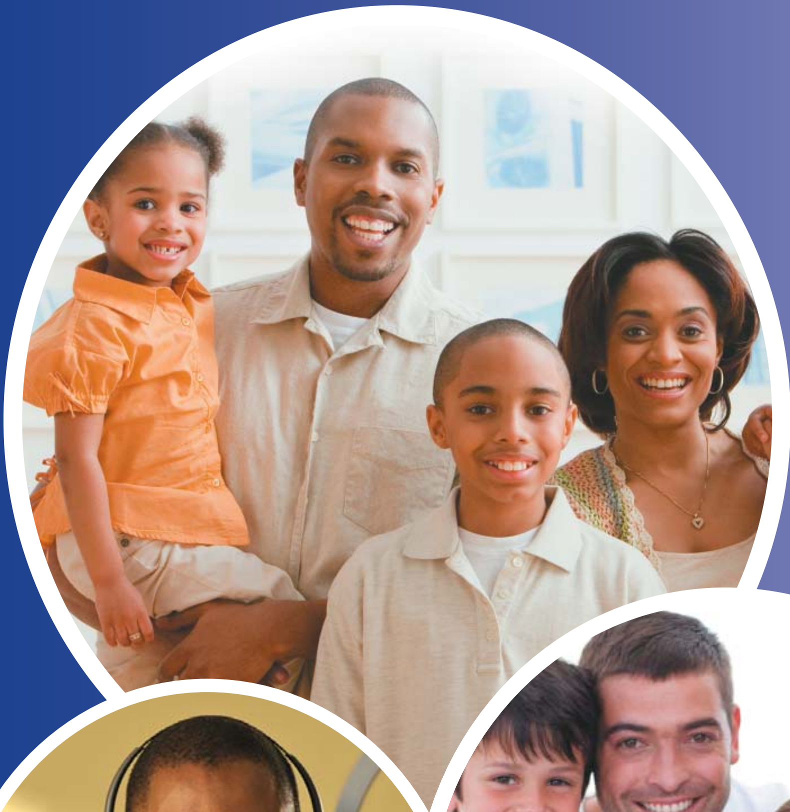


Clientèle LIMITED

2013 Integrated Annual Report

Contents

The Integrated Annual Report was prepared under the supervision of Mr IB Hume, the Group Financial Director. The Annual Financial Statements have been audited (refer to the Independent Auditors' Report to the Shareholders of Clientèle Limited on page 63).

Our Vision, Mission and Values

OUR VISION

1

To offer our clients a range of clear and simple quality products and services that meet selected insurance and financial needs, thus building mutually beneficial relationships throughout their lives.

We strive to be the leader in our chosen markets.

OUR MISSION

2

- To provide a quality PORTFOLIO of products and services that is appropriate to our chosen markets.
- To nurture a mutually beneficial relationship with our PARTNERS on a basis that creates enduring value for all.
- To create a great place to work where PEOPLE are respected and inspired to be the best they can be.
- To be a responsible corporate citizen of our PLANET that builds and supports sustainable communities, mainly in the markets we serve.
- To generate healthy and sustainable long-term PROFIT to the benefit of all our stakeholders.

Clientèle LIMITED

OUR VALUES

3

RESPECT
Treating colleagues, clients and other stakeholders with respect, courtesy and fairness.

CUSTOMER EXCELLENCE
Connecting with our clients in a professional, ethical and focused manner.

PASSION
Approaching every task with determination, energy and commitment.

INTEGRITY
Adhering to high moral standards and being honest in all that we do.

TEAMWORK
Working effectively with others and utilising individual and combined strengths to succeed.

Group Structure

The Clientèle Group comprises of the following companies:

Clientèle LIMITED

	% Holding	Country of incorporation	Nature of Business
Clientèle Life Assurance Company Limited	100	SA	Life Insurance
Clientèle General Insurance Limited	100	SA	Short-term insurance: Personal and business lines legal insurance policies
Clientèle Loans Proprietary Limited	100	SA	Lending
Clientèle Life (Netherlands) Coöperatieve U.A.*	100	ND	Investment company
Clientèle Mobile Proprietary Limited	100	SA	Communication and related products
Clientèle Direct Proprietary Limited	100	SA	Financial intermediary services

* *In the process of being deregistered*

Clientèle Life, Clientèle Loans and Clientèle Life (Netherlands) Coöperatieve U.A. in turn have the following investments in subsidiaries and associates:

Clientèle LIFE

	% Holding	Country of incorporation	Nature of Business
Subsidiaries			
Clientèle Properties North Proprietary Limited	100	SA	Properties – Clientèle Office Park
Clientèle Properties South Proprietary Limited	100	SA	Properties – Clientèle Office Park
Clientèle Properties East Proprietary Limited	100	SA	Properties – Clientèle Office Park
Associate			
Clientèle USA LLC#	33.3	USA	Broking

Liquidated on 4 August 2011

Clientèle LOANS

	% Holding	Country of incorporation	Nature of Business
Subsidiaries			
Clientèle Loans Direct Proprietary Limited	70	SA	Unsecured personal loans

Clientèle Life (Netherlands) Coöperatieve U.A.

	% Holding	Country of incorporation	Nature of Business
Subsidiaries			
Independent Field Advertisers Limited	85	NG	Insurance broking in Nigeria (discontinued operation)

SA – South Africa **USA** – United States of America **ND** – Netherlands **NG** – Nigeria

Independent Field Advertisers Limited owns 100% of IFA Insurance Brokers (discontinued operation).
Clientèle General Insurance, Clientèle Direct and Clientèle Mobile do not have subsidiaries.

Clientèle LIMITED Clientèle LIFE Clientèle LOANS Clientèle MOBILE Clientèle GENERAL Clientèle LIFE INVESTMENTS IFA

Clientèle LIMITED

Definitions and Interpretations

"ABET"	Adult Basic Education and Training
"Actuarial Valuation"	An Actuarial Valuation is an appraisal which requires making economic and demographic assumptions in order to estimate the present value of future policyholder liabilities. The assumptions are typically based on statistical analysis
"AGM"	Annual General Meeting
"ALM"	Asset and Liability Matching
"ALSI"	All Share Index
"ANW"	Adjusted Net Worth
"APN"	Advisory Practice Notes of the Actuarial Society of South Africa
"BBBEE"	Broad-based Black Economic Empowerment
"the Board"	The Directors of Clientèle
"Bonus Rights Scheme"	The Clientèle Limited Bonus Rights Scheme, approved by shareholders at the AGM on 30 October 2012
"Cannon"	Cannon Asset Managers Proprietary Limited
"CAR"	Capital Adequacy Requirement (maximum of TCAR, OCAR and MCAR)
"CAR Ratio"	The ratio of excess assets to the Statutory Capital Adequacy Requirement where excess assets is calculated as Statutory Assets less Statutory Liabilities
"CAE"	The Chief Audit Executive, the head of GIA, Mrs L Forte
"Clientèle" or "the Company"	Clientèle Limited (Registration number 2007/023806/06), a public company incorporated in South Africa
"Clientèle Direct"	Clientèle Direct Proprietary Limited (Registration number 2007/023887/07), a private company incorporated in South Africa
"Clientèle General Insurance Excom/Executive"	The Executive Committee of Clientèle General Insurance
"Clientèle General Insurance"	Clientèle General Insurance Limited (Registration number 2007/023821/06), a public company incorporated in South Africa
"Clientèle Group" or "the Group"	Clientèle and its subsidiaries and associated companies
"Clientèle Legal"	A division of Clientèle General Insurance Limited
"Clientèle Life"	Clientèle Life Assurance Company Limited (Registration number 1973/016606/06), a public company incorporated in South Africa
"Clientèle Life Excom/ Executive"	The Executive Committee of Clientèle Life Assurance Company Limited
"Clientèle Loans Direct"	Clientèle Loans Direct Proprietary Limited (Registration number 2007/030539/07), a private company incorporated in South Africa

Definitions and Interpretations continued

"Clientèle Loans"	Clientèle Loans Proprietary Limited (Registration number 2007/026058/07), a private company incorporated in South Africa
"Clientèle Mobile"	Clientèle Mobile Proprietary Limited (Registration number 2008/029129/07), a private company incorporated in South Africa
"Clientèle Properties East"	Clientèle Properties East Proprietary Limited (Registration number 1992/001651/07), a private company incorporated in South Africa
"Clientèle Properties North"	Clientèle Properties North Proprietary Limited (Registration number 2001/029155/07), a private company incorporated in South Africa
"Clientèle Properties South"	Clientèle Properties South Proprietary Limited (Registration number 2005/030653/07), a private company incorporated in South Africa
"CoC"	Cost of Required Capital. The Cost of Required Capital reflects the opportunity cost of restricted capital given the difference between the assumed future investment earnings rate on surplus capital and the interest rate at which this income and future capital releases are discounted to the present in the Embedded Value calculation
"Companies Act"	The Companies Act, 2008 (Act 71 of 2008), including the Regulations
"CSI"	Corporate Social Investment
"Direct Axis"	Direct Axis (SA) Proprietary Limited (Registration number 1995/06077/07), a private company incorporated in South Africa
"DWT"	Dividend Withholding Tax
"EV"	Embedded Value
"Excom" or "Group Excom"	The Executive Committee of the Clientèle Group
"Executive"	Member of the Executive Committee
"IASB"	International Accounting Standards Board
"FAIS"	Financial Advisory and Intermediary Services Act, 2002 (Act 37 of 2002)
"FASB"	Financial Accounting Standards Board
"FCTR"	Foreign Currency Translation Reserve
"FSB"	Financial Services Board
"FSV"	Financial Soundness Valuation
"GIA"	Group Internal Audit Department
"Goodwill Scheme"	A management incentive scheme based on the Scheme Goodwill created
"IBNR"	Incurred But Not Reported
"ICC"	The Internal Control Committee of the Group
"IFA/IFAs"	Independent Field Advertisers, independent contractors of Clientèle Life
"IFCC"	The Internal Financial Control Committee of the Group
"IFRS"	International Financial Reporting Standards
"Investment Contract Business"	Policies which provide, in consideration for a single premium, a series of benefit payments for a defined period or which provide benefits that are fixed contractually e.g. linked or fixed benefit policies
"IPF"	Individual Policyholder Fund
"IT"	Information Technology
"JSE"	JSE Limited (Registration number 2005/022939/06), a South African incorporated public company and licensed as an exchange under the Securities Services Act, 2004
"King III"	The King Committee's Code on Corporate Governance and Conduct
"Listings Requirements"	The Listings Requirements of JSE Limited

Definitions and Interpretations continued

"Long-term Insurance Act"	Long-term Insurance Act, 1998 (Act 52 of 1998)
"MCAR"	Minimum Capital Adequacy Requirement
"Melville Douglas"	Melville Douglas Investment Management Proprietary Limited, a subsidiary of the Standard Bank Group Limited
"MOI"	Memorandum of Incorporation
"NDR"	Non-distributable Reserves
"NTU"	Not Taken Up
"OCAR"	Ordinary Capital Adequacy Requirement
"OECD"	Organisation for Economic Co-operation and Development
"PSA"	Profit Sharing Agreement between Clientèle Limited, Direct Axis and WesBank (a division of FirstRand Bank Limited)
"PVIF"	Present Value of In-force business
"RDR"	Risk Discount Rate
"ROEV"	Return on EV
"SAM"	Solvency Assessment and Management
"SAP"	Standards of Actuarial Practice, issued by the Actuarial Society of South Africa
"SARS"	South African Revenue Service
"SARs"	Share Appreciation Rights, as defined in the SAR Scheme
"SAR Scheme"	The Share Appreciation Rights Scheme as implemented by Clientèle during January 2007
"Scheme Goodwill"	The amount derived by applying a multiple to one year's VNB at the end of each financial year
"SENS"	Securities Exchange News Service
"Short-term Insurance Act"	Short-term Insurance Act, 1998 (Act 53 of 1998)
"SMME"	Small, medium and micro-sized enterprises
"Statutory Actuary"	An actuary appointed in terms of the Long-term and Short-term Insurance Acts
"STC"	Secondary Tax on Companies
"SVM"	Statutory Valuation Method/Basis
"TCAR"	Termination Capital Adequacy Requirement
"TCF"	Treating Customers Fairly
"US GAAP"	USA Generally Accepted Accounting Principles
"VNB"	Value of New Business

Chairman's Statement

For those who read my 2012 Chairman's Statement, I am pleased to say that at Clientèle we managed to keep our collective head this last year and while I would not say that ours "is the Earth and everything that's in it", I believe that we have had a successful year at Clientèle and that the Group is in a well grounded and prepared state with the ability to grow strongly into the future on a sustainable basis.

In order to do that with confidence we will need to come to terms with the "new normal", a business environment that I believe has changed fundamentally from the past both in South Africa and the world at large. Past "truths" have been questioned and one man's reality appears to be another man's dream world.

The Greeks appeared to believe that it was their right to be bailed out of financial disaster by richer countries in the European Union and that they need not accept much responsibility for the crisis despite having exceptionally high social security benefits, the youngest retirement age in the EU and poor tax-paying ethics.

The Germans got themselves caught deeply in the mess because in the early days of European expansionism, German bankers lent boldly to foreign companies and governments believing that, like Germans, all borrowers felt a legal and a moral compulsion to repay their debts.

These two characteristics appear to be strongly at play in South Africa at present with unions demanding unrealistic wage increases in an environment where the economy is limping along at pedestrian rates and at the same time not wishing to engage in discussions about linking increases to increased productivity. Like the Greeks there appears to be a disconnect between what is "needed and wanted" and what is realistic and sustainable.

There will always be dynamic tension between labour and business but there currently appears to be a gulf between the demands and the ability to meet the demands.

There has also been a high demand for credit at the lower income level and first micro-lenders and then the mainstream banks responded with alacrity making unsecured loans into this market on a vast scale. Like the Germans these lenders are finding that not all was as it seemed.

It seems that the present political and socio-economic environment in South Africa has created a climate where there is a demand for immediate gratification in a number of areas. I believe that this situation is exacerbated by constant advertisement in all forms of media of aspirational consumer goods and also by media coverage of the flamboyant lifestyles of tenderpreneurs and other newly rich personalities. This, combined with ongoing inadequate education and lack of financial sophistication, drives people in the lower positions in business earning at the lower levels to demand salaries beyond the level and value of their contribution to the business. Where this is not forthcoming these people increasingly commence illegal strikes which are damaging both to the businesses and to the income of the employees.

Another mechanism used by these people to obtain gratification is to avail of unsecured loans, often from micro-lenders, some of whom are operating outside the legal framework and may be both reckless and unscrupulous, others are reputable and responsible businesses who are providing a product to meet the very significant demand in the marketplace. These loans are often, however, used to finance consumption expenditure and not education, home

Chairman's Statement continued

improvement or other more prudent and enduring value uses. The unfortunate outcome of this set of circumstances is that such individuals become trapped in debt and cannot extricate themselves often with the result that they default on their loans as well as losing their jobs in many cases.

At the same time, the lenders are experiencing far higher bad debts than they expected. This may be as a result of one or more of the following factors. The economy is struggling and jobs are being lost in the process, wage demands are unrealistic and, where employers are forced to concede to the demands, the only way to balance the book is to retrench employees or not employ new employees. At this end of the market borrowers are poorly educated and unsophisticated and may not understand fully the terms of the loans and may also be unable to budget prudently thus borrowing more than they can afford to repay.

In addition, there is no doubt that there are unscrupulous and reckless operators in this market who will lend to borrowers who are already over-borrowed and will then use tactics to obtain repayment of their loans before other loans which may have been advanced more prudently. There may also be elements of an ethos of entitlement where borrowers misrepresent their financial position to reputable lenders and have no intention of repaying the loan operating on the belief that lenders and business have exploited them and that to not repay the loan is their due.

If this last factor is anything more than isolated incidents, then it is a deeply worrying phenomenon, yet it has a parallel in the area of education where one sees demands that students be allowed to graduate to the next class or to gain entry to universities even when the minimum requirements have not been met. If acceded to, this will perpetuate the disadvantage that many such students have suffered and will cause future generations to suffer the same disadvantage. As a nation we cannot allow this to happen, we need to commit ourselves to improve the education system in South Africa and make quality education available to all who wish to learn. The harsh reality is that it will take many years to achieve this objective and this is where leaders in the public and private sectors need to be brave and communicate the facts with integrity.

From education comes the skill and desire to enquire. This leads to the ability to contribute and to change one's own life,the ability to make informed choices and ultimately the ability to become independent.

We must teach people to fish – not give them a fish.

We must all believe and teach others that there are no rights without responsibilities – a system of handouts without any contribution by the recipient is not sustainable and demeans the recipient.

As part of our journey we are asking and learning more about our policyholders each day, the internet, social networking and various digital platforms allow us to ask questions and get responses on a real time basis. We are able to ask our policyholders what they want, what needs are not met by any current policy offerings and how they would like to buy our products. This is not a journey to a destination we have embarked on but a perpetual journey which we believe will add value to our policyholders and all the stakeholders of Clientèle and will be a recurring theme in future Chairman's Statements.

NOTABLE EVENTS

This year has seen a number of significant moments for Clientèle:

- After more than 15 years as Managing Director of Clientèle, Gavin Soll stepped down from that role and took up the role of Group Executive Deputy Chairman. It is not possible for me to thank him adequately in the pages of my Chairman's Statement, I can only say that he has done an outstanding job of building and growing the Group through some good times and some very challenging and difficult times. He has been an inspirational leader and has groomed an impressive team to continue his good work. He has become a great friend while at the same time never losing the dynamic tension and independence of the relationship between Chairman and Managing Director. We will hold onto his expertise and experience in his new role.
- Basil Reekie has stepped up with enthusiasm to the role of Group Managing Director and I welcome him and commend him for his ability and determination. I have every confidence that he will become his own person in leading the Group forward and that the Group will rise to great heights under his leadership. Basil was previously Managing Director of Clientèle Life.
- Driaan du Toit was appointed Managing Director of Clientèle General Insurance. We wish him all the best in this role and he has already made a significant contribution to that business. Driaan was previously the Managing Director of the Nigerian subsidiary.
- Clientèle Life launched the Funeral Dignity Plan which has become a significant contributor to profit and VNB.
- Clientèle General Insurance launched a SMME product offering a prepaid legal insurance policy for SMME's businesses. The early indications are positive.

- On a sadder note we have unfortunately to say goodbye to Fikile De Buck who has now joined her husband in a new venture which she believes may create some conflict with her role as director of the Group and having a strong ethical culture she would prefer to avoid any such potential conflict. Fikile has contributed significantly to the Group and we are sorry to see her go but wish her well in her endeavor.

RESULTS

The results show a positive result built on the focus on quality of business and I am pleased to confirm that the steps taken are starting to show ongoing improvements which will be a sound foundation for future growth. The detailed results are contained in the Group Managing Director's Report.

FUTURE PROSPECTS

I believe that the Group is making positive progress towards our objective of being the financial services group of choice targeted at the middle to lower income market in South Africa and that this progress will accelerate once the economy improves.

APPRECIATION

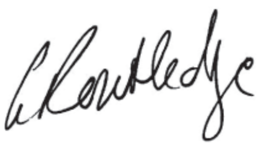
I thank all the members of the Board, the management team, the employees, IFAs, Policyholders and their respective families for the tremendous contribution this year.

CHALLENGE

I have challenged the Group Executives and encouraged them to build this challenge into the Clientèle culture-that each Executive, manager, employee and IFA should become an agent of change in South Africa. We cannot wait for the government or anyone else to fix things so that they are how we would like them to be, we must each make an effort to do what we can.

I challenge all of you to do the same.

In all that we do, be proud of what we do – be positive – make a difference!



Gavin Routledge
9 September 2013

Group Managing Director's Report

THE YEAR IN PERSPECTIVE

The Group continued to ingrain sustainability principles and practices into its operations. This included special focus on addressing the quality of business written which is yielding the desired results in conjunction with an increase in production over the second half of the year.

The improvement in withdrawals is reflected in the positive withdrawal experience for the year of R14,8 million (2012: negative R115,0 million) and the growth in VNB which on equivalent economic and demographic assumptions increased by 40% in the second half of the year in comparison to the first half of the year.

The Group increased its diluted headline earnings per share for the year by 15%. This resulted in a return on average shareholders interest for the year of 65% and enabled another healthy dividend to be declared; the dividend declared per share increased by 10.4% from 67,00 cents to 74,00 cents.

Recurring EV Earnings increased to R635,9 million from R602,4 million last year, resulting in a Recurring ROEV of 21%.

HIGHLIGHTS

Financial

Headline earnings for the Group of R293,3 million are 15% higher than the headline earnings of R256,0 million last year. As a result, diluted headline earnings per share have increased by 15% to 89,57 cents, up from 77,76 cents. Headline earnings per share from continuing operations, after adjusting for STC in the prior year to ensure comparability increased by 5% from 85,16 cents per share to 89,62 cents per share.

Insurance premium revenue has been tempered by the conscious reining in of production in the first half of the year, which was offset, to some extent, by the improvement in withdrawal experience. The second half of the year saw a meaningful increase in production volumes, together with a sustained improvement in the quality of sales in the telesales area, which is expected to improve insurance premium income next year. Insurance premium revenue for the year is up by 2% from R1 194,9 million to R1 224,5 million. Other income of R168,8 million, which mainly comprises annuity fees from IFAs, is 3% up on the comparable year's figure of R164,2 million.

Operating expenses have increased by 11% from R739,2 million last year to R818,6 million this year. Much of this increase can be ascribed to a conscious decision to increase advertising spend in the second half of the year on better quality sales leads. In conjuction with other efforts, this has had the desired effect of increasing VNB in the second half of the year.

The Group adopts the conservative accounting practice of eliminating negative reserves (a discretionary margin) and thus expensing acquisition costs upfront and deferring profit release over the life of the policy. The total present value of discretionary margins amounts to R1,9 billion (June 2012: R1,8 billion). The increase in the value of this margin was tempered by the change in actuarial assumptions (particularly the valuation interest rate).

Net insurance benefits and claims of R339,8 million have increased by 17% from R291,0 million for the 2012 financial year. The majority of the increase is in respect of policyholder cash-back payments which have become due as well as policyholders' benefit payments for unitized endowment policies, many of which have now been held for 10 years or more. Both these items reduce policyholder liabilities under insurance contracts. As a consequence, policyholder liabilities under insurance contracts decreased by R44,1 million (2012: Increase of R13,7 million).

Investments achieved a return of 19% in the current year, compared to a return of 14% last year.

The increase in Group EV reflects Recurring EV earnings of R635,9 million (2012: R602,4 million) for the year, and translates into a Recurring ROEV of 21% (2012: 26%) which contributed

Group Managing Director's Report continued

to Group EV, after adjusting for the dividend payment and changes to economic assumptions, increasing from R3,0 billion at 30 June 2012 to R3,5 billion as at 30 June 2013.

The VNB has decreased in comparison to the previous year from R365,5 million to R302,1 million (or R331,2 million on a comparable set of economic assumptions) as a result of lower production in the first half of the year, largely due to the initiatives with regards to quality, as mentioned above. Production has improved in the second half of the year and VNB of R176,2 million in the second half of the year is 40% higher than the VNB of R125,9 million (on similar economic and demographic assumptions) in the first half of the year.

Non-financial

KING III

The Board considers corporate governance a priority that requires more attention than merely establishing the steps to be taken to demonstrate compliance with codes, legal, regulatory or listing requirements.

Integral to the Group's commitment to good governance is compliance with recognised best practice codes. The Group believes that sound corporate governance ensures that the business operations and conduct of the Group are transparent and makes the Group accountable to all our material, stakeholders, including regulators, employees, policyholders and shareholders.

Since the effective date of King III in March 2010 the Group has endeavored to apply the principles of King III in a practical manner, and in 2013 the Group continued to review its practices based on these principles.

Where King III practices or principles are not applied in the business, this is clearly explained in the Integrated Annual Report and, where necessary, other management actions and controls are put in place to ensure sound governance.

The Board was satisfied with the way the Group applied the recommendations of King III and with the alternative measures put in place. The Group Audit Committee and the Board will continue to review and benchmark the Group's governance structures and processes to ensure the Directors and the Board exercises effective and ethical leadership and good corporate citizenship.

RISK MANAGEMENT

The Board continues to acknowledge and monitor its responsibilities with regard to the management of risk in terms of King III. The Group Risk Committee is an established Board Committee with Terms of Reference approved by the Board.

The strategy for managing risk is aligned with the principles of SAM. Strategic Objectives based on a 3 to 5 year term time horizon are ascertained by legal entity within the Group. Tactical Objectives are then identified so as to support the longer term strategy. Risk Events that could threaten the achievement of the Tactical Objectives are then identified and rated against an Impact and Probability scale which differs between entities given their individual materiality level. Potential Risk Events are managed so as to minimise any negative impact on the Group. All Risk Events are measured against a pre-defined risk appetite. The current Group risk appetite comprises three metrics, namely, Solvency (statutory requirement plus a buffer), Free Cash Flow and Recurring EV Earnings.

The Risk Management process contributes towards the early identification and on-going management of systemic and organisational exposure, in parallel with all Board and Non-Board committees which all contribute to a combined assurance model.

BBBEE

The Group operates a unique Direct Selling opportunity which contributes significantly to broad-based transformation. This is the IFA model which is targeted at income creation for members of previously disadvantaged communities, and, as such, the Group has provided thousands of people with an earnings opportunity not previously afforded them. Barriers to entry with regard to affordability as well as educational requirements are exceptionally low, with full training and ongoing support provided. The IFA Business Opportunity is now in its fifteenth year of operation and has thus far paid out well in excess of R 1,5 billion in earnings to thousands of IFAs via a multi-level compensation model.

The Group continually focuses on transformation with specific emphasis on broad-based initiatives. The Group spends in excess of the minimum targets given in the BEE codes when it comes to Enterprise Development and CSI.

CORPORATE SOCIAL INVESTMENT (CSI)

At Clientèle, CSI is central to realising meaningful and sustainable contributions which benefit the broader community, especially within the South African context. Our CSI undertakings are approached with two different objectives, the first from a purely charitable base, and the second from an educational upliftment perspective aimed specifically at historically disadvantaged sectors of our society. The impact of this strategy is far reaching, impacting both the individual beneficiaries as well as the South African community at large. Our key measurable in this regard is the value we add to the lives of South Africans through CSI initiatives that comprise education, employment and financial inclusion. Some of our CSI programs include:

- The **Sithabile Child and Youth Care Centre:** With our relationship spanning more than a decade, Sithabile has become one of the main recipients of our CSI resources. To more than 40 children with backgrounds scarred by abuse and neglect, Sithabile provides a safe home with access to education, development and counseling. With many of the children orphaned as a result of the AIDS pandemic, Sithabile provides hope and a chance at a better life. Clientèle remains proud to be associated with Sithabile.
- The **Clientèle/IFA Bursary Programme:** This is directly related to Clientèle's focus on youth development, the Group awards, on an annual basis, bursaries to approximately 10 students who are children of IFAs in various fields of study. Each bursary provides support for higher education (diplomas and degrees) over a period of three to four years. Clientèle currently supports in excess of thirty students at higher learning educational facilities throughout the country, every year. There is no prerequisite in terms of field of study, nor is there a requirement to work for Clientèle after graduation.

Group Managing Director's Report continued

- **Harambee:** The Group continues to support participation in a youth job placement initiative called Harambee which facilitates new entrants into the job market. The Harambee graduates undergo an intensive three month programme which better prepares them for the work environment. Participating companies, of which the Clientèle Group is one, then place these youngsters within their structures and in doing so provide them with their first "home" of permanent employment. Clientèle has employed around 100 individuals via this initiative over the last 3 years.
- **Ad-hoc Donations:** Through a wide variety of campaigns and initiatives, often involving Clientèle employees, more than ten organisations have received financial and physical assistance from Clientèle. Clientèle staff members have shown a willingness to provide assistance to organisations via several initiatives, such as the "Employee Giving Campaign" by pledging monthly donations, the "Volunteers Day" campaign by assisting at a charity of their choice, the "Sithabile Planting Day" by helping to lay out a new garden for the children, and the "Winter Woollies Campaign" by collecting warm clothes for the Sithabile children.

Clientèle and our staff have also fully embraced other causes that support the health and well-being of South Africans with various physical and mental challenges, through collections done on Casual Day, Breast Cancer Awareness and Collect-A-Bag for rape victims. Clientèle also supports the Laureus Sport for Good Foundation through sponsorship of a large contingent of staff and IFAs. Continuous support is provided to schools to whom printers were donated in the previous year, through covering of printing costs and assistance with maintenance. This initiative ensures that 15 schools can continue printing at no cost to themselves.

BUSINESS SEGMENTS

Clientèle Life

Clientèle Life's Long-term insurance segment still remains the major contributor to overall Group performance. It accounts for 75% or R227,8 million of the Group's R302,1 million of VNB, and recorded Recurring EV Earnings of R475,2 million (2012: R487,1 million) for the year and generated R257,0 million (2012: R235,8 million) net operating profit for the year, an increase of 9,0%.

The Investment Contracts operating segment experienced slower production in the lower interest rate environment and reported a R5,1 million net profit for the year (2012: R2,7 million) due to the higher rate of release of deferred profits.

Clientèle General Insurance (Clientèle Legal)

Clientèle Legal now accounts for 22% (2012: 16%) or R65,3 million of the Group's VNB for the year, and recorded Recurring EV Earnings of R124,0 million (2012: R130,2 million) and generated R30,1 million net profit for the year, a 44% increase on the R20,9 million net profit in the prior year, resulting in its maiden dividend of R30 million to be paid to Clientèle Limited in September 2013.

Other Segments

The personal loans business, Clientèle Loans Direct, is no longer entering into new business contracts. All new business contracts, as of 16 February 2013, are being concluded in accordance with a PSA in respect of unsecured personal loans with WesBank (a division of FirstRand Bank Limited) and Direct Axis. This business is funded and conducted by WesBank as a separate business unit, using the Clientèle client base, and administered by Direct Axis.

Clientèle believes the PSA will result in a sustainable and value-adding business for the future. The terms of the PSA result in Clientèle sharing in future profits on this business, but not losses (except to the extent that they delay the emergence of profits). The existing personal loans business is being run down to closure which results in a reduction in expenses, mostly related to acquisition costs, and the emergence of profits in respect of business previously written. The business, including impairments is performing in line with expectations.

Clientèle Mobile's current strategic focus is to assist the Group in the development of a mobile communications and self-service application for the benefit of IFAs and policy holders.

DIVIDENDS

The Board has declared a dividend per share of 74,00 cents, an increase of 10,4% over last year's dividend of 67,00 cents.

PROSPECTS

The Board's focus for the future will be to continue the initiatives with regard to sustainability which include, amongst others, sustaining the momentum that has been built in production without compromising on the quality of business written. These on-going initiatives are expected to create sustainable value for the Group in the years ahead despite the expected difficult trading conditions in the short term.

APPRECIATION

It is appropriate that I make special mention of Gavin Soll who has led the Group (as Group Managing Director) for the last fifteen years. During that time he has taken the Group from a small insurer with an EV of under R300 million and only one meaningful product line to the Financial Services Group which we report on today with an EV of R3,5 billion. This is quite an achievement and I am cognisant that I take over the role from someone who has achieved incredible results over a sustained period.

It is also appropriate to thank each and every member of the Clientèle staff and management who have helped myself, Gavin Soll, Excom and the Board in taking the Group forward over the last year. Both staff and our IFA business partners have added meaningful value during the year. Morale is high amongst both staff and IFA, which bodes well for the future.

I would also like to thank the Chairman of the Board and the other non-Executive Directors for their support and confidence in the Executive team. I look forward to working with the team as we take the Group to even greater heights.

Mr BW Reekie
9 September 2013

Corporate Governance

1. INTRODUCTION

The Board embraces the principles of corporate governance as enunciated in King III, and has encouraged a culture within the Group that ensures that the Group is run on an ethical basis, with the emphasis on integrity and acceptable business practices.

Significant progress has been made in implementing the governance principles outlined in King III. The Clientèle Group is aiming for King III compliance as far as is practical and appropriate in the context of the Group, despite the recommendations being aspirational and advisory and not mandatory.

The Board is satisfied that every effort has been made to comply in all material aspects with King III. Where the Group does not comply, this is stated and explained.

The following narrative report serves to provide information on the extent of compliance with the principles of sound governance, as provided by King III, during the 2013 financial year:

Principle		Application or reason for non-compliance
SECTION A: ETHICAL LEADERSHIP AND CORPORATE CITIZENSHIP		
1.	The Board should ensure that the Group is and is seen to be a responsible corporate citizen.	The Board considers not only financial performance but also ethical relationships between the Group and the society in which it operates. The Group Social and Ethics Committee has been tasked with appropriately addressing the requirements of the principle.
SECTION B: BOARD AND DIRECTORS		
2.	The Board should act as the focal point for and custodian of corporate governance.	The Board's Terms of Reference explicitly caters for this. The Board meets at least four times a year.
3.	The Board should appreciate that strategy, risk, performance and sustainability are inseparable.	The Board informs and approves the Group's strategy and satisfies itself that business plans are not encumbered by unexamined risks. The Board also ensures that the strategy will result in sustainable outcomes and considers sustainability to be both a necessity and a business opportunity.

Corporate Governance continued

Principle		Application or reason for non-compliance
4.	The Board should provide effective leadership based on an ethical foundation.	Refer to section A.
5.	The Board should ensure that the Group's ethics are managed effectively.	Refer to section A. The Board reviews the Group's code of ethics on an annual basis and satisfies itself that the Group is governed by these principles.
6.	The Board should ensure that the Group has an effective and independent Audit Committee.	Refer to section C.
7.	The Board should be responsible for the governance of risk.	Refer to section D.
8.	The Board should be responsible for IT governance.	Refer to section E.
9.	The Board should ensure that the Group complies with applicable laws and considers adherence to non-binding rules, codes and standards.	Refer to section F.
10.	The Board should ensure that there is an effective risk-based internal audit.	Refer to section G.
11.	The Board should appreciate that stakeholders' perceptions affect the Group's reputation.	Refer to section H.
12.	The Board should ensure the integrity of the Group's Integrated Annual Report.	Refer to section I.
13.	The Board should report on the effectiveness of the Group's system of internal controls.	Refer to section L.
14.	The Board and its Directors should act in the best interest of the Group.	The Directors act in the best interest of the Group by, amongst other actions, disclosing conflicts where they exist, dealing in securities only as allowed by internal policies and by adhering to legal standards of conduct. Where required, they are permitted to take independent advice at the cost of the Group.
15.	The Board should consider business rescue proceedings or other turnaround mechanisms as soon as the Group is financially distressed as defined in the Companies Act.	Refer to section J.
16.	The Board should elect a Chairman of the Board who is an Independent Non-executive Director. The Managing Director of the Group should not also fulfil the role of Chairman of the Board.	The Board has elected an Independent Non-executive Chairman who has been assessed and declared as Independent. The Managing Director and the Chairman are two separate individuals.
17.	The Board should appoint the Managing Director and establish a framework for the delegation of authority.	The Board formally appoints the Managing Director on an annual basis and ensures that the role of the Managing Director is formalised and his performance evaluated against specified criteria. The Board has established Committees to which certain responsibilities and authorities are delegated (refer to the Terms of Reference of the Board and its Committees and Sub-committees on pages 24 to 37).

Corporate Governance continued

Principle		Application or reason for non-compliance
18.	The Board should comprise a balance of power, with a majority of Non-executive Directors. The majority of Non-executive Directors should be Independent.	There are presently six Non-executive Directors (ten Directors in total) of which five have been assessed and declared as Independent.
19.	Directors should be appointed through a formal process.	Directors are formally appointed, and rotated for re-election, by the shareholders at the AGM. The appointment of Directors is a function of the Board as a whole.
20.	The induction of and ongoing training and development of Directors should be conducted through formal processes.	New Directors are suitably trained through formal induction and mentorship programmes. Directors are kept up to date through regular briefings and continuing professional development initiatives.
21.	The Board should be assisted by a competent, suitably qualified and experienced Group Secretary.	The Board is assisted by a competent, suitably qualified and experienced Group secretary who complies with the requirements set out in the Companies Act.
22.	The evaluation of the Board, its Committees and the individual Directors should be performed every year.	The required evaluations are conducted on an annual basis with the feedback being addressed at the appropriate level thereafter.
23.	The Board should delegate certain functions to well-structured Committees but without abdicating its own responsibilities.	The appropriate Committees are duly constituted and each have formulated Terms of References that are reviewed annually. These Committees feed back to the Board throughout the year.
24.	A governance framework should be agreed between the Group and its subsidiary Boards.	A governance framework is established between the Group and the subsidiary Boards. Subsidiaries and their activities are appropriately discussed at all Group Board Committee and sub-committee meetings.
25.	Companies should remunerate Directors and Executives fairly and responsibly.	Refer to section N.
26.	Companies should disclose the remuneration of each individual Director and certain Senior Executives.	Refer to section N.
27.	Shareholders should approve the Group's remuneration policy.	Refer to section N.
SECTION C: GROUP AUDIT COMMITTEE		
28.	The Board should ensure that the Group has an effective and Independent Group Audit Committee.	The Board evaluates the effectiveness and independence of the Group Audit Committee on an annual basis. The Group Audit Committee met six times in the 2013 financial year and also met with GIA and the External Auditors without management being present.
29.	Group Audit Committee members should be suitably skilled and experienced Independent Non-executive Directors.	The Group Audit Committee members are suitably skilled and experienced Independent Non-executive Directors. Mr GQ Routledge (Independent, Chairman of the Board of Directors) is presently being retained as a Group Audit Committee member due to the value derived from his wealth of experience and knowledge of the business.
30.	The Group Audit Committee should be chaired by an Independent Non-executive Director.	The Group Audit Committee is chaired by an Independent Non-executive Director, Mr BA Stott, whose independence has been both formally declared and assessed. The Chairman of the Group Audit Committee attends the AGM.

Corporate Governance continued

	Principle	Application or reason for non-compliance
31.	The Group Audit Committee should oversee integrated reporting.	The Group Audit Committee has established and delegated the responsibility to a sub-committee to review all contents of the Integrated Annual Report. The Group Audit Committee is ultimately responsible for the content and integrity of the Integrated Annual Report.
32.	The Group Audit Committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities.	The Group Audit Committee monitors the relationship between the external assurance providers and the Group and ensures that combined assurance is given to address all the significant risks facing the Group.
33.	The Group Audit Committee should satisfy itself of the expertise, resources and experience of the Group's finance function.	The finance function is reviewed and assessed on an annual basis and appropriately disclosed in the Integrated Annual Report, on page 53.
34.	The Group Audit Committee should be responsible for overseeing the internal audit function.	The Group Audit Committee is responsible for the performance management of the CAE, approval of the GIA plan and ensuring the GIA audit function is subject to an independent quality review as and when the Committee deems appropriate.
35.	The Group Audit Committee should be an integral component of the risk management process.	The Group Risk Committee, Group ICC and Group IFCC formally report at the Group Audit Committee meetings on a quarterly basis.
36.	The Group Audit Committee is responsible for recommending the appointment of the External Auditor and overseeing the external audit process.	The Group Audit Committee nominates the External Auditor for appointment at the AGM; approves the terms of engagement and remuneration for the external audit engagement; monitors and reports on the independence of the External Auditor; defines a policy for non-audit services provided by the External Auditor and approves the contracts for non-audit services; is informed of any reportable irregularities identified and reported by the External Auditor and reviews the quality and effectiveness of the external audit process.
37.	The Group Audit Committee should report to the Board and shareholders on how it has discharged its duties.	The Group Audit Committee reports internally to the Board, externally to shareholders at the AGM and makes adequate disclosure in the Integrated Annual Report.
	SECTION D: THE GOVERNANCE OF RISK	
38.	The Board should be responsible for the governance of risk.	The Board is aware of the responsibility and established a Group Risk Committee to aid the governance thereof.
39.	The Board should determine the levels of risk tolerance.	The Board has established the risk levels that it has the ability to tolerate versus the risk that it is willing to take i.e. risk appetite.
40.	The Group Risk Committee or the Group Audit Committee should assist the Board in carrying out its risk responsibilities.	The Group Audit and Group Risk Committees both assist the Board in its responsibility for the governance of risk.
41.	The Board should delegate to management the responsibility to design, implement and monitor the risk management plan.	The Board has delegated to management the responsibility to design, implement and monitor the risk management plan.
42.	The Board should ensure that risk assessments are performed on a continual basis.	The Group Risk Committee met four times during the 2013 financial year, which included discussions of the risk assessments and risk framework and methodology.
43.	The Board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks.	The Group Risk Committee has ensured that the risk assessment framework and methodology increases the probability of anticipating unpredictable risks.

Corporate Governance continued

Principle		Application or reason for non-compliance
44.	The Board should ensure that management considers and implements appropriate risk responses.	The Group Risk Committee reports to the Board on a quarterly basis at the Board meetings. The Group Risk Committee has ensured that management considers and implements the appropriate risk responses.
45.	The Board should ensure continuous risk monitoring by management.	The Group Risk Committee reports to the Board on a quarterly basis at the Board meetings and include a review of the risk monitoring by management.
46.	The Board should receive assurance regarding the effectiveness of the risk management process.	The Group Risk Committee provides the required assurance with regard to the risk management process to the Board on a quarterly basis at the Board meetings.
47.	The Board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders.	Refer to the Risk Management report on pages 79 to 101.
	SECTION E: THE GOVERNANCE OF IT	
48.	The Board should be responsible for IT governance.	The Board has established a Group IT Steering Committee to assist in its IT Governance responsibilities. The IT governance framework supports effective and efficient management and decision making around the utilisation of IT resources to facilitate the achievement of the Group's objectives and the management of IT-related risk. The Committee has a Terms of Reference, policies, decision-making structures, accountability framework, IT reporting and an IT internal control framework.
49.	IT should be aligned with the performance and sustainability objectives of the Group.	The Board ensures that the IT strategy is integrated into the Group's strategic and business processes and that IT adds value to the Group objectives.
50.	The Board should delegate to management the responsibility for the implementation of an IT governance framework.	The Board has established a Group IT Steering Committee reporting to Excom. The IT governance framework supports effective and efficient management and decision making around the utilisation of IT resources to facilitate the achievement of the Group's objectives and the management of IT-related risk. The Committee has a Terms of Reference, policies, decision-making structures, accountability framework, IT reporting and an IT internal control framework.
51.	The Board should monitor and evaluate significant IT investments and expenditure.	The Board ensures that the information and intellectual property contained in the information systems are protected. The Board is responsible for ensuring good governance principles are in place for the acquisition of IT goods and services and is formally approved by the Board annually. IT management ensure good project management principles are applied.
52.	IT should form an integral part of the Group's risk management.	IT risk management includes disaster recovery planning, business continuity, IT legal risks, compliance to laws, rules, codes and standards which is an integral part of the Group's risk management.
53.	The Board should ensure that information assets are managed effectively.	The Board, through the Group IT Steering Committee ensures that processes have been established to ensure information assets are effectively managed.

Corporate Governance continued

	Principle	Application or reason for non-compliance
	SECTION F: COMPLIANCE WITH LAWS, RULES, CODES AND STANDARDS	
54.	The Board should ensure that the Group complies with applicable laws and considers adherence to non-binding rules, codes and standards.	Refer to the Corporate Governance Report in the Integrated Annual Report (pages 12 to 40). The Board and its Committees and sub-committees ensure the adherences and monitoring of the compliance with applicable laws, codes and standards. The Board makes use of external attorneys to review complex regulatory matters.
55.	The Board and each individual Director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the Group and its business.	Directors are suitably qualified and trained through formal induction and mentorship programmes. Directors are kept up to date through regular briefings and continuing professional development initiatives.
56.	Compliance should form an integral part of the Group's risk management process.	A Compliance Department is established within the Group and forms an integral part of the Group's risk management process. The Board receives reports on compliance at quarterly meetings.
57.	The Board should delegate to management the implementation of an effective compliance framework and processes.	A suitably qualified Compliance Officer is appointed as well the establishment of a Compliance Department. Compliance is achieved through integration with business/organisational processes, ethics and culture.
	SECTION G: INTERNAL AUDIT	
58.	The Board should ensure that there is an effective risk-based GIA function.	An independent, effective, risk-based GIA function exists within the Group, which complies with the Institute of Internal Auditors' standards.
59.	GIA should follow a risk-based approach to its plan.	GIA's planning is aligned to the strategy of the Group. The CAE attends the Group Audit Committee, Group Risk Committee, Group SAM Committee, Group ICC and Group IFCC meetings by invitation, and follows a risk-based approach to its plan.
60.	GIA should provide a written assessment of the effectiveness of the Group's system of internal controls and risk management.	Refer to the Board Report on the Effectiveness of Internal Controls in the Integrated Annual Report (page 41).
61.	The Group Audit Committee should be responsible for overseeing GIA.	GIA is accountable to and report to the Group Audit Committee on a quarterly basis. The CAE reports functionally to the Chairman of the Group Audit Committee.
62.	GIA should be strategically positioned to achieve its objectives.	GIA planning is aligned to the strategy of the Group. The CAE attends the Group Audit Committee, Group Risk Committee, Group SAM Committee, Group ICC and Group IFCC meetings by invitation. The CAE meets with members of management on a bi-monthly basis.
	SECTION H: GOVERNING STAKEHOLDER RELATIONSHIPS	
63.	The Board should appreciate that stakeholders' perceptions affect a Group's reputation.	The Board appreciates that close relationships with stakeholders should be maintained and that stakeholder perceptions affect the Group's reputation. The Board has identified the stakeholders and is in the process of formalising stakeholder relationships processes.

Corporate Governance continued

Principle		Application or reason for non-compliance
64.	The Board should delegate to management to proactively deal with stakeholder relationships.	The Board has identified the stakeholders of the Group and is in the process of formalising stakeholder relationships processes.
65.	The Board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the Group.	The Board takes account of the legitimate interests and expectations of all of its stakeholders in decision-making in the best interests of the Group.
66.	Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence.	The Board is in the process of adopting communication guidelines that support a responsible stakeholder communication programme.
SECTION I: INTEGRATED REPORTING AND DISCLOSURE		
67.	The Board should ensure the integrity of the Group's Integrated Annual Report.	The Group has controls to enable it to verify and safeguard the integrity of its Integrated Annual Report and the Board has delegated the responsibilities to the Group Audit Committee to evaluate the disclosure. A sub-committee of suitably qualified Executives has been appointed to oversee the preparation of the Integrated Annual Report.
68.	Sustainability reporting and disclosure should be integrated with the Group's financial reporting.	Refer to the Group Social and Ethics Report in the Integrated Annual Report on pages 48 to 50.
69.	Sustainability reporting and disclosure should be independently assured.	Refer to the Group Social and Ethics Report in the Integrated Annual Report on pages 48 to 50.
SECTION J: BUSINESS RESCUE		
70.	The Board should consider business rescue proceedings or other turnaround mechanisms as soon as the Group is financially distressed as defined in the Companies Act.	Not applicable at present, however, the Board annually formally receives and reviews reports supporting the assertion that all companies in the Group are going concerns and where applicable comply with solvency levels approved by the Boards. The Statutory Actuary of each of the insurance companies confirms the financial soundness of the companies in writing.
SECTION K: ALTERNATE DISPUTE RESOLUTION		
71.	The Board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible.	The Board adopts formal dispute resolution processes for internal and external disputes and would select the appropriate individuals to represent the Group in an alternate dispute resolution.
SECTION L: INTERNAL FINANCIAL CONTROLS		
72.	The Board should report on the effectiveness of the Group's system of internal controls.	Refer to section G and I.

Clientèle LIMITED

Corporate Governance continued

	Principle	Application or reason for non-compliance
73.	The Group Audit Committee should be an integral component of the risk management process.	The Group Risk Committee, Group ICC and Group IFCC formally report at the Group Audit Committee meetings on a quarterly basis. The Group Audit Committee is an integral component of the risk management process.
74.	The Group Audit Committee should report to the Board and shareholders on how it has discharged its duties.	The Group Audit Committee reports internally to the Board and makes adequate disclosure in the Integrated Annual Report to shareholders. Refer to the Report of the Group Audit Committee on pages 51 to 53.
75.	The Board should be responsible for the governance of risk.	Refer to section D.
76.	The Board should receive assurance regarding the effectiveness of the risk management process.	The Group Risk Committee reports on assurance on the risk management process to the Board on a quarterly basis at the Board meetings.
77.	GIA should provide a written assessment of the effectiveness of the Group's system of internal controls and risk management.	Refer to the Board Report on the Effectiveness of Internal Controls in the Integrated Annual Report (page 41).
	SECTION M: SOLVENCY AND LIQUIDITY TESTS	
78.	Solvency and Liquidity tests should be performed in accordance with section four of the Companies Act.	The requirements of section four of the Companies Act are duly complied with. Also refer to Section J Principle 70.
	SECTION N: REMUNERATION OF DIRECTORS AND SENIOR EXECUTIVES	
79.	Companies should remunerate Directors and Executives fairly and responsibly.	The Board has established a Group Remuneration Committee, consisting solely of Non-executive Directors, who assist the Board in setting and administering a fair, equitable and responsible remuneration policy. (Refer to the Group Remuneration Report on pages 43 to 47).
80.	Companies should disclose the remuneration of each individual Director and certain senior Executives.	Refer to note 30 on pages 149 to 150.
81.	Shareholders should approve, by way of a non-binding endorsement, the Group's Remuneration policy.	The Group's remuneration policy was approved at the 2012 AGM.

As governance structures are dynamic, the Group reviews its corporate governance practices on an ongoing basis, including the identification and implementation of best practice where deemed appropriate. The Board recognises the responsibility of the Group to conduct its affairs with prudence, transparency, accountability, fairness and social responsibility, thereby safeguarding the interests of all stakeholders, including government and regulators, shareholders, policyholders, IFAs, employees, customers, suppliers and industry associates.

