Clientèle LIMITED

Integrated Annual Report

for the year ended 30 June 2011

Contents

Group Structure

The Clientèle Group comprises the following companies:

Clientèle LIMITED	% Holding	Country of incorporation	Nature of Business
Clientèle Life Assurance Company Limited	100	SA	Life Insurance
Clientèle Loans Proprietary Limited	100	SA	Lending
Clientèle General Insurance Limited	100	SA	Short-term insurance – Personal lines legal insurance policies
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

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

* *Effective date of name change: 10 August 2011*
\# *Liquidated on 4 August 2011*

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

Clientèle Life (Netherlands) Coöperatieve U.A.	% Holding	Country of incorporation	Nature of Business
Subsidiary			
Independent Field Advertisers Limited^Δ	85	NG	Insurance broking in Nigeria

^Δ In process of voluntary liquidation
Independent Field Advertisers Limited owns 100% of IFA Insurance Brokers.
Clientèle General Insurance, Clientèle Direct and Clientèle Mobile do not have subsidiaries.

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

Clientèle LIMITED Clientèle LIFE Clientèle LEGAL Clientèle LOANS Clientèle MOBILE IFA A division of Clientèle Life

Definitions and Interpretations

"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 studies
"AGM"	Annual General Meeting
"ALM"	Asset and Liability Matching
"ANW"	Adjusted Net Worth
"BBBEE"	Broad-based Black Economic Empowerment
"the Board"	The Directors of Clientèle
"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 Group Internal Audit), 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"	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 Loans Direct"	Clientèle Loans Direct Proprietary Limited (Registration number 2007/030539/07), a private company incorporated in South Africa
"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 Netherlands"	Clientèle Life (Netherlands) Coöperatieve U.A., (Registration number 34301612), a company incorporated in the Netherlands
"Clientèle Properties East"	Clientèle Properties East Proprietary Limited (Registration number 1992/001651/07) (previously Independent Field Advertisers Financial Services Proprietary Limited), 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 Companies Regulations
"Direct Axis"	Direct Axis (SA) Proprietary Limited
"DTI"	The Department of Trade and Industry
"EV"	Embedded Value

Definitions and Interpretations continued

"Excom" or "Group Excom"	The Executive Committee of the Clientèle Group
"FCTR"	Foreign Currency Translation Reserve
"FSB"	Financial Services Board
"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 the Group
"IFA Nigeria"	Independent Field Advertisers Limited, the insurance brokerage in Nigeria
"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
"KC2008"	KC2008 Limited, a 15% (2010: 25%) shareholder in IFA Nigeria
"Listings Requirements"	The Listings Requirements of JSE Limited
"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
"MOI"	Memorandum of Incorporation
"NDR"	Non-distributable Reserves
"OCAR"	Ordinary Capital Adequacy Requirement
"PVIF"	Present Value of In-force business
"RDR"	Risk Discount Rate
"SAM"	Solvency Assessment and Management
"SARS"	South African Revenue Service
"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 Value of New Business 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)
"Statutory Actuary"	An Actuary appointed in terms of the Long-term Insurance Act
"STC"	Secondary Tax on Companies
"SVM"	Statutory Valuation Method
"TCAR"	Termination Capital Adequacy Requirement
"TCF"	Treating Customers Fairly
"VNB"	Value of New Business

Chairman's Statement

Last year Clientèle issued its first integrated report and embarked on another step in its journey in the landscape of South African corporate life. This year we have gained further experience and I hope that each year will improve the value and readability of this report.

Looking through the reports of the last few years I am struck by how often the introduction to my report has spoken of the difficult or challenging circumstances that the Group faced. As we entered this phase during 2008 I felt that these circumstances were unusual and transitory, by last year I felt that the circumstances were not permanent but they were certainly no longer transitory. I am now inclining to the view that South Africa and indeed the world has entered into an environment of the "new normal" and that we need to become accustomed to an environment of slow and difficult economic growth for several years and that it will not necessarily be relevant or valuable to look at the past in order to plan for the future.

I believe that the companies that will succeed and flourish in this environment are those that understand their business and their customer base in a detail and depth much greater than has been prevalent to date. These companies will be able to maintain or increase their market share and margins while reducing the cost to the consumer and improving service levels and transparency. I am happy to say that I believe that Clientèle will be one of these companies.

I wrote last year of the emotional and psychological effect of the macro economic environment on consumers and I think that this last year has given validity to those comments. Even though economic indicators have shown some positive signs, consumers have not been persuaded, unemployment and a general feeling of despondency has tempered the good news and global anxiety has made its mark in the South African context. Consumers are wary and in Clientèle's target market disposable income is a fragile commodity. The situation has been further complicated by the calls for nationalisation of mines and financial services companies in South Africa. While logic dictates that such a call is not in the best interests of South Africa, the call has caught the attention of the youth in the country who have very real concerns which have not been addressed by either the government or organised business. I believe that all companies and individuals in South Africa need to take these concerns very seriously and engage in a constructive process to find proactive and sustainable solutions. This is an issue I am tasking our Board to address more vigorously in the year ahead.

Sustainability has become a hot topic in recent years, in most instances assumed to mean that a company should adopt a "green" or environmentally friendly approach and be concerned about saving electricity, water and recycling its waste. It is clearly all of these things but it also speaks to an approach to business which the Clientèle Group has taken to heart and is integrating across all aspects of its business. This is an approach which integrates a commitment to quality of product, customer service, value for money, treating customers fairly and taking into account the interests of shareholders, employees and other stakeholders in such a way that the current activities of the business create an even stronger foundation on which a thriving, viable and profitable business can continue to grow and prosper and provide lasting value to all stakeholders.

As part of its ongoing focus on its people the Group is building on the foundations reported on last year with the initiative to work with IFAs to help them to better understand their businesses and to assist them to grow and develop with their networks. This has already borne fruit and will be rolled out in the years to come.

The strategy of the Group to become a broader financial services Group has proved to be a success. Clientèle General Insurance is now a significant contributor to Group profits and EV and has established a formidable reputation in the legal insurance market. Clientèle Loans grew strongly during this year and has proved that the Clientèle brand has strong support outside the narrow insurance sector. This holds much promise for future initiatives of the Group. Clientèle Mobile has also performed well.

It was disappointing this year to have to make the decision to close IFA Nigeria. We had hoped that we would be able to resolve the difficulties in collecting premiums and the short-term thinking culture prevalent in Nigeria, however we concluded that these issues were unlikely to be resolved in an acceptable time frame and accordingly took a decision to avoid further losses and possible damage to the Clientèle brand. We did however learn very useful lessons through this process which should be of great benefit in evaluating any future international opportunities.

CORPORATE GOVERNANCE

The Clientèle Group has approached corporate governance with a view to creating value through an excellent corporate governance process and not merely ticking the boxes. I am pleased to report that this approach has already generated benefits and the constructive efforts expended in the Group Audit, Group Risk and Group Investment committees in particular has allowed the Group to make some timely and valuable decisions. While risk is an ever changing phenomenon, I believe that the Group has a good understanding of the risks facing it and a rigorous process in place to identify and manage risks in the business.

Chairman's Statement continued

RESULTS

I am indeed fortunate to be able once again to congratulate all the executives, employees and IFAs of the Group on an excellent set of results, the details of which are set out in the Group Managing Director's Report.

FUTURE PROSPECTS

The Group is motivated and excited about the future and is looking forward to the challenges that the future will bring.

APPRECIATION

I would again like to thank all the members of the Board, the management team, the employees, IFAs, policyholders and all their respective families for their commitment and positive input during the last year and I look forward to more of the same in the year ahead.

Mr GQ Routledge
16 September 2011

Group Managing Director's Report

THE YEAR IN PERSPECTIVE

The Group has recorded a good set of results for the year against the backdrop of an ongoing challenging economic environment. Production volumes showed meaningful improvement, even off a relatively high base, and the Group has achieved further success in introducing higher premium products by leveraging off its various distribution channels and the strength of its brand. Investment returns exceeded expectation and expenses were well controlled. Withdrawals continue to be an area of focus, and experience for the last six months was within assumptions.

This has enabled the Group to report an increase in Recurring EV Earnings from R428,4 million last year to R552,9 million this year resulting in a Return (recurring) on EV of 30%. This was supported by the VNB which increased by 30% from R353,1 million to R457,6 million.

The return on average shareholders' interest for the year amounted to 64% and headline earnings per share increased by 25% from 49.31 cents to 61.65 cents.

The long-term brokerage business in Nigeria was placed into voluntary liquidation just after year end and brings to an end a challenging three year period filled with much activity. Unfortunately the level of unpaid premiums on existing business continued to exceed acceptable levels due to circumstances unique to the Nigerian market. The Board did not envisage that this situation would improve in the foreseeable future. Clientèle Life fully impaired its loan to IFA Nigeria of R17,5 million at 30 June 2011. The net effect to the Group of the loan write-off was R2,6 million. It is envisaged that the final costs of closure will not have a material impact on the Group's anticipated results for the 2012 financial year.

HIGHLIGHTS

Financial

The Group has experienced good growth during the year under review and Group EV has increased from R2 026,8 million (before the dividend payment) last year to R2 520,3 million at 30 June 2011. This reflects EV earnings of R661,2 million (R478,3 million last year), including once-off economic and other adjustments and Recurring EV Earnings of R552,9 million (R428,4 million last year) and translates into an annualised Return on EV of 36% (31% last year) and a Return (recurring) on EV of 30% (28% last year).

The challenging economic environment has had an effect on withdrawal experience which resulted in a negative variance of R29,5 million for the year. This resulted in a change in EV assumptions for certain durations of business at 31 December 2010, as previously reported. Experience in the second half of the year was in line with the revised assumptions.

The Group's VNB has increased by 30%, on the back of good production volumes, from R353,1 million for the previous financial year to R457,6 million this year.

The new business profit margin for the Group increased to 25% from 24% for the year to 30 June 2011. If we exclude the average profit margins for investment business, which are traditionally low, then the profit margin is reflected at 29%. This is better than last year due to a better mix of higher value policies.

Headline earnings for the Group of R199,5 million are 25% higher than the headline earnings of R159,5 million achieved last year. As a result, diluted headline earnings per share has increased by 25% to 61.25 cents, up from 49.10 cents. It should be noted that headline earnings growth has been assisted by the reversal of the deferred tax asset of R7,8 million, in respect of IFA Nigeria in 2010.

Insurance premium revenue for the year is up by 10% from R1,0 billion to R1,1 billion and other income of R158,0 million, which mainly comprises annuity fees from Clientèle Life's IFAs, is 2% down in comparison to last year's figure of R160,0 million.

Net insurance benefits and claims of R209,3 million have increased by 24% from R169,4 million for last year. The majority of the increase is in respect of policyholders' benefit payments on unitised endowment contracts, many of which have now been held for 10 years or more to qualify for increased benefits. During the year, the average value per benefit payment has increased in line with improved investment returns and the ageing of the policy book.

The change in policyholder liabilities under insurance contracts amounted to R84,0 million for the year compared to R109,7 million last year. This reduction mainly relates to the refinement in modelling used to determine liabilities for cash-back benefits and the increase in policyholder benefit payments referred to above which reduces policyholder liabilities.

Operating expenses have increased by 14% over last year which should be viewed in the context of the Group's conservative accounting treatment of expensing acquisition costs upfront and the 30% increase in VNB.

As referred to in the 2010 Annual Report, the Group adopts a conservative accounting practice of eliminating negative actuarial reserves. What this essentially means is that all acquisition expenses are expensed upfront and are not amortised over the life expectancy of the respective policies. The total value of negative reserves is now reflected at R1,6 billion in comparison to R1,1 billion at 30 June 2010 and will be taken to net profits over time through the Group Statements of Comprehensive Income. EV earnings (which are significantly higher and more volatile than net profits) incorporate the release of these negative reserves.

Cash generated from operations, as evidenced by profit from operations (adjusted for non-cash flow items and after working capital changes) increased by 6% to R316,6 million.

The Group achieved a return on shareholder's interest of 64%. We are proud that this return has exceeded 50% each year since Clientèle's original listing in 1997, with the exception of 2002, which amounted to 47%.

Non-financial

King III

The Board of the Group is committed to the principles of corporate governance as enunciated in the King Committee's Code on Corporate Practice and Conduct (King III), where practical.

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. The Board has therefore carefully considered the extent to which the implementation of the King III principles will be in the best interests of the Group. The Group Audit Committee and the Board continue to review and benchmark the Group's governance structures and processes to ensure the Directors and the Board exercise effective and ethical leadership and good corporate citizenship.

The Clientèle Group is committed to achieving high standards of business integrity and ethics across all its activities and good progress was again made this last year as explained in detail in our corporate governance report. Issues of governance will continue to receive the consideration and attention of the Board and its committees in the years ahead.

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 was established during the previous reporting period with Terms of Reference approved by the Board.

Eight level one category risks have been identified, namely, Business & Insurance Risks, Strategic Risks, Operational Risks, Market Risks, Credit Risks, Liquidity Risks, Capital Asset Management/Solvency Risks, and Regulatory & Legal Risks. Level two category risks have also been identified and rated against a predetermined Impact and Probability scale. These risk events are then managed so as to minimise or mitigate the probability/exposure across the Group. All risk events are measured against a defined tolerance or appetite. The Group Risk Appetite includes three metrics, being Solvency (statutory requirement plus a buffer), Free Cash Flow and EV Earnings (the latter two measured as the deviation against a rolling three year forward prediction).

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

BBBEE

AQRate (Gauteng) Proprietary Limited concluded an independent audit on the Group with respect to the BBBEE rating. The rating was done at Group level and incorporated all subsidiary companies. The rating issued was a Level Four Contribution or 100% recognition level based on the 2009 Financial Statements. An updated audit will now be conducted on the 2011 Financial Statements.

Further to the formal BBBEE process, the Group operates a unique direct selling model/opportunity which contributes significantly to broad-based transformation. The model is targeted at previously disadvantaged communities, and, as such, the Group has provided thousands of people with an opportunity not previously afforded to 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 thirteenth year of operation and has thus far paid out well over R1 billion in earnings (R111,0 million this year), to thousands of IFAs via a multi-level compensation model. The Group continually focuses on transformation with specific emphasis on broad-based initiatives.

CORPORATE SOCIAL RESPONSIBILITY

We recognise the economic and social challenges that many South Africans are faced with, and acknowledge our responsibility to assist in improving lives and communities. As an organisation, we are committed to corporate social responsibility and to key projects that have a positive impact on communities, encourage employee participation and are directly answerable to the initiative's priorities. Our approach to Corporate Social Responsibility comprises three focus areas: Education, Employment and Financial Support.

