribed officers						
CJ Brooke	1 388	926	108	1	2 423	1 367
R Haman	929	619	71	1	1 620	—
C Krouwkamp	1 183	742	93	102	2 120	1 762
J le Roux	1 476	1 025	125	57	2 683	3 633
Non-executive director						
R Mumford*	2 021	1 450	344	106	3 921	3 850
	13 261	12 178	1 530	325	27 294	26 720

**Remunerated by fellow subsidiary.*

	Commencement date	Price on commencement date (R)	Number of rights	Number of rights remaining	Vesting date
Participation in Imperial Holdings Limited Share Appreciation Rights scheme					
DD Gnodde	18 June 2009	55.32	100 000	100 000	15 September 2012
	2 June 2010	96.71	42 127	142 127	15 September 2013
AN Tennick	5 June 2008	49.46	132 740	132 740	15 September 2011
	18 June 2009	55.32	44 111	176 851	15 September 2012
	2 June 2010	96.71	26 979	203 830	15 September 2013
JJ Strydom	5 June 2008	49.46	97 343	97 343	15 September 2011
	18 June 2009	55.32	75 744	173 087	15 September 2012
	2 June 2010	96.71	25 264	198 351	15 September 2013
CJ Brooke	2 June 2010	96.71	18 470	18 470	15 September 2013
J le Roux	5 June 2008	49.46	72 726	72 726	15 September 2011
C Krouwkamp	5 June 2008	49.46	80 931	80 931	15 September 2011
	18 June 2009	55.32	26 458	107 389	15 September 2012
	2 June 2010	96.71	17 483	124 872	15 September 2013
R Mumford*	5 June 2008	49.46	156 602	156 602	15 September 2011
	18 June 2009	55.32	55 575	212 177	15 September 2012
	2 June 2010	96.71	32 520	244 697	15 September 2013
	14 June 2011	116.59	11 446	256 143	15 September 2014

**Remunerated by fellow subsidiary.*

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

29. Remuneration *(continued)*

29.2 Executive 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	Vesting date
Participation in Imperial Holdings Limited Deferred Bonus plan						
DD Gnodde	18 June 2010	15 206	15 206	—	—	15 September 2013
	14 June 2011	9 135	—	—	9 135	7 September 2014
PCW Hibbit	14 June 2011	3 003	—	—	3 003	7 September 2014
AN Tennick	5 June 2008	15 595	—	15 595	—	15 September 2011
	18 June 2009	4 301	1 734	2 567	—	15 September 2012
	18 June 2010	2 778	1 982	796	—	15 September 2013
	14 June 2011	4 425	—	—	4 425	7 September 2014
JJ Strydom	5 June 2008	11 436	10 036	—	1 400	15 September 2011
	18 June 2009	3 973	—	3 973	1 400	15 September 2012
	18 June 2010	2 602	3 966	36	—	15 September 2013
	14 June 2011	4 039	—	—	4 039	7 September 2014
C J Brooke	18 June 2010	1 902	1 883	19	—	15 September 2013
	14 June 2011	3 013	—	—	3 013	7 September 2014
J le Roux	5 June 2008	8 544	—	8 544	—	15 September 2011
R Haman	14 June 2011	3 003	—	—	3 003	7 September 2014
R Mumford*	5 June 2008	18 398	16 841	1 557	—	15 September 2011
	18 June 2009	5 419	5 419	—	—	15 September 2012
	18 June 2010	3 349	3 349	—	—	15 September 2013
	14 June 2011	4 926	—	—	4 926	15 September 2014

**Remunerated by fellow subsidiary.*

30. Critical accounting estimates and judgments 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 judgments 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.

30.1 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 from the valuation date until the expiry of the term of the policy. 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.

30.2 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.

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

30. Critical accounting estimates and judgments in applying accounting policies *(continued)*

30.2 Estimate of future benefit payments and premiums arising from long-term insurance contracts and related deferred acquisition costs *(continued)*

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.

30.3 Fair value of investment contracts

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

31. Management of insurance and financial risk

31.1 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 from 2007.

The capital structure of the Regent Life Group consists 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.

31.2 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.

31.3 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.

31.3.1 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. During the current financial year the Regent Life Group hedged a portion of its portfolio against market fluctuations. The hedge is effective only on increases or decreases in market prices in excess of 5%.

Equity market price sensitivity analysis

The sensitivity analyses below has been determined based on the exposure to equity price risks at the reporting date. 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 R1.8 million (2010: R4.7 million).

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.

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

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

31.3.1 Market risk *(continued)*

	Valuations with reference to quoted prices in an active market Level 1 R'000	Valuations based on observable inputs Level 2 R'000	Valuations based on unobservable inputs Level 3 R'000	Total carried at fair value R'000
Financial assets held as at fair value through profit and loss				
2011				
Group				
Equity securities	**172 628**	**—**	**—**	**172 628**
Short-term deposits less than one year	**—**	**97 585**	**—**	**97 585**
Debt securities	**112 910**	**—**	**—**	**112 910**
Foreign securities	**—**	**—**	**—**	**—**
Collective investment schemes	**286 391**	**—**	**—**	**286 391**
Total financial assets	**571 929**	**97 585**	**—**	**669 514**
Company				
Equity securities	**172 628**	**—**	**—**	**172 628**
Short-term deposits less than one year	**—**	**25 424**	**—**	**25 424**
Debt securities	**103 813**	**—**	**—**	**103 813**
Foreign securities	**—**	**—**	**—**	**—**
Collective investment schemes	**238 462**	**—**	**—**	**238 462**
Total financial assets	**514 903**	**25 424**	**—**	**540 327**
2010				
Group				
Equity securities	255 513	—	15 000	270 513
Short-term deposits less than one year	—	140 225	—	140 225
Debt securities	247 287	—	—	247 287
Foreign securities	10 453	—	—	10 453
Total financial assets	513 253	140 225	15 000	668 478
Company				
Equity securities	214 396	—	15 000	229 396
Short-term deposits less than one year	—	73 549	—	73 549
Debt securities	247 287	—	—	247 287
Foreign securities	10 453	—	—	10 453
Total financial assets	472 136	73 549	15 000	560 685

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

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

31.3.1 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 are 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 2011 %	Group 2010 %	**Company 2011 %**	Company 2010 %
Debt securities – fixed interest rate:				
Government bonds	**9.01**	7.66	**8.75**	7.63
Listed bonds	**8.52**	11.17	**8.52**	11.22
Cash at bank	**5.00**	6.62	**5.00**	6.62

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 percent higher/lower and all other variables were held constant, the Regent Life Group's profit for the financial year ended 30 June 2011 would decrease/increase by R4.6 million (2010: R5.7 million decrease/increase).

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

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

31.3.1 Market risk *(continued)*

Foreign currency risk

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

The Regent Life Group manages this risk by limiting the extent of net foreign assets to pre-determined amounts considering the type of asset and foreign currency. The Regent Life 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:

	Group 2011 Average ZAR	Group 2010	**Group 2011 Closing ZAR**	Group 2010
Botswana Pula	**1.05826**	1.13700	**1.03625**	1.08329

The table below illustrates the analysis of assets and liabilities of the Regent Life Group by major currency.

	2011 BWP'000	2011 USD'000	**2010 BWP'000**	2010 USD'000
Total assets	**159 106**	–	**159 174**	1 365
Total liabilities	**60 346**	–	**87 320**	–
Net assets	**98 760**	–	**71 854**	1 365

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 relevant foreign currencies. 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.

	2011 BWP'000	**2011 USD'000**	2010 BWP'000	2010 USD'000
Profit or loss*	**1**	**–**	277	94

**This is mainly attributable to the exposure outstanding on the BWP and USD.*

31.3.2 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 creditworthiness 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.

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

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

31.3.2 Credit risk *(continued)*

With regard to credit risk contained in insurance and other receivables, the exposure amounts to R127.0 million (2010: R104,0 million), comprising balances with policyholders, agents, brokers and intermediaries:

	Group 2011 R'000	Group 2010 R'000	**Company 2011 R'000**	Company 2010 R'000
Policyholder short-term debtors	**66 403**	45 001	**65 562**	41 452
Agents, brokers and intermediaries	**3 014**	14 033	**3 014**	14 033
Investment debtors	**8 943**	8 100	**5 213**	6 000
Other	**48 690**	36 945	**16 505**	5 217
	127 050	104 079	**90 294**	66 702

Group policy dictates that provision is made for all debtors that exceed 90 days.

Agents, brokers and intermediaries totalling R3.0 million (2010: R14.0 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.

31.3.3 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 Financial Services Board 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.

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

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

31.3.3 Liquidity risk *(continued)*

	Total	1 – 3 months R'000	4 – 5 months R'000	1 – 5 years R'000	Over 5 years R'000
Period when cash flow becomes due					
2011					
Group					
Liabilities					
Insurance and other payables	**182 792**	**182 792**	**–**	**–**	–
Total for the group	**182 792**	**182 792**	**–**	**–**	–

	Total	1 – 3 months R'000	4 – 5 months R'000	1 – 5 years R'000	Over 5 years R'000
Company					
Liabilities					
Insurance and other payables	**158 282**	**158 282**	**–**	**–**	**–**
Total for the company	**158 282**	**158 282**	**–**	**–**	**–**

	Total	1 – 3 months R'000	4 – 5 months R'000	1 – 5 years R'000	Over 5 years R'000
2010					
Group					
Liabilities					
Insurance and other payables	194 654	194 654	–	–	–
Total for the group	194 654	194 654	–	–	–

	Total	1 – 3 months R'000	4 – 5 months R'000	1 – 5 years R'000	Over 5 years R'000
Company					
Liabilities					
Insurance and other payables	173 880	173 880	–	–	–
Total for the company	173 880	173 880	–	–	–

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

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

31.4 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 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.

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

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

31.4 Insurance risk *(continued)*

The table below presents the categorisation of insured benefits across five bands of insured benefits per individual life assured:

Band of cover R'000	Group 2011 Total sum assured R'000	Group 2010 Total sum assured R'000	Company 2011 Total sum assured R'000	Company 2010 Total sum assured R'000
Benefits assured per life insured				
Before reinsurance				
0 – 100	**21 634 782**	32 608 821	**17 158 910**	27 540 707
100 – 200	**18 293 018**	33 054 351	**16 563 168**	31 325 720
200 – 300	**7 260 745**	11 502 177	**6 806 687**	11 146 191
300 – 400	**3 926 404**	6 273 952	**3 743 476**	6 160 696
More than 400	**4 985 325**	7 773 500	**4 603 474**	7 547 441
Total	**56 100 274**	91 212 801	**48 875 715**	83 720 755
Benefits assured per life insured				
After reinsurance				
0 – 100	**17 430 660**	26 336 641	**13 802 051**	22 306 264
100 – 200	**16 951 594**	31 321 090	**15 553 778**	29 903 753
200 – 300	**6 807 619**	10 964 952	**6 466 613**	10 690 153
300 – 400	**3 663 156**	6 026 555	**3 524 113**	5 937 401
More than 400	**4 556 804**	7 354 581	**4 273 096**	7 166 097
Total	**49 409 833**	82 003 819	**43 619 651**	76 003 668
Terms of liabilities net of reinsurance including investment contracts				
Payable within one year	**121 216**	63 284	**104 031**	65 113
Payable between one and five years	**38 988**	(16 784)	**(46 860)**	(60 306)
Payable after five years	**305 398**	231 820	**147 259**	229 817
	465 602	278 320	**204 430**	234 624

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

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

31.4 Insurance risk *(continued)*

Claims development

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

	2009 R'000	2010 R'000	**2011** **R'000**
Insurance claims — gross			
Claim year			
Company			
Estimate of ultimate claim costs:			
At the end of the claim year	262 207	230 433	**250 144**
One year later	259 222	228 910	**—**
Two years later	258 564	—	**—**
Current estimate of cumulative claims	258 564	228 910	**250 144**
Cumulative payments to date	(255 786)	(220 281)	**(221 810)**
Liability recognised	2 778	8 629	**28 334**
Cumulative liability – statement of financial position			**39 741**
Insurance claims – net			
Company			
Estimate of ultimate claim costs:			
At the end of the claim year	214 939	189 857	**207 376**
One year later	214 239	189 610	**—**
Two years later	210 459	—	**—**
Current estimate of cumulative claims	210 459	189 610	**207 376**
Cumulative payments to date	(210 088)	(184 002)	**(181 908)**
Liability recognised	371	5 608	**25 468**
Cumulative liability – statement of financial position			**31 447**

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

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

31.5 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.

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

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

31.6 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 (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 PGN 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.

Statutory CAR were covered 3.89 times at 30 June 2011 (2010: 2.1 times). The CAR is R85.4 million (2010: R112 million).

