Annual report 2013

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Regent Life Company	– Regent Life Assurance Company Limited
Regent Insurance Company	– Regent Insurance Company Limited
ALM	– Asset Liability Management
ANW	– Adjusted Net Worth
ASI	– All Share Index
ASSA	– Actuarial Society of South Africa
BSR	– Bonus Smoothing Reserve
BWP	– Botswana pula
CAR	– Capital Adequacy Requirement
CEO	– Chief Executive Officer
CFO	– Chief Financial Officer
CGU	– Cash generating unit
CRO	– Chief Risk Officer
DAC	– Deferred Acquisition Costs
ERM	– Enterprise Risk Management
FSB	– Financial Services Board
FSV	– Financial Soundness Valuation
IAS	– International Accounting Standards
IASB	– International Accounting Standards Board
IBNR	– Incurred But Not Reported
IFRIC	– International Financial Reporting Interpretations Committee
IFRS	– International Financial Reporting Standards
IT	– Information Technology
IOCAR	– Intermediate Ordinary Capital Adequacy Requirement
JSE	– Johannesburg Stock Exchange
MCAR	– Minimum Capital Adequacy Requirement
OCAR	– Ordinary Capital Adequacy Requirement
PGN	– Professional Guidance Note
PPFM	– Principles and Practices of Financial Management
SAM	– Solvency Assessment and Management
SAP	– Standard of Actuarial Practice
ZAR	– South African rand
SCAR	– Statutory Capital Adequacy Requirement
SIC	– Standing Interpretations Committee
SPE	– Special Purpose Entity
SVM	– Statutory Valuation Method
TCAR	– Termination Capital Adequacy Requirement
TCF	– Treating Customers Fairly

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

Go on. You're covered

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

– provides a wide range of motor insurance products

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

– provides innovative and affordable life assurance products

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

The Regent Story

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

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

The following annual financial statements have been audited and have been approved by the board of directors. Bilal Adam CA(SA) (chief financial officer) was responsible for the preparation of the annual financial statements.

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Corporate governance

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Corporate governance

for the year ended 30 June 2013

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

Principles of corporate governance

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

The Regent Group is committed to an open governance process such that all stakeholders may derive assurance that its directors and managers at all levels are managing the Regent Group responsibly. The board subscribes to the principles of the code of corporate practices and conduct as set out in the King III Report on corporate governance (King III). The board has assessed its governance practices and procedures against the King III report and adjustments have been made to comply with King III where appropriate. Where King III was not applied, 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.

Board composition, appointment and responsibilities

All directors of the board, as at 30 June 2013, are appointed to both Regent Insurance Company and to Regent Life Company. In accordance with Imperial Holdings Group 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. Furthermore, in terms of the board charter, the chairman is required to hand over the chairmanship of the meeting to an independent director should a decision be required on a matter where the chairman is conflicted.

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.

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

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

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

The responsibilities of the board include issues of strategic direction, business plans and annual budgets, major acquisitions and disposals, changes to the board on recommendation from the remuneration and nomination committee's 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 members of the board during the year were HR Brody (chairman), JJ Strydom (group chief executive officer), AN Tennick (executive director), PCW Hibbit (group chief financial officer), M Akoojee, C Erasmus, BJ Francis, BR Mallinson, S Masinga, JPR Mbau, R Mumford and RJA Sparks.

Board composition, appointment and responsibilities *(continued)*

Tak Hiemstra retired from the board on 30 September 2012. Mohammed Akoojee was appointed as non-executive director with effect from 1 October 2012. Rick Cottrell passed away on 5 November 2012. Brian Mallinson was appointed as independent non-executive director with effect from 1 January 2013. Peter Hibbit retired as a director and group chief financial officer on 30 June 2013. Bilal Adam was appointed as group chief financial officer with effect from 1 July 2013. The Regent Group would like to thank Tak Hiemstra for his valuable contribution to the group over many years. Tak Hiemstra was instrumental in setting up the company. The Regent Group would like to pay tribute to the late Rick Cottrell who had suddenly and unexpectedly passed away. Rick Cottrell was a pillar of strength and served Regent very well during its corporate transitional period. The Regent Group would like to thank Peter Hibbit for the three years of wisdom he brought to Regent and his contribution to the finance department and other operating functions.

Board effectiveness and evaluation

During the year under review, the performance of the board was assessed. Individual questionnaires were completed by board members and the results collated by the company secretary, which were reported to the board. The board concluded that it operates effectively and that it remains relevant to the business objectives of the company. A self-evaluation of the board of directors was evaluated collectively.

An assessment of the chairman's performance was also performed during the year under review. Here too individual questionnaires were completed by board members and the results collated by the company secretary, which were reported to the board. The chairman's performance as a whole was rated as good to excellent.

Board committees and governance structures

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

Audit committee

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

The committee is constituted as a statutory committee in respect of its statutory duties in terms of the Companies Act, 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 board members may be in attendance at committee meetings, but by invitation only and they may not vote.

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

- Monitoring the integrity of the annual report and reviewing the content thereof to ensure that the information is reliable as well as reviewing any information to be included in the Imperial Group interim and preliminary announcements, and any other financial information to be made public;
- Preparing a report to be included in the annual financial statements in terms of Section 94(7) of the new Companies Act, which report appears 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;
- Reviewing the skills and experience of the chief financial officer and the expertise, resources and experience of the company's finance function;
- 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; and
- 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.

Audit committee *(continued)*

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

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

Risk committee

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

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

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 C Erasmus, an independent non-executive director of the Regent Group, meets at least quarterly.

Investment committee

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

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

Remuneration committee

The Regent Group 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 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.

The Imperial Holdings chief executive reports to the audit committee on remuneration and incentive policies and procedures.

Social and ethics committee

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

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

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 is represented at the year end board meetings and all actuarial committee meetings.

Company secretary

Elva Price resigned as company secretary on 31 October 2012. Werner Behrens was appointed as company secretary with effect from 1 November 2012. All directors have access to the advice and services of the company secretary who ensures compliance with applicable procedures and legislation.

Corporate governance (continued)

for the year ended 30 June 2013

Meeting attendance

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

	Board	Audit committee	Risk committee	Investment committee	Actuarial committee
Number of meetings during the year	4	4	4	4	4
M Akoojee	3/3	na	na	1/2	na
HR Brody	4	na	na	na	na
RG Cottrell	2/2	2/2	2/2	na	na
C Erasmus	4	4	4	4	4
BJ Francis	4	3	4	na	na
PCW Hibbit	4	4	4	4	4
RL Hiemstra	1/1	na	na	0/1	na
BR Mallinson	2/2	2/2	2/2	na	na
S Masinga	2	na	4	na	na
JPR Mbau	3	na	na	na	na
R Mumford	4	2	na	na	na
RJA Sparks	4	4	na	4	na
JJ Strydom	4	4	4	4	4
AN Tennick	4	4	4	4	4

n/a Not applicable

RL Hiemstra retired as director as at 30 September 2012

M Akoojee was appointed as director as at 1 October 2012

RG Cottrell passed away on 5 November 2012

BR Mallinson was appointed as director as at 1 January 2013

PCW Hibbit retired as director and CFO as at 30 June 2013

B Adam was appointed as director and CFO as at 1 July 2013

Accountability and audit

Going concern

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

Internal financial controls

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

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

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

Internal audit

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

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

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

Risk management

The Regent Group has invested significant effort in enhancing its risk management capability over the past two years. This investment has been driven by the board and senior management, underpinned by the desire to not only meet emerging regulatory requirements but also to support sound business decisions and meet strategic objectives. While there have been delays in regulatory reform under the Solvency Assessment and Management (SAM) regime, Regent is confident of its ability to meet the requirements for risk management, ahead of stipulated implementation dates

The Regent Group began the year, having set the foundation for risk management last year, by developing and approving a new ERM policy and framework, including a new ERM governance structure, which includes a stand-alone board risk committee and executive risk and governance committee to support the risk management process. In addition, the Regent Group developed the first formal risk appetite statement for both companies at a risk type level, which formed the foundation of the Regent Group's business strategy and capital management.

The allocation of roles and responsibilities for risk management within the Regent Group is consistent with the guidelines provided in the King III report on corporate governance as well as the new SAM interim measures published by the FSB.

While the board is ultimately responsible for the governance of risk, oversight of risk and compliance has been delegated to the board risk committee where the terms of reference set out the link between the board and management and where the committee considers the risk management policy and plan, the efficiency of management in their risk management responsibilities as well as the effectiveness of internal controls. A CRO is appointed at executive committee level, reporting to the CEO, to independently oversee the Regent Group's risk management activities. Risk and compliance champions are appointed in each business division to ensure the cascading of risk processes into the business. The actuarial committee considers capital adequacy and asset/liability matching risks and the investment committee considers investment risks. A member of the audit committee is represented on each of the aforementioned committees.

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, overseeing the implementation of the ERM framework and reporting the status to executive management, the audit committee, the risk committee and the board. The CRO has direct access to the chairpersons of the audit committee and the risk committee, but reports administratively to the CEO.

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

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

Since Imperial Holdings Limited is the sole shareholder of the Regent Group, with the approval of the directors, the transformation, 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.

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.

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

Corporate governance (continued)

for the year ended 30 June 2013

Compliance *(continued)*

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

- Creating awareness through training employees on the impact and responsibilities related to legislative requirements;
- Monitoring and reporting on the level of compliance with regulatory requirements, including reporting specific incidents of non-compliance to senior management and the board;
- 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 IT strategy during this reporting cycle has focused on the theme of stabilisation, which has delivered on implementing the foundational elements of the long-term IT transformational strategy, including best practice IT governance frameworks, de-risking of the application level environment and commissioning the infrastructure necessary to build on. Feedback given below is through the lens of a balanced scorecard approach, encompassing the financial, customer, internal and learning and growth elements of the wider IT strategy.

Financial

IT risks, costs and benefits are made transparent through integration into the business governance frameworks. Business risk has been managed effectively through aligning IT risk management to the ERM framework and the board's mandate for IT is managed through the risk committee and thus aligns the risk-based approach to IT. Cost and benefit realisation from IT investment and services portfolios are managed effectively through the IT strategic committee and reviews with the CFO and are taken into account in terms of the IT budget management processes, ensuring promised improved efficiency for IT investments and support over time.

Customer

IT delivery is aligned to the business strategy and objectives for the period under review and managed through the executive committee. Long-term transformational architecture changes are informed via the ERM framework and outcomes are managed through the risk and governance committee, which ensures that the design and implementation of applications, information and technology solutions is effectively employed to deliver on shareholder needs.

Learning and growth

The structural transformation of the IT department has been completed in line with a COBIT governance modelled framework, ensuring that job descriptions and key performance indicators are aligned to deliver on the IT strategy. In addition, we are aware that we are in a process of maturing and as such training is a priority to ensure that we have competent and motivated IT personnel. Furthermore, this ensures that we grow the knowledge, expertise and initiatives for business innovation.

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 2013

Board of directors

Hubert Brody
BAcc Honours CA(SA)
Non-executive chairman
Joined in 2006

Peter Hibbit
BCom H.Dip Tax AMP Harvard CA(SA)
Chief financial officer
Retired in 2013

Jurie Strydom
B Bus Sc FIA FASSA CFA
Chief executive officer
Joined in 2007

Andrew Tennick
BCom FCII
Executive director
Joined in 2007

Mahommed Akoojee
BCom Acc Honours CA(SA) CFA
Non-executive director
Joined in 2012

Rick Cottrell
FCA CA(SA) SEP (Stanford)
Independent non-executive director
Passed away in 2012

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

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

Recht Hiemstra
BCompt Honours CA(SA)
Non-executive director
Retired in 2012

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

Sibongile Masinga
BCom
Independent non-executive director
Joined in 2008

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

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

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

Executive team

Bilal Adam

BCom Honours CA(SA)

General manager: Corporate Finance

Joined in 2007

Rob Barker

BA Honours

General manager: Commercial Lines

Joined in 2011

Werner Behrens

B Juris LLB

Company secretary

Joined in 2008

Clifford Brooke

BCom ACII CA(SA)

Executive general manager: Direct Channel

Retired in 2012

André Cloete

BCom Honours FIA FASSA

General manager: Personal Lines

Joined 2008

Kumeshnie Govender

Gibbs Executive Leadership Course

General manager: Central Operations

Joined in 2009

Heydon Hall

BCom, MBA, DCom

Chief information officer

Joined in 2011

Reginald Haman

MBA

Chief risk officer

Resigned in 2012

Peter Hibbit

BCom H.Dip Tax AMP Harvard CA(SA)

Chief financial officer

Retired in 2013

Jacques le Roux

National Diploma in Marketing and Sales

Executive general manager: Motor Division

Resigned in 2012

Dashnee Naidoo

Honours Diploma Labour Law

General manager: Human Capital Strategies

Resigned in 2013

Elva Price

ACIS

Company secretary

Resigned in 2012

Besa Ruele

BSc Mathematics FIA FASSA

General manager: Life Product and Actuarial

Joined in 2007

Jurie Strydom

B Bus Sc FIA FASSA CFA

Chief executive officer

Joined in 2007

John Tager

EDP CIM IEP MBiA

General Manager: VAPS

Joined in 2012

Andrew Tennick

BCom FCII

Chief risk officer and Specialised Short Term

Joined in 2007

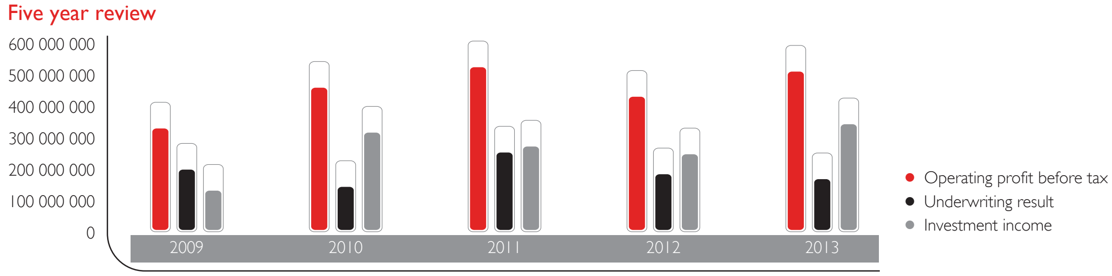
Combined salient features

for the year ended 30 June 2013

	Regent Life Group 2013 R'000	Regent Insurance Group 2013 R'000	Regent Group 2013 R'000	Regent Life Group 2012 R'000	Regent Insurance Group 2012 R'000	Regent Group 2012 R'000	Regent Group % change
Statement of comprehensive income							
Gross written premium income	856 702	2 232 300	3 089 002	740 381	2 193 814	2 934 195	5
Investment income, including investment gains	130 707	211 444	342 151	109 093	137 468	246 561	39
Net claims and benefits incurred	261 949	1 157 621	1 419 570	260 625	1 078 266	1 338 891	(6)
Underwriting result	57 985	109 453	167 438	84 359	98 676	183 035	(9)
Operating profit before taxation	188 692	320 897	509 589	193 452	236 144	429 596	19
Statement of financial position							
Total assets	1 679 512	2 732 341	4 411 853	1 591 409	2 542 870	4 134 279	7
Total cash and cash equivalents, including short-term financial instruments	514 254	951 891	1 466 145	550 644	1 061 113	1 611 757	(9)
Total liabilities	1 092 702	1 566 350	2 659 052	1 002 131	1 498 520	2 500 651	(7)
Total equity	586 810	1 165 991	1 752 801	589 278	1 044 350	1 633 628	7

2013	Insurance	Investment policyholder funds and float	Investment shareholder funds	Total
Underwriting result	167 438	—	—	167 438
Investment income		91 168	250 983	342 151
Operating profit before tax	167 438	91 168	250 983	509 589
Non-operating items	(22 867)	—	—	(22 867)
Profit before tax	144 571	91 168	250 983	486 722
2012				
Underwriting result	183 035	—	—	183 035
Investment income	—	74 883	171 678	246 561
Operating profit before tax	183 035	74 883	171 678	429 596
Non-operating items	1 645	—	—	1 645
Profit before tax	184 680	74 883	171 678	431 241

Five year review



Regent® Life

REGENT®

Go on. You're covered.

CAR AND HOME | LIFE | COMMERCIAL VEHICLES | TRAVEL | WARRANTIES

Directors' approval and statement of responsibility

for the year ended 30 June 2013

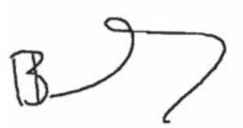
The directors of the Regent Life Group are responsible for the maintenance of adequate accounting records and the integrity of the annual financial statements and group annual financial statements of Regent Life Company. The annual financial statements presented on pages 16 to 30 and 32 to 89 have been prepared in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa. The Regent Life Group's external auditors, Deloitte & Touche have audited the annual financial statements and their audit report appears on page 31.

The directors are also responsible for 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.

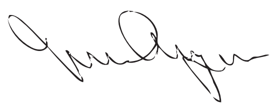
The annual financial statements of the Regent Life Company and the Regent Life Group on pages 16 to 30 and 32 to 89 were approved by the board of directors on 30 October 2013 and are signed on its behalf by:



HR Brody

Chairman

30 October 2013



JJ Strydom

Chief executive officer

30 October 2013

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 the Regent Life Company has lodged with the commissioner, for the financial year ended 30 June 2013, 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.

WP Behrens

Company secretary

30 October 2013

Company statutory actuary's report

Statement of assets and liabilities, excess assets and capital requirements at 30 June 2013

	2013 R'000	2012 R'000
Published reporting basis		
Total value of assets as per statement of financial position	**1 190 320**	1 157 714
Less: Reinsurances	**(123 451)**	(103 322)
Statement of financial position assets net of reinsurances	**1 066 869**	1 054 392
Value of policy liabilities	**286 890**	225 686
Less: Reinsurances	**(123 451)**	(103 322)
Investment contract liabilities	**95 570**	78 149
Current and other liabilities as per statement of financial position	**332 157**	373 751
Total value of liabilities net of reinsurances	**591 166**	574 264
Excess assets	**475 703**	480 128
Statutory basis		
Value of assets as per statutory basis	**1 051 614**	1 044 522
Value of policy liabilities	**527 218**	455 578
Investment contract liabilities	**95 570**	78 149
Current and other liabilities as per statement of financial position	**232 835**	281 443
Total value of liabilities net of reinsurances	**855 623**	815 170
Excess assets	**195 991**	229 352
CAR – refer to page 20	**59 126**	49 241
Ratio of excess assets to CAR	**3.3**	4.7
Analysis of change in excess assets on published reporting basis		
The excess of the value of assets over the value of liabilities has changed as follows over the reporting period:		
Excess assets at the end of the year	**475 703**	480 128
Excess assets at the beginning of the year	**480 128**	490 202
Change in excess over the year	**(4 425)**	(10 074)
The change in excess assets is due to the following factors:		
Investment income on excess assets	**22 798**	18 275
Capital gain on excess assets	**(910)**	3 441
Total investment return on excess assets	**21 888**	21 716
Operating profit	**119 362**	106 619
Dividends received from subsidiaries	**58 292**	21 418
Decrease in excess assets due to change in valuation methods or assumptions – refer to page 17	**(32 394)**	(5 896)
Taxation	**(36 738)**	(40 242)
Total earnings as per statement of comprehensive income	**130 410**	103 615
Dividends paid	**(107 106)**	(100 082)
Movement in non-controlling interest	**(21 686)**	(14 818)
Change in share-based equity in respect of employee remuneration arrangements	**(6 043)**	1 211
Total change in excess assets	**(4 425)**	(10 074)

Company statutory actuary's report (continued)

Statement of assets and liabilities, excess assets and capital requirements at 30 June 2013

	2013 R'000	2012 R'000
Reconciliation of excess assets between published reporting basis and statutory basis		
Excess assets on published reporting basis	**475 703**	480 128
Less: Assets excluded in terms of schedule 3 of the Act	**(15 255)**	(9 870)
Plus: Deferred tax adjustment	**99 322**	92 308
Less: Excess of statutory liabilities over published reporting liabilities*	**(363 779)**	(333 214)
Excess assets on statutory basis	**195 991**	229 352

**Net of reinsurances*

1. 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, current economic environment and asset mix. As a result of these economic changes, the actuarial liabilities increased by R28.1 million.
- The non-economic assumptions were also reviewed in the light of the most recent experience investigations and as a result per policy expense and withdrawal assumptions were changed. Following discussion with management it was decided to eliminate negative reserves on the new affinity business until sufficient credible experience is built up. In addition, some modelling and data refinements were made on certain classes of business.
- As a result of these non-economic changes, the actuarial liabilities increased by R4.3 million.
- The overall impact of all the above changes was an increase in the actuarial liabilities of R32.4 million.

2. Published reporting valuation methods and assumptions

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

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

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

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

- the best estimate of the future experience; plus
- the compulsory margins prescribed by SAP104; plus
- discretionary margins as detailed below:
  - an additional 30% margin was incorporated for the credit life retrenchment benefit in view of the potential volatility of claims experience and uncertain economic environment;
  - a 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 20% margin for years one and two, and an additional 50% margin thereafter was incorporated for the individual life affinity business lapse assumptions given the limited experience and uncertainty associated with the lapse experience;
  - negative reserves were eliminated for all policies with premiums outstanding for three or more months. Negative reserves were also eliminated for the individual life affinity business until sufficient credible experience is built up; and
  - the combined effect of the discretionary margins amounts to R97.33 million.

Company statutory actuary's report (continued)

Statement of assets and liabilities, excess assets and capital requirements at 30 June 2013

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

Economic assumptions	2013 % per annum	2012 % per annum
Investment return		
Credit life – regular premium	**5.11**	4.54
Credit life – single premium	**4.61**	4.04
Other individual business	**6.83**	6.24
Disability annuitants	**7.33**	6.92
With-profit annuitants	**3.75**	3.75
Expense inflation		
Credit life	**5.39**	2.97
Individual life	**6.52**	4.28
Disability annuity increases	**6.53**	4.77

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 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 it's currently being paid.

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).

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 APN110.

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

Company statutory actuary's report (continued)

Statement of assets and liabilities, excess assets and capital requirements at 30 June 2013

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

Maturity (years)	Strike	Price %	Implied volatility %
1	Spot	6.2	19.0
1	0.8 times spot	1.7	24.3
1	Forward	7.3	19.0
5	Spot	15.1	32.1
5	1.04^5 times spot	24.9	33.1
5	Forward	25.0	33.1
20	Spot	4.7	32.7
20	1.04^2 times spot	16.7	32.1
20	Forward	29.6	32.1

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	7.6
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	0.01

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

Year	Rate %
1	5.4
2	5.9
3	6.4
4	6.8
5	7.1
10	7.9
15	8.6
20	9.1
25	9.5
30	9.8

The date of calibration was as at 30 June 2013.

Company statutory actuary report (continued)

Statement of assets and liabilities, excess assets and capital requirements at 30 June 2013

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 SAP104. The asset allocation provided by management was used.

The minimum investment guarantee resilience value calculated in accordance with APN110 was included. Credit risk was allowed for based on the credit rating of the cash and bond assets, as well as that of the reinsurer. Operational risk was allowed for based on the SA QIS2 formula, as per specifications of the SAM, 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. This management action has been ratified by the board.

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 2013, the results of which are summarised above, has been conducted in accordance with, and this Statutory Actuary's Report has been produced in accordance with, applicable Actuarial Society of South Africa's Advisory Practice Notes and Standards of Actuarial Practice;
- in terms of Section 31(c) of the Long-Term Insurance Act of 1998, some of Regent Life Company's assets exceed the maximum allowable level. However, after adjusting the assets for the asset spreading restrictions, Regent Life Company is still in a financially sound condition; and
- Regent Life Company was financially sound on the Statutory Basis as at the valuation date, and in my opinion is likely to remain financially sound for the foreseeable future.

