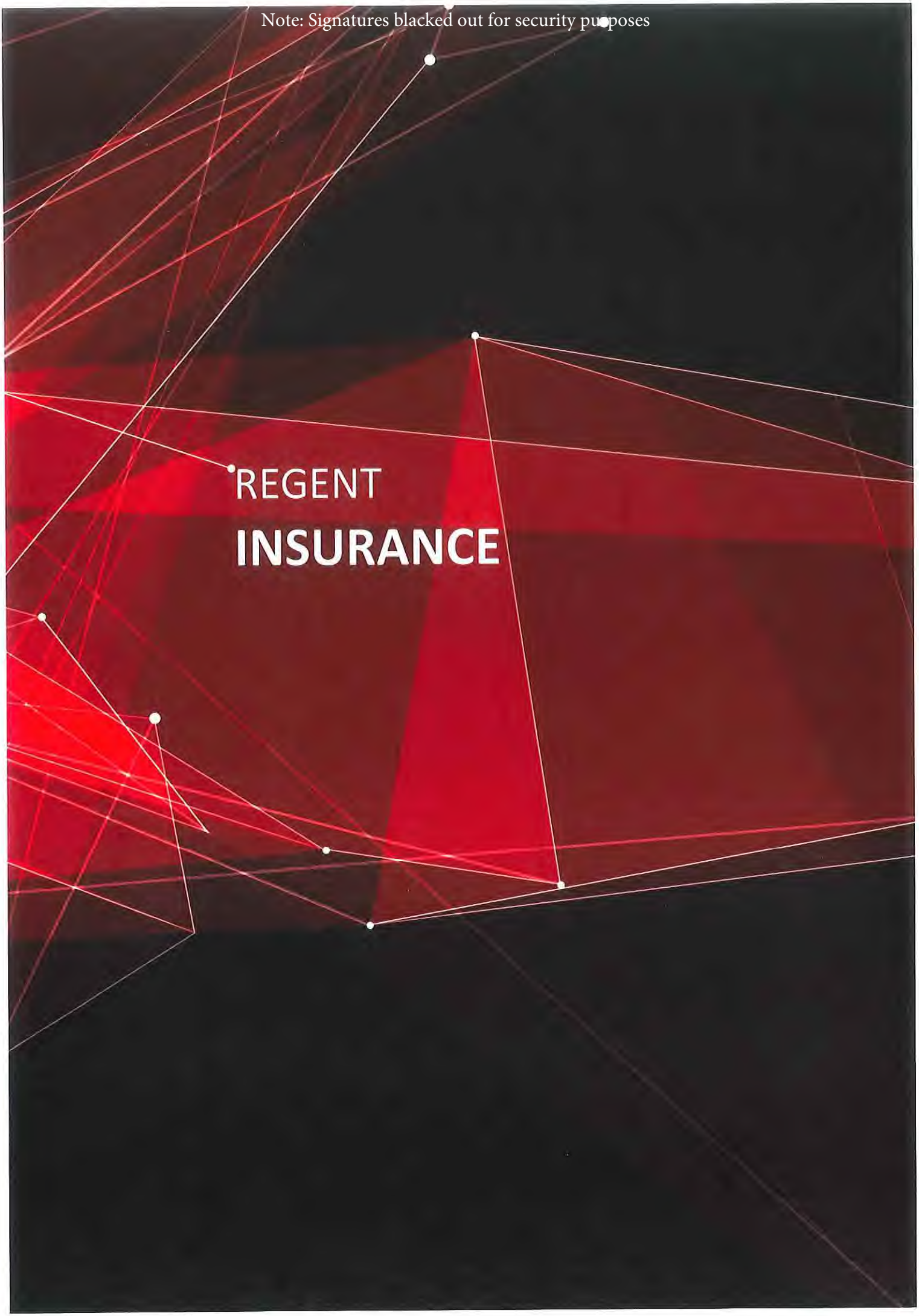
Note: Signatures blacked out for security purposes



Directors' approval and statement of responsibility

for the year ended 30 June 2017

The directors of the Regent Insurance Company 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 77 to 130 have been prepared in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa, 2008. The Regent Insurance Group's external auditors, Deloitte & Touche have audited the annual financial statements and their audit report appears on page 75.

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.

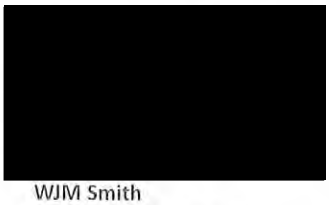
The going concern basis has been adopted in preparing the annual financial statements. The directors have no reason to believe that the Regent Insurance Company and Regent Insurance Group will not be a going concern in the foreseeable future based on forecasts and available cash resources. The viability 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 77 to 130 were approved by the board of directors on 24 October 2017 and are signed on its behalf by:

C Erasmus
Acting Chairman

24 October 2017



WJM Smith
Chief Executive Officer

24 October 2017

Certificate by the Company secretary

In accordance with section 88(e) of the Companies Act of South Africa, 2008, 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 2017, 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

24 October 2017

Independent auditor's report

to the shareholder of Regent Insurance Company Limited for the year ended 30 June 2017

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of Regent Insurance Company Limited and its subsidiaries (the group) set out on pages 82 to 129, which comprise the consolidated and separate statements of financial position as at 30 June 2017, and statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the group and company as at 30 June 2017, and their consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa, 2008.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the *auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report. We are independent of the group in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises statement of directors' responsibility and approval and the directors' report as required by the Companies Act of South Africa, 2008. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with IFRS and the requirements of the Companies Act of South Africa, 2008, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group and company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and/or company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISA, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 group and the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group and the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group or the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

In terms of the Independent Regulatory Board of Auditors (IRBA) rule published in *Government Gazette Number 39475* dated 4 December 2015, we report that Deloitte & Touche has been the auditor for Regent Insurance Group for 13 years.

Deloitte & Touche
Registered auditors
Per: **D Munu**
Partner

24 October 2017

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 and industries), *JK Mazzocco (talent and 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 2017

The audit committee presents its report for the year ended 30 June 2017. The audit committee is an independent statutory committee, as well as a committee of the board in respect of other duties assigned to it by the board. The committee has conducted its affairs in compliance with the board approved terms of reference and has discharged its responsibilities contained herein.

Objectives and scope

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

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

- carrying out all the functions as required in terms of legislation;
- performing all the functions of an audit committee for those operating subsidiaries that do not have their own audit committee;
- overseeing the integrity of the annual report and reviewing content thereof to ensure that the information is reliable;
- nominating to the shareholder a registered external auditor who, in the opinion of the committee, is independent of the company, for appointment as external auditor of the company, as well as nominating for appointment the designated individual auditor;
- consideration and recommendation to the board of the appointment, removal or replacement of the internal auditors of the Regent Insurance Group;
- consideration of the accounting treatment of significant or unusual transactions and areas of judgement that have a significant impact on the annual financial statements;
- determination of the nature and extent of any non-audit services which the external auditor may provide to the company and pre-approval of any proposed contract with the external auditor for the provision of those non-audit services;
- review and approval of the annual internal audit operational plan;
- monitoring the compliance of the Regent Insurance Group with legal requirements, statutes, regulations and the Regent Insurance Group's code of ethics;
- consideration of the reports by the internal and external auditors on their findings and recommendations;
- consideration of the annual financial statements and of any information 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. During the period under review the committee met four times. The record of attendance by each committee member was as follows:

	[illegible] August 2016	18 October 2016	7 F January 2017	[illegible] June 2017
BR Mallinson (Chairman)	√	√	√	√
RJA Sparks	√	√	√	√
C Erasmus	√	√	√	√

√ Present

Audit committee report (continued)

for the year ended 30 June 2017

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 2017;
- 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;
- satisfied itself that the general managers in the finance department possess the appropriate expertise and experience to meet their responsibilities 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 joint chief executive officers, chief risk officer, finance general managers, 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 attended 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.

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

The committee has nominated, for approval at the annual general meeting, Deloitte & Touche as the external auditor for the 2018 financial year for Regent Insurance Company. Mr D Munu is the designated auditor for Regent Insurance Company. This will be Mr Munu's second year as the designated auditor since the rotation requirements 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 2017, 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.

[redacted]

BR Mallinson

Chairman of the audit committee

24 October 2017

Directors' report

for the year ended 30 June 2017

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 2017.

Nature of business

Regent Insurance Company is incorporated in the Republic of South Africa and is a registered short-term insurer and underwrites all classes of business. Subsidiary companies own properties for rental and provide other insurance-related and administrative services. The Regent Insurance Group operates in South Africa and until 30 January 2017, also operated in Botswana and Lesotho.

Holding company

During the year Regent Insurance Company was a wholly owned subsidiary of Imperial Holdings Limited until 30 June 2017 when the holding company changed to Hollard Holdings Limited, a company incorporated in the Republic of South Africa.

	% held	Country of incorporation
Subsidiaries		
Regent Insurance Botswana (Proprietary) Limited (sold 30 January 2017)	100	Botswana
Motor Compliance Solutions (Proprietary) Limited (unbundled on 21 June 2017)	100	South Africa
Erf Four Nine Nine Spartan (Proprietary) Limited	100	South Africa
Lesotho National General Insurance Company Limited (sold 30 January 2017)	60	Lesotho
Anvil Investments (Proprietary) Limited (deregistered in 2017)		
SA Warranties (Proprietary) Limited (unbundled on 26 June 2017)	100	South Africa
– SA Vehicle Maintenance (Proprietary) Limited (unbundled on 26 June 2017)	100	South Africa
– Auto Renewal Technology (Proprietary) Limited (unbundled on 26 June 2017)	50	South Africa
Paint Tech Maintenance (Proprietary) Limited (unbundled on 22 June 2017)	100	South Africa
Banoscene (Proprietary) Limited (unbundled on 27 June 2017)	100	South Africa

Regent Insurance Company's interest in the aggregate profit after tax in subsidiaries amounted to R95.7 million (2016: R117.5 million) and in the losses amounted to R0.4 million (2016: Rnil).

Dividends

Regent Insurance Group declared and paid dividends of R913.6 million (2016: R119.4 million) and Regent Insurance Company declared and paid dividends of R838.6 million (2016: R109.2 million).

Capital contribution

During the current financial year, preference share capital of R178.1 million was contributed by several preference shareholders. In total, R122.0 million relates to capitalisation of two new cell captive arrangements, R22.4 million relates to the capitalisation of existing cell captive arrangements where the profit share changed and R33.7 million relates to the capitalisation of cell captive arrangements that were insolvent.

