

# ANNUAL REPORT 2015



Regent is an authorised financial services provider.

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

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## KEYS

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

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



## GO ON. YOU'RE COVERED

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

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

## THE REGENT STORY

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

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

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

CORPORATE GOVERNANCE



## Corporate governance

for the year ended 30 June 2015

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. The Regent Group also complies with the industry and other relevant legislation in this regard. No integrated report has been prepared as the Regent Group is wholly owned by Imperial Holdings Limited which produces a group integrated report.

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

### Board composition, appointment and responsibilities

All directors of the board, as at 30 June 2015, are appointed to both Regent Insurance Company and to Regent Life Company. In accordance with Imperial Holdings Group policy, MJ Lamberti serves as the non-executive chairman for both companies. RJA Sparks was appointed as the lead independent director for both Regent Insurance Company and Regent Life Company, effective 1 March 2015.

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

Currently the board consists of 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 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.

## Corporate governance (continued)

for the year ended 30 June 2015

### Board composition, appointment and responsibilities (continued)

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

### Board committees and governance structures

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

### Audit committee

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

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

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

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

- Monitoring the integrity of the annual report and reviewing the content thereof to ensure that the information is reliable as well as reviewing any information to be included in the Imperial Group interim and preliminary announcements, and any other financial information to be made public
- Preparing a report to be included in the annual financial statements in terms of section 94(7) of the Companies Act, which report appears on pages 32 and 33 of this report and provides further information on the activities of the committee
- Monitoring and reviewing the effectiveness of the internal audit function
- Recommending to the board the appointment of the external auditors, approving their remuneration and terms of engagement and monitoring their independence, objectivity and effectiveness, taking into consideration relevant professional and regulatory requirements
- Reviewing the skills and experience of the chief financial officer and the expertise, resources and experience of the company's finance function
- Determining the nature and extent of any non-audit services which the external auditor may provide to the company and pre-approval of any proposed contract with the external auditor for the provision of those non-audit services
- Receiving and dealing appropriately with any complaints (whether from within or outside the company) relating either to the accounting practices and internal audit of the company or to the content or auditing of its financial statements, or to any related matter.

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

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

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

## Corporate governance (continued)

for the year ended 30 June 2015

### Risk committee

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

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

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

### Actuarial committee

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

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

### Investment committee

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

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

### Remuneration committee

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

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

### Social and ethics committee

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

The Imperial Holdings group risk executive reports to the board on the social, ethics and sustainability matters dealt with at the Imperial Holdings 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 policyholder liabilities of the Regent Life Group. The statutory actuary is represented at the year-end board meetings and all actuarial committee meetings.

### Company secretary

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

## Corporate governance (continued)

for the year ended 30 June 2015

### Meeting attendance

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

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

n/a Not applicable

### Accountability and audit

#### Going concern

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

#### Internal financial controls

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

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

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

#### Internal audit

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

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

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

## Corporate governance (continued)

for the year ended 30 June 2015

### Risk management

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

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

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

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

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

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

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

Since Imperial Holdings Limited is the sole shareholder of the Regent Group, with the approval of the directors, the transformation, 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 Regent Group complies with legislation and all relevant codes.

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

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

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

## Corporate governance (continued)

for the year ended 30 June 2015

### Compliance (continued)

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

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

### Information technology

#### Focus

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

#### Governance of IT strategy, risk and financial elements

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

#### Customer

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

#### Learning and growth

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

### Principles of conduct

#### Business integrity and ethics

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

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

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

#### Treating customers fairly

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

#### Employment and labour rights

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

## Corporate governance (continued)

for the year ended 30 June 2015

### Board of directors

#### Mark Lamberti

BCom (Unisa), MBA (Wits)

*Non-executive chairman*

Joined in 2014

#### Jurie Strydom

BBusSc, FIA, FASSA, CFA

*Chief executive officer*

Joined in 2008

#### Andrew Tennick

BCom, FCII

*Executive director*

Joined in 2007

#### Mahommed Akoojee

BCom Honours, CA(SA), CFA

*Non-executive director*

Joined in 2012

#### Bilal Adam

BCom Honours, CA(SA)

*Chief financial officer*

Joined in 2013

#### Charles Erasmus

BSc, FIA

*Independent non-executive director*

Joined in 2011

#### Berenice Francis

BCompt Honours, CIA

*Non-executive director*

Joined in 2008

#### Brian Mallinson

CA(SA)

*Independent non-executive director*

Joined in 2013

#### Sibongile Masinga

BCom

*Independent non-executive director*

Joined in 2008

#### Jethro Mbau

Executive Management Programme

*Independent non-executive director*

Joined in 1994

#### Russell Mumford

BCom, BAcc Honours, CA(SA)

*Non-executive director*

Joined in 1995

#### Roddy Sparks

BCom Honours, CA(SA), MBA

*Independent non-executive director*

Joined in 2009

## Corporate governance (continued)

for the year ended 30 June 2015

### Executive team

#### Bilal Adam

BCom Honours, CA(SA)

*Chief financial officer*

Joined in 2010

#### Werner Behrens

BJuris, LLB

*General manager: legal and forensics*

Joined in 2008

#### Andre Cloete

BCom Honours, FIA, FASSA

*General manager: car and home*

Resigned in 2015

#### Kumeshnie Govender

GIBS Executive Leadership Course

*General manager: central operations*

Joined in 2010

#### Heydon Hall

BCom, MBA, DCom

*Chief information officer*

Joined in 2011

#### Magdalena Janzen

BSc Engineering, BA Honours HRD, MBA

*Chief operations officer*

Joined in 2013

#### Masenyane Molefe

BCom, MBA

*Executive head: human resources*

Joined in 2014

#### Besa Ruele

BSc Mathematics, FIA (UK), FASSA

*General manager: Life*

Joined in 2010

#### Jurie Strydom

BBusSc, FIA, FASSA, CFA

*Chief executive officer*

Joined in 2008

#### John Tager

EDP, CIMIEP, MBiA

*General manager: VAPS*

Joined in 2012

#### Andrew Tennick

BCom, FCII

*Chief risk officer*

Joined in 2007

## Combined salient features

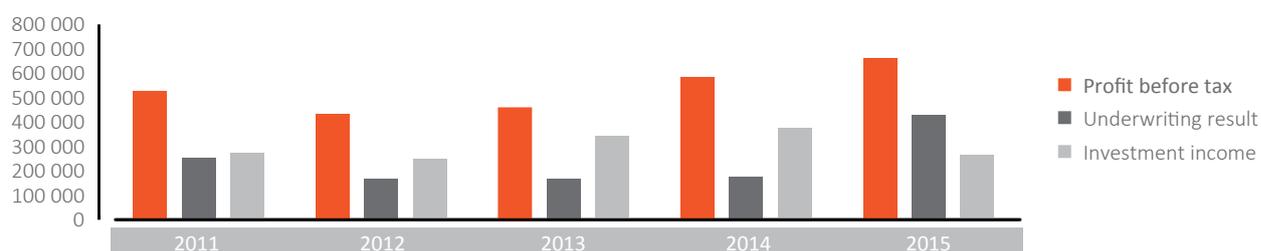
for the year ended 30 June 2015

	Regent Life Group 2015 R'000	Regent Insurance Group 2015 R'000	Regent Group 2015 R'000	Regent Life Group 2014 R'000	Regent Insurance Group 2014 R'000	Regent Group 2014 R'000	Regent Group % change
<b>Statement of comprehensive income</b>							
Gross written premium income	1 021 627	1 905 718	2 927 345	922 824	1 889 551	2 812 375	4
Investment income, including investment gains	113 592	151 538	265 130	143 939	233 102	377 041	(30)
Net claims and benefits incurred	333 868	899 063	1 232 931	313 905	901 707	1 215 612	(1)
Underwriting result	225 089	201 077	426 166	75 371	151 337	226 708	88
Profit before taxation	331 665	329 521	661 186	215 631	367 618	583 249	13
<b>Statement of financial position</b>							
Total assets	2 003 915	2 697 455	4 701 370	1 847 964	2 619 491	4 467 455	5
Total cash and cash equivalents, including short-term financial instruments	727 841	825 553	1 553 394	821 753	1 203 304	2 025 057	(23)
<b>Total liabilities</b>	<b>1 249 074</b>	<b>1 479 857</b>	<b>2 728 931</b>	1 237 923	1 507 490	2 745 413	1
<b>Total equity</b>	<b>754 841</b>	<b>1 217 598</b>	<b>1 972 439</b>	610 041	1 112 001	1 722 042	15

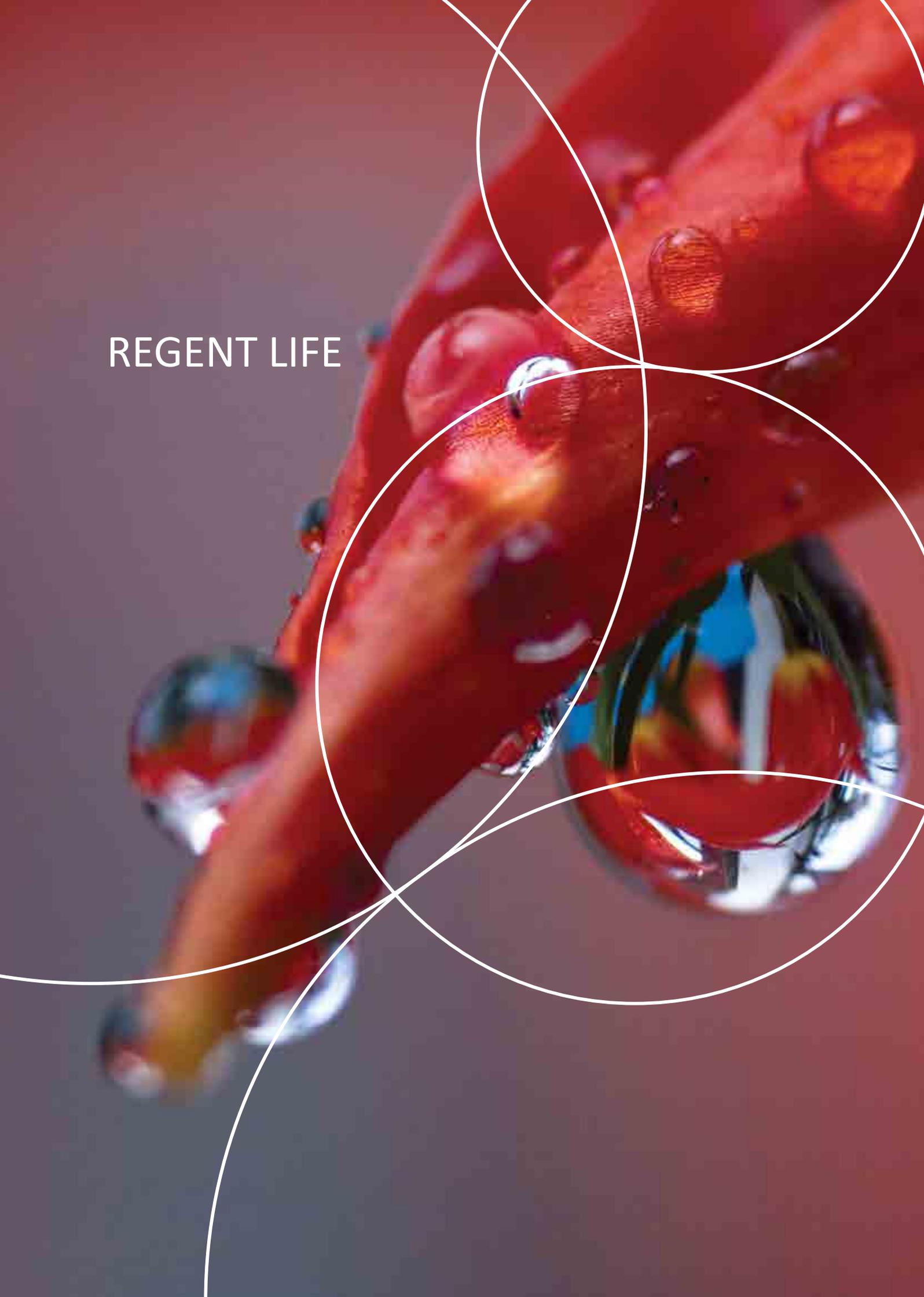
	Insurance R'000	Investment policy-holder funds and float R'000	Investment shareholder funds R'000	Total R'000
<b>2015</b>				
Underwriting result	426 166	—	—	426 166
Investment income	—	55 052	210 078	265 130
Non-operating items	(30 110)	—	—	(30 110)
Profit before tax	396 056	55 052	210 078	661 186
<b>2014</b>				
Underwriting result	226 708	—	—	226 708
Investment income	—	102 145	274 896	377 041
Non-operating items	(20 500)	—	—	(20 500)
Profit before tax	206 208	102 145	274 896	583 249

### Five-year review

R'000



REGENT LIFE



## Directors' approval and statement of responsibility

for the year ended 30 June 2015

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 87 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 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 87 were approved by the board of directors on 29 September 2015 and are signed on its behalf by:



**MJ Lamberti**  
Chairman

29 September 2015



**JJ Strydom**  
Chief executive officer

29 September 2015

## 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 2015 all such returns as are required of a public company in terms of the Act and that all such returns are true, correct and up to date.



**G Tyusha**  
Company secretary

29 September 2015

## Company statutory actuary's report

Statement of assets and liabilities, excess assets and capital requirements at 30 June 2015

	2015 R'000	2014 R'000
<b>Published reporting basis</b>		
Total value of assets as per statement of financial position	<b>1 354 243</b>	1 287 630
Less: Reinsurances	<b>(110 192)</b>	(142 089)
Statement of financial position assets net of reinsurances	<b>1 244 051</b>	1 145 541
Value of policy liabilities	<b>122 627</b>	191 170
Less: Reinsurances	<b>(110 192)</b>	(142 089)
Investment contract liabilities	<b>246 425</b>	254 684
Current and other liabilities as per statement of financial position	<b>377 749</b>	353 970
Total value of liabilities net of reinsurances	<b>636 609</b>	657 735
Excess assets	<b>607 442</b>	487 806
<b>Statutory basis</b>		
Total value of assets as per statement of financial position	<b>1 354 243</b>	1 287 630
Less: Reinsurances	<b>(110 192)</b>	(142 089)
Less: Disallowed assets	<b>(15 507)</b>	(16 798)
Net assets on the statutory basis	<b>1 228 544</b>	1 128 743
Value of policy liabilities	<b>579 157</b>	608 544
Less: Reinsurances	<b>(131 817)</b>	(165 166)
Investment contract liabilities	<b>246 425</b>	254 684
Current and other liabilities as per statement of financial position	<b>255 975</b>	243 357
Total value of liabilities net of reinsurances	<b>949 740</b>	941 419
Excess assets	<b>278 804</b>	187 324
CAR – refer to page 20	<b>34 931</b>	44 396
Ratio of excess assets to CAR	<b>8.0</b>	4.2
<b>Analysis of change in excess assets on published reporting basis</b>		
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	<b>607 442</b>	487 806
Excess assets at the beginning of the year	<b>487 806</b>	475 703
Change in excess over the year	<b>119 636</b>	12 103
<b>The change in excess assets is due to the following factors:</b>		
Investment income on excess assets	<b>17 369</b>	22 442
Capital gain on excess assets	<b>9 396</b>	2 112
Total investment return on excess assets	<b>26 765</b>	24 554
Operating profit	<b>135 366</b>	104 107
Dividends received from subsidiaries	<b>55 413</b>	63 442
Increase/(decrease) in excess assets due to change in valuation methods or assumptions – refer page 17	<b>61 868</b>	(1 519)
Taxation	<b>(63 298)</b>	(45 859)
Total earnings as per statement of comprehensive income	<b>216 114</b>	144 725
Dividends paid	<b>(71 826)</b>	(98 198)
Dividends paid to non-controlling interests	<b>(25 017)</b>	(31 211)
Change in share-based equity in respect of employee remuneration arrangements	<b>365</b>	(3 213)
Total change in excess assets	<b>119 636</b>	12 103

## Company statutory actuary's report (continued)

Statement of assets and liabilities, excess assets and capital requirements at 30 June 2015

	2015 R'000	2014 R'000
<b>Reconciliation of excess assets between published reporting basis and statutory basis</b>		
Excess assets on published reporting basis	607 442	487 806
Less: Assets excluded in terms of Schedule 3 of the Act	(15 507)	(16 798)
Plus: Deferred tax adjustment	121 774	110 613
Less: Excess of statutory liabilities over published reporting liabilities*	(434 905)	(394 297)
Excess assets on statutory basis	278 804	187 324

\*Net of reinsurances.

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

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

- All economic assumptions were reviewed to reflect the movement in the yield curve and implied inflation curve in line with the current economic environment;
- As a result of these economic changes, the actuarial liabilities (net of reinsurance) increased by R2.9 million;
- The non-economic assumptions were also reviewed in the light of the most recent experience investigations. Generally, decrement assumptions were set to target an actual to expected ratio of 90% based on experience over the past five years. In addition, an explicit 20% discretionary margin was added (excluding retrenchment which already has a 30% margin);
- The mortality and reserving basis for disabled annuities was changed to align with the reinsurer's basis. A 20% discretionary margin was also incorporated;
- The expense and lapse assumptions were also revised;
- The impact of the changes in non-economic assumptions was that the actuarial liabilities (net of reinsurance) decreased by R61.1 million.
- The IBNR methodology for individual business was adjusted to be consistent with the group business methodology. This resulted in a decrease in actuarial liabilities of R3.6 million; and
- The combined impact of the economic and non-economic assumption changes was that the actuarial liabilities decreased by R61.8 million on the published reporting basis (PRB).

### 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 premiums. For unitised insurance contracts, the market value of the unit account, as well as a non-unit reserve was held as the liability. The non-unit reserve is based on the expected benefit payments, commission and expenses less the expected charges.

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

- the best estimate of the future experience; plus
- the compulsory margins prescribed by SAP104; plus
- discretionary margins as detailed below:
  - An additional 30% margin was incorporated for the credit life retrenchment benefit in view of the potential volatility of claims experience and uncertain economic environment;
  - A 20% margin was incorporated in the other credit life decrement assumptions to ensure the prudent release of profits in line with the policy design;
  - A 20% margin was incorporated in the individual life and disabled annuity decrement assumptions to ensure the prudent release of profits in line with the policy design;
  - A 20% margin was held for lapses on the affinity business in years one to two and 50% from year three onwards as this is a new channel with limited experience and increased volatility;
  - Negative reserves were eliminated for all policies with premiums outstanding for three or more months. Negative reserves were also eliminated for the individual life affinity business until sufficient credible experience is built up;
  - The combined effect of the discretionary margins on the published reporting basis amounts to R136.6 million.

## Company statutory actuary's report (continued)

Statement of assets and liabilities, excess assets and capital requirements at 30 June 2015

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

### Economic assumptions

#### Investment return

- Credit life – South Africa's risk free yield curve less 0.25% margin
- Individual life – South Africa's risk free yield curve less 0.25% margin
- Disability annuity business – South Africa's risk free yield curve less 0.25% margin.

#### Expense inflation

- South Africa's implied inflation curve plus 10% margin.

#### Disability annuity increases

- South Africa's implied inflation curve

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 expense inflation rate.
- Commission and premium collection costs were modelled as they are currently being paid.

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

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

### Investment reserve for policies with investment guarantees

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

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

## Company statutory actuary's report (continued)

Statement of assets and liabilities, excess assets and capital requirements at 30 June 2015

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

Maturity (years)	Strike	Price %	Implied volatility %
1	Spot	5.3	17.7
1	0.8 times spot	2.4	28.3
1	Forward	6.9	17.7
5	Spot	8.0	22.8
5	1.045 times spot	17.7	26.1
5	Forward	19.8	26.1
20	Spot	2.5	26.0
20	1.042 times spot	12.7	27.7
20	Forward	25.3	27.7

Description of derivative contract	Calculated price (% of spot price)
A five-year put option with a strike price equal to (1.04) <sup>5</sup> 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.	3.8
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	0.04

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

Year	Rate %
1	6.5
2	7.3
3	7.6
4	7.9
5	8.1
10	8.5
15	9.3
20	9.4
25	9.6
30	9.8

The date of calibration was as at 30 June 2015.

### 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).

## Company statutory actuary's report (continued)

Statement of assets and liabilities, excess assets and capital requirements at 30 June 2015

### 3. Statutory capital adequacy requirements (CAR)

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

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

No management actions were assumed in the calculation of OCAR.

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

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

### CERTIFICATION OF STATUTORY FINANCIAL POSITION

I hereby certify that:

- the valuation on the statutory basis of Regent Life Company Limited as at 30 June 2015, 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*

29 September 2015

## Consolidated statutory actuary's report

Statement of assets and liabilities, excess assets and capital requirements at 30 June 2015

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

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

	2015 R'000	2014 R'000
<b>Published reporting basis</b>		
Total value of assets as per statement of financial position	<b>2 003 915</b>	1 847 964
Less: Reinsurances	<b>(112 922)</b>	(148 373)
Statement of financial position assets net of reinsurances	<b>1 890 993</b>	1 699 591
Value of policy liabilities	<b>477 818</b>	515 399
Less: Reinsurances	<b>(112 922)</b>	(148 373)
Investment contract liabilities	<b>320 968</b>	314 961
Current and other liabilities as per statement of financial position	<b>450 288</b>	407 563
Total value of liabilities net of reinsurances	<b>1 136 152</b>	1 089 550
Excess assets	<b>754 841</b>	610 041
<b>Statutory basis</b>		
Total value of assets as per statement of financial position	<b>2 003 915</b>	1 847 964
Less: Reinsurances	<b>(112 922)</b>	(148 373)
Less: Disallowed assets	<b>(17 190)</b>	(19 574)
Net assets on the statutory basis	<b>1 873 803</b>	1 680 017
Value of policy liabilities	<b>930 300</b>	929 274
Less: Reinsurances	<b>(134 547)</b>	(171 446)
Investment contract liabilities	<b>320 968</b>	314 961
Current and other liabilities as per statement of financial position	<b>328 514</b>	296 950
Total value of liabilities net of reinsurances	<b>1 445 235</b>	1 369 739
Excess assets	<b>428 568</b>	310 278
CAR	<b>81 888</b>	93 609
Ratio of excess assets to CAR	<b>5.2</b>	3.3
<b>Change in excess assets on published reporting basis</b>		
Excess assets at the end of the financial year	<b>754 841</b>	610 041
Excess assets at the beginning of the financial year	<b>610 041</b>	586 810
Change in excess over the financial year	<b>144 800</b>	23 231

## Consolidated statutory actuary's report (continued)

Statement of assets and liabilities, excess assets and capital requirements at 30 June 2015

	2015 R'000	2014 R'000
<b>Analysis of change in excess assets on published reporting basis</b>		
Investment income on excess assets	24 254	28 291
Capital gain on excess assets	11 292	4 033
Total investment return on excess assets	35 546	32 324
Operating profit	232 179	186 976
Increase/(decrease) in excess assets due to change in valuation methods or assumptions	63 940	(3 669)
Taxation	(86 622)	(62 738)
<b>Total earnings as per statements of comprehensive income</b>	<b>245 043</b>	152 893
Dividends paid	(102 579)	(131 194)
Foreign currency translation reserve and exchange differences	4 789	5 619
Transfer to statutory report	(1 418)	(874)
Increase in interest in subsidiary	(1 400)	—
Change in share-based equity in respect of employee remuneration arrangements	365	(3 213)
Total change in excess assets	144 800	23 231
<b>Reconciliation of excess assets between published reporting basis and statutory basis</b>		
Excess assets on published reporting basis	754 841	610 041
Less: Assets excluded in terms of schedule 3 of the Act	(17 190)	(19 574)
Plus: Deferred tax adjustment	121 774	110 613
Less: Excess of statutory liabilities over published reporting liabilities*	(430 857)	(390 802)
Excess assets on statutory basis	428 568	310 278

\*Net of reinsurances.

### CERTIFICATION OF STATUTORY FINANCIAL POSITION

I hereby certify that:

- the valuation on the statutory basis of Regent Life Group as at 30 June 2015, 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

29 September 2015

## Consolidated embedded value report

as at 30 June 2015

The embedded value of the covered business of Regent Life Group at 2015 is shown below. The corresponding prior year figures have been provided as a comparative. The Regent Life Group is made up of the following insurance companies, and for purposes of the consolidated embedded value report, excludes non-controlling interests:

- Regent Life Assurance Company Limited
- Regent Life Botswana Limited
- Lesotho National Life Assurance Company.

During the current financial year, Regent Life Botswana Limited acquired 100% of Blue Assurance Services Zambia Limited. The estimated embedded value of Blue Assurance Services Zambia Limited as at 31 December 2014 was R1.648 million. This is not included in the consolidated figures below.

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

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

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

The embedded value consists of the following components:

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

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

The required capital is the risk capital required to be held in addition to the covered business liabilities. It is the greater of the SCAR and the amount required to meet internal objectives, which in the Regent Life Group's case is twice the SCAR for Regent Life Company and Regent Life Botswana. Lesotho National Life Assurance Company's required CAR was set at two times the OCAR as at 30 June 2015. The required capital is not available for distribution to shareholders.