PC Falconer

Statutory actuary

30 October 2013

Consolidated statutory actuary's report

Statement of assets and liabilities, excess assets and capital requirements at 30 June 2013

Reconciliation of excess assets between published reporting basis and statutory basis

	2013 R'000	2012 R'000
Published reporting basis		
Total value of assets as per statement of financial position	1 679 512	1 591 409
Less: Reinsurances	(127 904)	(109 300)
Statement of financial position assets net of reinsurances	1 551 608	1 482 109
Value of policy liabilities	568 544	464 700
Less: Reinsurances	(127 904)	(109 300)
Investment contract liabilities	144 147	120 543
Current and other liabilities as per statement of financial position	380 011	416 887
Total value of liabilities net of reinsurances	964 798	892 830
Excess assets	586 810	589 279
Statutory basis		
Value of assets as per statutory basis	1 659 651	1 580 120
Less: Reinsurances	(127 904)	(109 300)
Net assets on the statutory basis	1 531 747	1 470 820
Value of policy liabilities	970 235	828 191
Less: Reinsurances	(166 415)	(139 823)
Investment contract liabilities	144 147	120 543
Current and other liabilities as per statement of financial position	280 689	324 579
Total value of liabilities net of reinsurances	1 228 656	1 133 490
Excess assets	303 091	337 330
CAR	114 278	93 683
Ratio of excess assets to CAR	2.7	3.6
Change in excess assets on published reporting basis		
Excess assets at the end of the financial year	586 810	589 279
Excess assets at the beginning of the financial year	589 279	560 860
Change in excess over the financial year	(2 469)	28 419
Analysis of change in excess assets on published reporting basis		
Investment income on excess assets	29 876	23 243
Capital gain on excess assets	2 563	5 522
Total investment return on excess assets	32 439	28 765
Operating profit	179 333	175 873
Decrease in excess assets due to change in valuation methods or assumptions	(31 626)	(11 186)
Taxation	(53 514)	(52 266)

Consolidated statutory actuary's report (continued)

Statement of assets and liabilities, excess assets and capital requirements at 30 June 2013

Reconciliation of excess assets between published reporting basis and statutory basis *(continued)*

	2013 R'000	2012 R'000
Total earnings as per statement of financial position	**126 632**	141 186
Dividends paid	**(131 842)**	(114 900)
Foreign currency translation reserve and exchange differences	**9 470**	2 191
Increase in interest in subsidiary	**(686)**	(1 270)
Change in share-based equity in respect of employee remuneration arrangements	**(6 043)**	1 212
Total change in excess assets	**(2 469)**	28 419
Excess assets on published reporting basis	**586 810**	589 279
Less: Assets on statutory basis	**(303 092)**	(337 330)
Difference	**283 718**	251 949
The difference arises due to the following:		
Difference in statutory and published reporting asset values	**19 861**	11 289
Difference in statutory and published reporting liabilities	**263 857**	240 660
Difference	**283 718**	251 949

CERTIFICATION OF STATUTORY FINANCIAL POSITION

I hereby certify that:

- the valuation on the statutory basis of Regent Life Group as at 30 June 2013, 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

30 October 2013

Consolidated embedded value report

at 30 June 2013

The embedded value of the covered business of the Regent Life Group at 30 June 2013 is shown below. Covered business is defined as all long-term insurance business and incorporates all expected cash flows 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 have been included but their impact was also shown separately.

The embedded value consists of the following components:

- the adjusted net worth;
- *plus:* the value of in-force of future shareholder cash flows from 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 value of in-force is the present value of future shareholder cash flows from the in-force covered business. It is calculated as the value of projected future after-tax shareholder cash flows of the business in force at the valuation date, discounted at the risk discount rate. The shareholder cash flows 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 embedded value of new business was calculated at point of sale using the closing embedded value assumptions and investment yields as at year end. New business includes all policies written over the year where at least one premium is received.

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

Consolidated embedded value report (continued)

at 30 June 2013

Table 1: Embedded value of covered business

R'000	2013	2012
Free surplus	**108 224**	164 911
Required capital	**212 199**	181 539
Adjusted net worth	**320 423**	346 450
Attributable to cell captives	**46 787**	54 991
Attributable to the Regent Life Group	**273 636**	291 459
Value of in-force business	**491 521**	424 145
Attributable to cell captives	**63 696**	41 365
Attributable to the Regent Life Group	**427 825**	382 780
Cost of required capital	**(85 428)**	(68 336)
Attributable to cell captives	**(3 302)**	(1 718)
Attributable to the Regent Life Group	**(82 126)**	(66 618)
Embedded value of covered business	**726 517**	702 259
Attributable to cell captives	**107 182**	94 638
Attributable to the Regent Life Group	**619 335**	607 621
Return on embedded value on covered business (1)	**21.3%**	18.7%
Return on embedded value attributable to the Regent Life Group (1)	**18.3%**	17.8%

1. 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 2013	Plus dividends paid out	Less EV 2012	EV earnings 2013
Adjusted net worth	320 423	131 842	348 374	103 891
Cost of required capital	(85 428)	—	(71 200)	(14 228)
Present value of in-force	491 521	—	430 295	61 226
Embedded value	726 516	131 842	707 469	150 889

Consolidated embedded value report (continued)

at 30 June 2013

Table 2.2: Embedded value earnings attributable to Regent Life Group

(R'000)	EV 2013	Plus dividends paid out	EV 2012	EV earnings 2013
Adjusted net worth	273 636	107 106	297 971	82 771
Cost of required capital	(82 126)	—	(67 068)	(15 058)
Present value of in-force	427 825	—	383 107	44 718
Embedded value	619 335	107 106	614 010	112 431

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) in adjusted net worth	(Increase)/ decrease in cost of required capital	Increase/ (decrease) in value of in-force	Increase/ (decrease) in EV
Embedded values of new business (1)	(88 597)	(16 026)	160 482	55 859
Expected return on covered business (2)	—	9 220	53 733	62 953
Expected profit transfer (3)	129 672	—	(129 672)	—
Operating experience variances (4)	33 316	3 561	4 560	41 437
Earnings on with-profit business (5)	(488)	934	891	1 337
Operating assumption and methodology changes (6)	2 037	(5 184)	(4 746)	(7 893)
Once-off expenses (7)	(1 275)	—	—	(1 275)
Other income earned	6 301	—	—	6 301
Expected return on adjusted net worth (8)	15 505	—	—	15 505
Embedded value operating return	96 471	(7 495)	85 248	174 224
Investment return variances (9)	15 816	—	228	16 044
Effect of exchange rate variance	9 471	(998)	452	8 925
Change in share-based equity	(6 043)	—	—	(6 043)
Effect of economic assumption changes (10)	(12 896)	(5 735)	(24 702)	(43 333)
Tax variance (11)	1 072	—	—	1 072
Embedded value earnings on covered business	103 891	(14 228)	61 226	150 889
Earnings attributable to in cell captives	(21 120)	(830)	(16 508)	(38 458)
Embedded value earnings attributable to the Regent Life Group	82 771	(15 058)	44 718	112 431

1. The new business contribution for the covered 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 2013.
2. This represents the unwinding of the risk discount rate (last year's basis) on in-force and new business.
3. This is the after tax profit expected from business in-force at the beginning of the year on last year's embedded value basis.
4. An analysis of the variation in operating experience relative to that expected on last year's embedded value basis is provided in table 5 below. This also includes variances in new business experience relative to the closing embedded value basis.

5. These reflects the earnings attributable to shareholders in respect of the various with-profit portfolios. These profits were not analysed by source.
6. An analysis of the effect of changes in assumptions and methodology is provided in table 4 below.
7. This item represents the once-off office expansion costs (net of expected tax).
8. This represents the return expected on the adjusted net worth less expected tax.
9. This item reflects investment earnings on assets in excess of expectations.
10. The economic assumption changes are summarised in more detail in table 4 below.
11. The tax variance reflects the difference between the expected and actual taxation.

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 2013.

Source 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)	(2 902)	(4 141)	(1 423)	(8 466)
Lapse and surrenders (2)	90	—	(373)	(283)
Mortality and morbidity (2)	246	(1 044)	439	(359)
Expenses (2)	4 604	—	(3 389)	1 215
Operating assumption changes	2 038	(5 185)	(4 746)	(7 893)
Risk discount rate gap (3)	—	(2 212)	(7 645)	(9 857)
Economic assumptions (3)	(12 896)	(3 523)	(17 057)	(33 476)
Economic assumption changes	(12 896)	(5 735)	(24 702)	(43 333)
Total	(10 858)	(10 920)	(29 448)	(51 226)

1. This item mainly represents the impact of modelling changes on the investment guarantee reserve, resilience factor in the cost of required capital and on the unit-linked charges on certain products.
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)

at 30 June 2013

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)	(3 072)	(40)	2 084	(1 028)
Lapses and surrenders (2)	(11 498)	3 983	(833)	(8 348)
Mortality and morbidity (3)	48 488	(383)	3 309	51 414
Modelling and timing differences	(601)	—	—	(601)
Total	33 317	3 560	4 560	41 437

1. This loss mainly relates to expense overruns on new distribution channels.
2. Overall the withdrawal experience variation had a negative impact on the embedded value.
3. The mortality and morbidity experience was favourable.
4. This item reflects timing differences relating to commission payments and when the corresponding premium is recognised and the policy becomes in force. It also reflects approximations in the modelling of commission.

Table 6: Embedded value of new business

R'000	2013	2012
Value of future profits from new business at point-of-sale	**71 885**	54 162
Attributable to cell captives	**27 489**	16 284
Attributable the Regent Life Group	**44 396**	37 878
Cost of required capital (1)	**(16 025)**	(14 111)
Attributable to cell captives	**(681)**	—
Attributable the Regent Life Group	**(15 344)**	(14 111)
Embedded value of new business (a)	**55 858**	40 051
Attributable to cell captives	**26 807**	16 284
Attributable to the Regent Life Group	**29 051**	23 767
Value of premiums from new business at point-of-sale (b)	**913 658**	663 162
Profit margin (a/b) (2)	**6.1%**	6.0%
Attributable to cell captives	**2.9%**	2.5%
Attributable to the Regent Life Group	**3.2%**	3.5%
New business annualised premium income (c)	**285 346**	197 979
Annualised profit margin (a/c) (2)	**19.6%**	20.2%
Attributable to cell captives	**9.4%**	8.2%
Attributable to the Regent Life Group	**10.2%**	12.0%

1. The cost of required capital for new business was split between the Regent Life Group and cell captives on an approximate basis.

Consolidated embedded value report (continued)

at 30 June 2013

Assumptions

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

Table 7.1: Embedded value economic assumptions for South Africa

	2013 %	2012 %
Risk free rate (Individual life business)	**6.98**	6.39
Risk free rate (Credit life business)	**5.76**	5.20
Beta coefficient	**217.12**	195.64
Equity risk premium (non-annuity business)	**3.00**	3.00
Equity risk premium (annuity business)	**3.00**	3.00
Risk discount rate (all business)	**13.45**	12.11
Expense inflation	**5.93**	3.89
Individual life		
Pre-tax investment returns (%) – cash	**5.98**	5.39
Pre-tax investment returns (%) – bonds	**6.98**	6.39
Pre-tax investment returns (%) – equity	**8.48**	7.89
Credit life		
Pre-tax investment returns (%) – cash	**4.76**	4.20
Pre-tax investment returns (%) – bonds	**5.76**	5.20
Pre-tax investment returns (%) – equity	**7.26**	6.70
Profit tax rate	**28.00**	28.00

Table 7.2: Embedded value economic assumptions for Botswana

	2013 %	2012 %
Risk free rate	**4.93**	4.28
Beta coefficient	**233.78**	277.74
Equity risk premium	**3.00**	3.00
Risk discount rate	**11.94**	12.61
Expense inflation	**4.19**	3.78
Pre-tax investment returns		
Cash	**3.93**	3.28
Bonds	**4.93**	4.28
Equity	**7.93**	7.28
STC allowance	**10.00**	10.00
STC payout rate (1)	**100.00**	100.00
Profit tax rate	**12.00**	15.00

1. The exchange rate for conversion into rands applicable at 30 June 2013 is 1.1627 (2012: 1.0717).

Consolidated embedded value report (continued)

at 30 June 2013

Table 7.3: Embedded value economic assumptions Lesotho

	2013 %	2012 %
Risk free rate	**7.63**	7.27
Beta coefficient	**233.78**	178.06
Equity risk premium	**3.00**	3.00
Risk discount rate	**14.65**	12.61
Expense inflation	**6.49**	4.77
Pre-tax investment returns		
Cash	**5.63**	5.27
Bonds	**7.63**	7.27
Equity	**10.63**	7.27
Profit tax rate (1)	**25.00**	25.00

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

The exchange rate for conversion 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 cash. 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)

at 30 June 2013

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

For all the sensitivities, the reserving basis was left unchanged hence the ANW is unaffected.

R'000	Adjusted net worth	Value of in-force	Cost of required capital	Embedded value	% change from standard
Standard	273 636	427 825	(82 126)	619 335	—
Risk discount rate +1%	273 636	415 461	(87 003)	602 094	(2.8)
Inflation, expected return, risk discount rate -1%	273 636	441 249	(84 431)	630 453	1.8
10% decrease in equity/property capital values	254 866	427 687	(82 126)	600 427	(3.1)
1% increase in equity/property returns	273 636	401 088	(91 557)	583 166	(5.8)
Renewal expenses -10%	273 636	450 863	(82 031)	642 468	3.7
Withdrawals -10%	273 636	446 115	(87 424)	632 327	2.1
Claims -5%	273 636	466 277	(81 436)	658 476	6.3

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	44 396	(15 344)	29 051	—
Risk discount rate +1%	40 128	(16 519)	23 609	(18.7)
Inflation, expected return, risk discount rate -1%	48 824	(15 940)	32 884	13.2
10% decrease in equity/property capital values	44 396	(15 344)	29 051	—
1% increase in equity/property returns	35 894	(17 486)	18 408	(36.6)
Renewal expenses -10%	50 317	(15 292)	35 025	20.6
Acquisitions expenses -10% (1)	48 876	(15 344)	33 532	15.4
Withdrawals -10%	51 597	(16 652)	34 944	20.3
Claims -5%	51 715	(14 970)	36 745	26.5

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

Independent auditors' report

to the shareholder of Regent Life Assurance Company Limited for the year ended 30 June 2013

Report on the financial statements

We have audited the group annual financial statements and annual financial statements of Regent Life Assurance Company Limited, set out on pages 37 to 89, which comprise the statements of financial position as at 30 June 2013, the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

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

Auditors' 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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 positions of the Regent Life Assurance Company Limited as at 30 June 2013, and of its consolidated and separate financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

Other reports

As part of our audit of the financial statements for the year ended 30 June 2013, we have read the directors' report, the audit committee's report, the company and consolidated statutory actuary's reports, the consolidated embedded value report and the company secretary's certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Deloitte + Touche

Deloitte & Touche

Registered auditor

Per: **D Jorge**

Partner

30 October 2013

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

National Executive:

LL Bam (Chief Executive), AE Swiegers (Chief Operating Officer), GM Pinnock (Audit), DL Kennedy (Risk Advisory), NB Kader (Tax), TP Pillay (Consulting), K Black (Clients and Industries), JK Mazzocco (Talent and Transformation), CR Beukman (Finance), M Jordaan (Strategy), S Gwala (Special Projects), 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

Audit committee report

for the year ended 30 June 2013

Audit committee report

The audit committee presents its report for the year ended 30 June 2013. The audit committee is an independent statutory committee, as well as a committee of the board in respect of other duties assigned to it by the board. The committee has conducted its affairs in compliance with the board approved terms of reference and has discharged its responsibilities contained herein.

Objectives and scope

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

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

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

Committee performance

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

	7 August 2012	16 October 2012	12 February 2013	4 June 2013
RG Cottrell (Chairman) (passed away 5 November 2012)	√	√	n/a	n/a
C Erasmus	√	√	√	√
BR Mallinson (Chairman) (appointed 1 January 2013)	n/a	n/a	√	√
RJA Sparks	√	√	√	√

Legend

√ Present n/a Not applicable

Audit committee report (continued)

for the year ended 30 June 2013

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 2013;
- considered the effectiveness of internal audit, and approved their annual plan and the rolling three-year internal audit plan;
- received and reviewed reports from the CRO on the enterprise risk management process; and
- satisfied itself that the chief financial officer of the company possesses the appropriate expertise and experience to meet the responsibilities of that position and that the company's finance function is staffed with adequately experienced and qualified people.

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

Membership and constitution

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

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

External audit

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

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

The committee has nominated, for approval at the annual general meeting, Deloitte & Touche as the external auditor for the 2014 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 fourth year as designated auditor.

Annual report

Having considered the annual report of the Regent Life Group, incorporating the annual financial statements, for the year ended 30 June 2013, the committee recommends the annual report for approval to the board.

Complaints

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

BR Mallinson

Chairman of the audit committee

30 October 2013

Directors' report

for the year ended 30 June 2013

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 2013.

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.

	% 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 Proprietary Limited	100	South Africa
I'SURE Risk Solutions Proprietary Limited (previously Hemisphere Risk Solutions (Proprietary) Limited)	100	South Africa
Associates		
Boland Cavaliers Financial Services Proprietary Limited	25	South Africa

Regent Life Company's interest in the aggregate profit after tax in subsidiaries amounted to R56.8 million (2012: R54.1 million) and in the losses amounted to R0.3 million (2012: R1.5 million).

Dividends

Dividends of R131.8 million were declared and paid during the current financial year (2012: R114.9 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 passed the following resolutions during the current financial year:

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

Events after the reporting period

Bilal Adam was appointed chief financial officer and Mari Janzen was appointed chief operations officer of the Regent Life Group with effect from 1 July 2013. No other material facts or circumstances have arisen between the reporting date and the date of this report which affect the financial position of the Regent Life Group as reflected in these annual financial statements.

Financial performance

Operating profit before taxation and the underwriting result decreased by R5 million and R27 million respectively as compared to the previous financial year. This was mainly due to the increase in the transfer to the life fund by R95 million compared to the previous financial year. Investment income increased by R22 million compared to the previous financial year mainly due to the improved returns in the equity market.

Board of directors to the date of this report

HR Brody (Chairman, non-executive director)

Executive directors

PCW Hibbit (Chief financial officer) (retired 30 June 2013)

JJ Strydom (Chief executive officer)

AN Tennick (Executive director)

Non-executive directors

M Akoojee (appointed 1 October 2012)

RG Cottrell (passed away 5 November 2012)

C Erasmus

BJ Francis

RL Hiemstra (retired 30 September 2012)

BR Mallinson (appointed 1 January 2013)

S Masinga

JPR Mbau

R Mumford

RJA Sparks

Audit committee

Independent non-executive directors

RG Cottrell (Chairman) (passed away 5 November 2012)

C Erasmus

BR Mallinson (Chairman) (appointed 1 January 2013)

RJA Sparks

Investment committee

Executive directors

PCW Hibbit (retired 30 June 2013)

JJ Strydom

AN Tennick

Non-executive directors

RL Hiemstra (retired 30 September 2012)

M Akoojee (appointed 1 October 2012)

Independent non-executive directors

C Erasmus

RJA Sparks

External

W Reitsma (Chairman)

Actuarial committee

Executive directors

PCW Hibbit (retired 30 June 2013)

JJ Strydom

AN Tennick

Independent non-executive directors

C Erasmus (Chairman)

External

PC Falconer (Statutory actuary)

Risk committee

Executive directors

PCW Hibbit (retired 30 June 2013)

JJ Strydom

AN Tennick

Non-executive directors

BJ Francis

Independent non-executive directors

S Masinga (Chairman)

RG Cottrell (passed away 5 November 2012)

C Erasmus

BR Mallinson (appointed 1 January 2013)

Other

R Haman (resigned 31 October 2012)

Board meetings

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

	15 August 2012	24 October 2012	18 February 2013	12 June 2013
Executive directors				
PCW Hibbit	√	√	√	√
JJ Strydom	√	√	√	√
AN Tennick	√	√	√	√
Non-executive directors				
M Akoojee	n/a	√	√	√
HR Brody	√	√	√	√
BJ Francis	√	√	√	√
RL Hiemstra	√	n/a	n/a	n/a
R Mumford	√	√	√	√
Independent non-executive directors				
RG Cottrell	√	√	n/a	n/a
C Erasmus	√	√	√	√
BR Mallinson	n/a	n/a	√	√
S Masinga	ap	√	ap	√
JPR Mbau	√	√	ap	√
RJA Sparks	√	√	√	√

Legend

√ Present   ap Absent with apology   n/a Not applicable

Company secretary

WP 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 the financial position

as at 30 June 2013

	Notes	Group 2013 R'000	Group 2012 R'000	Company 2013 R'000	Company 2012 R'000
ASSETS					
Property and equipment	3	**22 523**	24 366	**13 476**	14 446
Intangible assets	4	**4 181**	15 413	**2 458**	7 777
Investments in subsidiaries	5	**—**	—	**46 335**	46 335
Investments in associates	6	**(128)**	—*	**—***	—*
Reinsurers' share of policyholder liabilities under insurance contracts	7	**127 904**	109 300	**123 451**	103 322
Financial assets	8	**1 100 345**	925 935	**825 706**	702 612
Deferred taxation	14	**1 964**	1 453	**—**	—
Current taxation		**44 263**	42 480	**39 915**	36 040
Receivables including insurance receivables	9	**71 980**	109 024	**39 583**	77 029
Due from group companies	10	**756**	3	**21 051**	22 442
Cash and cash equivalents	11	**305 724**	363 434	**78 345**	147 711
Total assets		**1 679 512**	1 591 409	**1 190 320**	1 157 714
LIABILITIES					
Policyholders' liabilities		**712 691**	585 243	**382 460**	303 835
> Insurance contracts	12	**568 544**	464 700	**286 890**	225 686
> Investment contracts	13	**144 147**	120 543	**95 570**	78 149
Deferred taxation	14	**100 961**	94 366	**100 961**	94 366
Provisions	15	**42 068**	52 770	**27 527**	39 450
Current taxation		**52 172**	20 207	**46 371**	17 357
Due to group companies	10	**7 021**	23 035	**6 836**	21 437
Insurance and other payables	17	**177 789**	226 509	**150 462**	201 141
Total liabilities		**1 092 702**	1 002 131	**714 617**	677 586
EQUITY					
Share capital	18	**21**	21	**21**	21
Share premium	18	**144 667**	144 667	**144 667**	144 667
Statutory reserve**		**72 059**	62 801	**—**	—
Share-based equity reserve	25	**(4 352)**	(1 998)	**(4 352)**	(1 998)
Foreign currency translation reserve		**2 419**	(7 194)	**—**	—
Retained earnings		**311 541**	327 711	**282 172**	282 447
Equity attributable to the equityholders of the parent		**526 355**	526 008	**422 508**	425 137
Non-controlling interests		**60 455**	63 270	**53 195**	54 991
Total equity		**586 810**	589 278	**475 703**	480 128
Total equity and liabilities		**1 679 512**	1 591 409	**1 190 320**	1 157 714

**Denotes an amount less than R1 000.*
***Relates to Regent Life Botswana Limited and is a statutory requirement.*

Statements of comprehensive income

for the year ended 30 June 2013

	Notes	Group 2013 R'000	Group 2012 R'000	Company 2013 R'000	Company 2012 R'000
Gross written premiums		856 702	740 381	654 591	607 285
Outward reinsurance premium		(94 211)	(73 950)	(77 402)	(66 940)
Net written premiums	19	762 491	666 431	577 189	540 345
Investment income	20	63 882	56 255	103 958	61 686
Investment gains	21	64 825	52 374	48 010	36 918
Other operating income	22	105 077	100 503	34 993	33 959
Net income		996 275	875 563	764 150	672 908
Net claims and benefits incurred	23	(261 949)	(260 625)	(199 211)	(216 490)
> Claims and benefits incurred		(308 807)	(309 129)	(243 650)	(257 261)
> Reinsurers' share of claims and benefits incurred		46 858	48 504	44 439	40 771
Change in policyholder liabilities under insurance and investment contracts		(95 001)	495	(56 057)	8 068
> Transfer to life fund – insurance contracts	12	(99 224)	(17 525)	(61 805)	(13 904)
> Reinsurers' share	7	18 604	18 020	20 129	21 972
> Transfer to investment contracts		(14 381)	—	(14 381)	—
Finance cost		(164)	(9)	(144)	(8)
Commission and acquisition expenses		(212 122)	(196 400)	(180 471)	(174 132)
General marketing and administration expenses		(238 347)	(225 572)	(161 119)	(146 489)
Operating profit before taxation	24	188 692	193 452	167 148	143 857
Goodwill impairment		(8 418)	—	—	—
Loss from associate		(128)	—	—	—
Profit before taxation		180 146	193 452	167 148	143 857
Taxation	26	(53 514)	(52 266)	(36 738)	(40 242)
Profit after taxation		126 632	141 186	130 410	103 615
Other comprehensive income					
Currency translation differences		9 613	3 081	—	—
Total comprehensive income for the year		136 245	144 267	130 410	103 615
Profit attributable to:					
Equity owners of the company		104 257	118 326	110 520	87 792
Non-controlling interests		22 375	22 860	19 890	15 823
		126 632	141 186	130 410	103 615
Total comprehensive income attributable to:					
Equity owners of the company		113 870	121 407	110 520	87 792
Non-controlling interests		22 375	22 860	19 890	15 823
		136 245	144 267	130 410	103 615