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;
- 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;
- Proposed new rights and conditions attaching to the preference shares; and
- Adoption of a new memorandum of incorporation in its entirety.

SA Warranties (Proprietary) Limited, a subsidiary of Regent Insurance Company passed the following special resolutions on 30 March 2017:

- Amendment to the existing memorandum of incorporation;
- Conversion of par value shares to no par value shares; and
- Increased the authorised share capital of the company.

No other subsidiaries passed any special resolutions, which might be significant to members in their appreciation of the state of affairs of the Regent Insurance Group.

Events after reporting period

No material facts or circumstances have arisen between the reporting date and the date of this report which affect the financial position of the Regent Insurance Group as reflected in these annual financial statements.

Financial performance

Profit before tax was up 27.6% to the prior year due to the extraordinary profit on sale of the rest of Africa operations, namely, Botswana and Lesotho of R233 million. The adjusted underwriting results were down 18.0% as only seven months' profits for Botswana and Lesotho were included. Excluding rest of Africa, the adjusted underwriting results were 4.3% down. The investment returns were flat year on year, however, excluding rest of Africa they were 4.3% up. The operating profit was down 10.2% year on year and flat excluding the rest of Africa.

Board of directors and board committees to the date of this report

When the sale of the Regent Insurance Group to Hollard became effective, the board of the Regent Insurance Group was reconstituted and the existing board committees were disbanded on 30 June 2017. New board committees were thereafter reconstituted on 1 July 2017.

Board of directors

C Erasmus (Acting chairman effective 1 July 2017, independent non-executive director)

MJ Lamberti (Chairman, non-executive director) (resigned 30 June 2017)

Executive directors

WJM Smith (Chief executive officer) (appointed 30 June 2017)

FM Harris (Chief financial officer) (appointed 30 June 2017)

MM Janzen

B Ruele

AN Tennick (resigned 30 June 2017)

Non-executive directors

BJ Francis (resigned 30 June 2017)

BR Mallinson

S Masinga (resigned 30 June 2017)

JPR Mbau (resigned 30 June 2017)

R Mumford (resigned 30 June 2017)

B Ngonyama (appointed 30 June 2017)

AS Nkosi (appointed 30 June 2017)

RJA Sparks

Audit committee

Independent non-executive directors

BR Mallinson (Chairman)

C Erasmus

RJA Sparks

Investment committee

External

W Lategan (Chairman) (appointed 1 July 2017)

W Reitsma (Chairman) (resigned 30 June 2017)

G Vermaak (appointed 1 July 2017)

Executive directors

WJM Smith (appointed 1 July 2017)

AN Tennick (resigned 30 June 2017)

Independent non-executive directors

C Erasmus (resigned 30 June 2017)

RJA Sparks (resigned 30 June 2017)

Actuarial committee

Executive directors

FM Harris (appointed 1 July 2017)

AN Tennick (resigned 30 June 2017)

Independent non-executive directors

C Erasmus (Chairman)

External

D Viljoen

Risk committee

Executive directors

AN Tennick (resigned 30 June 2017)

Non-executive directors

BJ Francis (resigned 30 June 2017)

Independent non-executive directors

C Erasmus

BR Mallinson (resigned 30 June 2017)

S Masinga (Chairman) (resigned 30 June 2017)

B Ngonyama (Chairman) (appointed 1 July 2017)

AS Nkosi (appointed 1 July 2017)

Remuneration committee

Independent non-executive directors

C Erasmus (Chairman)

BR Mallinson

RJA Sparks

Non-executive directors

MJ Lamberti (resigned 30 June 2017)

Board meetings

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

	18 August 2016	26 October 2016	23 February 2017	15 June 2017
Independent non-executives				
C Erasmus	√	√	√	√
BR Mallinson	√	√	√	√
S Masinga	ap	√	ap	√
JPR Mbau	√	√	ap	√
RJA Sparks	ap	√	√	√
Non-executive directors				
MJ Lamberti	√	√	ap	ap
BJ Francis	√	√	√	√
R Mumford	√	√	√	ap
Executive directors				
AN Tennick	ap	√	√	√
MM Janzen	√	√	√	√
B Ruele	√	√	√	√

√ Present *ap Absent with apology*

Company secretary

G Tyusha

The addresses of the secretary of Regent Insurance Company are:

Business address
5 Boeing Road East
Elma Park
Edenvale
1609

Postal address
PO Box 674
Edenvale
1610

Auditors

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

Statements of financial position

as at 30 June 2017

	Notes	Group 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 2016 R'000
ASSETS					
Property and equipment	3	**31 402**	139 784	**30 096**	106 677
Investment property	4	**22 240**	20 890	**3 340**	2 490
Intangible assets	5	**79 379**	148 039	**79 379**	148 008
Investments in subsidiaries	6	**–**	–	**1 773**	81 915
Investments in associates	7	**–**	6 537	**–**	–
Reinsurers' share of outstanding claims	8	**35 859**	82 380	**35 859**	51 079
Reinsurers' share of unearned premiums	8	**358**	21 402	**358**	694
Financial assets	9	**1 087 483**	1 639 171	**1 087 483**	1 440 766
Non-current assets held for sale	10	**–**	1 099	**–**	–
Agents and other insurers' balances	11	**32 891**	87 696	**34 527**	27 557
Deferred tax asset	12	**–**	10 995	**–**	–
Current taxation		**6 461**	3 277	**6 416**	2 332
Other receivables including insurance receivables	14	**68 038**	121 929	**65 989**	32 997
Due from group companies	15	**1 141**	2 590	**4 112**	5 635
Cash and cash equivalents	16	**469 103**	551 924	**469 096**	92 592
Total assets		**1 834 355**	2 837 713	**1 818 428**	1 992 742
LIABILITIES					
Outstanding claims	8	**288 676**	515 590	**288 676**	338 625
Unearned premiums	8	**346 455**	482 416	**346 455**	358 114
Agents' and other insurers' balances	11	**50 387**	41 966	**50 387**	40 031
Deferred tax liability	12	**25 773**	50 956	**24 815**	36 188
Provisions	17	**58 024**	179 375	**58 024**	87 391
Current taxation		**–**	3 212	**–**	–
Insurance and other payables	18	**66 238**	169 217	**64 025**	74 174
Total liabilities		**835 553**	1 442 732	**832 382**	934 523
EQUITY					
Share capital	19	**2 940**	2 940	**2 940**	2 940
Share premium	19	**197 563**	452 564	**197 563**	452 564
Subordinated debt capital	28.2.2	**200 000**	200 000	**200 000**	200 000
Statutory reserve*		**–**	140 026	**–**	–
Share-based equity reserve	26	**260**	(9 084)	**260**	(9 084)
Foreign currency translation reserve		**–**	(16 330)	**–**	–
Retained earnings		**31 115**	257 606	**18 359**	66 065
Equity attributable to the equity holders of the parent		**431 878**	1 027 722	**419 122**	712 485
Non-controlling interests		**566 924**	367 259	**566 924**	345 734
Total equity		**998 802**	1 394 981	**986 046**	1 058 219
Total equity and liabilities		**1 834 355**	2 837 713	**1 818 428**	1 992 742

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

Statements of comprehensive income

for the year ended 30 June 2017

	Notes	Group 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 2016 R'000
Gross written premiums		1 623 908	1 866 604	1 323 264	1 385 079
Outward reinsurance premiums		(93 041)	(157 865)	(14 402)	(34 562)
Net written premiums		1 530 867	1 708 739	1 308 862	1 350 517
Change in provision for unearned premium		(2 526)	20 791	11 323	8 268
> Change in gross provision		(3 531)	20 134	11 659	8 656
> Reinsurers' share		1 005	657	(336)	(388)
Net premiums earned	20	1 528 341	1 729 530	1 320 185	1 358 785
Commission income		17 455	31 106	2 102	5 678
Investment income	21	170 290	142 374	141 380	118 731
Investment (losses)/gains	22	(4 498)	24 450	(3 004)	23 436
Other operating income	23	99 609	88 556	20 616	24 721
Net income		1 811 197	2 016 016	1 481 279	1 531 351
Net claims incurred		(719 957)	(850 469)	(577 231)	(627 182)
> Gross insurance claims paid	24	(701 986)	(804 659)	(555 175)	(588 964)
> Reinsurers' share of claims paid	24	20 289	30 618	7 983	10 913
> Claims handling costs	24	(67 827)	(78 681)	(64 768)	(65 901)
> Change in provision for outstanding claims	24	43 459	7 574	49 949	22 062
> Change in reinsurers' share of provision for outstanding claims	24	(13 892)	(5 321)	(15 220)	(5 292)
Finance costs		(4 868)	(953)	(4 419)	(947)
Commission and acquisition expenses		(363 176)	(364 419)	(303 057)	(288 750)
General marketing and administration expenses		(387 874)	(426 669)	(366 944)	(366 241)
Share of profit from associate		1 629	1 996	–	4 215
Exceptional items*		133 085	(4 469)	393 075	(17 265)
Subordinated debt finance cost		(19 685)	(18 190)	(19 685)	(18 190)
Profit before taxation	25	450 351	352 843	603 018	216 991
Taxation	13	(82 872)	(86 684)	(52 760)	(52 985)
Profit after taxation		367 479	266 159	550 258	164 006
Other comprehensive income					
Currency translation differences		–	12 452	–	–
Total comprehensive income for the year		367 479	278 611	550 258	164 006
Profit attributable to:					
Equity owners of the company		199 821	118 726	388 111	25 217
Non-controlling interests		167 658	147 433	162 147	138 789
		367 479	266 159	550 258	164 006
Total comprehensive income attributable to:					
Equity owners of the company		199 821	131 178	388 111	25 217
Non-controlling interests		167 658	147 433	162 147	138 789
		367 479	278 611	550 258	164 006

** Exceptional items for the current financial year relates to profit on sale of Regent Insurance Botswana (Proprietary) Limited and Lesotho National General Insurance Company Limited.*