Corporate Governance continued

1.1 Corporate Governance Ethos

Corporate governance is standardised across the Group to ensure that Clientèle's standards for corporate governance are implemented and monitored across the Group's operations.

Clientèle's Non-executive Directors acknowledge the need for their independence, while recognising the importance of good communication and close co-operation with Executive management.

1.2 Stakeholder Communication

The Clientèle Group has defined its stakeholders as entities and individuals that are significantly affected by its activities and those which have the ability to significantly impact the Group's ability to implement strategies and achieve objectives. The Group has identified its stakeholders as government and regulators, shareholders, policyholders, IFAs, employees, suppliers, and industry associates.

The Group interacts with some of the significant stakeholders as follows:

1.2.1 Government and Regulators

Certain companies within the Group are subject to the oversight of the FSB.

Compliance with the relevant regulations regarding financial services is regarded as of the utmost importance.

The Group works closely with regulators to protect its stakeholders' interests, avoid reputational damage and prevent or mitigate the potential negative impact of either new, or changes to existing regulations.

1.2.2 Shareholders

Clientèle distributes information to shareholders and investment analysts through SENS and the print media. Disclosures are based on the principles of openness and substance over form.

Shareholders are notified timeously of the AGM and its agenda where voting takes place by way of a ballot. Results of the voting are published immediately after the meeting through a SENS announcement.

1.2.3 Policyholders

Clientèle interacts with policyholders in various ways:

- A policy document and welcome letter is sent to every Clientèle Life policyholder who takes up a policy;
- A welcome pack, including a policy document, is sent to every Clientèle General Insurance policy – holder who takes up a policy; and
- A well-established and well-trained call centre deals with the Clientèle Group policyholder queries.

The Group subscribes to the principles of TCF, including:

- Policyholders can be confident that they are dealing with a Group where the fair treatment of customers is central to the corporate culture;
- Products marketed and sold are designed to meet the needs of identified consumer groups and are targeted accordingly; and
- Products are easy to understand. The wording of policies is currently being reviewed to ensure the wording is simple, clear and easy to follow.

2. BOARD OF DIRECTORS

Clientèle's Board is the focal point of the Group's corporate governance structure and has the paramount responsibility of overseeing the performance of the Group.

2.1 Role

The Directors have a fiduciary duty to act in good faith, with due diligence and care, and in the best interests of the Group and its stakeholders. They are the guardians of the values and ethics of the Group.

In exercising control of the Group, the Directors are empowered to delegate responsibilities. This is in line with the Group's decentralised management philosophy and is done through the Boards of the major subsidiaries and their respective Managing Directors and various Board Committees, including Excom.

Directors have full and unrestricted access to management, Group information and property. They are entitled to seek independent professional advice in support of their duties at the Group's expense. Non-executive Directors may meet separately with management without the attendance of Executive Directors.

2.2 Function of the Board

The Board is committed to business integrity, transparency and professionalism in all its activities to ensure that all the entities within the Group are managed ethically and responsibly to enhance the value and sustainability of its businesses for the benefit of all stakeholders.

In order to enhance Board leadership and ensure a balance of power and authority, the Board adopts a strong oversight role that provides the necessary checks and balances between the Board and management.

The Board is responsible for ensuring that there is clear strategic direction and that appropriate management structures are in place. These structures, some of which are described in this corporate governance review, are designed to provide a reasonable level of assurance as to the proper control and conduct of the Group's affairs.

The Board meets at least four times a year under the Chairmanship of Mr GQ Routledge. Additional meetings are arranged as and when necessary.

2.3 Composition of the Board

The Board of Clientèle has spent considerable time reviewing the size and composition of the various Boards within the Group and is of the opinion that the value of executive knowledge within the Boards is well balanced alongside the value of Non-executive Director knowledge and experience. The Group will continue to review the composition and effectiveness of the Boards to ensure that they remain effective and relevant to the Group. The Board of Clientèle currently consists of a majority of Non-executive Directors of which the majority of Non-executive Directors are Independent.

Clientèle has a unitary Board structure, which consists of Executive and Non-executive Directors who share the responsibility for both the direction and control of the Group.

The Board ensures that there is an appropriate balance of power and authority on the Board, so that no one individual or block of individuals can dominate the Board's decision taking.

Clientèle has an Independent Non-executive Chairman.

Clientèle has a Board consisting of ten Directors, of which six are Non-executive with five of the six being Independent. The details of the Directors are provided on pages 67 to 70 in the Report of the Directors. These Directors bring a wide range of experience, insight and professional skills to the Board.

In terms of the MOI of the Company, the Directors shall have the power at any time and from time to time to appoint any person as a Director, either to fill a casual vacancy or as an addition to the Board. Any such appointment will require ratification at the next AGM.

Each year, one-third of Clientèle's Directors retire and may be reappointed by the shareholders at the AGM. Subject to the provisions of the MOI, a majority of Directors may remove a Director at a Directors' meeting before the expiration of his period of office.

Employment contracts are in place with all Executive and Non-executive Directors, setting out their responsibilities. These contracts are open-ended with no set expiry date.

There is currently no formal retirement age set for the Non-executive Directors.

Corporate Governance continued

2.4 Subsidiary Boards and Board Committees

Clientèle has six wholly owned subsidiaries (refer to Group Structure on page 2).

The Boards of Clientèle Life and Clientèle General Insurance are subject to the oversight of the FSB.

Board Committees assist the Directors in their duties and responsibilities. These Committees have formal Terms of Reference and report to the Board at quarterly Board meetings.

Annual effectiveness surveys are carried out by the Board's Committees, the results of which are reviewed by the Directors and by the Committees. Based on the most recent reviews, no significant issues have been identified which require immediate attention. Suggestions for improvements will be considered by the individual Committees and any actions ratified by the Board.

2.5 Responsibilities

- Establish the strategy of the Group;
- Appreciate that strategy, risk, performance and sustainability are inseparable and to give effect to this by:
  - Satisfying itself that the strategy does not give rise to risks that have not been thoroughly assessed by management;
  - Assisting in identifying key performance and risk areas;
  - Ensuring that the strategy will result in sustainable outcomes; and
  - Considering sustainability as a business opportunity that guides strategy formulation.
- Guide and support the Executive management team in the execution of the strategy;
- Act as the focal point for, and custodian of, corporate governance by managing its relationships with management, the shareholders and other stakeholders of the Group along sound corporate governance principles;
- Provide effective leadership on an ethical foundation;
- Ensure that ethical behaviour is conducted throughout the Group;
- Ensure that the Group is and is seen to be a responsible corporate citizen by having regard to not only the financial aspects of the business of the Group but also the impact that business operations have on the environment and the society within which it operates;
- Ensure that the Group has an effective and independent Audit Committee;
- Oversee the implementation of SAM across the Group;
- Be responsible for the governance of risk;
- Be responsible for IT governance;
- Ensure that the Group complies with applicable laws and considers adherence to non-binding rules and standards;
- Ensure that there is an effective risk-based GIA function;
- Appreciate that stakeholders' perceptions affect the Group's reputation;
- Ensure the integrity of the Group's Integrated Annual Report;
- Act in the best interests of the Group by ensuring that individual Directors:
  - adhere to legal standards of conduct;
  - are permitted to take independent advice in connection with their duties following an agreed procedure;
  - disclose real or perceived conflicts to the Board and deal with them accordingly; and
  - deal in securities only in accordance with the policy adopted by the Board. This policy is reviewed annually and has recently been extended to be more stringent than that required by legislation by an extension to the closed period for trading in shares.
- Commence business rescue proceedings as soon as the Group is financially distressed;
- Elect a Chairman of the Board on an annual basis that is an Independent Non-executive Director; and
- Appoint and evaluate the performance of the Group Financial Director.

The Board is mandated to discharge its duties by ensuring that they have fulfilled their responsibilities as set out above.

2.6 Independence of the Board

By adhering to a number of key principles, the Board's independence from the daily Executive team is ensured:

- The Board has ten Directors, six of whom are Non-executive of which five are Independent Non-executive Directors, namely Mr GQ Routledge, the Chairman of the Board and the Group Remuneration Committee, Ms PR Gwangwa, the Chairman of the Group Social and Ethics Committee, Mr BA Stott, the Chairman of the Group Audit and Group Risk Committees, Mrs FFT De Buck, and Mr RD Williams. The Board has considered their independence and has held discussions with the Directors and is of the opinion that they are independent in their actions, judgment and conduct;
- The roles of Chairman and Managing Director are separate; and
- Non-executive Directors' and Independent Non-executive Directors' remuneration is not tied to the Group's financial performance.

- Dr ADT Enthoven, a Non-executive Director, is not independent due to his involvement with R Enthoven and Sons, the holding company of the Clientèle Group.

2.7 Definition of Independence

For the purpose of this Integrated Annual Report, Directors are classified as follows:

- Executive Directors are employed by Clientèle or any Company in the Clientèle Group;
- Non-executive Directors are those who are not involved in the day to day management of the business but are not independent; and
- Independent Non-executive Directors are all other Directors.

The Board is satisfied that these classifications do not conflict with those of sections 3.84(f) of the Listings Requirements.

These classifications are in line with the King III definition for Independent Non-executive Directors, which defines an Independent Non-executive Director as a Director who:

- Is not a representative of a shareholder who has the ability to control or significantly influence management;
- Does not have a direct or indirect interest in the Company (including any parent or subsidiary in a consolidated Group) which is either material to the Director or to the Company. A holding of five percent or more is considered material;
- Has not been employed by the Company or the Group of which he currently forms part in an executive capacity for the preceding three years;
- Is not a member of the immediate family of an individual who is, or has been in any of the past three financial years, employed by the Company or the Group in an executive capacity;
- Is not a professional adviser to the Company or the Group, other than as a Director;
- Is free from any business or other relationship which could be seen to interfere materially with the individual's capacity to act in an independent manner; and
- Does not receive remuneration contingent upon the performance of the Company or the Group.

2.8 Group Company Secretary

Mrs Wilna van Zyl was appointed Group Company Secretary on 1 July 2006 and is a qualified Chartered Accountant. The Group Company Secretary provides support and guidance to the Board in matters relating to governance across the Group. She assists the Board as a whole, and Directors individually, with detailed guidance as to how their responsibilities should be properly discharged in the best interests of the Clientèle Group. She facilitates, where necessary, induction and training for Directors and assists the Managing Director in determining the annual meeting timetable.

The Board, on an annual basis, assess the competence, qualifications and experience of the Group Company Secretary, as required in terms of the Listings Requirements and has agreed that she is sufficiently qualified, competent and experienced to hold her position as Group Company Secretary.

The Group Company Secretary fulfils no executive management function and is not a Director. Therefore, the Board is satisfied that the Group Company Secretary maintained an arm's length relationship with the Executive team, the Board and individual Directors in terms of the Listings Requirements.

The Group Company Secretary is also the secretary to the Board Committees.

2.9 Directors' interests

The shareholding of Directors appear on page 71 in the Report of the Directors.

2.10 Share dealing by Directors and senior personnel

Clientèle has implemented a code relating to share dealing by Directors and all personnel who, by virtue of the key positions they hold, have comprehensive knowledge of the Group's affairs. The code imposes closed periods to prohibit dealing in Clientèle securities before the announcement of mid-year and year-end financial results or in any other period considered price sensitive, in compliance with the requirements of the Insider Trading Act and the Listings Requirements in respect of dealings by Directors. The Group Company Secretary undertakes the administration required to ensure compliance with this code under the direction of the Chairman.

A pre-approval policy and process for all dealings in Clientèle shares by Directors and selected key employees is followed. This policy is reviewed annually and has recently been extended to be more stringent than that required by legislation, by an extension to the closed period for trading in shares.

2.11 Party political support

The Group does not support, financially or otherwise, any individual political party.

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3. SHAREHOLDER AND BOARD COMMITTEES

The Group Audit Committee is a shareholders' Committee as the members of the Committee are appointed by shareholders. The Group Audit Committee reports to the Board on the activities of the Committee.

Four standing Committees of the Board, to which certain of its functions have been delegated, were in place during the year. The Group Risk, the Group Remuneration, the Group Investment and the Group Social and Ethics Committees operate according to the respective Terms of Reference stipulated by the Board.

The Group Actuarial Committee operates as a sub-committee of the Group Audit Committee.

The Group Product Committee, the Group ICC, the Group IFCC, the Group Client Services Committee, the Group Marketing Committee, the Group Negative Production Committee, the Group Employment Equity Committee, the Group SAM Committee, the Group Digital Committee and the Group IT Steering Committee operated as management Committees of the Group throughout the year, reporting to Excom.

All the Board and Non-Board sub-committees:

- Have an independent role, operating as an overseer and maker of recommendations to the Board/Excom/shareholders for its consideration and approval;
- Have members who are expected to have sufficient qualifications and experience to fulfil the duties required in terms of the responsibility of the Committees;
- Act in terms of the delegated authority of the Board/Excom/shareholders as recorded in its respective Terms of Reference;
- May call upon the Chairmen of other Board/Excom Committees, any of the Executive Directors, applicable officers or the Group Company Secretary to provide to it information;
- Have reasonable access to the Group's records, facilities and any other resources necessary to discharge its duties and responsibilities; and
- Have the right to obtain independent outside professional advice to assist with the execution of its duties, at the Group's cost, subject to a Board approved process.

Details of these Committees follow:

3.1 Group Audit Committee

The Group Audit Committee is a shareholder appointed Committee whose functions includes discharging its duties to the Board relating to corporate accountability and the associated risks in terms of management, insurance and reporting by reviewing and assessing the integrity of the risk control systems of the Group. In order to achieve its objectives the Group Audit Committee has set up the Group Actuarial Committee, to assist it in its obligations to the Board.

The FSB approved an exemption to appoint separate Audit Committees for Clientèle Life and for Clientèle General Insurance. The Group Audit Committee is responsible for overseeing the Audit Committee functions for these companies.

3.1.1 Composition

Mr BA Stott (Chairman, Independent Non-executive Director), Mr GQ Routledge (Independent Non-executive Director, Chairman of the Board), Mrs FFT De Buck (Independent Non-executive Director) and Mr RD Williams (Independent Non-executive Director). Dr ADT Enthoven (Non-executive Director) resigned from this Committee on 26 March 2013.

Mr BA Stott is a qualified Chartered Accountant who was appointed as Chairman of the Group Audit and Group Risk Committees and as a member of the Group Remuneration Committee on 4 January 2010.

Mr GQ Routledge holds an LLB degree and was appointed as a member of the Group Audit Committee on 15 May 1997. Mr GQ Routledge is the Chairman of the Group Board and the Group Remuneration Committee and a member of the Group Risk and Group Investment Committees. He is also the Chairman of Clientèle Life, Clientèle General Insurance and Clientèle Loans Direct.

Mrs FFT De Buck holds a FCCA (UK) professional qualification and was appointed as a member of the Group Audit Committee on 1 November 2012. Mrs FFT De Buck resigned as a member of the Committee on 3 September 2013.

Mr RD Williams is a qualified actuary who was appointed as a member of the Group Audit Committee on 1 January 2013 and a member of the Group Risk Committee on 17 July 2013.

The King III principle is that the Group Chairman should not be a member of the Group Audit Committee and that the Group Audit Committee comprises only of Independent Non-executive Directors.

The Group does not comply with the King III principle as the Group's Chairman, Mr GQ Routledge, is currently a member of the Group Audit Committee. However, the JSE amended their initial guidance in order to allow an Independent Non-executive Chairman to be a member of the Group Audit Committee, provided there is sufficient justification and that it is applied in the best interest of the Group, which we believe is true. Mr GQ Routledge is retained as a Group Audit Committee member due to the value derived from his wealth of experience and knowledge of the business.

The Group Audit Committee maintains a healthy working relationship with the CAE.

The Report of the Group Audit Committee is set out on pages 51 to 53.

3.1.2 Purpose

The Group Audit Committee's purpose is to assist the Board in discharging its duties relating to:

- The Group Financial and Integrated Annual Reporting;
- Compliance;
- External Auditors;
- GIA;
- External Actuaries;
- The Group's finance function; and
- The Group Financial Director.

3.1.3 Responsibilities

1. General

- Monitoring of the appropriateness of the Group's combined assurance model and ensuring that the significant risks facing the Group are adequately addressed;
- Annually review the appropriateness of the experience, expertise and adequacy of the resources of the finance function. The Group Audit Committee, subsequent to their annual review, is satisfied that the finance function meets the above requirements;
- Annually review the appropriateness of the experience and expertise of the Group Financial Director, Mr IB Hume. The Group Audit Committee, subsequent to their annual review, is satisfied with the experience and expertise of Mr IB Hume; and
- Perform any other activities consistent with the Terms of Reference, as the Committee or the Board deems necessary or appropriate.

2. Risk Management

Ensuring processes are in place to address any risks relating to:

- Group Financial and Integrated Annual Reporting;
- Internal financial and operating controls;
- Fraud as it relates to Group Financial and Integrated Annual Reporting;
- IT as it relates to Group Financial and Integrated Annual Reporting;
- Adequacy of insurance coverage; and
- Adequacy of the disaster recovery and business continuity plans.

The Committee guides the risk management strategy to prioritise and direct the audit effort, and consider recommendations regarding the skills and actions required to manage these risks.

3. Group Financial and Integrated Annual Reporting

- Review the accounting policies adopted by the Group and any proposed changes thereto;
- Review the Annual Financial Statements of the Group for reasonability, compliance with accounting standards, regulatory requirements, completeness and accuracy and reasonability of significant estimates and judgments, prior to issue and approval by the Board;
- In consultation with the External Auditors and GIA, review the integrity of the Group's internal financial controls and reporting processes, both internal and external;
- Consider the External Auditor's opinion about the quality and appropriateness of the Group's accounting policies as applied in its financial reporting;
- Consider and approve, if appropriate, major changes to the Group's auditing and accounting principles and practices as suggested by the External Auditor, Group Actuarial Committee, management or GIA;
- Consider significant adjustments resulting from the internal and external audits;
- Review the basis on which management has determined that the Group is a going concern;
- Review CAR;

Corporate Governance continued

- Pay particular attention to complex and/or unusual transactions and estimates and assess the accuracy of the accounting treatment thereof;
- Review the non-financial sections of the Integrated Annual Report before its release and consider whether the information is appropriate to its audience and meaningfully and accurately contributes to stakeholders' knowledge about the Group and its operations and does not conflict with the Annual Financial Statements; and
- Review interim reporting, consider whether the External Auditor should perform assurance procedures on interim reports. Review trading statements, prospectuses and any other publicly issued financial information before issuing.

4. Compliance

- Review the GIA reports concerning any compliance reviews;
- Ensure that management has the appropriate control systems in place to ensure that any activities, reports and other financial information disseminated meets legal or regulatory requirements;
- Review reports from the Group Compliance Officer covering areas of compliance; and
- Review any legal matter that could have a significant impact on the Group.

5. Internal Controls

- Understand the Group's key risk areas and how this drives the internal control structure. The Committee monitors the control process through the results of audits executed by the Internal and External Audit functions. The monitoring includes Internal and External Audit reviews of the adequacy and effectiveness of the Group's internal control structure and the quality of performance in carrying out assigned responsibilities. It also includes the extent to which resources are utilised in an efficient and economical manner and that programs are carried out as planned;
- Report on the effectiveness of internal financial controls in managing risks in the Integrated Annual Report of the Group;
- Oversee and monitor IT systems governance and the role that this plays in providing sound internal controls;
- Obtain feedback from the Group ICC and the Group IFCC on the activities of these Committees;
- Assist in identifying areas of focus; and
- Delegate to Excom the responsibility of overseeing the implementation of effective internal controls.

6. Internal Audit Function

- Review and approval of the GIA Terms of Reference;
- Appointment, performance assessment and dismissal of the CAE;
- Annually appoint GIA to review the internal financial controls;
- Review any quality assurance reviews performed on the work of GIA;
- Oversee GIA's annual review of the design, implementation and effectiveness of the Group's systems of internal financial control;
- Assess the capacity of GIA to perform the formal documented review of the Group's systems of internal financial controls;
- Assess the objectives, activities, organisational structure and qualifications as well as the adequacy of performance and resources of GIA;
- Review and approve the annual internal audit plan;
- Evaluate the GIA function;
- Obtain confirmation on the independence of GIA from the CAE;
- Regularly assess whether GIA maintains its independence;
- Monitor that GIA complies with the relevant rules and regulations;
- Assess any significant audit findings and review and approve the internal audit reports to management and management's response thereto;
- Evaluate whether senior management is communicating the importance of internal control and the management of risk; and
- Ensure that there is co-operation and co-ordination between the Internal and External Audit functions.

7. External Audit

- Make recommendations to the shareholders with regard to the appointment, reappointment and removal of External Auditors;
- Approve the scope of the external audit, the terms of the engagement and the fees and other compensation to be paid to the External Auditor;
- Ensure that the appointment of the External Auditor complies with the Companies Act and any

other regulations relating to such appointment;
- On an annual basis, review and discuss with the External Auditor all significant relationships the External Auditor has with the Group to assess the Auditor's independence;
- Ensure that there is a process for the Committee to be informed of any reportable irregularities (as identified in the Auditing Profession Act, 2005) identified and reported by the External Auditor;
- Review the quality and effectiveness of the External Audit process;
- Consider whether the individual External Auditor responsible for performing the functions of Auditor is accredited on the JSE list of Auditors as required by the Listings Requirements;
- Determine the nature and extent of non-audit work to be done by the External Auditor, including assignments which do not fall within the normal scope of their audit and pre-approve any proposed contract with the External Auditor for the provision of non-audit services to the Group;
- Periodically consult with the External Auditor about internal financial and operating controls and the completeness and accuracy of the Group's financial records;
- Review External Audit reports to ensure that prompt action is taken by management in respect of those reports;
- Review any significant disagreement among management and the External Auditor in connection with any External Audit report; and
- Evaluate the performance of the External Auditor.

8. External Actuary and Group Actuarial Committee
- Review the semi-annual formal Actuarial Valuations and EV reports and ensure that prompt action is taken by management in respect of any recommendations in those reports; and
- Review semi-annual reports from the Chairman of the Group Actuarial Committee.

9. Reporting responsibilities
- The Committee reports and makes recommendations to the Board regarding any significant issues that may arise;
- Report to the shareholders at the AGM on:
  - How the Group Audit Committee carried out its functions in terms of the Companies Act;
  - The independence of the External Auditor; and
  - The Annual Financial Statements, accounting policies and the internal controls.
- Prepare the report of the Group Audit Committee for inclusion in the Integrated Annual Report, addressing the following matters:
  - The role of the Group Audit Committee;
  - Responsibility for GIA;
  - The annual financial statements, accounting policies and internal control;
  - Independence of the External Auditor;
  - Experience and expertise of the finance function; and
  - Experience and expertise of the Group Financial Director.

This report is set out on pages 51 to 53.

3.1.4 External Auditor independence

At the AGM held in October 2012, shareholders approved the Committee's recommendation for the re-appointment of PricewaterhouseCoopers Incorporated as External Auditors of the Group until the next AGM. Mr FJ Kruger was appointed as the individual registered External Auditor undertaking the Group's audit for the year under review.

The Group believes that the External Auditors have observed the highest level of business and professional ethics. The Committee is satisfied that the External Auditors have at all times acted with unimpaired independence.

At the Group Audit Committee meeting held on 15 May 2013 it was confirmed that PricewaterhouseCoopers Incorporated and Mr FJ Kruger were on the list of JSE approved Auditors.

Details of fees paid to the External Auditors are disclosed in note 29 on page 148 of the Group Annual Financial Statements, together with details of non-audit services provided and the fees paid in respect thereof.

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3.1.5 Meetings

Group Audit Committee meetings are held at least four times a year and are attended by the Group's External Auditors, the Statutory Actuary (at least semi-annually), the CAE, the Group Compliance Officer and members of Senior management. Details of attendance at meetings are set out on page 38.

As part of its responsibility to foster open communication, the Committee meets, at least annually, separately without management, with GIA and the External Auditors.

3.2 Group Actuarial Committee

The Group Actuarial Committee is a sub-committee of the Group Audit Committee. The Group Actuarial Committee assists the Group Audit Committee in fulfilling its functions to the Board in overseeing matters related to EV and the Actuarial Valuations in so far as these are included in the financial reporting process. The Group Actuarial Committee meets at least four times a year and meetings are attended by the Group's External Statutory Actuary.

3.2.1 Composition

Mr BW Reekie (Chairman, Group Managing Director), Mr IB Hume (Group Financial Director), Mr GJ Soll (Group Executive Vice Chairman), Ms B Frodsham (Executive Director), Mr RD Williams (Independent Non-Executive Director) and members of Senior management.

Mr BA Stott (Independent Non-Executive Director and Chairman of the Group Audit Committee) attends the interim and year end Group Actuarial Committee meetings by invitation.

3.2.2 Responsibilities

- Highlights any policyholder reasonable expectation issues;
- Reviews the ALM position of the Group in conjunction with the Group Investment Committee;
- Reviews the format and content of Actuarial Valuations and EV reports and ensures compliance with the Professional Guidance Notes issued by the Actuarial Society of South Africa;
- Liaises with the External Auditor's Actuaries to consider the results;
- Reviews the monthly unit price calculations and reconciliations;
- Reviews the monthly actuarial liability calculations;
- Reviews and approves the semi-annual External Actuarial Valuation;
- Reviews and approves the semi-annual External Actuaries EV report;
- On an annual basis reviews and discusses with the External Actuaries all significant relationships the External Actuaries have with the Group to address the External Actuaries' independence;
- Oversee the activities of the Group SAM Committee;
- Reviews the impacts of industry change on the Group's Actuarial Valuation and EV; and
- Implements appropriate policies, procedures and internal controls to ensure data accuracy and data integrity of all individual policy information on the central database.

The Committee is expected to make use of appointed experts which specifically include the External Actuaries, to assist it in carrying out its responsibilities.

3.3 Group Risk Committee

The Group Risk Committee is a sub-committee of the Board.

The Committee is tasked with integrating and monitoring the management of risk in respect of the activities of the Group. The objectives of this function include facilitating the risk management and reporting processes on a corporate and business unit level. As risk management continues to evolve, the Group's processes and structure are constantly being reviewed. The Group Risk Committee meets at least four times per year.

3.3.1 Composition

Mr BA Stott (Chairman, Independent Non-executive Director), Mr GQ Routledge (Independent Non-executive Director), Dr ADT Enthoven (Non-executive Director), Mr GJ Soll (Group Executive Vice Chairman) Mr BW Reekie (Group Managing Director), Mr IB Hume (Group Financial Director), Ms B Frodsham (Executive Director) and members of Senior management.

Dr ADT Enthoven (Non-executive Director) resigned as a member of the Committee on 26 March 2013. Mr RD Williams was appointed as a member of the Committee on 17 July 2013.

3.3.2 Responsibilities

- The governance of risk;
- Determining the levels of risk tolerance (risk appetite);
- Designing, implementing and monitoring the risk management plan;
- That risk assessments are performed on a continual basis;
- Ensuring that frameworks and methodologies are implemented to increase the probability of anticipating emerging risks;
- Ensuring that management considers and implements appropriate risk responses;
- Ensuring continual risk monitoring by management;
- Receiving assurance regarding the effectiveness of the risk management process; and
- Ensuring that there are processes in place enabling complete, timely, relevant, accurate and accessible disclosure to stakeholders regarding the management of risk.

The Group has risk management and control functions established so as to detect and manage systemic and organisational risks.

Risk categorisation

The Group considers the following risks to the achievement of it's strategic objectives:

Level 1 categories

- Business and insurance risk;
- Strategic risk;
- Operational risk;
- Market risk;
- Credit risk;
- Liquidity risk;
- Capital management/solvency risk; and
- Regulatory and legal risk.

Level 2 categories

– Business and insurance risk – Insurance/Underwriting; Asset Liability Matching (ALM); Contract Persistency; Expenses; Assumptions; Data; Concentration and Reinsurance.

– Strategic risk – Marketing and Advertising; Distribution Channels; Merger and Acquisition Activity; Diversification; External Communication; IT Decisions; Key Man Dependencies; Company Structure; Product Design and Competitor Threats.

– Operational risk – IT; IT Business Continuity; Legal; Human Resources; Taxation; Processes; Projects and Client Services.

– Market risk – Equity; Interest Rates; Currency; Property and Concentration.

– Credit risk – Default; Downgrade; Settlement; Reinsurance Counterparty; Credit Spread and Financial Assets (excluding equities).

– Liquidity risk – Cash Flow Management and Asset and Liability Management.

– Capital management/solvency risk.

– Regulatory and legal risk – FAIS compliance; compliance with the Long-term Insurance Act, Short-term Insurance Act, Companies Act; Regulatory and Legal Environment, Industry Bodies, Fraud, BBBEE; King III and Sustainability.

Each Level 2 category has been assigned an Excom owner.

The rating methodology is measured on both a quantitative and qualitative scale, where both Impact and Probability are measured from a low of 1 to a high of 5; i.e. a maximum score of 25. This rating scale is in line with that of GIA and contributes towards combined assurance. Once risk events are identified and rated, a filtering process is applied whereby all total scores of 12 and above, as well as all Black Swans (a risk event which has a score of 4 or 5 against impact, but a low probability), are extracted. These high level risk events are then assessed so as to identify and implement corrective actions to mitigate the risk or exposure. This process is completed at least semi-annually.

Risk appetite

The following are the three Risk Appetite Metrics, as approved by the Board:

Quantitative:

– Solvency (Statutory Minimum plus a buffer);

– Free cash flow (three year forward rolling projection); and

– Recurring EV Earnings (three year forward rolling projection).

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Qualitative:
- TCF;
- Internal Control environment;
- Regulatory and compliance; and
- Human Resources.

3.4 Group Investment Committee

The Group Investment Committee is a sub-committee of the Board and assists the Board with its responsibilities regarding the management of investment assets, Statement of Financial Position management and taxation. The Group Investment Committee meets at least four times per year.

3.4.1 Composition

Mr IB Hume (Chairman, Group Financial Director), Mr GQ Routledge (Independent Non-executive Director), Mr GJ Soll (Group Executive Vice Chairman), Mr BW Reekie (Group Managing Director), Dr ADT Enthoven (Non-executive Director) and members of Senior management.

3.4.2 Responsibilities

1. **Asset and Liability Management**
   Determine the mix of investment assets with due regard to statutory requirements, matching assets with liabilities and appropriate risk and returns. This is done in conjunction with the Group Actuarial Committee.

2. **Investment Decisions**
   Recommend to the Board investment managers to manage the Group's investment portfolios. Make investment decisions for both policyholders and shareholders.

3. **Policyholder assets**
   With due regard to policyholders' reasonable expectations, illustrative values, mandates, risk and returns, make investment decisions in the best interests of policyholders.

4. **Shareholders assets**
   Recommend the appropriate mix of investments to the Board.

   To make recommendations to the Board on strategic investments proposed by the shareholders or Executives ensuring that:

   - Proposals have been subject to appropriate review and analysis; and
   - Investment of surplus funds is in the best interests of shareholders.

5. **Management and reporting**
   Ensure that there are processes in place to:

   - Monitor and review, on an ongoing basis, the performance of existing investments; and
   - Report on the performance of existing investments at each meeting and between meetings if necessary.

6. **Tax**
   Manage the Group's tax affairs by:

   - Ensuring that the tax implications on all new and existing insurance and investment products have been identified and understood;
   - Reviewing the process that management has implemented to ensure that the Group follows the most effective tax route with regard to its business activities;
   - Ensuring that all tax returns are timeously submitted;
   - Ensuring that all queries raised by SARS have been dealt with by persons with the appropriate level of responsibility and expertise;
   - Keeping current and compliant with tax legislation; and
   - Reporting to the Group Audit Committee on any significant tax matters.

7. **Credit Risk**
   Review the credit risk of the Group's investment assets to ensure the optimum mix of risk and return.

3.5 Group Remuneration Committee

The Board is responsible for the remuneration and incentivisation of the management team. To assist the Board in fulfilling its responsibilities, it has appointed and mandated a Group Remuneration Committee consisting of two Independent Non-executive Directors and one Non-executive Director. The Group Remuneration Committee meets at least once per year.

3.5.1 Composition

Mr GQ Routledge (Chairman, Independent Non-executive Director), Mr BA Stott (Independent Non-executive Director) and Dr ADT Enthoven (Non-executive Director).

The Group Managing Director and the Group Executive Vice Chairman attend all meetings by invitation. Members of this Committee and its Chairman are nominated by the Board.

The members of the Committee as a whole have sufficient qualifications and experience to fulfil the duties required in terms of the role and responsibilities of the Committee.

3.5.2 Role

The Group Remuneration Committee has an independent role, operating as an overseer, maker of decisions on remuneration and maker of recommendations to the shareholders for its consideration and final approval.

The Group Remuneration Committee does not assume the functions of management, which remain the responsibility of the Executive Directors, officers and other members of senior management.

The role of the Group Remuneration Committee is to assist the Board in ensuring that:

- The Group remunerates Directors and Executives fairly and responsibly; and
- The disclosure of Director and Executive remuneration is accurate, complete and transparent.

3.5.3 Responsibilities

- Overseeing the remuneration policy and ensuring that it promotes the achievement of strategic objectives and Group targets and encourages individual performance;
- Reviewing the outcomes of the implementation of the remuneration policy in terms of the achievement of set objectives;
- Ensuring that the mix of fixed and variable pay, in cash, SARs and Bonus Rights and any other elements as may be applicable from time to time, meets the Group's needs and strategic objectives;
- Satisfying itself as to the accuracy of recorded performance measures that govern the vesting and payment of incentives and bonuses;
- Ensuring that all benefits, including retirement benefits and other financial arrangements, are justified and correctly valued;
- Considering the evaluation results of the performance of the Group Managing Director and other Executive Directors, both as Directors and as Executives in determining remuneration;
- Regularly reviewing incentive schemes to ensure continued contribution to shareholder value in addition to ensuring that these are administered in terms of applicable rules;
- Considering the appropriateness of early vesting of SARs and Bonus Rights at the end of employment; and
- Advising on the remuneration of Non-executive Directors.

Refer to the Group Remuneration Report on pages 43 to 47 for the remuneration policy.

3.6 Group Social and Ethics Committee

The Group Social and Ethics Committee was established as a Committee of the Board.

3.6.1 Composition

Ms PR Gwangwa (Chairman, Independent Non-executive Director), Mr BW Reekie (Group Managing Director) and Dr GO Simpson (Group Compliance Officer).

Members of this Committee and its Chairman are nominated by the Board.

The members of the Committee as a whole have sufficient qualifications and experience to fulfil the duties required in terms of the role and responsibilities of the Committee.

3.6.2 Role

The Committee has to monitor activities with respect to legislation and codes, draw matters to the attention of the Board and report to the shareholders at the AGM. The Committee's scope includes social and economic development, good corporate citizenship, environment, health and public safety, consumer relationships, labour and employment.

3.6.3 Responsibilities

- Monitoring the Group's activities, having regard to any relevant legislation, other legal requirements or prevailing codes of best practice, with regard to matters relating to:

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- Social and economic development, including the Group's standing in terms of the goals and purposes of:
  - The 10 principles set out in the United Global Compact Principles;
  - The OECD recommendations regarding corruption;
  - The Employment Equity Act; and
  - The BBBEE Act;
- Good corporate citizenship, including the Group's:
  - Promotion of equality, prevention of unfair discrimination, and reduction of corruption;
  - Contribution to development of the communities in which its activities are predominantly conducted or within which its products or services are predominantly marketed; and
  - Record of sponsorship, donations and charitable giving;
- The environment, health and public safety, including the impact of the Group's activities and of its products or services;
- Consumer relationships, including the Group's advertising, public relations and compliance with consumer protection laws; and
- Labour and employment, including:
  - The Group's standing in terms of the International Labour Organisation Protocol on decent work and working conditions; and
  - The Group's employment relationships, and its contribution towards the educational development of its employees;

- Drawing matters within its mandate to the attention of the Board as occasion requires; and
- Reporting, through one of its members, to the shareholders of the Company's AGM on the matters within its mandate.

4. NON-BOARD COMMITTEES

4.1 Excom

This Committee comprises of the Executive Directors and Senior Executives of the Group and is responsible for managing the Group. The operating subsidiaries have their own management and Excom whose activities are overseen by Excom. The Group Managing Director chairs the Committee, which meets as and when necessary.

4.1.1 Composition

Mr BW Reekie (Group Managing Director), Mr IB Hume (Group Financial Director), Ms B Frodsham (Executive Director), Dr GO Simpson (Group Compliance Officer), Mr H Louw (Executive), Mr JWF Pretorius (Clientèle Life Executive Director) and Mr D du Toit (Clientèle General Insurance Managing Director).

The members of the Committee have sufficient qualifications and experience to fulfil the duties required in terms of the role and responsibilities of the Committee.

4.2 Group IT Steering Committee

The Group IT Steering Committee operates as a management Committee of the Excom. The Group IT Steering Committee meets at least three times a year.

4.2.1 Composition

Ms B Frodsham (Chairperson, Executive Director), Mr BW Reekie (Group Managing Director), Mr IB Hume (Group Financial Director) and members of Senior management.

New members may be appointed by the Committee on an ad-hoc basis, based on the needs and the value that a new appointment will add to the Committee. All Committee members are to agree on such appointments.

4.2.2 Role

The role of the Group IT Steering Committee is to recommend and review goals, objectives and action plans related to the use of information systems, infrastructure and related human resources across the Clientèle Group. The Committee is also tasked with making recommendations to Excom or the Boards of the various companies and divisions regarding the use and implementation of technology, the appropriate infrastructure and the use of the related human resources across the Group. The Committee actively seeks input from relevant stakeholders and draws on experience from internal and external sources when making these decisions and making recommendations. The aim is to ensure consistent application of technology and infrastructure across the Group resulting in economies of scale, improved productivity and performance and user satisfaction and effectiveness.

4.2.3 Responsibilities

- Reviewing and recommending updates to the IT Strategic Plan ensuring that this plan remains aligned with the overall Group Strategy;
- Reviewing all technology plans and priorities across the Group;
- Recommendation for approval of IT budgets and monitoring of progress and expenditure againt budgets;
- Monitoring of progress and expenditure against budgets;
- Monitoring quality and effectiveness of IT applications and resources;
- Monitoring quality and effectiveness of management information system and resources;
- Ensuring that all frameworks and methodologies are in place so as to identify and mitigate significant risks as identified. To fulfill all the requirements of the risk process via the completion of the risk register as per the requirements of the Group Risk Committee;
- Ensuring appropriate and optimal staffing as well as resource allocation across IT related areas within the Group;
- Ensuring that effective disaster recovery and business continuity plans are in place; and
- Ensuring that the necessary IT governance, controls and procedures are in place. This includes the necessary testing procedures and the appropriate systems documentation.

4.3 Group Product Committee

The Group Product Committee operates as a management Committee of Excom. The Group Product Committee meets as and when necessary.

4.3.1 Composition

Mr H Louw (Chairman, Executive), Dr GO Simpson (Group Compliance Officer), Mr BW Reekie (Group Managing Director) and members of Senior management.

New members may be appointed by the Committee on an ad-hoc basis, based on the needs and the value that a new appointment will add to the Committee. All Committee members are to agree on such appointment.

4.3.2 Purpose

The purpose of the Committee is to recommend and review the product offering of the Group. The Committee is also tasked with making recommendations to Excom or the Boards of the various companies and divisions regarding the improvement of products in terms of affordability, contribution to EV, tax and legislative compliance, reinsurance requirements and claims management. The Committee will actively seek input from relevant stakeholders and will draw on experience from internal and external sources when making these decisions and making recommendations.

4.3.3 Responsibilities

- Reviewing the impacts of industry changes and regulatory changes that may require a change to existing product structures or create a need for new product development;
- Evaluating each product on a regular basis using various information including the information supplied by the External Actuaries on Actuarial Valuation and EV results;
- Review and approve the use of reinsurance in accordance with the Group's risk appetite;
- Monitoring claims experience at a product level to determine if experience is in line with expectations and, if not, determine what action is required;
- Ensuring that all rules, terms and conditions for each product are accurately recorded and that all business processes and systems are designed in accordance with these rules;
- Ensuring that all newly developed products are approved by the External Actuary and that the tax implications have been considered, in conjunction with the Group Investment Committee;
- Ensuring that all products offered can be offered in terms of current legislation and meet policyholder reasonable benefit expectations;
- Performing an annual review of all premium changes;
- Reviewing the products on offer by competitors and performing an assessment on whether similar products would be appropriate for the Group's client base using the Group's distribution mechanisms;
- Designing and approving of all policy terms, conditions and rules and ensure that marketing materials are consistent with the terms, conditions and rules; and
- Approving of any changes made to existing policy terms, conditions and rules.

4.4 Group Internal Controls Committee

The Group ICC operates as a management Committee of Excom. The Group ICC meets at least two times a year.

Corporate Governance continued

4.4.1 Composition

Mr IB Hume (Chairman, Group Financial Director), Dr GO Simpson (Group Compliance Officer) Mr H Louw (Executive), Mr JWF Pretorius (Clientèle Life Executive Director) and members of Senior management. The CAE attends all meetings by invitation.

4.4.2 Purpose

The Committee's purpose is to assist Excom in overseeing that the Group maintains internal financial and operating controls that are designed to provide reasonable assurance regarding:

- The safeguarding of assets against unauthorised use or dispossession;
- Compliance with applicable laws and regulations; and
- The maintenance of proper accounting records and the adequacy and reliability of financial information.

4.4.3 Responsibilities

The Group ICC's tasks include overseeing:

- Assessment of control strengths and weaknesses;
- Communication on the importance of the implementation of effective internal controls and the creation of a culture of internal control;
- The awareness of management on what constitutes effective internal controls;
- Monitoring of the application and implementation of internal controls by management;
- Guidance in terms of improvement of control weaknesses;
- Guidance in terms of the implementation of mitigating controls;
- Training on effective internal controls;
- Reporting to Excom on work performed and the adequacy of internal controls at least annually at the time of the approval of the year-end results;
- The inclusion of effective internal controls as a measurement criteria for key performance indicators and bonuses of management; and
- Any additional internal control related tasks assigned by Excom.

In overseeing the tasks listed above, the Committee may:

- Examine and discuss significant findings, motivations and any difficulties encountered in its work with management and Excom; and
- Meet with management to discuss significant risks to the Group identified by management and measures adopted by management to prevent, monitor and control these risks.

4.5 Group Internal Financial Controls Committee

The Group IFCC operates as a management Committee of Excom. The Group IFCC meets at least two times a year.

4.5.1 Composition

Mrs W van Zyl (Chairperson and Group Company Secretary), Mr IB Hume (Group Financial Director) and members of Senior management. The CAE attends all meetings by invitation.

4.5.2 Purpose

King III requires the Group Audit Committee to oversee a formal process to assess and report on the effectiveness of internal financial controls on an annual basis.

The Group Audit Committee has delegated this responsibility to GIA, who works closely with the Committee (and who are represented on the Committee) to ensure an accurate opinion on internal financial controls be reported to shareholders.

The Committee has been established to ultimately assist the Group Audit Committee (and GIA) in its responsibility in assessing the effectiveness of the internal financial controls.

The internal financial controls in terms of the actuarial calculations are delegated to the Group Actuarial Committee and do not form part of the scope of the Committee.

4.5.3 Responsibilities

- The Committee identifies and documents the risks to the preparation of the Financial Statements in accordance with IFRS, including fair presentation.
- The Committee identifies the risks of material misstatement and controls in place to prevent or detect material misstatement in Financial Statement disclosure.
- The Committee advises on the design, implementation and effectiveness of internal financial controls and evidence supporting the performance of the controls; and

- The Committee reviews the results and makes recommendations to stakeholders through the Group Audit Committee.

In overseeing the tasks listed above, the Committee may:

- Examine and discuss significant findings, motivations and any difficulties encountered in its work with management and Excom; and
- Meet with management to discuss significant risks to the Group identified by management and measures adopted by management to prevent, monitor and control these risks.

4.6 Group Negative Production Committee

The Group Negative Production Committee operates as a management Committee of Excom. The Group Negative Production Committee meets at least three times a year.

4.6.1 Composition

Mr IB Hume (Chairman and Group Financial Director), Mr BW Reekie (Group Managing Director), Ms B Frodsham (Executive Director), Dr GO Simpson (Group Compliance Officer), Mr JWF Pretorius (Clientèle Life Executive Director), Mr H Louw (Executive), Mr D du Toit (Clientèle General Insurance Managing Director) and members of Senior management.

4.6.2 Purpose

The purpose of the Committee is to monitor negative production (withdrawals) of the Group. The Committee is also tasked with making recommendations to Excom of the various companies and divisions regarding the improvement of products, production strategies and processes and billings strategy and processes to ultimately reduce the effect of negative production, to both the Group and policyholders.

4.6.3 Responsibilities

Review and monitor the processes and procedures of management with respect to reducing withdrawals across the Group.

4.7 Group Client Services Committee

The Group Client Services Committee is an Excom appointed Committee established to evaluate, implement and improve a client service strategy that will create a positive client experience at all touch points. These include client service interaction in product and marketing, telesales, billings, services and claims. Departmental task teams measure and evaluate areas of service improvement and implement corrective actions. The Committee meets at least four times a year.

4.7.1 Composition

Mr J Poulton (Chairman and Clientèle Life Executive), Mr JWF Pretorius (Clientèle Life Executive Director), Dr GO Simpson (Group Compliance Officer), Mr D du Toit (Clientèle General Insurance Managing Director), Mr H Louw (Executive) and members of Senior management.

4.7.2 Purpose

The goal of the Committee is to actively improve service to the Group's clients to ensure that policyholders are treated fairly.

4.7.3 Responsibilities

- Define and implement the customer services strategy;
- Monitor and track service objectives for each stage of the customer life cycle and for each department;
- Create and approve an on-going service communications plan;
- Monitor adherence to industry related legislation, specifically TCF; and
- Make recommendations to other Committees on improvements/changes required to improve service.

4.8 Group Marketing Committee

The Group Marketing Committee is an Excom appointed Committee established to evaluate and make recommendations on the Group branding and marketing strategy to ensure alignment and improvements where required.

4.8.1 Composition

Mrs LA Botha (Chairperson and Life Executive) Ms B Frodsham (Executive Director), Mr B Reekie (Group Managing Director), Mr JWF Pretorius (Clientèle Life Executive Director), Mr D du Toit (Clientèle General Insurance Managing Director) and members of Senior management.

4.8.2 Purpose

The Group Marketing Committee is established to review strategic positions on branding, marketing and

Corporate Governance continued

advertising for the Clientèle Group in conjunction with new product launches and new initiatives.

The Committee is tasked with making recommendations to Excom and the Managing Directors of the various companies and divisions. The Committee actively seeks input from all stakeholders and draws on experience from internal and external sources when making these recommendations.

4.8.3 Responsibilities

- Defining the overall marketing strategy for the Group;
- Reviewing all marketing, advertising and branding to ensure consistency and appropriateness;
- Evaluating the effectiveness of all marketing campaigns and advertising;
- Approving all changes to advertising and branding proposed by Excom or Senior management.
- Approving all policies relating to branding, advertising and marketing;
- Performing an annual review of all existing campaigns and advertising for appropriateness and validity of such campaign and advertising;
- Review the approach adopted by competitors; and
- Make recommendations to the Managing Directors on all aspects of marketing.

4.9 Group Employment Equity Committee

The Group Employment Equity Committee is a Committee reporting to Excom.

4.9.1 Composition

Mr BW Reekie (Chairman, Group Managing Director), members of Senior management and employee representatives.

4.9.2 Purpose

The Group Employment Equity Committee forms a vital element of the Group's overall employee relations approach, by being a representative voice of all employees, allowing for meaningful engagement in addressing any matters related to workplace practises and the formulation of plans to build an equitably representative workforce on all levels.

4.9.3 Responsibilities

- To ensure the promotion of equal opportunity and fair treatment in employment and ensuring there is no unfair discrimination and stereotyping;
- Achieving, fostering and maintaining open communication throughout the Group, resulting in effective problem resolution; and
- Taking the lead in informing and educating employees on the appreciation of diversity and enhancing collaboration in a multifaceted, multicultural work environment.

4.10 Group SAM Committee

The Group SAM Committee has been established as a sub-committee of the Group Actuarial Committee to act in the capacity of a sub-committee to assist both the Group Actuarial Committee and the Group Risk Committee with regard to matters relating to SAM.

4.10.1 Composition

Ms H Peters (Chairperson and Clientèle Life Executive), Mr IB Hume (Group Financial Director), Dr GO Simpson (Group Compliance Officer), Mr D du Toit (Clientèle General Insurance Managing Director), Mr H Louw (Executive) and members of Senior management.

4.10.2 Purpose

To assist the Group Actuarial and the Group Risk Committees in fulfilling its responsibilities to:

1. Managing the implementation of and ensuring that the Group complies with the interim measures and full SAM project by the relevant deadline dates communicated by the FSB;
2. Ensure compliance with SAM and submit requirement returns/information after the initial implementation;
3. To report and communicate the risks and obligations to the Group Actuarial and Group Risk Committees; and
4. To guide, monitor and communicate to management with respect to SAM implementation.

4.10.3 Responsibilities

- Oversee the implementation of the SAM project based on the guidelines supplied by the FSB;
- Monitor the completion and submission of any Quantitative Impact Studies to the FSB;
- Advise management in respect of interaction with the FSB on possible impacts and interim measures taken;
- Liaise with the External Auditors and External Actuaries during the implementation process;
- Monitor process and/or system changes enabling the implementation of the project; and
- Ensure compliance with SAM and submit requirement returns/information after the implementation.

4.11 Group Digital Committee

The Group Digital Committee has been established as an Excom Committee.