Statements of the changes in equity

for the year ended 30 June 2013

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 2011	144 688	57 716	(10 154)	(10 275)	322 387	56 498	560 860
Net profit for the year	—	—	—		118 326	22 860	141 186
Other comprehensive income							
Arising from translation of foreign entity	—	—	—	3 081	—	—	3 081
Total comprehensive income for the year ended 30 June 2012	—	—	—	3 081	118 326	22 860	144 267
Transfer to statutory reserve		5 085			(5 975)	—	(890)
Increase in interest in subsidiary	—	—	—	—	—	(1 270)	(1 270)
Share-based equity reserve transferred to retained earnings on vesting	—	—	6 945	—	(6 945)	—	—
Share-based equity	—	—	1 211	—	—	—	1 211
Dividends paid	—	—	—	—	(100 082)	(14 818)	(114 900)
Balance at 30 June 2012	**144 688**	**62 801**	**(1 998)**	**(7 194)**	**327 711**	**63 270**	**589 278**
Net profit for the year	—	—	—	—	**104 257**	**22 375**	**126 632**
Other comprehensive income							
Arising from translation of foreign entity	—	—	—	**9 613**	—	—	**9 613**
Total comprehensive income for the year ended 30 June 2013	—	—	—	**9 613**	**104 257**	**22 375**	**136 245**
Transfer to statutory reserve	—	**9 258**	—	—	**(9 400)**	—	**(142)**
Movement in interest in subsidiary	—	—	—	—	**(232)**	**(454)**	**(686)**
Share-based equity reserve transferred to retained earnings on vesting	—	—	**3 689**	—	**(3 689)**	—	—
Share-based equity	—	—	**(6 043)**	—	—	—	**(6 043)**
Dividends paid	—	—	—	—	**(107 106)**	**(24 736)**	**(131 842)**
Balance at 30 June 2013	**144 688**	**72 059**	**(4 352)**	**2 419**	**311 541**	**60 455**	**586 810**
Company							
Balance at 1 July 2011	144 688	—	(10 154)	—	301 682	53 986	490 202
Net profit for the year	—	—	—	—	87 792	15 823	103 615
Other comprehensive income							
Arising from translation of foreign entity	—	—	—	—	—	—	—
Total comprehensive income for the year ended 30 June 2012	—	—	—	—	87 792	15 823	103 615
Share-based equity reserve transferred to retained earnings on vesting	—	—	6 945	—	(6 945)	—	—
Share-based equity	—	—	1 211	—	—	—	1 211
Dividends paid	—	—	—	—	(100 082)	(14 818)	(114 900)
Balance at 30 June 2012	**144 688**	—	**(1 998)**	—	**282 447**	**54 991**	**480 128**
Net profit for the year	—	—	—	—	**110 520**	**19 890**	**130 410**
Other comprehensive income							
Arising from translation of foreign entity	—	—	—	—	—	—	—
Total comprehensive income for the year ended 30 June 2013	—	—	—	—	**110 520**	**19 890**	**130 410**
Share-based equity reserve transferred to retained earnings on vesting	—	—	**3 689**	—	**(3 689)**	—	—
Share-based equity	—	—	**(6 043)**	—		—	**(6 043)**
Dividends paid	—	—	—	—	**(107 106)**	**(21 686)**	**(128 792)**
Balance at 30 June 2013	**144 688**	—	**(4 352)**	—	**282 172**	**53 195**	**475 703**

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

Statements of cash flows

for the year ended 30 June 2013

	Notes	Group 2013 R'000	Group 2012 R'000	Company 2013 R'000	Company 2012 R'000
Cash flow from operating activities					
Cash generated from operations	27.1	**122 018**	118 105	**36 710**	65 477
Interest received	27.2	**55 182**	53 170	**37 921**	36 793
Interest paid		**(164)**	(9)	**(144)**	(8)
Shared-based equity movement		**(8 179)**	996	**(8 179)**	996
Taxation paid	27.3	**(15 109)**	(53 461)	**(2 869)**	(39 386)
Net cash inflow from operating activities		**153 748**	118 801	**63 439**	63 872
Cash flow from investing activities					
Acquisition of property and equipment	3	**(864)**	(1 258)	**—**	(3)
Acquisition of intangible assets	4	**(2 320)**	(5 333)	**(555)**	(4 615)
Proceeds on disposal of property and equipment		**352**	373	**350**	238
Proceeds on sale of investments		**504 909**	247 789	**404 649**	172 492
Acquisition of investments		**(604 983)**	(457 013)	**(479 702)**	(303 036)
Net cash outflow on acquisition of subsidiaries	27.5	**(3 041)**	(2 993)	**—**	(1 009)
Movement in investment contracts		**7 382**	16 022	**3 513**	10 789
Dividends received	27.2	**11 929**	7 830	**67 732**	28 963
Net cash outflow from investing activities		**(86 636)**	(194 583)	**(4 013)**	(96 181)
Cash flow from financing activities					
Dividends paid	27.4	**(131 842)**	(114 900)	**(128 792)**	(114 900)
Net cash outflow from financing activities		**(131 842)**	(114 900)	**(128 792)**	(114 900)
Net decrease in cash and cash equivalents		**(64 730)**	(190 682)	**(69 366)**	(147 209)
Foreign currency translation differences on cash balances		**7 020**	2 673	**—**	—
Cash and cash equivalents at the beginning of the year		**363 434**	551 443	**147 711**	294 920
Cash and cash equivalents at the end of the year		**305 724**	363 434	**78 345**	147 711

Notes to the consolidated annual financial statements

for the year ended 30 June 2013

1. Summary of significant accounting policies

Statement of compliance

The consolidated and separate annual financial statements are stated in South African rand and are prepared in accordance with IFRS and its interpretations adopted by the IASB in issue and effective for the Regent Life Group at 30 June 2013 and the AC 500 standards as issued by the Accounting Practices Board or its successor and the Companies Act of South Africa, 2008.

Accounting policies

The principal accounting policies adopted and the methods of computation used in the preparation of these consolidated and separate annual financial statements are set out below and are consistent in all material respects with those applied during the previous year.

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 2012 and in compliance with the Companies Act, No 71 of 2008.

The consolidated and separate annual 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.
- Liabilities for cash-settled share-based payment arrangements.

Carried at different measurement basis:

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

Changes in accounting policies and disclosures

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

- *IAS 1 Presentation of items of other comprehensive income*
- *IAS 12 Deferred tax – Recovery of underlying assets*

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

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

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

IFRS 4 – Insurance contracts

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

The Regent Life Group is currently assessing the impact of the changes to the standard on its results, financial position and cash flows. The standard is expected to first become applicable for the financial year ending 30 June 2018.

IFRS 7 Disclosures – Offsetting financial assets and financial liabilities

The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The Regent Life Group anticipates that the application of the amendments to IFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future. The standard is expected to first become applicable for the financial year ending 30 June 2014.

IFRS 7 Disclosures – Transfers of financial assets

This amendment increases the disclosure requirements for transactions involving the transfer of financial assets in order to provide greater transparency around risk exposures when financial assets are transferred.

The Regent Life Group anticipates that the application of this amendment may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future. The standard is expected to first become applicable for the financial year ending 30 June 2014.

IAS 32 Financial instruments

The amendments to IAS 32 clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The Regent Life Group anticipates that the application of the amendments to IAS 32 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future. The standard is expected to first become applicable for the financial year ending 30 June 2014.

IFRS 10 Consolidated financial statements

IFRS 10 replaces parts of IAS 27 Consolidated and separate financial statements that deal with consolidated financial statements and introduces a single control model for consolidation.

IFRS 10 provides guidance on when a subsidiary should be consolidated. It builds on the control guidance that existed in IAS 27 – Consolidated and separate financial statements and SIC 12 – Consolidation of special purpose entities, adding additional context, explanation and application guidance that is consistent with the definition of control. IFRS 10

Standards, interpretations and amendments to published standards that are not yet effective *(continued)*

requires assessment of whether the investor has the power to direct the relevant activities of an entity so as to obtain benefits. These entities are consolidated by the investor. Once it has been determined under IFRS 10 that an entity should be consolidated, the actual consolidation principals remain the same as under IAS 27.

SIC-12 Consolidation – Special purpose entities will be withdrawn upon the effective date of IFRS 10.

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

IFRS 11 Joint arrangements

IFRS 11 replaces IAS 31 – Joint ventures. Where joint arrangements exist the investor is required to assess whether the joint arrangement is a joint operation or a joint venture, based on the legal structure of the investee and the investor's rights to and obligations for the underlying assets and liabilities of the investee. Joint operations are accounted for in the financial statements of the investor by including the investor's share of the assets, liabilities, income and expenses of the investee while joint ventures are accounted for using the equity method of accounting.

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

IFRS 12 Disclosure of interests in other entities

Disclosure requirements on subsidiaries, joint arrangements, associates and involvement in unconsolidated structured entities are prescribed in IFRS 12. The disclosure requirements in IFRS 12 are more extensive than those in the current standards.

The adoption of IFRS 12 is not expected to have an impact on the Regent Life Group's results, financial position or cash flows but could result in more disclosures. The standard is expected to first become applicable for the financial year ending 30 June 2014.

IFRS 13 Fair value measurement

IFRS 13 defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. It applies to both financial instrument items and non-financial instrument items for which other international financial reporting standards require or permit fair value measurements and disclosures about fair value measurements. It does not specify when an asset, liability or equity instrument must be measured at fair value but when one of the other standards requires fair value measurement the guidance of IFRS 13 is applied to determine that fair value.

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to settle a liability in an orderly transaction between market participants at the measurement date. Fair value is an exit market based measure (i.e. the price to sell an asset or transfer a liability) rather than an entry price (i.e. price to buy an asset or incur a liability).

The disclosure requirements in IFRS 13 are more extensive than those required in the current standards.

The application of IFRS 3 may result in changes to the measurement of certain of the group's assets and liabilities although initial high level assessments indicate these are unlikely to be significant. The Regent Life Group anticipates that the application of the new standard may result in more extensive disclosures in the consolidated financial statements. The standard is expected to first become applicable for the financial year ending 30 June 2014.

IAS 19 Employee benefits

The amendments to IAS 19 require all actuarial gains and losses to be recognised immediately through other comprehensive income so that the net pension asset or liability reflects the full value of the plan deficit or surplus. The interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a 'net-interest' amount, which is calculated by applying the discount rate to the net defined benefit liability or asset.

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

IAS 32 Financial instruments presentation

The amendments to IAS 32 clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with IAS 12 Income taxes.

The Regent Life Group anticipates that the amendments to IAS 32 will have no effect on the consolidated financial statements as the Regent Life Group has already adopted this treatment. The standard is expected to first become applicable for the financial year ending 30 June 2015.

IAS 16 Property, plant and equipment

The amendments to IAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in IAS 16 and as inventory otherwise.

The Regent Life Group anticipates that the amendments to IAS 16 will not have a significant effect on the consolidated financial statements. The standard is expected to first become applicable for the financial year ending 30 June 2015.

Standards, interpretations and amendments to published standards that are not yet effective *(continued)*

IFRS 9 Financial instruments

IFRS 9 introduced new requirements for the classification and measurement of financial assets and contains the following key requirements.

Financial assets (within the scope of IAS 39) are to be carried at amortised cost or fair value. Receivables whose contractual cash flows are solely payments of principal and interest are generally measured at amortised cost. All other receivables and equity investments are measured at their fair value.

In addition entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

For financial liabilities designated at fair value through profit or loss, IFRS 9 requires that the change in the fair value that is attributable to changes in the credit risk of that liability, be presented in other comprehensive income, unless it creates a mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss.

The Regent Life Group anticipates that the application of IFRS 9 may have a significant impact on amounts reported in respect of the Regent Life Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed. The standard is expected to first become applicable for the financial year ending 30 June 2016.

1.2 Consolidation

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

Subsidiaries

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

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

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

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

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

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

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

Associates

Associates are all entities over which the Regent 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.

1.2 Consolidation *(continued)*

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

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

1.3 Foreign currencies

Foreign currency translation

The Regent Life Group's presentation currency is 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 and accumulated in equity. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is recognised in profit or loss when the gain or loss on disposal is recognised.

1.4 Property and equipment

Property and equipment 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
Buildings	20 years

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 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.

Goodwill

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

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

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

1.6 Investment properties

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

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

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

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

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

1.7 Leases *(continued)*

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 administrative expenditure

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

1.10 Impairment of tangible and intangible assets

At 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.

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

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date the Regent Life Group commits to purchase or sell the asset. Regular way purchases or sales of financial assets require delivery of assets within the 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 and loss, the following criteria must be met:

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

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.

1.11 Financial assets *(continued)*

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 rate method. The cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest rate method. Gains and losses are recognised in the statement of comprehensive income when the investments are derecognised or impaired, as well as through the amortisation process.

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

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

1.12 Impairment of financial assets

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 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 can not 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

1.13 Derecognition of financial assets *(continued)*

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

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

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

1.14 Derivative financial instruments

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

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

1.15 Insurance receivables

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

1.16 Reinsurer's 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.

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

1.17 Cash and cash equivalents

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

1.18 Share capital

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

1.19 Classification of contracts

Insurance contracts are those contracts where the Regent Life Group (the insurer) has accepted significant insurance risk from another party (the 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 and benefits payable. Insurance contracts can also transfer financial risk.

1.19 Classification of contracts *(continued)*

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 group schemes. Premiums receivable in respect of group schemes that are due after the year end date are ignored. However, where the operating ratio exceeds 100%, a deficiency reserve would be established to offset any expected losses up until the next renewal date. Premium income on insurance contracts is shown gross of reinsurance. Premiums are shown before deduction of commission. Premium income received in advance is included in 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 from investments is recognised when the Regent Life Group's rights to receive payment have been established.

Interest income is recognised using the effective interest method by reference to the principal debt outstanding and the interest rate. 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.

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

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

Where applicable, the 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 SAP 104 issued by the ASSA and are reflected as "Policyholder liabilities under insurance contracts" on the statement of financial position.

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

Fair value adjustments to policyholder liabilities under investment contracts

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

IBNR – Insurance contracts

Provision is made in the 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.

Liability adequacy test – Insurance contracts

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

1.23 Financial liabilities

Financial liabilities comprise policyholders' liabilities under investment contracts.

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

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

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

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

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.

1.23 Financial liabilities *(continued)*

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.

Trade and other payables

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

1.24 Provisions

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

Leave pay provision

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

Employee bonus provision

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

1.25 Taxation

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

Current taxation

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

Deferred taxation

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

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

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

Dividends tax

A dividends tax became effective on 1 April 2012 and this tax is levied on non-exempt shareholders. The Regent Life Group is responsible for the collection of the dividends tax and payment of the amounts collected to the South African Revenue Service. As this tax is levied on the shareholders and not the company, it does not form part of the tax expense recognised in the statement of other comprehensive income. Dividends are reflected gross of tax.

1.26 Employee retirement benefits

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

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

For defined contribution plans, the Regent Life Group pays contributions to privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Regent Life Group has no further payment obligations once the contributions have been paid. The

1.26 Employee retirement benefits *(continued)*

contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

1.27 Share-based payments transactions

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

Equity-settled share-based payments to employees are measured at the fair value of the equity instrument at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 25.

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

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

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

1.28 Exceptional items

Exceptional items include income and expense items which are not considered to be of a trading nature and include impairments of goodwill.

1.29 Offsetting

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

1.30 Dividend distribution

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

1.31 Events after statement of financial position date

The financial statements are adjusted to reflect events that occurred between the statement of financial position date and the date when the financial statements are authorised for issue, provided they provide evidence of conditions that existed at the statement of financial position date. Events that are indicative of conditions that arose after the statement of financial position date are disclosed (if material), but do not result in an adjustment of the financial statements themselves.

1.32 Transactions with related parties

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

1.33 Key assumptions in applying accounting policies

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

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

- Policyholders' liabilities under insurance contracts are derived from estimates of the net present value of future claims and benefits under existing contracts, offset by probable future premiums to be received (net of expected service costs). The key assumptions have been detailed in note 1.22 of the accounting policies.
- The Regent Life Group holds a number of financial assets that are designated at fair value through profit/loss. These are valued at quoted market prices as far as possible. However, if such prices are unavailable, fair value is based either on internal valuations or management's best estimates of realisable amounts.
- Impairment tests are conducted on all assets included in the statement of financial position. In determining the value in use, various estimates are used by management including deriving future cash flows and applicable discount rates. These estimates are most applicable to the impairment tests on reinsurance assets, intangible assets (including goodwill), deferred acquisition costs and receivables. Further details are contained in note 1.10 and 1.12 of the accounting policies.

2. Accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

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

	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						
2013						
Balance at the beginning of the year		21 329	810	1 577	650	24 366
Additions		—	582	282	—	864
Disposals		—	(29)	—	(950)	(979)
Depreciation charge for the year	24	(1 404)	(447)	(538)	(254)	(2 643)
Accumulated depreciation on disposals		—	23	—	857	880
Arising from translation of foreign assets		8	8	11	8	35
Balance at the end of the year		19 933	947	1 332	311	22 523
Cost		24 946	7 884	5 852	1 778	40 460
Accumulated depreciation		(5 013)	(6 937)	(4 520)	(1 467)	(17 937)
Balance at the end of the year		19 933	947	1 332	311	22 523
2012						
Balance at the beginning of the year		24 135	873	1 944	833	27 785
Additions		691	581	302	375	1 949
Disposals		(1 099)	(484)	(228)	(1 518)	(3 329)
Depreciation charge for the year	24	(2 400)	(491)	(563)	(526)	(3 980)
Accumulated depreciation on disposals		—	326	114	1 482	1 922
Arising from translation of foreign assets		2	5	8	4	19
Balance at the end of the year		21 329	810	1 577	650	24 366
Cost		24 937	7 288	5 533	2 714	40 472
Accumulated depreciation		(3 608)	(6 478)	(3 956)	(2 064)	(16 106)
Balance at the end of the year		21 329	810	1 577	650	24 366

	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						
2013						
Balance at the beginning of the year		13 706	8	587	145	14 446
Disposals		—	—	—	(950)	(950)
Depreciation charge for the year	24	(557)	(3)	(265)	(52)	(877)
Accumulated depreciation on disposals		—	—	—	857	857
Balance at the end of the year		13 149	5	322	—	13 476
Cost		14 239	4 083	3 560	927	22 809
Accumulated depreciation		(1 090)	(4 078)	(3 238)	(927)	(9 333)
Balance at the end of the year		13 149	5	322	—	13 476
2012						
Balance at the beginning of the year		14 647	93	893	547	16 180
Additions		691	3	—	—	694
Disposals		(1 099)	—	—	(1 268)	(2 367)
Depreciation charge for the year	24	(533)	(88)	(306)	(366)	(1 293)
Accumulated depreciation on disposals		—	—	—	1 232	1 232
Balance at the end of the year		13 706	8	587	145	14 446
Cost		14 239	4 083	3 560	1 877	23 759
Accumulated depreciation		(533)	(4 075)	(2 973)	(1 732)	(9 313)
Balance at the end of the year		13 706	8	587	145	14 446

Property comprises the following:

- Property situated on Erf 35326 and 35327, situated in Bellville, Cape Town. The cost of the property is R6.4 million (2012: R6.4 million) and market value at 30 June 2013 is R5.7 million (2012: 5.6 million).
- Property situated on ERF 1346, situated in Die Wilgers, Pretoria. The cost of the property is R15.7 million (2012: R15.7 million) and market value at 30 June 2012 is R19 million (2012: R19 million).
- An amount of R2.8 million (2012: 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	Group 2013 R'000	Group 2012 R'000	Company 2013 R'000	Company 2012 R'000
4. Intangible assets					
Application software					
Balance at the beginning of the year		**9 300**	10 858	**7 777**	7 537
Development costs capitalised during the year		**2 320**	5 333	**555**	4 615
Amortisation for the year	24	**(7 440)**	(6 906)	**(5 874)**	(4 375)
Arising from translation of foreign currency		**1**	15	**—**	—
Balance at the end of the year		**4 181**	9 300	**2 458**	7 777
Cost		**38 712**	39 115	**34 370**	33 814
Accumulated amortisation		**(34 531)**	(29 815)	**(31 912)**	(26 037)
Net book amount		**4 181**	9 300	**2 458**	7 777
Goodwill					
Balance at the beginning of the year		**6 113**	5 401	**—**	—
Net movement on acquisition/(disposal) of subsidiaries		**2 305**	712	**—**	—
Amortisation		**(8 418)**	—	**—**	—
Balance at the end of the year		**—**	6 113	**—**	—
Total		**4 181**	15 413	**2 458**	7 777

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 as being the higher of value in use, or the fair value less costs to sell.

	Company 2013 R'000	Company 2012 R'000
5. Investments in subsidiaries		
Balance at the beginning of the year	**46 335**	45 326
Increase in interest in subsidiaries	**—**	1 009
	46 335	46 335

Regent Life Company's interest in the aggregate profit after tax in subsidiaries amounted to R56.8 million (2012: R54.1 million) and in the losses was R0.3 million (2012: R1.5 million).

Cedar Employee Benefits Proprietary Limited increased its shareholding from 84% to 100% in Cedar Healthcare Proprietary Limited and Medi Call Proprietary Limited, during the current financial year. The purchase price was R1.2 million and the fair value of assets and liabilities on purchase date was R6.2 million and R1.4 million respectively. Cedar Employee Benefits Proprietary Limited also purchased a 100% shareholding in Verso Health Proprietary Limited, the purchase price of R3.1 million was settled in cash of R1.9 million and 10% of the issued share capital of Cedar Healthcare Proprietary Limited. Upon purchase of Verso Health Proprietary Limited, the business was sold to Cedar Healthcare Proprietary Limited. The fair value of the assets and liabilities on transaction date was R0.44 million and R0.35 million respectively.

Details of subsidiaries have been provided in note 32.

	Notes	Group 2013 R'000	Group 2012 R'000	Company 2013 R'000	Company 2012 R'000
6. Investment in associate					
Balance at the beginning of the year		—	—	—	—
Share of loss in associate		(128)	—	—	—
Balance at the end of the year		(128)	—	—	—

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

	% holding	Country of incorporation	Principle activity	Reporting date
Boland Cavaliers Financial Services Proprietary Limited	25	South Africa	Financial services	30 June 2013

The directors' value of the associate approximates its carrying value.

The summarised financial information in respect of the Regent Life Group's 25% share in the associate is set out below:

	Group 2013 R'000	Group 2012 R'000	Company 2013 R'000	Company 2012 R'000
Total assets attributable	117	1	117	1
Total liabilities attributable	210	—	210	—
Net assets attributable	(93)	1	(93)	1
Revenue attributable	65	—	65	—

	Notes	Group 2013 R'000	Group 2012 R'000	Company 2013 R'000	Company 2012 R'000
7. 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		109 300	91 280	103 322	81 350
Transfer to statement of comprehensive income		18 604	18 020	20 129	21 972
Balance at the end of the year		127 904	109 300	123 451	103 322
8. Financial assets					
The Regent Life Group's financial assets are designated at fair value through profit and loss					
Fixed interest debt securities:		176 814	133 975	167 717	124 878
Governments bonds		22 249	9 097	13 152	—
Corporate bonds: listed		154 565	124 878	154 565	124 878
Equity securities: listed		211 108	163 209	202 108	163 209
Preference shares: listed		20 889	22 121	20 889	22 121
Preference shares: unlisted		50 000	15 000	50 000	15 000
Collective investment schemes		433 004	404 420	334 992	319 004
Short-term cash deposits less than one year		208 530	187 210	50 000	58 400
Total	8.1	1 100 345	925 935	825 706	702 612

	Group 2013 R'000	Group 2012 R'000	Company 2013 R'000	Company 2012 R'000
8. Financial assets *(continued)*				
8.1 Total financial assets				
Balance at the beginning of the year	**925 935**	669 514	**702 612**	540 327
Additions	**604 983**	457 013	**479 702**	303 036
Disposals	**(504 909)**	(247 789)	**(404 649)**	(172 492)
Fair value adjustment	**64 856**	47 197	**48 041**	31 741
Arising from translation of foreign asset	**9 480**	—	**—**	—
Balance at the end of the year	**1 100 345**	925 935	**825 706**	702 612

The collective investment schemes comprise balanced equity and money market portfolios in the current year. The prior year included a protected equity portfolio.