The Sithabile Child and Youth Care Centre

The Centre provides a bridging facility for children in distress by educating, caring for them and counselling them. Sithabile also provides family counselling in an effort to rehabilitate families and thus gradually positively influence communities.

Sithabile currently cares for 100 children drawn from the previously disadvantaged community who are survivors of abuse, exploitation and neglect. Over 50% of the children are orphans, many as a result of the HIV/AIDS pandemic.

Build the Future Foundation

The Foundation is a registered non-profit organisation that makes a direct contribution through visible and sustainable initiatives such as community food gardens, irrigation systems, nutritional education and donations. They are actively involved in a number of communities providing educational programmes, soup kitchens and feeding schemes that particularly focus on children.

The Group is proud to have contributed to this initiative as this project in particular demonstrated considerable employee participation.

Clientèle Bursary Scheme

As we have done since the scheme was introduced in 2008, the Clientèle Bursary Scheme awarded further bursaries to the value of R50 000 per bursary per year for the full duration of the bursary holders' chosen studies. These bursaries are awarded to children of our IFAs as well as employees' children. Our bursaries cover tuition, residence and book allowance at one of the top tertiary institutions in South Africa.

We have awarded 36 bursaries since inception, investing in excess of R1,5 million over the past two years in the education of our future leaders. Through the Clientèle Bursary Scheme we are able to make a difference in communities across South Africa.

Clientèle Learnerships

Creating employment opportunities begins with providing a starting point where no more than a positive attitude and willingness to learn is required. The Group provides approximately 20 learnerships per year to a combination of school leavers and partially disabled young adults. The programme runs for a year and provides each individual with an opportunity to gain practical work experience as a starting point to their future.

BUSINESS SEGMENTS

SA Long-term insurance – Clientèle Life

Clientèle Life's long-term insurance segment (the Life segment) remains the major contributor to overall Group performance. It accounts for 95% or R433,2 million (R295,3 million last year) of the Group's R457,6 million of VNB and generated R186,6 million net profit for the year (R188,8 million last year) which accounts for 98% of the Group's net profit for the year of R190,2 million (118% of R159,7 million last year). It should be noted that Clientèle Life fully impaired its R17,5 million loan to IFA Nigeria as at 30 June 2011, as disclosed in the Segment Statements of Comprehensive Income. Ignoring this impairment, net profit increased by 8% despite the upfront expensing of acquisition costs in respect of the high VNB generated.

The Life segment has experienced strong production for the year which has resulted in the significant growth in VNB.

SA Investment contracts – Clientèle Life

In terms of IFRS, expenses in respect of the Group's Investment contracts (Single Premium business) are expensed as and when incurred. The related revenue is, however, amortised over the term of the contract (usually 60 months).

This operating segment reported a R0,9 million profit for the year. This should be viewed in conjunction with the R37,1 million (R24,0 million last year) of deferred profits included in the Statement of Financial Position.

SA Short-term insurance – Clientèle General Insurance (Clientèle Legal)

VNB for the year of R43,0 million is down when compared to last year of R72,4 million. Withdrawal assumption changes and lower production volumes, in the first half of the year, have had a negative effect on the VNB for the year.

Despite this, however, Clientèle Legal now has an EV of R241,0 million (R204,5 million last year) and has recorded a R17,7 million net profit for the year (R6,2 million last year).

Clientèle Legal is now an established business in its own right and is expected to continue to make an increasing contribution to the overall Group performance into the future.

SA Loans – Clientèle Loans

The personal loans business, of which Clientèle owns 70%, is progressing in line with expectations and in accordance with its conservative credit assessment and lending approach. The gross advances book at 30 June 2011 amounted to R122,1 million (R43,3 million last year) and impairment experience from the book is as expected.

SA Mobile – Clientèle Mobile

Clientèle Mobile has made steady progress, recording net profit for the year of R0,5 million (R0,1 million last year).

DIVIDENDS

On the strength of the good performance for the year, the Board has declared a dividend per share of 53.5 cents, an increase of 14% over last year's dividend of 47.0 cents.

It is interesting to note that the Group's dividends have more than doubled over the last five years and that the 2011 dividend now brings our total dividends paid to over R1 billion since Clientèle's original listing in 1997.

PROSPECTS

We believe a firm foundation for future growth and value creation has been laid by improving production capacity and the further diversification of products from the Group's traditional Life Insurance business.

This is further enhanced by the value creation and improving performance of the Group's new ventures in South Africa.

In conclusion, the Group will remain focused on creating value through its traditional business models and will add new businesses and products on a conservative basis going forward. The new initiatives will continue to be strictly managed and monitored to ensure that the overall Group results remain favourably intact.

APPRECIATION

It remains for me to thank each and every member of the Clientèle Team, both staff and our IFA business partners, for all the hard work and ongoing commitment that continues to take the Group forward. I would also like to thank the Non-executive Directors for the value that they continue to add and for their level of support, which is greatly valued and appreciated.

Mr GJ Soll
16 September 2011

Corporate Governance

1. INTRODUCTION

The Board embraces the principles of corporate governance as enunciated in the King Committee's Code on Corporate Practice and Conduct (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 areas still require attention and the Group is constructively engaging on these issues:

- The composition of the Group Audit Committee; and
- Management of stakeholder communication.

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, industry associates and the natural environment.

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.

The same standards are exported when conducting business internationally.

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

1.2 Aligning governance with King III

From a sustainability perspective, the Group has implemented the following:

- All Board and Committee Terms of Reference are reviewed on an annual basis;
- The Board's agenda gives due attention to the broader business concerns of governance and sustainability;
- The Board Chairman is elected annually;
- At least one third of the Directors retire by rotation at the Clientèle AGM;
- Formal annual evaluation processes of the various Boards and Committees, Chairmen, External Auditor, GIA, the finance function and the Group Financial Director are conducted;
- The Group has made significant progress in terms of risk governance. Clientèle's Group Risk Committee, which reports to the Board, assumes responsibility for overseeing the risk management process; and
- An internal and external stakeholder communication strategy is in the process of being developed for the Board.

1.3 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, industry associates and the natural environment.

1.3.1 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, statutes or regulations.

1.3.2 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.

1.3.3 Policyholders

Clientèle interacts with policyholders in various ways:

- A policy document 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 policyholder 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 “Treating Customers Fairly” and ensures that:

- 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.

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. 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 of its business for the benefit of 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.

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 eight Directors, of which four are Non-executive. The details of the Directors are provided on pages 52 to 55 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 articles of association 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.

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 statutes, 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 Directors.

2.4 Subsidiary Boards and Board Committees

Clientèle has five 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.

2.5 Responsibilities

The Board has adopted Terms of Reference setting out its responsibilities. The Terms of Reference is reviewed annually. The Board's main responsibilities are to:

- 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;
- 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.
- 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.

The Integrated Annual Report was prepared under the supervision of Mr IB Hume, the Group Financial Director.

2.6 Independence of the Board

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

- The Board has three Independent Non-executive Directors, namely Mr GQ Routledge, the Chairman of the Board and the Group Remuneration Committee, Ms PR Gwangwa and Mr BA Stott, the Chairman of the Group Audit and Group Risk Committees. 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, judgement and conduct;
- The roles of Chairman and Managing Director are separate;
- Four of the eight Directors are Non-executive, three of whom are Independent; and
- Non-executive Directors' and Independent Non-executive Directors' remuneration is not tied to the Group's financial performance.

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 Company Secretary

Mrs Wilna van Zyl was appointed Company Secretary on 1 July 2006. She is suitably qualified, empowered and has access to the Group's secretarial resources. The 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 Company Secretary is also the secretary to the Board Committees.

2.9 Directors' interests

The interests of Directors appear on page 55 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 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 strictly followed.

2.11 Party political support

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

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.

Three standing Committees of the Board, to which certain of its functions have been delegated, were in place during 2011. The Group Risk Committee, the Group Remuneration Committee and the Group Investment Committee operate according to the 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 and the Group IT Steering Committee operated as management Committees of the Group throughout the year, reporting to Excom.

The Group Sustainability Committee is a newly-formed Committee 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 Terms of Reference;
- may call upon the chairmen of other Board/Excom Committees, any of the Executive Directors, applicable officers or the 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's function 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 as well as 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) and Dr ADT Enthoven (Non-executive Director).

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 Audit Committee on 15 May 1997. Mr Routledge is the Chairman of the Group and the Group Remuneration Committee and a member of the Group Risk and Group Investment Committees. He is also the Chairman of Clientèle General Insurance.

Dr Enthoven holds a doctorate degree in political science and is also a member of the Group Risk and Group Investment Committees. He was appointed as a member of the Group Audit Committee on 5 May 2010.

The King III suggestion is that the Group Chairman not be a member of the Group Audit Committee. The Group is, however, of the opinion that Mr Routledge's experience and expertise relating to the areas of the Group's business activities is invaluable. The Group is of the opinion that the benefits derived from having Mr Routledge as a member of the Group Audit Committee outweighs the benefit to be obtained from following this suggested corporate governance guideline.

The King III suggestion is that the Group Audit Committee comprises only Independent Non-executive Directors.

The Group acknowledges that it would be preferable to have another Independent Non-executive Director on the Group Audit Committee and will replace Dr ADT Enthoven as a member of the Group Audit Committee when a suitable candidate can be identified.

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

The report of the Group Audit Committee is set out on pages 39 to 41.

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

3.1.3 Responsibilities

Other than for its statutory responsibilities, the Committee reports to the Board on duties assigned to it by the Board. The Committee has adopted a formal Terms of Reference approved by the Board, which includes the responsibilities set out below:

1. *General*
   - Monitoring of the appropriateness of the Group's combined assurance model and ensuring that certain 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 with the financial function;
   - 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 the following risks:
   - Financial and Integrated Reporting risks;
   - Internal financial and operating controls;
   - Fraud risk as it relates to Financial and Integrated Reporting;
   - IT risk as it relates to Financial and Integrated 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. *Financial/Integrated Reporting Process*
   - Review the accounting policies adopted by the Group and any proposed changes thereto;
   - Review the Annual Financial Statements of the Group for reasonableness, compliance with accounting standards, regulatory requirements, completeness and accuracy and reasonableness of significant 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 audit;
   - Review the basis on which management has determined the Group as a going concern;
   - Review capital adequacy calculations;
   - 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
   - Review interim reporting, consider whether the External Auditor should perform assurance procedures on interim reports and review 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;
   - Review and approve the Terms of Reference of the ICC and the IFCC;
   - Obtain feedback from the ICC and the 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 Group Internal Audit'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 internal audit plans;
- Evaluate the internal audit 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 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 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 audit process;
- Consider whether the individual 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 must report and make 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;
  - Members and meeting attendance;
  - Responsibility for GIA;
  - The financial statements, accounting policies and internal control;
  - Independence of the External Auditor;
  - Experience and expertise of the finance function; and
  - Expertise and experience of the Group Financial Director;

  This report is set out on pages 39 to 41.

3.1.4 Auditor Independence

At the AGM held in October 2010, 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 Auditor undertaking the Group's audit for the year under review.

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

At the Group Audit Committee meeting held on 11 May 2011 it was confirmed that PricewaterhouseCoopers and Mr FJ Kruger were on the list of JSE approved Auditors.

Details of fees paid to the External Auditors are disclosed in note 30 on page 135 of the Group Annual Financial Statements, together with details of non-audit services provided and the fees paid in respect thereof.

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, External Actuary (at least semi-annually), the CAE, the Group Compliance Officer and appropriate members of the senior executive management team. Details of attendance at meetings are set out on page 28.

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 Actuary.

3.2.1 Composition

Mr BW Reekie (Chairman, Executive Director), Mr IB Hume (Group Financial Director), Mr GJ Soll (Group Managing Director), Ms B Frodsham (Executive Director) and Members of Senior Management.

Mr BA Stott attends the interim and year end Group Actuarial Committee Meetings by invitation.

3.2.2 Responsibilities of the Group Actuarial Committee

The Group Actuarial Committee carries out the following 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 the unit reconciliations;
- Reviews and approves the semi-annual Independent External Actuarial Valuation;
- Reviews and approves the semi-annual Independent External Actuaries EV report;
- On an annual basis reviews and discusses with the Independent External Actuaries all significant relationships the External Actuaries have with the Group to address the External Actuaries' independence;
- The Committee is expected to make use of appointed experts who specifically include the Independent External Actuaries, to assist it in carrying out its responsibilities;
- 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.

3.3 Group Risk Committee

The Group Risk Committee is a sub-committee of the Board (refer to pages 63 to 86 on Risk Management).

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 Managing Director) Mr BW Reekie (Executive Director), Mr IB Hume (Group Financial Director), Ms B Frodsham (Executive Director).

IFA Nigeria had a separate Risk and Compliance Committee whose members up to 30 June 2011 were:

Dr GO Simpson (Chairman, Group Compliance Officer); Mr GJ Soll (Group Managing Director).

3.3.2 Authority

The Committee:

- Acts in terms of the delegated authority of the Board as recorded in its Terms of Reference. It has the power to investigate any activity within the scope of its Terms of Reference;
- In the fulfilment of its duties, may call upon the Chairmen of the other Board Committees, any of the Executive Directors, officers or the Company Secretary to provide it with information, subject to following a Board approved process;
- Has reasonable access to the Group's records, facilities and any other resources necessary to discharge its duties and responsibilities;
- May form, and delegate authority to sub-committees and may delegate authority to one or more designated members of the Committee;
- Has the right to obtain independent outside professional advice to assist with the execution of its duties, at the Group's cost, subject to following a Board approved process; and
- Makes recommendations to the Board that it deems appropriate on any area within the ambit of its Terms of Reference where action or improvement is required.

3.3.3 Responsibilities

The key objective of the Committee is to ensure that the risk management policies and processes continue to be an integral component of business strategy and culture so as to ensure the attainment of the Group's objectives and long-term sustainability. The Committee's main responsibilities, on an ongoing basis, are to assist the Board in its responsibilities with regard to risks as set out below, and incorporate all ten sub-headings of Risk as per King III, as set out below:

1. The Board is responsible for the governance of risk;
2. The Board determines the levels of risk tolerance (risk appetite);
3. The Committee assists the Board in carrying out its risk responsibilities;
4. The Board delegates to management the responsibility to design, implement and monitor the risk management plan;
5. The Board ensures that risk assessments are performed on a continual basis;

6. The Board ensures that frameworks and methodologies are implemented to increase the probability of anticipating emerging risks;
7. The Board ensures that management considers and implements appropriate risk responses;
8. The Board ensures continual risk monitoring by management;
9. The Board receives assurance regarding the effectiveness of the risk management process; and
10. The Board ensures that there are processes in place enabling complete, timely, relevant, accurate and accessible disclosure to stakeholders regarding the management of risk.

