OUT SURANCE
Holdings Limited

ANNUAL REPORT
2015

Giving **YOU** world-class service.

Contents

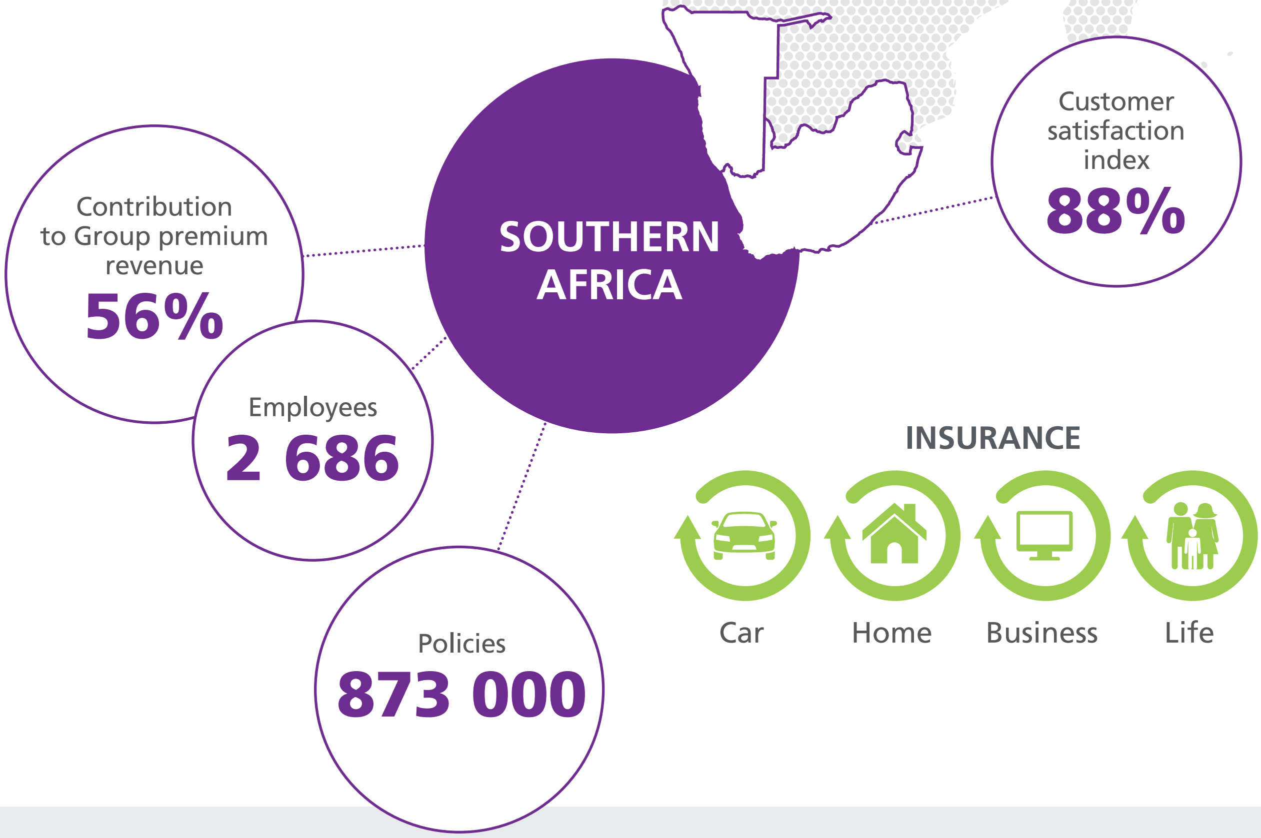
OUTsurance Holdings Limited

1997/022260/06

Certain entities within the OUTsurance Holdings Group are authorised financial services providers.

Our Group

THE OUTSURANCE HOLDINGS GROUP PROVIDES SHORT- AND LONG-TERM INSURANCE PRODUCTS IN SOUTH AFRICA, AUSTRALIA, NEW ZEALAND AND NAMIBIA. WE ABIDE BY A SIMPLE CLIENT CENTRIC ETHOS OF PROVIDING VALUE FOR MONEY INSURANCE SOLUTIONS BACKED BY AWESOME CLIENT SERVICE. THE GROUP IS 83.4% OWNED BY RAND MERCHANT INSURANCE HOLDINGS.



OUTSURANCE

OUTsurance provides short-term insurance cover direct to the South African public. Its product range includes personal lines and commercial insurance products. OUTsurance was established in 1998.

100% owned

OUTSURANCE Life

OUTsurance Life is a start-up direct life insurer that offers basic and fully underwritten life insurance products to the South African market. OUTsurance Life was established in 2010.

100% owned

OUTSURANCE Namibia

OUTsurance Namibia was established in 2006 and provides personal lines and commercial lines short-term insurance products direct to the Namibian public. OUTsurance Namibia is 51% owned by FNB Namibia Holdings Limited.

49% owned

you always get something out

Contribution to Group premium revenue
44%

Employees
1 750

Customer satisfaction index
91%

Policies
978 000

INSURANCE

Car Home

youi

AUSTRALIA

In 2008, we launched Youi in Australia. The business provides personal lines short-term insurance cover direct to the Australian public.

93% owned

youi

NEW ZEALAND

Youi New Zealand was launched in July 2014. The start-up operation provides personal lines insurance cover direct to the New Zealand public.

93% owned

we get you

Financial performance outcomes

up by 21%

R12 469 million

GROSS WRITTEN PREMIUM

up by 11%

30,5 cents

ORDINARY DIVIDEND PER SHARE

39,2 cents

DILUTED HEADLINE EARNINGS PER SHARE

lower by 3%

up by 12%

R3 917 million

ANNUALISED NEW BUSINESS WRITTEN

R1 388 million

HEADLINE EARNINGS

lower by 4%

31%

HEADLINE ROE

This annual report covers the audited financial results of OUTsurance Holdings Limited ("OUTsurance Holdings" or "the Group") based on International Financial Reporting Standards for the year ended 30 June 2015.


Get more OUT
of your life insurance.
In the past, the only time you got anything back from your life insurer was when you claimed. That has changed. You can now get all your life insurance premiums back in cash after 15 claim-free years. It's a 100% OUTbonus that will forever change the way you look at life insurance.
YOUR
LIFE
The 100% OUTbonus. All premiums back in cash after 15 claim-free years.

Executive review

WE ARE OBSESSED WITH OUR SERVICE LEVELS AND AIM TO PROVIDE WORLD-CLASS SERVICE WITH EACH CLIENT INTERACTION. IN THE HIGHLY COMPETITIVE MARKETS IN WHICH WE OPERATE, CLIENT SERVICE IS A KEY DIFFERENTIATOR.

FINANCIAL PERFORMANCE

Our Group delivered a pleasing operational, but mixed financial performance for the year under review. The Australian operation was subject to numerous large natural catastrophe events which off-set an impressive performance by the South African business. Overall, the Group's headline earnings result of R1.39 billion was 4% lower for the year.

In South Africa, OUTsurance benefited from higher premium inflation as premiums were adjusted to take into account the impact of the weaker Rand. Overall, OUTsurance grew gross premium income by 9%. This top-line growth was the main driver behind the growth in headline earnings. OUTsurance's personal lines business maintained market share and strong profitability in a poor economic environment. The commercial business delivered a strong performance from a more efficient cost base. OUTsurance Life showed strong premium and profit growth. In total, OUTsurance grew headline earnings by 19% to R1.44 billion.

Notwithstanding the impact of the stormy weather which included damaging hail and tropical events, Youi Australia remained profitable. When performing a year-on-year analysis of the Youi Australia result, one is reminded of the fact that the 2014 results benefited from abnormally good weather conditions, whereas 2015 is recorded as being the worst in terms of frequency of natural events in the past decade. Overall, Youi incurred total natural event claims of R963 million during the year. After accounting for reinsurance recoveries and premium to reinstate reinsurance cover, the net cost was R405 million. When large natural events occur, insurance companies are put to the test in terms of upholding service quality and claims payment reputation. We are particularly pleased with the operational performance of Youi Australia during a challenging time. The team delivered on our market-leading service promise. Youi Australia delivered headline earnings of R51 million for the year which compares to R255 million in 2014.

Youi New Zealand was launched during the year under review as a start-up direct insurer in the New Zealand personal lines market. We are pleased with the performance of the business to date which is in line with our expectations. The business leverages the support infrastructure of the Australian business and operates a large call centre in Auckland. However, high marketing budgets and sales call centre costs resulted in significant start-up costs being incurred. Youi New Zealand generated a total start-up loss of R130 million for the year. This result was impacted by certain accounting adjustments which are discussed on page 11.

Overall, the Youi Group generated a loss of R110 million for the year compared to a R231 million profit in the prior year.

The major operational highlight of the year is the 21% growth in the Group's gross written premium income. Not detracting from the positive contribution by the South African operation, the Youi Group which delivered 37% top-line growth, continues to drive growth at a Group level. Overall the Group achieved 12% growth in annualised new business premium written.

OUTsurance Life delivered a strong operational and financial performance. The operation continues to grow business volumes on the back of our innovative and value-for-money product offering. We believe that our direct life insurance offering is well positioned to benefit from the incremental behavioural change toward self-directed product acquisition. Although the financial contribution of OUTsurance Life remains small in the context of the Group, the business is an important strategic driver to diversify the earnings composition of the Group over the long term.

Client service

We are obsessed with our service levels and aim to provide world-class service with each client interaction. In the highly competitive markets in which we operate, client service is a key differentiator. We believe in the premise that there is no better brand ambassador than a happy client. We measure our client service levels at each interaction and this performance is a key attribute of the performance-based remuneration philosophy which the Group employs.

To quote the renowned Warren Buffet: "It takes 20 years to build a reputation and five minutes to ruin it. If you think about that you'll do things differently." Nowhere is this quote as relevant as in the financial services industry. We view our claims payment reputation as our most important business risk. A leading claims payment reputation involves the prompt, fair and consistent settlement of legitimate claims.

The Ombudsman for short-term insurance (South Africa) publishes an annual review of industry claims statistics which indicates the number of disputes registered against each insurer together with the percentage of such claims where the Ombudsman overturned the insurer's original decision. OUTsurance again performed better than all our large competitors with only 2.4 overturned claims out of every 10 000 claims handled (see: www.outsurance.co.za). The Ombudsman statistics are a valuable independent source of validating our claims philosophy and illustrates our passion for paying claims.

OUTsurance won the Sunday Times award for the best in the business to consumer category, as voted for by the general public.

It is impossible to have loyal clients without engaged employees. OUTsurance and Youi strive to be great places to work for. Both OUTsurance and Youi received awards during the year for creating a healthy workplace.

LOOKING FORWARD

The growth and profitability of our Australian business remains the Group's key strategic growth initiative. Coupled with this is the establishment of a leading short-term insurer in the New Zealand marketplace. We believe that the growth opportunities available in the Australasian market present the Group with good growth potential over the medium term.

In the mature South African personal lines business, we will continue to focus on our key strategic imperatives to protect our share of the profitability of this market. Premium inflation is forecast to normalise to general inflationary levels, but remains vulnerable to material currency movements.

The main strategic growth driver in the South African market is the expansion of our commercial insurance sales footprint. The incremental roll-out of this strategy will commence in the next financial year.

We recognise the potential disruptive impact which the broader use of telematics devices may have on the global vehicle insurance market. We are in the process of refining our strategy to respond and be prepared for structural changes in the vehicle insurance market.

WILLEM ROOS
Joint Chief Executive Officer

LAURIE DIPPENAAR
Chairman

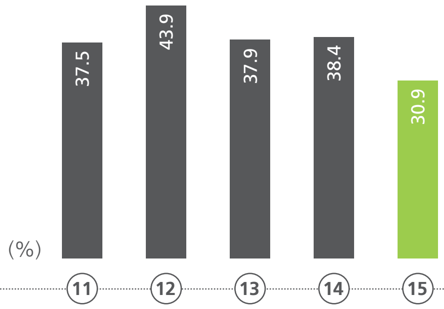
27 August 2015

Financial review

KEY PERFORMANCE INDICATORS

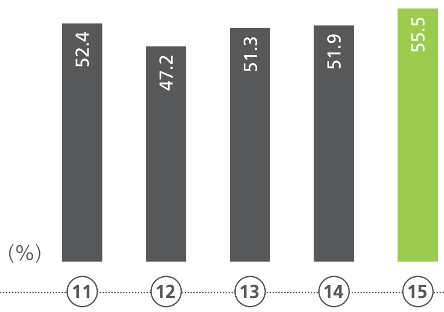
NORMALISED ROE

The Group achieved a ROE of 30.9% for the year under review. The ROE is measured on an "attributable to ordinary shareholders" basis. The decrease in the ROE is associated with a decrease in profitability and capital retained to support the growth and expansion of the Australasian operation. The historic stability of the Group's ROE is supported by the operational steadiness of the Group's earnings generation and conservative investment strategy.



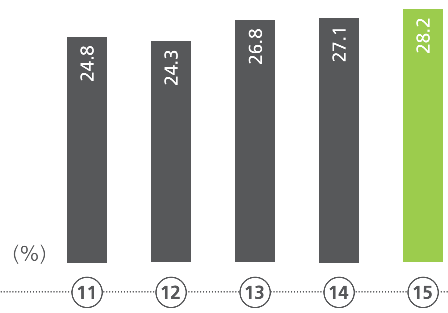
CLAIMS RATIO

The claims ratio is the primary operational measure of Group's short-term insurance operations. The Group sets individual claims ratio targets for each operation. The increase in the Group's claims ratio in 2015 results from the large natural catastrophe exposures incurred by Youi Australia. The historic stability of the Group's claims ratio, and especially that of OUTsurance, is supported by our philosophy of scientific pricing and disciplined underwriting.



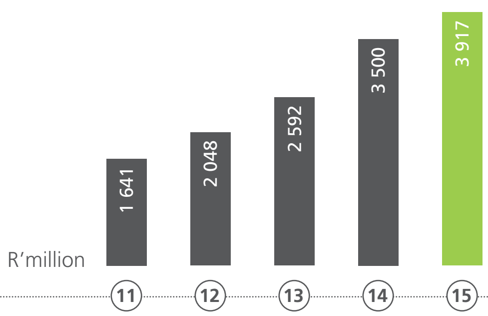
COST-TO-INCOME RATIO

The cost-to-to income ratio is the primary measure of the Group's operational efficiency. Cost management is a key driver supporting our objective of providing value for money insurance products. The Group's cost-to-income ratio increased to 28.2% during the year under review. The increase is driven by the growth in the Australasian cost base relative to the Group.



ANNUALISED NEW BUSINESS WRITTEN

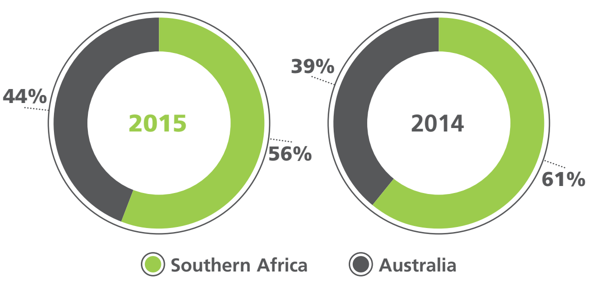
The Group achieved 12% growth in the annualised value of new business written from R3.5 billion in 2014 to R3.9 billion in 2015. Youi Australia continues to be the major contributor to the Group's new business growth.



DIVERSIFICATION

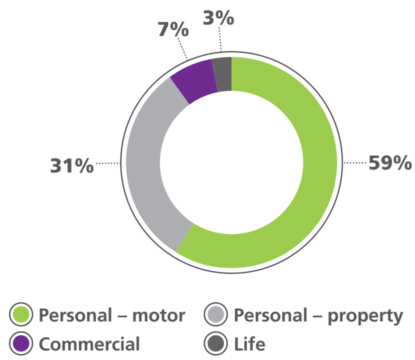
During the year under review, the Australian contribution to Group revenue increased from 39% to 44% as a result of the strong premium growth delivered by the Youi Group. Youi Australia's contribution to Group headline earnings decreased from 18% in the prior year to 4% as a result of the severe weather conditions experienced in Australia.

Geographical diversification



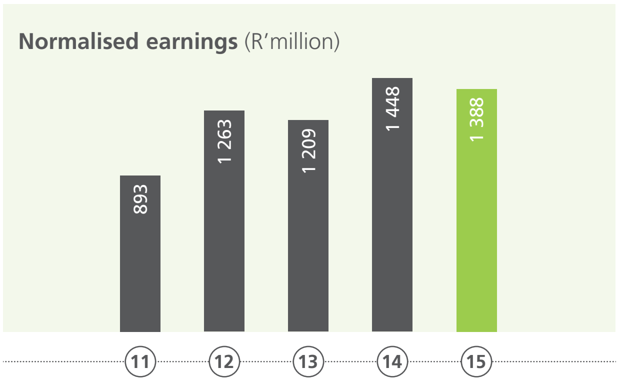
Based on gross written premium

Product diversification



OVERVIEW OF FINANCIAL RESULTS

The Group generated R1 388 million in headline earnings for the year under review which represents a 4% decrease on the prior year. A strong earnings performance delivered by the Southern African business managed to partially off-set the lower profits of Youi Australia and the start-up loss attributed to Youi New Zealand.



Group key financial ratios

The key performance indicators of the Group are presented below:

	2015	2014	% change
Gross written premium (R'million)	**12 469**	10 352	20.5%
Headline earnings (R'million)	**1 388**	1 448	(4.1%)
Headline ROE (%)[1]	**30.9%**	38.4%	
Headline earnings per share (cents)	**39,9**	41,8	(4.5%)
Diluted headline earnings per share (cents)	**39,2**	40,2	(2.5%)
Dividend declared per share (cents)	**30,5**	27,5	10.9%
Claims ratio (including non-claims bonuses) (%)	**55.5%**	51.9%	
Cost-to-income ratio (%)	**28.2%**	27.1%	
Combined ratio[2] (%)	**86.3%**	81.8%	

[1] *Attributable to ordinary shareholders.*
[2] *After profit share distributions paid to FirstRand Limited.*

Sources of headline earnings

The various operating entities contributed to the Group result as follows:

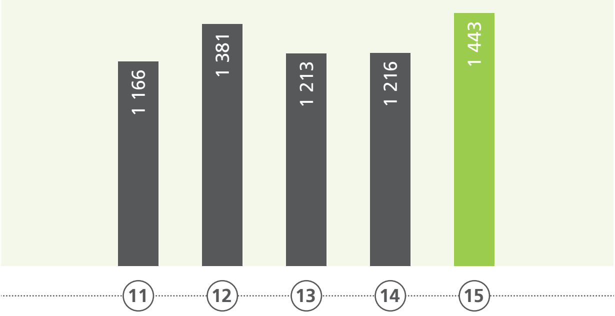
R'million	2015	2014	% change
OUTsurance	**1 443**	1 216	18.7%
OUTsurance Life	**38**	2	>100%
OUTsurance Namibia (49%)	**15**	10	50%
Central (including consolidation adjustments)	**(5)**	10	>(100%)
Youi Group	**(110)**	231	>(100%)
Youi Australia	**51**	255	80%
Youi New Zealand	**(130)**	(22)	>(100%)
Central funding costs	**(31)**	(2)	>(100%)
NCNR preference dividend	**–**	(6)	100%
Non-controlling interest	**7**	(15)	53%
Headline earnings	**1 388**	**1 448**	**(4.1%)**

BUSINESS UNIT PERFORMANCE

OUTsurance

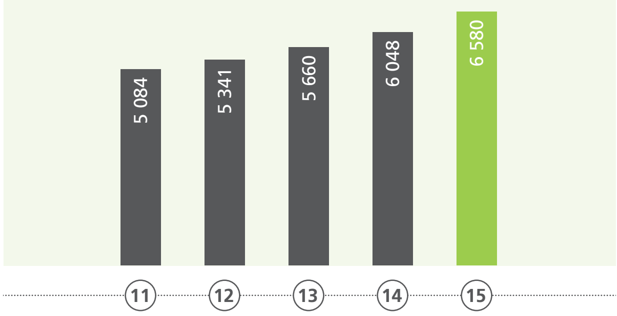
OUTsurance delivered a satisfactory financial and operational performance for the year under review. The 18.7% growth in headline earnings was driven by strong premium growth coupled with a lower claims ratio benefiting from relative benign weather conditions. Premium growth is largely attributed to a response to claims cost inflation associated with a weaker Rand. Subdued economic conditions coupled with a highly competitive marketplace are prevailing themes in the personal lines segment.

Normalised earnings (R'million)



The personal lines business (including the Homeowners book) grew gross written premiums by 8.2% (2014: 6.3%) whilst the commercial book grew by 15.7% (2014: 10.7%). In total, OUTsurance delivered 8.8% growth in gross written premium income.

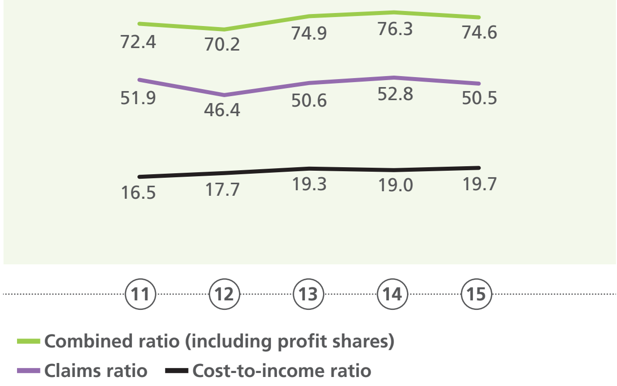
Gross written premium (R'million)



The OUTsurance claims ratio decreased from 52.8% in the prior year to 50.5% as a result of lower weather-related claims. The claims ratio achieved is below the long-term target range and is expected to trend upward going forward.

The cost-to-income ratio increased from 19% in the prior year to 19.7% in the year under review. The prior year operational costs include fee income generated from the provision of temporary administrative support services to the Group's former subsidiary, Momentum Short-term Insurance which reduced the cost-to-income ratio for that period. Operational cost inflation was well contained for the year under review, although an increase in marketing expenses contributed to the higher cost-to-income ratio.

Key ratios (%)



OUTsurance – key performance indicators

R'million	2015	2014	% change
Gross written premium	**6 580**	6 048	8.8%
Net earned premium	**6 490**	5 930	9.4%
Headline earnings	**1 443**	1 216	18.7%
Claims ratio (including bonuses) (%)	**50.5%**	52.8%	
Cost-to-income ratio (%)	**19.7%**	19.0%	
Combined ratio (%)[1]	**74.6%**	76.3%	

[1] *After profit share distributions paid to FirstRand Limited.*

Youi

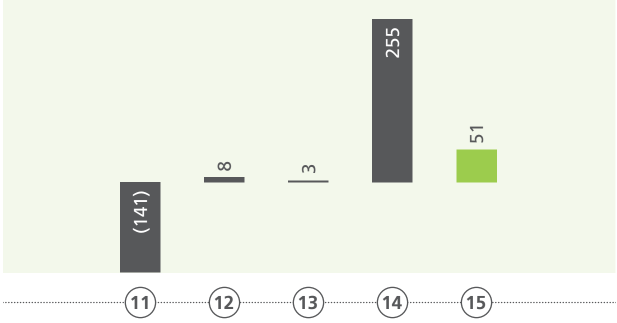
From a financial performance perspective, Youi Australia experienced a challenging year as a result of multiple natural catastrophe events impacting the business. Youi Australia incurred total catastrophe claims of R963 million for the year. After accounting for reinsurance recoveries and premiums to reinstate reinsurance cover, the net impact of the catastrophe events was R405 million. This compares to the prior year which experienced limited severe weather events. Notwithstanding the negative impact of these events, Youi Australia delivered headline earnings of R51 million.

Operationally, Youi Australia delivered a satisfactory performance, growing gross written premium income by 33% (34.3% in Dollar terms).

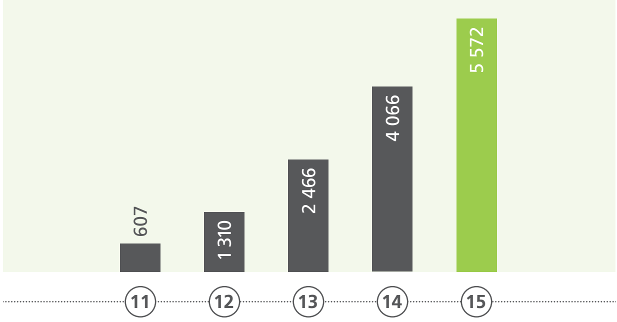
The strong growth coupled with the negative impact of the weather events, resulted in a deterioration in Youi Australia's surplus capital position. To ensure that Youi Australia remains in a position to maintain a conservative target capital adequacy ratio whilst delivering rapid growth, an incremental capital contribution was made during the year. The business is well capitalised and retains a sufficient buffer to allow for adverse weather events. Youi Australia's reinsurance strategy allows for low event retention and multiple events.

Youi New Zealand was launched during July 2014 as a start-up direct personal lines insurer. To date, the business has delivered a satisfactory operational and financial performance which is tracking in line with the business plan. The business generated gross written premium income of R163 million for the period.

Youi Australia – normalised earnings (R'million)

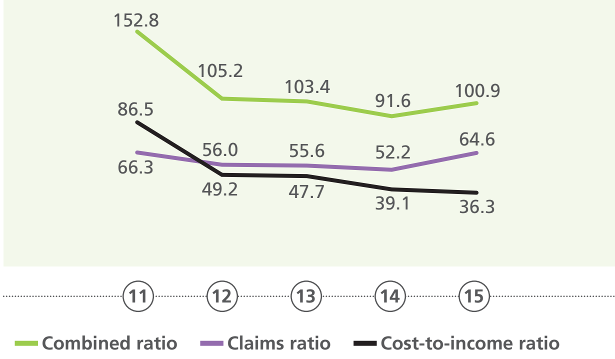


Youi Group – gross written premiums (R'million)



Youi Australia's claims ratio increased from the record low of 52.2% in the prior year to 64.6% in 2015 primarily as a result of the impact of the severe weather events. The prior year claims ratio benefited from abnormally favourable weather conditions. The cost-to-income ratio decreased from 39.1% to 36.2% as a result of the improved scale of the business.

Youi Australia – key ratios (%)



Youi Group – key performance indicators

	2015	2014	% change
Rand (R'million)			
Gross written premium	**5 572**	4 066	37%
Net earned premium	**4 363**	3 093	41%
Headline earnings attributable to ordinary shareholders	**(110)**	231	(147.7%)
Australian Dollars ($'million)			
Gross written premium	**588**	425	38.4%
Net earned premium	**462**	322	43.5%
Headline earnings	**(12)**	22	(54.6%)
Ratios			
Claims ratio (%)	**64.8%**	52.2%	
Cost-to-income ratio (%)	**39.6%**	39.4%	
Combined ratio (%)	**104.4%**	91.6%	
AUD/ZAR exchange rate			
– Closing	**9,35**	10,01	(6.6%)
– Average	**9,45**	9,52	(0.7%)

Youi New Zealand incurred a start-up loss of R130 million for the year under review which is in line with expectations. The results of Youi New Zealand and the Youi Group were impacted by the material accounting consideration that a deferred tax asset of R42 million relating to the assessed tax loss of Youi New Zealand should not yet be recognised due to the short trading history of the business. For the same reason, acquisition costs amounting to R54 million (before tax) did not qualify for deferral in line with the Group's accounting policy to defer acquisition costs for policies with a contractual term of one year or more.

The Youi Group incurred central funding costs of R31 million relating to an intragroup funding arrangement which was primarily established to support the New Zealand expansion. This funding arrangement was extended to support the Australian balance sheet during the year. The intergroup funding arrangement consists of long-term redeemable preference shares which were issued by Youi Holdings to OUTsurance. The preference shares pay a market-related yield and the income generated by OUTsurance is eliminated against this central cost upon consolidation of the Group. For the purpose of funding Youi Australia, the preference share structure is replicated between Youi Holdings and Youi Australia. Youi New Zealand is funded with ordinary share capital.

Youi Australia – key performance indicators

	2015	2014	% change
Rand (R'million)			
Gross written premium	**5 409**	4 066	33%
Net earned premium	**4 362**	3 093	41%
Headline earnings	**51**	255	(80.1%)
Australian Dollars ($'million)			
Gross written premium	**572**	425	34.3%
Net earned premium	**462**	322	43.5%
Headline earnings	**5**	24	(79.2%)
Ratios			
Claims ratio (%)	**64.6%**	52.2%	
Cost-to-income ratio (%)	**36.3%**	39.1%	
Combined ratio (%)	**100.9%**	91.3%	

At 30 June 2015, the Group's effective interest in the Youi Group was 93.1%. Based on the number of share options currently in issue, the Group's interest can dilute to 80.5%.

OUTsurance Life

OUTsurance Life delivered a strong operational and financial performance for the year under review. The business grew premium income by 33% on the back of increased sales volumes whilst benefiting from economies of scale. OUTsurance Life generated R38 million in headline earnings. The underwriting experience of the business remains satisfactory.

OUTsurance Life – key performance indicators

R'million	2015	2014	% change
Gross written premium	**316**	237	33.3%
Headline earnings	**38**	2	>100%

OUTsurance Namibia

From a higher base, OUTsurance Namibia produced satisfactory premium growth of 20.4% for the year. The 55% growth in headline earnings is attributable to premium growth coupled with a lower claims ratio and scale benefits.

OUTsurance Namibia – key performance indicators

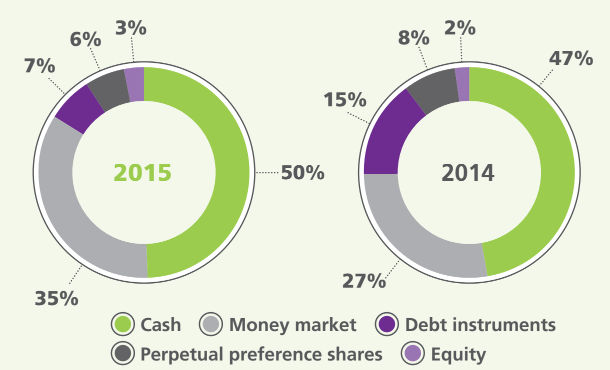
R'million	2015	2014	% change
Gross written premium	**189**	157	20.4%
Net earned premium	**162**	129	22.1%
Headline earnings	**31**	20	55%
Claims ratio (%)	**52.1%**	55.5%	

BALANCE SHEET MANAGEMENT

Composition of investable assets

The investable assets of the Group are largely invested in cash and near cash instruments with a conservative credit and interest rate risk profile. This investment strategy complements the Group's strategy to price appropriately for insurance risk underwritten to ensure that a sustainable underwriting margin and return on capital are achieved. The investment strategy allows for a reduced capital buffer required to absorb market or credit shocks. The investable asset composition of the South African operation is being calibrated to ensure an optimal market risk capital requirement under the SAM regime. This optimisation is likely to result in a moderate increase in the equity exposure of OUTsurance in the medium term.

The composition of the Group's investable assets are as follows:



The perpetual preference share portfolio consists of instruments listed on the JSE of which the large South African banks are the major counterparties. During the year under review, this portfolio experienced a marked reduction in market value. OUTsurance accounted for this reduction in value as an unrealised loss in the available-for-sale equity reserve. This loss was subsequently impaired through the statement of profit and loss. This impairment and the associated tax impact thereof are ignored in determining the headline earnings result of OUTsurance and the Group as indicated in the headline earnings reconciliation on page 14.

At year-end, the Group's exposure to African Bank Investments Limited was R20 million (2014: R23.5 million).

Ignoring the impact of the above impairment, the Group's investment income grew by 22.4% to R402 million. The result benefited from capital retained to support the various growth initiatives of the Group. The investment income of the Southern African operation further benefited from an increase in market interest rates whereas the Australasian result was exposed to lower yields.

Capital position

At 30 June 2015, the regulated entities in the Group traded off adequate capital positions as summarised in the table below:

Capital adequacy ratio	**2015**	2014	Target CAR
Group	**1.7**	1.7	1.2
Short-term insurance			
OUTsurance	**1.7**	1.6	1.2
OUTsurance Namibia	**1.6**	1.6	1.2
Youi Group	**2.1**	3.0	1.5
Long-term insurance			
OUTsurance Life	**1.6**	2.5	1.5

The target capital adequacy ratio for each entity has been set considering the likelihood and impact of various stress scenarios coupled with the unique risk profile of each business.

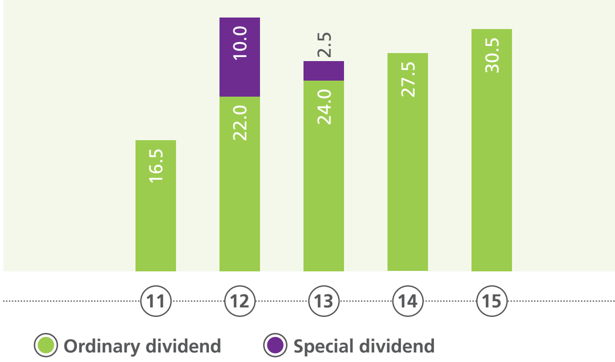
The South African business is in the process of preparing for the adoption of the new Solvency Assessment and Management (SAM) regulatory regime effective 1 April 2016 (previously 1 January 2016). Currently, the entities report their respective solvency positions on a parallel basis taking into account the current regime and the new requirements applicable under SAM. Based on the current calibration and interpretation of the standard formula, indications are that the capital adequacy ratio of both OUTsurance and OUTsurance Life will benefit from the adoption of SAM.

Dividends

The Group's dividend strategy allows for the payment of an ordinary dividend after taking into account the target regulatory capital requirement of the various licensed entities in the Group. The Group funds strategic growth initiatives as far as possible from retained earnings.

During the year under review, the Group provided incremental funding to support the growth of OUTsurance Life as well as to set aside a funding facility for the Youi Group to be utlilised to support the capital position of Youi Australia and Youi New Zealand if required.

Dividend history (cents per share)



The Group declared a final dividend of 16 cents per ordinary share resulting in a full year ordinary dividend of 30.5 cents per share which is 10.9% higher than the prior year. The growth in the dividend compared to the lower headline earnings result is explained by the strong performance of OUTsurance, the entity which funds the Group dividend.

Over the medium term, the growth in the Group's dividend may differ from the Group's underlying earnings growth due to changes in the regulatory capital requirements of the various operating entities of the Group. The Group will continue to reinvest profits to ensure that the organic growth initiatives of the existing operations are supported.

JH Hofmeyr

JAN HOFMEYR
Chief Financial Officer

27 August 2015

Headline earnings reconciliation

R'000	2015	2014	% change
IFRS profit attributable to equity holders	**1 339 236**	1 466 456	(8.7%)
Non-controlling interest	**6 968**	(15 344)	>100%
NCNR preference shareholders	**–**	(5 824)	100%
IFRS earnings attributable to ordinary shareholders	**1 346 204**	1 445 288	(6.9%)
Adjusted for:			
Impairment of available-for-sale reserve	**51 006**	–	
(Gain)/loss on disposal of property and equipment	**(188)**	3 526	
Tax effect of headline earnings adjustments	**(9 469)**	(996)	
Headline earnings	**1 387 553**	**1 447 818**	**(4.1%)**

Five year financial review

R'million	2011	2012	2013	2014	2015
Statement of profit and loss and other comprehensive income – IFRS					
Gross written premium	5 990	7 032	8 288	10 352	**12 469**
Underwriting result[1]	1 127	1 544	1 378	1 681	**1 533**
Profit before tax	1 486	2 003	1 823	2 089	**1 971**
Headline earnings attributable to ordinary shareholders	899	1 514	1 209	1 448	**1 388**
Earnings attributable to ordinary shareholders	910	1 501	1 250	1 445	**1 346**
Earnings per share (cents)					
– Basic	26,6	43,8	36,4	41,8	**38,7**
– Diluted	26,0	41,8	35,5	40,1	**38,0**
Headline earnings per share (cents)					
– Basic	26,3	44,2	35,2	41,8	**39,9**
– Diluted	25,7	42,2	34,4	40,2	**39,2**
Dividend declared per share (cents)	16,5	22,0	24,0	27,5	**30,5**
Special dividend declared per share (cents)	–	10,0	2,5	–	**–**
Statement of financial position – IFRS					
Total assets	5 782	7 327	7 750	9 898	**11 847**
Total equity	3 480	4 291	3 784	4 453	**4 711**
Average equity attributable to ordinary shareholders	2 554	3 113	3 350	3 818	**4 490**
Key ratios					
Claims ratio (including non-claims bonuses) (%)	52.4%	47.2%	51.3%	51.9%	**55.5%**
Cost-to-income ratio (%)	24.8%	24.3%	26.8%	27.1%	**28.2%**
Combined ratio (%)	80.7%	76.1%	81.8%	81.8%	**86.3%**
Normalised results					
Normalised gross written premium[2]	5 738	7 032	8 288	10 352	**12 469**
Normalised earnings	893	1 263	1 209	1 448	**1 388**
Normalised earnings per share (cents)					
– Basic	26,1	36,9	35,2	41,8	**39,9**
– Diluted	25,5	35,9	34,4	40,2	**39,2**
Normalised return on equity (%)[3]	37.5%	43.9%	37.9%	38.4%	**30.9%**

[1] *After taking into account profit share distributions.*
[2] *Excludes premium written by Momentum Short-term Insurance.*
[3] *Attributable to ordinary shareholders and calculated based on average normalised equity.*

Our value add

ECONOMIC IMPACT STATEMENT

R'million	2011	2012	2013	2014	2015
Economic value created					
Premium income and reinsurance recoveries	5 789	6 693	7 740	9 519	**11 871**
Non-claims payments to outside service providers	(544)	(582)	(579)	(998)	**(1 321)**
Net investment and other operating income	300	343	368	338	**366**
Payments relating to profit sharing arrangements	(133)	(220)	(201)	(191)	**(201)**
Total economic value created	5 413	6 234	7 328	8 668	**10 715**
Total economic value distributed amongst stakeholders					
Employees					
Salaries and other benefits	805	943	1 342	1 417	**1 735**
Policyholders	3 046	3 208	4 061	5 071	**6 911**
Claims and policyholder claims and increase in reserves	2 776	2 928	3 790	4 770	**6 596**
Cash bonuses on insurance contracts	270	280	271	301	**315**
Government (in the form of taxes)	541	647	456	542	**613**
Providers of capital	453	806	1 208	940	**1 039**
Ordinary dividends paid to shareholders	393	737	1 170	919	**1 046**
Earnings attributable to preference shareholders	51	57	38	6	**0**
Earnings attributable to non-controlling interests	10	11	0	15	**(7)**
Reinvested to support future growth	568	630	261	699	**417**
Retained earnings[1]	505	558	162	600	**290**
Depreciation and impairments	63	72	99	99	**127**
Economic value distributed	5 413	6 234	7 328	8 668	**10 715**
Percentage of economic value distributed					
Employees (%)	15%	15%	18%	16%	**16%**
Government (%)	10%	10%	6%	6%	**6%**
Providers of capital (%)	19%	23%	20%	19%	**14%**
Policyholders (%)	56%	52%	56%	59%	**65%**
	100%	100%	100%	100%	**100%**

[1] *Net of deferred taxes.*

Corporate governance

THE GOVERNANCE FRAMEWORK

The board of directors of OUTsurance Holdings Limited as well as the boards of the insurers in the Group adopted a Group Governance Framework during February 2015. The approval, implementation and maintenance of an effective governance framework ensure the prudent management and oversight of the insurance business of the OUTsurance Group and it serves to protect the interests of policyholders and other stakeholders.