	Group 2013 R'000	Group 2012 R'000	Company 2013 R'000	Company 2012 R'000
9. Receivables including insurance receivables				
Premium debtors – insurance contracts	**41 015**	60 968	**40 647**	60 746
Prepaid expenses	**—**	2 093	**—**	2 093
Accrued interest	**4 961**	5 971	**3 441**	2 917
Other receivables	**42 541**	55 636	**9 576**	25 751
Reinsurance recoveries on intimated claims	**3 476**	10 699	**2 887**	8 821
	91 993	135 367	**56 551**	100 328
Less: Provision for impairment of receivables	**(20 013)**	(26 343)	**(16 968)**	(23 299)
Total	**71 980**	109 024	**39 583**	77 029

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.

	Group 2013 R'000	Group 2012 R'000	Company 2013 R'000	Company 2012 R'000
9. Receivables including insurance receivables *(continued)*				
Movement in the provision for impairment of receivables				
Balance at the beginning of the year	**26 343**	61 138	**23 299**	55 450
Increase/(decrease) in allowance recognised in profit or loss	**4 916**	(2 304)	**4 916**	(2 370)
Amounts written off during the year	**(11 246)**	(32 491)	**(11 247)**	(29 781)
Balance at the end of the year	**20 013**	26 343	**16 968**	23 299

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.

	Group 2013 R'000	Group 2012 R'000	Company 2013 R'000	Company 2012 R'000
9.1 Age analysis				
Ageing of total loans and other receivables (net)				
Not past due	**53 999**	52 458	**26 405**	43 917
Past due 0 – 90 days	**19 152**	6 498	**14 557**	2 551
Past due 91 – 360 days	**6 982**	8 813	**6 759**	4 317
Past due more than one year	**11 860**	67 598	**8 830**	49 543
Total	**91 993**	135 367	**56 551**	100 328
10. Due from/(to) group companies				
Due from group companies				
Due from Regent Life Group subsidiaries and associates	**756**	—	**21 051**	22 439
Due from Imperial Holdings Limited and fellow subsidiaries	—	3	—	3
Due from group companies	**756**	3	**21 051**	22 442
Due to group companies				
Due to Regent Life Group subsidiaries and associates	—	—	—	(1)
Due to Imperial Holdings Limited and fellow subsidiaries	**(7 021)**	(23 035)	**(6 836)**	(21 436)
Due to group companies	**(7 021)**	(23 035)	**(6 836)**	(21 437)
Due (to)/from group companies	**(6 265)**	(23 032)	**14 215**	1 005

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

	Group 2013 R'000	Group 2012 R'000	Company 2013 R'000	Company 2012 R'000
11. Cash and cash equivalents				
Cash at bank and on hand	**36 132**	24 173	**19 774**	20 429
Cash deposits*	**269 592**	339 261	**58 571**	127 282
Total	**305 724**	363 434	**78 345**	147 711

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

The average call rate on short-term bank deposits was 4.5% (2012: 5%).

	Group 2013 R'000	Group 2012 R'000	Company 2013 R'000	Company 2012 R'000
12. Policyholder liabilities under insurance contracts				
Movements in the insurance contract liabilities for the year were as follows:				
Balance at the beginning of the year	**464 700**	452 360	**225 686**	218 420
Transfer to statement of comprehensive income	**99 224**	17 525	**61 805**	13 904
Arising from translation of foreign liabilities	**4 620**	(5 185)	**(601)**	(6 638)
Balance at the end of the year	**568 544**	464 700	**286 890**	225 686

Process used to decide on assumptions

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

The value of insurance liabilities is based on best estimate assumptions of future experience plus compulsory margins as required in terms of SAP 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% for annuities and increased for all other assumptions.
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	For credit life an additional 30% margin was added.
Extended lives mortality	An additional 7.5% margin was added.
Lapses	20% margin in year one and two and 50% thereafter in respect of the Clicks portfolio.
All other decrements	For credit life an additional 10% margin was added.

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

12. 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 ASSA.

b) *Morbidity*

Disability and dread 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 adjusted rates are intended to reflect future expected experience.

d) *Withdrawal*

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

e) *Investment returns*

Investment return assumptions are derived by country, then by product groups with homogeneous discounted mean terms. In Botswana, and similarly for Lesotho, one investment return assumption was applied across all products, due to the homogeneity of the discounted mean term across the policy book in each country. For South Africa specifically, 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 since they have a different liability profile and discounted mean term. 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 matching 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:

	2013 %	2012 %
South Africa		
Credit life	**4.86**	4.29
Individual life	**6.58**	5.99
Disabled annuity business	**7.58**	7.17
With-profit annuity business	**7.68**	7.27
Botswana	**4.32**	4.28
Lesotho	**6.81**	6.83
Lesotho future reversionary bonus	**5**	5

12. 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 increased.

As a result of these economic changes, the actuarial liabilities increased by R28.1 million.

The non-economic assumptions were also reviewed as follows:

- As the expense experience has stabilised, the discretionary margin on the individual life per policy expenses was released. This resulted in a decrease in actuarial liabilities of R20.3 million.
- The withdrawal assumptions were adjusted within the individual life portfolio to reflect the recent lapse experience. This resulted in an increase in actuarial liabilities of R3.6 million.

As a result of these non-economic changes, the actuarial liabilities decreased by R16.7 million.

Methodology changes to the modelling of savings management charges and allocation rates as well as the mortality rates of the disability annuitants resulted in an increase to actuarial liabilities of R8.7 million.

The elimination of negative reserves belonging to a subset of the individual life book resulted in an increase in actuarial liabilities of R12.2 million.

The overall impact of all the above changes was an increase in the actuarial liabilities of R32.4 million.

Regarding Botswana, the value of liabilities as at 30 June 2013 reduced by P117 K as a result of changes to valuation assumptions.

The main assumptions changes causing this increase were as follows:

- The economic assumptions were amended to reflect the current economic environment. This resulted in a decrease in reserves of P117 K.

Regarding Lesotho, the changes detailed below were made to the assumptions. As a result the BSR of the with-profits business decreased by approximately M4.6 million and the without-profit reserves decreased by M0.6 million.

- The economic assumptions were amended to reflect the current economic environment. This resulted in an increase in reserves of M4.5 million.
- The withdrawal assumptions were amended to reflect current experience. This resulted in an increase in reserves of M1 million.
- Decrement assumptions were adjusted to reflect the current and expected future experience. This resulted in a decrease in reserves of M1.5 million.

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

Sensitivity analysis: Life operations

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

	Increase in variable	Increase in liability 2013 R'million	Increase in liability 2012 R'million
Variable			
Worsening of mortality	10% worse claims	**42.3**	36.5
Lowering of investment returns	15% lower returns	**(0.9)**	(0.6)
Worsening of base renewal expense level	10% higher expenses	**25.8**	24.3
Worsening of expense inflation	10% higher expenses inflation	**4.9**	3.1
Worsening of lapse rate	25% higher withdrawals	**38.8**	35.4

The 2013 withdrawal sensitivity has increased relative to last year. This is due to the build-up of policies relating to the 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 lapse and mortality assumptions.

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.

	Group 2013 R'000	Group 2012 R'000	Company 2013 R'000	Company 2012 R'000
13. Financial liabilities under investment contracts				
Movements in the investment contract liabilities for the year were as follows:				
Balance at the beginning of the year	**120 543**	104 521	**78 149**	67 360
Transfer from policyholder liabilities under investment contracts in terms of IAS 39				
Deposits	**10 880**	28 003	**5 625**	21 723
Payments	**(3 498)**	(9 046)	**(2 112)**	(7 999)
Fair value adjustment to policyholder liabilities under investment contracts	**16 222**	(2 935)	**13 908**	(2 935)
Balance at the end of the year	**144 147**	120 543	**95 570**	78 149

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2013

	Notes	Group 2013 R'000	Group 2012 R'000	Company 2013 R'000	Company 2012 R'000
14. Deferred taxation					
Balance at the beginning of the year		**(92 913)**	(71 133)	**(94 366)**	(72 402)
Statutory reserves and provisions	26	**(6 909)**	(22 265)	**(7 208)**	(22 648)
Capital gains taxation (CGT) deferred liability	26	**613**	684	**613**	684
Prior year over/(under) provision	26	**212**	(199)	**—**	—
Balance at the end of the year		**(98 997)**	(92 913)	**(100 961)**	(94 366)
The deferred taxation comprises:					
Bonus scheme		**(1 954)**	(1 813)	**(1 954)**	(1 813)
Provisions – current year		**2 016**	1 559	**52**	106
CGT deferred liability		**263**	(351)	**263**	(351)
Negative reserves		**(99 322)**	(92 308)	**(99 322)**	(92 308)
Balance at the end of the year		**(98 997)**	(92 913)	**(100 961)**	(94 366)
Deferred taxation asset		**1 964**	1 453	**—**	—
Deferred taxation liability		**(100 961)**	(94 366)	**(100 961)**	(94 366)
Balance at the end of the year		**(98 997)**	(92 913)	**(100 961)**	(94 366)

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

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				
2013				
Balance at the beginning of the year	**4 731**	**21 858**	**26 181**	**52 770**
Charge/(reversal) to statement of comprehensive income	**1 659**	**13 182**	**(17 410)**	**(2 569)**
Provisions utilised	**(1 587)**	**(16 176)**	**(9 464)**	**(27 227)**
Reclassification*	**—**	**—**	**18 960**	**18 960**
Arising from translation of foreign provisions	**19**	**79**	**36**	**134**
Balance at the end of the year	**4 822**	**18 943**	**18 303**	**42 068**
2012				
Balance at the beginning of the year	6 256	18 873	21 877	47 006
Charge to statement of comprehensive income	2 723	22 524	31 645	56 892
Provisions utilised	(1 578)	(19 474)	(29 001)	(50 053)
Arising from translation of foreign provisions	3	(65)	16	(46)
Reclassification*	(2 673)	—	1 644	(1 029)
Balance at the end of the year	4 731	21 858	26 181	52 770
Company				
2013				
Balance at the beginning of the year	**3 257**	**13 054**	**23 139**	**39 450**
Charge/(reversal) to statement of comprehensive income	**409**	**4 772**	**(18 525)**	**(13 344)**
Provisions utilised	**(441)**	**(8 492)**	**(8 606)**	**(17 539)**
Reclassification*	**—**	**—**	**18 960**	**18 960**
Balance at the end of the year	**3 225**	**9 334**	**14 968**	**27 527**
2012				
Balance at the beginning of the year	3 392	13 423	20 731	37 546
Charge to statement of comprehensive income	1 475	12 138	31 501	45 114
Provisions utilised	(1 610)	(12 507)	(28 763)	(42 880)
Reclassification*	—	—	(330)	(330)
Balance at the end of the year	3 257	13 054	23 139	39 450

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 internal audit, actuarial and investment management fees.

**The reclassification for the current year relates to amounts that were previously reflected in other payables while for the previous financial year it relates to external audit fees that were moved to trade and other payables as well as the severance fee provision that was reclassified from the leave provision class to other.*

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2013

	Group 2013 R'000	Group 2012 R'000	Company 2013 R'000	Company 2012 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	1 061	3 415	136	136
Later than one year and not later than five years	1 337	2 156	161	323
Balance at the end of the year	2 398	5 571	297	459
The abovementioned commitments will be funded from cash generated by operations.				
17. Insurance and other payables				
Accrued benefit payments on insurance contracts	53 879	52 762	41 988	47 472
Trade payables	123 910	173 747	108 474	153 669
Balance at the end of the year	177 789	226 509	150 462	201 141
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
8 preference shares of 1 cent each	—*	—*	—*	—*
Share premium	144 667	144 667	144 667	144 667

**Denotes an amount less than R1 000*

The directors are authorised, until the forthcoming annual general meeting, to issue the unissued shares for any purpose and upon such terms and conditions as they deem fit but subject to the provisions of the Companies Act, No 71 of 2008 and the Company's memorandum of incorporation.

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2013

	Group 2013 R'000	Group 2012 R'000	Company 2013 R'000	Company 2012 R'000
19. Net written premiums				
Individual and credit life premium income				
> Single premiums	105 967	68 936	—	—
	105 967	68 936	—	—
> Recurring premiums	550 150	498 967	500 519	450 353
> Reinsurance	(26 287)	(22 481)	(25 119)	(21 550)
	523 863	476 486	475 400	428 803
Group life premium income				
> Recurring premiums	200 585	172 477	154 072	156 934
> Reinsurance	(67 924)	(51 468)	(52 283)	(45 392)
	132 661	121 009	101 789	111 542
Total	762 491	666 431	577 189	540 345
20. Investment income				
Dividend income – subsidiaries	—	—	58 157	21 418
Dividend income – other	11 929	7 830	9 575	7 545
Interest income from investments designated at fair value through profit and loss	32 901	20 212	28 479	18 431
Interest income from cash and cash equivalents	21 271	29 987	9 966	16 066
Investment management expenses	(2 219)	(1 774)	(2 219)	(1 774)
Total	63 882	56 255	103 958	61 686
21. Investment gains				
Realised gains	9 450	5 177	9 450	5 177
> Listed instruments	9 450	5 177	9 450	5 177
Unrealised gains	55 375	47 197	38 560	31 741
> Listed instruments	55 375	47 197	38 560	31 741
Total	64 825	52 374	48 010	36 918

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2013

	Group 2013 R'000	Group 2012 R'000	Company 2013 R'000	Company 2012 R'000
22. Other operating income				
Commission	12 110	9 962	—	—
Training income*	3 576	379	—	—
Administration fees**	87 390	89 699	33 589	33 554
Rent received	2 001	463	1 404	405
Total	105 077	100 503	34 993	33 959

**Training income comprises revenue earned by Cedar Employee Benefits Proprietary Limited for courses provided.*

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

	Group 2013 R'000	Group 2012 R'000	Company 2013 R'000	Company 2012 R'000
23. Net claims and benefits incurred				
Individual life benefits:				
> Death and disability benefits	96 860	114 062	85 666	105 471
> Retrenchment and surrenders	66 699	53 538	51 280	40 820
> Annuities	12 745	14 067	12 692	14 006
> Maturities and endowments	27 552	25 191	4 511	3 591
> Reinsurance recoveries	(5 708)	(5 773)	(4 115)	(4 087)
Total	198 148	201 085	150 034	159 801
Group benefits:				
> Death, disability and retrenchment benefits	104 951	102 271	89 501	93 373
> Reinsurance recoveries	(41 150)	(42 731)	(40 324)	(36 684)
	63 801	59 540	49 177	56 689
Total	261 949	260 625	199 211	216 490

	Notes	Group 2013 R'000	Group 2012 R'000	Company 2013 R'000	Company 2012 R'000
24. Operating profit before taxation					
Operating profit before taxation is determined after taking the following into account:					
Property and equipment – depreciation	3, 27.1	**2 643**	3 980	**877**	1 293
> Property		**951**	1 947	**557**	533
> Computer and office equipment		**447**	491	**3**	88
> Furniture and fittings		**538**	563	**265**	306
> Motor vehicles		**254**	526	**52**	366
> Leasehold improvements		**453**	453	**—**	—
Impairment losses/(reversals) on financial assets		**4 916**	(2 304)	**4 916**	(2 370)
Amortisation of intangible assets – computer software	5, 27.1	**7 440**	6 906	**5 874**	4 375
Investment management expenses		**2 219**	1 774	**2 219**	1 774
Rentals under operating leases		**6 524**	7 607	**2 290**	3 499
Foreign exchange gains		**(2)**	1	**(2)**	1
Auditors' remuneration		**5 061**	4 713	**3 611**	3 520
Consultancy fees		**6 278**	8 655	**2 849**	5 999
> Actuarial		**2 892**	2 450	**2 130**	2 002
> Other		**3 386**	6 205	**719**	3 997
Legal fees		**562**	1 489	**199**	1 129
Staff costs		**107 742**	118 886	**59 572**	71 455
> Pension contributions*		**6 273**	6 214	**2 578**	2 710
> Share-based payments	25	**5 317**	3 213	**5 317**	3 213
> Salaries and wages		**96 152**	109 459	**51 677**	65 532
Profit on disposal of property and equipment	27	**253**	188	**257**	325
Number of employees		**351**	260	**205**	127

**Post-employment benefits*

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

The contributions paid by the Regent Life Group to fund obligations for the payment of retirement benefits, are charged against profit and loss in the year of payment. 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.

	Notes	Group 2013 R'000	Group 2012 R'000	Company 2013 R'000	Company 2012 R'000
25. Share-based equity reserve					
Reconciliation of share-based payment reserve:					
Opening balance		**1 998**	10 154	**1 998**	10 154
Hedge premium paid		**13 496**	2 217	**13 496**	2 217
Direct transfer to equity		**(3 689)**	(6 944)	**(3 689)**	(6 944)
Share-based equity reserve raised					
> Direct cost	24	**(5 317)**	(3 213)	**(5 317)**	(3 213)
> Tax effect		**(2 136)**	(216)	**(2 136)**	(216)
Total share-based payments equity reserve		**4 352**	1 998	**4 352**	1 998

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 the Regent Life Group, Imperial Holdings Limited, through the grant of rights to the appreciation in Imperial Holdings Limited 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.

Share Appreciation Rights Scheme

> Volatility (%)	**29.50**	30.80
> Weighted average share price (rand)	**195.20**	170.57
> Weighted average exercise price (rand)	**195.20**	170.57
> Weighted average fair value (rand)	**47.02**	43.24
> Expected life (years)	**4.32**	4.26
> Average risk-free rate (%)	**6.50**	5.85
> Expected dividend yield (%)	**3.89**	3.28

Deferred Bonus Plan

> Volatility (%)	**29.50**	30.80
> Weighted average share price (rand)	**195.20**	170.57
> Weighted average fair value (rand)	**171.89**	153.56
> Expected life (years)	**3.27**	3.20
> Average risk-free rate (%)	**6.50**	5.85
> Expected dividend yield (%)	**3.89**	3.28

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 2013

	Notes	Group 2013	Group 2012	Company 2013	Company 2012
26. Taxation					
Current taxation					
> Current year		**46 921**	33 803	**29 191**	21 383
> Capital gains taxation		**(4 361)**	(33)	**(4 361)**	(33)
> Prior year under/(over) provision		**93**	(6 385)	**536**	(6 172)
> Withholding taxation and STC		**4 777**	3 102	**4 777**	3 102
		47 430	30 487	**30 143**	18 280
Deferred taxation					
> Statutory reserves and provisions	14	**6 909**	22 264	**7 208**	22 646
> Capital gains taxation	14	**(613)**	(684)	**(613)**	(684)
> Prior year under provision	14	**(212)**	199	**—**	—
		6 084	21 779	**6 595**	21 962
		53 514	52 266	**36 738**	40 242

	Group 2013 %	Group 2012 %	Company 2013 %	Company 2012 %
Taxation rate reconciliation				
South African normal taxation rate	**28.00**	28.00	**28.00**	28.00
Non-allowable expenditure/(income)	**3.83**	1.51	**(6.27)**	2.24
Capital gains taxation	**(2.42)**	(0.10)	**(2.61)**	(0.14)
Withholding taxation and STC	**2.65**	1.61	**2.86**	2.16
Losses in subsidiaries	**(0.59)**	0.09	**—**	—
Rate differential	**(2.25)**	(0.79)	**—**	—
Prior year under/(over) provision	**0.48**	(3.30)	**—**	(4.29)
Taxation charge in statement of comprehensive income	**29.70**	27.02	**21.98**	27.97

	Notes	Group 2013 R'000	Group 2012 R'000	Company 2013 R'000	Company 2012 R'000
27. Notes to the statements of cash flows					
27.1 Cash generated from operations					
Profit before taxation		**188 692**	193 452	**167 148**	143 857
Adjustments made for non-cash items:					
Depreciation	3	**2 643**	3 980	**877**	1 293
Amortisation of intangible assets – computer software	4, 24	**7 440**	6 906	**5 874**	4 375
Fair value adjustments		**(64 825)**	(52 374)	**(48 010)**	(36 918)
Change in policyholder liabilities under insurance contracts		**95 001**	(495)	**56 057**	(8 068)
Profit on disposal of fixed assets	24	**(253)**	(188)	**(257)**	(325)
Interest income		**(54 172)**	(50 198)	**(38 445)**	(34 497)
Interest expense		**164**	9	**144**	8
Dividends received		**(11 929)**	(7 830)	**(67 732)**	(28 963)
		162 761	93 262	**75 656**	40 762
Changes in working capital					
Decrease/(increase) in trade and other receivables		**35 047**	(32 271)	**38 257**	(26 043)
(Decrease)/increase in trade and other payables		**(65 057)**	51 350	**(65 280)**	48 854
(Decrease)/increase in provisions		**(10 733)**	5 764	**(11 923)**	1 904
		(40 743)	24 843	**(38 946)**	24 715
Cash generated from operations		**122 018**	118 105	**36 710**	65 477
27.2 Investment income					
Dividends received					
Dividend received per statements of comprehensive income		**11 929**	7 830	**67 732**	28 963
Dividends received		**11 929**	7 830	**67 732**	28 963
Interest received					
Accrued interest income at the beginning of the year		**5 971**	8 943	**2 917**	5 213
Interest income per statements of comprehensive income		**54 172**	50 198	**38 445**	34 497
Accrued interest income at the end of the year		**(4 961)**	(5 971)	**(3 441)**	(2 917)
Interest received		**55 182**	53 170	**37 921**	36 793

	Group 2013 R'000	Group 2012 R'000	Company 2013 R'000	Company 2012 R'000
27. Notes to the statements of cash flows *(continued)*				
27.3 Taxation paid				
Amount receivable/(payable) at the beginning of the year	22 273	(702)	18 682	(2 426)
Amount charged to the statement of comprehensive income	(53 514)	(52 266)	(36 738)	(40 242)
Movement in share-based equity reserve	2 136	—	2 136	—
Movement in deferred tax	6 084	21 780	6 595	21 964
	(23 021)	(31 188)	(9 325)	(20 704)
Amount payable/(receivable) at the end of the year	7 912	(22 273)	6 456	(18 682)
Taxation paid	(15 109)	(53 461)	(2 869)	(39 386)
27.4 Dividends paid				
Dividends per statement of changes in equity	(131 842)	(114 900)	(128 792)	(114 900)
Dividends paid	(131 842)	(114 900)	(128 792)	(114 900)

27.5 Acquisition of subsidiaries

During the current financial year Cedar Employee Benefits Proprietary Limited increased its shareholding in its two subsidiaries, Cedar Healthcare Proprietary Limited and Medi Call Proprietary Limited, from 84% to 100%, while in the previous financial year they increased their shareholding from 65% to 84%. The fair values of the assets and liabilities at each transaction date were as follows:

	Group 2013 R'000	Group 2012 R'000	Company 2013 R'000	Company 2012 R'000
Cedar Employee Benefits Proprietary Limited				
Property and equipment	29	29	—	—
Other receivables	1 099	1 552	—	—
Cash and cash equivalents	4 978	2 859	—	—
Deferred tax asset	69	55	—	—
Provisions	(195)	(186)	—	—
Current taxation	—	241	—	—
Insurance and other payables	(1 167)	(961)	—	—
	4 813	3 589	—	—
Net cash outflow	(1 212)	(2 993)	—	(1 009)*

**This relates to an increase in the interest in Cedar Employee Benefits Proprietary Limited*

Cedar Employee Benefits Proprietary Limited also purchased 100% of Verso Health Proprietary Limited during the current financial year. Verso Health Proprietary Limited then sold its business to Cedar Healthcare Proprietary Limited. The fair value of the assets and liabilities assumed at the transaction date was as follows:

	Group 2013 R'000	Group 2012 R'000	Company 2013 R'000	Company 2012 R'000
Property and equipment	25	—	—	—
Other receivables	325	—	—	—
Cash and cash equivalents	38	—	—	—
Deferred tax asset	9	—	—	—
Provisions	(30)	—	—	—
Current taxation	44	—	—	—
Insurance and other payables	(323)	—	—	—
	88	—	—	—
Cash paid on purchase of interest	(1 867)	—	—	—
Less: cash and cash equivalent in subsidiary	38	—	—	—
Net cash outflow	(1 829)	—	—	—
Total cash outflow	(3 041)	(2 993)	—	(1 009)

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.