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

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

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

The embedded value of the 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)

as at 30 June 2015

**Table 1: Embedded value of covered business**

	2015 R'000	2014 R'000
Free surplus	<b>289 783</b>	145 498
Required capital	<b>155 973</b>	184 532
<b>Adjusted net worth</b>	<b>445 756</b>	330 030
Attributable to non-controlling interests	<b>38 206</b>	38 070
Attributable to the Regent Life Group	<b>407 550</b>	291 960
<b>Value of in-force business</b>	<b>709 031</b>	577 174
Attributable to non-controlling interests	<b>70 152</b>	69 768
Attributable to the Regent Life Group	<b>638 879</b>	507 406
<b>Cost of required capital</b>	<b>(41 438)</b>	(59 144)
Attributable to non-controlling interests	<b>(1 627)</b>	(2 366)
Attributable to the Regent Life Group	<b>(39 811)</b>	(56 778)
<b>Embedded value of covered business</b>	<b>1 113 349</b>	848 060
Attributable to non-controlling interests	<b>106 732</b>	105 473
Attributable to the Regent Life Group	<b>1 006 617</b>	742 587
<b>Return on embedded value on covered business (1)</b>	<b>42.7%</b>	34.9%
<b>Return on embedded value attributable to the Regent Life Group (1)</b>	<b>45.2%</b>	35.8%

1. Return on embedded value is defined as embedded value earnings (see table below) divided by the embedded value at the start of the financial period. The earnings this year were inflated by some once-off assumption and methodology changes. Refer to table 6 for more details.

### Embedded value earnings for the reporting period

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

**Table 2: Embedded value earnings attributable to all covered business**

EV component	EV 2015 R'000	Plus dividends paid out R'000	Less EV 2014 R'000	EV earnings 2015 R'000
Adjusted net worth	<b>445 757</b>	96 843	330 030	<b>212 570</b>
Cost of required capital	<b>(41 438)</b>	—	(59 144)	<b>17 706</b>
Present value of in-force	<b>709 030</b>	—	577 174	<b>131 856</b>
<b>Embedded value</b>	<b>1 113 349</b>	96 843	848 060	<b>362 132</b>

## Consolidated embedded value report (continued)

as at 30 June 2015

**Table 3: Embedded value earnings attributable to the Regent Life Group**

EV component	EV 2015 R'000	Plus dividends paid out R'000	EV 2014 R'000	EV earnings 2015 R'000
Adjusted net worth	407 550	71 826	292 295	187 081
Cost of required capital	(39 811)	—	(56 778)	16 967
Present value of in-force	638 879	—	507 406	131 473
<b>Embedded value</b>	<b>1 006 618</b>	<b>71 826</b>	<b>742 923</b>	<b>335 521</b>

**Table 4: Analysis by source of embedded value earnings**

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

Source	Increase/ (decrease) in adjusted net worth R'000	(Increase)/ decrease in cost of required capital R'000	Increase/ (decrease) in value of in-force R'000	Increase/ (decrease) in EV R'000
Embedded value of new business (1)	(64 230)	(15 194)	173 306	93 882
Expected return on covered business (2)	—	3 647	63 511	67 158
Expected profit transfer (3)	154 273	—	(154 273)	—
Operating experience variances (4)	128 357	19 159	2 422	149 938
Operating assumption and methodology changes (5)	9 134	5 370	56 780	71 284
<b>Embedded value operating return</b>	<b>227 534</b>	<b>12 982</b>	<b>141 746</b>	<b>382 262</b>
Investment return variances (6)	(11 738)	—	—	(11 738)
Effect of economic assumption changes (5)	6 376	4 723	(9 889)	1 210
Tax variance (7)	(15 222)	—	—	(15 222)
Effect of exchange rate variance	5 619	—	—	5 619
<b>Embedded value earnings on covered business</b>	<b>212 569</b>	<b>17 705</b>	<b>131 857</b>	<b>362 131</b>
Earnings attributable to non-controlling interests	25 488	739	383	26 610
<b>Embedded value earnings attributable to the Regent Life Group</b>	<b>187 081</b>	<b>16 966</b>	<b>131 474</b>	<b>335 521</b>

1. The new business contribution for the covered business is calculated at point of sale on the closing embedded value basis. The adjusted net worth component reflects the losses expected to be incurred from the point of sale to 30 June 2015 due to new business costs such as upfront commission, initial expenses and reserving strain.
2. This represents the unwinding of the risk discount rate (last year's basis) on in-force and new business.
3. This is the after tax profit expected from business in-force at the beginning of the year on last year's embedded value basis.
4. An analysis of the variation in operating experience relative to that expected on last year's embedded value basis is provided in table 6 below. This also includes variances in new business experience relative to the closing embedded value basis.
5. An analysis of the effect of changes in assumptions and methodology is provided in table 5 below.
6. This item reflects investment earnings on assets being less than expectations as well as the investment returns earned on excess assets and the impact of exchange rate variances.
7. The tax variance reflects the difference between the expected and actual taxation.

## Consolidated embedded value report (continued)

as at 30 June 2015

**Table 5: Assumptions and methodology changes**

The table below reflects impact of the assumptions and methodology changes on renewal business as at 30 June 2015. All figures are net of expected tax.

	Increase/ (decrease) in adjusted net worth R'000	(Increase)/ decrease in cost of required capital R'000	Increase/ (decrease) in value of in-force R'000	Increase/ (decrease) in EV R'000
Modelling and other technical changes (1)	(9 034)	402	5 130	(3 502)
Lapse and surrenders (2)	52	—	276	328
Mortality and morbidity (2)	14 445	4 979	42 864	62 288
Expenses (2)	3 672	(10)	8 510	12 172
<b>Operating assumption changes</b>	<b>9 135</b>	<b>5 371</b>	<b>56 780</b>	<b>71 286</b>
Risk discount rate gap (3)	—	(886)	(9 111)	(9 997)
Other economic assumptions (3)	6 376	5 609	(777)	11 208
<b>Economic assumption changes</b>	<b>6 376</b>	<b>4 723</b>	<b>(9 888)</b>	<b>1 211</b>
<b>Total</b>	<b>15 511</b>	<b>10 094</b>	<b>46 892</b>	<b>72 497</b>

1. The modelling changes include revisions to the take-up rate for annual premium increase and to the individual business IBNR methodology.
2. These assumption changes reflect the latest investigations and expected future experience. The significant increase in value in-force is mainly due to additional discretionary margins which were incorporated in the valuation basis.
3. These two items represent the total effect of economic assumption changes. The change in economic assumptions follows the changes in the economic environment and more specifically movements in the government bond zero coupon yield curve. A discount rate curve was used this year compared to a point estimate last year.

**Table 6: Operating experience variations**

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

	Increase/ (decrease) in adjusted net worth R'000	(Increase)/ decrease in cost of required capital R'000	Increase/ (decrease) in value of in-force R'000	Increase/ (decrease) in EV R'000
Expenses (1)	4 015	—	—	4 015
Lapses and surrenders (2)	(753)	19 117	(39 647)	(21 283)
Mortality and morbidity (3)	85 585	1 221	190	86 996
Earnings on group business (4)	40 994	(1 179)	41 878	81 693
Uncultured business and other income earned (5)	(1 483)	—	—	(1 483)
<b>Total</b>	<b>128 358</b>	<b>19 159</b>	<b>2 421</b>	<b>149 938</b>

1. The expense experience was more favourable than expected.
2. Overall the withdrawal experience variation had a negative impact on the embedded value. This includes losses on partial withdrawals and new business lapse variances.
3. The mortality and morbidity experience was favourable.
4. This refers to the earnings attributable to group business and disabled annuitants (that arise from members of the group). Any other non-modelled business is also included. There was a once-off reserving change to the disabled in-payment annuitants to align the basis with the reinsurance basis which improved profits by approximately R23 million. In addition, the projection assumptions for group business were changed to be closer to best estimate.
5. This is the release of reserves set up last year for business where premiums were booked but the policies had not been valued prospectively as the data had been captured after the valuation date. Other miscellaneous items and provisions were also included here.

## Consolidated embedded value report (continued)

as at 30 June 2015

**Table 7: Embedded value of new business**

	2015 R'000	2014 R'000
<b>Value of future profits from new business at point-of-sale</b>	<b>109 076</b>	100 201
Attributable to non-controlling interest	<b>21 347</b>	26 465
Attributable the Regent Life Group	<b>87 729</b>	73 736
<b>Cost of required capital (1)</b>	<b>(15 194)</b>	(22 461)
Attributable to non-controlling interest	<b>(142)</b>	(79)
Attributable the Regent Life Group	<b>(15 052)</b>	(22 382)
<b>Embedded value of new business (a)</b>	<b>93 882</b>	77 740
Attributable to non-controlling interest	<b>21 206</b>	26 386
Attributable to the Regent Life Group	<b>72 676</b>	51 354
<b>Value of premiums from new business at point-of-sale (b)</b>	<b>799 238</b>	846 716
Attributable to non-controlling interest	<b>136 599</b>	185 818
Attributable to the Regent Life Group	<b>662 639</b>	660 898
<b>Profit margin (a/b)</b>	<b>11.7%</b>	9.2%
Attributable to non-controlling interest	<b>15.5%</b>	14.2%
Attributable to the Regent Life Group *	<b>11.0%</b>	7.8%
New business annualised premium income (c)*	<b>254 930</b>	275 562
<b>Annualised profit margin (a/c)</b>	<b>36.8%</b>	28.2%
Attributable to non-controlling interest	<b>8.3%</b>	9.6%
Attributable to the Regent Life Group	<b>28.5%</b>	18.6%

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

\* Prior year figures have been restated to be in line with current year methodology

## Consolidated embedded value report (continued)

as at 30 June 2015

### Assumptions

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

**Table 8: Embedded value economic assumptions for South Africa**

	2015 %	2014 %
Risk free rate (Individual life business)	<b>Nominal yield curve</b>	7.70
Risk free rate (Credit life business)	<b>Nominal yield curve</b>	7.32
Beta coefficient	<b>150.00</b>	150.00
Equity risk premium (non-annuity business)	<b>3.00</b>	3.00
Equity risk premium (annuity business)	<b>3.00</b>	3.00
Risk discount rate (all business)	<b>Risk discount rate curve</b>	12.19
Expense inflation	<b>Inflation yield curve</b>	Inflation yield curve
Profit tax rate	<b>28.00</b>	28.00

**Table 9: Embedded value economic assumptions for Botswana**

	2015 %	2014 %
Risk free rate	<b>Nominal yield curve – 1%</b>	4.12
Beta coefficient	<b>167.00</b>	150.00
Equity risk premium	<b>3.00</b>	3.00
Risk discount rate	<b>Risk discount rate curve</b>	8.62
Expense inflation	<b>Inflation yield curve</b>	3.50
Dividend allowance	<b>10.00</b>	10.00
Dividend pay-out rate	<b>100.00</b>	100.00
Profit tax rate	<b>22.00</b>	22.00

The exchange rate for conversion from the Botswana pula into South African rand applicable at 30 June 2015 is 1.232 (June 2014: 1.206).

## Consolidated embedded value report (continued)

as at 30 June 2015

**Table 10: Embedded value economic assumptions Lesotho**

	2015 %	2014 %
Risk free rate	<b>Nominal yield curve + 1.25%</b>	8.25
Beta coefficient	<b>167.00</b>	150.00
Equity risk premium	<b>3.00</b>	3.00
Risk discount rate	<b>Risk discount rate curve</b>	12.75
Expense inflation	<b>Inflation yield curve</b>	Inflation yield curve
Profit tax rate (1)	<b>25.00</b>	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 rand is maintained at 1.

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

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

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

### Non-economic assumptions

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

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

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

### Future bonus on with-profits business

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

## Consolidated embedded value report (continued)

as at 30 June 2015

**Table 11: Embedded value sensitivities attributable to the Regent Life Group**

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

	Adjusted net worth R'000	Value of in-force R'000	Cost of required capital R'000	Embedded value R'000	% change from standard R'000
Standard	407 550	638 879	(39 811)	1 006 618	—
Risk discount rate +1%	407 550	634 637	(44 568)	997 619	(0.90)
Inflation, expected return, risk discount rate -1%	407 550	678 399	(41 160)	1 044 789	3.80
Equity/property capital values -10%	386 380	638 879	(39 811)	985 448	(2.10)
Equity/property returns + 1%	407 550	634 637	(44 568)	997 619	(0.90)
Renewal expenses -10%	407 550	683 029	(40 235)	1 050 344	4.30
Withdrawals -10%	407 550	681 359	(42 358)	1 046 551	4.00
Claims -5%	407 550	703 472	(39 851)	1 071 171	6.40

**Table 12: Value of new business sensitivities attributable to the Regent Life Group**

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

	Value of in-force R'000	Cost of required capital R'000	Embedded value R'000	% change from standard R'000
Standard	87 729	(15 137)	72 592	—
Risk discount rate +1%	83 948	(16 480)	67 468	(7.00)
Inflation, expected return, risk discount rate -1%	95 242	(14 511)	80 731	11.20
Equity/property capital values -10%	87 065	(14 502)	72 563	(0.04)
Equity/property returns + 1%	83 948	(16 480)	67 468	(7.00)
Renewal expenses -10%	94 002	(13 830)	80 172	10.40
Acquisition expenses -10% (1)	93 759	(15 216)	78 542	8.20
Withdrawals -10%	101 139	(15 655)	85 484	17.70
Claims -5%	93 617	(14 533)	79 084	8.90

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

## Report on the financial statements

We have audited the consolidated and separate financial statements of Regent Life Assurance Company Limited, set out on pages 37 to 87, which comprise the statements of financial position as at 30 June 2015, the statements of comprehensive income, statements of changes in equity, 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 Company's directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

## Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## Opinion

In our opinion, these consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Regent Life Assurance Company Limited as at 30 June 2015, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa.

## Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the year ended 30 June 2015, we have read the directors' report, the audit committee's report, the company and consolidated statutory actuary's report, 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 consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

**Deloitte & Touche**

Registered auditor

Per: **D Jorge**

Partner

30 September 2015

Building 8, Deloitte Place  
The Woodlands  
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 & Industries), \*JK Mazzocco (Talent & Transformation), \*MJ Jarvis (Finance), \*M Jordan (Strategy), S Gwala (Managed Services), \*TJ Brown (Chairman of the Board) and \*MJ Comber (Deputy Chairman of the Board)

A full list of partners and directors is available on request

\*Partner and Registered Auditor

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

Member of Deloitte Touche Tohmatsu Limited

## Audit committee report

for the year ended 30 June 2015

### Audit committee report

The audit committee presents its report for the year ended 30 June 2015. 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 therein.

### Objectives and scope

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

In terms of its charter, 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:

	13 August 2014	20 October 2014	11 February 2015	8 June 2015
BR Mallinson (chairman)	√	√	√	√
RJA Sparks	√	√	√	√
C Erasmus	√	√	√	√

√ Present

## Audit committee report (continued)

for the year ended 30 June 2015

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 2015;
- considered the effectiveness of internal audit, and approved its annual plan and the rolling three-year internal audit plan;
- received and reviewed reports from the CRO on the enterprise risk management process;
- 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 these were appropriately authorised.

The committee has nominated, for approval at the annual general meeting, Deloitte & Touche as the external auditor for the 2016 financial year for Regent Life Company.

### Annual report

Having considered the annual report of the Regent Life Group, incorporating the annual financial statements, for the year ended 30 June 2015, 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*

29 September 2015

## Directors' report

for the year ended 30 June 2015

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 2015.

### Nature of business

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

### Holding company

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

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

Regent Life Company's interest in the aggregate profit after tax in subsidiaries amounted to R84.1 million (2014: R69.4 million) and in the losses amounted to Rnil (2014: R0.4 million).

### Dividends

Regent Life Group declared and paid dividends of R102.6 million (2014: R131.2 million) and Regent Life Company declared and paid dividends of R96.8 million (2014: R129.4 million).

### Share capital

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

### Special resolutions

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

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

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

### Events after reporting period

During May 2015, Regent Life Assurance Company's shareholder, Imperial Holdings, entered into negotiations with a third party to dispose of its shareholding in Regent Life Assurance Company. On 29 September 2015, Imperial Holdings accepted an offer made by the third party, subject to the fulfilment of certain conditions. 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

Profit before tax and the underwriting results were up 53.81% and 198.64% respectively. These increases were attributed to higher volume growth above inflation, actuarial valuation assumption changes as well as a higher offshore equity component in the underlying investment portfolio.

## Directors' report (continued)

for the year ended 30 June 2015

### Board of directors to the date of this report

MJ Lamberti (chairman, non-executive director)

### Executive directors

B Adam (chief financial officer)

JJ Strydom (chief executive officer)

AN Tennick (executive director)

### Non-executive directors

M Akoojee

C Erasmus

BJ Francis

BR Mallinson

S Masinga

JPR Mbau

R Mumford

RJA Sparks

### Audit committee

#### Independent non-executive directors

BR Mallinson (chairman)

C Erasmus

RJA Sparks

### Investment committee

#### Executive directors

B Adam

JJ Strydom

AN Tennick

#### Non-executive directors

M Akoojee

#### Independent non-executive directors

C Erasmus

RJA Sparks

#### External

W Reitsma (chairman)

### Actuarial committee

#### Executive directors

B Adam

JJ Strydom

AN Tennick

#### Independent non-executive directors

C Erasmus (chairman)

#### External

PC Falconer (statutory actuary)

### Risk committee

#### Executive directors

B Adam

JJ Strydom

AN Tennick

#### Non-executive directors

BJ Francis

#### Independent non-executive directors

C Erasmus

BR Mallinson

S Masinga (chairman)

### Remuneration committee

#### Independent non-executive directors

C Erasmus (chairman)

BR Mallinson

RJA Sparks

#### Non-executive directors

MJ Lamberti

## Directors' report (continued)

for the year ended 30 June 2015

### Board meetings

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

	18 August 2014	30 October 2014	17 February 2015	18 June 2014
<b>Independent non-executive directors</b>				
S Masinga	√	√	ap	√
JPR Mbau	√	√	ap	√
RJA Sparks	√	√	√	√
C Erasmus	√	√	√	√
BR Mallinson	√	√	√	√
<b>Non-executive directors</b>				
MJ Lamberti	√	√	√	√
BJ Francis	√	√	√	ap
R Mumford	√	√	√	√
M Akoojee	√	√	ap	√
<b>Executive directors</b>				
JJ Strydom	√	√	√	√
AN Tennick	√	√	√	√
B Adam	√	√	√	√

√ Present      ap Absent with apology

### Company secretary

G Tyusha (appointed 1 March 2015)

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

#### Business address

5 Boeing Road East  
Elma Park  
Edenvale  
1609

#### Postal address

PO Box 674  
Edenvale  
1610

### Auditors

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

# Statements of financial position

as at 30 June 2015

	Notes	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
<b>ASSETS</b>					
Property and equipment	3	2 904	14 865	254	12 960
Intangible assets	4	13 474	8 379	9 830	5 538
Investments in subsidiaries	6	—	—	46 335	46 335
Investment in associate	7	14 875	(238)	14 875	—*
Reinsurers' share of policyholder liabilities under insurance contracts	8	112 922	148 373	110 192	142 089
Financial assets	9	1 296 850	941 656	891 838	598 500
Non-current assets held for sale	5	5 579	—	5 579	—
Deferred taxation	15	1 851	1 641	—	—
Current taxation	28.3	2 748	2 667	—	—
Receivables including insurance receivables	10	95 007	91 439	52 369	51 243
Due from group companies	11	—	8	3 017	12 364
Cash and cash equivalents	12	457 705	639 174	219 954	418 601
<b>Total assets</b>		<b>2 003 915</b>	<b>1 847 964</b>	<b>1 354 243</b>	<b>1 287 630</b>
<b>LIABILITIES</b>					
Policyholders' liabilities		798 786	830 360	369 052	445 854
➤ Insurance contracts	13	477 818	515 399	122 627	191 170
➤ Investment contracts	14	320 968	314 961	246 425	254 684
Deferred taxation	15	122 334	112 560	122 334	112 560
Provisions	16	58 460	50 515	43 022	37 118
Current taxation	28.3	3 595	642	2 082	558
Due to group companies	11	14 020	6 534	14 020	6 534
Insurance and other payables	18	251 879	237 312	196 291	197 200
<b>Total liabilities</b>		<b>1 249 074</b>	<b>1 237 923</b>	<b>746 801</b>	<b>799 824</b>
<b>EQUITY</b>					
Share capital	19	21	21	21	21
Share premium	19	144 667	144 667	144 667	144 667
Statutory reserve**		93 344	81 268	—	—
Share-based equity reserve	26	(6 512)	(7 565)	(6 512)	(7 565)
Foreign currency translation reserve		12 827	8 038	—	—
Retained earnings		460 427	333 780	423 390	308 648
Equity attributable to the equityholders of the parent		704 774	560 209	561 566	445 771
Non-controlling interests		50 067	49 832	45 876	42 035
<b>Total equity</b>		<b>754 841</b>	<b>610 041</b>	<b>607 442</b>	<b>487 806</b>
<b>Total equity and liabilities</b>		<b>2 003 915</b>	<b>1 847 964</b>	<b>1 354 243</b>	<b>1 287 630</b>

\*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 2015

	Notes	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
Gross written premiums		<b>1 021 627</b>	922 824	<b>751 920</b>	706 810
Outward reinsurance premium		<b>(108 959)</b>	(102 045)	<b>(84 415)</b>	(83 884)
<b>Net written premiums</b>	20	<b>912 668</b>	820 779	<b>667 505</b>	622 926
Investment income	21	<b>76 110</b>	73 089	<b>103 946</b>	112 477
Investment gains	22	<b>37 462</b>	68 520	<b>28 218</b>	52 765
Other operating income	23	<b>122 291</b>	115 912	<b>54 876</b>	47 248
<b>Net income</b>		<b>1 148 531</b>	1 078 300	<b>854 545</b>	835 416
<b>Net claims and benefits incurred</b>	24	<b>(333 868)</b>	(313 905)	<b>(250 797)</b>	(248 387)
> Claims and benefits incurred		<b>(409 041)</b>	(373 599)	<b>(314 832)</b>	(294 780)
> Claims handling costs		<b>(2 292)</b>	(2 297)	<b>(2 292)</b>	(2 297)
> Reinsurers' share of claims and benefits incurred		<b>77 465</b>	61 991	<b>66 327</b>	48 690
<b>Change in policyholder liabilities under insurance and investment contracts</b>		<b>(5 972)</b>	(90 632)	<b>26 354</b>	(52 890)
> Transfer from/(to) life fund – insurance contracts	13	<b>45 481</b>	(77 579)	<b>74 253</b>	(38 006)
> Life fund – economic assumption	13	<b>(5 710)</b>	(7 034)	<b>(5 710)</b>	(7 034)
> Reinsurers' share	8	<b>(35 451)</b>	20 469	<b>(31 897)</b>	18 638
> Transfer to investment contracts		<b>(10 292)</b>	(26 488)	<b>(10 292)</b>	(26 488)
Finance (cost)/income		<b>(318)</b>	171	<b>(211)</b>	282
Commission and acquisition expenses		<b>(221 094)</b>	(224 330)	<b>(169 894)</b>	(181 217)
General marketing and administration expenses		<b>(254 309)</b>	(237 328)	<b>(174 757)</b>	(162 685)
Exceptional items*		<b>(680)</b>	3 465	<b>(4 965)</b>	65
Loss from associate		<b>(625)</b>	(110)	<b>(863)</b>	—
<b>Profit before taxation</b>	25	<b>331 665</b>	215 631	<b>279 412</b>	190 584
Taxation	27	<b>(86 622)</b>	(62 738)	<b>(63 298)</b>	(45 859)
<b>Profit after taxation</b>		<b>245 043</b>	152 893	<b>216 114</b>	144 725
<b>Other comprehensive income</b>					
Currency translation differences		<b>4 789</b>	5 619	—	—
<b>Total comprehensive income for the year</b>		<b>249 832</b>	158 512	<b>216 114</b>	144 725
<b>Profit attributable to:</b>					
Equity owners of the company		<b>213 535</b>	130 520	<b>187 256</b>	124 674
Non-controlling interests		<b>31 508</b>	22 373	<b>28 858</b>	20 051
		<b>245 043</b>	152 893	<b>216 114</b>	144 725
<b>Total comprehensive income attributable to:</b>					
Equity owners of the company		<b>218 324</b>	136 139	<b>187 256</b>	124 674
Non-controlling interests		<b>31 508</b>	22 373	<b>28 858</b>	20 051
		<b>249 832</b>	158 512	<b>216 114</b>	144 725

\*Exceptional items includes the profit on sale of the disposal of Boland Cavaliers Proprietary Limited, loan write off of Bridgeworks Proprietary Limited and impairment of investment in Blue Assurance Services Zambia Limited.