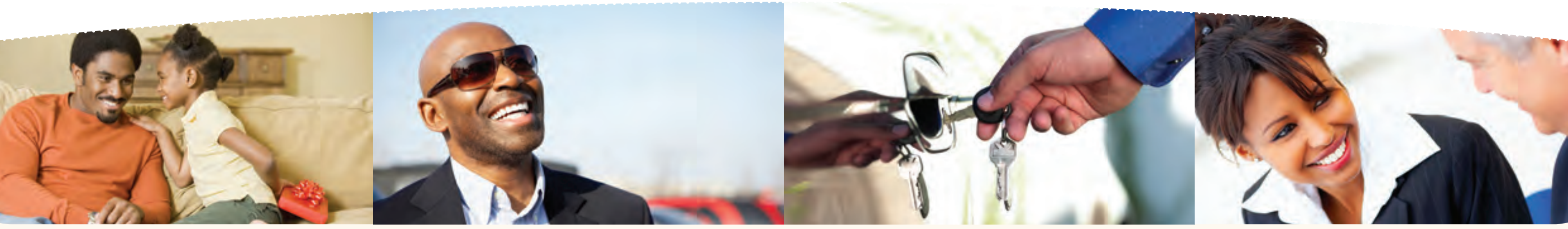
32. Subsidiaries

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

Subsidiaries	Holding 2011 %	Holding 2010 %	Cost of shares 2011 R'000	Cost of shares 2010 R'000	Principal activity
Regent Life Botswana Limited	**100**	100	**20 000**	20 000	**Life Assurance**
Lesotho National Life Assurance Company Limited	**76**	76	**7 333**	7 333	**Life Assurance**
Cedar Employee Benefits and Consultants Proprietary Limited and Subsidiaries	**100**	70	**15 984**	3 984	**Pension Fund Administrators**
I'sure Risk Solutions Proprietary Limited	**100**	100	**–**	–	**Insurance Administrator**
Bridge Works Finance Proprietary Limited	**100**	100	**–**	–	**Finance Intermediary**
Struland Office Park Properties Proprietary Limited	**100**	100	**2 009**	2 009	**Property**
			45 326	33 326	

33. 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.



ANNUAL REPORT

REGENT INSURANCE

2011

Directors' approval and statement of responsibility

for the year ended 30 June 2011

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 93 to 149 have been prepared in accordance with International Financial Reporting Standards. The Regent Insurance Group's external auditors, Deloitte & Touche, have audited the annual financial statements and their audit report appears on page 92.

The directors are also responsible for the 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 the 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 the 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 the Regent Insurance Company and Regent Insurance Group on pages 93 to 149 were approved by the board of directors on 25 October 2011 and are signed on its behalf by:

HR Brody
Chairman

25 October 2011

DD Gnodde
Chief Executive Officer

25 October 2011

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 that the Regent Insurance Group has lodged with the Commissioner, for the financial year ended 30 June 2011, 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.

PW Behrens
Company secretary

25 October 2011

Independent auditor's report

To the member of Regent Insurance Company Limited

for the year ended 30 June 2011

Report on the Financial Statements

We have audited the group annual financial statements and annual financial statements of Regent Insurance Company Limited, which comprise the statements of financial position as at 30 June 2011 and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and the directors' report, as set on pages 93 to 149.

Directors' Responsibility for the Financial Statements

The Regent Insurance Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa, and for such internal controls as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these 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 judgment, 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 control 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, the financial statements present fairly, in all material respects, the consolidated and separate financial position of Regent Insurance Company Limited as at 30 June 2011, and of its consolidated and separate financial performance, financial position and cashflows for the year then ended in accordance with IFRS, and in the manner required by the Companies Act of South Africa.

Deloitte & Touche.

Deloitte & Touche

Registered Auditors

Per: **Y Maharaj**

Partner

25 October 2011

Building 8, Deloitte Place
The Woodlands office park
Woodlands Drive
Sandton

National Executive:
GG Gelink (Chief Executive), AE Swiegers (Chief Operating Officer), GM Pinnock (Audit), DL Kennedy (Risk Advisory & Legal Services), NB Kader (Tax), L Geeringh (Consulting), L Bam (Corporate Finance), JK Mazzocco (Human Resources), CR Beukman (Finance), TJ Brown (Chairman of the board), MJ Comber (Deputy Chairman of the board).

A full list of partners and directors is available on request.

B-BBEE rating: Level 2 contributor/AAA (certified by Empowerdex)

Member of Deloitte Touche Tohmatsu Limited

Audit and risk committee report

for the year ended 30 June 2011

Audit and risk committee report

The audit and risk committee presents its report for the year ended 30 June 2011. The audit and risk 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 therein.

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, the main responsibilities of the audit and risk 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 auditors of the Regent Insurance Group;
- consideration of the accounting treatment of significant or unusual transactions and areas of judgment 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. The record of attendance by each committee member was as follows:

	13 August 2010	18 October 2010	10 February 2011	8 June 2011
RG Cottrell	✓	✓	✓	✓
S Handler	✓	✓	ap	✓
RJA Sparks	✓	✓	✓	✓

Legend:

✓ Present ap Absent with apology

Audit and risk committee report (continued)

for the year ended 30 June 2011

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 2011;
- considered the effectiveness of internal audit, and approved their annual plan and the rolling three-year internal audit plan; and
- received and reviewed reports from the CRO on the enterprise risk management process.

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

Membership

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 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 new 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 new Companies Act.

No non-audit services were provided by the external auditors during the year under review.

The committee has nominated, for approval at the annual general meeting, Deloitte & Touche as the external auditor for the 2012 financial year for Regent Insurance Company. Mr Y Maharaj is the designated auditor for Regent Insurance Company. In terms of the rotation requirements of the Companies Act, this will be Mr Maharaj's fourth year as designated auditor.

Annual report

Having considered the annual report, incorporating the annual financial statements, for the year ended 30 June 2011, 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.

RG Cottrell

Chairman of the audit and risk committee

25 October 2011

Directors' report

for the year ended 30 June 2011

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 2011.

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.

Holding company

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

	Percentage held	Country of incorporation
Subsidiaries		
Regent Insurance Botswana Proprietary Limited	100	Botswana
Regent Reinsurance Management Proprietary Limited	100	South Africa
RCS Risk Solutions Proprietary Limited	100	South Africa
Legal Advice Consultants Proprietary Limited	100	South Africa
Erf Four Nine Nine Spartan Proprietary Limited	100	South Africa
Newcastle Properties Shareblock Proprietary Limited	100	South Africa
Anvil Investments Proprietary Limited	100	South Africa
Anvil Financial Services Proprietary Limited	100	South Africa
Lesotho National General Insurance Company Limited	60	Lesotho
SA Warranties Proprietary Limited	100	South Africa
Paint Tech Maintenance Proprietary Limited	100	South Africa
Associates		
Howden Investments Proprietary Limited	50	Botswana
Day1 Health Proprietary Limited	25	South Africa

Regent Insurance Company's interest in the aggregate profit after tax in subsidiaries amounted to R56.4 million (2010: R61.9 million), and in the losses amounted to R1.2 million (2010: Rnil).

Dividends

Dividends of R213 million (2010: R299 million) were declared and paid during the current financial year.

Share capital

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

Special resolutions

The Regent Insurance Company and subsidiaries passed the following special resolutions:

Paint Tech Maintenance Proprietary Limited

- Changed the main business of the company to "Financial Intermediation Insurance, Real Estate & Business Services" to be in line with the holding company, effective 30 March 2011

None of the other 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

No 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.

Directors' report (continued)

for the year ended 30 June 2011

Financial performance

The Regent Insurance Group achieved significant growth in their underwriting result with an increase of 123% compared to the previous financial year. A significant reduction in the claims expense of approximately R130 million as well as improved administration efficiencies that contributed to a 16% decrease in marketing and administration expenses, were the main contributors to the improved underwriting result.

The solvency ratio of the Regent Insurance Group improved from 43.9% for the 2010 financial year to 46.4% for the current financial year.

Board of directors to the date of this report

HR Brody (Chairman, non-executive director)

Executive directors

DD Gnodde (Chief Executive Officer)

PCW Hibbit (Chief Financial Officer)

JJ Strydom (Executive Director)

AN Tennick (Executive Director)

Non-executive directors

RG Cottrell

BJ Francis

S Handler

RL Hiemstra

S Masinga

JPR Mbau

JR McAlpine (resigned 30 June 2011)

R Mumford (Zambian)

RJA Sparks

Audit Committee

Independent non-executive directors

RG Cottrell (Chairman)

S Handler

RJA Sparks

Investment Committee

Executive directors

DD Gnodde

PCW Hibbit

JJ Strydom

AN Tennick

Non-executive directors

RL Hiemstra

Independent non-executive directors

S Handler

JR McAlpine (resigned 30 June 2011)

RJA Sparks (appointed 10 February 2011)

External

W Reitsma (Chairman)

Actuarial Committee

Executive directors

DD Gnodde

PCW Hibbit

JJ Strydom

AN Tennick

Independent non-executive directors

S Handler (Chairman)

External

PC Falconer (Statutory actuary)

Prescribed officers

CJ Brooke

J le Roux

R Haman

R Barker

Directors' report (continued)

for the year ended 30 June 2011

Board meetings

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

	18 August 2010	27 October 2010	16 February 2011	13 June 2011
Executive directors				
DD Gnodde	√	√	√	√
PCW Hibbit	√	√	√	√
JJ Strydom	s	s	s	s
AN Tennick	√	√	√	√
Non-executive directors				
HR Brody	√	√	√	√
BJ Francis	√	√	√	√
RL Hiemstra	√	ap	ap	√
R Mumford	ap	√	√	√
Independent non-executives				
RG Cottrell	√	√	√	√
S Handler	√	√	√	√
S Masinga	ap	√	ap	√
JPR Mbau	ap	ap	√	√
JR McAlpine (resigned 30 June 2011)	√	√	√	ap
RJA Sparks	√	√	√	√

Legend

√ Present   ap Absent with apology   s Sabbatical

Company secretary

PW Behrens

The addresses of the secretary of the Regent Insurance Company are:

Business address
146 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

at 30 June 2011

	Notes	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
ASSETS					
Property and equipment	3	**86 642**	93 072	**76 409**	75 546
Investment property	4	**2 798**	4 561	**—**	—
Intangible assets	5	**7 637**	10 715	**1 723**	4 929
Investments in subsidiaries	6	**—**	—	**81 915**	44 913
Investments in associates	7	**8 318**	59	**59**	59
Reinsurers' share of outstanding claims	8	**163 039**	124 167	**139 936**	110 095
Reinsurers' share of unearned premiums	8	**28 778**	46 870	**12 508**	22 651
Financial assets	9	**1 361 958**	1 238 568	**1 306 150**	1 193 120
Non-current assets held for sale	10	**2 862**	1 099	**—**	—
Agents' and other insurers' balances	11	**146 592**	152 214	**68 593**	117 610
Deferred tax asset	12	**6 142**	2 202	**—**	619
Current taxation		**67 224**	55 298	**63 639**	54 887
Other receivables including insurance receivables	14	**95 278**	106 637	**72 963**	76 805
Due from group companies	15	**15 402**	11 149	**16 278**	7 431
Cash and cash equivalents	16	**694 388**	846 167	**340 034**	553 917
Total assets		**2 687 058**	2 692 778	**2 180 207**	2 262 582
LIABILITIES					
Outstanding claims	8	**646 126**	652 016	**554 626**	569 947
Unearned premiums	8	**494 494**	554 684	**393 371**	463 732
Agents' and other insurers' balances	11	**431**	29 083	**431**	29 083
Deferred tax liability	12	**11 510**	16 735	**7 310**	12 462
Provisions	17	**150 718**	136 194	**63 738**	64 813
Current taxation		**2 595**	7 716	**—**	—
Due to group companies	15	**—**	9 792	**3 242**	14 366
Insurance and other payables	18	**190 804**	157 639	**110 134**	126 161
Total liabilities		**1 496 678**	1 563 859	**1 132 852**	1 280 564
EQUITY					
Share capital	19	**2 940**	2 940	**2 940**	2 940
Share premium	19	**452 564**	452 564	**452 564**	452 564
Contingency reserve		**192 087**	184 350	**150 692**	145 076
Share-based equity reserve	26	**(8 630)**	(2 914)	**(8 630)**	(2 914)
Foreign currency translation reserve		**(24 592)**	(22 152)	**—**	—
Retained earnings		**339 496**	300 852	**242 833**	202 190
Equity attributable to the equityholders of the parent		**953 865**	915 640	**840 399**	799 856
Non-controlling interests		**236 515**	213 279	**206 956**	182 162
Shareholders' equity and non-controlling interests		**1 190 380**	1 128 919	**1 047 355**	982 018
Total equity and liabilities		**2 687 058**	2 692 778	**2 180 207**	2 262 582