Statements of changes in equity

for the year ended 30 June 2017

Group	Share capital* R'000	Share premium R'000	Statutory reserve R'000	Share-based equity reserve R'000	Foreign currency translation reserve R'000	Retained earnings R'000	Sub-ordinated debt capital R'000	Non-controlling interests R'000	Total R'000
Balance at 1 July 2016	2 940	452 564	123 457	(25 687)	(28 782)	154 915	200 000	338 191	1 217 598
Net profit for the year	–	–	–	–	–	118 726	–	147 433	266 159
Other comprehensive income									
Arising from translation of foreign entity	–	–	–	–	12 452	–	–	–	12 452
Total comprehensive income for the year ended 30 June 2016	–	–	–	–	12 452	118 726	–	147 433	278 611
Transfer to statutory reserve	–	–	16 569	–	–	(11 833)	–	–	4 736
Share-based equity reserve transferred to retained earnings on vesting	–	–	–	3 140	–	(3 140)	–	–	–
Share-based equity	–	–	–	13 463	–	–	–	–	13 463
Dividends paid	–	–	–	–	–	–	–	(119 427)	(119 427)
Allocation of prior year retained earnings to cell captive	–	–	–	–	–	(1 062)	–	1 062	–
Balance at 30 June 2016	2 940	452 564	140 026	(9 084)	(16 330)	257 606	200 000	367 259	1 394 981
Net profit for the year	–	–	–	–	–	199 821	–	167 658	367 479
Other comprehensive income									
Arising from translation of foreign entity	–	–	–	–	16 330	(16 330)	–	–	–
Total comprehensive income for the year ended 30 June 2017	–	–	–	–	16 330	183 491		167 658	367 479
Disposal of subsidiary	–	–	–	–	–	–	–	(24 122)	(24 122)
Allocation of profit directly to cell captive	–	–	–	–	–	(72 352)	–	72 352	–
Capital contribution to cell captive	–	–	–	–	–	–	–	178 121	178 121
Share premium reduction		(255 001)				255 001	–	–	–
Transfers to statutory reserves			(140 026)			140 026	–	–	–
Share-based equity reserve transferred to retained earnings on vesting				13 353		(13 353)	–	–	–
Share-based equity				(4 009)					(4 009)
Dividends paid						(719 304)		(194 344)	(913 648)
Balance at 30 June 2017	2 940	197 563	–	260	–	31 115	200 000	566 924	998 802
Company									
Balance at 30 June 2016	2 940	452 564	–	(25 687)	–	45 050	200 000	315 048	989 915
Net profit for the year	–	–	–	–	–	25 217	–	138 789	164 006
Total comprehensive income for the year ended 30 June 2016	–	–	–	–	–	25 217	–	138 789	164 006
Share-based equity reserve transferred to retained earnings on vesting	–	–	–	3 140	–	(3 140)	–	–	–
Share-based equity	–	–	–	13 463	–	–	–	–	13 463
Dividends paid	–	–	–	–	–	–	–	(109 165)	(109 165)
Allocation of prior year retained earnings to cell captive	–	–	–	–	–	(1 062)	–	1 062	–
Balance at 30 June 2016	2 940	452 564	–	(9 084)	–	66 065	200 000	345 734	1 058 219
Net profit for the year	–	–	–	–	–	388 111	–	162 147	550 258
Total comprehensive income for the year ended 30 June 2017	–	–	–	–	–	388 111	–	162 147	550 258
Allocation of profit directly to cell captive	–	–	–	–	–	(72 352)	–	72 352	–
Capital contribution to cell captive	–	–	–	–	–	–	–	178 120	178 120
Profit recognised directly in equity	–	–	–	–	–	42 021	–	–	42 021
Share premium reduction	–	(255 001)	–	–	–	255 001	–	–	–
Share-based equity reserve transferred to retained earnings on vesting	–	–	–	13 353	–	(13 353)	–	–	–
Share-based equity	–	–	–	(4 009)	–	–	–	–	(4 009)
Dividends paid	–	–	–	–	–	(647 134)	–	(191 429)	(838 563)
Balance at 30 June 2017	2 940	197 563	–	260	–	18 359	200 000	566 924	986 046

* *Included in share capital and share premium are 12 preference shares issued at a value of R0.01.*

Statements of cash flows

for the year ended 30 June 2017

	Notes	Group 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 2016 R'000
Cash flow from operating activities					
Cash (utilised)/generated from operations	27.1	**(141 907)**	238 417	**68 152**	83 543
Interest received	27.2	**153 045**	126 291	**119 128**	93 594
Interest paid		**(24 553)**	(19 143)	**(24 104)**	(19 137)
Share-based equity movement		**(5 887)**	12 423	**(5 887)**	12 423
Taxation paid	27.3	**(93 347)**	(99 490)	**(66 329)**	(74 070)
Net cash (outflow)/inflow from operating activities		**(112 649)**	258 498	**90 960**	96 353
Cash flow from investing activities					
Acquisition of property and equipment		**(19 292)**	(16 658)	**(19 292)**	(13 898)
Additions of intangible assets		**(49 640)**	(72 575)	**(49 640)**	(72 573)
Proceeds on sale of property and equipment		**2 494**	4 939	**2 400**	4 812
Acquisition of associate		**–**	(4 343)	**–**	–
Proceeds on sale of financial assets		**1 865 584**	1 095 571	**1 734 714**	1 009 322
Net cash outflow on disposal of subsidiaries	27.5	**120 517**	–	**504 205**	–
Acquisition of financial assets		**(1 384 597)**	(1 005 413)	**(1 384 435)**	(936 254)
Dividends received	27.2	**16 257**	16 280	**19 087**	28 498
Net cash inflow from investing activities		**551 323**	17 801	**807 039**	19 907
Cash flow from financing activities					
Dividends paid	27.4	**(651 437)**	(119 427)	**(651 437)**	(109 165)
Non-controlling interest capital contribution	27.6	**129 942**	–	**129 942**	–
Net cash outflow from financing activities		**(521 495)**	(119 427)	**(521 495)**	(109 165)
Net (decrease)/increase in cash and cash equivalents		**(82 821)**	156 872	**376 504**	7 095
Foreign currency translation differences on cash balances		**–**	7 397		
Cash and cash equivalents at beginning of year		**551 924**	387 655	**92 592**	85 497
Cash and cash equivalents at end of the year		**469 103**	551 924	**469 096**	92 592

Notes to the consolidated annual financial statements

for the year ended 30 June 2017

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 2017 and the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee and financial reporting pronouncements as issued by the Financial Reporting Standards Council and the Companies Act of South Africa, 2008.

Accounting policies

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

1.1 Basis of preparation

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

The consolidated and separate annual financial statements have been prepared in compliance with IFRS and interpretations for year ends commencing on or before 1 July 2016 and in compliance with the Companies Act of South Africa, 2008.

The consolidated and separate financial statements have been prepared on an 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;
- Liabilities for cash-settled share-based payment arrangements.

Standards, interpretations and amendments to published standards that are not yet effective as at June 2017

The following are some amendments to IFRS that could have an impact on the Regent Insurance Group's future financial statements:

- IFRS 9 *Financial Instruments* (effective for annual periods beginning on or after 1 January 2018)
- IFRS 10 *Consolidated Financial Statements* – Amendments on sale or contribution of assets between an investor and its associate or joint venture (deferred indefinitely)
- IFRS 15 *Revenue from Contracts with Customers* – Original issue (effective from annual periods beginning on or after 1 January 2017)
- IFRS 15 *Revenue from Contracts with Customers* – Amendment to defer the effective date to 1 January 2018 (effective from annual periods beginning on or after 1 January 2018)
- IFRS 15 *Revenue from Contracts with Customers* – Clarifications to IFRS 15 (effective from annual periods beginning on or after 1 January 2018)
- IFRS 16 *Leases* – Original issue (effective from annual periods beginning on or after 1 January 2019)
- IFRS for SMEs – Amendments as the result of the first comprehensive review (effective from annual periods beginning on or after 1 January 2017)
- IAS 7 *Cash Flow Statement* – Amendments as result of the disclosure initiative (effective from annual periods beginning on or after 1 January 2017)
- IAS 12 *Income Taxes* – Amendments regarding the recognition of deferred tax assets for unrealised losses (effective from annual periods beginning on or after 1 January 2017)
- IAS 28 *Investments in Associates and Joint Ventures* – Amendments on sale or contribution of assets between an investor and its associate or joint venture (deferred indefinitely)
- IFRS 17 *Insurance Contracts* – Original issue that replaces IFRS 4 *Insurance Contracts* (effective from annual periods beginning on or after 1 January 2021)

1.2 Consolidation

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

Subsidiaries

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

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

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

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

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

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

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

Associates

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

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

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

1.3 Foreign currencies

Foreign currency translation

The Regent Insurance Group's presentation currency is 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 Insurance Group's presentation currency at closing rates ruling at statement of financial position date. The income and expenditure and equity movements are translated into the Regent Insurance Group's presentation currency at rates approximating the foreign exchange rates ruling at the dates of the various transactions. All resulting translation differences arising from the consolidation and translation of foreign companies are recognised in 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.

1.4 Property and Equipment *(continued)*

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:

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

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

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

Property and equipment are derecognised on disposal or when future economic benefits are not expected to arise from the continued use of the asset. Any gain or loss arising from the derecognition of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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

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

1.5 Intangible assets

Computer software

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

Expenditure that enhances and extends the benefits of computer software beyond their original specifications and lives is recognised as a capital improvement and capitalised to the original cost of the software. Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives, not exceeding a period of three years. Where the carrying amount of an asset is greater than its estimated recoverable amount, the asset is written down immediately to its recoverable amount.

Amortisation of intangibles

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

- Computer software development costs three to five years

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

Goodwill

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

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

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

1.6 Investment properties

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

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that the cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, the investment properties are measured at fair value with the adjustments recognised in the statement of comprehensive income.

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

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

1.7 Non-current assets held for sale

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

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

1.8 Leases

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

The Regent Insurance Group as lessor

Operating leases

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

The Regent Insurance Group as lessee

Finance leases

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

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

Operating leases

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

1.9 Acquisition costs associated with insurance contracts

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

1.10 Operating and administration expenditure

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

1.11 Impairment of tangible and intangible assets

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

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

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

1.10 Operating and administration expenditure *(continued)*
1.11 Impairment of tangible and intangible assets

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 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 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.

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

1.13 Impairment of financial assets

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

The Regent Insurance Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics which are collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or

continues to be recognised are not included in a collective assessment of impairment. The impairment assessment is performed at each statement of financial position date.