	Group 2013 R'000	Group 2012 R'000	**Company 2013 R'000**	Company 2012 R'000
28.2.1 Transactions with related parties				
Administration fee paid to holding company	**10 867**	6 681	**10 867**	6 681
Internal audit fee paid to holding company	**162**	145	**162**	145
Policy and administration fees paid:				
Cedar Group Proprietary Limited	**—**	—	**816**	1 246
Interest paid/(received)	**31**	(12)	**31**	(12)
Vehicle operating lease costs	**1 425**	1 972	**1 425**	1 972
28.2.2 Year-end balances with related parties				
Receivable from related parties	**756**	3	**21 051**	22 442
> Imperial Holdings Limited and subsidiaries	**—**	3	**—**	3
> Regent Life Group subsidiaries and associates	**756**	—	**21 051**	22 439
Payable to related parties	**(7 021)**	(23 035)	**(6 836)**	(21 437)
> Regent Life Group subsidiaries and associates	**—**	—	**—**	(1)
> Imperial Holdings Limited and subsidiaries	**(7 021)**	(23 035)	**(6 836)**	(21 436)

	Company 2013 R'000	Company 2012 R'000
29. Remuneration		
29.1 Directors' emoluments		
Directors' emoluments comprise:		
Executive directors' remuneration	**29 039**	45 330
> Basic remuneration	**7 034**	8 333
> Retirement and medical benefits	**490**	811
> Other incentives and benefits	**21 515**	36 186
Non-executive directors' fees	**1 303**	1 598
> HR Brody	**—**	94
> RG Cottrell	**144**	311
> C Erasmus	**416**	203
> S Handler	**—**	307
> RL Hiemstra	**—**	94
> S Masinga	**211**	198
> JPR Mbau	**100**	94
> BR Mallinson	**142**	—
> R Mumford (Zambian)	**—**	94
> RJA Sparks	**290**	203

Fees for services as director for the year ended 30 June 2012 were approved by the shareholder at the annual general meeting. 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 a total remuneration paid by both Regent Life Company and Regent Insurance Company.

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	2013 Total R'000	2012 Total R'000
Executive directors						
DD Gnodde	—	—	—	—	—	17 938
PCW Hibbit	2 018	922	—	—	2 940	2 701
AN Tennick	2 281	1 503	215	6 334	10 333	12 266
JJ Strydom	2 735	2 500	275	10 256	15 766	12 425
	7 034	4 925	490	16 590	29 039	45 330

	Commencement date	Price on commencement date (R)	Number of rights	Exercised	Number of rights remaining	Vesting date
Participation in Imperial Holdings Limited Share Appreciation Rights Scheme						
AN Tennick	18 June 2009	55.32	44 111	44 111	—	15 September 2012
	2 June 2010	96.71	26 979	—	26 979	15 September 2013
	2 June 2011	116.59	10 283	—	10 283	15 September 2014
	2 June 2012	170.57	23 979	—	23 979	26 August 2015
	11 June 2013	195.20	29 513	—	29 513	15 August 2016
JJ Strydom	18 June 2009	55.32	75 744	75 744	—	15 September 2012
	2 June 2010	96.71	25 264	—	25 264	15 September 2013
	2 June 2011	116.59	9 384	—	9 384	15 September 2014
	2 June 2012	170.57	29 342	—	29 342	26 August 2015
	11 June 2013	195.20	50 000	—	50 000	15 August 2016
PCW Hibbit	2 June 2011	116.59	6 977	—	6 977	15 September 2014
	2 June 2012	170.57	16 661	—	16 661	26 August 2015

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	Vested during the year	Balance remaining	Vesting date
Participation in Imperial Holdings Limited Deferred Bonus Plan								
AN Tennick	18 June 2009	4 301	1 734	2 567	—	1 734	—	15 September 2012
	18 June 2010	2 778	1 982	796	—	—	1 982	15 September 2013
	14 June 2011	4 425	1 530	2 895	—	—	1 530	7 September 2014
	13 June 2012	3 326	2 836	490	—	—	2 836	26 August 2015
	11 June 2013	2 567	—	—	2 567	—	—	15 August 2016
JJ Strydom	5 June 2008	1 364	1 364	—	—	—	1 364	15 September 2013
	18 June 2010	2 602	2 602	—	—	—	2 602	15 September 2013
	14 June 2011	4 039	4 039	—	—	—	4 039	7 September 2014
	13 June 2012	3 957	3 957	—	—	—	3 957	26 August 2015
	11 June 2013	3 689	—	—	3 689	—	—	15 August 2016
PCW Hibbit	14 June 2011	3 003	2 840	163	—	—	2 840	7 September 2014
	13 June 2012	2 311	1 484	827	—	—	1 484	26 August 2015

30. Critical accounting estimates and judgements in applying accounting policies

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

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. Critical accounting estimates and judgements 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

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

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

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

30.3 Fair value of investment contracts

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

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

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.

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

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

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.

Equity market price sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date. A hypothetical 1% decrease in the all share index, based on similar sensitivities used in the industry and on market conditions, would result in an estimated reduction in profit before tax of R1.9 million (2012: R2.5 million).

31. Management of insurance and financial risk *(continued)*
31.3.1 Market risk *(continued)*
Fair value hierarchy disclosures

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

	Valuations with reference to quoted prices in an active market Level 1 R'000	Valuations based on observable inputs Level 2 R'000	Total carried at fair value R'000
Financial assets held as at fair value through profit and loss			
2013			
Group			
Listed preference shares	**20 889**	**—**	**20 889**
Unlisted preference shares	**—**	**50 000**	**50 000**
Short-term deposits less than one year	**—**	**158 529**	**158 529**
Long-term deposits	**—**	**50 000**	**50 000**
Government bonds	**22 249**	**—**	**22 249**
Corporate bonds	**154 565**	**—**	**154 565**
Equities	**211 108**	**—**	**211 108**
Collective investment schemes	**433 005**	**—**	**433 005**
Total financial assets	**841 816**	**258 529**	**1 100 345**
Company			
Listed preference shares	**20 889**	**—**	**20 889**
Unlisted preference shares	**—**	**50 000**	**50 000**
Long-term deposits	**—**	**50 000**	**50 000**
Government bonds	**13 152**	**—**	**13 152**
Corporate bonds	**154 565**	**—**	**154 565**
Equities	**202 108**	**—**	**202 108**
Collective investment schemes	**334 992**	**—**	**334 992**
Total financial assets	**725 706**	**100 000**	**825 706**
2012			
Group			
Listed preference shares	185 330	—	185 330
Unlisted preference shares	—	15 000	15 000
Short-term deposits less than one year	—	187 210	187 210
Government bonds	9 097	—	9 097
Corporate bonds	124 878	—	124 878
Collective investment schemes	404 420	—	404 420
Total financial assets	723 725	202 210	925 935
Company			
Listed preference shares	185 330	—	185 330
Unlisted preference shares	—	15 000	15 000
Short-term deposits less than one year	—	58 400	58 400
Corporate bonds	124 878	—	124 878
Collective investment schemes	319 004	—	319 004
Total financial assets	629 212	73 400	702 612

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

31.3.1 Market risk *(continued)*

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

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

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

Interest rate risk

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

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

	Group 2013 %	Group 2012 %	**Company 2013 %**	Company 2012 %
Debt securities – fixed interest rate:				
> Government bonds	**8.28**	9.42	**7.50**	—
> Listed bonds	**8.55**	8.33	**8.55**	8.33
Cash at bank	**4.50**	5.00	**4.50**	5.00

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

If the interest rates had been 1% higher/lower and all other variables were held constant, the Regent Life Group's profit for the financial year ended 30 June 2013 would decrease/increase by R3.6 million (2012: R4.2 million decrease/increase).

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 operates in Botswana and its exposure arises with respect to the Botswana pula.

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

	Group 2013 Average ZAR	Group 2012 Average ZAR	Group 2013 Closing ZAR	Group 2012 Closing ZAR
Botswana pula (BWP)	**1.08803**	1.06090	**1.16266**	1.07170

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

	2013 BWP'000	2012 BWP'000
Total assets	**215 318**	182 818
Total liabilities	**97 879**	74 016
Net assets	**117 439**	108 802

Foreign currency sensitivity analysis

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

	2013 R'000	2012 R'000
Profit or loss	**346**	—*

**Denotes an amount less than R1 000*

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

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 R89 million (2012: R123 million), comprising balances with policyholders, agents, brokers and intermediaries:

	Group 2013 R'000	Group 2012 R'000	**Company 2013 R'000**	Company 2012 R'000
Policyholder short-term debtors	**41 015**	60 968	**40 647**	60 746
Agents, brokers and intermediaries	**1 519**	841	**1 519**	841
Investment debtors	**4 961**	5 971	**3 441**	2 917
Other	**41 022**	54 795	**8 057**	24 910
	88 517	122 575	**53 664**	89 414

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

Agents, brokers and intermediaries totalling R1.5 million (2012: R1.0 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 (pages 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.

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

31.3.3 Liquidity risk *(continued)*

	Total	Within 1 year R'000	1 – 5 years R'000	Over 5 years R'000
Period when cash flow is expected to become due				
2013				
Group				
Liabilities				
Net policyholder liabilities	584 787	77 349	127 375	380 063
Current taxation	52 172	52 172	—	—
Due to group companies	7 021	7 021	—	—
Insurance and other payables	177 789	177 789	—	—
Total	821 769	314 331	127 375	380 063
Company				
Liabilities				
Net policyholder liabilities	259 009	57 959	9 970	191 080
Current taxation	46 371	46 371	—	—
Due to group companies	6 836	6 836	—	—
Insurance and other payables	150 462	150 462	—	—
Total	462 678	261 628	9 970	191 080
2012				
Group				
Liabilities				
Net policyholder liabilities	475 943	64 006	91 436	320 501
Current taxation	20 207	20 207	—	—
Due to group companies	23 035	23 035	—	—
Insurance and other payables	226 509	226 509	—	—
Total	745 694	333 757	91 436	320 501
Company				
Liabilities				
Net policyholder liabilities	200 513	49 989	(9 055)	159 579
Current taxation	17 357	17 357	—	—
Due to group companies	21 437	21 437	—	—
Insurance and other payables	201 141	201 141	—	—
Total	440 448	289 924	(9 055)	159 579

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 and morbidity according to the type of contract being written and the territory in which the insured person resides. An investigation into the actual experience of the Regent Life Group over the last three years is carried out, and statistical methods are used to adjust the crude mortality rates to produce a best estimate of expected mortality for the future. The Regent Life Group maintains termination statistics to investigate the deviation of actual termination experience against assumptions. Statistical methods are used to determine appropriate termination rates. An allowance is then made for any trends in the data to arrive at the best estimate of future termination rates.

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

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

Policyholder behaviour risks

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

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

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

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

Frequency and severity of claims

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

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

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

31.4 Insurance risk *(continued)*

Terms of liabilities net of reinsurance including investment contracts

	2013 R'000	2012 R'000	2013 R'000	2012 R'000
Payable within one year	**77 349**	64 006	**57 959**	49 989
Payable between one and five years	**127 375**	91 436	**9 970**	(9 055)
Payable after five years	**380 063**	320 501	**191 080**	159 579
	584 787	475 943	**259 009**	200 513

Claims development

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

	2011 R'000	2012 R'000	2013 R'000
Group			
Insurance claims – gross			
Estimate of ultimate claim costs:			
At the end of the claim year	302 656	309 129	**308 807**
One year later	241 404	299 048	—
Two years later	266 386	—	—
Current estimate of cumulative claims	266 386	299 048	**308 807**
Cumulative payments to date	(250 591)	(289 451)	**(280 320)**
Liability recognised	15 795	9 597	**28 487**
Cumulative liability – statement of financial position			**53 879**
Insurance claims – net			
Estimate of ultimate claim costs:			
At the end of the claim year	253 980	260 625	**261 949**
One year later	200 158	250 028	—
Two years later	240 857	—	—
Current estimate of cumulative claims	240 857	250 028	**261 949**
Cumulative payments to date	(225 280)	(240 800)	**(236 351)**
Liability recognised	15 577	9 228	**25 598**
Cumulative liability – statement of financial position			**50 403**

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

31.4 Insurance risk *(continued)*

Claims development

	2011 R'000	2012 R'000	**2013 R'000**
Company			
Insurance claims – gross			
Estimate of ultimate claim costs:			
At the end of the claim year	250 144	257 261	**243 650**
One year later	241 404	250 673	—
Two years later	240 507	—	—
Current estimate of cumulative claims	240 507	250 673	**243 650**
Cumulative payments to date	(225 485)	(240 895)	**(226 462)**
Liability recognised	15 022	9 778	**17 188**
Cumulative liability – statement of financial position			**41 988**
Insurance claims – net			
Estimate of ultimate claim costs:			
At the end of the claim year	207 376	216 490	**199 211**
One year later	200 158	209 902	—
Two years later	215 333	—	—
Current estimate of cumulative claims	215 333	209 902	**199 211**
Cumulative payments to date	(200 529)	(200 314)	**(184 502)**
Liability recognised	14 804	9 588	**14 709**
Cumulative liability – statement of financial position			**39 101**

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.

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 SAP 104, as the greater of the TCAR and the OCAR. The TCAR examines a highly selective scenario in which all policies, where the surrender value is greater than the policy liability, terminate immediately. The OCAR is calculated based on a number of stress tests, which together with compulsory margins are intended to provide approximately a 95% confidence level over the long term that the insurer will be able to meet all its obligations. It explicitly includes stress tests for the following risks:

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

The Regent Life Company's CAR was covered 3.3 times at 30 June 2013 (2012: 4.7 times). The CAR is R59.1 million (2012: R49.2 million). The Regent Life Group's CAR was covered 2.7 times at 30 June 2013 (2012: 3.6 times). The CAR is R114.3 million (2012: R93.7 million).

The FSB is in the process of developing a new Solvency Assessment and Management (SAM) regime for the South African insurance industry, to be in line with international standards. The implementation date for SAM is 1 January 2016. However, certain interim requirements were introduced in 2012, which prescribes the method used to calculate the statutory capital requirement and IBNR on a more risk-sensitive basis.

32. Subsidiaries

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

Subsidiaries	Holding 2013 %	Holding 2012 %	Cost of shares R'000	Principal activity
Regent Life Botswana Limited	**100**	100	20 000	Life assurance
Lesotho National Life Assurance Company Limited	**76**	76	7 333	Life assurance
Cedar Employee Benefits Proprietary Limited	**100**	100	16 993	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	Property
			46 335	

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.

34. Events after the reporting period

Bilal Adam was appointed chief financial officer and Mari Janzen was appointed chief operations officer of the Regent Life Group with effect from 1 July 2013. No other material facts or circumstances have arisen between the reporting date and the date of this report which affect the financial position of the Regent Life Group as reflected in these annual financial statements.


Regent® Insurance
REGENT®
Go on. You're covered.
CAR AND HOME | LIFE | COMMERCIAL VEHICLES | TRAVEL | WARRANTIES

Directors’ approval and statement of responsibility

for the year ended 30 June 2013

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 147 have been prepared in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa. The Regent Insurance Group’s external auditors, Deloitte & Touche have audited the annual financial statements and their audit report appears on page 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 the Regent Insurance Group on pages 93 to 147 were approved by the board of directors on 30 October 2013 and are signed on its behalf by:

HR Brody
Chairman

30 October 2013

JJ Strydom
Chief executive officer

30 October 2013

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 the Regent Insurance Company has lodged with the Registrar of Companies, for the financial year ended 30 June 2013, 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.

WP Behrens
Company secretary

30 October 2013

Independent auditors' report

to the shareholder of Regent Insurance Company Limited for the year ended 30 June 2013

Report on the financial statements

We have audited the group annual financial statements and annual financial statements of Regent Insurance Company Limited, set out on pages 98 to 147, which comprise the statements of financial position as at 30 June 2013, the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

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 the requirements of the Companies Act of South Africa, and for such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' 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 auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. 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 positions of Regent Insurance Company Limited as at 30 June 2013, and of its consolidated and separate financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the financial statements for the year ended 30 June 2013, we have read the directors' report, the audit committee's report and the company secretary's certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Deloitte + Touche

Deloitte & Touche

Registered auditor

Per: **D Jorge**

Partner
30 October 2013

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

Audit committee report

for the year ended 30 June 2013

Audit committee report

The audit committee presents its report for the year ended 30 June 2013. The audit committee is an independent statutory committee, as well as a committee of the board in respect of other duties assigned to it by the board. The committee has conducted its affairs in compliance with the board approved terms of reference and has discharged its responsibilities contained herein.

Objectives and scope

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

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

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

Committee performance

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

	7 August 2012	12 February 2013	4 June 2013	4 June 2013
RG Cottrell (Chairman) (passed away 5 November 2012)	√	√	n/a	n/a
C Erasmus	√	√	√	√
BR Mallinson (Chairman) (appointed 1 January 2013)	n/a	n/a	√	√
RJA Sparks	√	√	√	√

Legend:

√ Present   n/a Not applicable

Audit committee report (continued)

for the year ended 30 June 2013

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 2013;
- considered the effectiveness of internal audit, and approved their annual plan and the rolling three-year internal audit plan;
- received and reviewed reports from the CRO on the enterprise risk management process; and
- satisfied itself that the chief financial officer of the company possesses the appropriate expertise and experience to meet the responsibilities of that position and that the company's finance function is staffed with adequately experienced and qualified people.

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

Membership and constitution

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

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

External audit

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

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 2014 financial year for Regent Insurance Company. Mrs D Jorge is the designated auditor for Regent Insurance Company. In terms of the rotation requirements of the Companies Act, this will be Mrs Jorge's third year as designated auditor.

Annual report

Having considered the annual report of the Regent Insurance Group, incorporating the annual financial statements, for the year ended 30 June 2013, the committee recommends the annual report for approval to the board.

Complaints

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

BR Mallinson

Chairman of the audit committee

30 October 2013

Directors' report

for the year ended 30 June 2013

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 2013.

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.

	% held	Country of incorporation
Subsidiaries		
Regent Insurance Botswana Proprietary Limited	100	Botswana
Regent Reinsurance Management Proprietary Limited	100	South Africa
Motor Compliance 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 Proprietary Limited	60	Lesotho
SA Warranties Proprietary Limited	100	South Africa
Paint Tech Maintenance Proprietary Limited	100	South Africa
Associates		
Mobility Insurance Underwriting Managers Proprietary Limited	30	South Africa
Pan African Underwriters Proprietary Limited	30	South Africa

Regent Insurance Company's interest in the aggregate profit after tax in subsidiaries amounted to R109.6 million (2012: R75.9 million) and in the losses amounted to Rnil (2012: Rnil).

Dividends

Dividends of R338.7 million (2012: R331.5 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:

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

None of the 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

Bilal Adam was appointed chief financial officer and Mari Janzen was appointed chief operations officer of the Regent Insurance Group with effect from 1 July 2013. No other material facts or circumstances have arisen between the reporting date and the date of this report which affect the financial position of the Regent Insurance Group as reflected in these annual financial statements.

Financial performance

The underwriting result increased by R11 million compared to the previous financial year, mainly due to a reduction in commission and acquisition costs. Operating profit before taxation increased by R85 million over the same period. The increase in investment income due mainly to improved equity returns compared to the previous financial year was the main driver for the increase of operating profit before taxation.

Directors' report (continued)

for the year ended 30 June 2013

Board of directors to the date of this report

HR Brody (Chairman, non-executive director)

Executive directors

PCW Hibbit (Chief financial officer) (retired 30 June 2013)
JJ Strydom (Chief executive officer)
AN Tennick (Executive director)

Non-executive directors

M Akoojee (appointed 1 October 2012)
RG Cottrell (passed away 5 November 2012)
C Erasmus
BJ Francis
RL Hiemstra (retired 30 September 2012)
BR Mallinson (appointed 1 January 2013)
S Masinga
JPR Mbau
R Mumford
RJA Sparks

Audit committee

Independent non-executive directors

RG Cottrell (Chairman) (passed away 5 November 2012)
C Erasmus
BR Mallinson (Chairman) (appointed 1 January 2013)
RJA Sparks

Investment committee

Executive directors

PCW Hibbit (retired 30 June 2013)
JJ Strydom
AN Tennick

Non-executive directors

RL Hiemstra (retired 30 September 2012)
M Akoojee (appointed 1 October 2012)

Independent non-executive directors

C Erasmus
RJA Sparks

External

W Reitsma (Chairman)

Actuarial committee

Executive directors

PCW Hibbit (retired 30 June 2013)
JJ Strydom
AN Tennick

Independent non-executive directors

C Erasmus (Chairman)

External

PC Falconer (Statutory actuary)

Risk committee

Executive directors

PCW Hibbit (retired 30 June 2013)
JJ Strydom
AN Tennick

Non-executive directors

BJ Francis

Independent non-executive directors

S Masinga (Chairman)
RG Cottrell (passed away 5 November 2012)
C Erasmus
BR Mallinson (appointed 1 January 2013)

Other

R Haman (resigned 31 October 2012)

Directors' report (continued)

for the year ended 30 June 2013

Board meetings

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

	15 August 2012	24 October 2012	18 February 2013	12 June 2013
Executive directors				
PCW Hibbit	√	√	√	√
JJ Strydom	√	√	√	√
AN Tennick	√	√	√	√
Non-executive directors				
M Akoojee	na	√	√	√
HR Brody	√	√	√	√
BJ Francis	√	√	√	√
RL Hiemstra	√	na	na	na
R Mumford	√	√	√	√
Independent non-executive directors				
RG Cottrell	√	√	na	na
C Erasmus	√	√	√	√
BR Mallinson	na	na	√	√
S Masinga	ap	√	ap	√
JPR Mbau	√	√	ap	√
RJA Sparks	√	√	√	√

Legend

✓ Present   ap Absent with apology   n/a Not applicable

Company secretary

WP Behrens

The addresses of the secretary of the Regent Insurance 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

as at 30 June 2013

	Notes	Group 2013 R'000	Group 2012 R'000	Company 2013 R'000	Company 2012 R'000
ASSETS					
Property and equipment	3	**110 018**	112 171	**79 331**	80 505
Investment property	4	**—**	2 204	**—**	—
Intangible assets	5	**13 553**	12 095	**9 385**	6 444
Investments in subsidiaries	6	**—**	—	**81 915**	81 915
Investments in associates	7	**(1 444)**	(330)	**(330)**	(330)
Reinsurers' share of outstanding claims	8	**112 919**	142 468	**100 856**	126 509
Reinsurers' share of unearned premiums	8	**17 499**	12 672	**375**	6 030
Financial assets	9	**1 807 339**	1 292 091	**1 450 464**	1 150 725
Non-current assets held for sale	10	**3 175**	1 099	**—**	—
Agents and other insurers' balances	11	**128 975**	117 100	**57 189**	51 208
Deferred tax asset	12	**7 995**	8 374	**—**	—
Current taxation		**75 460**	67 332	**79 334**	64 049
Other receivables including insurance receivables	14	**29 582**	32 379	**21 495**	19 422
Due from group companies	15	**8 783**	24 316	**8 271**	24 478
Cash and cash equivalents	16	**418 487**	718 899	**207 699**	378 312
Total assets		**2 732 341**	2 542 870	**2 095 984**	1 989 267
LIABILITIES					
Outstanding claims	8	**643 423**	633 463	**527 719**	531 472
Unearned premiums	8	**496 922**	487 470	**383 694**	391 572
Agents' and other insurers' balances	11	**62 882**	17 382	**62 290**	16 851
Deferred tax liability	12	**45 627**	14 294	**35 526**	6 320
Provisions	17	**170 066**	162 560	**59 758**	55 601
Current taxation		**407**	37	**—**	—
Due to group companies	15	**—**	—	**1 236**	1 935
Insurance and other payables	18	**147 024**	183 314	**65 057**	111 890
Total liabilities		**1 566 350**	1 498 520	**1 135 280**	1 115 641
EQUITY					
Share capital	19	**2 940**	2 940	**2 940**	2 940
Share premium	19	**452 564**	452 564	**452 564**	452 564
Subordinated debt capital	28.2.2	**200 000**	—	**200 000**	—
Statutory reserve*		**83 885**	64 808	**—**	—
Share-based equity reserve	26	**(12 219)**	(2 856)	**(12 219)**	(2 856)
Foreign currency translation reserve		**(25 281)**	(30 200)	**—**	—
Retained earnings		**168 868**	246 678	**60 189**	140 547
Equity attributable to the equity holders of the parent		**870 757**	733 934	**703 474**	593 195
Non-controlling interests		**295 234**	310 416	**257 230**	280 431
Total equity		**1 165 991**	1 044 350	**960 704**	873 626
Total equity and liabilities		**2 732 341**	2 542 870	**2 095 984**	1 989 267