Statements of comprehensive income

for the year ended 30 June 2011

	Notes	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2011 R'000
Gross written premiums		2 038 204	2 032 170	1 704 457	1 713 462
Outward reinsurance premiums		(276 013)	(337 101)	(197 545)	(262 704)
Net written premiums		1 762 191	1 695 069	1 506 912	1 450 758
Change in provision for unearned premium		45 110	125 133	60 218	132 864
• Change in gross provision		63 766	111 621	70 361	131 385
• Reinsurers' share		(18 656)	13 512	(10 143)	1 479
Net premiums earned	20	1 807 301	1 820 202	1 567 130	1 583 622
Commission income		51 207	59 782	37 101	46 283
Investment income	21	134 238	150 038	124 630	151 850
Investment gains	22	30 662	59 906	29 705	58 838
Other operating income	23	47 789	43 146	28 130	31 641
Net income		2 071 197	2 133 074	1 786 696	1 872 234
Net claims incurred		(880 846)	(1 011 657)	(758 686)	(888 859)
• Gross insurance claims paid	24	(995 936)	(1 122 498)	(857 550)	(993 975)
• Reinsurers' share of claims paid	24	71 912	108 085	53 702	105 540
• Change in provision for outstanding claims	24	1 385	(6 297)	15 321	(25 567)
• Change in reinsurers' share of provision for outstanding claims	24	41 793	9 053	29 841	25 143
Finance costs		(4 282)	(6 870)	(4 190)	(6 550)
Commission and acquisition expenses		(410 946)	(360 706)	(379 043)	(375 119)
General marketing and administration expenses		(368 633)	(440 647)	(311 241)	(361 236)
Share of profit from associate		1 935	36	—	36
Profit before taxation	25	408 425	313 230	333 536	240 506
Taxation	13	(103 226)	(77 098)	(81 531)	(52 796)
Profit after taxation		305 199	236 132	252 005	187 710
Other comprehensive income					
Currency translation differences		(2 440)	(5 631)	—	—
Total comprehensive income for the year		302 759	230 501	252 005	187 710
Profit attributable to:					
Equity owners of the company		220 457	168 008	183 609	128 048
Non-controlling interests		84 742	68 124	68 396	59 662
		305 199	236 132	252 005	187 710
Total comprehensive income attributable to:					
Equity owners of the company		218 017	162 377	183 609	128 048
Non-controlling interests		84 742	68 124	68 396	59 662
		302 759	230 501	252 005	187 710

Statements of changes in equity

for the year ended 30 June 2011

Group	Share capital* R'000	Share premium R'000	Contin-gency reserve R'000	Share-based equity reserve R'000	Foreign currency translation reserve R'000	Retained earnings R'000	Non-con-trolling interests R'000	Total R'000
Balance at 1 July 2009	2 940	452 564	177 335	(8 775)	(16 521)	443 432	27 548	1 078 523
Net profit for the year	—	—	—	—	—	168 008	68 124	236 132
Other comprehensive income								
Arising from translation of foreign entity	—	—	—	—	(5 631)	—	—	(5 631)
Total comprehensive income for the year ended 30 June 2010	—	—	—	—	(5 631)	168 008	68 124	230 501
Transfer to statutory reserve	—	—	7 015	—	—	(7 015)	—	—
Non-controlling interest capital movement	—	—	—	—	—	—	122 500	122 500
Sale of subsidiary	—	—	—	—	—	(4 573)	—	(4 573)
Share-based equity	—	—	—	5 861	—	—	—	5 861
Dividends paid	—	—	—	—	—	(299 000)	(4 893)	(303 893)
Balance at 30 June 2010	2 940	452 564	184 350	(2 914)	(22 152)	300 852	213 279	1 128 919
Net profit for the year	—	—	—	—	—	220 457	84 742	305 199
Other comprehensive income								
Arising from translation of foreign entity	—	—	—	—	(2 440)	—	—	(2 440)
Total comprehensive income for the year ended 30 June 2011	**—**	**—**	**—**	**—**	**(2 440)**	**220 457**	**84 742**	**302 759**
Transfer to statutory reserve	—	—	7 737	—	—	(7 737)	—	—
Transfer from equity	—	—	—	—	—	(5 250)	—	(5 250)
Increase in interest in subsidiary	—	—	—	—	—	(31 476)	(5 525)	(37 001)
Non-controlling interest capital movement	—	—	—	—	—	—	(20 500)	(20 500)
Prior year allocation to non-controlling interest	—	—	—	—	—	650	51 889	52 539
Share-based equity	—	—	—	(5 716)	—	—	—	(5 716)
Dividends paid	—	—	—	—	—	(138 000)	(87 370)	(225 370)
Balance at 30 June 2011	**2 940**	**452 564**	**192 087**	**(8 630)**	**(24 592)**	**339 496**	**236 515**	**1 190 380**
Company								
Balance at 1 July 2009	2 940	452 564	149 706	(8 775)	—	368 512	—	964 947
Net profit for the year	—	—	—	—	—	128 048	59 662	187 710
Total comprehensive income for the year ended 30 June 2010	—	—	—	—	—	128 048	59 662	187 710
Transfer from statutory reserve	—	—	(4 630)	—	—	4 630	—	—
Non-controlling interest capital movement	—	—	—	—	—	—	122 500	122 500
Share-based equity	—	—	—	5 861	—	—	—	5 861
Dividends paid	—	—	—	—	—	(299 000)	—	(299 000)
Balance at 30 June 2010	2 940	452 564	145 076	(2 914)	—	202 190	182 162	982 018
Net profit for the year	—	—	—	—	—	183 609	68 396	252 005
Total comprehensive income for the year ended 30 June 2011	**—**	**—**	**—**	**—**	**—**	**183 609**	**68 396**	**252 005**
Transfer to statutory reserve	—	—	5 616	—	—	(5 616)	—	—
Share-based equity	—	—	—	(5 716)	—	—	—	(5 716)
Non-controlling interest capital movement	—	—	—	—	—	—	(20 500)	(20 500)
Prior year allocation to non-controlling interest movement	—	—	—	—	—	650	51 889	52 539
Dividends paid	—	—	—	—	—	(138 000)	(74 991)	(212 991)
Balance at 30 June 2011	**2 940**	**452 564**	**150 692**	**(8 630)**	**—**	**242 833**	**206 956**	**1 047 355**

**Included in share capital and share premium are 5 preference shares issued at a nominal cost of R0.01.*

Statements of cash flows

for the year ended 30 June 2011

	Notes	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
Cash flow from operating activities					
Cash generated from operations	27.1	**276 492**	126 810	**156 941**	29 170
Interest received	27.2	**88 768**	133 898	**62 852**	108 817
Interest paid		**(4 282)**	(6 870)	**(4 190)**	(6 550)
Share-based equity movement		**(6 278)**	5 861	**(6 278)**	5 861
Taxation paid	27.3	**(126 150)**	(96 731)	**(94 255)**	(73 092)
Net cash inflow from operating activities		**228 550**	162 968	**115 070**	64 206
Cash flows from investing activities					
Acquisition of property and equipment		**(12 960)**	(22 972)	**(11 044)**	(12 206)
Additions of intangible assets		**(2 114)**	(6 364)	**(633)**	(5 127)
Proceeds on sale of property and equipment		**135**	438	**134**	314
Proceeds on sale of investment property		**—**	6 900	**—**	—
Proceeds on sale of investments		**707 336**	206 779	**699 836**	141 069
Acquisition of investments		**(800 064)**	(1 000 146)	**(783 161)**	(895 966)
Investments in subsidiaries' movement	27.5	**(37 002)**	—	**(37 002)**	—
Investments in associates' movement		**(524)**	—	**—**	—
Disposal of subsidiary	27.4	**—**	(83 881)	**—**	3 600
Dividends received	27.2	**17 846**	11 821	**36 408**	40 713
Net cash outflow from investing activities		**(127 347)**	(887 425)	**(95 462)**	(727 603)
Cash flow from financing activities					
Dividends paid		**(225 370)**	(299 000)	**(212 991)**	(299 000)
Non-controlling interest capital movement		**(20 500)**	122 500	**(20 500)**	122 500
Net cash outflow from financing activities		**(245 870)**	(176 500)	**(233 491)**	(176 500)
Net increase in cash and cash equivalents		**(144 667)**	(900 957)	**(213 883)**	(839 897)
Foreign currency translation differences on cash balances		**(7 112)**	(5 731)	**—**	—
Cash and cash equivalents at beginning of year		**846 167**	1 752 855	**553 917**	1 393 814
Cash and cash equivalents at end of year		**694 388**	846 167	**340 034**	553 917

Notes to the consolidated annual financial statements

for the year ended 30 June 2011

1. Summary of significant accounting policies

Statement of compliance

The consolidated financial statements of Regent Insurance Group and its interest in associates have been prepared in accordance with International Financial Reporting Standards (IFRS).

All amounts are shown in Rand thousands unless otherwise stated.

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 financial statements have been prepared in compliance with IFRS and interpretations for year-ends commencing on or before 1 July 2010 and in compliance with the Companies Act, 71 of 2008.

The consolidated financial statements have been prepared on an historical cost basis except for:

Carried at fair value:

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

Changes in accounting policies and disclosures

The Regent Insurance Group has adopted the following amended IFRS standards.

IAS 1 (Revised) – Presentation of financial statements

The revised standard separates owner and non-owner changes in equity requiring all owner changes in equity to be presented in a statement of changes in equity, and all non-owner changes either in one statement of comprehensive income or in two separate statements. The Regent Insurance Group has elected to use one statement of comprehensive income. The income tax effect of each component of comprehensive income is also disclosed.

IAS 27 (Revised) – Consolidated and Separate Financial Statements

The revised IAS 27 requires that a change in the parent's ownership interest of a subsidiary that does not result in a loss of control to be accounted for within equity. In addition, total comprehensive income must be attributed to owners of the parent and to the non-controlling interests even of this results in the non-controlling interest having a deficit balance.

IAS 28 (Revised) – Investments in Associates

As part of improvements to IFRSs issued in 2010, IAS 28 (2008) has been amended to clarify that the amendments to IAS 28 regarding transactions where the investor loses significant influence over an associate should be applied prospectively.

IFRS 3 (Revised) – Business Combination

The revised IFRS 3 standard has introduced changes in the accounting for business combinations that may impact the amount of goodwill recognised due to changes in the acquisition measurement of identifiable assets acquired and the liabilities assumed.

IFRS 7 (Amended) – Financial Instruments – disclosures

The amendments to IFRS 7 clarify the required level of disclosures about credit risk and collateral held and provide relief from disclosures previously required regarding renegotiated loans. The amendments have been applied retrospectively.

Additional disclosure is required in fair value measurement by level based on a fair value measurement of hierarchy as set out in note 35.

The accounting policies are consistent with those adopted in the previous year except for the adoption of the following new standards or amendments and charges:

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

The following new or revised IFRS standards and IFRICs have been issued with effective dates applicable to future financial statements of the Regent Insurance Group:

- *IFRS 1 – First time adoption of International Financial Reporting Standards*

  The amendments to this IFRS includes the accounting policy changes in the year of adoption, the revaluation basis as deemed cost and the use of deemed cost for operations subject to rate regulation.

  The amendments should have no significant impact on the Regent Insurance Group's results, and first become applicable for the financial year ending 30 June 2012.

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

Standards, interpretations and amendments to be published *(continued)*

- *IFRS 3 – Business combinations*

  There are consequential amendments to this IFRS resulting from IFRS 9 – *Financial instruments*. The amendment should have no significant impact on the Group's results, and the amendments resulting from IFRS 9 – *Financial instruments* are applicable for the financial year ending 30 June 2014.

- *IFRS 4 – Insurance contracts*

  There are consequential amendments to this IFRS, resulting from IFRS 9 – *Financial instruments*.

  The amendment may have a significant impact on the Regent Insurance Group's results, and the amendments resulting from IFRS 9 – *Financial instruments* are applicable for the financial year ending 30 June 2014.

- *IFRS 7 – Financial instruments: Disclosures*

  There are consequential amendments to this IFRS resulting from the annual improvement project relating to the clarification of disclosures and from IFRS 9 – *Financial instruments*.

  The amendment should have no significant impact on the Regent Insurance Group's results and first becomes applicable for the financial year ending 30 June 2012 and the amendments resulting from IFRS 9 – *Financial instruments* are applicable for the financial year ending 30 June 2014.

- *IFRS 8 – Operating Segments*

  There are consequential amendments to this IFRS resulting from the changes in IAS 24 – *Related Party Disclosures* (as revised in 2009) to clarify that entities must apply judgment to determine whether the government and entities under its control are considered as a single customer.

  The amendment should have no significant impact on the Regent Insurance Group's results and first becomes applicable for the financial year ending 30 June 2012.