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

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

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

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

1.14 Derecognition of financial assets

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

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

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

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

1.15 Derivative financial instruments

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

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

1.16 Agents' and other insurers' balances

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

1.17 Insurance receivables

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

1.18 Cash and cash equivalents

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

1.19 Share capital

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

1.20 Classification of insurance contracts

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

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

Reinsurance

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

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

1.21 Income recognition

Premiums

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

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

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

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

Unearned premiums

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

Reinsurance contracts

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

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

Investment income

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

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

1.22 Claims recognition

Insurance contracts

Underwriting results

The Regent Insurance Company's short-term underwriting results are determined after making provisions for unearned premiums, outstanding claims and such additional provisions as are considered necessary. The methods used to determine these provisions are set out below.

Claims incurred

Claims incurred consist of claims and claims handling expenses paid during the financial year together with the movement in the provision for outstanding claims. Claims outstanding comprise provisions for the Regent Insurance Group's estimate of the ultimate cost of settling all claims incurred but unpaid at the statement of financial position date whether reported or not, and an appropriate risk margin.

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

1.23 Policyholder insurance contracts

IBNR – insurance contracts

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

Unexpired risk provision

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

Cash-back provisions

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

Deferred acquisition costs

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

Liability adequacy test – insurance contracts

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

1.24 Financial liabilities

Trade and other payables

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

1.25 Provisions

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

1.25 Provisions *(continued)*

Leave pay provision

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

Employee bonus provision

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

1.26 Taxation

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

Current taxation

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

Deferred taxation

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

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

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

Dividends tax

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

1.27 Employee retirements benefits

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

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

1.28 Share-based payments transactions

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

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

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

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

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

1.29 Exceptional items

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

1.30 Offsetting

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

1.31 Dividend distribution

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

1.32 Events after the statement of financial position date

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

1.33 Transactions with related parties

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

1.34 Key assumptions in applying accounting policies

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

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

- The Regent Insurance Group holds a number of financial assets that are held at fair value through profit and loss. These are valued at quoted market prices as far as possible. However, if such prices are unavailable, fair value is based either on internal valuations or management's best estimates of realisable amounts.
- Impairment tests are conducted on all assets included in the statement of financial position. In determining the value in use, various estimates are used by management including deriving future cash flows and applicable discount rates. These estimates are most applicable to the impairment tests on reinsurance assets, intangible assets (including goodwill), deferred acquisition costs and receivables. Further details are contained in note 1.13 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	Property R'000	Computer and office equipment R'000	Furniture and fittings R'000	Motor vehicles R'000	Total R'000
3. Property and equipment						
Group						
2017						
Balance at the beginning of the year		106 557	22 035	10 194	998	139 784
Additions		1 100	18 192	–	–	19 292
Disposals		(92 920)	(46 122)	(3 669)	(3)	(142 714)
Depreciation charge for the year	25	(322)	(9 523)	(2 806)	–	(12 651)
Accumulated depreciation on disposals		15 213	41 389	2 453	3	59 058
Movement on disposal of subsidiaries		(27 470)	(2 786)	(331)	(780)	(31 367)
Balance at the end of the year		2 158	23 185	5 841	218	31 402
Cost		3 152	42 845	14 637	547	61 181
Accumulated depreciation and impairments		(994)	(19 660)	(8 796)	(329)	(29 779)
Balance at the end of the year		2 158	23 185	5 841	218	31 402
2016						
Balance at the beginning of the year		105 504	22 600	13 458	724	142 286
Additions		4 836	10 848	294	680	16 658
Disposals		–	(10 308)	(278)	(612)	(11 198)
Depreciation charge for the year	25	(5 714)	(11 199)	(3 367)	(282)	(20 561)
Accumulated depreciation on disposals		–	9 940	48	466	10 454
Arising from translation of foreign assets		1 931	153	39	22	2 144
Balance at the end of the year		106 557	22 035	10 194	998	139 784
Cost		127 604	77 869	20 823	2 226	228 522
Accumulated depreciation and impairments		(21 047)	(55 834)	(10 629)	(1 228)	(88 738)
Balance at the end of the year		106 557	22 035	10 194	998	139 784

	Notes	Property R'000	Computer and office equipment R'000	Furniture and fittings R'000	Total R'000
3. Property and equipment *(continued)*					
Company					
2017					
Balance at the beginning of the year		79 087	18 569	9 020	106 676
Additions		1 100	18 192	–	19 292
Disposals		(92 920)	(46 121)	(3 669)	(142 710)
Depreciation charge for the year	25	(322)	(9 296)	(2 599)	(12 217)
Accumulated depreciation on disposals		15 213	41 389	2 453	59 055
Balance at the end of the year		2 158	22 733	5 205	30 096
Cost		3 152	41 618	13 356	58 126
Accumulated depreciation and impairments		(994)	(18 885)	(8 151)	(28 030)
Balance at the end of the year		2 158	22 733	5 205	30 096
2016					
Balance at the beginning of the year		78 705	19 436	11 915	110 056
Additions		4 836	8 897	165	13 898
Disposals		–	(8 580)	(255)	(8 836)
Depreciation charge for the year	25	(4 453)	(9 448)	(2 829)	(16 730)
Accumulated depreciation on disposals		–	8 264	25	8 289
Balance at the end of the year		79 087	18 569	9 020	106 677
Cost		94 972	69 548	17 025	181 545
Accumulated depreciation and impairments		(15 885)	(50 979)	(8 005)	(74 868)
Balance at the end of the year		79 087	18 569	9 020	106 677

> Property comprises capitalised leasehold improvement, R3.1 million (2016: R5.9 million).

	Group 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 2016 R'000
4. Investment property				
Balance at the beginning of the year	20 890	16 000	2 490	–
Additions	–	2 400	–	–
Transfer from non-current assets held for sale	–	2 490	–	2 490
Fair value adjustment	1 350	–	850	–
Balance at the end of the year	22 240	20 890	3 340	2 490

Investment property comprises the following:

- Property situated on Erf 35325, Bellville, Cape Town. The cost of the property is R2.4 million and the market value is R3.3 million (2016: R3.2 million).
- Property situated in Irene Extension 3, Pretoria. The cost of the property is R18.4 million and the market value is R18.9 million (2016: R18.4 million).

	Notes	Group 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 2016 R'000
5. Intangible assets					
Application software					
Balance at the beginning of the year		148 039	95 387	148 008	95 250
Development costs capitalised		49 640	72 575	49 640	72 573
Impairment		(74 460)	–	(74 460)	–
Transfer from intangible assets		(812)	(3)	(812)	(3)
Amortisation for the year	25	(43 027)	(19 920)	(42 997)	(19 812)
Net movement on disposal of subsidiaries		(1)	–	–	–
Balance at the end of the year		79 379	148 039	79 379	148 008
Cost		176 750	222 696	176 750	222 354
Accumulated amortisation		(97 371)	(74 657)	(97 371)	(74 346)
Balance at the end of the year		79 379	148 039	79 379	148 008

	Company 2017 R'000	Company 2016 R'000
6. Investments in subsidiaries		
Balance at the beginning of the year	81 915	81 915
Acquisition of property by Banoscene (Proprietary) Limited	124 215	–
Disposals	(204 357)	–
Balance at the end of the year	1 773	81 915

During the current financial year, Regent Insurance Company disposed of the following subsidiaries:

	Cost R'000
Regent Insurance Botswana (Proprietary) Limited (sold)	12 000
Motor Compliance Solutions (Proprietary) Limited	–
Lesotho National General Insurance Company Limited	28 760
Anvil Investments (Proprietary) Limited	141
SA Warranties (Proprietary) Limited	39 240
Paint Tech Maintenance (Proprietary) Limited	1
Banoscene (Proprietary) Limited	124 215
Total	204 357

Regent Insurance Company's interest in the aggregate profit after tax in subsidiaries amounted to R95.7 million (2016: R117.5 million) and in the losses amounted to R0.4 million (2016: Rnil).

Details of subsidiaries have been provided in note 35.

	Group 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 2016 R'000
7. Investments in associates				
Balance at the beginning of the year	6 537	(11 256)	–	(2 874)
Impairment	–	(1 341)	–	(1 341)
Acquisition of associate	–	4 343	–	–
Write-back of losses on disposal of associate	–	12 795	–	–
Share of profit from associates	1 629	1 996	–	4 215
Disposals	(8 166)	–	–	–
Balance at the end of the year	–	6 537	–	–

The disposal for the current year relates to Auto Renewal Technology (Proprietary) Limited and Advance Development (Proprietary) Limited which are associates of SA Warranties (Proprietary) Limited and Lesotho National General Insurance Company Limited respectively. Refer to note 6.

	2017			2016		
	Gross R'000	Reinsurance R'000	Net R'000	Gross R'000	Reinsurance R'000	Net R'000
8. General insurance liabilities						
Group						
Reported claims	229 254	35 639	193 615	397 964	78 136	319 828
Incurred but not reported	59 422	220	59 202	117 626	4 244	113 382
Outstanding claims, including claims IBNR	288 676	35 859	252 817	515 590	82 380	433 210
Unearned premiums	346 455	358	346 097	482 416	21 402	461 014
Balance at the end of the year	635 131	36 217	598 914	998 007	103 782	894 224
Company						
Reported claims	229 254	35 639	193 615	271 977	50 692	221 285
Incurred but not reported	59 422	220	59 202	66 648	387	66 261
Outstanding claims, including claims IBNR	288 676	35 859	252 817	338 625	51 079	287 546
Unearned premiums	346 455	358	346 097	358 114	694	357 420
Balance at the end of the year	635 131	36 217	598 914	696 739	51 773	644 966

8. General insurance liabilities *(continued)*

	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						
2017						
Balance at the beginning of the year	**515 590**	**82 380**	**433 210**	**338 625**	**51 079**	**287 546**
Claims incurred during the year	**658 527**	**6 397**	**652 130**	**505 226**	**(7 237)**	**512 463**
Less: Claims paid during the year	**(701 986)**	**(20 289)**	**(681 697)**	**(555 175)**	**(7 983)**	**(547 192)**
Net movement on disposal of subsidiaries	**(183 455)**	**(32 629)**	**(150 826)**	**–**	**–**	**–**
Balance at the end of the year	**288 676**	**35 859**	**252 817**	**288 676**	**35 859**	**252 817**
2016						
Balance at the beginning of the year	514 802	84 980	429 822	360 688	56 371	304 317
Claims incurred during the year	797 085	25 297	771 788	566 902	5 621	561 280
Less: Claims paid during the year	(804 659)	(30 618)	(774 041)	(588 964)	(10 913)	(578 052)
Effects of translation of foreign balances	8 363	2 722	5 641	–	–	–
Balance at the end of the year	515 590	82 380	433 210	338 626	51 079	287 546
Analysis of movements in unearned premium						
2017						
Balance at the beginning of the year	**482 416**	**21 402**	**461 014**	**358 114**	**694**	**357 420**
Premiums written during the year	**1 623 908**	**93 041**	**1 530 867**	**1 323 264**	**14 402**	**1 308 862**
Less: Premiums earned during the year	**(1 620 377)**	**(92 036)**	**(1 528 341)**	**(1 334 923)**	**(14 738)**	**(1 320 185)**
Net movement on disposal of subsidiaries	**(139 492)**	**(22 049)**	**(117 443)**	**–**	**–**	
Balance at the end of the year	**346 455**	**358**	**346 097**	**346 455**	**358**	**346 097**
2016						
Balance at the beginning of the year	494 172	19 697	474 475	366 770	1 082	365 688
Premiums written during the year	1 866 604	157 865	1 708 739	1 385 079	34 562	1 350 517
Less: Premiums earned during the year	(1 886 737)	(157 208)	(1 729 530)	(1 393 735)	(34 950)	(1 358 785)
Effects of translation of foreign balances	8 377	1 048	7 329	–	–	–
Balance at the end of the year	482 416	21 402	461 013	358 114	694	357 420