THE BOARD OF DIRECTORS

The OUTsurance Holdings board's primary responsibility is to oversee the performance of the Group's operations and to drive the sustainable growth of shareholders' interests. The board is also the main body responsible to ensure that there is effective corporate governance and risk management in the Group.

Board members have full and unrestricted access to management, information and property. The board is guided by a formal charter. The charter gives the board the responsibility to ensure that there are appropriate policies and procedures, effective risk management and governance, reliable and transparent financial and regulatory reporting. The board reviews and approves corporate strategy business plans, monitors financial performance and evaluates the successful implementation of strategic decisions.

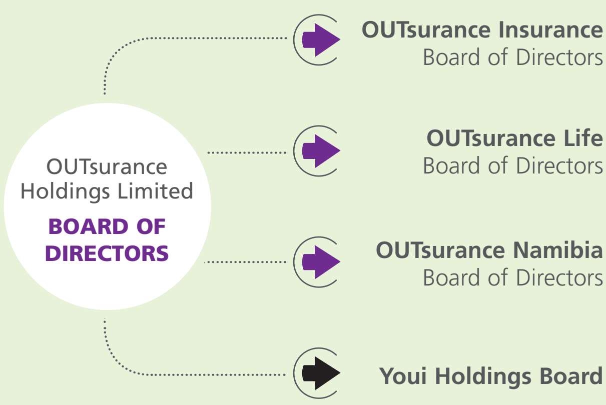
INSURER BOARDS AND BOARD COMMITTEES

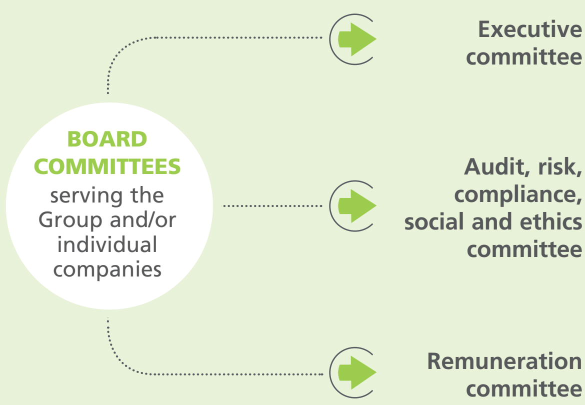
The Group's performance in respect of financial and non-financial objectives are overseen by the respective boards of directors and board committees in the Group as depicted below.

The various board and other management committees which exist to ensure effective governance and oversight for insurers in the Group in the Southern African, Australasian and Namibian operations respectively, all feed ultimately back into the OUTsurance Holdings board committees. The board committees facilitate the discharge of specific board responsibilities and provide dedicated and skilled focus on particular areas.

The board committees have the appropriate resources, skills, expertise, independence and authority. The Group remuneration board committee consists of three non-executive members and the chairperson is an independent director. The Group audit, risk and compliance and social and ethics committees comprise three independent members and the chairperson is an independent director. The relevant formal charters and policies are in place.

Effectiveness evaluations of the board and its sub-committees take place on an annual basis.





BOARD COMPOSITION, SKILLS AND EXPERTISE

The OUTsurance Holdings board consists of an appropriate mix of executive and non-executive appointments. The board comprises of 12 members (including an alternate director) of whom nine are non-executive directors. The majority of non-executive directors are also independent. The average service length of existing directors is ten years. The board composition includes one female independent director and two independent directors are from the historically disadvantaged South Africans ("HDSA") group.

The board appointed a lead independent director in February 2015 with specific duties as stipulated in the board's charter to assist the board and the chairperson.

Formal procedures are followed for the appointment of new board members. The Group has a Fit and Proper Policy in place which is applicable to all responsible persons as defined in the policy, including directors. An informal orientation programme is available to incoming directors. All directors have unlimited access to the services of the company secretary, who is responsible to the board to ensure that proper corporate governance principles are adhered to.

OUTsurance Holdings board

The table below provides more information regarding the directors of the OUTsurance Holdings board:

Mr Laurie Dippenaar
Non-executive director, Chairman
MCom – University of Pretoria; CA(SA)
Appointed: 27 January 1998

Mr Kubandiran Pillay
Independent director
BA; LLB; MCJ (USA)
Appointed: 19 February 2014

Mr Alan William Hedding
Independent director
BCom; BCompt (Hons); CA(SA)
Appointed: 10 October 2013

Ms Judy Madavo
Independent director
BA (Hons) Sociology and Social Administration
MSc Medial Sociology – University of London/Bedford College
Appointed: 8 November 2004

Mr George Louis Marx
Independent director
BSc (Econ) (Cum Laude) – Potchefstroom/North West; FIAC
Fellow – Institute of Actuaries (London)
Fellow – Institute of Risk Management (SA); CFP
Appointed: 20 August 2008

Mr Rudolf Pretorius
Independent director
BCom (Hons); CA(SA)
Appointed: 27 January 1998

Mr Neville Nightingale
Lead Independent director
FIAC; PMD from Harvard
Appointed: 8 March 1999

Mr Willem Roos
Executive director
BCom (Hons) (Actuarial Science); FASSA
Appointed: 30 April 2001

Mr Howard Aron
Executive director
Diploma Business Management – Newport University
Diploma BM (EE)
Appointed: 30 April 2001

Mr Marthinus Visser
Alternate executive director
BCom (Hons) Actuarial Science
Appointed: 20 August 2009

Mr Peter Cooper
Non-executive director
BCom (Hons) – University of Cape Town; CA(SA)
Higher Diploma in Income Tax – Wits
Appointed: 11 May 2000

Mr Francois Knoetze
Non-executive director
BCom (Hons); FIA
Appointed: 19 February 2014

The remuneration of directors is detailed on page 132.

YOUR HOME

We'll cover your household contents against theft, intentional damage to your valuables, as well as damage caused by a power surge or a burst geyser.

Get more OUT of your home insurance.

Our contents insurance package takes care of all valuable items inside your house, including items such as your clothing, television, sound system, furniture and even valuable items of art.

PROCEEDINGS 2015

Directors' attendance of meetings is summarised in the next table. The attendance ratio for the year was 98%.

	Aug 2014	Nov 2014	Feb 2015	May 2015
Mr Laurie Dippenaar	✓	✓	✓	✓
Mr Neville Nightingale	✓	✓	✓	✓
Mr Kuban Pillay	✓	✓	✓	A
Mr Alan Hedding	✓	✓	✓	✓
Ms Judy Madavo	✓	✓	✓	✓
Mr George Marx	✓	✓	✓	✓
Mr Rudolf Pretorius	✓	✓	✓	✓
Mr Peter Cooper	✓	✓	✓	✓
Mr Francois Knoetze	✓	✓	✓	✓
Mr Willem Roos	✓	✓	✓	✓
Mr Howard Aron	A	A	✓	A
Mr Marthinus Visser (alternate to H Aron)	✓	✓	✓	✓

A – Apologies noted

EXECUTIVE COMMITTEE

The OUTsurance Holdings executive committee is responsible for implementing the strategies approved by the board and for managing the affairs of the Group. The committee is chaired by the joint chief executive officer. A breakdown of the executive committee is illustrated in the table alongside:

OUTsurance Holdings Group EXCO

Mr Willem Roos
Group Chief Executive Officer

Mr Ernst Gouws
Chief Executive Officer OUTsurance

Mr Jan Hofmeyr
Chief Financial Officer

Mr Marthinus Visser
Chief Actuary

Mr Andre Martin
Head of Information Technology

Mr Burton Naicker
Chief Operating Officer – Claims and Legal

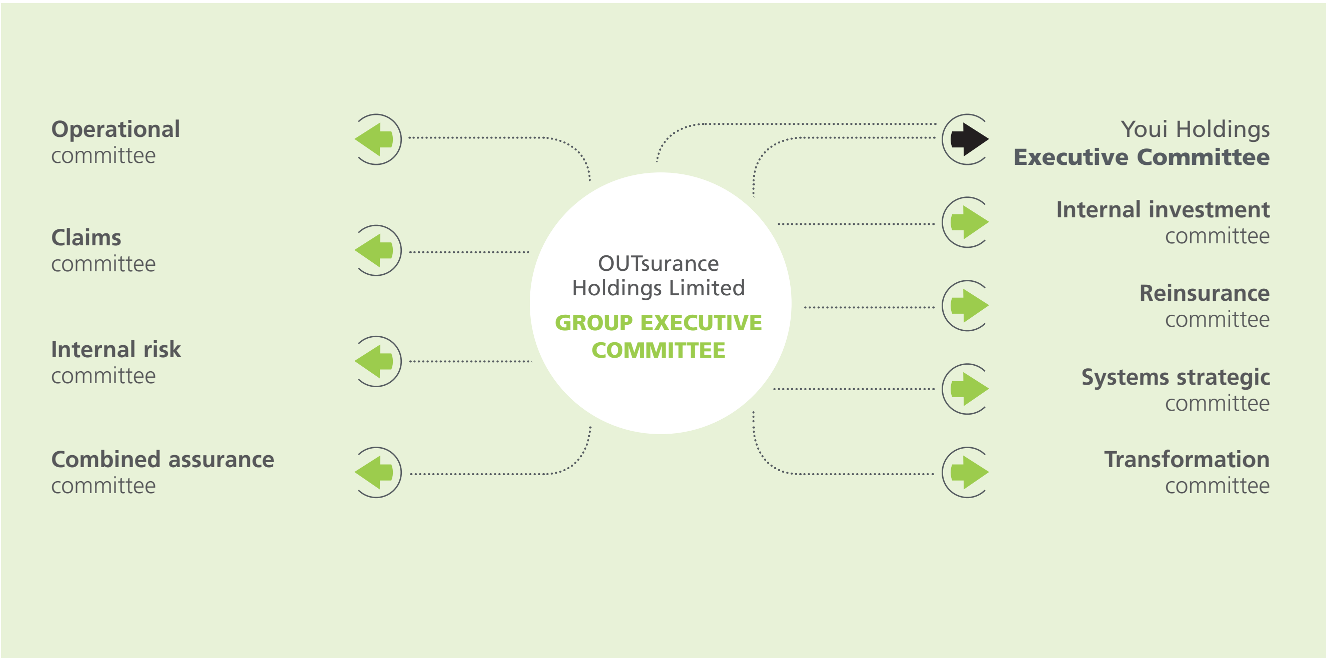
Ms Lynette Bisschoff
Chief Risk Officer

Ms Keneiloe Selamolela
Head of Training

Mr Suren Naidoo
Head of Human Resources

Mr Peter Cronje
Head of Marketing

The executive committee oversees and guides the following internal committees:



Report of the audit, risk and compliance committee

COMPOSITION

The OUTsurance Holdings Limited audit, risk and compliance committee is composed of non-executive directors and is chaired by an independent non-executive director. The Group's chief executive officer, chief financial officer, chief risk officer, audit executive, external auditors and other assurance providers attend committee meetings in an ex officio capacity. The audit executive and the external auditors meet independently with the non-executive members as and when required.

ROLE

The audit, risk and compliance committee is appointed by the board and has a formally approved charter prescribing the following duties:

- nominate the appointment of the independent external auditor in accordance with the Companies Act requirements;
- monitor, evaluate and review internal audit, risk management, compliance, financial accounting and reporting practices;
- monitor, evaluate and review the functioning of the internal control environment;
- monitor, evaluate and review corporate governance practices; and
- monitor, review and report on the social and ethics practices.

ANNUAL REPORT

The committee is aware of the significance of appropriate accounting policies in presenting financial results. The committee has reviewed the accounting policies and is satisfied that they are in compliance with IFRS.

INTERNAL AUDIT

Internal audit is a key independent assurance provider to the audit, risk and compliance committee. The committee accordingly approves the internal audit charter and the annual internal audit plan. The audit executive is responsible for reporting on the findings of the internal audit work against the agreed internal audit plan to the committee on a regular basis and has direct access to the committee primarily through its chairman.

The committee has accordingly assessed the performance of the audit executive and is satisfied that the internal audit function is independent and appropriately resourced, and that the audit executive has fulfilled the obligations of the position.

During the year, internal audit performed a review of the adequacy and effectiveness of the Group's internal control environment. Based on the results of these reviews, internal audit confirmed to the committee that nothing has emerged to indicate material control weakness in the risk management and internal control process, including internal financial controls whether from design, implementation or operation. This written assessment by internal audit formed the basis for the committee's recommendation to the board in this regard.

COMBINED ASSURANCE

The Combined Assurance Forum has the objective of overseeing the internal controls assessments performed by internal audit, risk management and external audit. The forum is composed of the audit executive as chairman, chief risk officer, external audit and the chief financial officer. The primary function of the Combined Assurance Forum is to ensure that the effectiveness of all material internal financial controls is assessed at least annually by either internal or external assurance providers, or both.

FINANCE FUNCTION EXPERTISE

The audit, risk and compliance committee considers the expertise and experience of the chief financial officer and is satisfied that the appropriate requirements have been met. The committee is also satisfied with the expertise and adequacy of the resources of the finance function and experience of the senior members of management responsible for it.

EXTERNAL AUDITOR

At the annual general meeting held in November 2014, shareholders approved the committee's nomination of PricewaterhouseCoopers Inc. as auditor of the Group and Company until the next annual general meeting. The committee, in consultation with executive management, agreed to the engagement letter, terms of engagement, audit plan and budgeted audit fees for the 2015 financial year.

There is a formal procedure that governs the process whereby auditors are considered for non-audit services.

The committee is satisfied that the external auditors were independent of the Group and Company as set out in section 90(2) of the Companies Act, which includes consideration of previous appointments of the auditors, the extent of other work undertaken by the auditors for the Group and compliance with criteria relating to the independence or conflicts of interest as prescribed by the Independent Board for Auditors. Requisite assurance was sought and provided by the auditors that internal governance processes within the audit firm support and demonstrate its claim to independence.

REGULATORY ENVIRONMENT

The audit, risk and compliance committee monitors the ever changing regulatory and legislative compliance environment applicable to the Group's operations. Progress and compliance is monitored through regular management reporting. Of particular interest is the adoption of the Solvency Assessment and Management ("SAM") regime which becomes effective in 2016. The committee is satisfied with the implementation progress of the SAM requirements as well as the skills and expertise of management in this regard.

AUDIT COMMITTEE

OUTsurance Holdings Limited's audit, risk and compliance committee ("ARC committee") is accountable to fulfil the audit committee functions, duties and oversight for OUTsurance and OUTsurance Life Insurance companies. The composition, knowledge, experience and size of the ARC committee comply with the requirements of section 22 of the Short-term Insurance Act 53 of 1998, section 23 of the Long-term Insurance Act 52 of 1998 and the requirements set out in Board Notice 158. The ARC committee at all times includes members with technical, accounting and actuarial skills as well as experience in both long and short-term insurance. The ARC committee ensures that adequate time and oversight is provided to all licensed entities.

GOING CONCERN

The ARC has assessed the going concern status of the Group and Company and has accordingly confirmed to the board that the Group will be a going concern for the foreseeable future.

PROCEEDINGS

Membership and attendance at the meetings held during the year were as follows:

	August 2014	February 2015	June 2015
Mr N Nightingale	✓	✓	✓
Mr G Marx	✓	✓	✓
Mr A Hedding	✓	✓	✓

NL Nightingale
Chairman

Signed: Sandton

Date: 27 August 2015

THE BOARD, EXECUTIVE MANAGEMENT, THE GROUP RISK MANAGEMENT DEPARTMENT AS WELL AS THE RESPECTIVE BUSINESS RISK OWNERS ALL COMBINE THEIR EFFORTS TO ENSURE THAT RISK MANAGEMENT IS EMBEDDED IN THE GROUP'S OPERATIONS.

Risk management

The board, executive management, the group risk management department as well as the respective business risk owners all combine their efforts to ensure that risk management is embedded in the Group's operations. This approach is key to an effective risk management system. It results in sound risk management business practices, processes and procedures and a continuous and ever-improving process which runs throughout every part of our business and is incorporated in all our strategies.

A documented Group Risk Management Strategy and Framework ("GRMS") guides the risk management system and processes. The risk management system, comprises of our strategies, policies, and procedures for identifying, measuring, monitoring, managing, controlling, mitigating and reporting of all current and emerging material risks to which the companies and Group may be exposed.

To ensure prudent enterprise risk management the above-mentioned risk management system operates at risk level as well as at aggregated risk level and it addresses the risks of the individual insurance companies and those of the Group.

Regular risk management reports inform the boards and its committees as well as executive management and risk owners on the risk profile of the respective insurers. The evaluation of the effectiveness of the risk management function takes place on an annual basis and the risk management system is reviewed on an annual basis by the internal audit function.

RISK APPETITE

A business profits from taking desired risks, but will only generate a sustainable profit from its activities if the risks are adequately managed and controlled to avoid or minimise the impact of adverse outcomes. OUTsurance's approach to risk management is to establish an effective control environment to manage material risks to its business and customers.

The key business objectives and values, and related material risks addressed within our Risk Management Strategy are to ensure sustainability, profitability and optimal return on capital, to safeguard policyholders' interests as well as ensuring the fair treatment of customers. As such, the high level description of the Group's risk appetite is as follows:

- A balanced level of risk is desirable to achieve an optimal return on risk-adjusted capital, sustainability and profitability. Risks of a business nature which need to be taken will be accepted at a moderate level.
- A minimum level of risk will be tolerated in relation to the protection of policyholders' interests. Risks which impact on policyholders' interests must be tightly managed.

A detailed risk appetite framework which is approved by the board is in place. It provides a breakdown of the risk appetite and key risk indicators for each main risk type. Regular assessments of actual key risk indicator measurements against the agreed risk appetite take place and are reported on to various forums in the Group and the board. It also forms part of our annual own risk and solvency assessment ("ORSA").

THE CONTROL ENVIRONMENT

OUTsurance Group has the following control functions in place: Internal Audit, Risk Management, Compliance and Actuarial.

OUTsurance relies on an effective control environment to manage the significant risks to its operations, which includes the following components:

- An Internal Control System Policy;
- Regular risk management assessments, reviews and reports by the risk management function, EXCO, the audit, risk and compliance committee, the internal risk committee and the board;
- Clearly defined management roles, responsibilities and governance structures;
- Clear segregation of duties;
- Formally delegated limits of authority and mandates;
- Documented and communicated policies and procedures;
- Our risk management strategies and policies are listed and maintained in a central register;

- Appropriate controls to ensure the fairness, accuracy and completeness of all information;
- Accounting controls and reconciliations;
- Strong management reporting systems;
- Disciplined budgeting processes;
- Appropriate Fit and Proper Policy and requirements for responsible persons;
- Physical and logical security over company assets;
- Appropriate levels of corporate insurance to transfer risks;
- Independent audits of the control environment;
- Independent reviews of the key control functions; and
- Appropriate training.

It is the responsibility of senior management to:

- Create awareness of the importance of a robust internal control environment;
- Communicate to their staff their individual roles in the risk management process; and
- Take corrective actions where shortcomings in the risk management process are identified.

COMBINED ASSURANCE

OUTsurance follows a Combined Assurance Model, which is a three-layered coordinated assurance approach to the effectiveness of internal controls, risk management mechanisms and sustainability information.

The three lines of defence provides a sound governance model which promotes transparency, accountability, consistency and segregation of roles. The first line assurance is provided by the management team, the second line assurance providers are the Risk, Compliance, Actuarial Control and Quality Assurance departments. The third line of defence comprises the internal and external auditors.

The Combined Assurance Forum serves to ensure that the objectives of the model are achieved and reports in this regard to the board's audit, risk and compliance committee.

Combined Assurance Model – three lines of defence

1 First line of defence = **MANAGEMENT OVERSIGHT**	2 Second line of defence = **MANAGEMENT OF RISK**	3 Third line of defence = **INDEPENDENT ASSURANCE**
Objective	**Objective**	**Objective**
Setting strategy, performance measurement, and establishing and maintaining risk management, control and governance across the business.	Providing a risk framework and effective risk management system for sound decision making, planning and prioritisation of the business activities.	Provides independent and objective assurance of the overall adequacy and effectiveness of governance, risk management and control as established by the first and second lines of defence.
Reporting lines	**Reporting lines**	**Reporting lines**
EXCO and OPSCO providing direction, guidance and oversight over the focus areas.	Risk and compliance committees, board's audit and risk committees, regulators.	Regulators, board and audit committees.
Assurance providers	**Assurance providers**	**Assurance providers**
Management.	Risk management, compliance and actuarial control functions, quality assurance team.	Internal audit and external audit.

THE RISKS WE FACE

Our risks are broadly classified into strategic, financial and operational risks in our risk classification system which is documented in the Group Risk Management Strategy and Framework.

A risk profile is presented on a regular basis to all the relevant governance structures based on a detailed and comprehensive risk register for each business unit and insurer. Risks are monitored by the board and other governance structures in line with the board approved risk appetite and risk management strategy.

The main risks are summarised below.

	CONTEXT AND IMPACT	MITIGATION
REPUTATIONAL RISK	Our brand and reputation are important to us. Our stakeholders should associate our name with a credible, long-term sustainable and trustworthy insurance group where they always get something out. Behaviour that can harm our reputation and credibility is therefore closely monitored.	One of our corporate values is to provide awesome service to our clients. Related risks include staff errors and behaviour which is not aligned with the principles of Treating Customers Fairly ("TCF"). Various initiatives to continuously improve service and to support TCF outcomes exist in the organisation.
REGULATORY COMPLIANCE RISK	Regulatory compliance describes the goal to ensure that we are aware of and take the necessary steps to comply with the relevant laws and regulations. Regulatory changes also affect business processes and procedures and increase costs.	We provide continuous training and awareness programmes throughout the organisation. Our governance processes are proactive in identifying and acting on legislative changes. Compliance consultations and assessments of our business practices and processes support other efforts.
OPERATIONAL RISK	Operational risk refers to the exposure to potential losses caused by internal shortcomings and/or failures of processes, people and systems. Internal shortcomings include errors and fraud.	These risks are managed through various processes and procedures to identify, mitigate and report on operational risks. The internal control environment is subject to reviews by the internal audit, quality assurance and risk management functions.
FRAUD RISK	Insurance-related fraud, internal and external fraud, dishonesty, collusion with third parties and syndicates operating in our industry as well as unauthorised activities remain a main risk in our industry.	The activities of our fraud risk unit and investigators are specifically focused on the prevention and detection of fraud and we collaborate closely with the South African Insurance Crime Bureau in this regard.
UNDERWRITING RISK	Due to the unpredictable nature of our business and the many factors that can affect business volumes, profitability and claims incidents, underwriting risk is a major consideration for any insurer to ensure long-term sustainability and protecting the interest of policyholders.	Our underwriting processes are based on a trusted and robust underwriting philosophy of prudent consideration of risk factors. We have a documented underwriting risk policy and underwriting risk indicators are monitored closely and regularly.

	CONTEXT AND IMPACT	MITIGATION
COUNTERPARTY DEFAULT RISK	The risk of losses resulting from the default of other parties such as a reinsurer where payments are due to us. An increase in the frequency of extreme weather events mean that our reinsurance arrangements are very important.	The risk is managed through the compliance with our reinsurance policy and placing reinsurance treaties with reputable reinsurers with a prescribed credit rating as well as the diversification of our treaties amongst multiple reinsurers.
OPERATIONAL SYSTEMS/IT RISK	There are various risks linked to information technology, our networks and our business operating systems. Information security and cyber-attacks are main risks as well as the possible disruption of operating systems.	We have numerous policies and processes in place to ensure the continuity and stability of our information technology systems, recovery in a possible disaster situation, the security of data and that of our operating systems are aligned with business objectives and strategy.
MARKETING AND ADVERTISING RISK	Failure to have relevant marketing strategies in place may result in a decline in leads and business growth. It affects the overall sustainability of a direct insurer.	There are internal marketing committees responsible for screening, approval and monitoring of all marketing campaigns and material. Regular reporting takes place on key performance indicators, including lead volumes.
ECONOMIC – NATIONAL INFRASTRUCTURE RISK	The possible impact of failing infrastructure, electricity shortages, extended power outages, failing healthcare, food, water and energy crisis on our business operations.	Business continuity plans to manage business interruptions as far as possible. We participate in industry initiatives such as the Green Geyser Project.
DISRUPTIVE TECHNOLOGY AND COMPETITOR RISK	Disruptive technology, trends and/or changes in the industry or in business can adversely affect us. Changes in the competitive environment can put pressure on our company to make changes to product offerings, processes, systems or policies.	Maintain our innovative focus, monitor technological and other trends, industry and competitors closely, create new products, services.

Get more OUT of your car insurance.

At OUTsurance, we want to give you the most comprehensive, all-inclusive, car insurance package ever made! We want to make sure you'll be insured for anything and everything, to include ill-timed bumper bashings; smash and grab incidents; theft and hijacking; hail damage (not all insurers cover this as standard); fire damage; and even if someone else damages your vehicle intentionally.

YOUR CAR

The most comprehensive, all-inclusive, car insurance package.

Our stakeholders

OUR PEOPLE

Permanent, temporary staff and contractors

How we communicate:
Electronic communications, diversity forums (people forums), salary forums, social committees, weekly and monthly meetings, values surveys, wellness initiatives, company and department functions, awards presentations, disability newsletters, "TalkOUT" forums, "ShoutOUT" campus newsletters; "OUTbeats" campus radio station.

OUR CLIENTS

Clients, prospective clients, businesses and companies

How we communicate:
Telecommunications centre, surveys, electronic media, social media, press releases, policy and contract documentation.

OUR SUPPLIERS

Member and non-member claims service providers and financial creditors

How we communicate:
Road shows, newsletters, electronic communications, telecommunications centre and formal contact departments.

OUR COMMUNITY

Deserving institutes that strive to make a valid and lasting impact on the welfare of less privileged communities

How we communicate:
Staff Helping SA OUT committee, staff volunteer involvement, electronic communications and face-to-face visits.

REGULATORS AND INDUSTRY BODIES

- The South African Insurance Association
- The Financial Services Board
- The Department of Trade and Industry
- The Financial Advisory and Intermediary Services Ombud
- The Short-term Insurance Ombud
- The Long-term Insurance Ombud
- The South African Insurance Crime Bureau
- Namibia Financial Institutions Supervisory Authority
- Association for Savings and Investment South Africa
- The National Treasury
- Australian Prudential Regulation Authority
- Reserve Bank of New Zealand

How we communicate:
Electronic communications, telecommunications, dedicated officers as direct contact for liaison, board meetings and statutory returns as well as quarterly and monthly meetings.

OUTsurance *walked away with the laurel of top short-term insurer in the business-to-consumer category of the 13th annual Sunday Times Top Brands Awards.*

Youi *– won the Reader's Digest Quality Service Award for 2015.*

SIGNIFICANT FOCUS AND EFFORT IS APPLIED IN DEVELOPING OUR PEOPLE AND CREATING CAREERS FOR OUR STAFF. 99.8% OF OUR SOUTH AFRICAN WORKFORCE ARE PERMANENTLY EMPLOYED.

Our people

Significant focus and effort are applied in developing our people and creating careers for our staff. 99.8% of our South African workforce are permanently employed.

On average, our existing staff members in South Africa have been in our employment for 39 months. 88% of our people are operational staff members in call centres with an average of 34 months' service. The other 12% of the staff complement consists of employees in support departments who, on average, have 78 months' service in our employment.

Included in the Group workforce number below, is our Youi staff complement, which grew to over 1 750 employees in 2015. The average employment period of our staff in Australia and New Zealand increased to 24 months in 2015, 84% of our Youi staff are operational members and the other 16% consists of employees in support departments.

	2015	2014	2013	% change (2014/2015)
Total Group workforce	**4 436**	4 036	3 329	9.9%
South African ACI[1] ratio	**62.6%**	61.5%	62.7%	1.8%
South African female ratio	**44.9%**	45.7%	45.2%	(1.8%)
South African disabled staff members	**26**	33	37	(21.2%)

[1] *Africans, Coloureds and Indians.*

YOUI STAFF COMPLEMENT GREW TO OVER

1 750 employees

IN 2015

88%

OF OUR PEOPLE ARE OPERATIONAL STAFF MEMBERS IN CALL CENTRES

OUR VALUES

The OUTsurance culture can be described as work hard, play hard. Our values form a central part of our culture as we strive to be a great company to work for. We conduct values surveys every six months to see how well we do.

Leadership
We lead by example and are ambassadors of our values, in and outside the workplace.

Passion
Passion is the energy and commitment which guides our attitudes and actions.

People Development
Our people are our strength and we invest time, effort and energy ensuring continuous learning development and achievement.

Honesty
We strive to be honest, trustworthy and reliable in the smallest things we do.

Respect
We respect each person's individuality and know that diversity is our strength.

Recognition
Recognition highlights our individual and collective contributions and achievements because success breeds success.

Profitability
This underpins the success of the business and ensures its sustainability.

Awesome Service
Awesome Service is unique and exceptional; it influences the way we treat our clients and ensures that they become our best marketing tools by recommending us to their family, friends and colleagues.

PEOPLE DEVELOPMENT

The Group encourages employees to acquire new or advanced skills, by providing them with study assistance to develop themselves in their relevant fields. OUTsurance invested in excess of R1 240 000 and Youi in Australia spent $18 570 (R173 815) towards formal studies in 2015.

Our Group Learning Academies provide intensive training programmes for new employees as well as continuous training for other staff members.

We have a dedicated Occupational Health and Safety ("OHS") officer and committee to look out for the health and safety of our people. We train our staff in disciplines like emergency evacuation, first aid and firefighting. An annual emergency and evacuation drill and regular training sessions are held, overseen and certified on completion by independent specialists.

	2015	2014	2013	% change (2014/2015)
Study assistance (R'000)	**1 241**	500	796	>100%
Skills development[1] (South Africa)	**77.7%**	88.8%	86.8%	(12.5%)

[1] The score is expressed as a percentage of total possible points available. The figure is externally calculated and confirmed by AQRate (B-BBEE verification agency). Our full B-BBEE certificate can be found on our website.

HEALTH IS WEALTH

Two years ago, OUTsurance launched the OUTlive campaign with the purpose to improve the overall health and wellness of our employees. Our campus caters for a variety of activities such as aerobics, yoga, action cricket, netball and volleyball with regular tournaments being held between departments. The running track around the perimeter of the campus sees regular activities, be it members of our running club or staff stretching their legs and just getting some fresh air. Healthy lifestyle activities include quit smoking campaigns, breast cancer awareness, flu vaccinations and healthy meal choices. We also have an on-site medical facility which offers preventative testing and medical examinations.

In January 2015 the next phase of OUTlive was launched called OUTlive reloaded. The campaign focuses on three main areas:

RELOADED

MIND – which includes reading, studying and e-learning

BODY – which focuses on physical fitness, health and nutrition

SOUL – which focuses on financial, stress management and detection

The campaign has proven to be a great success with over 55 000 activities registered resulting in an average of 21 activities per staff member.

YouiLife is the Australian employee programme. The primary goal of the programme is to provide an opportunity for employees to improve their physical, mental and personal health. This is achieved through on-site activities such as physical health checks, exercise classes and financial health checks.


Get more OUT of your business insurance.
Our comprehensive business insurance offering is tailor-made to cater for the unique insurance needs of your specific industry.
YOUR BUSINESS
The most comprehensive business insurance package.

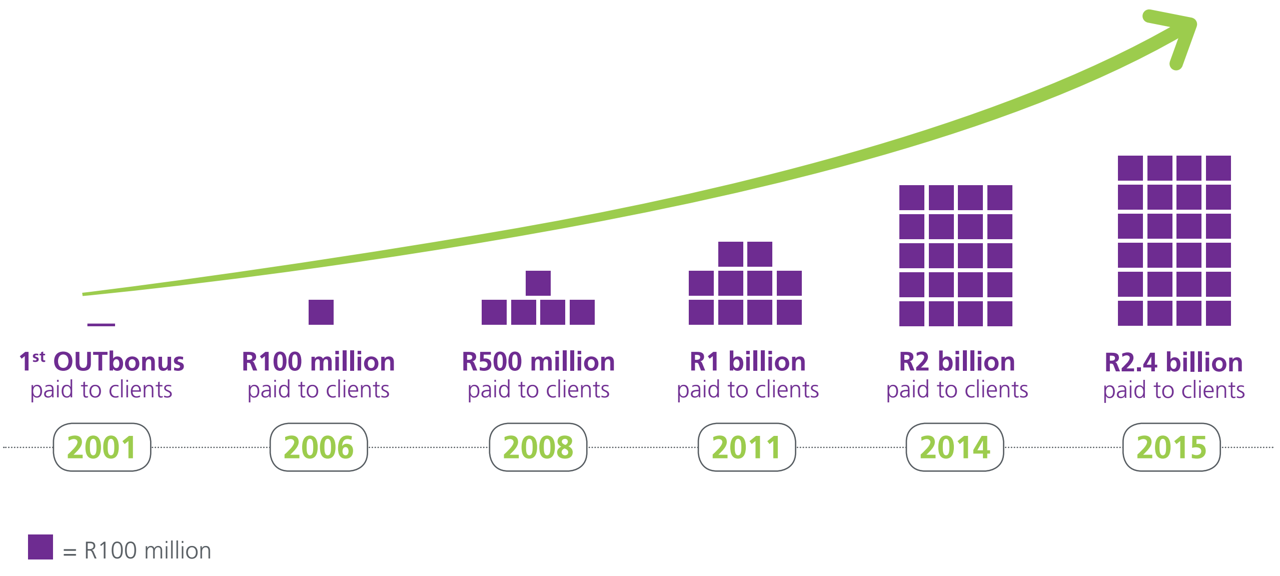
Our clients

29% GROWTH
IN OUR AUSTRALIAN CLIENT BASE DURING 2015 FINANCIAL YEAR

The total number of live policies in the Group at the end of the 2015 financial year was 14% more than 2014 and we also saw 29% growth in our Australian client base during the 2015 financial year. The value of awesome service is instilled in staff from their first day of training and throughout all levels of our business. We believe in growing a sustainable business by ensuring our clients always get something out. We are very proud of the R2.4 billion paid to loyal Southern African clients in OUTbonus pay-outs to date.

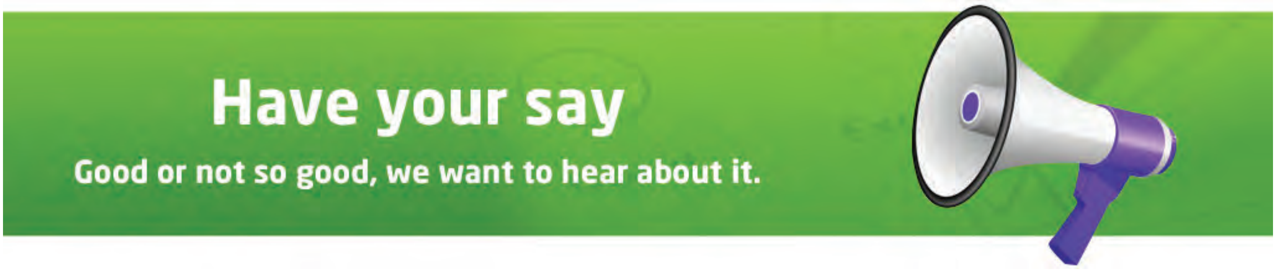
	2015	2014	2013	% change (2014/2015)
Number of live policies ('000)	**1 851**	1 624	1 321	14.0%
OUTbonus value paid out per annum (R'000)	**341 400**	335 525	328 008	1.8%

R2.4 billion paid to loyal Southern African clients in OUTbonus pay-outs to date.




We get how you use
or don't use your car.
It could
save
you lots.
1
youi
you.insured
car home contents

Service feedback



We encourage honest client feedback through an online survey feedback system that allows us to track comments and take appropriate action. This ensures that we monitor the service experience of our clients through a dedicated department that responds to queries and tracks progress to ensure that these matters are resolved in a timely manner.

	2015	2014	2013	% change (2014/2015)
OUTsurance Customer Satisfaction Index ("CSI")	**87.9%**	88.6%	89.1%	(0.8%)
Youi Customer Satisfaction Index ("CSI")	**90.8%**	91.1%	94.8%	(0.3%)

Our Customer Satisfaction Index ("CSI") is based on an automated e-mail survey following each sale, policy amendment or claim. Clients are asked to evaluate the service delivery of the specific advisor they dealt with by selecting either: awesome, good, acceptable, bad or very bad. The CSI is then calculated by subtracting the percentage "detractors" (sum of the bad and very bad responses) from the percentage "promoters" (sum of the good and awesome responses). The CSI figure excludes social media feedbacks.

95%

OUTSURANCE COMPLIMENT RATIO

86%

YOUI COMPLIMENT RATIO

It has been two years since both Youi and OUTsurance opened their websites to client feedback. Clients can share and discuss on our TALK@OUT and Youi walls on our websites. The feedback we receive and our response are posted for everyone to see.

The Ombudsman for Short-term Insurance ("OSTI") published industry statistics for 54 insurers in their 2014 annual report. This is an independent body where clients can submit complaints if they feel that they have not been treated fairly or when a client feels that a decision made in respect of a claim was incorrect. The report shows that OUTsurance did extremely well by comfortably beating the industry average for both the referral rate and overturn rate. Industry figures are published on the website of the Ombudsman for Short-term Insurance **(www.osti.co.za)**.