## Statements of changes in equity

for the year ended 30 June 2015

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
<b>Balance at 1 July 2013</b>	144 688	72 059	(4 352)	2 419	311 541	60 455	586 810
Net profit for the year	—	—	—	—	130 520	22 373	152 893
<b>Other comprehensive income</b>							
Arising from translation of foreign entity	—	—	—	5 619	—	—	5 619
<b>Total comprehensive income for the year ended 30 June 2014</b>	—	—	—	5 619	130 520	22 373	158 512
Transfer to statutory reserve	—	9 209	—	—	(10 083)	—	(874)
Share-based equity	—	—	(3 213)	—	—	—	(3 213)
Dividends paid	—	—	—	—	(98 198)	(32 996)	(131 194)
<b>Balance at 30 June 2014</b>	<b>144 688</b>	<b>81 268</b>	<b>(7 565)</b>	<b>8 038</b>	<b>333 780</b>	<b>49 832</b>	<b>610 041</b>
Net profit for the year	—	—	—	—	213 535	31 508	245 043
<b>Other comprehensive income</b>							
Arising from translation of foreign entity	—	—	—	4 789	—	—	4 789
<b>Total comprehensive income for the year ended 30 June 2015</b>	—	—	—	4 789	213 535	31 508	249 832
Transfer to statutory reserve	—	12 076	—	—	(13 494)	—	(1 418)
Movement in interest in subsidiary	—	—	—	—	(880)	(520)	(1 400)
Share-based equity reserve transferred to retained earnings on vesting	—	—	688	—	(688)	—	—
Share-based equity	—	—	365	—	—	—	365
Dividends paid	—	—	—	—	(71 826)	(30 753)	(102 579)
<b>Balance at 30 June 2015</b>	<b>144 688</b>	<b>93 344</b>	<b>(6 512)</b>	<b>12 827</b>	<b>460 427</b>	<b>50 067</b>	<b>754 841</b>
<b>Company</b>							
<b>Balance at 1 July 2013</b>	144 688	—	(4 352)	—	282 172	53 195	475 703
Net profit for the year	—	—	—	—	124 674	20 051	144 725
<b>Total comprehensive income for the year ended 30 June 2014</b>	—	—	—	—	124 674	20 051	144 725
Share-based equity	—	—	(3 213)	—	—	—	(3 213)
Dividends paid	—	—	—	—	(98 198)	(31 211)	(129 409)
<b>Balance at 30 June 2014</b>	<b>144 688</b>	<b>—</b>	<b>(7 565)</b>	<b>—</b>	<b>308 648</b>	<b>42 035</b>	<b>487 806</b>
Net profit for the year	—	—	—	—	187 256	28 858	216 114
<b>Total comprehensive income for the year ended 30 June 2015</b>	—	—	—	—	187 256	28 858	216 114
Share-based equity reserve transferred to retained earnings on vesting	—	—	688	—	(688)	—	—
Share-based equity	—	—	365	—	—	—	365
Dividends paid	—	—	—	—	(71 826)	(25 017)	(96 843)
<b>Balance at 30 June 2015</b>	<b>144 688</b>	<b>—</b>	<b>(6 512)</b>	<b>—</b>	<b>423 390</b>	<b>45 876</b>	<b>607 442</b>

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

## Statements of cash flows

for the year ended 30 June 2015

	Notes	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
<b>Cash flow from operating activities</b>					
Cash generated from operations	28.1	252 055	216 006	140 317	131 162
Interest received	28.2	69 868	59 583	39 439	38 512
Interest (paid)/received		(318)	171	(211)	282
Share-based equity movement		(183)	(3 794)	(183)	(3 794)
Taxation paid	28.3	(73 640)	(60 170)	(51 454)	(39 575)
<b>Net cash inflow from operating activities</b>		<b>247 782</b>	<b>211 796</b>	<b>127 908</b>	<b>126 587</b>
<b>Cash flow from investing activities</b>					
Acquisition of property and equipment	3	(1 789)	(880)	—	(393)
Acquisition of intangible assets	4	(6 989)	(6 260)	(4 815)	(4 668)
Proceeds on disposal of property and equipment		9 313	9 582	9 210	285
Proceeds on sale of investments		683 110	931 560	684 272	879 851
Acquisition of associate		(15 500)	—	(15 500)	—
Acquisition of investments		(999 141)	(697 591)	(951 741)	(599 880)
Net cash outflow of acquisition of subsidiaries	28.5	(5 879)	—	—	—
Movement in investment contracts		(9 360)	5 618	(18 551)	(2 440)
Dividends received	28.2	12 000	13 486	67 413	76 928
Net cash outflow on books of business	28.6	—	(6 605)	—	(6 605)
<b>Net cash (outflow)/inflow from investing activities</b>		<b>(334 235)</b>	<b>248 910</b>	<b>(229 712)</b>	<b>343 078</b>
<b>Cash flow from financing activities</b>					
Dividends paid	28.4	(102 579)	(131 194)	(96 843)	(129 409)
<b>Net cash outflow from financing activities</b>		<b>(102 579)</b>	<b>(131 194)</b>	<b>(96 843)</b>	<b>(129 409)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>					
Foreign currency translation differences on cash balances		7 563	3 938	—	—
Cash and cash equivalents at the beginning of the year		639 174	305 724	418 601	78 345
<b>Cash and cash equivalents at the end of the year</b>		<b>457 705</b>	<b>639 174</b>	<b>219 954</b>	<b>418 601</b>

# Notes to the consolidated annual financial statements

for the year ended 30 June 2015

## 1. Summary of significant accounting policies

### Statement of compliance

The consolidated annual financial statements are stated in South African rand and are prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations, adopted by the International Accounting Standards Board (IASB), in issue and effective for the group at 30 June 2015 and the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee and financial reporting pronouncements as issued by the Financial Reporting Standards Council and the Companies Act of South Africa, 2008.

### Accounting policies

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

#### 1.1 Basis of preparation

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

The consolidated and separate annual financial statements have been prepared 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.

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

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

#### *IFRS 4 Insurance contracts*

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

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

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

#### *IFRS 9 Financial instruments*

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

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

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

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

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

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

#### *IFRS 14 Regulatory Deferral Accounts*

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

The Regent Life Group anticipates that this standard will have no significant effect on the consolidated financial statements.

The standard is expected to first become applicable for the financial year ending 30 June 2017.

#### *IFRS 15 Revenue From Contracts With Customers*

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

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

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

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

for the year ended 30 June 2015

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

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

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

The Group is in the process of assessing the impact of IFRS 15 on its consolidated financial statements.

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

### 1.2 Consolidation

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

#### Subsidiaries

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

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

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

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

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

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

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

#### Associates

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

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

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

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

for the year ended 30 June 2015

### 1.3 Foreign currencies

#### Foreign currency translation

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

### 1.4 Property and equipment

Property and equipment 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 profit is recorded in the statement of comprehensive income on disposal.

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

### 1.5 Intangible assets

#### Computer software

Costs associated with maintaining computer software are recognised as an expense when incurred. Costs clearly associated with an identifiable and unique system, which will be controlled by the Regent 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 life is as follows

- Computer software development three to five years.

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

#### Goodwill

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

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

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

for the year ended 30 June 2015

### 1.5 Intangible assets (continued)

#### Goodwill (continued)

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

### 1.6 Investment properties

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

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

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

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

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

### 1.7 Leases

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

#### The Regent Life Group as lessor

##### Operating leases

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

#### The Regent Life Group as lessee

##### Finance leases

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

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

##### Operating leases

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

### 1.8 Acquisition costs associated with insurance contracts

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

### 1.9 Operating and 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

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

for the year ended 30 June 2015

### 1.10 Impairment of tangible and intangible assets (continued)

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.

The 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.

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.

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 are 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.

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

for the year ended 30 June 2015

### 1.12 Impairment of financial assets (continued)

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

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

for the year ended 30 June 2015

### 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.

### 1.16 Reinsurer's share of policyholder liabilities under insurance contracts (continued)

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 (mortality/morbidity 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 mortality or morbidity risk by comparing the possibility of having to pay benefits that are higher than expected. Insurance contracts can also transfer financial risk.

Investment contracts are those contracts that transfer significant financial risk with no significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, a credit rating or credit index or other variable.

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

### 1.20 Income recognition

#### Insurance contracts

Premiums and annuity considerations on insurance contracts are recognised when due in terms of the contract, other than in respect of 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.

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

for the year ended 30 June 2015

### 1.20 Income recognition (continued)

#### 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 claim handling costs that are directly related to the processing and settlement of claims.

#### Insurance contracts

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

#### Investment contracts

Claims incurred are recorded as deductions from investment contract liabilities.

#### Reinsurance contracts

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

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

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

### 1.22 Policyholder insurance and investment contracts

#### SAPs issued by the ASSA

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

The SAPs are available on the ASSA website ([www.assa.org.za](http://www.assa.org.za)).

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

#### Insurance and investment contract valuation

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

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

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

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

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

for the year ended 30 June 2015

### 1.22 Policyholder insurance and investment contracts (continued)

#### Fair value adjustments to policyholder liabilities under investment contracts

The operating profits or losses are determined in accordance with the guidance note on FSVs, SAP 104 issued by the Actuarial Society of South Africa. The profits or losses are arrived at after taking into account the changes over the period in values of actuarial liabilities under unmaturing 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 light of the estimated future cash flows, the entire deficiency is recognised in profit and loss.

### 1.23 Financial liabilities

#### Financial liabilities comprise policyholder liabilities under investment contracts.

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

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

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

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

#### Trade and other payables

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

### 1.24 Provisions

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

#### Leave pay provision

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

#### Employee bonus provision

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

### 1.25 Taxation

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

#### Current taxation

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

#### Deferred taxation

Deferred tax is recognised on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is 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

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

for the year ended 30 June 2015

### 1.25 Taxation (continued)

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, No 24 of 1956.

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

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

### 1.27 Share-based payments transactions

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

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

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

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

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

### 1.28 Exceptional items

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

### 1.29 Offsetting

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

### 1.30 Dividend distribution

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

### 1.31 Events after statement of financial position date

The financial statements are adjusted to reflect events that occurred between the 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.

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

for the year ended 30 June 2015

### 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:

- Policyholder 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 notes 1.10 and 1.12 of the accounting policies.

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

for the year ended 30 June 2015

	Note	Property R'000	Computer and office equipment R'000	Furniture and fittings R'000	Motor vehicles R'000	Total R'000
<b>3. Property and equipment</b>						
<b>Group</b>						
<b>2015</b>						
Balance at the beginning of the year		12 859	958	938	110	14 865
Subsidiary acquisition		—	7	6	66	79
Additions		—	243	985	561	1 789
Disposals		(7 916)	(58)	—	(196)	(8 170)
Depreciation charge for the year	25	(314)	(394)	(466)	(158)	(1 332)
Accumulated depreciation on disposals		1 055	58	—	131	1 244
Arising from translation of foreign assets		3	2	1	2	8
Transfer to non-current assets held for sale		(5 579)	—	—	—	(5 579)
<b>Balance at the end of the year</b>		<b>108</b>	<b>816</b>	<b>1 464</b>	<b>516</b>	<b>2 904</b>
Cost		2 827	8 377	3 463	1 435	16 102
Accumulated depreciation		(2 719)	(7 561)	(1 999)	(921)	(13 200)
<b>Balance at the end of the year</b>		<b>108</b>	<b>816</b>	<b>1 464</b>	<b>516</b>	<b>2 904</b>
<b>2014</b>						
Balance at the beginning of the year		19 933	947	1 332	311	22 523
Additions		67	521	292	—	880
Disposals		(7 885)	(125)	(3 700)	(776)	(12 486)
Depreciation charge for the year	25	(1 334)	(511)	(444)	(204)	(2 493)
Accumulated depreciation on disposals		2 075	125	3 454	776	6 430
Arising from translation of foreign assets		3	1	4	3	11
<b>Balance at the end of the year</b>		<b>12 859</b>	<b>958</b>	<b>938</b>	<b>110</b>	<b>14 865</b>
Cost		17 130	8 304	2 462	1 009	28 905
Accumulated depreciation		(4 271)	(7 346)	(1 524)	(899)	(14 040)
<b>Balance at the end of the year</b>		<b>12 859</b>	<b>958</b>	<b>938</b>	<b>110</b>	<b>14 865</b>

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

for the year ended 30 June 2015

	Note	Property R'000	Computer and office equipment R'000	Furniture and fittings R'000	Total R'000
<b>3. Property and equipment (continued)</b>					
<b>Company</b>					
<b>2015</b>					
Balance at the beginning of the year		12 650	40	270	12 960
Additions		—	—	—	—
Disposals		(7 916)	—	—	(7 916)
Depreciation charge for the year	25	(210)	(8)	(48)	(266)
Accumulated depreciation on disposals		1 055	—	—	1 055
Transfer to non-current assets held for sale		(5 579)	—	—	(5 579)
<b>Balance at the end of the year</b>		<b>—</b>	<b>32</b>	<b>222</b>	<b>254</b>
Cost		—	4 121	288	4 409
Accumulated depreciation		—	(4 089)	(66)	(4 155)
<b>Balance at the end of the year</b>		<b>—</b>	<b>32</b>	<b>222</b>	<b>254</b>
<b>2014</b>					
Balance at the beginning of the year		13 149	5	322	13 476
Additions		67	38	288	393
Disposals		—	—	(3 560)	(3 560)
Depreciation charge for the year	25	(566)	(3)	(180)	(749)
Accumulated depreciation on disposals		—	—	3 400	3 400
<b>Balance at the end of the year</b>		<b>12 650</b>	<b>40</b>	<b>270</b>	<b>12 960</b>
Cost		14 306	4 121	288	18 715
Accumulated depreciation		(1 656)	(4 081)	(18)	(5 755)
<b>Balance at the end of the year</b>		<b>12 650</b>	<b>40</b>	<b>270</b>	<b>12 960</b>

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

for the year ended 30 June 2015

	Note	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
<b>4. Intangible assets</b>					
<b>Application software</b>					
Balance at the beginning of the year		8 379	4 181	5 538	2 458
Subsidiary acquisition		48	—	—	—
Development costs capitalised during the year		6 989	6 260	4 815	4 668
Amortisation for the year	25	(1 943)	(2 062)	(523)	(1 588)
Arising from translation of foreign assets		1	—	—	—
Balance at the end of the year		13 474	8 379	9 830	5 538
Cost		50 040	45 048	43 853	39 038
Accumulated amortisation		(36 566)	(36 669)	(34 023)	(33 500)
<b>Balance at the end of the year</b>		<b>13 474</b>	<b>8 379</b>	<b>9 830</b>	<b>5 538</b>

	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
<b>5. Non-current assets held for sale</b>				
Transfer from property and equipment	5 579	—	5 579	—
	5 579	—	5 579	—

In 2015 the Bellville property held in Cape Town was placed on the market for sale by management. Management is actively involved in the sale of the property.

	Company 2015 R'000	Company 2014 R'000
<b>6. Investments in subsidiaries</b>		
Balance at the beginning of the year	46 335	46 335
	46 335	46 335

Regent Life Company's interest in the aggregate profit after tax in subsidiaries amounted to R84.1 million (2014: R69.4 million) and in the losses was Rnil (2014: R0.4 million).

Details of subsidiaries have been provided in note 33.

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

for the year ended 30 June 2015

	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
<b>7. Investment in associate</b>				
Balance at the beginning of the year	(238)	(128)	—	—
Additions	15 500	—	15 500	—
Disposal	238	—	238	—
Share of loss in associate	(625)	(110)	(863)	—
<b>Balance at the end of the year</b>	<b>14 875</b>	<b>(238)</b>	<b>14 875</b>	<b>—</b>

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

	% holding	Country of incorporation	Principal activity	Reporting date
Odinfin Life Proprietary Limited	30	South Africa	Financial services	30 June 2015

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

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

	Note	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
Total assets attributable		2 281	90	2 281	—
Total liabilities attributable		1 568	293	1 568	—
Net assets attributable		713	(203)	713	—
Revenue attributable		9 758	99	9 758	—
<b>8. Reinsurers' share of policyholder liabilities under insurance contracts</b>					
Movements in the reinsurers' share of insurance contract liabilities for the year were as follows:					
Balance at the beginning of the year		148 373	127 904	142 089	123 451
Transfer (from)/to statement of comprehensive income		(35 451)	20 469	(31 897)	18 638
<b>Balance at the end of the year</b>		<b>112 922</b>	<b>148 373</b>	<b>110 192</b>	<b>142 089</b>
<b>9. Financial assets</b>					
<b>The Regent Life Group's financial assets designated at fair value through profit and loss</b>					
Fixed interest debt securities:		217 501	180 697	178 362	171 198
➤ Government bonds		75 896	23 164	61 397	13 665
➤ Corporate bonds: listed		141 605	157 533	116 965	157 533
Equity securities: listed		398 611	304 251	387 806	293 766
Preference shares: listed		19 313	20 000	19 313	20 000
Preference shares: unlisted		18 500	18 500	18 500	18 500
Collective investment schemes		372 789	235 629	155 857	85 036
Short-term cash deposits less than one year		270 136	182 579	132 000	10 000
<b>Total</b>	9.1	<b>1 296 850</b>	<b>941 656</b>	<b>891 838</b>	<b>598 500</b>

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

for the year ended 30 June 2015

	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
<b>9. Financial assets (continued)</b>				
<b>9.1 Total financial assets</b>				
Balance at the beginning of the year	941 656	1 100 345	598 500	825 706
Additions	999 141	697 591	951 741	599 880
Disposals	(683 110)	(931 560)	(684 272)	(879 851)
Fair value adjustment	35 113	68 522	25 869	52 765
Arising from translation of foreign assets	4 050	6 758	—	—
<b>Balance at the end of the year</b>	<b>1 296 850</b>	<b>941 656</b>	<b>891 838</b>	<b>598 500</b>

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

	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
<b>10. Receivables including insurance receivables</b>				
Premium debtors – insurance contracts	61 154	50 931	57 905	49 967
Accrued interest	5 817	8 163	4 166	3 660
Other receivables	43 933	48 479	8 705	12 428
Reinsurance recoveries on intimated claims	11 137	8 546	8 627	6 824
	<b>122 041</b>	116 119	<b>79 403</b>	72 879
Less: Provision for impairment of receivables	(27 034)	(24 680)	(27 034)	(21 636)
<b>Total</b>	<b>95 007</b>	<b>91 439</b>	<b>52 369</b>	<b>51 243</b>

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.

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

for the year ended 30 June 2015

	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
<b>10. Receivables including insurance receivables (continued)</b>				
<b>Movement in the provision for impairment of receivables</b>				
Balance at the beginning of the year	24 680	20 013	21 636	16 968
Increase in allowance recognised in profit or loss	6 036	6 176	6 036	6 176
Amounts written off during the year	(3 682)	(1 509)	(638)	(1 508)
<b>Balance at the end of the year</b>	<b>27 034</b>	<b>24 680</b>	<b>27 034</b>	<b>21 636</b>
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.				
<b>10.1 Age analysis</b>				
<b>Ageing of total loans and other receivables</b>				
Not past due	85 423	77 602	42 947	47 673
Past due 0 – 90 days	11 887	19 211	11 725	8 987
Past due 91 – 360 days	9 688	8 171	9 688	8 114
Past due more than 1 year	15 043	11 135	15 043	8 105
<b>Total</b>	<b>122 041</b>	<b>116 119</b>	<b>79 403</b>	<b>72 879</b>
<b>11. Due from/(to) group companies</b>				
<b>Due from group companies</b>				
Due from Regent Life Group subsidiaries	—	—	3 017	12 356
Due from Imperial Holdings Limited and fellow subsidiaries	—	8	—	8
<b>Due from group companies</b>	<b>—</b>	<b>8</b>	<b>3 017</b>	<b>12 364</b>
<b>Due to group companies</b>				
Due to Imperial Holdings Limited and fellow subsidiaries	(14 020)	(6 534)	(14 020)	(6 534)
<b>Due to group companies</b>	<b>(14 020)</b>	<b>(6 534)</b>	<b>(14 020)</b>	<b>(6 534)</b>
<b>Due (to)/from group companies</b>	<b>(14 020)</b>	<b>(6 526)</b>	<b>(11 003)</b>	<b>5 830</b>

These are call loans payable on demand.

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

for the year ended 30 June 2015

	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
<b>12. Cash and cash equivalents</b>				
Cash at bank and on hand	272 530	410 657	219 954	214 880
Cash deposits*	185 175	228 517	—	203 721
<b>Total</b>	<b>457 705</b>	<b>639 174</b>	<b>219 954</b>	<b>418 601</b>
*Call and cash deposits maturing within three months or less.				
The average call rate on short-term bank deposits was 5.25% (2014: 4.84%)				
<b>13. Policyholder liabilities under insurance contracts</b>				
Movements in the insurance contract liabilities for the year were as follows:				
Balance at the beginning of the year	515 399	568 544	191 170	286 890
Transfer (to)/from statement of comprehensive income	(45 481)	77 579	(74 253)	38 006
Life fund – economic assumption*	5 710	7 034	5 710	7 034
Arising from translation of foreign liabilities	2 190	3 002	—	—
Sale of book of business**	—	(140 760)	—	(140 760)
<b>Balance at the end of the year</b>	<b>477 818</b>	<b>515 399</b>	<b>122 627</b>	<b>191 170</b>

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

\*\* Regent Life Company sold an annuitants book during the prior financial year.

### Process used to decide on long-term insurance assumptions

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

The value of insurance liabilities is based on best estimate assumptions of future experience plus compulsory margins as required in terms of 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 decreased by 7.5% for annuities and increased for all other classes.
Morbidity	Assumption was increased by 10%.
Retrenchment	Assumption was increased by 20%.
Lapses	Lapse rate assumptions were increased or decreased by 25% depending on which gives the higher liability.
Surrenders	Surrender rate assumptions were increased or decreased by 10% depending on which gives the higher liability.
Expenses	10% loading on the expense assumption.
In addition to the above compulsory margins the following additional discretionary margins were incorporated:	
Mortality	For credit life and individual life, an additional 20% margin was added
Morbidity	For credit life and individual life, an additional 20% margin was added
Dread disease	For credit life, an additional 20% margin was added
Retrenchment	For credit life, an additional 30% margin was added
Lapses	20% margin in year 1 and 2 and 50% thereafter in respect of the Clicks portfolio
Disabled Annuities	20% margin on recovery rates was added

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

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

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

for the year ended 30 June 2015

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

#### The assumptions used for insurance contracts are as follows:

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

##### *a) Mortality*

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

##### *b) Morbidity*

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

##### *c) Medical and 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*

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

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

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

##### **South Africa**

All classes used the FSB published risk-free yield curve as at 30 June 2015. (2014: the Nominal South African government bond yield curve as at 30 June 2014)

##### **Botswana**

South African FSB published risk-free yield curve adjusted for the difference in prime rates between South Africa and Botswana (2014: 2.75%)

##### **Lesotho**

South African FSB published risk-free yield curve adjusted for the difference in prime rates between South Africa and Lesotho (2014: Nominal South African government bond yield curve)

Lesotho future reversionary bonus: 5% (2014: 5%)

##### *f) Renewal expenses and inflation*

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

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

##### *g) Taxation*

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

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

for the year ended 30 June 2015

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

#### Change in assumptions

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

The yield curves and inflation curves were updated for the current valuation date and as a result of these economic changes, the actuarial liabilities increased by R2.9 million.

#### The non-economic assumptions were also reviewed as follows:

- Per policy expenses were amended to reflect the current and expected future experience. This resulted in a decrease in actuarial liabilities of R17,6 million.
- Mortality and morbidity were amended to reflect current and expected future experience. This resulted in a decrease in actuarial liabilities of R22.1 million.
- The disabled annuities basis was revised to align more with the underlying risk profile. This resulted in a decrease in actuarial liabilities of R23.3 million.
- Lapse rates were amended to reflect current and expected future experience. This resulted in an increase in actuarial liabilities of R1.9 million.

As a result of these non-economic changes, the actuarial liabilities decreased by R61.1 million.

The IBNR methodology for individual business was adjusted to be consistent with the group business methodology. This resulted in a decrease in actuarial liabilities of R3.6 million.

The overall impact of all the above changes was a decrease in the actuarial liabilities of R61.8 million.

Regarding Botswana, the value of liabilities as at 30 June 2015 decreased by P1.5 million 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 P4.5 million.
- Decrements were amended to reflect current and expected future experience. This resulted in an increase in actuarial liabilities of P5.1 million.
- Per policy expenses and lapse assumptions were amended to reflect the current and expected future experience. This resulted in a decrease in reserves of P0.4 million.
- The IBNR methodology was reviewed for individual business to be in line with the group business methodology. This resulted in a decrease in actuarial liabilities of P1.7 million.

Regarding Lesotho, the changes detailed below were made to the valuation assumptions. As a result of these changes, the Bonus Stabilisation Reserve (BSR) of the with-profits business increased by approximately M18.5 million and the without-profit reserves decreased by M0.2 million.

- The economic assumptions were amended to reflect the current economic environment. This resulted in a decrease in reserves of M20.8 million.
- Per policy expenses were amended to reflect the current and expected future experience. This resulted in an increase in reserves of M1.3 million.
- Decrements were amended to reflect current and expected future experience. This resulted in an increase in actuarial liabilities of M0.8 million.

#### Sensitivity analysis: Life operations

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

Change in variable	Change in liability 2015 R'million	Change in liability 2014 R'million
<b>Variable</b>		
Worsening of mortality	38.9	44.2
Lowering of investment returns	4.4	(1.6)
Worsening of base renewal expense level	28.0	26.9
Worsening of expense inflation	6.4	6.1
Worsening of lapse rate	48.0	38.4

The 2015 sensitivities are in line with the prior year. There has been a decrease in the mortality sensitivity of the insurance liabilities given the lower aggregate mortality basis this year. The lapse rate sensitivity has also increased this year largely due to a margin direction change on the Botswana business.

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

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

for the year ended 30 June 2015

	Note	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
<b>14. Financial liabilities under investment contracts – long-term operations</b>					
Balance at the beginning of the year		314 961	144 147	254 684	95 570
Deposits		18 674	17 756	7 453	8 563
Payments		(15 122)	(7 938)	(13 092)	(6 803)
Transfer from fund		(12 912)	—	(12 912)	—
Fair value adjustment		15 367	26 841	10 292	23 199
Purchase of book of business*		—	134 155	—	134 155
<b>Balance at the end of the year</b>		<b>320 968</b>	<b>314 961</b>	<b>246 425</b>	<b>254 684</b>
<i>*Regent Life Company purchased a living annuity book during the prior financial year.</i>					
<b>15. Deferred taxation</b>					
Balance at the beginning of the year		(110 919)	(98 997)	(112 560)	(100 961)
Statutory reserves and provisions	27	(8 153)	(11 846)	(8 327)	(11 523)
Capital gains taxation (CGT) deferred liability	27	(1 496)	(76)	(1 496)	(76)
Prior year overprovision	27	85	—	49	—
<b>Balance at the end of the year</b>		<b>(120 483)</b>	<b>(110 919)</b>	<b>(122 334)</b>	<b>(112 560)</b>
<i>The deferred taxation comprises:</i>					
Bonus scheme		609	(2 179)	609	(2 179)
Provisions – current year		1 885	1 686	34	45
CGT deferred liability		(1 203)	187	(1 203)	187
Negative reserves		(121 774)	(110 613)	(121 774)	(110 613)
<b>Balance at the end of the year</b>		<b>(120 483)</b>	<b>(110 919)</b>	<b>(122 334)</b>	<b>(112 560)</b>
Deferred taxation asset		1 851	1 641	—	—
Deferred taxation liability		(122 334)	(112 560)	(122 334)	(112 560)
<b>Balance at the end of the year</b>		<b>(120 483)</b>	<b>(110 919)</b>	<b>(122 334)</b>	<b>(112 560)</b>

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.