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 1 month R'000	Maturity between 1 month and 1 year R'000	Maturity more than 1 year R'000	Total R'000
Group				
2017				
Claims IBNR	**24 240**	**19 076**	**16 105**	**59 421**
Outstanding claims	**93 518**	**73 596**	**62 141**	**229 255**
Unearned premiums	**50 075**	**114 085**	**182 295**	**346 455**
Total	**167 833**	**206 757**	**260 541**	**635 131**
2016				
Claims IBNR	43 522	36 095	38 009	117 626
Outstanding claims	147 249	122 120	128 596	397 964
Unearned premiums	93 339	166 560	222 516	482 416
Total	284 110	324 775	389 121	998 007
Company				
2017				
Claims IBNR	**24 240**	**19 076**	**16 105**	**59 421**
Outstanding claims	**93 518**	**73 596**	**62 141**	**229 255**
Unearned premiums	**50 075**	**114 085**	**182 295**	**346 455**
Total	**167 833**	**206 757**	**260 541**	**635 131**
2016				
Claims IBNR	25 438	19 829	21 381	66 648
Outstanding claims	103 808	80 920	87 250	271 977
Unearned premiums	49 929	110 579	197 605	358 114
Total	179 175	211 328	306 236	696 739

8.2 Process used to determine significant assumptions

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

8. General insurance liabilities *(continued)*

8.3 Claim provisions

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

Notified claims

Each notified claim is assessed on a separate, case-by-case basis with due regard to the specific circumstances, information available from the insured and/or loss adjuster and past experience with similar claims. The Regent Insurance Group employs staff experienced in claims handling and rigorously applies standardised policies and procedures around claim assessments.

The ultimate cost of the reported claims may vary as a result of future developments or better information becoming available about the current circumstances. Case estimates are initially set at a prudent level but are reviewed regularly and updated as new information becomes available.

Claims IBNR

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

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

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

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

8.4 Premium provisions

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

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

8.5 Assumptions

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

The IBNR provision for policies underwritten by underwriting managers ranges from 3% to 21% net written premiums.

The unearned premiums provision for motor warranty policies takes account of assumed premium earning patterns. The premium earning patterns are reassessed and updated by management after review of the actual loss experience for these types of contracts.

8.6 Sensitivity of assumptions

The assumption that will have a significant impact on the Regent Insurance Group's results is the confidence level used in the IBNR calculation. A hypothetical increase in the IBNR from the 75th percentile confidence level to the 80th percentile will have an adverse effect of R4 million (2016: R4 million) in income before tax. The 75% level of adequacy is considered prudent until the requirements of the Financial Services Board's proposed Solvency Assessment and Management (SAM) principles are finalised.

	Group 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 2016 R'000
9. Financial assets				
The Regent Insurance Group's financial assets at fair value through profit and loss comprise:				
Listed preference shares	**51 728**	70 108	**51 728**	70 108
Listed equities	**–**	108 334	**–**	108 334
Listed foreign government bonds	**–**	6 190	**–**	–
Corporate bonds	**253 448**	241 480	**253 448**	241 480
Collective investment schemes	**326 307**	766 757	**326 307**	624 844
Short-term cash deposits	**456 000**	446 302	**456 000**	396 000
Total	**1 087 483**	1 639 171	**1 087 483**	1 440 766
Market value				
Maturity analysis of gilts				
Maturing in less than one year from statement of financial position date	**174 257**	10 000	**174 257**	10 000
Maturing in more than one year and less than five years from statement of financial position date	**79 191**	231 480	**79 191**	231 480
Maturing in more than five years from statement of financial position date	**–**	6 190	**–**	–
Total	**253 448**	247 670	**253 448**	241 480
Movement				
Balance at the beginning of the year	**1 639 171**	1 699 617	**1 440 766**	1 490 397
Additions	**1 384 597**	1 005 413	**1 384 435**	936 254
Disposals	**(1 865 584)**	(1 095 571)	**(1 734 714)**	(1 009 322)
Fair value adjustment	**(4 498)**	24 450	**(3 004)**	23 435
Arising from translation of foreign assets	**–**	5 263	**–**	–
Net movement on disposal of subsidiaries	**(66 203)**	–	**–**	–
Balance at the end of the year	**1 087 483**	1 639 171	**1 087 483**	1 440 766

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

	Group 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 2016 R'000
10. Non-current assets held for sale				
Balance at the beginning of the year	1 099	3 589	–	2 490
Disposal of subsidiary	(1 099)	–	–	–
Transfer to investment property	–	(2 490)	–	(2 490)
Balance at the end of the year	–	1 099	–	–
11. Agents and other insurers' balances				
Premium debtors	53 793	119 855	53 793	43 205
Provision for bad debts	(20 902)	(32 159)	(19 266)	(15 648)
Net receivable	32 891	87 696	34 527	27 557
Commission payable	(50 387)	(41 966)	(50 387)	(40 031)
Net payable	(50 387)	(41 966)	(50 387)	(40 031)
Net agent and other insurer's balances	(17 496)	45 730	(15 860)	(12 474)

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	32 159	31 113	15 648	18 620
Increase in allowance recognised in profit and loss	772	3 326	1 272	365
Amounts reversed/(written off) during the year	3 248	(2 280)	2 346	(3 337)
Movement on disposal of subsidiaries	(15 277)	–	–	–
Balance at the end of the year	20 902	32 159	19 266	15 648

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

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

11.2 Age analysis

	Group 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 2016 R'000
Ageing of premium debtors				
Not past due	**31 842**	57 446	**31 842**	23 210
Past due 31 – 90 days	**4 974**	33 249	**4 974**	5 122
Past due 91 – 360 days	**112**	2 464	**112**	605
Past due more than one year	**16 865**	26 696	**16 865**	14 268
Total	**53 793**	119 855	**53 793**	43 205

12. Deferred tax

Balance at the beginning of the year	**(39 961)**	(49 679)	**(36 188)**	(48 258)
Movement during the year attributable to:				
> Temporary differences	**12 398**	9 455	**11 875**	12 134
> Prior year under provision	**(934)**	263	**(502)**	(65)
> Disposal of subsidiaries	**2 724**	–	**–**	–
Balance at the end of the year	**(25 773)**	(39 961)	**(24 815)**	(36 188)
Comprising:				
Provisions	**(35 671)**	(25 914)	**(35 559)**	(24 118)
Unrealised appreciation on financial assets at fair value	**9 898**	(14 047)	**10 744**	(12 071)
Balance at the end of the year	**(25 773)**	(39 961)	**(24 815)**	(36 188)
Reflected in the statement of financial position*:				
Deferred tax asset	**–**	10 995	**–**	–
Deferred tax liability	**(25 773)**	(50 956)	**(24 815)**	(36 188)
Balance at the end of the year	**(25 773)**	(39 961)	**(24 815)**	(36 188)

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

	Group 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 2016 R'000
13. Taxation				
South African and normal taxation				
Current	91 371	92 228	61 168	60 879
> Current year	75 463	79 289	45 054	47 688
> Prior year	(617)	(1 110)	(411)	(857)
> Capital gains	16 525	14 048	16 525	14 048
Deferred	(11 464)	(9 718)	(11 373)	(12 069)
> Current year	(12 398)	(9 455)	(11 875)	(12 134)
> Prior year adjustment	934	(263)	502	65
Withholding taxation and STC	2 965	4 175	2 965	4 175
Total	82 872	86 684	52 760	52 985
Reconciliation of taxation				
South African normal taxation at statutory rate of 28%	28.00	28.00	28.00	28.00
Adjusted for:				
Non-allowable income	(16.62)	(0.82)	(20.16)	(3.04)
Withholding tax and STC	0.24	0.89	0.18	1.44
Foreign tax rate difference	(0.50)	(1.20)	–	–
Losses in subsidiaries	(0.09)	(0.67)	–	0.32
Realised and unrealised gains for CGT	7.30	(1.25)	0.71	(1.93)
Prior year under provision	0.07	(0.39)	0.02	(0.36)
Taxation charge in income statement	18.40	24.57	8.75	24.42
14. Other receivables including insurance receivables				
Other receivables comprise:				
Reinsurance debtors	450	10 171	450	309
Salvage debtors	8 337	13 389	8 337	12 514
Sundry and other debtors	62 731	102 585	60 682	24 390
Gross receivables including insurance receivables	71 518	126 145	69 469	37 213
Bad debt provision	(3 480)	(4 216)	(3 480)	(4 216)
Balance at the end of the year	68 038	121 929	65 989	32 997

	Reinsurance debtors R'000	Salvage debtors R'000	Sundry and other debtors R'000	Total R'000
14. Other receivables including insurance receivables *(continued)*				
14.1 Ageing of other receivables				
2017				
Group				
Neither impaired nor past due	450	1 902	48 316	50 668
Past due but not impaired:	–	2 955	6 425	9 380
> 31 – 90 days	–	2 955	6 425	9 380
Impaired	–	3 480	7 990	11 470
Balance at the end of the year	450	8 337	62 731	71 518
Company				
Neither impaired nor past due	450	1 902	47 953	50 305
Past due but not impaired:	–	2 955	6 425	9 380
> 31 – 90 days	–	2 955	6 425	9 380
Impaired	–	3 480	6 304	9 784
Balance at the end of the year	450	8 337	60 682	69 469
2016				
Group				
Neither impaired nor past due	10 171	2 909	30 592	43 672
Past due but not impaired:	–	6 264	2 156	8 420
> 31 – 90 days	–	6 264	2 156	8 420
Impaired	–	4 216	134	4 350
Balance at the end of the year	10 171	13 389	32 882	56 442
Company				
Neither impaired nor past due	309	2 034	22 200	24 543
Past due but not impaired:	–	6 264	2 156	8 420
> 31 – 90 days	–	6 264	2 156	8 420
Impaired	–	4 216	34	4 250
Balance at the end of the year	309	12 514	24 390	37 213

	Group 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 2016 R'000
15. Due to and from group companies				
Due from Regent Insurance Group subsidiaries	–	–	2 971	3 045
Due from fellow subsidiary	1 141	2 590	1 141	2 590
Due from group companies	1 141	2 590	4 112	5 635
16. Cash and cash equivalents				
Cash at bank and on hand	103 103	250 665	103 096	92 592
Cash deposits*	366 000	301 258	366 000	–
Total cash and cash equivalents	469 103	551 924	469 096	92 592

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

The average call rate on short-term bank deposits was 6.5% (2016: 6.1%).