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

Risk categorisation

The Group Risk Committee has recommended to the Board the following Level 1 categories of risk, which have been approved by the Board.

Level 1:	BUSINESS & INSURANCE RISK
Level 1:	STRATEGIC RISK
Level 1:	OPERATIONAL RISK
Level 1:	MARKET RISK
Level 1:	CREDIT RISK
Level 1:	LIQUIDITY RISK
Level 1:	CAPITAL MANAGEMENT/SOLVENCY RISK
Level 1:	REGULATORY & LEGAL RISK

Once the Level 1 categories were identified and approved, the same methodology was followed to identify the Level 2 categories, as shown below:

- **BUSINESS & INSURANCE RISK** Level 2 categories include Insurance/Underwriting; Asset Liability Matching (ALM); Contract Persistency; Expenses; Assumptions; Data; Concentration; and Reinsurance.
- **STRATEGIC RISK** Level 2 categories include Marketing & Advertising; Distribution Channels; Merger and Acquisition Activity; Diversification; External Communication; IT Decisions; Key Man Dependencies; Company Structure; Distribution Models; Product Design; and Competitor Threats.
- **OPERATIONAL RISK** Level 2 categories include Information & Technology; IT Business Continuity (Disaster Recovery); Legal; Human Resources; Taxation; Processes; Projects; and Client Services.
- **MARKET RISK** Level 2 categories identified include Equity; Interest Rates; Currency; Property; and Concentration.
- **CREDIT RISK** Level 2 categories identified include Default; Downgrade; Settlement; Reinsurance Counterparty; Credit Spread; and Financial Assets (Excluding Equities).
- **LIQUIDITY RISK** Level 2 categories include Cash Flow Management, and Asset and Liability Management.
- **CAPITAL MANAGEMENT/SOLVENCY RISK** Level 2 categories include Asset and Liability Management.
- **REGULATORY & LEGAL RISK** Level 2 categories include FAIS Compliance; Regulatory & Legal Environment, Industry Bodies, Fraud, BBBEE; King III; and Sustainability.

Each Level 2 category was assigned an Excom "owner" who identified specific Risk Events per Level 2 category. The rating methodology is measured on both a quantitative and qualitative scale, where both Impact and Probability were 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 the Risk Events are identified and rated, a filtering process is applied whereby all total scores of "9" 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), is extracted. These high level Risk Events are then discussed so as to identify and implement corrective actions to mitigate the risk or exposure. This process is completed at least three times annually.

Risk appetite

The Group Risk Committee has recommended to the Board for approval the following three Risk Appetite Metrics:

– SOLVENCY (Statutory Minimum plus a buffer);
– FREE CASH FLOW (Three year forward rolling projection); and
– RECURRING EMBEDDED VALUE EARNINGS (Three year forward rolling projection).

The Group is in the process of implementing a software tool which will improve the implementation of this methodology.

3.4 Group Investment Committee

The Group Investment Committee is a sub-committee of the Board and has been formed to assist 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 Managing Director), Mr BW Reekie (Executive 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. *Taxation*

   Manage the Group's taxation 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 taxation 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), Dr ADT Enthoven (Non-executive Director).

The Group Managing Director attends all meetings by invitation.

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

The members of the Committee as a whole must 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 and maker of recommendations to the Board 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

The Group Remuneration Committee performs all the functions necessary to fulfil its role as stated above and including (but not limited to) the following:

- Overseeing the establishment of a remuneration policy that will promote the achievement of strategic objectives and Group targets and encourage 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 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 at the end of employment; and
- Advising on the remuneration of Non-executive Directors.

The reader is referred to the Group Remuneration Report on pages 32 to 35 for the remuneration policy.

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 GJ Soll (Group Managing Director), Mr BW Reekie (Executive Director), Mr IB Hume (Group Financial Director), Ms B Frodsham (Executive Director), Dr GO Simpson (Group Compliance Officer), Mr NP Prendergast (Executive), Mr H Moolla (Executive), Mr F Pretorius (Executive) and Mr D du Toit (Executive).

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 as and when necessary, but at least five times a year.

4.2.1 Composition

Ms B Frodsham (Chairperson, Executive Director), Mr BW Reekie (Executive Director), Mr H Moolla (Clientèle Life Executive) and Mr J Poulton (Clientèle Life Executive).

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.

4.2.2 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

The responsibilities of the Group IT Steering Committee include:

- Reviewing all technology plans and priorities across the Group;
- Monitoring of progress and expenditure against budgets;
- Monitoring quality and effectiveness of IT applications and resources;
- Examining risks and obstacles in terms of IT;
- Ensuring appropriate and optimal staffing and 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 Sustainability Committee

Excom acknowledges and accepts full accountability and responsibility in terms of sustainability reporting and has established the Group Sustainability Committee responsible for policy, advice, management, oversight and reporting in respect of Group Sustainability.

The Group Sustainability Committee is a sub-committee of Excom and reports to the Group Managing Director, Mr GJ Soll.

Excom will approve the Terms of Reference of the Group Sustainability Committee.

4.3.1 Composition

Dr GO Simpson (Group Compliance Officer), Mrs W van Zyl (Company Secretary), Mr P Chetty (Group Finance Executive), Mr G Subramany (Group Senior Human Resources Manager), Mr J Poulton (Clientèle Life Executive).

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

4.3.2 Role

The Group Sustainability Committee has the responsibility to recommend for approval, monitor and advise on all material and relevant issues that have a significant impact on sustainability matters of the Group and its stakeholders.

These responsibilities are underpinned by the organisational sustainability framework, which serves to ensure that the Group:

- Has a sustainable business model;
- Has a sustainable client base;
- Recommends products to accommodate change;
- Has a sustainable supplier base;
- Has the appropriate human capital, processes and systems in place;
- Transforms its ownership and control appropriately over a period of time;
- Introduces environmental impact management; and
- Extends influence to the benefit of society.

4.3.3 Responsibilities

The Group Sustainability Committee carries out the following responsibilities:

- Recommending sustainability policies for approval;
- Monitoring the implementation of the policies through the consideration of management reports on the issues envisaged above, as well as noting the activities of the human resources department regarding employment equity;
- Considering and recommending for approval, the reporting for purposes of the Financial Sector Charter and the DTI Codes of Good Practice, transformation reporting and the results of the BBBEE Audits for purposes of the Department of Labour;
- Considering and recommending to the Board for approval, the reporting on sustainability issues in the Integrated Annual Report;
- Advising Excom of ways and means to improve the effectiveness of its sustainability policies and the setting of targets and time frames in relation thereto;
- Reporting to Excom on the status of sustainability issues; and
- Monitoring the Group's compliance with the requirements of King III relating to sustainability and making appropriate recommendations if, and when, required.

4.4 Group Product Committee

The Group Product Committee operated as a management Committee of Excom throughout the year. The Group Product Committee meets as and when necessary.

4.4.1 Composition

Mr BW Reekie (Chairman, Executive Director), Mr GJ Soll (Group Managing Director), Ms B Frodsham (Executive Director), Mr H Moolla (Executive), Dr GO Simpson (Group Compliance Officer) and members of 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.

The Chairman of the Committee was initially appointed by the Group Managing Director. Thereafter the Chairman can be changed by members of the Committee by mutual consensus.

4.4.2 Purpose of the Group Product Committee

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.

4.4.3 Responsibilities

The Committee carries out the following 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 Independent External Actuaries on Actuarial Valuation and EV results;
- 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.

4.5 Group Internal Control Committee

The Group ICC operated as a management Committee of Excom throughout the year. The Group ICC meets at least three times a year.

4.5.1 Composition

Mr IB Hume (Chairman, Executive Director), Dr GO Simpson (Group Compliance Officer) and members of management. The CAE attends all meetings by invitation.

4.5.2 Purpose of the Group ICC

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.

4.5.3 Responsibilities

The Committee shall guide, advise and work together with Excom in the pursuit of its responsibilities in the implementation and monitoring of the effectiveness of systems of internal, financial and operating controls.

The Group must ensure that it maintains internal, financial and operating controls designed to provide reasonable assurance regarding safeguarding of assets, compliance with applicable laws and regulations and the maintenance of proper accounting records and the adequacy and reliability of financial information.

The ICC's tasks shall therefore 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.

4.6 Group Internal Financial Control Committee

The Group IFCC operated as a management Committee of Excom throughout the year. The Group IFCC meets at least three times a year.

4.6.1 Composition

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

4.6.2 Purpose of the IFCC

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 IFCC (and who are represented on the IFCC) to ensure an accurate opinion on internal financial controls be reported to shareholders.

The IFCC 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 IFCC.

4.6.3 Responsibilities

- The IFCC will identify and document the risks to the preparation of the Financial Statements in accordance with IFRS, including fair presentation.
- The IFCC will identify the risks of material misstatement and controls in place to prevent or detect material misstatement in Financial Statement disclosure.
- The IFCC will advise on the design, implementation and effectiveness of internal financial controls and evidence supporting the performance of the controls; and
- The IFCC will review the results and make recommendations to stakeholders through the Group Audit Committee.

In overseeing the tasks listed above, the IFCC 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.

5. MEETINGS ATTENDANCE (1 JULY 2010 TO 30 JUNE 2011) OF BOARD AND BOARD COMMITTEES

5.1 Clientèle

	Clientèle Board	Group Audit Committee	Group Investment Committee	Group Remuneration Committee	Group Risk Committee	Group Actuarial Committee
Number of meetings held	4	6	4	1	4	5
Directors:						
ADT Enthoven	3/4	4/6	4/4	1/1	3/4	
B Frodsham	4/4	1/1*			4/4	4/5
IB Hume	4/4	6/6*	4/4		4/4	5/5
PR Gwangwa	3/4					
BW Reekie	4/4	6/6*	3/4		4/4	5/5
GQ Routledge	4/4	6/6	4/4	1/1	4/4	
GJ Soll	4/4	6/6*	4/4	1/1*	4/4	5/5
BA Stott	4/4	6/6	4/4*	1/1	4/4	1/5*

* *by invitation*

5.2 Clientèle subsidiaries

	Clientèle Life Board	IFA Nigeria Board	Clientèle General Insurance Board	Clientèle Loans Direct Board
Number of meetings held	4	4	4	4
Directors:				
GJ Soll	4/4	4/4	4/4	4/4
GQ Routledge	4/4		4/4	3/4
BW Reekie	4/4		4/4	
IB Hume	4/4		4/4	4/4
B Frodsham[1]	4/4*		1/3	1/1
ADT Enthoven[4]	3/4			
PR Enthoven[3]	0/2			
PR Gwangwa[5]	1/2			
H Moolla	4/4			
BA Stott[2]	4/4			
ML Japhet			3/4	
MA Finlayson				4/4
MY Güttler				4/4
M Adegun		4/4		
C Dozie		4/4		
PG Dozie		4/4		
D du Toit		4/4		
M Mc Grath		4/4		

* *by invitation*
[1] *resignation as a Director from Clientèle General Insurance on 15 February 2011 (attended the 19 May 2011 meeting by invitation)*
[2] *appointed on 20 June 2011 as a Director of Clientèle General Insurance*
[3] *resignation as a Director from Clientèle Life on 23 November 2010*
[4] *appointment as a Director of Clientèle Life on 23 November 2010 (previously alternate to PR Enthoven)*
[5] *appointment as a Director of Clientèle Life on 23 November 2010 (attended the 23 November 2010 meeting by invitation)*

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 ICC and 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 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 31.

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 Executive 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 to the compliance department 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.

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 judgements 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 30 on page 135 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 RD Williams of QED Actuaries & Consultants Proprietary Limited, 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.

Clientèle General Insurance

Mr Williams assists the Board in reviewing the policyholder liability calculation for Clientèle General Insurance.

Clientèle

Mr Williams assists the Board in calculating the EV of the Group.

Mr Williams 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 Excom Members 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.

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 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

16 September 2011

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 2011.

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

- The design;
- The implementation; and
- The effectiveness

conducted by Group Internal Audit during the 2011 year and considering:

- Information and explanations given by management;
- Discussions with the External Auditor on the results of the audit, assessed by the Group Audit Committee; 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 financial statements.

Mr BA Stott
Chairman of the Group Audit Committee

16 September 2011

Group Remuneration Report

The Board is pleased to present the Group's Remuneration Report as at 30 June 2011.

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.

- 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 punished 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.

At the core of the Group's policy on management remuneration 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, 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 20 on pages 102 to 103 and Note 19 on pages 129 to 131):

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.

The core principles of this scheme are to:

- Align Group Excom'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 Independent 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.

The Scheme Goodwill created is determined with reference to the EV of New Business (as determined by the Group's Independent 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.

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 Scheme.

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 PAGE 124)

The Board considers it important that the Group has a long-term scheme in place to incentivise and retain staff (excluding Excom) and as an added measure to ensure the on-going success of its IFA operation.

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.

Salient features (to be amended at the AGM – refer to page 148):

- The aggregate number of shares that may be allotted and issued to participants under the SAR Scheme may not exceed 10% (ten percent) 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 from time to time. 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 (three) years from the invitation date, up to 20% of the SARs may be exercised by a participant;
- 4 (four) years from the invitation date, up to 50% of the SARs may be exercised by the participant; and
- 5 (five) 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.

Group Sustainability Report

INTRODUCTION

Excom acknowledges and accepts full accountability and responsibility in terms of sustainability reporting and has an established Group Sustainability Committee responsible for setting policy, advice, oversight and reporting. The Group Sustainability Committee comprises five 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 five members are:

- **Dr GO Simpson** (Chairman) (MBA: Univ. of Oxford-Brookes (UK), and DBA (Univ. of KZ-N (RSA)). Dr Simpson heads up the Group Risk & Compliance functions, and is also responsible for issues of sustainability as well as being the registered Compliance Officer for both the short-term and long-term insurance companies;
- **Mrs W van Zyl** (B.Compt.(Hons), CA(SA)). Mrs van Zyl is the Company Secretary;
- **Mr D Chetty** (B.Compt.(Hons), CA(SA)). Mr Chetty heads up the Group Finance and Treasury and is also the Chief Financial Officer of Clientèle General Insurance;
- **Mr J Poulton.** Mr Poulton is responsible for all client-facing services and delivery; and
- **Mr G Subramany** (BA (Industrial Psychology), Dip. H.R. Management). Mr Subramany is the Senior Manager Human Resources.

The Group Sustainability Committee is a sub-committee of Excom, reporting in to the Group Managing Director, Mr GJ Soll. The Terms of Reference of the Group Sustainability Committee can be viewed on page 24 of this report.