4.11.1 Composition

Mr D du Toit (Chairman and Clientèle General Insurance Managing Director), Mr GJ Soll (Group Executive Vice Chairman), Mr BW Reekie (Group Managing Director), Ms B Frodsham (Executive Director) and members of Senior management.

4.11.2 Purpose

To oversee implementation of the Group's digital strategy and drive deliverables pertaining to the strategy. The main objectives for the Group's digital strategy are as follows:

- Digital leads generation, incremental to the current distribution channels;
- Improved persistency through utilising accessible and appropriate digital channels to deliver focused communication, interaction and value added services to the existing client base; and
- Finding more accessible ways for the existing client base to interact with the business and each other.

The digital strategy can be split into the following main components, each of which will have its own sub-strategy (as part of the overall digital strategy) and deliverables:

- Internet/websites;
- Mobile;
- Social media (Blogs, Facebook, Twitter, LinkedIn, YouTube, Internal social media tools, etc.); and
- Online reputation management.

4.11.3 Responsibilities

- Oversee the development and implementation of the Group's digital strategy and to obtain Group Excom/Board approval;
- Be responsible for and monitor the implementation of deliverables related to the digital strategy;
- Appoint, liaise with and oversee external consultants where appropriate;
- Monitor process and/or system changes and enhancements, enabling the implementation of the digital strategy; and
- Ensure that the digital strategy and approach is closely aligned to the overall Group strategies and objectives.

4.12 Group Communication Committee

The Group Communication Committee is a sub-committee of the Group Client Services Committee established to evaluate and make recommendations regarding the Group Client Communications Strategy ensuring that there is alignment across the Group and that the necessary improvements and changes are affected.

4.12.1 Composition

Mrs LA Botha (Chairperson and Life Executive), Mr D du Toit (Clientèle General Insurance Managing Director) and members of Senior management.

4.12.2 Purpose

The Committee is tasked with making recommendations to the Group Services Committee and other proposed task teams and Committees of the various Companies and Divisions within the Group regarding changes, enhancements or new strategies relating to client communications. The Committee actively seeks input from all stakeholders and draws on experience from internal and external sources when making these recommendations or implementing changes.

4.12.3 Responsibilities

- Define the overall client communication strategy for the Group;
- Ensure consistency and appropriateness of all Group client communications;
- Evaluate the effectiveness of all client communications;
- Recommend changes to client communications and approval thereof;
- Approve all policies relating to client communications;
- Monitor process and/or system changes and enhancements, enabling the implementation of the client communication strategy;
- Perform an annual review of all existing client communications to assess appropriateness and validity of such communications;
- Ensure that the client communications strategy and approach is closely aligned to the overall Clientèle Group strategies and objectives and
- Review the communications approach adopted by competitors.

Corporate Governance continued

5. MEETINGS ATTENDANCE (1 JULY 2012 TO 30 JUNE 2013) OF SHAREHOLDER, BOARD AND BOARD COMMITTEES

5.1 Clientèle

	Clientèle Board	Group Audit Committee	Group Investment Committee	Group Remu-neration Committee	Group Risk Committee	Group Social and Ethics Committee
Number of meetings held	4	6	4	1	4	4
Directors:						
FFT De Buck[1]	3/3	3/4				
ADT Enthoven[2]	2/4	0/5	2/4	1/1	0/3	
B Frodsham	4/4	4/6*			3/4	
PR Gwangwa	4/4					4/4
IB Hume	4/4	6/6*	4/4		4/4	
BW Reekie	4/4	6/6*	4/4	1/1*	4/4	4/4
GQ Routledge	4/4	6/6	4/4	1/1	3/4	
GJ Soll	4/4	6/6*	4/4	1/1*	4/4	
RD Williams[3]	2/2	4/4*				
BA Stott	4/4	6/6	3/4*	1/1	4/4	

5.2 Clientèle subsidiaries

	Clientèle Life Board	Clientèle General Insurance Board	Clientèle Loans Direct Board
Number of meetings held	4	4	4
Directors:			
GJ Soll	4/4	4/4	4/4
GQ Routledge	4/4	4/4	4/4
BW Reekie	4/4	4/4	
IB Hume	4/4	4/4	4/4
B Frodsham	4/4*		
ADT Enthoven	2/4		
PR Gwangwa	4/4		
JWF Pretorius	4/4	4/4*	
BA Stott	4/4	4/4	
FFT De Buck[1]	3/3		
RD Williams[3]	2/2	1/2	
ML Japhet[4]		2/2	
D du Toit[5]		4/4	
MA Finlayson			4/4
MY Güttler			2/4
BP Finlay			4/4

* *by invitation*

1 *appointed as a Director of Clientèle and Clientèle Life and a Group Audit Committee Member on 1 November 2012; resigned as a Director of Clientèle and Clientèle Life and as a member of the Group Audit Committee on 3 September 2013.*

2 *resigned as a Group Audit Committee and Group Risk Committee Member on 26 March 2013*

3 *appointed as a Director of Clientèle, Clientèle Life and Clientèle General Insurance and a Group Audit Committee Member on 1 January 2013 (attended the Group Audit Committee meeting on 8 August 2012 by invitation in the capacity as the Statutory Actuary of Clientèle Life)*

4 *resigned as a Director of Clientèle General Insurance on 31 December 2012*

5 *appointed as a Director of Clientèle General Insurance on the 10 July 2012 and subsequently promoted to Managing Director of Clientèle General Insurance on 1 January 2013*

6. INTERNAL, FINANCIAL AND OPERATING CONTROLS

The Board acknowledges its responsibility for ensuring that the Group implements and monitors the effectiveness of systems of internal, financial and operating controls. These systems are designed to guard against material misstatement and loss.

The identification of risks and the detailed design, implementation and monitoring of adequate systems of internal, financial and operating controls are delegated to Excom by the Board. The Group Audit Committee reviews these matters at least annually on behalf of the Board.

The Group ICC and Group IFCC assist the Board, the Group Audit Committee, Excom and management in this regard.

Even effective systems of internal, financial and operating controls, no matter how well designed, have inherent limitations, including the possibility of circumventing or overriding such controls. Such systems can therefore not be expected to provide absolute assurance. Effective systems of internal, financial and operating controls, therefore, aim to provide reasonable assurance as to the reliability of financial information and, in particular, of the annual financial statements.

Moreover, changes in the business and operating environment could have an impact on the effectiveness of such controls which, accordingly, are reviewed and reassessed regularly.

The Group maintains internal, financial and operating controls that are designed to provide reasonable assurance regarding:

- The safeguarding of assets against unauthorised use or dispossession;
- Compliance with applicable laws and regulations;
- The maintenance of proper accounting records and the integrity and reliability of financial information; and
- Detection and minimisation of fraud, potential liability, loss and material misstatements.

The GIA function assists in providing the Board and Executive management with monitoring mechanisms for identifying risks and assessing controls appropriate to managing such risks.

The Board has not been made aware of any issue that would constitute a material breakdown in the functioning of these controls up to the date of this report. The Board's Report on the Effectiveness of Internal Controls is set out on page 41.

7. COMPLIANCE

The primary role of the compliance function is to minimise regulatory risk by assisting management to comply with statutory, regulatory and supervisory requirements. The compliance function facilitates the management of compliance through the analysis of statutory and regulatory requirements and the implementation of the required systems, processes and procedures.

8. GROUP INTERNAL AUDIT

Clientèle's GIA Department performs a review of the Group's operational activities and operates with the full authority of the Board and has direct access to the Chairman of the Group Audit Committee.

GIA reports functionally to the Group Audit Committee and administratively to the Group Financial Director.

GIA assists in providing the Board and Executive management with monitoring mechanisms for identifying risks and assessing controls appropriate to managing such risks.

GIA is charged with examining and evaluating the effectiveness of the Group's operational activities, the attendant business risks and the systems of internal financial and operating controls, with major weaknesses being brought to the attention of the Group Audit Committee, the External Auditors and members of Senior management for their consideration and remedial action. The work of GIA is focused on the areas of greatest risk within the Group as determined by a risk assessment process. The output from the process is summarised in a plan, which is approved by the Group Audit Committee.

9. ETHICAL LEADERSHIP AND CORPORATE CITIZENSHIP

The Group subscribes to the highest levels of professionalism and integrity in conducting its business and dealings with stakeholders. The Clientèle Group employees and representatives are expected to act in a manner that inspires trust and confidence from the general public.

The Group places a high value on integrity, honesty and trust. Reference and criminal checks are carried out on all job applicants and their qualifications are verified before offers of employment are made. The principle of 'zero tolerance' of fraud and corruption will continue to be applied to employees, IFAs and professional presenters. All employees are required to report all incidences of suspected or actual fraudulent events or other financial irregularities for investigation. The induction training of new employees includes modules dealing with the code of ethics, compliance therewith and the Group's stance on fraud. Existing policies on the reporting of breaches of the code of ethics ensures confidentiality and protection to persons making reports, as outlined by the Protected Disclosure Act. Internal disciplinary procedures are fully compliant with the Labour Relations Act.

Corporate Governance continued

10. GROUP ANNUAL FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the Group and separate Annual Financial Statements of the Clientèle Group, which have been prepared in accordance with IFRS. The Group Annual Financial Statements have been prepared from the accounting records and the use of appropriate policies supported by reasonable and prudent judgments and estimates and fairly present the state of affairs of the Group. The External Auditors are responsible for auditing and reporting on these Group Annual Financial Statements. The Group's Annual Financial Statements have been audited in accordance with International Standards on Auditing. The Group's External Auditors also provide taxation and JSE sponsor services. (Details of the External Auditor's remuneration for audit and other services are provided in note 29 on page 148 to the Group Annual Financial Statements.)

The Directors are of the opinion that the Group is financially sound and operates as a going concern. The Group's Annual Financial Statements have, accordingly, been prepared on this basis.

11. EXTERNAL ACTUARY

Clientèle Life

The independent Statutory Actuary, Mr JL Potgieter of AON Hewitt (Actuarial), who is not in the employ of the Clientèle Group, is responsible for assisting the Board in actuarial matters and conducting the Actuarial Valuation of the assets and liabilities of Clientèle Life (refer to pages 73 to 78). Mr Potgieter is invited to attend all Clientèle Life Board meetings.

Clientèle General Insurance

Mr L Moroney of AON Hewitt (Actuarial), in conjunction with Mr JL Potgieter, assist the Board in reviewing the policyholder liability calculation for Clientèle General Insurance. Mr L Moroney is invited to attend all Clientèle General Insurance Board meetings.

Clientèle

Mr JL Potgieter assists the Board in calculating the EV of the Group.

Mr JL Potgieter attends at least the interim and year-end Group Audit Committee meetings and the Group Actuarial Committee meetings.

12. THE GOVERNANCE OF IT

The Board is satisfied that the correct processes are in place to ensure complete, timely, relevant, accurate and accessible IT reporting.

The Group IT Steering Committee oversees the function of IT governance.

The Group Managing Director has appointed two Senior individuals responsible for the management of IT. These individuals have suitable qualifications and experience and interact regularly with the Board and Excom.

The Board and Group Audit Committee have formally accepted the overall responsibility for IT and it has been formally assigned to the Board. IT governance is an item on the Board agenda.

The Board is regularly informed of the Group's IT function, its objectives, projects, financial information, risks and human capital management.

The Board provides satisfactory leadership and direction to ensure that IT achieves the Group's strategic objectives.

Clientèle LIMITED

Board Report on the Effectiveness of Internal Controls

The Board is accountable for ensuring effective controls. Management is charged with the responsibility of establishing an effective internal control environment, which is developed and maintained on an ongoing basis to provide reasonable assurance to the Board regarding:

- Integrity and reliability of the financial statements;
- Safeguarding of assets;
- Economic and efficient use of resources;
- Compliance with applicable legislation and regulations; and
- Detection and minimisation of fraud, potential liability, loss and material misstatement.

Internal controls are established not only over financial matters, but also operational, compliance and sustainability issues. Controls are the means by which management seeks to mitigate risks to an acceptable level of exposure.

The Board has mandated an initiative to design and embed an appropriate integrated framework that systematically evaluates and continuously improves controls across the Group.

GIA reviews the internal control systems and reports findings and recommendations for improvement to management and the Group Audit Committee. GIA provides a written assessment of the effectiveness of the Group's systems of internal control and risk management.

The Group Audit Committee monitors and evaluates the duties and responsibilities of management and of Internal and External Audit to ensure that all major issues reported have been satisfactorily resolved.

Based on the processes as mentioned above, nothing has come to the attention of the Board that caused it to believe that the Group's system of internal controls and risk management is not effective and that the internal controls do not form a sound basis for the preparation of annual financial statements that are free from material misstatement.

The Board's opinion is supported by the Group Audit Committee.

Mr GQ Routledge
Chairman of the Board

9 September 2013

Group Audit Committee Report on the Effectiveness of Internal Financial Controls

The Group Audit Committee is pleased to present its report for the financial year ended 30 June 2013.

Based on the review of the Group's system of internal financial controls and risk management, including the:

- Design;
- Implementation; and
- Effectiveness

conducted by Group Internal Audit during the 2013 year and considering:

- Information and explanations given by management;
- Discussions with the External Auditor on the results of their audit; and
- Discussions at Group Risk Committee meetings, attended by the CAE,

nothing has come to the attention of the Group Audit Committee that caused it to believe that the Group's system of internal financial controls and risk management are not effective and that the internal financial controls do not form a sound basis for the preparation of reliable annual financial statements.

Mr BA Stott
Chairman of the Group Audit Committee

9 September 2013

Group Remuneration Report

The Board is pleased to present the Group's Remuneration Report as at 30 June 2013.

This report sets out, in an abridged version, the remuneration policy adopted by the Group.

1. MONTHLY REMUNERATION

The Group operates on a cost-to-company basis as a contractual condition of employment.

Cost-to-company packages are determined by the specific job function, level of qualification and/or experience required, job responsibility, market need and within set departmental parameters.

Annual benchmarks of the Group's packages against industry standards are undertaken and every effort is made to ensure that market-related packages are offered to employees.

The Group does not make use of an external job-grading system, even though job grading according to Group requirements and structure does take place based on an internally developed job-grading system. Clientèle's grading system is simple and easily comparable to formal systems.

2. ANNUAL INCREASES

The Group prides itself on achieving outstanding results by expecting the highest performance from employees and for having reward systems in place that recognise commitment and contribution in the highest possible way. The highly motivated environment in which the Group operates is built on this principle, which lies at the core of the Group's success.

As a rule, the Group's annual increase system is based on the principle of rewarding good performance and discouraging poor performance. As such, the determining factor for increases, relative to inflation, is based on merit and on rewarding commitment and dedication in employee performance.

3. INCENTIVE STRUCTURES

At the core of the Group's remuneration structures lies the incentive programmes.

Incentives are given purely on employee performance as per pre-determined, and agreed upon, key measurement factors. Incentive structures are determined by the specific function of each department.

The Group's incentive system is based on the key assumption that employees expect that incentives earned from the Group will correlate with their relative level of performance. This means that expectations are set about rewards and compensation to be received if certain levels of performance are achieved. These expectations will determine goals or levels of performance for the future.

Staff rewards include merit increases (monthly cost-to-company and incentive/bonus earnings), promotion as applicable and intrinsic rewards (including recognition amongst peers, awards and praise).

Due to the Group's incentive structure employees do not receive a 13th cheque. The rationale behind this is that a 13th cheque rewards all employees equally (performers and non-performers) whilst incentive payments reward employees for their individual output and contribution.

4. CORE PRINCIPLES OF THE GROUP REMUNERATION AND INCENTIVE STRUCTURES

4.1 General staff

The main purpose of staff incentivisation is to relate a portion of employees' pay and their performance increases directly to their performance.

Group Remuneration Report continued

- Core principles underlying the Group's approach to staff incentivisation include the assumptions that behaviours that are rewarded are more likely to be repeated and behaviours that are not rewarded are less likely to be repeated. Employees are likely to be more highly motivated if they perceive that there is a direct relationship between their level of performance and the reward received;
- This reward system provides base income and the opportunity to earn additional compensation if productivity exceeds a certain standard (forms part of total cost-to-company package potential);
- It also links Group objectives with employee output;
- It is department specific and amounts are determined by pay-level, responsibility, work environment, job pressure, market trends, level of sophistication, Group targets and objectives and motivational impact;
- Incentives are not guaranteed;
- It relies on the assumption that proper and consistent evaluation and measurements take place that are equitable and measurable; and
- It is intended to reward above average performance and work related achievements.

4.2 General Management and Technical Staff

Annual/semi-annual performance bonuses for management (junior to senior) and technically or academically qualified staff are provided.

The core of the Group's policy on management remuneration is ensuring that the Group's key staff are rewarded in the top quartile for equivalent manager positions. Bonuses paid to management and technical staff are highly attractive and lucrative. These are based on individual key performance criteria linked with a portion set to the achievement of Group profit and EV targets.

Care is taken to ensure that added benefits are linked to the overall remuneration packages of senior staff; these include participation in the SAR Scheme and Bonus Rights Scheme, generous leave allocations and flexi-time as and when applicable.

Core principles for management incentivisation:

- As a basic principle: A fair day's pay for a fair day's work;
- Motivate, attract, retain key staff;
- Link Group objectives with managerial output;
- Provide the opportunity for key staff to earn bonus pay-outs based on outputs within their control;
- Position specific amounts determined by pay level, responsibility, work environment, job pressure, market trends, level of sophistication, Group targets and objectives and motivational impact;
- 'Paying for the person' and not necessarily for the position can play a role especially where specific skill and experience is required;
- Blanket rules are not applied when setting bonus amount criteria but are determined by critical Group needs, skill set required of the individual, market trends and job level. Clear guidelines are provided in this regard;
- Relies on the assumption that proper and consistent evaluation and measurement takes place that is equitable and measurable; and
- Intended to reward above average performance and work related achievements. Not intended for merely 'doing the job' or mediocrity.

4.3 Excom

The remuneration packages of Excom comprise both a guaranteed portion in the form of salary and a non-guaranteed portion in the form of bonuses and incentives.

At the core of the Group policy in respect of Excom remuneration is that the major portion of an individual's potential package (non-guaranteed portion) is based on individual performance linked to, and dependent upon profitability and, in particular, growth in the Group's EV and the creation of Scheme Goodwill over time. This is structured on a basis that aligns the interests of Excom to that of shareholders. As the emphasis is on the variable incentive portion, the guaranteed portion may be at or even below the median remuneration for equivalent positions in the market and increases are limited, in the main, to the official inflation rate due to the potential of individuals to earn under the non-guaranteed portion.

Excom Incentive Bonus Scheme (refer to Accounting Policy 21 on pages 116 to 117 and Note 18 on pages 142 to 144):

This incentive bonus scheme is a formal documented scheme, intended for members of the Excom of the Group and is based on individual performance linked to, and dependent upon profitability and in particular growth in the Group's EV and the creation of Scheme Goodwill over time.

Group Remuneration Report continued

The incentive bonus scheme is formulated and managed to encourage behaviour that fosters long-term sustainable growth for the Group and to discourage short-term behaviour and unnecessary risk taking.

The core principles of this scheme are to:

- Align Executives' and selected Senior management's interests with those of shareholders;
- Link Group Excom's remuneration directly to growth in EV, Group profitability and growth in the overall value of the Group;
- Provide a tool whereby Excom remuneration is determined to encourage long-term employment with the Group;
- A "clawback" applies in instances where the growth in EV is less than predetermined growth criteria; and
- An adjustment is also made, positive or negative, if actual experience differs by a pre-determined percentage compared to the assumptions used in calculating Scheme Goodwill.

The scheme comprises two elements, namely an EV element and a Scheme Goodwill element.

The EV element incentivises participants over the medium-term for performance over and above that for which they are remunerated and incentivised for under the Group's standard remuneration and short-term bonus policy.

The Scheme Goodwill element of the scheme is intended to take account of long-term capital growth in the Group that is not adequately dealt with under the EV element of the scheme.

The EV scheme component (medium-term) is based on growth in EV, as determined by the Group's External Actuaries and approved by the Group Remuneration Committee, in excess of predetermined growth criteria and vests and is payable over a four year period. There is a "clawback" if the predetermined growth criteria is not met which is applied to non-vested amounts earned but not yet paid.

The Goodwill Scheme component recognises the creation of value in excess of EV. This is measured in five year cycles, the first cycle began on 1 July 2002 and ended 30 June 2007 and was payable over a three year period from 30 June 2007. Cycles thereafter are payable over a five year period and are subject to criteria included in the incentive bonus scheme document. The second cycle commenced on 1 July 2007, and ended on 30 June 2012.

The Scheme Goodwill created is determined with reference to the EV of New Business (as determined by the Group's External Actuaries) in the fifth year of a cycle and by applying a multiple, as approved by the Board on recommendation of the Group Remuneration Committee having regard to criteria included in the incentive bonus scheme document. There is an adjustment made, positive or negative, if actual experience differs by more than 10% to the assumptions used in calculating the Scheme Goodwill value. The adjustment is made to non-vested amounts earned but not yet paid.

The incentive bonus scheme was adopted as it was felt that a typical share or option scheme may not achieve the desired result given the tightly held nature of the Group's shareholding and also given the Board's conviction that the most important element of success of the Group in the long term is growth in EV.

4.4 Non-executive Directors

The remuneration packages of the Non-executive Directors comprise a Directors fee. Non-executive Directors do not qualify to participate in any bonus or incentive scheme, including the SAR and the Bonus Rights Schemes.

Employment contracts are in place with all Non-executive Directors, setting out their responsibilities. The remuneration of the Non-executive Directors is approved at the AGM.

5. SAR SCHEME (REFER TO NOTE 12 ON PAGES 137 TO 138)

The Board considers it important that the Group has a long-term scheme in place to incentivise and retain staff (excluding Directors) and as an added measure to ensure the on-going success of its IFA operation. The Board is of the opinion that it was not appropriate for the Executive Incentive Scheme to be extended broadly across the Group.

The rationale for the SAR Scheme therefore is to retain, motivate and reward participants who are able to influence the performance of the Group on a basis which aligns the interests of the participants with those of the Group and its shareholders.

It is intended as an incentive to participants to promote the continued growth of the Group by giving them an opportunity to acquire shares in its capital, thereby aligning their interests with those of the Group and its shareholders whilst encouraging their retention and motivation.

Group Remuneration Report continued

Salient features:

- The aggregate number of shares that may be allotted and issued to participants under the SAR Scheme may not exceed 10% of the original issued share capital of Clientèle which amounts to 32 350 000 shares. This percentage may be increased by ordinary resolution of members of Clientèle. Of the shares reserved for the SAR Scheme, it is contemplated that approximately 50% thereof will be reserved for employees and 50% thereof for IFAs.

The Directors in their discretion may settle SARs either:

- By means of the allotment and issue of new shares to the participant;
- By way of cash payment; or
- By way of a combination of the aforegoing methods.

It is not the intention that cash payments will be made. Only in exceptional circumstances, as considered by the Directors in their discretion, will a cash payment be made to a SAR participant.

At any time after:

- 3 years from the Invitation Date, up to 20% of the SARs may be exercised by a participant;
- 4 years from the Invitation Date, up to 50% of the SARs may be exercised by the participant; and
- 5 years from the Invitation Date, up to 100% of the SARs may be exercised by the participant, or on such earlier date or dates as may be agreed to or determined by the Directors in their discretion, provided that SARs may not be exercised during a closed period or any period during which dealings in securities of Clientèle are prohibited.

A SAR that has been allocated to an employee will lapse and accordingly may not be exercised after the 7th anniversary of the Invitation Date.

A participant's rights in terms of the SAR Scheme will be adjusted to recognise the impact of any capitalisation issues, sub-division or consolidation of ordinary shares, any reduction of the ordinary share capital of Clientèle or special dividends or distributions.

6. BONUS RIGHTS SCHEME

The Board has decided to implement the Bonus Rights Scheme, based on the approval by shareholders obtained at the AGM in October 2012.

Whereas the proposed Bonus Rights Scheme is based substantially on the SAR Scheme, which itself is a bonus scheme, the terminology and mechanics will be more accessible and more easily understood by participants.

The Bonus Rights Scheme is solely for the purpose of retention, motivation and rewarding employees who are able to influence the performance of the Group on a basis which aligns the interest of the participants with those of the Group and its shareholders.

Salient features:

- The Bonus Rights Scheme is intended as an incentive to Employees to promote the continued growth of the Group by giving them an opportunity to acquire shares in its capital, thereby aligning their interests with those of the Group and its shareholders whilst encouraging their retention and motivation. Thus Employees may become eligible for participation in the Bonus Rights Scheme. Below are some of the salient features of the Bonus Rights Scheme:
  - The aggregate number of ordinary shares that may be allotted and issued to Bonus Participants under the Bonus Rights Scheme will not exceed 32 350 000 ordinary shares less that number of ordinary shares issued or which may be issued to participants under the existing SAR Scheme. The allocation may be increased by ordinary resolution of the members of the Group;
  - The aggregate number of Bonus Rights which may be allocated to any one participant under the Bonus Rights Scheme will be 647 000, namely 2% of the total number of Bonus Rights available under the Bonus Rights Scheme;
  - Notwithstanding that a Bonus Participant has been invited to participate in the Bonus Rights Scheme, no rights will vest in the Bonus Participant until such time as Bonus Rights are exercised;
  - No amount will be payable by a Bonus Participant in order to participate in the Bonus Rights Scheme.

Group Remuneration Report continued

- At any time after:
  - 3 years from the Invitation Date, up to 20% of the Bonus Rights may be exercised by a Bonus Participant;
  - 4 years from the Invitation Date, up to 50% of the Bonus Rights may be exercised by a Bonus Participant; and
  - 5 years from the Invitation Date, up to 100% of the Bonus Rights may be exercised by a Bonus Participant, or on such earlier date or dates as may be agreed to or determined by the Directors in their discretion, provided that Bonus Rights may not be Exercised during a closed period or any other period during which dealings in securities of the Company are prohibited;
- A Bonus Participant will be entitled to sell shares which he has acquired pursuant to the Exercise of a Bonus Right only after the vesting date, that is after the implementation in full of the transaction arising from the Exercise of the Bonus Right. The Bonus Participant will first be obliged to offer his shares in terms of the pre- emptive rights provisions of the Bonus Rights Scheme and failing acceptance thereof, will be entitled to sell the relevant shares to a third party;
- The Board may amend the Bonus Rights Scheme, provided that no amendments affecting any of the following matters shall operate unless sanctioned by the shareholders in general meeting and, if required:
  - the eligibility of Bonus Participants under the Bonus Rights Scheme;
  - the maximum number of Bonus Rights which may be acquired by a single participant under the Bonus Rights Scheme;
  - the total number of Bonus Rights which may be granted in terms of the Bonus Rights Scheme;
  - the total number of shares which may be allotted and issued by the Company in terms of the Bonus Rights Scheme;
  - the basis for determining the Initial Price;
  - the basis for determining the Terminal Price; and
  - any other matter as may be prescribed by the JSE Listings Requirements; and
- The Company ensures compliance with all applicable laws including, but without limitation, the Listings Requirements.

Mr GQ Routledge
Chairman: Group Remuneration Committee

9 September 2013

Group Social and Ethics Report

Ethics and corporate responsibility are a key component of coroporate governance . The Clientèle Board saw the requirement for a Group Social and Ethics Committee as an opportunity to further enhance its governance and to integrate social and ethical responsibility into the corporate identity and strategy of the Group.

1. INTRODUCTION

The Group Social and Ethics Committee comprises three members who, from time to time, call on other experts in various fields, be they internal or external to the Group, to provide the Committee with updated and relevant information pertaining to any particular area of debate or discussion.

The Group Social and Ethics Committee is a sub-committee of the Clientèle Board. The responsibilities of the Group Social and Ethics Committee can be viewed on pages 32 of the Corporate Governance Report.

Standing agenda items of the Committee include reports and discussions on Human Resources and Labour, TCF, the environment, anti-corruption and fraud, BBBEE, report-backs from the Group Employment Equity Committee and other identified areas of sustainability.

2. TRANSFORMATION

The Group acknowledges that the South African economy must be restructured to enable the meaningful participation of previously disadvantaged people, woman and rural or under-developed communities in the mainstream economy, in a manner that has a positive impact on employment, income distribution, structural re-adjustment and economic growth. The Group operates a unique business opportunity which it believes talks to the heart of transformation; this being the IFA Business Opportunity. Barriers to entry for the model, both financial and educational, are low, thus targeted at the very echelons where transformation, and inclusion, is required. The IFA Model has been operational for over 15 years now and has provided thousands of previously disadvantaged individuals with a business opportunity, and income, not previously afforded to them. The IFAs are independent contractors and the model is unique in that it presents the Group with a distribution channel which has sustainability beyond other more formal sales channels. The IFA network contributes significantly to the Group's Enterprise Development rating, far in excess of the minimum targets suggested by the BBBEE Codes of Good Practice. Skills development and training are an integral part of the IFA Model which is based on a referral methodology of direct selling and multi-level annuity compensation.

3. PROCUREMENT POLICY

Emanating from the guidelines of the Codes of Good Practice as per the BBBEE Act, the Group has formulated and implemented a procurement policy in line with the recommendations. This policy is pro-active and designed to ensure constructive participation by South Africa's previously disadvantaged individuals at all levels of business. The Group is committed to establishing relationships with its suppliers that will contribute to the commercial, strategic and empowerment objectives of both the Group and its various identified stakeholders. The procurement policy extends to accountability and responsibility with regard to contracts and/or agreements, and is in line with sound corporate governance principles. Deviation from the guidelines of the procurement policy is acceptable given strategic partnerships and/or strong monopolistic suppliers such as television channels, postage, Telkom, rates and taxes, Actuaries and External Auditors, external consultants and computer suppliers (given compatibility with existing hardware). All deviations from the rules/guidelines are transparent with full disclosure and motivation provided.

4. CORPORATE SOCIAL RESPONSIBILITY

The Group acknowledges its responsibility in assisting and improving the lives of many previously disadvantaged South Africans in light of the continuing economic and social challenges that they face. The Group has numerous projects where it continues to contribute in improving communities, and encouraging employee participation across all projects. The identified Group approach is targeted at adding visible value through CSI programmes that compromise education, employment and financial support.

CSI

At Clientèle, CSI is central to realising meaningful and sustainable contribution which benefits the broader community, especially within the South African context. Our CSI undertakings are approached with two different objectives, the first from a purely charitable base, and the second from an educational upliftment perspective aimed specifically at historically disadvantaged sectors of our society. The impact of this strategy is far reaching, impacting both the individual beneficiaries as well as the South African community at large. Our key measurable is the value we add to the lives of South Africans through CSI initiatives that comprise education, employment and financial inclusion. These programmes include:-

- **The Sithabile Child and Youth Care Centre:** With our relationship spanning more than a decade, Sithabile has become one of the main recipients of our CSI resources. To more than 40 children with backgrounds scarred by abuse and neglect, Sithabile provides a safe home with access to education, development and counseling. With many of the children orphanaged as a result of the AIDS pandemic, Sithabile provides hope and a chance at a better life. Clientèle remains proud to be associated with Sithabile.
- **The Clientèle/IFA Bursary Programme:** Speaking directly to Clientèle's focus on youth development, the company awards, on an annual basis, bursaries to approximately 10 students who are children of the IFAs and Clientèle employees, in various fields of study. The bursaries support education (diplomas, degrees, etc.), over a period of three to four years. As we are well beyond this period, Clientèle supports in excess of thirty students at higher learning educational facilities throughout the country, every year.
- **Harambee:** The Group continues to support participation in a youth job placement initiative called Harambee, which facilitates new entrants into the job market. The Harambee graduates undergo an intensive three months programme which better prepares them for the work environment. Participating companies, of which Clientèle Group is one, then place these youngsters within their structures and in doing so provide them with their first "home"of permanent employment.
- **Adhoc Donations:** Through a wide variety of campaigns and initiatives, often involving Clientèle employees, more that ten organisations have received financial and physical assistance from Clientèle. Clientèle staff members have shown a willingness to provide assistance to organisations via several initiatives, such as the "Employee Giving Campaign" by pledging monthly donations, the "Volunteers Day" campaign by assisting at a charity of their choice, the "Sithabile Planting Day" by helping to lay out a new garden for the children, and the "Winter Woollies Campaign" by collecting warm clothes for the Sithabile children.
- **General:** Clientèle has also fully embraced other causes that support the health and well-being of South African's with various physical and mental challenges, through collections done on Casual Day, Breast Cancer Awareness and Collet-A-Bag for rape victims. Clientèle also supports the Laureus Sport for Good Foundation through sponsorship of a large contingent of staff and IFAs. Continuous support is provided to organisations to whom printers were donated in the previous year, through covering of printing costs. This initiative ensures that 15 schools can continue printing at no cost to them.

5. PRODUCT DESIGN

The Group has an established Group Product Committee that deals with all aspects relating to products (refer to pages 33 to 34 of the Corporate Governance Report). The Group Product Committee seeks input from various stakeholders and draws on the experience of both internal and external resources, all of which is done in conjunction with the External Actuaries. The Committee is cognisant of the FSB's TCF initiative which includes principles such as that all products are designed only after market research which confirms that the product is tailor-made for the intended recipient target market. The products designed also include a social dividend for the intended recipient rather than a purely bottom-line focused mindset which contributes to aspects of sustainability.

6. HUMAN CAPITAL

The Group has made significant progress with regard to the improvement of its staff turnover percentage with specific reference to the outbound sales call centre. Non sales staff turnover is well managed and well within industry standards. The Group has a strong focus on employee and management development, and presents employees with a wide range of development and learning opportunities. Four distinctive leadership development programmes are available to employees within the Group, aimed at different levels of seniority. The employee leadership programme focuses mainly on the development of previously disadvantaged employees. Middle and senior manager programmes are customised to the specific needs of the individual and the Group. Further support comes in the form of the ABET programme where delegates are trained on basic language literacy, numeracy and computer literacy in a fun yet informative manner. The human dignity of students is treasured in an attempt to encourage further studies and development. The Group further recognises the integral nature of the health programme and the complexities of factors that may impact an individual's well-being. Supporting the occupational health risk identification process are comprehensive surveillance and monitoring programmes.

Group Social and Ethics Report continued

All employees have the right to freedom of association under the South African Constitution and the Labour Relations Act, 1995. The Group has a sound disciplinary and grievance procedure in place which is effectively communicated to all employees. The Group's policies, grievance handling, disciplinary procedures and dispute resolution processes are designed to ensure that even the most complex matters are dealt with in a fair and just manner for the Group and its employees, either individually or collectively as appropriate.

7. OCCUPATIONAL HEALTH AND SAFETY

The Group's Occupational Health and Safety policy is designed to protect the wellbeing of the employees at the workplace. It formalises the Group's internal health and safety compliance standards, structures and management system, in line with the requirements of the relevant legislation. The policy is communicated to all employees through the intranet and other channels such as induction training. The human resources department governs the occupational health and safety management structure and processes at a strategic and governance level.

8. IMPROVED QUALITY

The Group has experienced significant improvement in the quality and hence sustainability of policies written over the reporting period. This is as a result of a dedicated team being established under the guidance of a committee (the Group Negative Production Committee), whose mandate was to improve the quality of new business written as well as a dedicated focus on the reasons behind why policies fell off the book(s). The improvements have been very pleasing. The strategy is closely aligned to the FSB's TCF principles, and as such improved value is realised for all stakeholders, including shareholders and policyholders. Aspects of focus include improving numerous measurable criteria such as NTU rates, improving on customer service, claims turn-around times, withdrawal rates, improved product design (need and affordability), resulting in improved longevity given the relationship between the insurer and the insured. Given the positive results achieved this is an on-going and continual process.

9. TREATING CUSTOMERS FAIRLY

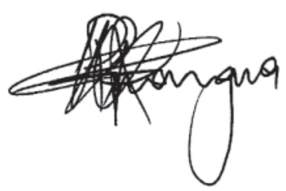
Clientèle is well advanced with intitiatives across all operations within the company in order to better service its policyholders, surrent and future.

These initiatives include, but are not limited to:

- Develop a culture across the Group whereby all employees are *client centric*;
- Having sound governance structures in place;
- Strong analysis of identified target market, as well future target markets given concentric diversification, so as to better understand their needs;
- Product design that is affordable and explained in simple English, and fits the identified needs to specific target markets;
- Transparent and full disclosure across all products, at all stages in the client life cycle; and
- Facilitating a fair complaints and claims procedure so as to service the client both effectively and with empathy during their time of need.

10. FRAUD

The Group has adopted a zero tolerance approach to incidents of fraud and corruption. The compliance department is responsible for the fraud risk management for the Group and continuously investigates and monitors incidents of possible fraud and corruption. The compliance department interacts extensively with both the sales and claims department so as to identify areas of probability where possible fraud, both external and internal, could transpire. Once these probability models are identified investigations are continually undertaken to either prove or disprove the predictive model. This methodology, and the resulting hypotheses, is continually changing given the ever changing external environment. A Group fraud policy has been approved by the Board, which is fully implemented and communicated to employees. A Group fraud heat map has been developed, highlighting areas most susceptible to fraud. This heat map will be the key focus of the IFCC for the coming year.



Ms PR Gwangwa
Chairperson: Group Social and Ethics Committee

9 September 2013

Report of the Group Audit Committee

for the year ended 30 June 2013

The Group Audit Committee has pleasure in submitting this report on its activities as required by section 94(7)f of the Companies Act.

The Group Audit Committee is a shareholder Committee appointed by shareholders. Further duties are delegated to the Group Audit Committee by the Board of the companies in the Group. This report includes both these sets of duties and responsibilities.

1. GROUP AUDIT COMMITTEE TERMS OF REFERENCE

The Group Audit Committee has adopted its formal Terms of Reference that has been approved by the Board. The Group Audit Committee has conducted its affairs in compliance with its Terms of Reference.

2. GROUP AUDIT COMMITTEE MEMBERS, MEETING ATTENDANCE AND ASSESSMENT

The Group Audit Committee is independent and consists of three Non-executive Directors. It meets at least four times a year as required by its Terms of Reference.

The Group Managing Director, the Group Executive Vice Chairman, Group Financial Director, CAE, External Auditor, External Actuaries and other assurance providers attend meetings by invitation only.

During the year six meetings were held.

The Chairman of the Group Audit Committee attended the AGM held during this reporting period. The effectiveness of the Group Audit Committee and its members is assessed on an annual basis. The most recent assessment carried out at the end of August 2013 did not highlight any significant matter of concern.

3. ROLE, RESPONSIBILITIES AND FULFILMENT THEREOF

3.1 Statutory duties

The Group Audit Committee's role and responsibilities include statutory duties in terms of the Companies Act, the Long-term Insurance Act, the Short-term Insurance Act and further responsibilities assigned to it by the Board.

The Group Audit Committee executed its duties in terms of the requirements of King III.

External Auditor appointment and independence

The Group Audit Committee has satisfied itself that the External Auditor was independent of the Group, as set out in section 94(8) of the Companies Act, which includes consideration of previous appointments of the External Auditor, the extent of other work undertaken by the External Auditor for the Group and compliance with criteria relating to independence or conflicts of interest as prescribed by the Independent Regulatory Board for Auditors. Requisite assurance was sought and provided by the External Auditor that internal governance processes within the audit firm support and demonstrate its claim to independence.

The Group Audit Committee ensured that the appointment of the External Auditor complied with the Companies Act, and any other legislation relating to the appointment of External Auditors.

The Group Audit Committee, in consultation with Excom, approved the Group engagement letter, Group management representation letter, audit plan and budgeted and actual audit fees for the 2013 financial year. The Group Audit Committee received and considered the report of the External Auditors on the results of their annual audit. No significant matters were reported.

There is a formal procedure that governs the process whereby the External Auditor is considered for non-audit services. The Group Audit Committee approved the terms of a master service agreement for the provision of non-audit services by the External Auditor, and approved the nature and extent of non-audit services that the External Auditor may provide in terms of the agreed pre-approval policy.

Report of the Group Audit Committee continued

The Group Audit Committee has nominated, for election at the AGM, PricewaterhouseCoopers Incorporated as the External Audit firm and Mr FJ Kruger as the designated External Auditor responsible for performing the functions of External Auditor, for the 2014 financial year. The Group Audit Committee has satisfied itself that the External Audit firm and designated Auditor are accredited as such on the JSE list of Auditors and their advisors.

The External Auditor has confirmed that no reportable irregularities have been reported up to the date of this report.

Annual Financial Statements, Group abridged results, accounting practices and trading statements

The Group Audit Committee has reviewed the accounting policies and the Annual Financial Statements and Group preliminary results for the six months to 31 December 2012 and the year to 30 June 2013 of the Group and is satisfied that they are appropriate and comply with IFRS. The Group Audit Committee reviewed the Trading Statements and presented it to the Board for ratification. The dividend for the year was considered by the Group Audit Committee and recommended to the Board for approval. The Group Audit Committee did not receive any complaints from within or outside the Group relating to accounting practices, internal audit or the content or audit of the annual financial statements or to any related matter.

Internal financial controls

The Group Audit Committee has overseen a process by which GIA was requested to provide a written assessment of the effectiveness of the Group's system of internal control and risk management, including internal financial controls. This written assessment by GIA formed the basis for the Group Audit Committee's recommendation in this regard to the Board, in order for the Board to report thereon. The Group Audit Committee Report on the Effectiveness of Internal Financial Controls is included on page 42. The Board report on the Effectiveness of Internal Controls is included on page 41.

3.2 Duties assigned by the Board

In addition to the statutory duties of the Group Audit Committee, in accordance with the provisions of the Companies Act, as reported above, the Board has determined further functions for the Group Audit Committee to perform, as set out in the Group Audit Committee's Terms of Reference. These functions include the following:

Integrated Reporting

The Group Audit Committee fulfils an oversight role regarding the Group's Integrated Annual Report. The Group's Integrated Annual Report for the year to 30 June 2013 has been reviewed and recommended to the Board for approval.

Going concern

The Group Audit Committee has reviewed a documented assessment, including key assumptions, prepared by management on the going concern status of the companies within the Group and has made recommendations to the Board to enable the Board to report on the going concern status as set out on page 40.

Governance of risk and compliance

The Board has assigned oversight of the Group's risk management function to the Group Risk Committee. The Group Audit Committee has received and considered Reports from the Group Risk Committee and satisfied itself that risks relating to financial reporting have been adequately considered.

The Group Audit Committee fulfils an oversight role regarding financial reporting risks, internal financial controls, fraud risk as it relates to financial reporting and IT risks as it relates to financial reporting.

Group Internal Audit

The Group Audit Committee is responsible for ensuring that the GIA function is independent and has the necessary resources, standing and authority within the Group to enable it to discharge its duties. Furthermore, the Group Audit Committee oversees co-operation between the Internal and External Auditors, and serves as a link between the Board and these functions.

The Group Audit Committee considered and recommended the GIA Terms of Reference for approval by the Board.

GIA's annual audit plan was approved by the Group Audit Committee. The results of the work carried out by GIA in terms of the audit plan were reviewed and the effect of any action plans to mitigate risks of any matters reported were considered and approved by the Group Audit Committee.

GIA reports centrally with responsibility for reviewing and providing assurance on the adequacy of the internal control environment across all of the Group's operations. The CAE is responsible for reporting the findings of the internal audit work, against the agreed internal audit plan to the Group Audit Committee on a regular basis.

Clientèle LIMITED

Report of the Group Audit Committee continued

The CAE has direct access to the Group Audit Committee, primarily through its Chairman.

The Group Audit Committee has assessed and was satisfied with the performance of the CAE and the GIA function.

During the year, the Group Audit Committee met with the External Auditors and with the CAE without management being present.

The Group Audit Committee is satisfied that it complied with its legal, regulatory or other responsibilities.

Evaluation of the expertise and experience of the Group Financial Director and the finance function.

The Group Audit Committee has satisfied itself that the Group Financial Director has appropriate expertise and experience.

The Group Audit Committee has considered, and has satisfied itself of the appropriateness of the expertise and adequacy of resources of the finance function and experience of the senior members of management responsible for the financial function.

Mr BA Stott
Chairman: Group Audit Committee

9 September 2013

Statement of Group Embedded Value

for the year ended 30 June 2013

1. INTRODUCTION

The following is a summary of the EV results for the Clientèle Group for the year ended 30 June 2013, together with the comparative figures for the year ended 30 June 2012.

The methods and assumptions used in the determination of the present value of future profits from covered in-force and new business as well as CoC were derived by the Group's External Actuaries, AON Hewitt (Actuarial).

This statement only discloses the summarised EV results. A more detailed report was presented to the Board. The results in this Statement pertaining to the year ended 30 June 2012 and 30 June 2013 comply with the Actuarial Guidance Note APN 107.

EV represents an estimate of the value of the Group exclusive of Goodwill attributable to future new business. The EV comprises:

- The Free Surplus; plus,
- The Required Capital identified to support the in-force business; plus,
- The PVIF; less,
- The CoC.

The Free Surplus plus the Required Capital is the ANW. The ANW is defined as the excess value of all assets attributed to the covered business, but not required to back the liabilities of covered business on the Statutory Valuation Method. The ANW is essentially the Net Asset Value (Excess of Assets over Liabilities) of the Group as at the Actuarial Valuation date. It is taken as the Total equity and reserves per Statement of Financial Position, adjusted for any under/over-statement of assets and/or liabilities at that date. In addition, the value of subsidiaries was adjusted such that they are incorporated at their Net Asset Values. Other adjustments made were to add back the deferred tax asset and prepaid expenses, which were disallowed for statutory solvency purposes, removal of non-controlling interests, as well as to deduct the best estimate financial liability in respect of the SAR and Bonus Rights Schemes. The SAR and Bonus Rights Schemes adjustment recognises the future dilution in EV, on a mark to market basis, as a result of the SAR and Bonus Rights Schemes.

The Free Surplus is the ANW less the Required Capital attributed to covered business. The Required Capital has been set at the greater of the Statutory TCAR, Statutory MCAR or 1.25 times the Statutory OCAR of the Life Company plus the Statutory CAR for the Short-term Insurance Company.

The PVIF is the present value of future after tax profits arising from covered business as at 30 June 2013.

The CoC is the opportunity cost of having to hold assets to cover the Required Capital of R231.8 million as at 30 June 2013.

2. COVERED BUSINESS

All material business written by the Group has been covered by EV methodology as outlined in APN 107 of the Actuarial Society of South Africa, including:

- All long-term insurance business regulated in terms of the Long-term Insurance Act, 1998;
- Legal insurance business, where EV Methodology has been used to determine future shareholder entitlements;
- Annuity income arising from non-insurance contracts where EV Methodology has been used to determine future shareholder entitlements; and,
- Loans and Mobile business, where EV Methodology has been used to determine future shareholder entitlements.

Statement of Group Embedded Value continued

3. ADJUSTED NET WORTH

The table below shows the reconciliation of Total Equity to ANW for the year ended 30 June:

(R'000)	**Year ended 30 June 2013**	Year ended 30 June 2012
Total equity and reserves per Statement of Financial Position	**529 420**	440 004
Adjustment for Deferred Profits and impact of compulsory margins on investment business (net impact after tax)	**16 449**	18 647
Adjustment for non-controlling interests	**4 555**	4 868
Adjusting subsidiaries to Net Asset Value	**15 129**	11 911
SAR and Bonus Rights Scheme adjustment	**(22 122)**	(21 545)
ANW	**543 431**	453 885

The SAR and Bonus Rights Schemes adjustment recognises the future dilution in EV, on a mark-to-market basis, as a result of the SAR and Bonus Rights Schemes.

Clientèle Life's statutory CAR cover ratio at 30 June 2013 was 2.44 (2012: 2.95) on the SVM.

Clientèle General Insurance's statutory CAR cover ratio as at 30 June 2013 was 1.83 (2012: 1.46) on the SVM.

4. EV OF COVERED BUSINESS

The table below shows the EV for the year ended 30 June:

(R'000)	**Year ended 30 June 2013**	Year ended 30 June 2012
Free Surplus	**311 614**	271 252
Required Capital	**231 817**	182 633
ANW of covered business	**543 431**	453 885
CoC	**(44 959)**	(42 391)
PVIF	**3 048 168**	2 847 550
EV of covered business	**3 546 640**	3 259 044
EV per Share (cents)	**1081.27**	1 004.20
Diluted EV per share (cents)	**1080.67**	989.99

5. VNB

The VNB represents the present value of the projected after tax profits at the point of sale on new covered business commencing during the year ended 30 June 2013 less the CoC pertaining to this business. The New Business profit margin is the VNB expressed as a percentage of the present value of future premiums (and other annuity fee income) pertaining to the same business.

There has been no change in the definition of new business since the previous Actuarial Valuation. The definition used for new business is consistent with that used when preparing the financial statements. The assumptions used for the calculation are the same as that used to determine the year-end EV results, including investment yields. The VNB at the current valuation date allows for tax at 28% (2012: 28%).

Statement of Group Embedded Value continued

Based on a previous Board decision, for classification purposes, the reinstatement of policies is incorporated as new business. This is consistent with prior years and the practice of issuing new policy documentation for reinstated policies.

The total VNB for the Group (excluding any allowance for the Management Incentive scheme and after adjustments for non-controlling interests), for the year ended 30 June 2013 (RDR: 10.40%), as well as the year ended 30 June 2012 (RDR: 9.80%) is as follows:

(R'000)	**Year ended 30 June 2013**	Year ended 30 June 2012
Total VNB	**306 967**	373 001
CoC for New Business	**(4 827)**	(7 504)
Total VNB net of CoC	**302 140**	365 496
Present VNB premiums	**1 509 582**	1 749 447
New Business profit margin %	**20.0**	20.9

As an incentive to grow the business, management incentive payments and provisions are being made. The impact of this on the VNB can be determined using the values in the Analysis of Change in EV on page 59.