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.

17. Provisions *(continued)*

17.3 Other *(continued)*

	Leave pay R'000	Bonus R'000	Service and maintenance R'000	Other R'000	Total R'000
Group					
2017					
Balance at the beginning of the year	**15 016**	**82 245**	**68 289**	**13 825**	**179 375**
Charged to statement of comprehensive income	**3 855**	**53 351**	**6 898**	**36 386**	**100 490**
Utilised during the year	**(8 372)**	**(94 793)**	**(10 274)**	**(25 433)**	**(138 872)**
Movement on disposal of subsidiaries	**(3 336)**	**(8 840)**	**(64 913)**	**(5 880)**	**(82 969)**
Balance at the end of the year	**7 163**	**31 963**	**–**	**18 898**	**58 024**
2016					
Balance at the beginning of the year	19 346	73 658	74 528	8 793	176 325
Charged to statement of comprehensive income	2 973	72 569	56 113	6 272	137 927
Utilised during the year	(3 962)	(63 422)	(62 352)	(6 749)	(136 485)
Arising from translation of foreign provisions	127	477	–	53	657
Reclassification	(3 468)	(1 037)	–	5 456	951
Balance at the end of the year	15 016	82 245	68 289	13 825	179 375
Company					
2017					
Balance at the beginning of the year	**11 798**	**68 050**	**–**	**7 543**	**87 391**
Charged to statement of comprehensive income	**3 265**	**47 633**	**–**	**35 069**	**85 967**
Utilised during the year	**(7 900)**	**(83 720)**	**–**	**(23 714)**	**(115 334)**
Balance at the end of the year	**7 163**	**31 963**	**–**	**18 898**	**58 024**
2016					
Balance at the beginning of the year	13 013	61 794	–	7 960	82 767
Charged to statement of comprehensive income	1 630	59 006	–	4 117	64 753
Utilised during the year	(2 845)	(52 750)	–	(4 534)	(60 129)
Balance at the end of the year	11 798	68 050	–	7 543	87 391

	Group 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 2016 R'000
18. Insurance and other payables				
Reinsurance payable	**27 939**	70 468	**27 939**	32 008
Sundry creditors	**1 300**	27 232	**1 300**	1 511
Accruals	**12 786**	11 256	**12 786**	11 256
Other	**24 213**	60 261	**22 000**	29 399
Balance at the end of the year	**66 238**	169 217	**64 025**	74 174

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

	Group 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 2016 R'000
19. Share capital and share premium				
Authorised share capital				
3 000 000 ordinary shares of R1 each and	**3 000**	3 000	**3 000**	3 000
1 000 preference shares of R0.01 each	*	*	*	*
Issued share capital				
2 939 800 ordinary shares of R1 each	**2 940**	2 940	**2 940**	2 940
12 preference shares of R0.01 each	*	*	*	*
Share premium	**197 563**	452 564	**197 563**	452 564

** Denotes an amount less than R1 000.*

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

	Group 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 2016 R'000
20. Net premiums earned				
Net premiums earned represents gross written insurance premiums from policyholders adjusted for unearned premiums and reinsurance premiums paid.				
Gross premium income	**1 623 908**	1 866 604	**1 323 264**	1 385 079
Reinsurance	**(93 041)**	(157 865)	**(14 402)**	(34 562)
Unearned premiums	**(3 531)**	20 134	**11 659**	8 656
Reinsurance on unearned premiums	**1 005**	657	**(336)**	(388)
Total	**1 528 341**	1 729 530	**1 320 185**	1 358 785

	Group 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 2016 R'000
21. Investment income				
Interest income	156 551	128 870	126 888	95 552
Rental income	2 329	2 602	252	60
Investment management expenses	(4 847)	(5 379)	(4 847)	(5 379)
Dividend income	16 257	16 280	19 087	28 498
> Listed	11 080	13 050	6 686	9 874
> Unlisted	5 177	3 230	12 401	18 624
Total	170 290	142 374	141 380	118 731
22. Investment (losses)/gains				
Realised profit on disposal of investments	28 057	87 043	27 828	80 942
> Listed	28 123	14 193	28 123	14 193
> Unlisted	(66)	72 850	(295)	66 749
Unrealised profit on revaluation of investments	(33 905)	(62 593)	(31 682)	(57 506)
> Listed	(25 342)	4 350	(25 342)	4 350
> Unlisted	(8 563)	(66 943)	(6 340)	(61 856)
Fair value adjustment on investment property	1 350	–	850	–
Total	(4 498)	24 450	(3 004)	23 436
23. Other operating income				
Policy and underwriting fees	82 259	21 263	19 477	23 141
Recoveries	12 067	1 225	704	778
Sundry income*	5 283	66 068	435	802
Total	99 609	88 556	20 616	24 721

** Included in sundry income for the prior year is R62.5 million that relates to fees earned from the sale of maintenance products.*

	Group 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 2016 R'000
24. Net claims incurred				
Gross	(658 527)	(797 085)	(505 226)	(566 903)
> Claims paid	(701 986)	(804 659)	(555 175)	(588 964)
> Change in provision for outstanding claims	43 459	7 574	49 949	22 062
Reinsurers' share	6 397	25 297	(7 237)	5 621
> Claims paid	20 289	30 618	7 983	10 913
> Change in provision for outstanding claims	(13 892)	(5 321)	(15 220)	(5 292)
Other				
> Claims handling costs	(67 827)	(78 681)	(64 768)	(65 901)
Total	(719 957)	(850 469)	(577 231)	(627 182)

	Notes	Group 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 2016 R'000
25. Profit before taxation					
Profit before taxation is determined after taking the following into account:					
Property and equipment – depreciation	3	**12 651**	20 561	**12 217**	16 730
> Buildings		**–**	5 393	**–**	4 132
> Furniture and fittings		**2 806**	3 367	**2 599**	2 829
> Computer and office equipment		**9 523**	11 199	**9 296**	9 448
> Leasehold improvements		**322**	322	**322**	322
> Motor vehicles		**–**	280	**–**	–
Amortisation of intangible assets	5, 27.1	**43 027**	19 920	**42 997**	19 812
Impairment of intangible assets		**74 460**	–	**74 460**	–
Rentals under operating leases		**2 333**	6 049	**2 799**	3 392
Auditors' remuneration		**5 863**	6 028	**4 054**	4 114
Consultancy fees		**13 984**	13 480	**12 738**	11 517
Staff costs		**277 002**	326 586	**233 612**	264 528
> Pension contributions*		**13 557**	14 998	**11 370**	11 738
> Salaries		**265 197**	299 165	**223 993**	240 365
> Share-based payment expense	26	**(1 752)**	12 424	**(1 752)**	12 424
Foreign exchange loss		**33**	5	**33**	5
Profit/(loss) on sale of property and equipment		**890**	(4 191)	**798**	(4 268)
Administration fees received		**4 003**	6 728	**4 003**	6 728
Number of employees at year end		**467**	523	**467**	523

* *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 Pension Funds Act, 1956.

	Group 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 2016 R'000
26. Share-based equity reserve				
Reconciliation of share-based payment reserve				
Balance at the beginning of the year	**9 084**	25 687	**9 084**	25 687
Hedge premium paid	**4 135**	–	**4 135**	–
Direct transfer to equity	**(13 353)**	(3 140)	**(13 353)**	(3 140)
Share-based equity reserve raised				
> Direct cost	**1 752**	(12 424)	**1 752**	(12 423)
> Tax	**(1 878)**	(1 039)	**(1 878)**	(1 039)
Total share-based payments equity reserve	**(260)**	9 084	**(260)**	9 084

	Group 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 2016 R'000
27. Notes to the cash flow statement				
27.1 Cash generated by operations				
Profit before taxation	450 351	352 842	603 018	216 991
Adjusted for:				
Interest income	(156 551)	(128 870)	(126 888)	(95 552)
Interest expense	24 553	19 143	24 104	19 137
Dividends received	(16 257)	16 280	(19 087)	(28 498)
Unrealised loss on revaluation of investments	33 905	62 593	31 682	57 506
Fair value adjustment on investment property	(1 350)	–	(850)	–
Depreciation of property and equipment	12 651	20 561	12 217	16 730
Amortisation of intangible assets	43 027	19 920	42 997	19 812
Profit on sale of property and equipment	(890)	(4 191)	(798)	(4 268)
Profit on sale of investments	(28 057)	(87 043)	(27 828)	(80 942)
Foreign exchange gains	(1 780)	(26)	33	(26)
Share of (profits)/loss from associate	(1 629)	(1 996)	–	(4 215)
Write-back of losses on disposal of associate	–	(12 796)		–
Profit on sale of subsidiaries	(203 255)		(463 246)	
Impairment of associates	–	1 342	–	1 342
Impairment of intangible assets	74 460		74 460	
Changes in working capital:	(371 085)	13 218	(81 662)	(34 474)
> Increase/(decrease) in receivables	138 686	2 402	(7 973)	(4 151)
> (Decrease)/increase in other payables	(94 558)	(13 561)	207	(33 644)
> (Decrease)/increase in other provisions	(121 351)	3 049	(29 367)	4 624
> Net movement in group loans	1 449	31 400	1 523	23 736
> (Decrease)/increase in net outstanding claims and IBNR	(180 394)	3 388	(34 729)	(16 771)
> (Decrease)/increase in unearned premiums	(114 917)	(13 460)	(11 323)	(8 268)
Total	(141 907)	238 417	68 152	83 543
27.2 Investment income				
Dividend received				
Dividend received per statement of comprehensive income	16 257	16 280	19 087	28 498
Total	16 257	16 280	19 087	28 498
Interest received				
Accrued interest income at the beginning of the year	10 010	7 431	5 756	3 797
Interest income per statement of comprehensive income	156 551	128 870	126 888	95 552
Non-cash interest income	(7 256)	–	(7 256)	–
Accrued interest income at the end of the year	(6 260)	(10 010)	(6 260)	(5 756)
Total	153 045	126 291	119 128	93 594
27.3 Taxation paid				
Amount receivable at the beginning of the year	65	(4 061)	2 332	(7 724)
Amount charged to the statement of comprehensive income	(82 872)	(86 684)	(52 760)	(52 985)
Movement on disposal of subsidiaries	5 500	–	–	–
Tax effect on the share-based equity reserves	1 885	1 040	1 885	1 040
Movement in deferred tax	(11 464)	(9 718)	(11 373)	(12 069)
	(86 886)	(99 424)	(59 916)	(71 738)
Amount (receivable)/payable at the end of the year	(6 461)	(65)	(6 413)	(2 332)
Total	(93 347)	(99 490)	(66 329)	(74 070)
27.4 Dividends paid				
Dividends per statement of changes in equity	(913 648)	(119 427)	(838 564)	(109 165)
Dividends paid non-cash	262 211	–	187 127	–
Dividends paid cash	(651 437)	(119 427)	(651 437)	(109 165)