	OUTsurance	Industry
Claims received by insurers (FSB statistics)	290 010	2 984 224
Number of complaints received by OSTI per thousand claims	2/1 000	3/1 000
Overturn rate	13.8%	30.8%
Number of claims decisions overturned per 10 000 claims[1]	2/10 000	10/10 000

[1] Company calculated amount, derived from expressing number of OSTI complaints and overturn rate per 10 000 claims.

Our clients are saving the world one page at a time. To reduce carbon emissions, our clients are encouraged to choose the e-mail option rather than hard copies. Client policy documentation is also available on our website **(www.outsurance.co.za)** for download.

Our electronic document ratio ("EDR") measures the total number of electronic policy documents distributed to clients expressed as a percentage of all the documents sent to clients. Our EDR is 86.4% if we exclude our welcome packs that include the towing sticker for vehicles.

	2015	2014	2013	% change (2014/2015)
Electronic document ratio ("EDR")	**80.8%**	77.2%	76.4%	4.7%
EDR excluding "sticker" letters	**86.4%**	83.5%	81.9%	3.5%

Our service providers

WE CURRENTLY HAVE MORE THAN **2 100** SERVICE PROVIDERS THROUGHOUT SOUTH AFRICA

OUTsurance is committed to Broad-Based Black Economic Empowerment ("B-BBEE"). Preferential procurement includes consideration of, amongst others:

- Black ownership, management and employment equity, and;
- Procurement of products and services from B-BBEE rated companies.

Our clients rate the service they receive from our service providers on customer surveys sent out via e-mail after each and every claim. The valuable feedback is provided to our service providers on a regular basis.

	2015	2014	2013	% change (2014/2015)
Preferential procurement[1]	**91.5%**	94.8%	95.4%	(3.5%)
South Africa service provider CSI ratio	**87.3%**	87.3%	85.0%	0.0%
Australia service provider CSI ratio	**81.2%**	82.6%	83.0%	(1.7%)

[1] The score is expressed as a percentage of total possible points available. The figure is externally calculated and confirmed by AQRate (B-BBEE verification agency). Our full B-BBEE certificate can be found on our website.

The CSI score is calculated by subtracting the percentage negative scores ("bad" and "very bad" responses) from the positive scores ("acceptable", "good" and "awesome" responses). The CSI figure excludes social media feedbacks.

We have a host of web-based and mobile applications to enhance the efficiency of our service provider interactions.

User friendly mobile applications for iOS and Android devices can be downloaded by our service providers and used to do inspections on cars, motorcycles, trailers, caravans and even watercrafts. This project does not only allow us to save paper, but also avoids the risk of stolen inspection books, reduces the risk of vehicles being cloned and speeds up the process as the completed inspection is instantly delivered electronically and automatically attached to the correct facility.

Our community

STAFF HELPING SA OUT

Giving back to the community is an integral part of the Group's culture. The Staff Helping SA OUT initiative provides support to the less fortunate. Employees have an opportunity to contribute towards the initiative by means of a monthly salary deduction. Our staff donated more than R330 000, over and above other equally important donations for projects. A further 1 525 blankets were donated and handed out to various people and organisations that were in need during winter.

Our staff members donated 2 702 hours of their time volunteering to make South Africa a better place to live in.


PHILILE PROJECT


BLANKET PROJECT


DASSENBERG PROJECT


BLANKET PROJECT

	2015	2014	2013	% change (2014/2015)
Staff Helping SA OUT (R'000)	**821**	655	973	25.3%
Employee payroll giving (R'000)	**330**	237	237	39.2%

Youi took part in 12 charity projects during 2015; these projects crossed three countries and over $10 000 (R93 600) was raised towards these worthy causes. Projects are selected based on passion, involvement and impact. The hands-on effort of the staff in these projects far outweighs the monetary contribution.

SOUTH AFRICA DONATED **1 084** BLOOD UNITS

YOUI AUSTRALIA DONATED **315** BLOOD UNITS

YOUI NEW ZEALAND DONATED **103** BLOOD UNITS

BLOOD DRIVE

Blood donations have become part of the OUTsurance culture. The South African National Blood Service brings their mobile units to the OUTsurance campus for staff to conveniently donate blood at work. In 2015, 98 new donors joined the cause to be a hero and save a life.

	2015	2014	2013	% change (2014/2015)
Units blood donated	**1 084**	1 156	1 059	(6.2%)
New blood donors	**98**	165	137	(40.6%)

WE CURRENTLY HAVE
144
FRIENDLY TRAFFIC POINTSMEN

POINTSMEN

Leading by example, OUTsurance does not hold back when giving to the community and caring about our communities. Our involvement in this project ensures that we continue helping to alleviate traffic congestion, contribute towards road safety and create job opportunities in underprivileged communities. We currently have 144 friendly traffic pointsmen on the busiest corners of our cities and with the OUTsurance App, motorists can suggest a location where pointsmen are needed and they will be there to make your day.

	2015	2014	2013	% change (2014/2015)
Total pointsmen programme spend (R'000)	**28 779**	28 504	22 373	1.0%
Total number of OUTsurance pointsmen	**144**	156	132	(7.7%)

What is greenhouse gas ("GHG")?

GHG's are relevant when we measure our carbon footprint as they "retain heat" and keep the earth warm like a blanket. Excessive GHG emissions keep the earth too warm and disturb the delicate balance required for sustainable life on mother earth. The human activities that are contributing to disturbing the GHG balance of the atmosphere are called anthropogenic emissions.

There are different types of GHG's and they vary in terms of their impact on earth, also referred to as the global warming potential ("GWP"). It is important to convert the different types of GHG's into a measurement that will allow us to compare apples with apples. That is the purpose of expressing what we measure in terms of "tonnes of carbon dioxide equivalent" ("TCO_2e"). Carbon dioxide ("CO_2") is a common GHG which is produced when something that contains carbon (C) combusts in an atmosphere that contains oxygen ("O_2"). We use various conversion factors for each type of emission to get to the TCO_2e we show in the carbon footprint table.

The TCO_2e in the table on page 40 is simply: the (global warming potential) x (tonnes of specific GHG).

The GHG Protocol (www.ghgprotocol.org/) divides GHG's into three scopes based on their sources and whether there is direct or indirect emission of GHG's:

SCOPE 1

includes all our **direct GHG emissions**

SCOPE 2

are the **indirect GHG emissions associated with the consumption of purchased electricity or heat,** in other words, the forms of energy that we buy

SCOPE 3

are all the **other indirect emissions**, including the transport-related activities in vehicles not owned or controlled by us, waste disposal, etc.

The scopes on the previous page are also indicated in the carbon emissions calculated for the Group as summarised in the table below:

SCOPE DETAIL

Scope	source	2015 Emissions TCO_2e	2014 Emissions TCO_2e	2013 Emissions TCO_2e	2015 % of total	2015/2014 Variance
1	Fleet petrol	**851**	1 048	1 878	6.8%	(19%)
1	Fleet diesel	**457**	492	255	3.7%	(7%)
1	Generator diesel	**35**	75	44	0.3%	(53%)
1	Liquid petroleum gas	**23**	16		0.2%	44%
1	R22 refrigerants	**262**	185	81	2.1%	42%
1	R410A refrigerants	**10**	29	17	0.1%	66%
2	Electricity – Generated	**7 807**	9 259	9 813	62.6%	(16%)
3	Electricity – Transmission and distribution	**836**	1 001	–	6.7%	16%
3	Actual paper (kg) Used	**4**	4	3	0.0%	–
3	Business air (Domestic)	**409**	354	169	3.3%	16%
3	Business air (International)	**253**	207	377	2.0%	22%
3	Employee claimed – Petrol	**1 273**	1 364	1 918	10.2%	(7%)
3	Employee claimed – Diesel	**252**	302	339	2.0%	(17%)

SCOPE SUMMARY

Scope	description	2015 TCO_2e	2014 TCO_2e	2013 TCO_2e	2015 % of Total	2015/2014 Variance
1	Business fleet fuels and refrigerants	**1 639**	1 845	2 276	13%	(11%)
2	Electricity	**7 807**	9 259	9 813	63%	(16%)
3	Paper used, scope 3 electricity, business air and road travel	**3 026**	3 232	2 806	24%	(6%)

TOTAL EMISSIONS

	2015	2014	2013	2015/2014 Variance
Total carbon emissions per annum (TCO_2e)	**12 472**	14 336	14 894	(13%)
Number of employees	**4 436**	4 036	3 329	10%
TCO_2e per employee	**2.8**	3.6	4.5	22%
Total number of person hours worked (HW)*	**8 091 264**	7 361 664	6 072 096	10%
TCO_2e / HW**	**0.0015**	0.0019	0.0025	(21%)

* *Calculated: 1 824 HW multiplied by number of employees at year-end.*
** *Average volume of carbon emissions per person hour worked.*

We continuously endeavour to keep our carbon footprint as low as possible. Various initiatives are in place to minimise our impact on the environment.

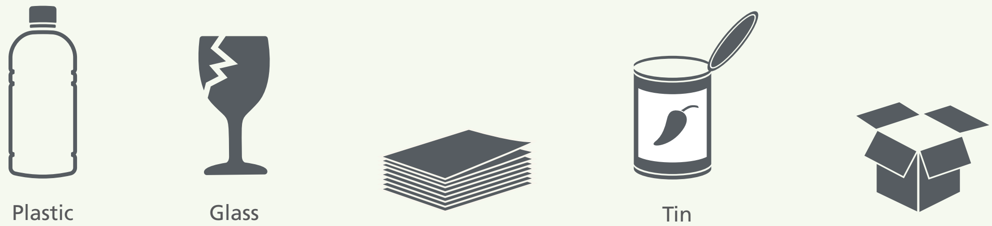
Apart from our recycling efforts, we employ other energy saving projects, and improved facilities management processes produced good results in this regard. This includes carbon reducing projects such as using geyser timers, energy saving LED lights and air-conditioning that deactivates during periods of inactivity. Night-watchman Enterprise Solutions are used to power off our idle call centre computers outside business hours.

An overall reduction of our carbon footprint is evident from the above table from the previous two years, despite the growth shown in our business and the number of employees. Electricity represents the biggest part of our carbon footprint and we have managed to reduce our footprint by 16% in the last year. Our electricity footprint was in fact 20% lower in 2015 compared to 2013.

During 2015, we recycled more paper (in kg) than what we bought due to staff also being more conscious about our environment and recycling personal waste. OUTsurance continues ensuring a better and greener environment for generations to come through our recycling initiatives and have seen a consistent increase in total recycled waste over the past three years. We continue saving trees as a result of our innovative strategies in giving our clients the best service, making OUTsurance a great company to work for and making it easier for our service providers to do fast, reliable and secure online transactions that require the least amount of paper possible.

Our commitment to saving the environment is also evident with our Australian operations where we started a project that involved removing all general waste bins from the business and replacing them with centrally located recycling and general waste bins. We were able to recycle over 9 300 kg of waste.

WE RECYCLE OUR WASTE IN AN ENVIRONMENTALLY FRIENDLY MANNER THROUGH CERTIFIED RECYCLERS.



Plastic recycled **2 855 kg**

Glass recycled **1 593 kg**

Paper recycled **19 433 kg**

Tin recycled **3 245 kg**

Cardboard recycled **10 948 kg**

South African environmental savings	2015	2014	2013	% change (2014/2015)
Recycled waste savings	**R148 156**	R153 349	R138 962	(3%)
Trees saved	**334**	339	301	(1%)
Kilolitres of water saved	**516**	521	457	(1%)
KW of energy saved	**70 733**	85 630	70 849	(17%)
KG of pollutants out of atmosphere	**528**	531	473	(1%)
Cubic metres of landfill saved	**73**	74	67	(1%)

INTERNAL AUDIT ASSURANCE STATEMENT

OUTsurance Holdings internal audit performed an agreed upon procedural review of the information outlined on pages 27 – 41 with the objective to give limited assurance on the selected non-financial information presented based on the procedures performed.

The following items were excluded from the scope of our procedures:

- B-BBEE skills development and procurement spend was audited by AQRate as part of the annual verification process.
- Statistics reported on in terms of overturn rates of complaints is based on the published Ombudsman's annual report for Short-term Insurance for the period January to December 2014.
- The audit report focuses on the sustainability reporting process and not the underlying areas reported on.

Based on the results of the work performed, internal audit confirms that:

- Information which required improvement was identified and all suggested changes were corrected.
- Quantifiable material statements were verified against supporting documentation.
- OUTsurance shows continued improvement and refinement on its method of collecting data regarding its stakeholder engagement.
- Nothing has come to our attention that suggests that the reported sustainability information has not been prepared correctly for all material quantifiable information.

Marius Bothma
Chief Audit Executive

24 July 2015

This is **WHERE** *it all happens*

OUTSURANCE
HEAD OFFICE

YOUI
NEW ZEALAND
HEAD OFFICE

YOUI
AUSTRALIA
HEAD OFFICE

We look out for your
home and contents.
So you can
focus
on other
things.
youi
you.insured
car home contents

Group annual financial statements

for the year ended 30 June 2015

The reports and statements set out below comprise the consolidated annual financial statements presented to the shareholders:

Statement of responsibility by the board of directors

In accordance with Companies Act requirements, the directors of OUTsurance Holdings Limited are responsible for the preparation of the financial statements which conform with International Financial Reporting Standards ("IFRS") and, in accordance with IFRS, fairly present the financial position of the Group and Company as at the end of the financial year and the comprehensive income and cash flows for that period.

It is the responsibility of the Group's independent external auditors to report on the fair presentation of the financial statements. Their unqualified report appears on page 51.

The directors are ultimately responsible for the Group's system of internal control. Management enables the directors to meet these responsibilities. Standards and systems of internal control are designed and implemented by management to provide reasonable assurance as to the integrity and reliability of the financial statements in terms of IFRS and to adequately safeguard, verify and maintain accountability for Group assets. Accounting policies supported by judgements, estimates and assumptions which comply with IFRS are applied on a consistent and going concern basis.

Systems and controls include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties. Systems and controls are monitored throughout the Group.

Based on the information and explanations given by management, internal audit and the audit, risk and compliance committee, the directors are of the opinion that the accounting controls are adequate and that the financial records may be relied upon for preparing the financial statements in accordance with IFRS and maintaining accountability for the Group's assets and liabilities. Nothing has come to the attention of the directors to indicate that any breakdown in the functioning of these controls, resulting in material loss to the Group and Company, has occurred during the year and up to the date of this annual report.

The directors have a reasonable expectation that the Group and Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

The preparation of the financial statements for the year ended 30 June 2015 was supervised by JH Hofmeyr (chief financial officer) of the OUTsurance Holdings Group. The financial statements have been audited in compliance with section 30(2)(a) of the Companies Act, 71 of 2008.

The financial statements for the year ended 30 June 2015 prepared in accordance with IFRS which appear on pages 52 – 154, were approved by the board of directors on 27 August 2015 and are signed on its behalf by:

LL Dippenaar
Chairman

Signed: Sandton

Date: 27 August 2015

P Cooper
Non-executive director

Signed: Sandton

Date: 27 August 2015

Certificate by the Group company secretary

for the year ended 30 June 2015

As company secretary, I hereby confirm, in terms of section 88(2)(e) of the Companies Act of 2008, that for the year ended 30 June 2015, the Group and Company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of this Act and that all such returns are true, correct and up to date.

AH WILSON
Company secretary

Signed: Centurion

Date: 27 August 2015

Directors' report

NATURE OF THE BUSINESS

OUTsurance Holdings Limited ("the Company") is a public company and the holding company of the OUTsurance Holdings Limited Group ("the Group"). The Group conducts short-term and long-term insurance business and related investment activities. Homeowners' cover is provided to clients with mortgages at FirstRand Bank Limited via a profit sharing arrangement. The Group also provides a cell captive insurance facility to FirstRand Group divisions for specific cell captive needs. Long-term insurance is provided to individuals in the form of credit protection policies and fully underwritten life policies.

The Group is based in South Africa and has international operations in Australia, New Zealand and Namibia.

An organogram of the Group is provided on page 2 of this annual report.

ANNUAL REPORT

The board acknowledges responsibility for the integrity of this annual report. The board believes that this annual report fairly represents the performance of the Group and Company.

GROUP RESULTS

A general review of the financial results of the Group and Company and the operations of its major subsidiaries is provided in the executive review on page 6. The results are presented in the statement of profit and loss and other comprehensive income on page 52. A segmental analysis is provided on page 97.

DIVIDENDS

Ordinary dividend

The following ordinary cash dividends were declared in respect of the 2015 financial year:

	Year ended 30 June	
Cents per share	**2015**	2014
Interim (declared 28 February 2015)	**14,50**	12,00
Final (declared 27 August 2015)	**16,00**	15,50
	30,50	27,50

The final dividend is payable on 2 October 2015 to shareholders registered on 29 September 2015.

ORDINARY SHARE CAPITAL

Details of the holding company's authorised and issued share capital is provided in note 24 to the financial statements.

There were no changes to the authorised or issued share capital during the course of the financial year.

SHAREHOLDER ANALYSIS

The following shareholders have a beneficial interest of 5% or more in the issued share capital of the holding company:

	2015	2014
Firness International (Pty) Limited[1]	**83.4%**	45.0%
RMI Holdings Limited	**–**	38.4%
OUTsurance Investment Trust	**6.4%**	6.4%
WT Roos[2]	**5.1%**	5.1%

[1] Firness International (Pty) Limited is a wholly owned subsidiary of RMI Holdings Limited. During the financial year, RMI Holdings Limited disposed of its interest in OUTsurance Holdings Limited to its wholly owned subsidiary, Firness International (Pty) Limited.

[2] Direct beneficial interest of 2.8% and indirect beneficial interest via the OUTsurance Investment Trust of 2.3%.

EVENTS SUBSEQUENT TO REPORTING DATE

The directors are not aware of any material events that have occurred between the date of the statement of financial position and the date of this annual report.

DIRECTORATE AND PRESCRIBED OFFICERS

The following individuals were directors of the holding company throughout the period under review:

		Date appointed
Mr LL Dippenaar	(Chairman)	27/01/1998
Mr H Aron	(CEO)	30/04/2001
Mr WT Roos	(CEO)	30/04/2001
Mr MC Visser	(alternate to H Aron)	20/08/2009
Mr P Cooper		11/05/2000
Mr PR Pretorius		27/01/1998
Mr NL Nightingale		08/03/1999
Ms J Madavo		08/11/2004
Mr G Marx		20/08/2008
Mr AW Hedding		28/05/2013
Mr F Knoetze		19/02/2014
Mr K Pillay		19/02/2014

The following individuals were prescribed officers of the Group throughout the period under review:

Mr H Aron	(Joint Group CEO)
Mr WT Roos	(Joint Group CEO)
Mr MC Visser	(Group Chief Actuary)
Mr E Gouws	(CEO of OUTsurance Insurance Company Limited)
Mr JH Hofmeyr	(Group CFO)

Please refer to page 19 for the register of board meeting attendance.

DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS

Details of directors' and prescribed officers' remuneration is provided in note 35 to the financial statements.

AUDIT, RISK AND COMPLIANCE COMMITTEE REPORT

The report of the audit, risk and compliance committee appears on pages 22 to 23.

MANAGEMENT BY THIRD PARTIES

The directors had no interest in any third party or company responsible for managing any of the business activities of the Group except to the extent that they are shareholders in Rand Merchant Insurance Holdings Limited which has management control over OUTsurance Holdings Limited.

DIRECTORS' INTEREST IN CONTRACTS

During the financial year, no contracts were entered into in which directors or officers of the company had an interest and which significantly affected the business of the Group.

PROPERTY AND EQUIPMENT

There is no change in the nature of the property and equipment of the Group or in the policy regarding their use during the year, other than that described below.

INSURANCE

The Group adequately protects itself against the occurrence of specified events. The level of insurance cover is commensurate with the size and stature of the Group.

SUBSIDIARIES AND ASSOCIATES

Interests in subsidiaries and associates are disclosed in note 18 and 19 of the financial statements.

COMPANY SECRETARY AND REGISTERED ADDRESS

The company secretary is Mr AH Wilson whose addresses are:

Business address:
1241 Embankment Road
Zwartkop Ext 7
Centurion
0157

Postal address:
PO Box 8443
Centurion
0046

Report of the independent auditors

TO THE SHAREHOLDERS OF OUTSURANCE HOLDINGS LIMITED

We have audited the consolidated and separate financial statements of OUTsurance Holdings Limited set out on pages 52 – 154, which comprise the statements of financial position as at 30 June 2015 and the statements of profit and loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The Company's directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa, and for such internal 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.

Auditor's Responsibility

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

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

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

Opinion

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

Other reports required by the Companies Act

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

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: FJ Krüger
Registered Auditor

Johannesburg

27 August 2015

Consolidated statement of profit and loss and other comprehensive income

for the year ended 30 June 2015

	Notes	2015 R'000	2014 R'000
Gross insurance premium written	5	**12 468 507**	10 351 566
Outward reinsurance premiums		**(555 005)**	(336 111)
Net premiums written		**11 913 502**	10 015 455
Change in provision for unearned premiums	25	**(765 573)**	(774 224)
Earned premiums, net of reinsurance		**11 147 929**	9 241 231
Commission income		**18 744**	–
Other income	6	**10 329**	7 305
Investment income	7	**406 186**	327 468
Net (losses)/gains from fair value adjustments on financial assets	8	**(54 312)**	1 609
Income		**11 528 876**	9 577 613
Claims on insurance contracts net of reinsurance	9	**(5 831 263)**	(4 472 586)
Gross insurance contract claims incurred		**(6 554 744)**	(4 745 462)
Reinsurers' share of insurance contract claims		**723 481**	272 876
Non-claims bonuses on insurance contracts	25	**(315 157)**	(300 686)
Acquisition expenses	10	**(34 634)**	(28 744)
Marketing and administration expenses	11	**(3 149 384)**	(2 485 155)
Transfer to policyholder liabilities under insurance contracts		**(41 351)**	(19 840)
Fair value adjustment to financial liabilities		**(200 642)**	(190 810)
Result of operating activities		**1 956 445**	2 079 792
Finance charges	12	**(465)**	(1 188)
Equity accounted earnings from associate	19	**15 026**	10 398
Profit before taxation		**1 971 006**	2 089 002
Taxation	13	**(631 770)**	(622 546)
Net profit for the year		**1 339 236**	1 466 456
Other comprehensive income			
Fair value gains on available-for-sale financial instruments	8	**16 538**	40 638
Deferred income tax relating to available-for-sale financial instruments		**(3 087)**	(16 152)
Exchange differences on foreign operations		**(141 592)**	125 554
Total comprehensive income for the year		**1 211 095**	1 616 496
Net profit attributable to:			
Ordinary shareholders		**1 346 204**	1 445 288
Non cumulative non redeemable preference shareholders		**–**	5 824
Equity holders of the Group		**1 346 204**	1 451 112
Non-controlling interest		**(6 968)**	15 344
Net profit for the year		**1 339 236**	1 466 456
Total comprehensive income attributable to:			
Ordinary shareholders		**1 218 063**	1 595 328
Non cumulative non redeemable preference shareholders		**–**	5 824
Equity holders of the Group		**1 218 063**	1 601 152
Non-controlling interest		**(6 968)**	15 344
Total comprehensive income for the year		**1 211 095**	1 616 496

Consolidated statement of financial position

at 30 June 2015

	Notes	2015 R'000	2014 R'000
ASSETS			
Property and equipment	17	**520 642**	514 195
Employee benefits	27	**64 100**	106 712
Investment in associate	19	**32 775**	25 589
Reinsurers' share of insurance contract provisions	25	**568 845**	112 404
Deferred acquisition costs	25	**332 434**	336 114
Financial assets			
Fair value through profit and loss	20	**2 804 989**	2 452 364
Available-for-sale	20	**1 305 922**	1 265 149
Loans and receivables	21	**1 955 614**	1 425 949
Deferred income tax	22	**188 295**	220 266
Tax receivable		**526**	2 321
Cash and cash equivalents	23	**4 072 772**	3 437 023
TOTAL ASSETS		**11 846 914**	9 898 086
EQUITY			
Capital and reserves attributable to equity holders			
Share capital	24	**34 843**	34 642
Share premium	24	**249 923**	163 296
Other reserves			
Share-based payment reserve		**2 914**	–
Foreign currency translation reserve		**183 498**	325 090
Available-for-sale reserve		**83 824**	70 373
Retained earnings		**4 019 227**	3 722 442
Total shareholders' equity		**4 574 229**	4 315 843
Non-controlling interest	18	**136 344**	137 608
TOTAL EQUITY		**4 710 573**	4 453 451
LIABILITIES			
Insurance contract liabilities	25	**5 936 745**	4 474 525
Employee benefits	27	**138 287**	110 992
Share based payment liability	29	**147 151**	130 272
Financial liabilities at fair value through profit and loss	28	**107 063**	105 488
Tax liabilities		**42 016**	23 714
Financial liabilities at amortised cost			
Insurance and other payables	26	**765 079**	599 644
TOTAL LIABILITIES		**7 136 341**	5 444 635
TOTAL EQUITY AND LIABILITIES		**11 846 914**	9 898 086

Consolidated statement of changes in equity

for the year ended 30 June 2015

Group	Share capital R'000	Share premium R'000	Available-for-sale reserves R'000
Balance as at 30 June 2013 (restated)	34 403	108 796	45 887
Total comprehensive income for the year	–	–	24 486
Profit attributable to minorities	–	–	–
Issue of share capital	239	54 500	–
Repurchase of preference shares	–	–	–
Share-based payment expense	–	–	–
Issue of shares to minorities	–	–	–
Preference dividend paid	–	–	–
Ordinary dividend paid (Note 16)	–	–	–
Balance as at 30 June 2014	**34 642**	**163 296**	**70 373**
Total comprehensive income for the year	**–**	**–**	**(37 555)**
Impairment of available-for-sale financial assets	**–**	**–**	**51 006**
Loss attributable to minorities	**–**	**–**	**–**
Issue of share capital	**201**	**86 627**	**–**
Share option expense transferred to retained earnings	**–**	**–**	**–**
Share-based payment expense	**–**	**–**	**–**
Issue of shares to minorities	**–**	**–**	**–**
Ordinary dividend paid (Note 16)	**–**	**–**	**–**
Balance as at 30 June 2015	**34 843**	**249 923**	**83 824**

Foreign currency translation reserve R'000	Share-based payments reserve R'000	Retained earnings R'000	Total ordinary shareholders' interest R'000	Total preference shareholders' interest R'000	Non-controlling interest R'000	Total R'000
199 536	–	3 194 997	3 583 619	200 500	–	3 784 119
125 554	–	1 466 456	1 616 496	–	–	1 616 496
–	–	(15 344)	(15 344)	–	15 344	–
–	–	–	54 739	–	–	54 739
–	–	–	–	(200 500)	–	(200 500)
–	–	491	491	–	–	491
–	–	–	–	–	122 264	122 264
–	–	(5 824)	(5 824)	–	–	(5 824)
–	–	(918 334)	(918 334)	–	–	(918 334)
325 090	–	3 722 442	4 315 843	–	137 608	4 453 451
(141 592)	–	1 339 236	1 160 089	–	–	1 160 089
–	–	–	51 006	–	–	51 006
–	–	6 968	6 968	–	(6 968)	–
–	–	–	86 828	–	–	86 828
–	–	(3 631)	(3 631)	–	–	(3 631)
–	2 914	–	2 914	–	–	2 914
–	–	–	–	–	5 704	5 704
–	–	(1 045 788)	(1 045 788)	–	–	(1 045 788)
183 498	2 914	4 019 227	4 574 229	–	136 344	4 710 573

Consolidated statement of cash flows

for the year ended 30 June 2015

	Notes	2015 R'000	2014 R'000
OPERATING ACTIVITIES			
Cash generated by operations	30	**3 115 048**	3 209 891
Finance charges		**(465)**	(1 188)
Taxation paid	31	**(594 089)**	(555 270)
Share option expense transferred to retained earnings		**(3 631)**	–
Ordinary dividends paid		**(1 045 788)**	(918 334)
Preference dividends paid	32	**(199 067)**	(201 571)
Cash inflow from operating activities		**1 272 008**	1 533 528
INVESTING ACTIVITIES			
Intellectual property			
Payments		**(26 900)**	(115 215)
Settlements		**671**	383
Property and equipment acquired to maintain operations		**(139 505)**	(151 986)
Proceeds on disposal of property and equipment		**651**	563
Proceeds on disposal of financial assets		**4 130 569**	3 963 245
Purchase of financial assets		**(4 510 624)**	(3 883 348)
Cash outflow from investing activities		**(545 138)**	(186 358)
FINANCING ACTIVITIES			
Repurchase of preference shares		**–**	(200 500)
Proceeds from issue of shares to non-controlling interest		**5 704**	122 264
Purchase of treasury shares by share scheme participants		**104 012**	72 755
Purchase of treasury shares by share trust		**(17 184)**	(18 015)
Cash inflow/(outflow) from financing activities		**92 532**	(23 496)
Increase in cash and cash equivalents		**819 402**	1 323 674
CHANGE IN CASH AND CASH EQUIVALENTS			
Opening balance of cash and cash equivalents		**3 437 023**	1 933 587
Effect of exchange rate on cash and cash equivalents		**(183 653)**	179 763
Increase in cash and cash equivalents		**819 402**	1 323 673
Closing balance of cash and cash equivalents	23	**4 072 772**	3 437 023

Notes to the consolidated financial statements

1. GENERAL INFORMATION

OUTsurance Holdings Limited ("the Company"), its subsidiaries and associate (collectively forming "the Group") is a financial services Group offering both short-term and long-term insurance products. The Group has operations in South Africa, Australia, New Zealand and Namibia.

OUTsurance Holdings Limited is an unlisted public company and a subsidiary of Rand Merchant Insurance Holdings Limited.

The financial statements were authorised for issue by the directors on 27 August 2015.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies were consistent with that of the prior year, unless where stated under the relevant accounting policy.

2.1 Basis of presentation

The Group financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS").

The financial statements are prepared in accordance with the going concern principle using the historical cost basis except for certain financial assets and liabilities where it adopts the fair value basis of accounting. Such financial assets and liabilities include financial assets and liabilities held for trading; financial assets classified as available-for-sale; and financial instruments elected to be carried at fair value through profit and loss. The South African life insurance liabilities are valued based on the Financial Soundness Valuation ("FSV") method as detailed in the Standard of Actuarial Practice ("SAP") 104 issued by the Actuarial Society of South Africa ("ASSA").

The preparation of the financial statements necessitates the use of estimates, assumptions and judgements that affect the reported amounts in the statement of financial position and the statement of profit and loss and other comprehensive income. Where appropriate, details of estimates are presented in the accompanying notes to the financial statements. All monetary information and figures presented in these financial statements are stated in thousands of Rand (R'000), unless otherwise indicated.

The Group adjusts comparative figures to conform to changes in presentation in the current year. For details refer to note 36.

2.1.1 Amendments to published standards effective in the current year:

During the year new accounting standards, interpretations and amendments were adopted by the Group for the first time, including:

- IFRS 1: *First-time Adoption of International Financial Reporting Standards* (Effective from 1 July 2014) – The basis for conclusions on IFRS1 is amended to clarify that, where a new version of a standard is not yet mandatory but is available for early adoption; a first-time adopter can use either the old or the new version, provided the same standard is applied in all periods presented. The standard did not have a significant impact on the Group.
- IFRS 2: *Share based payment* (Effective for all annual periods beginning on or after 1 July 2014) – The amendment clarifies the definition of a 'vesting condition' and separately defines 'performance condition' and 'service condition'. The standard did not have a significant impact on the Group.
- IFRS 8: *Operating segments* (Effective for all annual periods beginning on or after 1 July 2014) – The standard is amended to require disclosure of the judgements made by management in aggregating operating segments. This includes a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics. The standard is further amended to require a reconciliation of segment assets to the entity's assets when segment assets are reported. The amendment did not have an impact on the Group as the Group has already adopted the IFRS.
- IFRS 10: *Consolidated Financial Statements* (Effective for all annual periods beginning on or after 1 January 2014) – This amendment to IFRS 10 defines investment entities and requires that investment entities not be consolidated but rather accounted for at fair value under IFRS 9 *Financial Instruments* or IAS 39 *Financial Instruments: Recognition and Measurement.* The standard did not have a significant impact on the Group.
- IFRS 13: *Fair Value Measurement* (Effective for all annual periods beginning on or after 1 July 2014) – The amendment clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including non-financial contracts) within the scope of IAS 39 or IFRS 9. The standard did not have a significant impact on the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

2.1 Basis of presentation continued

2.1.1 Amendments to published standards effective in the current year continued:

- IAS 19: *Employee Benefits* (Effective for all annual periods beginning on or after 1 July 2014) – Employee Contributions issued, was amended to provide additional guidance on the accounting for contributions from employees or third parties set out in the formal terms of a defined benefit plan. The amendments did not have an impact on the Group as the Group has no defined benefit plans.
- IAS 24: *Related party disclosures* (Effective for all annual periods beginning on or after 1 July 2014) – The standard is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity'). The amendment did not have an impact on the Group as the Group has already adopted IFRS.
- IAS 27: *Separate Financial Statements* (revised 2011) (Effective for all annual periods beginning on or after 1 January 2014) – this standard has been amended to include a requirement to account for interests in investment entities as defined in IFRS 10, under IFRS 9 *Financial Instruments,* or IAS 39 *Financial Instruments: Recognition and Measurement,* in the separate financial statements of a parent. The standard did not have a significant impact on the Group.
- IAS 32 (amended) *Financial Instruments: Presentation* (Annual periods commencing on or after 1 January 2014) – Arises from the amendments to IFRS 7 which requires additional disclosure regarding set-off. The amendments clarify the application of certain offsetting criteria in IAS 32 namely, the meaning of legally enforceable right of set-off; and that some gross settlement systems would be considered equivalent to net settlement if they eliminate or result in insignificant credit and liquidity risk and process receivables and payments in a single settlement process. The amendment did not have an impact on the Group as the Group has no instruments that are set-off or have rights subject to set-off.
- IAS 40: *Investment property* (Effective for annual periods beginning on or after 1 July 2014) – The standard is amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive. The guidance in IAS 40 assists preparers to distinguish between investment property and owner-occupied property. The amendment did not have an impact on the Group.
- IFRIC 21: *Levies* (Annual periods commencing on or after 1 January 2014) – This is an interpretation of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and clarifies that the obligating event that gives rise to a liability to pay a levy imposed by government (other than income taxes) is the activity described in the relevant legislation that triggers the payment of the levy. The interpretation did not have a significant impact on the Group.

2.1.2 Standards, amendments and interpretations published that are not yet effective and have not been early adopted by the Group:

The following new standards and interpretations to the existing standards are not yet effective for the current financial year. The Group will comply with the new standards and interpretations from the effective date:

- IFRS 9: *Financial Instruments* (The Standard has a mandatory effective date for all annual periods beginning on or after 1 January 2018, but earlier adoption is permitted) – New standard arising from the IASB's three-part project replaces IAS 39 *Financial Instruments: Recognition and Measurement*. The three phases are: phase 1: Classification and measurement (completed); phase 2: Impairment methodology (completed) and phase 3: Hedge accounting (completed). Phase 1 only deals with the classification and measurement of financial assets and includes guidance on financial liabilities and derecognition of financial instruments. Financial assets can be classified as financial assets at amortised cost or fair value. The classification is based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. The accounting and presentation for financial liabilities and for derecognising a financial instrument has been relocated from IAS 39: *Financial Instruments: Recognition and Measurement* without change, except for financial liabilities that are designated at fair value through profit or loss. Phase 2 replaces the rule-based hedge accounting requirements in IAS 39 to more closely align the accounting with risk management activities. Phase 3 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduce significant improvements, principally by aligning the accounting more closely with risk management. The Group is yet to assess IFRS 9's full impact but material reclassifications are not expected for the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

2.1 Basis of presentation continued

2.1.2 Standards, amendments and interpretations published that are not yet effective and have not been early adopted by the Group continued:

- IFRS 11: *Joint Arrangements* (Effective for all annual periods beginning on or after 1 January 2016) – Amended by Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11). There is no impact on the Group as the Group has no joint ventures.
- IFRS 15: *Revenue from Contracts with Customers* (The Standard has a mandatory effective date for all annual periods beginning on or after 1 January 2017, but earlier adoption is permitted) – New standard arising from the IASB's and FASB's joint project. The core principle of the new standard is to recognise revenue as depicting the transfer of goods or services to customers in amounts that reflect the consideration expected to be received in exchange for those goods or services. The new Standard also sets out enhanced disclosures about revenue and provides guidance on certain transactions that were not previously dealt with in sufficient detail. The Group is yet to assess IFRS 15, but no material impact is expected for the Group.
- IAS 1: *Presentation of financial statements* (Effective for annual periods beginning on or after 1 January 2016) – In December 2014 the IASB issued amendments to clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. The Group is yet to assess the full impact of IAS 1's amendment on the consolidated financial statements.
- IAS 16: *Property, plant and equipment* (Effective for annual periods beginning on or after 1 January 2016) – In this amendment the IASB has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an asset. The amendment does not have an impact on the Group.
- IAS 19: *Employee Benefits* Discount rate: regional market issue (Effective for all annual periods beginning on or after 1 January 2016) – Clarifies that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid (thus, the depth of the market for high quality corporate bonds should be assessed at currency level). The amendment does not have an impact on the Group.
- IAS 27: *Equity Method in Separate Financial Statements* (Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted) – The IASB issued *Equity Method in Separate Financial Statements* (Amendments to IAS 27) on 12 August 2014. The amendment reinstates the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. The Group is yet to assess IAS 27, but no material impact is expected for the Group.
- There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

Annual Improvements Project:

- As part of its annual improvements project the IASB made amendments to a number of accounting standards. The aim is to clarify and improve the accounting standards. The improvements include those involving terminology or editorial changes with minimal effect on recognition and measurement. The annual improvement project for 2012 – 2014 cycle issued is effective for annual periods beginning on or after 1 January 2016, early adoption is permitted. These amendments have not had a significant impact on the Group's results nor has it resulted in the restatement of prior year numbers.
- The IASB's annual improvements project (for the 2014 – 2016 cycle), designed to provide a streamlined process for dealing efficiently with a collection of amendments to IFRSs. An exposure draft is expected in the second quarter of 2015 but early application is permitted, and must be applied retrospectively. The annual improvement project's aim is to clarify and improve the accounting standards. The improvements include clarifications or removal of unintended inconsistencies between IFRSs. There are no significant changes in the improvement projects that are expected to affect the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

2.1 Basis of presentation continued

2.1.3 Other potential accounting developments:

The IASB have issued the following exposure drafts which, if issued as standards, could materially impact the Group's current financial position:

- Insurance contracts
- Leases

Both the insurance contracts and leases exposure drafts were re-exposed in the first half of 2014. Given the significant comments received on both of these exposure drafts, re-deliberations on these projects by the IASB will continue during 2015.