- *IFRS 9 – Financial instruments*

  IFRS 9 is a new standard with the objective of reducing the number of classification categories of financial instruments and aligning the measurement of financial instruments with how entities manage financial instruments.

  The amendment should have no significant impact on the Regent Insurance Group's results and first becomes applicable for the financial year ending 30 June 2014.

- *IFRS 10 – Consolidated financial statements*

  IFRS 10 is a new standard which replaces all of the guidance on control and consolidation in IAS 27 – *Consolidated and separate financial statements* and SIC-12 – *Consolidation – special purpose entities* so that the same criteria are applied to all entities to determine control.

  The Regent Insurance Group is currently assessing the impact of the standard on its results, financial position and cash flows. The standard first becomes applicable for the financial year ending 30 June 2014.

- *IFRS 11 – Joint arrangements*

  IFRS 11 is a new standard with the objective of reducing the types of joint arrangements to two: joint operations and joint ventures, and classification based on rights and obligations rather than legal structure. It also eliminates the policy choice of proportionate consolidation for joint ventures.

  The Regent Insurance Group is currently assessing the impact of the standard on its results, financial position and cash flows. The standard first becomes applicable for the financial year ending 30 June 2014.

- *IFRS 12 – Disclosure of interests in other entities*

  IFRS 12 is a new standard which sets out the required disclosures for entities reporting under the two new standards, IFRS 10 – *Consolidated financial statements*, and IFRS 11 – *Joint arrangements*; it replaces the disclosure requirements currently found in IAS 28 – *Investments in associates*.

  The Regent Insurance Group is currently assessing the impact of the standard on its results, financial position and cash flows. The standard first becomes applicable for the financial year ending 30 June 2014.

- *IFRS 13 – Fair value measurement*

  IFRS 13 is a new standard which explains how to measure fair value and aims to enhance fair value disclosures.

  The Regent Insurance Group is currently assessing the impact of the standard on its results, financial position and cash flows. The standard first becomes applicable for the financial year ending 30 June 2014.

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

Standards, interpretations and amendments to be published *(continued)*

- *IAS 1 – Presentation of financial statements*

  There are consequential amendments to this statement resulting from the annual improvement project and IFRS 9 – *Financial instruments*.

  The amendment should have no significant impact on the Regent Insurance Group's results and first becomes applicable for the financial years ending 30 June 2012 and 30 June 2013. The amendments resulting from IFRS 9 – *Financial instruments* are applicable for the financial year ending 30 June 2014.

- *IAS 8 – Accounting policies, changes in accounting policies and errors*

  There are consequential amendments to this statement resulting from IFRS 9 – *Financial instruments*.

  The amendment should have no significant impact on the Regent Insurance Group's results and first becomes applicable when it applies IFRS 9 – *Financial instruments* from the financial year ending 30 June 2014.

- *IAS 12 – Income taxes*

  There are consequential amendments to this statement resulting from amendments made by Deferred Tax: Recovery of Underlying Assets regarding Non-Depreciable Assets and IFRS 9 – *Financial instruments*.

  The amendment should have no significant impact on the Regent Insurance Group's results and first becomes applicable for the financial year ending 30 June 2013 and the amendments resulting from IFRS 9 – *Financial Instruments* are applicable for the financial year ending 30 June 2014.

- *IAS 18 – Revenue*

  There are consequential amendments to the appendix to this statement resulting from IFRS 9 – *Financial Instruments*.

  The amendments resulting from IFRS 9 – *Financial instruments* are applicable for the financial year ending 30 June 2014.

- *IAS 19 – Employee Benefits*

  There are consequential amendments to this statement with significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits.

  The amendments first become applicable to the Regent Insurance Group for the financial year ending 30 June 2014 and are not expected to have significant impact on the Group.

- *IAS 21 – The effects of changes in foreign exchange rates*

  There are consequential amendments to this statement resulting from IFRS 9 – *Financial instruments*.

  The amendment should have no significant impact on the Regent Insurance Group's results and first becomes applicable when it applies IFRS 9 – *Financial instruments* from the financial year ending 30 June 2014.

- *IAS 24 – Related parties*

  There are amendments to simplify the definitions, clarify intended meaning and eliminate inconsistencies.

  The amendment should have no significant impact on the Regent Insurance Group's results and first becomes applicable for the financial year ending 30 June 2012 and must be applied retrospectively.

- *IAS 27 – Separate financial statements*

  IAS 27 – *Consolidated and separate financial statements* was renamed to *"Separate financial statements"* and it continues to be a standard dealing solely with separate financial statements. There are consequential amendments to this statement resulting from IFRS 9 – *Financial instruments*.

  The amendments first become applicable for the financial year ending 30 June 2014.

- *IAS 28 – Investments in associates and joint ventures*

  There are consequential amendments to this statement resulting from IFRS 9 – *Financial instruments*, the incorporation of SIC-13 – *Jointly Controlled Entities – Non-Monetary Contributions by Venturers* and guidance relating to the equity method for joint ventures.

  The amendments first become applicable for the financial year ending 30 June 2014.

- *IAS 31 – Investments in joint ventures*

  IAS 31 will be replaced by IFRS 11 – *Joint arrangements*.

  The amendment first becomes applicable for the financial year ending 30 June 2014.

- *IAS 32 – Financial instruments presentation*

  There are consequential amendments to this statement resulting from IFRS 9 – *Financial instruments*.

  The amendment should have no significant impact on the Regent Insurance Group's results, and becomes effective for the financial year ending 30 June 2014.

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

Standards, interpretations and amendments to be published *(continued)*

- *IAS 34 – Interim financial reporting*

  There are consequential amendments to this statement resulting from the annual improvement project.

  The amendments first become applicable to the Regent Insurance Group for the financial year ending 30 June 2012 and are not expected to have any significant impact on the Group.

- *IAS 36 – Impairments of Assets*

  There are consequential amendments to this statement, resulting from IFRS 9 – *Financial instruments*.

  The amendments resulting from IFRS 9 – *Financial instruments* are applicable for the financial year ending 30 June 2014.

- *IAS 39 – Financial instruments: Recognition and Measurement*

  There are consequential amendments to this statement, resulting from IFRS 9 – *Financial instruments*.

  The amendment should have no significant impact on the Regent Insurance Group's results and first becomes applicable for the financial year ending 30 June 2014.

- *IFRIC 10 – Interim financial reporting and impairment*

  There are consequential amendments to this interpretation, resulting from IFRS 9 – *Financial instruments*.

  The amendment should have no significant impact on the Regent Insurance Group's results and first becomes applicable when it applies IFRS 9 – *Financial instruments* for the financial year ending 30 June 2014.

1.2 Basis of consolidation

The consolidated annual financial statements incorporate the financial statements of the Regent Insurance Company and all its subsidiaries and associates.

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.

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 right 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 non-controlling interest in excess of the non-controlling interests' in the subsidiary's equity are allocated against the interests of the Regent Insurance 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 Insurance Group has significant influence that is neither a subsidiary nor an interest in a joint venture. Significant influence is presumed to exist when

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

1.2 Basis of consolidation *(continued)*

Associates (continued)

the Regent Insurance Group holds between 20 and 50 percent 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 rands. 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 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 Insurance 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 Insurance 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 the statement of comprehensive income as a foreign currency translation reserve. 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 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 assets 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, plant 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:

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.

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

1.4 Property and equipment *(continued)*

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 proceeds received are 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, 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 costs 3 – 5 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 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 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.

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

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. 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.

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

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 and 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 time frame generally established by regulation or convention in the market place.

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 or 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 of any difference between parties to the contract that are an integral part of the effective interest rate transaction costs and all other premiums and discounts. 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.

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

1.13 Impairment of financial assets *(continued)*

The Regent Insurance Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or 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 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
- 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.

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

1.15 Derivative financial instruments

Derivative financial instruments are 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 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 policyholders 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. 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.

1.21 Income recognition

Premium

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. Outward reinsurance premiums are recognised as an expense in accordance with the pattern of indemnity received.

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

1.21 Income recognition *(continued)*

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. The benefits to which the Regent Insurance Group is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers as well as long-term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. 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 is accounted for on an entitlement “last day to register” basis in respect of listed shares and on date of declaration in respect of unlisted shares.

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

The 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.

Whilst 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.

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. Outstanding claims and benefit payments are stated gross of reinsurance.

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

1.23 Policyholder insurance contracts *(continued)*

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 and related intangible assets) 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 measured at fair value.

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. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement. 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

The 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.

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 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 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.

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

1.28 Share-based payments transactions *(continued)*

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 are measured at fair value at the date of grant using the Black-Scholes option-pricing model. The fair value determined at the grant date of the equity-settled share based payments is expensed on the straight line basis over the vesting period with a corresponding entry to equity. The expense takes into account the best estimate of the number of shares that are expected to vest. Non-market conditions such as time-based vesting conditions and non-market performance conditions are included in the assumptions for the number of options that are expected to vest. At each statement of financial position date, the entity revises its estimates on the number of options that are expected to vest. It recognises the impact of the revision of original estimates if any in the statement of comprehensive income with a corresponding adjustment to equity.

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 Insurance Group's shareholder 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.

1.31 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 indicate 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 but do not result in an adjustment of the financial statements themselves.

1.32 Key assumptions in applying accounting policies

Key assumptions are those used to derive estimates which require management's most complex or subjective judgment.

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 judgments 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 1.13 and 1.17 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 judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments 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 judgments 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 to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

	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						
2011						
Balance at the beginning of the year		**73 374**	**15 562**	**3 092**	**1 044**	**93 072**
Additions		**620**	**10 892**	**1 100**	**348**	**12 960**
Disposals		**(340)**	**(6 493)**	**(40)**	**(207)**	**(7 080)**
Reclassification to Investments in associates	**7**	**(7 203)**	**—**	**—**	**—**	**(7 203)**
Depreciation charge for the year	**25**	**(537)**	**(10 218)**	**(953)**	**(390)**	**(12 098)**
Accumulated depreciation on disposals		**340**	**6 467**	**40**	**171**	**7 018**
Arising from translation of foreign assets		**—**	**(10)**	**(16)**	**(1)**	**(27)**
Balance at the end of the year		**66 254**	**16 200**	**3 223**	**965**	**86 642**
Cost		**67 406**	**46 613**	**8 200**	**2 442**	**124 661**
Accumulated depreciation and impairments		**(1 152)**	**(30 413)**	**(4 977)**	**(1 477)**	**(38 019)**
Balance at the end of the year		**66 254**	**16 200**	**3 223**	**965**	**86 642**
2010						
Balance at the beginning of the year		64 291	14 614	2 483	1 359	82 747
Additions		9 569	11 717	1 445	241	22 972
Reclassification to intangible assets		—	(1 837)	—	—	(1 837)
Disposals		—	(11 890)	(73)	(464)	(12 426)
Disposed with subsidiary		—	(243)	—	—	(243)
Depreciation charge for the year	25	(496)	(8 581)	(772)	(363)	(10 212)
Accumulated depreciation on disposals		—	11 841	20	271	12 132
Arising from translation of foreign assets		10	(59)	(11)	—	(60)
Balance at the end of the year		73 374	15 562	3 092	1 044	93 072
Cost		74 329	42 214	7 141	2 300	125 984
Accumulated depreciation and impairments		(955)	(26 652)	(4 049)	(1 256)	(32 912)
Balance at the end of the year		73 374	15 562	3 092	1 044	93 072
Company						
2011						
Balance at the beginning of the year		**60 190**	**13 060**	**2 033**	**263**	**75 546**
Additions		**583**	**9 729**	**732**	**—**	**11 044**
Disposals		**—**	**(5 097)**	**—**	**(207)**	**(5 304)**
Depreciation charge for the year	**25**	**(357)**	**(8 954)**	**(683)**	**(133)**	**(10 127)**
Accumulated depreciation on disposals		**—**	**5 079**	**—**	**171**	**5 250**
Balance at the end of the year		**60 416**	**13 817**	**2 082**	**94**	**76 409**
Cost		**61 270**	**39 734**	**5 994**	**544**	**107 542**
Accumulated depreciation and impairments		**(854)**	**(25 917)**	**(3 912)**	**(450)**	**(31 133)**
Balance at the end of the year		**60 416**	**13 817**	**2 082**	**94**	**76 409**
2010						
Balance at the beginning of the year		58 671	11 012	2 002	608	72 293
Additions		1 873	9 662	671	—	12 206
Disposals		—	(11 849)	(73)	(445)	(12 367)
Depreciation charge for the year	25	(354)	(7 607)	(587)	(171)	(8 719)
Accumulated depreciation on disposals		—	11 842	20	271	12 133
Balance at the end of the year		60 190	13 060	2 033	263	75 546
Cost		60 687	35 102	5 261	752	101 802
Accumulated depreciation and impairments		(497)	(22 042)	(3 228)	(489)	(26 256)
Balance at the end of the year		60 190	13 060	2 033	263	75 546

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

3. Property and equipment *(continued)*

A register of all property and equipment owned by the 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 R9.9 million and market value at 30 June 2011 is R36.2 million (2010: R34.9 million).
- Property situated on Erf 264 and 265 Elma Park Edenvale. The cost of the property is R45.2 million and market value at 30 June 2011 is R52.2 million (2010: R50.9 million).
- Property situated on Erf 35325 Belville Cape Town. The cost of the property is R2.8 million and market value at 30 June 2011 is R2.9 million (2010: R2.8 million).
- An amount of R0.3 million relates to the cost of land.
- An amount of R1.96 million (2010: R1.65 million) relates to capitalised leasehold improvements.