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

Statements of comprehensive income

for the year ended 30 June 2013

	Notes	Group 2013 R'000	Group 2012 R'000	Company 2013 R'000	Company 2012 R'000
Gross written premiums		2 232 300	2 193 814	1 827 458	1 823 704
Outward reinsurance premiums		(192 425)	(215 251)	(84 895)	(133 364)
Net written premiums		2 039 875	1 978 563	1 742 563	1 690 340
Change in provision for unearned premium		(86)	(9 895)	2 223	(4 676)
> Change in gross provision		(894)	(3 948)	7 878	1 800
> Reinsurers' share		808	(5 947)	(5 655)	(6 476)
Net premiums earned	20	2 039 789	1 968 668	1 744 786	1 685 664
Commission income		34 052	43 831	14 935	27 132
Investment income	21	105 360	106 400	157 648	136 284
Investment gains	22	106 088	30 991	97 459	27 163
Other operating income	23	98 967	86 065	43 593	41 355
Net income		2 384 256	2 235 955	2 058 421	1 917 598
Net claims incurred		(1 157 621)	(1 078 266)	(1 017 572)	(933 771)
> Gross insurance claims paid	24	(1 212 119)	(1 179 490)	(1 090 418)	(1 029 045)
> Reinsurers' share of claims paid	24	89 973	106 928	94 746	85 547
> Change in provision for outstanding claims	24	(559)	9 543	3 753	23 154
> Change in reinsurers' share of provision for outstanding claims	24	(34 916)	(15 247)	(25 653)	(13 427)
Finance costs		(5 009)	(5 866)	(4 922)	(5 787)
Commission and acquisition expenses		(475 742)	(521 529)	(409 233)	(429 420)
General marketing and administration expenses		(424 987)	(394 150)	(371 926)	(365 418)
Operating profit before taxation	25	320 897	236 144	254 768	183 202
Share of (loss)/profit from associate		(1 114)	1 645	—	(330)
Subordinated debt finance cost		(12 426)	—	(12 426)	—
Goodwill impairment		(781)	—	—	—
Profit before taxation	25	306 576	237 789	242 342	182 872
Taxation	13	(67 393)	(59 054)	(30 522)	(31 982)
Profit after taxation		239 183	178 735	211 820	150 890
Other comprehensive income					
Currency translation differences		4 919	(5 608)	—	—
Total comprehensive income for the year		244 102	173 127	211 820	150 890
Profit attributable to:					
Equity owners of the company		130 707	91 735	116 723	69 027
Non-controlling interests		108 476	87 000	95 097	81 863
		239 183	178 735	211 820	150 890
Total comprehensive income attributable to:					
Equity owners of the company		135 626	86 127	116 723	69 027
Non-controlling interests		108 476	87 000	95 097	81 863
		244 102	173 127	211 820	150 890

Statements of changes in equity

for the year ended 30 June 2013

Group	Share capital* R'000	Share premium R'000	Statutory reserve R'000	Share-based equity reserve R'000	Foreign currency translation reserve R'000	Retained earnings R'000	Sub-ordinated debt capital R'000	Non-controlling interests R'000	Total R'000
Balance at 1 July 2011	2 940	452 564	192 087	(8 630)	(24 592)	339 496	—	236 515	1 190 380
Net profit for the year	—	—	—	—	—	91 735	—	87 000	178 735
Other comprehensive income									
Arising from translation of foreign entity	—	—	—	—	(5 608)	—	—	—	(5 608)
Total comprehensive income for the year ended 30 June 2012	—	—	—	—	(5 608)	91 735	—	87 000	173 127
Transfer to statutory reserve	—	—	(127 279)	—	—	137 452	—	—	10 173
Share-based equity reserve transferred to retained earnings on vesting	—	—	—	3 596	—	(3 596)	—	—	—
Share-based equity				2 178	—	—	—	—	2 178
Dividends paid	—	—	—	—	—	(318 409)	—	(13 099)	(331 508)
Balance at 30 June 2012	2 940	452 564	64 808	(2 856)	(30 200)	246 678	—	310 416	1 044 350
Net profit for the year	—	—	—	—	—	130 707	—	108 476	239 183
Other comprehensive income									
Arising from translation of foreign entity	—	—	—	—	4 919	—	—	—	4 919
Total comprehensive income for the year ended 30 June 2013	—	—	—	—	4 919	130 707	—	108 476	244 102
Non-controlling interest capital movement	—	—	—	—	—	—	—	15 000	15 000
Debt issue	—	—	—	—	—	—	200 000	—	200 000
Transfer to statutory reserve	—	—	19 077	—	—	(11 436)	—	—	7 641
Share-based equity reserve transferred to retained earnings on vesting	—	—	—	(2 919)	—	2 919	—	—	—
Share-based equity	—	—	—	(6 444)	—	—	—	—	(6 444)
Dividends paid	—	—	—	—	—	(200 000)	—	(138 658)	(338 658)
Balance at 30 June 2013	2 940	452 564	83 885	(12 219)	(25 281)	168 868	200 000	295 234	1 165 991
Company									
Balance at 1 July 2011	2 940	452 564	150 692	(8 630)	—	242 833	—	206 956	1 047 355
Net profit for the year	—	—	—	—	—	69 027	—	81 863	150 890
Other comprehensive income									
Arising from translation of foreign entity	—	—	—	—	—	—	—	—	—
Total comprehensive income for the year ended 30 June 2012	—	—		—	—	69 027	—	81 863	150 890
Transfer from statutory reserve	—	—	(150 692)	—	—	150 692	—	—	—
Share-based equity reserve transferred to retained earnings on vesting	—	—	—	3 596	—	(3 596)	—	—	—
Share-based equity	—	—	—	2 178	—	—	—	—	2 178
Dividends paid	—	—	—	—	—	(318 409)	—	(8 388)	(326 797)
Balance at 30 June 2012	2 940	452 564	—	(2 856)	—	140 547	—	280 431	873 626
Net profit for the year	—	—	—	—	—	116 723	—	95 097	211 820
Other comprehensive income									
Arising from translation of foreign entity	—	—	—	—	—	—	—	—	—
Total comprehensive income for the year ended 30 June 2013	—	—	—	—	—	116 723	—	95 097	211 820
Non-controlling interest capital movement	—	—	—	—	—	—	—	15 000	15 000
Debt issue	—	—	—	—	—	—	200 000	—	200 000
Share-based equity reserve transferred to retained earnings on vesting	—	—	—	(2 919)	—	2 919	—	—	—
Share-based equity	—	—	—	(6 444)	—	—	—	—	(6 444)
Dividends paid	—	—	—	—	—	(200 000)	—	(133 298)	(333 298)
Balance at 30 June 2013	2 940	452 564	—	(12 219)	—	60 189	200 000	257 230	960 704

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

Statements of cash flows

for the year ended 30 June 2013

	Notes	Group 2013 R'000	Group 2012 R'000	Company 2013 R'000	Company 2012 R'000
Cash flow from operating activities					
Cash generated from operations	27.1	**194 254**	200 577	**38 853**	61 358
Interest received	27.2	**83 993**	136 093	**57 643**	111 371
Interest paid		**(17 435)**	(5 866)	**(17 348)**	(5 787)
Share-based equity movement		**(9 363)**	(5 775)	**(9 363)**	(5 775)
Taxation paid	27.3	**(42 468)**	(63 105)	**(15 627)**	(35 319)
Net cash inflow from operating activities		**208 981**	260 924	**54 158**	125 848
Cash flows from investing activities					
Acquisition of property and equipment		**(12 423)**	(23 104)	**(11 708)**	(21 092)
Additions of intangible assets		**(7 722)**	(6 528)	**(7 723)**	(6 366)
Proceeds on sale of property and equipment		**655**	741	**166**	203
Proceeds on sale of non-current asset held for sale		**—**	7 900	**—**	—
Proceeds on sale of client lists		**10 250**	5 000	**10 250**	5 000
Proceeds on sale of financial assets		**1 204 255**	1 395 300	**1 202 183**	1 358 788
Acquisition of financial assets		**(1 609 967)**	(1 284 002)	**(1 401 015)**	(1 165 760)
Net cash outflow on acquisition of subsidiary	27.4	**—**	(10 379)	**—**	—
Net cash outflow on acquisition of new division		**(2 000)**	—	**(2 000)**	—
Investment in associate movement		**(837)**	(136)	**—**	475
Dividends received	27.2	**20 925**	7 077	**103 374**	67 979
Net cash outflow from investing activities		**(396 864)**	91 869	**(106 473)**	239 227
Cash flow from financing activities					
Dividends paid		**(338 658)**	(331 508)	**(333 298)**	(326 797)
Subordinated equity loan		**200 000**	—	**200 000**	—
Non-controlling interest capital movement		**15 000**	—	**15 000**	—
Net cash outflow from financing activities		**(123 658)**	(331 508)	**(118 298)**	(326 797)
Net increase in cash and cash equivalents		**(311 541)**	22 285	**(170 613)**	38 278
Foreign currency translation differences on cash balances		**11 129**	2 226	**—**	—
Cash and cash equivalents at the beginning of the year		**718 899**	694 388	**378 312**	340 034
Cash and cash equivalents at the end of the year		**418 487**	718 899	**207 699**	378 312

Notes to the consolidated annual financial statements

for the year ended 30 June 2013

1. Summary of significant accounting policies

Statement of compliance

The consolidated and separate annual financial statements are stated in South African rand and are prepared in accordance with IFRS and its interpretations adopted by the IASB in issue and effective for the Regent Insurance Group at 30 June 2013 and the AC 500 standards as issued by the Accounting Practices Board or its successor and the Companies Act of South Africa, 2008.

Accounting policies

The principal accounting policies adopted and the methods of computation used in the preparation of these consolidated and separate annual financial statements are set out below and are consistent in all material respects with those applied during the previous year.

1.1 Basis of preparation

IFRS comprise IAS and interpretations originated by the IFRIC or the former SIC. The statements 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 2012 and in compliance with the Companies Act, No 71 of 2008.

The consolidated and separate 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;
- Liabilities for cash-settled share-based payment arrangements.

Changes in accounting policies and disclosures

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

- *IAS 1 Presentation of items of other comprehensive income*
- *IAS 12 Deferred tax – Recovery of underlying assets*

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

Standards, interpretations and amendments to 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 annual financial statements of the Regent Insurance Group:

IFRS 4 – Insurance contracts

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

The Regent Insurance Group is currently assessing the impact of the changes to the standard on its results, financial position and cash flows.

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

IFRS 7 Disclosures – Offsetting financial assets and financial liabilities

The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The Regent Insurance Group anticipates that the application of the amendments to IFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future. The standard is expected to first become applicable for the financial year ending 30 June 2014.

IFRS 7 Disclosures – Transfers of financial assets

This amendment increases the disclosure requirements for transactions involving the transfer of financial assets in order to provide greater transparency around risk exposures when financial assets are transferred.

The Regent Insurance Group anticipates that the application of this amendment may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future. The standard is expected to first become applicable for the financial year ending 30 June 2014.

IAS 32 Financial instruments

The amendments to IAS 32 clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The Regent Insurance Group anticipates that the application of the amendments to IAS 32 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future. The standard is expected to first become applicable for the financial year ending 30 June 2014.

IFRS 10 Consolidated financial statements

IFRS 10 replaces parts of IAS 27 Consolidated and separate financial statements that deal with consolidated financial statements and introduces a single control model for consolidation.

IFRS 10 provides guidance on when a subsidiary should be consolidated. It builds on the control guidance that existed in IAS 27 – Consolidated and separate financial statements and SIC 12 – Consolidation of special purpose entities, adding additional context, explanation and application guidance that is consistent with the definition of control. IFRS 10 requires assessment of whether the investor has the power to direct the relevant activities of an entity so as to obtain benefits. These entities are consolidated by the investor. Once it has been determined under IFRS 10 that an entity should be consolidated, the actual consolidation principals remain the same as under IAS 27.

SIC-12 Consolidation – Special purpose entities will be withdrawn upon the effective date of IFRS 10.

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

IFRS 11 Joint arrangements

IFRS 11 replaces IAS 31 – Joint ventures. Where joint arrangements exist the investor is required to assess whether the joint arrangement is a joint operation or a joint venture, based on the legal structure of the investee and the investor's rights to and obligations for the underlying assets and liabilities of the investee. Joint operations are accounted for in the financial statements of the investor by including the investor's share of the assets, liabilities, income and expenses of the investee while joint ventures are accounted for using the equity method of accounting.

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

IFRS 12 Disclosure of interests in other entities

Disclosure requirements on subsidiaries, joint arrangements, associates and involvement in unconsolidated structured entities are prescribed in IFRS 12. The disclosure requirements in IFRS 12 are more extensive than those in the current standards.

The adoption of IFRS 12 is not expected to have an impact on the group's results, financial position or cash flows but could result in more disclosures. The standard is expected to first become applicable for the financial year ending 30 June 2014.

IFRS 13 Fair value measurement

IFRS 13 defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. It applies to both financial instrument items and non-financial instrument items for which other international financial reporting standards require or permit fair value measurements and disclosures about fair value measurements. It does not specify when an asset, liability or equity instrument must be measured at fair value but when one of the other standards requires fair value measurement the guidance of IFRS 13 is applied to determine that fair value.

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to settle a liability in an orderly transaction between market participants at the measurement date. Fair value is an exit market based measure (i.e. the price to sell an asset or transfer a liability) rather than an entry price (i.e. price to buy an asset or incur a liability).

The disclosure requirements in IFRS 13 are more extensive than those required in the current standards.

The application of IFRS 3 may result in changes to the measurement of certain of the group's assets and liabilities although initial high level assessments indicate these are unlikely to be significant. The Regent Insurance Group anticipates that the application of the new standard may result in more extensive disclosures in the consolidated financial statements. The standard is expected to first become applicable for the financial year ending 30 June 2014.

IAS 19 Employee benefits

The amendments to IAS 19 require all actuarial gains and losses to be recognised immediately through other comprehensive income so that the net pension asset or liability reflects the full value of the plan deficit or surplus. The interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a 'net-interest' amount, which is calculated by applying the discount rate to the net defined benefit liability or asset.

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

IAS 32 Financial instruments presentation

The amendments to IAS 32 clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with IAS 12 Income taxes.

The Regent Insurance Group anticipates that the amendments to IAS 32 will have no effect on the consolidated financial statements as the Regent Insurance Group has already adopted this treatment. The standard is expected to first become applicable for the financial year ending 30 June 2015.

IAS 16 Property, plant and equipment

The amendments to IAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in IAS 16 and as inventory otherwise.

The Regent Insurance Group anticipates that the amendments to IAS 16 will not have a significant effect on the consolidated financial statements. The standard is expected to first become applicable for the financial year ending 30 June 2015.

IFRS 9 Financial instruments

IFRS 9 introduced new requirements for the classification and measurement of financial assets and contains the following key requirements.

Financial assets (within the scope of IAS 39) are to be carried at amortised cost or fair value. Receivables whose contractual cash flows are solely payments of principal and interest are generally measured at amortised cost. All other receivables and equity investments are measured at their fair value.

In addition entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

For financial liabilities designated at fair value through profit or loss, IFRS 9 requires that the change in the fair value that is attributable to changes in the credit risk of that liability, be presented in other comprehensive income, unless it creates a mismatch in profit and loss.

Standards, interpretations and amendments to published standards that are not yet effective *(continued)*

Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss.

The Regent Insurance Group anticipates that the application of IFRS 9 may have a significant impact on amounts reported in respect of the Regent Insurance Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed. The standard is expected to first become applicable for the financial year ending 30 June 2016.

1.2 Consolidation

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

Subsidiaries

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

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

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

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

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

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

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

Associates

Associates are all entities over which the Regent Insurance Group has significant influence that is neither a subsidiary nor an interest in a joint venture. Significant influence is presumed to exist when the Regent Insurance Group holds between 20 and 50 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.

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2013

1.3 Foreign currencies *(continued)*

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 and accumulated in equity. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is recognised in profit or loss when the gain or loss on disposal is recognised.

1.4 Property and equipment

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

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

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

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

Where the carrying amount of the asset is greater than its estimated recoverable amount, the asset is written down immediately to its recoverable amount. Gains and losses on disposal are determined by reference to the carrying amount of the asset and the net 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, not exceeding a period of three years. Where the carrying amount of an asset is greater than its estimated recoverable amount, the asset is written down immediately to its recoverable amount.

Amortisation of intangibles

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

- Computer software development 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.

1.5 Intangible assets *(continued)*

Goodwill

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

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

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

1.6 Investment properties

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

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

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.

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, whilst the property is depreciated over its useful life. Leased assets under finance leases are treated in the same manner as owned fixed assets.

Operating leases

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

1.9 Acquisition costs associated with insurance contracts

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

1.10 Operating and administration expenditure

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

1.11 Impairment of tangible and intangible assets

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

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

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

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

1.12 Financial assets

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

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

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date the Regent Insurance Group commits to purchase or sell the asset. Regular way purchases or sales of financial assets require delivery of assets within the 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 and loss, the following criteria must be met:

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

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

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

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

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

1.12 Financial assets *(continued)*

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

1.13 Impairment of financial assets

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

The Regent Insurance Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and 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 can not be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return of a similar asset.

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

1.14 Derecognition of financial assets

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

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

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

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

1.15 Derivative financial instruments

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

1.15 Derivative financial instruments *(continued)*

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

1.16 Agents' and other insurers' balances

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

1.17 Insurance receivables

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

1.18 Cash and cash equivalents

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

1.19 Share capital

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

1.20 Classification of insurance contracts

Insurance contracts are those contracts where the Regent Insurance Group has accepted significant insurance risk from another party (the policyholder) by agreeing to compensate the 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.

1.21 Income recognition

Premiums

Gross written premiums comprise the premiums on insurance contracts entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period. Premiums are disclosed gross of commission to intermediaries and exclude Value Added Tax. Premiums written include adjustments to premiums written in prior accounting periods.

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

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

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

Unearned premiums

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

Reinsurance contracts

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

1.21 Income recognition *(continued)*

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

Investment income

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

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

1.22 Claims recognition

Insurance contracts

Underwriting results

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

Unexpired risk provision

Provision is made for unexpired risks arising to the extent that the expected value of claims and claims handling expenses attributable to the unexpired periods of contracts in force at the statement of financial position date exceeds the unearned premiums provision in relation to such contracts and attributable investment income after the deduction of any deferred acquisition costs.

Cash-back provisions

A provision is made for the accrued expected obligations to policyholders to the extent that the premiums for these benefits are already received and other terms and conditions are met within the period leading up to the expected cash back.

Deferred acquisition costs

The costs of acquiring new and renewal insurance business that is commission and other acquisition costs, primarily related to the term products of that business, are deferred. Deferred acquisition costs are amortised on a pro rata basis over the contract term. Similarly, any reinsurance commissions received are deferred and recognised as income over the term of the reinsurance contract.

Liability adequacy test – Insurance contracts

At each reporting date the adequacy of the insurance liabilities is assessed. This is done using an unearned premium approach for pre-claims liabilities and by using a statistical approach for the claims liabilities. The claims liabilities are reported at a 75% level of sufficiency, claims liabilities are thus expected to be sufficient three out of every four years. If that assessment shows that the carrying amount of the insurance liabilities (less related deferred acquisition costs) is inadequate in the light of the estimated future cash flows, the insurance liability is increased and the deficiency is recognised as a loss.

1.24 Financial liabilities

Trade and other payables

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

1.25 Provisions

Provisions are recognised when the Regent Insurance Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Regent Insurance Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain

1.25 Provisions *(continued)*

and the amount can be measured reliably. The expense relating to any provision is presented in the statement of comprehensive income. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at pre-tax rates that reflect current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

Leave pay provision

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

Employee bonus provision

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

1.26 Taxation

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

Current taxation

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

Deferred taxation

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

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

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

Dividends tax

A dividends tax became effective on 1 April 2012 and this tax is levied on non-exempt shareholders. The Regent Insurance Group is responsible for the collection of the dividends tax and payment of the amounts collected to the South African Revenue Service. As this tax is levied on the shareholders and not the company, it does not form part of the tax expense recognised in the statement of other comprehensive income. Dividends are reflected gross of tax.

1.27 Employee retirement 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.

1.28 Share-based payments transactions

The Imperial Holdings Group operates equity-settled share-based compensation plans. Senior employees and executives of the Regent Insurance Group participate in the plan and Regent Insurance Group bears the costs thereof.

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

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

1.28 Share-based payments transactions *(continued)*

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

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

1.29 Exceptional items

Exceptional items include income and expense items which are not considered to be of a trading nature and include impairments of goodwill.

1.30 Offsetting

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

1.31 Dividend distribution

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

1.32 Events after the statement of financial position date

The financial statements are adjusted to reflect events that occurred between the statement of financial position date and the date when the financial statements are authorised for issue, provided they provide evidence of conditions that existed at the statement of financial position date. Events that are indicative of conditions that arose after the statement of financial position date are disclosed (if material), but do not result in an adjustment of the financial statements themselves.

1.33 Transactions with related parties

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

1.34 Key assumptions in applying accounting policies

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

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

- The Regent Insurance Group holds a number of financial assets that are held at fair value through profit and loss. These are valued at quoted market prices as far as possible. However, if such prices are unavailable, fair value is based either on internal valuations or management's best estimates of realisable amounts.
- Impairment tests are conducted on all assets included in the statement of financial position. In determining the value in use, various estimates are used by management including deriving future cash flows and applicable discount rates. These estimates are most applicable to the impairment tests on reinsurance assets, intangible assets (including goodwill), deferred acquisition costs and receivables. Further details are contained in note 1.13 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 judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

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

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2013

	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						
2013						
Balance at the beginning of the year		86 314	16 969	7 458	1 430	112 171
Additions		2 391	8 394	1 479	159	12 423
Disposals		(558)	(1 984)	(928)	(480)	(3 950)
Reclassification		—	10	(10)	—	—
Depreciation charge for the year	25	(4 207)	(9 122)	(1 888)	(399)	(15 616)
Accumulated depreciation on disposals		511	1 979	587	319	3 396
Arising from translation of foreign assets		1 508	5	58	23	1 594
Balance at the end of the year		85 959	16 251	6 756	1 052	110 018
Cost		94 033	53 186	14 656	2 507	164 382
Accumulated depreciation and impairments		(8 074)	(36 935)	(7 900)	(1 455)	(54 364)
Balance at the end of the year		85 959	16 251	6 756	1 052	110 018
2012						
Balance at the beginning of the year		66 254	16 200	3 223	965	86 642
Additions		23 228	15 017	5 724	957	44 926
Disposals		(23)	(381)	(204)	(290)	(898)
Reclassification to intangible assets		—	(4 965)	—	—	(4 965)
Depreciation charge for the year	25	(3 164)	(9 088)	(1 311)	(372)	(13 935)
Accumulated depreciation on disposals		19	181	8	161	369
Arising from translation of foreign assets		—	5	18	9	32
Balance at the end of the year		86 314	16 969	7 458	1 430	112 171
Cost		90 62	46 472	14 002	2 797	153 883
Accumulated depreciation and impairments		(4 298)	(29 503)	(6 544)	(1 367)	(41 712)
Balance at the end of the year		86 314	16 969	7 458	1 430	112 171

	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						
2013						
Balance at the beginning of the year		**58 913**	**15 430**	**6 162**	**—**	**80 505**
Additions		**2 390**	**7 894**	**1 424**	**—**	**11 708**
Reclassification to intangible assets		**—**	**—**	**—**	**—**	**—**
Disposals		**—**	**—**	**—**	**(264)**	**(264)**
Depreciation charge for the year	25	**(3 143)**	**(8 120)**	**(1 619)**		**(12 882)**
Accumulated depreciation on disposals		**—**		**—**	**264**	**264**
Balance at the end of the year		**58 160**	**15 204**	**5 967**	**—**	**79 331**
Cost		**65 051**	**47 611**	**12 724**	**281**	**125 667**
Accumulated depreciation and impairments		**(6 891)**	**(32 407)**	**(6 757)**	**(281)**	**(46 336)**
Balance at the end of the year		**58 160**	**15 204**	**5 967**	**—**	**79 331**
2012						
Balance at the beginning of the year		60 416	13 817	2 081	95	76 409
Additions		1 391	14 447	5 254	—	21 092
Reclassification to intangible assets		—	(4 965)	—	—	(4 965)
Disposals		—	(23)	(176)	—	(199)
Depreciation charge for the year	25	(2 894)	(7 854)	(997)	(95)	(11 840)
Accumulated depreciation on disposals		—	8	—		8
Balance at the end of the year		58 913	15 430	6 162	0	80 505
Cost		62 660	39 717	11 069	545	113 991
Accumulated depreciation and impairments		(3 747)	(24 287)	(4 907)	(545)	(33 486)
Balance at the end of the year		58 913	15 430	6 162	—	80 505

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 R10.4 million and market value at 30 June 2013 is R41.8 million (2012: R38.3 million).
- Property situated on ERF 264 and 265, Elma Park, Edenvale. The cost of the property is R48.4 million and market value at 30 June 2013 is R60,0 million (2012: R53.5 million).
- Property situated on ERF 35325, Bellville, Cape Town. The cost of the property is R2.8 million and market value at 30 June 2013 is R2.8 million (2012: R2.8 million).
- An amount of R0.3 million relates to the cost of land.
- Property situated on Erf 64511, Fairground Office Park, Gaborone. The cost of the property is R23.4 million and market value at 30 June 2013 is R21.8 million (2012: R21.8 million).
- An amount of R3.0 million (2012 R0.55 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.