The Committee has identified areas within the Group that can improve aspects of sustainability. These areas have an Excom "owner" assigned to investigate and propose operational actions to be implemented with the view to improving sustainability. The respective sub-committee owners report to the Committee on an ongoing basis. Currently there are about 15 identified projects. Depending on the outcome, corrective action is implemented to improve the aspects of sustainability.

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 has traditionally followed the approach of "doing the right thing regardless" when it comes to aspects of transformation and as such it was not surprising for the Group to be awarded a BBBEE Rating of Level Four (100% Recognition Level), by AQRate (Gauteng) Proprietary Limited. The IFA Model affords the Group the opportunity of setting up IFAs in business as independent contractors and as such contributes significantly to enterprise development, far in excess of the minimum targets suggested by the BBBEE Codes of Good Practice.

IFAs: Besides the formal BBBEE rating bestowed upon it, 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 very low, thus targeted at the very echelons where transformation is required. The IFA model has been operational for over 13 years now and has provided thousands of previously disadvantaged individuals with a business opportunity, and income, not previously afforded them. The model is unique in that it presents the Group with a distribution channel which has sustainability beyond other more formal sales channels. Skills development and training is an integral part of the IFA model which is based on a referral methodology of direct selling and multi levels of annuity compensation.

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. At all times deviation from the guidelines of the procurement policy is acceptable given strategic partnerships and/or strong monopolistic suppliers such as, but not limited to, television channels, postage, Telkom, rates & taxes, Actuaries and Auditors, external consultants, computer suppliers (given compatibility with existing hardware), etc. All deviation from the rules/guidelines are transparent with full disclosure and motivation provided.

THE GOVERNANCE OF RISK

The Board accepts full accountability and responsibility for the governance of risk, as suggested in King III. The Board has appointed a Group Risk Committee which has been operational since February 2010. The Group Risk Committee, along with Board and Non-Board Committees, are suitably positioned for the early identification and ongoing management of systemic and organisational risks. A detailed report on Risk Management can be read on pages 63 to 86 of this report.

CORPORATE SOCIAL RESPONSIBILITY

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

The Sithabile Child & Youth Care Centre

The Sithabile Centre is a bridging facility for children in distress which provides general support, care and counselling for all the children. The counselling extends to the families of the children in an effort to rehabilitate families with the aim of reintroducing the children to both their families and the communities. Sithabile currently cares for over 100 children drawn from the previously disadvantaged community who are survivors of abuse, exploitation and neglect. Over 50% of the children are orphans, many as a result of the HIV/Aids pandemic.

Build the Future Foundation

The Foundation is a registered organisation that makes a direct contribution through visible and sustainable initiatives such as community food gardens, irrigation systems, nutritional education and donations. The Group is proud in contributing to this initiative which was identified by the Group's employees who are deeply involved "at the coal face" with regard to this project.

Clientèle Bursary Scheme

This scheme was introduced in 2008 and the Group continually identifies additional recipients, year on year, so as to assist and facilitate those who ordinarily could not afford higher education. The scheme contributes the amount of R50 000 per bursary per year for the full duration of the bursars' chosen studies. Bursaries are awarded to children of both the Group's employees as well as children of the independent IFA contractors. The bursary can cover tuition, residence and/or book allowance at any of the top tertiary institutions in South Africa. To date 36 bursaries have been awarded, with the Group investing over R1,5 million thus far in the educating of our future leaders.

Learnerships

Often the biggest and first hurdle for youngsters to gain employment is "getting their foot in the door". The Group engages learners and in doing so provides them with an opportunity to launch a career – at this stage they rarely come with an established CV or history of business knowledge, but they are expected to bring along a positive attitude and willingness to learn. This year INSETA has approved 20 learners comprising school leavers and partially disabled young adults, of which 18 are still in the system. The programme runs for a year and provides each individual with an opportunity to gain practical work experience as a starting point given future employment. The programme has proved considerably successful with most managers wanting to retain the learners at the completion of the year period, a testament in itself that if youngsters today are afforded an opportunity then most will seize it with both hands.

PRODUCT DESIGN

The Group has an established Product Committee that deals with all aspects relating to products (refer to page 25, Group Product Committee). 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 and as such all products are designed only after market research such that the product is "tailor-made" for the intended recipient target market. The products designed include a social dividend for the intended recipient rather than a purely bottom-line focused mindset which contributes to aspects of sustainability.

Group Sustainability Report continued

HUMAN CAPITAL

The Group has initiatives in place to improve the staff turnover percentage with specific reference to the outbound sales call centre which, while within industry norms, can be improved upon. Non sales staff turnover is well managed and well within industry standards. The Group has a strong focus with regard to employee and management development, and presents employees with a wide range of development and learning opportunities. Four distinctive leadership development programs 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 (Adult Basic Education & Training) 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.

OCCUPATIONAL HEALTH & 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.

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.

GENERAL

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.

Simpson

Dr Gary Simpson
Chairman: Group Sustainability Committee

16 September 2011

Report of the Group Audit Committee

for the year ended 30 June 2011

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 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 per year as required by its Terms of Reference.

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

During the year under review 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.

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, 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 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 2011 financial year. The Group Audit Committee received and considered the report of the 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 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.

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 2011 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.

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

The Group Audit Committee has reviewed the accounting policies and the financial statements and Group abridged result for six months to 31 December 2010 and the year to 30 June 2011 of the Group and is satisfied that they are appropriate and comply with IFRS. The Group Audit Committee reviewed the Trading Statements and recommended them to the Board for Approval. 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 financial statements or to any related matter.

Internal financial controls

The Group Audit Committee has overseen a process by which GIA has requested 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 internal financial controls is included on page 31. The Board report on the effectiveness of the system of internal controls is included on page 31.

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 2011 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 30.

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's 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.

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 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

16 September 2011

Statement of Group Embedded Value

for the year ended 30 June 2011

1. INTRODUCTION

The following is a summary of the EV results for the Clientèle Group for the year ended 30 June 2011, together with the comparative figures for the year ended 30 June 2010.

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 Independent External Actuaries, QED Actuaries and Consultants Proprietary Limited.

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 2011 comply with the Actuarial Guidance Note PGN 107 version 5.

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 of covered business. 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. 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 excess of assets over liabilities on the SVM, 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 Scheme. The SAR Scheme adjustment recognises the future dilution in EV, on a mark to market basis, as a result of the SAR Scheme.

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 and 1.25 times the Statutory OCAR of the Life Company plus the Capital Requirement 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 2011.

The CoC is the opportunity cost of having to hold assets to cover the Required Capital of R139,6 million as at 30 June 2011.

2. COVERED BUSINESS

All material business written by the Group has been covered by EV methodology as outlined in Professional Guidance Note, PGN107 of the Actuarial Society of South Africa, including:

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

Subsequent to year end, the IFA Nigeria Board of Directors, the Clientèle Board of Directors and the KC2008 Directors resolved to terminate the IFA Nigeria operations with effect from 29 July 2011. The Board has continued to set the EV of the Nigerian operation at its Net Asset Value.

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 2011, as well as the year ended 30 June 2010:

	Year ended 30 June 2011 (R'000)	Year ended 30 June 2010 (R'000)
Total equity and reserves per Statement of Financial Position	**353 220**	304 903
Adjustment for Deferred Profits and impact of compulsory margins on investment business (net impact after tax)	**17 095**	12 377
Adjustment for non-controlling interests	**6 462**	3 295
Adjusting subsidiaries to Net Asset Value	**2 422**	(6 266)
SAR Scheme adjustment	**(40 129)**	(18 243)
ANW	**339 070**	**296 066**

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

Clientèle Life's statutory CAR cover ratio at 30 June 2011 was 2.94 (30 June 2010: 3.03) on the Statutory Valuation Basis.

4. EV OF COVERED BUSINESS

The table below shows the EV for the year ended 30 June 2011, as well as the year ended 30 June 2010:

	Year ended 30 June 2011 (R'000)	Year ended 30 June 2010 (R'000)
Free Surplus	**199 505**	179 637
Required Capital	**139 565**	116 429
ANW of covered business	**339 070**	**296 066**
CoC	**(36 747)**	(38 166)
PVIF	**2 218 010**	1 768 859
EV of covered business	**2 520 332**	**2 026 760**
EV per Share (cents)	**778.80**	626.46
Diluted EV per share (cents)	**773.83**	623.91

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 2011 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 what has been used when preparing the accounts. The assumptions used for the calculation are the same as what has been used to determine the year-end EV results, including investment yields.

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

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 2011 (RDR: 11.30%), as well as the year ended 30 June 2010 (RDR: 12.60%) is as follows:

	Year ended 30 June 2011 (R'000)	Year ended 30 June 2010 (R'000)
Total VNB	**462 568**	356 278
CoC for New Business	**(4 981)**	(3 151)
Total VNB net of CoC	**457 587**	**353 127**
Present Value of new business premiums	**1 859 123**	1 503 558
New Business profit margin %	**24.6**	23.5

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.

6. LONG-TERM ECONOMIC ASSUMPTIONS – SOUTH AFRICA

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%. Two and a half years ago PGN107 was revised and the approach to setting the risk discount rate was defined via a formula based on the risk free rate plus a margin. At this time, the Group added an additional explicit margin of 1% to the RDR used in the EV calculation. Despite the current market conditions the Board believes it is more appropriate to align its determination of the RDR with the basic formula outlined in PGN107 so as to be consistent with the industry and produce comparable results. This explicit additional margin has thus been removed effective 30 June 2011.

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 0.49).

This means that the RDR utilised for the South African business as at 30 June 2011 was 11.30%. Given the sensitivities provided, QED supports the use of a RDR of 11.30%.

The table below shows the long-term economic assumptions for business written in South Africa for the year ended 30 June 2011 as well as the year ended 30 June 2010:

	Year ended 30 June 2011 (R'000)	Year ended 30 June 2010 (R'000)
RDR %	**11.30**	12.60
Overall investment return %	**7.80**	8.10
Expense inflation %	**5.80**	6.10
Corporate tax %	**28.00**	28.00

7. OTHER BUSINESS ASSUMPTIONS – SOUTH AFRICA

Assumptions for mortality, withdrawal and expenses were derived from experience investigations based on the 12 months preceding the Actuarial Valuation date. Minor 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.

8. SEGMENT INFORMATION

The table below shows the EV split between segments for the year ended 30 June 2011 and the year ended 30 June 2010:

	ANW (R'000)	PVIF (R'000)	CoC (R'000)	Embedded Value (R'000)
30 June 2011				
SA – Long-term insurance*	**314 681**	**2 011 667**	**(32 582)**	**2 293 766**
SA – Short-term insurance**	**44 252**	**200 875**	**(4 166)**	**240 962**
SA – Investment contracts***	**–**	**4 663**	**–**	**4 663**
SA – Loans	**(11 809)**	**805**	**–**	**(11 004)**
Nigeria – Long-term brokerage	**(8 054)**	**–**	**–**	**(8 054)**
Total	**339 070**	**2 218 010**	**(36 747)**	**2 520 332**
30 June 2010				
SA – Long-term insurance*	276 907	1 584 474	(34 892)	1 826 489
SA – Short-term insurance**	26 973	180 816	(3 274)	204 513
SA – Investment contracts***	–	4 133	–	4 133
SA – Loans	(7 527)	(564)	–	(8 091)
Nigeria – Long-term brokerage	(286)	–	–	(286)
Total	**296 066**	**1 768 859**	**(38 166)**	**2 026 760**

The table below shows the VNB split between segments for the year ended 30 June 2011 and the year ended 30 June 2010:

	Year ended 30 June 2011 (R'000)	Year ended 30 June 2010 (R'000)
SA – Long-term insurance*	**433 203**	295 349
SA – Short-term insurance**	**43 084**	72 408
SA – Investment contracts***	**6 777**	5 381
SA – Loans	**(3 293)**	(1 247)
SA – New venture costs	**(22 185)**	(18 764)
Total	**457 587**	**353 127**

* *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 Company tax and STC) at a RDR of 11.30% (unless otherwise specified):

(R'000)	ANW	Value of in-force Business	CoC	EV	% of Main
Main basis	339 070	2 218 010	(36 747)	2 520 332	
1% increase in RDR	339 070	2 103 928	(41 851)	2 401 147	95.3
2% increase in RDR	339 070	2 006 206	(46 670)	2 298 606	91.2
1% decrease in RDR	339 070	2 314 769	(27 748)	2 626 091	104.2
2% decrease in RDR	339 070	2 470 082	(25 508)	2 783 644	110.4
RDR equal to 12.6%	339 070	2 075 774	(43 319)	2 371 525	94.1
4% increase in RDR	339 070	1 841 486	(55 377)	2 125 179	84.3
Assuming a 10% decrease in the following:					
– Future expenses	339 070	2 235 670	(36 747)	2 537 993	100.7
– Policy discontinuance rate	339 070	2 430 094	(38 591)	2 730 547	108.3
5% decrease in Claims (and reinsurance rates) experience	339 070	2 222 302	(36 798)	2 524 574	100.2
Investment return less 1%	339 070	2 197 085	(41 377)	2 494 778	99.0
Inflation plus 1%	339 070	2 202 488	(36 539)	2 505 019	99.4
Assuming a once-off 10% reduction in equity holdings	323 289	2 214 595	(52 323)	2 485 562	98.6

The sensitivity analysis has assumed that the reserving basis will remain static despite changes in experience except in the following case (where PGN107 (Version 5)) 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 11.30% (unless otherwise specified).

(R'000)	VNB	% of Main Basis
Main Basis	457 587	
Initial Expenses less 10%	474 515	103.7
Renewal Expenses less 10%	465 469	101.7
Inflation plus 1%	455 438	99.5
Investment return less 1%	457 364	100.0
Claims (and reinsurance rates) less 5%	459 551	100.4
Withdrawals less 10%	596 353	130.3
RDR of 9.30%	535 972	117.1
RDR of 10.30%	494 384	108.0
RDR of 12.30%	422 944	92.4
RDR of 13.30%	393 520	86.0
RDR of 12.60%	413 997	90.5
RDR of 15.30%	342 829	74.9

11. EV EARNINGS

EV earnings (per PGN 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.