All valuations were facilitated by an Imperial Group division, Imperial Properties Proprietary Limited, which deals with property related matters.

	Group 2011 R'000	Group 2010 R'000	**Company 2011 R'000**	Company 2010 R'000
4. Investment property				
Balance at the beginning of the year	**4 561**	4 982	**–**	–
Disposals	**–**	(560)	**–**	–
Transfer to "Non-current assets held for sale"	**(1 763)**	–	**–**	–
Accumulated depreciation on disposals	**–**	139	**–**	–
Balance at the end of the year	**2 798**	4 561		
Cost	**3 607**	5 639	**–**	–
Accumulated depreciation	**(809)**	(1 078)	**–**	–
Balance at the end of the year	**2 798**	4 561	**–**	–

A register of all properties in which the Regent Insurance Group has investments is available for inspection at the registered office of Regent Insurance Company. The fair value of the investment properties held by the Regent Insurance Group based on an independent valuation performed during June 2011 was R19.2 million (2010: R18.1 million).

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

	Note	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
5. Intangible assets					
Application software					
Balance at the beginning of the year		**6 808**	7 922	**4 929**	5 377
Additions		**2 114**	6 364	**633**	5 127
Reclassification from property and equipment		**—**	1 837	**—**	—
Disposals		**(12 222)**	(3 552)	**(9 656)**	(3 552)
Disposed with subsidiary		**—**	(2 545)	**—**	—
Amortisation charge	25	**(5 190)**	(6 767)	**(3 839)**	(5 572)
Accumulated amortisation on disposals		**12 222**	3 549	**9 656**	3 549
Arising from translation of foreign assets		**(2)**	—	**—**	—
Balance at the end of the year		**3 730**	6 808	**1 723**	4 929
Cost		**26 311**	36 422	**22 234**	31 257
Accumulated amortisation		**(22 581)**	(29 614)	**(20 511)**	(26 328)
Balance at the end of the year		**3 730**	6 808	**1 723**	4 929
Goodwill					
Balance at the beginning of the year		**3 907**	3 907	**—**	—
Balance at the end of the year		**3 907**	3 907	**—**	—
Total		**7 637**	10 715	**1 723**	4 929

Goodwill represents the excess of the cost of an acquisition over the fair value of the Regent Insurance Group's share of the net assets of the acquired subsidiaries at the initial date of acquisition. Intangible assets were assessed for impairment at year end and were found not to be impaired.

Goodwill impairment testing

Goodwill is allocated to cash-generating units (CGUs) that are measured individually for the purposes of impairment testing. A CGU represents the business operation from which goodwill was originally generated. The recoverable amount of a CGU is determined being the higher of value in use or the fair value less costs to sell method.

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

	Company 2011 R'000	Company 2010 R'000
6. Investments in subsidiaries		
Balance at the beginning of the year	**44 913**	48 513
Disposal of subsidiary	**—**	(3 600)
Purchase of subsidiary	**1**	—
Increase in interest in subsidiary	**37 001**	—
Balance at the end of the year	**81 915**	44 913

Regent Insurance Company's interest in the aggregate profit after tax in subsidiaries amounted to R56.4 million (2010: R61.9 million) and in the losses amounted to R1.2 million (2010: Rnil)

Regent Insurance Company increased its shareholding in SA Warranties Proprietary Limited from 60% to 100%. The purchase price was R37 million and the fair value of liabilities and assets on the purchase date of 30 April 2011, was R83.1 million and R98.4 million respectively.

Regent Insurance Company also acquired 100% of Paint Tech Maintenance Proprietary Limited on 1 July 2010.

Details of subsidiaries have been provided in note 36.

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
7. Investments in associates				
Balance at the beginning of the year	**59**	23	**59**	23
Reclassification from property and equipment	**7 203**	—	**—**	—
Share of profits	**1 935**	36	**—**	36
Dividend paid	**(524)**	—	**—**	—
Arising from translation of foreign assets	**(355)**	—	**—**	—
Balance at the end of the year	**8 318**	59	**59**	59

Regent Insurance Botswana acquired 50% of Howden Investments (Proprietary) Limited at a cost of R7.2 million.

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

	2011			2010		
	Gross R'000	Reinsurance R'000	Net R'000	Gross R'000	Reinsurance R'000	Net R'000
8. General insurance liabilities						
Group						
Reported claims	495 860	128 436	367 424	488 821	99 489	389 332
Incurred but not reported	150 266	34 603	115 663	163 195	24 678	138 517
Outstanding claims including claims IBNR	646 126	163 039	483 087	652 016	124 167	527 849
Unearned premiums	494 494	28 778	465 716	554 684	46 870	507 814
Balance at the end of the year	1 140 620	191 817	948 803	1 206 700	171 037	1 035 663
Company						
Reported claims	428 085	128 436	299 649	432 657	89 052	343 605
Incurred but not reported	126 541	11 500	115 041	137 290	21 043	116 247
Outstanding claims including claims IBNR	554 626	139 936	414 690	569 947	110 095	459 852
Unearned premiums	393 371	12 508	380 863	463 732	22 651	441 081
Balance at the end of the year	947 997	152 444	795 553	1 033 679	132 746	900 933
Analysis of movements in net outstanding claims including claims IBNR		Group			Company	
2011						
Balance at the beginning of the year	652 016	124 167	527 849	569 947	110 095	459 852
Claims incurred during the year	994 551	113 705	880 846	842 229	83 543	758 686
***Less:* claims paid during the year**	(995 936)	(71 912)	(924 024)	(857 550)	(53 702)	(803 848)
Effects of translation of foreign balances	(956)	628	(1 584)	—	—	—
Other	(3 549)	(3 549)	—	—	—	—
Balance at the end of the year	646 126	163 039	483 087	554 626	139 936	414 690
2010						
Balance at the beginning of the year	656 309	116 243	540 066	544 381	84 953	459 428
Claims incurred during the year	1 128 795	117 139	1 011 657	1 019 542	130 683	888 859
Less: claims paid during the year	(1 122 498)	(108 085)	(1 014 413)	(993 975)	(105 540)	(888 435)
Effects of translation of foreign balances	(3 265)	(1 130)	(2 136)	—	—	—
Other	(7 325)	—	(7 325)	—	—	—
Balance at the end of the year	652 016	124 167	527 849	569 947	110 095	459 852
Analysis of movements in unearned premium		Group			Company	
2011						
Balance at the beginning of the year	554 684	46 870	507 814	463 732	22 651	441 081
Premiums written during the year	2 038 204	276 013	1 762 191	1 704 457	197 545	1 506 912
***Less:* premiums earned during the year**	(2 101 970)	(294 669)	(1 807 301)	(1 774 818)	(207 688)	(1 567 130)
Effects of translation of foreign balances	(5 223)	(2 985)	(2 238)	—	—	—
Other	8 799	3 549	5 250	—	—	—
Balance at the end of the year	494 494	28 778	465 716	393 371	12 508	380 863
2010						
Balance at the beginning of the year	669 041	37 585	631 456	595 117	21 172	573 945
Premiums written during the year	2 032 170	337 101	1 695 069	1 713 462	262 704	1 450 758
Less: premiums earned during the year	(2 143 791)	(323 589)	(1 820 202)	(1 844 847)	(261 225)	(1 583 622)
Effects of translation of foreign balances	(2 736)	740	(3 476)	—	—	—
Other	—	(4 967)	4 967	—	—	—
Balance at the end of the year	554 684	46 870	507 814	463 732	22 651	441 081

Other relates to adjustments processed directly against the balance in respect of the Lesotho subsidiary.

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

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				
2011				
Claims IBNR	**82 043**	**26 667**	**41 556**	**150 266**
Outstanding claims	**190 453**	**187 252**	**118 155**	**495 860**
Unearned premiums	**114 670**	**195 799**	**184 025**	**494 494**
	386 808	**410 426**	**343 386**	**1 140 620**
2010				
Claims IBNR	113 503	25 353	24 339	163 195
Outstanding claims	264 928	80 026	143 867	488 821
Unearned premiums	123 502	225 394	205 788	554 684
	501 933	330 773	373 994	1 206 700
Company				
2011				
Claims IBNR	**68 565**	**22 015**	**35 961**	**126 541**
Outstanding claims	**162 150**	**168 129**	**97 806**	**428 085**
Unearned premiums	**68 420**	**141 091**	**183 860**	**393 371**
	299 601	**330 744**	**317 652**	**947 997**
2010				
Claims IBNR	102 506	17 370	17 414	137 290
Outstanding claims	240 846	64 558	127 253	432 657
Unearned premiums	96 634	170 521	196 577	463 732
	439 986	252 449	341 244	1 033 679

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.

8.3 Claim provisions

The Regent Insurance Group's outstanding claims provisions include notified claims as well as claims IBNR.

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

8. General insurance liabilities *(continued)*

8.3 Claim provisions *(continued)*

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 therefore reviewed regularly and updated if 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 assume 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 IBNR provision, other than for policies underwritten by 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 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 is raised at 7% of 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 R6.7 million (2010: R10 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.

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
9. Financial assets				
The Regent Insurance Group's financial assets at fair value through profit and loss and comprise:				
Listed investments at market value	**166 348**	570 010	**163 750**	563 120
Unlisted investments	**628 361**	55 000	**587 400**	55 000
Short-term deposits	**567 249**	613 558	**555 000**	575 000
Total	**1 361 958**	1 238 568	**1 306 150**	1 193 120
Categories of investments				
Listed equities	**66 517**	378 809	**66 517**	371 919
Unlisted equities	**15 000**	55 000	**15 000**	55 000
Listed foreign equities	**—**	38 998	**—**	38 998
Gilts	**99 831**	152 203	**97 233**	152 203
Collective investment schemes	**613 361**	—	**572 400**	—
Short-term cash deposits	**567 249**	613 558	**555 000**	575 000
Total	**1 361 958**	1 238 568	**1 306 150**	1 193 120
Market value				
Maturity analysis of gilts				
Maturing in more than one year and less than five years from statement of financial position date	**99 831**	152 203	**97 233**	152 203
Total	**99 831**	152 203	**97 233**	152 203
Movement				
Balance at the beginning of the year	**1 238 568**	464 726	**1 193 120**	379 385
Additions	**800 064**	1 000 146	**783 161**	895 966
Disposals	**(707 336)**	(206 779)	**(699 836)**	(141 069)
Disposed with subsidiary	**—**	(79 431)	**—**	—
Fair value adjustment	**30 662**	59 906	**29 705**	58 838
Balance at the end of the year	**1 361 958**	1 238 568	**1 306 150**	1 193 120

The collective investment schemes comprise protected equity and money market funds with a duration of greater than 90 days.

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

10. Non-current assets held for sale

During the current financial year the Regent Insurance Group entered into a "Deed of Sale" agreement to sell the property, held in Erf Four Nine Nine Proprietary Limited, situated at Erf 1978 in Nelspruit (Mpumalanga). The registration is expected to be effected on or before 30 August 2011.

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 in the prior financial year. Management is of the opinion that the sale will be approved by Lesotho authorities in the next financial year.

	Group 2011 R'000	Group 2010 R'000
Cost		
• Buildings	**1 099**	1 099
Transfer from "Investment Property"	**1 763**	—
Balance at the end of the year	**2 862**	1 099

	Group 2011 R'000	Group 2010 R'000	**Company 2011 R'000**	Company 2010 R'000
11. Agents and other insurers' balances				
Premium debtors	**179 024**	212 314	**94 331**	172 047
Provision for bad debts	**(32 432)**	(60 100)	**(25 738)**	(54 437)
Net receivable	**146 592**	152 214	**68 593**	117 610
Commission payable	**(228)**	(2 111)	**(228)**	(2 111)
Fees payable	**(203)**	(26 972)	**(203)**	(26 972)
Net payable	**(431)**	(29 083)	**(431)**	(29 083)
Net agent and other insurers' balance	**146 161**	123 131	**68 162**	88 527

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.