6. LONG-TERM ECONOMIC ASSUMPTIONS – SOUTH AFRICA

The RDR has been determined using a top-down weighted average cost of capital approach, with the equity return calculated using Capital Asset Pricing Model theory.

In terms of the current actuarial guidance, the RDR has been set as the risk-free rate plus a beta multiplied by the assumed equity risk premium. It has been assumed that the equity risk premium (i.e. the long-term expected difference between equity returns and the risk-free rate) is 3.5%. The Board draws the reader's attention to the RDR sensitivity analysis on page 58, which allows for sensitivity comparisons using alternative RDRs.

The beta pertaining to the Clientèle share price is relatively low, which is partially a consequence of the relatively small free float of Clientèle's shares. As a consequence, the Board has decided, at this stage, to use a more conservative beta of 1 in determining the RDR (as opposed to the actual beta of 0.3).

This means that the RDR as at 30 June 2013 was 10.40%. Given the sensitivities provided, AON Hewitt (Actuarial) supports the use of a RDR of 10.40%.

The table below shows the long-term economic assumptions for business written in South Africa for the year ended 30 June:

(R'000)	**Year ended 30 June 2013**	Year ended 30 June 2012
RDR %	**10.40**	9.80
Overall investment return %	**6.90**	6.30
Expense inflation %	**5.40**	4.30
Corporate tax %	**28.00**	28.00

7. OTHER BUSINESS ASSUMPTIONS – SOUTH AFRICA

Assumptions for mortality, withdrawals and expenses were derived from experience investigations based on the 12 months preceding the Actuarial Valuation date. Adjustments were made to the assumptions for withdrawals and mortality for the South African businesses, based on this investigation. Renewal expenses were increased by slightly more than assumed inflation.

The withdrawal assumptions used to calculate the EV and VNB were changed to reflect the current withdrawal experience. The impact of this change has been disclosed separately in the analysis of the change in EV. This increased the EV by R44.6 million and increased the VNB by R58 million.

In addition, the "Other changes in modelling/basis" of negative R28.4 million disclosed in the analysis of the change in EV includes negative R21.2 million in respect of changes to the reinsurance arrangements and rates.

Clientèle LIMITED

Statement of Group Embedded Value continued

8. SEGMENT INFORMATION

The table below shows the EV split between segments for the year ended 30 June:

(R'000)	ANW	PVIF	CoC	EV
30 June 2013				
SA – Long-term insurance*	**450 078**	**2 592 886**	**(31 249)**	**3 011 714**
SA – Short-term insurance**	**103 306**	**439 375**	**(13 709)**	**528 972**
SA – Investment contracts***		**4 080**		**4 080**
SA – Loans (CLD)	**(10 349)**	**10 795**		**446**
SA – Loans (PSA : Wesbank/Direct Axis)		**269**		**269**
SA – Mobile	**396**	**763**		**1160**
Total	**543 431**	**3 048 168**	**(44 959)**	**3 546 640**
30 June 2012				
SA – Long-term insurance*	392 274	2 506 381	(31 126)	**2 867 528**
SA – Short-term insurance**	73 187	332 587	(11 265)	**394 508**
SA – Investment contracts***		5 383		**5 383**
SA – Loans (CLD)	(11 078)	2 105		**(8 973)**
SA – Mobile	232	1 094		**1 326**
Nigeria – Long-term brokerage (discontinued)	(729)			**(729)**
Total	453 885	2 847 550	(42 391)	**3 259 044**

The table below shows the VNB and new business profit margin split between segments for the year ended 30 June:

	Year ended 30 June 2013		
(R'000)	**VNB**	**Profit Margin %**	Year ended 30 June 2012
SA – Long-term insurance*	**227 788**	**20.3**	305 878
SA – Short-term insurance**	**65 309**	**24.3**	58 190
SA – Investment contracts***	**2 479**	**2.3**	4 110
SA – Loans (CLD)	**6 650**	**–**	(2 154)
SA – Loans (PSA : Wesbank/Direct Axis)	**203**	**–**	-
SA – Mobile	**(289)**	**(3.5)**	(528)
Total	**302 140**	**20.0**	365 496

* *SA Long-term Insurance comprises the majority of the Clientèle Life business*

** *SA Short-term Insurance is Clientèle General Insurance*

*** *SA Investment Contracts are the Single Premium business PVIF split out from SA Long-term Insurance*

Statement of Group Embedded Value continued

9. SENSITIVITIES – EV

The table below illustrates the effect of the different assumptions on the EV (net of tax) at a RDR of 10.40% (unless otherwise specified):

(R'000)	ANW	Value of in-force Business	CoC	EV	% Main Basis
Main Basis	543 431	3 048 168	(44 959)	3 546 640	
1% increase in RDR	543 431	2 825 240	(52 574)	3 316 096	93.5%
2% increase in RDR	543 431	2 638 442	(59 605)	3 122 268	88.0%
1% decrease in RDR	543 431	3 309 581	(36 557)	3 816 454	107.6%
2% decrease in RDR	543 431	3 629 887	(27 382)	4 145 936	116.9%
RDR equal to 9.80%	543 431	3 199 004	(39 994)	3 702 441	104.4%
Assuming a 10% decrease in the following:					
-Future expenses	543 431	3 081 578	(44 920)	3 580 089	100.9%
-Policy discontinuance rate	543 431	3 394 031	(48 347)	3 889 115	109.7%
5% decrease in Claims (and reinsurance rates) experience	543 431	3 065 797	(44 987)	3 564 240	100.5%
Investment return less 1%	543 431	3 025 540	(41 016)	3 527 955	99.5%
Inflation plus 1%	543 431	3 028 807	(44 766)	3 527 472	99.5%
Assuming a once-off 10% reduction in equity holdings	531 183	3 047 279	(44 710)	3 533 752	99.6%

The sensitivity analysis has assumed that the reserving basis will remain static despite changes in experience except in the following case (where APN 107 requires the change in reserving basis to be considered in conjunction with the change in assumption):

- Assuming a once-off 10% reduction in equity holdings.

10. SENSITIVITIES – VNB

The table bellow illustrates the effect of the different assumptions on the VNB (including reinstatements and the increase in IFA subscriptions) at a RDR of 10.40% (unless otherwise specified):

(R'000)	VNB (after expense loss)	% of Main Basis
Main Basis	302 140	
Initial Expenses less 10%	331 668	109.8%
Renewal Expenses less 10%	310 784	102.9%
Inflation plus 1%	299 565	99.1%
Investment return less 1%	299 718	99.2%
Claims (and reinsurance rates) less 5%	305 550	101.1%
Withdrawals less 10%	446 726	147.9%
RDR of 8.40%	414 284	137.1%
RDR of 9.40%	352 554	116.7%
RDR of 9.80%	331 170	109.6%
RDR of 11.40%	260 018	86.1%
RDR of 12.40%	224 593	74.3%

11. EV EARNINGS

EV earnings (per APN 107) comprises the change in EV (after non-controlling interests) for the year after adjusting for capital movements and dividends paid as they pertain to the Clientèle Group. EV earnings explicitly include any changes in non-controlling shareholder interests.

Clientèle LIMITED

Statement of Group Embedded Value continued

The table below shows the EV earnings for the year ended 30 June 2013:

(R'000)	ANW	PVIF	CoC	EV
A: EV at the end of the year	543 431	3 048 168	(44 959)	**3 546 640**
EV at the beginning of the year	453 886	2 847 550	(42 391)	**3 259 044**
Dividends paid	(219 060)	–	–	**(219 060)**
B: Adjusted EV at the beginning of the year	234 826	2 847 550	(42 391)	**3 039 985**
EV earnings (A – B)	308 605	200 618	(2 568)	**506 655**
Impact of once-off economic assumption changes	989	129 005	(700)	**129 294**
Recurring EV earnings (before once-off items)	309 594	329 623	(3 267)	**635 949**
Recurring Return on EV (before once-off items)				**20.9%**
Return on EV				**16.7%**
Components of EV earnings				
VNB	(255 166)	562 133	(4 827)	**302 140**
Expected return on covered business (unwinding of RDR)	-	280 300	(4 154)	**276 146**
Expected profit transfer	489 317	(489 317)	-	**–**
Withdrawal and unpaid premium experience variance	17 606	(8 452)	5 617	**14 770**
Claims and reinsurance experience variance	(6 276)	(3 380)	–	**(9 656)**
Sundry experience variance	(943)	213	–	**(730)**
Change in withdrawals and unpaid premium assumptions	21 076	19 222	4 294	**44 592**
Other Changes in modelling/basis	10 944	(35 178)	(4 197)	**(28 431)**
Once-off costs	(9 057)	-	-	**(9 057)**
Expected return on ANW	24 510	-	-	**24 510**
SAR and Bonus Rights Scheme dilution	7 909	-	-	**7 909**
Goodwill and Medium-term incentive schemes	(31 403)	4 081	-	**(27 322)**
EV operating return	268 516	329 623	(3 267)	**594 871**
Investment return variances on ANW	41 078	-	-	**41 078**
Effect of economic assumption changes	(989)	(129 005)	700	**(129 294)**
EV Earnings	308 605	200 618	(2 568)	**506 655**

Statement of Group Embedded Value continued

12. CONCLUSION

Based on the methodology and assumptions used and the calculations performed as described, we hereby certify the above EV results.

Mr JL Potgieter
Statutory Actuary
Fellow of the Actuarial Society of South Africa

9 September 2013

Clientèle LIMITED

Approval of the Annual Financial Statements

In accordance with the requirements of the Companies Act, the Directors are responsible for the preparation of the Annual Financial Statements, which conform with IFRS, and in accordance with IFRS fairly present the state of affairs of the Company and the Group as at the end of the financial year, and the net profit and cash flows for that period.

It is the responsibility of the External Auditors to report on the fair presentation of the Company and the Group financial statements.

The Directors are ultimately responsible for the internal controls. 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 judgments, 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. More detail, including the operation of GIA, is provided in the corporate governance section of the Integrated Annual Report on pages 12 to 40.

Based on the information and explanations given by management and GIA, the Directors are of the opinion that the internal financial controls and the financial records may be relied upon for preparing 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, has occurred during the year and up to the date of this report.

The Directors have a reasonable expectation that the Company and the Group have 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 Integrated Annual Report, including the financial statements for the year ended 30 June 2013, prepared in accordance with IFRS, were approved by the Board on 9 September 2013 and signed on its behalf by:

Mr GQ Routledge	**Mr BW Reekie**
Chairman	*Group Managing Director*

9 September 2013

Certificate by the Company Secretary

I, Wilna van Zyl, being the Company Secretary of Clientèle, certify that the Company has, for the year under review, lodged all returns required of a Public Company with the Registrar of Companies, and that all such returns are, to the best of my knowledge and belief, true, correct and up to date.

Mrs W van Zyl
Company Secretary

9 September 2013

Independent Auditors Report to the Shareholders of Clientèle Limited

We have audited the consolidated and separate Financial Statements of Clientèle Limited set out on pages 79 to 158, which comprise the Statements of Financial Position as at 30 June 2013, and the Statements of Comprehensive Income, Statements of Changes in Equity and 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 IFRS 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 Clientèle Limited as at 30 June 2013, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with IFRS 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 2013 we have read the Directors' Report, the Statement of Actuarial Values of Assets and Liabilities of Clientèle Life, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate Financial Statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate Financial Statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: Mr FJ Kruger
Registered Auditor

9 September 2013

Report of the Directors

The Directors have pleasure in submitting their Director's Report, which forms part of the Integrated Annual Report for the year ended 30 June 2013.

1. NATURE OF BUSINESS

Clientèle, the holding company of the Clientèle Group, is incorporated in South Africa and is listed under the Insurance sector index on the JSE. Its long-term insurance subsidiary, Clientèle Life, markets, distributes and underwrites insurance and investment products, mainly on a direct distribution basis and invests funds derived therefrom and accounts for the majority of the Group's earnings and assets. The Group also provides personal lines legal insurance policies underwritten through Clientèle General Insurance, its short-term insurance subsidiary. Lending of unsecured personal loans, on a conservative and controlled basis, takes place through its subsidiary Clientèle Loans Direct (which is being run down to closure). A PSA was entered into from 16 February 2013, in respect of unsecured personal loans with WesBank (a division of FirstRand Bank Limited) and Direct Axis. The business is funded and conducted by WesBank as a separate business unit and is administered by Direct Axis.

Group Structure

The Clientèle Group comprises of the following companies:

Clientèle LIMITED	% Holding	Country of incorporation	Nature of Business
Clientèle Life Assurance Company Limited	100	SA	Life Insurance
Clientèle General Insurance Limited	100	SA	Short-term insurance: Personal and business lines legal insurance policies
Clientèle Loans Proprietary Limited	100	SA	Lending
Clientèle Life (Netherlands) Coöperatieve U.A.*	100	ND	Investment company
Clientèle Mobile Proprietary Limited	100	SA	Communication and related products
Clientèle Direct Proprietary Limited	100	SA	Financial intermediary services

* *In the process of being deregistered*

Report of the Directors continued

Clientèle Life, Clientèle Loans and Clientèle Life (Netherlands) Coöperatieve U.A. in turn have the following investments in subsidiaries and associates:

Clientèle Life

	% Holding	Country of incorporation	Nature of Business
Subsidiaries			
Clientèle Properties North Proprietary Limited	100	SA	Properties – Clientèle Office Park
Clientèle Properties South Proprietary Limited	100	SA	Properties – Clientèle Office Park
Clientèle Properties East Proprietary Limited	100	SA	Properties – Clientèle Office Park
Associate			
Clientèle USA LLC#	33.3	USA	Broking

 # Liquidated on 4 August 2011

Clientèle Loans

	% Holding	Country of incorporation	Nature of Business
Subsidiaries			
Clientèle Loans Direct Proprietary Limited	70	SA	Unsecured personal loans

Clientèle Life (Netherlands) Coöperatieve U.A.

	% Holding	Country of incorporation	Nature of Business
Subsidiaries			
Independent Field Advertisers Limited	85	NG	Insurance broking in Nigeria (discontinued operation)

SA – South Africa USA – United States of America ND – Netherlands NG – Nigeria

Independent Field Advertisers Limited owns 100% of IFA Insurance Brokers (discontinued operation).
Clientèle General Insurance, Clientèle Direct and Clientèle Mobile do not have subsidiaries.

Report of the Directors continued

2. FINANCIAL RESULTS AND DIVIDEND

Full details of the Company's and the Group's financial position and results are set out in the attached financial statements and notes thereto on pages 64 to 158. An ordinary dividend of 74.00 cents per share (2012: 67.00 cents per share) was declared on 19 August 2013. The dividend was paid on Monday, 16 September 2013.

To comply with the procedures of Strate Limited, the last day to trade in the shares for purposes of entitlement to the dividend was Friday, 6 September 2013. The shares commenced trading ex dividend on Monday, 9 September 2013 and the record date was Friday, 13 September 2013.

Share certificates could not be dematerialised or rematerialised between Monday, 9 September 2013 and Friday, 13 September 2013, both days inclusive.

Key statistics relating to the financial position and profit of the Group for the year are set out in the table below:

	30 June 2013	30 June 2012	% change
Financial position			
Total assets (R'm)	**2 957**	2 947	0.3
Net asset value per share (cents)	**161.74**	135.58	19.3
Return on shareholders interest (%)	**65**	65	–
Operating results			
Insurance premium revenue (R'm)	**1 224**	1 195	2.4
Profit before tax (R'm)	**398**	357	11.5
Tax (R'm)	**104**	118	–
Net profit attributable to ordinary shareholders of the Group (R'm)	**293**	238	23.1
Diluted EPS (cents)	**89.49**	72.43	23.6
Diluted headline EPS (cents)	**89.57**	77.76	15.2
Dividend per share (cents)	**74.00**	67.00	10.4

The holding Company's interest in the aggregate profits earned after tax (after adjusting for non-controlling interests), by the subsidiaries amounted to R 293,1 million (2012: R238,7 million).

The holding Company's interest in the aggregate losses earned after tax (after adjusting for non-controlling interests), by the subsidiaries amounted to R NIL million (2012: R0,3 million).

Headline earnings per share

Headline EPS has been adjusted by the profit on disposal of equipment of R46 000 (2012: R78 000), investment in associate written off R291 000 (2012: R NIL), and items relating to the discontinued operation of R NIL million (2012: R 17,651 million).

Headline earnings per share increased by 14% from 78.89 cents to 89.62 cents.

Group (R'000) **Reconciliation of earnings to headline earnings**	**2013**	2012
Net profit attributable to ordinary shareholders	**293 095**	238 432
Less: profit on disposal of fixed assets	**(46)**	(78)
Add: Investment in associate written off	**291**	–
Items relating to discontinued operation	**–**	17 651
Headline earnings	**293 340**	256 005
Diluted weighted ordinary shares in issue		
Ordinary shares in issue (000's)	**328 007**	326 704
Weighted ordinary shares (000's)	**327 325**	324 540
Adjustment for dilution due to SAR Scheme (000's)	**183**	4 661
Diluted weighted ordinary shares (000's)	**327 508**	329 201
Diluted earnings per share (cents)	**89.49**	72.43
Diluted headline earnings per share (cents)	**89.57**	77.76

Report of the Directors continued

3. SHARE CAPITAL

1 303 488 shares were issued at a nominal value of R26 070 during the year as part of the SAR Scheme. The share capital as at 30 June 2013 is as follows:

Group (R'000)	**2013**	2012
Authorised:		
750 000 000 (2012: 750 000 000) ordinary shares of 2 cents each	**15 000**	15 000
Issued:		
328 007 083 (2012: 326 703 595) ordinary shares of 2 cents each	**6 560**	6 534

4. HOLDING COMPANY

Clientèle is ultimately controlled by R Enthoven and Sons Proprietary Limited, which is incorporated in South Africa and in aggregate holds 77.03% (2012: 77.19%) of the issued share capital (refer to note 11 on pages 135 to 136: Share capital and premium).

R Enthoven and Sons Proprietary Limited is also the ultimate holding Company of the Hollard Group.

5. DIRECTORS AND SECRETARY

The following people acted as Directors during the year:

Gavin Quentin Routledge BA, LLB	Chairman	Non-executive Director, Chairman of the Group Remuneration Committee and member of the Group Audit, Group Risk and Group Investment Committees
Gavin John Soll CA(SA)	Group Executive Vice Chairman	Executive Director, member of Group Risk, Group Investment and Group Actuarial Committees
Adrian Domoniq t'Hooft Enthoven[1] BA, PhD (Political Science)		Non-executive Director, member of the Group Risk, Group Remuneration, Group Investment and Group Audit Committees
Brenda-Lee Frodsham B.Com		Executive Director, member of the Group Actuarial and Group Risk Committees
Iain Bruce Hume CA(SA), ACMA	Group Financial Director	Executive Director, Chairman of the Group Investment Committee, member of Group Actuarial and Group Risk Committees
Basil William Reekie BSc(Hons), FASSA	Group Managing Director – Clientèle, Managing Director – Clientèle Life	Executive Director, Chairman of Group Actuarial Committee, member of the Group Risk, Group Social and Ethics and Group Investment Committees
Barry Anthony Stott CA(SA)		Non-executive Director, Chairman of Group Audit and Group Risk Committees, member of Group Remuneration Committee
Pheladi Raesibe Gwangwa B.Proc (LLM)		Non-executive Director, Chairperson of Group Social and Ethics Committee
Robert Donald Williams[2] B. Bus Sc(Hons), FASSA	Appointed 1 January 2013	Non-executive Director, member of the Group Audit and Group Actuarial Committees
Fikile Felicity Tebogo De Buck[3] FCCA (UK)	Appointed 1 November 2012 Resigned 3 September 2013	Non-executive Director, member of the Group Audit Committee

[1] *Dr Enthoven resigned as a member of the Group Risk and the Group Audit Committees on 26 March 2013.*
[2] *Mr Williams was appointed as a Group Risk Committee member on 17 July 2013.*
[3] *Mrs De Buck resigned as a Director of Clientèle and Clientèle Life as well as a member of the Group Audit Committee on 3 September 2013.*

Report of the Directors continued

Gavin Quentin Routledge, 56, (Independent Non-executive Chairman), BA, LLB (Wits)
Mr Gavin Routledge is based in Cape Town and is engaged in private equity for his own account and also advises companies and Executives on strategy and deal making. When required, he attends to the Group's business in his capacity as Chairman of the Board. Previously he was responsible for many of the Hollard Group's private equity investments in Southern Africa and prior to that he was Chief Executive of a niche investment banking company, A&R Corporate Finance, concentrating on international financial transactions and investment banking.

Gavin John Soll, 51, (Group Executive Vice Chairman), CA(SA)
Prior to joining Clientèle Life, Mr Gavin Soll was employed by the Imperial Group, where he acted as a Director of a number of entities within that Group. Mr Gavin Soll joined Clientèle Life as Group Financial Director in February 1998 and in September of the same year was appointed Managing Director. Mr Gavin Soll was appointed Managing Director of Clientèle on its formation in May 2008. Mr Gavin Soll is succeeded by Mr Basil Reekie as the Group Managing Director of Clientèle effective 1 July 2013. Mr Gavin Soll will remain on the Clientèle Board as Group Executive Vice Chairman with effect from 1 July 2013.

Basil William Reekie, 40, (Group Managing Director), BSc (Hons), FASSA
Mr Basil Reekie is a qualified actuary who joined Clientèle on 1 January 2008 and has been the Managing Director of Clientèle Life (the major subsidiary of Clientèle) since May 2008 and the Managing Director Designate of Clientèle since 1 June 2012. Prior to joining Clientèle, Mr Basil Reekie was the Managing Executive of QED Actuaries and Consultants where he was responsible for the day-to-day operations of QED and consulted to numerous life insurance companies in South Africa and across the African continent. As a consultant, he acted in the capacity of Statutory Actuary for many of these companies.

Mr Basil Reekie succeeds Mr Gavin Soll as the Group Managing Director of Clientèle, effective 1 July 2013.

Adrian Domonic 'T Hooft Enthoven, 43, (Non-executive Director), BA Hons in Politics, Philosophy and Economics, PhD in Political Science.
Dr Adrian Enthoven is the Executive Chair of Yellowwoods Ventures Investments (SA) Proprietary Limited, an international investment and insurance Group. He also serves on the Boards of a number of South African companies and non-government organisations. In the early nineties, he worked at the Metropolitan Chamber, a multi-party negotiating forum responsible for the democratisation of Greater Johannesburg. During 1995, he worked as an adviser to the Elections Task Group, a national body responsible for co-ordinating the first non-racial local government elections in South Africa. He has been involved in the investment business since completing his PhD in 2000. He is responsible for the Yellowwoods investments in South Africa.

Brenda-Lee Frodsham, 41, (Executive Director), B.Com (Wits)
Ms Brenda-Lee Frodsham joined Clientèle Life in February 1994 and has managed and gained experience in several areas of the business including telesales, client services, administration, claims, direct mail, business development, product development, marketing, IT and IFA. Currently she assumes the portfolio of Strategic Operations Director for the Group.

Iain Bruce Hume, 46, (Group Financial Director), CA(SA), ACMA.
Mr Iain Hume is a Chartered Accountant and an associate of the Chartered Institute of Management Accountants with over 16 years experience in the banking and insurance industries. Mr Hume has been with the Group since 2000. Mr Hume resigned as the Managing Director of Clientèle General Insurance on 1 January 2013.

Barry Anthony Stott, 64, (Independent Non-executive Director), CA(SA)
Mr Barry Stott was previously a senior partner of PriceWaterhouseCoopers and responsible for the financial services practice. His experience in the financial services industry includes various long-term and short-term insurers, asset managers and stockbrokers. Mr Barry Stott is the Chairman of Discovery Health Medical Scheme audit and risk committees.

Pheladi Raesibe Gwangwa, 40, (Independent Non-executive Director), B Proc (LLM).
Ms Pheladi Gwangwa is currently the Station Manager of Talk Radio 702 and has been involved with Primedia Broadcasting since 2002. She is a qualified lawyer who has previously worked for the State Attorney, IBA, ICASA and Cell C before joining Primedia Broadcasting.

Robert Donald Williams, 57, (Independent Non-executive Director), B. Bus Sc(Hons), FASSA
Mr Robert Williams has been appointed as an Independent Non-executive Director of Clientèle with effect from 1 January 2013. Mr Robert Williams is a Fellow of the Actuarial Society of South Africa and his previous experience includes six years as the executive head of Aon Hewitt (retirement funding, health care and actuarial services), prior to that managing director of QED Actuaries and Consultants (actuarial services to life insurers, short-term insurers, retirement funds). Mr Robert Williams has over 20 years experience acting as the appointed Statutory Actuary to various life insurance companies in Southern Africa.

Report of the Directors continued

Fikile Felicity Tebogo De Buck, 52, (Independent Non-executive Director), FCCA (UK)

Mrs Fikile De Buck has been appointed as an Independent Non-executive Director of Clientèle with effect from 1 November 2012. Mrs Fikile De Buck is a Lead Independent Director and Chairperson of the Nominations Committee of Harmony Gold Mining Company Limited, and a member of various other committees including the Audit Committee, Remuneration and Social and Ethics Committee. She is also a Non-executive Director of Atlatsa Resources Corporation, and the Chairperson of the Audit Committee. She is also a member of the Nominations and Governance and Sustainable Development Committee. Mrs Fikile De Buck was previously a Non-executive Director of Rand Uranium and Chairman of the Audit Committee. From 2000 to 2008, she worked in various capacities at the Council for Medical Schemes in Pretoria, including chief financial officer and chief operations officer. Prior to that, Mrs Fikile De Buck was treasurer at the Botswana Development Corporation.

Mrs Fikile De Buck resigned as a Director of Clientèle and Clientèle Life on 3 September 2013.

Other Directorships held by the Directors

Name	Current Directorships/Partnerships	Nature of Business
ADT Enthoven	Dimpho Di Kopane – S21	Arts
	Lomold Proprietary Limited	Manufacturing
	Yellowwoods Ventures Investments (SA) Proprietary Limited	Investments
	Spier Holdings Proprietary Limited	Leisure and Wine
	Spier Wines Holdings Proprietary Limited	Wines
	Double Flash Investments 209 Proprietary Limited	Property Investments
	Etana Holdings Proprietary Limited	Insurance
	First Ready Development 675	Property Investments
	And Beyond Haven Holdings Proprietary Limited	Tourism
	Haven Holdings Proprietary Limited	Other business activities
	Hollard Business Associates Proprietary Limited	Insurance
	Hollard Dealer Partners Proprietary Limited	Other business activities
	Art Africa – S21	Arts
	Altrisk Proprietary Limited	Insurance
	Direct Axis Proprietary Limited	Finance and Insurance
	Clientèle Limited	Financial Services
	Clientèle Life Assurance Company Limited	Life Insurance
	Lombard Insurance Company Limited	Insurance
GQ Routledge	Genasys Group Holdings Proprietary Limited	IT
	Haven Sandown One Proprietary Limited	Private Equity
	Clientèle Life Assurance Company Limited	Life Insurance
	Clientèle Limited	Financial Services
	Clientèle General Insurance Limited	Short-term Insurance
	Clientèle Loans Direct Proprietary Limited	Unsecured Personal Loans
	Lomotek Polymers Proprietary Limited	Plastic rotomoulding
	Proplas Proprietary Limited	Plastic recycling
	Lomold Proprietary Limited	Plastic moulding and associated
GJ Soll	Clientèle Life Assurance Company Limited	Life Insurance
	Clientèle Limited	Financial Services
	Clientèle General Insurance Limited	Unsecured Personal Loans
	Clientèle Loans Proprietary Limited	Unsecured Personal Loans
	Clientèle Loans Direct Proprietary Limited	Financial Services
B Frodsham	Clientèle Limited	Financial Services
	Clientèle Properties North Proprietary Limited	Property Investments
	Clientèle Mobile Proprietary Limited	Mobile Services
	Clientèle Direct Proprietary Limited	Financial Services

Report of the Directors continued

Name	Current Directorships/Partnerships	Nature of Business
IB Hume	Clientèle Limited	Financial Services
	Clientèle Life Assurance Company Limited	Life Insurance
	Clientèle Properties South Proprietary Limited	Property Investments
	Clientèle Properties North Proprietary Limited	Property Investments
	Clientèle Properties East Proprietary Limited	Property Investments
	Clientèle General Insurance Limited	Short-term Insurance
	Clientèle Loans Proprietary Limited	Unsecured Personal Loans
	Clientèle Loans Direct Proprietary Limited	Unsecured Personal Loans
	Clientèle Direct Proprietary Limited	Financial Services
	Clientèle Mobile Proprietary Limited	Mobile Services
BW Reekie	Clientèle Life Assurance Company Limited	Life Insurance
	Clientèle Limited	Financial Services
	Clientèle Direct Proprietary Limited	Financial Services
	Clientèle General Insurance Limited	Short-term Insurance
	Clientèle Properties East Proprietary Limited	Property Investments
	Clientèle Properties North Proprietary Limited	Property Investments
	Clientèle Properties South Proprietary Limited	Property Investments
	Clientèle Mobile Proprietary Limited	Mobile Services
BA Stott	Clientèle Life Assurance Company Limited	Life Insurance
	Clientèle Limited	Financial Services
	Clientèle General Insurance Limited	Short-term Insurance
	Boca Raton Owners Association	Property
PR Gwangwa	Clientèle Limited	Financial Services
	Clientèle Life Assurance Company Limited	Life Insurance
RD Williams	Clientèle Life Assurance Company Limited	Life Insurance
	Clientèle Limited	Financial Services
	Clientèle General Insurance Limited	Short-term Insurance
	Grayston Nominees Proprietary Limited	Financial Services
	Jardine Arber Africa Proprietary Limited	Property Investments
	RD Williams Actuarial Consulting Services Proprietary Limited	Financial Services
FFT De Buck	Clientèle Limited	Financial Services
	Clientèle Life Assurance Company Limited	Life Insurance
	Harmony Gold Mining Company Limited	Mining
	Atlatsa Resources Corporation	Mining
	Fikita Creations Proprietary Limited	Fashion
	Amathuba Engineering Proprietary Limited	Mechanical Engineering
	Edispan Proprietary Limited	Investment Holding

The appointment of new Directors to the Board is approved by the Board as a whole, subject to ratification by shareholders at the next AGM.

At each AGM of Clientèle, one-third of the Directors shall retire from office. The Directors so to retire at each AGM shall be the Directors whom have been longest in office, as well as the Directors that have been appointed since the last AGM. The rotation of Directors at regular intervals is accepted as good practice.

The Group Company Secretary is Mrs Wilna van Zyl whose addresses are:

Business address:
Building 1, Clientèle Office Park
Corner Rivonia and Alon Road
Morningside, 2196

Postal address:
PO Box 1316
Rivonia
2128

Clientèle LIMITED

Report of the Directors continued

6. DIRECTORS' SHAREHOLDINGS

The interests, direct, indirect and through associates of the Directors are as follows:

	Ordinary shares		
	Beneficial Direct	Indirect	Associates
2013			
Non-executive Directors			
GQ Routledge	300 000	3 394 359	334 265
BA Stott	20 000	–	20 000
Executive Directors			
GJ Soll	5 200 000	5 631 640	–
IB Hume	50 000	2 628 020	107 167
B Frodsham	–	1 294 920	–
BW Reekie	–	3 235 000	–
	5 570 000	16 183 939	461 432

	Ordinary shares		
	Beneficial Direct	Indirect	Associates
2012			
Non-executive Directors			
GQ Routledge	300 000	3 394 359	303 065
BA Stott	20 000	–	20 000
Executive Directors			
GJ Soll	5 200 000	5 631 640	–
IB Hume	–	2 628 020	107 167
B Frodsham	–	1 294 920	–
BW Reekie	–	3 235 000	–
	5 520 000	16 183 939	430 232

There was no change in the interest of any other Director between the date of these Financial Statements and the approval of the Financial Statements.

Report of the Directors continued

7. EQUIPMENT

There has been no change in the nature of the equipment of the Group nor has there been any change in accounting policies relating to equipment.

8. EXTERNAL AUDITORS

In accordance with section 94(7)a of the Companies Act, the Group Audit Committee, on behalf of the Board, nominated Mr FJ Kruger of PricewaterhouseCoopers Incorporated for appointment as External Auditor. This appointment will be subject to approval by a majority of shareholders at the AGM on 29 October 2013.

9. DIRECTORS' EMOLUMENTS

Details of Directors' emoluments are set out in note 30 on pages 149 to 150 to the Annual Financial Statements.

Details of Directors' employment contracts are set out in section 2.3 on page 21 to the Annual Financial Statements.

10. SPECIAL RESOLUTIONS: CLIENTÈLE

The following special resolutions were passed during the year:

1 Remuneration of Non-executive Directors

The remuneration of the Non-executive Directors for the period 1 July 2012 to 30 June 2013 was approved.

An increase of between 5% and 7.5% was approved in terms of the remuneration of the Non-executive Directors for the period 1 July 2013 to 30 June 2014.

2 Financial assistance

The Board was authorised to provide direct or indirect financial assistance to one or more related or inter- related companies or to any one or more members of any such related or inter-related company subject to the following:

- Any such financial assistance shall not in the aggregate for any particular financial year exceed R50 million.

The Board will, before making any such financial assistance available satisfy itself that:

- Immediately after providing the financial assistance, the Company will satisfy the solvency and liquidity test as per the Companies Act; and
- The terms under which the financial assistance is proposed to be given are fair and reasonable to the Company.

3 Adoption of the MOI

The MOI, which is aligned to the Companies Act and the JSE Listing Requirements, was approved and adopted by the shareholders.

11. SPECIAL RESOLUTIONS: SUBSIDIARIES

The following special resolutions were passed during the year by the following subsidiaries:

Clientèle Life: Adoption of the MOI, approval of financial assitance to a maximum of R35 million for the year, the remuneration of the directors and the increase in the number of Directors from 8 to 10 (prior to the approval of the MOI);

Clientèle General Insurance: Adoption of the MOI, approval of financial assistance to a maximum of R20 million for the year and the remuneration of the directors;

Clientèle Mobile: Adoption of the MOI, approval of financial assistance to a maximum of R20 million for the year and the remuneration of the directors;

Clientèle Properties North: Adoption of the MOI, approval of financial assistance to a maximum of R20 million for the year and the remuneration of the directors;

Clientèle Properties South: Adoption of the MOI, approval of financial assistance to a maximum of R20 million for the year and the remuneration of the directors; and

Clientèle Properties East: Adoption of the MOI, approval of financial assistance to a maximum of R 20 million for the year and the remuneration fo the directors.

12. DIRECTORS INTERESTS IN CONTRACTS

During the financial year no contracts were entered into in which Directors of the Company had an interest and which significantly affect the business of the Group.

The Directors had no interest in any third party or Company responsible for managing any of the business activities of the Group.

Clientèle LIMITED

Statement of Actuarial Values of Assets and Liabilities of Clientèle Life

A statement of the Actuarial Values of Assets and Liabilities of **Clientèle Life** is provided below as its assets and liabilities form the majority of the Group's assets and liabilities.

1. EXCESS ASSETS

The excess of assets over liabilities on the Published Reporting Basis is shown in the table below:

(R'000)	2013	2012
Assets		
Statement of financial position assets	2 693 006	2 725 238
Reinsurance assets	(3 337)	(3 845)
Total assets net of reinsurance assets	2 689 669	2 721 393
Less: Liabilities		
Actuarial value of liabilities	736 950	780 532
Reduction in policy liabilities due to reinsurance	(3 337)	(3 845)
Other policyholder liabilities	1 326 415	1 351 304
Current liabilities	152 445	156 827
Deferred Profit	29 361	34 368
Total liabilities	2 241 834	2 319 185
Excess of assets over liabilities	447 835	402 208

The excess of assets over liabilities on the Statutory Reporting Basis is shown in the table below:

(R'000)	2013	2012
Assets		
Total assets net of reinsurance assets	2 689 669	2 721 393
Disallowed assets	(34 487)	(27 937)
	2 655 182	2 693 456
Liabilities		
Actuarial liabilities	2 066 543	2 136 459
Current liabilities	152 445	156 827
Tax Impact of Deferred Profit and Compulsory Margins*	6 397	7 252
Total liabilities	2 225 385	2 300 538
Excess of assets over liabilities	429 797	392 918
CAR	175 804	133 336
CAR ratio (%)	244	295

* *The Deferred Profit relates to Single Premium Profits emerging on the Published Reporting Basis and is removed from the liabilities for purposes of the SVM*

Statement of Actuarial Values of Assets and Liabilities of Clientèle Life continued

2. ANALYSIS OF CHANGE IN EXCESS ASSETS ON THE PUBLISHED REPORTING BASIS

The abbreviated analysis of the change, from the previous reporting period, in the Excess Assets on the Published Reporting Basis is shown below:

(R'000)	2013	2012
Excess assets at the end of reporting period	447 835	402 208
Excess assets at the beginning of reporting period	402 208	372 406
Change in excess assets over the reporting period	45 627	29 802
The change in excess assets is due to the following factors:		
Investment income and growth on excess assets	67 753	32 079
Operating surplus (excluding changes in method or assumption)	247 326	264 609
Changes in Valuation method or assumptions	30 211	1 875
Revaluation of properties	12 126	10 737
Tax	(92 729)	(89 483)
Total earnings	264 687	219 817
Dividends paid	(219 060)	(190 015)
Total Change in Excess Assets	45 627	29 802

3. RECONCILIATION OF EXCESS ASSETS TO REPORTED EARNINGS

The change in the excess of assets over liabilities in this statement on the Published Reporting Basis reconciles to the net income of the life operations as follows:

(R'000)	2013	2012
Net profit attributable to ordinary shareholders	271 675	206 862
Dividend paid	(219 060)	(173 329)
SAR and Bonus Rights Schemes	(6 988)	(3 731)
Total Change in Excess Assets (Published Reporting Basis)	45 627	29 802

4. RECONCILIATION OF EXCESS ASSETS BETWEEN PUBLISHED REPORTING BASIS AND THE STATUTORY BASIS

The Excess Assets on the Published Reporting Basis reconciles to the Excess Assets on the Statutory Basis as follows:

(R'000)	2013	2012
Excess assets on Published Reporting Basis	447 835	402 208
Disallowed assets	(34 487)	(27 937)
Removal of Deferred Profit	29 361	34 368
Compulsory Margins on Investment Business	(6 515)	(8 469)
Tax Impact of Deferred Profit and Compulsory Margins	(6 397)	(7 252)
Excess Assets on Statutory Basis	429 797	392 918

Clientèle LIMITED

Statement of Actuarial Values of Assets and Liabilities of Clientèle Life continued

5. CHANGES IN PUBLISHED REPORTING VALUATION METHOD AND ASSUMPTIONS

The methodology and Actuarial Valuation assumptions used remained broadly the same as those applied as at 30 June 2012, except for the following changes (before allowing for compulsory margins):

- The long-term investment return assumption was increased from the previous Actuarial Valuation as shown in the table below. This change was based on the economic data as it applied at the Actuarial Valuation date. The return was based on the risk-free yield curve over the appropriate term to maturity;
- The expense inflation assumption was increased in line with the decrease in the investment return assumption ;and
- Furthermore, the gap between the investment return assumption and the expense inflation rate was decreased to 1.5% (2012: 2.0%).

The table below shows the long-term economic assumptions for business written in South Africa for the years ended 30 June:

(%)	**2013**	2012
Overall investment return	**6.90**	6.30
Expense inflation rate	**5.40**	4.30
Corporate tax rate	**28.00**	28.00

Other Assumptions:

- The expense assumption was increased by slightly more than inflation, based on expense investigations;
- Withdrawal rates were changed based on the withdrawal investigations for recent experience; and
- Several other refinements were made to the modelling of the business which collectively, as well as individually, had an immaterial impact on the results.

6. PUBLISHED REPORTING VALUATION METHOD AND ASSUMPTIONS

The assets and liabilities of Clientèle Life insurance contracts have been calculated and disclosed in accordance with the Actuarial Society of South Africa's guidelines and in particular APN103 (version 6) and SAP104 (version 8). Assets and liabilities were valued on consistent bases. The Actuarial Valuation is a gross premium method of valuation. Where policy values are linked to the value of underlying units, the reserve has been set equal to the sum of the value of the Investment Account and a Rand Reserve allowing for, inter alia, expenses, risk benefits, risk charges, management fees (as well as other expense charges) and reinsurance.

Valuation assumptions regarding future mortality, morbidity, expenses and yields are based on prudent best estimates taking into account the Company's current and expected future experience and allowing for any specific conditions of the various policy classes.

Investment contracts have been valued in accordance with IAS39. The liability held for these products is equal to the asset value.

For the majority (at least 95%) of liabilities, the liability has been based on cashflow projections on the assumptions contained in Note 7 below. For the balance of the liability (mainly annually renewable risk business), an IBNR reserve has been established.

The results of the Valuation method and assumptions is that profits for insurance contracts are released appropriately over the term of each policy. Margins have been set up such that no losses are expected to be made in the future and that all expected future cash flows are positive. As such, the premature recognition of profits is avoided.

7. PUBLISHED REPORTING LIABILITY VALUATION METHOD AND ASSUMPTIONS

The Valuation of the policy liabilities was conducted on a basis consistent with the Valuation of the assets. Assumptions were based on analysis of past experience and expected future experience. The most recent experience investigations were for the year ended 30 June 2013.

In reserving for the annually renewable term assurance business (without cash-back benefits), an IBNR liability has been established. All other liabilities have been calculated on a prospective gross premium valuation basis, allowing for future income, benefits and expenses.

Statement of Actuarial Values of Assets and Liabilities of Clientèle Life continued

Compulsory margins in terms of SAP104 (version 8) were also allowed for, in addition to the main assumptions. Specific allowance has been made for the expected deterioration in mortality experience due to AIDS and HIV infection.

The main assumptions for business valued on a prospective cash flow basis, before allowing for compulsory margins, were as follows (figures for the previous Valuation are shown in brackets):

- An overall investment return rate of 6.9% (2012: 6.3%) was used for all classes of business;
- The expense allowance for the year after the Valuation date was based on the latest expense investigation, inflated by 5.4% p.a. (2012: 4.3%);
- For assurances, mortality rates are based on recent experience investigations; and
- Withdrawal rates are based on recent experience investigations.

The following additional discretionary margins were established:

- Where reserving cashflow projections resulted in negative reserves, these were eliminated per policy. As such, no policy was treated as an asset; and
- On Unit linked business, policyholders are charged a tax charge which is allocated to shareholders. However this is not taken into account in the gross premium valuation reserving, resulting in more prudent reserves.

8. INVESTMENT CONTRACTS WITHOUT DISCRETIONARY PARTICIPATION FEATURES

In the calculation of liabilities for investment contracts, the Investment Account balance has been held for these contracts. In addition, a Deferred Profit Liability is held, which defers the profit over the term of the policy. As at 30 June 2013, the Deferred Profit is R29 million (2012: R34 million).

9. PUBLISHED REPORTING ASSET VALUATION METHOD AND ASSUMPTIONS

All assets have been taken at Statement of Financial Position values as described in the accounting policies.

10. STATUTORY CAR

The Statutory CAR is the additional amount required, over and above the actuarial liabilities on the Statutory Basis, to enable a Company to meet material deviations in the main parameters affecting the life assurer's business. The CAR was calculated according to the guidelines issued by the Actuarial Society of South Africa (SAP104 (version 8)) and the FSB Board Notice 14 of 2010 "Prescribed requirements for the calculation of the value of assets, liabilities and CAR of Long-term insurers".

The CAR can allow for management action; for the purpose of this Valuation, no management action has been allowed for.

The TCAR exceeded the OCAR as well as the MCAR and thus the CAR has been based on the TCAR. Hence, the CAR for Clientèle Life, as at 30 June 2013, is TCAR which is equal to R176 million (2012: R134 million). The ratio of the statutory excess of assets over liabilities to the CAR was 244% (2012: 295%).

11. APN110 DISCLOSURE

Clientèle Life has a book of unit-linked business with investment guarantees on death. In particular, these policies have a minimum benefit on death equal to the fund premiums accumulated at 6% p.a. This block of business consists of two components, a saver component and a protection component. APN 110 Disclosure applies to the saver component, as it is a market-related savings product with a guaranteed return on death only. An investment account is built up based on the allocated component of saver benefit premiums and market returns in the form of income and growth. No such investment guarantee exists on maturity or surrender. There is the risk that investment returns are less than 6% p.a. (in which case the minimum benefit on death would still be granted).

The results of our stochastic modelling applying APN110 are given in the following table to derive the liability:

(R'000)	**2013**	2012
Stochastic Liability	**2 580**	6 835
CAR Stochastic Resilience Liability	**1 317**	4 880

Clientèle LIMITED

Statement of Actuarial Values of Assets and Liabilities of Clientèle Life continued

A Monte Carlo simulation technique was used to quantify the liability and CAR requirement in respect of the embedded investment derivatives. Prices and implied volatilities on the following put options on FTSE/JSE TOP40 index are as follows:

Maturity	Strike Price	Option Price %	Volatility %
1 year	Spot	6.17	18.97
1 year	0.8*Spot	1.68	24.29
1 year	Forward	7.34	18.97
5 years	Spot	15.13	32.1
5 years	(1.04^5)*Spot	24.89	33.07
5 years	Forward	24.96	33.07
20 years	Spot	4.72	32.68
20 years	(1.04^20)*Spot	16.68	32.12
20 years	Forward	29.6	32.12

Where:
'Spot' refers to the price of the equity index at the Valuation date;
'Forward' = Spot x exp [(r-q)T];
'T' is the term to maturity of the option;
'r' is the risk-free interest rate for maturity at time T; and,
'q' is the expected dividend yield on the index over the term of the option.

A 5-year put option with a strike price equal to (1.04^ 5) of spot price, on an underlying index constructed as 60% FTSE/JSE TOP40 and 40% ALBI, with rebalancing of the underlying index back to these weights taking place annually was calculated as 7.6% of the index value.

A 20-year put option based on an interest rate with a strike equal to the present 5-year forward rate as at maturity of the put option (based on the zero coupon yield curve), which pays out if the 5-year interest rate at the time of maturity (in 20 years) is lower than this strike was calculated as 0.009%.

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

Zero Coupon Curve

Year	Rate %
1	5.41
2	5.94
3	6.40
4	6.78
5	7.08
10	7.93
15	8.57
20	9.12
25	9.50
30	9.77

The date of calibration as well as the date of calculation was 30 June 2013.

Statement of Actuarial Values of Assets and Liabilities of Clientèle Life continued

12. EXCESS OF ASSETS OVER LIABILITIES

The excess of assets over liabilities reflects the financial position of Clientèle Life based on the methodology used and the assumptions assumed. In terms of current legislation the excess on the Statutory Basis must cover the CAR.

13. REPORT BY STATUTORY ACTUARY

I hereby certify that:

- The Valuation on the Statutory basis of Clientèle Life as at 30 June 2013, the results of which are summarised above, has been conducted in accordance with, and this Statutory Actuary's Report has been produced in accordance with applicable Actuarial Society of South Africa Advisory Practice Notes and Standards of Actuarial Practice.
- In terms of the SVM, Clientèle Life has assets exceeding the liabilities and CAR.
- According to the statement E11 received, Clientèle Life currently satisfies the asset spreading requirements in terms of section 31 of the Long-term Insurance Act.
- Therefore, Clientèle Life is financially sound in terms of section 29 of the Act and, in my opinion, is likely to remain financially sound for the forseeable future.

Mr JL Potgieter
Statutory Actuary
Fellow of the Actuarial Society of South Africa

9 September 2013

Clientèle LIMITED

Risk Management

for the year ended 30 June 2013

RISK MANAGEMENT FRAMEWORK AND OBJECTIVES

The Board acknowledges its responsibilities for overseeing the establishment and communication of appropriate risk and control policies and ensuring that adequate risk management processes are in place. These risk management processes cover, inter alia, life insurance and Investment Contract Business, short-term insurance, lending and other operational risks inherent to the Group's business. Management deals with the various aspects regarding policies for accepting risks, including the selection and approval of risks or risks to be insured, use of limits and avoiding undue concentration of risk and underwriting strategies to ensure the appropriate risk classification and premium levels.

Responsibility for risk management

The Group Audit Committee, the Group Investment Committee, the Group Risk Committee and the Group Social and Ethics Committee (incorporating sustainability), being sub-committes of the Board are in place to assist the Board in discharging its risk management obligations. The Group Audit Committee has established the Group Actuarial Committee as a sub- committee to assist it in fulfilling its risk management obligations to the Board.

The Group Audit Committee's principal objectives are as follows:

- Act as an effective communication channel between the Board and the External Auditors, the External Actuaries, the CAE and the Chairman of the Group Actuarial Committee;
- Satisfy the Board that adequate internal, financial and operating controls are implemented and monitored by management and that material corporate risks have been identified and are monitored through the Group Audit Committee and the Group Risk Committee;
- Enhance the quality, effectiveness, relevance and communication value of the Annual Financial Statements issued by the Group with focus being placed on the actuarial assumptions, parameters, valuations and reporting guidelines and practices adopted by the Statutory Actuary as appropriate to the Group's insurance activities. The Group Actuarial Committee assists the Group Audit Committee in this regard; and
- To consistently monitor and report on all compliance matters within the Group.

The principal activities of the Group Investment Committee pertaining to risks are to:

- Review and evaluate the appropriate levels of market risk, credit risk, and liquidity risk accepted by the Group, including asset and liability management; and
- Ensure that appropriate procedures, practices and policies are in place to manage and monitor these risks.