Statement of Group Embedded Value

continued

The table below shows the EV earnings for the year ended 30 June 2011:

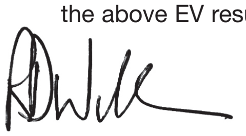
	ANW (R'000)	PVIF (R'000)	CoC (R'000)	Total (R'000)
A: EV at the end of the year	339 070	2 218 010	(36 747)	**2 520 332**
EV at the beginning of the year	296 066	1 768 859	(38 166)	**2 026 760**
Dividends and STC accrued or paid	(167 596)			**(167 596)**
A: Adjusted EV at the beginning of the year	**128 470**	**1 768 859**	**(38 166)**	**1 859 164**
EV earnings (A – B)	210 599	449 150	1 419	**661 168**
Impact of once-off economic assumption and other changes	7 281	(139 045)	(4 768)	**(136 532)**
*SA – Short-term insurance: Impact of fraud**		10 009		**10 009**
*SA – Long-term insurance: Impact of fraud**		6 101		**6 101**
*SA – Short-term insurance: Impact of an isolated system error**		12 167		**12 167**
EV earnings before once-off items	217 880	338 382	(3 349)	**552 912**
Return on EV excluding once-off items				**29.7%**
Return on EV				**35.6%**
Components of EV earnings (R'000)				
Value of New Business	(159 817)	622 385	(4 981)	**457 587**
Expected return on covered business (unwinding of risk discount rate)		216 766	(4 809)	**211 957**
Expected profit transfer	382 157	(382 157)		**–**
Withdrawal experience variance	9 430	(45 966)	7 049	**(29 486)**
Claims and reinsurance experience variance	317			**317**
Sundry experience variance	16 829	(5 540)		**11 290**
Operating assumption and model changes	6 569	(24 751)	46	**(18 135)**
Extraordinary non-recurring expenses/development cost	(4 790)			**(4 790)**
Expected return on ANW	19 865			**19 865**
SAR Scheme dilution	(16 705)			**(16 705)**
Goodwill and Medium Term incentive schemes	(37 095)	(2 217)		**(39 313)**
Reduction in Net Asset Value on Nigerian operation	(22 659)			**(22 659)**
EV operating return	**194 103**	**378 520**	**(2 694)**	**569 928**
Investment return variances on ANW	18 540			**18 540**
*SA – Short-term insurance: Impact of fraud**		(10 009)		**(10 009)**
*SA – Long-term insurance: Impact of fraud**		(6 101)		**(6 101)**
*SA – Short-term insurance: Impact of an isolated system error**		(12 167)		**(12 167)**
Net effect of writing off a loan in respect of the Nigerian operations	(2 665)			**(2 665)**
Effect of economic assumption changes	621	98 907	4 113	**103 642**
EV earnings	**210 599**	**449 150**	**1 419**	**661 168**

* Fraud was detected during the reporting period relating to policy sales in the last quarter of the 2010 financial year. Whilst the cash loss and impact on IFRS earnings to the Group was negligible, it did result in a reduction of Group EV earnings for the period of R16,1 million. The related internal controls to prevent and detect sales related fraud will continue to be enhanced to mitigate the possibility of future fraud of this nature.

In addition, a batch of Legal policies was erroneously reflected as active at 30 June 2010 due to an isolated system error which also resulted in a reduction of EV earnings for the period of R12,2 million.

12. CONCLUSION

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



Mr RD Williams
Statutory Actuary
Fellow of the Actuarial Society of South Africa

16 September 2011

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 Independent 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 judgements, estimates, and assumptions which comply with IFRS are applied on a consistent and going concern basis. Systems and controls include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties.

Systems and controls are monitored throughout the Group. More detail, including the operation of GIA, is provided in the corporate governance section of the Integrated Annual Report on pages 26 to 30.

Based on the information and explanations given by management and GIA, the Directors are of the opinion that the internal financial controls are adequate and that 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 financial statements for the year ended 30 June 2011, prepared in accordance with IFRS, which are set out on pages 50 to 145 were approved by the Board on 16 September 2011 and signed on its behalf by:

Mr GQ Routledge
Chairman

Mr GJ Soll
Managing Director

Johannesburg

16 September 2011

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

Johannesburg

16 September 2011

Independent Auditors Report to the Shareholders of Clientèle Limited

We have audited the consolidated annual financial statements and annual financial statements of Clientèle Limited, which comprise the consolidated and separate statements of financial position as at 30 June 2011, and the consolidated and separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and the Directors' report, as set out on pages 50 to 56 and 63 to 145.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company's Directors are responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatements, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 financial statements present fairly, in all material respects, the consolidated and separate financial position of Clientèle Limited as at 30 June 2011, 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.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc
Director: Mr FJ Kruger
Registered Auditor

Sunninghill

16 September 2011

Report of the Directors

The Directors have pleasure in submitting their Directors Report, which forms part of the Audited Financial Statements for the year ended 30 June 2011.

1. NATURE OF BUSINESS

Clientèle, the holding Company of the Clientèle Group, is incorporated in South Africa and is listed under the Life 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. Cellular airtime contracts are offered through Clientèle's subsidiary, Clientèle Mobile.

After year end, the Clientèle Board, together with the Board of KC2008, our minority partner in Nigeria, decided to close the IFA Nigeria business and to place it into voluntary liquidation with effect from 29 July 2011. As has been previously communicated to shareholders, the biggest challenge and threat to the viability and sustainability of the IFA business in Nigeria has been the high level of unpaid premiums. Despite every effort to try and improve the level of collections, the level of unpaid premiums on existing business continued to exceed acceptable levels due to factors unique to the Nigerian market. The Board did not envisage that this situation would change significantly in the foreseeable future, and reluctantly made the decision to close IFA Nigeria.

Group companies

Clientèle is the holding Company of the Clientèle Group which comprises the following companies:

Clientèle LIMITED	% Holding	Country of incorporation	Nature of Business
Clientèle Life Assurance Company Limited	100	SA	Life Insurance
Clientèle Loans Proprietary Limited	100	SA	Lending
Clientèle General Insurance Limited	100	SA	Short-term insurance – Personal lines legal insurance policies
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

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

** Effective date of name change: 10 August 2011*
 # Liquidated on 4 August 2011

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

Clientèle Life (Netherlands) Coöperatieve U.A.	% Holding	Country of incorporation	Nature of Business
Subsidiary			
Independent Field Advertisers Limited[Δ]	85	NG	Insurance broking in Nigeria

[Δ] In process of voluntary liquidation
IFA Nigeria owns 100% of IFA Insurance Brokers.
Clientèle General Insurance, Clientèle Direct and Clientèle Mobile do not have subsidiaries.

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

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 50 to 145. An ordinary dividend of 53.5 cents per share (2010: 47 cents per share) was declared on 19 August 2011. The dividend was paid on Monday, 12 September 2011.

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, 2 September 2011. The shares commenced trading ex dividend on Monday, 5 September 2011 and the record date was Friday, 9 September 2011.

Share certificates could not be dematerialised or rematerialised between Monday, 5 September 2011 and Friday, 9 September 2011, 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 2011	30 June 2010	% change
Financial position			
Total assets (R'm)	**2 498.6**	2 004.5	24.6
Net asset value per share (cents)	**109.15**	94.25	15.8
Return on shareholders interest (%)	**64**	54	18.5
Operating results			
Insurance premium revenue (R'm)	**1 115.0**	1 005.7	10.9
Profit before tax (R'm)	**286.6**	247.4	15.8
Tax (R'm)	**96.4**	98.9	(2.5)
Net profit attributable to ordinary shareholders of the Group (R'm)	**195.0**	159.7	22.1
Diluted EPS (cents)	**59.86**	49.17	21.7
Diluted headline EPS (cents)	**61.25**	49.10	24.7
Dividend per share (cents)	**53.5**	47.00	13.8

The holding Company's interest in the aggregate profits earned after tax (after adjusting for non-controlling interests), by the subsidiaries amounted to R205,7 million (2010: R192,5 million).

The holding Company's interest in the aggregate losses earned after tax (after adjusting for non-controlling interests), by the subsidiaries amounted to R10,7 million (2010: R32,8 million).

The holding Company's interest in the aggregate (loss)/profits earned after tax (after adjusting for non-controlling interests), by the associates amounted to (R0,08 million) (2010: R0,02 million).

Headline earnings per share

Headline EPS has been adjusted by the profit on disposal of equipment of R250 000 (2010: R234 000) and impairments of software of R4 790 000 (2010: R nil).

Headline earnings per share increased by 25% from 49.31 cents to 61.65 cents.

Group R'000	2011	2010
Reconciliation of earnings to headline earnings		
Net profit attributable to ordinary shareholders	**194 957**	159 739
Less: profit on disposal of fixed assets	**(250)**	(234)
Add: Impairment of software	**4 790**	–
Headline earnings	**199 497**	159 505
Diluted weighted ordinary shares in issue		
Weighted ordinary shares (000's)	**323 616**	323 505
Adjustment for dilution due to SAR Scheme (000's)	**2 082**	1 352
Diluted weighted ordinary shares (000's)	**325 698**	324 857
Diluted earnings per share (cents)	**59.86**	49.17
Diluted headline earnings per share (cents)	**61.25**	49.10

3. SHARE CAPITAL

444 297 shares were issued for R8 886 during the year as part of the SAR Scheme. The share capital as at 30 June 2011 is as follows:

Group R'000	2011	2010
Authorised:		
750 000 000 (2010: 750 000 000) ordinary shares of 2 cents each	**15 000**	15 000
Issued:		
323 971 243 (2010: 323 526 946) ordinary shares of 2 cents each	**6 479**	6 471

4. HOLDING COMPANY

Clientèle is ultimately controlled by R Enthoven and Sons Proprietary Limited, which is incorporated in South Africa and in aggregate holds 77.96% (2010: 81.91%) of the issued share capital (refer to note 11 on pages 122 to 123: 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, Chairman of the Group Remuneration Committee and member of the Group Audit, Group Risk and Group Investment Committees
Gavin John Soll *CA(SA)*	*Group Managing Director – Clientèle*	Executive, member of Group Risk, Group Investment and Group Actuarial Committees
Adrian Domoniq t'Hooft Enthoven *BA, PhD (Political Science)*		Non-executive, member of the Group Audit, Group Risk and Group Investment Committees
Brenda-Lee Frodsham *B.Comm*		Executive, member of the Group Actuarial and Group Risk Committees
Iain Bruce Hume *CA(SA), ACMA*	*Group Financial Director*	Executive, Chairman of the Group Investment Committee, member of Group Actuarial and Group Risk Committees

Basil William Reekie *BSc(Hons), FASSA*	*Managing Director – Clientèle Life*	Executive, Chairman of Group Actuarial Committee, member of the Group Risk and Group Investment Committees
Barry Anthony Stott *CA(SA)*		Non-executive, Chairman of Group Audit and Group Risk Committees, member of Group Remuneration Committee
Pheladi Raesibe Gwangwa *B.Proc (LLM)*		Non-executive

Gavin Quentin Routledge, 55, (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, 49, (Group Managing Director), (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 Soll joined Clientèle Life as Group Financial Director in February 1998 and in September of the same year was appointed Managing Director. Mr Soll was appointed Managing Director of Clientèle in May 2008.

Adrian Domonic 'T Hooft Enthoven, 41, (Non-executive Director) (BA Hons Politics, Philosophy, and Economics; PhD in Political Science).
Dr Adrian Enthoven is the Executive Chair of Yellowwoods Ventures International, an international investment and insurance Group. He also serves on the Boards of a number of South African companies and NGOs. In the early nineties, he worked as a facilitator in 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 Capricorn Group investment and philanthropic strategy in Africa, and manages the South African based tourism, property and wine assets.

Brenda-Lee Frodsham, 39, (Executive Director), (B.Comm (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, software development and IFA. Currently she assumes the portfolio of Chief Operating Officer for Clientèle Life.

Iain Bruce Hume, 44, (Group Financial Director), (CA(SA) CIMA).
Mr Iain Hume is a Chartered Accountant and an associate of the Chartered Institute of Management Accountants with 15 years' experience in the banking and life insurance industry. Mr Hume has been with the Group since 2000. Mr Hume is the Financial Director of the Group and the Managing Director of Clientèle General Insurance.

Basil Reekie, 38, (Executive Director), (BSc (Hons), FASSA).
Mr Basil Reekie is a qualified actuary who, prior to joining Clientèle Life, 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 Reekie was also a member of the Executive Committee of the African Insurance Organisation (AIO) and chaired the Life Committee of the AIO for seven years. Mr Reekie is the Managing Director of Clientèle Life.

Barry Anthony Stott, 62, (Non-executive Director) (CA(SA)).
Mr Barry Stott was previously a senior partner of PricewaterhouseCoopers focusing on the insurance industry. He also led the financial services practice. His experience in the financial services industry includes various long-term and short-term insurers and stockbrokers.

Pheladi Raesibe Gwangwa, 38, (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.

Other Directorships held by the Directors

Name	Current Directorships/Partnerships	Nature of Business
ADT Enthoven	Dimpho Di Kopane – S21	Arts
	Lomold Proprietatry Limited	Manufacturing
	Lomotek Polymers Proprietary Limited	Manufacturing
	Capricorn Capital Partners Proprietary Limited	Investments
	Capricorn Capital Partners Holding Company Proprietary Limited	Investments
	Yellowwoods Ventures Investments (SA) Proprietary Limited	Investments
	Spier Holdings Proprietary Limited	Leisure and Wine
	Spier Wines Holdings Proprietary Limited	Wines
	Calvus Properties Proprietary Limited	Property
	Double Flash Investments 209 Proprietary Limited	Property
	Etana Holdings Proprietary Limited	Insurance
	& 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
	Pacific Breeze Trading 466 Proprietary Limited	Property
	Pickent Holdings Proprietary Limited	Insurance
	R. Enthoven and Sons Proprietary Limited	Insurance
	Art Africa – S21	Arts
	Altrisk Proprietary Limited	Insurance
	Direct Axis Proprietary Limited	Finance and Insurance
	Reside Properties Proprietary Limited	Property
	Clientèle Limited	Financial Services
	Clientèle Life Assurance Company Limited	Life Insurance
	Lombard Insurance	Insurance
GQ Routledge	Genasys Group Holdings Proprietary Limited	IT
	Haven Sandown One Proprietary Limited	Private Equity
	Wild Oats Proprietary Limited	Property
	Clientèle Life Assurance Company Limited	Life Insurance
	Clientèle Limited	Financial Services
	Clientèle General Insurance Limited	Short-term Insurance
	Clientèle Loans Direct Proprietary Limited	Financial Services
	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 Properties East Proprietary Limited	Property Investments
	Clientèle Properties North Proprietary Limited	Property Investments
	Clientèle Properties South Proprietary Limited	Property Investments
	Clientèle General Insurance Limited	Short-term Insurance
	Clientèle Loans Proprietary Limited	Financial Services
	Clientèle Loans Direct Proprietary Limited	Financial Services
	Clientèle Direct Proprietary Limited	Financial Services
	Clientèle Mobile Proprietary Limited	Mobile services
	Independent Field Advertisers Limited	Insurance broking – Nigeria

Name	Current Directorships/Partnerships	Nature of Business
B Frodsham	Clientèle Limited Clientèle Properties North Proprietary Limited Clientèle Direct Proprietary Limited	Financial Services Property Investments Financial Services
IB Hume	Clientèle Limited Clientèle Life Assurance Company Limited Clientèle Properties South Proprietary Limited Clientèle Properties North Proprietary Limited Clientèle Properties East Proprietary Limited Clientèle General Insurance Limited Clientèle Loans Proprietary Limited Clientèle Loans Direct Proprietary Limited Clientèle Direct Proprietary Limited Clientèle Mobile Proprietary Limited	Financial Services Life Insurance Property Investments Property Investments Property Investments Short-term Insurance Financial Services Financial Services Financial Services Mobile services
BW Reekie	Clientèle Life Assurance Company Limited Clientèle Limited Clientèle Direct Proprietary Limited Clientèle General Insurance Limited Blue Hills Country Estate	Life Insurance Financial Services Financial Services Short-term Insurance Property
BA Stott	Clientèle Life Assurance Company Limited Clientèle Limited Clientèle General Insurance Limited	Life Insurance Financial Services Short-term Insurance
PR Gwangwa	Clientèle Limited Clientèle Life Assurance Company Limited	Financial Services Life Insurance

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. The rotation of Directors at regular intervals is accepted as good practice.