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
12. Deferred tax				
Balance at the beginning of the year	**(14 533)**	(32 901)	**(11 843)**	(30 494)
Movement during the year attributable to:				
• Temporary differences	**9 552**	19 024	**4 533**	18 651
• Prior year underprovision	**(387)**	(992)	**—**	—
• Assessed loss	**—**	336	**—**	—
Balance at the end of the year	**(5 368)**	(14 533)	**(7 310)**	(11 843)
Comprising:				
• Provisions	**6 222**	5 373	**3 484**	2 582
• Unrealised appreciation on financial assets at fair value	**(11 590)**	(19 906)	**(10 794)**	(14 425)
Balance at the end of the year	**(5 368)**	(14 533)	**(7 310)**	(11 843)
Reflected in the statement of financial position*:				
• Deferred tax asset	**6 142**	2 202	**—**	619
• Deferred tax liability	**(11 510)**	(16 735)	**(7 310)**	(12 462)
Balance at the end of the year	**(5 368)**	(14 533)	**(7 310)**	(11 843)

**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.*

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
13. Taxation				
South African normal taxation				
Current	**104 892**	95 466	**77 608**	70 171
• Current year	**101 668**	92 956	**74 734**	70 171
• Prior year	**2 647**	1 855	**2 297**	–
• Capital gains	**577**	655	**577**	–
Deferred	**(9 165)**	(18 368)	**(4 533)**	(18 651)
• Current year	**(9 552)**	(19 360)	**(4 533)**	(18 651)
• Prior year adjustment	**387**	992	**–**	–
Withholding taxation	**7 499**	–	**8 456**	1 276
Total	**103 226**	77 098	**81 531**	52 796
Reconciliation of taxation:	**%**	%	**%**	%
South African normal taxation at statutory rate of 28%	**28.00**	28.00	**28.00**	28.00
Adjusted for:				
Non-allowable expenditure	**(1.23)**	(1.15)	**(3.09)**	(4.99)
Withholding tax and STC	**1.84**	–	**2.25**	0.53
Foreign tax rate difference	**(0.50)**	(0.74)	**–**	–
Losses in subsidiaries	**0.06**	–	**–**	–
Capital profit on sale of property	**–**	(0.58)	**–**	–
Realised and unrealised gains for CGT	**(2.82)**	(0.21)	**(3.45)**	–
Prior year (over)/underprovision	**(0.07)**	(0.71)	**0.73**	1.59
Taxation charge in income statement	**25.28**	24.61	**24.44**	21.95

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
14. Other receivables including insurance receivables				
Other receivables comprise:				
Reinsurance debtors	**46 804**	62 326	**46 123**	60 421
Salvage debtors	**11 667**	11 375	**11 667**	11 336
Sundry and other debtors	**81 125**	74 091	**59 491**	46 203
Gross receivables including insurance receivables	**139 596**	147 792	**117 281**	117 960
Bad debt provision	**(44 318)**	(41 155)	**(44 318)**	(41 155)
Balance at the end of the year	**95 278**	106 637	**72 963**	76 805

Notes to the consolidated annual financial statements *(continued)*

for the year ended 30 June 2011

	Re-insurance 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				
2011				
Group				
Neither impaired nor past due	**5**	**5 399**	**79 461**	**84 865**
Past due but not impaired:	**2 481**	**6 268**	**1 664**	**10 413**
• 30 days or less	**—**	**2 254**	**525**	**2 779**
• 30 – 90 days	**1 133**	**1 759**	**256**	**3 148**
• Over 90 days	**1 348**	**2 255**	**883**	**4 486**
Impaired	**44 318**	**—**	**—**	**44 318**
Balance at the end of the year	**46 804**	**11 667**	**81 125**	**139 596**
Company				
Neither impaired nor past due	**5**	**5 399**	**59 491**	**64 895**
Past due but not impaired:	**1 800**	**6 268**	**—**	**8 068**
• 30 days or less	**—**	**2 254**	**—**	**2 254**
• 30 – 90 days	**1 133**	**1 759**	**—**	**2 892**
• Over 90 days	**667**	**2 255**	**—**	**2 922**
Impaired	**44 318**	**—**	**—**	**44 318**
Balance at the end of the year	**46 123**	**11 667**	**59 491**	**117 281**
2010				
Group				
Neither impaired nor past due	21 171	—	74 716	95 887
Past due but not impaired:	—	11 375	(625)	10 750
• 30 days or less	—	4 191	—	4 191
• 30 – 90 days	—	4 755	—	4 755
• Over 90 days	—	2 429	(625)	1 804
Impaired	41 155	—	—	41 155
Balance at the end of the year	62 326	11 375	74 091	147 792

Notes to the consolidated annual financial statements (continued)
for the year ended 30 June 2011

	Re-insurance 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 *(continued)*				
2010				
Company				
Neither impaired nor past due	19 266	—	46 402	65 668
Past due but not impaired:	—	11 336	(199)	11 137
• 30 days or less	—	4 152	—	4 152
• 30 – 90 days	—	4 755	—	4 755
• Over 90 days	—	2 429	(199)	2 230
Impaired	41 155	—	—	41 155
Balance at the end of the year	60 421	11 336	46 203	117 960

	Group 2011 R'000	Group 2010 R'000	**Company 2011 R'000**	Company 2010 R'000
15. Due to and from group companies				
Due from Regent Insurance Group subsidiaries	**—**	—	**876**	7 431
Due from Imperial Holdings and fellow Imperial Holdings subsidiaries	**15 402**	11 149	**15 402**	—
Due from group companies	**15 402**	11 149	**16 278**	7 431
Due to Regent Insurance Group subsidiaries	**—**	—	**(3 242)**	(14 366)
Due to fellow Imperial Holdings subsidiaries	**—**	(9 792)	**—**	—
Due to group companies	**—**	(9 792)	**(3 242)**	(14 366)
Due from/(to) group companies	**15 402**	1 357	**13 036**	(6 935)

Loans are unsecured, interest free and have no fixed terms of repayment.

	Group 2011 R'000	Group 2010 R'000	**Company 2011 R'000**	Company 2010 R'000
16. Cash and cash equivalents				
Cash in bank and on hand	**156 723**	46 758	**81 163**	34 723
Cash on call	**537 665**	799 409	**258 871**	519 194
Total cash and cash equivalents	**694 388**	846 167	**340 034**	553 917

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

	Leave pay R'000	Staff bonus R'000	Service and maintenance R'000	Other* R'000	Total R'000
17. Provisions					
Group					
2011					
Balance at the beginning of the year	**13 727**	**42 508**	**61 567**	**18 392**	**136 194**
Charged to statement of comprehensive income	**7 819**	**26 966**	**29 353**	**12 778**	**76 916**
Utilised during the year	**(5 390)**	**(30 940)**	**(13 719)**	**(12 197)**	**(62 246)**
Foreign currency translation reserve	**(25)**	**(121)**	**—**	**—**	**(146)**
Balance at the end of the year	**16 131**	**38 413**	**77 201**	**18 973**	**150 718**
2010					
Balance at the beginning of the year	7 888	28 102	40 666	17 851	94 507
Disposed with subsidiary	—	—	—	(2 417)	(2 417)
Charged to statement of comprehensive income	7 682	36 585	39 238	6 363	89 868
Utilised during the year	(1 789)	(22 043)	(18 337)	(3 405)	(45 574)
Foreign currency translation reserve	(54)	(136)	—	—	(190)
Balance at the end of the year	13 727	42 508	61 567	18 392	136 194
Company					
2011					
Balance at the beginning of the year	**8 755**	**38 132**	**—**	**17 926**	**64 813**
Charged to statement of comprehensive income	**7 111**	**26 595**	**—**	**12 582**	**46 288**
Utilised during the year	**(5 422)**	**(30 210)**	**—**	**(11 731)**	**(47 363)**
Balance at the end of the year	**10 444**	**34 517**	**—**	**18 777**	**63 738**
2010					
Balance at the beginning of the year	7 296	25 995	—	11 500	44 791
Charged to statement of comprehensive income	3 247	33 252	—	9 688	46 187
Utilised during the year	(1 788)	(21 115)	—	(3 262)	(26 165)
Balance at the end of the year	8 755	38 132	—	17 926	64 813

Provision for staff bonus and leave pay represents provisions made for year-end bonus payments and leave due to employees at year end.

**Other provisions include, amongst others, provisions for audit, actuarial and investment management fees.*

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
18. Insurance and other payables				
Income received in advance	**10 269**	21 479	**10 269**	21 479
Reinsurance payable	**85 515**	21 743	**41 336**	13 156
Commission	**—**	36 010	**—**	34 936
Sundry creditors	**28 380**	20 867	**3 210**	9 475
Accruals	**7 438**	9 000	**588**	642
*Other	**59 202**	48 540	**54 731**	46 473
Balance at the end of the year	**190 804**	157 639	**110 134**	126 161

This current liability consists of sundry creditors relating to insurance and administration operations which are considered to approximate fair value.

**Other payables include underwriting managers' profit share, fees payable and deferred lease costs.*

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
19. Share capital and share premium				
Authorised share capital				
3 000 000 ordinary shares of R1 each	**3 000**	3 000	**3 000**	3 000
1 000 preference shares of R0.01	**—***	—*	**—***	—*
Issued share capital				
2 940 000 ordinary shares of R1 each	**2 940**	2 940	**2 940**	2 940
5 preference shares of R0.01 each	**—***	—*	**—***	—*
Share premium	**452 564**	452 564	**452 564**	452 564

**Denotes an amount of 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.

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 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	**2 038 204**	2 032 170	**1 704 457**	1 713 462
Reinsurance	**(276 013)**	(337 101)	**(197 545)**	(262 704)
Unearned premium	**63 766**	111 621	**70 361**	131 385
Reinsurance on unearned premiums	**(18 656)**	13 512	**(10 143)**	1 479
Total	**1 807 301**	1 820 202	**1 567 130**	1 583 622

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
21. Investment income				
Net foreign exchange gains	**23**	1 331	**23**	1 331
Interest income	**113 639**	133 898	**87 208**	108 817
Rental income	**4 515**	5 291	**2 776**	3 276
Investment management expenses	**(1 608)**	(2 303)	**(1 608)**	(2 287)
Dividend income	**17 669**	11 821	**36 231**	40 713
• Listed	**17 669**	11 821	**17 662**	11 821
• Unlisted	**—**	—	**18 569**	28 892
Total	**134 238**	150 038	**124 630**	151 850
22. Investment gains/(losses)				
Realised profit on disposal of investments	**33 803**	21 207	**33 803**	21 228
• Listed	**33 803**	21 207	**33 803**	21 228
Unrealised (loss)/profit on revaluation of investments	**(3 141)**	38 699	**(4 098)**	37 610
• Listed	**(3 141)**	38 699	**(4 098)**	37 610
Total	**30 662**	59 906	**29 705**	58 838
23. Other operating income				
Policy and underwriting fees	**29 306**	20 415	**26 776**	29 623
Recoveries	**16 470**	15 036	**—**	2 365
Sundry income	**2 013**	7 695	**1 354**	(347)
Total	**47 789**	43 146	**28 130**	31 641
24. Net claims incurred				
Gross	**(994 551)**	(1 128 795)	**(842 229)**	(1 019 542)
• Claims paid	**(995 936)**	(1 122 498)	**(857 550)**	(993 975)
• Change in provision for outstanding claims	**1 385**	(6 297)	**15 321**	(25 567)
Reinsurers' share	**113 705**	117 138	**83 543**	130 683
• Claims paid	**71 912**	108 085	**53 702**	105 540
• Change in provision for outstanding claims	**41 793**	9 053	**29 841**	25 143
Total	**(880 846)**	(1 011 657)	**(758 686)**	(888 859)

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

	Notes	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
25. Profit before taxation					
Profit before taxation is determined after taking the following into account:					
Property and equipment – depreciation	3	**12 098**	10 212	**10 127**	8 719
• Furniture and fittings		**953**	772	**683**	587
• Computer and office equipment		**10 218**	8 581	**8 954**	7 607
• Property		**537**	496	**357**	354
• Motor vehicles		**390**	363	**133**	171
Amortisation of intangible assets	5	**5 190**	6 767	**3 839**	5 572
Rentals under operating leases		**10 507**	9 486	**6 140**	5 713
Auditors' remuneration		**3 507**	3 231	**2 461**	2 014
Consultancy fees		**8 572**	12 604	**8 444**	11 839
Staff costs		**260 821**	250 845	**202 908**	197 022
• Pension contributions		**11 455**	10 553	**8 751**	8 129
• Salaries		**239 960**	234 953	**184 751**	183 554
• Share-based payment expense	26	**9 406**	5 339	**9 406**	5 339
Profit on sale of property and equipment		**(72)**	(142)	**(80)**	(82)
Loss on sale of intangible assets		**—**	3	**—**	3
Profit on sale of investment property		**—**	(6 479)	**—**	—
Rental income		**(4 515)**	(5 291)	**(2 776)**	(3 276)
Administration fees received		**(4 782)**	(35 823)	**(4 778)**	(9 608)
Number of employees at year end		**747**	722	**537**	526

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

	Notes	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
26. Share-based equity reserve					
Reconciliation of share-based payment reserve					
Balance at the beginning of the year		**2 914**	8 775	**2 914**	8 775
Hedge premium paid		**15 683**	—	**15 683**	—
Share-based equity reserve raised:					
• Direct cost	25	**(9 406)**	(5 339)	**(9 406)**	(5 339)
• Tax		**(561)**	(522)	**(561)**	(522)
Total share-based payments equity reserve		**8 630**	2 914	**8 630**	2 914

The Imperial Holdings Limited Share Appreciation Rights scheme was set up to provide executives and senior management including those of the Regent Insurance Group with an opportunity to own shares in the ultimate holding company of Regent Insurance Group, Imperial Holdings Limited through the grant of rights to the appreciation in Imperial Holdings Limited's share price. Share Appreciation Rights are rights to receive shares equal in value to the appreciation of the Imperial Holdings Limited shares between the grant date and the vesting date subject to the fulfilment of pre-determined performance criteria over the vesting period.