2.2 Consolidated financial statements

The consolidated financial statements include the assets and liabilities of the holding company and all of its subsidiary companies. The results of the OUTsurance Holdings Share Trust are also fully consolidated.

2.2.1 Subsidiary companies

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group applies the acquisition method of accounting to account for the acquisition of subsidiaries. The consideration transferred for the acquisition of a subsidiary is measured at fair value of the assets transferred, equity instruments issued by the Group and liabilities incurred to the former owner or liabilities assumed at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the acquisition date fair value of any existing equity interest held in the subsidiary. The contingent asset or liability is initially measured at fair value at acquisition date. A contingent obligation to pay a contingent consideration is classified as equity or debt. The contingent asset or liability is subsequently measured at fair value with fair value changes recognised against the acquisition cost, where they qualify as the measurement period adjustment as per IFRS 3 as recognised in accordance with the IFRS applicable to that asset or liability. Contingent considerations that are classified as equity are not re-measured after acquisition date. Transaction costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at acquisition. The excess of the consideration transferred over the amount of any non-controlling interest in the subsidiary and the acquisition-date fair value of any previous equity interest in the subsidiary over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired as in the case of a bargain purchase, the difference is recognised directly in the statement of profit and loss and other comprehensive income.

Gains and losses on disposal of subsidiaries are presented separately on the statement of profit and loss and other comprehensive income. Investments in subsidiary companies in the separate financial statements of the holding company are held at cost less any required impairment (which is assessed annually). Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group and when necessary, the amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

2.2 Consolidated financial statements continued

2.2.2 Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

2.2.3 Non-controlling interest

Non-controlling interest can be measured at either:

- the proportionate share in the fair value of the identifiable net assets of the subsidiary at acquisition date; or
- fair value at acquisition date.

This measurement choice is not an accounting policy choice and the Group will apply this at acquisition date per business combination transaction.

Non-controlling interests are treated as equity participants of the subsidiary company. Therefore, all transactions of the Group with non-controlling interests in their capacity as owners, where there is no change in control, are treated as transactions within equity. In such transactions the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Group. Gains and losses on disposals to non-controlling interests are also recorded in equity.

2.2.4 Associates

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in associates are accounted for using the equity method of accounting, from the effective date of acquisition to the effective date of disposal. The investment is initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss. The Group assesses at each reporting period whether there is objective evidence that an associate or joint venture is impaired. If such evidence of impairment exists, the entire carrying amount, including the goodwill, is tested for impairment in terms of IAS 36.

The Group's share of its associates' earnings is recognised in the statement of profit and loss and other comprehensive income and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. The Group discontinues equity accounting when the carrying amount of the investment in an associate reaches zero, unless it has incurred obligations or guaranteed obligations in favour of the associated undertaking.

The Group resumes equity accounting only after its share of the profits equals the share of losses not recognised. The Group increases the carrying amount of investments with its share of the associate's income when equity accounting is resumed.

Equity accounting is discontinued from the date that the Group ceases to have significant influence over the associate. The Group measures at fair value any investment it has retained in the entity when significant influence is lost and recognises the resulting gain or loss in profit or loss. The gain or loss is measured as the difference between the fair value of this retained investment and the carrying amount of the original investment at the date significant influence is lost.

After discontinuing equity accounting, the Group accounts for any retained investment in the entity in accordance with the relevant IFRS as appropriate. The Group also applies the requirements of IAS 39 to determine whether there are any indicators of impairment. If such indicators are found to be present the requirements of IAS 36 are applied in testing the investment for impairment and determining the amount of any additional impairment loss with respect to the net investment in the associate as well as other exposures to the investee.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated, unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, adjustments were made to the accounting policies of associates to ensure consistency with the policies adopted by the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

2.3 Classification of insurance contracts

Contracts issued by the Group are governed by the relevant insurance legislation of the country in which the Group operates. Contracts under which the Group accepts significant insurance risk from another party (the policyholder), by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary, are classified as insurance contracts. Insurance risk is risk other than financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable, that the variable is not specific to a party to the contract. Insurance contracts may also transfer some financial risk.

The classification of contracts is performed at the inception of each contract. The classification of the contract at inception remains the classification of the contract for the remainder of its lifetime unless the terms of the contract change to such an extent that it necessitates a change in classification.

2.4 Recognition and measurement of insurance contracts

2.4.1 Short-term insurance

Short-term insurance provides benefits under short-term policies, typically one year or less, under which the Group accepts significant insurance risks from the policyholder if the policyholder incurs losses relating to uncertain future events such as mechanical breakdown of equipment, theft, fire, weather-related events, fraud, third party claims etc.

Premiums

Gross premiums written 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. Outward reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct insurance business assumed. The earned portion of premiums received is recognised as revenue. Premiums relating to a future accounting period are included in unearned premium provision. Premiums are earned from the date of attachment of risk, over the indemnity period, based on the pattern of risks underwritten. Outward reinsurance premiums are recognised as an expense in accordance with the pattern of indemnity received.

Gross premium includes insurance related fee income which relates to policy fees, collection fees and take-on fees charged in the ordinary course of the underwriting of short-term insurance policies.

Unearned premium provision

All short-term insurance contracts have even risk profiles. The provision for unearned premiums represents the proportion of the current year's premiums written that relate to risk periods extending into the following year, computed separately for each insurance contract using the 365th method.

Insurance contract 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 Group's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date whether reported or not. Estimates are calculated based on the most recent cost experience of similar claims and includes an appropriate risk margin for unexpected variances between the actual cost and the estimate. Where applicable, deductions are made for salvage and other recoveries. Salvage proceeds are generated upon the successful salvage of damaged insured items after the settlement of the underlying claim. Recoveries are settlements from third parties as a result of involvement in a claim incident for which the third party is responsible. Recoveries are disclosed net of liabilities where the Group settles a third party claim on behalf of the client, where the client is responsible for causing a loss to a third party. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

2.4 Recognition and measurement of insurance contracts continued

2.4.1 Short-term insurance continued

Outstanding insurance contract claims

Provision is made on a prudent basis for the estimated final costs of:

- claims notified but not settled at year end, using the best information available at that time. Estimates provide for claims handling expenses, inflation as well as a risk margin to allow for uncertainty in the development of claims estimates; and
- claims incurred at year end but not reported until after that date ("IBNR"), using historical experience and the best information available at the time. Estimates provide for inflation, claims handling expenses as well as a risk margin to allow for the uncertainty in the development of such claims.

Claims handling expenses include all costs directly attributable to the administration of an insurance claim and includes the cost of claims assessments.

Reinsurance

The Group cedes reinsurance in the normal course of business for the purpose of limiting its net loss potential through the diversification of its risks. Reinsurance arrangements do not relieve the Group from its direct obligations to its policyholders. Premiums ceded and claims reimbursed are presented in the statement of profit and loss and other comprehensive income and statement of financial position separately from the gross amounts. Only reinsurance agreements that give rise to a significant transfer of insurance risk are accounted for as reinsurance contracts. Amounts recoverable under such reinsurance contracts are recognised in the same year as the related claim. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after initial recognition, that the Group may not recover all amounts due and that the impact of the event on the amounts that the Group will receive from the reinsurer can be measured.

Reinsurance assets are held on the statement of financial position in connection with outstanding claims provisions at the amount of the expected recovery that will be made once the outstanding claim is finalised.

Liabilities adequacy test for unexpired risk liabilities

At the end of the reporting period, the adequacy of the unearned premium liabilities is assessed against the present value of the expected future cash flows resulting from potential future claims relating to unexpired periods of insurance contracts in force at the end of the reporting period, plus an additional risk margin to reflect the inherent uncertainty of the central estimate (liability adequacy test). If the unearned premium liabilities, less deferred acquisition costs, are deficient, then the resulting deficiency is recognised immediately in profit or loss. Reinsurance is taken into account, where appropriate.

The deficiency is recognised first by writing off any deferred acquisition costs and thereafter any excess is recognised as unexpired risk liabilities in the statement of financial position.

Non-claims bonuses on insurance contracts

The Group provides for its contractual obligation per the contract of insurance to pay a non-claims bonus to a client in the event that the client remains claim free for a specified period of time. To derive the best estimate of the expected future cash flows, the non-claims bonus percentage per the contract of insurance is adjusted for the following factors:

- The bonus percentage is reduced to allow for the probability that the client may claim (and hence forfeit eligibility for the OUTbonus) over the OUTbonus cycle.
- The bonus percentage is reduced to allow for the probability that the client will cancel during the OUTbonus cycle.
- A risk margin is added to allow for the uncertainty relating to the above claims and lapse assumptions.
- Where the impact of discounting is considered to be material, the expected future obligation is discounted to the present value using an appropriate discount rate reflecting the time value of money.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

2.4 Recognition and measurement of insurance contracts continued

2.4.2 Long-term insurance

Benefits are provided under long-term policies for credit protection and underwritten life. Benefits are recorded as an expense when they are incurred.

Policyholder liabilities

Long-term insurance contracts are valued in accordance with the Financial Soundness Valuation ("FSV") method as detailed in the Standard of Actuarial Practice ("SAP") 104 issued by the Actuarial Society of South Africa ("ASSA").

The FSV basis is a prospective, discounted cash flow basis calculated as the difference between the present value of future benefit payments and expenses and the present value of future premiums and investment income. The liability is based on assumptions of the best estimate of future experience, plus compulsory margins as prescribed by SAP 104. In addition to the compulsory margins, discretionary margins may be added to protect against possible future adverse experience.

Discretionary margins are specifically allowed for to zerorise negative reserves which may arise from the FSV calculation. Such a margin is allowed for after allowing for the acquisition costs as described in 2.4.3.

The zerorisation of negative reserves ensures that profit and risk margins allowed for in premium income are not recognised before it is probable that future economic benefits will flow to the entity.

The compulsory and discretionary margins allowed for in the measurement of the liability are contained in note 25.

Refer to note 25 for the calculation basis and the specific assumptions used to calculate the policyholder liabilities.

Premiums

Gross premiums comprise the premiums as received on insurance contracts during the year. Premiums are disclosed before the deduction of commission.

Gross premium includes insurance related fee income which relates to policy fees, collection fees and take on fees charged in the ordinary course of the underwriting of long term insurance policies.

Reinsurance

The Group cedes reinsurance in the normal course of business for the purpose of limiting its net loss potential through the diversification of its risks. Reinsurance arrangements do not relieve the Group from its direct obligations to its policyholders. Premiums ceded and claims reimbursed are presented in the statement of profit and loss and other comprehensive income and statement of financial position separately from the gross amounts. Only reinsurance agreements that give rise to a significant transfer of insurance risk are accounted for as reinsurance contracts. Amounts recoverable under such reinsurance contracts are recognised in the same year as the related claim. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after initial recognition, that the Group may not recover all amounts due and that the impact of the event on the amounts that the Group will receive from the reinsurer can be measured.

Insurance contract claims incurred

Claims on long-term insurance contracts, which include death, disability, critical illness and retrenchment, payments are charged to the statement of profit and loss and other comprehensive income on notification of a claim. The estimated liability for compensation owed to policyholders is based on the sum assured. Claims which have been reported but which are outstanding at the reporting date are recognised in insurance and other payables. Reinsurance recoveries are accounted for in the same period as the related claim.

Incurred but not reported claims

Provision is made in the policyholders' liabilities under insurance contracts, on the statement of financial position, for the estimated cost at the end of the year for claims incurred but not reported at that date. These liabilities are not discounted due to the short-term nature of the outstanding claims.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

2.4 Recognition and measurement of insurance contracts continued

2.4.2 Long-term insurance continued

Liability adequacy test

At each reporting date the adequacy of the insurance liabilities is assessed. If that assessment shows that the carrying amount of its insurance liabilities (as measured under the FSV basis) net of any related intangible present value of acquired in-force business ("PVIF") assets is inadequate in light of the estimated future cash flows (based on the best estimate basis underlying the FSV basis, but excluding compulsory margins as described in SAP 104 as well as any additional discretionary margins), the deficiency is recognised immediately in profit and loss.

Cash bonuses on insurance contracts

The expected non-claims cash bonuses to be paid in the future to policyholders on fulfilment of certain claims-related conditions are taken into account in the FSV per SAP 104.

2.4.3 Deferred acquisition costs

Short-term insurance contracts

Directly attributable acquisition costs include advertising and other selling and underwriting costs incurred in generating insurance premium revenue. These acquisition costs are deferred as a deferred acquisition cost ("DAC") asset and are amortised systematically over the contractual term of the policy.

Acquisition costs which are deferred are recognised as an asset. The amount of the asset is limited to the amount by which the related unearned premiums exceed the present value of future expected claims plus settlement and policy maintenance costs relating to the policies in force at the reporting date. Where a shortfall exists, the DAC asset is written down and any remaining excess is recognised as unexpired risk liabilities in the statement of financial position.

Acquisition costs on policies with an effective contractual term of one month or less are expensed as incurred.

Long-term insurance contracts

Acquisition costs represent all costs directly attributable to the underwriting and acquiring of long-term insurance contracts. These costs are expensed as incurred. The FSV method for valuing insurance contracts allows for the implicit deferral of acquisition costs by valuing future policy changes / premiums levied for recouping these costs and recognising day one profits up to the amount of acquisition costs and hence no explicit deferred acquisition cost asset is recognised in the statement of financial position for these contracts. The level of day one profits is determined with reference to directly attributable acquisition costs.

The level of acquisition costs deferred is compared to the negative reserve (excluding directly attributable acquisition costs) available on each individual policy. Where the implicit DAC, the day one gains arising on the deferral of the directly attributable acquisition costs, is greater than the negative reserve available on the policy, the deferral of directly attributable acquisition costs is limited to the negative reserve. Where the DAC is less than the negative reserve, the deferral is limited to the amount of DAC.

2.5 Accounting for profit sharing arrangements

A profit sharing arrangement has been entered into between OUTsurance Insurance Company Limited and FirstRand Bank Limited. In terms of this profit sharing arrangement, ninety percent of the operating profit generated on the homeowners' insurance business referred by FirstRand Bank Limited businesses is paid to FirstRand Bank Limited by way of a bi-annual preference dividend. Operating losses incurred are for OUTsurance Insurance Company Limited's account. OUTsurance Insurance Company Limited however, retains the right to offset such losses against future profits generated in the determination of any preference dividends to be paid to the preference shareholder.

These shareholders for preference share dividends are accounted for as a financial liability on the face of the statement of financial position. The profit attributable to the preference shareholder is the fair value movement and the payment of a dividend is treated as a partial settlement of the liability.

The profitability of the profit sharing business is reviewed on a monthly basis to ensure that the Group is not exposed to uneconomical risks over which it has no day-to-day management control.

The policy for the recognition and measurement of insurance contracts applied to the profit sharing arrangements is similar to the policy under 2.4 above.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

2.6 Accounting for cell captive arrangements

Cell captive arrangements have been entered into with businesses within the FirstRand Limited and MMI Holdings Limited Groups. Per these cell captive arrangements, certain risk products marketed and distributed by these companies are underwritten by OUTsurance Insurance Company Limited. Economic benefits generated by the cell are distributed by way of a bi-annual preference dividend to the preference shareholder, an entity independent of the cell. Losses incurred by the cell are for OUTsurance Insurance Company Limited's account and there is no recourse against the cell for such losses. OUTsurance Insurance Company Limited however, retains the right to offset such losses against future profits generated by the cell in the determination of any preference dividends to be paid to the preference shareholder.

These shareholders for preference share dividends are accounted for as a financial liability on the face of the statement of financial position. The profit attributable to the preference shareholder is the fair value movement and the payment of a dividend is treated as a partial settlement of the liability.

The profitability of cell captive business is reviewed on a monthly basis to ensure that the Group is not exposed to uneconomical risks over which it has no day-to-day management control.

The policy for the recognition and measurement of insurance contracts applied to the cell captives is similar to the policy under 2.4 above.

The cell captive business was transferred on 31 March 2015 to RMB Structured Insurance (RMBSI), a subsidiary of RMI Holdings Limited.

2.7 Segment reporting

The Group's products and services are managed by various business units along geographical lines and product categories. The segment information is presented by each distinct revenue-generating area representing groups of similar products, consistent with the way the Group manages the business. Given the nature of operations, there are no major single customers within any of the segments. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers when making operating decisions and for allocating resources and assessing performance. Certain reporting adjustments are provided separately to reconcile to IFRS reported earnings.

2.8 Foreign Currency

2.8.1 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in South African Rand (R), which is the functional and presentation currency of OUTsurance Holdings Limited.

None of the Group entities operate in a hyper-inflationary environment.

2.8.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities in foreign currencies are translated to South African Rand using the rates of exchange ruling at the financial year-end. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit and loss and other comprehensive income.

2.8.3 Group companies

The results and financial position of the Group entities, that have a functional currency different from the presentation currency, are translated into South African Rand as follows:

- assets and liabilities for each reporting date presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of profit and loss and other comprehensive income are translated at the average exchange rate for the year. If this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction date, the income and expenses are translated at the transaction date rate; and
- all resulting exchange differences are recognised as a separate component of other comprehensive income (foreign currency translation reserve).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

2.8 Foreign Currency continued

2.8.3 Group companies continued

When a foreign operation is partially disposed of or sold, and control is lost, the Group's portion of the cumulative amount of the exchange differences that were recorded in other comprehensive income are reclassified from other comprehensive income to profit or loss when the gain or loss on disposal is recognised. For partial disposals where control is retained, the Group re-attributes the proportionate share of the cumulative exchange differences recognised in other comprehensive income to the non-controlling interest of the foreign operation.

2.9 Assets, liabilities and provisions

Assets are recognised when the Group obtains control of a resource as a result of past events, from which it is probable that future economic benefits will flow to the Group and which can be measured reliably.

Liabilities are recognised when the Group has a present obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

Provisions, excluding provisions under short-term and long-term insurance contracts, are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense.

2.10 Property and equipment

Property and equipment is carried at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of property and equipment. Depreciation is calculated on historical cost using the straight-line basis over the expected useful lives of the assets.

Annual reviews of the residual values and useful lives of the assets are conducted in order to evaluate the continued appropriateness of the above policy. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is immediately written down to its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains or losses on disposals are determined by comparing sales proceeds with the carrying amount of the asset, and are included in the statement of profit and loss and other comprehensive income. Repairs and renewals are charged to the statement of profit and loss and other comprehensive income when the expenditure is incurred.

Depreciation

Depreciation is calculated using the straight-line method to allocate cost to the residual values over the estimated useful lives, as follows:

Building fixtures and owner-occupied property	between 20 and 50 years
Computer equipment and software	2 to 5 years
Furniture, fittings and office equipment	5 to 6 years
Motor vehicles	5 years
Land is not depreciated	

Owner-occupied properties

Owner-occupied properties are held by the Group for use in the supply of services or, for its own administration purposes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

2.11 Impairment review – Non financial assets

A periodic review of the carrying amount of the Group's assets is conducted and, where there are indications that the value of an asset may be impaired, an impairment loss is recognised. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The difference between the carrying amount and the recoverable amount is charged to profit or loss for the year in which the impairment is identified, to reduce the carrying amount of such impaired asset to its estimated recoverable amount. Should an event occur after the recognition of an impairment, which increases the recoverable amount of the previously impaired asset, the impairment of the asset, or a portion thereof, is reversed through profit and loss. The adjusted carrying value will not exceed what the carrying value would have been had the impairment not have been recognised before.

2.12 Financial instruments

2.12.1 General

The Group recognises a financial asset or a financial liability on its statement of financial position when and only when, it becomes a party to the contractual provisions of the instrument.

The Group classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss;
- loans and receivables;
- available-for-sale financial assets; and
- held-to-maturity investments.

Financial liabilities are classified in the following categories:

- financial liabilities at fair value through profit or loss; and
- financial liabilities at amortised cost.

Management determines the classification of its financial instruments at initial recognition. Financial instruments are initially recognised at fair value plus transaction costs for all financial instruments not carried at fair value through profit or loss. Financial instruments carried at fair value through profit and loss are initially recognised at fair value, and transaction costs are expensed in the statement of profit and loss and other comprehensive income.

Available-for-sale financial assets and financial instruments at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest rate method, less any impairment. Gains and losses arising from changes in the fair value of the financial instruments at fair value through profit or loss are included in the statement of profit and loss and other comprehensive income in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in other comprehensive income, until the financial asset is derecognised or impaired, at which time the cumulative gain or loss previously recognised in other comprehensive income is recognised in the profit for the year as gains and losses from investment securities. However, interest calculated on available-for-sale financial assets using the effective interest rate method is recognised in the statement of profit and loss and other comprehensive income as part of interest income. Dividends on available-for-sale equity instruments are recognised in the statement of profit and loss and other comprehensive income when the entity's right to receive payment is established and are included in investment income.

The fair values of financial assets quoted in active markets are based on current market prices. The fair values of financial liabilities quoted in active markets are based on current ask / offer prices. Alternatively, fair values are derived from cash flow models or other appropriate valuation models where an active market does not exist. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

The Group recognises purchases and sales of financial instruments that required delivery within the time frame established by regulation or market convention (regular way purchases and sales) at settlement date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

2.12 Financial instruments continued

2.12.2 Financial instruments at fair value through profit and loss

This category has two sub categories: financial instruments held for trading, and those designated at fair value through profit and loss at initial inception.

A financial instrument is classified as a trading instrument if acquired principally for the purpose of selling in the short-term or if it forms part of a portfolio of financial assets in which there is evidence of short-term profit taking. Derivatives are also categorised as held for trading unless they are designated as effective hedges.

Financial assets and liabilities are designated on initial recognition as at fair value through profit and loss to the extent that it produces more relevant information because it either:

- results in the reduction of measurement inconsistency (or accounting mismatch) that would arise as a result of measuring assets and liabilities and the gains and losses on them on a different basis; or
- is a group of financial assets and/or financial liabilities that is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and this is the basis on which information about the assets and/or liabilities is provided internally to the entity's key management personnel; or
- is a financial asset or liability containing significant embedded derivatives that clearly require bifurcation.

Financial assets designated at fair value through profit and loss at initial recognition comprise various investments in money market instruments including collective investment schemes.

Financial liabilities designated at fair value through profit and loss comprise preference shares held by cell captives where the dividends are accrued monthly and paid six monthly on a profit sharing arrangement.

These financial assets and liabilities were designated at fair value through profit and loss due to the fact that the investments are managed, reported on and the performance thereof, is evaluated on a fair value basis in accordance with an investment strategy.

2.12.3 Available-for-sale financial assets

Available-for-sale investments are non-derivative financial assets that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Financial assets classified as available-for-sale comprise:

- Listed preference shares;
- Unlisted preference shares;
- Listed ordinary shares; and
- Listed debt instruments.

The Group recognises gains and losses arising from changes in the fair value of available-for-sale assets in other comprehensive income. It recognises interest income on these assets as part of interest income based on the instrument's original effective interest rate. Interest income is excluded from the fair value gains and losses reported in other comprehensive income. When the investment securities are disposed of or impaired, the related accumulated fair value adjustments are included in the statement of profit and loss and other comprehensive income as gains and losses from investment securities.

2.12.4 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and receivables comprise loans advanced by the Group and trade and other receivables. Loans advanced by the Group are measured at amortised cost using the effective interest rate method.

Trade and other receivables originated by the Group are initially recognised at fair value and subsequently carried at amortised cost using the effective interest rate method. If considered necessary, a provision is made for doubtful receivables based on a review of all outstanding amounts at year end. Bad debts are written off in the year in which they are identified.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

2.12 Financial instruments continued

2.12.5 Financial liabilities at amortised cost

Financial liabilities are measured at amortised cost and interest is recognised over the period of the contract using the effective interest rate method.

2.12.6 Offsetting financial instruments

Financial assets and liabilities are offset, and the net amount reported in the statement of financial position only when there is a current legally enforceable right to offset the two amounts and there is an intention and ability to settle on a net basis or to realise the asset and settle the liability simultaneously, in accordance with IAS 32.

2.12.7 Derecognition

The Group derecognises a financial asset when:

- the contractual rights to the asset expires; or
- where there is a transfer of the contractual rights to receive the cash flows of the financial asset; or
- the Group retains the contractual rights of the assets but assumes a corresponding liability to transfer these contractual cash flows to another party and consequently transfers substantially all the risks and benefits associated with the asset.

The Group derecognises a financial liability when it is extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expires. A substantial modification of the terms and conditions of an existing financial liability or part of an existing financial liability is accounted for as an extinguishment of the original financial liability and recognition of a new one.

2.12.8 Impairment of financial assets

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount.

Financial assets carried at amortised cost

The carrying amounts of the Group's financial assets are reviewed periodically to determine whether there is any indication of impairment. Objective evidence that a financial asset is impaired includes observable data that comes to the attention of the Group about the following events:

- Significant financial difficulty of the issuer or debtor;
- A breach of contract, such as a default or delinquency in payments;
- It becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified for the individual financial assets in the group, including:
  - Adverse changes in the payment status of issuers of debtors in the group; or
  - National or local economic conditions that correlate with defaults on the assets in the group.

If there is objective evidence that an impairment loss has been incurred on loans and receivables or held-to-maturity investments carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of profit and loss and other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

2.12 Financial instruments continued

2.12.8 Impairment of financial assets continued

Available-for-sale financial assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the statement of profit and loss and other comprehensive income, is removed from other comprehensive income and recognised in the profit for the year. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit and loss and other comprehensive income, the impairment loss is reversed through the profit for the year. Impairment losses recognised in the statement of profit and loss and other comprehensive income on equity instruments are not reversed through the net profit for the year.

2.13 Cash and cash equivalents

Cash and cash equivalents include cash at hand and short-term deposits held with banks. All balances included in cash and cash equivalents have a maturity date of less than three months from the date of acquisition.

Short-term deposits with banks are considered to be instruments which are highly liquid and have maturity dates of not more than three months from the reporting date. Short-term deposits which cannot be accessed within this period are classified as financial assets.

2.14 Share capital

Ordinary shares are classified as equity when there is no obligation to transfer cash or other assets. Ordinary shares and non redeemable non cumulative preference shares together with share premium are classified as equity. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of taxation.

Treasury shares

Where the OUTsurance Holdings Share Trust purchases the Group's equity share capital, the consideration paid is deducted from total shareholders' equity as treasury shares until they are reissued or cancelled.

On consolidation, the cost of the shares acquired is deducted from equity. Subsequently, any proceeds on the re-issue or cancellation of these shares is recognised directly in shareholder's equity.

Any net income in relation to treasury shares is eliminated in the Group's results. Dividends paid in respect of treasury shares are similarly eliminated in the Group's results.

Dividends paid

Dividends payable on ordinary shares are recognised in equity in the period in which there is unconditional certainty that the dividend will become payable, which would include approval of the dividend declaration by the Group's Board of directors, regardless of whether the formalities of the payment thereof have been finalised. Dividends declared after the reporting date are not recognised but disclosed as a post reporting date event.

2.15 Current and Deferred Income tax

The income tax expense for the period comprises current and deferred tax. Current tax comprises tax payable as calculated on the basis of the expected taxable income for the year, using tax rates substantively enacted at the reporting date. Adjustments to provisions made for tax payable in previous years as a result of a change in the estimated amount payable, or to the extent that actual assessments differ from the provision created in prior years, are charged or credited to the current year statement of profit and loss and other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

2.15 Current and Deferred Income tax continued

Deferred tax is provided using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss, it is not accounted for. Where a different tax rate will be applicable to the tax year in which such assets or liabilities are realised, those tax rates are used to determine deferred income tax. Deferred tax is charged or credited to the profit for the year, except where the underlying transaction is accounted for directly in other comprehensive income, in which case the attributable deferred tax is charged or credited directly to other comprehensive income.

The deduction of short-term insurance provisions is limited for the purposes of calculating taxable income in that assessable losses cannot be created through those deductions. These provisions are however recognised in full for accounting purposes and, to the extent that accounting losses arise, deferred tax assets are created as these will be reversed upon the release of such short-term insurance provisions.

Deferred tax assets relating to the carry-forward of unused tax losses are recognised in the statement of profit and loss and other comprehensive income to the extent that it is probable that future taxable income will be available against which the unused tax losses can be utilised.

Taxation in respect of South African life insurance operations is determined using the four fund method applicable to life insurance companies.

Indirect taxes comprise Value Added Tax. All transactions are accounted for net of the relevant Value Added Tax component.

Tax is recognised in the statement of profit and loss and other comprehensive income in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it is recognised in other comprehensive income or changes in equity.

2.16 Employee benefits

Short-term employee benefits

The undiscounted cost of all short-term employee benefits is recognised during the period in which the employee renders the related service. The provision for employee entitlements to salaries, annual and sick leave represent the amount which the Group has a present obligation to pay, as a result of employees' services provided up to the reporting date. The provision is calculated at undiscounted amounts based on current salary rates. A provision for employee benefits in respect of their annual leave entitlement from past service is recognised in full.

Employees may elect to adopt a remuneration structure to allow for a non-discretionary bonus. Non-discretionary bonuses are provided for at reporting date.

Post-employment benefits

The Group's employees contribute to the OUTsurance Insurance Company defined contribution pension and provident funds. Under defined contribution plans, the legal or constructive obligation of the Group is limited to the contributions made to the plan, thus benefits received by the employee is determined by the contributions made to the plan together with investment returns arising from the contributions. The pension plans are funded by payments from employees taking into account the recommendations of independent qualified actuaries. The amount paid in respect of defined contribution pension and provident fund plans during the year is charged to the statement of profit and loss and other comprehensive income and is included in employment cost. The Group has no further payment obligations once contributions have been made.

Intellectual property bonuses

In terms of the intellectual property bonus plan, employees were paid intellectual property bonuses based on management's discretion. The beneficiaries under the plan, which included executive directors, executive management, senior and middle management employed on a full-time basis, were subject to retention periods and amounts to be repaid should the employee be in breach of the retention period. The intellectual property bonuses are recognised as current service costs over retention periods ranging from six months to three years and are originally valued using the projected credit unit method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

2.17 Share-based payments

The Group operates both equity and cash-settled share incentive schemes.

Equity-settled share-based payment transactions

The Group operates an equity-settled share based compensation plan for employees of the Youi Holdings Pty Limited Group.

The Group expenses the fair value of the employee services received in exchange for the grant of the options, over the vesting period of the options, as employee costs, with a corresponding credit to equity. The total value of the services received is calculated with reference to the fair value of the options on grant date.

The fair value of the options is determined excluding non-market vesting conditions. These vesting conditions are included in the assumptions of the number of options expected to vest. At each reporting date, the Group revises its estimate of the number of options expected to vest. The Group recognises the impact of the revision of original estimates, if any, in the statement of profit and loss and other comprehensive income, with a corresponding adjustment to equity.

Amounts recognised for services received if the options granted do not vest because of failure to satisfy a vesting condition, are reversed through the statement of profit and loss and other comprehensive income.

The proceeds received net of any attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Cash-settled share-based payment transactions

The Group operates a cash-settled share based compensation plan for employees of OUTsurance Insurance Company Limited and OUTsurance Life Insurance Company Limited for notional shares (share appreciation rights) issued after 1 July 2010.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit for the year.

2.18 Share Trust

The OUTsurance Holdings share incentive scheme is operated through a Share Trust. The Share Trust is considered to be a structured entity of the Group and therefore consolidated. All shares issued to the Share Trust are issued against the Share Trust loan which is measured at fair value. Cash payments and receipts relating to Share Trust transactions are debited and credited directly to the Share Trust loan.

2.19 Accounts payable

Trade and other payables are recognised when the Group has a present obligation arising from past events, the settlement of which is expected to result in an outflow of economic benefits from the Group. Trade and other payables are carried at amortised cost.

2.20 Operating Leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentive received from the lessor) are charged to the statement of profit and loss and other comprehensive income on a straight-line basis over the period of the lease. When an operating lease is terminated, any payment required by the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

2.21 Revenue and investment income recognition

Interest

Interest income is recognised in the statement of profit and loss and other comprehensive income under investment income for instruments measured at amortised cost using the effective interest rate method. Interest on cash and cash equivalents is recognised as earned.

Dividends

Dividends are recognised in investment income when the right to receive payment is legally established. This is on the "last day to trade" for listed shares and on the "date of declaration" for unlisted shares. In the case of certain cumulative prime rate linked preference share investments, dividends are accrued for using the effective interest rate method regardless of the status of their declaration. This accounting treatment is consistent with the provisions of the agreements governing such investments.

Commission and insurance related fee income

Commission and insurance related fee income is recognised when the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the company and the contractual conditions for the rendering of the related service have been met. Commission income relates to commission earned on the placement of reinsurance treaties.

2.22 Non-current assets and disposal groups held for sale

Non-current assets and disposal groups 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 non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

When the Group is committed to a sale plan involving the disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met. Any retained portion of an investment in an associate or joint venture that has not been classified as held for sale is accounted for using the equity method until disposal of the portion that is classified as held for sale takes place.

After the disposal takes place, the Group accounts for any retained interest in the associate or joint venture in accordance with IAS 39 unless the retained interest continues to be an associate or a joint venture, in which case the Group uses the equity method.

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

2.23 Government grants

Grants from the government are recognised at their fair value when there is a reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants relating to costs are recognised in the statement of profit and loss and other comprehensive income over the period necessary to match them with the costs they are intended to compensate.

3. MANAGEMENT OF RISK AND CAPITAL

3.1 Risk management framework

The Group has developed an Enterprise Risk Management framework to provide reasonable assurance that the Group's risks are being prudently and soundly managed. The framework is designed according to acceptable principles on Corporate Governance and Risk Management standards. The risk management framework outlines the key risks facing the business and how these risks are monitored.

Risk and governance oversight is provided by the OUTsurance Holdings Board, OUTsurance Holdings Audit, Risk and Compliance Committee, OUTsurance Holdings Investment Committee, OUTsurance Reinsurance Committee and the OUTsurance Holdings Risk Committee, the latter three being internal management committees.

3.1.1 Changing regulatory and business landscape

The companies in our Group operate in an ever changing regulatory business landscape. There are a number of new and on-going regulatory projects which will continue to impact the Group in the medium term. The changes are also expected to have an impact on the Group's solvency requirements, financial reporting and the way it conducts its business.

The Group's Board of directors and management are actively monitoring and preparing for the possible implications of these various regulatory and legislative changes. The Group seeks positive and constructive engagement with its various regulators and policymakers, both directly and through appropriate participation in industry forums, to partner with them in ensuring optimal regulatory outcomes for our industry and all its stakeholders.

The main changes anticipated having significant impacts particularly on South African and in some instances international operations are briefly described below.

3.1.1.1 International Financial Reporting Standards ("IFRS") 4 Phase II

The recognition and measurement of insurance liabilities is currently the focus of IFRS 4 Phase II, the International Accounting Standards Board ("IASB") project on the accounting for insurance contracts. Although various decisions on principles regarding measurement have been tentatively agreed by the IASB, there is still debate and uncertainty around the methodologies used to value participating contracts and transitional arrangements on adoption of the IFRS. The IASB published a revised exposure draft on insurance contracts in June 2014. The envisaged implementation date is for years commencing on or after 1 January 2020, however earlier adoption may be allowed.

The Group will continue to monitor any tentative decisions that are made prior to the final IFRS standard being published. It is anticipated that the final standard will have an impact on the Group's current reported financial position and future revenue recognition, but to date there is insufficient clarity around certain decisions to be able to understand and provide guidance on the specific implications of the new standard.

3.1.1.2 Solvency Assessment and Management ("SAM")

The Financial Services Board ("FSB") is in the process of developing a new risk-based solvency regime for South African long-term and short-term insurers, known as the SAM regime. This initiative will align the South African insurance industry with the standards of the International Association of Insurance Supervisors ("IAIS"). This process is being guided by principles around insurance regulation produced by the IAIS and developments in Europe. The basis of the SAM regime will be the principles of the Solvency II Directive, as adopted by the European Parliament, but adapted to South African specific circumstances where necessary. As an overarching principle, the recommendations arising from the SAM project should meet the requirements of a third country equivalence assessment under Solvency II.

The initial date for implementation was 1 January 2014. Due to a changing regulatory environment (both local and international), this implementation date was deferred until 1 April 2016.

The SAM Framework will be given effect through a new Insurance Act, along with the publication of insurance prudential standards made under the Act. At the same time as the SAM Framework is being introduced, a 'twin peaks' model for financial regulation is being implemented in South Africa through the Financial Sector Regulation Act. This model will see the establishment of a Prudential Authority in the SARB, responsible for the prudential supervision of banks, insurers and financial conglomerates, and a Financial Sector Conduct Authority responsible for market conduct supervision of financial institutions. The latest version of the Financial Sector Regulation Bill (FSR Bill) was published for comment in December 2014 and revised Bill is currently being finalised for tabling in Parliament.

3. MANAGEMENT OF RISK AND CAPITAL continued

3.1 Risk management framework continued

3.1.1 Changing regulatory and business landscape continued

3.1.1.2 Solvency Assessment and Management ("SAM") continued

National Treasury ("NT") and the FSB issued the draft Insurance Laws Bill, 2015 for public comment on 17 April 2015. The Bill provides a consolidated legal framework for the prudential supervision of the insurance sector that is consistent with international standards for insurance regulation and supervision. The Bill also seeks to replace and consolidate substantial parts of the Long-term Insurance Act, 1998 and the Short-term Insurance Act, 1998 relating to prudential supervision. The Bill gives effect to important national government policy objectives by enhancing:

- Access to insurance through the introduction of a micro-insurance regulatory framework;
- The financial soundness of insurers and the financial services sector, and the protection of policyholders through:
  - Introducing a new Solvency Assessment and Management (SAM) regime;
  - Introducing a framework for insurance group supervision; and
  - Enhancing reinsurance arrangements.
- Alignment with international standards (adapted to South African circumstances) in accordance with South Africa's G20 commitments.

The public comment process ended on 29 May 2015 and all comments received are being considered and further discussed with commentators.

NT has indicated that the FSR Bill will be tabled first in Parliament, followed by the Insurance Bill. This will enable the Insurance Bill to build on the regulatory framework created through the FSR Bill, the implication of this being that the Insurance Bill cannot become effective before the FSR Bill has been enacted. NT is hoping to have the FSR Bill tabled and deliberated on in Parliament during the course of this year, with a potential effective date for twin peaks in the first half of 2016. The aim is to table the Insurance Bill, revised for comments received, by October 2015, for deliberation in late 2015 and early 2016, so the date of enactment can align with the effective date of twin peaks.