	Note	Group 2013 R'000	Group 2012 R'000	Company 2013 R'000	Company 2012 R'000
4. Investment property					
Balance at the beginning of the year		2 204	2 798	—	—
Transfer to non-current assets held for sale		(2 076)	—	—	—
Depreciation		(128)	(594)	—	—
Balance at the end of the year		—	2 204	—	—
Cost		—	3 607	—	—
Accumulated depreciation		—	(1 403)	—	—
Balance at the end of the year		—	2 204	—	—
5. Intangible assets					
Application software					
Balance at the beginning of the year		7 446	3 730	6 444	1 723
Additions		7 723	6 528	7 723	6 366
Reclassification from property and equipment		—	4 965	—	4 965
Disposals		(2 533)	—	—	—
Amortisation charge	25	(7 188)	(7 777)	(6 449)	(6 610)
Accumulated amortisation on disposals		2 530	—	—	—
Arising from translation of foreign assets		1	—	—	—
Balance at the end of the year		7 979	7 446	7 718	6 444
Cost		53 264	47 285	50 765	43 043
Accumulated amortisation		(45 285)	(39 839)	(43 047)	(36 599)
Balance at the end of the year		7 979	7 446	7 718	6 444
Goodwill					
Balance at the beginning of the year		4 649	3 07	—	—
Movement		—	742	—	—
Impairment		(781)	—	—	—
Arising from translation of foreign assets		39	—	—	—
Balance at the end of the year		3 907	4 649	—	—
Management retention					
Balance at the beginning of the year		—	—	—	—
Addition		2 000	—	2 000	—
Amortisation		(333)	—	(333)	—
Balance at the end of the year		1 667	—	1 667	—
Total		13 553	12 095	9 385	6 444

This intangible asset relates to the consulting agreement on purchase of the Emote business and has a two year term.

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.

	Company 2013 R'000	Company 2012 R'000
6. Investments in subsidiaries		
Balance at the beginning of the year	**81 915**	81 915
Balance at the end of the year	**81 915**	81 915

Regent Insurance Company's interest in the aggregate profit after tax in subsidiaries amounted to R109.6 million (2012: R75.9 million) and in the losses amounted to Rnil (2012: Rnil)

Details of subsidiaries have been provided in note 36.

	Group 2013 R'000	Group 2012 R'000	Company 2013 R'000	Company 2012 R'000
7. Investments in associates				
Balance at the beginning of the year	**(330)**	8 318	**(330)**	(59)
Disposal	**—**	(59)	**—**	(59)
Share of (losses)/profits	**(1 114)**	1 645	**—**	(330)
Dividend paid	**—**	(611)	**—**	—
Movement from associate to subsidiary	**—**	(9 623)	**—**	—
Balance at the end of the year	**(1 444)**	(330)	**(330)**	(330)

Details of the Regent Insurance Group's investments in associates are as follows

	Percentage holding	Country of incorporation	Principal activity	Reporting date
Pan African Underwriters Proprietary Limited	30	South Africa	Underwriters	30 June 2013
Mobility Insurance Underwriting Managers Proprietary Limited	30	South Africa	Underwriters	30 June 2013

The directors' value of the associates approximates its carrying value.

The summarised financial information in respect of the Regent Insurance Group's 30% share in its associates are set out below:				
Total assets attributable	**—***	—	**—***	—
Total liabilities attributable	**342**	—	**342**	—
Net assets attributable	**(342)**	—	**(342)**	—
Revenue attributable	**694**	—	**694**	—

**Denotes an amount less R1 000.*

	2013			2012		
	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	506 751	106 607	400 144	485 071	132 016	353 055
Incurred but not reported	136 672	6 312	130 360	148 392	10 452	137 940
Outstanding claims, including claims IBNR	643 423	112 919	530 504	633 463	142 468	490 995
Unearned premiums	496 922	17 499	479 423	487 470	12 672	474 798
Balance at the end of the year	1 140 345	130 418	1 009 927	1 120 933	155 140	965 793
Company						
Reported claims	424 079	95 741	328 338	410 417	116 057	294 360
Incurred but not reported	103 640	5 115	98 525	121 055	10 452	110 603
Outstanding claims, including claims IBNR	527 719	100 856	426 863	531 472	126 509	404 963
Unearned premiums	383 694	375	383 319	391 572	6 030	385 542
Balance at the end of the year	911 413	101 231	810 182	923 044	132 539	790 505
Analysis of movements in net outstanding claims including claims IBNR		Group			Company	
2013						
Balance at the beginning of the year	638 527	147 532	490 995	531 472	126 509	404 963
Claims incurred during the year	1 212 678	55 058	1 157 620	1 086 665	69 093	1 017 572
Less: Claims paid during the year	(1 212 119)	(89 974)	(1 122 145)	(1 090 418)	(94 746)	(995 672)
Effects of translation of foreign balances	4 337	303	4 034	—	—	—
Balance at the end of the year	643 423	112 919	530 504	527 719	100 856	426 863
2012						
Balance at the beginning of the year	646 126	163 039	483 087	554 626	139 936	414 690
Claims incurred during the year	1 169 947	91 681	1 078 266	1 005 891	72 120	933 771
Less: Claims paid during the year	(1 179 490)	(106 928)	(1 072 562)	(1 029 045)	(85 547)	(943 498)
Effects of translation of foreign balances	1 944	(260)	2 204	—	—	—
Other	(5 064)	(5 064)	—	—	—	—
Balance at the end of the year	633 463	142 468	490 995	531 472	126 509	404 963
Analysis of movements in unearned premium						
2013						
Balance at the beginning of the year	487 470	12 672	474 798	391 572	6 030	385 542
Premiums written during the year	2 232 300	192 425	2 039 875	1 827 458	84 896	1 742 562
Less: Premiums earned during the year	(2 231 406)	(191 617)	(2 039 789)	(1 835 336)	(90 551)	(1 744 785)
Effects of translation of foreign balances	(3 016)	(7 555)	4 539	—	—	—
Other	11 574	11 574	—	—	—	—
Balance at the end of the year	496 922	17 499	479 423	383 694	375	383 319
2012						
Balance at the beginning of the year	494 494	28 778	465 716	393 371	12 508	380 863
Premiums written during the year	2 193 814	215 251	1 978 563	1 823 704	133 364	1 690 340
Less: Premiums earned during the year	(2 189 866)	(221 199)	(1 968 667)	(1 825 503)	(139 842)	(1 685 661)
Effects of translation of foreign balances	(814)	—	(814)	—	—	—
Other	(10 158)	(10 158)	—	—	—	—
Balance at the end of the year	487 470	12 672	474 798	391 572	6 030	385 542

Other relates to adjustments processed directly against the balance.

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				
2013				
Claims IBNR	**55 022**	**43 369**	**38 281**	**136 672**
Outstanding claims	**197 904**	**160 008**	**148 839**	**506 751**
Unearned premiums	**101 746**	**178 034**	**217 142**	**496 922**
Total	**354 672**	**381 411**	**404 262**	**1 140 345**
2012				
Claims IBNR	61 777	47 083	39 532	148 392
Outstanding claims	196 039	155 352	133 680	485 071
Unearned premiums	107 681	181 631	198 158	487 470
Total	365 497	384 065	371 370	1 120 933
Company				
2013				
Claims IBNR	**40 087**	**32 530**	**31 024**	**103 641**
Outstanding claims	**164 027**	**133 108**	**126 944**	**424 079**
Unearned premiums	**57 184**	**120 996**	**205 513**	**383 693**
Total	**261 298**	**286 634**	**363 481**	**911 413**
2012				
Claims IBNR	47 414	39 071	34 570	121 055
Outstanding claims	160 748	132 464	117 205	410 417
Unearned premiums	64 542	128 923	198 107	391 572
Total	272 704	300 457	349 882	923 044

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.

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 consists of a best estimate reserve and an explicit risk margin. The best estimate represents the expected value of the insurance liabilities, that is, the mean in a range of possible outcomes in the development of unreported claims and the future development of notified claims. The explicit risk margins are added to the best estimate to reflect the uncertainty of the ultimate cost of claims. The IBNR for business originating from underwriting managers is set at the historical industry average and adjusted if the experience indicates that the methodology is no longer appropriate. The aggregate of the best estimate reserve and risk margins, expressed as a percentage of premiums written, represents the IBNR assumption for each financial year.

The methods applied by the Regent Insurance Group use historical claims development information and therefore the underlying basis assumes that the historical claims development pattern will occur again in the future. There are reasons why this may not be the case, which, insofar as they can be identified, have been allowed for by modifying the methods. Such reasons include:

- changes in processes that affect the development or recording of claims paid and incurred;
- economic, legal, political and social trends;
- changes in mix of business; and
- random fluctuations including the impact of large losses.

The provision for the notified claims and IBNR are initially estimated at a gross level. A separate calculation is then carried out to determine the estimated reinsurance recoveries. The calculation of the reinsurance recoveries considers the type of risk underwritten, which year the gross claim occurred and therefore under which reinsurance programme the recovery will be made, the size of the claim and whether the claim was an isolated incident or forms part of a catastrophe reinsurance claim.

8.4 Premium provisions

The Regent Insurance Group raises provisions for unearned premiums on a basis that reflects the underlying risk profile of its insurance contracts. An unearned premium provision is created at the commencement of each insurance contract and is then released as the risk under the contract expires. The majority of the Regent Insurance Group's insurance contracts have an even risk profile and therefore the unearned premium provisions are released evenly over the period of insurance using a time proportionate basis. For the remainder of the insurance portfolio the unearned premium is released on a basis consistent with the increasing, decreasing or uneven risk profile of the contracts.

The provisions for unearned premiums are first determined on a gross level and thereafter the reinsurance impact is recognised. Deferred acquisition costs and reinsurance commission revenue are recognised on a basis consistent with the related provisions for unearned premiums.

8.5 Assumptions

The risk margins are determined statistically such that the level of confidence on the adequacy of the provision is approximately 75% (or only a 25% probability that the provision will be inadequate). The levels of the IBNR provisions and the risk margins are assessed annually by management against the Regent Insurance Group's past claims experience and adjusted if the experience indicates that the methodology is no longer appropriate.

The IBNR provision for policies underwritten by underwriting managers ranges from 5% to 9% 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.

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2013

8. General insurance liabilities *(continued)*

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 R7.3 million (2012: R9.1 million) in income before tax. The 75% level of adequacy is considered prudent until the requirements of the Financial Services Board's proposed Solvency Assessment and Management (SAM) principles are finalised.

	Group 2013 R'000	Group 2012 R'000	**Company 2013 R'000**	Company 2012 R'000
9. Financial assets				
The Regent Insurance Group's financial assets at fair value through profit and loss comprise:				
Listed preference shares	**81 938**	87 518	**81 938**	87 518
Unlisted preference shares	**100 000**	15 000	**100 000**	15 000
Listed foreign government bonds	**2 598**	2 598	**—**	—
Corporate bonds	**170 082**	152 399	**170 082**	152 399
Collective investment schemes	**919 315**	692 362	**769 861**	682 198
Short-term cash deposits	**533 406**	342 214	**328 583**	213 610
Total	**1 807 339**	1 292 091	**1 450 464**	1 150 725
Market value				
Maturity analysis of gilts				
Maturing in less than one year from statement of financial position date	**101 598**	2 247	**99 999**	2 247
Maturing in more than one year and less than five years from statement of financial position date	**71 082**	152 750	**70 083**	150 152
Total	**172 680**	154 997	**170 082**	152 399
Movement				
Balance at the beginning of the year	**1 292 091**	1 361 958	**1 150 725**	1 306 150
Additions	**1 609 967**	1 284 002	**1 401 015**	1 165 760
Disposals	**(1 200 807)**	(1 384 860)	**(1 198 735)**	(1 348 348)
Fair value adjustment	**106 088**	30 991	**97 459**	27 163
Balance at the end of the year	**1 807 339**	1 292 091	**1 450 464**	1 150 725

10. Non-current assets held for sale

During the current financial year, management of ERF Four Nine Nine (Proprietary) Limited committed to sell the property situated on Erf 33989, Goodwood, Cape Town. Management is of the opinion that the sale will be concluded in the next financial year.

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, has been concluded. Management is still of the opinion that the sale will be approved by Lesotho authorities in the next financial year.

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2013

	Group 2013 R'000	Group 2012 R'000
10. Non-current assets held for sale *(continued)*		
Cost		
> Buildings	**1 099**	2 862
Transfer from investment property	**2 076**	—
Disposals	**—**	(1 763)
Balance at the end of the year	**3 175**	1 099

	Group 2013 R'000	Group 2012 R'000	Company 2013 R'000	Company 2012 R'000
11. Agents and other insurers' balances				
Premium debtors	**159 128**	153 368	**77 683**	78 639
Provision for bad debts	**(30 153)**	(36 268)	**(20 494)**	(27 431)
Net receivable	**128 975**	117 100	**57 189**	51 208
Commission payable	**(50 651)**	(985)	**(50 059)**	(456)
Fees payable	**(12 231)**	(16 397)	**(12 231)**	(16 394)
Net payable	**(62 882)**	(17 382)	**(62 290)**	(16 851)
Net agent and other insurers' balances	**(66 093)**	99 718	**(5 101)**	34 357

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.

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 2013 R'000	Group 2012 R'000	Company 2013 R'000	Company 2012 R'000
Balance at the beginning of the year	**36 268**	32 432	**27 431**	25 738
(Decrease)/Increase in allowance recognised in profit and loss	**(638)**	14 912	**(786)**	5 727
Amounts written off during the year	**(5 477)**	(11 075)	**(6 151)**	(4 034)
Balance at the end of the year	**30 153**	36 268	**20 494**	27 431

11. Agents and other insurers' balances *(continued)*

Age analysis

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

	Group 2013 R'000	Group 2012 R'000	**Company 2013 R'000**	Company 2012 R'000
Ageing of premium debtors				
Not past due	**86 307**	101 676	**45 367**	43 070
Past due 0 – 90 days	**44 180**	15 424	**14 482**	8 899
Past due 91 – 360 days	**12 570**	36 268	**2 714**	26 670
Past due more than one year	**16 071**	—	**15 120**	—
Total	**159 128**	153 368	**77 683**	78 639

12. Deferred tax

	Group 2013 R'000	Group 2012 R'000	**Company 2013 R'000**	Company 2012 R'000
Balance at the beginning of the year	**(5 920)**	(5 368)	**(6 320)**	(7 310)
Movement during the year attributable to:				
> Temporary differences	**(31 489)**	(552)	**(28 983)**	990
> Prior year under provision	**(223)**	—	**(223)**	—
Balance at the end of the year	**(37 632)**	(5 920)	**(35 526)**	(6 320)
Comprising:				
> Provisions	**(6 232)**	2 441	**(4 126)**	2 041
> Unrealised appreciation on financial assets at fair value	**(31 400)**	(8 361)	**(31 400)**	(8 361)
Balance at the end of the year	**(37 632)**	(5 920)	**(35 526)**	(6 320)
Reflected in the statement of financial position*:				
> Deferred tax asset	**7 995**	8 374	**—**	—
> Deferred tax liability	**(45 627)**	(14 294)	**(35 526)**	(6 320)
Balance at the end of the year	**(37 632)**	(5 920)	**(35 526)**	(6 320)

**In terms of IAS 12, the deferred tax asset and liability cannot be offset against one another, as they have arisen in different legal entities.*

	Group 2013 R'000	Group 2012 R'000	Company 2013 R'000	Company 2012 R'000
13. Taxation				
South African normal taxation				
Current	31 006	55 297	(3 359)	29 767
> Current year	29 017	43 610	(5 401)	18 332
> Prior year	708	2 509	761	2 660
> Capital gains	1 281	9 178	1 281	8 775
Deferred	31 712	552	29 206	(990)
> Current year	31 489	552	28 983	(990)
> Prior year adjustment	223	—	223	—
Withholding taxation and STC	4 675	3 205	4 675	3 205
Total	67 393	59 054	30 522	31 982
Reconciliation of taxation:				
South African normal taxation at statutory rate of 28%	28.00	28.00	28.00	28.00
Adjusted for:				
Non-allowable income	(3.19)	(1.17)	(13.58)	(11.05)
Withholding tax and STC	1.52	1.35	1.93	1.75
Foreign tax rate difference	(1.41)	(1.82)	—	—
Losses in subsidiaries	0.04	0.02	—	—
Capital profit on sale of property	—	(0.55)	—	—
Realised and unrealised gains for CGT	(3.29)	(1.90)	(4.16)	(2.46)
Prior year (over)/under provision	0.30	0.90	0.41	1.25
Taxation charge in income statement	21.98	24.83	12.59	17.49

	Group 2013 R'000	Group 2012 R'000	Company 2013 R'000	Company 2012 R'000
14. Other receivables including insurance receivables				
Other receivables comprise:				
Reinsurance debtors	3 286	7 068	1 014	4 797
Salvage debtors	10 101	7 329	9 998	7 329
Sundry and other debtors	17 290	19 510	11 578	8 824
Gross receivables including insurance receivables	30 677	33 907	22 590	20 950
Bad debt provision	(1 095)	(1 528)	(1 095)	(1 528)
Balance at the end of the year	29 582	32 379	21 495	19 422

	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				
2013				
Group				
Neither impaired nor past due	1 735	4 305	9 391	15 431
Past due but not impaired:	1 551	5 796	6 804	14 151
> 0 – 90 days	—	5 778	3 034	8 812
> 91 – 360 days	1 551	18	3 309	4 878
> More than one year	—	—	461	461
> Impaired	—	—	1 095	1 095
Balance at the end of the year	3 286	10 101	17 290	30 677
Company				
Neither impaired nor past due	1 014	4 226	9 732	14 972
Past due but not impaired:	—	5 772	751	6 523
> 0 – 90 days	—	5 954	477	6 231
> 91 – 360 days	—	18	223	241
> More than one year	—	—	51	51
> Impaired	—	—	1 095	1 095
Balance at the end of the year	1 014	9 998	11 578	22 590
2012				
Group				
Neither impaired nor past due	3 269	4 433	18 242	25 944
Past due but not impaired:	2 271	2 896	1 268	6 435
> 0 – 90 days	1 869	2 896	435	5 200
> 91 – 360 days	402	—	833	1 235
> Impaired	1 528	—	—	1 528
Balance at the end of the year	7 068	7 329	19 510	33 907
Company				
Neither impaired nor past due	3 269	4 433	8 824	16 526
Past due but not impaired:	—	2 896	—	2 896
> 0 – 90 days	—	2 896	—	2 896
> 91 – 360 days	—	—	—	—
> Impaired	1 528	—	—	1 528
Balance at the end of the year	4 797	7 329	8 824	20 950

	Group 2013 R'000	Group 2012 R'000	Company 2013 R'000	Company 2012 R'000
15. Due to and from group companies				
Due from Regent Insurance Group subsidiaries	—	—	381	24 477
Due from Regent Insurance Group associates	869	—	869	—
Due from Imperial Holdings and fellow Imperial Holdings subsidiaries	7 914	24 316	7 021	1
Due from group companies	8 783	24 316	8 271	24 478
Due to Regent Insurance Group subsidiaries	—	—	(1 236)	(1 935)
Due to fellow Imperial Holdings subsidiaries	—	—	—	—
Due to group companies	—	—	(1 236)	(1 935)
Due from group companies	8 783	24 316	7 035	22 543

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

	Group 2013 R'000	Group 2012 R'000	Company 2013 R'000	Company 2012 R'000
16. Cash and cash equivalents				
Cash at bank and on hand	87 361	130 838	54 390	80 873
Cash deposits*	331 126	588 061	153 309	297 439
Total cash and cash equivalents	418 487	718 899	207 699	378 312

Call and cash deposits maturing within three month or less.

The average call rate on short-term bank deposits was 4.5% (2012: 5%).

	Leave pay R'000	Bonus R'000	Service and maintenance R'000	Other* R'000	Total R'000
17. Provisions					
Group					
2013					
Balance at the beginning of the year	**13 771**	**43 081**	**94 787**	**10 921**	**162 560**
Charged to statement of comprehensive income	**5 907**	**45 415**	**1 085**	**4 192**	**56 599**
Utilised during the year	**(5 441)**	**(43 963)**	**1 614**	**(6 210)**	**(54 000)**
Reclassification	**3 130**	**1 089**	**1**	**321**	**4 541**
Foreign currency translation reserve	**85**	**281**	**—**	**—**	**366**
Balance at the end of the year	**17 452**	**45 903**	**97 487**	**9 224**	**170 066**
2012					
Balance at the beginning of the year	16 131	38 413	77 201	18 973	150 718
Charged to statement of comprehensive income	5 104	45 409	38 619	3 335	92 467
Utilised during the year	(4 795)	(41 487)	(21 033)	(14 879)	(82 194)
Reclassification	(2 696)	(796)	—	3 492	—
Foreign currency translation reserve	27	1 542	—	—	1 569
Balance at the end of the year	13 771	43 081	94 787	10 921	162 560
Company					
2013					
Balance at the beginning of the year	**11 050**	**37 413**	**—**	**7 138**	**55 601**
Charged to statement of comprehensive income	**5 606**	**38 961**	**—**	**3 209**	**47 776**
Utilised during the year	**(5 022)**	**(37 475)**	**—**	**(5 663)**	**(48 160)**
Reclassification	**—**	**—**	**—**	**4 541**	**4 541**
Balance at the end of the year	**11 634**	**38 899**	**—**	**9 225**	**59 758**
2012					
Balance at the beginning of the year	10 444	34 517	—	18 777	63 738
Charged to statement of comprehensive income	4 936	37 690	—	2 624	45 250
Utilised during the year	(4 330)	(34 794)	—	(14 263)	(53 387)
Balance at the end of the year	11 050	37 413	—	7 138	55 601

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, actuarial and investment management fees.*

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2013

	Group 2013 R'000	Group 2012 R'000	Company 2013 R'000	Company 2012 R'000
18. Insurance and other payables				
Income received in advance	—	1 168	—	1 168
Reinsurance payable	**65 920**	72 429	**21 691**	37 352
Sundry creditors	**28 349**	93 302	**1 198**	59 636
Accruals	**16 148**	2 684	**16 148**	1 819
Other	**36 607**	13 731	**26 020**	11 915
Balance at the end of the year	**147 024**	183 314	**65 057**	111 890

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

	Group 2013 R'000	Group 2012 R'000	Company 2013 R'000	Company 2012 R'000
19. Share capital and share premium				
Authorised share capital				
3 000 000 ordinary shares of R1 each and	**3 000**	3 000	**3 000**	3 000
1 000 preference shares of R0.01 each	*	*	*	*
Issued share capital				
2 940 000 ordinary shares of R1 each	**2 940**	2 940	**2 940**	2 940
8 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, No 71 of 2008 and the Company's memorandum of incorporation.