The fair values for the share-based payment reserves were calculated using a Black-Scholes pricing model.

	June 2011	June 2010
Share appreciation rights scheme		
• Volatility (%)	**33.30**	33.00
• Weighted average share price (Rand)	**116.59**	96.71
• Weighted average exercise price (Rand)	**116.59**	96.71
• Expected life (years)	**3.24**	3.29
• Average risk-free rate (%)	**7.13**	7.44
• Expected dividend yield (%)	**3.60**	2 76
Deferred bonus plan		
• Volatility (%)	**33.30**	33.00
• Weighted average share price (Rand)	**116.59**	96.71
• Weighted average exercise price (Rand)	**—**	—
• Expected life (years)	**3.24**	3.29
• Average risk-free rate (%)	**7.13**	7.44
• Expected dividend yield (%)	**3.60**	2 76

The volatilities were determined by calculating the historical volatility of the Imperial Holding Limited's share price over the previous five years. The expected life is determined by the rules of the schemes which dictate the expiry date.

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
27. Notes to the cash flow statement				
27.1 Cash generated by operations				
Profit before taxation	**408 425**	313 230	**333 536**	240 506
Adjusted for:				
Interest income	**(113 639)**	(133 898)	**(87 208)**	(108 817)
Interest expense	**4 282**	6 870	**4 190**	6 550
Dividends received	**(17 669)**	(11 821)	**(36 231)**	(40 713)
Unrealised loss/(profit) on revaluation of investments	**3 141**	(38 699)	**4 098**	(37 610)
Depreciation of property and equipment	**12 098**	10 212	**10 127**	8 719
Amortisation of intangible assets	**(5 190)**	6 767	**3 839**	5 572
Profit on sale of property and equipment	**(72)**	(142)	**(80)**	(82)
Loss on sale of intangible assets	**—**	3	**—**	3
Profit on sale of investment property	**—**	(6 479)	**—**	—
Profit on sale of investments	**(33 803)**	(21 207)	**(33 803)**	(21 228)
Share of profit from associate	**(1 935)**	(36)	**—**	(36)
Changes in working capital:	**20 854**	2 011	**(41 527)**	(23 694)
• Decrease in receivables	**41 675**	87 891	**77 038**	89 614
• Increase/(decrease) in other payables	**57 053**	(8 029)	**7 861**	31 145
• Increase/(decrease) in provisions	**14 524**	39 271	**(1 075)**	20 022
• (Increase)/decrease of loans to group companies	**(5 539)**	18 737	**(19 971)**	(32 035)
• (Decrease)/increase in net outstanding claims and IBNR	**(44 761)**	(12 217)	**(45 162)**	424
• Decrease in net unearned premiums	**(42 098)**	(123 642)	**(60 218)**	(132 864)
Total	**276 492**	126 810	**156 941**	29 170
27.2 Investment income				
Dividend received				
Accrued dividend income at beginning of year	**177**	177	**177**	177
Dividend received per statement of comprehensive income	**17 669**	11 821	**36 231**	40 713
Accrued dividend income at end of year	**—**	(177)	**—**	(177)
Total	**17 846**	11 821	**36 408**	40 713
Interest received				
Accrued interest income at beginning of year	**29 015**	29 015	**25 912**	25 912
Interest income per statement of comprehensive income	**113 639**	133 898	**87 208**	108 817
Accrued interest income at end of year	**(53 886)**	(29 015)	**(50 268)**	(25 912)
Total	**88 768**	133 898	**62 852**	108 817

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
27. Notes to the cash flow statement *(continued)*				
27.3 Taxation paid				
Amount receivable at the beginning of the year	**47 585**	46 320	**54 887**	53 242
Amount charged to statement of comprehensive income	**(103 226)**	(77 098)	**(81 531)**	(52 796)
Prior year over provision (Botswana)	**2 724**	—	**—**	—
Tax effect on the share-based equity reserves	**561**	—	**561**	—
Movement in deferred tax	**(9 165)**	(18 368)	**(4 533)**	(18 651)
	(61 521)	(49 146)	**(30 616)**	(18 205)
Amount receivable at the end of the year	**(64 629)**	(47 585)	**(63 639)**	(54 887)
Total	**(126 150)**	(96 731)	**(94 255)**	(73 092)
27.4 Disposal of subsidiary				
During the prior year Regent Insurance Group disposed of its interest in Lesotho National Life Assurance Company Limited. Details of the disposal are as follows:				
Assets	**—**	183 068	**—**	—
• Property plant and equipment	**—**	243	**—**	—
• Intangible assets	**—**	2 545	**—**	—
• Policyholder loans	**—**	9 689	**—**	—
• Financial assets	**—**	79 431	**—**	—
• Trade and other receivables	**—**	7 279	**—**	—
• Cash and cash equivalents	**—**	83 881	**—**	—
Liabilities	**—**	173 810	**—**	—
• Policyholder liabilities under investment contracts	**—**	24 697	**—**	—
• Policyholder liabilities under life insurance contracts	**—**	144 386	**—**	—
• Provisions	**—**	2 417	**—**	—
• Trade and other payables	**—**	2 264	**—**	—
• Taxation	**—**	46	**—**	—
Net assets disposed of	**—**	9 258	**—**	—
Cashflow on disposal				
Consideration receivable in cash and cash equivalents	**—**	—	**—**	3 600
Less: Cash and cash equivalents disposed of	**—**	(83 881)	**—**	—
Net cash effect	**—**	(83 881)	**—**	3 600

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

	Group 2011 R'000	Group 2010 R'000
27.5 Acquisition of subsidiary		
During the current financial year the Regent Insurance Company increased its shareholding in SA Warranties Proprietary Limited from 60% to 100%		
Assets	37 803	–
• Property, plant and equipment	2 990	–
• Intangible assets	2 055	–
• Deferred tax assets	2 697	–
• Loans and other receivables	19 442	–
• Cash and cash equivalents	10 619	–
Liabilities	22 766	–
• Provisions	18 693	–
• Trade and other payables	2 569	–
• Taxation	1 504	–
SA Warranties Proprietary Limited		
Cash paid on purchase of additional interest	(37 001)	–
Paint Tech Maintenance Proprietary Limited		
Cash paid on purchase of interest	(1)	–
Total	(37 002)	–

28. Related party transactions

28.1 Identity of related parties

The 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 the Regent Insurance Company and its subsidiaries which are related parties have been eliminated on consolidation.

During the year the 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.

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
28. Transactions with group companies *(continued)*				
28.2 Other related party transactions and balances *(continued)*				
28.2.1 Transactions with group companies				
Management fee to holding company	**13 880**	9 363	**13 880**	9 363
Internal audit fee to holding company	**125**	1 050	**125**	1 050
Premiums received	**(137 160)**	(135 999)	**(137 160)**	(135 999)
Rental income	**(3 758)**	(5 236)	**(2 586)**	(3 835)
Administration fees paid to subsidiary	**—**	—	**56 229**	35 819
Interest paid	**(78)**	(193)	**(78)**	(193)
Vehicle operating lease costs	**3 871**	3 827	**3 871**	3 827
28.2.2 Year-end balances with related parties				
Receivable from related parties	**15 402**	11 149	**16 278**	7 431
• Imperial Holdings Limited	**—**	11	**—**	11
• Regent Insurance Group subsidiaries	**—**	—	**876**	7 420
• Fellow Imperial Holdings Limited subsidiaries	**15 402**	11 138	**15 402**	—
Payable to related parties	**—**	(9 792)	**(3 242)**	(14 366)
• Imperial Holdings Limited	**—**	—	**—**	—
• Regent Insurance Group subsidiaries	**—**	—	**(3 242)**	(4 574)
• Fellow Imperial Holdings Limited subsidiaries	**—**	(9 792)	**—**	(9 792)
29. Operating lease commitments				
The future minimum lease payments under non-cancellable operating leases:	**18 662**	14 085	**15 978**	7 906
• Not later than 1 year	**6 138**	8 241	**4 984**	5 387
• Between 1 and 5 years	**12 524**	5 844	**10 994**	2 519

The Regent Insurance Group leases certain of its office buildings and office equipment in terms of operating leases. The Regent Insurance Company does not have an option to acquire the assets at the termination of the lease.

30. Events after the reporting period

No 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.

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

	Company 2011 R'000	Company 2010 R'000
31. Remuneration		
31.1 Directors' emoluments		
Directors' emoluments comprise:		
Executive directors' remuneration	14 527	16 107
• Basic remuneration	6 264	5 953
• Retirement and medical benefits	789	922
• Other incentives and benefits	7 474	8 232
Non-executive directors' fees	1 037	886
• RG Cottrell	239	217
• S Handler	285	259
• S Masinga	88	80
• JPR Mbau	84	80
• JR McAlpine	154	140
• RJA Sparks	187	110

The remuneration of directors is determined by the remuneration committee of Imperial Holdings Limited 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 the total remuneration paid by both Regent Life Company and Regent Insurance Company.

31.2 Executive directors and prescribed officers' remuneration

	Salary R'000	Bonus R'000	Retirement and medical contributions R'000	Other benefits R'000	Total R'000	2010 Total R'000
Executive directors						
DD Gnodde	2 723	3 000	424	56	6 203	5 530
PCW Hibbit	1 500	928	—	1	2 429	125
AN Tennick	2 041	1 824	365	1	4 231	5 289
JJ Strydom	—	1 664	—	—	1 664	3 239
B Song	—	—	—	—	—	1 925
Prescribed officers						
R Barker	771	700	83	51	1 605	—
CJ Brooke	1 388	926	108	1	2 423	1 367
R Haman	929	619	71	1	1 620	—
J le Roux	1 476	1 025	125	57	2 683	3 633
Non-executive director						
R Mumford*	2 021	1 450	344	106	3 921	3 850
	12 849	12 136	1 520	274	26 779	24 958

**Remunerated by fellow subsidiary.*

Notes to the consolidated annual financial statements *(continued)*

for the year ended 30 June 2011

31. Remuneration *(continued)*

31.2 Prescribed officers' remuneration *(continued)*

	Commencement date	Price on commencement date (R)	Number of rights	Number of rights remaining	Vesting date
Participation in Imperial Holdings Limited Share Appreciation Rights scheme					
DD Gnodde	18 June 2009	55.32	100 000	100 000	15 Sept 2012
	2 June 2010	96.71	42 127	142 127	15 Sept 2013
AN Tennick	5 June 2008	49.46	132 740	132 740	15 Sept 2011
	18 June 2009	55.32	44 111	176 851	15 Sept 2012
	2 June 2010	96.71	26 979	203 830	15 Sept 2013
JJ Strydom	5 June 2008	49.46	97 343	97 343	15 Sept 2011
	18 June 2009	55.32	75 744	173 087	15 Sept 2012
	2 June 2010	96.71	25 264	198 351	15 Sept 2013
CJ Brooke	2 June 2010	96.71	18 470	18 470	15 Sept 2013
J le Roux	5 June 2008	49.46	72 726	72 726	15 Sept 2011
R Mumford*	5 June 2008	49.46	156 602	156 602	15 Sept 2011
	18 June 2009	55.32	55 575	212 177	15 Sept 2012
	2 June 2010	96.71	32 520	244 697	15 Sept 2013
	14 June 2011	116.59	11 446	256 143	15 Sept 2014

*Remunerated by fellow subsidiary.