27.5 Disposal of subsidiaries

During the current financial year Regent Insurance Company disposed of its shareholding in Regent Insurance Botswana (Proprietary) Limited, Lesotho National General Insurance Company Limited, SA Warranties (Proprietary) Limited, Paint Tech Maintenance (Proprietary) Limited and Banoscene (Proprietary) Limited.

	Group 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 2016 R'000
Agents and other insurers' balances	(70 251)	–	–	–
Other receivables including insurance receivables	(74 195)	–	–	–
Outstanding claims	147 660	–	–	–
Unearned premiums	115 085	–	–	–
Agents' and other insurers' balances	2 783	–	–	–
Provisions	78 496	–	–	–
Insurance and other payables	115 528	–	–	–
Bank balances and cash in subsidiaries disposed	(698 794)	–	–	–
Proceeds on disposal of subsidiaries	504 205	–	504 205	–
Net cash outflow	120 517	–	504 205	–
27.6 Non-controlling interest capital contribution				
Capital contribution per statement of changes in equity	178 120	–	178 120	–
Non-cash capital contribution received	(48 178)	–	(48 178)	–
Capital contribution received in cash	129 942	–	129 942	–

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, Regent Insurance Company in the ordinary course of business entered into various transactions with its subsidiary companies, fellow subsidiary companies and Imperial Holdings, its previous holding company. These transactions occurred under terms that are no less favourable than those arranged with third parties.

	Group 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 2016 R'000
28.2.1 Transactions with group companies				
Fees paid to holding company	3	250	3	250
Premiums received from group companies	8 444	7 920	8 444	7 920
Admin fees paid to subsidiary	–	–	48 512	51 396
Rental paid to subsidiary	–	–	6 805	–
Interest paid to holding company	19 685	18 190	19 685	18 190
Rental received from group company	1 392	1 392	–	–
Vehicle operating lease costs paid to group company	–	5 166	–	5 166
28.2.2 Year-end balances with related parties				
Receivable from related parties	1 141	2 590	4 112	5 635
> Regent Insurance Group subsidiaries	–	–	2 971	3 045
> Regent fellow subsidiary	1 141	2 590	1 141	2 590
Payable to related parties	(200 000)	(200 000)	(200 000)	(200 000)
> Hollard Funco (RF) Proprietary Limited*	(200 000)	–	(200 000)	–
> Imperial Holdings Limited**	–	(200 000)	–	(200 000)

* *This loan has been subordinated in favour of all policyholders and creditors.*
** *Related party until 30 June 2017.*

	Group 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 2016 R'000
29. Operating lease commitments				
The future minimum lease payments under non-cancellable operating leases:	**10 864**	49 243	**10 864**	26 778
> Not later than one year	**7 528**	12 746	**7 528**	8 759
> Between one and five years	**3 336**	36 497	**3 336**	18 019
The Regent Insurance Group leases certain of its office buildings and office equipment in terms of operating leases. The Regent Insurance Company does not have an option to acquire the assets at the termination of the lease.				
Capital commitments				
Commitments				
IT projects	–	25 335	–	25 335
	–	25 335	–	25 335

	Company 2017 R'000	Company 2016 R'000
30. Remuneration		
30.1 Directors' emoluments		
Directors' emoluments comprise:		
Directors' remuneration	**32 747**	26 567
> Basic remuneration	**14 550**	15 050
> Retirement and medical benefits	**1 206**	1 525
> Other incentives and benefits	**16 991**	17 983
Non-executive directors' fees	**3 815**	3 118
C Erasmus		
> Regent Group	**597**	563
> Imperial Group	**643**	560
S Masinga		
> Regent Group	**269**	252
JPR Mbau		
> Regent Group	**128**	119
BR Mallinson		
> Regent Group	**466**	431
> Imperial Group	**46**	46
RJA Sparks		
> Regent Group	**358**	331
> Imperial Group	**1 308**	816

Fees for the services as director for the year ended 30 June 2017 were approved by the shareholder at the annual general meeting. The remuneration of directors is determined by the remuneration committee of Imperial Holdings Limited based on the performance of the individual and market trends. All executive directors are eligible for annual performance-related bonus payments. The remuneration of directors and prescribed officers reflects a total remuneration paid by both Regent Life Company and Regent Insurance Company.

30. Remuneration *(continued)*

30.2 Directors' remuneration

	Salary R'000	Bonus R'000	Retirement and medical contributions R'000	Other benefits R'000	2017 Total R'000	2016 Total R'000
Executive directors						
AN Tennick	2 804	1 800	272	1 539	**6 415**	5 641
MM Janzen	2 768	3 000	190	544	**6 502**	4 686
B Ruele	2 348	3 049	161	792	**6 350**	4 719
Non-executive directors						
MJ Lamberti	1 600	–	–	–	**1 600**	–
B Francis	1 956	2 000	191	470	**4 617**	4 676
R Mumford	3 074	2 600	392	1 197	**7 263**	6 845
	14 550	12 449	1 206	4 542	**32 747**	26 567

	Commencement date	Price on commencement date (R)	Number of rights	Exercised	Number of rights remaining	Vesting date
Participation in Imperial Holdings Limited Share Appreciation Rights scheme						
AN Tennick	11 June 2013	195.20	29 513	—	19 015	15 September 2016
	11 June 2014	193.77	30 417	—	30 417	15 September 2017
B Ruele	11 June 2013	195.20	22 967	—	14 797	15 September 2016
	11 June 2014	193.77	23 894	—	23 894	15 September 2017
M Janzen	11 June 2013	195.20	30 000	—	19 329	15 September 2016
	11 June 2014	193.77	25 422	—	25 422	15 September 2017
B Francis	11 June 2013	195.20	26 668	—	17 182	15 June 2016
	24 June 2014	193.77	27 653	—	27 653	15 September 2017
	6 October 2015	174.65	28 093	—	28 093	15 September 2018
	18 May 2016	127.77	54 867	—	54 867	15 September 2019
	21 June 2017	152.65	49 403	—	49 403	15 September 2020
R Mumford	11 June 2013	195.20	33 509	—	21 590	15 June 2016
	24 June 2014	193.77	35 972	—	35 972	15 September 2017
	6 October 2015	174.65	45 206	—	45 206	15 September 2018
	18 May 2016	127.77	70 119	—	70 119	15 September 2019
	21 June 2017	152.65	79 690	—	79 690	15 September 2020

30. Remuneration *(continued)*

30.2 Directors' remuneration *(continued)*

	Allocation date	Number of rights allocated	Number of shares committed to the plan	Forfeited	Balance available to be taken up	Vested during the year	Balance remaining	Vesting date
Participation in Imperial Holdings Limited Deferred bonus plan								
AN Tennick	11 June 2013	2 567	2 567	–	–	2 567	–	15 September 2016
	13 June 2014	2 742	2 742	–	–	–	2 742	15 September 2017
B Ruele	11 June 2013	1 998	1 998	–	–	1 998	–	15 September 2016
MJ Lamberti	1 March 2014	60 787	60 787	–	–	–	60 787	15 September 2017
	6 October 2015	37 217	37 217	–	–	–	37 217	15 September 2018
	18 May 2016	43 383	43 383	–	–	–	43 383	16 September 2018
	23 August 2017	56 919	56 919	–	–	–	56 919	16 September 2018
	21 June 2017	39 306	–	–	–		–	16 September 2018
B Francis	13 June 2013	1 921	1 921	–	–	1 921	–	15 September 2016
	13 June 2014	2 648	2 648	–	–	–	2 648	15 September 2017
	6 October 2015	3 113	3 113	–	–	–	3 113	15 September 2018
	18 May 2016	4 872	3 048	–	–	–	3 048	16 September 2019
	21 June 2017	4 312	–	–	–	–	–	16 September 2020
R Mumford	13 June 2013	2 914	2 914	–	–	2 914	–	15 September 2016
	13 June 2014	3 937	3 937	–	–	–	3 937	15 September 2017
	6 October 2015	5 010	5 010	–	–	–	5 010	15 September 2018
	18 May 2016	7 840	7 840	–	–	–	7 840	16 September 2019
	21 June 2017	6 956	–	–	–	–	–	16 September 2020

	Allocation date	Number of rights allocated					Balance remaining	Vesting date
Participation in Imperial Holdings Limited Conditional share plan								
MJ Lamberti	10 September 2014	67 064					67 064	15 September 2017
	6 October 2015	48 915					48 915	15 September 2018
	18 May 2016	80 340					80 340	15 September 2018
	21 June 2017	72 060					72 060	15 September 2018

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 Pension 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.

Management of risk

33. Insurance risk

33.1 Terms and conditions of insurance contracts

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

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

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

Property

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

Accident

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

Personal accident

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

Motor

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

Engineering

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

Marine

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

Liability

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

Aviation

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

33.2 Risks that arise from insurance contracts

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

33.3 Limiting exposure to insurance risk

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

Underwriting strategy

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

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

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

33.3 Limiting exposure to insurance risk

Reinsurance

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

Catastrophe events

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

Other risks

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

Claims development

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

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

In terms of IFRS 4, an insurer need only disclose claims run-off information where uncertainty exists about the amount and timing of claim payments not resolved within one year. In total long-tail business comprises less than 7% (2016: 7%) of an average year's claims cost and consequently, detailed claims run-off information is not presented.