To prepare the industry for the implementation of the SAM Framework from 1 January 2015, a parallel run has been initiated, in which insurers are required to report information under the SAM regime along with existing reporting required under the Insurance Acts. This process began on 1 July 2014 and will continue until the full implementation of the SAM regime. The key benefit from this dual reporting process is that the insurers are able to provide the information that will be expected when the SAM regime goes live on 1 April 2016, and that any remaining issues are dealt with before implementation. The delay in legislative timelines will not impact the requirement on insurers to fully comply with SAM reporting requirements from 1 January 2016. However, the later effective date of the Insurance Bill will result in the SAM Framework not becoming the statutory basis for assessing insurers' financial soundness until after 1 April 2016.

The practical implication of this is that the parallel run will continue into the first half of 2016, with the additional requirement that all insurers will be expected to fully comply with SAM reporting requirements, on an audited basis, as at their 2016 financial year-end.

3.1.1.3 Financial Sector Regulation Bill (second draft)

In December 2014 the National Treasury published the second draft of the Financial Sector Regulation Bill (FSR) for comment. The revised Bill took into account submissions which were made on the first draft Bill which was published in December 2013.

The Financial Sector Regulation Bill gives effect to the government decision in 2011 to shift to a Twin Peaks model of financial sector regulation for South Africa. Twin Peaks is a comprehensive and complete system for regulating the financial sector. It represents a decisive shift away from a fragmented regulatory approach to reduce the possibility of regulatory arbitrage or forum shopping and close gaps in the regulatory system.

Two regulators will be established – a Prudential Authority within the South African Reserve Bank and a new Financial Sector Conduct Authority (FSCA). The Prudential Authority will supervise the safety and soundness of banks, insurance companies and other financial institutions while the FSCA will supervise how financial services firms conduct their business and treat customers. The Reserve Bank will oversee financial stability within a policy framework agreed with the Minister of Finance.

3. MANAGEMENT OF RISK AND CAPITAL continued

3.1 Risk management framework continued

3.1.1 Changing regulatory and business landscape continued

3.1.1.3 Financial Sector Regulation Bill (second draft) continued

The Twin Peaks system of regulation will (when fully phased in) focus on a more harmonised system of licensing, supervision, enforcement, customer complaints (including ombuds), appeal mechanism (tribunal) and consumer advice and education.

Key changes have been made to the second draft Bill in order to:

- Improve its legal enforceability. In particular many definitions have been reconsidered and additional areas have been added to improve legal application;
- Provide both authorities with powers in addition to the existing institution-specific laws so they are able to supervise and enforce financial sector laws and regulations in pursuit of their objectives;
- Empower both authorities to issue standards for financial institutions to follow;
- Clarify the role of other financial sector regulators under Twin Peaks. The role of the National Credit Regulator (NCR) was not explicitly explained in the first draft. Numerous stakeholders noted that as a key player, their role should be clarified. This has been done through explicit coordination and cooperation requirements;
- Better align the governance arrangements for the new regulatory agencies, including clarifying the institutional form of the Prudential Authority, which will operate within the Reserve Bank;
- Align the Reserve Bank powers for systemic oversight with its mandate for financial stability, provide greater clarity about these powers and how they may be used to fulfil this mandate;
- Introduce a legal framework for regulating and supervising financial groups, from both a prudential and a conduct perspective; and
- Strengthen the ombuds system by creating a stronger central coordinating role for the Financial Services Ombuds Council.

Along with the second draft FSR Bill a discussion document labelled "Treating Customers Fairly in the Financial Sector: A Market Conduct Policy Framework for South Africa" was also released which was a first attempt to develop a comprehensive framework for how the market conduct regulator will operate in order to ensure that financial institutions treat their customers fairly.

The market conduct policy framework forms part of the Twin Peaks reform process, proposing a regulatory and supervisory framework for the new Financial Sector Conduct Authority (FSCA). Poor customer outcomes in South Africa's financial sector have highlighted the need for stronger oversight of how financial institutions conduct their business and treat their customers. To better protect customers, the financial sector must be held to higher standards than generic consumer protection, and standards must be applied consistently across the sector.

As proposed in the policy documents, the various pieces of market conduct legislation applicable to the financial sector will be consolidated. The law will also empower the FSCA to supervise institutions more intensively, and take strict corrective actions against financial institutions based on the breach of principles in addition to monitoring compliance with rules.

The market conduct framework document also sets out proposals to support improved market conduct by better empowering financial customers. This includes improving the ombuds system so customers can easily and effectively lodge disputes against financial institutions, and refining financial education initiatives.

3.1.1.4 Treating Customers Fairly ("TCF")

OUTsurance continues to implement practices which support the six Treating Customers Fairly (TCF) outcomes. This includes our claims philosophy which we have recently revisited and updated, the claims meetings and various auditing responsibilities in the first, second and third lines of defence in terms of our combined assurance approach. On-going monitoring of and reporting on key performance indicators relating to customer treatment and service continue to be a focus in our business and includes reporting to the board on all matters related to our customers.

3. MANAGEMENT OF RISK AND CAPITAL continued

3.1 Risk management framework continued

3.1.1 Changing regulatory and business landscape continued

3.1.1.4 Treating Customers Fairly ("TCF") continued

In December 2014 the National Treasury issued a discussion document named "Treating Customers Fairly in the Financial Sector: a market conduct policy framework for South Africa" in conjunction with the release of the Second Draft Financial Sector Regulation Bill as mentioned above. The current FSB projects in the pipeline relating to TCF are set out in more detail below:

3.1.1.4.1 Key Information Documents ("KID's")

The FSB and National Treasury still intend to introduce these as a standard template document to be made available to clients prior to quote stage in order for the client to be able to compare benefits between different insurers. The FSB requires these documents in prescribed format although the industry has objected advising that different insurers offer different benefits and products and therefore the information cannot be prescribed.

Discussions with the National Treasury and FSB on the Key Information Documents was in August 2014 during a meeting held with them where a draft form of the document was presented and discussed in so far as it related to motor and household insurance products.

We expect further interaction with the FSB and National Treasury in the upcoming months of the KID's. It is also our understanding that in all likelihood prior to implementation of the KID's consumer testing will take place to gauge the viability of these documents.

3.1.1.4.2 Complaint categories

The complaint categories are categories that the FSB intends to introduce to oblige Financial Services Providers ("FSP's") to include in their reporting. They propose that such reporting be done on a quarterly basis.

In October 2014 the FSB released a discussion document on Customer Complaints Management which essentially set out the framework for TCF-aligned complaints management, and prescribes the following components:

- Consistent regulatory definitions of "complaint" and related terms;
- Standards and requirements for firms to implement internal complaints management processes, including record keeping, monitoring and analysis;
- Requirements for TCF-aligned categorisation of complaints;
- Requirements in relation to the engagement between firms and Ombud schemes;
- Requirements for reporting complaints information to the Regulator; and
- Requirements for public reporting of complaints information.

3.1.1.4.3 Standardised terminology

There has been a revised version received from the South African Insurance Association (SAIA) of the draft standardised terminology document which aims to provide guidance on common insurance terms in the industry. No defined date as to when this document will be launched. It is important to note that proposals have been made that the definitions provided in respect of these terms must not be binding on insurers but rather used as a tool for consumer education.

3. MANAGEMENT OF RISK AND CAPITAL continued

3.1 Risk management framework continued

3.1.1 Changing regulatory and business landscape continued

3.1.1.4 Treating Customers Fairly (“TCF”) continued

3.1.1.4.4 Retail Distribution Review (“RDR”)

During November 2014 the FSB released the discussion paper which set out the results of the Retail Distribution Review. The RDR proposes far-reaching reforms to the regulatory framework in respect of the distribution of retail financial products in South Africa.

Essentially the RDR proposal seeks to provide customers with confidence in the retail financial services market in that they will be treated fairly which will result in a sustainable market for financial advice and financial services. The RDR contained 55 specific proposals which cover aspects such as:

- Types of services provided by intermediaries;
- Relationships between products suppliers and intermediaries; and
- Intermediary remuneration.

In general the purpose of the RDR is to clarify the types of advice available to clients, deal with aspects of remuneration in respect of such advice and to promote the development of competitive markets and more transparent and fair products. Ultimately the RDR will change the manner in which insurance is sold through intermediaries and it would seem that the FSB is attempting to align this with outcome 4 of the TCF outcomes relating to proper advice.

The RDR will result in structural changes to intermediary relationships and remuneration which will require significant amendments to the regulatory framework which will form part of the broader review of the current legislative environment to give effect to Twin Peaks.

These changes will not be immediate and will be implemented by way of a phased approach with some of the changes being implemented through the current regulatory framework and others through changes which shall be brought about through Twin Peaks legislation. It is envisaged that the expected implementation of the RDR will sometime after mid-2016.

As the Southern African operation distributes products on a direct basis, it is not anticipated that the RDR will have a material impact on the Group.

3.1.1.5 Long-term tax legislation

Section 29A of the Taxation Laws Amendment Act of 2014 (promulgated on 20 January 2015) has been amended. The legislation gives effect to matters presented by the Minister of Finance in the Budget Review 2014, in respect of, amongst other, the tax treatment of risk business of long-term insurers.

The Group is in the process of assessing the implications of the Act.

3.1.1.6 Protection of Personal Information (“POPI”) Act

The POPI Act regulates the processing and use of personal information, protecting persons both natural and juristic from the abuse of personal information and providing rights and remedies to victims of unlawful processing. POPI was enacted on 27 November 2013 with certain provisions of the Act set out below coming into effect on 11 April 2014. An effective date for the remaining sections of the Act is yet to be announced upon which there will be a one year transitional period to comply with the Act.

3. MANAGEMENT OF RISK AND CAPITAL continued

3.2 Insurance risk management

3.2.1 Short-term insurance

3.2.1.1 Terms and conditions of insurance contracts

The Group conducts short-term insurance business on different classes of short-term insurance risk.

	Percentage of Total Gross Written Premium	
Types of insurance contracts written	Personal lines	Commercial
Personal accident	<1%	<1%
Liability	<1%	7.2%
Miscellaneous	<1%	–
Motor	65.2%	63.4%
Property	33.8%	27.4%
Transportation	<1%	1.9%
Guarantee	–	–

The personal lines segment of the business sells insurance to the general public allowing them to cover their personal possessions and property. The commercial segment of the business targets medium and small businesses in South Africa. Insurance products are sold with either a monthly or an annual premium payable by the covered party or entity. Cell captive business refers to historic arrangements whereby the Group underwrote various risk products marketed and distributed by other FirstRand Limited Group divisions. The management of cell captive risks underwritten by the Group was performed by the cell administrators itself.

The following gives a brief explanation of each risk:

Personal accident
Provide compensation arising out of death or disability directly caused by an accident occurring anywhere in the world, provided that death or disability occurs within 12 months of this accident.

Liability
Provide cover for risks relating to the incurring of a liability other than relating to a risk covered more specifically under another insurance contract.

Miscellaneous
Provide cover relating to all other risks that are not covered more specifically under another insurance contract.

Motor
Provide indemnity cover relating to the possession, use or ownership of a motor vehicle. The cover includes comprehensive cover, third party, fire and theft and liability to other parties.

Property
Provide indemnity relating to damage to movable and immovable property caused by perils including fire explosion, earthquakes, acts of nature, burst geysers and pipes and malicious damage.

Transportation
Provide cover for risks relating to stock in transit.

Engineering
Provide cover for liability to other parties, loss or damage related to the ownership and usage of machinery and equipment as well as the construction of buildings and other structures.

3. MANAGEMENT OF RISK AND CAPITAL continued

3.2 Insurance risk management continued

3.2.1 Short-term insurance continued

3.2.1.2 Insurance risks

The primary activity of the Group relates to the assumption of possible loss arising from risks to which the Group is exposed through the sale of short-term insurance products. Insurance risks to which the Group is exposed relate to property, personal accident, liability, motor, transportation and other miscellaneous perils that may result from a contract of insurance. The Group is exposed to uncertainty regarding the timing, magnitude and frequency of such potential losses.

The theory of probability forms the core base of the risk management model. Through the continuous sale of insurance products and subsequent growth in the pool of insured risks, the Group can diversify its portfolio of risks and therefore minimise the impact of variability of insurance losses affecting that portfolio. Insurance perils are unpredictable in nature, timing and extent which expose the Group to a risk that the effect of future insured losses could exceed the expected value of such losses.

Along with its underwriting approach, the Group also manages its insurance risk through its reinsurance programme which is structured to protect the Group against material losses to either a single insured risk, or a group of insured risks in the case of a catastrophe where there would tend to be a concentration of insured risks.

The underwriting of insurance risk and the passing on of excessive insurance risk to reinsurers is further described below.

Underwriting strategy

The Group aims to diversify the pool of insured perils through writing a balanced portfolio of insurance risks over a large geographical area. Products are priced using statistical regression techniques which identify risk factors through correlations identified in past loss experiences. Risk factors would typically include factors such as age of the insured person, past loss experiences, past insurance history, type and value of asset covered, security measures taken to protect the asset, major use of the covered item, and so forth. Risks are priced and accepted on an individual basis and as such there is a minimal cross subsidy between risks. Insurance premiums charged for a certain pool of risks are adjusted frequently according to the normalised loss ratios experienced on that pool of risks.

Insurance risk is monitored within the Group on a daily basis to ensure that risks accepted by the Group for its own account are within the limits set by the Board of directors. Exception reporting is used to identify areas of concentration of risk so that management are able to consider the levels adopted in the reinsurance programme covering that pool of risk.

Risks are rated individually by programmes loaded onto the computer system based on information captured by staff for each risk. Conditions and exclusions are also automatically set at an individual risk level. Individual risks are only automatically accepted up to predetermined thresholds which vary by risk type. Risks with larger exposure than the thresholds are automatically referred and underwritten individually by the actuarial department. These limits are set at a substantially lower level than the reinsurance retention limits. No risks which exceed the upper limits of the reinsurance can be accepted without the necessary facultative cover being arranged. Non-claims bonuses which reward clients for not claiming also form part of the Group's underwriting strategy.

Multi-claimants are also monitored and managed by tightening conditions of cover or ultimately cancelling cover.

Reinsurance strategy

The Group reinsures a portion of the risk it assumes through its reinsurance programme in order to control the exposure of the Group to losses arising from insurance contracts and in order to protect the profitability of the Group and its capital. A suite of treaties is purchased in order to limit losses suffered from individual and aggregate insurance risks. Facultative reinsurance is purchased for certain individual risks that have been identified as being outside the limits set for these risks. The retention limits are modelled to optimise the balance between acceptable volatility and reinsurance cost. Acceptable volatility is as defined by the limits set by the Board of directors. The Group only enters into reinsurance agreements with reinsurers which have conservative investment grade credit ratings.

3. MANAGEMENT OF RISK AND CAPITAL continued

3.2 Insurance risk management continued

3.2.1 Short-term insurance continued

3.2.1.2 Insurance risks continued

Concentrations of risk and mitigating policies

Risk concentrations are monitored by means of exception reporting. When large risks are underwritten individually, the impacts which they could have on risk concentrations are considered before they are accepted. Marketing efforts are also coordinated to attract business from a wide geographical spread. Risks which could lead to an accumulation of claims as the result of a single event are declined due to inadequate diversification and overall pool of risk covered. Attention is paid to attract large numbers of relatively small independent risks which would lead to very stable and predictable claims experience.

The South African operation is exposed to a concentration of insurance risk in the Gauteng province of South Africa where 53.87% (2014: 50.39%) of the total sum insured is domiciled. The Australian operation is exposed to a concentration of insurance risk in South East Queensland of Australia where 21.3% (2014: 21.9%) of the total sum insured is domiciled. The New Zealand operation is exposed to a concentration of insurance risk in Auckland where 59.9% of the total sum insured is domiciled. In order to manage this concentration of insurance risk, the Group has entered into a catastrophe excess of loss reinsurance treaty that would limit the loss of the Group to pre-determined levels following the occurrence of a localised catastrophe in these areas.

Exposure to catastrophes and policies mitigating this risk

Catastrophe modelling is performed to determine the impact of different types of catastrophe events (including natural disasters) in different geographical areas, at different levels of severity and at different times of the day. Catastrophe limits are set so as to render satisfactory results to these simulations. The catastrophe cover is also placed with reinsurers with a reputable credit rating and cognisance is taken of the geographical spread of the other risks underwritten by the reinsurers in order to reduce correlation of our exposure with the balance of their exposure. These reinsurance models are run at least annually to take account of changes in the portfolio and to take the latest potential loss information into account.

Profit sharing arrangements

A profit sharing arrangement has been entered into between OUTsurance Insurance Company Limited and FirstRand Bank Limited. In terms of this profit sharing arrangement, ninety percent of the operating profit generated on the homeowners' insurance business referred by FirstRand Bank Limited businesses is paid to FirstRand Bank Limited by way of a bi-annual preference dividend. Where operating losses arise, OUTsurance remains liable for such losses in full, but these losses may be offset against future profit distributions.

Cell captives

The Group historically underwrote certain cell captive arrangements for products marketed and distributed by the FirstRand Group. The Group transferred its rights and obligations owing from these arrangements with effect, 31 March 2015.

3.2.2 Long-term insurance

3.2.2.1 Terms and conditions of insurance contracts.

The Group conducts long-term insurance business on various classes of long-term insurance risk. Products are only sold to the South African retail market. The types of insurance products sold are as follows:

- Underwritten Life; and
- Credit Protection.

The following gives a brief explanation of each product:

Underwritten Life

The Life Insurance product covers the following insurance risks:

- Death cover;
- Disability cover; and
- Critical illness cover.

In the event of a valid death, permanent disability (occupational disability) or critical illness claim, OUTsurance Life Insurance Company Limited ("OUTsurance Life") pays the sum assured.

An optional OUTbonus is also available to policyholders. This allows the policyholder to receive all premiums paid over a period of 15 years, if all terms and conditions are met.

3. MANAGEMENT OF RISK AND CAPITAL continued

3.2 Insurance risk management continued

3.2.2 Long-term insurance continued

3.2.2.1 *Terms and conditions of insurance contracts continued*

Credit Protection

The Credit Protection product covers the following insurance risks:

- Death cover;
- Disability cover;
- Critical illness cover;
- Retrenchment cover; and
- Temporary disability cover.

In the event of a valid death, permanent disability (occupational disability) or critical illness claim, OUTsurance Life pays the sum assured. In the event of a valid temporary disability or retrenchment claim, OUTsurance Life undertakes to pay the policyholder a monthly instalment of a specified percentage of the sum assured as well as the premium for the specified period.

3.2.2.2 *Insurance risks*

The primary activity of OUTsurance Life relates to the assumption of loss arising from risks to which it is exposed through the sale of long-term insurance products. It is exposed to uncertainty regarding primarily the timing, frequency and to a lesser extent, the magnitude of such potential losses.

The theory of probability forms the core base of the risk management model. Through the continuous sale of insurance products and subsequent growth in the pool of insured risks, OUTsurance Life can diversify its portfolio of risks and therefore minimise the impact of variability of insurance losses affecting that portfolio.

Along with its underwriting approach OUTsurance Life also manages its insurance risk through its quota share and excess of loss reinsurance programme which is structured to protect it against material losses on single insured risks.

The underwriting of insurance risk and the passing on of excessive insurance risk to reinsurers is further described below.

Refer to section 25.5 for a sensitivity analysis of policyholder liabilities.

Mortality and morbidity risk

Mortality risk is the risk of loss arising due to actual death rates on life insurance business being higher than expected. Morbidity risk is the risk of loss arising due to policyholder health related claims being higher than expected.

The following processes and procedures are in place to manage mortality and morbidity risk:

- Premium rates are differentiated by factors which historical experience has shown are significant determinants of mortality and morbidity claims experience such as medical history and condition, age, gender, smoker status and HIV status.
- The expertise of reinsurers is used for pricing where adequate claims history is not available.
- Reinsurance arrangements are put in place to reduce the mortality and morbidity exposure per individual policy and provide cover in catastrophic events.

Underwriting experience risk

There is a risk that actual mortality and morbidity experience is higher than expected. This could arise as a result of the number of claims or the value of the claims being higher than expected. Selection risk is the risk that worse than expected risks are attracted and charged inadequate premiums. There is also a risk that the number of claims can increase due to the emergence of a new disease or pandemic.

3. MANAGEMENT OF RISK AND CAPITAL continued

3.2 Insurance risk management continued

3.2.2 Long-term insurance continued

3.2.2.2 Insurance risks continued

Underwriting experience risk is managed through:

- Product design and pricing
  Rating factors are applied to different premium rates to differentiate between different levels of risk. Amongst other, premiums are differentiated by age, gender, smoking status and medical history. Premium rates are approved and reviewed by the statutory actuary.

- Underwriting
  Underwriting ensures that only insurable risks are accepted and that premiums accurately reflect the unique circumstances of each risk. The Group has developed an advanced medical underwriting system which captures detailed information regarding the clients' medical history and condition which is used for premium adjustments and to indicate where further underwriting is required by experienced medical underwriters. To verify the accuracy of client data, all new clients are subject to various medical tests. Quality audits are performed on the underwriting process to ensure underwriting rules are strictly followed.

- Reinsurance
  OUTsurance Life's quota share and excess of loss reinsurance programme mitigates claims volatility and risk accumulation. Reinsurers also assist with pricing and product design decisions.

- Experience monitoring
  Experience investigations are conducted and corrective action is taken where adverse experience is noted.

Lapse risk

Policyholders have the right to cancel their policies at any given time during the policy duration. There is a risk of financial loss and reduced future profitability due to the lapse experience being higher than expected. Lapse risk is managed by ensuring:

- Appropriate product design and pricing;
- Providing high quality service; and
- Continuous experience monitoring.

Modelling and data risk

Modelling risk is the risk that discounted cash flow models used to calculate actuarial liabilities and valuations do not accurately project the policy cash flows into the future. Data risk is the risk that the data which is used by the above models is inaccurate relative to actual experience.

Modelling risk is mitigated by way of employing specialist actuarial software which is widely used by industry participants. The services of the statutory actuary are also employed to ensure models are accurately set up.

Data risk is managed by using internal systems and warehouse technology which is used by all companies within the Group. Data reports are readily available and frequently used and reviewed by management to track performance and verify experience variables.

Expense risk

Expense risk is the risk that actual expenses are higher than the budgeted expenses on which premium rates are calculated. Expenses are monitored on a monthly basis against budgeted expenses. Any deviation from budget is investigated, reported and remedial action taken where necessary.

Non-claims bonus risk

Non-claims bonus risk is the risk that the expected future contractual bonus payments are higher than assumed in the calculation of the policyholder liability. A decrease in the lapse rate will result in an increase in the non-claims bonus risk. This risk is managed by applying an appropriate margin of above the best estimate of lapse and claims experience to allow for uncertainty.

3. MANAGEMENT OF RISK AND CAPITAL continued

3.3 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including equity price risk, interest rate risk and currency risk), credit risk and liquidity risk.

3.3.1 Financial instruments measured at fair value

The table below analyses financial instruments carried at fair value, by valuation method. The different levels are defined as follows:

- Level 1 – fair value is based on quoted market prices (unadjusted) in active markets for identical instruments as measured on reporting date.
- Level 2 – fair value is determined through inputs, other than quoted prices included in level 1, that are observable for the assets and liabilities, either directly (prices) or indirectly (derived from prices).
- Level 3 – fair value is determined through valuation techniques which use significant unobservable inputs.

The following table presents the Group's financial assets and liabilities that are measured at fair value:

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Group at 30 June 2015				
Financial assets				
Equity securities				
Listed preference shares	**504 255**	**–**	**–**	**504 255**
Exchange traded funds	**241 869**	**–**	**–**	**241 869**
Debt securities				
Unlisted preference shares	**–**	**559 798**	**–**	**559 798**
Government, municipal and public utility securities	**–**	**634 020**	**–**	**634 020**
Money market securities <1 year	**–**	**1 487 119**	**–**	**1 487 119**
Money market securities >1 year	**–**	**683 850**	**–**	**683 850**
	746 124	**3 364 787**	**–**	**4 110 911**
Financial liabilities				
Debt securities				
Financial liabilities at fair value through profit and loss	**–**	**–**	**107 063**	**107 063**
	–	**–**	**107 063**	**107 063**
Group at 30 June 2014				
Financial assets				
Equity securities				
Listed preference shares	549 074	–	–	549 074
Exchange traded funds	175 946	–	–	175 946
Debt securities				
Unlisted preference shares	–	540 129	–	540 129
Collective investment scheme	–	542 443	–	542 443
Government, municipal and public utility securities	–	276 646	–	276 646
Money market securities <1 year	–	1 147 458	–	1 147 458
Money market securities >1 year	–	485 817	–	485 817
	725 020	2 992 493	–	3 717 513
Financial liabilities				
Debt securities				
Financial liabilities at fair value through profit and loss	–	–	105 488	105 488
	–	–	105 488	105 488

There were no transfers between levels during the year.

3. MANAGEMENT OF RISK AND CAPITAL continued

3.3 Financial risk management continued

3.3.1 Financial instruments measured at fair value continued

The fair values of the above instruments were determined as follows:

Level 1

The fair value of financial instruments traded in an active market is based on quoted market prices at balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The listed preference share and ordinary share investments comprise instruments which are listed on a securities exchange. The fair values of these investments are calculated based on the quoted closing prices of the individual investments on reporting date. The ordinary share investment is an investment in an exchange traded fund which tracks the performance of the top forty companies listed on the JSE. The exchange traded fund is listed on the Johannesburg Securities Exchange.

Level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. If all significant inputs required to fair value an instrument are market observable, the instrument is included in level 2.

The unlisted preference shares are redeemable with a notice period ranging from thirty days to three years. Dividend yields range from 57% to 68.33% of the prime overdraft rate. The fair value of the preference shares with a maturity date of longer than one year, is calculated on a discounted cash flow basis with the discount rate adjusted for changes in credit risk of the ultimate counterparty. Due to the redeemable nature, the preference shares are deemed to be debt securities.

The fair values of collective investment scheme investments are determined by the closing unit price as quoted by the collective investment scheme. The collective investment scheme is not listed.

The fair value of money market instruments is determined based on observable market inputs.

Level 3

The financial liabilities at fair value through profit and loss represent profits arising out of the cell captives and profit sharing arrangements that accrue on a monthly basis and which are distributed as preference dividends on a six monthly basis to the FirstRand Limited Group. The only input in the calculation of the preference dividend is the historic profit of the cell captives and profit sharing arrangements and there are no other inputs that determine the value of these instruments. Should the profit of the cell captive or the profit sharing arrangement increase or decrease, the preference dividend will increase or decrease in direct proportion.

The table below analyses the movement of the level 3 financial instruments for the period under review.

	2015 R'000	2014 R'000
Opening balance	**105 488**	110 425
Preference dividend paid	**(199 067)**	(195 747)
Preference dividend charged to the statement of profit and loss and other comprehensive income	**200 642**	190 810
Closing balance	**107 063**	105 488

The profit and loss of these profit sharing arrangements is sensitive to:

- claims ratio of the pool of business;
- expense ratio of the pool of business; and
- investment income on this pool of business.

3. MANAGEMENT OF RISK AND CAPITAL continued

3.3 Financial risk management continued

3.3.2 Market Risk

Market risk is the risk that the value of a financial instrument may fluctuate as a result of changes in the market price. Investments valued at fair value are therefore subject to changes in value due to market fluctuations, which may impact on the net income during those financial years in which such fluctuations occur. Market risk therefore comprises equity price risk, interest rate risk and currency risk.

Equity price risk

Equity price risk is the risk that the price of an equity instrument will fluctuate due to market forces rather than as a direct result of some other market risk such as currency or interest rate risk.

The Group is exposed to equity price risk because of investments held by the Group and classified on the statement of financial position as either available-for-sale or fair value through profit or loss. The Group's objective is to earn competitive relative returns by investing in a diverse portfolio of high-quality, liquid securities. The Group's holdings are diversified across companies and concentration in any one company is limited by parameters established by management as well as statutory requirements. The Group's internal investment committee actively monitors equity assets owned by the Group as well as the concentration of these holdings.

	2015 R'000	2014 R'000
Ordinary shares		
Exchange traded funds	**241 869**	175 946
Perpetual preference shares		
Listed perpetual preference shares	**504 255**	549 074
Redeemable preference shares		
Collective investment schemes	**–**	542 443
Unlisted preference shares	**559 798**	540 129
	1 305 922	1 807 592

The Group's largest concentration of investments in one particular company comprises 32.35% (2014: 23.67%) of the total assets subject to equity risk. The Group's largest investment in any one company comprises 15.34% (2014: 17.95%) of the listed asset portfolio. These concentrations are within acceptable limits for the financial year under review.

A hypothetical 10% decline or increase in the portfolio would decrease / increase comprehensive income before taxation by R130.6 million (2014: R180.8 million) for the Group.

Interest rate risk

Interest rate risk is the risk that the value or the future cash flow of a financial instrument will fluctuate as a result of a change in market interest rates.

The Group's financial assets are exposed to interest rate risk as a significant portion of the Group's assets are invested in interest rate sensitive debt and money market securities. The risk attached to these securities is managed according to pre-specified risk levels based on a mandate with the fund manager. Risk exposure to movements in yields is specified as a maximum value per interest rate point move per million rand invested. These levels are approved annually by the Board of directors and the investment committee.

3. MANAGEMENT OF RISK AND CAPITAL continued

3.3 Financial risk management continued

3.3.2 Market Risk continued

The Group's exposure to interest rate risk is R7 942 million (2014: R6 979 million), which consists of fixed rate instruments of R346 million (2014: R265 million) and variable rate instruments of R7 596 million (2014: R6 714 million). An increase or decrease of 1% in the market interest rate would result in the following changes in the comprehensive income before tax of the Group:

	2015 1% increase R'000	2015 1% decrease R'000	2014 1% increase R'000	2014 1% decrease R'000
Fixed rate instruments				
Cash and cash equivalents	**81**	**(81)**	155	(155)
Government, municipal and public utility securities	**1 874**	**(1 874)**	854	(854)
Money market securities <1 year	**1 208**	**(1 208)**	1 636	(1 636)
Money market securities >1 year	**300**	**(300)**	–	–
Variable rate instruments				
Cash and cash equivalents	**40 647**	**(40 647)**	34 215	(34 215)
Listed preference shares	**5 043**	**(5 043)**	5 491	(5 491)
Unlisted preference shares	**5 598**	**(5 598)**	5 401	(5 401)
Collective investment scheme	**–**	**–**	5 424	(5 424)
Government, municipal and public utility securities	**4 466**	**(4 466)**	1 912	(1 912)
Money market securities <1 year	**13 664**	**(13 664)**	9 839	(9 839)
Money market securities >1 year	**6 539**	**(6 539)**	4 858	(4 858)
	79 420	**(79 420)**	69 785	(69 785)

The Group's asset portfolio used to match regulatory policyholder liabilities is exposed to interest rate risk to the extent that the liabilities are matched with fixed rate instruments. At 30 June 2015, the carrying value and fair value of this portfolio was R155 million (2014: R84 million). An increase of 1% in the market interest rate would result in the following changes in the capital value of this portfolio:

	2015 1% increase R'000	2015 1% decrease R'000	2014 1% increase R'000	2014 1% decrease R'000
Liability matching portfolio	**(15 540)**	**15 540**	(8 396)	8 396
	(15 540)	**15 540**	(8 396)	8 396

3. MANAGEMENT OF RISK AND CAPITAL continued

3.3 Financial risk management continued

3.3.2 Market Risk continued

Currency risk

Currency risk arises as a result of movements between the functional currencies foreign subsidiaries and the Group's reporting currency.

The Group's exposure to currency risk is mainly in respect of foreign investments made in line with the long-term strategy approved by the Board for seeking international diversification of investments to expand its income stream. The Group has investments in foreign subsidiaries whose net assets are exposed to currency translation risk, primarily the Australian Dollar and the New Zealand Dollar. The Group does not take cover on foreign currency transactions and balances.

The table below illustrates the Group's exposure to both the Australian Dollar and the New Zealand Dollar and the amounts represent the assets, liabilities and equities of foreign subsidiaries:

	Australian $ exposure		New Zealand $ exposure	
	2015 $'000	**2015 R'000**	**2015 $'000**	**2015 R'000**
Assets	**661 273**	**6 185 900**	**70 894**	**593 255**
Liabilities	**(516 771)**	**(4 834 151)**	**(25 328)**	**(211 949)**
Equity	**(144 502)**	**(1 351 749)**	**(45 566)**	**(381 306)**
Exchange rates:				
Closing rate at 30 June 2015		**9,35**		**8,37**
Average rate: 1 July 2014 to 30 June 2015		**9,45**		**8,76**

	Australian $ exposure		New Zealand $ exposure	
	2014 $'000	2014 R'000	2014 $'000	2014 R'000
Assets	466 302	4 671 600	62 910	585 063
Liabilities	(360 144)	(3 608 066)	(2 287)	(21 269)
Equity	(106 158)	(1 063 534)	(60 623)	(563 794)
Exchange rates:				
Closing rate at 30 June 2014		10,02		9,30
Average rate: 1 July 2013 to 30 June 2014		9,52		8,65

3. MANAGEMENT OF RISK AND CAPITAL continued

3.3 Financial risk management continued

3.3.2 Market Risk continued

Currency risk continued

The effect on the Group comprehensive income after tax and the net asset value of the Group after an appreciation or depreciation in the foreign currency rate is provided in the following table:

	2015 AUD 10% appreciation R'000	2015 AUD 10% depreciation R'000	2015 NZD 10% appreciation R'000	2015 NZD 10% depreciation R'000
Comprehensive income after tax	**5 067**	**(5 067)**	**(12 984)**	**12 984**
Net asset value	**135 174**	**(135 174)**	**38 382**	**(38 382)**

	2014 AUD 10% appreciation R'000	2014 AUD 10% depreciation R'000	2014 NZD 10% appreciation R'000	2014 NZD 10% depreciation R'000
Comprehensive income after tax	23 247	(23 247)	(2 056)	2 056
Net asset value	106 353	(106 353)	56 379	(56 379)

3.3.3 Credit risk

Credit risk is the risk that a financial asset may not be realisable due to the inability or unwillingness of the issuer of such instrument to discharge its contractual obligations. The key areas where the Group is exposed to credit risk are:

- Financial instruments and cash and cash equivalents;
- Reinsurer's share of insurance liabilities; and
- Amounts due from policyholders and debtors.

Potential concentrations of credit risk consist mainly of cash and cash equivalents, investments and accounts receivable. The Group limits its counterparty exposures from its money market and preference share investment operations by only dealing with well-established financial institutions of high quality credit standing. The credit exposure to any one counterparty is managed by the Board of directors by adhering to the counterparty exposure limits set by Section 28 of the Short-term Insurance Act and Section 31 of the Long-term Insurance Act.

3. MANAGEMENT OF RISK AND CAPITAL continued

3.3 Financial risk management continued

3.3.3 Credit risk continued

The table below indicates the quality of the credit risks that the Group's assets are exposed to:

	AA R'000	A R'000	BBB R'000	BB R'000	Not rated R'000	Total R'000
Group at 30 June 2015						
Cash and cash equivalents	**3 838 761**	**–**	**228 747**	**5 264**	**–**	**4 072 772**
Government, municipal and public utility securities	**–**	**–**	**634 020**	**–**	**–**	**634 020**
Money market securities <1 year	**–**	**19 714**	**1 401 774**	**65 631**	**–**	**1 487 119**
Money market securities >1 year	**1 618**	**215 091**	**387 777**	**69 335**	**10 029**	**683 850**
Listed preference shares	**–**	**–**	**386 120**	**–**	**118 135**	**504 255**
Unlisted preference shares	**–**	**100 540**	**459 258**	**–**	**–**	**559 798**
Reinsurers' share of insurance contract provisions	**137 054**	**349 122**	**82 507**	**–**	**162**	**568 845**
Tax receivable	**–**	**–**	**–**	**–**	**526**	**526**
Loans and receivables	**2 159**	**–**	**165**	**–**	**1 953 290**	**1 955 614**
Total	**3 979 592**	**684 467**	**3 580 368**	**140 230**	**2 082 142**	**10 466 799**
Group at 30 June 2014						
Cash and cash equivalents	3 196 409	22 531	218 083	–	–	3 437 023
Government, municipal and public utility securities	–	–	276 646	–	–	276 646
Money market securities <1 year	–	238 566	899 866	9 026	–	1 147 458
Money market securities >1 year	1 618	159 585	266 844	57 770	–	485 817
Listed preference shares	–	86 645	328 450	–	133 979	549 074
Unlisted preference shares	–	29 502	510 627	–	–	540 129
Collective investment scheme	–	71 319	471 124	–	–	542 443
Reinsurers' share of insurance contract provisions	(596)	60 081	52 583	–	336	112 404
Tax receivable	–	–	–	–	2 321	2 321
Loans and receivables	44 022	–	551	–	1 381 376	1 425 949
Total	3 241 453	668 229	3 024 774	66 796	1 518 012	8 519 264

3. MANAGEMENT OF RISK AND CAPITAL continued

3.3 Financial risk management continued

3.3.3 Credit risk continued

The credit risk ratings used above, are international long-term Fitch ratings. Where international ratings are not available, national ratings are applied. Where long-term ratings are not available, the financial instruments are categorised according to short-term ratings. The ratings are defined as follows:

Long-term ratings:

AA Very high credit quality. 'AA' ratings denote expectations of very low credit risk. They indicate very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

A High credit quality. 'A' ratings denote expectations of low credit risk. The capacity for payment of financial commitments is considered strong. The capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.

BBB Good credit quality. 'BBB' rating indicates a low expectation of credit risk. They indicate adequate capacity for timely payment of financial commitments. Changes in circumstances or in economic conditions are more likely to impair this capacity than is the case for higher ratings.

BB Speculative quality. 'BB' ratings indicate that there is a possibility of credit risk developing, particularly as the result of adverse economic change over time; however, business or financial alternatives may be available to allow financial commitments to be met. Securities rated in this category are not investment grade.

Short-term ratings:

F1 Highest credit quality. Indicates the strongest capacity for timely payment of financial commitments.

F2 Good intrinsic capacity for timely payment of financial commitments.