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

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

for the year ended 30 June 2015

### 16. Provisions

#### 16.1 Leave pay

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

#### 16.2 Bonus

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

#### 16.3 Other

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

	Leave pay R'000	Bonus R'000	Other R'000	Total R'000
<b>Group</b>				
<b>2015</b>				
Balance at the beginning of the year	4 568	20 606	25 341	50 515
Subsidiary acquisition	214	—	—	214
Charge to statement of comprehensive income	1 433	22 775	12 042	36 250
Provisions utilised	(838)	(19 065)	(8 764)	(28 667)
Arising from translation of foreign provisions	8	116	24	148
<b>Balance at the end of the year</b>	<b>5 385</b>	<b>24 432</b>	<b>28 643</b>	<b>58 460</b>
<b>2014</b>				
Balance at the beginning of the year	4 822	18 943	18 303	42 068
Charge to statement of comprehensive income	1 228	15 656	18 028	34 912
Provisions utilised	(1 493)	(14 027)	(11 020)	(26 540)
Arising from translation of foreign provisions	11	34	30	75
Balance at the end of the year	4 568	20 606	25 341	50 515
<b>Company</b>				
<b>2015</b>				
Balance at the beginning of the year	3 281	12 468	21 369	37 118
Charge to statement of comprehensive income	881	14 260	10 774	25 915
Provisions utilised	(551)	(11 269)	(8 191)	(20 011)
<b>Balance at the end of the year</b>	<b>3 611</b>	<b>15 459</b>	<b>23 952</b>	<b>43 022</b>
<b>2014</b>				
Balance at the beginning of the year	3 225	9 334	14 968	27 527
Charge to statement of comprehensive income	1 043	11 931	16 952	29 926
Provisions utilised	(987)	(8 797)	(10 551)	(20 335)
<b>Balance at the end of the year</b>	<b>3 281</b>	<b>12 468</b>	<b>21 369</b>	<b>37 118</b>

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

for the year ended 30 June 2015

	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
<b>17. Commitments</b>				
<b>Operating lease</b>				
The Regent Life Group leases various offices and vehicles under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.				
The future minimum lease payments are as follows:				
Not later than one year	6 422	5 101	2 279	2 024
Later than one year and not later than five years	4 921	2 305	3 106	1 521
<b>Balance at the end of the year</b>	<b>11 343</b>	<b>7 406</b>	<b>5 385</b>	<b>3 545</b>
<b>Capital commitments</b>				
IT projects	6 164	10 000	6 164	10 000
	6 164	10 000	6 164	10 000
The above mentioned commitments will be funded from cash generated by operations.				
<b>18. Insurance and other payables</b>				
Accrued benefit payments on insurance contracts	71 692	74 377	60 677	65 522
Trade payables	180 187	162 935	135 614	131 678
<b>Balance at the end of the year</b>	<b>251 879</b>	<b>237 312</b>	<b>196 291</b>	<b>197 200</b>
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 32.3.3 for age analysis.				
<b>19. Share capital and share premium</b>				
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.

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

for the year ended 30 June 2015

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.

	Note	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
<b>20. Net written premiums</b>					
Individual and credit life premium income					
➤ Single premiums		<b>117 522</b>	97 036	—	—
		<b>117 522</b>	97 036	—	—
➤ Recurring premiums		<b>660 520</b>	610 626	<b>588 249</b>	548 730
➤ Reinsurance		<b>(24 090)</b>	(28 631)	<b>(21 761)</b>	(27 055)
		<b>636 430</b>	581 995	<b>566 488</b>	521 675
Group life premium income					
➤ Recurring premiums		<b>243 585</b>	215 162	<b>163 671</b>	158 080
➤ Reinsurance		<b>(84 869)</b>	(73 414)	<b>(62 654)</b>	(56 829)
		<b>158 716</b>	141 748	<b>101 017</b>	101 251
<b>Total</b>		<b>912 668</b>	820 779	<b>667 505</b>	622 926
<b>21. Investment income</b>					
Dividend income – subsidiaries		—	—	<b>55 413</b>	63 442
Dividend income – other		<b>12 000</b>	13 486	<b>12 000</b>	13 486
Interest income from investments designated at fair value through profit and loss		<b>67 522</b>	40 234	<b>21 908</b>	28 346
Interest income from cash and cash equivalents		—	22 551	<b>18 037</b>	10 385
Investment management expenses		<b>(3 412)</b>	(3 182)	<b>(3 412)</b>	(3 182)
<b>Total</b>		<b>76 110</b>	73 089	<b>103 946</b>	112 477
<b>22. Investment gains</b>					
Realised gains – listed instruments		<b>35 908</b>	39 529	<b>35 908</b>	39 529
Unrealised (losses)/gains – listed instruments		<b>(795)</b>	28 991	<b>(10 039)</b>	13 236
	9.1	<b>35 113</b>	68 520	<b>25 869</b>	52 765
Other investment gains		<b>2 349</b>	—	<b>2 349</b>	—
<b>Total</b>		<b>37 462</b>	68 520	<b>28 218</b>	52 765

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

for the year ended 30 June 2015

	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
<b>23. Other operating income</b>				
Commission	1 323	3 005	—	—
Training income*	—	2 204	—	—
Administration fees**	119 597	104 932	54 505	45 947
Rent received	371	1 771	371	1 301
Sundry income***	1 000	4 000	—	—
<b>Total</b>	<b>122 291</b>	<b>115 912</b>	<b>54 876</b>	<b>47 248</b>

\*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.

\*\*\*Sundry income comprises profit on sale of I'sure operations.

	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
<b>24. Net claims and benefits incurred</b>				
Individual life benefits:				
> Death and disability benefits	109 748	118 723	97 803	112 717
> Retrenchment and surrenders	107 208	80 507	84 659	62 672
> Annuities	(66)	10 214	(113)	10 157
> Maturities and endowments	44 948	27 303	19 568	3 394
> Reinsurance recoveries	(11 469)	(5 972)	(11 029)	(4 782)
<b>Total</b>	<b>250 369</b>	<b>230 775</b>	<b>190 888</b>	<b>184 158</b>
Group benefits:				
> Death, disability and retrenchment benefits	147 203	136 852	112 915	105 840
> Reinsurance recoveries	(65 996)	(56 019)	(55 298)	(43 908)
	81 207	80 833	57 617	61 932
Other				
> Claims handling costs	2 292	2 297	2 292	2 297
<b>Total</b>	<b>333 868</b>	<b>313 905</b>	<b>250 797</b>	<b>248 387</b>

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

for the year ended 30 June 2015

	Notes	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
<b>25. Profit before taxation</b>					
Profit before taxation is determined after taking the following into account:					
Property and equipment – depreciation	3, 28.1	<b>1 332</b>	2 493	<b>266</b>	749
➤ Property		<b>211</b>	881	<b>210</b>	566
➤ Computer and office equipment		<b>394</b>	511	<b>8</b>	3
➤ Furniture and fittings		<b>466</b>	444	<b>48</b>	180
➤ Motor vehicles		<b>158</b>	204	—	—
➤ Leasehold improvements		<b>103</b>	453	—	—
Impairment losses on financial assets		<b>6 036</b>	6 176	<b>6 036</b>	6 176
Amortisation of intangible assets – computer software	4, 28.1	<b>1 943</b>	2 062	<b>523</b>	1 588
Investment management expenses		<b>3 412</b>	3 182	<b>3 412</b>	3 182
Rentals under operating leases		<b>7 638</b>	7 604	<b>3 030</b>	3 024
Foreign exchange gains		<b>14</b>	12	<b>14</b>	12
Auditors' remuneration		<b>4 755</b>	3 773	<b>3 416</b>	2 654
Consultancy fees		<b>7 094</b>	15 736	<b>2 781</b>	11 032
➤ Actuarial		<b>3 162</b>	3 732	<b>2 136</b>	2 386
➤ Other		<b>3 932</b>	12 004	<b>645</b>	8 646
Legal fees		<b>638</b>	668	<b>56</b>	647
Staff costs		<b>121 673</b>	111 360	<b>74 468</b>	66 498
➤ Pension contributions*		<b>4 507</b>	3 826	<b>3 528</b>	2 917
➤ Share-based payments	26	<b>5 125</b>	3 995	<b>5 125</b>	3 995
➤ Salaries and wages		<b>112 041</b>	103 539	<b>65 815</b>	59 586
Profit on disposal of property and equipment	28.1	<b>38</b>	3 526	—	125
<b>Number of employees</b>		<b>331</b>	316	<b>203</b>	182

\*Post-employment benefits.

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

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

for the year ended 30 June 2015

	Note	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
<b>26. Share-based equity reserve</b>					
Reconciliation of share-based payment reserve:					
Opening balance		7 565	4 352	7 565	4 352
Hedge premium paid		5 308	7 789	5 308	7 789
Direct transfer to equity		(689)	—	(689)	—
Share-based equity reserve raised					
> Direct cost	25	(5 125)	(3 995)	(5 125)	(3 995)
> Tax effect		(547)	(581)	(547)	(581)
<b>Total share-based payments equity reserve</b>		<b>6 512</b>	<b>7 565</b>	<b>6 512</b>	<b>7 565</b>

The Imperial Holdings share appreciation rights scheme was set up to provide executives and senior management 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.

June  
2014

### Share appreciation rights scheme

> Volatility (%)	28.41
> Weighted average share price (rand)	193.77
> Weighted average exercise price (rand)	193.77
> Weighted average fair value (rand)	46.67
> Expected life (years)	4.28
> Average risk-free rate (%)	7.75
> Expected dividend yield (%)	4.34

### Deferred bonus plan

> Volatility (%)	28.41
> Weighted average share price (rand)	193.77
> Weighted average fair value (rand)	168.45
> Expected life (years)	3.23
> Average risk-free rate (%)	7.75
> Expected dividend yield (%)	4.34

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.

For the year ended June 2015, no share appreciation rights and deferred bonus plan were awarded due to Imperial Group being in a closed period.

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

for the year ended 30 June 2015

	Note	Group 2015	Group 2014	Company 2015	Company 2014
<b>27. Taxation</b>					
Current taxation					
> Current year		<b>66 347</b>	38 751	<b>43 665</b>	25 132
> CGT		<b>352</b>	402	<b>352</b>	137
> Prior year under provision		<b>3 762</b>	2 580	<b>2 910</b>	3 506
> Withholding taxation and STC		<b>6 597</b>	9 083	<b>6 597</b>	5 485
		<b>77 058</b>	50 816	<b>53 524</b>	34 260
Deferred taxation					
> Statutory reserves and provisions	15	<b>8 153</b>	11 846	<b>8 327</b>	11 523
> CGT	15	<b>1 496</b>	76	<b>1 496</b>	76
> Prior year under provision	15	<b>(85)</b>	—	<b>(49)</b>	—
		<b>9 564</b>	11 922	<b>9 774</b>	11 599
		<b>86 622</b>	62 738	<b>63 298</b>	45 859

	Group 2015 %	Group 2014 %	Company 2015 %	Company 2014 %
<b>Taxation rate reconciliation</b>				
South African normal taxation rate	<b>28.00</b>	28.00	<b>28.00</b>	28.00
Non-allowable (income)/expenditure	<b>(3.26)</b>	2.78	<b>(8.35)</b>	(5.85)
Capital gains taxation	<b>(0.31)</b>	(2.76)	<b>(0.37)</b>	(2.58)
Withholding taxation and STC	<b>1.83</b>	2.34	<b>2.22</b>	2.66
Losses in subsidiaries	<b>0.13</b>	0.01	<b>0.15</b>	—
Rate differential	<b>(1.35)</b>	(1.56)	—	—
Prior year under provision	<b>1.11</b>	0.29	<b>1.02</b>	1.84
<b>Taxation charge in statement of comprehensive income</b>	<b>26.15</b>	29.10	<b>22.67</b>	24.07

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

for the year ended 30 June 2015

	Notes	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
<b>28. Notes to the cash flow statement</b>					
<b>28.1 Cash generated from operations</b>					
<b>Profit before taxation</b>					
Adjustments made for non-cash flow items:		<b>331 665</b>	215 631	<b>279 412</b>	190 584
Depreciation	3, 25	<b>1 332</b>	2 493	<b>266</b>	749
Amortisation of intangible assets – computer software	4, 25	<b>1 943</b>	2 062	<b>523</b>	1 588
Fair value adjustments		<b>(37 462)</b>	(68 520)	<b>(28 218)</b>	(52 765)
Change in policyholder liabilities under insurance contracts		<b>5 972</b>	90 632	<b>(26 354)</b>	52 890
Profit on disposal of property and equipment	25	<b>(38)</b>	(3 526)	—	(125)
Interest income		<b>(67 522)</b>	(62 785)	<b>(39 945)</b>	(38 731)
Interest expense		<b>318</b>	(171)	<b>211</b>	(282)
Dividends received		<b>(12 000)</b>	(13 486)	<b>(67 413)</b>	(76 928)
Profit on sale of associate		—	—	<b>(238)</b>	—
Share of loss from associate		<b>625</b>	110	<b>863</b>	—
		<b>224 833</b>	162 440	<b>119 107</b>	76 980
<b>Changes in working capital</b>					
Decrease/(increase) in trade and other receivables		<b>9 660</b>	(15 509)	<b>8 729</b>	(2 754)
Increase in trade and other payables		<b>9 895</b>	60 628	<b>6 577</b>	47 345
Increase in provisions		<b>7 667</b>	8 447	<b>5 904</b>	9 591
		<b>27 222</b>	53 566	<b>21 210</b>	54 182
<b>Cash generated from operations</b>					
		<b>252 055</b>	216 606	<b>140 317</b>	131 162
<b>28.2 Investment income</b>					
<b>Dividends received</b>					
Dividend received per statements of comprehensive income		<b>12 000</b>	13 486	<b>67 413</b>	76 928
<b>Dividends received</b>		<b>12 000</b>	13 486	<b>67 413</b>	76 928
<b>Interest received</b>					
Accrued interest income at the beginning of the year		<b>8 163</b>	4 961	<b>3 660</b>	3 441
Interest income per statements of comprehensive income		<b>67 522</b>	62 785	<b>39 945</b>	38 731
Accrued interest income at the end of the year		<b>(5 817)</b>	(8 163)	<b>(4 166)</b>	(3 660)
<b>Interest received</b>		<b>69 868</b>	59 583	<b>39 439</b>	38 512

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

for the year ended 30 June 2015

	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
<b>28. Notes to the cash flow statement (continued)</b>				
<b>28.3 Taxation paid</b>				
Amount (payable)/receivable at the beginning of the year	2 025	(7 912)	(558)	(6 456)
Amount charged to the statement of comprehensive income	(86 622)	(62 738)	(63 298)	(45 859)
Movement in share-based equity reserve	547	582	547	582
Movement in deferred tax	9 563	11 923	9 773	11 600
	(74 487)	(58 145)	(53 536)	(40 133)
Amount payable/(receivable) at the end of the year	847	(2 025)	2 082	558
<b>Taxation paid</b>	<b>(73 640)</b>	<b>(60 170)</b>	<b>(51 454)</b>	<b>(39 575)</b>
<b>28.4 Dividends paid</b>				
Dividends per statement of changes in equity	(102 579)	(131 194)	(96 843)	(129 409)
<b>Dividends paid</b>	<b>(102 579)</b>	<b>(131 194)</b>	<b>(96 843)</b>	<b>(129 409)</b>
<b>28.5 Acquisition of subsidiaries</b>				
During the current financial year Cedar Employee Benefits Proprietary Limited increased its shareholding in its subsidiary Cedar Healthcare Proprietary Limited from 90% to 100%. The fair values of the assets and liabilities at transaction date were as follows:				
Property and equipment	97	—	—	—
Intangibles	192	—	—	—
Other receivables	1 335	—	—	—
Cash and cash equivalents	2 406	—	—	—
Deferred tax asset	104	—	—	—
Provisions	(248)	—	—	—
Current taxation	(233)	—	—	—
Insurance and other payables	(1 947)	—	—	—
	1 706	—	—	—
<b>Net cash outflow</b>	<b>1 400</b>	<b>—</b>	<b>—</b>	<b>—</b>
During the current financial year Regent Life Botswana Limited purchased a 100% shareholding in Blue Assurance Services Zambia Limited. The fair values of assets and liabilities at transaction date were as follows.				
Property and equipment	102	—	—	—
Intangibles	63	—	—	—
Investments	2 648	—	—	—
Other receivables	15 566	—	—	—
Cash and cash equivalents	3 253	—	—	—
Provisions	(278)	—	—	—
Insurance and other payables	(12 158)	—	—	—
	9 196	—	—	—
Cash paid on purchase of interest	10 380	—	—	—
Less: Cash and cash equivalents in subsidiary	(3 253)	—	—	—
Less: Investments in subsidiaries	(2 648)	—	—	—
<b>Net cash outflow</b>	<b>4 479</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total cash outflow</b>	<b>5 879</b>	<b>—</b>	<b>—</b>	<b>—</b>

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

for the year ended 30 June 2015

	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
<b>28. Notes to the cash flow statement (continued)</b>				
<b>28.6 Movement on books of business</b>				
During the previous financial year Regent Life Company, purchased a book of business while at the same time it also sold a book of business.				
Sale of book of business	—	(140 760)	—	(140 760)
Purchase of book of business	—	134 155	—	134 155
<b>Net cash outflow on books of business</b>	<b>—</b>	<b>(6 605)</b>	<b>—</b>	<b>(6 605)</b>

## 29. Related party transactions

### 29.1 Identity of related parties

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

### 29.2 Other related party transactions and balances

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

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

	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
<b>29.2.1 Transactions with related parties</b>				
Fees paid to holding company	25 554	13 109	25 554	13 109
Internal audit fee paid to holding company	182	170	182	170
Interest paid to holding company	4	5	4	5
Vehicle operating lease costs paid to group company	2 006	2 390	2 006	2 390
Administration fee paid to subsidiary	—	—	768	615
Management fee received from subsidiary	—	—	313	294
<b>29.2.2 Year-end balances with related parties</b>				
<b>Receivable from related parties</b>	<b>—</b>	<b>8</b>	<b>3 017</b>	<b>12 364</b>
➤ Imperial Holdings Limited and subsidiaries	—	8	—	8
➤ Regent Life Group subsidiaries and associates	—	—	3 017	12 356
<b>Payable to related parties</b>	<b>14 020</b>	<b>6 534</b>	<b>14 020</b>	<b>6 534</b>
➤ Imperial Holdings Limited and subsidiaries	14 020	6 534	14 020	6 534

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

for the year ended 30 June 2015

	Company 2015 R'000	Company 2014 R'000
<b>30. Remuneration</b>		
<b>30.1 Directors' emoluments:</b>		
Directors' emoluments comprise:		
Directors remuneration	<b>35 708</b>	47 685
➤ Basic remuneration	<b>15 543</b>	13 887
➤ Retirement and medical benefits	<b>1 861</b>	1 662
➤ Other incentives and benefits	<b>18 304</b>	32 136
<b>Independent non-executive directors' fees</b>	<b>2 408</b>	2 237
C Erasmus		
➤ Regent Group	<b>472</b>	445
➤ Imperial Group	<b>250</b>	188
S Masinga		
➤ Regent Group	<b>240</b>	226
JPR Mbau		
➤ Regent Group	<b>114</b>	107
BR Mallinson		
➤ Regent Group	<b>391</b>	369
➤ Imperial Group	<b>46</b>	46
RJA Sparks		
➤ Regent Group	<b>295</b>	278
➤ Imperial Group	<b>600</b>	578

Fees for services as director for the year ended 30 June 2015 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 Imperial Group.

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

for the year ended 30 June 2015

### 30. Remuneration (continued)

#### 30.2 Directors and prescribed officers' remuneration

	Salary R'000	Bonus R'000	Retirement and medical contribu- tions R'000	Other benefits R'000	2015 Total R'000	2014 Total R'000
<b>Executive directors</b>						
B Adam	1 899	1 632	203	62	<b>3 796</b>	3 312
AN Tennick	2 536	1 797	242	285	<b>4 860</b>	8 640
JJ Strydom	3 766	3 000	334	1 382	<b>8 482</b>	10 148
<b>Non-executive directors</b>						
MJ Lamberti	—	—	—	—	—	—
M Akoojee	2 987	2 600	493	2 089	<b>8 169</b>	8 602
B Francis	1 729	1 000	163	1 472	<b>4 364</b>	5 984
R Mumford	2 626	1 900	426	1 085	<b>6 037</b>	10 999
	15 543	11 929	1 861	6 375	<b>35 708</b>	47 685

	Commence- ment date	Price on commence- ment date	Number of rights	Exercised	Number of rights remaining	Vesting date
<b>Participation in Imperial Holdings Limited Share Appreciation Rights scheme</b>						
AN Tennick	14 June 2011	116.59	10 283	—	10 283	15 September 2014
	14 June 2012	170.57	23 979	—	23 979	26 August 2015
	11 June 2013	195.20	29 513	—	29 513	15 September 2016
	24 June 2014	193.77	30 417	—	30 417	15 September 2017
JJ Strydom	14 June 2011	116.59	9 384	9 384	—	15 September 2014
	14 June 2012	170.57	29 342	—	29 342	26 August 2015
	11 June 2013	195.20	48 263	—	48 263	15 September 2016
B Adam	14 June 2011	116.59	6 500	—	6 500	15 September 2014
	14 June 2012	170.57	16 421	—	16 421	26 August 2015
	11 June 2013	195.20	25 000	—	25 000	15 September 2016
	24 June 2014	193.77	23 466	—	23 466	15 September 2017
M Akoojee	14 June 2011	116.59	11 628	—	11 628	15 September 2014
	14 June 2012	170.57	24 016	—	24 016	26 August 2015
	11 June 2013	195.20	38 154	—	38 154	15 June 2016
	24 June 2014	193.77	—	—	—	15 September 2017
B Francis	14 June 2011	116.59	8 160	8 160	—	15 September 2014
	14 June 2012	170.57	16 133	—	16 133	26 August 2015
	11 June 2013	195.20	26 668	—	26 668	15 June 2016
	24 June 2014	193.77	27 653	—	27 653	15 September 2017
R Mumford	14 June 2011	116.59	11 446	—	11 446	15 September 2014
	14 June 2012	170.57	26 706	—	26 706	26 August 2015
	11 June 2013	195.20	33 509	—	33 509	15 June 2016
	24 June 2014	193.77	35 972	—	35 972	15 September 2017

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

for the year ended 30 June 2015

### 30. Remuneration (continued)

#### 30.2 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
<b>Participation in Imperial Holdings Limited Deferred Bonus plan</b>								
AN Tennick	14 June 2011	4 425	1 530	—	—	1 530	—	7 September 2014
	13 June 2012	3 326	2 836	—	—	—	2 836	26 August 2015
	11 June 2013	2 567	2 567	—	—	—	2 567	15 September 2016
	24 June 2014	2 742	2 742	—	—	—	2 742	15 September 2017
JJ Strydom	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	—	—	—	3 689	15 September 2016
	24 June 2014	21 159	21 159	—	—	—	21 159	15 September 2017
B Adam	11 June 2013	1 458	1 458	—	—	—	1 458	15 September 2016
	24 June 2014	2 115	2 115	—	—	—	2 115	15 September 2017
MJ Lamberti	01 March 2014	60 787	60 787	—	—	—	60 787	15 September 2017
M Akoojee	14 June 2011	5 805	5 805	—	—	5 805	—	7 September 2014
	13 June 2012	4 854	4 854	—	—	—	4 854	26 August 2015
	13 June 2013	3 266	3 266	—	—	—	3 266	15 September 2016
	13 June 2014	18 579	18 579	—	—	—	18 579	15 September 2017
B Francis	14 June 2011	4 074	3 213	—	—	3 213	—	7 September 2014
	14 June 2012	3 261	2 199	—	—	—	2 199	26 August 2015
	13 June 2013	1 921	1 921	—	—	—	1 921	15 September 2016
	13 June 2014	2 648	2 648	—	—	—	2 648	15 September 2017
R Mumford	14 June 2011	4 926	4 438	—	—	4 438	—	7 September 2014
	14 June 2012	3 705	2 902	—	—	—	2 902	26 August 2015
	13 June 2013	2 914	2 914	—	—	—	2 914	15 September 2016
	13 June 2014	3 937	3 937	—	—	—	3 937	15 September 2017

### 31. Critical accounting estimates and judgements in applying accounting policies

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

#### 31.1 The ultimate liability arising from claims under insurance contracts

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

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

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

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

for the year ended 30 June 2015

### 31. Critical accounting estimates and judgements in applying accounting policies (continued)

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

The determination of the liabilities under long-term insurance contracts is 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 upfront commission costs which have been capitalised as negative reserves have been recognised in full.