34. Financial risk

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

34.1 Market risk

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

Equity price risk

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

At 30 June 2017 the Regent Insurance Group was exposed to equities through listed instruments and collective investment schemes to the value of R70 million (2016: R192 million) at fair value. 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 R0.7 million (2016: R1.9 million).

Fair value hierarchy disclosures

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

	Valuations with reference to quoted prices in an active market Level 1 R'000	Valuations based on observable inputs Level 2 R'000	Total carried at fair value R'000
Financial assets held as at fair value through profit and loss			
2017			
Group			
Listed preference shares	51 728	–	51 728
Corporate bonds	253 449	–	253 449
Collective investment schemes	–	326 307	326 307
Short-term deposits more than one year	–	456 000	456 000
Total financial assets	305 177	782 307	1 087 483
2017			
Company			
Listed preference shares	51 728	–	51 728
Corporate bonds	253 449	–	253 449
Collective investment schemes	–	326 307	326 307
Short-term deposits more than one year	–	456 000	456 000
Total financial assets	305 177	782 307	1 087 483

34. Financial risk *(continued)*

34.1 Market risk *(continued)*

Fair value hierarchy disclosures *(continued)*

	Valuations with reference to quoted prices in an active market Level 1 R'000	Valuations based on observable inputs Level 2 R'000	Total carried at fair value R'000
Financial assets held at fair value through profit and loss			
2016			
Group			
Listed preference shares	70 108	–	70 108
Government bonds	6 190	–	6 190
Corporate bonds	241 480	–	241 480
Collective investment schemes	766 757	–	766 757
Listed equities	108 334	–	108 334
Short-term deposits more than one year	–	235 302	235 302
Short-term deposits less than one year	–	211 000	211 000
Total financial assets	1 192 869	446 302	1 639 171
2016			
Company			
Listed preference shares	70 108	–	70 108
Corporate bonds	241 480	–	241 480
Collective investment schemes	624 844	–	624 844
Listed equities	108 334	–	108 334
Short-term deposits more than one year	–	185 000	185 000
Short-term deposits less than one year	–	211 000	211 000
Total financial assets	1 044 766	396 000	1 440 766

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

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

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

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

34. Financial risk (continued)

34.2 Interest rate risk

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

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

	Group 2017 %	Group 2016 %	Company 2017 %	Company 2016 %
Debt securities – fixed interest rate:				
> Government bonds	**5.40**	8.00	**7.62**	7.62
> Listed bonds	**8.28**	8.78	**8.67**	8.67
Cash at bank	**6.20**	5.31	**6.19**	6.19

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

Interest rate sensitivity analysis

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

It is estimated that a 1% movement in the prime lending rate would increase/decrease the Regent Insurance Group's profit before tax by R8.1 million (2016: R7.3 million).

34. Financial risk (continued)

34.3 Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate in Rand due to the changes in foreign exchange rates. The Regent Insurance Group manages this risk by limiting the extent of net foreign assets to pre-determined amounts considering the type of asset and foreign currency.

The Regent Insurance Group also operated in Botswana until 31 January 2017 and its exposure arose primarily with respect to the Botswana Pula.

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

	2017 Average ZAR	2016 Average ZAR	2017 Closing ZAR	2016 Closing ZAR
Botswana Pula	1.30509*	1.36930	–	1.34510

**This is the seven month average rate for the period July 2016 to January 2017.*

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

	2017 BWP'000	2016 BWP'000
Total assets	–	349 174
Total liabilities	–	165 044
Net assets	–	184 130

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.

	2017 BWP'000	2016 BWP'000
Profit and loss	–	431

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

34. Financial risk *(continued)*

34.4 Credit risk *(continued)*

Analysis of the credit quality of the Regent Insurance Group's assets

	Normal monitoring R'000	Not rated R'000	Total R'000
Group			
2017			
Reinsurers' share of outstanding claims	35 859	–	35 859
Short-term deposits	456 000	–	456 000
Due from group companies	–	1 141	1 141
Cash and cash equivalents	469 103	–	469 103
Insurance and other receivables	–	100 928	100 928
Total	960 962	102 069	1 063 031
2016			
Reinsurers' share of outstanding claims	82 380	–	82 380
Short-term deposits	446 302	–	446 302
Due from group companies	–	2 590	2 590
Cash and cash equivalents	551 924	–	551 924
Insurance and other receivables	–	209 625	209 625
Total	1 080 606	212 215	1 292 821
Company			
2017			
Reinsurers' share of outstanding claims	35 859	–	35 859
Short-term deposits	456 000	–	456 000
Due from group companies	–	4 112	4 112
Cash and cash equivalents	469 096	–	469 096
Insurance and other receivables	–	100 516	100 516
Total	960 955	104 628	1 065 583
2016			
Reinsurers' share of outstanding claims	51 079	–	51 079
Short-term deposits	396 000	–	396 000
Due from group companies	–	5 635	5 635
Cash and cash equivalents	92 592	–	92 592
Insurance and other receivables	–	60 555	60 555
Total	539 671	66 189	605 861

34. Financial risk *(continued)*

34.4 Credit risk *(continued)*

Normal monitoring

This refers to the credit ratings ranging from AAA to B-. AAA rating would refer to a counterparty being a superior financial security. The capacity to meet obligations is overwhelming under a variety of economic conditions. B- refers to counterparties which are partially vulnerable securities. 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
Group						
2017						
Neither impaired nor past due	**32 891**	**50 667**	**1 141**	**469 103**	**35 859**	**358**
Past due but not impaired:	–	**17 371**	–	–	–	–
> 0 – 90 days	–	**9 380**	–	–	–	–
> 91 – 360 days	–	**3 219**	–	–	–	–
> More than one year	–	**4 772**	–	–	–	–
Balance at the end of the year	**32 891**	**68 038**	**1 141**	**469 103**	**35 859**	**358**
2016						
Neither impaired nor past due	57 446	113 408	2 590	551 924	82 380	21 402
Past due but not impaired:	30 250	8 521	–	–	–	–
> 0 – 90 days	30 250	8 421	–	–	–	–
> 91 – 360 days	–	–	–	–	–	–
> More than one year	–	100	–	–	–	–
Balance at the end of the year	87 696	121 929	2 590	551 924	82 380	21 402

34. Financial risk *(continued)*

34.4 Credit risk *(continued)*

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

	Agents and other insurance balances R'000	Other receivables R'000	Due from group companies R'000	Cash and cash equivalents R'000	Reinsurers' share of outstanding claims R'000	Reinsurers' share of unearned premium R'000
Company						
2017						
Neither impaired nor past due	34 527	50 305	4 112	469 096	35 859	358
Past due but not impaired:	–	15 684	–	–	–	–
> 0 – 90 days	–	9 380	–	–	–	–
> 91 – 360 days	–	1 532	–	–	–	–
> More than one year	–	4 772	–	–	–	–
Balance at the end of the year	**34 527**	**65 989**	**4 112**	**469 096**	**35 859**	**358**
2016						
Neither impaired nor past due	23 210	24 543	5 635	92 592	51 079	694
Past due but not impaired:	4 347	8 454	–	–	–	–
> 0 – 90 days	4 347	8 454	–	–	–	–
> 91 – 360 days	–	–	–	–	–	–
> More than one year	–	–	–	–	–	–
Balance at the end of the year	27 557	32 997	5 635	92 592	51 079	694

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
Group			
2017			
Outstanding claims	**288 676**	**195 395**	**93 281**
Agents' and other insurers' balances	**50 387**	**50 387**	**–**
Insurance and other payables	**66 238**	**58 842**	**7 396**
	405 301	**304 624**	**100 677**
2016			
Outstanding claims	515 590	348 985	166 605
Agents' and other insurers' balances	41 966	41 966	–
Current taxation	3 212	3 212	–
Insurance and other payables	169 217	161 821	7 396
	729 985	555 984	174 001
Company			
2017			
Outstanding claims	**288 676**	**195 395**	**93 281**
Agents' and other insurers' balances	**50 387**	**50 387**	**–**
Insurance and other payables	**64 025**	**59 345**	**4 681**
	403 088	**305 127**	**97 962**
2016			
Outstanding claims	338 625	229 204	109 422
Agents' and other insurers' balances	40 031	40 031	–
Insurance and other payables	74 174	69 494	4 681
	452 830	338 729	114 103

34. Financial risk *(continued)*

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.

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 July 2018. 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.

International solvency margin

The Regent Insurance Company solvency margin is calculated as the ratio of capital and reserves to net premium. At year end the Regent Insurance Company solvency margin was 50.7% (2016: 52.6%) and the Regent Insurance Company was 2.07 times (2016: 2.14 times).

35. Subsidiaries

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

	Holding 2017 %	Holding 2016 %	Cost of shares R'000	Principal activity
Subsidiaries				
Regent Insurance Botswana (Proprietary) Limited	–	100	–	Insurance
Motor Compliance Solutions (Proprietary) Limited	–	100	–	Risk admin
Erf Four Nine Nine Spartan (Proprietary) Limited	100	100	1 773	Property
Lesotho National General Insurance Company (Proprietary) Limited	–	60	–	Insurance
SA Warranties (Proprietary) Limited	–	100	–	Maintenance and warranty
Paint Tech Maintenance (Proprietary) Limited	–	100	–	Maintenance and warranty
Banoscene (Proprietary) Limited	–	–	–	Property
			1 773	

36. Events after reporting period

No material facts or circumstances have arisen between the reporting date and the date of this report which affect the financial position of the Regent Insurance Group as reflected in these annual financial statements.

REGENT HEAD OFFICE
05 BOEING ROAD EAST, ELMA PARK, EDENVALE, 1609
PO BOX 674, EDENVALE, 1610
T 0860 734 368 | F +27 (0)11 574 2828
www.regent.co.za

REGENT®

GO ON. YOU'RE COVERED.

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

DIRECTORS C Erasmus, WJM Smith*, FM Harris*, MM Janzen*, BR Mallinson, AS Nkosi, B Ngonyama, B Rudel*, RJA Sparks
COMPANY SECRETARY C Tyusha
*Executive

Regent Insurance Company Limited, a short-term insurer, company reg. no. 1986/007612/06 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 12146