	Group 2013 R'000	Group 2012 R'000	Company 2013 R'000	Company 2012 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	**2 232 300**	2 193 814	**1 827 458**	1 823 704
Reinsurance	**(192 425)**	(215 251)	**(84 895)**	(133 364)
Unearned premiums	**(894)**	(3 948)	**7 878**	1 800
Reinsurance on unearned premiums	**808**	(5 947)	**(5 655)**	(6 476)
Total	**2 039 789**	1 968 668	**1 744 786**	1 685 664

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2013

	Group 2013 R'000	Group 2012 R'000	Company 2013 R'000	Company 2012 R'000
21. Investment income				
Net foreign exchange gains	—	(77)	—	(77)
Interest income	85 528	96 584	57 869	67 372
Rental income	2 502	3 721	—	1 915
Investment management expenses	(3 595)	(905)	(3 595)	(905)
Dividend income	20 925	7 077	103 374	67 979
> Listed	20 925	7 077	17 871	7 073
> Unlisted	—	—	85 503	60 906
Total	105 360	106 400	157 648	136 284
22. Investment gains				
Realised profit on disposal of investments	3 448	10 440	3 448	10 440
> Listed	3 448	10 440	3 448	10 440
Unrealised profit on revaluation of investments	102 640	20 551	94 011	16 723
> Listed	102 640	20 551	94 011	16 723
Total	106 088	30 991	97 459	27 163
23. Other operating income				
Policy and underwriting fees	67 800	23 340	26 399	37 725
Recoveries	14 631	45 646	1 505	*(1 235)
Sundry income	16 536	17 079	15 689	4 865
Total	98 967	86 065	43 593	41 355

**This amount is in debit due to towing fees reversed from the previous financial year*

	Group 2013 R'000	Group 2012 R'000	Company 2013 R'000	Company 2012 R'000
24. Net claims incurred				
Gross	(1 212 678)	(1 169 947)	(1 086 665)	(1 005 891)
> Claims paid	(1 212 119)	(1 179 490)	(1 090 418)	(1 029 045)
> Change in provision for outstanding claims	(559)	9 543	3 753	23 154
Reinsurers' share	55 057	91 681	69 093	72 120
> Claims paid	89 973	106 928	94 746	85 547
> Change in provision for outstanding claims	(34 916)	(15 247)	(25 653)	(13 427)
Total	(1 157 621)	(1 078 266)	(1 017 572)	(933 771)

	Notes	Group 2013 R'000	Group 2012 R'000	Company 2013 R'000	Company 2012 R'000
25. Operating profit before taxation					
Operating profit before taxation is determined after taking the following into account:					
Property and equipment – depreciation	3	**15 616**	13 935	**12 882**	11 840
> Buildings		**3 790**	2 613	**2 770**	2 531
> Furniture and fittings		**1 888**	1 311	**1 619**	997
> Computer and office equipment		**9 122**	9 088	**8 120**	7 854
> Leasehold improvements		**417**	551	**373**	363
> Motor vehicles		**399**	372	**—**	95
Impairment (reversals)/losses on financial assets		**(638)**	14 912	**(786)**	5 727
Amortisation of intangible assets	5	**7 522**	7 777	**6 782**	6 610
Rentals under operating leases		**10 759**	9 786	**6 922**	5 209
Auditors' remuneration		**4 352**	4 118	**2 659**	2 928
Consultancy fees		**14 885**	9 671	**13 624**	9 632
Staff costs		**294 544**	304 581	**247 857**	241 757
> Pension contributions*		**14 654**	13 223	**11 614**	10 318
> Salaries		**267 780**	284 055	**224 133**	224 136
> Share-based payment expense	26	**12 110**	7 304	**12 110**	7 304
Foreign exchange gains and losses		**41**	—	**41**	—
Profit on sale of property and equipment		**(101)**	(211)	**(166)**	(11)
Profit on sale of client list		**(10 250)**	(5 000)	**(10 250)**	(5 000)
Profit on sale of investment property		**—**	(6 137)	**—**	—
Rental income		**(1 267)**	(3 721)	**—**	(1 916)
Administration fees received		**(45 744)**	(5 362)	**(7 155)**	(5 900)
Number of employees at year end		**742**	805	**597**	724

**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. 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.

	Note	Group 2013 R'000	Group 2012 R'000	Company 2013 R'000	Company 2012 R'000
26. Share-based equity reserve					
Reconciliation of share-based payment reserve					
Balance at the beginning of the year		**2 856**	8 630	**2 856**	8 630
Hedge premium paid		**19 527**	5 493	**19 527**	5 493
Direct transfer to equity		**2 919**	(3 596)	**2 919**	(3 596)
Share-based equity reserve raised:					
> Direct cost	25	**(12 110)**	(7 304)	**(12 110)**	(7 304)
> Tax		**(973)**	(367)	**(973)**	(367)
Total share-based payments equity reserve		**12 219**	2 856	**12 219**	2 856

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 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.

	Group 2013	Group 2012
Share appreciation rights scheme		
> Volatility (%)	**29.5**	30.8
> Weighted average share price (rand)	**195.20**	170.57
> Weighted average exercise price (rand)	**195.20**	170.57
> Weighted average fair value (rand)	**47.02**	43.24
> Expected life (years)	**4.32**	4.26
> Average risk-free rate (%)	**6.50**	5.85
> Expected dividend yield (%)	**3.89**	3.28
Deferred bonus plan		
> Volatility (%)	**29.5**	30.8
> Weighted average share price (rand)	**195.20**	170.57
> Weighted average fair value (rand)	**171.89**	153.56
> Expected life (years)	**3.27**	3.2
> Average risk-free rate (%)	**6.50**	5.85
> Expected dividend yield (%)	**3.89**	3.28

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 2013

	Group 2013 R'000	Group 2012 R'000	Company 2013 R'000	Company 2012 R'000
27. Notes to the cash flow statement				
27.1 Cash generated by operations				
Profit before taxation	306 576	237 789	242 342	182 872
Adjusted for:				
Interest income	(85 528)	(96 585)	(57 869)	(67 373)
Interest expense	17 435	5 866	17 348	5 787
Dividends received	(20 925)	(7 077)	(103 374)	(67 979)
Unrealised profit on revaluation of investments	(102 640)	(20 551)	(94 011)	(16 723)
Depreciation of property and equipment	15 616	14 529	12 882	11 840
Amortisation of intangible assets	7 521	7 777	6 782	6 610
Profit on sale of property and equipment	(101)	(211)	(166)	(11)
Profit on sale of investment property	—	(6 137)	—	—
Profit on sale of investments	(3 448)	(10 440)	(3 448)	(10 440)
Profit on sale of client list	(10 250)	(5 000)	(10 250)	(5 000)
Foreign exchange (gains)/losses	41	—	41	—
Share of loss/(profit) from associate	1 114	(1 645)	—	330
Changes in working capital:	68 843	82 262	28 576	21 445
> (Increase)/decrease in receivables	(7 543)	52 884	(9 372)	26 927
> Increase/(decrease) in other payables	9 211	9 460	(1 394)	17 210
> Increase/(decrease) in provisions	7 507	11 842	4 157	(8 137)
> Net movement in group loans	15 534	(8 914)	15 508	(9 507)
> Increase/(decrease) in net outstanding claims and IBNR	39 509	7 908	21 900	(9 727)
> Increase/(decrease) in unearned premiums	4 625	9 082	(2 223)	4 679
Total	194 254	200 577	38 853	61 358
27.2 Investment income				
Dividend received				
Dividend received per statement of comprehensive income	20 925	7 077	103 374	67 979
Total	20 925	7 077	103 374	67 979
Interest received				
Accrued interest income at the beginning of the year	14 378	53 886	6 269	50 268
Interest income per statement of comprehensive income	85 528	96 584	57 869	67 372
Accrued interest income at the end of the year	(15 913)	(14 378)	(6 495)	(6 269)
Total	83 993	136 093	57 643	111 371

	Group 2013 R'000	Group 2012 R'000	Company 2013 R'000	Company 2012 R'000
27. Notes to the cash flow statement *(continued)*				
27.3 Taxation paid				
Amount receivable at the beginning of the year	**67 295**	64 629	**64 049**	63 639
Amount charged to statement of comprehensive income	**(67 393)**	(59 054)	**(30 521)**	(31 982)
Tax effect on the share-based equity reserves	**973**	(1 937)	**973**	(1 937)
Movement in deferred tax	**31 712**	552	**29 206**	(990)
	32 587	4 190	**63 707**	28 730
Amount receivable at the end of the year	**(75 055)**	(67 295)	**(79 334)**	(64 049)
Total	**(42 468)**	(63 105)	**(15 627)**	(35 319)

27.4 Acquisition of subsidiary

During the prior financial year Regent Insurance Botswana increased its shareholding in Howden Investment Proprietary Limited from 50% to 100%. Howden Investment Proprietary Limited was previously accounted for as an associate.

	Group 2013 R'000	Group 2012 R'000
Assets	—	22 237
> Property, plant and equipment	—	21 434
> Intangible assets	—	—
> Deferred tax assets	—	—
> Loans and other receivables	—	271
> Cash and cash equivalents	—	532
Liabilities	—	2 259
> Provisions	—	—
> Trade and other payables	—	79
> Taxation	—	2 180
Howden Investment Proprietary Limited		
Cash paid on purchase of interest	—	(10 911)
Less: cash and cash equivalent in subsidiary	—	532
Net cash outflow	—	(10 379)

27. Notes to the cash flow statement *(continued)*

27.5 Dividend paid

	Group 2013 R'000	Group 2012 R'000	Company 2013 R'000	Company 2012 R'000
Dividends per statement of changes in equity	**(338 658)**	(331 508)	**(333 298)**	(326 797)
Dividends paid	**(338 658)**	(331 508)	**(333 298)**	(326 797)

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 28.2.1. 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.

	Group 2013 R'000	Group 2012 R'000	Company 2013 R'000	Company 2012 R'000
28.2.1 Transactions with group companies				
Management fee paid to holding company	**16 153**	15 745	**16 153**	15 745
Internal audit fee paid to holding company	**141**	145	**141**	145
Premiums received from Imperial Group companies	**(40 206)**	(58 781)	**(40 206)**	(58 781)
Administration fees paid to subsidiary	**—**	—	**63 820**	77 871
Rental income	**(1 267)**	(1 916)	**—**	(1 916)
Interest (received)/paid	**12 417**	(55)	**12 417**	(55)
Vehicle operating lease costs	**5 219**	4 334	**5 219**	4 334
28.2.2 Year-end balances with related parties				
Receivable from related parties	**8 783**	24 316	**8 271**	24 478
> Regent Insurance Group subsidiaries	**—**	—	**381**	24 477
> Regent Insurance associates	**869**	—	**869**	—
> Fellow Imperial Holdings Limited subsidiaries	**7 914**	24 316	**7 021**	1
Payable to related parties	**(200 000)**	—	**(201 236)**	(1 935)
> Regent Insurance Group subsidiaries	**—**	—	**(1 236)**	(1 935)
> Imperial Holdings*	**(200 000)**	—	**(200 000)**	—

*This loan has been subordinated in favour of all policyholders and creditors.

Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2013

	Group 2013 R'000	Group 2012 R'000	Company 2013 R'000	Company 2012 R'000
29. Operating lease commitments				
The future minimum lease payments under non-cancellable operating leases:	**16 266**	29 077	**10 304**	8 593
> Not later than 1 year	**7 760**	9 811	**5 195**	4 312
> Between 1 and 5 years	**8 506**	19 266	**5 109**	4 281

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.

	Company 2013 R'000	Company 2012 R'000
31. Remuneration		
31.1 Directors' emoluments		
Directors' emoluments comprise:		
Executive directors' remuneration	**29 039**	45 330
> Basic remuneration	**7 034**	8 333
> Retirement and medical benefits	**490**	811
> Other incentives and benefits	**29 515**	36 186
Non-executive directors' fees	**1 303**	1 598
> HR Brody	—	94
> RG Cottrell	**144**	311
> C Erasmus	**416**	203
> S Handler	—	307
> RL Hiemstra	—	94
> S Masinga	**211**	198
> JPR Mbau	**100**	94
> BR Mallinson	**142**	—
> R Mumford	—	94
> RJA Sparks	**290**	203

Fees for services as director for the year ended 30 June 2013 were approved by the shareholder at the annual general meeting.

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 reflects the total remuneration paid by both Regent Life Company and Regent Insurance Company.

31. Remuneration *(continued)*

31.2 Executive directors' remuneration

	Salary R'000	Bonus R'000	Retirement and medical contributions R'000	Other benefits R'000	**2013 Total R'000**	2012 Total R'000
Executive directors						
DD Gnodde	—	—	—	—	**—**	17 938
PCW Hibbit	2 018	922	—	—	**2 940**	2 701
AN Tennick	2 281	1 503	215	6 334	**10 333**	12 266
JJ Strydom	2 735	2 500	275	10 256	**15 766**	12 425
	7 034	4 925	490	16 590	**29 039**	45 330

	Commencement date	Price on commencement date (R)	Number of rights	Exercised	Number of rights remaining	Vesting date
Participation in Imperial Holdings Limited Share Appreciation Rights Scheme						
AN Tennick	18 June 2009	55.32	44 111	44 111	—	15 September 2012
	2 June 2010	96.71	26 979	—	26 979	15 September 2013
	2 June 2011	116.59	10 283	—	10 283	15 September 2014
	2 June 2012	170.57	23 979	—	23 979	26 August 2015
	11 June 2013	195.20	29 513	—	29 513	15 August 2016
JJ Strydom	18 June 2009	55.32	75 744	75 744	—	15 September 2012
	2 June 2010	96.71	25 264	—	25 264	15 September 2013
	2 June 2011	116.59	9 384	—	9 384	15 September 2014
	2 June 2012	170.57	29 342	—	29 342	26 August 2015
	11 June 2013	195.20	48 263	—	48 263	15 August 2016
PCW Hibbit	2 June 2011	116.59	6 977	—	6 977	15 September 2014
	2 June 2012	170.57	16 661	—	16 661	26 August 2015

31. Remuneration *(continued)*

31.2 Executive directors' remuneration *(continued)*

	Allocation date	Number of rights allocated	Number of shares committed to plan	Forfeited	Balance available to be taken up	Vested during the year	Balance remaining	Vested date
Participation in Imperial Holdings Limited Deferred Bonus plan								
AN Tennick	18 June 2009	4 301	1 734	2 567	—	1 734	—	15 September 2012
	18 June 2010	2 778	1 982	796	—		1 982	15 September 2013
	14 June 2011	4 425	1 530	2 895	—		1 530	7 September 2014
	13 June 2012	3 326	2 836	490	—		2 836	26 August 2015
	11 June 2013	2 567	—	—	2 567	—	—	15 August 2016
JJ Strydom	5 June 2008	1 364	1 364	—	—	—	1 364	15 September 2013
	18 June 2010	2 602	2 602	—	—	—	2 602	15 September 2013
	14 June 2011	4 039	4 039	—	—	—	4 039	7 September 2014
	13 June 2012	3 957	3 957	—	—	—	3 957	26 August 2015
	11 June 2013	3 689	—	—	3 689	—	—	15 August 2016
PCW Hibbit	14 June 2011	3 003	2 840	163	—	—	2 840	7 September 2014
	13 June 2012	2 311	1 484	827	—	—	1 484	26 August 2015

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 R14.6 million (2012: R13.2 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.

34. Insurance risk *(continued)*

34.1 Terms and conditions of insurance contracts *(continued)*

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's 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.

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.

34. Insurance risk *(continued)*

34.3 Limiting exposure to insurance risk *(continued)*

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 8% (2012:11%) of an average year's claims cost and consequently, detailed claims run-off information is not presented.

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.

35. Financial risk *(continued)*

35.1 Market risk *(continued)*

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 2013 the Regent Insurance Group had no direct exposure to listed equities, however, it was exposed to equities through investments in collective investment schemes to the value of R455.0 million (2012: R418.3 million). 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 R4.5 million (2012: R4.2 million).

Fair value hierarchy disclosures

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

	Valuations with reference to quoted prices in an active market Level 1 R'000	Valuations based on observable inputs Level 2 R'000	Total carried at fair value R'000
Financial assets held as at fair value through profit and loss			
2013			
Group			
Listed preference shares	81 938	—	81 938
Unlisted preference shares	—	100 000	100 000
Government bonds	2 598	—	2 598
Corporate bonds	170 082	—	170 082
Collective investment schemes	919 316	—	919 316
Short-term cash deposits	—	533 405	533 405
Total financial assets	1 173 934	633 405	1 807 339
2013			
Company			
Listed preference shares	81 938	—	81 938
Unlisted preference shares	—	100 000	100 000
Corporate bonds	170 082	—	170 082
Collective investment schemes	769 861	—	769 861
Short-term cash deposits	—	328 583	328 583
Total financial assets	1 021 881	428 583	1 450 464

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	Total carried at fair value R'000
Financial assets held as at fair value through profit and loss			
2012			
Group			
Listed preference shares	87 518	—	87 518
Unlisted preference shares	—	15 000	15 000
Government bonds	2 598	—	2 598
Corporate bonds	152 399	—	152 399
Collective investment schemes	692 362	—	692 362
Short-term cash deposits	—	342 214	342 214
Total financial assets	934 877	357 214	1 292 091
2012			
Company			
Listed preference shares	87 518	—	87 518
Unlisted preference shares	—	15 000	15 000
Corporate bonds	152 399	—	152 399
Collective investment schemes	682 198	—	682 198
Short-term cash deposits	—	213 610	213 610
Total financial assets	922 115	228 610	1 150 725

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

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

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

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 summarises the effective interest rates at the financial position date:

	Group 2013 %	Group 2012 %	**Company 2013 %**	Company 2012 %
Debt securities – fixed interest rate:				
Government bonds	**8.54**	8.54	—	—
Listed bonds	—	7.69	—	7.69
Cash at bank	**4.50**	5.00	**4.50**	5.00

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 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.

It is estimated that a 1% movement in the prime lending rate would increase/decrease the Regent Insurance Group's profit before tax by R6.6 million (2012: R8.1 million).

35. Financial risk (continued)

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 with respect to the Botswana pula.

The following table sets out the exchange rates used:

	2013 Average ZAR	2012 Average ZAR	2013 Closing ZAR	2013 Closing ZAR
Botswana pula (BWP)	**1.08803**	1.06090	**1.16266**	1.07170

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

	2013 BWP'000	2012 BWP'000
Total assets	**272 898**	277 095
Total liabilities	**140 950**	137 872
Net assets	**131 948**	139 223

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 Botswana pula. 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.

	2013 R'000	2012 R'000
Profit and loss	**459**	578

This is attributable to the exposure outstanding on BWP.

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 Poor's. Some of the local reinsurers are not separately rated, however, they are subsidiaries of international reinsurance groups, that are rated as above, and carry parental guarantees.

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			
2013			
Reinsurers' share of insurance liabilities	**125 311**	**5 108**	**130 419**
Short-term deposits	**533 405**	**—**	**533 405**
Due from group companies	**—**	**8 783**	**8 783**
Cash and cash equivalents	**418 487**	**—**	**418 487**
Insurance and other receivables	**—**	**158 557**	**158 557**
Total	**1 077 203**	**172 448**	**1 249 651**
2012			
Reinsurers' share of insurance liabilities	155 140	—	155 140
Short-term deposits	342 214	—	342 214
Due from group companies	—	24 316	24 316
Cash and cash equivalents	718 899	—	718 899
Insurance and other receivables	—	149 478	149 478
Total	1 216 253	173 794	1 390 047
Company			
2013			
Reinsurers' share of insurance liabilities	**101 231**	**—**	**101 231**
Short-term deposits	**328 583**	**—**	**328 583**
Due from group companies	**—**	**8 271**	**8 271**
Cash and cash equivalents	**207 699**	**—**	**207 699**
Insurance and other receivables	**—**	**78 684**	**78 684**
Total	**637 513**	**86 955**	**724 468**
2012			
Reinsurers' share of insurance liabilities	132 539	—	132 539
Short-term deposits	213 610	—	213 610
Due from group companies	—	24 478	24 478
Cash and cash equivalents	378 312	—	378 312
Insurance and other receivables	—	70 630	70 630
Total	724 461	95 108	819 569

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 a counterparty which is a partially vulnerable security. 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 the reinsurer's 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 R'000	Other receivables R'000	Due from group companies R'000	Cash and cash equivalents R'000	Reinsurers' share of outstanding claims R'000	Reinsurers' share of unearned premium R'000
Group						
2013						
Neither impaired nor past due	**86 308**	**15 431**	**8 783**	**418 487**	**112 919**	**17 499**
Past due but not impaired:	**42 667**	**14 151**	**—**	**—**	**—**	**—**
> **0 – 90 days**	**40 362**	**8 812**	**—**	**—**	**—**	**—**
> **91 – 360 days**	**2 305**	**4 878**	**—**	**—**	**—**	**—**
> More than one year	**—**	**461**	**—**	**—**	**—**	**—**
Balance at the end of the year	**128 975**	**29 582**	**8 783**	**418 487**	**112 919**	**17 499**
2012						
Neither impaired nor past due	85 897	25 944	24 316	718 899	142 468	12 672
Past due but not impaired:	31 203	6 435	—	—	—	—
> 0 – 90 days	17 957	5 200	—	—	—	—
> 91 – 360 days	13 246	1 235	—	—	—	—
Balance at the end of the year	117 100	32 379	24 316	718 899	142 468	12 672

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 R'000	Other receivables R'000	Due from group companies R'000	Cash and cash equivalents R'000	Reinsurers' share of outstanding claims R'000	Reinsurers' share of unearned premium R'000
Company						
2013						
Neither impaired nor past due	**45 368**	**14 972**	**8 271**	**207 699**	**100 856**	**375**
Past due but not impaired:	**11 821**	**6 523**	**—**	**—**	**—**	**—**
> 0 – 90 days	**10 664**	**6 231**	**—**	**—**	**—**	**—**
> 91 – 360 days	**1 157**	**241**	**—**	**—**	**—**	**—**
> More than one year	**—**	**51**	**—**	**—**	**—**	**—**
Balance at the end of the year	**57 189**	**21 495**	**8 271**	**207 699**	**100 856**	**375**
2012						
Neither impaired nor past due	43 071	16 526	24 478	378 312	126 509	6 030
Past due but not impaired:	8 137	2 896	—	—	—	—
> 0 – 90 days	4 160	2 896	—	—	—	—
> 91 – 360 days	3 977	—	—	—	—	—
Balance at the end of the year	51 208	19 422	24 478	378 312	126 509	6 030

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			
2013			
Insurance and other payables	147 024	140 431	6 593
2012			
Insurance and other payables	183 314	171 560	11 752
Company			
2013			
Insurance and other payables	65 057	58 464	6 593
2012			
Insurance and other payables	111 890	100 138	11 752

35.6 Regulatory risks

Continuous legislation changes in the long-term and short-term environment may impact on the operational and financial structures within these businesses. The Regent Insurance Group has sufficient resources to address the impact of legislation timeously and efficiently.

During the development stage of any new product, rights and obligations of all parties are clearly defined in the contracts and documentation.

35.7 Catastrophe risk

The Regent Insurance Group sets out the total aggregate exposure that it is prepared to accept in certain territories to a range of events such as natural catastrophes. The aggregate position is reviewed annually. The Regent Insurance Group uses a number of modelling tools to monitor aggregation and to simulate catastrophe losses in order to measure the effectiveness of the reinsurance programmes and the net exposure of operations.

35. Financial risk *(continued)*

35.8 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 Financial Services Board is in the process of developing a new Solvency Assessment and Management (SAM) regime for the South African insurance industry, to be in line with international standards. The implementation date for SAM is 1 January 2016. However, certain interim requirements were introduced in 2012, which prescribes the method used to calculate the statutory capital requirement and IBNR on a more risk-sensitive basis.

The operating subsidiaries in Lesotho and Botswana are governed by the legislation in those jurisdictions and these insurers also met their respective solvency requirements.

International solvency margin

The Regent Insurance Group solvency margin is calculated as the ratio of capital and reserves to net premium. At year end the Regent Insurance Group solvency margin was 56.7% (2012: 43.7%) and the Regent Insurance Company was 46.2% (2012: 40.0%).

36. Subsidiaries

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

	Holding 2013 %	Holding 2012 %	Cost of shares R'000	Principal activity
Subsidiaries				
Regent Insurance Botswana Proprietary Limited	100	100	12 000	Insurance
Regent Reinsurance Management Proprietary Limited	100	100	—	Reinsurance
Motor Compliance Solutions Proprietary Limited	100	100	—	Risk administration
Legal Advice Consultants Proprietary Limited	100	100	—	Legal
Erf Four Nine Nine Spartan Proprietary Limited	100	100	1 774	Property
Newcastle Properties Shareblock Proprietary Limited	100	100	—	Property
Anvil Investments Proprietary Limited	100	100	141	Investments
Anvil Financial Services Proprietary Limited	100	100	—	Finance
Lesotho National General Insurance Company Proprietary Limited	60	60	28 760	Insurance
SA Warranties Proprietary Limited	100	60	39 239	Maintenance and warranty
Paint Tech Maintenance Proprietary Limited	100	—	1	Maintenance
Balance at the end of the year			81 915	

37. Events after reporting period

Bilal Adam was appointed chief financial officer and Mari Janzen was appointed chief operations officer of the Regent Insurance Group with effect from 1 July 2013. No other material facts or circumstances have arisen between the reporting date and the date of this report which affect the financial position of the Regent Insurance Group as reflected in these annual financial statements.

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