Reinsurance credit exposures

Under the terms of reinsurance agreements, reinsurers agree to reimburse the ceded amount in the event that the gross claim is paid. However, the Group remains liable to its policyholders regardless of whether the reinsurer meets the obligations it has assumed. Consequently, the Group is exposed to credit risk. The Group reviews its reinsurance agreements on an annual basis and ensures the appropriate credit quality of any reinsurer prior to renewing or entering an agreement. The Group's reinsurers have credit ratings of between BB and AA, measured on an international scale.

Impairment of financial assets

None of the Group's financial assets exposed to credit risk are past due or impaired.

3. MANAGEMENT OF RISK AND CAPITAL continued

3.3 Financial risk management continued

3.3.4 Liquidity risk

Liquidity risk is the risk that the Group, although solvent, is not able to settle its obligations as they fall due because of insufficient cash in the Group. This might arise in circumstances where the Group's assets are not marketable or can only be realised at an excessive discount. The Group manages liquidity risk in line with a defined investment mandate. The Group's liquidity risk arises primarily from the requirement to meet policyholder liability obligations. Policyholder liabilities are matched with liquid cash and near-cash instruments. The liquidity profiles of the Group's assets and liabilities, grouped by expected maturity, are outlined below:

	0 – 12 months R'000	13 – 60 months R'000	> 60 months R'000	Non Monetary R'000	Total R'000
Group at 30 June 2015					
Assets					
Property and equipment	–	–	–	520 642	520 642
Employee benefits	–	–	–	64 100	64 100
Investment in associates	–	–	32 775	–	32 775
Reinsurers' share of insurance contract provisions	465 173	103 447	225		568 845
Deferred acquisition costs	332 434	–	–	–	332 434
Financial assets					
Fair value through profit and loss	1 656 995	984 294	163 700	–	2 804 989
Available-for-sale	598 303	707 619	–	–	1 305 922
Loans and receivables	1 915 480	–	40 134	–	1 955 614
Deferred income tax	–	–	–	188 295	188 295
Tax receivable	526	–	–	–	526
Cash and cash equivalents	4 072 772	–	–	–	4 072 772
Total assets	9 041 683	1 795 360	236 834	773 037	11 846 914
Liabilities					
Insurance contract liabilities	4 772 869	989 123	174 753	–	5 936 745
Employee benefits	88 911	11 315	38 061	–	138 287
Share based payment liability	79 140	68 011	–	–	147 151
Financial liabilities at fair value through profit and loss	107 063	–	–	–	107 063
Tax liabilities	42 016	–	–	–	42 016
Financial liabilities at amortised cost					
Insurance and other payables	755 272	9 807	–	–	765 079
Total liabilities	5 845 271	1 078 256	212 814	–	7 136 341

3. MANAGEMENT OF RISK AND CAPITAL continued

3.3 Financial risk management continued

3.3.4 Liquidity risk continued

	0 – 12 months R'000	13 – 60 months R'000	> 60 months R'000	Non Monetary R'000	Total R'000
Group at 30 June 2014					
Assets					
Property and equipment	–	–	–	514 195	514 195
Employee benefits	–	–	–	106 712	106 712
Investment in associates	–	–	25 589	–	25 589
Reinsurers' share of insurance contract provisions	50 095	61 743	566	–	112 404
Deferred acquisition costs	336 114	–	–	–	336 114
Financial assets					
Fair value through profit and loss	1 800 799	567 620	83 945	–	2 452 364
Available-for-sale	151 749	1 113 400	–	–	1 265 149
Loans and receivables	1 188 324	72 706	164 919	–	1 425 949
Deferred income tax	–	–	–	220 266	220 266
Tax receivable	2 321	–	–	–	2 321
Cash and cash equivalents	3 437 023	–	–	–	3 437 023
Total assets	6 966 425	1 815 469	275 019	841 173	9 898 086
Liabilities					
Insurance contract liabilities	4 094 950	372 781	6 794	–	4 474 525
Employee benefits	69 367	6 668	34 957	–	110 992
Share based payment liability	73 537	56 735	–	–	130 272
Financial liabilities at fair value through profit and loss	105 488	–	–	–	105 488
Tax liabilities	23 714	–	–	–	23 714
Financial liabilities at amortised cost					
Insurance and other payables	599 644	–	–	–	599 644
Total liabilities	4 966 700	436 184	41 751	–	5 444 635

3. MANAGEMENT OF RISK AND CAPITAL continued

3.4 Capital management

Capital adequacy risk is the risk that there are insufficient reserves to provide for variations in actual future experience that is worse than what has been assumed in the setting of short-term insurance technical provisions and in the financial soundness valuation of its long-term insurance business. The Group must maintain a capital balance that will be at least sufficient to meet obligations in the event of substantial deviations from the main risk assumptions affecting the Group's business. This is used to determine required capital levels that will ensure sustained solvency within an acceptable confidence level.

The Group's objectives when managing capital are:

- to comply with the insurance capital requirements required by the regulators of the insurance markets where the Group operates;
- to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders and retain capital to fund the strategic initiatives of the Group entities; and
- to provide an adequate return for shareholders by pricing insurance commensurately with the level of risk.

In each country in which the Group operates, the local insurance regulator specifies the minimum amount and the type of capital that must be held by each of the subsidiaries in addition to their insurance liabilities. The minimum required capital must be maintained at all times throughout the year.

Management regards share capital, share premium, retained earnings, and unrealised fair value movement reserves as capital for regulatory solvency purposes.

Refer to 3.1.1 for details regarding the changing regulatory landscape expected to have an impact on the Group's solvency requirements.

The table below summarises the statutory solvency requirements for each of the regulated Group companies and the actual solvency achieved:

	Jurisdiction	**Actual solvency 2015**	Actual solvency 2014	Target CAR*
Short-term insurance				
OUTsurance Insurance Company Limited	South Africa	**1.7**	1.6	1.2
OUTsurance Insurance Company of Namibia Limited (Associate)	Namibia	**1.6**	1.6	1.2
Youi Australia	Australia	**1.8**	2.2	1.5
Youi New Zealand	New Zealand	**9.4**	–	1.5
Long-term insurance				
OUTsurance Life Insurance Company Limited	South Africa	**1.6**	2.5	1.5

** Capital adequacy ratio, which is defined as the ratio of regulatory admissible net assets to the solvency capital requirement.*

3. MANAGEMENT OF RISK AND CAPITAL continued

3.4 Capital management continued

The statutory capital requirements are calculated as follows:

Southern African operations – Short-term insurance operations

The Financial Services Board ("FSB") requires short-term insurers to hold a capital adequacy requirement ("CAR") calculated in accordance with Board Notice 169 of 2011.

The CAR is calculated as the greater of:

- Minimum Capital Requirement ("MCR") – lower boundary for the required solvency capital, below which policyholders and beneficiaries would be exposed to an unacceptable level of risk if the insurer were allowed to continue its operations; and
- Solvency Capital Requirement ("SCR") – sum of the Basic Solvency Capital Requirement ("BSCR") and the Operational Risk Capital Factor ("OP"). The BSCR is the aggregation of the Insurance Risk Capital Factor ("IC"), the Market Risk Capital Factor ("MC") and the Credit Risk Capital Factor ("CC") making allowance for diversification between these risk factors.

Australian operations – Short-term insurance operations

The Australian Prudential Regulation Authority ("APRA") imposes capital requirements on Australian subsidiaries which are licensed general insurers calculated in accordance with Prudential Standards GPS 110 Capital Adequacy. The Prudential Capital Requirement ("PCR") is equal to the sum of the Prescribed Capital Amount ("PCA") and any supervisory adjustment determined by APRA.

The PCA is calculated in accordance with the Standard Method as the sum of:

- Insurance risk charge;
- Insurance concentration risk charge;
- Asset risk charge;
- Asset concentration risk charge;
- Operational risk charge; and
- Aggregation benefit.

New Zealand operations – Short-term insurance operations

The Reserve Bank of New Zealand ("RBNZ") imposes capital requirements on New Zealand subsidiaries which are licensed general insurers calculated in accordance with the Solvency Standard for Non-life Insurance Business issued under section 55 of the Insurance (Prudential Supervision) Act of 2010.

The Minimum Solvency Capital is calculated as the sum of:

- Insurance risk capital charge;
- Catastrophe risk capital charge;
- Reinsurance recovery risk capital charge;
- Asset risk capital charge;
- Foreign currency risk capital charge; and
- Interest rate capital charge.

3. MANAGEMENT OF RISK AND CAPITAL continued

3.4 Capital management continued

Southern African operations – Long-term Insurance operations

The Financial Services Board ("FSB") requires long-term insurers to hold a capital adequacy requirement ("CAR") calculated in accordance with the Long-term Insurance Act (1998) including Board Notice 72 of 2005 and SAP 104 – Calculation of the Value of Assets, Liabilities and Capital Adequacy Requirement of Long-Term Insurers issued by the Actuarial Society of South Africa.

The CAR is calculated as the greater of

- MCAR – the minimum capital requirement for maintaining a South African long-term insurance licence. This is set at R10 million or 13 weeks operating expenses or 0.3% of gross policyholder liabilities;
- TCAR – this requirement examines a highly selective scenario in which all policies with surrender values greater than the policyholder liability terminate immediately. A surrender value is not a feature of the existing product line which removes TCAR as an appropriate valuation technique; and
- OCAR – is a risk based measure based on a number of market and insurance risk stress tests, which together with compulsory margins are intended to provide approximately a 95% confidence level that the insurer will be able to meets its obligations to policyholders.

4. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on product offering. Consequently the Group has the following three operating segments:

- Personal insurance: This segment provides short-term insurance products to individuals. Personal insurance business is conducted in OUTsurance Insurance Company Limited, Youi Pty Limited (Australia) and Youi NZ Pty Limited;
- Commercial insurance: This segment provides short-term insurance products to small and medium sized businesses. Commercial insurance business is conducted in OUTsurance Insurance Company Limited;
- Life insurance: This segment provides long-term insurance products to individuals. Life insurance business is conducted in OUTsurance Life Insurance Company Limited.

The information in the segment report is presented on the same basis as reported to management. Reporting adjustments are those accounting reclassifications and entries required to produce IFRS compliant results. Specific details of these adjustments are included as footnotes.

The Group accounts for inter-segment revenues and transfers as if the transactions were with third parties. Given the nature of the operations there is no single external customer that provides 10% or more of the Group's revenues.

4. SEGMENT INFORMATION continued

4.1 Market segmentation:

	SHORT-TERM INSURANCE			
	OUTsurance			
	Personal R'000	Commercial R'000	Cell captives R'000	OUTsurance Total R'000
Segment income statement information				
Year end 30 June 2015				
Gross written premium	**5 679 467**	**863 703**	**36 831**	**6 580 001**
Outward reinsurance premiums	**(68 660)**	**(12 480)**	**–**	**(81 140)**
Change in provision for unearned premium	**(8 216)**	**(2 797)**	**1 850**	**(9 163)**
Earned premium, net of reinsurance	**5 602 591**	**848 426**	**38 681**	**6 489 698**
Commision income	**–**	**–**	**–**	**–**
Other income	**–**	**–**	**–**	**–**
Claims on insurance contracts net of reinsurance	**(2 614 744)**	**(333 896)**	**(16 182)**	**(2 964 822)**
Cash bonuses on insurance contracts	**(278 595)**	**(36 562)**	**–**	**(315 157)**
Marketing, acquisition and administration expenses	**(1 073 472)**	**(206 664)**	**(4 979)**	**(1 285 115)**
Transfer to policyholder liabilities under insurance contracts	**–**	**–**	**–**	**–**
Fair value adjustment to financial liabilities	**(188 037)**	**–**	**(12 605)**	**(200 642)**
Underwriting result	**1 447 743**	**271 304**	**4 915**	**1 723 962**
Net investment income				**250 563**
Share of profit of associate				**–**
Profit before tax				**1 974 525**

	SHORT-TERM INSURANCE			
	OUTsurance			
	Personal R'000	Commercial R'000	Cell captives R'000	OUTsurance Total R'000
Year end 30 June 2014				
Gross written premium	5 247 528	746 257	54 683	6 048 468
Outward reinsurance premiums	(88 227)	(12 894)	–	(101 121)
Change in provision for unearned premium	(16 940)	(2 218)	1 790	(17 368)
Earned premium, net of reinsurance	5 142 361	731 145	56 473	5 929 979
Other income	–	–	–	–
Claims on insurance contracts net of reinsurance	(2 492 339)	(317 407)	(20 547)	(2 830 293)
Cash bonuses on insurance contracts	(264 853)	(35 833)	–	(300 686)
Marketing, acquisition and administration expenses	(905 731)	(222 859)	(5 047)	(1 133 637)
Transfer to policyholder liabilities under insurance contracts	–	–	–	–
Fair value adjustment to financial liabilities	(168 892)	–	(21 918)	(190 810)
Underwriting result	1 310 546	155 046	8 961	1 474 553
Net investment income				250 988
Share of profit of associate				–
Profit before tax				1 725 541

The cell captive business was transferred on 31 March 2015 to RMB Structured Insurance (RMBSI), a subsidiary of RMI Holdings Limited.

SHORT-TERM INSURANCE		LONG-TERM INSURANCE		
Youi Australia Personal R'000	**Youi New Zealand Personal R'000**	**OUTsurance Life R'000**	**Unallocated and consolidation adjustments R'000**	**Group Total R'000**
5 408 777	**163 238**	**316 491**	**–**	**12 468 507**
(367 659)	**(85 296)**	**(20 910)**	**–**	**(555 005)**
(678 868)	**(77 542)**	**–**	**–**	**(765 573)**
4 362 250	**400**	**295 581**	**–**	**11 147 929**
–	**18 744**	**–**	**–**	**18 744**
151	**186**	**–**	**9 992**	**10 329**
(2 816 463)	**(9 067)**	**(40 911)**	**–**	**(5 831 263)**
–	**–**	**–**	**–**	**(315 157)**
(1 566 757)	**(160 616)**	**(189 476)**	**17 946**	**(3 184 018)**
–	**–**	**(41 351)**	**–**	**(41 351)**
–	**–**	**–**	**–**	**(200 642)**
(20 819)	**(150 353)**	**23 843**	**27 938**	**1 604 571**
96 616	**20 509**	**28 251**	**(44 530)**	**351 409**
–	**–**	**–**	**15 026**	**15 026**
75 797	**(129 844)**	**52 094**	**(1 566)**	**1 971 006**

SHORT-TERM INSURANCE		LONG-TERM INSURANCE		
Youi Australia Personal R'000	Youi New Zealand Personal R'000	OUTsurance Life R'000	Unallocated and consolidation adjustments R'000	Group Total R'000
4 065 679	–	237 419	–	10 351 566
(215 330)	–	(19 660)	–	(336 111)
(756 856)	–	–	–	(774 224)
3 093 493	–	217 759	–	9 241 231
435	–	–	6 870	7 305
(1 615 334)	–	(26 959)	–	(4 472 586)
–	–	–	–	(300 686)
(1 197 131)	(22 374)	(185 394)	24 637	(2 513 899)
–	–	(19 840)	–	(19 840)
–	–	–	–	(190 810)
281 463	(22 374)	(14 434)	31 507	1 750 715
77 057	17	16 935	(17 108)	327 889
–	–	–	10 398	10 398
358 520	(22 357)	2 501	24 797	2 089 002

4. SEGMENT INFORMATION continued

4.2 Geographical segmentation

The Company is domiciled in South Africa. The Group's revenue, profit, assets and liabilities arising from transactions with international customers are as follows:

	South Africa[1] R'000	Australia R'000	New Zealand R'000	Namibia[3] R'000	Group total R'000
Segment information from geographical areas					
Year ended 30 June 2015					
Total income	**7 029 555**	**4 459 017**	**39 839**	**15 026**	**11 543 437**
Total expenses	**(5 019 528)**	**(4 383 220)**	**(169 683)**		**(9 572 431)**
Total assets	**5 034 984**	**6 185 900**	**593 255**	**32 775**	**11 846 914**
Non-current assets[2]	**258 356**	**76 657**	**32 429**		**367 442**
Total liabilities	**2 090 241**	**4 834 151**	**211 949**		**7 136 341**
Year ended 30 June 2014					
Total income	6 405 423	3 170 985	17	10 398	9 586 823
Total expenses	(4 662 982)	(2 812 465)	(22 374)		(7 497 821)
Total assets	4 615 834	4 671 600	585 063	25 589	9 898 086
Non-current assets[2]	2 443 146	142 154	17 816		2 603 116
Total liabilities	1 815 300	3 608 066	21 269		5 444 635

[1] *Includes Group consolidation*
[2] *Excludes financial instruments, deferred tax assets, post retirement benefit assets and rights arising under insurance contracts.*
[3] *The Group's share of interest in the associate.*

Revenue is allocated based on the country in which the insurance contract is issued.

5. GROSS INSURANCE PREMIUM WRITTEN

	2015 R'000	2014 R'000
Short-term insurance	**12 152 016**	10 114 147
Premium written	**12 022 249**	9 995 825
Policyholder fees written	**129 767**	118 322
Long-term insurance	**316 491**	237 419
Premium received	**304 722**	228 121
Policyholder fees received	**11 769**	9 298
	12 468 507	10 351 566

6. OTHER INCOME

During the current financial year, the Group qualified for a job-creation incentive associated with call centre activities of the Youi Holdings Group's off-shored to South Africa. The incentive is accounted for based on the actual incentive qualified for during the year under review.

	2015 R'000	2014 R'000
Government grant received	**10 329**	7 305
	10 329	7 305

7. INVESTMENT INCOME

	2015 R'000	2014 R'000
Cash and cash equivalents		
Interest received	**325 147**	234 263
Dividends received from financial assets designated at fair value through profit and loss	**7 187**	18 588
Available-for-sale financial assets		
Interest – unlisted debt instruments	**26 408**	31 182
Dividends – listed equities	**47 444**	43 435
	406 186	327 468

8. FAIR VALUE ADJUSTMENTS ON FINANCIAL ASSETS

	Available-for-sale R'000	Fair value designated through profit and loss R'000	Fair value designated through profit and loss – impairment R'000	Total R'000
2015				
Net realised losses on financial assets	**–**	**(3 555)**	**–**	**(3 555)**
Net unrealised fair value gains	**(34 468)**	**249**	**–**	**(34 219)**
Available-for-sale reserve released to statement of profit and loss and other comprehensive income	**51 006**	**–**	**(51 006)**	**–**
	16 538	**(3 306)**	**(51 006)**	**(37 774)**
2014				
Net realised losses on financial assets	–	(1 514)	–	(1 514)
Net unrealised fair value gains	40 638	3 123	–	43 761
	40 638	1 609	–	42 247

Other than unlisted preference shares, fair value gains and losses on available-for-sale assets and designated fair value financial assets are determined with reference to quoted market prices at reporting date. Refer to note 3.3.1 for the valuation methodology of the unlisted preference shares.

9. CLAIMS ON INSURANCE CONTRACTS NET OF REINSURANCE

	2015			2014		
	Gross R'000	**Reinsurance R'000**	**Net R'000**	Gross R'000	Reinsurance R'000	Net R'000
Short-term insurance						
Gross	**(6 496 224)**	**705 872**	**(5 790 352)**	(4 710 182)	264 555	(4 445 627)
Claim paid net of recoveries	**(5 685 118)**	**315 607**	**(5 369 511)**	(4 593 070)	250 313	(4 342 757)
Change in claims reserves	**(811 106)**	**390 265**	**(420 841)**	(117 112)	14 242	(102 870)
Long-term insurance						
Claims paid	**(58 520)**	**17 609**	**(40 911)**	(35 280)	8 321	(26 959)
Life claims	**(46 318)**	**14 863**	**(31 455)**	(27 217)	6 892	(20 325)
Disability claims	**(5 836)**	**1 559**	**(4 277)**	(2 222)	412	(1 810)
Retrechment claims	**(2 227)**	**266**	**(1 961)**	(1 524)	182	(1 342)
Critical illness claims	**(4 139)**	**921**	**(3 218)**	(4 317)	835	(3 482)
Total claims incurred	**(6 554 744)**	**723 481**	**(5 831 263)**	(4 745 462)	272 876	(4 472 586)

10. ACQUISITION EXPENSES

Acquisition expenses relate to payments for intermediary sourced business and certain ring-fenced insurance business and profit share arrangements.

	2015 R'000	2014 R'000
Acquisition expenses incurred	**(34 634)**	(25 792)
Change in deferred acquisition costs	**–**	(2 952)
	(34 634)	(28 744)

11. MARKETING AND ADMINISTRATION EXPENSES

The following expenses have been included in the statement of profit and loss and other comprehensive income under marketing and administration expenses:

	2015 R'000	2014 R'000
Depreciation		
Buildings	**27 909**	25 180
Computer equipment	**86 144**	65 783
Furniture and fittings	**12 259**	8 281
Motor vehicles	**370**	349
Total depreciation	**126 682**	99 593
Employee benefits		
Salaries excluding retirement funding	**1 379 457**	1 083 079
Medical aid contributions	**66 231**	58 679
Retirement funding	**133 764**	114 555
Service cost relating to employee benefits	**66 207**	48 085
Share-based payments	**89 583**	112 243
Total employee benefits	**1 735 242**	1 416 641
Other disclosable items		
Audit fees	**6 726**	7 576
External audit fees	**5 340**	5 151
Other fees/services	**1 386**	2 425
Operating lease expenses	**94 999**	82 839
(Profit)/Loss on sale of property, plant and equipment	**(188)**	3 526
Consulting and legal fees for professional services	**17 721**	16 352
Investment fees paid	**6 048**	4 761
Foreign exchange (gain)/loss	**(53)**	1 327
Marketing and management expenses	**1 162 207**	852 540
Total other disclosable expenses	**1 287 460**	968 921
Total marketing and administration expenses per the statement of profit and loss and other comprehensive income	**3 149 384**	2 485 155

12. FINANCE CHARGES

	2015 R'000	2014 R'000
Interest paid – operational financing	**465**	1 188
	465	1 188

13. TAXATION

	2015 R'000	2014 R'000
Normal taxation		
Current tax	**(611 024)**	(542 489)
Current year	**(694 504)**	(647 655)
Utilisation of assessed loss	**83 715**	105 156
Prior year (under)/over provision	**(235)**	10
Deferred tax	**(19 125)**	(80 057)
Current year	**(21 211)**	(80 057)
Prior year over provision	**2 086**	–
Total normal taxation	**(630 149)**	(622 546)
Withholding taxation incurred	**(1 621)**	–
Total taxation charge	**(631 770)**	(622 546)
Tax rate reconciliation		
In R'000		
Normal tax on companies	**551 882**	584 921
Non-temporary differences	**45 700**	31 733
Fair value adjustment	**(53)**	52 570
Other non deductible differences	**–**	(1 127)
Other	**489**	–
Capital gains tax	**4 790**	35
Foreign tax rate differential	**1 083**	3 160
Exempt dividends	**(26 918)**	(26 098)
Non allowable expenses	**66 309**	3 193
Prior year (over) provision	**(1 852)**	(10)
Deferred tax asset not recognised	**36 040**	5 902
Amount calculated at effective rate	**631 770**	622 546

The dividend tax law allows that the recipient's liability for dividend tax be reduced with the amount of any STC credits available, for a period of three years up to 1 March 2015. The STC credit is made up from two possible sources namely, any unused STC credits of the holding company brought forward from the final dividend cycle under the STC system as well as any new pro rata portion of any STC credit received by the holding company under the new dividend tax regime.

14. EARNINGS PER SHARE

In terms of IAS 33, the Group has elected to disclose earnings per share.

14.1 Basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares held by the Group as treasury shares.

	2015	2014
Earnings attributable to ordinary shareholders (R'000)	**1 346 204**	1 445 288
Weighted average number of shares in issue ('000)	**3 481 822**	3 460 026
Basic earnings per share (cents)	**38,66**	41,77

14.2 Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The options that have been issued to key personnel that have not yet vested or have not yet been exercised by the holders of those options have a potential dilutive effect on the earnings per share for the Group. Earnings dilution results from the Group's share incentive schemes as disclosed in note 29.

	2015	2014
Earnings attributable to ordinary shareholders (R'000)	**1 346 204**	1 445 288
Diluted earnings attributable to Youi Pty Limited (R'000)	**–**	(30 582)
Total earnings attributable to ordinary shareholders (R'000)	**1 346 204**	1 414 706
Diluted weighted average number of shares in issue ('000)	**3 540 369**	3 526 973
Weighted average number of shares in issue ('000)	**3 481 822**	3 460 026
Dilution impact of share incentive scheme ('000)	**58 547**	66 947
Diluted earnings per share (cents)	**38,02**	40,11

15. HEADLINE EARNINGS PER SHARE

Headline earnings per share is calculated by dividing the adjusted earnings attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

Headline earnings reconciliation:

	2015 R'000	2014 R'000
Earnings attributable to ordinary shareholders	**1 346 204**	1 445 288
Adjusted for:		
Impairment of available-for sale instruments	**51 006**	–
(Profit)/Loss on sale of property and equipment	**(188)**	3 526
Tax effect of adjustments	**(9 467)**	(996)
Headline earnings attributable to ordinary shareholders	**1 387 555**	1 447 818
Weighted average number of shares in issue ('000)	**3 481 822**	3 460 026
Headline earnings per share – basic (cents)	**39,85**	41,84
Headline earnings attributable to ordinary shareholders	**1 387 555**	1 447 818
Diluted headline earnings attributable to Youi Pty Limited	**–**	(30 582)
Diluted headline earnings attributable to ordinary shareholders	**1 387 555**	1 417 236
Diluted weighted average number of shares in issue ('000)	**3 540 370**	3 526 973
Headline earnings per share – diluted (cents)	**39,19**	40,18

16. DIVIDEND PER SHARE

	2015	2014
Total dividends paid during the year (R'000)	**1 045 788**	918 334
Total dividends declared during the year (R'000)	**1 073 040**	967 495
Number of ordinary shares in issue ('000)	**3 518 163**	3 518 163
Dividends declared per share (cents)	**30,50**	27,50
Dividend paid per share (cents)	**29,73**	26,10

17. PROPERTY AND EQUIPMENT

	Land and buildings R'000	Computer equipment R'000	Computer software R'000	Furniture, Fittings and office equipment R'000	Motor vehicles R'000	Total R'000
Year ended 30 June 2015						
Opening net book amount	**350 705**	**119 026**	**21 337**	**22 095**	**1 032**	**514 195**
Additions	**26 080**	**82 140**	**17 575**	**13 151**	**559**	**139 505**
Disposals	**(7)**	**(238)**	**–**	**(10)**	**(208)**	**(463)**
Foreign exchange adjustments	**(2 446)**	**(1 450)**	**(861)**	**(1 134)**	**(22)**	**(5 913)**
Depreciation charge	**(27 909)**	**(69 790)**	**(16 354)**	**(12 259)**	**(370)**	**(126 682)**
Closing net book amount	**346 423**	**129 688**	**21 697**	**21 843**	**991**	**520 642**
At 30 June 2015						
Cost	**415 026**	**469 642**	**50 307**	**87 960**	**1 352**	**1 024 287**
Accumulated depreciation	**(68 603)**	**(339 954)**	**(28 610)**	**(66 117)**	**(361)**	**(503 645)**
Net book amount	**346 423**	**129 688**	**21 697**	**21 843**	**991**	**520 642**
Year ended 30 June 2014						
Opening net book amount	356 967	76 622	7 209	17 878	922	459 598
Additions	16 450	105 087	18 430	11 596	423	151 986
Disposals	–	(3 878)	–	(211)	–	(4 089)
Foreign exchange adjustments	2 468	1 645	1 031	1 113	36	6 293
Depreciation charge	(25 180)	(60 450)	(5 333)	(8 281)	(349)	(99 593)
Closing net book amount	350 705	119 026	21 337	22 095	1 032	514 195
At 30 June 2014						
Cost	401 203	473 114	34 495	77 837	1 979	988 628
Accumulated depreciation	(50 498)	(354 088)	(13 158)	(55 742)	(947)	(474 433)
Net book amount	350 705	119 026	21 337	22 095	1 032	514 195

Land and buildings assets are utilised by the Group in the normal course of operations to provide services. The construction of an additional building on Erf 1956, Zwartkop Extension 7, Gauteng, was completed on 1 July 2012. This property is owner-occupied and depreciation commenced from 1 July 2012.

Information regarding land and buildings is kept at the Group's registered offices. This information will be open for inspection in terms of section 20 of the Companies Act.

Refer to note 34 for the current and non-current analysis of property and equipment.

18. SUBSIDIARIES

The Company had the following subsidiaries at 30 June 2015:

Subsidiary	Nature of business	Country of Incorporation	Issued ordinary capital (R'000) 2015	2014	Effective Holdings 2015	2014	Subsidiary carrying amount (R'000) 2015	2014
OUTsurance Insurance Company Ltd	Short-term insurer	South Africa	**25 000**	25 000	**100%**	100%	**2 937 915**	2 551 397
OUTsurance Life Insurance Company Ltd	Long-term insurer	South Africa	**385 002**	325 002	**100%**	100%	**416 879**	319 348
Youi (Pty) Ltd (South Africa)	Administration company	South Africa	**15 000**	15 000	**100%**	100%	**7 614**	22 694
OUTsurance International Holdings (Pty) Ltd	Holdings company	South Africa	**1 169 086**	1 169 086	**100%**	100%	**1 250 410**	1 275 156
OUTsurance Shared Services (Pty) Ltd	Administration company	South Africa	**100**	100	**100%**	100%	**8 174**	3 751
Youi NZ Pty Ltd	Short-term insurer	New Zealand	**575 619**	575 086	**93.0%**	93.1%	**381 306**	564 080
Youi Holdings Pty Ltd	Holdings company	Australia	**1 316 760**	1 320 108	**93.0%**	93.1%	**2 043 098**	2 108 509
Youi Pty Ltd	Short-term insurer	Australia	**1 188 792**	1 188 792	**93.0%**	93.1%	**1 351 749**	1 329 016
Youi Properties Pty Ltd	Property company	Australia	**1**	–	**93.0%**	0.0%	**1**	–
Micawber 296 (Pty) Ltd	Property company	South Africa	**38 105**	38 105	**100%**	100%	**163 394**	143 530

** Refer to note 14 for the Group's dilution of the percentage holding in Youi Holdings Pty Limited.*

All subsidiaries are included in the consolidation. The proportion of voting rights in subsidiaries does not differ from the proportion of ordinary shares held.

The total non-controlling interest for the financial year is R136.4 million (2014: R137.6 million) which is attributable to the minority shareholders of Youi Holdings Pty Ltd.

Dilution of interest in a subsidiary without loss of control

During the 2015 financial year, certain tranches of the Youi Holdings equity-settled share scheme were exercised by scheme participants. This resulted in an increase in non-controlling interest of R5.7 million and a decrease in equity attributable to the Group of R6.9 million. The non-controlling interest is reconciled as follows:

	2015 R'000	2014 R'000
Accumulated profit attributable to non-controlling interest	**8 376**	15 344
Capital contributed by non-controlling parties	**127 968**	122 264
Total attributable to non-controlling interest	**136 344**	137 608

19. INVESTMENT IN ASSOCIATES

	2015 R'000	2014 R'000
OUTsurance Insurance Company of Namibia Limited		
Investment in associate	**32 775**	25 589
	32 775	25 589
Reconciliation of investment in associate		
Opening balance	**25 589**	23 031
Share of associate after tax profit attributable to the group	**15 026**	10 398
Dividends received from associates	**(7 840)**	(7 840)
Closing balance	**32 775**	25 589

The Group effectively owns a 49% share in the ordinary shares of OUTsurance Insurance Company of Namibia Limited, a company incorporated and domiciled in Namibia. This associate is regarded material in the opinion of the Board.

There are no contingent liabilities relating to the Group's investment in the associate.

The table below provides a summary of the financial information of OUTsurance Insurance Company of Namibia Limited:

	2015 R'000	2014 R'000
Statement of financial position		
Current assets	**149 694**	126 433
Non-current assets	**3 970**	3 310
Current liabilities	**(13 601)**	(11 785)
Technical provisions	**(72 757)**	(65 241)
Equity	**67 306**	52 717
Statement of profit and loss and other comprehensive income		
Revenue	**189 254**	157 186
After tax comprehensive income attributable to the Group	**15 026**	10 398
Cash Flow statement		
Cash inflow from operating activities	**42 713**	31 531
Cash outflow from investing activities	**(15 516)**	(7 608)
Cash outflow from financing activities	**(18 840)**	(17 839)
Increase in cash and cash equivalents	**8 357**	6 084
Opening balance of cash and cash equivalents	**43 184**	37 100
Closing balance of cash and cash equivalents	**51 541**	43 184
Opening net assets – 1 July	**52 717**	48 264
Profit for the period	**30 665**	20 269
Other comprehensive income	**(76)**	184
Dividend	**(16 000)**	(16 000)
Closing net assets	**67 306**	52 717
Interest in associates (49%)	**32 980**	25 831
Available-for-sale and preference shares	**(205)**	(242)
Carrying value	**32 775**	25 589

Refer to note 34 for the current and non-current analysis of investments in associates.

20. FINANCIAL ASSETS – EQUITY AND DEBT SECURITIES

The Group financial assets are summarised below:

	2015 R'000	2014 R'000
Fair value designated through profit and loss		
Debt securities		
Collective investment scheme	–	542 443
Government, municipal and public utility securities	**634 020**	276 646
Money market securities <1year	**1 487 119**	1 147 458
Money market securities >1 year	**683 850**	485 817
Available-for-sale		
Equity securities		
Listed perpetual preference shares	**504 255**	549 074
Exchange traded funds	**241 869**	175 946
Debt securities		
Unlisted redeemable preference shares	**559 798**	540 129
Total financial assets	**4 110 911**	3 717 513

The table below provides a breakdown of the movement in the equity and debt securities:

	Fair value designated through profit and loss R'000	Available-for-sale R'000	Total R'000
Group 2015			
Movement analysis			
Balance at 1 July 2014	**2 452 364**	**1 265 149**	**3 717 513**
Additions (purchases and issuings)	**4 393 389**	**117 235**	**4 510 624**
Disposals (sales and redemptions)	**(4 041 124)**	**(93 000)**	**(4 134 124)**
Unrealised fair value adjustments	**360**	**16 538**	**16 898**
Balance at 30 June 2015	**2 804 989**	**1 305 922**	**4 110 911**
Group 2014			
Movement analysis			
Balance at 1 July 2013	2 631 452	1 123 711	3 755 163
Additions (purchases and issuings)	3 782 548	100 800	3 883 348
Disposals (sales and redemptions)	(3 964 759)	–	(3 964 759)
Unrealised fair value adjustments	3 123	40 638	43 761
Balance at 30 June 2014	2 452 364	1 265 149	3 717 513

A register of investments is available for inspection at the registered office of the Group.

Refer to note 3.3.1 for information relating to the fair value of investment securities. Refer to note 34 for the current and non-current analysis of investment securities.

21. FINANCIAL ASSETS – LOANS AND RECEIVABLES

	2015 R'000	2014 R'000
Receivables arising from insurance and reinsurance contracts		
Due from policyholders	**1 757 985**	1 277 079
Due from agents, brokers and intermediaries	**–**	7 691
Due from reinsurers	**20 657**	36 116
Other receivables		
Other receivables and prepayments	**176 972**	105 063
Total receivables	**1 955 614**	1 425 949

Insurance receivables are recognised and carried at the contractual amount less any allowance for uncollectible amounts. Non-insurance receivables are carried at amortised cost using the effective interest rate method. Where the effects of discounting are deemed material, the receivables are reflected at the discounted amounts.

At 30 June 2015, none of the receivables listed above are considered to be past due or impaired.

Included in loans and receivables are amounts due by related parties. Refer to note 35 for further details thereof.

The carrying amount of loans and receivables approximates the fair value. Refer to note 34 for the current and non-current analysis of loans and receivables.

22. DEFERRED TAXATION

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relates to the same fiscal authority.

	2015 R'000	2014 R'000
Deferred tax assets		
Provision relating to staff costs	**264 191**	198 718
Fair value adjustment	**8 431**	7
Service costs on employee benefits	**5 566**	7 258
Operating lease charges	**67**	2 583
Unrealised foreign exchange loss	**–**	80
Difference between accounting and tax values of assets	**1 553**	992
Costs of capital nature amortised over 5 years	**664**	90
Payment received in advance	**1 712**	–
Special transfer credit	**2 806**	4 353
Assessed loss	**35 637**	137 681
Total deferred tax assets	**320 627**	351 762
Deferred tax liabilities		
Operating lease charges	**(75)**	–
Available-for-sale financial assets*	**(19 239)**	(16 152)
Deferred expenditure immediately deductable	**(6 454)**	(11 621)
Deferred acquisition costs	**(99 729)**	(100 835)
Special transfer credit	**(4 859)**	–
Prepayments	**(1 976)**	(2 888)
Total deferred tax liability	**(132 332)**	(131 496)
Net deferred tax assets	**188 295**	220 266

** These amounts have been charged directly to other comprehensive income.*

22. DEFERRED TAXATION continued

	2015 R'000	2014 R'000
Reconciliation of movement in deferred tax asset		
Opening balance of deferred tax assets	**351 762**	356 136
Transfer of intellectual property	**(2)**	(190)
Foreign exchange difference	**(18 763)**	33 996
Transfer to share-based payment reserve	**1 543**	–
Prior year adjustment	**2 086**	–
Deferred tax charge for the year	**(15 999)**	(38 180)
Closing balance of deferred tax liability	**320 627**	351 762
Reconciliation of movement in deferred tax liability		
Opening balance of deferred tax liability	**(131 496)**	(65 065)
Foreign exchange difference	**7 463**	(8 402)
Available-for-sale financial assets*	**(3 087)**	(16 152)
Deferred tax charge for the year	**(5 212)**	(41 877)
Closing balance of deferred tax liability	**(132 332)**	(131 496)

** These amounts have been charged directly to other comprehensive income.*

The Group reviews the carrying amount of deferred tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

The Group has recognised a deferred tax asset on the assessed losses in Youi Australia of R104.6 million (2014: R386.5 million).

A deferred tax asset relating to the startup loss incurred by Youi New Zealand has not been recognised due to the short trading history of the business. The deferred tax asset will be recognised once reasonable certainty exists that the losses are recoverable against future profits. The deferred tax asset for the financial year that has not been recognised in 2015 is R41.8 million. A deferred tax asset relating to the individual policyholder fund in OUTsurance Life has not been recognised amounting to R175.8 million (2014: R124.7 million)

Refer to note 34 for the current and non-current analysis of deferred taxation.