The secretary of the Company 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

6. DIRECTORS' SHAREHOLDINGS

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

	Ordinary shares		
	Beneficial Direct	Indirect	Associates
2011			
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

	Ordinary shares		
	Beneficial Direct	Indirect	Associates
2010			
Non-executive Directors			
GQ Routledge	300 000	1 805 510	1 891 914
BA Stott	10 000	–	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	–
	5 510 000	14 595 090	2 019 081

As a result of the restructuring Mr Routledge's investment, he has entered into an agreement with his investment company, Haven Sandown One Proprietary Limited, effective 31 August 2010. In terms of this agreement, Mr Routledge now owns a larger percentage of the investment in the investment company directly where previously it was held by a family trust.

The result of this transaction was that Mr Routledge's direct beneficial holding remained unchanged, the indirect beneficial holding increased by 1 588 849 shares to 3 394 359 shares and his associate holdings decreased by 1 588 849 shares to 303 065 shares.

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.

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. AUDITORS

In accordance with Section 94(7)a of the Companies Act, the Group Audit Committee, on behalf of the Board, appointed Mr FJ Kruger of PricewaterhouseCoopers Incorporated to act as External Auditor. This appointment will be subject to approval by a majority of shareholders at the AGM on 27 October 2011.

9. DIRECTORS EMOLUMENTS

Details of Directors' emoluments are set out in note 31 on page 136 to the Annual Financial Statements.

Details of Directors' employment contracts are set out in section 2.3 on page 13 to the Integrated Annual Report.

10. SPECIAL RESOLUTIONS

No special resolutions were passed during the year.

11. 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.

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)	2011	2010
Assets		
Statement of financial position assets	**2 383 386**	1 971 360
Reinsurance assets	**(4 178)**	(6 579)
Total assets net of reinsurance assets	**2 379 209**	**1 964 781**
Less: Liabilities		
Actuarial value of liabilities	**768 102**	681 755
Reduction in policy liabilities due to reinsurance	**(4 178)**	(6 579)
Other policyholder liabilities	**1 049 989**	811 980
Current liabilities	**160 512**	128 072
Deferred Profit	**32 378**	23 953
Total liabilities	**2 006 803**	**1 639 181**
Excess of assets over liabilities	**372 406**	**325 600**

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

(R'000)	2011	2010
Assets		
Total assets net of reinsurance assets	**2 379 209**	1 964 781
Disallowed assets	**(28 103)**	(19 643)
	2 351 106	**1 945 138**
Liabilities		
Actuarial liabilities	**1 821 668**	1 493 919
Current liabilities	**160 512**	128 072
Tax Impact of Deferred Profit and Compulsory Margins*	**6 894**	4 813
Total liabilities	**1 989 074**	**1 626 804**
Excess of assets over liabilities	**362 032**	**318 334**
CAR	**123 047**	105 013
CAR ratio (%)	**294**	303

* *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)	2011	2010
Excess assets at the end of reporting period	**372 406**	325 600
Excess assets at the beginning of reporting period	**325 600**	277 486
Change in excess assets over the reporting period	**46 806**	**48 113**
The change in excess assets is due to the following factors:		
Investment income and growth on excess assets	**37 840**	30 437
Operating profit	**239 943**	264 291
Changes in Valuation method or assumptions	**6 373**	(9 322)
Revaluation of properties	**6 724**	–
Tax	**(77 276)**	(79 600)
Total earnings	**213 606**	**205 806**
Dividends and STC paid	**(166 800)**	(157 692)
Total Change in Excess Assets	**46 806**	**48 113**

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:

Reconciliation to reported earnings	R'000	R'000
Net profit attributable to ordinary shareholders	**204 045**	196 866
Dividend paid (excluding STC)	**(152 058)**	(145 870)
SAR Scheme	**(5 181)**	(2 883)
Total Change in Excess Assets (Published Reporting Basis)	**46 806**	**48 113**

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:

	30 June 2011 R'000	30 June 2010 R'000
Excess assets on Published Reporting Basis	**372 406**	325 600
Disallowed assets	**(28 103)**	(19 643)
Deferred Profit	**32 378**	23 953
Compulsory Margins on Investment Business	**(6 895)**	(6 763)
Tax Impact of Deferred Profit and Compulsory Margins	**(7 754)**	(4 813)
Excess Assets on Statutory Basis	**362 032**	**318 334**

5. CHANGES IN PUBLISHED REPORTING VALUATION METHOD AND ASSUMPTIONS

The methodology and Actuarial Valuation assumptions used remained broadly the same as that applied as at 30 June 2010, except for the following changes (before allowing for compulsory margins):

- The long-term investment return assumption was decreased 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 decreased in line with the decrease in the investment return assumption. The gap between the investment return assumption and the expense inflation rate remained unchanged at 2%;

The table below shows the long-term economic assumptions for business written in South Africa for the year ended 30 June 2011 and 30 June 2010.

(%)	**2011**	2010
Overall investment return	**7.80**	8.10
Expense inflation	**5.80**	6.10
Corporate tax	**28.00**	28.00

Other Assumptions:

- At the previous year-end a margin was set up equal to 10% of the liability needed to ensure that each policy liability would be equal to a minimum of the Surrender Value. This factor was reduced to 0% for the current Valuation. This margin amounted to R11,67 million as at the previous financial year;
- The expense assumption was increased by slightly more than inflation, based on expense investigations;
- Withdrawal rates were changed slightly 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 PGN103 (version 4) and PGN104 (version 7). 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 2011.

In reserving for the annually renewable term assurance business (without cashback 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 PGN104 (version 7) 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 7.8% p.a. (2010: 8.1% p.a.) 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 5.8% p.a (2010: 6.1% p.a);
- For assurances, mortality rates are based on recent experience investigations; and
- Withdrawal rates are based on recent experience investigations.

The following additional discretionary margin was established:

- Where reserving cashflow projections resulted in negative reserves, these were eliminated per policy. As such, no policy was treated as an asset.

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 has been held as a liability, which defers the profit over the term of the policy. As at 30 June 2011, the Deferred Profit is R32,378 million (2010: R23,953 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 (PGN104 (version 7)) 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 2011, is TCAR which is equal to R123 million (2010: R105 million). The ratio of the statutory excess of assets over liabilities to the CAR was 294% (2010: 303%).

11. PGN110 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. PGN 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 PGN110 are given in the following table to derive the liability:

(R'000)	2011	2010
Stochastic Liability	**4 013**	3 372
CAR Stochastic Resilience Liability	**2 950**	3 841

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	7.32	23.31
1 year	0.8*Spot	1.34	23.31
1 year	Forward	9.06	23.31
5 years	Spot	9.57	26.25
5 years	(1.04^5)*Spot	17.07	26.25
5 years	Forward	20.53	26.25
20 Years	Spot	3.01	28.00
20 years	(1.04^20)*Spot	13.29	28.00
20 years	Forward	29.34	28.00

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 6.2% 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 0.08%.

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

Zero Coupon Curve

Year	Rate %
1	6.04
2	6.66
3	7.17
4	7.58
5	7.92
10	8.62
15	8.80
20	9.05
25	9.30
30	9.50

The date of calibration as well as the date of calculation was 30 June 2011.

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 2011, the results of which are summarised above, has been conducted in accordance with, and this Statutory Actuary's Report has been produced in accordance with, applicable Actuarial Society of South Africa Professional Guidance Notes.
- In terms of the Statutory Valuation Method, 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 1998.
- 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.

RD Williams
Statutory Actuary
Fellow of the Actuarial Society of South Africa

16 September 2011

Risk Management

for the year ended 30 June 2011

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 and the Group Risk Committee, being sub-committees 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 Independent External Auditors, the Independent 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 contained and monitored through the Group Audit Committee and the Group Risk Committee;
- Enhance the quality, effectiveness, relevance and communication value of the published 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 and monitoring 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.

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 judgement 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.

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 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 at least a 95% confidence level 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 2011, the CAR of Clientèle Life for insurance and investment contract business amounted to R123,0 million (2010: R105,0 million) and was covered 2.94 times (2010: 3.03 times) by the excess of assets over liabilities.

The CAR coverage is monitored on a monthly basis to ensure compliance with the regulatory CAR.

1.1.2 Short-term insurance business

The short-term insurance business is managed in accordance with the FSB Board Notice 27 of 2010: "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 cashback liabilities) in respect of cashback policies.

IBNR

Clientèle General Insurance is required to hold an IBNR reserve in accordance with the FSB Regulations. Clientèle General Insurance has applied and has been granted approval to apply a lower percentage, than perscribed, of 1% of nett written premiums over a 12 month period in determining the IBNR claims provision.

Contingency reserve

The Group's short-term insurance operations in Clientèle General Insurance are subject to regulatory requirements that prescribe the level of assets to be maintained in local currency to meet insurance liabilities. Clientèle General Insurance provides for a contingency reserve at 10% of premiums received, which amounted to R11,0 million as at 30 June 2011 (2010: R7,6 million).

Solvency ratio

Clientèle General Insurance is required to maintain a solvency ratio of the greater of 15% (which is determined by assets in excess of liabilities as a percentage of net written premiums) or a minimum capital amount of R5 million as is required by the Registrar of Short-term Insurance.

As at 30 June 2011, the net surplus assets amounted to R21,4 million (2010: R12,3 million).

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

1.2 Operational risk and risk arising from financial instruments and properties

The Group considers market risk (i.e. equity risk, interest rate risk and currency 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, the brokerage in Nigeria and the loans business.

Risk Types

	Long-term insurance	Long-term Investment contracts	Short-term insurance	Brokerage – Nigeria	Loans business
Equity risk	1.2.1.1	n/a	1.2.3.1	n/a	n/a
Interest rate risk	1.2.1.2	1.2.2.1	1.2.3.2	1.2.4.1	1.2.5.1
Currency risk	n/a	n/a	n/a	1.2.4.2	n/a
Property risk	1.2.1.3	n/a	n/a	n/a	n/a
Operational risk	1.2.1.4	1.2.2.2	1.2.3.3	1.2.4.3	1.2.5.2

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 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; and
- 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.

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.

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; and
- Fair values of fixed maturity investments included in the Group's investment portfolios are subject to changes in prevailing market interest rates.

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.

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 two property subsidiaries of Clientèle Life, which own Clientèle Office Park as reflected in the Statement of Financial Position as well as to listed Property Trust exposure in the Melville Douglas and Cannon portfolios. The majority of 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;
- Occupancy levels in the office park;
- The condition of the buildings and surrounds in the office park;
- Interest rates in South Africa;
- Occupancy levels of commercial/retail property in South Africa; and
- State of the South African Property market.

Management of this risk

- Management has chosen to make the office park the home of the Group, and continues to occupy a greater proportion of the office park over time.;
- 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 Trust 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.

The Group has a dedicated Internal Audit function, a dedicated Group Compliance function and is also subject to its annual audit by PricewaterhouseCoopers Incorporated.

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;
- 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 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.

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
- Fair values of fixed maturity investments will be affected by changes in prevailing market interest rates.

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.

1.2.3.3 *Operational risk*

Refer to 1.2.1.4

1.2.4 Brokerage – Nigeria

1.2.4.1 *Interest rate risk*

The funds on deposit in Nigeria are subject to interest rate risk should interest rates change.

Factors affecting this risk

Changes in interest rates.

Management of this risk

The management of IFA Nigeria monitors funds on deposits and the interest rates received and reports to the Group Investment Committee in this regard.

1.2.4.2 *Currency risk*

The Group has an investment in a foreign subsidiary in Nigeria, IFA Nigeria, whose net assets are exposed to currency translation risk.

The year end rate used to translate the Nigerian operations to South African Rand was 1 ZAR: 22.64 Nigerian Naira (2010: 1 ZAR: 20.02 Nigerian Naira). IFA Nigeria is exposed to balances held in Nigerian Naira, US Dollars and SA Rands.

As at 30 June 2011, IFA Nigeria had the following obligations denominated in foreign currency:

- A non-controlling shareholders loan amounting to USD 3,5 million (2010: USD 2,0 million). The year end exchange rate used was 1 US Dollar: 154.05 Nigerian Naira (2010: 1 US Dollar: 152.78 Nigerian Naira).

The average exchange rate used to convert US Dollar transactions during the year was 1 US Dollar: 152.91 Nigerian Naira (2010: 1 US Dollar: 152.60 Nigerian Naira).

1.2.4.3 Operational risk

IFA Nigeria, as for the Group, experiences operational risks in all facets of its business.

Factors affecting this risk

- Inadequate and inappropriate collection solutions provided by third parties/banks;
- Lack of insurance culture/education within the target market; and

Management of this risk

IFA Nigeria, from the outset, implemented a risk based approach to management within the Company.

A risk and compliance manager was appointed and IFA Nigeria has its own Risk and Compliance Committee, chaired by the Group Compliance Officer. The Risk and Compliance Committee of IFA Nigeria reports to the IFA Nigeria Board, and also provides feedback to the Group Risk Committee. Various additional Committees and project teams have also been set up internally within the operation to manage the risks identified and to formulate and implement solutions to mitigate/manage these risks.

After year end, 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 (refer to note 40 – Events after the Reporting Date).

1.2.5 Loans business

1.2.5.1 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 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.

1.2.5.2 Operational risk

The management of Clientèle Loans Direct is performed by Direct Axis in terms of the shareholders agreement with Clientèle.