The principal objectives of the Group Risk Committee are to:

- Review the Group's risk philosophy, strategy, policies and processes recommended by Excom;
- Review compliance with risk policies and with the overall risk profile of the Group;
- Review and assess the integrity of the process and procedures for identifying, assessing, recording, monitoring and mitigating of risk;
- Review the adequacy and effectiveness of the Group's risk management function and its implementation by management;
- Provide the Board with an assessment of the state of risk management within the Group; and
- To recommend the risk appetite within the Group.

The principal activities of the Group Actuarial Committee (which reports to the Group Audit Committee) pertaining to risks are to:

- Ensure that appropriate procedures, practices and policies are in place with regard to the preparation of the actuarial results and the EV report; and
- Manage and monitor insurance risk, data risk, ALM risk (in conjunction with the Group Investment Committee) and capital adequacy risks.

Risk Management continued

A significant part of the business involves the acceptance and management of risk. Primary responsibility for risk management at an operational level rests with Excom. The Group's risk management processes, of which the systems of financial and operational controls are an integral part, are designed to control and monitor risk throughout the Group. For effectiveness, these processes rely on regular communication, sound judgment and a thorough knowledge of the products and markets by the people closest to them. Management are tasked with integrating the management of risk into day-to-day activities of the Group.

The FSB had begun the process of reviewing the prudential regulatory regime for all insurers. The SAM regime is expected to be fully implemented by 2016. It will share the same broad features as Solvency II (the equivalent European regime), being a principles-based regulation based on an economic balance sheet, and utilising the same three pillar structure of capital adequacy (Pillar 1), systems of governance (Pillar 2), and reporting requirements (Pillar 3). A parallel run of some SAM requirements is expected in the second half of 2014. A more comprehensive parallel run is expected in 2015.

Pillar 2 of SAM focuses on Risk Management and Governance as well as the impact of these on Economic capital requirements. The FSB has also released some Interim requirements relating to Pillar 2 aspects of SAM. A draft Insurance Laws Amendment Bill (ILAB) has been submitted to National Treasury for consideration. It is expected that the Bill will go through the parliamentary process in 2013 and will be effective from the beginning of 2014. Some of the main objective of the Bill are to :

– provide for explicit governance, risk management and internal control requirements for insurers; and
– provide for the supervision of insurance groups.

Clientèle is in the process of embedding the principles of SAM in all its business processes. During the last couple of years, the FSB carried out two voluntary Quantitative Impact Studies which mainly addressed Pillar 1 of SAM as well as other qualitative studies. Clientèle participated in all of these and do not foresee any significant impact at this stage.

1.1 Capital Management risk

The Group's capital management process ensures that each entity within the Group maintains sufficient capital levels for legal and regulatory compliance purposes. The Group ensures that its actions do not compromise sound governance and appropriate business practices.

1.1.1 Long-term insurance

Clientèle Life is required to maintain a capital balance equivalent to, at least, the CAR. This is available to meet obligations in the event of substantial deviations from the main experience assumptions affecting Clientèle Life's financial instruments, insurance and Investment Contract Business.

The CAR is determined in accordance with FSB Board Notice 14 of 2010: "Prescribed requirements for the calculation of the value of the assets, liabilities and CAR of long-term insurers". It is a risk-based capital measure that is intended to provide a high level of confidence that insurers will be able to meet their existing liabilities.

The CAR includes provisions and scenario tests for a number of risks including:

- Financial risk from ALM under specified market movements;
- Random fluctuations in insurance and expense risks; and
- The risk that long-term insurance and financial assumptions are not realised.

As at 30 June 2013, the CAR of Clientèle Life for insurance and Investment Contract Business amounted to R175,8 million (2012: R133,3 million) and was covered 2.44 times (2012: 2.95 times) by the excess of assets over liabilities.

The CAR coverage is monitored on a monthly basis to ensure compliance with the regulatory CAR and the Group's risk appetite.

When SAM is implemented the solvency of the long-term insurance business will be monitored based on the principles and calculations outlined by the methodology outlined in Pillar 1 of SAM, which follows a more risk-based approach.

1.1.2 Short-term insurance business

The short-term insurance business is managed in accordance with the FSB Board Notice 169 of 2011: "Prescribed requirements for the calculation of the value of assets, liabilities and CAR of short-term insurers." Clientèle General Insurance has been granted approval by the FSB to use an alternative method in calculating the Unearned Premium Provision (discounting and decrementing the expected future cash-back liabilities) in respect of cash-back policies.

CAR ratio

Clientèle General Insurance is required to maintain a CAR ratio in terms of FSB Board Notice 169 of 2011.

This Board Notice was issued as an interim measure between the previous regulations and the implementation of SAM.

As at 30 June 2013, the net surplus assets on the statutory basis amounted to R46,6 million (2012: R22,5 million). This translates into a CAR ratio of 183% (2012: 146%).

The levels of capital and assets in comparison to liabilities are monitored on a monthly basis.

When SAM is implemented the solvency of the long-term insurance business will be monitored based on the principles and calculations outlined by the methodology outlined in Pillar 1 of SAM, which follows a more risk-based approach.

1.2 Operational risk and market risk arising from financial instruments and properties

The Group considers market risk (i.e. equity risk, interest rate risk), property risk, operational risk, credit risk and liquidity risk as the most significant risks arising from financial instruments. Details on how these risks are managed is provided below, with a distinction between financial instruments that affect long-term insurance, investment contracts, short-term insurance and the loans business.

As previously reported, the closure of the IFA Nigeria business is now complete and only administrative procedures remain.

Risk Types

	Long-term insurance	Long-term Investment contracts	Short-term insurance	Loans business
Equity risk	1.2.1.1	n/a	1.2.3.1	n/a
Interest rate risk	1.2.1.2	1.2.2.1	1.2.3.2	1.2.4.1
Property risk	1.2.1.3	n/a	1.2.3.3	n/a
Operational risk	1.2.1.4	1.2.2.2	1.2.3.4	1.2.4.2

1.2.1 Long-term insurance

1.2.1.1 Equity risk

Equity risk is the risk that the fair value of equity financial instruments will fluctuate as a result of changes in the market-place.

Equity investments are made on behalf of policyholders and shareholders. 99% of Clientèle Life's equity investments are listed. Equities are reflected at market values which are susceptible to fluctuations.

Factors affecting exposure to this risk

- The equity content in investment portfolios;
- The categories of equities invested in (sectoral spread); and
- Performance of equities in general.

Management of this risk

- Asset allocations are reviewed on a quarterly basis by the Group Investment Committee;
- The categories of equities invested in are monitored monthly by Melville Douglas and Cannon, who report to the Group Investment Committee;
- The equities selection and investment analysis process is outsourced to Melville Douglas and Cannon, who invest within the mandates set by the Group Investment Committee; and
- Outsourcing agreements are in place to ensure that Investment risks, returns and charges are appropriately managed.

1.2.1.2 Interest rate risk

Interest rate risk is the risk that the value of, or cash flows from, a financial instrument will fluctuate as a result of changes in interest rates. In addition, policyholders' liabilities will be affected by changes in interest rates.

Risk Management continued

Factors affecting this risk

- Changes in market interest rates have a direct effect on the contractually determined cash flows associated with floating rate financial assets and financial liabilities, and on the fair value of other investments;
- Fair values of fixed maturity investments included in the Group's investment portfolios are subject to changes in prevailing market interest rates; and
- Changes in market interest rates have a direct effect on the policyholders' liabilities.

Management of this risk

- The ongoing assessment by Melville Douglas of market expectations within the South African interest rate environment in conjunction with consultation with the Group Investment Committee, drives the process of asset allocation in this category.
- Interest rate risk is minimised by matching the profile of liabilities with similar assets.
- The majority of financial assets and financial liabilities are negotiated on a fixed interest basis and therafter the exposure to interest rate risk is largely mitigated.

1.2.1.3 Property risk

Property risk is the risk that the value of the properties will fluctuate as a result of changes in the property market.

The Group is exposed to property risk through its ownership of the three property subsidiaries of Clientèle Life, which own Clientèle Office Park as reflected in the Statement of Financial Position as well as to listed Property exposure in the Melville Douglas and Cannon portfolios. Clientèle Office Park is occupied by companies within the Group.

Factors affecting this risk

- Changes in interest rates;
- Occupancy levels in the Sandton/Morningside/Rivonia area and generally for occupancy levels of commercial, retail and industrial property in South Africa;
- The condition of the buildings and surrounds in the office park;
- Interest rates in South Africa; and
- The state of the South African Property market.

Management of this risk

- Management has chosen to make the office park the home of the Group;
- The office park is being continually maintained and improved to enhance its value;
- Management believes that the Sandton, Morningside and Rivonia areas have an extremely attractive long-term investment future for property, which is continually reviewed and assessed by management over time;
- Management ensures that appropriate insurance cover is in place to protect against property damage; and
- The exposure to listed Property is kept at acceptable levels and is reviewed monthly by management, Melville Douglas and Cannon.

1.2.1.4 Operational risk

The Group, which has close to a million policyholders and other clients, experiences operational risk in all facets of its business.

Factors affecting this risk

The operations, from the advertising stage through the lifecycle of a policyholder or client to claims or termination stage, expose the Group to operational risk on a daily basis.

Management of this risk

The Group has embedded a culture of risk management in each department and division within the Group and the Group has formalised its risk management processes to align with the principles outlined in King III. Operational risks are identified, evaluated, recorded and managed by each Excom member. These processes and procedures are further evaluated and reviewed to ensure that they are adequate and appropriate at Executive level and by the Group Risk Committee on behalf of the Board. Significant risks are escalated to the Group Risk Committee.

The Group has a dedicated Internal Audit function and a dedicated Group Compliance function.

1.2.2 Long-term investment contracts

1.2.2.1 Interest rate risk

Investment contracts (in respect of Single Premium business) which are classified as financial liabilities held at fair value through profit or loss are exposed to interest rate risk.

Factors affecting this risk

- Changes in interest rates will have an impact on the fair values of the underlying assets and liabilities; and
- Withdrawals by policyholders can result in fair values of the asset at the date of the withdrawal being lower than the original purchase price of the contract.

Management of this risk

- Interest rate risk is minimised by matching the profile of liabilities with similar assets at the inception of the contracts (R1 328,5 million (2012: R1 351,7 million) of financial assets relates to financial liabilities of the long-term investment contract business);
- Policyholder contracts provide that in the event of an early withdrawal by the policyholder the interest rate risk is carried by the policyholder; and
- The lower of market value or original cost is paid out to policyholders on early withdrawal.

In addition, surrender penalties and/or administration fees are charged.

1.2.2.2 Operational risk

Refer to 1.2.1.4

1.2.3 Short-term insurance

1.2.3.1 Equity risk

Equity risk is the risk that the fair value of equity financial instruments will fluctuate as a result of changes in the market-place.

Equity investments are made on behalf of shareholders. All the equity investments of Clientèle General Insurance are listed. Equities are reflected at market values which are susceptible to fluctuations.

Factors affecting exposure to this risk

- The equity content in investment portfolios;
- The categories of equities invested in (sectoral spread); and
- Performance of equities in general.

Management of this risk

- Asset allocations are reviewed on a quarterly basis by the Group Investment Committee;
- The categories of equities invested in are monitored monthly by Melville Douglas, who report to the Group Investment Committee; and
- The equities selection and investment analysis process is outsourced to Melville Douglas, who invest within the mandates set by the Group Investment Committee.

1.2.3.2 Interest rate risk

Interest rate risk is the risk that the value of, or cash flows from, a financial instrument will fluctuate as a result of changes in interest rates. In addition, policyholders' liabilities will be affected by changes in interest rates.

Factors affecting this risk

- Changes in market interest rates have a direct effect on the contractually determined cash flows associated with floating rate financial assets and financial liabilities;
- Fair values of fixed maturity investments will be affected by changes in prevailing market interest rates; and
- Changes in market interest rates have a direct effect on the policyholders' liabilities

Risk Management continued

Management of this risk

- The ongoing assessment by Melville Douglas of market expectations within the South African interest rate environment in conjunction with consultation with the Group Investment Committee, drives the process of asset allocation in this category.
- Interest rate risk is minimised by matching the profile of liabilities with similar assets.

1.2.3.3 Property risk

Property risk is the risk that the value of the properties will fluctuate as a result of changes in the property market.

The company is exposed to property risk through its ownership of listed Property exposure in the Melville Douglas portfolio.

Factors affecting this risk

- Changes in interest rates in South Africa;
- Occupancy levels of commercial/retail/industrial property in South Africa; and
- The state of the South African Property market.

Management of this risk

- The exposure to listed Property is kept at acceptable levels and is reviewed regularly by management, Melville Douglas and the Group Investment Committee.

1.2.3.4 Operational risk

Refer to 1.2.1.4

1.2.4 Loans business

1.2.4.1 Interest rate risk

Factors affecting this risk

The Group's loans business receives a fixed rate of interest on advances. Advances have a maximum repayment term of five years. Funding for loan facilities are provided at market-related fixed interest rates.

Management of this risk

Advances to customers are provided at fixed interest rates for the duration of the loan agreement and loan agreements with providers of finance are sourced at market-related fixed interest rates at inception.

Interest rate risk is minimised through both the granting of advances at fixed interest rates and raising of loans at fixed interest rates.

1.2.4.2 Operational risk

The day-to-day management of Clientèle Loans Direct is performed by Direct Axis in terms of the share-holders agreement with Clientèle.

Direct Axis is a fully integrated and centralised direct marketing business that offers selected financial products. Direct Axis has established joint ventures with other insurance and banking partners that utilise its risk management, intellectual property, marketing tools, IT infrastructure, database and risk assessment expertise, customer management skills and distribution ability. Direct Axis prides itself on its extensive loan portfolio management skills acquired since inception in 1995. Clientèle owns 70% of the personal loans business, Clientèle Loans Direct which is no longer entering into new business contracts. All new business contracts as of 16 February 2013 are being concluded in accordance with a PSA in respect of unsecured personal loans with WesBank (a division of FirstRand Bank Limited) and Direct Axis. This business is funded and conducted by WesBank as a separate business unit and administered by Direct Axis.

Management of this risk

The Board of Clientèle Loans Direct and the PSA Committee ensures, through regular reports from Direct Axis at its Board and Management Committee meetings and through regular management information, that the operational risks are appropriately managed by Direct Axis.

1.3 Credit Risk

Credit risk is the risk that a counterparty will fail to discharge an obligation on an asset held or agreement entered into and cause the Group to incur a financial loss.

Balances where the Group has exposure to credit risk include financial assets (excluding equities), amounts receivable from insurance policyholders, amounts due from reinsurers, loans from loans business and cash and cash equivalents.

The financial assets (excluding equities) and reinsurance assets included in the Statement of Financial Position are exposed to credit risk. At 30 June 2013, the Group did not consider there to be a significant concentration of credit risk and no provision for credit risk has been made, except for a provision against advances to customers on the loans business, which is set out in note 1.3.3.

Factors affecting this risk

- Fair values of investments may be affected by the creditworthiness of the issuer of securities. The Group is also exposed to credit risk for any reinsurance assets held. If a reinsurer fails to pay a claim, the Group remains liable for the payment to the policyholder; and
- Customers that receive advances in the loans business may not be able to repay loans.

Management of this risk

- Spreading of financial assets in terms of the provisions of the Long-term Insurance Act and the Short-term Insurance Act for Clientèle Life and Clientèle General Insurance has the effect of limiting exposure to individual issuers due to the inadmissibility of assets for regulatory purposes if specified limits are breached. Exposure vs limits is evaluated on an ongoing basis;
- Cash equivalents, financial assets and reinsurance are placed with reputable companies. The credit rating of the company is assessed when placing the business and when there is a decrease in the status of the credit rating of the company. The counterparties for assets backing financial liabilities at fair value through profit or loss in respect of guaranteed single premium Investment Contract Business are rated at least A1- by International rating agencies (refer to debt rating scale on page 87);
- The Group places business with at least A1+ rated reinsurers (refer to debt rating scale on page 87);
- The credit risk in respect of advances granted by Clientèle Loans Direct is managed by the specialised and experienced management team at Direct Axis (refer to note 1.3.3); and
- The credit risk in respect of advances granted in terms of the PSA is borne by WesBank as the advances are granted by WesBank and are reflected as assets on its Statement of Financial Position. Clientèle shares in profits when the PSA is in a net cumulative profit position.

Risk Management continued

Credit risk	Long-term insurance and Investment Contract Business	Short-term insurance	Loans business
Credit and Concentration risk	1.3.1	1.3.2	1.3.3

1.3.1 Long-term insurance and Investment Contract Business

The following table provides information regarding the aggregated credit risk exposure for the assets relating to the Group's long-term insurance and Investment Contract Business at 30 June:

(R'000)	A1+	A1	A1-	Not rated	Total carrying value
2013					
Reinsurance assets	**3 337**				**3 337**
Financial assets at fair value through profit or loss (refer to note 8)	**932 189**	**667 713**	**33 619**	**–**	**1 633 521**
Promissory notes and deposits	**689 353**	**629 796**			**1 319 149**
Funds on deposit	**99 391**				**99 391**
Fixed interest securities	**113 577**	**37 917**	**33 619**		**185 113**
Government and public authority bonds	**29 868**				**29 868**
Loans and receivables including insurance receivables				**107 691#**	**107 691**
Cash and cash equivalents	**146 022**				**146 022**
Total assets bearing credit risk	**1 081 548**	**667 713**	**33 619**	**107 691**	**1 890 571**

 # Refer to note 9 on page 134

(R'000)	A1+	A1	A1-	Not rated	Total carrying value
2012					
Reinsurance assets	3 845				3 845
Financial assets at fair value through profit or loss (refer to note 8)	1 048 937	501 523	104 930		1 655 390
Promissory notes and deposits	699 679	501 523	104 930		1 306 132
Funds on deposit	135 827				135 827
Fixed interest securities	173 495				173 495
Government and public authority bonds	39 936				39 936
Loans and receivables including insurance receivables				91 213#	91 213
Cash and cash equivalents	147 503				147 503
Total assets bearing credit risk	1 200 285	501 523	104 930	91 213	1 897 951

 # Refer to note 9 on page 134

Risk Management continued

1.3.2 Short-term insurance

The following table provides information regarding the aggregated credit risk exposure for the Group's short-term insurance business at 30 June:

(R'000)	A1+	A1	A1-	Not rated	Total carrying value
2013					
Financial assets at fair value through profit or loss (refer to note 8)	46 858	5 696	3 469		56 023
Funds on deposit	30 657				30 657
Fixed interest securities	13 044	5 696	3 469		22 209
Government and public authority bonds	3 157				3 157
Receivables including insurance receivables				905	905
Cash and cash equivalents	27 653				27 653
Total assets bearing credit risk	74 511	5 696	3 469	905	84 581
2012					
Financial assets at fair value through profit or loss (refer to note 8)	40 027				40 027
Funds on deposit	23 463				23 463
Fixed interest securities	12 890				12 890
Government and public authority bonds	3 674				3 674
Receivables including insurance receivables				1 271	1 271
Cash and cash equivalents	11 993				11 993
Total assets bearing credit risk	52 020			1 271	53 291

Debt rating scale

High grade

Ratings scale summary by Ratings Agency

		Moody's Long-Term	Fitch Long-Term
A1+	Highest certainty of timely payment. Short-term liquidity, including internal operating factors and/or access to alternative sources of funds, is outstanding and safety is just below that of risk-free treasury bills.	Aaa	AAA
		Aa1	AA+
		Aa2	AA
		Aa3	AA-
A1	Very high certainty of timely payment. Liquidity factors are excellent and supported by good fundamental protection factors. Risk factors are minor	A1	A+
		A2	A
		A3	A-
A1-	High certainty of timely payment. Liquidity factors are strong and supported by good fundamental protection factors. Risk factors are very small	Baa1	BBB+
		Baa2	BBB
		Baa3	BBB-

#Not rated

The Group considers and reviews credit risk on all financial instrument exposures, however, in certain categories a formal investment grade is not available. The financial assets in this category comprise mainly inter-group loans which eliminate on consolidation as well as prepaid expenses to usual third parties, which are managed with contractual agreements. An internal analysis of these items is performed to assess the riskiness thereof.

Risk Management continued

1.3.3 Loans business

The principal financial assets of the loans business are advances receivable and cash and cash equivalents.

The credit risk in cash and cash equivalents is limited because the funds are held with financial institutions with high credit ratings assigned by credit rating agencies.

Credit risk is primarily attributable to advances receivable. Clientèle Loans Direct only grants advances to individuals 'scored' as creditworthy individuals. It is Clientèle Loans Direct's policy to subject potential customers to credit verification procedures. In addition, balances in respect of advances are monitored on a monthly basis.

The amounts represented in the Statement of Financial Position are net of allowances for impairment. An impairment is made where there is an identified loss event, based on previous experience or there is evidence of a reduction in the recoverability of the cash flows. The advances related to the PSA are on WesBank's balance sheet.

The Directors do not consider there to be any material credit risk exposure which is not adequately provided for.

Concentration risk is the risk of losses associated with inadequately diversified asset portfolios. This may arise either from a lack of diversification in the asset portfolio or as a result of large exposure to a single client.

There is no significant concentration of credit risk as indicated by the broad spread of average loan values in the following tables:

Average loan value (at inception) (R'000)	Number of loans	% of total number of loans	Carrying value R'000	% of total carrying value
2013				
< 5	**1 372**	**9**	**14 800**	**7**
5 – 10	**4 325**	**28**	**23 267**	**11**
10 – 15	**2 773**	**18**	**27 793**	**13**
15 – 20	**1 973**	**13**	**29 182**	**13**
20 – 30	**3 249**	**21**	**70 238**	**32**
30 – 40	**1 198**	**8**	**34 924**	**16**
40 – 50	**423**	**3**	**17 176**	**8**
Total	**15 313**	**100**	**217 380**	**100**
2012				
< 5	4 123	15	10 278	5
5 – 10	11 725	42	34 028	18
10 – 15	5 370	19	32 752	17
15 – 20	2 295	8	26 008	13
20 – 30	2 829	10	49 100	25
30 – 40	1 264	5	33 461	17
40 – 50	258	1	8 759	5
Total	27 864	100	194 386	100

With respect to credit risk arising from other financial assets, which comprise cash and cash equivalents and accounts receivable, the exposure to credit risk arises from the potential default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Cash transactions are limited to high-credit-quality financial institutions.

Risk Management continued

(R'000)	2013	2012
The maximum exposure to credit risk is as follows:		
Unsecured interest bearing loans receivable	217 380	194 386
Accounts and other receivables (not rated)	5 036	3 747
Cash and cash equivalents (A1+ credit rating)	5 757	8 880
Total	228 173	207 013

The following table details the advances of the Loans business (Clientèle Loans Direct):

(R'000)	2013	2012
Neither impaired nor past due		
– Unsecured interest bearing loans receivable	182 148	177 649
Past due but not impaired	28 823	12 863
Impaired advances	6 409	3 874
Total advances	217 380	194 386
Less: Impairments	(23 989)	(15 334)
Carrying amount at end of year	193 391	179 052

Clientèle Loans Direct has provided specifically for all advances over 120 days based on historical experience which indicates that advances repayable beyond 120 days are generally not recoverable. Advances between current and 120 days are provided for based on estimated irrecoverable amounts from advances, determined by reference to past default experience.

	Ageing of past due but not specifically impaired		Ageing of specifically impaired advances	
	2013	2012	2013	2012
30 – 60 days			626	340
60 – 90 days	4 447	2 964	256	269
90 – 120 days	5 766	2 590	147	131
120 – 150 days	5 148	2 007	61	191
150 + days	13 462	5 302	5 319	2 943
	28 823	12 863	6 409	3 874

In determining the recoverability of an advance, any change in the credit quality of the customer from the date credit was initially granted up to the reporting date is considered. The concentration of credit risk is limited due to the fact that the customer base is unrelated. All mailing offers are done on an individual basis to the Group's customers. Accordingly, the Directors believe that there is no further credit provision required in excess of the impairment provisions.

Included in the impairment provision are specific impaired advances with a balance of R3,5 million (2012: R2,8 million) and R20,5 million (2012: R12,5 million) as a portfolio impairment provision. The impairment recognised represents the difference between the carrying amount of these receivables and the present value of the expected recoveries. Collateral over these balances is not held.

1.4 Liquidity Risk

Liquidity risk is the risk that cash may not be available to pay obligations when due.

Management of this risk

- Cash flow management: Active liquidity and funding management is an integrated effort across a number of functional areas, which is monitored by management;
- Appropriate assets back and match the Group's liabilities and it has sufficient liquid resources. The Group also continues to experience strong positive net cash flows;
- Insurance business: The expected and contractual maturities of insurance liabilities are monitored on a monthly basis by the Group Actuarial Committee, which ensures that the assets are appropriate to cover expected insurance obligations (both life insurance and short-term insurance) as and when due. The Group Investment Committee ensures that the mix of investments is appropriate to ensure that sufficient cash will be available to meet insurance obligations as and when due;

Risk Management continued

- Investment business: The contractual maturities of single premium guaranteed endowment investment product business are matched by purchasing appropriate high quality assets of the same maturity profile. This ensures that cash is available on maturity of the policyholder obligations. The contractual maturities of single premium linked endowment investment business are also matched by purchasing assets of the same maturity profile;
- Loans business: The Group is exposed to liquidity risk in the event that repayments from customers of Clientèle Loans Direct are not sufficient to meet the repayment schedules agreed with the providers of funding. Cash flows are monitored on a monthly basis to ensure that cash resources are adequate to meet the necessary requirements; and
- Funding for the PSA is provided by WesBank.

	Long-term insurance and Investment Contract Business	Short-term insurance	Loans business
Liquidity risk	1.4.1	1.4.2	1.4.3

- ALM risk

  ALM risk is the risk that the Group's assets are not adequately matched to back the Group's insurance contract liabilities and financial liabilities.

  Factors affecting this risk

  – Policyholder benefit payments, at higher rates than assumed;
  – A mismatch in the investment performance of financial assets relating to the underlying insurance contract liabilities or financial liabilities at fair value through profit or loss; and
  – Holding insufficient free assets in relation to actuarial liabilities.

  Management of this risk

  – Products with a savings component are unit-linked products matched to the underlying net investment performance;
  – The assets backing financial liabilities at fair value through profit or loss are matched upfront and are monitored on a monthly basis to ensure appropriate asset-liability matching is achieved;
  – A CAR ratio in excess of regulatory requirements is maintained at all times;
  – Spreading of assets in terms of the provisions of the Long-term Insurance Act and the Short-term Insurance Act for Clientèle Life and Clientèle General Insurance respectively has the effect of limiting exposure to individual issuers due to the inadmissibility of assets for regulatory purposes if specified limits are breached; and
  – Regular monitoring by the Group Actuarial and Group Investment Committees.

1.4.1 Long-term insurance and Investment Contract Business

The table below gives an indication of the liquidity needs in respect of expected and contractual cash flows required to meet obligations arising under long-term insurance contracts and investment contracts respectively and compares these cash flows to the expected and contractual cash flows from financial and reinsurance assets held at the Statement of Financial Position date.

Risk Management continued

The following table summarises the overall maturity profile of financial and reinsurance assets and liabilities of the Group's long-term insurance and Investment Contract Business:

(R'000)	Contractual cash flows for financial instruments and expected cash flows for insurance contracts (undiscounted) < 1 year	1-5 years	>5 years	Open ended	Dis-counting effect	Margins*	Undis-counted policy-holder liabilities under insurance contracts	Total
2013								
Reinsurance assets	3 129				(42)	250		3 337
Financial assets at fair value through profit or loss:								
Debt securities (refer to note 8)	532 875	1 376 888	31 366	–	(307 608)	–	–	1 633 521
Promissory notes and deposits								
– Assets backing guaranteed endowment investment contracts	143 773	967 626			(209 120)			902 279
– Assets backing linked endowment investment contracts	278 666	236 692			(98 488)			416 870
Funds on deposit	99 391							99 391
Fixed interest securities	11 045	142 702	31 366					185 113
Government and public authority bonds		29 868						29 868
Equity securities (refer to note 8)	–	–	–	557 679	–	–	–	557 679
Listed equity securities				553 879				553 879
Unlisted equity securities				3 800				3 800
Receivables including insurance receivables	107 691							107 691
Cash and cash equivalents	146 022							146 022
Total assets	789 717	1 376 888	31 366	557 679	(307 650)	250	–	2 448 250
Policyholder liabilities under insurance contracts**	(416 902)	(697 897)	(468 602)		400 682	1 914 488	5 181	736 950
Financial liabilities at fair value through profit and loss**	426 421	1 021 861			(164 971)			1 283 311
Financial liabilities at amortised cost		50 653			(7 549)			43 104
Accruals and payables including insurance payables	82 651	17 608						100 259
Total liabilities	92 170	392 225	(468 602)	–	228 162	1 914 488	5 181	2 163 624
Excess/(shortfall) of assets over liabilities	697 547	984 663	499 968	557 679	(535 812)	(1 914 238)	(5 181)	284 626

* *Including compulsory and discretionary margins*
** *Brackets in respect of liabilities denotes positive cash flows*

Risk Management continued

The following table summarises the overall maturity profile of financial assets and liabilities of the Group's long-term insurance and Investment Contract Business:

	Contractual cash flows for financial instruments and expected cash flows for insurance contracts (undiscounted)							
(R'000)	**< 1 year**	**1-5 years**	**>5 years**	**Open ended**	**Dis-counting effect**	**Margins**	**Undis-counted policy-holder liabilities under insurance contracts**	**Total**
2012								
Reinsurance assets	3 596				(39)	288		3 845
Financial assets at fair value through profit or loss:								
Debt securities (refer to note 8)	**311 008**	**1 527 358**	**27 486**	**–**	**(210 462)**	**–**	**–**	**1 655 390**
Promissory notes and deposits								
– Assets backing guaranteed endowment investment contracts	133 602	901 265			(116 527)			918 340
– Assets backing linked endowment investment contracts	15 710	466 017			(93 935)			387 792
Funds on deposit	135 827							135 827
Fixed interest securities	25 869	120 140	27 486					173 495
Government and public authority bonds		39 936						39 936
Equity securities (refer to note 8)	**–**	**–**		**572 498**	**–**	**–**	**–**	**572 498**
Listed equity securities				568 814				568 814
Unlisted equity securities				3 684				3 684
Receivables including insurance receivables	91 213							91 213
Cash and cash equivalents	147 503							147 503
Total assets	**553 320**	**1 527 358**	**27 486**	**572 498**	**(210 501)**	**288**	**–**	**2 470 449**
Policyholder liabilities under insurance contracts**	(395 116)	(747 182)	(194 569)		257 748	1 856 119	3 532	780 532
Financial liabilities at fair value through profit and loss**	202 834	1 308 754			(198 684)			1 312 904
Financial liabilities at amortised cost		50 653			(12 254)			38 399
Accruals and payables including insurance payables	97 451	22 778						120 229
Total liabilities	**(94 831)**	**635 003**	**(194 569)**	**–**	**46 810**	**1 856 119**	**3 532**	**2 252 064**
Excess/(shortfall) of assets over liabilities	**648 151**	**892 355**	**222 055**	**572 498**	**(257 311)**	**(1 855 831)**	**(3 532)**	**218 385**

* *Including compulsory and discretionary margins*
** *Brackets in respect of liabilities denotes positive cash flows*

The following table shows the total surrender value which is the worst case contractual obligations compared to the carrying value of policyholders' liabilities:

	30 June 2013			30 June 2012		
(R'000)	**Carrying value for policies with no surrender value**	**Carrying value for policies with a surrender value**	**Surrender value**	Carrying value for policies with no surrender value	Carrying value for policies with a surrender value	Surrender value
Insurance business	104 214	632 736	795 140	110 215	670 317	750 684
Investment business	479 880	846 535	821 139	469 826	881 477	855 033
Total	**584 094**	**1 479 271**	**1 616 279**	580 041	1 551 794	1 605 717

Clientèle LIMITED

Risk Management continued

1.4.2 Short-term insurance

The following table summarises the overall maturity profile of financial assets and liabilities of the Group's short-term insurance business:

(R'000)	Contractual cash flows for financial instruments and expected cash flows for insurance contracts (undiscounted) < 1 year	1 – 5 years	>5 years	Open ended	Dis-counting effect	Margins	Undis-counted policy-holder liabilities under insurance contracts	Total
2013								
Financial assets at fair value through profit or loss	33 317	19 573	3 133	40 757	–	–	–	96 780
Debt securities (refer to note 8)								
Funds on deposit	30 657							30 657
Fixed interest securities	2 660	16 416	3 133					22 209
Government and public authority bonds		3 157						3 157
Equity securities (refer to note 8)								
Listed equity securities				40 757				40 757
Receivables including insurance receivables	905							905
Cash and cash equivalents	27 653							27 653
Total assets	61 875	19 573	3 133	40 757	–	–	–	125 338
Policyholder liabilities under insurance contracts*	5 045	2 390	–	–	(340)	361	2 245	9 701
Accruals and payables	13 803							13 803
Total liabilities	18 848	2 390	–	–	(340)	361	2 245	23 504
Excess/(shortfall) of assets over liabilities	43 027	17 183	3 133	40 757	340	(361)	(2 245)	101 834
2012								
Financial assets at fair value through profit or loss	24 602	14 269	1 156	35 992	–	–	–	76 019
Debt securities (refer to note 8)								
Funds on deposit	23 463							23 463
Fixed interest securities	1 139	10 595	1 156					12 890
Government and public authority bonds		3 674						3 674
Equity securities (refer to note 8)								
Listed equity securities				35 992				35 992
Receivables including insurance receivables	1 271							1 271
Cash and cash equivalents	11 993							11 993
Total assets	37 866	14 269	1 156	35 992	–	–	–	89 283
Policyholder liabilities under insurance contracts*	4 102	4 112	–	–	(448)	675	1 752	10 193
Accruals and payables	10 532							10 532
Total liabilities	14 634	4 112	–	–	(448)	675	1 752	20 725
Excess/(shortfall) of assets over liabilities	23 232	10 157	1 156	35 992	448	(675)	(1 752)	68 558

Risk Management continued

1.4.3 Loans business

The following table summarises the overall maturity profile of financial assets and liabilities of the Group's loans business (Clientèle Loans Direct):

(R'000)	Contractual cash flows for financial instruments < 1 year	Contractual cash flows for financial instruments 1 – 5 years	Impair-ments	Total
2013				
Loans and receivables	83 013	139 363	(23 989)	198 387
Cash and cash equivalents	5 757			5 757
Assets	88 770	139 363	(23 989)	204 144
Loans at amortised cost*	56 870	157 047		213 917
Accruals and payables	1 618			1 618
Liabilities	58 488	157 047	–	215 535
Excess/(shortfall) of assets over liabilities	30 282	(17 684)	(23 989)	(11 391)
2012				
Loans and receivables	70 904	127 228	(15 334)	182 798
Cash and cash equivalents	8 880			8 880
Assets	79 784	127 228	(15 334)	191 678
Loans at amortised cost*		204 184		204 184
Accruals and payables	1 372			1 372
Liabilities	1 372	204 184	–	205 556
Excess/(shortfall) of assets over liabilities	78 412	(76 956)	(15 334)	(13 878)

* *Clientèle will provide financial assistance to the Loans business until such time that its assets fairly valued, exceeds its liabilities*

1.5 Fair value hierarchy

1.5.1 Introduction

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arms-length transaction. This requires disclosure of fair value measurements by level, of the following fair value measurement hierarchy:

* Level 1: Values are determined using readily and regularly available quoted prices in an active market for identical assets or liabilities.
* Level 2: Values are determined using valuation techniques or models, based on assumptions supported by observable market prices or rates either directly (that is, as prices) or indirectly (that is, derived from prices) prevailing at the Statement of Financial Position date.
* Level 3: Values are estimated indirectly using valuation techniques or models for which one or more of the significant inputs are assumptions (based on unobservable market inputs).

1.5.2 Asset Hierarchy

	Level 1 R'000	Level 2 R'000	Total R'000
2013			
Financial assets at fair value through profit and loss			
Listed equity securities	594 636		594 636
Unlisted equity securities		3 800	3 800
Promissory notes and deposits		1 319 149	1 319 149
Funds on deposit		130 048	130 048
Fixed interest securities		207 322	207 322
Government and public authority bonds	33 025		33 025
Assets subject to fair value hierarchy analysis	627 661	1 660 319	2 287 980
2012			
Financial assets at fair value through profit and loss			
Listed equity securities	604 806		604 806
Unlisted equity securities		3 684	3 684
Promissory notes and deposits		1 306 132	1 306 132
Funds on deposit		159 290	159 290
Fixed interest securities		186 385	186 385
Government and public authority bonds	43 610		43 610
Assets subject to fair value hierarchy analysis	648 416	1 655 491	2 303 907

1.5.3 Liability Hierarchy

	Level 1 R'000	Level 2 R'000	Total R'000
2013			
Financial liabilities at fair value through profit and loss		1 283 311	1 283 311
Liabilities subject to fair value hierarchy analysis	–	1 283 311	1 283 311
2012			
Financial liabilities at fair value through profit and loss		1 312 904	1 312 904
Liabilities subject to fair value hierarchy analysis	–	1 312 904	1 312 904

1.6 Insurance Risk

Insurance risk is the risk that benefit payments and expenses exceed the carrying amount of the Group's insurance liabilities. Insurance events are random and the actual number and quantum of claims and benefits will vary from year to year. The table below sets out the most significant components of insurance risk.

Insurance risk	Long-term Insurance	Short-term Insurance
Mortality and morbidity risk	1.6.1.1	
Frequency and severity of claims risk		1.6.2.1
Contract persistency risk	1.6.1.2	1.6.2.2
Expense risk	1.6.1.3	1.6.2.3
Assumption risk	1.6.1.4	1.6.2.4
Data risk	1.6.1.5	1.6.2.5

Risk Management continued

1.6.1 Long-term insurance

1.6.1.1 Mortality and morbidity risks

Contracts provide benefits on death, dread disease, hospitalisation and disability to individuals.

Underwriting processes are in place to manage exposure to mortality and morbidity risks. The most significant measures are:

- Premium rates are required to be certified by the Statutory Actuary as being financially sound;
- Semi-annual experience investigations are conducted and used to set and review premium rates; and
- Reinsurance arrangements are negotiated in order to limit the risk on any individual contract.

Factors affecting these risks:

- The most significant factors that could substantially increase the frequency of claims are epidemics (such as AIDS) or widespread changes in lifestyle (smoking, exercise, eating, sexual practices), resulting in more or earlier claims;
- Economic conditions can potentially affect morbidity claims where benefits are determined in terms of the ability to perform an occupation; and
- Fraudulent claims.

Management of this risk

- To reduce cross-subsidisation of risks and the possibility of anti-selection, premium rates differentiate on the basis of age, gender and other relevant factors. Semi-annual experience investigations have shown that these are reliable indicators of the risk exposure;
- To mitigate anti-selection, most policies covering death by natural causes have a waiting period;
- At claims stage undisclosed pre-existing adverse medical conditions are excluded;
- An additional provision is held in respect of the potential deterioration of mortality experience as a result of AIDS risks using modern best practice models as advocated by the Actuarial Society of South Africa;
- Reinsurance agreements are used to limit the risk on any single policy. Currently no catastrophe cover has been purchased;
- Claims as a result of death due to natural causes are reinsured for between 50% and 90% of the claim depending on product types and potential claim size;
- Claims as a result of accidental death below a pre-determined amount are not reinsured and claims experience is monitored monthly;
- To mitigate the fraud risk in respect of claims, experience is carefully monitored to identify any anomalies in specific geographies or institutions and external medical experts are consulted to confirm the validity of claims; and
- The Group Actuarial Committee meets at least four times a year and monitors the mortality and morbidity experience versus the assumptions.

The table below shows the concentration of individual insurance contract benefits by sum insured at risk.

Sum insured per benefit (R'000)	Number of benefits insured	Gross amount R'm	Net amount R'm
2013			
0 – 20	1 341 353	9 404	3 996
20 – 50	571 684	22 389	13 749
50 – 100	187 098	12 267	8 221
100 – 200	79 587	11 932	4 249
200 – 500	42 273	11 796	3 614
500 +	12 822	11 161	2 984
Total	2 234 817	78 949	36 813

Sum insured per benefit (R'000)	Number of benefits insured	Gross amount R'm	Net amount R'm
2012			
0 – 20	1 196 490	8 574	3 264
20 – 50	608 314	24 101	14 554
50 – 100	194 189	12 459	9 154
100 – 200	106 330	16 550	5 463
200 – 500	31 181	8 875	2 836
500 +	9 705	7 720	2 511
Total	**2 146 209**	**78 279**	**37 782**

The above tables demonstrate that there is limited concentration risk as risk is spread over numerous beneficiaries with the highest volume in respect of the smaller sums insured.

The number and value of benefits include a large number of benefits with a low incidence of claims (e.g. accidental death below a pre-determined level where anti-selection is not probable), which are not reinsured. Where the risk of anti-selection or incidence is higher these policies are reinsured for between 50% and 90% of the benefits depending on product types and potential claim size.

1.6.1.2 Contract persistency risk

Policyholders have a right to pay reduced premiums or no future premiums with corresponding reduced benefits, or to terminate the contract completely before expiry of the contract term.

Expenses incurred in the acquisition of contracts are expected to be recouped over the term of the policy. These may not be recovered where the premiums are reduced or the contract terminated.

Factors affecting this risk

- Economic conditions and/or consumer trends can influence persistency rates;
- Changes in banking processes and procedures (for example, the use of non-authenticated early debit order system (NAEDO));
- Terminations can have the effect of increasing risk – e.g. policyholders whose health has deteriorated are less likely, on average, to terminate a contract providing death benefits; and
- Bad publicity of the industry.

Management of this risk

- Where withdrawal benefits are payable on termination, these can be adjusted to recover certain expenses. However, market and legislative forces restrict the extent to which this may be done;
- Persistency rates are measured on a monthly basis and resources are directed towards the sale of business with higher persistency, understanding our policyholders' payment abilities and improved methods of collecting premiums;
- Cashback benefits payable after a number of years are offered on certain policies which encourage persistency and reduce the financial impact (risk) of early withdrawal; and
- Monitoring by the Group Actuarial Committee on a regular basis.

1.6.1.3 Expense risk

Expense risk is the risk that actual expenses are greater than expected.

Factors affecting this risk

- Factors impacting this risk could include a stagnation or reduction in new business volumes (making it difficult to cover fixed expenses), or an unexpected sudden increase in expenses; and
- Withdrawals at rates higher than expectation, not compensated for by higher levels of new business.

Management of this risk

- This risk is managed through comprehensive budgeting and forecasting processes, strict cost control by business units together with strong new business flows and the management of collections.

Risk Management continued

1.6.1.4 Assumption risk

Assumption risk is the risk that the assumptions used in the Valuation are not borne out in reality.

Factors affecting this risk

- Adverse actual experience or the use of incorrect assumptions.

Management of this risk

- Independent Statutory Actuaries are used for setting actuarial assumptions and for the valuation of liabilities semi-annually; and
- Actual experience is closely monitored and compared to assumptions on a monthly basis.

1.6.1.5 Data risk

Data risk is the risk that data used in the policyholder liability valuation calculations is inaccurate or incomplete.

Factors affecting this risk

- Incorrect data or Valuation extracts eminating from the policy administration system and being used as input for the Actuarial Valuation model; and
- Incorrect capturing of data on the policy administration system.

Management of this risk

- Data integrity testing and the investigation of exceptions reported takes place monthly;
- Policyholder liability Valuation calculations are done on a monthly basis;
- EV calculations are done on a monthly basis;
- Management review the Valuation and calculations monthly;
- Group Actuarial Committee meetings are held at least four times a year; and
- Analysis of EV movements would identify any large discrepancies.

1.6.2 Short-term insurance

Short-term insurance in respect of personal lines legal insurance and is currently limited to a maximum of R350 000 (2012: R320 000) of legal claims per policy per annum and R3,5 million (2012: R3,2 million), per policy for life.

Short-term insurance in respect of business lines legal insurance is currently limited to a maximum of R500 000 of legal claims per policy per annum. Comparitives for 2012 is not available as this policy is only available from 2013.

1.6.2.1 Frequency and severity of claims

Factors affecting this risk

- The rand value of claims in respect of personal lines or business lines legal matters is higher than expected;
- The frequency of claims per policyholder is expected to be high and the claim values are expected to be low. As claims frequency is high, increases in average cost per claim will potentially have a large impact;
- Increase in litigation costs in the future may be higher than expected; and
- Accidental death claims can be higher than expected.

Management of this risk

- These contracts are issued individually and exclude pre-existing litigation matters and certain specifically excluded matters;
- Limits are set on the amount which can be claimed annually and in a policyholder's lifetime;
- Most matters are dealt with through in-house legal advice and day to day management is exercised with regard to the expected versus actual claims ratios and statistics;
- The panel of external attorneys who provide legal advice is continually reviewed and assessed to ensure the appropriate level of advice and charges for legal advice. This panel of external attorneys must provide a valid fidelity fund certificate to ensure that they are registered with the requisite Law Society. This ensures that they enjoy professional indemnity cover;
- A reinsurance agreement is used to limit the risk on any single policy in terms of accidental death exposure; and
- Claims experience on the accidental death claims is monitored monthly.

1.6.2.2 Contract persistency risk

Policyholders have a right to terminate the contract completely before expiry of the contract term.

Expenses incurred in the acquisition of contracts are expected to be recouped over the expected lifespan of the policy. These may not be recovered where the premiums are reduced or the contract terminated.

Factors affecting this risk

- Economic conditions and/or consumer trends can influence persistency rates;
- Changes in banking processes and procedures (for example, the use of non-authenticated early debit order system (NAEDO));
- Terminations can have the effect of increasing risk; and
- Bad publicity of the industry.

Management of this risk

- Persistency rates are measured on a monthly basis and resources are directed towards the sale of business with higher persistency, understanding our policyholders' payment abilities and improved methods of collecting premiums; and
- Monitoring by the Group Actuarial Committee on a regular basis.

1.6.2.3 Expense risk

Expense risk is the risk that actual expenses are greater than expected.

Factors affecting this risk

- Stagnation or reduction in new business volumes (making it difficult to cover fixed expenses), or an unexpected increase in expenses; and
- Withdrawals at rates higher than expectation, not compensated for by higher levels of new business.

Management of this risk

- This risk is managed through comprehensive budgeting and forecasting processes, strict cost control by business units together with strong new business flows and the management of collections.

1.6.2.4 Assumption risk

Assumption risk is the risk that the assumptions used in the Valuation are not borne out in reality.

Factors affecting this risk

- Adverse actual experience or the use of incorrect assumptions.

Management of this risk

- Independent Statutory Actuaries are used for the valuation of liabilities semi-annually; and
- Actual experience is closely monitored and compared to assumptions on a monthly basis.

1.6.2.5 Data risk

Data risk is the risk that data used in the policyholder liability valuation calculations is inaccurate or incomplete.

Factors affecting this risk

- Incorrect data or Valuation extracts between the policy administration system and the Actuarial Valuation model; and
- Incorrect capturing of data on the policy administration system.

Management of this risk

- Data integrity testing and the investigation of exceptions reported takes place monthly;
- Policyholder liability Valuation calculations are done on a monthly basis;
- EV calculations are done on a monthly basis;
- Management review the Valuation and calculations monthly; and
- Group Actuarial Committee meetings are held at least four times a year.

2. SENSITIVITY ANALYSIS

The Group's profitability and capital base, through its insurance, investment contract and loans business operations and financial assets held, are exposed to both financial and insurance risks.

In order to interpret the table on pages 100 to 101 users are encouraged to understand the basis on which the variables were set and combine this information with other components of the financial statements. The sensitivities provided are not amounts that can be simply extrapolated to determine prospective earnings forecasts and caution is advised to any user doing this. They do, however, provide insight into the impact that changes in these risks can have on policyholders' liabilities, where applicable, and attributable profit after taxation.

Risk Management continued

Sensitivity ranges

The sensitivity ranges, i.e. the upper and lower limits, are indicative of the range of possible changes within a twelve month period from the reporting date of 30 June 2013.

Sensitivities provided are as follows:

Financial risk variables

Equity price:	Possible price movements in equities held based on changes in the JSE ALSI.
Interest rate:	Based on a parallel shift in the prevailing interest rate yield curves.
Property equity value:	Possible price movements in the property investments held.

2.1 Long-term insurance

Long-term insurance risk variables

Assurance mortality/morbidity:	Where actual death/disability rates by age category vary to those assumed on measurement of policies that offer death/disability benefits.
Renewal expenses:	Where actual expenses incurred differ to those assumed for maintaining and servicing the in-force contracts.
Withdrawals:	The possible change in expectation of policyholders' withdrawing or lapsing benefits prior to the expiry of the contract or the assumed duration of the contract.
Inflation:	A parallel shift in the prevailing inflation rate.

The table below summarises the impact of each change to the risk variables outlined above.

Positive numbers represent an increase in policyholders' liabilities or profit after taxation and, correspondingly, negative numbers indicate a decrease in policyholders' liabilities or profit after taxation.

In each sensitivity calculation, all other assumptions remain unchanged.

	30 June 2013			30 June 2012	
Sensitivity analysis (R'000)	**% change**	**Impact on policy-holders' liabilities**	**Impact on profit after tax**	Impact on policy-holders' liabilities	Impact on profit after tax
Financial risk variables					
Equity price	**+10**	**44 277**	**8 682**	38 653	13 804
Equity price	**-10**	**(44 087)**	**(8 818)**	(38 403)	(13 984)
Interest rate	**+1**	**(208)**	**150**	2 108	(1 518)
Interest rate	**-1**	**1 559**	**(1 123)**	(2 135)	1 537
Property equity value	**+10**	**6 685**	**1 097**	6 269	1 608
Property equity value	**-10**	**(6 693)**	**(1 092)**	(6 251)	(1 622)
Long-term insurance risk variables					
Assurance mortality and morbidity (gross)	**+10**	**6 692**	**(4 818)**	3 063	(2 205)
Assurance mortality and morbidity (gross)	**-10**	**(5 433)**	**3 911**	(2 973)	2 140
Renewal expenses	**+10**	**4 195**	**(3 021)**	5 500	(3 960)
Renewal expenses	**-10**	**(4 152)**	**2 990**	(5 383)	3 876
Withdrawals	**+10**	**1 631**	**(1 174)**	1 640	(1 180)
Withdrawals	**-10**	**(1 315)**	**947**	(1 453)	1 047
Inflation	**+1**	**1 261**	**(908)**	1 672	(1 204)
Inflation	**-1**	**(1 179)**	**849**	(1 903)	1 370

It should be noted that the above sensitivities allow for the elimination of negative reserves. As a result the reader is also referred to the EV sensitivities on page 58.