#### 31.3 Fair value of investment contracts

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

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

### 32. Management of insurance and financial risk

#### 32.1 Capital risk

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

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

#### 32.2 Significant accounting policies

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

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

for the year ended 30 June 2015

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

#### 32.3 Financial risk management objectives

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

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

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

##### 32.3.1 Market risk

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

##### *Equity market risk*

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

##### *Equity market price sensitivity analysis*

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date. A hypothetical 1% decrease in the all share index of the JSE, based on similar sensitivities used in the industry and on market conditions, would result in an estimated reduction in profit before tax of R0.8 million (2014: R0.2 million).

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

for the year ended 30 June 2015

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

#### 32.3.1 Market risk (continued)

##### Fair value hierarchy disclosures

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

	Valuations with reference to quoted prices in an active market Level 1 R'000	Valuations based on observable inputs Level 2 R'000	Total carried at fair value R'000
<b>Financial assets held as at fair value through profit and loss</b>			
<b>2015</b>			
<b>Group</b>			
Listed preference shares	19 313	—	19 313
Unlisted preference shares	—	18 500	18 500
Short-term deposits less than one year	—	270 136	270 136
Government bonds	75 896	—	75 896
Corporate bonds	141 605	—	141 605
Listed equities	398 611	—	398 611
Collective investment schemes	372 789	—	372 789
<b>Total financial assets</b>	<b>1 008 214</b>	<b>288 636</b>	<b>1 296 850</b>
<b>Company</b>			
Listed preference shares	19 313	—	19 313
Unlisted preference shares	—	18 500	18 500
Short-term deposits less than one year	—	132 000	132 000
Government bonds	61 397	—	61 397
Corporate bonds	116 965	—	116 965
Listed equities	387 806	—	387 806
Collective investment schemes	155 857	—	155 857
<b>Total financial assets</b>	<b>741 338</b>	<b>150 500</b>	<b>891 838</b>
<b>2014</b>			
<b>Group</b>			
Listed preference shares	20 000	—	20 000
Unlisted preference shares	—	18 500	18 500
Short-term deposits less than one year	—	182 579	182 579
Government bonds	23 164	—	23 164
Corporate bonds	157 533	—	157 533
Listed equities	304 251	—	304 251
Collective investment schemes	235 629	—	235 629
<b>Total financial assets</b>	<b>740 577</b>	<b>201 079</b>	<b>941 656</b>
<b>Company</b>			
Listed preference shares	20 000	—	20 000
Unlisted preference shares	—	18 500	18 500
Short-term deposits less than one year	—	10 000	10 000
Government bonds	13 665	—	13 665
Corporate bonds	157 533	—	157 533
Listed equities	293 766	—	293 766
Collective investment schemes	85 036	—	85 036
<b>Total financial assets</b>	<b>570 000</b>	<b>28 500</b>	<b>598 500</b>

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

for the year ended 30 June 2015

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

#### 32.3.1 Market risk (continued)

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

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

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

#### Interest rate risk

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

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

	Group 2015 %	Group 2014 %	Company 2015 %	Company 2014 %
Debt securities – fixed interest rate:				
➤ Government bonds	<b>8.27</b>	8.17	<b>7.68</b>	7.25
➤ Listed bonds	<b>8.08</b>	7.82	<b>8.08</b>	7.82
Cash at bank	<b>4.96</b>	4.84	<b>5.25</b>	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 above has been determined based on the exposure to interest rates for non-derivative instruments at statement of financial position date. A 1% increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If the interest rates had been 1 percent higher/lower and all other variables were held constant, the Regent Life Group's profit for the financial year ended 30 June 2015 would decrease/increase by R6.7million (2014: R5.1 million decrease/increase).

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

for the year ended 30 June 2015

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

#### 32.3.1 Market risk (continued)

##### Foreign currency risk

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

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

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

	Group 2015 Average ZAR	Group 2014 Average ZAR	Group 2015 Closing ZAR	Group 2014 Closing ZAR
Botswana pula (BWP)	<b>1.20047</b>	1.17402	<b>1.23200</b>	1.20715

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

	2015 BWP'000	2014 BWP'000
Total assets	<b>232 916</b>	192 372
Total liabilities	<b>110 679</b>	96 510
<b>Net assets</b>	<b>122 237</b>	95 862

##### 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.

	2015 R'000	2014 R'000
Profit or loss	<b>450</b>	337

#### 32.3.2 Credit risk

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

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

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

for the year ended 30 June 2015

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

#### 32.3.2 Credit risk (continued)

With regard to credit risk contained in insurance and other receivables, the exposure amounts to R122.0 million (2014: R116.1 million), comprising balances with policyholders, agents, brokers, intermediaries and reinsurers:

	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
Policyholder short-term debtors	61 154	50 931	57 905	49 967
Agents, brokers and intermediaries	19	1 203	19	1 203
Investment debtors	5 817	8 163	4 166	3 660
Reinsurance recoveries	11 137	8 546	8 627	6 824
Other	43 914	47 276	8 686	11 225
	<b>122 041</b>	116 119	<b>79 403</b>	72 879

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

Agents, brokers and intermediaries totalling R0.19 million (2014: R1.2 million) are subject to a comprehensive relationship management programme, including credit assessment. There is no material exposure to any single agent, broker or intermediary. The widespread nature of the individual amounts combined with the relationship programme reduces the credit risk.

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

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

#### 32.3.3 Liquidity risk

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

Insurance companies are registered financial institutions and are required to hold minimum capital to, *inter alia*, reduce policyholder exposure to the entity's liquidity risk. The 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 and 22).

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

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

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

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

for the year ended 30 June 2015

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

#### 32.3.3 Liquidity risk (continued)

	Total R'000	Within 1 year R'000	1 – 5 years R'000	Over 5 years R'000
<b>Period when cash flow is expected to become due</b>				
<b>2015</b>				
<b>Group</b>				
<b>Liabilities</b>				
Net policyholder liabilities	685 864	229 800	217 947	238 115
Current taxation	3 595	3 595	—	—
Due to group companies	14 020	14 020	—	—
Insurance and other payables	251 881	251 881	—	—
<b>Total</b>	<b>955 360</b>	<b>499 296</b>	<b>217 947</b>	<b>238 115</b>
<b>Company</b>				
<b>Liabilities</b>				
Net policyholder liabilities	258 860	200 274	55 103	3 482
Current taxation	2 082	2 082	—	—
Due to group companies	14 020	14 020	—	—
Insurance and other payables	196 291	196 291	—	—
<b>Total</b>	<b>471 253</b>	<b>412 667</b>	<b>55 103</b>	<b>3 482</b>
<b>2014</b>				
<b>Group</b>				
<b>Liabilities</b>				
Net policyholder liabilities	681 987	132 154	182 960	366 873
Current taxation	642	642	—	—
Due to group companies	6 534	6 534	—	—
Insurance and other payables	237 312	237 312	—	—
<b>Total</b>	<b>926 475</b>	<b>376 642</b>	<b>182 960</b>	<b>366 873</b>
<b>Company</b>				
<b>Liabilities</b>				
Net policyholder liabilities	303 765	112 392	35 376	155 997
Current taxation	558	558	—	—
Due to group companies	6 534	6 534	—	—
Insurance and other payables	197 200	197 200	—	—
<b>Total</b>	<b>508 057</b>	<b>316 684</b>	<b>35 376</b>	<b>155 997</b>

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

for the year ended 30 June 2015

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

#### 32.4 Insurance risk

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

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

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

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

#### *Policyholder behaviour risks*

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

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

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

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

#### *Frequency and severity of claims*

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

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

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

for the year ended 30 June 2015

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

#### 32.4 Insurance risk (continued)

##### Terms of liabilities net of reinsurance including investment contracts

	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
Payable within one year	229 800	132 154	200 274	112 392
Payable between one and five years	217 947	182 960	55 103	35 376
Payable after five years	238 117	366 873	3 483	155 997
	<b>685 864</b>	681 987	<b>258 860</b>	303 765

#### Claims development

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

	2013 R'000	2014 R'000	2015 R'000
<b>Group</b>			
<b>Insurance claims – gross</b>			
Estimate of ultimate claim costs:			
At the end of the claim year	308 807	373 599	409 041
One year later	305 587	362 345	—
Two years later	299 889	—	—
Current estimate of cumulative claims	299 889	362 345	409 041
Cumulative payments to date	(291 171)	(347 569)	(360 843)
Liability recognised	8 718	14 776	48 198
<b>Cumulative liability – statement of financial position</b>			<b>71 692</b>
<b>Insurance claims – net</b>			
Estimate of ultimate claim costs:			
At the end of the claim year	261 949	311 608	331 576
One year later	260 279	295 758	—
Two years later	255 598	—	—
Current estimate of cumulative claims	255 598	295 758	331 576
Cumulative payments to date	(247 070)	(284 169)	(291 138)
Liability recognised	8 528	11 589	40 438
<b>Cumulative liability – statement of financial position</b>			<b>60 555</b>

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

for the year ended 30 June 2015

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

#### 32.4 Insurance risk (continued)

##### Claims development

	2013 R'000	2014 R'000	2015 R'000
<b>Company</b>			
<b>Insurance claims – gross</b>			
Estimate of ultimate claim costs:			
At the end of the claim year	243 650	294 780	<b>314 832</b>
One year later	240 430	282 197	—
Two years later	234 732	—	—
Current estimate of cumulative claims	234 732	282 197	<b>314 832</b>
Cumulative payments to date	(228 831)	(270 283)	<b>(271 969)</b>
Liability recognised	5 901	11 914	<b>42 862</b>
<b>Cumulative liability – statement of financial position</b>			<b>60 677</b>
<b>Insurance claims – net</b>			
Estimate of ultimate claim costs:			
At the end of the claim year	199 211	246 090	<b>248 505</b>
One year later	197 540	230 240	—
Two years later	192 859	—	—
Current estimate of cumulative claims	192 859	230 240	<b>248 505</b>
Cumulative payments to date	(187 110)	(220 184)	<b>(212 260)</b>
Liability recognised	5 749	10 056	<b>36 245</b>
<b>Cumulative liability – statement of financial position</b>			<b>52 050</b>

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

for the year ended 30 June 2015

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

#### 32.5 Other risks

##### Legal risk

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

Legal risk arises where:

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

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

##### Operational risk

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

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

##### Taxation risk

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

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

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

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

##### Regulatory risk

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

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

##### Underwriting risk

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

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

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

for the year ended 30 June 2015

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

#### 32.6 Capital adequacy requirement (CAR)

The Regent Life Group is required to demonstrate solvency to the Registrar of Long-term Insurance, in accordance with the Long-Term Insurance Act, 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
- Fluctuations in experience for mortality, morbidity and expenses.

The Regent Life Company's CAR was covered 8 times at 30 June 2015 (2014: 4.2 times). The CAR is R34.9 million (2014: 44.3 million). The Regent Life Group's CAR was covered 5.2 times at 30 June 2015 (2014: 3.3 times). The CAR is R81.9 million (2014: R93.6 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. Regent Life Company meets the requirements under the interim measures.

### 33. Subsidiaries

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

Subsidiaries	Holding 2015 %	Holding 2014 %	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	Retirement 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	

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

for the year ended 30 June 2015

### 34. Contingent liabilities

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

### 35. Events after the reporting period

During May 2015, Regent Life Assurance Company's shareholder, Imperial Holdings, entered into negotiations with a third party to dispose of its shareholding in Regent Life Assurance Company. On 29 September 2015, Imperial Holdings accepted an offer made by the third party, subject to the fulfilment of certain conditions. 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.

A close-up, low-angle shot of a classic red car, possibly a Ford Mustang, with a white circle overlaid on the image. The car's body is highly reflective, showing highlights and shadows. The text "REGENT INSURANCE" is centered in the upper half of the image. The background is blurred, suggesting motion or a shallow depth of field.

REGENT INSURANCE

## Directors' approval and statement of responsibility

for the year ended 30 June 2015

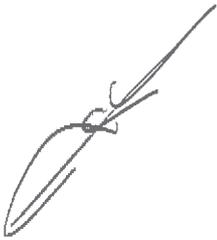
The directors of the Regent Insurance Group are responsible for the maintenance of adequate accounting records and the integrity of the annual financial statements and group annual financial statements of Regent Insurance Company. The annual financial statements presented on pages 91 to 143 have been 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 90.

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 91 to 143 were approved by the board of directors on 29 September 2015 and are signed on its behalf by:



**MJ Lamberti**  
Chairman

29 September 2015

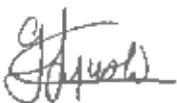


**JJ Strydom**  
Chief executive officer

29 September 2015

## 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 2015, all such returns as are required by a public Company in terms of the Act and that such returns are true, correct and up to date.



**G Tyusha**  
Company secretary

29 September 2015

# Independent auditors' report

to the shareholders of Regent Insurance Company Limited for the year ended 30 June 2015

## Report on the financial statements

We have audited the consolidated and separate financial statements and annual financial statements of Regent Insurance Company Limited, set out on pages 96 to 143, which comprise the statements of financial position as at 30 June 2015, the statements of comprehensive income, the statements of changes in equity and the statements of cash flow for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

## Directors' responsibility for the financial statements

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

## Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall financial statement presentation.

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

## Opinion

In our opinion, these consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Regent Insurance Company Limited as at 30 June 2015, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

## Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the year ended 30 June 2015, we have read the directors' report, the audit committee's report and the company secretary's certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.



**Deloitte & Touche**  
Registered auditor

Per: **D Jorge**  
Partner

30 September 2015

Building 8, Deloitte Place  
The Woodlands  
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 & Industries), \*JK Mazzocco (Talent & Transformation), \*MJ Jarvis (Finance), \*M Jordan (Strategy), S Gwala (Managed Services), \*TJ Brown (Chairman of the Board), \*MJ Comber (Deputy Chairman of the Board)

A full list of partners and directors is available on request

\*Partner and registered auditor

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

Member of Deloitte Touche Tohmatsu Limited

## Audit committee report

for the year ended 30 June 2015

### Audit committee report

The audit committee presents its report for the year ended 30 June 2015. 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 therein.

### Objectives and scope

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

In terms of its charter, 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:

	13 August 2014	20 October 2014	11 February 2015	8 June 2015
C Erasmus	√	√	√	√
BR Mallinson (chairman)	√	√	√	√
RJA Sparks	√	√	√	√

√ Present

## Audit committee report (continued)

for the year ended 30 June 2015

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 2015;
- 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.

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

The committee has nominated, for approval at the annual general meeting, Deloitte & Touche as the external auditor for the 2016 financial year for Regent Insurance Company. Mrs D Jorge is the designated auditor for Regent Insurance Company. This will be Mrs Jorge's fifth year as designated auditor since the rotation requirement in terms of the Companies Act, 2008 became effective.

### Annual report

Having considered the annual report of the Regent Insurance Group, incorporating the annual financial statements, for the year ended 30 June 2015, 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*

29 September 2015

## Directors' report

for the year ended 30 June 2015

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 2015.

### Nature of business

Regent Insurance Company is incorporated in the Republic of South Africa and is involved in underwriting all classes of business. The Regent Insurance Group operates in South Africa, Botswana and Lesotho.

### Holding company

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

	% held	Country of incorporation
<b>Subsidiaries and associates</b>		
Regent Insurance Botswana Proprietary Limited	100	Botswana
– Manik Enterprises Proprietary Limited	100	Botswana
Motor Compliance Solutions Proprietary Limited	100	South Africa
Legal Advice Consultants Proprietary Limited (in process of liquidation)	100	South Africa
Erf Four Nine Nine Spartan Proprietary Limited	100	South Africa
Anvil Investments Proprietary Limited	100	South Africa
Lesotho National General Insurance Company Limited	60	Lesotho
SA Warranties Proprietary Limited	100	South Africa
– SA Vehicle Maintenance Proprietary Limited	100	South Africa
– 360 Plus Proprietary Limited	50	South Africa
– Auto Renewal Technology Proprietary Limited	50	South Africa
Paint Tech Maintenance Proprietary Limited	100	South Africa
Mobility Insurance Underwriting Managers Proprietary Limited	30	South Africa
Direct Independent Brokers Proprietary Limited	40	South Africa

Regent Insurance Company's interest in the aggregate profit after tax in subsidiaries amounted to R96.4 million (2014: R88.4 million) and in the losses amounted to R0.2 million (2014: Rnil).

### Dividends

Regent Insurance Group declared and paid dividends of R138.4 million (2014: R311.9 million) and Regent Insurance Company declared and paid dividends of R127.4 million (2014: R287.1 million).

### 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 passed the following special resolutions:

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

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

### Events after reporting period

During May 2015, Regent Insurance Company's shareholder, Imperial Holdings, entered into negotiations with a third party to dispose of its shareholding in Regent Insurance Company. On 29 September 2015, Imperial Holdings accepted an offer made by the third party, subject to the fulfilment of certain conditions. No other material facts or circumstances have arisen between the reporting date and the date of this report which affect the financial position of the Regent Insurance Group as reflected in these annual financial statements.

### Financial performance

Profit before tax was down 10.36% and the underwriting results were up 32.87%. The decline in operating profit is due to lower investment returns as a result of the muted domestic equity market relative to the prior year performance. The favourable underwriting result performance was mainly due to improved loss ratios in the commercial vehicle market resulting from risk management initiatives as well as better loss ratios in the car & home environment largely driven by the direct sales portfolio.

## Directors' report (continued)

for the year ended 30 June 2015

### Board of directors to the date of this report

MJ Lamberti (chairman, non-executive director)

### Executive directors

B Adam (chief financial officer)

JJ Strydom (chief executive officer)

AN Tennick (executive director)

### Non-executive directors

M Akoojee

C Erasmus

BJ Francis

BR Mallinson

S Masinga

JPR Mbau

R Mumford

RJA Sparks

### Audit committee

#### Independent non-executive directors

BR Mallinson (chairman)

C Erasmus

RJA Sparks

### Investment committee

#### Executive directors

B Adam

JJ Strydom

AN Tennick

#### Non-executive directors

M Akoojee

#### Independent non-executive directors

C Erasmus

RJA Sparks

### External

W Reitsma (chairman)

### Actuarial committee

#### Executive directors

B Adam

JJ Strydom

AN Tennick

#### Independent non-executive directors

C Erasmus (chairman)

### External

PC Falconer (Statutory actuary)

### Risk committee

#### Executive directors

B Adam

JJ Strydom

AN Tennick

#### Non-executive directors

BJ Francis

#### Independent non-executive directors

S Masinga (chairman)

C Erasmus

BR Mallinson

### Remuneration committee

#### Independent non-executive directors

C Erasmus (chairman)

BR Mallinson

RJA Sparks

#### Non-executive director

MJ Lamberti

## Directors' report (continued)

for the year ended 30 June 2015

### Board meetings

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

	18 August 2014	30 October 2014	17 February 2015	18 June 2015
<b>Independent non-executive directors</b>				
S Masinga	√	√	ap	√
JPR Mbau	√	√	ap	√
RJA Sparks	√	√	√	√
C Erasmus	√	√	√	√
BR Mallinson	√	√	√	√
<b>Non-executive directors</b>				
MJ Lamberti	√	√	√	√
BJ Francis	√	√	√	ap
R Mumford	√	√	√	√
M Akoojee	√	√	ap	√
<b>Executive directors</b>				
JJ Strydom	√	√	√	√
AN Tennick	√	√	√	√
B Adam	√	√	√	√

√ Present      ap Absent with apology

### Company secretary

G Tyusha

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

#### Business address

5 Boeing Road East  
Elma Park  
Edenvale  
1609

#### Postal address

PO Box 674  
Edenvale  
1610

### Auditors

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

## Statements of financial position

as at 30 June 2015

	Notes	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
<b>ASSETS</b>					
Property and equipment	3	142 286	109 131	110 056	77 900
Investment property	4	16 000	11 175	—	—
Intangible assets	5	95 375	45 618	95 250	41 623
Investments in subsidiaries	6	—	—	81 915	81 915
Investments in associates	7	(11 256)	(9 175)	(2 874)	—
Reinsurers' share of outstanding claims	8	84 980	89 425	56 371	62 580
Reinsurers' share of unearned premiums	8	19 697	27 442	1 082	581
Financial assets	9	1 699 617	974 506	1 490 397	821 426
Non-current assets held for sale	10	3 589	1 099	2 490	—
Agents and other insurers' balances	11	110 481	107 807	30 147	34 802
Deferred tax asset	12	11 371	7 666	—	—
Current taxation	27.3	4 703	6 193	—	—
Other receivables including insurance receivables	14	29 263	34 651	24 269	16 564
Due from group companies	15	103 694	86 143	29 371	16 290
Cash and cash equivalents	16	387 655	1 127 810	85 497	803 241
<b>Total assets</b>		<b>2 697 455</b>	<b>2 619 491</b>	<b>2 003 971</b>	<b>1 956 922</b>
<b>LIABILITIES</b>					
Outstanding claims	8	514 802	545 453	360 688	404 772
Unearned premiums	8	494 172	509 425	366 770	384 865
Agents' and other insurers' balances	11	38 909	85 522	37 042	84 125
Deferred tax liability	12	61 050	53 468	48 258	42 037
Provisions	17	176 325	165 565	82 767	74 233
Current taxation	27.3	8 764	5 833	7 724	3 749
Due to group companies	15	—	—	—	186
Insurance and other payables	18	185 835	142 224	110 807	47 525
<b>Total liabilities</b>		<b>1 479 857</b>	<b>1 507 490</b>	<b>1 014 056</b>	<b>1 041 492</b>
<b>EQUITY</b>					
Share capital	19	2 940	2 940	2 940	2 940
Share premium	19	452 564	452 564	452 564	452 564
Subordinated debt capital	28.2.2	200 000	200 000	200 000	200 000
Statutory reserve*		123 457	103 443	—	—
Share-based equity reserve	26	(25 687)	(26 568)	(25 687)	(26 568)
Foreign currency translation reserve		(28 782)	(26 115)	—	—
Retained earnings		154 915	93 678	45 050	119
Equity attributable to the equityholders of the parent		879 407	799 942	674 867	629 055
Non-controlling interests		338 191	312 059	315 048	286 375
<b>Total equity</b>		<b>1 217 598</b>	<b>1 112 001</b>	<b>989 915</b>	<b>915 430</b>
<b>Total equity and liabilities</b>		<b>2 697 455</b>	<b>2 619 491</b>	<b>2 003 971</b>	<b>1 956 922</b>

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

# Statements of comprehensive income

for the year ended 30 June 2015

	Notes	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
Gross written premiums		1 905 718	1 889 551	1 452 028	1 448 377
Outward reinsurance premiums		(149 272)	(181 943)	(38 358)	(39 836)
<b>Net written premiums</b>		<b>1 756 446</b>	<b>1 707 608</b>	<b>1 413 670</b>	<b>1 408 541</b>
Change in provision for unearned premium		9 154	(305)	18 596	(965)
> Change in gross provision		12 975	(9 948)	18 095	(1 171)
> Reinsurers' share		(3 821)	9 643	501	206
<b>Net premiums earned</b>	20	<b>1 765 600</b>	<b>1 707 303</b>	<b>1 432 266</b>	<b>1 407 576</b>
Commission income		32 299	51 809	10 589	12 488
Investment income	21	109 560	116 671	136 763	179 178
Investment gains	22	43 282	118 432	29 491	108 513
Other operating income	23	88 498	75 864	30 703	32 335
<b>Net income</b>		<b>2 039 239</b>	<b>2 070 079</b>	<b>1 639 812</b>	<b>1 740 090</b>
Net claims incurred		(899 063)	(901 707)	(699 326)	(752 019)
> Gross insurance claims paid	24	(890 016)	(988 983)	(692 357)	(829 487)
> Reinsurers' share of claims paid	24	43 686	68 190	23 000	50 147
> Claims handling costs	24	(78 243)	(57 350)	(67 844)	(57 350)
> Change in provision for outstanding claims	24	28 000	100 194	44 084	122 947
> Change in reinsurers' share of provision for outstanding claims	24	(2 490)	(23 758)	(6 209)	(38 276)
Finance costs		(1 303)	(1 120)	(1 298)	(917)
Commission and acquisition expenses		(350 105)	(396 464)	(272 158)	(321 363)
General marketing and administration expenses		(436 151)	(386 349)	(388 033)	(326 776)
Share of loss from associate		(2 081)	(8 061)	(2 874)	—
Exceptional items*		—	6 926	165	330
Subordinated debt finance cost		(17 108)	(15 686)	(17 108)	(15 686)
Goodwill impairment		(3 907)	—	—	—
<b>Profit before taxation</b>	25	<b>329 521</b>	<b>367 618</b>	<b>259 180</b>	<b>323 659</b>
Taxation	13	(90 614)	(102 668)	(58 018)	(68 165)
<b>Profit after taxation</b>		<b>238 907</b>	<b>264 950</b>	<b>201 162</b>	<b>255 494</b>
<b>Other comprehensive income</b>					
Currency translation differences		(2 667)	(834)	—	—
<b>Total comprehensive income for the year</b>		<b>236 240</b>	<b>264 116</b>	<b>201 162</b>	<b>255 494</b>
<b>Profit attributable to:</b>					
Equity owners of the company		97 641	134 390	68 415	137 368
Non-controlling interests		141 266	130 560	132 747	118 126
		238 907	264 950	201 162	255 494
<b>Total comprehensive income attributable to:</b>					
Equity owners of the company		94 974	133 556	68 415	137 368
Non-controlling interests		141 266	130 560	132 747	118 126
		236 240	264 116	201 162	255 494

\*Current year relates to subsidiary loan write offs, while prior year relates to profit on sale of property of R6.6 million and disposal of associate R0.3 million.