	Allocation date	Number of rights allocated	Number of shares committed to the plan	Number of shares forfeited	Balance available to be taken up	Vesting date
Participation in Imperial Holdings Limited Deferred Bonus plan						
DD Gnodde	18 June 2010	15 206	15 206	—	—	15 Sept 2013
	14 June 2011	9 135	—	—	9 135	7 Sept 2014
PCW Hibbit	14 June 2011	3 003	—	—	3 003	7 Sept 2014
AN Tennick	5 June 2008	15 595	—	15 595	—	15 Sept 2011
	18 June 2009	4 301	1 734	2 567	—	15 Sept 2012
	18 June 2010	2 778	1 982	796	—	15 Sept 2013
	14 June 2011	4 425	—	—	4 425	7 Sept 2014
JJ Strydom	5 June 2008	11 436	10 036	—	1 400	15 Sept 2011
	18 June 2009	3 973	—	3 973	1 400	15 Sept 2012
	18 June 2010	2 602	3 966	36	—	15 Sept 2013
	14 June 2011	4 039	—	—	4 039	7 Sept 2014
CJ Brooke	18 June 2010	1 902	1 883	19	—	15 Sept 2013
	14 June 2011	3 013	—	—	3 013	7 Sept 2014
J le Roux	5 June 2008	8 544	—	8 544	—	15 Sept 2011
R Barker	14 June 2011	3 203	—	—	3 203	7 Sept 2014
R Haman	14 June 2011	3 003	—	—	3 003	7 Sept 2014
R Mumford*	5 June 2008	18 398	16 841	1 557	—	15 Sept 2011
	18 June 2009	5 419	5 419	—	—	15 Sept 2012
	18 June 2010	3 349	3 349	—	—	15 Sept 2013
	14 June 2011	4 926	—	—	4 926	15 Sept 2014

*Remunerated by fellow subsidiary.

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

32. Post-employment benefits

The Regent Insurance Group operates a defined contribution plan for all qualifying employees. The assets of the plan are held separately from those of the Regent Insurance Group in funds under the control of trustees.

The contributions paid by the Regent Insurance Group to fund obligations for the payment of retirement benefits are charged against income in the year of payment. The contributions paid by the Regent Insurance Group for retirement benefits during the year were R11.5 million (2010: R10.6 million). On retirement, employees are entitled to their accumulated contributions and those of the company plus growth thereon. The retirement benefit plan is governed by the Pensions Fund Act of 1956.

33. 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 statement of financial position date there were no material contingent liabilities for the Regent Insurance Group.

MANAGEMENT OF RISK

34. Insurance risk

34.1 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.

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

34. Insurance risk *(continued)*

34.2 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.

34.3 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.

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 pre-determined 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 10% (2010: 11%) of an average year's claims cost and consequently detailed claims run-off information is not presented.

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

35. 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.

35.1 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 2011 the Regent Insurance Group had no direct exposure to listed equities (2010: R378.8 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 R0.0 million (2010: R4.7 miliion).

Fair value hierarchy disclosures

The table below shows the Regent Insurance 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	Valuations based on unobserv-able inputs Level 3 R'000	Total carried at fair value R'000
Financial assets held as at fair value through profit and loss				
2011				
Group				
Equities	66 517	613 361	15 000	694 878
Listed gilts	99 831	–	–	99 831
Short-term deposits	–	567 249	–	567 249
Total financial assets	166 348	1 180 610	15 000	1 361 958
2011				
Company				
Equities	66 517	572 400	15 000	653 917
Listed gilts	97 233	–	–	97 233
Short-term deposits	–	555 000	–	555 000
Total financial assets	163 750	1 127 400	15 000	1 306 150

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

35. Financial risk *(continued)*

35.1 Market Risk *(continued)*

	Valuations with reference to quoted prices in an active market Level 1 R'000	Valuations based on observable inputs Level 2 R'000	Valuations based on unobservable inputs Level 3 R'000	Total carried at fair value R'000
Financial assets held as at fair value through profit and loss				
2010				
Group				
Equities	378 809	—	55 000	433 809
Listed gilts	152 203	—	—	152 203
Listed foreign portfolio	38 998	—	—	38 998
Short-term deposits	—	613 558	—	613 558
Total financial assets	570 010	613 558	55 000	1 238 568
2010				
Company				
Equities	371 919	—	55 000	426 919
Listed gilts	152 203	—	—	152 203
Listed foreign portfolio	38 998	—	—	38 998
Short-term deposits	—	575 000	—	575 000
Total financial assets	563 120	575 000	55 000	1 193 120

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 are 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).

Financial liabilities held at fair value through profit or loss

	Company and Group				
	Opening balance R'000	**Loss recognised in income R'000**	**(Disposal)/ addition R'000**	**Settlement R'000**	**Closing balance R'000**
2011					
Listed equities	**55 000**	**—**	**(40 000)**	**—**	**15 000**
2010					
Listed equities	5 000	—	50 000	—	55 000
Other derivative liabilities	—	(5 555)	—	5 555	—

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

35. Financial risk *(continued)*

35.2 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 2011 %	Group 2010 %	**Company 2011 %**	Company 2010 %
Debt securities – fixed interest rate:				
Government bonds	**8.54**	–	**–**	–
Listed bonds	**8.12**	8.51	**8.12**	8.51
Cash at bank	**5.00**	6.62	**5.00**	6.62

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 below 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 R6.7 million (2010: R8.7 million).

35.3 Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate in rands due to the changes in foreign exchange rates. The Regent Insurance Group manages this risk by limiting the extent of net foreign assets to pre-determined 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:

	2011 Average ZAR	2010 Average ZAR	**2011 Closing ZAR**	2010 Closing ZAR
Botswana Pula	**1.05826**	1.13700	**1.03625**	1.08329

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

35. Financial risk *(continued)*

35.3 Foreign currency risk *(continued)*

The table below illustrates the analysis of assets and liabilities of the Regent Insurance Group by major currency.

	2011 BWP'000	2011 USD'000	2010 BWP'000	2010 USD'000
Total assets	230 268	–	178 270	3 306
Total liabilities	112 813	–	85 161	–
Net assets	117 455	–	93 109	3 306

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.

	2011 BWP'000	2011 USD'000	2010 BWP'000	2010 USD'000
Profit or loss	578	–	317	272

This is mainly attributable to the exposure outstanding on BWP and USD.

35.4 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:

- reinsurers' 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 and Poors. 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.

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

35. Financial risk *(continued)*

35.4 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			
2011			
Reinsurers' share of insurance liabilities	**191 816**	**—**	**191 816**
Short-term deposits	**567 249**	**—**	**567 249**
Due from group companies	**—**	**15 402**	**15 402**
Cash and cash equivalents	**694 388**	**—**	**694 388**
Insurance and other receivables	**—**	**241 870**	**241 870**
Total	**1 453 453**	**257 272**	**1 710 725**
2010			
Reinsurers' share of insurance liabilities	171 038	—	171 038
Short-term deposits	613 558	—	613 558
Due from group companies	—	11 149	11 149
Cash and cash equivalents	846 167	—	846 167
Insurance and other receivables	—	258 851	258 851
Total	1 630 763	270 000	1 900 763

	Normal monitoring R'000	Not rated R'000	Total R'000
Company			
2011			
Reinsurers' share of insurance liabilities	**152 444**	**—**	**152 444**
Short-term deposits	**555 000**	**—**	**555 000**
Due from group companies	**—**	**16 278**	**16 278**
Cash and cash equivalents	**340 034**	**—**	**340 034**
Insurance and other receivables	**—**	**141 556**	**141 556**
Total	**1 047 478**	**157 834**	**1 205 312**
2010			
Reinsurers' share of insurance liabilities	132 746	—	132 746
Short-term deposits	575 000	—	575 000
Due from group companies	—	7 431	7 431
Cash and cash equivalents	553 917	—	553 917
Insurance and other receivables	—	194 415	194 415
Total	1 261 663	201 846	1463 509

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

35. Financial risk *(continued)*

35.4 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:

	Other insurance balances	Other receivables	Due from Group companies	Cash and cash equivalents	Reinsurers’ share of outstanding claims	Reinsurers’ share of unearned premium
Group						
2011						
Neither impaired nor past due	**90 044**	**84 862**	**15 402**	**694 388**	**163 039**	**28 778**
Past due but not impaired:	**56 548**	**10 416**	**–**	**–**	**–**	**–**
• 30 days or less	**27 868**	**2 780**	**–**	**–**	**–**	**–**
• 30 – 90 days	**20 185**	**3 149**	**–**	**–**	**–**	**–**
• Over 90 days	**8 495**	**4 487**	**–**	**–**	**–**	**–**
Balance at the end of the year	**146 592**	**95 278**	**15 402**	**694 388**	**163 039**	**28 778**
2010						
Neither impaired nor past due	111 789	95 911	11 149	846 767	124 767	46 870
Past due but not impaired:	40 425	10 726				
• 30 days or less	14 001	4 191	–	–	–	–
• 30 – 90 days	17 472	4 755	–	–	–	–
• Over 90 days	8 952	1 781	–	–	–	–
Balance at the end of the year	152 214	106 637	11 149	846 167	124 167	46 870

Notes to the consolidated annual financial statements (continued)
for the year ended 30 June 2011

35. Financial risk *(continued*
35.4 Credit risk *(continued)*

The ageing of the Regent Insurance Company's financial assets after impairment at the reporting date was as follows:

	Other insurance balances	Other receivables	Due from Group companies	Cash and cash equivalents	Reinsurers' share of outstanding claims	Reinsurers' share of unearned premium
Company						
2011						
Neither impaired nor past due	**49 515**	**64 894**	**16 278**	**340 034**	**139 936**	**12 508**
Past due but not impaired:	**19 078**	**8 069**	**–**	**–**	**–**	**–**
• 30 days or less	**11 562**	**2 254**	**–**	**–**	**–**	**–**
• 30 – 90 days	**9 110**	**2 892**	**–**	**–**	**–**	**–**
• Over 90 days	**(1 594)**	**2 923**	**–**	**–**	**–**	**–**
Balance at the end of the year	**68 593**	**72 963**	**16 278**	**340 034**	**139 936**	**12 508**
2010						
Neither impaired nor past due	77 185	65 667	7 431	553 917	110 095	22 651
Past due but not impaired:	40 425	11 138	–	–	–	–
• 30 days or less	14 001	4 152	–	–	–	–
• 30 – 90 days	17 472	4 755	–	–	–	–
• Over 90 days	8 952	2 231	–	–	–	–
Balance at the end of the year	117 610	76 805	7 431	553 917	110 095	22 651

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

35. Financial risk *(continued*

35.5 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 of the Company has been detailed in the table below:

Insurance and other payables

	Financial statement balance R'000	6 months or less R'000	6 – 12 months R'000
Group			
2011			
Insurance and other payables	**190 804**	**182 712**	**8 092**
2010			
Insurance and other payables	157 639	146 518	11 121

	Financial statement balance R'000	6 months or less R'000	6 – 12 months R'000
Company			
2011			
Insurance and other payables	**110 134**	**102 042**	**8 092**
2010			
Insurance and other payables	126 161	115 040	11 121

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2011

35. Financial risk *(continued*

35.6 Solvency

The 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 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.

	Group 2011	Group 2010	**Company 2011**	Company 2010
Capital and reserves attributable to equity holders of the parent (R'000)	**791 102**	764 546	**732 770**	742 234
Net written premium (R'000)	**1 706 036**	1 739 657	**1 450 758**	1 495 354
Regent Insurance Group solvency margin (%)	**46**	44	**51**	50

36. Subsidiaries

Details of the Regent Insurance Company's subsidiaries are as follows:

	Holding 2011 %	Holding 2010 %	**Cost of shares 2011 R'000**	Cost of shares 2010 R'000	Principal activity
Subsidiaries					
Regent Insurance Botswana Proprietary Limited	**100**	100	**12 000**	12 000	Insurance
Regent Reinsurance Management Proprietary Limited	**100**	100	**—**	—	Reinsurance
RCS Risk Solutions Proprietary Limited	**100**	100	**—**	—	Risk Admin.
Legal Advice Consultants Proprietary Limited	**100**	100	**—**	—	Legal
Erf Four Nine Nine Spartan Proprietary Limited	**100**	100	**1 773**	1 773	Property
Newcastle Properties Shareblock Proprietary Limited	**100**	100	**—**	—	Property
Anvil Investments Proprietary Limited	**100**	100	**141**	141	Investments
Anvil Financial Services Proprietary Limited	**100**	100	**—**	—	Finance
Lesotho National General Insurance Company Limited	**60**	60	**28 760**	28 760	Insurance
SA Warranties Proprietary Limited	**100**	60	**39 240**	2 239	Maintenance and warranty
Paint Tech Maintenance Proprietary Limited	**100**	—	**1**	—	Maintenance
Balance at the end of the year			**81 915**	44 913	