Risk Management continued

2.2 Short-term insurance

Short-term insurance risk variables

Withdrawals:	The possible change in expectation of policyholders withdrawing or lapsing benefits prior to the expiry of the contract or the assumed duration of the contract.
Value of claims:	Where actual claims incurred differ from historical claims incurred.
Duration of settlement:	Where actual time taken to settle claims varies.

The table below summarises the impact of each change to the risk variables outlined above.

Positive numbers represent an increase in policyholders' liabilities or profit after taxation and, correspondingly, negative numbers indicate a decrease in policyholders' liabilities or profit after taxation.

In each sensitivity calculation, all other assumptions remain unchanged.

	30 June 2013			30 June 2012	
Sensitivity analysis (R'000)	**% change**	**Impact on policy-holders' liabilities**	**Impact on profit after tax**	Impact on policy-holders' liabilities	Impact on profit after tax
Financial risk variables					
Equity price	+10		2 935		2 591
Equity price	-10		(2 935)		(2 591)
Interest rate	+1	63	(45)	91	(66)
Interest rate	-1	(63)	45	(89)	64
Short-term insurance risk variables					
Withdrawals	+10	(106)	76	(210)	151
Withdrawals	-10	108	(78)	218	(157)
Value of claims	+10	589	(424)	155	(112)
Value of claims	-10	(589)	424	(155)	112
Duration of settlement	+10	359	(259)	33	(24)
Duration of settlement	-10	(359)	259	(33)	24

2.3 Loans business

The sensitivity analysis below has been determined based on the exposure to interest rates for financial instruments at the Statement of Financial Position date. For loan liabilities, the analysis is prepared assuming the amount of liability outstanding at the Statement of Financial Position date was similarly outstanding at the end of the year.

		30 June 2013	30 June 2012
Sensitivity analysis (R'000)	**% change**	**Impact on profit after tax**	Impact on profit after tax
Financial risk variables			
Interest rate	+1	1 884	1 482
Interest rate	-1	(1 884)	(1 482)

Accounting Policies

for the year ended 30 June 2013

1. INTRODUCTION

The Group adopted the following policies in preparing its consolidated and separate financial statements.

2. BASIS OF PREPARATION OF THE STATEMENTS

The consolidated and separate financial statements have been prepared in accordance with IFRS, the SAICA Financial Reporting Guides as issued by the Accounting Practices Board, the Listing Requirements and the Companies Act. These financial statements have been prepared on the historical cost basis, as modified by the revaluation of owner occupied properties, financial assets, financial liabilities and the valuation of insurance contracts valued on the FSV basis, as set out in Standards of Actuarial Practice ("SAP") 104 issued by the Actuarial Society of South Africa.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Group's accounting policies. There are areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated and separate financial statements. These judgments, assumptions and estimates are disclosed in note 1 of the notes to the Annual Financial Statements.

The accounting policies set out below have been applied consistently to all years presented in these consolidated and separate financial statements unless otherwise stated.

All amounts in the notes are shown in thousands of Rand, rounded to the nearest thousand, unless otherwise stated.

Recent IFRS pronouncements

Standards and Interpretations Effective for the year ended 30 June 2013

Amendments to IAS 1 – 'Presentation of Financial Statements', on presentation of items of OCI

The IASB has issued an amendment to IAS 1, 'Presentation of financial statements'. The main change resulting from these amendments is a requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The Group does not currently believe that the adoption of this pronouncement will have a material impact on the Group's results.

Amendment to IAS 12 – 'Income taxes' on deferred tax

Currently IAS 12, 'Income taxes', requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 Investment Property. Hence this amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, 'Income taxes- recovery of revalued non-depreciable assets', would no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is accordingly withdrawn. The Group does not currently believe that the adoption of this pronouncement will have a material impact on the Group's results.

Standards and Interpretations Issued Not Yet Effective

The Group has not opted to early adopt any of the following standards and amendments to standards issued by the IASB.

Accounting Policies continued

Amendment to IFRS 1 – 'First time adoption' on government loans

This amendment addresses how a first-time adopter would account for a government loan with a below-market rate of interest when transitioning to IFRS. It also adds an exception to the retrospective application of IFRS, which provides the same relief to first-time adopters granted to existing preparers of IFRS financial statements when the requirement was incorporated into IAS 20 'Accounting for Government Grants and Disclosure of Government Assistance', in 2008. The Group does not currently believe that the adoption of this pronouncement will have an impact on the Group's results.

This amendment to the standard is effective for annual periods commencing on or after 1 January 2013.

Amendment to IFRS 7 Financial Instruments: Disclosures – Asset and Liability offsetting

The IASB has published an amendment to IFRS 7, 'Financial instruments: Disclosures', reflecting the joint requirements with the FASB to enhance current offsetting disclosures. These new disclosures are intended to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP. The Group does not currently believe that the adoption of this pronouncement will have a material impact on the Group's results.

This amendment to the standard is effective for annual periods commencing on or after 1 January 2013.

IAS 19 – Employee benefits

The IASB has issued an amendment to IAS 19, 'Employee benefits', which makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The Group does not currently believe that the adoption of this pronouncement will have a material impact on the Group's results.

This amendment to the standard is effective for annual periods commencing on or after 1 January 2013.

IFRS 9 – Financial Instruments (2009)

This IFRS is part of the IASB's project to replace IAS 39, 'Financial Instruments: Recognition and Measurement'.

IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. The Group does not currently believe that the adoption of this pronouncement will have a material impact on the Group's results.

This standard is effective for annual periods commencing on or after 1 January 2015.

IFRS 9 – Financial Instruments (2010)

The IASB has updated IFRS 9, 'Financial instruments' to include guidance on financial liabilities and derecognition of financial instruments. The accounting and presentation for financial liabilities and for derecognising financial instruments 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. This amendment is not expected to have a material impact on the Group's results.

This standard is effective for annual periods commencing on or after 1 January 2015.

Amendments to IFRS 9 – Financial Instruments (2011)

The IASB has published an amendment to IFRS 9, 'Financial instruments', that delays the effective date to annual periods beginning on or after 1 January 2015. The original effective date was for annual periods beginning on or after 1 January 2013. This amendment is a result of the IASB extending its timeline for completing the remaining phases of its project to replace IAS 39 (for example, impairment and hedge accounting) beyond June 2011, as well as the delay in the insurance project. The amendment confirms the importance of allowing entities to apply the requirements of all the phases of the project to replace IAS 39 at the same time. The requirement to restate comparatives and the disclosures required on transition have also been modified. The Group does not currently believe that the adoption of this pronouncement will have a material impact on the Group's results.

This standard is effective for annual periods commencing on or after 1 January 2015.

IFRS 10 – Consolidated financial statements

This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess. This new standard might impact the entities that a Group consolidates as its subsidiaries. The Group does not currently believe that the adoption of this new standard will have a material impact on the Group's results.

This standard is effective for annual periods commencing on or after 1 January 2013.

Accounting Policies continued

IFRS 11 – Joint arrangements

This standard provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The Group does not currently believe that the adoption of this new standard will have a material impact on the Group's results.

This standard is effective for annual periods commencing on or after 1 January 2013.

IFRS 12 – Disclosures of interests in other entities

This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group does not currently believe that the adoption of this new standard will have a material impact on the Group's results.

This standard is effective for annual periods commencing on or after 1 January 2013.

IFRS 13 – Fair value measurement

This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The Group does not currently believe that the adoption of this new standard will have a material impact on the Group's results.

This standard is effective for annual periods commencing on or after 1 January 2013.

IAS 27 (revised 2011) – Separate financial statements

This standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10. The Group does not currently believe that the adoption of this pronouncement will have a material impact on the Group's results.

This amendment to the standard is effective for annual periods commencing on or after 1 January 2013.

IAS 28 (revised 2011) – Associates and joint ventures

This standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11. The Group does not currently believe that the adoption of this pronouncement will have a material impact on the Group's results.

This amendment to the standard is effective for annual periods commencing on or after 1 January 2013.

Amendment to the transition requirements in IFRS 10, 'Consolidated financial statements', IFRS 11, 'Joint Arrangements', and IFRS 12, 'Disclosure of interests in other entities'

The amendment clarifies that the date of initial application is the first day of the annual period in which IFRS 10 is adopted – for example, 1 January 2013 for a calendar-year entity that adopts IFRS 10 in 2013. Entities adopting IFRS 10 should assess control at the date of initial application; the treatment of comparative figures depends on this assessment. The amendment also requires certain comparative disclosures under IFRS 12 upon transition. The Group does not currently believe that the adoption of this pronouncement will have a material impact on the Group's results.

This amendment to the standard is effective for annual periods commencing on or after 1 January 2013.

Amendments to IFRS 10, 'Consolidated financial statements', IFRS 12 and IAS 27 for investment entities

The amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an 'investment entity' definition and which display particular characteristics. Changes have also been made in IFRS 12 to introduce disclosures that an investment entity needs to make. The Group does not currently believe that the adoption of this pronouncement will have a material impact on the Group's results.

This amendment to the standard is effective for annual periods commencing on or after 1 January 2014.

Amendments to IAS 32 – Financial Instruments: Presentation

The IASB has issued amendments to the application guidance in IAS 32, 'Financial instruments: Presentation', that clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. However, the clarified offsetting requirements for amounts presented in the statement of financial position continue to be different from US GAAP. The Group does not currently believe that the adoption of this pronouncement will have a material impact on the Group's results.

This amendment to the standard is effective for annual periods commencing on or after 1 January 2014.

Annual improvements issued May 2012, not yet effective

Improvements to IFRS is a collection of amendments to IFRS. These amendments are the result of conclusions the IFRS Board reached on proposals made in its annual improvements project.

The Group does not currently believe that the adoption of these pronouncements will have a material impact on the Group's results.

IFRIC 20 – Stripping costs in the production phase of a surface mine

In surface mining operations, entities may find it necessary to remove mine waste materials ('overburden') to gain access to mineral ore deposits. This waste removal activity is known as 'stripping'. The Interpretation clarifies there can be two benefits accruing to an entity from stripping activity: usable ore that can be used to produce inventory, and improved access to further quantities of material that will be mined in future periods. The Interpretation considers when and how to account separately for these two benefits arising from the stripping activity, as well as how to measure these benefits both initially and subsequently. The Group does not believe that the adoption of this pronouncement will have an impact on the Group's results.

The amendment to the standard is effective for annual periods commencing on or after 1 January 2013.

3. BASIS OF CONSOLIDATION

The Group financial statements consolidate the financial statements of the Company and its subsidiaries.

Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

3.1 Investment in subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

The Group uses the acquisition method of accounting to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. The cost of an acquisition transferred includes the fair value of any asset or liability resulting from a contingent consideration agreement. Acquisition related 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 the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as Goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Statement of Comprehensive Income.

Intra-group transactions, balances and unrealised gains on intra-group transactions are eliminated. Unrealised losses are also eliminated.

Non-controlling interests are treated as equity participants and, therefore, all acquisitions of non-controlling interests or disposals by the Group of its non-controlling interests in subsidiary companies where control is maintained subsequent to the disposal are accounted for as equity transactions with non-controlling interests. Consequently all profits and losses arising as a result of the disposal of interests in subsidiaries to non-controlling interests, where control is maintained subsequent to the disposal, are recognised as equity.

Interest in subsidiaries in the Company's financial statements are valued at cost less any impairments.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or

Accounting Policies continued

financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in Other Comprehensive Income are reclassified to profit or loss.

3.2 Accounting for transactions under common control

Common control transactions are business combinations in which all of the combining entities (subsidiaries) are ultimately controlled by the same party before and after the transaction, and the control is not transitory. These transactions are accounted for at predecessor values. Predecessor values are considered to be the book value of assets and liabilities acquired as accounted for in the consolidated financial statements of the highest entity under common control and the Group does not restate assets and liabilities to their fair values. Instead the Group incorporates the assets and liabilities at the amounts recorded in the books of the combined entities.

The cost of an acquisition of a subsidiary under common control is measured as the book value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Costs directly attributable to the acquisition are recognised in profit or loss. No goodwill arises in predecessor accounting. The difference between the cost of the acquisition and the predecessor value of the net assets acquired is taken to equity and disclosed as a common control reserve or deficit.

The consolidated financial statements incorporate the combined companies' results as if the companies had always been combined. Consequently under predecessor accounting, the consolidated financial statements reflect both companies' full year results even though the business combination may have occurred part way through the year.

4. INVESTMENT IN 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 or economic interest. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The Group's share of post-acquisition profits or losses is recognised in the Statement of Comprehensive Income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment, less any required impairment.

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 eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies for associates are consistent, in all material respects, with the policies adopted by the Group.

The Group discontinues equity accounting when the carrying amount of the investment in an associated company reaches zero, unless it has incurred obligations or guaranteed obligations in favour of the associated undertaking. The Group increases the carrying amount of investments with its share of the associated company's income when equity accounting is resumed.

5. DISCONTINUED OPERATION

The profit or loss on the disposal or abandonment of a discontinued operation is determined from the date when the entity enters into a binding sale agreement or when there is a formal plan and it is announced. The profit or loss includes operating results from this date as well as all costs and expenses directly associated with the disposal.

If a loss is expected, full provision is made from the discontinuance date. If a profit is expected, it is recognised only when realised. Profits or losses in respect of the discontinued operations are included in attributable profits of the Group until date of discontinuance.

The results of discontinued operations are presented separately in the statement of comprehensive income, the statement of cash flows and the segmental information.

6. FOREIGN CURRENCIES

6.1 Foreign currency translation

The Group's presentation currency is South African Rands (ZAR). The functional currency of the Group's operations is the currency of the primary economic environment where each operation has its main activities.

6.2 Transactions and balances

Transactions in foreign currencies are translated into the functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies different to the functional currency at the Statement of Financial Position date are translated into the functional currency at the Statement of Financial Position date at the ruling rate at that date. Foreign exchange differences are recognised in profit or loss.

6.3 Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each Statement of Financial Position presented are translated at the closing rate at the date of that Statement of Financial Position;
- Income and expenses for each profit or loss statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange differences are recognised as a separate component of equity as a FCTR.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' equity. On the partial disposal of a subsidiary that includes a foreign operation, the entity shall re-attribute the proportionate share of the cumulative amount of the exchange differences recognised in the Statement of Other Comprehensive Income to the non-controlling interests in that foreign operation. In any other partial disposal of a foreign operation, the entity shall reclassify to profit or loss only the proportionate share of the cumulative amount of the exchange difference recognised in the Statement of Other Comprehensive Income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

7. INTANGIBLE ASSETS

Research costs – being the investigation undertaken with the prospect of gaining new knowledge and understanding, are recognised in profit or loss as they are incurred. Development costs – costs that are clearly associated with an identifiable system, which will be controlled by the Group and has a probable benefit exceeding the cost beyond one year, are recognised as an asset. Development expenditure is capitalised only if the development costs can be measured reliably, completion of the development of the software is technically and commercially feasible, the Group intends to demonstrate that the intangible asset will be used to generate future economic benefits, the Group intends to and has sufficient resources to complete development and to use the asset and the Group can demonstrate the ability to use or sell the intangible asset. These costs comprise all directly attributable costs necessary to create, produce and prepare the asset for its intended use, such as costs of materials and employee services used or consumed in generating the intangible asset.

7.1 Amortisation

Computer software development and video production costs recognised as assets are amortised in the Statement of Comprehensive Income on a straight-line basis at rates appropriate to the expected life of the asset. Amortisation of computer software commences from the date the intangible asset is applied when the asset becomes available for use. As the software costs is proprietary and specific to the Group operations, no residual value is estimated. The useful lives are assessed on an annual basis. Amortisation of video production commences when the video production is brought into use. Since existing video production is replaced by new video production, it has no residual value.

Computer software costs recognised as intangible assets are amortised over the useful lives, which do not exceed 5 years. Video production costs recognised as intangible assets are amortised over the useful lives, which do not exceed 2 years.

7.2 Impairment

Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment loss is recognised for the amount by which the assets 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.

8. PROPERTY AND EQUIPMENT

Equipment is stated at cost less accumulated depreciation and impairment losses. Maintenance and repairs, which neither materially add to the value of assets nor appreciably prolong their useful lives, are recognised in the Statement of Comprehensive Income. An asset's carrying amount is impaired to its recoverable amount if the asset's carrying amount is greater than its estimated receivable amount.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

Accounting Policies continued

When significant components of equipment have different useful lives, those components are accounted for and depreciated as separate items.

Land and buildings held for use for administrative purposes are stated at fair value, determined from market-based evidence by appraisals undertaken by professional valuators, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed at least once every year such that the carrying amount does not differ materially from that which would be determined using fair values at the Statement of Financial Position date. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

Increases in the carrying amount arising on revaluation of land and buildings are credited to the revaluation surplus in shareholders' equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the Statement of Comprehensive Income.

Land is not depreciated. Depreciation on revalued buildings to residual value is charged to the Statement of Comprehensive Income. Buildings are depreciated over a period of 40 years on a straight-line basis.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in the Statement of Comprehensive Income in other operating income or operating expenses. When revalued assets are sold, the amounts included in the revaluation surplus are transferred to retained earnings.

8.1 Depreciation

Depreciation is recognised in the Statement of Comprehensive Income on a straight-line basis at rates appropriate to allocate their costs or revalued amounts to their residual values over their estimated expected useful lives. Depreciation is calculated on the cost less any impairment and taking into account expected residual value. The estimated useful lives (rates) applied are as follows:

• Buildings	2.50%
• Computer equipment and purchased computer software	20% – 33.33%
• Furniture and equipment	10% – 50%
• Motor vehicles	25%
• Leasehold improvements	The lease term or useful life, whichever is the shorter period

The residual values and useful lives are reassessed on an annual basis.

8.2 Impairment

Equipment which is subject to depreciation is assessed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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.

9. INVENTORIES

Inventories represent marketing materials held for resale and are stated at the lower of cost or net realisable value. Cost is determined applying the first-in-first-out method.

Net realisable value is the estimate of the selling price in the ordinary course of business, less selling expenses.

10. FINANCIAL INSTRUMENTS

10.1 Financial assets

10.1.1 Classification

The Group classifies its financial assets into those at fair value through profit or loss or loans and receivables disclosed as "loans and receivables including insurance receivables". The classification depends on the intention when the asset is acquired.

The financial assets at fair value through profit or loss has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short-term, if it forms part of a portfolio of financial assets in which there is evidence of short-term profit-taking or if so designated by management. Derivatives are also classified as held for trading, unless they are designated as hedges.

A financial asset is designated as fair value through profit or loss if it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring the asset or recognising the gains or losses on it on different bases; or a Group of financial assets is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy and information about the Group is provided internally on that basis to key management personnel. Under this criteria, the main classes of financial assets designated by the Group as at fair value through profit or loss are promissory notes and deposits, funds on deposit, fixed interest securities, government and public authority bonds, listed equity securities and unlisted equity securities.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market or those financial assets not designated at fair value through profit or loss.

10.1.2 Initial measurement

Purchases and sales of financial assets are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets are initially recognised as follows:

- Fair value through profit or loss (designated as held at fair value through profit or loss) – at fair value. Transaction costs are expensed; and
- Loans and receivables – at fair value plus transaction costs that are directly attributable to their acquisition.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or where they have been transferred and the Group has also transferred substantially all the risks and rewards of ownership.

10.1.3 Subsequent measurement

Financial assets designated at fair value through profit or loss

Financial assets which are designated at fair value through profit or loss are subsequently measured at fair value and the fair value adjustments are recognised in profit or loss.

Fair values for quoted financial assets are based on the quoted ruling bid prices at the close of business on the last trading day on or before the Statement of Financial Position date. A financial instrument is regarded as quoted in an active market 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. Fair value is defined in terms of a price agreed by a willing buyer and a willing seller in an active market. If a quoted bid price is not available in an active market for dated instruments the fair value is estimated using the repurchase price for unit trusts or discounted cash flow techniques for other financial instruments.

Fair values for unquoted instruments are determined using the rate from a relevant quoted money market yield curve, based on the term to maturity of the instrument. A discounted cash flow model is then applied, using the determined yield after adjusting for credit risk, in order to calculate the market value.

Loans and receivables including insurance receivables

Subsequent to initial recognition loans and receivables including insurance receivables are carried at amortised cost using the effective interest rate method less any required impairment.

10.1.4 Impairment: Financial assets carried at amortised cost

At each reporting date the Group assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. These assets include receivables relating to insurance contracts and reinsurance contracts. Such assets are impaired and impairment losses are recognised only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset, and the event or events have an impact on the estimated future cash flows of these assets that can be reliably estimated.

The Group first assesses whether objective evidence of impairment exists in respect of all financial assets that are individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a Group with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

Objective evidence includes a deterioration in credit ratings or failure to make payment on due dates. If any such indication exists, the assets' recoverable amounts are estimated and the carrying amount reduced to the recoverable amount and the impairment loss is recognised in profit or loss. The recoverable amount is the present value of expected cash flows discounted at the original effective interest rate of the financial asset.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improved credit rating), the previously recognised impairment loss is reversed. The amount of the reversal is recognised in profit or loss.

Accounting Policies continued

Loans and advances and provisions for impairment

Loans and advances are measured at each Statement of Financial Position date at amortised cost using the effective interest rate method, less any impairment losses, which in the opinion of the Directors, is required.

Specific impairment provisions are raised in full for customers who are four or more instalments in arrears or who meet certain criteria that indicate that the recovery of the advances is uncertain where identified loss events, based on previous experience, evidence a reduction in the recoverability of cash flows.

Specific provisions raised during the year, less recoveries of amounts previously written off and the discounted value of estimated recoverable amounts are charged to the Statement of Comprehensive Income.

Advances are assessed on an individual basis for indicators of impairment. Advances are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the advance, the estimated future cash flows have been impacted.

Advances that are assessed not to be impaired individually are assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of advances include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on advances.

The amount of the impairment is the difference between the advances' carrying amount and the present value of estimated future cash flows, discounted at the advances' original effective interest rates. Changes in the carrying amount of the portfolio provision account are charged to the Statement of Comprehensive Income.

The effective interest rate method is a method of calculating the amortised cost of a financial asset and allocating the interest income over the average expected life of the financial instruments.

10.2 Financial liabilities

10.2.1 Financial liabilities at fair value through profit or loss

The Group issues contracts with guaranteed terms which include a guaranteed endowment policy with a term of five years with a guaranteed value at maturity ("Guaranteed Growth Plan") and a guaranteed annuity product with 60 equal monthly payments and a guaranteed value at maturity ("Income Plan"). The Group also issues linked endowment contracts with terms of five years where the value at maturity is linked to the underlying investment performance. These contracts are recognised on initial recognition at fair value, which is the transaction price. Subsequently, these contracts are measured at fair value which is determined by discounting the maturity values. The maturity values are discounted at the risk-free rate with an adjustment for credit risk where appropriate. Any profit on initial recognition is subsequently amortised over the life of the contract.

10.2.2 Financial liabilities at amortised cost

Financial liabilities at amortised cost are initially measured at fair value, net of transaction costs incurred. Financial liabilities are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Comprehensive Income over the period of the financial liability using the effective interest method.

10.2.3 Loans at amortised cost

Loans at amortised cost are initially measured at fair value, net of transaction costs incurred. Loans are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Comprehensive Income over the period of the loan using the effective interest method.

Financial liabilities are derecognised when the obligation to settle the liabilities has expired.

10.3 Offsetting

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

11. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise balances with bankers, short-term funds, deposits, cash on hand and highly liquid investments with original maturity profiles of three months or less. Cash and cash equivalents are carried at amortised cost in the Statement of Financial Position.

12. SHARE CAPITAL

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

13. DIVIDEND DISTRIBUTION

Dividend distributions to the Company's shareholders are recognised in the Statement of Changes in Equity when declared and, if not paid then, as a liability in the Group's Financial Statements in the period in which the dividends are approved by the Company's Directors.

14. INSURANCE CONTRACTS AND FINANCIAL INSTRUMENTS CLASSIFICATION

The Group issues contracts that transfer insurance risk or financial risk or, in some cases, both.

An insurance contract is a contract under which the Group (insurer) accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Such contracts may also transfer financial risk. The Group defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are significantly more (at least 10%) than the benefits payable if the insured event did not occur. The Group issues long-term and short-term insurance contracts.

Those contracts that transfer financial risk with no significant insurance risk are accounted for as financial liabilities at fair value through profit or loss or at amortised cost. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable.

Amounts received under these contracts are recorded as deposits and amounts paid are recorded as withdrawals.

Insurance contracts

14.1 Long-term insurance contracts

SAPs and APNs issued by the Actuarial Society of South Africa (ASSA).

In terms of IFRS 4 – Insurance contracts, defined insurance liabilities are allowed to be measured under existing local practice. The Group has adopted the SAPs/APNs to determine the liability in respect of contracts classified as long-term insurance contracts in terms of IFRS 4 – Insurance contracts. The following SAPs/APNs are of relevance to the determination of insurance contract liabilities:

SAP 104: Calculation of the value of the assets, liabilities and CAR of Long-term Insurers
APN 105: Minimum requirements for deriving aids extra mortality rates
APN 106: Actuaries and long-term insurance in South Africa
APN 110: Allowance for embedded investment derivatives

Where applicable, the SAPs/APNs are referred to in the Accounting Policies and Notes to the Annual Financial Statements.

Features of Clientèle Life's main long-term insurance contracts

Clientèle Life's main long-term insurance contracts are as follows:

- *Market-related savings products ("market-related products") with risk benefits,* for example accidental death or disability. These products have an investment account which is built up based on the allocated portion of premiums and market returns in the form of income and growth less expenses and taxation; benefits are paid upon defined events, such as death, surrender or maturity of the product;
- *Whole life, final benefits products ("whole life products")* with benefits which are payable upon defined events, for example death or disability;
- *Whole life, Funeral insurance products ("funeral products")* are whole life products with benefits which are payable upon defined events, for example, death;
- *Whole life, cash-back products ("cash-back products")* are whole life final benefits products with benefits which are payable upon defined events, for example death, disability or dread disease and include a return of either one year's or six months premiums every five years; and
- *Hospital insurance products ("hospital products")* with a "cash-back" element are whole life products with benefits payable on defined events, for example hospitalisation or accidental disability and include a return of six months premiums every five years.

Accounting Policies continued

Measurement of long-term insurance contracts

These contracts are valued in terms of the FSV basis as described in SAP 104 and the liability is reflected under insurance contracts in the Statement of Financial Position.

Clientèle Life's long-term insurance contracts are measured on either a discounted or undiscounted basis depending on the features of the contracts described above.

- ***Discounted liabilities (market-related products, cash-back products, funeral products and hospital products)***
  The Valuation of these products has been performed on a policy by policy basis by discounting future expected premiums, risk benefits, cash-back benefits, risk charges, reinsurance costs and expenses at the actuarial discount rate. The projection of future expected experience is based on the Group's best estimate assumptions for investment returns, expenses, death rates, disability rates and withdrawal rates plus compulsory margins;
- ***Undiscounted liabilities (market related products)***
  A unit-linked insurance contract is an insurance contract with an embedded derivative linking payment on the policy to units of an internal investment fund set up by the Group with the consideration received from the contract holders. This embedded derivative meets the definition of an insurance contract and is not therefore accounted for separately from the host insurance contract. The liability for the unit-linked portion is determined on a policy by policy basis in relation to the fair value of the underlying assets; and
- ***Undiscounted liabilities (whole life products)***
  IBNR liabilities are calculated for these products, which are based on a percentage of net premiums payable.

Discretionary margins are added to the actuarial liability of the unit-linked products and cash-back products so that the shareholders' participation in profit emerges when it is probable that future economic benefits will flow to the entity. Effectively these margins are released to income on a policy by policy basis, over the policy term. Detail on compulsory and discretionary margins is provided in note 1 of the Notes to the Annual Financial Statements.

The liability assumptions are reviewed semi-annually. Any changes in assumptions and/or other changes to the liability calculation are reflected in the Statement of Comprehensive Income as they occur. The assumptions applicable to insurance contract liabilities are described in more detail in note 1 of the Notes to the Annual Financial Statements.

Outstanding claims provision

Provision is made for the estimated cost of claims outstanding at the end of the year. Outstanding claims and benefit payments are stated gross of reinsurance. Outstanding claims are determined by making reference to the value of the sum assured in terms of the underlying policy when a claim is reported.

Liability adequacy test

At each Statement of Financial Position date, liability adequacy tests are performed to ensure the adequacy of the insurance contract liabilities. The liability is calculated in terms of the FSV basis as described in SAP 104. The FSV basis meets the minimum requirement of the liability adequacy test. For undiscounted liabilities these tests include current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities. Any deficiency is charged to the Statement of Comprehensive Income in establishing a provision for losses arising from liability adequacy tests.

Reinsurance contracts held

Reinsurance contracts, which are insurance contracts, are contracts entered into by the Group with reinsurers under which the Group is compensated for a portion of losses arising on one or more of the insurance contracts issued by the Group.

The expected benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers (classified with receivables including insurance receivables) as well as longer-term receivables (classified as reinsurance assets) that are dependent on the present value of expected claims and benefits arising on insurance contracts net of expected premiums payable under the reinsurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract.

Premium income

Premiums on insurance contracts are recognised when due. Premium income on insurance contracts is shown gross of reinsurance. Premiums are shown before deduction of commission.

Reinsurance premiums
Reinsurance premiums are recognised when insurance premiums are due.

Claims and benefits paid
Claims on insurance contracts, which include death, disability, maturity and surrenders are charged to income when notified of a claim based on the estimated liability for compensation owed to policyholders. They include claims that arise from death and disability events that have occurred up to the Statement of Financial Position date.

Reinsurance recoveries are accounted for in the same period as the related claim.

Acquisition costs
Acquisition costs for insurance contracts represent commission, advertising and other costs that relate to the securing of new contracts and the renewing or reinstatement of existing contracts.

These costs include referral fees and bonus payments to IFAs, outbound call centre staff costs, commissions and a proportional allocation of costs in respect of those employees and activities which relate to the securing of new contracts and the renewing or reinstatement of existing contracts. Commissions and other acquisition costs relating to insurance contracts and financial liabilities designated at fair value through profit or loss are expensed as incurred.

14.2 Short-term insurance contracts

Circular 2/2007 – Recognition and measurement of short-term insurance contracts issued by the South African Institute of Chartered Accountants
In terms of "IFRS 4 – Insurance contracts", insurance contracts are allowed to be measured under existing local practice. The Group has adopted Circular 2/2007 to determine the measurement in respect of short-term insurance contracts.

Features of Clientèle General Insurance's main short-term insurance contracts
Clientèle General Insurance's short-term insurance contracts are personal lines and business lines legal policies with risk benefits to cover individual persons and SMME categories for civil, criminal and labour related matters. Certain personal lines contracts also include accidental death benefits. These contracts are monthly renewable contracts.

Measurement of short-term insurance contracts

Premium income
Insurance premium revenue comprises the premiums on contracts that become due and payable during the current reporting period irrespective of whether the contract was entered into during the current or a previous reporting period. Premiums are recognised gross of commission payable to intermediaries and exclude Value Added Tax.

Claims and benefits paid
Claims and benefits paid consist of claims and claims handling expenses paid during the financial year and are determined by the market value of the indemnification received by the policyholder.

Outstanding claims provision
The provision for outstanding claims comprises the Group's estimate of settling all claims reported (notified claims) but unpaid at the Statement of Financial Position date and claims IBNR.

Each notified claim is assessed on a case by case basis with due regard to the specific circumstances, information available from the insured and/or loss adjuster and past experience with similar claims. Standardised policies and procedures are applied to claims assessments. The provision for each notified claim includes an estimate of the associated claims handling costs but excludes Value Added Tax.

The ultimate cost of incurred claims may vary as a result of future developments or better information becoming available about the current circumstances. Adjustments to the quantum of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made, and disclosed separately if material.

An IBNR provision is raised for claims incurred but not yet reported based on historical experience. The Group determines the IBNR by applying a percentage to premiums written during the period. Management applied 0.2% of written premiums (approved by the FSB) to determine the legal IBNR provision plus that required per legislation for the IBNR on accidental death business. Outstanding claims and the IBNR provision are included in policyholder liabilities under insurance contracts items in the Statement of Financial Position.

Liability adequacy test
The net liability recognised for short-term insurance contracts is tested for adequacy by assessing current estimates of all future contractual cash flows (i.e. expected claims and expenses of settling claims) and comparing

Accounting Policies continued

this amount to the carrying value of the insurance contract liability. Where a shortfall is identified, an additional provision is made and the Group recognises the deficiency in income for the year.

Acquisition costs

Acquisition costs comprise all commission, advertising and other costs arising from the securing of Short-term insurance contracts and are expensed when incurred. Short-term insurance contracts are monthly renewable contracts, and accordingly costs are expensed when incurred and are not deferred.

Receivables and payables related to long and short-term insurance contracts and financial instruments

Receivables and payables are recognised when due. Payables are initially recognised at fair value less transaction costs and are subsequently amortised. These include amounts due to and from IFAs and policyholders.

14.3 Cashback benefits to policyholders

The Clientèle Group, through Clientèle Life (and Clientèle General Insurance until July 2011), issues policies which pay cash-back benefits to policyholders if their policies persist for certain pre-determined periods. An actuarial liability (based on best estimate assumptions plus margins) is created, through the Statement of Comprehensive Income, to ensure that, based on actuarial assumptions, the liability is sufficient to meet the obligations to policyholders as and when they become due and payable. Discounting and decrementing is used in determining the actuarial liability.

15. INTEREST INCOME AND EXPENSES

The Group recognises interest income and expenses in the Statement of Comprehensive Income for all interest bearing financial instruments based on amortised cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortised cost of a financial asset or financial liability and allocating the interest income or expense over the average expected life of the financial instrument.

16. OTHER INCOME

Other income includes monthly fees received from IFAs, rental income, fee income from advances and income from the Clientèle Mobile business which are recognised on an accrual basis as well as dividends received from subsidiaries. These dividends are recognised when the right to receive payment is established.

17. TAX

Direct tax

The taxation charge comprises current tax, deferred tax and STC. With effect from 1 April 2012, STC has been replaced by dividends withholding tax. Income taxation expense is recognised in the profit and loss component of the Statement of Comprehensive Income, except to the extent that it relates to items recognised directly in Other Comprehensive Income, in which case it is recognised in Other Comprehensive Income. Tax in respect of the South African life insurance operation is determined using the four fund method applicable to insurance companies.

17.1 Current tax

Current tax and capital gains tax is the expected tax payable, using tax rates enacted at the Statement of Financial Position date, including any prior year over or underprovision. The Group periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

17.2 Deferred tax

Deferred tax is provided in full using the liability method. Provision is made for deferred tax attributable to temporary differences in the accounting and tax treatment of items in the financial statements. However, if the deferred 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 or loss then it is not recognised. Deferred tax is recognised for all temporary differences, at enacted or substantially enacted rates of tax at the Statement of Financial Position date. A deferred tax asset is recognised for the carry forward of unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which it can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income 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 tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

17.3 STC and DWT

With effect from 1 April 2012, STC has been replaced by DWT. Shareholders are now subject to DWT on dividends received, unless they are exempt in terms of the amended tax law. DWT is levied at 15% of the dividend received. The DWT is categorised as a withholding tax, as the tax is withheld and paid to tax authorities by the company paying the dividend or by a regulated intermediary and not the beneficial owner of the dividend. Where a group company is a beneficial owner of the dividend the DWT is recorded as an expense in the income statement when the dividend income is earned.

STC was the expected tax payable, using the enacted STC rate at Statement of Financial Position date on the amount by which dividends declared exceeded dividends received. STC was recognised as part of the current tax charge in profit or loss when the related dividend was declared.

South African resident companies were subject to a dual corporate tax system, one part of the tax being levied on taxable income and the other, a secondary tax, on distributed income. A company incurred STC charges on the declaration or deemed declaration of dividends (as defined under tax law) to its shareholders. STC was not a withholding tax on shareholders, but a tax on companies.

The STC tax consequence of dividends was recognised as a taxation charge in the Statement of Comprehensive Income in the same period that the related dividend was accrued as a liability. The dividend declared was reduced by dividends received during the dividend cycle. Where dividends declared exceeded the dividends received during a cycle, STC was payable at the STC rate applicable as at the Statement of Financial Position date on the net amount. Where dividends received exceeded dividends declared within a cycle, there was no liability to pay STC. The potential tax benefit related to excess dividends received was carried forward to the next dividend cycle as an STC credit. Deferred tax assets were recognised on unutilised STC credits to the extent that it was probable that the Group would declare future dividends to utilise such STC credits.

Indirect taxes

Indirect taxes include various other taxes paid to central and local governments, including Value Added Tax. Indirect taxes are recognised as part of operating expenditure for the Long-term insurance business.

18. ACCRUALS AND PAYABLES

Accruals and payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accruals and payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Accruals and payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

19. PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation of uncertain timing or amount, as a result of past events and 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. When the effect of discounting is material, provisions are discounted using a pre-tax discount rate that reflects current market assessments of the time value of money. Provisions are reviewed at the end of each financial year and are adjusted to reflect current best estimates of expenditure required to settle the obligations.

Accounting Policies continued

20. LEASES

20.1 Operating leases

Leases of assets under which the lessor effectively retains all the risks and rewards of ownership are classified as operating leases.

Rental income from and expenses for operating leases are recognised on a straight-line basis over the lease term.

20.2 Finance leases

Lease agreements where the Group substantially accepts the risks and rewards of the ownership of the leased asset are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are allocated between the liability and finance charges so as to achieve a constant interest rate of the outstanding balance of the liability.

Finance lease obligations, net of finance charges, are included in liabilities. The interest element of the finance costs is charged to the Statement of Comprehensive Income over the lease period according to the effective interest method. Where applicable, assets acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

21. EMPLOYEE BENEFITS

21.1 Incentive bonus schemes

The Group provides an incentive bonus scheme for Executive management, which is based on individual performance, linked to and dependent upon profitability and in particular growth in the Group's EV and the creation of Goodwill. The scheme comprises two elements, namely an EV element and a Goodwill element.

The EV scheme component is based on growth in EV, as determined by the Group's External Actuaries and approved by the Group Remuneration Committee, in excess of predetermined criteria and is payable over a four year period. A "clawback" applies in instances where the growth in EV is less than predetermined growth criteria.

The Group recognises a provision and an expense for the EV scheme component based on a formula that takes into consideration the conditions of the bonus scheme. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

The Goodwill Scheme component recognises the creation of value in excess of EV.

The Goodwill created is measured in five year cycles. The second cycle commenced on 1 July 2007 and ended 30 June 2012. The third cycle commenced 1 July 2012 and ends 31 June 2017. The Goodwill created is determined with reference to the VNB (as determined by the Group's External Actuaries) in the fifth year of a cycle and by applying a multiple, as approved by the Board on recommendation of the Group Remuneration Committee having regard to criteria included in the Incentive Bonus Scheme document. An adjustment is made, positive or negative, if actual experience differs by a pre-determined percentage compared to the assumptions used in calculating Goodwill.

A provision is recognised in the Statement of Financial Position and an expense in the Statement of Comprehensive Income in respect of the Goodwill Scheme component at the present value of the obligation at the Statement of Financial Position date together with adjustments for unrecognised actuarial gains or losses and past service costs. The Goodwill Scheme component obligation is calculated annually using the projected unit credit method. The present value of the Goodwill Scheme component obligation is determined by discounting the estimated future cash outflows using a risk-free interest rate.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to profit or loss as they arise each year.

Past-service costs are charged against profit or loss in the period in which they arise.

Short-term bonuses are paid to all levels of management and are based on performance relative to agreed upon criteria and are payable annually and are charged to the Statement of Comprehensive Income in the period in which they arise.

21.2 Retirement benefits

The vast majority of the Group's employees are members of the Clientèle Life Provident Fund.

The Group operates a defined contribution provident fund for its employees, the assets of which are held in a separate trustee administered fund. The Clientèle Life Provident Fund is governed by the Pension Fund Act of 1956. The fund is funded by contributions by the Group which are charged to profit or loss in the year to which they relate.

The Group has no further payment obligations once the contributions have been paid. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

21.3 Share-based payments

The Group operates an equity-settled share-based compensation plan in the form of SAR and Bonus Rights Schemes. The fair value of the employee services received in exchange for the grant of the SARs and Bonus Rights are recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the SARs and Bonus Rights granted, excluding the impact of any non-market vesting conditions (for example profitability and premium income growth targets). Non-market performance vesting conditions are included in assumptions about the number of SARs and Bonus Rights that are expected to become exercisable. At each Statement of Financial Position date, the entity revises its estimates of the number of SARs and Bonus Rights that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the Statement of Comprehensive Income, and a corresponding adjustment to equity over the remaining vesting period.

22. SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker that makes strategic decisions and who is responsible for allocating resources and assessing performance of the operating segments has been identified as Excom.

The Group discloses its operating segments according to the entity component regularly reviewed by Excom.

The Group's operations are analysed across five reportable operating segments. This is consistent with the way the Group manages the business. The five reportable operating segments, based on the five principal lines of business from which the Group generates revenue are long-term insurance, investment contracts, short-term insurance, loans business and mobile business segments.

Segment information is prepared in conformity with the measure that is reported to Excom. These values have been reconciled to the consolidated Annual Financial Statements. The measure reported by the Group is in accordance with the accounting policies adopted for preparing and presenting the consolidated Annual Financial Statements.

The segment assets, liabilities, revenue and expenses comprise of all assets, liabilities, revenue and expenses which are directly attributable to the segment, or can be allocated to the segment on a reasonable basis. The Group accounts for inter-segment revenues and transfers as if the transactions were with third parties at current market prices.

Capital expenditure in property and equipment and intangible assets has been allocated to the segments to which it relates.

* As previously reported, the IFA Nigeria business was placed into into voluntary liquidation with effect from 29 July 2011. The closure of the business is now complete and only administrative procedures remain.

Statements of Financial Position

at 30 June 2013

(R'000)	Notes	Group 2013	Group 2012	Company 2013	Company 2012
Assets					
Intangible assets	2	**19 657**	20 865		
Property and equipment	3	**25 962**	37 198		
Owner-occupied properties	4	**188 240**	176 873		
Investment in subsidiaries	5			**287 215**	282 106
Investment in associate	6		291		
Deferred tax	20	**26 856**	20 801	**187**	158
Inventories		**1 123**	1 371		
Reinsurance assets	7	**3 337**	3 845		
Financial assets at fair value through profit or loss	8	**2 287 980**	2 303 907		
Loans and receivables including insurance receivables	9	**223 304**	209 591	**9 933**	54
Current tax		**643**	3 885	**79**	109
Cash and cash equivalents	10	**180 011**	168 513	**45 089**	37 282
Total assets		**2 957 113**	2 947 140	**342 503**	319 709
Equity					
Share capital	11	**6 560**	6 534	**6 560**	6 534
Share premium	11	**268 982**	253 678	**268 982**	253 678
Common control deficit	11	**(220 273)**	(220 273)		
		55 269	39 939	**275 542**	260 212
Retained earnings		**417 700**	356 415	**8 165**	8 240
SAR and Bonus Rights Scheme reserve	12	**15 066**	9 957	**15 066**	9 957
NDR: Revaluation	13	**45 940**	38 559		
Non-controlling interest		**(4 555)**	(4 866)		
Total equity		**529 420**	440 004	**298 773**	278 409
Liabilities					
Policyholder liabilities under insurance contracts	14	**746 651**	790 725		
Financial liabilities		**1 326 415**	1 351 303	**43 104**	38 399
– at fair value through profit or loss	15	**1 283 311**	1 312 904		
– at amortised cost	16	**43 104**	38 399	**43 104**	38 399
Loans at amortised cost	17	**134 996**	138 219		
Employee benefits	18	**66 383**	60 178		
Deferred tax	20	**27 420**	25 400		
Accruals and payables including insurance payables	19	**120 962**	141 112	**626**	2 901
Current tax		**4 866**	199		
Total liabilities		**2 427 693**	2 507 136	**43 730**	41 300
Total equity and liabilities		**2 957 113**	2 947 140	**342 503**	319 709

Statements of Comprehensive Income

for the year ended 30 June 2013

(R'000)	Notes	Group 2013	Group 2012	Company 2013	Company 2012
Revenue					
Insurance premium revenue	21	**1 224 459**	1 194 852		
Reinsurance premiums	22	**(78 596)**	(68 916)		
Net insurance premiums		**1 145 863**	1 125 936		
Other income	23	**168 847**	164 222	**235 698**	199 177
Interest income	24	**76 320**	56 046	**2 044**	852
Fair value adjustment to financial assets at fair value through profit or loss	25	**249 881**	252 189		
Net income		**1 640 911**	1 598 393	**237 742**	200 029
Net insurance benefits and claims	26	**(339 755)**	(291 024)		
Gross insurance benefits and claims	26	**431 282**	356 068		
Insurance claims recovered from reinsureres	26	**(91 527)**	(65 044)		
Decrease/(increase) in policyholder liabilities under insurance contracts	27	**44 074**	(13 746)		
Decrease in reinsurance assets	7	**(508)**	(333)		
Fair value adjustment to financial liabilities at fair value through profit or loss	15	**(71 222)**	(139 415)		
Interest expense		**(19 139)**	(14 565)	**(4 705)**	(4 201)
Impairment of advances	28	**(38 194)**	(21 642)		
Impairment of investment					(10 021)
Acquisition costs	29	**(660 968)**	(579 205)		
Administrative expenses	29	**(157 587)**	(159 960)	**(1 331)**	(1 929)
Profit before tax		**397 612**	378 503	**231 706**	183 878
Tax	31	**(104 206)**	(118 434)	**29**	158
Profit from continuing operations		**293 406**	260 069	**231 735**	184 036
Loss from discontinued operation		**–**	(21 694)	**–**	–
– Loss from discontinued operating activities			(9 916)		
– FCTR			(11 778)		
Profit for the year		**293 406**	238 375	**231 735**	184 036
Attributable to:					
– Non-controlling interest – ordinary shares		**311**	(57)		
– Equity holders of the Group		**293 095**	238 432	**231 735**	184 036
Profit for the year		**293 406**	238 375	**231 735**	184 036
Other comprehensive income:					
Exchange differences on translating foreign operations[1]			(796)		
Gains on property revaluation[2]		**10 599**	9 081		
Income tax relating to gains on property revaluation[2]		**(3 218)**	(2 056)		
Other comprehensive income for the year net of tax		**7 381**	6 229		
Total comprehensive income for the year		**300 787**	244 604	**231 735**	184 036
Attributable to:					
– Non-controlling interest – ordinary shares		**311**	(173)	**–**	–
– Equity holders of the Group		**300 476**	244 777	**231 735**	184 036
Earnings per share (cents)	32	**89.54**	73.47		
– Continuing operations		**89.54**	80.04		
– Discontinued operation			(6.57)		
Diluted earnings per share (cents)	32	**89.49**	72.43		
– Continuing operations		**89.49**	78.91		
– Discontinued operation			(6.48)		

[1] *Items that may subsequently be reclassified to profit/loss.*
[2] *Items that cannot be reclassified to profit/loss.*

Group Statement of Changes in Equity

for the year ended 30 June 2013

(R'000)	Share capital	Share premium	Common control deficit	Sub-total	Retained earnings	SAR and Bonus Rights Scheme Reserve[1]	NDR: contingency[2]	FCTR	NDR: change in ownership	NDR: revaluation[3]	Capital and reserves attributable to ordinary equity holders	Non-controlling interest	Total
Balance as at 1 July 2011	6 479	223 170	(220 273)	9 376	257 528	15 656	11 011	(9 330)	43 906	31 534	359 681	(6 461)	353 220
Ordinary dividend					(173 329)						(173 329)		(173 329)
Total comprehensive income					238 432			(680)		7 025	244 777	(173)	244 604
– Net profit/(loss) for the year					238 432						238 432	(57)	238 375
– Other comprehensive income								(680)		7 025	6 345	(116)	6 229
Transfer to contingency reserve					11 011		(11 011)				–		–
Shares issued	55	30 508		30 563							30 563		30 563
SAR and Bonus Rights Scheme allocated						3 731					3 731		3 731
Transfer from shares issued					(21 133)	(9 430)					(30 563)		(30 563)
Transfer to Statement of Comprehensive income								10 010			10 010	1 768	11 778
Transfer of NDR to Retained earnings					43 906				(43 906)		–		–
Balance as at 30 June 2012	6 534	253 678	(220 273)	39 939	356 415	9 957	–	–	–	38 559	444 870	(4 866)	440 004
Balance as at 1 July 2012	**6 534**	**253 678**	**(220 273)**	**39 939**	**356 415**	**9 957**	**–**	**–**	**–**	**38 559**	**444 870**	**(4 866)**	**440 004**
Ordinary dividend					**(219 060)**						**(219 060)**		**(219 060)**
Total comprehensive income					**293 095**					**7 381**	**300 476**	**311**	**300 787**
– Net profit for the year					**293 095**						**293 095**	**311**	**293 406**
– Other comprehensive income										**7 381**	**7 381**		**7 381**
Shares issued	**26**	**15 304**		**15 330**							**15 330**		**15 330**
SAR and Bonus Rights Scheme allocated						**7 689**					**7 689**		**7 689**
Transfer from shares issued					**(12 750)**	**(2 580)**					**(15 330)**		**(15 330)**
Balance as at 30 June 2013	**6 560**	**268 982**	**(220 273)**	**55 269**	**417 700**	**15 066**	**–**	**–**	**–**	**45 940**	**533 975**	**(4 555)**	**529 420**

Company Statement of Changes in Equity

for the year ended 30 June 2013

(R'000)	Share capital	Share premium	Retained earnings	SAR and Bonus Rights Scheme Reserve[1]	Capital and reserves attributable to ordinary equity holders
Balance as at 1 July 2011	6 479	223 170	18 666	15 656	263 971
Ordinary dividend			(173 329)		(173 329)
Net profit for the year			184 036		184 036
Shares issued	55	30 508			30 563
SAR and Bonus Rights Scheme allocated				3 731	3 731
Transfer from shares issued			(21 133)	(9 430)	(30 563)
Balance as at 30 June 2012	6 534	253 678	8 240	9 957	278 409
Balance as at 1 July 2012	**6 534**	**253 678**	**8 240**	**9 957**	**278 409**
Ordinary dividend			**(219 060)**		**(219 060)**
Net profit for the year			**231 735**		**231 735**
Shares issued	**26**	**15 304**			**15 330**
SAR and Bonus Rights Scheme allocated				**7 689**	**7 689**
Transfer from shares issued			**(12 750)**	**(2 580)**	**(15 330)**
Balance as at 30 June 2013	**6 560**	**268 982**	**8 165**	**15 066**	**298 773**

1. *The SAR and Bonus Rights Scheme reserve held is in respect of the SARs and Bonus Rights granted to management (excluding Directors), IFAs and key employees in terms of the SAR and Bonus Rights Scheme*
2. *As from 1 January 2012, in terms of FSB Board Notice 169 of 2011, the Company is no longer required to maintain a contingency reserve*
3. *Comprises the accumulated owner-occupied properties fair value adjustment and related tax*

Clientèle LIMITED

Statements of Cash Flows

for the year ended 30 June 2013

		Group		Company	
(R'000)	Notes	**2013**	2012	**2013**	2012
Profit from continuing operations		**397 612**	378 503	**231 706**	183 878
Adjusted for non-cash items		**(67 522)**	(5 694)	**4 705**	14 222
Working capital changes		**(144 286)**	(45 258)	**(362)**	14
Separately disclosable items		**(48 120)**	(49 625)	**(2 044)**	(852)
(Decrease)/increase in financial liabilities		**(100 815)**	157 699		
Cash generated by operations	33	**36 869**	435 625	**234 005**	197 262
Net (disposal)/acquisition of financial assets		**265 808**	(111 508)		
Interest received		**31 606**	32 579	**2 044**	852
Dividends received		**16 514**	17 046		
Dividends paid	34	**(219 012)**	(173 261)	**(219 012)**	(173 261)
Tax paid	35	**(103 550)**	(114 201)	**30**	(79)
Cash flows from operating activities – continuing operations		**28 235**	86 280	**17 067**	24 774
Cash flows from operating activities – discontinued operation			(13 314)		–
Cash flows from operating activities		**28 235**	72 966	**17 067**	24 774
Acquisition of intangible assets		**(11 991)**	(15 165)		
Acquisition of property and equipment		**(4 037)**	(8 461)		
Acquisition of owner-occupied properties		**(768)**	(17 463)		
Proceeds from disposal of property and equipment		**59**	145		
Cash flows from investing activities		**(16 737)**	(40 944)	**–**	–
Proceeds from issue of share capital				**2 580**	9 430
(Increase)/decrease in amount due to subsidiary				**(11 840)**	2 180
Cash flows from financing activities – continuing operations		**–**	–	**(9 260)**	11 610
Cash flow from financing activities – discontinued operation		**–**	(9 190)		–
Cash flow from financing activities		**–**	(9 190)	**(9 260)**	11 610
Increase in cash and cash equivalents		**11 498**	22 832	**7 807**	36 384
Cash and cash equivalents at beginning of year		**168 513**	145 681	**37 282**	898
Cash and cash equivalents at end of year	10	**180 011**	168 513	**45 089**	37 282

Segment Information

at 30 June 2013

BASIS OF SEGMENTATION

The Group's operations are analysed across five (2012: six) reportable operating segments. This is consistent with the way the Group manages the business. The five reportable operating segments, based on the five principal lines of business from which the Group generates revenue are long-term insurance, investment contracts, short-term insurance, loans business and mobile business segments.