## Statements of changes in equity

for the year ended 30 June 2015

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
<b>Balance at 1 July 2013</b>	2 940	452 564	83 885	(12 219)	(25 281)	168 868	200 000	295 234	1 165 991
Net profit for the year	—	—	—	—	—	134 390	—	130 560	264 950
<b>Other comprehensive income</b>									
Arising from translation of foreign entity	—	—	—	—	(834)	—	—	—	(834)
<b>Total comprehensive income for the year ended 30 June 2014</b>	—	—	—	—	(834)	134 390	—	130 560	264 116
Transfer to statutory reserve	—	—	19 558	—	—	(12 142)	—	—	7 416
Share-based equity reserve transferred to retained earnings on vesting	—	—	—	(691)	—	691	—	—	—
Share-based equity	—	—	—	(13 658)	—	—	—	—	(13 658)
Dividends paid	—	—	—	—	—	(198 129)	—	(113 735)	(311 864)
<b>Balance at 30 June 2014</b>	<b>2 940</b>	<b>452 564</b>	<b>103 443</b>	<b>(26 568)</b>	<b>(26 115)</b>	<b>93 678</b>	<b>200 000</b>	<b>312 059</b>	<b>1 112 001</b>
Net profit for the year	—	—	—	—	—	97 641	—	141 266	238 907
<b>Other comprehensive income</b>									
Arising from translation of foreign entity	—	—	—	—	(2 667)	—	—	—	(2 667)
<b>Total comprehensive income for the year ended 30 June 2015</b>	—	—	—	—	(2 667)	97 641	—	141 266	236 240
Transfers to statutory reserves	—	—	20 014	—	—	(12 920)	—	—	7 094
Share-based equity reserve transferred to retained earnings on vesting	—	—	—	182	—	(182)	—	—	—
Share-based equity	—	—	—	699	—	—	—	—	699
Dividends paid	—	—	—	—	—	(23 302)	—	(115 134)	(138 436)
<b>Balance at 30 June 2015</b>	<b>2 940</b>	<b>452 564</b>	<b>123 457</b>	<b>(25 687)</b>	<b>(28 782)</b>	<b>154 915</b>	<b>200 000</b>	<b>338 191</b>	<b>1 217 598</b>
<b>Company</b>									
<b>Balance at 30 June 2013</b>	2 940	452 564	—	(12 219)	—	60 189	200 000	257 230	960 704
Net profit for the year	—	—	—	—	—	137 368	—	118 126	255 494
<b>Total comprehensive income for the year ended 30 June 2014</b>	—	—	—	—	—	137 368	—	118 126	255 494
Share-based equity reserve transferred to retained earnings on vesting	—	—	—	(691)	—	691	—	—	—
Share-based equity	—	—	—	(13 658)	—	—	—	—	(13 658)
Dividends paid	—	—	—	—	—	(198 129)	—	(88 981)	(287 110)
<b>Balance at 30 June 2014</b>	<b>2 940</b>	<b>452 564</b>	<b>—</b>	<b>(26 568)</b>	<b>—</b>	<b>119</b>	<b>200 000</b>	<b>286 375</b>	<b>915 430</b>
Net profit for the year	—	—	—	—	—	68 415	—	132 747	201 162
<b>Total comprehensive income for the year ended 30 June 2015</b>	—	—	—	—	—	68 415	—	132 747	201 162
Share-based equity reserve transferred to retained earnings on vesting	—	—	—	182	—	(182)	—	—	—
Share-based equity	—	—	—	699	—	—	—	—	699
Dividends paid	—	—	—	—	—	(23 302)	—	(104 074)	(127 376)
<b>Balance at 30 June 2015</b>	<b>2 940</b>	<b>452 564</b>	<b>—</b>	<b>(25 687)</b>	<b>—</b>	<b>45 050</b>	<b>200 000</b>	<b>315 048</b>	<b>989 915</b>

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

## Statements of cash flows

for the year ended 30 June 2015

	Notes	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
<b>Cash flow from operating activities</b>					
Cash generated from operations	27.1	173 641	44 608	83 689	22 962
Interest received	27.2	100 395	110 552	66 135	80 464
Interest paid		(18 410)	(16 806)	(18 406)	(16 603)
Share-based equity movement		(1 354)	(14 349)	(1 354)	(14 349)
Taxation (paid)/refunded	27.3	(80 263)	(18 098)	(45 769)	23 134
<b>Net cash inflow from operating activities</b>		<b>174 009</b>	105 907	<b>84 295</b>	95 608
<b>Cash flows from investing activities</b>					
Acquisition of property and equipment		(52 476)	(16 544)	(49 147)	(14 279)
Additions of intangible assets		(61 760)	(42 484)	(61 654)	(42 383)
Proceeds on sale of property and equipment		604	478	551	325
Proceeds on sale of non-current asset held for sale		—	8 672	—	—
Acquisition of from investment property		(406)	(11 372)	—	—
Proceeds on sale of financial assets		2 056 201	2 919 759	2 051 974	2 646 768
Acquisition of financial assets		(2 736 158)	(1 961 435)	(2 691 454)	(1 909 217)
Dividends received	27.2	12 277	15 827	75 067	105 830
<b>Net cash (outflow)/inflow from investing activities</b>		<b>(781 718)</b>	912 901	<b>(674 663)</b>	787 044
<b>Cash flow from financing activities</b>					
Dividends paid		(138 436)	(311 864)	(127 376)	(287 110)
<b>Net cash outflow from financing activities</b>		<b>(138 436)</b>	(311 864)	<b>(127 376)</b>	(287 110)
<b>Net increase in cash and cash equivalents</b>					
Foreign currency translation differences on cash balances		5 990	2 379	—	—
Cash and cash equivalents at the beginning of the year		1 127 810	418 487	803 241	207 699
<b>Cash and cash equivalents at the end of the year</b>		<b>387 655</b>	1 127 810	<b>85 497</b>	803 241

# Notes to the consolidated annual financial statements

for the year ended 30 June 2015

## 1. Summary of significant accounting policies

### Statement of compliance

The consolidated annual financial statements are stated in South African rand and are prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations, adopted by the International Accounting Standards Board (IASB), in issue and effective for the group at 30 June 2015 and the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee and financial reporting pronouncements as issued by the Financial Reporting Standards Council and the Companies Act of South Africa, 2008.

### Accounting policies

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

#### 1.1 Basis of preparation

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

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

Carried at fair value:

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

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

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

##### IFRS 4 Insurance contracts

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

The Regent 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 9 Financial instruments

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

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

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

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

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

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

##### IFRS 14 Regulatory Deferral Accounts

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

The Regent Insurance Group anticipates that this standard will have no significant effect on the consolidated financial statements.

The standard is expected to first become applicable for the financial year ending 30 June 2017.

##### IFRS 15 Revenue From Contracts With Customers

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

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

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

# Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2015

## 1.1 Basis of preparation (continued)

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

### IFRS 15 Revenue From Contracts With Customers (continued)

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

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

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

The Group is in the process of assessing the impact of IFRS 15 on its consolidated financial statements.

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

## 1.2 Consolidation

The consolidated annual financial statements incorporate the financial statements of 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% 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.

# Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2015

## 1.3 Foreign currencies

### Foreign currency translation

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

### Transactions 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 other comprehensive income as a foreign currency translation reserve and accumulated in equity. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is recognised in profit or loss when the gain or loss on disposal is recognised.

## 1.4 Property and equipment

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

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

the financial period in which they are incurred. Depreciation on property and equipment is calculated using the straight-line method after allocating their cost to their residual values over their estimated useful lives. The assets residual values and useful lives are reviewed at each statement of financial position date and adjusted if appropriate. The expected useful lives are as follows:

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

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

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

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

## 1.5 Intangible assets

### Computer software

Costs associated with maintaining computer software are recognised as an expense when incurred. Costs clearly associated with an identifiable and unique system, which will be controlled by the Regent Insurance Group and has a probable benefit exceeding the cost beyond one year, are recognised as an asset. These costs comprise all directly attributable costs necessary to create, produce and prepare the asset for its intended use, such as costs of material and supplier services used or consumed in generating the intangible asset. Expenditure that enhances and extends the benefits of computer software beyond its original specifications and life 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 life is as follows:

- Computer software development costs: three to five years.

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

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

for the year ended 30 June 2015

### 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.

# Notes to the consolidated annual financial statements (continued)

for the year ended 30 June 2015

## 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.

The 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 gains 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.

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

for the year ended 30 June 2015

### 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 are transferred to the statement of comprehensive income.

### 1.13 Impairment of financial assets

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

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

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

For assets carried at cost, if there is objective evidence that an impairment loss on an unquoted equity investment that is not carried at fair value, because its fair value 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.

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

for the year ended 30 June 2015

### 1.15 Derivative financial instruments

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

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

### 1.16 Agents' and other insurers' balances

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

### 1.17 Insurance receivables

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

### 1.18 Cash and cash equivalents

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

### 1.19 Share capital

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

### 1.20 Classification of insurance contracts

Insurance contracts are those contracts where the Regent Insurance Group has accepted significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Insurance risk is risk other than financial risk, transferred from the holder of the contract to the issuer. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index or other variable. Insurance contracts can also transfer financial risk.

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

### Reinsurance

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

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

### 1.21 Income recognition

#### Premiums

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

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

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

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

#### Unearned premiums

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

#### Reinsurance contracts

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

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

for the year ended 30 June 2015

### 1.21 Income recognition (continued)

#### Reinsurance contracts (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.

While the directors consider that the gross provisions for claims and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made, and disclosed separately if material. The methods used to value the provisions, and the estimates made, are reviewed regularly.

### 1.23 Policyholder insurance contracts

#### IBNR – insurance contracts

Provision is made in the 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. Deferred acquisition costs and reinsurance commissions received are included in unearned premium provision.

#### Liability adequacy test – insurance contracts

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

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

for the year ended 30 June 2015

### 1.24 Financial liabilities

#### Trade and other payables

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

### 1.25 Provisions

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

#### Leave pay provision

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

#### Employee bonus provision

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

### 1.26 Taxation

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

#### Current taxation

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

#### Deferred taxation

Deferred tax is recognised on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will

be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

#### Dividends tax

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

### 1.27 Employee retirements benefits

The policy of the Regent Insurance Group is to provide retirement benefits for its employees. The contributions paid by the Regent Insurance Group to fund obligations for the payment of retirement benefits are charged to the statement of comprehensive income in the year to which they relate. The Regent Insurance Group's employees are members of a defined contribution plan, which is governed by the Pension Funds Act, No 24 of 1956.

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 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.

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

for the year ended 30 June 2015

### 1.28 Share-based payments transactions (continued)

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

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

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

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

### 1.29 Exceptional items

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

### 1.30 Offsetting

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

### 1.31 Dividend distribution

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

### 1.32 Events after 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 notes 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 2015

	Notes	Property R'000	Computer and office equipment R'000	Furniture and fittings R'000	Motor vehicles R'000	Total R'000
<b>3. Property and equipment</b>						
<b>Group</b>						
<b>2015</b>						
Balance at the beginning of the year		82 433	20 084	5 710	904	109 131
Additions		29 966	11 737	10 607	166	52 476
Disposals		—	(569)	(20)	—	(589)
Transfer to non-current assets held for sale		(2 490)	—	—	—	(2 490)
Depreciation charge for the year	25	(4 823)	(9 256)	(2 785)	(344)	(17 208)
Accumulated depreciation on disposals		—	489	2	—	491
Arising from translation of foreign assets		418	115	(56)	(2)	475
<b>Balance at the end of the year</b>		<b>105 504</b>	<b>22 600</b>	<b>13 458</b>	<b>724</b>	<b>142 286</b>
Cost		120 506	77 059	20 630	2 767	220 962
Accumulated depreciation and impairments		(15 002)	(54 459)	(7 172)	(2 043)	(78 676)
<b>Balance at the end of the year</b>		<b>105 504</b>	<b>22 600</b>	<b>13 458</b>	<b>724</b>	<b>142 286</b>
<b>2014</b>						
Balance at the beginning of the year		85 959	16 251	6 756	1 052	110 018
Additions		983	13 749	1 483	329	16 544
Disposals		(3 028)	(457)	(6 195)	(929)	(10 609)
Reclassification		(10)	150	—	(140)	—
Depreciation charge for the year	25	(4 231)	(9 795)	(1 799)	(347)	(16 172)
Accumulated depreciation on disposals		1 944	186	5 443	928	8 501
Arising from translation of foreign assets		816	—	22	11	849
<b>Balance at the end of the year</b>		<b>82 433</b>	<b>20 084</b>	<b>5 710</b>	<b>904</b>	<b>109 131</b>
Cost		92 870	65 580	10 005	2 589	171 044
Accumulated depreciation and impairments		(10 437)	(45 496)	(4 295)	(1 685)	(61 913)
<b>Balance at the end of the year</b>		<b>82 433</b>	<b>20 084</b>	<b>5 710</b>	<b>904</b>	<b>109 131</b>

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

for the year ended 30 June 2015

	Notes	Property R'000	Computer and office equipment R'000	Furniture and fittings R'000	Total R'000
<b>3. Property and equipment (continued)</b>					
<b>Company</b>					
<b>2015</b>					
Balance at the beginning of the year		54 922	18 362	4 616	77 900
Additions		29 968	9 518	9 661	49 147
Disposals		—	(98)	(20)	(118)
Transfer to non-current assets held for sale		(2 490)	—	—	(2 490)
Depreciation charge for the year	25	(3 695)	(8 411)	(2 344)	(14 450)
Accumulated depreciation on disposals		—	65	2	67
<b>Balance at the end of the year</b>		<b>78 705</b>	<b>19 436</b>	<b>11 915</b>	<b>110 056</b>
Cost		90 136	69 232	17 116	176 484
Accumulated depreciation and impairments		(11 431)	(49 796)	(5 201)	(66 428)
<b>Balance at the end of the year</b>		<b>78 705</b>	<b>19 436</b>	<b>11 915</b>	<b>110 056</b>
<b>2014</b>					
Balance at the beginning of the year		58 160	15 204	5 967	79 331
Additions		983	12 353	943	14 279
Reclassification to intangible assets		(10)	10	—	—
Disposals		(3 028)	(162)	(6 195)	(9 385)
Depreciation charge for the year	25	(3 127)	(9 076)	(1 543)	(13 746)
Accumulated depreciation on disposals		1 944.4	33	5 444	7 421
<b>Balance at the end of the year</b>		<b>54 922</b>	<b>18 362</b>	<b>4 616</b>	<b>77 900</b>
Cost		62 996	59 812	7 472	130 280
Accumulated depreciation and impairments		(8 074)	(41 450)	(2 856)	(52 380)
<b>Balance at the end of the year</b>		<b>54 922</b>	<b>18 362</b>	<b>4 616</b>	<b>77 900</b>

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 R20.3 million and market value at 28 February 2015 is R46.8 million (2014: R43.6 million).
- Property situated on ERF 264 and 265, Elma Park, Edenvale. The cost of the property is R54 million and market value at 28 February 2015 is R68.6 million (2014: R62.2 million).
- Property situated on Erf 35325, Bellville, Cape Town. The cost of the property is R4.8 million and the market value at 28 February 2015 is R3.2 million (2014: R2.5 million).
- An amount of R8.5 million relates to the cost of land.
- Property situated on Erf 64511, Fairground Office Park, Gaborone. The cost of the property is R24.3 million and market value at 30 June 2015 is R21.8 million (2014: R21.8 million).
- An amount of R3.0 million (2014: R1.0 million) relates to capitalised leasehold improvements.

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

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

for the year ended 30 June 2015

	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
<b>4. Investment property</b>				
Balance at the beginning of the year	11 175	—	—	—
Additions	406	11 372	—	—
Depreciation reversal	4 419	—	—	—
Depreciation	—	(197)	—	—
<b>Balance at the end of the year</b>	<b>16 000</b>	<b>11 175</b>	<b>—</b>	<b>—</b>
Cost	11 581	11 372	—	—
Accumulated reversal of depreciation/(depreciation)	4 419	(197)	—	—
<b>Balance at the end of the year</b>	<b>16 000</b>	<b>11 175</b>	<b>—</b>	<b>—</b>
<b>5. Intangible assets</b>				
<b>Application software</b>				
Balance at the beginning of the year	41 711	7 979	41 623	7 718
Additions	61 760	42 484	61 654	42 383
Disposals	(413)	(6 224)	(203)	(4 814)
Amortisation	(7 893)	(3 938)	(7 824)	(3 664)
Accumulated amortisation on disposals	210	1 410	—	—
Arising from translation of foreign assets	—	—	—	—
<b>Balance at the end of the year</b>	<b>95 375</b>	<b>41 711</b>	<b>95 250</b>	<b>41 623</b>
Cost	150 095	88 747	149 783	88 334
Accumulated amortisation	(54 720)	(47 036)	(54 533)	(46 711)
<b>Balance at the end of the year</b>	<b>95 375</b>	<b>41 711</b>	<b>95 250</b>	<b>41 623</b>
<b>Goodwill</b>				
Balance at the beginning of the year	3 907	3 907	—	—
Impairment	(3 907)	—	—	—
Arising from translation of foreign assets	—	—	—	—
<b>Balance at the end of the year</b>	<b>—</b>	<b>3 907</b>	<b>—</b>	<b>—</b>
<b>Management retention*</b>				
Balance at the beginning of the year	—	1 667	—	1 667
Addition	—	—	—	—
Amortisation	—	(750)	—	(750)
Impaired	—	(917)	—	(917)
<b>Balance at the end of the year</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total</b>	<b>95 375</b>	<b>45 618</b>	<b>95 250</b>	<b>41 623</b>

\*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.

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

for the year ended 30 June 2015

	Company 2015 R'000	Company 2014 R'000
<b>6. Investments in subsidiaries</b>		
Balance at the beginning of the year	81 915	81 915
<b>Balance at the end of the year</b>	<b>81 915</b>	<b>81 915</b>

Regent Insurance Company's interest in the aggregate profit after tax in subsidiaries amounted to R96.4 million (2014: R88.4 million) and in the losses amounted to R0.2 million (2014: Rnil).

Details of subsidiaries have been provided in note 35.

	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
<b>7. Investments in associates</b>				
Balance at the beginning of the year	(9 175)	(1 444)	—	(330)
Disposal	—	330	—	330
Prior year losses	—	—	(1 682)	—
Share of losses	(2 081)	(8 061)	(1 192)	—
<b>Balance at the end of the year</b>	<b>(11 256)</b>	<b>(9 175)</b>	<b>(2 874)</b>	<b>—</b>

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

	Percentage holding	Country of incorporation	Principal activity	Reporting date
Mobility Insurance Underwriting Managers Proprietary Limited	30	South Africa	Underwriters	30 June 2015
Direct Insurance Brokers Proprietary Limited	40	South Africa	Brokers	30 June 2015
360 Plus Proprietary Limited	50	South Africa	Maintenance	30 June 2015
Auto Renewal Technology Proprietary Limited	50	South Africa	Maintenance	30 June 2015

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

The summarised financial information in respect of the Regent Insurance Group's share in its associates is set out below:

	Group 2015	Group 2014	Company 2015	Company 2014
Total assets attributable	51 223	269	1 692	—
Total liabilities attributable	63 654	3 126	5 742	—
<b>Net assets attributable</b>	<b>(12 431)</b>	<b>(2 857)</b>	<b>(4 050)</b>	<b>—</b>
<b>Revenue attributable</b>	<b>6 944</b>	<b>252</b>	<b>4 263</b>	<b>—</b>

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

for the year ended 30 June 2015

	2015			2014		
	Gross R'000	Reinsurance R'000	Net R'000	Gross R'000	Reinsurance R'000	Net R'000
<b>8. General insurance liabilities</b>						
<b>Group</b>						
Reported claims	408 428	81 517	326 911	440 430	82 144	358 286
Incurred but not reported	106 374	3 463	102 911	105 023	7 281	97 742
Outstanding claims, including claims IBNR	514 802	84 980	429 822	545 453	89 425	456 028
Unearned premiums	494 172	19 697	474 475	509 425	27 442	481 983
<b>Balance at the end of the year</b>	<b>1 008 974</b>	<b>104 677</b>	<b>904 297</b>	<b>1 054 878</b>	<b>116 867</b>	<b>938 011</b>
<b>Company</b>						
Reported claims	297 954	55 706	242 248	336 386	60 172	276 214
Incurred but not reported	62 734	665	62 069	68 386	2 408	65 978
Outstanding claims, including claims IBNR	360 688	56 371	304 317	404 772	62 580	342 192
Unearned premiums	366 770	1 082	365 688	384 865	581	384 284
<b>Balance at the end of the year</b>	<b>727 458</b>	<b>57 453</b>	<b>670 005</b>	<b>789 637</b>	<b>63 161</b>	<b>726 476</b>

	Group			Company		
	Gross R'000	Reinsurance R'000	Net R'000	Gross R'000	Reinsurance R'000	Net R'000

### Analysis of movements in net outstanding claims including claims IBNR

	2015			2014		
Balance at the beginning of the year	545 453	89 425	456 028	404 772	62 580	342 192
Claims incurred during the year	862 016	41 196	820 820	648 273	16 791	631 482
Less: Claims paid during the year	(890 016)	(43 686)	(846 330)	(692 357)	(23 000)	(669 357)
Effects of translation of foreign balances	(2 651)	(1 955)	(696)	—	—	—
<b>Balance at the end of the year</b>	<b>514 802</b>	<b>84 980</b>	<b>429 822</b>	<b>360 688</b>	<b>56 371</b>	<b>304 317</b>
<b>2014</b>						
Balance at the beginning of the year	643 423	112 919	530 504	527 719	100 856	426 863
Claims incurred during the year	888 789	44 432	844 357	706 540	11 871	694 669
Less: Claims paid during the year	(988 983)	(68 190)	(920 793)	(829 487)	(50 147)	(779 340)
Effects of translation of foreign balances	2 224	264	1 960	—	—	—
<b>Balance at the end of the year</b>	<b>545 453</b>	<b>89 425</b>	<b>456 028</b>	<b>404 772</b>	<b>62 580</b>	<b>342 192</b>
<b>Analysis of movements in unearned premium</b>						
<b>2015</b>						
Balance at the beginning of the year	509 425	27 442	481 983	384 865	581	384 284
Premiums written during the year	1 905 718	149 272	1 756 446	1 452 028	38 358	1 413 670
Less: Premiums earned during the year	(1 918 693)	(153 093)	(1 765 600)	(1 470 123)	(37 857)	(1 432 266)
Effects of translation of foreign balances	(2 278)	(3 924)	1 646	—	—	—
<b>Balance at the end of the year</b>	<b>494 172</b>	<b>19 697</b>	<b>474 475</b>	<b>366 770</b>	<b>1 082</b>	<b>365 688</b>
<b>2014</b>						
Balance at the beginning of the year	496 922	17 499	479 423	383 694	375	383 319
Premiums written during the year	1 889 551	181 943	1 707 608	1 448 377	39 836	1 408 541
Less: Premiums earned during the year	(1 879 603)	(172 300)	(1 707 303)	(1 447 206)	(39 630)	(1 407 576)
Effects of translation of foreign balances	2 555	300	2 255	—	—	—
<b>Balance at the end of the year</b>	<b>509 425</b>	<b>27 442</b>	<b>481 983</b>	<b>384 865</b>	<b>581</b>	<b>384 284</b>

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

for the year ended 30 June 2015

### 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
<b>Group</b>				
<b>2015</b>				
Claims IBNR	40 128	32 581	33 665	106 374
Outstanding claims	154 072	125 096	129 260	408 428
Unearned premiums	93 430	169 998	230 744	494 172
<b>Total</b>	<b>287 630</b>	<b>327 675</b>	<b>393 669</b>	<b>1 008 974</b>
<b>2014</b>				
Claims IBNR	41 805	31 567	31 651	105 023
Outstanding claims	175 316	132 381	132 733	440 430
Unearned premiums	95 752	173 803	239 870	509 425
<b>Total</b>	<b>312 873</b>	<b>337 751</b>	<b>404 254</b>	<b>1 054 878</b>
<b>Company</b>				
<b>2015</b>				
Claims IBNR	24 221	18 741	19 772	62 734
Outstanding claims	115 039	89 011	93 904	297 954
Unearned premiums	49 605	111 432	205 733	366 770
<b>Total</b>	<b>188 865</b>	<b>219 184</b>	<b>319 409</b>	<b>727 458</b>
<b>2014</b>				
Claims IBNR	26 968	20 430	20 988	68 386
Outstanding claims	132 656	100 492	103 238	336 386
Unearned premiums	54 749	117 735	212 381	384 865
<b>Total</b>	<b>214 373</b>	<b>238 657</b>	<b>336 607</b>	<b>789 637</b>

#### 8.2 Process used to determine significant assumptions

Insurance risks are unpredictable and the Regent Insurance Group recognises that it is impossible to forecast with absolute precision, future claims payable under existing insurance contracts. Over time, the Regent Insurance Group has developed methodologies that are aimed at establishing insurance provisions that are estimated to be adequate.

#### 8.3 Claim provisions

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

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

for the year ended 30 June 2015

### 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 initially set at a prudent level but are reviewed regularly and updated as new information becomes available.