23. CASH AND CASH EQUIVALENTS

	2015 R'000	2014 R'000
Cash at bank and in hand	**561 151**	510 400
Money market investments	**3 511 621**	2 926 623
	4 072 772	3 437 023

Included in money market investments are deposits with a term of maturity of less than three months.

The carrying value of cash and cash equivalents approximates the fair value.

24. SHARE CAPITAL

Upon consolidation, shares owned by the OUTsurance Holdings Limited Share Trust are accounted for as treasury shares and are eliminated against share capital and share premium. The unissued shares of the Company are under the control of the directors until the forthcoming annual general meeting.

	2015 R	2014 R
Authorised share capital		
3 999 999 990 (2014: 3 999 999 990) ordinary shares at R0.01 each	**39 999 990**	39 999 990
1 000 "A" variable rate non cumulative non redeemable preference shares of R0.01 each	**10**	10
Issued ordinary share capital		
Total shares in issue: 3 518 163 100 (2014: 3 518 163 100) ordinary shares at R0.01 each	**35 181 631**	35 181 631
Treasury shares held by the OUTsurance Holdings Share Trust 33 874 148 (2014: 54 013 763)	**(338 741)**	(540 138)
Closing balance	**34 842 890**	34 641 493
Issued preference share capital		
Opening balance: 0 (2014: 178) "A" variable rate non cumulative non redeemable preference shares at R0.01 each	**–**	2
Share repurchased during the year: 0 (2014: 178) "A" variable rate non cumulative non redeemable preference shares of R0.01 each	**–**	(2)
Total shares in issue: 0 (2014: 0) "A" variable rate non cumulative non redeemable preference shares of R0.01 each	**–**	–
Share premium		
Ordinary shares		
Issued share premium	**265 110**	265 110
Treasury shares held by the OUTsurance Holdings Share Trust	**(15 187)**	(101 814)
	249 923	163 296
"A" Preference shares		
Opening balance	**–**	200 500
Repurchase of shares	**–**	(200 500)
Closing balance	**–**	–

25. INSURANCE CONTRACT LIABILITIES

The table below provides an overview of the Group's liability which arises from insurance contracts:

	2015			2014		
	Gross R'000	**Reinsurance R'000**	**Net R'000**	Gross R'000	Reinsurance R'000	Net R'000
Short-term insurance contracts						
Claims reserves	**2 052 773**	**(444 960)**	**1 607 813**	1 297 952	(59 925)	1 238 027
Unearned premium provision	**3 344 431**	**(41 428)**	**3 303 003**	2 729 058	–	2 729 058
Insurance contract non-claims bonuses	**402 059**	**–**	**402 059**	381 362	–	381 362
Long-term insurance contracts						
Policyholder liabilities	**137 482**	**(82 457)**	**55 025**	66 153	(52 479)	13 674
	5 936 745	**(568 845)**	**5 367 900**	4 474 525	(112 404)	4 362 121

25.1 Analysis of movement in short-term insurance contract liabilities

	2015			2014		
	Gross R'000	**Reinsurance R'000**	**Net R'000**	Gross R'000	Reinsurance R'000	Net R'000
Analysis of movement in claims reserves						
Opening balance						
Outstanding claims provision	**965 741**	**(56 212)**	**909 529**	786 818	(41 669)	745 149
Claims incurred but not reported	**332 211**	**(3 713)**	**328 498**	342 294	(3 359)	338 935
Total	**1 297 952**	**(59 925)**	**1 238 027**	1 129 112	(45 028)	1 084 084
Current year						
Claims incurred	**6 090 619**	**(537 875)**	**5 552 744**	4 657 437	(260 418)	4 397 019
Claims paid	**(4 956 738)**	**270 371**	**(4 686 367)**	(4 499 688)	155 478	(4 344 210)
Prior year						
Claims incurred	**73 477**	**9 390**	**82 867**	79 858	(3 682)	76 176
Claims paid	**(728 380)**	**45 236**	**(683 144)**	(93 382)	94 835	1 453
Movement in incurred but not reported	**231 888**	**(138 175)**	**93 713**	(18 432)	69	(18 363)
Change in risk margin	**75 687**	**(39 212)**	**36 475**	(27 240)	(524)	(27 764)
Change in claims handling costs	**24 553**	**–**	**24 553**	18 559	–	18 559
Foreign exchange difference	**(44 569)**	**5 230**	**(39 339)**	51 728	(655)	51 073
Transfer of reserves for cell captive business	**(11 716)**	**–**	**(11 716)**	–	–	–
Closing balance						
Outstanding claims provision	**1 490 556**	**(303 071)**	**1 187 485**	965 741	(56 212)	909 529
Claims incurred but not reported	**562 217**	**(141 889)**	**420 328**	332 211	(3 713)	328 498
Total	**2 052 773**	**(444 960)**	**1 607 813**	1 297 952	(59 925)	1 238 027

25. INSURANCE CONTRACT LIABILITIES continued

25.1 Analysis of movement in short-term insurance contract liabilities continued

	2015			2014		
	Gross R'000	Reinsurance R'000	Net R'000	Gross R'000	Reinsurance R'000	Net R'000
Analysis of movement in unearned premium provision						
Opening balance	**2 729 058**	**–**	**2 729 058**	1 764 235	–	1 764 235
UPP raised	**6 030 536**	**(452 956)**	**5 577 580**	4 512 083	215 330	4 727 413
UPP earned	**(5 223 535)**	**411 528**	**(4 812 007)**	(3 737 859)	(215 330)	(3 953 189)
Transfer of reserves for cell captive business	**(27 467)**	**–**	**(27 467)**	–	–	–
Foreign exchange difference	**(164 161)**	**–**	**(164 161)**	190 599	–	190 599
Closing balance	**3 344 431**	**(41 428)**	**3 303 003**	2 729 058	–	2 729 058
Analysis of movement in insurance contract non-claims bonuses						
Opening balance	**381 362**	**–**	**381 362**	373 056	–	373 056
Charge to the statement of profit and loss and other comprehensive income	**315 157**	**–**	**315 157**	300 686	–	300 686
Non-claims bonuses paid during the year	**(294 460)**	**–**	**(294 460)**	(292 380)	–	(292 380)
Closing balance	**402 059**	**–**	**402 059**	381 362	–	381 362

	2015 R'000	2014 R'000
Analysis of movement in deferred acquisition costs		
Opening balance	**336 114**	215 240
DAC raised	**856 342**	657 163
DAC charged to the statement of profit and loss and other comprehensive income	**(837 556)**	(566 031)
Foreign exchange difference	**(22 466)**	29 742
Closing balance	**332 434**	336 114

Based on the results of the liability adequacy test performed for Youi New Zealand at 30 June 2015, acquisition costs in the amount of R54.4 million did not qualify for deferral.

25. INSURANCE CONTRACT LIABILITIES continued

25.2 Claims development tables

The tables below show the development pattern of the Group's short-term insurance claims liabilities. The presentation of the claims development tables for the Group is based on the actual date of the event that caused the claim (accident year basis).

25.2.1 Payment development

	Financial year in which claims were paid				
Net claims	**2015 R'000**	2014 R'000	2013 R'000	2012 R'000	Prior 2011 R'000
Accident year					
2015	**4 686 367**	–	–	–	–
2014	**643 127**	4 344 210	–	–	–
2013	**26 030**	(45 757)	2 908 082	–	–
2012	**9 178**	27 575	383 344	2 439 599	–
2011 and prior	**4 809**	16 729	34 943	361 283	12 837 697
Cumulative payments to date	**5 369 511**	4 342 757	3 326 369	2 800 882	12 837 697

25.2.2 Incurred development

	Financial year in which changes occurred in claims liability				
Net claims	**2015 R'000**	2014 R'000	2013 R'000	2012 R'000	Prior 2011 R'000
Accident year					
2015	**5 541 777**	–	–	–	–
2014	**111 466**	4 385 246	–	–	–
2013	**(11 731)**	96 886	3 505 305	–	–
2012	**(7 251)**	(1 479)	21 640	2 847 028	–
2011 and prior	**(9 616)**	(19 231)	(8 881)	(51 556)	13 334 556
Current estimate of cumulative claims incurred	**5 624 645**	4 461 422	3 518 064	2 795 472	13 334 556

The IBNR, IBNR risk margin and IBNR claims handling expenses have been excluded from the table above.

25.2.3 Reporting development

	Financial year in which claims were reported				
Net claims	**2015 R'000**	2014 R'000	2013 R'000	2012 R'000	Prior 2011 R'000
Accident year					
2015	5 893 506	–	–	–	–
2014	7 661	4 543 283	–	–	–
2013	6 804	(24 394)	3 580 865	–	–
2012	(43)	84	15 552	2 843 617	–
2011 and prior	45	3 459	4 825	(2 639)	13 303 929
Current estimate of cumulative claims incurred	5 907 973	4 522 432	3 601 242	2 840 978	13 303 929

25. INSURANCE CONTRACT LIABILITIES continued

25.3 Analysis of movement in long-term insurance contract liabilities

The policyholder liability represents the present value of the expected cash outflow to existing policyholders at measurement date. The policyholder liability is calculated by present valuing the expected future cash flows derived from the best estimates of the variables which influence these cash flows.

	Gross policy-holder liability R'000	Reinsurers' share of policy-holder liability R'000	Net policy-holder liability R'000	Deferral of acquisition costs R'000	Net policy-holder liability incl deferral of acquisition costs R'000
2015					
Analysis of change in policyholder liabilities					
Opening balance	151 951	(52 479)	99 472	(85 798)	13 674
Policyholder Liability reserve	129 372	(41 815)	87 557	(85 798)	1 759
Incurred but not reported reserve	4 436	–	4 436	–	4 436
Outstanding claims reserve	18 143	(10 664)	7 479	–	7 479
Transfer to policyholder liabilities under insurance contract	104 180	(29 978)	74 202	(32 851)	41 351
Expected experience roll-forward	61 864	(14 196)	47 668	–	47 668
Experience variance	10 252	(2 367)	7 885	–	7 885
Modelling methodology changes	10 800	(5 550)	5 250	–	5 250
Change in non-economic assumptions	(15 606)	6 060	(9 546)	–	(9 546)
Change in economical assumptions	5 565	(313)	5 252	–	5 252
New business	20 989	(13 050)	7 939	–	7 939
Incurred but not reported claims	1 302	–	1 302	–	1 302
Change in outstanding claims reserve	9 014	(562)	8 452	–	8 452
Deferral of acquisition costs	–	–	–	(32 851)	(32 851)
Closing balance	256 131	(82 457)	173 674	(118 649)	55 025
Policyholder Liability reserve	223 236	(71 231)	152 005	(118 649)	33 356
Incurred but not reported reserve	5 738	–	5 738	–	5 738
Outstanding claims reserve	27 157	(11 226)	15 931	–	15 931

In addition to the discounted cash flow liability, an Incurred But Not Reported ("IBNR") and an Outstanding Claims ("OCR") reserve was held amounting to R5 738 935 (2014: R4 436 824) and R15 930 959 (2014: R7 478 948) respectively. The IBNR was set using a claims run-off model based on recent experience and the OCR was set using the actual estimated outstanding claims as at year-end.

25. INSURANCE CONTRACT LIABILITIES continued

25.3 Analysis of movement in long-term insurance contract liabilities continued

	Gross policyholder liability R'000	Reinsurers' share of policyholder liability R'000	Net policyholder liability R'000	Deferral of acquisition costs R'000	Net policyholder liability incl deferral of acquisition costs R'000
2014					
Analysis of change in policyholder liabilities					
Opening balance	64 787	(12 481)	52 306	(58 472)	(6 166)
Policyholder Liability reserve	44 833	(6 272)	38 561	(58 472)	(19 911)
Incurred but not reported reserve	4 377	–	4 377	–	4 377
Outstanding claims reserve	15 577	(6 209)	9 368	–	9 368
Transfer to policyholder liabilities under insurance contract	87 164	(39 998)	47 166	(27 326)	19 840
Expected experience roll-forward	25 365	(1 728)	23 637	–	23 637
Experience variance	11 427	(398)	11 029	–	11 029
Modelling methodology changes	(11 217)	(595)	(11 812)	–	(11 812)
Change in non-economic assumptions	22 882	(18 508)	4 374	–	4 374
Change in economical assumptions	(51)	484	433	–	433
New business	36 133	(14 798)	21 335	–	21 335
Incurred but not reported claims	59	–	59	–	59
Change in outstanding claims reserve	2 566	(4 455)	(1 889)	–	(1 889)
Deferral of acquisition costs	–	–	–	(27 326)	(27 326)
Closing balance	151 951	(52 479)	99 472	(85 798)	13 674
Policyholder Liability reserve	129 372	(41 815)	87 557	(85 798)	1 759
Incurred but not reported reserve	4 436	–	4 436	–	4 436
Outstanding claims reserve	18 143	(10 664)	7 479	–	7 479

25. INSURANCE CONTRACT LIABILITIES continued

25.4 Critical accounting estimates and judgements in applying accounting policies relating to insurance contracts

25.4.1 Short-term insurance

Claims reserves

Each reported claim is assessed separately on a case by case basis, by either a computer algorithm based on past experience or a claims assessor with the relevant experience, taking into account information available from the insured. The estimates are updated as and when new information becomes available.

The estimate for claims IBNR is calculated as a percentage of historic net written premium. The required IBNR percentage is calculated with reference to the run-off period of incurred claims. The overall IBNR percentage represents the weighted average of the required IBNR per business class, weighted by the net written premium generated by each business class.

The Claims reserve is held so as to be at least sufficient at the 75th percentile of the ultimate cost distribution. The difference between this 75th percentile and the best estimate is considered to be an appropriate risk margin. Claims is considered to be the most sensitive to changes in assumptions, therefore a sensitivity analysis is performed. In the Southern African operations, excluding alternative risk business, a 5% (80th percentile) upward adjustment in the level of sufficiency of the claims reserve would result in an additional charge of approximately R18.1 million while a 5% (70th percentile) downward adjustment in the level of sufficiency would result in a release of reserves in the statement of profit and loss and other comprehensive income of approximately R15.8 million (before taxation). In the Youi Australia and New Zealand operations, a 5% (80th percentile) upward adjustment in the level of sufficiency of the Claims reserve would result in an additional charge of approximately $2.4 million while a 5% (70th percentile) downward adjustment in the level of sufficiency would result in a release of reserves in the statement of profit and loss and other comprehensive income of approximately $2.1 million.

Unearned premium provision ("UPP")

The underlying risk of the insurance contracts underwritten is predominately evenly spread over the contract term. The unearned premium is released over the term of the insurance contract in line with the risk profile release.

Liability for non-claims bonuses on insurance contracts

The provision for non-claims cash bonuses is determined with reference to the contractual obligation per the contract of insurance adjusted for expected future claims and client cancellations based on historical experience. A risk margin is added to the best estimate of the future liability to allow for the uncertainty relating to future claims and cancellation experience. The risk margin is calibrated to ensure that the provision is at least sufficient at the 75th percentile of the ultimate cost distribution.

5. INSURANCE CONTRACT LIABILITIES continued

25.4 Critical accounting estimates and judgements in applying accounting policies relating to insurance contracts continued

25.4.2 Long-term insurance

Policyholder liabilities assumptions and estimates

Policyholder liabilities

The following compulsory margins were applied in the valuation of the policyholder liability at 30 June 2015:

Assumption	Margin
Investment return	0.25% increase/decrease*
Mortality	7.5% increase
Morbidity	10% increase
Disability	10% increase
Retrenchment	15% increase
Expenses	10% increase
Expense inflation	10% increase of estimated escalation rate
Lapses	25% increase/decrease* on best estimate

** Depending on which change increases the liability.*

In addition to the above compulsory margins, discretionary margins may be added to protect against future possible adverse experience. A discretionary margin is added to allow for the zerorisation of negative reserves after taking into account the release of negative reserves amounting to R393.8 million, to offset deferral of acquisition costs. The mortality and morbidity assumptions mentioned above, both have a discretionary margin of 5% amounting to R35 million.

For the purposes of determining the value of the policyholder liability for regulatory purposes, the deferral of acquisition costs is ignored in the Statutory Valuation Method ("SVM") calculation.

Demographic assumptions

The best estimate assumptions in respect of dread disease & disability, mortality and retrenchment rates were set equal to those used in the most recent pricing basis as developed by the reinsurer and approved by the statutory actuary. Provision has been made for the expected increase in the occurrence of AIDS-related claims.

Economic assumptions

Investment return

In the current year, the Group calculated its investment return assumption using a full yield curve as opposed to using a point estimate on the underlying yield curve. The comparative point estimate of the current yield curve at the appropriate duration at the valuation date is 10.96% (2014: 8.98%).

Inflation

In the current year, the Group calculated its inflation assumption using a full inflation curve as opposed to using a point estimate on the underlying inflation curve, derived from nominal and real curves. The comparative point estimate of the current inflation curve at the appropriate duration at the valuation date is 8.83% (2014: 6.98%).

Taxation

Future taxation and taxation relief are allowed for at the rates and on the bases applicable to S29A of the Income Tax Act at the reporting date. The company's current tax position is taken into account and the taxation rates, consistent with that position and the likely future changes in that position, are allowed for.

Claims reserves

In addition to the discounted cash flow liability, both an IBNR and an OCR reserve was held. The IBNR was set using a claims run-off model based on recent experience and best estimates. The OCR was set using the actual estimate outstanding claims as at year-end.

Refer to note 34 for the current and non-current analysis of insurance contract liabilities.

5. INSURANCE CONTRACT LIABILITIES continued

25.5 Sensitivity of policyholder liability

The following sensitivities are provided on insurance risk assumptions:

Assumption	Margin
Lapses	10% increase/decrease
Investment return	1% increase/decrease
Mortality/Morbidity/Disability	5% – 10% increase/decrease
Expenses	10% increase/decrease
Retrenchment	5% increase/decrease

Insurance risk sensitivities are applied as a proportional percentage change to the assumptions made in the measurement of policyholder liabilities and the impact is reflected as the change in policyholder liabilities.

Each sensitivity is applied in isolation with all other assumptions left unchanged.

The sensitivities shown in the table below are based on the assumption that negative reserves, amounting to R393.8 million, are not eliminated in order to derive sensitivity stresses which are more closely aligned with economic reality.

No elimination of negative rand reserves	Change in variable	Increase/ (decrease) in policyholder liabilities R'000	Increase/ (decrease) in policyholder liabilities %
At 30 June 2015			
Lapses	**+10%**	**(34 900)**	**(13%)**
	-10%	**45 664**	**17%**
Investment return	**+1%**	**(31 073)**	**(11%)**
	-1%	**47 529**	**17%**
Mortality/Morbidity/Disability/Retrenchment	**+10%**	**101 495**	**37%**
	-10%	**(103 548)**	**(38%)**
Mortality/Morbidity/Disability/Retrenchment	**+5%**	**50 996**	**19%**
	-5%	**(51 510)**	**(19%)**
Expenses	**+10%**	**31 790**	**12%**
	-10%	**(31 790)**	**(12%)**
At 30 June 2014			
Lapses	+10%	(23 804)	(12%)
	-10%	31 803	16%
Investment return	+1%	(1 028)	(5%)
	-1%	17 747	9%
Mortality/Morbidity/Disability/Retrenchment	+10%	71 530	37%
	-10%	(72 779)	(38%)
Mortality/Morbidity/Disability/Retrenchment	+5%	35 917	19%
	-5%	(36 229)	(19%)
Expenses	+10%	27 247	14%
	-10%	(27 247)	(14%)

26. INSURANCE AND OTHER PAYABLES

	2015 R'000	2014 R'000
Insurance related payables		
Due to intermediaries	**4 223**	4 473
Due to reinsurers	**126 322**	30 579
Other payables	**8 349**	4 000
Non insurance related payables		
Trade creditors	**64 418**	59 611
Other payables	**235 795**	247 908
Indirect tax on debtors	**283 560**	208 980
VAT liability	**42 412**	44 093
Total payables	**765 079**	599 644

The carrying amount of payables approximates the fair value. Refer to note 34 for the current and non-current analysis of payables.

27. EMPLOYEE BENEFITS

Uncertainty exists relating to the timing and extent of cash flows from the leave pay provision. The outstanding balance represents the current value of leave due to employees currently in the employ of companies within the Group.

The intellectual property bonuses are recognised as current service costs over a range of retention periods from six months to three years. The balance of the intellectual property bonuses are recognised as an employee benefit asset.

	2015 R'000	2014 R'000
Leave pay liability	**103 549**	83 963
Non discretionary bonus liability	**34 738**	27 029
Total liability	**138 287**	110 992
Intellectual property bonuses asset	**64 100**	106 712
Total asset	**64 100**	106 712
Net employee benefits	**74 187**	4 280
Reconciliation of leave pay liability		
Opening balance	**83 963**	62 093
Charge for the year	**35 682**	28 630
Liability settled	**(12 930)**	(10 022)
Foreign translation difference	**(3 166)**	3 262
Closing balance	**103 549**	83 963
Reconciliation of non discretionary bonus liability		
Opening balance	**27 029**	22 630
Charge for the year	**53 311**	12 730
Liability utilised	**(45 533)**	(8 640)
Foreign translation difference	**(69)**	309
Closing balance	**34 738**	27 029
Reconciliation of intellectual property bonuses asset		
Opening balance	**106 712**	39 685
Additions	**26 900**	115 215
Settlements	**(671)**	(383)
Service cost for the year	**(66 207)**	(48 085)
Foreign translation difference	**(2 634)**	280
Closing balance	**64 100**	106 712

Refer to note 34 for the current and non-current analysis of employee benefits.

28. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS

Financial liabilities at fair value through profit and loss relate to the preference shares issued by OUTsurance Insurance Company Limited to FirstRand Limited for the various cell captive and profit sharing arrangements. Profits arising from these arrangements are distributed by way of bi-annual preference dividends payable in February and August each year. The preference dividend attributable to the profit share for the year is recognised in the statement of profit and loss and other comprehensive income as a fair value adjustment to the liability. The portion of the unpaid preference dividend at 30 June is recognised as a financial liability at fair value through profit and loss.

	2015 R'000	2014 R'000
Shareholders for preference dividends on cell captives	**–**	12 453
Shareholders for preference dividends on profit shares	**107 063**	93 035
	107 063	105 488

Refer to note 34 for the current and non-current analysis of shareholders for preference dividends.

29. SHARE-BASED PAYMENTS

	2015 R'000	2014 R'000
Cash settled share-based payment liability	**147 151**	130 272
Total liability	**147 151**	130 272
Reconciliation of cash settled share-based payment liability		
Opening balance	**130 272**	45 524
Charge for the year	**86 727**	111 752
Liability settled	**(69 848)**	(27 004)
	147 151	130 272

The statement of profit and loss and other comprehensive income charge for share-based payments is as follows:

	2015 R'000	2014 R'000
OUTsurance Holdings equity-settled scheme	**–**	491
OUTsurance Holdings cash-settled scheme	**86 727**	111 752
Charge to the statement of profit and loss and other comprehensive income	**86 727**	112 243

The various Group share schemes are as follows:

- OUTsurance Holdings cash-settled share scheme
- Youi Holdings equity-settled share scheme

In addition to the above schemes, the Group also operated an equity-settled scheme. This scheme ran-off on the 30th of June 2014 and has been replaced by the OUTsurance Holdings cash-settled scheme.

The purpose of these schemes is to attract, incentivise and retain managers within the Group by providing them with a facility to acquire shares.

29. SHARE-BASED PAYMENTS

Description and valuation methodology of the schemes

OUTsurance Holdings cash-settled share scheme

In terms of the current trust deed, 12% of the issued share capital of the company is available to employees under the scheme. The Trust and employees currently hold 10.2% (2014: 10.2%) of the shares in OUTsurance Holdings Limited.

Under the cash-settled scheme, participants receive notional shares which have a value equal to the market value of an OUTsurance Holdings Limited ordinary share. Participants will receive the after-tax gain in the market value over the vesting period as a cash payment. Participants of this scheme have the option to purchase one ordinary share for each vested notional share from the OUTsurance Holdings Share Trust at the ruling market price on the date of purchase.

Valuation methodology

The cash-settled scheme issues are valued using a Black Scholes model with all notional shares (share appreciation rights) vesting in one tranche at the end of year three. The scheme is cash-settled and will thus be repriced at each reporting date.

Market data consists of the following:

- Since OUTsurance Holdings is not listed, "expected volatility" is derived with reference to the volatility of Rand Merchant Insurance Holdings Limited, the listed parent company of the Group. The volatility reflects an historic period matching the duration of the option.
- The "risk-free interest rate" input is derived from government bonds with a remaining term equal to the term of the option being valued.

Dividend data consists of the following:

- The dividend growth assumption is based on the historic annual dividend paid on OUTsurance Holdings Limited ordinary shares.

Employee statistic assumptions:

- The number of rights granted is reduced by the actual staff turnover at year end. This turnover is then assumed to be constant over the period of the grant and used to estimate the expected number of rights which will vest on the vesting date.

Youi Holdings equity-settled share scheme

The Youi Holdings employee share option plan was established in 2008. In terms of the plan rules, 20% of the issued share capital of the company is available under the plan for the granting of options to employees. Options issued before 1 July 2011 were fully expensed in prior years in terms of IFRS 2. These options vest immediately and expire on 30 June 2018. Share options are settled by the delivery of Youi Holdings Pty Limited shares.

Valuation methodology

The fair value of share options is determined at grant date and expensed over the vesting period. The share options granted are classified as European call options and the fair value is determined by the use of the Black-Scholes share option pricing model.

A share-based payment expense is only recognised if the options issued have a positive intrinsic value, therefore, if the market value of the underlying shares is expected to rise above the strike price over the vesting period of the options.

The "option duration" is the number of years before the options expire, adjusted for a historical rate of early exercise. Options are granted for no consideration and vest immediately, with all options expiring on 30 June 2018.

Market data consists of the following:

- Since Youi is not listed, "expected volatility" is derived with reference to comparable listed companies for an historic period matching the duration of the option.
- The "risk-free interest rate" input is derived from government bonds with a remaining term equal to the term of the option being valued.

Dividend data consists of the following:

- "Dividend growth" is based on the best estimate of expected future dividends. Given the start-up phase of the business, no dividend history is available.

29. SHARE-BASED PAYMENTS continued

Description and valuation methodology of the schemes

Employee statistic assumptions:

The average "annual employee turnover" estimates the number of participants in the option schemes that will leave before the options have vested.

Share options

	2015		
	OUTsurance Holdings equity-settled scheme	**OUTsurance Holdings cash-settled scheme**	**Youi Holdings equity-settled scheme**
Number of options in force and exercised at the beginning of the year	**6 196 703**	**60 749 998**	**286 974 250**
Range of strike prices of opening balances	**1,74 to 1,84**	**2,22 to 3,33**	**$0,10**
Number of options granted during the year	**–**	**18 912 091**	**8 550 000**
Strike price of options granted during the year (cents)	**–**	**5,57**	**$0,3718**
Number of options delivered during the year	**(6 196 703)**	**(20 849 987)**	**(1 425 500)**
Range of strike prices on date of delivery	**1,74 to 1,84**	**2,22**	**$0,10**
Number of options cancelled/forfeited during the year	**–**	**(265 011)**	**–**
Range of strike prices of forfeited options	**1,74**	**3.30 to 5.57**	**–**
Number of options in force at the end of the year	**–**	**58 547 091**	**294 098 750**
Range of strike prices of closing balance	**–**	**2,80 to 5,57**	**$0,10 to $0,3718**
Market value per ordinary share	**7,10**	**7,10**	**$0,485**
Number of scheme participants	**–**	**107**	**39**
Weighted average remaining vesting period (years)	**–**	**1,05**	**0,24**

	2014		
	OUTsurance Holdings equity-settled scheme	OUTsurance Holdings cash-settled scheme	Youi Holdings equity-settled scheme
Number of options in force and exercised at the beginning of the year	21 228 764	58 334 483	407 968 750
Range of strike prices of opening balance	1,54 to 1,74	1,94 and 2,80	$0,10
Number of options granted during the year	–	25 700 000	9 000 000
Strike price of options granted during the year	–	3,33	$0,10
Number of options delivered during the year	(14 665 394)	(19 925 000)	(129 994 500)
Range of strike prices on date of delivery	1,54 to 1,84	3,33	$0,10
Number of options cancelled/forfeited during the year	(366 667)	(3 359 485)	–
Range of strike prices of forteited options	1,74	1,94 to 3,33	–
Number of options in force at the end of the year	6 196 703	60 749 998	286 974 250
Range of strike prices of closing balance	1,74	2,22 to 3,33	$0,10
Market value per ordinary share[1]	3,70	3.70	$0,12
Number of scheme participants	46	100	29
Weighted average remaining vesting period (years)	–	1,03	0,06

[1] *The market value of ordinary shares resets six monthly on the 1st of July and 1st of January each year.*

29. SHARE-BASED PAYMENTS continued

OUTsurance Holdings Share Trust

OUTsurance Holdings Limited shares are issued to the Trust on the share option grant date. The Trust's investment in OUTsurance Holdings Limited for the year ending 30 June 2015 was as follows:

	2015 R'000	2014 R'000
Number of treasury shares and market value		
Number of shares in portfolio at the beginning of the year	**54 014**	77 816
Number of shares purchased during the year	**2 767**	5 374
Number of shares released during the year	**(22 907)**	(29 176)
Number of shares held in portfolio at the end of the year	**33 874**	54 014
Market value per share held in portfolio at year-end (Rand)	**7,10**	3,70
Market value of portfolio at year-end	**240 506**	199 852
Cost price of treasury shares		
Cost price of shares held in portfolio at the beginning of the year	**102 354**	157 093
Cost price of shares purchased during the year	**17 184**	18 015
Cost price of shares released during the year	**(104 012)**	(72 754)
Cost price of shares held in portfolio at the end of the year	**15 526**	102 354
Loans to the share trust		
Value of loans made to the trust at the beginning of the year	**102 354**	157 093
Value of loans made to the trust at the end of the year	**15 526**	102 354

Share scheme expenditure

The following assumptions were applied in determining the cash-settled share-based payment liability:

	OUTsurance Holdings cash-settled scheme	
	2015	2014
Share price	**R7,10**	R5,57
Exercise price	**2,80 to 5,57**	2,22 to 3,33
Remaining duration	**0 to 3 years**	0 to 3 years
Expected volatility	**21.7%**	21.31%
Risk free interest rate	**6.65%**	6.81%
Dividend yield	**4.00%**	5.00%
Annual employee turnover	**0%**	0%

29. SHARE-BASED PAYMENTS continued

OUTsurance Holdings Share Trust continued

The inputs to the share option pricing model to determine the fair value of equity settled grants were as follows:

	Youi Holdings equity-settled scheme	
	2015	2014
Share price	**$0,3718**	$0,097
Exercise price	**$0,3718**	$0,10
Option duration	**3**	4
Expected volatility	**22%**	22%
Risk free interest rate	**2.96%**	2.96%
Dividend yeald	**0%**	0%
Annual employee turnover	**0%**	0%

30. RECONCILIATION OF CASH GENERATED BY/(UTILISED IN) OPERATIONS

	2015 R'000	2014 R'000
Comprehensive income for the year before tax	**1 845 952**	2 255 194
Adjusted for:		
Depreciation	**126 682**	99 593
Share of profit in associate	**(15 026)**	(10 398)
Dividends received from associate	**7 840**	7 840
Share based payments – equity settled schemes	**2 914**	491
Net fair value adjustments on financial assets	**(13 343)**	(42 247)
(Profit)/Loss on disposal of fixed assets	**(188)**	3 526
Fair value adjustment on financial liabilities	**200 642**	190 810
Provision for non-claims bonuses on insurance contracts for the year	**315 157**	300 686
Non-claims bonuses on insurance contracts paid	**(294 460)**	(292 380)
Finance charges	**465**	1 188
Change in UPP	**765 573**	774 224
Change on deferred acquisition costs	**3 680**	(91 132)
Change in claims reserves	**420 841**	102 870
Change in policyholder liability under long term insurance contracts	**41 351**	19 840
Employee benefit service cost	**66 207**	48 085
Transfer of cell captive business	**(39 183)**	–
Cash generated by operations before working capital changes	**3 435 104**	3 368 190
Change in working capital	**(320 056)**	(158 299)
(Increase) in receivables	**(529 665)**	(451 653)
Increase in payables	**165 435**	182 337
Increase in share-based payment liability	**16 879**	84 748
Increase in employee benefits	**27 295**	26 269
Cash generated by operations	**3 115 048**	3 209 891

31. TAXATION PAID

	2015 R'000	2014 R'000
Taxation payable – opening balance	**(21 393)**	(34 364)
Charge in statement of profit and loss and other comprehensive income	**(631 770)**	(622 546)
Adjustment for deferred tax charge	**17 584**	80 247
Taxation payable – closing balance	**41 490**	21 393
Taxation paid	**(594 089)**	(555 270)

32. PREFERENCE DIVIDENDS PAID

	2015 R'000	2014 R'000
Preference dividends unpaid at the beginning of the year	**(105 488)**	(110 425)
Preference dividend charged to the statement of profit and loss and other comprehensive income in respect of cell captive arrangements and profit shares	**(200 642)**	(190 810)
Preference dividend in respect of "A" variable rate non cumulative preference shares	**–**	(5 824)
Preference dividend unpaid at the end of the year	**107 063**	105 488
Preference dividend paid	**(199 067)**	(201 571)

33. COMMITMENTS

	2015 R'000	2014 R'000
Up to 1 year	**2 607**	2 207
Between 1 and 5 years	**3 767**	4 496
Total operating lease commitments[1]	**6 374**	6 703
Up to 1 year	**38 858**	36 118
Between 1 and 5 years	**100 829**	79 724
Between 5 and 10 years	**59 408**	–
Total operating lease commitments for Youi Pty Ltd (Australia)[2]	**199 095**	115 842

1 The Group leases various offices under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

2 Youi Pty Ltd leases its office building under a non-cancellable operating lease expiring within a maximum of five years. The leases are renewable for further periods of up to four years.

34. CURRENT/NON-CURRENT SPLIT OF AMOUNTS RECOGNISED ON THE STATEMENT OF FINANCIAL POSITION

For the purposes of this table 'current' is defined as asset, liability and equity amounts which mature with the next 12 months. Balances classified as non-current mature in longer than 12 months.

	Group		
	Carrying Amount R'000	Current R'000	Non-current R'000
30 June 2015			
ASSETS			
Property and equipment	520 642	–	520 642
Employee benefits	64 100	58 789	5 311
Investment in associate	32 775	–	32 775
Reinsurers' share of insurance contract provisions	568 845	471 382	97 463
Deferred acquisition costs	332 434	332 434	–
Financial assets			
Fair value through profit and loss	2 804 989	1 656 994	1 147 995
Available-for-sale	1 305 922	598 303	707 619
Loans and receivables	1 955 614	1 682 717	272 897
Deferred income tax	188 295	251	188 044
Tax receivable	526	526	–
Cash and cash equivalents	4 072 772	4 072 772	–
TOTAL ASSETS	**11 846 914**	**8 874 168**	**2 972 746**
LIABILITIES AND EQUITY			
Total shareholders' equity	4 574 229	–	4 574 229
Non-controlling interest	136 344	–	136 344
Insurance contract liabilities	5 936 745	4 772 869	1 163 876
Employee benefits	138 287	88 911	49 376
Share-based payment liability	147 151	79 140	68 011
Financial liabilities at fair value through profit and loss	107 063	107 063	–
Tax liabilities	42 016	42 016	–
Financial liabilities at amortised cost			
Insurance and other payables	765 079	755 272	9 807
TOTAL EQUITY AND LIABILITIES	**11 846 914**	**5 845 271**	**6 001 643**

34. CURRENT/NON-CURRENT SPLIT OF AMOUNTS RECOGNISED ON THE STATEMENT OF FINANCIAL POSITION continued

	Group		
	Carrying Amount R'000	Current R'000	Non-current R'000
30 June 2014			
ASSETS			
Property and equipment	514 195	–	514 195
Employee benefits	106 712	56 634	50 078
Investment in associate	25 589	–	25 589
Reinsurers' share of insurance contract provisions	112 404	60 759	51 645
Deferred acquisition costs	336 114	336 114	–
Financial assets			
Fair value through profit and loss	2 452 364	1 800 799	651 565
Available-for-sale	1 265 149	151 749	1 113 400
Loans and receivables	1 425 949	1 177 660	248 289
Deferred income tax	220 266	197 299	22 967
Tax receivable	2 321	2 321	–
Cash and cash equivalents	3 437 023	3 437 023	–
TOTAL ASSETS	9 898 086	7 220 358	2 677 728
LIABILITIES AND EQUITY			
Total shareholders' equity	4 315 843	–	4 315 843
Non-controlling interest	137 608	–	137 608
Insurance contract liabilities	4 474 525	4 094 950	379 575
Employee benefits	110 992	69 367	41 625
Share-based payment liability	130 272	73 537	56 735
Financial liabilities at fair value through profit and loss	105 488	105 488	–
Tax liabilities	23 714	23 714	–
Financial liabilities held at amortised cost			
Insurance and other payables	599 644	599 644	–
TOTAL EQUITY AND LIABILITIES	9 898 086	4 966 700	4 931 386

35. RELATED PARTY TRANSACTIONS

The Group defines related parties as:

- The parent company, Rand Merchant Insurance Holdings Limited (RMI Holdings). RMI Holdings owns its investment in OUTsurance Holdings Limited through a wholly owned subsidiary Firness International (Pty) Limited.
- Associate companies of the parent company which include Discovery Holdings Limited, MMI Holdings Limited and RMB Structured Insurance Holdings Limited.
- Key management personnel such as the OUTsurance Holdings Limited Board of directors and the OUTsurance Holdings executive committee as well as the Youi Holdings Pty Limited executive committee.

Principal shareholders

The Group is ultimately controlled by RMI Holdings Limited. At the reporting date, RMI Holdings owned 83.4% (2014: 83.4%) of OUTsurance Holdings Limited, with the OUTsurance Holdings Share Trust owning 1% (2014: 1.6%), OUTsurance Investment Trust owning 6.4% (2014: 6.4%) and management 9.2% (2014: 8.6%) of the issued share capital.

Subsidiaries

Details of investment in subsidiaries are disclosed in note 18.

Transactions between OUTsurance Holdings Group and its subsidiaries have been eliminated on consolidation and are not disclosed in this note.

35. RELATED PARTY TRANSACTIONS continued

Associates

Details of investment in associates are disclosed in note 19.