On 18 December 2007, an agreement was signed with Direct Axis to establish a direct marketing unsecured personal loans business, Clientèle Loans Direct, for the benefit of the Clientèle Group customers. 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 Clientèle Loans Direct.

Management of this risk

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

1.3 Credit Risk

Credit risk is the risk that a counter party 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 and cash and cash equivalents.

The carrying amounts of financial assets (excluding equities) and reinsurance assets included in the Statement of Financial Position represent the Group's exposure to credit risk in relation to these assets. At 30 June 2011, 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 1.3.4.

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;
- 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 an International rating agency;
- The Group places business with at least A1+ rated reinsurers; and
- 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 1.3.4)

Credit risk	Long-term insurance and investment contract business	Short-term insurance	Brokerage – Nigeria	Loans business
Credit and Concentration risk	**1.3.1**	**1.3.2**	**1.3.3**	**1.3.4**

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
2011					
Reinsurance assets	**4 178**				**4 178**
Financial assets at fair value through profit or loss (refer note 8)	**856 697**	**364 796**	**95 096**		**1 316 589**
Promissory notes and deposits (quoted)	**529 361**	**364 796**	**95 096***		**989 253**
Funds on deposit	**196 028**				**196 028**
Fixed interest securities (quoted)	**100 983**				**100 983**
Government and public authority bonds (quoted)	**30 325**				**30 325**
Loans and receivables including insurance receivables				**97 226**	**97 226**
Cash and cash equivalents	**131 118**				**131 118**
Total assets bearing credit risk	**991 993**	**364 796**	**95 096**	**97 226**	**1 549 111**

* Assets backing linked endowment investment contracts.

(R'000)	A1+	A1	A1-	Not rated	Total carrying value
2010					
Reinsurance assets	6 579				6 579
Financial assets at fair value through profit or loss (refer note 8)	990 037		142 068		1 132 105
Promissory notes and deposits (quoted)	607 513		142 068*		749 581
Funds on deposit	310 043				310 043
Fixed interest securities (quoted)	69 784				69 784
Government and public authority bonds (quoted)	2 697				2 697
Loans and receivables including insurance receivables				75 318	75 318
Cash and cash equivalents	65 587				65 587
Total assets bearing credit risk	1 062 203		142 068	75 318	1 279 589

** Assets backing linked endowment investment contracts.*

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+	Not rated	Total carrying value
2011			
Financial assets at fair value through profit or loss	**34 371**		**34 371**
Funds on deposit	**25 698**		**25 698**
Fixed interest securities (quoted)	**6 790**		**6 790**
Government and public authority bonds (quoted)	**1 883**		**1 883**
Receivables including insurance receivables		**1 700**	**1 700**
Cash and cash equivalents	**6 863**		**6 863**
Total assets bearing credit risk	**41 234**	**1 700**	**42 934**
2010			
Financial assets at fair value through profit or loss	26 048		26 048
Funds on deposit	23 372		23 372
Fixed interest securities (quoted)	2 676		2 676
Receivables including insurance receivables		501	501
Cash and cash equivalents	5 847		5 847
Total assets bearing credit risk	31 895	501	32 396

1.3.3 Brokerage – Nigeria

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

(R'000)	A1+	Not rated	Total carrying value
2011			
Receivables including insurance receivables		**4 669**	**4 669**
Cash and cash equivalents	**4 810**		**4 810**
Total assets bearing credit risk	**4 810**	**4 669**	**9 479**
2010			
Receivables including insurance receivables		6 865	6 865
Cash and cash equivalents	4 267		4 267
Total assets bearing credit risk	**4 267**	**6 865**	**11 132**

The ratings are based on the external credit ratings obtained from external rating agencies.

Debt rating scale

High grade

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.

A1 Very high certainty of timely payment. Liquidity factors are excellent and supported by good fundamental protection factors. Risk factors are minor.

A1– High certainty of timely payment. Liquidity factors are strong and supported by good fundamental protection factors. Risk factors are very small.

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.

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

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)	**Number of loans**	**Carrying value R'000**
2011		
< R5 000	**2 908**	**4 420**
R5 000 – R10 000	**7 721**	**31 339**
R10 000 – R15 000	**3 171**	**24 450**
R15 000 – R20 000	**955**	**14 990**
R20 000 – R30 000	**1 127**	**25 514**
R30 000 – R40 000	**484**	**15 965**
R40 000 – R50 000	**104**	**4 469**
R50 000 – R120 000	**12**	**881**
Total	**16 482**	**122 028**
2010		
< R5 000	974	2 668
R5 000 – R10 000	3 052	18 860
R10 000 – R15 000	1 326	15 465
R15 000 – R20 000	114	2 104
R20 000 – R30 000	120	3 050
R30 000 – R40 000	24	907
R40 000 – R45 000	4	193
Total	5 614	43 247

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 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.

	2011 R'000	2010 R'000
The maximum exposure to credit risk is as follows:		
Unsecured interest bearing loans receivable	**122 028**	43 247
Accounts and other receivables	**2 462**	
Cash and cash equivalents (A1+ credit rating)	**1 621**	1 835
Total	**126 111**	45 082

The following table details the advances of the Loans business:

	2011 R'000	2010 R'000
Neither impaired nor past due		
– Unsecured interest bearing loans receivable	**116 066**	41 310
Past due but not impaired	**3 958**	1 187
Impaired advances	**2 004**	750
Total advances	**122 028**	43 247
Less: Impairments	**(9 010)**	(3 255)
Carrying amount at end of year	**113 018**	39 992

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.

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 individually impaired advances with a balance of R2,0 million (2010: R0,7 million) which have been handed over for collection and R7,3 million (2010: R2,6 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 and 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;

- Investment business: The contractual maturities of single premium guaranteed endowment investment product business are matched by purchasing appropriate 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; and
- Loans business: The Group is exposed to liquidity risk in the event that repayments from customers 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.

	Long-term insurance and investment contract business	Short-term insurance	Brokerage – Nigeria	Loans business
Liquidity risk	**1.4.1**	**1.4.2**	**1.4.3**	**1.4.4**

- 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
  - Between 70% and 90% of deaths due to natural causes are reinsured;
  - 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; and
  - 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.

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.

Clientèle LIMITED

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
2011								
Reinsurance assets	3 891				(26)	313		4 178
Financial assets at fair value through profit or loss:								
Debt securities (Refer Note 8)	255 767	1 309 697	20 945	–	(269 820)	–	–	1 316 589
Promissory notes and deposits (quoted)								
– Assets backing guaranteed endowment investment contracts	54 568	758 459			(146 607)			666 420
– Assets backing linked endowment investment contracts		446 046			(123 213)			322 833
Funds on deposit	196 028							196 028
Fixed interest securities (quoted)	3 855	76 183	20 945					100 983
Government and public authority bonds (quoted)	1 316	29 009						30 325
Equity securities (Refer Note 8)	–	–		565 876	–	–	–	565 876
Listed on the JSE – at market value				562 192				562 192
Unlisted equities				3 684				3 684
Receivables including insurance receivables	97 226							97 226
Cash and cash equivalents	131 118							131 118
Total assets	488 002	1 309 697	20 945	565 876	(269 846)	313	–	2 114 987
Policyholder liabilities under insurance contracts**	(393 219)	(669 632)	112 464		67 266	1 646 492	4 731	768 102
Financial liabilities at fair value through profit and loss**	55 691	1 195 826			(235 727)			1 015 790
Financial liabilities at amortised cost		50 655			(16 457)			34 198
Accruals and payables including insurance payables	69 447	23 017						92 464
Total liabilities	(268 081)	599 866	112 464	–	(184 918)	1 646 492	4 731	1 910 554
Excess/(shortfall) of assets over liabilities	756 083	709 831	(91 519)	565 876	(84 928)	(1 646 179)	(4 731)	204 433

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

The following table summarises the overall maturity profile of financial 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
2010								
Reinsurance assets	(2 405)	(197)			135	9 046		6 579
Financial assets at fair value through profit or loss:								
Debt securities (Refer Note 8)	393 129	981 359	12 031	–	(254 414)	–	–	1 132 105
Promissory notes and deposits (quoted)								
– Assets backing guaranteed endowment investment contracts	67 869	551 008			(159 843)			459 034
– Assets backing linked endowment investment contracts		385 118			(94 571)			290 547
Funds on deposit	310 043							310 043
Fixed interest securities (quoted)	13 903	43 850	12 031					69 784
Government and public authority bonds (quoted)	1 314	1 383						2 697
Equity securities (Refer Note 8)	–		–	433 976	–	–	–	433 976
Listed on the JSE – at market value				424 562				424 562
Unlisted equities				9 414				9 414
Receivables including insurance receivables	75 318							75 318
Cash and cash equivalents	65 587							65 587
Total assets	531 629	981 162	12 031	433 976	(254 279)	9 046	–	1 713 565
Policyholder liabilities under insurance contracts**	(422 726)	(552 392)	505 117		(86 562)	1 232 837	5 481	681 755
Financial liabilities at fair value through profit and loss**	65 022	940 953			(224 462)			781 513
Financial liabilities at amortised cost		50 655			(20 189)			30 466
Accruals and payables including insurance payables	59 860	17 442						77 302
Total liabilities	(297 844)	456 658	505 117	–	(331 213)	1 232 837	5 481	1 571 036
Excess/(shortfall) of assets over liabilities	829 473	524 504	(493 086)	433 976	76 934	(1 223 791)	(5 481)	142 529

* *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:

(R'000)	**30 June 2011** Carrying value	**30 June 2011** Surrender value	30 June 2010 Carrying value	30 June 2010 Surrender value
Insurance business	**768 102**	**693 646**	681 755	605 404
Investment business	**1 049 988**	**632 241**	811 979	787 620
Total	**1 818 090**	**1 325 887**	1 493 734	1 393 024

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	Open ended	Dis-counting effect	Margins*	Undis-counted policy-holder liabilities under-insurance contracts	Total
2011							
Financial assets at fair value through profit or loss	**25 698**	**8 673**	**23 375**	**–**	**–**	**–**	**57 746**
Debt securities (Refer Note 8)							
Funds on deposit	**25 698**						**25 698**
Fixed interest securities (quoted)		**8 673**					**8 673**
Equity securities (Refer Note 8)							
Listed on the JSE – at market value			**23 375**				**23 375**
Receivables including insurance receivables	**1 700**						**1 700**
Cash and cash equivalents	**6 863**						**6 863**
Total assets	**34 261**	**8 673**	**23 375**	**–**	**–**	**–**	**66 309**
Policyholder liabilities under insurance contracts*	**2 887**	**6 127**		**(1 871)**	**633**	**1 101**	**8 877**
Accruals and payables	**10 579**						**10 579**
Total liabilities	**13 466**	**6 127**	**–**	**(1 871)**	**633**	**1 101**	**19 456**
Excess/(shortfall) of assets over liabilities	**20 795**	**2 546**	**23 375**	**1 871**	**(633)**	**(1 101)**	**46 853**
2010							
Financial assets at fair value through profit or loss	23 372	2 676	15 584	–	–	–	41 632
Debt securities (Refer Note 8)							
Funds on deposit	23 372						23 372
Fixed interest securities (quoted)		2 676					2 676
Equity securities (Refer Note 8)							
Listed on the JSE – at market value			15 584				15 584
Receivables including insurance receivables	501						501
Cash and cash equivalents	5 847						5 847
Total assets	29 720	2 676	15 584	–	–	–	47 980
Policyholder liabilities under insurance contracts*	1 428	5 305		(900)	809	5 328	11 970
Accruals and payables	7 396						7 396
Total liabilities	8 824	5 305	–	(900)	809	5 328	19 366
Excess/(shortfall) of assets over liabilities	20 896	(2 629)	15 584	900	(809)	(5 328)	28 614

** Brackets in respect of liabilities denotes positive cash flows*

1.4.3 Brokerage – Nigeria

The following table summarises the overall maturity profile of financial assets and liabilities of the Group's brokerage business:

	Contractual undiscounted cash flows for financial instruments		
(R'000)	**< 1 year**	**1 – 5 years**	**Total**
2011			
Receivables	**4 669**		**4 669**
Cash and cash equivalents	**4 810**		**4 810**
Assets	**9 479**	**–**	**9 479**
Loans at amortised cost	**23 386**		**23 386**
Finance lease	**319**		**319**
Accruals and payables	**4 128**		**4 128**
Liabilities	**27 833**	**–**	**27 833**
Excess of assets over liabilities	**(18 354)**	**–**	**(18 354)**
2010			
Receivables	5 731	1 134	6 865
Cash and cash equivalents	4 267		4 267
Assets	**9 998**	**1 134**	**11 132**
Loans at amortised cost		14 790	14 790
Finance lease	447	331	778
Accruals and payables	7 298		7 298
Liabilities	**7 745**	**15 121**	**22 866**
Excess of assets over liabilities	**2 253**	**(13 987)**	**(11 734)**

After year end, 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 (refer to note 40 – Events after the Reporting Date).

1.4.4 Loans business

The following table summarises the overall maturity profile of financial assets and liabilities of the Group's loans business:

(R'000)	Contractual undiscounted cash flows for financial instruments < 1 year	Contractual undiscounted cash flows for financial instruments 1 – 5 years	Impairment	Total
2011				
Loans and receivables	**47 049**	**77 442**	**(9 010)**	**115 481**
Cash and cash equivalents	**1 621**			**1 621**
Assets	**48 670**	**77 442**	**(9 010)**	**117 102**
Loans and amortised cost*	**5 760**	**124 293**		**130 053**
Accruals and payables	**852**			**852**
Liabilities	**6 612**	**124 293**	**–**	**130 905**
Excess/(shortfall) of assets over liabilities	**42 058**	**(46 851)**	**(9 010)**	**(13 803)**
2010				
Advances	21 719	21 528	(3 255)	39 992
Cash and cash equivalents	1 836			1 836
Assets	**23 555**	**21 528**	**(3 255)**	**41 828**
Loans at amortised cost*	39 683	14 898		54 581
Accruals and payables	2 144			2 144
Liabilities	**41 827**	**14 898**	**–**	**56 725**
Excess/(shortfall) of assets over liabilities	**(18 272)**	**6 630**	**(3 255)**	**(14 897)**

* *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 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
2011			
Financial assets at fair value through profit and loss			
Equity instruments – listed	585 566		585 566
Equity instruments – unlisted		3 684	3 684
Promissory notes and deposits (unquoted)		989 253	989 253
Funds on deposit		221 726	221 726
Fixed interest securities (quoted)		107 773	107 773
Government and public authority bonds (quoted)	32 208		32 208
Assets subject to fair value hierarchy analysis	**617 774**	**1 322 436**	**1 940 210**
2010			
Financial assets at fair value through profit and loss			
Equity instruments – listed	440 146		440 146
Equity instruments – unlisted		9 414	9 414
Promissory notes and deposits (unquoted)		749 581	749 581
Funds on deposit		333 415	333 415
Fixed interest securities (quoted)		72 460	72 460
Government and public authority bonds (quoted)	2 697		2 697
Assets subject to fair value hierarchy analysis	**442 843**	**1 164 870**	**1 607 713**

1.5.3 Liability Hierarchy

	Level 1 R'000	Level 2 R'000	Total R'000
2011			
Financial liabilities at fair value through profit and loss		1 015 790	1 015 790
Liabilities subject to fair value hierarchy analysis	**–**	**1 015 790**	**1 015 790**
2010			
Financial liabilities at fair value through profit and loss		781 513	781 513
Liabilities subject to fair value hierarchy analysis	**–**	**781 513**	**781 513**

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 amount 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	
Contract persistency risk	1.6.1.2	
Expense risk	1.6.1.3	
Assumption risk	1.6.1.4	
Data risk	1.6.1.5	
Frequency and severity of claims risk		1.6.2.1

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; and
- Economic conditions can potentially affect morbidity claims where benefits are determined in terms of the ability to perform an occupation.