##### Claims IBNR

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

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

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

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

#### 8.4 Premium provisions

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

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

#### 8.5 Assumptions

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

The IBNR provision for policies underwritten by underwriting managers ranges from 3% to 5% 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 2015

### 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 R4.5 million (2014: R4.5 million) on 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 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
<b>9. Financial assets</b>				
The Regent Insurance Group's financial assets at fair value through profit and loss comprise:				
Listed preference shares	66 113	78 767	66 113	78 767
Unlisted preference shares	—	—	—	—
Listed equities	191 608	111 925	156 464	111 925
Listed foreign government bonds	1 000	1 000	—	—
Corporate bonds	162 514	140 005	162 514	140 005
Collective investment schemes	840 484	567 315	740 306	480 729
Short-term cash deposits	437 898	75 494	365 000	10 000
<b>Total</b>	<b>1 699 617</b>	<b>974 506</b>	<b>1 490 397</b>	<b>821 426</b>
<b>Market value</b>				
<b>Maturity analysis of gilts</b>				
Maturing in less than one year from statement of financial position date	1 000	50 011	—	50 011
Maturing in more than one year and less than five years from statement of financial position date	162 514	90 994	162 514	89 994
<b>Total</b>	<b>163 514</b>	<b>141 005</b>	<b>162 514</b>	<b>140 005</b>
<b>Movement</b>				
Balance at the beginning of the year	974 506	1 807 339	821 427	1 450 464
Additions	2 736 158	1 961 435	2 691 454	1 909 217
Disposals	(2 056 201)	(2 919 759)	(2 051 974)	(2 646 768)
Fair value adjustment	43 533	118 432	29 490	108 513
FCTR	1 621	7 059	—	—
<b>Balance at the end of the year</b>	<b>1 699 617</b>	<b>974 506</b>	<b>1 490 397</b>	<b>821 426</b>

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

### 10. Non-current assets held for sale

In the 2009 financial year, management committed to the sale of the Cenez property that is held in Lesotho National General Insurance Company. The deed of sale, which is subject to approval by the authorities in Lesotho, was concluded. Management is still of the opinion that the sale will be approved by Lesotho authorities in the next financial year. In 2015 the Bellville Property held in Cape Town was placed on the market for sale by management. Management is actively involved in the sale of the property.

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

for the year ended 30 June 2015

	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
<b>10. Non-current assets held for sale (continued)</b>				
Cost				
Buildings	1 099	3 175	—	—
Transfer from property, plant and equipment	2 490	—	2 490	—
Disposal	—	(2 076)	—	—
<b>Balance at the end of the year</b>	<b>3 589</b>	<b>1 099</b>	<b>2 490</b>	<b>—</b>

	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
<b>11. Agents and other insurers' balances</b>				
Premium debtors	141 594	134 957	48 767	50 788
Provision for bad debts	(31 113)	(27 150)	(18 620)	(15 986)
Net receivable	110 481	107 807	30 147	34 802
Commission payable	(30 620)	(54 313)	(28 753)	(52 916)
Fees payable	(8 289)	(31 209)	(8 289)	(31 209)
Net payable	(38 909)	(85 522)	(37 042)	(84 125)
Net agent and other insurers' balances	71 572	22 285	(6 895)	(49 323)

This balance represents current amounts due to or from underwriters, brokers and premium debtors. The Regent Insurance Group is of the opinion that the carrying amounts of these assets represents a reasonable approximation of fair value.

### 11.1 Insurance premium receivables

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

Movement in the provision for impairment of trade receivables

Balance at the beginning of the year	27 150	30 153	15 986	20 494
Decrease in allowance recognised in profit and loss	(1 926)	(3 162)	(3 008)	(4 662)
Amounts reversed during the year	5 889	159	5 642	154
<b>Balance at the end of the year</b>	<b>31 113</b>	<b>27 150</b>	<b>18 620</b>	<b>15 986</b>

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

for the year ended 30 June 2015

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

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

#### 11.2 Age analysis

	Note	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
<b>Ageing of premium debtors</b>					
Not past due		63 730	92 500	24 727	30 618
Past due 0 – 90 days		46 751	15 307	5 420	4 185
Past due 91 – 360 days		14 971	8 677	3 627	856
Past due more than one year		16 142	18 473	14 993	15 129
<b>Total</b>		<b>141 594</b>	134 957	<b>48 767</b>	50 788
<b>12. Deferred tax</b>					
Balance at the beginning of the year		(45 802)	(37 632)	(42 037)	(35 526)
Movement during the year attributable to:					
➤ Temporary differences <sup>13</sup>	13	(4 388)	(10 318)	(6 221)	(7 261)
➤ Prior year under provision	13	511	2 148	—	750
<b>Balance at the end of the year</b>		<b>(49 679)</b>	(45 802)	<b>(48 258)</b>	(42 037)
Comprising:					
➤ Provisions		23 147	(25 829)	(23 306)	(22 065)
➤ Unrealised appreciation on financial assets at fair value		26 532	(19 973)	(24 952)	(19 972)
<b>Balance at the end of the year</b>		<b>49 679</b>	(45 802)	<b>(48 258)</b>	(42 037)
Reflected in the statement of financial position*:					
➤ Deferred tax asset		11 371	7 666	—	—
➤ Deferred tax liability		(61 050)	(53 468)	(48 258)	(42 037)
<b>Balance at the end of the year</b>		<b>(49 679)</b>	(45 802)	<b>(48 258)</b>	(42 037)

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

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

for the year ended 30 June 2015

	Note	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
<b>13. Taxation</b>					
South African normal taxation					
Current					
		<b>79 239</b>	86 919	<b>44 299</b>	54 075
>		<b>77 581</b>	54 034	<b>42 820</b>	23 517
>		<b>1 138</b>	12 162	<b>959</b>	9 835
>		<b>520</b>	20 723	<b>520</b>	20 723
Deferred					
		<b>3 877</b>	8 170	<b>6 221</b>	6 511
>	12	<b>4 388</b>	10 318	<b>6 221</b>	7 261
>	12	<b>(511)</b>	(2 148)	<b>—</b>	(750)
Withholding taxation and STC					
		<b>7 498</b>	7 579	<b>7 498</b>	7 579
<b>Total</b>		<b>90 614</b>	102 668	<b>58 018</b>	68 165
Reconciliation of taxation:					
South African normal taxation at statutory rate of 28%					
		<b>28.00</b>	28.00	<b>28.00</b>	28.00
Adjusted for:					
Non-allowable income					
		<b>(0.84)</b>	(0.83)	<b>(7.33)</b>	(9.10)
Withholding tax and STC					
		<b>1.65</b>	1.71	<b>2.10</b>	1.94
Foreign tax rate difference					
		<b>(1.31)</b>	(1.21)	<b>—</b>	—
Losses in subsidiaries					
		<b>0.89</b>	0.62	<b>0.31</b>	—
Realised and unrealised gains for CGT					
		<b>(1.08)</b>	(3.28)	<b>(1.06)</b>	(3.14)
Prior year underprovision					
		<b>0.19</b>	3.03	<b>0.37</b>	3.36
<b>Taxation charge in income statement</b>		<b>27.50</b>	28.04	<b>22.39</b>	21.06

	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
<b>14. Other receivables including insurance receivables</b>				
Other receivables comprise:				
Reinsurance debtors	<b>3 347</b>	11 779	<b>1 209</b>	3 408
Salvage debtors	<b>12 286</b>	8 200	<b>12 059</b>	8 064
Sundry and other debtors	<b>16 613</b>	19 152	<b>13 984</b>	9 572
Gross receivables including insurance receivables	<b>32 246</b>	39 131	<b>27 252</b>	21 044
Bad debt provision	<b>(2 983)</b>	(4 480)	<b>(2 983)</b>	(4 480)
<b>Balance at the end of the year</b>	<b>29 263</b>	34 651	<b>24 269</b>	16 564

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

for the year ended 30 June 2015

	Reinsurance debtors R'000	Salvage debtors R'000	Sundry and other debtors R'000	Total R'000
<b>14. Other receivables including insurance receivables (continued)</b>				
<b>14.1 Ageing of other receivables</b>				
<b>2015</b>				
<b>Group</b>				
Neither impaired nor past due	2 483	5 009	14 807	22 299
Past due but not impaired:	864	4 435	1 665	6 964
> 0 – 90 days	—	4 435	1 390	5 825
> 91 – 360 days	82	—	244	326
> More than one year	782	—	31	813
Impaired	—	2 842	141	2 983
<b>Balance at the end of the year</b>	<b>3 347</b>	<b>12 286</b>	<b>16 613</b>	<b>32 246</b>
<b>Company</b>				
Neither impaired nor past due	345	4 782	12 209	17 336
Past due but not impaired:	864	4 435	1 634	6 933
> 31 – 90 days	—	4 435	1 390	5 825
> 91 – 360 days	82	—	244	326
> More than one year	782	—	—	782
Impaired	—	2 842	141	2 983
<b>Balance at the end of the year</b>	<b>1 209</b>	<b>12 059</b>	<b>13 984</b>	<b>27 252</b>
<b>2014</b>				
<b>Group</b>				
Neither impaired nor past due	6 635	2 790	14 349	23 774
Past due but not impaired:	5 144	2 354	3 379	10 877
> 0 – 90 days	262	2 354	2 623	5 239
> 91 – 360 days	3 326	—	613	3 939
> More than one year	1 556	—	143	1 699
Impaired	—	3 056	1 424	4 480
<b>Balance at the end of the year</b>	<b>11 779</b>	<b>8 200</b>	<b>19 152</b>	<b>39 131</b>
<b>Company</b>				
Neither impaired nor past due	1 681	2 654	8 085	12 420
Past due but not impaired:	1 727	2 354	63	4 144
> 0 – 90 days	262	2 354	63	2 679
> 91 – 360 days	1 465	—	—	1 465
> More than one year	—	—	—	—
Impaired	—	3 056	1 424	4 480
<b>Balance at the end of the year</b>	<b>3 408</b>	<b>8 064</b>	<b>9 572</b>	<b>21 044</b>

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

for the year ended 30 June 2015

	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
<b>15. Due to and from group companies</b>				
Due from Regent Insurance Group subsidiaries	—	—	<b>4 053</b>	3 935
Due from Regent Insurance Group associates	<b>11 298</b>	5 804	<b>11 298</b>	5 804
Due from Imperial Holdings and fellow Imperial Holdings subsidiaries	<b>92 396</b>	80 339	<b>14 020</b>	6 551
<b>Due from group companies</b>	<b>103 694</b>	86 143	<b>29 371</b>	16 290
Due to Regent Insurance Group subsidiaries	—	—	—	(186)
<b>Due to group companies</b>	—	—	—	(186)
<b>Due from group companies</b>	<b>103 694</b>	86 143	<b>29 371</b>	16 104
These are call loans payable on demand.				
<b>16. Cash and cash equivalents</b>				
Cash at bank and on hand	<b>136 604</b>	208 041	<b>85 497</b>	84 241
Cash deposits*	<b>251 051</b>	919 769	—	719 000
<b>Total cash and cash equivalents</b>	<b>387 655</b>	1 127 810	<b>85 497</b>	803 241

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

The average call rate on short-term bank deposits was 4.50% (2014: 4.35%).

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

for the year ended 30 June 2015

### 17. Provisions

#### 17.1 Leave pay

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

#### 17.2 Bonus

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

#### 17.3 Other

Other provisions include, among others, provisions for internal audit, actuarial and underwriting manager fees.

	Leave pay R'000	Bonus R'000	Service and main- tenance R'000	Other R'000	Total R'000
<b>Group</b>					
<b>2015</b>					
Balance at the beginning of the year	17 558	61 058	76 390	10 559	165 565
Charged to statement of comprehensive income	4 483	59 129	44 479	3 440	111 531
Utilised during the year	(2 724)	(46 638)	(46 341)	(5 206)	(100 909)
Arising from translation of foreign provisions	29	109	—	—	138
<b>Balance at the end of the year</b>	<b>19 346</b>	<b>73 658</b>	<b>74 528</b>	<b>8 793</b>	<b>176 325</b>
<b>2014</b>					
Balance at the beginning of the year	17 452	45 903	97 487	9 224	170 066
Charged to statement of comprehensive income	3 395	53 612	—	5 075	62 082
Utilised during the year	(3 330)	(38 701)	(21 097)	(3 740)	(66 868)
Arising from translation of foreign provisions	41	244	—	—	285
<b>Balance at the end of the year</b>	<b>17 558</b>	<b>61 058</b>	<b>76 390</b>	<b>10 559</b>	<b>165 565</b>
<b>Company</b>					
<b>2015</b>					
Balance at the beginning of the year	11 835	52 576	—	9 822	74 233
Charged to statement of comprehensive income	3 015	48 542	—	2 818	54 375
Utilised during the year	(1 837)	(39 324)	—	(4 680)	(45 841)
<b>Balance at the end of the year</b>	<b>13 013</b>	<b>61 794</b>	<b>—</b>	<b>7 960</b>	<b>82 767</b>
<b>2014</b>					
Balance at the beginning of the year	11 634	38 899	—	9 225	59 758
Charged to statement of comprehensive income	2 890	44 959	—	4 115	51 964
Utilised during the year	(2 689)	(31 282)	—	(3 518)	(37 489)
<b>Balance at the end of the year</b>	<b>11 835</b>	<b>52 576</b>	<b>—</b>	<b>9 822</b>	<b>74 233</b>

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

for the year ended 30 June 2015

	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
<b>18. Insurance and other payables</b>				
Reinsurance payable	55 442	59 063	22 991	14 285
Sundry creditors	28 046	26 669	2 042	602
Accruals	23 335	8 951	22 384	8 951
Other	79 012	47 541	63 390	23 687
<b>Balance at the end of the year</b>	<b>185 835</b>	<b>142 224</b>	<b>110 807</b>	<b>47 525</b>

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

	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
<b>19. Share capital and share premium</b>				
<b>Authorised share capital</b>				
3 000 000 ordinary shares of R1 each	3 000	3 000	3 000	3 000
1 000 preference shares of R0.01 each	*	*	*	*
<b>Issued share capital</b>				
2 939 800 ordinary shares of R1 each	2 940	2 940	2 940	2 940
10 preference shares of R0.01 each	*	*	*	*
Share premium	452 564	452 564	452 564	452 564

\*Denotes an amount 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 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
<b>20. Net premiums earned</b>				
Net premiums earned represents gross written insurance premiums from policyholders adjusted for unearned premiums and reinsurance premiums paid.				
Gross premium income	1 905 718	1 889 551	1 452 028	1 448 377
Reinsurance	(149 272)	(181 943)	(38 358)	(39 836)
Unearned premiums	12 975	(9 948)	18 095	(1 171)
Reinsurance on unearned premiums	(3 821)	9 643	501	206
<b>Total</b>	<b>1 765 600</b>	<b>1 707 303</b>	<b>1 432 266</b>	<b>1 407 576</b>

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

for the year ended 30 June 2015

	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
<b>21. Investment income</b>				
Interest income	98 905	103 560	66 666	77 235
Rental income	3 497	1 171	—	—
Investment management expenses	(5 119)	(3 887)	(4 970)	(3 887)
Dividend income	12 277	15 827	75 067	105 830
> Listed	12 277	13 698	12 277	103 701
> Unlisted	—	2 129	62 790	2 129
<b>Total</b>	<b>109 560</b>	<b>116 671</b>	<b>136 763</b>	<b>179 178</b>
<b>22. Investment gains</b>				
Realised profit on disposal of investments	2 309	111 312	2 787	111 130
> Listed	2 309	111 312	2 787	111 130
Unrealised profit/(loss) on revaluation of investments	40 973	7 120	26 704	(2 617)
> Listed	40 973	7 120	26 704	(2 617)
<b>Total</b>	<b>43 282</b>	<b>118 432</b>	<b>29 491</b>	<b>108 513</b>
<b>23. Other operating income</b>				
Policy and underwriting fees	27 485	25 493	27 485	25 493
Recoveries	5 813	3 043	1 369	2 602
Sundry income*	55 200	47 328	1 849	4 240
<b>Total</b>	<b>88 498</b>	<b>75 864</b>	<b>30 703</b>	<b>32 335</b>
*Included in sundry income is R48 million (2014: R41 million) that relates to fees earned from the sale of maintenance products.				
<b>24. Net claims incurred</b>				
Gross	(862 016)	(888 789)	(648 273)	(706 540)
> Claims paid	(890 016)	(988 983)	(692 357)	(829 487)
> Change in provision for outstanding claims	28 000	100 194	44 084	122 947
Reinsurers' share	41 196	44 432	16 791	11 871
> Claims paid	43 686	68 190	23 000	50 147
> Change in provision for outstanding claims	(2 490)	(23 758)	(6 209)	(38 276)
Other				
> Claims handling costs	(78 243)	(57 350)	(67 844)	(57 350)
<b>Total</b>	<b>(899 063)</b>	<b>(901 707)</b>	<b>(699 326)</b>	<b>(752 019)</b>

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

for the year ended 30 June 2015

	Notes	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
<b>25. Profit before taxation</b>					
Profit before taxation is determined after taking the following into account:					
Property and equipment – depreciation	3	<b>17 208</b>	16 172	<b>14 450</b>	13 746
➤ Buildings		<b>4 408</b>	3 685	<b>3 408</b>	2 709
➤ Investment property		<b>128</b>	128	—	—
➤ Furniture and fittings		<b>2 785</b>	1 799	<b>2 344</b>	1 543
➤ Computer and office equipment		<b>9 256</b>	9 795	<b>8 411</b>	9 076
➤ Leasehold improvements		<b>287</b>	418	<b>287</b>	418
➤ Motor vehicles		<b>344</b>	347	—	—
Amortisation of intangible assets	5, 27.1	<b>7 893</b>	4 688	<b>7 824</b>	4 414
Impairment losses/(reversals) on financial assets		—	917	—	917
Rentals under operating leases		<b>8 549</b>	9 626	<b>5 118</b>	7 556
Auditors' remuneration		<b>4 375</b>	4 574	<b>2 696</b>	3 061
Consultancy fees		<b>12 650</b>	12 806	<b>10 983</b>	11 201
Staff costs		<b>314 780</b>	294 016	<b>260 098</b>	244 891
➤ Pension contributions*		<b>15 007</b>	13 907	<b>11 778</b>	11 084
➤ Salaries		<b>285 203</b>	267 986	<b>233 750</b>	221 684
➤ Share-based payment expense	26	<b>14 570</b>	12 123	<b>14 570</b>	12 123
Foreign exchange gains		<b>2</b>	880	<b>2</b>	912
Profit on sale of property and equipment		<b>303</b>	1 630	<b>298</b>	1 639
Profit on sale of investment property		—	(6 596)	—	—
Rental income	21	<b>3 497</b>	1 171	—	—
Administration fees received		<b>10 030</b>	7 744	<b>10 030</b>	7 744
<b>Number of employees at year end</b>		<b>641</b>	699	<b>518</b>	581

\*Post-employment benefits.

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

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

for the year ended 30 June 2015

	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
<b>26. Share-based equity reserve</b>				
Reconciliation of share-based payment reserve				
Balance at the beginning of the year	26 568	12 219	26 568	12 219
Hedge premium paid	15 923	27 485	15 923	27 485
Direct transfer to equity	(182)	691	(182)	691
Share-based equity reserve raised:				
> Direct cost	(14 570)	(12 123)	(14 570)	(12 123)
> Tax	(2 052)	(1 704)	(2 052)	(1 704)
<b>Total share-based payments equity reserve</b>	<b>25 687</b>	<b>26 568</b>	<b>25 687</b>	<b>26 568</b>

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.

	June 2014
Share appreciation rights scheme	
> Volatility (%)	28.41
> Weighted average share price (rand)	193.77
> Weighted average exercise price (rand)	193.77
> Weighted average fair value (rand)	46.67
> Expected life (years)	4.28
> Average risk-free rate (%)	7.75
> Expected dividend yield (%)	4.34
Deferred bonus plan	
> Volatility (%)	28.41
> Weighted average share price (rand)	193.77
> Weighted average exercise price (rand)	—
> Weighted average fair value (rand)	168.45
> Expected life (years)	3.23
> Average risk-free rate (%)	7.75
> Expected dividend yield (%)	4.34

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.

For the year ended June 2015, no new share appreciation rights and deferred bonus plan were awarded due to Imperial Group being in a closed period.

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

for the year ended 30 June 2015

	Notes	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
<b>27. Notes to the cash flow statement</b>					
<b>27.1 Cash generated by operations</b>					
Profit before taxation		329 521	367 618	259 180	323 659
Adjusted for:					
Interest income		(98 905)	(103 560)	(66 666)	(77 235)
Interest expense		18 410	16 806	18 406	16 603
Dividends received		(12 277)	(15 827)	(75 067)	(105 830)
Unrealised (profit)/loss on revaluation of investments		(40 973)	(7 120)	(26 704)	2 617
Depreciation of property and equipment	3	17 208	16 172	14 450	13 746
Reversal of depreciation on investment property	4	(4 419)	—	—	—
Amortisation of intangible assets	5	7 893	4 688	7 824	4 414
Profit on sale of property and equipment		(303)	1 630	(298)	1 639
Profit on sale of investments		(2 309)	(111 312)	(2 787)	(111 129)
Foreign exchange gains		(3)	880	(3)	912
Share of loss from associate		2 081	8 061	2 874	—
Changes in working capital:		(42 283)	(126 832)	(47 520)	(46 432)
➤ Decrease/(increase) in receivables		1 224	9 106	(2 514)	27 562
➤ Decrease/(increase) in other payables		(3 003)	17 841	16 199	4 303
➤ Increase/(decrease) in other provisions		10 761	(4 502)	8 534	14 475
➤ Net movement in group loans		(17 551)	(77 361)	(13 267)	(9 069)
➤ Decrease in net outstanding claims and IBNR		(26 206)	(74 476)	(37 875)	(84 670)
➤ (Decrease)/increase in unearned premiums		(7 508)	2 560	(18 597)	965
<b>Total</b>		<b>173 641</b>	<b>44 608</b>	<b>83 689</b>	<b>22 962</b>
<b>27.2 Investment income</b>					
<b>Dividend received</b>					
Dividend received per statement of comprehensive income		12 277	15 827	75 067	105 830
<b>Total</b>		<b>12 277</b>	<b>15 827</b>	<b>75 067</b>	<b>105 830</b>
<b>Interest received</b>					
Accrued interest income at the beginning of the year		8 921	15 913	3 266	6 495
Interest income per statement of comprehensive income		98 905	103 560	66 666	77 235
Accrued interest income at the end of the year		(7 431)	(8 921)	(3 797)	(3 266)
<b>Total</b>		<b>100 395</b>	<b>110 552</b>	<b>66 135</b>	<b>80 464</b>
<b>27.3 Taxation paid</b>					
Amount receivable at the beginning of the year		360	75 055	(3 749)	79 334
Amount charged to statement of comprehensive income		(90 614)	(102 668)	(58 018)	(68 165)
Prior year over provision					
Tax effect on the share-based equity reserves		2 053	1 705	2 053	1 705
Movement in deferred tax		3 877	8 170	6 221	6 511
		(84 324)	(17 738)	(53 493)	19 385
Amount payable/(receivable) at the end of the year		4 061	(360)	7 724	3 749
<b>Total</b>		<b>(80 263)</b>	<b>(18 098)</b>	<b>(45 769)</b>	<b>23 134</b>
<b>27.4 Dividends paid</b>					
Dividends per statement of changes in equity		(138 436)	(311 864)	(127 376)	(287 110)
<b>Dividends paid</b>		<b>(138 436)</b>	<b>(311 864)</b>	<b>(127 376)</b>	<b>(287 110)</b>

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

for the year ended 30 June 2015

### 28. Related party transactions

#### 28.1 Identity of related parties

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

#### 28.2 Other related party transactions and balances

The company has balances receivable with subsidiary companies. These balances are disclosed below in note 28.2.2. Transactions between the Regent Insurance Company and its subsidiaries, which are related parties, have been eliminated on consolidation.

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

	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
<b>28.2.1 Transactions with group companies</b>				
Management fee paid to holding company	29 778	15 999	29 778	15 999
Internal audit fee paid to holding company	160	149	160	149
Premiums received from Imperial Group companies	8 886	9 980	8 886	9 980
Admin fees paid to subsidiary	—	—	52 339	55 057
Rental income	1 624	(397)	—	—
Interest received	17 108	15 686	17 108	15 686
Vehicle operating lease costs	5 047	5 237	5 047	5 237
<b>28.2.2 Year-end balances with related parties</b>				
<b>Receivable from related parties</b>	<b>103 694</b>	<b>86 143</b>	<b>29 371</b>	<b>16 290</b>
> Regent Insurance Group subsidiaries	—	—	4 053	3 935
> Regent Insurance associates	11 298	5 804	11 298	5 804
> Fellow Imperial Holdings Limited subsidiaries	92 396	80 339	14 020	6 551
<b>Payable to related parties</b>	<b>(200 000)</b>	<b>(200 000)</b>	<b>(200 000)</b>	<b>(200 186)</b>
> Regent Insurance Group subsidiaries	—	—	—	(186)
> Imperial Holdings*	(200 000)	(200 000)	(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 2015

	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
<b>29. Commitments</b>				
<b>Operating leases</b>				
The Regent Insurance Group leases various offices and vehicles under non-cancellable operating lease agreements.				
The leases have varying terms, escalation clauses and renewal rights.				
The future minimum lease payments are as follows:				
> Not later than one year	12 002	10 689	8 246	8 260
> Between one and five years	28 487	15 417	17 528	7 793
<b>Balance at the end of the year</b>	<b>40 489</b>	<b>26 106</b>	<b>25 774</b>	<b>16 052</b>
<b>Capital commitments</b>				
Project Real – upgrades to existing premises	5 500	—	5 500	—
IT projects	45 335	41 000	45 335	41 000
	<b>50 835</b>	<b>41 000</b>	<b>50 835</b>	<b>41 000</b>

The abovementioned commitments will be funded from cash generated by operations.