For the year under review, the OUTsurance Holdings Group entered into transactions with related parties resulting in the following expenses/(income):

	2015 R'000	2014 R'000
Transactions with related parties		
Momentum Asset Management		
Asset management fee paid	**2 628**	3 144
FNB Life		
Claims paid	**2 961**	6 323
Administration fee paid	**4 975**	4 972
Premium received	**(15 704)**	(24 926)
Dividends paid	**5 481**	9 795
Discovery Health		
Medical aid premiums paid	**59 882**	53 246
MMI Holdings Limited		
Medical aid premiums paid	**6 144**	5 598
Pension fund contribution	**72 106**	65 090
Group life premiums paid	**9 262**	9 191
Disability fee paid	**5 026**	3 421
Administration fees received	**(9 649)**	(49 991)
Firness International (Pty) Limited		
Ordinary dividends paid	**475 268**	419 820
RMI Holdings Limited		
"A" Preference dividend paid	**–**	5 824
Ordinary dividends paid	**405 376**	412 078
RMB Structured Insurance		
Transfer of cell captive business	**39 183**	–
Investment income (received)		
Discovery Holdings Limited	**(4 536)**	(4 250)
Year end balances with related parties		
MMI Holdings Limited		
Loans and receivables	**–**	414
Discovery Holdings Limited		
Preference share investment	**55 360**	59 616
Key management personnel		
Remuneration		
Salaries and bonuses	**79 309**	85 633
Non-executive directors fees	**5 746**	4 356
Other short term employee benefits	**1 633**	1 666
Share-based payments	**37 760**	46 760
Total compensation of key management personnel	**124 448**	138 415
Insurance related transactions		
Premiums received	**1 559**	1 115
Claims paid	**(378)**	(1 311)

35. RELATED PARTY TRANSACTIONS continued

The preference share investment in Discovery Holdings Limited consists of non cumulative, non redeemable preference shares listed on the JSE. The dividend rate is 100% of the ruling prime interest rate.
Insurance transactions are conducted at arm's length.

Remuneration

Prescribed officers' and directors' emoluments for the year ended 30 June 2015 is as follows:

	Services as directors R'000	Cash package R'000	Performance related bonus[1] R'000	Other benefits R'000	Total R'000
2015					
Non-executive directors					
P Cooper	388[5]	2 912[3]	–	507[3]	3 807
LL Dippenaar	514[6]	–	–	–	514
AW Hedding	200	–	–	–	200
F Knoetze	140[4]	–	–	–	140
J Madavo	140	–	–	–	140
G Marx	200	–	–	–	200
NL Nightingale	260	–	–	–	260
K Pillay	115	–	–	–	115
PR Pretorius	140	–	–	–	140
Executive directors and prescribed officers					
Executive directors					
WT Roos	–	3 383	3 463	–	6 846
H Aron[2]	–	7 742	–	–	7 742
MC Visser	–	3 053	3 000	–	6 053
Prescribed officers					
EF Gouws	–	2 861	2 850	–	5 711
JH Hofmeyr	–	2 000	1 800	–	3 800
Total	2 097	21 645	11 113	813	35 668

35. RELATED PARTY TRANSACTIONS continued

Remuneration continued

	Services as directors R'000	Cash package R'000	Performance related bonus[1] R'000	Other benefits R'000	Total R'000
2014					
Non-executive directors					
P Cooper	124[4]	4 513[3]	–	1 067[3]	5 704
LL Dippenaar	305[6]	–	–	–	305
AW Hedding	124	–	–	–	124
J Kleynhans	24[4]	–	–	–	24
F Knoetze	24[4]	–	–	–	24
J Madavo	72	–	–	–	72
G Marx	138	–	–	–	138
NL Nightingale	186	–	–	–	186
K Pillay	24	–	–	–	24
PR Pretorius	96	–	–	–	96
G Roberts-Baxter	48[4]	–	–	–	48
Executive directors and prescribed officers					
Executive directors					
WT Roos	–	3 267	–	–	3 267
H Aron[2]	–	7 349	7 286	–	14 635
MC Visser	–	2 880	–	–	2 880
Prescribed officers					
EF Gouws	–	2 558	–	–	2 558
JH Hofmeyr	–	1 814	–	–	1 814
Total	1 165	22 381	7 286	1 067	31 899

1 Performance related bonus are paid on a two-year cycle.
2 The performance bonus cycle for Mr Aron commenced on 30 June 2014.
3 Paid by Rand Merchant Insurance Holdings for services as an executive director of Rand Merchant Insurance Holdings.
4 Directors fees are paid to representative companies.
5 Includes fees for serving on the Rand Merchant Insurance Holdings Board as a non-executive director (2015: R197 511) (2014: 0).
6 Includes fees for serving on the Rand Merchant Insurance Holdings Board as a non-executve director (2015: R224 067) (2014: R112 417).

35. RELATED PARTY TRANSACTIONS continued

Directors' and prescribed officers' participation in group share incentive schemes

OUTsurance Holdings share incentive scheme

	Strike price Rands	Vesting date From	Vesting date To	Settlement type	Opening balance 1 July 2014 '000	Forfeited this year '000	Taken up this year '000	Granted in current year '000	**Closing balance 30 June 2015 '000**	Benefit derived R'000
WT Roos	2,22	01/07/2011	01/07/2014	Cash	1 750	–	1 750	–	**–**	5 863
	2,80	01/07/2012	01/07/2015	Cash	1 500	–	–	–	**1 500**	–
	3,33	01/07/2013	01/07/2016	Cash	750	–	–	–	**750**	–
	5,57	01/07/2014	01/07/2017	Cash	–	–	–	500	**500**	–
H Aron	2,22	01/07/2011	01/07/2014	Cash	1 750	–	1 750	–	**–**	5 863
	2,80	01/07/2012	01/07/2015	Cash	1 500	–	–	–	**1 500**	–
	3,33	01/07/2013	01/07/2016	Cash	750	–	–	–	**750**	–
	5,57	01/07/2014	01/07/2017	Cash	–	–	–	500	**500**	–
MC Visser	1,74	01/07/2009	01/07/2014	Equity	583	–	583	–	**–**	2 234
	2,22	01/07/2011	01/07/2014	Cash	1 500	–	1 500	–	**–**	5 025
	2,80	01/07/2012	01/07/2015	Cash	1 250	–	–	–	**1 250**	–
	3,33	01/07/2013	01/07/2016	Cash	750	–	–		**750**	–
	5,57	01/07/2014	01/07/2017	Cash	–	–	–	500	**500**	–
JH Hofmeyr	1,74	01/07/2009	01/07/2014	Equity	300	–	300	–	**–**	1 149
	2,22	01/07/2011	01/07/2014	Cash	800	–	800	–	**–**	2 680
	2,80	01/07/2012	01/07/2015	Cash	900	–	–	–	**900**	–
	3,33	01/07/2013	01/07/2016	Cash	700	–	–	–	**700**	–
	5,57	01/07/2014	01/07/2017	Cash	–	–	–	500	**500**	–
EF Gouws	1,74	01/07/2009	01/07/2014	Equity	583	–	583	–	**–**	2 234
	2,22	01/07/2011	01/07/2014	Cash	1 500	–	1 500	–	**–**	5 025
	2,80	01/07/2012	01/07/2015	Cash	1 250	–	–	–	**1 250**	–
	3,33	01/07/2013	01/07/2016	Cash	750	–	–	–	**750**	–
	5,57	01/07/2014	01/07/2017	Cash	–	–	–	500	**500**	–

35. RELATED PARTY TRANSACTIONS continued

Directors' and prescribed officers' participation in group share incentive schemes continued

Youi Holdings share incentive scheme

	Strike price Aus $	Vesting date From	Vesting date To	Opening balance 1 July 2014 '000	Forfeited this year '000	Taken up this year '000	Granted in current year '000	**Closing balance 30 June 2015 '000**	Benefit derived R'000
H Aron	0,10	31/08/2010	30/06/2018	109 375	–	–		**109 375**	–
MC Visser	0,10	31/08/2010	30/06/2018	1 255	–	1 255	–	**–**	4 573

RMI Holdings share appreciation rights scheme

	Strike price Rands	Exercise date	Opening balance 1 July 2014 '000	Forfeited this year '000	Taken up this year '000	Granted in current year '000	**Closing balance 30 June 2015 '000**	Benefit derived R'000
P Cooper[1]	13,09	14/09/2014	439	–	439	–	**–**	10 064
	20,28	14/09/2015	275	–	–	–	**275**	–
	20,28	14/09/2016	275	–	–	–	**275**	–
	20,28	16/09/2017	275	–	–	–	**275**	–
	26,45	14/09/2016	73	–	–	–	**73**	–
	26,45	14/09/2017	73	–	–	–	**73**	–
	26,45	14/09/2018	72	–	–	–	**72**	–

[1] *Paid by Rand Merchant Insurance Holdings for services as an executive director of Rand Merchant Insurance Holdings.*

RMI Holdings deferred bonus plan

	Strike price Rands	Exercise date	Opening balance 1 July 2014 '000	Forfeited this year '000	Taken up this year '000	Granted in current year '000	**Closing balance 30 June 2015 '000**	Benefit derived R'000
P Cooper[1]	None	14/09/2014	37	–	37	–	**–**	1 341

[1] *Paid by Rand Merchant Insurance Holdings for services as an executive director of Rand Merchant Insurance Holdings.*

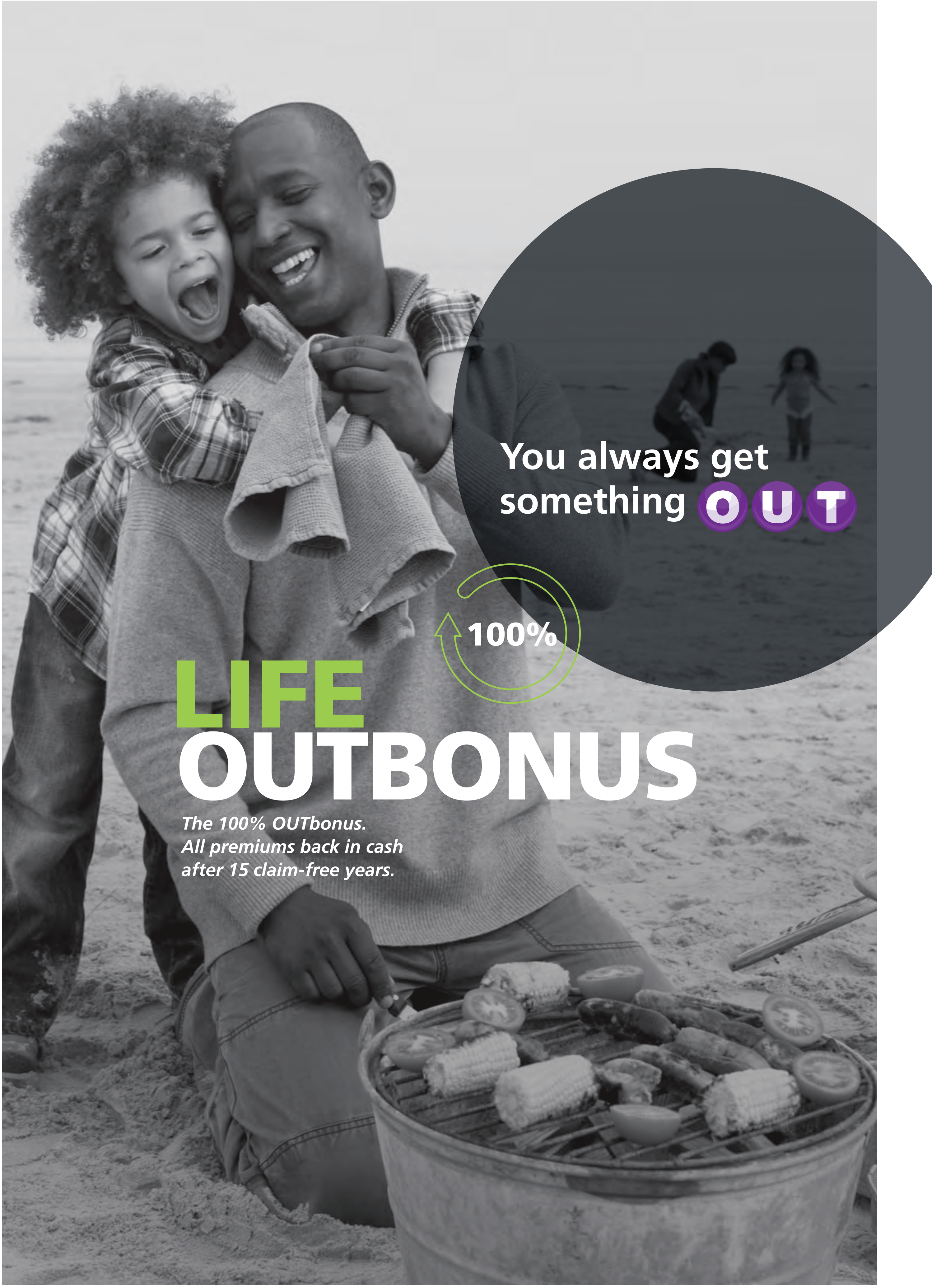
36. RECLASSIFICATION OF COMPARATIVES

The reclassification of the gross outstanding claims and reinsurance outstanding claims to policyholder liabilities was done in order to group all the insurance related reserves in OUTsurance Life.

30 June 2014	Amount as previously reported R'000	Amount as reclassified R'000	Difference R'000	Explanation
Statement of profit and loss and other comprehensive income				
Claims on insurance contracts net of reinsurance				
Gross insurance contract claims incurred	(4 748 028)	(4 745 462)	(2 566)	Reclassification of outstanding claims to policyholder liability
Reinsurers' share of insurance contract claims	277 331	272 876	4 455	Reclassification of outstanding claims to policyholder liability
Transfer to policyholder liabilities under insurance contracts	(21 729)	(19 840)	(1 889)	Reclassification of outstanding claims to policyholder liability
Total	(4 492 426)	(4 492 426)	–	
Statement of financial position				
Assets				
Reinsurers' share of insurance contract provisions	101 740	112 404	(10 664)	Reclassification of outstanding claims to policyholder liability
Loans and receivables	1 436 613	1 425 949	10 664	Reclassification of outstanding claims to policyholder liability
Liabilities				
Insurance contract liabilities	(4 456 382)	(4 474 525)	18 143	Reclassification of outstanding claims to policyholder liability
Insurance and other payables	(617 787)	(599 644)	(18 143)	Reclassification of outstanding claims to policyholder liability
Total	(3 535 816)	(3 535 816)	–	
Reconciliation of cash utilised in operations				
Change in policyholder liability under long term insurance contracts	21 729	19 840	1 889	Reclassification of outstanding claims to policyholder liability
Decrease in receivables	(456 108)	(451 653)	(4 455)	Reclassification of outstanding claims to policyholder liability
Increase in payables	184 903	182 337	2 566	Reclassification of outstanding claims to policyholder liability
Total	(249 476)	(249 476)	–	

37. EVENTS AFTER THE REPORTING PERIOD

No matters which are material to the financial affairs of the Group occurred between the reporting date and date of the approval of the financial statements.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Company financial statements

for the year ended 30 June 2015

Statement of profit and loss and other comprehensive income

for the year ended 30 June 2015

	Notes	2015 R'000	2014 R'000
Investment income	4	**1 048 751**	1 086 638
Fair value adjustments on financial assets	6	**(44)**	–
Income		**1 048 707**	1 086 638
Marketing and administration expenses	5	**(973)**	(36)
Profit before taxation		**1 047 734**	1 086 602
Taxation	7	**(608)**	(190)
Net profit for the year		**1 047 126**	1 086 412
Total comprehensive income attributable to:			
Ordinary shareholders		**1 047 126**	1 080 588
Non cumulative non redeemable preference shareholders		**–**	5 824
Total comprehensive income for the year		**1 047 126**	1 086 412

Statement of financial position

as at 30 June 2015

	Notes	2015 R'000	2014 R'000
ASSETS			
Investment in subsidiaries	8	**1 755 751**	1 695 751
Investment in associate	9	**4 900**	4 900
Financial assets			
Loans and receivables	10	**15 664**	102 363
Deferred taxation	11	**12**	–
Tax receivable		**–**	3
Cash and cash equivalents	12	**23 261**	4 847
TOTAL ASSETS		**1 799 588**	1 807 864
EQUITY			
Capital and reserves attributable to equity holders			
Share capital	13	**35 182**	35 182
Share premium	13	**265 110**	265 110
Retained earnings		**1 499 249**	1 507 572
TOTAL EQUITY		**1 799 541**	1 807 864
LIABILITIES			
Tax liabilities		**47**	–
TOTAL LIABILITIES		**47**	–
TOTAL EQUITY AND LIABILITIES		**1 799 588**	1 807 864

Statement of changes in equity

for the year ended 30 June 2015

	Share capital R'000	Share premium R'000	Retained earnings R'000	Total ordinary shareholders' interest R'000	Total preference shareholders' interest R'000	Total R'000
Balance as at 30 June 2013	35 182	265 110	1 359 297	1 659 589	200 500	1 860 089
Total comprehensive income for the year	–	–	1 086 412	1 086 412	–	1 086 412
Repurchase of preference shares	–	–	–	–	(200 500)	(200 500)
Preference dividend paid	–	–	(5 824)	(5 824)	–	(5 824)
Ordinary dividend paid	–	–	(932 313)	(932 313)	–	(932 313)
Balance as at 30 June 2014	**35 182**	**265 110**	**1 507 572**	**1 807 864**	**–**	**1 807 864**
Total comprehensive income for the year	**–**	**–**	**1 047 126**	**1 047 126**	**–**	**1 047 126**
Ordinary dividend paid	**–**	**–**	**(1 055 449)**	**(1 055 449)**	**–**	**(1 055 449)**
Balance as at 30 June 2015	**35 182**	**265 110**	**1 499 249**	**1 799 541**	**–**	**1 799 541**

Statement of cash flows

for the year ended 30 June 2015

	Notes	2015 R'000	2014 R'000
OPERATING ACTIVITIES			
Cash generated by operations	14	**1 047 605**	1 086 815
Taxation paid	15	**(570)**	(207)
Ordinary dividend paid		**(1 055 449)**	(932 313)
Preference dividend paid	16	**–**	(5 902)
Cash (outflow)/inflow from operating activities		**(8 414)**	148 393
INVESTING ACTIVITIES			
Investment in subsidiary			
Acquisitions		**(60 000)**	(157 100)
Proceeds on disposal of financial assets		**–**	60 000
Cash outflow from investing activities		**(60 000)**	(97 100)
FINANCING ACTIVITIES			
Repurchase of preference shares		**–**	(200 500)
Purchase of treasury shares by share scheme participants		**104 012**	72 754
Purchase of treasury shares by share trust		**(17 184)**	(18 015)
Cash inflow/(outflow) from financing activities		**86 828**	(145 761)
Increase/(Decrease) in cash and cash equivalents		**18 414**	(94 468)
CHANGE IN CASH AND CASH EQUIVALENTS			
Opening balance of cash and cash equivalents		**4 847**	99 315
Increase/(decrease) in cash and cash equivalents		**18 414**	(94 468)
Closing balance of cash and cash equivalents	12	**23 261**	4 847

Notes to the financial statements

1. GENERAL INFORMATION

OUTsurance Holdings Limited ("the Company") is an unlisted public company incorporated and domiciled in South Africa and a subsidiary of Rand Merchant Insurance Holdings Limited.

The financial statements were authorised for issue by the directors on 27 August 2015.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of OUTsurance Holdings Limited are prepared according to the same accounting policies used in preparing the consolidated financial statements of the OUTsurance Holdings Limited Group.

3. MANAGEMENT OF RISK AND CAPITAL

3.1 Risk management framework

The Company has developed an Enterprise Risk Management framework to provide reasonable assurance that the Company's risks are being prudently and soundly managed. The framework is designed according to acceptable principles on Corporate Governance and Risk Management standards. The risk management framework outlines the key risks facing the business and how these risks are monitored.

Risk and governance oversight is provided by the OUTsurance Holdings Board, OUTsurance Holdings Audit, Risk and Compliance Committee, OUTsurance Holdings Investment Committee, OUTsurance Reinsurance Committee and the OUTsurance Holdings Risk Committee, the latter three being internal management committees.

3.2 Financial risk management

3.2.1 Financial instruments measured at fair value

The financial instruments carried at fair value, by level of fair value hierarchy. The different levels are based on the extent that quoted prices are used in the calculation of the fair value of the financial instruments. These levels are defined as follows:

- Level 1 – fair value is based on quoted market prices (unadjusted) in active markets for identical instruments as measured on reporting date.
- Level 2 – fair value is determined through inputs, other than quoted prices included in level 1, that are observable for the assets and liabilities, either directly (prices) or indirectly (derived from prices).
- Level 3 – fair value is determined through valuation techniques which use significant unobservable inputs.

3.2.2 Market risk

Market risk is the risk that the value of a financial instrument may fluctuate as a result of changes in the market price. Investments valued at fair value are therefore subject to changes in value due to market fluctuations, which may impact on the net income during those financial years in which such fluctuations occur. Market risk therefore comprises equity price risk, interest rate risk and currency risk.

Equity price risk

Equity price risk is the risk that the price of an equity instrument will fluctuate due to market forces rather than as a direct result of some other market risk such as currency or interest rate risk. Equity price risk is the risk inherent in equity investments that cannot be removed by diversification.

The Company did not have any exposure to equity price risk during the current period or prior reporting period.

Interest rate risk

Interest rate risk is the risk that the value or future cash flow of a financial instrument will fluctuate as a result of a change in market interest rates. The Company's financial assets are exposed to interest rate risk. Risk exposure to movements in yields, is specified as a maximum value per interest rate point move per million rand invested. These levels are approved annually by the Board of directors and the Investment Committee.

3. MANAGEMENT OF RISK AND CAPITAL continued

3.2 Financial risk management continued

3.2.2 Market risk continued

An increase or decrease of 1% in the market interest rate would result in the following changes in the profit before tax of the Company:

	2015 1% increase R'000	2015 1% decrease R'000	2014 1% increase R'000	2014 1% decrease R'000
Cash and cash equivalents	**233**	**(233)**	48	(48)
	233	**(233)**	48	(48)

Currency risk

Currency risk is the risk that the value of a financial instrument denominated in a currency other than the functional currency of the company may fluctuate due to changes in the foreign currency exchange rate between the functional currency and the currency in which such instrument is denominated.

The Company did not have any exposure to currency risk during the current period or prior reporting period.

3.2.3 Credit risk

Credit risk is the risk that a financial asset may not be realisable due to the inability or unwillingness of the issuer of such instrument to discharge its contractual obligations. Potential concentrations of credit risk consist only of cash and cash equivalents. The Company limits its counterparty exposures from its money market instruments by only dealing with well-established financial institutions of high quality credit standing.

The table below indicates the quality of the credit risks that the Company's assets are exposed to:

	BBB R'000	Not rated R'000	Total R'000
At 30 June 2015			
Cash and cash equivalents	**23 261**	**–**	**23 261**
Loans and receivables	**138**	**15 526**	**15 664**
Total	**23 399**	**15 526**	**38 925**
At 30 June 2014			
Cash and cash equivalents	4 847	–	4 847
Loans and receivables	9	102 354	102 363
Total	4 856	102 354	107 210

The loans and receivables consist of the loan to the OUTsurance Holdings Share Trust which is not rated as well as other trade and other receivables with entities that are rated. Transactions with these counterparties are continuously monitored by management.

The credit risk ratings used above, are international long-term Fitch ratings. Where international ratings are not available, national ratings are applied. Where long-term ratings are not available, the financial instruments are categorised according to short-term ratings. The ratings are defined as follows:

Long-term ratings

BBB Good credit quality. 'BBB' rating indicates a low expectation of credit risk. They indicate adequate capacity for timely payment of financial commitments. Changes in circumstances or in economic conditions are more likely to impair this capacity than is the case for higher ratings.

Impairment of Financial Assets

None of the Company's financial assets exposed to credit risk are past due or impaired.

3. MANAGEMENT OF RISK AND CAPITAL continued

3.2 Financial risk management continued

3.2.4 Liquidity risk

Liquidity risk is the risk that the Company, although solvent, is not able to settle its obligations as they fall due because of insufficient cash. This might arise in circumstances where the Company's assets are not marketable or can only be realised at an excessive discount. The Company manages liquidity risk in line with a defined investment mandate. The liquidity profile of the Company's assets and liabilities, grouped by expected maturity, is outlined below:

	0 – 6 months R'000	>60 months R'000	Non monetary R'000	Total R'000
At 30 June 2015				
Assets				
Investment in subsidiaries	–	–	1 755 751	1 755 751
Investment in associate	–	–	4 900	4 900
Financial assets				
Loans and receivables	138	15 526	–	15 664
Deferred income tax	12	–	–	12
Cash and cash equivalents	23 261	–	–	23 261
Total assets	**23 411**	**15 526**	**1 760 651**	**1 799 588**
Liabilities				
Tax liabilities	47	–	–	47
Total liabilities	**47**	**–**	**–**	**47**
At 30 June 2014				
Assets				
Investment in subsidiaries	–	–	1 695 751	1 695 751
Investment in associate	–	–	4 900	4 900
Financial assets				
Loans and receivables	10	102 353	–	102 363
Tax receivable	3	–	–	3
Cash and cash equivalents	4 847	–	–	4 847
Total assets	4 860	102 353	1 700 651	1 807 864

4. INVESTMENT INCOME

	2015 R'000	2014 R'000
Cash and cash equivalents		
Interest received	**2 251**	718
Dividends received from financial assets designated at fair value through profit and loss	**–**	851
Dividends from subsidiaries	**1 046 500**	1 085 069
	1 048 751	1 086 638

5. MARKETING AND ADMINISTRATION EXPENSES

The following expenses have been included in the statement of profit and loss and other comprehensive income under marketing and administration expenses:

	2015 R'000	2014 R'000
Consulting and legal fees for professional services	**537**	32
Marketing and management expenses	**436**	4
Total marketing and administration expenses	**973**	36

6. FAIR VALUE ADJUSTMENTS ON FINANCIAL ASSETS

	2015 R'000	2014 R'000
Net unrealised losses on financial assets	**(44)**	–
	(44)	–

7. TAXATION

	2015 R'000	2014 R'000
South African normal taxation		
Current tax	**(620)**	(190)
Current year	**(620)**	(200)
Prior year over provision	**–**	10
Deferred tax	**12**	–
Total taxation charge	**(608)**	(190)
Tax rate reconciliation		
Normal tax on companies	**293 365**	304 249
Non-temporary differences	**(292 757)**	(304 049)
Exempt dividends	**(293 020)**	(304 058)
Non allowable expenses	**263**	9
Prior year (over) provision	**–**	(10)
Amount calculated at effective rate	**608**	190

8. INVESTMENT IN SUBSIDIARIES

	2015 R'000	2014 R'000
OUTsurance Insurance Company Ltd		
Ordinary shares at cost	**141 900**	141 900
Capitalised share-based payments	**6 340**	6 340
	148 240	148 240
OUTsurance International Holdings (Pty) Ltd		
Ordinary shares at cost	**1 169 086**	1 169 086
	1 169 086	1 169 086
OUTsurance Life Insurance Company Ltd		
Ordinary shares at cost	**325 002**	205 002
Issue of ordinary shares	**60 000**	120 000
Capitalised share-based payments	**218**	218
	385 220	325 220
Micawber 296 (Pty) Ltd		
Ordinary shares at cost	**38 105**	16 105
Issue of ordinary shares	**–**	22 000
	38 105	38 105
Youi (Pty) Ltd		
Ordinary shares at cost	**15 000**	–
Issue of ordinary shares	**–**	15 000
	15 000	15 000
OUTsurance Shared Services (Pty) Ltd		
Issue of ordinary shares	**100**	100
	100	100
Total investment in subsidiary companies	**1 755 751**	1 695 751

8. INVESTMENT IN SUBSIDIARIES continued

Summarised financial information on subsidiaries with non-controlling interests

	2015 R'000	2014 R'000
Statement of financial position		
Current assets	**6 189 791**	5 065 508
Non-current assets	**137 020**	142 154
Current liabilities	**(983 314)**	(461 287)
Technical provisions	**(3 836 381)**	(3 075 482)
Equity	**1 507 116**	1 670 893
Statement of profit and loss and other comprehensive income		
Gross written premium	**5 572 016**	4 065 679
After tax comprehensive (loss)/income attributable to the group	**(110 341)**	215 634
Cash flow statement		
Cash inflow from operating activities	**688 206**	823 567
Cash outflow from investing activities	**(54 885)**	(56 602)
Cash inflow from financing activities	**192 684**	581 062
Effect of exchange rates on cash and cash equivalents	**(183 653)**	8 743
Increase in cash and cash equivalents	**642 352**	1 356 770
Opening balance of cash and cash equivalents	**3 196 409**	1 839 639
Closing balance of cash and cash equivalents	**3 838 761**	3 196 409

Subsidiary companies only distribute dividends if management is of the opinion that the target solvency and liquidity margin in the subsidiary will be maintained after the payment of such dividends.

The details of subsidiary companies are as follows:

Subsidiary	Nature of business	Country of Incorporation	Effective Holding 2015	Effective Holding 2014
OUTsurance Insurance Company Ltd	Short-term insurer	South Africa	**100%**	100%
OUTsurance International Holdings (Pty) Ltd	Holding company	South Africa	**100%**	100%
OUTsurance Life Insurance Company Ltd	Long-term insurer	South Africa	**100%**	100%
Micawber 296 (Pty) Ltd	Property company	South Africa	**100%**	100%
Youi (Pty) Ltd (South Africa)	Administration company	South Africa	**100%**	100%
Youi Holdings Pty Ltd	Holding company	Australia	**93%**	93%
Youi Pty Ltd	Short-term insurer	Australia	**93%**	93%
OUTsurance Shared Services (Pty) Ltd	Service Company	South Africa	**100%**	100%
Youi NZ Pty Ltd	Short-term insurer	New Zealand	**93%**	93%
Youi Properties Pty Ltd	Property company	Australia	**93%**	0%

The OUTsurance Holdings Share Trust is controlled by OUTsurance Holdings Limited.

Refer to note 17 for the current and non-current analysis of investments in subsidiaries.

9. INVESTMENT IN ASSOCIATE

	2015 N$'000	2014 N$'000
OUTsurance Insurance Company of Namibia Limited		
Investment in associate	**4 900**	4 900
	4 900	4 900
Statement of financial position		
Current assets	**149 694**	126 433
Non-current assets	**3 970**	3 310
Current liabilities	**(13 601)**	(11 785)
Technical provisions	**(72 757)**	(65 241)
Equity	**67 306**	52 717
Statement of profit and loss and other comprehensive income		
Revenue	**189 254**	157 186
After tax comprehensive income attributable to the Group	**15 026**	10 398
Cash Flow statement		
Cash inflow from operating activities	**42 713**	31 531
Cash outflow from investing activities	**(15 516)**	(7 608)
Cash outflow from financing activities	**(18 840)**	(17 839)
Increase in cash and cash equivalents	**8 357**	6 084
Opening balance of cash and cash equivalents	**43 184**	37 100
Closing balance of cash and cash equivalents	**51 541**	43 184

Refer to note 17 for the current and non-current analysis of investments in associate.

10. FINANCIAL ASSETS – LOANS AND RECEIVABLES

	2015 R'000	2014 R'000
Other receivables		
Loan to share trust	**15 526**	102 354
Other receivables and prepayments	**138**	9
Total receivables	**15 664**	102 363

Other receivables are carried at amortised cost using the effective interest rate method. Where the effects of discounting are deemed material, the receivables are reflected at the discounted amounts.

At 30 June 2015, none of the receivables listed above is considered to be past due or impaired.

Included in loans and receivables are amounts due by related parties. Refer to note 18 for further details thereof.

The carrying amount of loans and receivables approximates the fair value. Refer to note 17 for the current and non-current analysis of loans and receivables.

Included in the financial assets – loans and receivables is the loan advanced by the Company to the OUTsurance Holdings Share Trust to enable transactions relating to the remuneration scheme.

	2015 R'000	2014 R'000
Opening balance	**102 354**	157 093
Repayment of loan	**(104 012)**	(72 754)
Cash advanced to trust	**17 184**	18 015
Closing balance	**15 526**	102 354

11. DEFERRED TAXATION

	2015 R'000	2014 R'000
Deferred tax assets		
Unrealised loss on investment	**12**	–
Deferred tax assets	**12**	–
Reconciliation of movement in deferred tax asset		
Opening balance of deferred tax assets	**–**	–
Deferred tax charge for the year	**12**	–
Closing balance of deferred tax asset	**12**	–

Refer to note 17 for the current and non-current analysis of deferred taxation.

12. CASH AND CASH EQUIVALENTS

	2015 R'000	2014 R'000
Cash at bank and in hand	**23 261**	4 847
	23 261	4 847

The carrying value of cash and cash equivalents approximates the fair value.

Refer to note 17 for the current and non-current analysis of cash and cash equivalents.

13. SHARE CAPITAL

	2015 R	2014 R
Authorised share capital		
3 999 999 990 (2014: 3 999 999 990) ordinary shares at R0.01 each	**39 999 990**	39 999 990
1000 "A" variable rate non cumulative non redeemable preference shares of R0.01 each	**10**	10
Issued ordinary share capital		
Total shares in issue: 3 518 163 100 (2014: 3 518 163 100) ordinary shares at R0.01 each	**35 181 631**	35 181 631
Closing balance	**35 181 631**	35 181 631
Issued preference share capital		
Opening balance: 0 (2014: 178) "A" variable rate non cumulative non redeemable preference shares at R0.01 each	**–**	2
Share repurchased during the year: 0 (2014: 178) "A" variable rate non cumulative non redeemable preference shares of R0.01 each	**–**	(2)
Total shares in issue: 0 (2014: 0) "A" variable rate non cumulative non redeemable preference shares of R0.01 each	**–**	–

	2015 R'000	2014 R'000
Ordinary share premium		
Issued share premium	**265 110**	265 110
	265 110	265 110
"A" Preference share premium		
Opening balance	**–**	200 500
Share premium on redemption of shares	**–**	(200 500)
Closing balance	**–**	–

The unissued shares of the Company are under the control of the directors until the forthcoming annual general meeting.

Refer to note 17 for the current and non-current analysis of share capital.

14. RECONCILIATION OF CASH GENERATED BY OPERATIONS

	2015 R'000	2014 R'000
Comprehensive income for the year before tax	**1 047 734**	1 086 602
Changes in working capital	**(129)**	213
(Increase)/decrease in receivables	**(129)**	213
Cash generated by operations	**1 047 605**	1 086 815

15. TAXATION PAID

	2015 R'000	2014 R'000
Taxation payable – opening balance	**3**	(14)
Charge in statement of profit and loss and other comprehensive income	**(608)**	(190)
Adjustment for deferred tax charge	**(12)**	–
Taxation payable – closing balance	**47**	(3)
Taxation paid	**(570)**	(207)

16. PREFERENCE DIVIDEND PAID

	2015 R'000	2014 R'000
Preference dividends unpaid at the beginning of the year	**–**	(78)
Preference dividend in respect of "A" variable rate non cumulative preference shares	**–**	(5 824)
Preference dividend paid	**–**	(5 902)

No preference dividends were paid in the current year, due to there being no preference shares in issue.

17. CURRENT/NON-CURRENT SPLIT OF AMOUNTS RECOGNISED ON THE STATEMENT OF FINANCIAL POSITION

For the purposes of this table 'current' is defined as asset, liability and equity amounts which mature within the next 12 months. Balances classified as non-current mature in longer than 12 months.

	Carrying Amount R'000	Current R'000	Non-current R'000
30 June 2015			
ASSETS			
Investment in subsidiaries	**1 755 751**	**–**	**1 755 751**
Investment in associate	**4 900**	**–**	**4 900**
Financial assets			
Loans and receivables	**15 664**	**15 664**	**–**
Deferred income tax	**12**	**12**	**–**
Cash and cash equivalents	**23 261**	**23 261**	**–**
TOTAL ASSETS	**1 799 588**	**38 937**	**1 760 651**
LIABILITIES AND EQUITY			
Total shareholders' equity	**1 799 541**	**–**	**1 799 541**
Tax liabilities	**47**	**47**	**–**
TOTAL EQUITY AND LIABILITIES	**1 799 588**	**47**	**1 799 541**
30 June 2014			
ASSETS			
Investment in subsidiaries	1 695 751	–	1 695 751
Investment in associate	4 900	–	4 900
Financial assets			
Loans and receivables	102 363	102 363	–
Tax receivable	3	3	–
Cash and cash equivalents	4 847	4 847	–
TOTAL ASSETS	1 807 864	107 213	1 700 651
LIABILITIES AND EQUITY			
Total shareholders' equity	1 807 864	–	1 807 864
TOTAL EQUITY AND LIABILITIES	1 807 864	–	1 807 864

18. RELATED PARTY TRANSACTIONS

The Company defines related parties as:

- The parent company, Rand Merchant Insurance Holdings Limited (RMI Holdings). RMI Holdings owns its investment in OUTsurance Holdings Limited through a wholly owned subsidiary Firness International (Pty) Ltd.
- Associate companies of the parent company which include Discovery Holdings Limited, MMI Holdings Limited and RMB Structured Insurance Holdings Limited.
- Key management personnel such as the OUTsurance Holdings Limited Board of directors and the OUTsurance Holdings executive committee as well as the Youi Holdings Pty Ltd executive committee.

Principal shareholders

The Company is ultimately controlled by RMI Holdings Limited. At the reporting date, RMI Holdings owned 83.4% (2014: 83.4%) of OUTsurance Holdings Limited, with the OUTsurance Holdings Share Trust owning 1% (2014: 1.6%), OUTsurance Investment Trust owning 6.4% (2014: 6.4%) and management 9.2% (2014: 8.6%) of the issued share capital.

Subsidiaries

Details of investment in subsidiaries are disclosed in note 8.

Associates

Details of investment in associates are disclosed in note 9.

Key management personnel

Details of key management remuneration are disclosed in the OUTsurance Holdings Limited Group financial statements.

For the year under review, the Company entered into the following transactions with related parties:

	2015 R'000	2014 R'000
Transactions with related parties		
Rand Merchant Insurance Holdings Limited		
"A" Preference dividend paid	–	(5 824)
Ordinary dividends paid	**(880 643)**	(932 313)
Year end balances with related parties		
OUTsurance Holdings Share Trust		
Loan to Share Trust	**15 526**	102 354

19. EVENTS AFTER THE REPORTING PERIOD

No matters which are material to the financial affairs of the Company occurred between the reporting date and date of the approval of the financial statements.

Contact information

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