As previously reported, the IFA Nigeria business was placed into voluntary liquidation with effect from 29 July 2011. The closure of the business is now complete and only administrative procedures remain.

Statement of Comprehensive Income – segment information for the year ended 30 June 2013

(R'000)	SA Long-term insurance	SA Investment contracts	SA Short-term insurance	SA Loans	SA Mobile	Inter-segment	Total
Revenue							
Insurance premium revenue	1 069 000		155 459				1 224 459
Reinsurance premiums	(78 240)		(356)				(78 596)
Net insurance premiums	990 760		155 103				1 145 863
Other income	143 461	12 482	3	14 709	7 864	(9 672)	168 847
Interest income	11 943		834	70 545	28	(7 030)	76 320
Fair value adjustment to financial assets at fair value through profit or loss	162 195	75 926	11 760				249 881
Segment revenue	1 308 359	88 408	167 700	85 254	7 892	(16 702)	1 640 911
Net insurance benefits and claims	(320 719)		(19 036)				(339 755)
Increase in policyholder liabilities under insurance contracts	43 581		493				44 074
Decrease in reinsurance assets	(508)						(508)
Fair value adjustment to financial liabilities at fair value through profit or loss		(71 222)					(71 222)
Interest expense		(4 704)		(21 465)		7 030	(19 139)
Impairment of advances				(38 194)			(38 194)
Operating expenses	(682 240)	(5 378)	(108 796)	(24 148)	(7 665)	9 672	(818 555)
Segment expenses and claims	(959 886)	(81 304)	(127 339)	(83 807)	(7 665)	16 702	(1 243 299)
Profit before tax	348 473	7 104	40 361	1 447	227		397 612
Tax	(91 507)	(1 989)	(10 242)	(405)	(63)		(104 206)
Net profit for the year	256 966	5 115	30 119	1 042	164	–	293 406
Net profit for the year attributable to equity holders of the Group	256 966	5 115	30 119	731	164		293 095
Non-controlling interest – share of profit				311			311
Segment items included in the Statement of Comprehensive Income: 2013							
Amortisation of intangible assets	11 968		1 203		28		13 199
Depreciation	14 509		518		233		15 260

Segment information continued

Statement of Comprehensive Income – segment information for the year ended 30 June 2012

(R'000)	SA Long-term insurance	SA Investment contracts	SA Short-term insurance	SA Loans	SA Mobile	Nigerian Long-term brokerage	Inter-segment	Total
Revenue								
Insurance premium revenue	1 059 006		135 846					1 194 852
Reinsurance premiums	(68 765)		(151)					(68 916)
Net insurance premiums	990 241		135 695					1 125 936
Other income	140 735	11 046		12 845	3 944	460	(4 348)	164 682
Interest income	10 634		580	49 964	75	2	(5 207)	56 048
Fair value adjustment to financial assets at fair value through profit or loss	101 800	143 616	6 773					252 189
Segment revenue	1 243 410	154 662	143 048	62 809	4 019	462	(9 555)	1 598 855
Net insurance benefits and claims	(274 400)		(16 624)					(291 024)
Change in policyholder liabilities under insurance contracts	(12 430)		(1 316)					(13 746)
Decrease in reinsurance assets	(333)							(333)
Fair value adjustment to financial liabilities at fair value through profit or loss		(139 415)						(139 415)
Interest expense		(4 201)		(15 571)		(41)	5 207	(14 606)
Impairment of advances				(21 642)				(21 642)
Operating expenses	(610 632)	(7 337)	(96 999)	(24 162)	(4 383)	(25 216)	4 348	(764 381)
Segment expenses and claims	(897 795)	(150 953)	(114 939)	(61 375)	(4 383)	(25 257)	9 555	(1 245 147)
Profit/(loss) before tax	345 615	3 709	28 109	1 434	(364)	(24 795)		353 708
Tax	(109 854)	(1 038)	(7 242)	(402)	102			(118 434)
Net profit/(loss) for the year	235 761	2 671	20 867	1 032	(262)	(24 795)		235 274
Loan waived – discontinued operation	(19 250)					34 129		14 879
FCTR						(11 778)		(11 778)
Net profit/(loss) for the year	216 511	2 671	20 867	1 032	(262)	(2 444)	–	238 375
Net profit/(loss) for the year attributable to equity holders of the Group	216 511	2 671	20 867	722	(262)	(2 077)		238 432
Non-controlling interest – share of profit/(loss)				310		(367)		(57)
Segment items included in the Statement of Comprehensive Income: 2012								
Amortisation of intangible assets	13 557		1 489		25	66		15 137
Depreciation	13 920		480		23	192		14 615
Impairment of intangible assets						4 231		4 231
Impairment of property and equipment						4 758		4 758

Segment information continued

Statement of Financial Position – segment information as at 30 June 2013

(R'000)	SA Long-term insurance	SA Investment contracts	SA Short-term insurance	SA Loans	SA Mobile	Inter-segment	Total
Segment assets and liabilities							
Intangible assets	18 002		1 632		23		19 657
Property and equipment	24 355		1 600		7		25 962
Owner-occupied properties	188 240						188 240
Deferred tax	20 357		620	5 778	101		26 856
Inventories	905		218				1 123
Reinsurance assets	3 337						3 337
Financial assets at fair value through profit or loss	862 748	1 328 452	96 780				2 287 980
Loans and receivables including insurance receivables	107 691		905	198 387		(83 679)	223 304
Current tax	79			379	185		643
Cash and cash equivalents	146 022		27 653	5 757	579		180 011
Total assets	1 371 736	1 328 452	129 408	210 301	895	(83 679)	2 957 113
Policyholder liabilities under insurance contracts	736 950		9 701				746 651
Financial liabilities		1 326 415					1 326 415
– at fair value through profit or loss		1 283 311					1 283 311
– at amortised cost		43 104					43 104
Loans at amortised cost				213 917		(78 921)	134 996
Employee benefits	66 383						66 383
Accruals and payables including insurance payables	100 259		13 803	11 159	499	(4 758)	120 962
Deferred tax	24 909		2 511				27 420
Current tax	4 779		87				4 866
Total liabilities	933 280	1 326 415	26 102	225 076	499	(83 679)	2 427 693
Segment items included in the Statement of Financial Position: 2013							
Acquisition of intangible assets	9 933		2 058				11 991
Acquisition of property and equipment	3 887		142		8		4 037

Segment information continued

Statement of Financial Position – segment information as at 30 June 2012

(R'000)	SA Long-term insurance	SA Investment contracts	SA Short-term insurance	SA Loans	SA Mobile	Inter-segment	Total
Segment assets and liabilities							
Intangible assets	20 037		777		51		20 865
Property and equipment	34 674		1 977		547		37 198
Owner-occupied properties	176 873						176 873
Investment in associates	291						291
Deferred tax	13 853		857	5 990	101		20 801
Inventories	1 263		108				1 371
Reinsurance assets	3 845						3 845
Financial assets at fair value through profit or loss	876 147	1 351 741	76 019				2 303 907
Loans and receivables including insurance receivables	91 213		1 271	182 798	274	(65 965)	209 591
Current tax	1 303		2 410		172		3 885
Cash and cash equivalents	147 503		11 993	8 880	137		168 513
Total assets	1 367 002	1 351 741	95 412	197 668	1 282	(65 965)	2 947 140
Policyholder liabilities under insurance contracts	780 532		10 193				790 725
Financial liabilities		1 351 303					1 351 303
– at fair value through profit or loss		1 312 904					1 312 904
– at amortised cost		38 399					38 399
Loans at amortised cost				204 184		(65 965)	138 219
Employee benefits	60 178						60 178
Accruals and payables including insurance payables	120 229		10 532	9 301	1 050		141 112
Deferred tax	23 899		1 501				25 400
Current tax	199						199
Total liabilities	985 037	1 351 303	22 226	213 485	1 050	(65 965)	2 507 136
Segment items included in the Statement of Financial Position: 2012							
Acquisition of intangible assets	14 529		560		76		15 165
Acquisition of property and equipment	7 576		405		480		8 461

Notes to the Annual Financial Statements

for the year ended 30 June 2013

1. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS USED IN APPLYING ACCOUNTING POLICIES

The Group makes estimates and assumptions that affect the reported amounts of its insurance liabilities and assets, financial liabilities at fair value and employee benefit obligations. Save for employee benefit obligations which are evaluated semi-annually, estimates and judgments are evaluated monthly and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

1.1 Long-term insurance

Other than where an IBNR liability has been established and for market-related linked savings products, the insurance liabilities are calculated by projecting liability outgo and expected future premiums and discounting the cash flows to the Valuation date based on the Valuation discount rate. These are referred to as discounted liabilities.

Discounted Liabilities

These liabilities are established on a policy by policy basis. The basis of the projections is on a "best estimate" assumption basis. Compulsory margins are added to allow for risk and uncertainty based on the relevant local Actuarial Guidance Note (SAP104). In addition discretionary margins are included.

The compulsory margins were as follows:

Assumption	2013 Margin	2012 Margin
Investment return	**0.25% increase/decrease***	0.25% increase/decrease*
Mortality	**7.5% increase**	7.5% increase
Expenses	**10.0% increase**	10.0% increase
Expense inflation	**10.0% increase**	10.0% increase
Lapses	**25.0% increase/decrease***	25.0% increase/decrease*
Surrenders	**10.0% increase/decrease***	10.0% increase/decrease*

* *Depending on which change increases the liability*

Discretionary margins

Assets under insurance contracts ("negative liabilities") have been eliminated against policyholder liabilities under insurance contracts. In addition, a discretionary margin relating to tax charges on market related products is kept. The total value of discretionary margins amounted to R1 884,3 million (2012: R1 820,1 million).

The elimination of negative liabilities has increased from June 2012. Increases are due to the volumes of profitable new business written, however, for this financial year, the increase in this margin was tempered by the change in actuarial assumptions (particulary the valuation interest rate).

Significant assumptions and other sources of estimation uncertainty

Discounted liabilities' assumptions

The key assumptions used in the calculation of the insurance liabilities are based on recent experience investigations of the Group's business. Every year each assumption is reviewed based on the results of the most recent experience investigations. The intention is to arrive at a best estimate of the Group's experience.

Where data is not credible, more prudent assumptions are used based on industry data where available. However, for the bulk of the Group's business, internal data was used. To allow for the expected deterioration in claims due to AIDS, the AIDS tables produced by the Actuarial Society of South Africa were used. The results of the internal mortality investigations were used to establish current levels.

Once the best estimate is determined, compulsory margins (as set out in SAP104) are incorporated as described above.

Demographic Assumptions

Mortality

A detailed mortality investigation was undertaken for homogenous groupings of business for the year ended 30 June 2013 based on the in-force data file, movements data and claims during the year. These results were used to set the mortality and AIDS assumptions relative to the latest published local assured lives and AIDS tables.

Withdrawals

A detailed withdrawal investigation was carried out for the year ended 30 June 2013 based on homogenous groupings of business. Based on this investigation, the withdrawal assumptions of some of the classes of business were amended to reflect the recent and expected future experience.

Expenses

The renewal expense assumption was increased by more than inflation, based on an expense investigation.

Economic Assumptions

(a) Investment Return

The investment return assumption for all classes of business, except those where the liability has a specific asset backing it, was determined based on:

- The current zero coupon yield curve (assuming an appropriate duration); less,
- A compulsory margin (prescribed as being 0.25%).

For June 2013, the Valuation rate has been set with reference to the current zero coupon yield curve (an effective rate of 6.895% (2012: 6.27%) at a term of 4 years).

Based on the above, an investment return of 6.9% p.a. (2012: 6.30% p.a.) before compulsory margins was assumed for the majority of the business.

(b) Inflation

The current assumed level of future expense inflation is 5.4% (2012: 4.30%) per annum. This was set with reference to the revised level of the Valuation interest rate. The gap between the investment return assumption and the inflation rate reduced to 1.5% (2012: 2%).

(c) Taxation

Future taxation and taxation relief are allowed for at the rates and on the basis applicable to section 29A of the Income Tax Act at the Statement of Financial Position date. Clientèle Life's current tax position is taken into account, and taxation rates, consistent with that position and the likely future changes in that position, are allowed for.

Effect of changes in assumptions

The following changes were made to the Actuarial Valuation basis when compared to the previous year's basis:

- Economic assumptions were reviewed to reflect the current environment resulting in an increase in liabilities of R1,4 million;
- The renewal expense assumption was increased resulting in an increase in liabilities of R2,3 million;
- Withdrawal, reinsurance and other decrements were reviewed and adjusted where necessary in the light of recent experience resulting in a decrease in liabilities of R42,7 million; and
- Refinement of modelling resulted in a decrease in liabilities of R3 million.

Undiscounted Liabilities

IBNR liabilities are based on a percentage of the premiums payable and have been established at a level which is appropriate based on historic trends. The percentage is reviewed annually against actual experience and expected future trends.

1.2 Short-term insurance

IBNR – Undiscounted Liabilities

Clientèle General Insurance determines its IBNR liability based on historical data. Management applied 0.2% of written premiums (approved by the FSB) to determine the legal IBNR provision plus that required per legislation for the IBNR on accidental death business, which amounted to R0,9 million (2012: R0,5 million) as at 30 June 2013.

In determining the 0.2% of written premiums applied, management has considered the following factors:

- Total claims cost for the year;
- Average claim size; and
- Average reporting delay.

Notes to the Annual Financial Statements continued

Cashback liabilities

Discounted liabilities for the cash-back benefits are calculated by projecting expected cash-back payments and discounting the cash flows to the Valuation date, after allowing for decrementing.

Outstanding Claims Provision

The Outstanding Claims Provision has been determined using a chain-ladder approach based on the Company's latest claim statistics. The current year's Outstanding Claims Reserve amounted to R1,4 million (2012: R1,3 million).

1.3 Loans Business

1.3.1 Credit impairment losses on loans and advances

The Company makes estimates and assumptions that impact the valuation of advances with respect to the impairment of advances made to customers. The impairments are determined by taking into account the customers' extent of amounts due but in arrears as well as the likelihood of customers becoming doubtful based on experience. The estimates are evaluated annually based on experience and are adjusted where necessary. The current estimate, based on current information, is assessed to be reasonable under the circumstances.

1.3.2 Deferred tax assets

The Group considers that it is appropriate to recognise the deferred tax asset based on the following:

- The Directors are fully aware of the basis of recognising the deferred tax asset and approved this basis;
- Where companies are in the starting phase and business plans, budgets and its strategies support management's view that it is probable that sufficient future taxable profit will be earned by the companies; and
- The subsidiary has started generating annual taxable profits.

1.4 Other

1.4.1 Financial liabilities at fair value

The Group issues contracts that are classified as financial liabilities at fair value through profit or loss. These financial instruments are not quoted in active markets, and their fair values are determined by using valuation techniques. All models are validated before they are used and calibrated to ensure that outputs reflect actual experience and comparable market prices. A variety of factors are considered in the Group's valuation techniques, including time value of money, credit risk (both own and counter- party), and activity in similar instruments.

Changes in assumptions about these factors could affect the reported fair value of these financial statements. The extent that actual surrenders are different from the Group's estimates is a critical factor in the fair valuation process, as additional fair value gains or losses would have been recognised in the fair value of liabilities associated with these contracts. These financial liabilities are, however, matched with assets with similar features, removing the risk of significant mismatches when surrenders are earlier than expected.

1.4.2 Employee benefits liabilities

The determination of the liabilities in respect of the Goodwill Scheme component of the Group's bonus scheme is dependent on estimates made by the Group. Estimates are made as to the expected VNB generated in the fifth year of the current five year cycle of the scheme, the multiple used in the formula and the expected number of participants in the scheme. The Group bases these estimates on budgets and forecasts based on the Group's business plans.

SARs and Bonus Rights are granted to qualifying IFAs and employees with more than one year of service. The SAR and Bonus Rights Scheme reserve is determined using the Black Scholes model (refer to note 12 on pages 137 and 138).

1.4.3 Owner occupied properties

The valuation of R188,2 million (2012: R176,9 million) is arrived at using the capitalisation of net income method using the following underlying assumptions:

- Projected gross annual rental income of R19,3 million (2012: R18,5 million) based on market related rental income per square metre; and
- Capitalised at a remunerative rate of 9.75% (2012: 10.0%) on the net annual rental income.

1.4.4 Directors valuation of subsidiaries

The valuation of subsidiaries is based on the Directors' assessment of the Appraisal Value of the particular subsidiary (refer to note 5 on pages 131 and 132).

	Group				Company	
	Computer Software	Video Production	Total 2013 R'000	Total 2012 R'000	2013	2012
2 INTANGIBLE ASSETS						
Cost at beginning of year	69 663		69 663	54 498		
Additions	6 350	5 641	11 991	15 165		
Transfer to video production	(16 711)	16 711				
Disposals	(101)		(101)			
Cost at end of year	59 201	22 352	81 553	69 663		
Accumulated amortisation at beginning of year	(48 798)		(48 798)	(29 736)		
Amortisation charge for the year	(7 767)	(5 432)	(13 199)	(15 137)		
Amortisation transferred to video production	11 513	(11 513)				
Impairment#				(4 231)		
Foreign currency adjustments on translations				306		
Disposals	101		101			
Accumulated amortisation at end of year	(44 951)	(16 945)	(61 896)	(48 798)		
Net carrying amount at end of year	14 250	5 407	19 657	20 865		

The impairment of assets relates to the discontinued operation

Group (R'000)	Leasehold improvement	Furniture and equipment	Computer software	Computer equipment	Motor vehicles	Total
3. PROPERTY AND EQUIPMENT						
Year ended 30 June 2013						
Cost at beginning of year	12 250	46 305	11 217	63 594	6 150	139 516
Additions	918	634		2 081	404	4 037
Disposals	(23)			(142)		(165)
Cost at end of year	13 145	46 939	11 217	65 533	6 554	143 388
Accumulated depreciation at beginning of year	(8 834)	(32 985)	(11 217)	(44 410)	(4 872)	(102 318)
Depreciation charge for the year	(3 760)	(3 033)		(7 738)	(729)	(15 260)
Disposals	23			129		152
Accumulated depreciation at end of year	(12 571)	(36 018)	(11 217)	(52 019)	(5 601)	(117 426)
Net carrying amount at end of year	574	10 921	–	13 514	953	25 962

Notes to the Annual Financial Statements continued

Group (R'000)	Leasehold improvement	Furniture and equipment	Computer software	Computer equipment	Motor vehicles	Total
Year ended 30 June 2012						
Cost at beginning of year	10 189	44 503	11 217	60 971	5 762	132 642
Additions	2 146	1 867		3 824	624	8 461
Disposals	(85)	(65)		(1 201)	(236)	(1 587)
Cost at end of year	12 250	46 305	11 217	63 594	6 150	139 516
Accumulated depreciation at beginning of year	(5 347)	(28 768)	(11 217)	(35 909)	(3 579)	(84 820)
Depreciation charge for the year	(3 396)	(2 750)		(7 507)	(962)	(14 615)
Foreign currency adjustments on translations	15	122		170	48	355
Impairment	(188)	(1 651)		(2 304)	(615)	(4 758)
Disposals	82	62		1 140	236	1 520
Accumulated depreciation at end of year	(8 834)	(32 985)	(11 217)	(44 410)	(4 872)	(102 318)
Net carrying amount at end of year	3 416	13 320	–	19 184	1 278	37 198

The impairment of assets relates to the discontinued operation

Group (R'000)	2013 Land	2013 Buildings	2013 Total	2012 Land	2012 Buildings	2012 Total
4. OWNER-OCCUPIED PROPERTIES						
At Valuation at beginning of year	61 804	115 069	176 873	43 380	106 949	150 329
Additions at cost		768	768	14 944	2 519	17 463
Revaluation	3 946	6 653	10 599	3 480	5 601	9 081
At Valuation at end of year	65 750	122 490	188 240	61 804	115 069	176 873

The land and buildings are valued annually as at 30 June at fair value by an independent valuator, CB Richard Ellis Proprietary Limited, reflecting the actual open market value of the properties.

The properties consist of six contiguous office buildings situated on Erf 1725, Morningside Extension 71, Erf 1731, Morningside Extension 42, Portions 1 and 3 of Erf 1502, Morningside Extension 71 and Erf 1726, Morningside Extension 42, Sandton, Gauteng and undeveloped land being Erf 777 Morningside Extension 71 Township and Erf 776 Morningside Extension 71 Township, which are adjacent to the buildings. The majority of office buildings are leased to Group companies.

Register of owner-occupied properties

A register containing details of all owner-occupied properties is available for inspection at the registered office of Clientèle.

If owner-occupied properties were stated on the historical cost basis, the net book value or historical cost would be R127,2 million as at 30 June 2013 (2012: R126,4 million).

5. INVESTMENT IN SUBSIDIARIES

	Amount of issued share capital and share premium R	Percentage of issued share capital %	Shares held at cost R'000	Directors valuation R'000
2013				
Direct holdings				
Unlisted subsidiaries				
Clientèle Life[1]	4 853 000	100	244 715	3 570 540
Clientèle General Insurance[2]	42 500 000	100	42 500	754 530
Clientèle Loans	1	100	*	1
Clientèle Mobile	1	100	*	1
Indirect holdings				
Unlisted subsidiaries				
IFA Nigeria[3]	72 808 870	85		-
Total			287 215	4 325 072

** less than R1,000*

Directors valuation of subsidiaries

1 The value of Clientèle Life has been based on an Appraisal Value calculation. The Appraisal Value is the sum of the EV and the Value of Future New Business. In turn the Value of Future New Business is calculated as the VNB for the year ended 30 June 2013, adjusted for expected charges in terms of the management incentive scheme times a multiplier. The Appraisal value is an actuarial calculation which incorporates certain assumptions. Two of these have been subjectively and consistently set based on the Directors view of the future, and hence are different to those used in the published EV results. These are the RDR and the new business multiplier. The other assumptions are the same as that used in the published EV results.

The RDR used for the EV and the VNB was 12.4% p.a., 2% higher than the RDR used in the published results (2012: 11.8%. The RDR used for published purposes is formulaic, based on a specific actuarial guidance note (APN 107) and does not necessarily reflect the Directors view of future inherent risk. The additional 2% margin reflects the current view of the Directors on the additional risk inherent in the EV and VNB calculations.

The actuarial assumptions used to calculate the multiplier have been set and take cognizance of the following :

- Due to the fact that there is more risk associated with Future New Business than business already on the books, a RDR of 15.4% (2012: 15%) has been used (i.e. 5% higher than the RDR used in the published results); and,
- It has been assumed that the VNB will remain level into the future.

The above assumptions result in a multiplier of 6.4935 (2012: 6.667). The Directors have used a multiplier of 6.5 (2012: 6.5) for purposes of the Directors' valuation. The Value of Future New Business allowing for management incentive and applying for this multiplier is R922,5 million (2012: R1,51 billion). The EV of Clientèle Life, as calculated by the Directors, as at 30 June 2013 is R2,65 billion (2012: R2,53 billion). Combined with the Value of Future New Business, this results in an Appraisal Value of R3,6 billion (2012: R4,0 billion).

2 Similarly, an Appraisal Value calculation (based on the underlying assumptions used in the published results) has been utilised to place a value on Clientèle General Insurance. The Directors have assumed that the VNB will remain level into the future and have used the same multiplier as was used when calculating the Value of Future New Business for Clientèle Life (see note 1 above). This results in a Value of Future New Business of R281,1 million (2012: R303 million) for Clientèle General Insurance, which together with the EV (using the same approach as for Clientèle Life - see note 1 above) of R473,4 million (2012: R363,4 million) results in an Appraisal Value of R754,5 million (2012: R666,4 million).

3 As our Nigerian operation was placed in liquidation on 29 July 2011, the Board has fully impaired this investment and has placed no value on it.

Notes to the Annual Financial Statements continued

	Amount of issued share capital and share premium R	Percentage of issued share capital %	Shares held at cost R'000	Directors valuation R'000
2012				
Direct holdings				
Unlisted subsidiaries				
Clientèle Life[1]	4 853 000	100	239 606	4 043 158
Clientèle General Insurance[2]	42 500 000	100	42 500	666 426
Clientèle Loans	1	100	*	1
Clientèle Mobile	1	100	*	1
Indirect holdings				
Unlisted subsidiaries				
IFA Nigeria[3]	72 808 870	85		1
Clientèle Loans Direct	100	70	*	1
Total			282 106	4 709 588

* *Less than R1 000*

(R'000)	Group 2013	Group 2012	Company 2013	Company 2012
6. INVESTMENT IN ASSOCIATE				
Investment at beginning of year	**291**	291		
Investment in associate written off	**(291)**			
Balance at end of year	**–**	291	–	–

The investment is accounted for by the equity method of accounting.

The unlisted associate, Clientèle USA LLC, of which Clientèle Life holds 0% (2012: 33.3%), was incorporated in the United States of America. Its business was the distribution of life insurance policies and it had a December year end. The cost of the investment was fully impaired at 30 June 2006. Clientèle USA LLC was liquidated on 4 August 2011.

(R'000)	Group 2013	Group 2012	Company 2013	Company 2012
7. REINSURANCE ASSETS				
Reinsurers' share of insurance liabilities				
Balance at beginning of year	**3 845**	4 178		
Movement in reinsurers' share of insurance liabilities	**(508)**	(333)		
Balance at end of year	**3 337**	3 845	**–**	–

Notes to the Annual Financial Statements continued

(R'000)	Group 2013	Group 2012	Company 2013	Company 2012
8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS				
Designated				
Balance at beginning of year	**2 303 907**	1 940 210		
Movements for year				
– Fair value adjustments	**249 881**	252 189		
– Additions	**388 270**	340 507		
– Disposals	**(654 078)**	(228 999)		
Balance at end of year	**2 287 980**	2 303 907	–	–
Total debt securities	**1 689 544**	1 695 417		
Promissory notes and deposits	**1 319 149**	1 306 132		
Funds on deposit	**130 048**	159 290		
Fixed interest securities	**207 322**	186 385		
Government and public authority bonds	**33 025**	43 610		
Total equity securities	**598 436**	608 490		
Listed equity securities	**594 636**	604 806		
Unlisted equity securities	**3 800**	3 684		
Total instruments	**2 287 980**	2 303 907	–	–
	%	%	**%**	%
Spread of equities listed on the JSE by sector				
Industrials	**52.1**	48.2		
Resources	**16.0**	19.5		
Financials	**6.9**	7.5		
Real estate	**15.1**	15.0		
Telecommunications	**9.9**	9.8		
	100.0	100.0	–	–

The change in fair value attributable to changes in credit risk is RNil (2012: RNil).

Use of valuation techniques to determine fair value

The Group establishes fair value by using a valuation technique if the market for a financial instrument is not quoted in an active market. Valuation techniques include using transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the Group uses that technique. Fair value is estimated on the basis of the results of a valuation technique that makes maximum use of market inputs, and relies as little as possible on entity-specific inputs.

The value for the unlisted equity securities represents shares in share block companies which are valued with reference to a written valuation by management of the administration company for the shareblock company, which is based on recent market related prices between willing buyers and sellers.

A register of listed and unlisted equity securities is available for inspection in terms of the provisions of section 113 of the Companies Act.

Notes to the Annual Financial Statements continued

(R'000)	Group 2013	Group 2012	Company 2013	Company 2012
9. LOANS AND RECEIVABLES INCLUDING INSURANCE RECEIVABLES				
Receivables	**9 246**	5 545	421	54
Net advances (refer to note 9.1)	**193 391**	179 052		
Premiums receivable under insurance contracts	**2 341**	5 710		
Due from subsidiaries			9 512	
Reinsurance receivables under reinsurance contracts	**12 163**	12 177		
Prepayments	**6 163**	7 107		
	223 304	209 591	9 933	54
Current	**83 941**	82 363	9 933	54
Non-current	**139 363**	127 228		
	223 304	209 591	9 933	54

The carrying value amounts approximate the fair value of these amounts.

Maturity analysis	Group 2013	Group 2012	Company 2013	Company 2012
Due within one year	**107 930**	97 697	9 933	54
Due within two to five years	**139 363**	127 228		
	247 293	224 925	9 933	54
Provisions for impairments	**(23 989)**	(15 334)		
	223 304	209 591	9 933	54

The maturity analysis above reflects balances due, which are within the agreed terms. There are, therefore, no balances that are past due which require impairment, except for advances which are reflected below.

9.1 Net advances of Clientèle Loans Direct	Group 2013	Group 2012	Company 2013	Company 2012
Unsecured personal loans				
Gross loans and advances	**217 380**	194 386		
Provision for impairments	**(23 989)**	(15 334)		
– Specific provision	**(3 497)**	(2 812)		
– Portfolio provision	**(20 492)**	(12 522)		
Net advances	**193 391**	179 052	**–**	–

All advances are unsecured and have a maximum repayment term of five years with interest charged based on the creditworthiness of customers. Advances together with interest thereon, are payable in equal monthly instalments.

Movement in impairments provision	Group 2013	Group 2012	Company 2013	Company 2012
Balance at beginning of year	**15 334**	9 010		
Current year movement	**8 655**	6 324		
Bad debts written off	**(31 944)**	(17 002)		
Amount raised during the current year	**40 599**	23 326		
Balance at end of year	**23 989**	15 334	**–**	–

The advances portfolio and the Collections bank account amounting to R3,4 million (2012: 2,7 million) of Clientèle Loans Direct has been ceded as security in terms of the external funding facility agreement (refer to note 17 on pages 141 and 142).

Notes to the Annual Financial Statements continued

(R'000)	Group 2013	Group 2012	Company 2013	Company 2012
10. CASH AND CASH EQUIVALENTS				
Cash in bank and at hand	**180 011**	168 513	**45 089**	37 282
11. SHARE CAPITAL AND PREMIUM				
Authorised share capital				
750 000 000 ordinary shares of 2 cents each	**15 000**	15 000	**15 000**	15 000
Issued share capital				
2013: 328 007 083 (2012: 326 703 595) ordinary shares of 2 cents each	**6 560**	6 534	**6 560**	6 534
Share premium	**268 982**	253 678	**268 982**	253 678
Common control deficit*	**(220 273)**	(220 273)		
	55 269	39 939	**275 542**	260 212

* *Clientèle acquired the shares in Clientèle Life and its subsidiaries with effect from 19 May 2008. As there was no change in the beneficial shareholders, this transaction was treated as a common control transaction. This treatment resulted in a common control deficit of R220,3 million, which was the difference between the net asset value of Clientèle Life at the date of transfer and the par value of the shares issued.*

All issued shares are fully paid. The unissued ordinary shares have been placed under the control of the Directors of the Company until the forthcoming AGM of shareholders.

Ordinary shareholders analysis as at 30 June 2013

Shareholder spread	Number of shareholdings	%	Number of shares	%
1 – 1 000 shares	267	26.51	134 243	0.04
1 001 – 10 000 shares	463	45.98	2 116 608	0.65
10 001 – 100 000 shares	217	21.55	7 090 156	2.16
100 001 – 1 000 000 shares	40	3.97	12 044 288	3.67
1 000 001 shares and over	20	1.99	306 621 788	93.48
Totals	1 007	100.00	328 007 083	100.00

Notes to the Annual Financial Statements continued

Analysis of shareholders by classification as at 30 June 2013

Shareholder spread	Number of shareholdings	%	Number of shares	%
Banks	4	0.40	7 442 541	2.27
Close Corporations	17	1.69	1 251 419	0.38
Individuals	773	76.76	29 294 960	8.93
Insurance Companies	10	0.99	68 053 819	20.75
Investment Companies	3	0.30	285 360	0.09
Mutual Funds	13	1.29	15 218 509	4.64
Nominees and Trusts	131	13.01	4 935 560	1.50
Other Corporations	11	1.09	179 593	0.05
Private Companies	33	3.28	195 496 181	59.60
Public Company	1	0.10	30 000	0.01
Retirement Funds	9	0.89	5 814 641	1.77
Endowment Funds	2	0.20	4 500	0.01
Totals	**1 007**	**100.00**	**328 007 083**	**100.00**

Public/non-public shareholders

Shareholder spread	Number of shareholdings	%	Number of shares	%
Non-public shareholders	**16**	**1.59**	**274 810 280**	**83.78**
Directors and Associates of Directors	10	0.99	22 159 171	6.75
Strategic holdings (more than 10% shareholding)	6	0.60	252 651 109	77.03
Public shareholders	**991**	**98.41**	**53 196 803**	**16.22**

Shareholder spread	Number of shares	%
Beneficial shareholders holding 3% or more		
R Enthoven and Sons Proprietary Limited	252 651 109	77.03
Old Mutual	10 004 648	3.05
Totals	**262 655 757**	**80.08**

(R'000)	Group 2013	Group 2012	Company 2013	Company 2012
12. SAR AND BONUS RIGHTS SCHEME RESERVE				
SAR and Bonus Rights Scheme reserve	15 066	9 957	15 066	9 957

SARs and Bonus Rights are granted to qualifying IFAs and employees, excluding Group Directors.

The initial price of the SAR and the Bonus Right is the volume weighted average price that the ordinary share traded on the JSE during the 30 (thirty) trading days immediately preceding the Invitation Date in the case of employees and the announcement date in the case of IFAs. SARs and Bonus Rights are conditional on the employee staying in the employ of the Group for the vesting period and the IFA remaining an IFA. The SARs and Bonus Rights are exercisable starting three years from the invitation/announcement date. All SARs and Bonus Rights not exercised on the seventh anniversary of the invitation/announcement date will lapse.

	2013		2012	
	Volume weighted average price on grant	**Number of SARs and Bonus Rights granted**	Volume weighted average price on grant	Number of SARs and Bonus Rights granted
At beginning of year		11 162 767		15 506 185
Allotment	6.41		6.41	2 425 373
Allotment	8.67	11 000	8.67	
Allotment	5.88	8 269	5.88	
Allotment	7.48	6 431	7.48	
Allotment	9.79		9.79	778 825
Allotment	9.85	94 419	9.85	
Allotment	9.44		9.44	32 080
Allotment	11.28		11.28	581 414
Allotment	11.20	573 483		
Allotment	11.89	242 674		
Allotment	12.25	97 959		
Terminated	6.41	(50 000)	6.41	(7 750)
Terminated	8.03		8.03	(20 160)
Terminated	8.67	(2 750)	8.67	(33 750)
Terminated	7.60	(79 000)	7.60	
Terminated	7.89	(63 005)	7.89	(60 161)
Terminated	6.59		6.59	(179 086)
Terminated	5.35		5.35	
Terminated	5.88	(56 176)	5.88	(253 538)
Terminated	5.47	(67 549)	5.47	(376 248)
Terminated	5.87		5.87	
Terminated	7.23			
Terminated	7.48	(278 681)	7.48	(310 836)
Terminated	7.52		7.52	(132 203)
Terminated	7.63	(236 362)	7.63	(146 565)
Terminated	9.85	(239 303)	9.85	(17 907)
Terminated	9.79	(131 031)	9.79	(29 482)
Terminated	11.28	(102 351)		
Terminated	11.89	(5 395)		
Exercised		(3 222 976)		(6 608 924)
At end of year		7 662 423		11 162 767

1,9 million (2012: 3,7 million) of the 7,7 million (2012: 11,2 million) outstanding SARs and Bonus Rights were exercisable.

Notes to the Annual Financial Statements continued

SARs and Bonus Rights outstanding at the end of the year have the following expiry dates:

	Average grant price	Number of SARs and Bonus Rights
24 January 2014	6.41	800 750
2 July 2014	8.03	108 790
1 February 2015	8.67	397 535
1 March 15	8.46	168 500
3 July 2015	7.89	524 176
16 February 2016	5.88	595 135
17 July 2016	5.47	1 001 188
2 November 2016	6.29	127 186
11 January 2017	7.23	110 650
5 February 2017	7.48	324 303
1 April 2017	7.50	112 000
2 July 2017	7.63	512 677
25 February 2018	9.85	841 357
1 July 2018	9.79	618 312
1 September 2018	9.44	32 080
3 January 2019	11.28	479 063
30 October 2019	11.20	573 483
2 January 2020	11.89	237 279
1 March 2020	12.25	97 959
At end of year		7 662 423

The Statement of Comprehensive Income charge was determined using the Black Scholes model. The IFRS 2: Share based payments costs relating to the SAR and Bonus Rights Scheme amounted to R7,7 million (2012: R3,7 million). Significant inputs into the model include the grant prices of SARs and Bonus Rights, the dividend yield of 6% for rights granted up to 30 June 2010 and 5% p.a. for rights issued thereafter (2012: 5% p.a.), risk-free interest rate of 7.88% p.a. for rights granted prior to July 2007, and the risk-free yield depending on term till exercised for rights granted thereafter (unchanged from 2012), employee turnover ranging between 11.42% and 17.775% depending on the date of granting the rights (2012: ranging between 10.92% and 17.775%), contractual life of 1 to 7 years (2012: 1 to 7 years) and potential share price growth. The Statement of Comprehensive Income charge includes R4,6 million which relates to SARs and Bonus Rights which could be allocated to IFAs in future based on meeting certain qualifying criteria.

(R'000)	Group 2013	Group 2012	Company 2013	Company 2012
13. NDR				
NDR: Change in ownership				
Balance at beginning of year	–	43 906	–	–
Changes in ownership interests in subsidiary that do not result in a loss of control				
Transfer of NDR to retained income on liquidation of foreign subsidiary		(43 906)		
Balance at end of year	–	–	–	–
NDR: Revaluation	**45 940**	38 559	–	–

The revaluation reserve relates to owner occupied land and buildings owned by the subsidiaries, Clientèle Properties North, Clientèle Properties South and Clientèle Properties East referred to in note 4 on page 130. The land and buildings have been revalued to market value through equity. Deferred taxation (refer to note 20 on page 145) has been provided at rates appropriate to the land and buildings and resulted in a net increase of R3,2 million to the deferred tax liability (2012: R2,1 million).

(R'000)	Group 2013	Group 2012
14. POLICYHOLDERS' LIABILITIES UNDER INSURANCE CONTRACTS		
Balance at beginning of year	**790 725**	776 979
(Decrease)/increase in policyholder liabilities under insurance contracts	**(44 074)**	13 746
Balance at end of year	**746 651**	790 725

Notes to the Annual Financial Statements continued

Group (R'000)	2013 Gross of reinsurance	2013 Net of reinsurance	2012 Gross of reinsurance	2012 Net of reinsurance
Long-term insurance				
Changes in insurance liabilities and reinsurance				
Discounted insurance liabilities as at the beginning of the year	773 272	773 155	759 488	759 193
Discretionary margins	(1 820 256)	(1 820 066)	(1 623 476)	(1 622 846)
Discounted insurance liabilities as at the beginning of the year prior to allowance for discretionary margins	(1 046 984)	(1 046 911)	(863 988)	(863 653)
Expected interest on insurance liabilities (and cash flows)	(121 725)	(121 706)	(109 978)	(109 845)
Expected premiums on insurance liabilities	887 836	809 602	848 498	779 372
Expected change in margins (existing business)	(8 233)	(8 236)	10 322	10 316
Expected claims, expiries and lapses	(383 905)	(292 378)	(336 811)	(271 768)
Expected expenses, commission and charges	(112 865)	(112 865)	(121 202)	(121 202)
Experience variations	123 138	109 824	22 472	26 172
Changes in Valuation basis (renewal business only)	(41 966)	(41 960)	(2 607)	(2 604)
New business added during the year	(451 240)	(451 193)	(493 777)	(493 701)
Discounted insurance liabilities as at the end of the year prior to allowance for discretionary margins	(1 155 944)	(1 155 823)	(1 047 071)	(1 046 911)
Plus: Discretionary margins	1 884 452	1 884 255	1 820 343	1 820 066
A: Discounted insurance liabilities as at the end of the year	728 508	728 432	773 272	773 155
Undiscounted insurance liabilities as at the beginning of the year	7 260	3 532	8 615	4 732
Withdrawals and change in reinsurance during the year	1 069	1 557	(1 750)	(1 474)
New business added during the year	113	92	395	274
B: Undiscounted insurance liabilities as at the end of the year	8 442	5 181	7 260	3 532
Total insurance liabilities as at the end of the year (A+B)	736 950	733 613	780 532	776 687
Reinsurance assets		3 337		3 845
Gross long-term insurance liabilities as at the end of the year	736 950	736 950	780 532	780 532
Short-term insurance	9 701	9 701	10 193	10 193
IBNR	887	887	464	464
Cash back bonus	7 456	7 456	8 441	8 441
Outstanding claims	1 358	1 358	1 288	1 288
	746 651	746 651	790 725	790 725

(R'000)	Group 2013	Group 2012	Company 2013	Company 2012
15. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS				
Balance at beginning of year	**1 312 904**	1 015 790		
Movements for the year				
– Fair value adjustments	**71 222**	139 415		
– Deposits	**107 912**	236 840		
– Withdrawals and maturities	**(208 727)**	(79 141)		
Balance at end of year	**1 283 311**	1 312 904	**–**	–

The unrecognised profit in respect of financial liabilities at fair value through profit or loss amounts to R29,4 million (2012: R34,4 million).
The change in fair value attributable to changes in credit risk is R Nil (2012: R Nil). The amount payable on maturity and including annuity payments is R1 448,3 million (2012: R1 511,6 million).

16. FINANCIAL LIABILITIES AT AMORTISED COSTS

(R'000)	Group 2013	Group 2012	Company 2013	Company 2012
Balance at beginning of year	**38 399**	34 198	**38 399**	34 198
Movements for the year				
– Interest	**4 705**	4 201	**4 705**	4 201
Balance at end of year	**43 104**	38 399	**43 104**	38 399
Non-current	**43 104**	38 399	**43 104**	38 399
	43 104	38 399	**43 104**	38 399

The loan bears interest at fixed interest rates (between 10% and 12.25%) and is repayable after a five year period with the first payment commencing in September 2014.

Maturity analysis

(R'000)	Group 2013	Group 2012	Company 2013	Company 2012
Due within two to five years	**43 104**	38 399	**43 104**	38 399
Balance at end of year	**43 104**	38 399	**43 104**	38 399

17. LOANS AT AMORTISED COST

KC2008 Limited

(R'000)	Group 2013	Group 2012	Company 2013	Company 2012
Balance at beginning of year		23 386		
Repayments		(9 190)		
Loan waived		(14 879)		
Foreign currency adjustments on translations		683		
	–	–	**–**	–

The above loan was waived by KC2008 as part of the voluntary liquidation process of IFA Nigeria.

WesBank

(R'000)	Group 2013	Group 2012	Company 2013	Company 2012
Balance at beginning of the year	**138 219**	70 102		
Advances	**30 000**	68 000		
Interest	**12 643**	10 045		
Repayments	**(62 771)**	(9 928)		
	118 091	138 219	**–**	–

The above loan is in terms of a funding facility agreement with Wesbank, a division of FirstRand Bank Limited. The loan bears interest ranging between 8.45% – 8.90%. The capital amount is repayable at the end of the loan term for all the loans above with the final capital repayment of R10 million being due on 25 October 2015. The advances portfolio (note 9.1) and the bank account of Clientèle Loans Direct has been ceded as security in terms of this funding facility agreement.

Notes to the Annual Financial Statements continued

(R'000)	Group 2013	Group 2012	Company 2013	Company 2012
17. LOANS AT AMORTISED COST continued				
Direct Axis				
Balance at beginning of the year				
Advances	**27 000**			
Interest	**1 228**			
Repayments	**(11 323)**			
	16 905			
	134 996	138 219		

The above loan is in terms of a revolving credit facility agreement of R30 million with Direct Axis. The loan is unsecured, bears interest ranging from 8.13% to 8.90% and the full capital is repayable by 31 December 2013. Direct Axis has subordinated R4,4 million (2012: Nil) of the above loan in favour of other creditors and beneficiaries until such time as Clientèle Loans Direct's assets, fairly valued, exceed its liabilities.

(R'000)	Group 2013	Group 2012	Company 2013	Company 2012
Current	**56 871**			
Non-current	**78 125**	138 219		
	134 996	138 219		
Maturity analysis				
Due within one year	**56 871**			
Due within two to five years	**78 125**	138 219		
Balance at end of year	**134 996**	138 219	–	–
18. EMPLOYEE BENEFITS				
Goodwill Scheme (refer to 18.1)	**20 131**	13 395		
EV scheme (refer to 18.2)	**31 828**	32 752		
Short-term bonuses (refer to 18.3)	**14 424**	14 031		
	66 383	60 178	–	–
Current	**49 903**	46 783		
Non-current	**16 480**	13 395		
	66 383	60 178	–	–
18.1 Goodwill Scheme				
Balance at beginning of year	**13 395**	36 287		
Payment made during the year	**(4 084)**			
Provision raised/(reversed) (refer to note 29)	**10 820**	(22 892)		
Interest cost	**355**	2 403		
Service cost	**13 996**	2 679		
Net actuarial gain (loss)	**(3 531)**	(27 974)		
Balance at end of year	**20 131**	13 395	–	–

The above relates to the Goodwill element of the incentive bonus scheme as discussed in the Group Remuneration Report (pages 43 to 47) and the accounting policies (policy 21 on pages 116 to 117) to the Annual Financial Statements.