	Company 2015 R'000	Company 2014 R'000
<b>30. Remuneration</b>		
<b>30.1 Directors' emoluments:</b>		
Directors' emoluments comprise:		
Directors remuneration	35 708	47 685
> Basic remuneration	15 543	13 887
> Retirement and medical benefits	1 861	1 662
> Other incentives and benefits	18 304	32 136
<b>Independent non-executive directors' fees</b>	<b>2 408</b>	<b>2 237</b>
C Erasmus		
> Regent Group	472	445
> Imperial Group	250	188
S Masinga		
> Regent Group	240	226
JPR Mbau		
> Regent Group	114	107
BR Mallinson		
> Regent Group	391	369
> Imperial Group	46	46
RJA Sparks		
> Regent Group	295	278
> Imperial Group	600	578

Fees for services as director for the year ended 30 June 2015 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 Imperial Group.

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

for the year ended 30 June 2015

### 30. Remuneration (continued)

#### 30.2 Directors and prescribed officers' remuneration

	Salary R'000	Bonus R'000	Retirement and medical contribu- tions R'000	Other benefits R'000	2015 Total R'000	2014 Total R'000
<b>Executive directors</b>						
B Adam	1 899	1 632	203	62	<b>3 796</b>	3 312
AN Tennick	2 536	1 797	242	285	<b>4 860</b>	8 640
JJ Strydom	3 766	3 000	334	1 382	<b>8 482</b>	10 148
<b>Non-executive directors</b>						
MJ Lamberti	—	—	—	—	—	—
M Akoojee	2 987	2 600	493	2 089	<b>8 169</b>	8 602
B Francis	1 729	1 000	163	1 472	<b>4 364</b>	5 984
R Mumford	2 626	1 900	426	1 085	<b>6 037</b>	10 999
	15 543	11 929	1 861	6 375	<b>35 708</b>	47 685

	Commence- ment date	Price on commence- ment date	Number of rights	Exercised	Number of rights remaining	Vesting date
<b>Participation in Imperial Holdings Limited Share Appreciation Rights scheme</b>						
AN Tennick	14 June 2011	116.59	10 283	—	10 283	15 September 2014
	14 June 2012	170.57	23 979	—	23 979	26 August 2015
	11 June 2013	195.20	29 513	—	29 513	15 September 2016
	24 June 2014	193.77	30 417	—	30 417	15 September 2017
Jurie Strydom	14 June 2011	116.59	9 384	9 384	—	15 September 2014
	14 June 2012	170.57	29 342	—	29 342	26 August 2015
	11 June 2013	195.20	48 263	—	48 263	15 September 2016
B Adam	14 June 2011	116.59	6 500	—	6 500	15 September 2014
	14 June 2012	170.57	16 421	—	16 421	26 August 2015
	11 June 2013	195.20	25 000	—	25 000	15 September 2016
	24 June 2014	193.77	23 466	—	23 466	15 September 2017
M Akoojee	14 June 2011	116.59	11 628	—	11 628	15 September 2014
	14 June 2012	170.57	24 016	—	24 016	26 August 2015
	11 June 2013	195.20	38 154	—	38 154	15 June 2016
	24 June 2014	193.77	—	—	—	15 September 2017
B Francis	14 June 2011	116.59	8 160	8 160	—	15 September 2014
	14 June 2012	170.57	16 133	—	16 133	26 August 2015
	11 June 2013	195.20	26 668	—	26 668	15 June 2016
	24 June 2014	193.77	27 653	—	27 653	15 September 2017
R Mumford	14 June 2011	116.59	11 446	—	11 446	15 September 2014
	14 June 2012	170.57	26 706	—	26 706	26 August 2015
	11 June 2013	195.20	33 509	—	33 509	15 June 2016
	24 June 2014	193.77	35 972	—	35 972	15 September 2017

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

for the year ended 30 June 2015

### 30. Remuneration (continued)

#### 30.2 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
<b>Participation in Imperial Holdings Limited Deferred Bonus plan</b>								
AN Tennick	14 June 2011	4 425	1 530	—	—	1 530	—	7 September 2014
	13 June 2012	3 326	2 836	—	—	—	2 836	26 August 2015
	11 June 2013	2 567	2 567	—	—	—	2 567	15 September 2016
	24 June 2014	2 742	2 742	—	—	—	2 742	15 September 2017
JJ Strydom	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	—	—	—	3 689	15 September 2016
	24 June 2014	21 159	21 159	—	—	—	21 159	15 September 2017
B Adam	11 June 2013	1 458	1 458	—	—	—	1 458	15 September 2016
	24 June 2014	2 115	2 115	—	—	—	2 115	15 September 2017
MJ Lamberti	01 March 2014	60 787	60 787	—	—	—	60 787	15 September 2017
M Akoojee	14 June 2011	5 805	5 805	—	—	5 805	—	7 September 2014
	13 June 2012	4 854	4 854	—	—	—	4 854	26 August 2015
	13 June 2013	3 266	3 266	—	—	—	3 266	15 September 2016
	13 June 2014	18 579	18 579	—	—	—	18 579	15 September 2017
B Francis	14 June 2011	4 074	3 213	—	—	3 213	—	7 September 2014
	14 June 2012	3 261	2 199	—	—	—	2 199	26 August 2015
	13 June 2013	1 921	1 921	—	—	—	1 921	15 September 2016
	13 June 2014	2 648	2 648	—	—	—	2 648	15 September 2017
R Mumford	14 June 2011	4 926	4 438	—	—	4 438	—	7 September 2014
	14 June 2012	3 705	2 902	—	—	—	2 902	26 August 2015
	13 June 2013	2 914	2 914	—	—	—	2 914	15 September 2016
	13 June 2014	3 937	3 937	—	—	—	3 937	15 September 2017

### 31. Post-employment benefits

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

### 32. Contingent liabilities

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

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

for the year ended 30 June 2015

### MANAGEMENT OF RISK

#### 33. Insurance risk

##### 33.1 Terms and conditions of insurance contracts

The Regent Insurance Group underwrites risks that natural persons, corporates or other entities wish to transfer to an insurer. Such risks may relate to property, accident, personal accident, motor, engineering, marine, liability, aviation, and other perils that may give rise to an insurable event. The Regent Insurance Group is exposed to uncertainty surrounding the timing, frequency and severity of claims under insurance contracts. The principal risk is that the frequency and/or severity of claims is greater than expected. Insurance events are by their nature random and the actual size and number of events in any one year may vary from those estimated, or experienced in prior periods.

The Regent Insurance Group underwrites primarily short-tailed risks, that is, insurance under which claims are typically settled within one year of the occurrence of the events giving rise to the claims. Risks that are long-tailed in nature represent an insignificant portion of the Regent Insurance Group's insurance portfolio.

The product features of insurance contracts underwritten by the Regent Insurance Group that have a material effect on the amount, timing and uncertainty of future cash flows arising from insurance contracts in the Regent Insurance Group are described below:

##### Property

Provides indemnity for loss or damage to immovable and movable property caused by perils such as fire, lightning, explosion, weather, water, earthquake and malicious damage. The fire classes also include business interruption policies which insure the loss of profits incurred by a business as a result of loss or damage to the insured property.

##### Accident

Provides indemnity for loss or damage to mainly movable property for losses caused by crime, certain accidental damage such as damage to goods in transit or accidental damage to glass, loss of money and fidelity guarantee for staff.

##### Personal accident

Provides compensation arising out of the death, permanent or temporary total disability of the insured, the family of the insured or possibly the employees of a business. Such death or disability is restricted to certain accidents and does not provide the wider cover available from the life insurance industry.

##### Motor

Provides indemnity for loss or damage to the insured motor vehicle. The cover is normally on a comprehensive basis providing a wide scope of cover following an accident or a theft of the vehicle but the insured can select restricted forms of cover such as cover for fire and theft only. Legal liabilities arising out of the use or ownership of a motor vehicle for damage to third party property or death or injury to a third party are also covered under this class of business.

##### Engineering

Provides indemnity for loss sustained through the use of machinery and equipment or the erection of buildings or structures. This type of contract may cover losses resulting from project delay, machinery breakdown, loss of profits and deterioration of stock.

##### Marine

Provides indemnity for both cargo and hull classes of business. Cargo covers physical loss of or damage to cargo, with a project delay option. Hull covers loss or damage to vessels as a result of accidents and may also include legal liability as a result of the accident.

##### Liability

Provides indemnity for the insured against damages consequent to a personal injury or property damage and includes professional indemnity as well as directors' and officers' liability for errors and omissions.

##### Aviation

Provides indemnity for cargo, hull and liability classes of business. Cargo covers physical loss or damage to cargo. Hull covers loss or damage to aircraft. Liability covers third party claims.

##### 33.2 Risks that arise from insurance contracts

The Regent Insurance Group distributes these products to personal and commercial policyholders using traditional methods of distribution through intermediaries and direct sales, as well as through strategic partnerships with niche underwriting managers, retailers, banks and motor dealers. The Regent Insurance Group provides primary risk policies, which are contracts structured to provide entry level insurance cover for corporate entities.

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

for the year ended 30 June 2015

### MANAGEMENT OF RISK

#### 33. Insurance risk (continued)

##### 33.3 Limiting exposure to insurance risk

The Regent Insurance Group manages its insurance risk through setting underwriting limits, through approval procedures for transactions that involve new products or that exceed set limits or pricing guidelines and through monitoring of emerging issues. These procedures are described below:

##### *Underwriting strategy*

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered. Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability of risk incidence will be, and therefore a well-diversified portfolio is not likely to be affected across the board by a change in any subset of the portfolio. The Regent Insurance Group has developed its insurance underwriting strategy to stabilise risk experience by utilising a sufficiently large population of risks to reduce the variability of the expected outcome. The concentration of insurance risk is thereby substantially limited to the occurrence of natural disasters in densely populated areas.

The underwriting strategy is detailed in underwriting authorities which set the limits for underwriters in terms of amount of capacity, class of business, geographical location and industry to enforce the appropriate risk selection within the portfolio. The underwriting mandates are applicable to both internal underwriters and partners. Management review and periodic internal audits ensure that underwriters operate within these limits.

Ongoing review and analysis of underwriting information enables the Regent Insurance Group to monitor its risks and take timely corrective action. The ability to adjust premiums allows the Regent Insurance Group to mitigate the risks of underwriting losses by addressing adverse loss ratios in respect of different classes of business, different portfolios or specific classes of clients. The risk of fraudulent claims is reduced by internal controls embedded in claims handling processes and specific techniques developed to detect fraudulent claims proactively.

##### *Reinsurance*

The Regent Insurance Group obtains third party reinsurance cover to reduce risks from single events or accumulation of risk which could have a significant impact on earnings for the current year or on the Regent Insurance Group's capital. This cover is placed in the local and international reinsurance markets.

##### *Catastrophe events*

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

##### *Other risks*

Insurance companies are exposed to the risk of false, invalid and exaggerated claims. Sophisticated software and fraud detection measurements are in place to improve the Regent Insurance Group's ability to detect fraudulent claims proactively.

##### *Claims development*

The Regent Insurance Group is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term, subject to predetermined time scales dependent on the nature of the insurance contract. The Regent Insurance Group is therefore exposed to the risk that claims reserves will not be adequate to fund historic claims "run-off risk". To manage run-off risk the Regent Insurance Group takes steps to ensure that it has appropriate information regarding its claims and exposures and adopts sound reserving practices.

The majority of the Regent Insurance Group's insurance contracts are classified as "short-tailed", meaning that generally claims are settled within a year after the loss date. This contrasts with the "long-tailed" classes where the claims cost takes longer to emerge. The Regent Insurance Group's long-tailed business is generally limited to third-party motor liability and some engineering classes.

In terms of IFRS 4, an insurer need only disclose claims run-off information where uncertainty exists about the amount and timing of claim payments not resolved within one year. In total long-tail business comprises less than 7% (2014: 7%) of an average year's claims cost and consequently, detailed claims run-off information is not presented.

#### 34. Financial risk

The Regent Insurance Group is exposed to various financial risks through its operating activities. The main financial risk is that the proceeds from the Regent Insurance Group's financial assets are insufficient to fund the obligations arising from insurance contracts. The major components of this risk are market risk, credit risk and liquidity risk. An investment committee proposes asset management policies to the board and implements the policy as approved. It also appoints and monitors the activities of asset managers, receiving quarterly reports on compliance with investment mandates.

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

for the year ended 30 June 2015

### 34. Financial risk (continued)

#### 34.1 Market risk

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

##### Equity price risk

The portfolio of listed equities, gilts and foreign equities which are carried on the statement of financial position at fair value, are exposed to price risk, being the potential loss in market value resulting from an adverse change in prices.

At 30 June 2015 the Regent Insurance Group was exposed to equities through listed instruments and collective investment schemes to the value of R387 million (2014: R412 million) at fair value. A hypothetical 1% decrease in the all share index, based on similar sensitivities used in the industry and on market conditions, would result in an estimated reduction in profit before tax of R3.87 million (2014: R4.12 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
<b>Financial assets held at fair value through profit and loss</b>			
<b>2015</b>			
<b>Group</b>			
Listed preference shares	66 113	—	66 113
Government bonds	1 000	—	1 000
Corporate bonds	162 514	—	162 514
Collective investment schemes	840 484	—	840 484
Listed equities	191 608	—	191 608
Short-term deposits more than 1 year	—	310 000	310 000
Short-term deposits less than 1 year	—	127 898	127 898
<b>Total financial assets</b>	<b>1 261 719</b>	<b>437 898</b>	<b>1 699 717</b>
<b>2015</b>			
<b>Company</b>			
Listed preference shares	66 113	—	66 113
Corporate bonds	162 514	—	162 514
Collective investment schemes	740 306	—	740 306
Listed equities	156 464	—	156 464
Short-term deposits more than 1 year	—	310 000	310 000
Short-term deposits less than 1 year	—	55 000	55 000
<b>Total financial assets</b>	<b>1 125 397</b>	<b>365 000</b>	<b>1 490 397</b>

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

for the year ended 30 June 2015

### 34. Financial risk (continued)

#### 34.1 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
<b>Financial assets held at fair value through profit and loss</b>			
<b>2014</b>			
<b>Group</b>			
Listed preference shares	78 767	—	78 767
Government bonds	1 000	—	1 000
Corporate bonds	140 005	—	140 005
Collective investment schemes	567 315	—	567 315
Listed equities	111 925	—	111 925
Short-term cash deposits	—	75 494	75 494
<b>Total financial assets</b>	<b>899 012</b>	<b>75 494</b>	<b>974 506</b>
<b>2014</b>			
<b>Company</b>			
Listed preference shares	78 767	—	78 767
Corporate bonds	140 005	—	140 005
Collective investment schemes	480 729	—	480 729
Listed equities	111 925	—	111 925
Short-term cash deposits	—	10 000	10 000
<b>Total financial assets</b>	<b>811 426</b>	<b>10 000</b>	<b>821 426</b>

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

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

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

Movements on financial assets and liabilities subsequently measured at fair value using valuations based on unobservable inputs (level 3).

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

for the year ended 30 June 2015

### 34. Financial risk (continued)

#### 34.2 Interest rate risk

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

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

	Group 2015 %	Group 2014 %	Company 2015 %	Company 2014 %
Debt securities – fixed interest rate:				
Government bonds	<b>9.00</b>	9.00	—	—
Listed bonds	<b>7.47</b>	7.41	<b>7.41</b>	7.41
Cash at bank	<b>4.49</b>	4.35	<b>5.25</b>	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 below 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 or decrease the Regent Insurance Group's profit before tax by R7.3 million (2014: R4.1 million).

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

for the year ended 30 June 2015

### 34. Financial risk (continued)

#### 34.3 Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate in rand due to the changes in foreign exchange rates. The Regent Insurance Group manages this risk by limiting the extent of net foreign assets to predetermined amounts considering the type of asset and foreign currency.

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

The following table sets out the exchange rates used:

	2015 Average ZAR	2014 Average ZAR	2015 Closing ZAR	2014 Closing ZAR
Botswana pula (BWP)	<b>1.20047</b>	1.17402	<b>1.23200</b>	1.20715

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

	2015 BWP'000	2014 BWP'000
Total assets	<b>313 605</b>	291 414
Total liabilities	<b>161 506</b>	152 455
<b>Net assets</b>	<b>152 099</b>	138 958

#### Foreign currency sensitivity analysis

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

	2015 R'000	2014 R'000
Profit and loss	<b>458</b>	406

This is attributable to the exposure outstanding on BWP.

#### 34.4 Credit risk

The Regent Insurance Group is exposed to the risk that a counterparty will be unable to pay amounts in full when due. The main areas of exposure are:

- 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.

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

for the year ended 30 June 2015

### 34. Financial risk (continued)

#### 34.4 Credit risk (continued)

##### Analysis of the credit quality of the Regent Insurance Group's assets

	Normal monitoring R'000	Not rated R'000	Total R'000
<b>Group</b>			
<b>2015</b>			
Reinsurers' share of outstanding claims	84 980	—	84 980
Short-term deposits	437 898	—	437 898
Due from group companies	—	103 694	103 694
Cash and cash equivalents	387 655	—	387 655
Insurance and other receivables	—	139 744	139 744
<b>Total</b>	<b>910 533</b>	<b>243 438</b>	<b>1 153 971</b>
<b>2014</b>			
Reinsurers' share of outstanding claims	89 408	17	89 425
Short-term deposits	75 494	—	75 494
Due from group companies	—	86 143	86 143
Cash and cash equivalents	1 127 810	—	1 127 810
Insurance and other receivables	—	142 458	142 458
<b>Total</b>	<b>1 292 712</b>	<b>228 618</b>	<b>1 521 330</b>
<b>Company</b>			
<b>2015</b>			
Reinsurers' share of outstanding claims	56 371	—	56 371
Short-term deposits	365 000	—	365 000
Due from group companies	—	29 371	29 371
Cash and cash equivalents	85 497	—	85 497
Insurance and other receivables	—	54 416	54 416
<b>Total</b>	<b>506 868</b>	<b>83 787</b>	<b>590 655</b>
<b>2014</b>			
Reinsurers' share of outstanding claims	62 580	—	62 580
Short-term deposits	10 000	—	10 000
Due from group companies	—	16 290	16 290
Cash and cash equivalents	803 241	—	803 241
Insurance and other receivables	—	51 366	51 366
<b>Total</b>	<b>875 821</b>	<b>67 656</b>	<b>943 477</b>

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

for the year ended 30 June 2015

### 34. Financial risk (continued)

#### 34.4 Credit risk (continued)

##### Normal monitoring

This refers to the credit ratings ranging from AAA to B-. AAA rating would refer to a counterparty being a superior financial security. The capacity to meet obligations is overwhelming under a variety of economic conditions. B- refers to counterparty which are partially vulnerable securities. Counterparty are able to meet current obligations, but the capacity to meet obligations is vulnerable during adverse economic conditions. All securities in this range need to be monitored whether AAA or B-

##### Reinsurance

Reinsurance is used to manage insurance risk. This does not discharge the Regent Insurance Group's liability as the primary insurer. If the reinsurer fails to pay a claim for any reason, the Regent Insurance Group remains liable for the payment to the policyholder. The Regent Insurance Group monitors the financial condition of reinsurers on an ongoing basis and reviews its reinsurance arrangements periodically. When selecting a reinsurer the Regent Insurance Group considers its security. This is assessed from public rating information and from internal investigations.

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

	Agents and other insurance balances R'000	Other receivables R'000	Due from Group companies R'000	Cash and cash equivalents R'000	Reinsurers' share of outstanding claims R'000	Reinsurers' share of unearned premium R'000
<b>Group</b>						
<b>2015</b>						
Neither impaired nor past due	63 730	22 299	103 694	387 655	84 980	19 697
Past due but not impaired:	46 751	6 964	—	—	—	—
> 0 – 90 days	46 751	5 825	—	—	—	—
> 91 – 360 days	—	326	—	—	—	—
> More than one year	—	813	—	—	—	—
<b>Balance at the end of the year</b>	<b>110 481</b>	<b>29 263</b>	<b>103 694</b>	<b>387 655</b>	<b>84 980</b>	<b>19 697</b>
<b>2014</b>						
Neither impaired nor past due	92 500	23 774	86 143	1 127 810	89 425	27 442
Past due but not impaired:	15 307	10 877	—	—	—	—
> 0 – 90 days	15 307	5 239	—	—	—	—
> 91 – 360 days	—	3 939	—	—	—	—
> More than one year	—	1 699	—	—	—	—
<b>Balance at the end of the year</b>	<b>107 807</b>	<b>34 651</b>	<b>86 143</b>	<b>1 127 810</b>	<b>89 425</b>	<b>27 442</b>

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

for the year ended 30 June 2015

### 34. Financial risk (continued)

#### 34.4 Credit risk (continued)

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

	Agents and other insurance balances R'000	Other receivables R'000	Due from group companies R'000	Cash and cash equivalents R'000	Reinsurers' share of outstanding claims R'000	Reinsurers' share of unearned premium R'000
<b>Company</b>						
<b>2015</b>						
Neither impaired nor past due	24 727	17 336	29 371	85 497	56 371	1 082
Past due but not impaired:	5 420	6 933	—	—	—	—
> 0 – 90 days	5 420	5 825	—	—	—	—
> 91 – 360 days	—	326	—	—	—	—
> More than one year	—	782	—	—	—	—
<b>Balance at the end of the year</b>	<b>30 147</b>	<b>24 269</b>	<b>29 371</b>	<b>85 497</b>	<b>56 371</b>	<b>1 082</b>
<b>2014</b>						
Neither impaired nor past due	30 618	12 420	16 290	803 241	62 580	581
Past due but not impaired:	4 184	4 144	—	—	—	—
> 0 – 90 days	4 184	2 679	—	—	—	—
> 91 – 360 days	—	1 465	—	—	—	—
> More than one year	—	—	—	—	—	—
<b>Balance at the end of the year</b>	<b>34 802</b>	<b>16 564</b>	<b>16 290</b>	<b>803 241</b>	<b>62 580</b>	<b>581</b>

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

for the year ended 30 June 2015

### 34. Financial risk (continued)

#### 34.5 Liquidity risk

The Regent Insurance Group is exposed to daily calls on its available cash resources from claims arising. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The Regent Insurance Group's liabilities are matched by appropriate assets and it has significant liquid resources to cover its obligations. The Regent Insurance Group's liquidity and ability to meet such calls are monitored by the investment committee. The Regent Insurance Group has significant liquid resources to cover its obligations.

The maturity of the liquidity risk has been detailed in the table below:

	Total R'000	Within 1 year R'000	1 – 5 years R'000	Over 5 years R'000
<b>Group</b>				
<b>2015</b>				
Outstanding claims	514 802	364 250	117 569	32 983
Agents' and other insurers' balances	38 909	38 909	—	—
Current taxation	8 764	8 764	—	—
Insurance and other payables	185 835	181 154	4 681	—
	<b>748 310</b>	<b>593 077</b>	<b>122 250</b>	<b>32 983</b>
<b>2014</b>				
Outstanding claims	545 453	381 070	118 439	45 944
Agents' and other insurers' balances	85 522	82 012	3 510	—
Current taxation	5 833	5 833	—	—
Insurance and other payables	142 224	137 477	4 747	—
	779 032	606 392	126 696	45 944
<b>Company</b>				
<b>2015</b>				
Outstanding claims	360 688	246 573	107 354	6 761
Agents' and other insurers' balances	37 042	37 042	—	—
Current taxation	7 724	7 724	—	—
Insurance and other payables	110 807	106 126	4 681	—
	<b>516 261</b>	<b>397 465</b>	<b>112 035</b>	<b>6 761</b>
<b>2014</b>				
Outstanding claims	404 772	280 546	104 170	20 056
Agents' and other insurers' balances	84 125	80 615	3 510	—
Current taxation	3 749	3 749	—	—
Due to group companies	186	186	—	—
Insurance and other payables	47 525	47 525	—	—
	540 357	412 621	107 680	20 056

#### 34.6 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.

#### 34.7 Catastrophe risk

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

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

for the year ended 30 June 2015

### 34. Financial risk (continued)

#### 34.8 Solvency risk

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 long-term and short-term insurance industries, 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. Regent Insurance Company meets the requirements under the interim measures.

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

#### International solvency margin

The Regent Insurance Group solvency margin is calculated as the ratio of capital and reserves to net premium. At year end the Regent Insurance Group solvency margin was 40.2% (2014: 56.7%) and the Regent Insurance Company was 1.79 times (2014: 1.83 times).

### 35. Subsidiaries

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

	Holding 2015 %	Holding 2014 %	Cost of shares R'000	Principal activity
<b>Subsidiaries</b>				
Regent Insurance Botswana Proprietary Limited	100	100	12 000	Insurance
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
Anvil Investments Proprietary Limited	100	100	141	Investments
Lesotho National General Insurance Company Proprietary Limited	60	60	28 760	Insurance
SA Warranties Proprietary Limited	100	100	39 239	Maintenance and warranty
Paint Tech Maintenance Proprietary Limited	100	100	1	Maintenance
<b>Balance at the end of the year</b>			81 915	

### 36. Events after reporting period

During May 2015, Regent Insurance Company's shareholder, Imperial Holdings, entered into negotiations with a third party to dispose of its shareholding in Regent Insurance Company. On 29 September 2015, Imperial Holdings accepted an offer made by the third party, subject to the fulfilment of certain conditions. 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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**DIRECTORS** MJ Lamberti (chairman), JJ Strydom (chief executive officer), M Akoojee, C Erasmus, BJ Francis, B Adam (chief financial officer), BR Mallinson, S Masinga, JRP Mbau, R Mumford, RJA Sparks, AN Tennick (executive director). **COMPANY SECRETARY** WP Behrens

Regent Insurance Company Limited, a short-term insurer, company reg. no. 1966/007612/06 and an authorised financial services provider, FSP licence 25511  
Regent Life Assurance Company Limited, a long-term insurer, company reg. no. 1994/001332/06 and an authorised financial services provider, FSP licence 18146