The principal actuarial assumptions used for estimating the obligation that relates to the Goodwill Scheme are as follows:

	Cycle 2	
	2013	2012
VNB at end of cycle (R million)	**365**	365
VNB Multiple	**5.00**	5.00
Risk-free rate (%)	**5.72**	5.72
In-force participants (%)	**65.25**	65.25
Payment term (years)	**5**	5

	Cycle 3	
	2013	2012
VNB at end of cycle (R million)	**800**	–
VNB Multiple	**5.00**	–
Risk-free rate (%)	**7.20**	–
In-force participants (%)	**100.00**	–
Payment term (years)	**5.00**	–

The variables used in calculating and estimating the liability in respect of the Goodwill Scheme are subject to approval by the Group Remuneration Committee. Those variables, which are subjective in nature, have been set at levels which the Group Remuneration Committee deem to be fair and equitable to both shareholders and the participants. The variables used for cycle 2 and 3 are changed over time as circumstances, Group performance and the economic environment changes.

18.2 EV scheme

The build-up of the EV scheme liability is as follows:

	Group		Company	
(R'000)	**2013**	2012	**2013**	2012
Balance at beginning of year	**32 752**	36 733		
Provision raised (refer to note 29)	**32 796**	32 752		
Payment during the year	**(33 720)**	(36 733)		
Balance at end of year	**31 828**	32 752	–	–

The principal actuarial assumptions used for estimating the obligation that relates to the EV Scheme are as follows:

Payment terms (years)	**4**	4		
Hurdle rate (%)	**11.178**	11.685		
In-force participants (%)	**86.35**	76.25		

EV Earnings are based on the EV assumptions and calculations as outlined in the Statement of the Group EV (pages 54 to 60).

Notes to the Annual Financial Statements continued

(R'000)	Group 2013	Group 2012	Company 2013	Company 2012
18.3 Short-term bonuses				
The build-up of the liability in respect of short-term bonuses is as follows:				
Balance at beginning of year	**14 031**	13 273		
Provision raised (refer to note 29)	**15 277**	14 031		
Payments during the year	**(14 884)**	(13 273)		
Balance at end of year	**14 424**	14 031	–	–

19. ACCRUALS AND PAYABLES INCLUDING INSURANCE PAYABLES

(R'000)	Group 2013	Group 2012	Company 2013	Company 2012
IFA referral fees and bonuses payable	**9 634**	9 002		
Premiums received in advance	**12 952**	28 065		
Deferred income	**34 626**	40 267		
Due from subsidiaries				2 328
Other accruals and payables	**63 750**	63 778	**626**	573
	120 962	141 112	**626**	2 901
Current	**103 354**	118 334	**626**	2 901
Non-current	**17 608**	22 778		
	120 962	141 112	**626**	2 901

The carrying value amounts approximates fair value amounts.

(R'000)	Group 2013	Group 2012	Company 2013	Company 2012
Maturity analysis				
Due within one year	**103 354**	118 334	**626**	2 901
Due within two to five years	**17 608**	22 778		
	120 962	141 112	**626**	2 901

Clientèle LIMITED

Notes to the Annual Financial Statements continued

(R'000)	Group 2013	Group 2012	Company 2013	Company 2012
20. DEFERRED TAX				
Assets				
Balance at beginning of year	**22 865**	30 270	**158**	
Charge to the Statements of Comprehensive Income				
– Tax losses	**274**	(239)	**29**	158
– Income received in advance	**(237)**	424		
– SAR Scheme	**910**	1 952		
– Cash-back bonus provision	**–**	(2 177)		
– Long-term employee benefits	**7 345**	(7 922)		
– Deferred profits on financial liabilities held at fair value through profit or loss	**(1 402)**	557		
Balance at end of year	**29 755**	22 865	**187**	158
Liability				
Balance at beginning of year	**27 463**	23 083		
Charge to the Statement of Comprehensive Income				
– Prepayments	**(741)**	(7 042)		
– Property and equipment	**(1 564)**	(1 158)		
– Unrealised gains on investments	**1 943**	10 525		
Deferred tax on revaluation of land	**1 505**	487		
Deferred tax on revaluation of buildings	**1 713**	1 568		
Balance at end of year	**30 319**	27 463	**–**	–
Analysis of deferred tax balances:				
Assets				
Tax losses	**8 469**	8 195	**187**	158
Income received in advance	**620**	857		
SAR Scheme	**2 862**	1 952		
Long-term employee benefits	**9 584**	2 239		
Deferred profits on financial liabilities held at fair value through profit and loss	**8 220**	9 622		
Deferred tax asset at end of the year	**29 755**	22 865	**187**	158
Liability				
Prepayments	**2 107**	2 848		
Plant and equipment	**616**	2 180		
Unrealised gains on investments	**12 468**	10 525		
Revaluation of land	**3 940**	2 435		
Revaluation of buildings	**11 188**	9 475		
Deferred tax liability at end of the year	**30 319**	27 463	**–**	–
Total deferred tax asset	**26 856**	20 801	**187**	158
Current	**579**	770		
Non-current	**26 277**	20 031	**187**	158
Total deferred tax liability	**(27 420)**	(25 400)	**–**	–
Current	**(2 065)**	(2 763)		
Non-current	**(25 355)**	(22 637)		
Net deferred tax liability at end of year	**(564)**	(4 599)	**187**	158

The assessable tax loss of the IPF amounts to R2,1 billion (2012: R1,9 billion). No deferred tax asset has been raised in respect of the assessable tax loss as it is unlikely that the assessed loss in the IPF will be utilised in the foreseeable future.

Notes to the Annual Financial Statements continued

(R'000)	Group 2013	Group 2012	Company 2013	Company 2012
21. INSURANCE PREMIUM REVENUE				
Long-term insurance – individual recurring	**1 065 164**	1 053 947		
Short-term insurance – individuals	**159 295**	140 905		
	1 224 459	1 194 852	**–**	–
22. REINSURANCE PREMIUMS				
Long-term insurance – individual recurring	**78 240**	68 765		
Short-term insurance – individuals	**356**	151		
	78 596	68 916	**–**	–
23. OTHER INCOME				
IFA annuity fee income	**132 650**	132 519		
Leads and brand fee	**322**		**322**	
Marketing materials' gross (loss)/profit	**(144)**	373		
Supplier discounts received	**138**	124		
Fee income			**3 566**	4 715
Properties – rental income	**48**	778		
Fee income from advances	**14 670**	12 845		
Inseta grants	**1 928**			
Income from Mobile business	**3 050**	3 944		
Deferred profit	**12 358**	10 917		
Other income	**1 355**	730		
Administration fees	**2 472**	1 992		
Recharge from Clientèle Life in excess of capital contribution			**12 750**	21 133
Dividends received (unlisted)			**219 060**	173 329
	168 847	164 222	**235 698**	199 177
24. INTEREST INCOME				
Loans business	**70 545**	49 964		
Cash and cash equivalents	**5 775**	6 082	**2 044**	852
	76 320	56 046	**2 044**	852
25. FAIR VALUE ADJUSTMENT TO FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS				
Designated – fair value adjustments	**249 881**	252 189	**–**	–
The above fair value adjustments include gains arising from:				
Interest (unlisted)	**157 806**	161 461		
Dividends (listed)	**17 997**	18 801		

(R'000)	Group 2013	Group 2012	Company 2013	Company 2012
26. NET INSURANCE BENEFITS AND CLAIMS				
Long-term insurance				
Claims and policyholders' benefits under insurance contracts	365 655	298 972	–	–
Death and disability claims	136 196	100 365		
Policy surrender claims	229 459	198 607		
Insurance claims recovered from reinsurers	(91 527)	(65 044)		
Cashback payments	46 591	40 472		
	320 719	274 400	–	–
Short-term insurance	19 036	16 624		
Legal claims	15 536	12 282		
Cashback payments	3 500	4 342		
	339 755	291 024	–	–
27. CHANGE IN POLICYHOLDER LIABILITIES UNDER INSURANCE CONTRACTS				
Long-term insurance	(43 581)	12 430		
Short-term insurance	(493)	1 316	–	–
IBNR	423	244		
Cashback bonus	(986)	665		
Outstanding claims	70	407		
	(44 074)	13 746	–	–
28. IMPAIRMENT OF ADVANCES				
Specific	685	1 128		
Portfolio	7 970	5 196		
Bad debts written off	31 944	17 002		
Bad debts recovered	(2 405)	(1 684)		
	38 194	21 642	–	–

Notes to the Annual Financial Statements continued

(R'000)	Group 2013	Group 2012	Company 2013	Company 2012
29. OPERATING EXPENSES				
Continuing operations – Acquisition and administration expenses by nature are as follows:				
Total Auditors' remuneration	**4 936**	4 919	**822**	1 006
Audit fees	**4 434**	4 331	**822**	823
Other services – taxation	**469**	293		
Other services – sundry	**33**	295		183
Actuarial fees	**2 361**	2 241		
Computer expenses	**17 756**	13 390		
Consultancy fees	**6 686**	2 068		
Employee benefits	**307 818**	259 665	**–**	–
Salaries and other short-term benefits	**233 038**	224 423		
Defined contribution provident fund – current service costs	**8 198**	7 620		
Goodwill Scheme expense/(reversal)	**10 820**	(22 892)		
EV scheme expense	**32 796**	32 752		
Short-term bonuses	**15 277**	14 031		
SAR and Bonus Rights Scheme expense	**7 689**	3 731		
Asset management fees	**5 199**	4 381		
Amortisation of intangible assets	**13 199**	15 071		
Depreciation	**15 260**	14 422	**–**	–
Computer equipment	**7 738**	7 423		
Furniture and equipment	**3 033**	2 691		
Leasehold improvement	**3 760**	3 371		
Motor vehicles	**729**	937		
Local travel costs	**971**	1 124		
Administration and marketing	**301 441**	275 558	**413**	529
IFA referral fees and bonuses paid	**106 001**	105 445		
Property expenses	**6 955**	6 712		
Profit on disposal of fixed assets	**(46)**	(78)		
Foreign exchange loss	**(17)**	(338)		
Other	**30 035**	34 585	**96**	394
	818 555	739 165	**1 331**	1 929
Comprising:				
Acquisition costs associated with insurance contracts	**660 968**	579 205		
Administrative expenses	**157 587**	159 960	**1 331**	1 929
	818 555	739 165	**1 331**	1 929
Staff count	**1 111**	1 115	**–**	–

30. DIRECTORS' AND KEY MANAGEMENT REMUNERATION

The Companies Act requires the remuneration of Prescribed Officers to be disclosed in the Integrated Annual Report. It is the opinion of the Board that Clientèle's Prescribed Officers are the Directors of Clientèle, whose remuneration is disclosed below.

Year ended 30 June 2013

Non-executive Directors Paid by the Group	Months in office	Directors' fees R'000	Total emoluments R'000
GQ Routledge	12	1 887	1 887
BA Stott	12	1 104	1 104
PR Gwangwa	12	341	341
FFT De Buck	8	240	240
RD Williams	6	350	350
Total emoluments		3 922	3 922

Executive Directors Paid by the Group	Months in office	Basic salary R'000	Bonuses and performance related payments R'000	Retirement, medical and other benefits R'000	Total emoluments R'000
GJ Soll	12	1 762	11 329	43	13 134
B Frodsham	12	1 171	6 294	79	7 544
IB Hume	12	1 325	6 572	125	8 022
BW Reekie	12	2 199	6 801	112	9 112
Total emoluments		6 457	30 996	359	37 812

Bonuses and performance related payments include incentive bonus scheme payments and vested amounts payable. No SARs or Bonus Rights have been issued to Group Directors.

Year ended 30 June 2012

Non-executive Directors Paid by the Group	Months in office	Directors' fees R'000	Total emoluments R'000
GQ Routledge	12	1 797	1 797
BA Stott	12	1 051	1 051
PR Gwangwa	12	324	324
Total emoluments		3 172	3 172

Executive Directors Paid by the Group	Months in office	Basic salary R'000	Bonuses and performance related payments R'000	Retirement, medical and other benefits R'000	Total emoluments R'000
GJ Soll	12	1 686	12 490	40	14 216
B Frodsham	12	932	6 878	66	7 876
IB Hume	12	1 198	6 993	95	8 286
BW Reekie	12	2 127	6 943	74	9 144
Total emoluments		5 943	33 304	275	39 522

Bonuses and performance related payments include incentive bonus scheme payments and vested amounts payable. No SARs or Bonus Rights have been issued to Group Directors.

Notes to the Annual Financial Statements continued

(R'000)	Group 2013	Group 2012	Company 2013	Company 2012
Key management				
The following salaries were paid and bonuses payable to key management excluding Group Directors. Key management are part of Excom.	**25 069**	22 368	**–**	–
Salaries and other benefits	**14 454**	13 483		
Short term bonuses	**3 152**	2 969		
EV Scheme	**7 463**	5 916		

31. TAX

(R'000)	Group 2013	Group 2012	Company 2013	Company 2012
Continuing operations				
South African normal tax	**100 504**	100 154	**29**	158
Current year tax	**105 951**	83 856		
Deferred tax	**(7 074)**	11 785	**29**	158
Prior year under provision	**1 627**	4 513		
South African capital gains tax	**3 702**	1 594	**–**	–
Current year tax	**3 702**	1 594		
STC		16 686		
Total tax expense	**104 206**	118 434	**29**	158
Tax rate reconciliation				
Profit before tax from continuing operations	**397 612**	378 503	**231 706**	183 878
Loss from discontinued operation		(21 694)		
Profit before tax	**397 612**	356 809	**231 706**	183 878
Tax	**(104 206)**	(118 434)	**29**	158
	%	%	**%**	%
Effective tax rate	**26.21**	33.20	**(0.01)**	(0.09)
Adjustments due to:				
Over/(under) provision in respect of prior year	**0.34**	(1.50)		
STC		(4.68)		
Capital gains tax	**1.62**	1.41		
Exempt income	**(0.17)**	(1.16)	**28.01**	28.09
Unrecognised deferred tax on tax losses		0.73		
Statutory tax rate	**28.00**	28.00	**28.00**	28.00

Policyholder taxation funds are separate tax entities which have differing tax rules as applied in the South African taxation legislation for life insurance companies. There are two separate funds applicable to Clientèle Life, defined as untaxed and individual. As these funds and related taxes are in essence direct taxes against investments held on behalf of policyholders (not shareholders), it is not considered necessary to reconcile effective tax rates by fund.

Notes to the Annual Financial Statements continued

(R'000)	Group 2013	Group 2012	Company 2013	Company 2012
32. EARNINGS PER SHARE				
Continuing operations				
Net profit for the year attributable to equity holders of the Group	**293 095**	259 759	**231 735**	184 036
Less: Profit on disposal of property and equipment	**(46)**	(78)		
Add: Impairment of investment				10 021
Add: Investment in associate written off	**291**			
Headline earnings from continuing operations	**293 340**	259 681	**231 735**	194 057
Discontinued operation				
Net loss for the year attributable to equity holders of the Group		(21 327)		
Add: Impairment of property and equipment		4 045		
Add: Impairment of intangible assets		3 596		
Add: FCTR realised		10 010		
Headline earnings from discontinued operation	**–**	(3 676)	**–**	–
Headline earnings for the year	**293 340**	256 005	**231 735**	194 057
Ordinary shares in issue ('000)	**328 207**	326 704		
Weighted ordinary shares in issue ('000)	**327 325**	324 540		
Diluted average ordinary shares in issue ('000)	**327 508**	329 201		

	Cents	Cents
Earnings per share	**89.54**	73.47
– Continuing operations	**89.54**	80.04
– Discontinued operation		(6.57)
Headline earnings per share	**89.62**	78.89
– Continuing operations	**89.62**	80.02
– Discontinued operation		(1.13)
Diluted earnings per share	**89.49**	72.43
– Continuing operations	**89.49**	78.91
– Discontinued operation		(6.48)
Diluted headline earnings per share	**89.57**	77.76
– Continuing operations	**89.57**	78.88
– Discontinued operation		(1.12)

Diluted earnings per share

Diluted earnings per share is calculated on the same basis as earnings per share, except that the weighted average number of ordinary shares in issue during the year is adjusted for the dilutive effect of the SAR and Bonus Rights Scheme. This potential dilutive effect is calculated using the average Clientèle share price less the sum of the estimated fair value of goods and services to be rendered by employees per SAR and Bonus Rights and the strike price at grant date. This difference gives the value per share of the benefit accruing to the SAR and Bonus Rights participant. The value is multiplied by the number of SARs and Bonus Rights and divided by the average Clientèle share price to measure the value as the notional number of shares.

Notes to the Annual Financial Statements continued

(R'000)	Group 2013	Group 2012	Company 2013	Company 2012
33. CASH GENERATED BY OPERATIONS				
Profit from continuing operations	**397 612**	378 503	**231 706**	183 878
Adjusted for non-cash items:				
Fair value adjustment to financial assets at fair value through profit or loss	**(249 881)**	(252 189)		
(Decrease)/Increase in policyholder liabilities under insurance contracts	**(44 074)**	13 746		
Fair value adjustment to financial liabilities at fair value through profit or loss	**71 222**	139 415		
Accrued interest expense	**19 139**	14 565	**4 705**	4 201
Decrease in reinsurance assets	**508**	333		
Impairment of advances	**41 193**	23 621		
Impairment of investment				10 021
Investment in associate written off	**291**			
Amortisation of intangible assets	**13 199**	15 071		
Depreciation	**15 260**	14 423		
SAR and Bonus Scheme expense	**7 689**	3 731		
Profit on disposal of fixed assets	**(46)**	(78)		
Employee benefits	**57 978**	21 668		
Items disclosed separately:				
Interest received	**(31 606)**	(32 579)	**(2 044)**	(852)
Dividends received	**(16 514)**	(17 046)		
Working capital changes:				
Decrease/(increase) in inventories	**248**	(879)		
Increase in receivables including insurance receivables	**(54 906)**	(82 991)	**(367)**	
(Decrease)/increase in financial liabilities at fair value through profit and loss	**(100 815)**	157 699		
(Decrease)/Increase in financial liabilities at amortised cost	**(17 094)**	68 000		
Decrease/(increase) in provisions, accruals and payables	**(66 893)**	(32 540)	**5**	14
(Decrease)/increase in deferred profits	**(5 641)**	3 152		
	36 869	435 625	**234 005**	197 262

Notes to the Annual Financial Statements continued

(R'000)	Group 2013	Group 2012	Company 2013	Company 2012
34. DIVIDENDS PAID				
Balance owing at the beginning of the year	**285**	217	**285**	217
Amount declared for the year	**219 060**	173 329	**219 060**	173 329
	219 345	173 546	**219 345**	173 546
Balance owing at the end of the year	**(333)**	(285)	**(333)**	(285)
Amount paid during the year	**219 012**	173 261	**219 012**	173 261
35. TAX PAID				
Balance owing at the beginning of the year	**913**	(5 376)	**(267)**	(30)
Amount provided for the year	**107 424**	120 490	**(29)**	(158)
	108 337	115 114	**(296)**	(188)
Balance owing at the end of the year	**(4 787)**	(913)	**266**	267
Amount paid during the year	**103 550**	114 201	**(30)**	79

36. RELATED PARTIES DISCLOSURE

The Group defines related parties as:

- The Parent Company
- Subsidiaries and fellow subsidiaries
- Associates
- Key management personnel

36.1 The parent company

R Enthoven and Sons Proprietary Limited ultimately controls 77.03% (2012: 77.19%) of the issued ordinary shares via its Group companies (refer to note 11 on pages 135 and 136).

36.2 Subsidiaries and fellow subsidiaries

Details of interests in subsidiaries are disclosed on pages 131 and 132. Transactions between Clientèle and its subsidiaries have been eliminated on consolidation and are disclosed in this note as required by IFRS.

(R'000)	Group 2013	Group 2012
Statement of Financial Position information		
The following are the transactions and balances in respect of subsidiaries:		
– Inter-company between Clientèle and Clientèle Life*		
Balance at beginning of year	**8 484**	7 000
Advances	**5 695**	14 791
Repayments	**(16 684)**	(13 307)
Balance at end of year	**(2 505)**	8 484
– Inter-company loan by Clientèle Life to Clientèle Properties East**		
Balance at beginning of year	**14 898**	7 350
Interest	**1 244**	
Advances	**45**	7 548
Repayments	**(1 305)**	
Balance at end of year	**14 882**	14 898

Notes to the Annual Financial Statements continued

(R'000)	Group 2013	2012
– Inter company loan by Clientèle Properties South to Clientèle Properties East*		
Balance at beginning of year		
Management and support services charges	149	
Advances	1 430	
Balance at end of year	1 579	
– Investment by Clientèle Life in corporate bond issued by Clientèle Properties South**		
Balance at beginning of year	40 402	40 402
Interest expense	3 925	4 208
Repayment	(3 925)	(4 208)
Balance at end of year	40 402	40 402
– Investment by Clientèle Life in corporate bond issued by Clientèle Properties North**		
Balance at beginning of year	68 760	64 499
Interest expense	5 381	7 061
Repayments	(5 007)	(2 800)
Balance at end of year	69 134	68 760
– Investment by Clientèle Life in corporate bond issued by Clientèle**		
Balance at beginning of year	38 399	34 198
Interest expense	4 705	4 201
Balance at end of year	43 104	38 399
– Inter-company loan to IFA Nigeria by Clientèle Life***		
Balance at beginning of year		
Interest		418
Advances		19 695
Repayments		(863)
Loan waived		(19 250)
Balance at end of year	–	–
– Inter-company loan to Clientèle General Insurance by Clientèle Life*		
Balance at beginning of year	1 694	4 718
Management and support services charges	28 101	24 954
Advances	23 457	23 086
Repayments	(48 350)	(51 064)
Balance at end of year	4 902	1 694
– Inter-company loan to Clientèle General Insurance by Clientèle*		
Balance at beginning of year	29	170
Advances	1 275	1 860
Repayments	(1 215)	(2 001)
Balance at end of year	89	29

(R'000)	Group 2013	2012
– Inter-company loan to Clientèle Properties South by Clientèle Mobile*		
Balance at beginning of year		
Management and support services charges	**112**	
Balance at end of year	**112**	
– Inter-company loan to Clientèle Properties South by Clientèle Life*		
Balance at beginning of year	**(9)**	(3)
Management and support services charges	**1 365**	1 994
Repayments	**(1 351)**	(2 000)
Balance at end of year	**5**	(9)
– Inter-company loan to Clientèle Properties North by Clientèle Life*		
Balance at beginning of year	**(10)**	2
Management and support services charges	**879**	430
Repayments	**(872)**	(442)
Balance at end of year	**(3)**	(10)
– Inter-company loan to Clientèle Properties South by Clientèle***		
Balance at beginning of year	**6 126**	6 682
Interest	**793**	744
Repayments		(1 300)
Balance at end of year	**6 919**	6 126
– Loan to Clientèle Mobile by Clientèle Life*		
Balance at beginning of year	**580**	(7)
Management and support services charges	**2 213**	
Advances	**4 500**	1 855
Repayments	**(7 414)**	(1 268)
Balance at end of year	**(121)**	580
– Loan to Clientèle Loans Direct by Clientèle Life****		
Balance at beginning of year	**63 661**	59 951
Interest	**7 030**	5 207
Credit life income	**17 224**	12 041
Advances	**8 000**	66 000
Repayments	**(16 994)**	(79 538)
Balance at end of year	**78 921**	63 661

* *These inter-company loans do not bear interest and have no fixed terms of repayment.*
** *The investment bears interest at fixed interest rates (between 9% and 12.25% per annum) and is repayable over a 5 year period.*
*** *Interest was charged at the prime rate of interest. The loan was waived during the financial year.*
**** *The loan bears interest at 10% per annum on the first R20 million which is repayable upon demand, but not prior to 30 June 2012. The remainder of the loan bears interest at fixed interest rates (between 10% and 12.25% per annum) and has no fixed terms of repayment.*
***** *The loan bears interest at fixed interest rates (between 10% and 12.5% per annum) with no fixed terms of repayment.*

(R'000)	Group 2013	2012
36.3 Statement of Comprehensive Income information		
The Group has related-party transactions between its subsidiaries which were concluded at market related prices. Details of material transactions with related parties not disclosed elsewhere in the financial statements are as follows:		
Interest		
– Interest expense paid by Clientèle Properties South to Clientèle Life	**3 925**	4 208
– Interest expense paid by Clientèle Properties North to Clientèle Life	**5 381**	7 061
– Interest expense paid by Clientèle Properties East to Clientèle Life	**1 244**	
– Interest expense paid by IFA Nigeria to Clientèle Life		418
– Interest expense paid by Clientèle Loans Direct to Clientèle Life	**7 030**	5 207
– Interest expense paid by Clientèle Properties South to Clientèle	**793**	744
– Interest expense paid by Clientèle to Clientèle Life	**4 705**	4 201
Rentals		
– Rental expense paid by Clientèle Life to Clientèle Properties South	**10 975**	9 929
– Rental expense paid by Clientèle Life to Clientèle Properties North	**7 326**	7 427
– Rental expense paid by Clientèle General Insurance to Clientèle Properties North	**2 622**	1 983
– Rental expense paid by Clientèle General Insurance to Clientèle Properties South	**2 187**	2 359
– Rental expense paid by Clientèle Mobile to Clientèle Properties North	**49**	
Management and support services charge		
– Expenses paid by Clientèle Properties South to Clientèle Life	**1 365**	1 994
– Expenses paid by Clientèle Properties North to Clientèle Life	**879**	430
– Expenses paid by Clientèle Properties East to Clientèle Properties South	**149**	
– Expenses paid by Clientèle General Insurance to Clientèle Life	**28 101**	24 954
– Expenses paid by Clientèle Mobile to Clientèle Life	**2 213**	
– Expenses paid by Clientèle Properties South to Clientèle Mobile	**112**	

36.4 Transactions with key management personnel, remuneration and other compensation:

For the purposes of IAS 24 'related party disclosures', key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any Director (whether Executive or otherwise) of the Group. Details of Directors' remuneration are disclosed in note 30 on pages 149 and 150 to the Annual Financial Statements and their shareholdings in the Company are disclosed in the Report of the Directors on page 71 under 'Directors' shareholdings'. No Director had a material interest in any contract of significance with the Company or any of its subsidiaries during 2013.

36.5 Fellow subsidiaries

Affiliated companies of the Hollard Group

Adampol Proprietary Limited
Altrisk Proprietary Limited
Cannon Asset Managers Proprietary Limited
Colin Cooper and Associates Proprietary Limited
BSG Short-term Proprietary Limited
Cast Arena Trade and Invest 87 Proprietary Limited
Cycle Lab Proprietary Limited
De Zalze Development Proprietary Limited
Eikos Risk Applications Proprietary Limited
Hollard Life Assurance Company Limited
Hollard Life Properties Limited
Hollard Insurance Company of Namibia Limited
Lombard Insurance Limited
Spier Estate Proprietary Limited
Multi Risk Managers Proprietary Limited
Newshelf 685 Proprietary Limited
Newshelf 702 Proprietary Limited
Risk Benefit Solutions Proprietary Limited
Smart Credit Proprietary Limited
Tuttle Insurance Brokers Proprietary Limited
Utz Consulting Proprietary Limited

Subsidiaries of the Hollard Group

Artinsure Underwriting Managers Proprietary Limited
Hollard Arcardia Investment Proprietary Limited
AFS Proprietary Limited (incorporated and operational in Australia)
Apex Underwriting Managers Proprietary Limited
Broker Select Consulting Services Proprietary Limited
Casa Luigi Properties Proprietary Limited
Wealth Associates SA Proprietary Limited
Electrical Plumbing Care Underwriting Managers Proprietary Limited
Electronic Risk Underwriting Managers Proprietary Limited
Louwfut Beleggings 1077 Proprietary Limited
Equimed Underwriting Managers Proprietary Limited
Firebush Investments Proprietary Limited
Ground Lily Investments Proprietary Limited
Haven Development Company Proprietary Limited
Hollard and Connolly Investments Proprietary Limited
Hollard Asset Management Proprietary Limited
Etana Insurance Company Proprietary Limited (formerly Hollard Commercial and General Limited)
Factory and Industrial Risk Managers Proprietary Limited
Hollard Insurance Company of Botswana Limited (incorporated and operational in Botswana)
Hollard Insurance Company of Namibia Limited (incorporated and operational in Namibia)
Hollard Investment Holdings Proprietary Limited
Hollard Investment Managers Proprietary Limited
Hollard Mozambique Compania de Seguros (incorporated and operational in Mozambique)
Hollard Portfolio Management Proprietary Limited
JJK Marketing Consultants Proprietary Limited
Lomhold Proprietary Limited
Newshelf 33 Proprietary Limited
Precept Supply Chain Management Proprietary Limited
River's Edge Investment Holdings Proprietary Limited
Small Area Repair Technology Underwriting Managers Proprietary Limited

Associates of the Hollard Group

Advantage Motor Plan Proprietary Limited Astra Maritime Proprietary Limited
African Independent Brokers Proprietary Limited
Awkward Investments Proprietary Limited
Caste Arena Trade and Incest 87 Proprietary Limited
Clarendon Transport Underwriters Proprietary Limited
Eikos Holdings SA Proprietary Limited
Flexible Accident and Sickness Acceptances Proprietary Limited
Leungo Investments Proprietary Limited
Legal Expenses Group Africa Limited
Oakhurst Insurance Company Limited
Petsure Proprietary Limited
Product Warranty Solutions Proprietary Limited
Shaheen Insurance Company Proprietary Limited
South African Underwriting Managers Proprietary Limited
Ubunye Holdings Proprietary Limited (trading as Badger Insurance Holdings Proprietary Limited)

37. COMMITMENTS

Letters of guarantee: Clientèle has agreed to provide financial assistance to Clientèle Properties North, Clientèle Properties East and Clientèle Loans Direct for the foreseeable future, until such time as the assets fairly valued exceeds their liabilities.

38. DISCONTINUED OPERATION

As previously reported, the Clientèle Board, together with the Board of KC2008, our minority partner, decided to close the IFA Nigeria business and to place it into voluntary liquidation with effect from 29 July 2011. The closure of the business is now complete and only administrative procedures remain.

Analysis of the results of the discontinued operation is as follows:

(R'000)	**2013**	2012
Revenue		462
Expenses		(25 257)
Loans waived		34 129
FCTR realised		(11 778)
Net loss for the year	**–**	(2 444)

39. EVENTS AFTER THE REPORTING DATE

The Board declared a final gross dividend of 74.00 cents per share on 19 August 2013 for the year ended 30 June 2013. The dividend was subject to DWT that was introduced with effect from 1 April 2012.

Clientèle
LIMITED

Notice of Annual General Meeting

for the year ended 30 June 2013

The Companies Act requires that a Record Date be determined by the Board for the purposes of determining who is entitled to attend and to vote at the relevant AGM.

Accordingly, for purposes of the 6th AGM of Clientèle, the Record Date is hereby set as close of business on 18 October 2013 with the Last Day to Trade in the shares of Clientèle on the JSE being on Friday, 11 October 2013.

The holders of Clientèle shares (the "shareholders") and any persons who are not shareholders but who are entitled to exercise any voting rights in relation to the resolutions to be proposed at the AGM (irrespective of the form, title or nature of the securities to which those voting rights are attached), (collectively the "holders") as at the Record Date are entitled to participate in and vote at the AGM in person or by proxy/ies, and may appoint a proxy to exercise voting rights attached to different securities held by the person entitled to vote. A proxy need not be a person entitled to vote at the meeting. A beneficial holder of certificated Clientèle securities may attend and vote at the AGM if:

a. the beneficial interest includes the right to vote on the matters in this document; and

b. the person's name is on the Company's register of disclosures as the holder of the beneficial interest, or a person holds a proxy appointment in respect of the matters in this document from the registered holder of those securities.

Notice is hereby given that the 6th AGM of Clientèle will be held in the boardroom, Building 3, Clientèle Office Park, corner Rivonia and Alon Roads, Morningside on 29 October 2013 at 08:00 for the following business to be transacted and for the following resolutions to be proposed, and if deemed fit, to be passed with or without modification, at the AGM or at such adjournment thereof in the manner required by the Companies Act, as read with the Listings Requirements:

Ordinary Resolution 1 – Presentation of Annual Financial Statements

To present the Annual Financial Statements of the Company and the Group for the year ended 30 June 2013 as per the attached pages 64 to 158. A copy of the Annual Financial Statements of the Company relating to the preceding financial year can be obtained from the Group Company Secretary.

Ordinary Resolution 2 – Rotation of a Director

To re-elect the following Director who is required to retire and, being eligible, in terms of Clientèle's MOI, offers himself for re-election.

Robert Donald Williams, 57, (Independent Non-executive Director), BSc(Hons), FASSA

Mr Robert Williams has been appointed as an Independent Non-executive Director of Clientèle with effect from 1 January 2013. Mr Robert Williams is a Fellow of the Actuarial Society of South Africa and his previous experience includes six years as the executive head of Aon Hewitt (retirement funding, health care and actuarial services), prior to that managing director of QED Actuaries and Consultants (actuarial services to life insurers, short-term insurers, retirement funds). Mr Robert Williams has over 20 years experience acting as the appointed Statutory Actuary to various life insurance companies in Southern Africa.

Having reviewed the composition of the Board against corporate governance requirements, the Board recommends the re-election of this Director. It is the view of the Board that the re-election of this candidate would enable the Company to effectively maintain a diversity of academic qualifications, technical expertise, industry knowledge and business skills relevant to the Company and balance the requirements of continuity and succession planning.

Notice of Annual General Meeting continued

Ordinary Resolution 3 – Rotation of a Director

To re-elect the following Director who is required to retire and, being eligible, in terms of Clientèle's MOI, offers herself for re-election.

Brenda-Lee Frodsham, 41 , (Executive Director), B.Com (Wits)

Ms Brenda-Lee Frodsham joined Clientèle Life in February 1994 and has managed and gained experience in several areas of the business including telesales, client services, administration, claims, direct mail, business development, product development, marketing, IT and IFA. Currently she assumes the portfolio of Strategic Operations Director for the Group.

Having reviewed the composition of the Board against corporate governance requirements, the Board recommends the re-election of this Director. It is the view of the Board that the re-election of this candidate would enable the Company to effectively maintain a diversity of academic qualifications, technical expertise, industry knowledge and business skills relevant to the Company and balance the requirements of continuity and succession planning.

Ordinary Resolution 4 – Rotation of a Director

To re-elect the following Director who is required to retire and, being eligible, in terms of Clientèle's MOI, offers herself for re-election.

Pheladi Raesibe Gwangwa, 40, (Independent Non-executive Director), B Proc (LLM).

Ms Pheladi Gwangwa is currently the Station Manager of Talk Radio 702 and has been involved with Primedia Broadcasting since 2002. She is a qualified lawyer who has previously worked for the State Attorney, IBA, ICASA and Cell C before joining Primedia Broadcasting.

Having reviewed the composition of the Board against corporate governance requirements, the Board recommends the re-election of this Director. It is the view of the Board that the re-election of this candidate would enable the Company to effectively maintain a diversity of academic qualifications, technical expertise, industry knowledge and business skills relevant to the Company and balance the requirements of continuity and succession planning.

Ordinary Resolution 5 – Re-appointment of the External Auditors

To re-appoint the External Auditors, PricewaterhouseCoopers Incorporated, (as nominated by the Clientèle's Group Audit Committee, which has concluded that the re-appointment of PricewaterhouseCoopers Incorporated will comply with the requirements of the Companies Act), as Independent Auditors for the current financial year ending 30 June 2014 and their concomitant remuneration. The designated Audit partner for the year ending 30 June 2014 will be Mr Francois Johannes Kruger, who meets the requirements of section 90(2) of the Companies Act.

Ordinary Resolution 6 – Election to the Group Audit Committee

Resolved that the election of Mr GQ Routledge, an Independent Non-executive Director of Clientèle, as a member of

Clientèle's Group Audit Committee until the conclusion of the next AGM, be and is hereby approved.

Ordinary Resolution 7 – Election to the Group Audit Committee

Resolved that, subject to the passing of Ordinary Resolution Number 2, the election of Mr Williams, an Independent Non-executive Director of Clientèle, as a member of the Group Audit Committee until the conclusion of the next AGM, be and is hereby approved.

Ordinary Resolution 8 – Election to the Group Audit Committee

Resolved that the election of Mr BA Stott, an Independent Non-executive Director of Clientèle, as a member of the Group Audit Committee until the conclusion of the next AGM, be and is hereby approved.

Notice of Annual General Meeting continued

Reason for and effect of Ordinary Resolutions Numbers 6 to 8

In terms of the Companies Act, the Group Audit Committee is no longer a Committee of the Board but a Committee elected by the shareholders and those entitled to exercise votes at the meeting when the election takes place at each AGM. In terms of the Companies Regulations, 2011, for the purposes contemplated in section 94 (5) of the Companies Act, at least one-third of the members of a Company's Audit Committee at any particular time must have academic qualifications or experience in economics, law, corporate governance, finance, accounting, commerce, industry, public affairs or human resource management.

As can be seen from the condensed curriculum vitae of the proposed members (refer to pages 67 to 68 in the Directors' Report), the proposed members all have relevant experience in audit, accounting and the insurance industry, amongst others.

Ordinary Resolution 9 – General approval for the issue of authorised but unissued ordinary shares

Resolved that in terms of section 38 of the Companies Act as read with Schedule 10.1 of the Listing Requirements, the entire authorised but unissued ordinary share capital of Clientèle, be and is hereby placed under the control of the Directors to allot and issue such shares on such terms and conditions as they may deem fit, but subject always to the provisions of the Companies Act and the Listing Requirements.

Reason for and effect of Ordinary Resolution Number 9

Section 38 of the Companies Act provides that the Board has the authority to issue authorised shares of the Company except in certain circumstances and save to the extent that a Company's MOI provides otherwise. In this regard, the Company's MOI provides that the prior approval of shareholders at an AGM and the JSE is required.

This resolution is proposed in order to place the authorised but unissued share of the Company under the control of the Board, in compliance with the requirements of the MOI and the Listings Requirements.

Ordinary resolution number 9 authorises the Board to issue authorised but unissued shares in accordance with the provisions of section 38 of the Companies Act, but subject always to the provisions of the Company's MOI, the Companies Act and the Listing Requirements.

Ordinary Resolution 10 – SAR Scheme share issue

Resolved that the Board is authorised to allot and issue, pursuant to the provisions of the Clientèle SAR Scheme rules (as approved by the shareholders of the Group on 23 January 2007), the allowable maximum number of ordinary shares as provided thereunder and subject to the terms and conditions included in the scheme allocation limits as set out in the Scheme rules is placed under the control of the Board.

Reason for and effect of Ordinary Resolution Number 10

In order to comply with the SAR Scheme Rules which requires ordinary shares to be issued to participants of the SAR Scheme.

Ordinary Resolution 11 – Bonus Right Scheme share issue

Resolved that the Board is authorised to allot and issue, pursuant to the provisions of the Clientèle Bonus Rights Scheme rules (as approved by the shareholders of the Group on 30 October 2012), the allowable maximum number of ordinary shares as provided thereunder and subject to the terms and conditions included in the scheme allocation limits as set out in the Scheme rules is placed under the control of the Board.

Reason for and effect of Ordinary Resolution Number 11

In order to comply with the Bonus Rights Scheme Rules which requires ordinary shares to be issued to participants of the Bonus Rights Scheme.

Non-binding Advisory endorsement 1 – Advisory of the remuneration policy

To endorse on a non-binding advisory basis the Company's abridged remuneration policy as set out on pages 43 to 47 of the Integrated Annual Report.

Notice of Annual General Meeting continued

Explanatory note on Advisory endorsement

In terms of King III, the Company's remuneration policy should be tabled annually at the AGM, for a non-binding advisory vote, to allow the shareholders an opportunity to express their opinion on and to endorse the remuneration policies adopted by the Company.

Special Resolution Number 1 – Remuneration of Non-executive Directors

Resolved that, in accordance with sections 65(11)(h) of the Companies Act, read with sections 66(8) and 66(9) of the Companies Act, that the remuneration payable to the Non-executive Directors for their services as Directors for the period 2014 (1 July 2013 to 30 June 2014), on the basis set out hereunder, be approved.

Non-executive Directors' Fees	Fee year ended 30 June 2014
GQ Routledge	2 019 383
BA Stott	1 181 467
PR Gwangwa	365 240
RD Williams	749 210
FTT De Buck[1]	60 000
ADT Enthoven	NIL

[1] *Mrs FFT De Buck resigned as a Director of Clientèle and Clientèle Life on 3 September 2013. Her remuneration therefore reflects remuneration for 2 months (1 July 2013 to 31 August 2013) without the increase being applied.*

This represents an increase of 7.03%, as approved by shareholders at the AGM on 30 October 2012.

Resolved that the remuneration of the Non-executive Directors for their services as Directors for the period 2015 (1 July 2014 to 30 June 2015) be increased in line with the average increase in remuneration of the employees of the Group for the related period (limited to a percentage increase of between 4% and 8%).

Resolved that the remuneration of any Non-executive Director/s to be appointed during the period 1 July 2013 to 30 June 2014 be determined by the Group Remuneration Committee and ratified at the next AGM.

Reason for and effect of Special Resolution Number 1

In terms of section 66(8) and (9) of the Companies Act, which took effect on 1 May 2011, remuneration may only be paid to Directors for their services as Directors in accordance with a special resolution approved by the holders within the previous two years and if not prohibited in terms of the Company's MOI. Therefore the reason and effect of this special resolution is to approve the payment of remuneration of the Non-executive Directors for their services as Directors for the years ending 30 June 2014 and 30 June 2015 in accordance with the requirements of section 66(9) of the Companies Act.

Special Resolution Number 2 – Financial Assistance

Resolved that, to the extent required in terms of, and subject to the provisions of, section 45 of the Companies Act the Board (or any person/s authorised by the Board to do so) is authorised from time to time during the period of 2 (two) years commencing on the date of this special resolution, to provide any direct or indirect financial assistance as contemplated in such section of the Companies Act to any 1 (one) or more related or inter-related companies of the Company and/or to any 1 (one) or more members of any such related or inter-related company and/or to any 1 (one) or more persons related to any such company, on such terms and conditions as the Board, or any one or more persons authorised by the Board from time to time for such purpose, deems fit, subject to the following:

- Any such financial assistance shall not in the aggregate for any particular financial year exceed R50 million.

The Board will, before making any such financial assistance available satisfy itself that:

- immediately after providing the financial assistance, the Company will satisfy the solvency and liquidity test in the Companies Act; and
- the terms under which the financial assistance is proposed to be given are fair and reasonable to the Company.

Reason for and effect of Special Resolution Number 2

Reason for and effect of this special resolution is to grant the Board the authority to provide, at any time and from time to time during the period of 2 (two) years commencing on the date on which special resolution number 2 is adopted, any direct or indirect financial assistance as contemplated in section 45 of the Act to any one or more related or inter-related companies of the Company and/or to any or more members of any such related or inter-related company and/or to any one or more persons related to any such company.

The section 45 Resolution will be effective only if and to the extent that:

(i) immediately after providing such financial assistance, the Company will satisfy the solvency and liquidity test as referred to in section 45(3)(b)(i) of the Companies Act, and

(ii) the terms under which such financial assistance is to be given are fair and reasonable to the Company as referred to in section 45(3)(b)(ii) of the Companies Act.

VOTING AND PROXIES

A holder is entitled to appoint a proxy or proxies to attend, speak and vote or abstain from voting in his stead. A proxy need not be a holder.

Proxy forms must be returned to the Company's transfer secretaries, Computershare Investor Services Proprietary

Limited, 70 Marshall Street, Johannesburg 2001 (PO Box 61051, Marshalltown 2107).

The form of proxy is to be completed only by those holders who are:

- Holding shares in certificated form; or
- Recorded on sub-register electronic form in "own name".

Before any person may attend or participate in the AGM, the person must in terms of section 63(1) of the Companies Act present reasonably satisfactory identification. Without limiting the generality thereof, the Company will accept the following as satisfactory means of identification:

- South African Identification document
- Passport
- Driver's licence

Beneficial owners of dematerialised securities who wish to attend the AGM, or to be represented thereat, must contact their Central Securities Depositary Participant ("CSDP") or broker who will furnish them with the necessary authority to attend the AGM or alternatively, should you not wish to attend the AGM, you should provide your broker of CSDP with your voting instructions.

If you have disposed of all of your securities, this document should be handed to the purchaser of such securities or to the broker, CSDP, banker, attorney, accountant or other person through whom the disposal was effected.

By order of the Board.

Mrs W van Zyl
Group Company Secretary

9 September 2013

Corporate Information

COMPANY REGISTRATION NUMBER
2007/023806/06

REGISTERED OFFICE
Clientèle Office Park
Corner Rivonia and Alon Roads
Morningside, 2196

Telephone:	(011) 320-3333
Telefax:	(011) 884-9056
Website:	www.clientele.co.za
E-mail:	info@clientele.co.za

TRANSFER SECRETARIES
Computershare Investor Services Proprietary Limited
70 Marshall Street
Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)

AUDITORS
PricewaterhouseCoopers Incorporated
2 Eglin Road
Sunninghill, 2157
(Private Bag X36, Sunninghill, 2157)

SPONSORS
PricewaterhouseCoopers Corporate Finance
Proprietary Limited
2 Eglin Road
Sunninghill, 2157
(Private Bag X36, Sunninghill, 2157)

SHAREHOLDERS' CALENDAR

Financial year end	30 June 2013
Dividend declaration	19 August 2013
Final results announcement	19 August 2013
Dividend payment	16 September 2013
Publication of Integrated Annual Report	27 September 2013
AGM	29 October 2013

Form of proxy

(For use only by certificated and own name dematerialised shareholders)

Please use block letters

I/We

of

being a member/s of the Company and the registered owner/s

ordinary shares in the Company hereby appoint

or failing him/her

the Chairman of the meeting to vote for me/us and on my/our behalf at the AGM of the Company to be held at 08:00 on 29 October 2013 and at any adjournment thereof and to speak and act for me/us and on a poll, vote on my/our behalf. My/Our proxy shall vote as follows:

Indicate with a cross how you wish your votes to be cast. If you do not do so, the proxy may vote or abstain at his discretion.

(One vote per ordinary share)

Ordinary resolutions:	**In favour of**	**Against**	**Abstain**
1. Presentation of the Annual Financial Statements			
2. Rotation of a Director: Robert Donald Williams			
3. Rotation of a Director: Brenda-Lee Frodsham			
4. Rotation of a Director: Pheladi Raesibe Gwangwa			
5. Re-appointment of the External Auditor			
6. Election to the Group Audit Committee: Gavin Quentin Routledge			
7. Election to the Group Audit Committee: Robert Donald Williams			
8. Election to the Group Audit Committee: Barry Anthony Stott			
9. General approval of the issue of authorised but unissued shares			
10. Approval of the SAR Scheme share issue			
11. Approval of the Bonus Rights Scheme share issue			
Endorsements:			
1. Endorsement of the remuneration policy			
Special resolutions:			
1. Approval of the remuneration of Non-executive Directors			
2. Approval of related or inter-related company financial assistance			

Dated this day of 2013

Signature

Notes to the Form of proxy

please refer to section 58 of the Companies act

1. A form of proxy is only to be completed by those shareholders who are:

   - Holding securities in certificated form; or
   - Recorded on subregister electronic form in "own name".

   All other beneficial owners who have dematerialised their shares through a CSDP or broker and wish to attend the

   AGM, must instruct their CSDP or broker to provide them with the required Letter of Representation.

   Beneficial owners who have dematerialised their shares through a CSDP or broker who do not wish to attend the AGM, must provide the CSDP or broker by the cut-off time with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.

2. A holder entitled to attend and vote may insert the name of a proxy or the names of two alternative proxies of the holder's choice in the space provided, with or without deleting "the Chairman of the AGM".

   A proxy need not be a holder of the Company. The person whose name stands first on the form of proxy and who is present at the meeting will be entitled to act as proxy to the exclusion of those whose names follow.

3. A holder is entitled to one vote on a show of hands and, on a poll, one vote in respect of each ordinary share held in terms of section 58 of the Companies Act. A holder's instructions to the proxy must be indicated by inserting a cross in the appropriate box(es). Failure to comply with this will be deemed to authorise the proxy to vote or to abstain from voting at the general meeting as he deems fit in respect of all the holder's votes.

   A vote given in terms of an instrument of proxy shall be valid in relation to the general meeting notwithstanding the death of the person granting it, or the revocation of the proxy, or the transfer of the ordinary shares in respect of which the vote is given.

4. If a holder does not indicate on this form that his proxy is to vote in favour or against any resolution or to abstain from voting, or gives contradictory instructions, or should any further resolution(s) or any amendment(s) which may be properly put before the general meeting be proposed, the proxy shall be entitled to vote as he thinks fit.

5. The Chairman of the general meeting may reject or accept any form of proxy which is completed and/or received other than in compliance with these notes.

6. The completion and lodging of this form of proxy will not preclude the relevant holder from attending the meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such holder wish to do so.

7. Documentary evidence establishing the authority of a person signing the proxy form in a representative capacity must be attached to this form of proxy, unless previously recorded by the Company or unless this requirement is waived by the Chairman of the AGM.

8. A minor or any other person under legal incapacity must be assisted by his/her parent or guardian, as applicable, unless the relevant documents establishing his/her capacity are produced or have been registered by the Company.

9. Where there are joint holders of ordinary securities:

   - Any one holder may sign the form of proxy;
   - The vote(s) of the most senior (for that purpose seniority will be determined by the order in which the names of shareholders appear in the Company's register of shareholders) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint holder(s).

10. Forms of proxy should be lodged with or posted to the Company's transfer secretaries, Computershare Investor

Services Proprietary Limited:

Hand deliveries:
Ninth Floor
70 Marshall Street
Johannesburg

Postal deliveries:
PO Box 61051
Marshalltown
2107