Management of this risk

- To reduce cross-subsidisation of risks and the possibility of anti-selection, premium rates differentiate on the basis of age. Semi-annual experience investigations have shown that these are reliable indicators of the risk exposure;
- To mitigate anti-selection, 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 70% and 90% of the claim;
- Claims as a result of accidental death are not reinsured and claims experience is monitored monthly; and
- The Group Actuarial Committee meets at least six 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	Number of benefits insured	Gross amount R'm	Net amount R'm
2011			
0 – 20 000	**1 653 279**	**12 232**	**2 811**
20 000 – 50 000	**666 575**	**25 052**	**12 508**
50 000 – 100 000	**252 955**	**15 781**	**11 016**
100 000 – 200 000	**222 955**	**31 065**	**19 326**
200 000 – 500 000	**28 868**	**7 284**	**2 489**
500 000+	**14 845**	**6 772**	**2 360**
Total	**2 839 477**	**98 186**	**50 510**

Sum insured per benefit	Number of benefits insured	Gross amount R'm	Net amount R'm
2010			
0 – 20 000	1 918 014	12 114	4 372
20 000 – 50 000	605 435	21 079	16 922
50 000 – 100 000	298 608	16 664	14 998
100 000 – 200 000	199 713	25 371	24 616
200 000 – 500 000	12 267	3 427	3 203
500 000+	3 484	2 273	2 192
Total	**3 037 521**	**80 928**	**66 303**

The above table demonstrates 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 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 70% and 90% of the benefits.

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 introduction of non-authenticated early debit order system (NAEDO)); and
- 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.

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; and
- 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.

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.

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 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 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.

1.6.2 Short-term insurance

Short-term insurance is in respect of personal lines legal insurance and is currently limited to a maximum of R220 000 (2010: R220 000) of legal claims per policy per annum and R2,2 million (2010: R2,2 million), per policy for life.

1.6.2.1 *Frequency and severity of claims*

Factors affecting this risk
- The rand value of claims in respect of short-term insurance in respect of personal lines legal matters with individuals is higher than expected;
- The frequency of claims per policyholder is expected to be high and the claim values are expected to be low, if claims values are high the risk will increase;
- The product is a relatively new product and as a result does not have a significant past history of experience; actual claims experience and frequency may differ from expected results; and
- Litigation costs in the future may increase faster than expected.

Management of this risk
- These contracts are issued individually and exclude pre-existing litigation matters and certain specifically excluded matters;
- Claim 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; and
- 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.

2. SENSITIVITY ANALYSIS

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

In order to interpret the table on the next page 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.

Sensitivity ranges

The sensitivity ranges, i.e. the upper and lower limits, are management's best judgement of the range of probable changes within a twelve month period from the reporting date of 30 June 2011.

Sensitivities provided are as follows:

Financial risk variables

Equity price:	Possible price movements in equities held based on changes in the JSE ALSI (All Share Index).
Interest rate:	Based on a parallel shift in the prevailing interest rate yield curves.
Property market value:	Possible price movements in the property investments held.
Local currency against other currencies:	The Group is exposed to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

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 2011			30 June 2010	
Sensitivity analysis	**% change**	**Impact on policy-holders' liabilities R'000**	**Impact on profit after tax R'000**	Impact on policy-holders' liabilities R'000	Impact on profit after tax R'000
Financial risk variables					
Equity price	+10	42 148	11 145	31 251	1 614
Equity price	-10	(41 847)	(11 362)	(32 986)	(365)
Interest rate	+1	1 616	(1 164)	1 616	(1 164)
Interest rate	-1	(1 655)	1 191	(1 744)	1 256
Property equity value	+10	5 424	930		10 033
Property equity value	-10	(5 419)	(919)		(10 033)
Long-term insurance risk variables					
Assurance mortality and morbidity	+10	3 112	(2 240)	2 402	(1 729)
Assurance mortality and morbidity	-10	(2 770)	1 995	(2 069)	1 489
Renewal expenses	+10	6 002	(4 321)	5 782	(4 183)
Renewal expenses	-10	(5 874)	4 229	(5 726)	4 123
Withdrawals	+10	(842)	607	(3 273)	2 356
Withdrawals	-10	1 009	(726)	3 628	(2 612)
Inflation	+1	1 907	(1 373)	1 863	(1 341)
Inflation	-1	(1 806)	1 300	(1 836)	1 322

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.

	30 June 2011			30 June 2010	
Sensitivity analysis	**% change**	**Impact on policy-holders' liabilities R'000**	**Impact on profit after tax R'000**	Impact on policy-holders' liabilities R'000	Impact on profit after tax R'000
Financial risk variables					
Equity price	+10		1 683		1 122
Equity price	-10		(1 683)		(1 122)
Interest rate	+1	91	(66)	22	(16)
Interest rate	-1	(81)	58	(18)	13
Short-term insurance risk variables					
Withdrawals	+10	(193)	189	(218)	157
Withdrawals	-10	210	(151)	228	(164)

2.3 Brokerage – Nigeria

Brokerage risk variables

Currency risk: The Group is exposed to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

	30 June 2011			30 June 2010	
Sensitivity analysis	**% change**	**Impact on policy-holders' liabilities R'000**	**Impact on profit after tax R'000**	Impact on policy-holders' liabilities R'000	Impact on profit after tax R'000
Financial risk variables					
Interest rate	**+1**	**–**	**110**	–	168
Interest rate	**-1**	**–**	**(110)**	–	(168)
Local currency against other currencies	**+10**	**–**	**(925)**	–	(3 850)
Local currency against other currencies	**-10**	**–**	**925**	–	3 850
Currency (Rand/Dollar)	**+10**	**–**	**407**	–	330
Currency (Rand/Dollar)	**-10**	**–**	**(407)**	–	(330)

2.4 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 2011			30 June 2010	
Sensitivity analysis	**% change**	**Impact on policy-holders' liabilities R'000**	**Impact on profit after tax R'000**	Impact on policy-holders' liabilities R'000	Impact on profit after tax R'000
Financial risk variables					
Interest rate	**+1**	**–**	**496**	–	313
Interest rate	**-1**	**–**	**(496)**	–	(313)

Accounting Policies
for the year ended 30 June 2011

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 AC500 Standards 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 financial soundness valuation basis, as set out in Professional Guidance Note ("PGN") 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 judgement in the process of applying the Group's accounting policies. There are areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements. These judgements, 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 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 2011

Amendments to IAS 32 – Classification of rights issues

The amendment clarifies the accounting treatment when rights issues are denominated in a currency other than the functional currency of the issuer. The amendment states that if such rights are issued pro rata to an entity's existing shareholders for a fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is denominated.

This amendment does not have an impact on the Group.

Amendments to IFRS 2: Group cash-settled share-based payment transactions

The amendment clarifies the accounting for Group cash-settled share-based payment transactions. The entity receiving the goods or services shall measure the share-based payment transaction as equity-settled only when the awards granted are its own equity instruments, or the entity has no obligation to settle the share-based payment transaction. The entity settling a share-based payment transaction when another entity in the Group receives the goods or services recognises the transaction as equity-settled only if it is settled in its own equity instruments. In all other cases, the transaction is accounted for as cash-settled.

This amendment has no material impact on the Group's results.

IFRS 2 Share-based Payment

The amendment broadens the scope exclusions of IFRS 2 to common control transactions as defined in the revised IFRS 3 and joint ventures as defined in IAS 31.

The effect of this pronouncement has no material impact on the Group's results.

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

A paragraph has been added to IFRS 5 clarifying that disclosures in other standards do not apply to assets (or disposal groups) classified as held for sale or discontinued operations unless other standards require specific disclosures or require disclosures about the measurement of assets and liabilities within a disposal group that are not within the scope of the measurement requirements of IFRS 5.

The effect of this pronouncement has no material impact on the Group's results.

IFRS 8 Operating Segments

Paragraph 23 of IFRS 8 has been amended to make it clear that an entity should report a measure of total assets and total liabilities for each reportable segment, if the amounts are regularly provided to the chief operating decision-maker.

The effect of this pronouncement has no material impact on the Group's results.

IAS 1 Presentation of Financial Statements

Paragraph 69 of IAS 1 has been amended to clarify that where an entity may be required, at the option of the counterparty, to settle a liability through the issue of equity instruments, such terms do not affect an entity's classification of the liability as current or non-current. The amendment limits the requirement for an entity to have an unconditional right to defer settlement, to the settlement by the transfer of cash or other assets only.

The effect of this pronouncement has no material impact on the Group's results.

IAS 7 Statement of Cash Flows

The amendment clarifies that only expenditures that result in the recognition of an asset in the Statement of Financial Position can be classified as cash flows from investing activities.

The effect of this pronouncement has no material impact on the Group's results.

IAS 17 Leases

The amendment clarifies that leases of land and buildings need to be considered separately for all transactions. In establishing whether the land component is an operating or finance lease the entity should take into account that the land has an indefinite economic life.

The effect of this pronouncement has no material impact on the Group's results.

IAS 18 Revenue

Guidance has been provided to assess whether, in an agency relationship, an entity is acting as an agent or principal. Effective immediately.

The effect of this pronouncement has no material impact on the Group's results.

Amendment to IFRS 1 – Limited exemption from comparative IFRS 7 disclosures for first-time adopters

The amendment to IFRS 1 provides first-time adopters with the same transition provisions as included in the amendment to IFRS 7.

This amendment does not have a material impact on the Group's results.

IAS 36 Impairment of Assets

IAS 36 has been amended to clarify that each unit or group of units to which goodwill is to be allocated for the purposes of impairment testing, shall not be larger than an operating segment per IFRS 8 before any aggregation permitted by paragraph 12 of IFRS 8.

The effect of this pronouncement has no material impact on the Group's results.

IAS 38 Intangible Assets

IAS 38 has been amended to clarify that when an intangible asset acquired in a business combination is linked to a contract or identifiable asset, the intangible asset may be recognised separately from goodwill, but together with the related item. In addition, the acquirer may recognise a group of complimentary intangible assets as a single asset provided the individual assets in the group have similar useful lives.

Paragraphs 40 and 41 of IAS 38 have been amended to clarify the description of valuation techniques commonly used to measure intangible assets at fair value when assets are not traded in an active market.

The effect of this pronouncement has no material impact on the Group's results.

IAS 39 Financial Instruments: Recognition and Measurement

The amendment makes an exception to the examples in paragraph AG30(g) of embedded derivatives that are not closely related to the underlying. This exception is in respect of prepayment options, the exercise prices of which compensate the lender for the loss of interest income because the loan was prepaid. Such a prepayment penalty will result in the embedded derivative being closely related to the host contract.

The scope exemption of IAS 39, which states that contracts between an acquirer and a vendor in a business combination to buy and sell an acquiree at a future date, has been amended to clarify that the exemption applies only to binding forward contracts between the acquirer and the vendor, the term of which should not exceed a reasonable period normally necessary to complete the transaction.

IAS 39 has been amended to clarify that gains or losses on a hedging instrument should be reclassified from equity to profit and loss as a reclassification adjustment in the period that the hedged forecast cash flows affect profit and loss, rather than the current requirement to reclassify such gains and losses in the same period or periods as the asset acquired, liability assumed or the hedged forecast transaction affects profit or loss.

The effect of this pronouncement has no material impact on the Group's results.

IFRIC 9 Reassessment of Embedded Derivatives

The amendment extends the scope exclusions of IFRIC 9 to businesses under common control, business combinations as defined in the revised IFRS 3 and joint ventures as defined under IAS 31, arising from the revisions to IFRS 3 made in 2008.

The effect of this pronouncement has no impact on the Group's results.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation

IFRIC 16 currently indicates that a hedging instrument cannot be held by the foreign operation whose net investment is being hedged. The amendment has removed this restriction.

The effect of this pronouncement has no impact on the Group's results.

IFRIC 19 (AC 452) Extinguishing Financial Liabilities with Equity Instruments

This IFRIC clarifies the accounting when an entity re-negotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. A gain or loss is recognised in the profit and loss account based on the fair value of the equity instruments compared to the carrying amount of the debt.

This interpretation does not have an 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 International Accounting Standards Board.

Amendments to IFRS 7 Disclosures – Transfer of financial assets

The amendments are intended to address concerns raised during the financial crisis by the G20, among others, that financial statements did not allow users to understand the ongoing risks the entity faced due to derecognised receivables and other financial assets. 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 July 2011.

Amendments 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.

This amendment to the standard is effective for annual periods commencing on or after 1 January 2012.

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 amendment to the standard is effective for annual periods commencing on or after 1 January 2013.

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 amendment to the 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 amendment to the 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 amendment to the standard is effective for annual periods commencing on or after 1 January 2013.

Amendment to IAS 24 – Related party disclosures
This amendment provides partial relief from the requirement for government related entities to disclose details of all transactions with the government and other government-related entities. It also clarifies and simplifies the definition of a related party. This amendment is not expected to 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 2011.

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.

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. 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. This amendment is not expected to 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 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. 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 2015.

Amendments to IFRIC 14 (AC447) Pre-payments of a Minimum Funding Requirement
This amendment will have a limited impact as it applies only to companies that are required to make minimum

funding contributions to a defined benefit pension plan. It removes an unintended consequence of IFRIC 14 (AC 447) related to voluntary pension prepayments when there is a minimum funding requirement. This interpretation is not expected to have an impact on the Group's results.

This amendment to the standard is effective for annual periods commencing on or after 1 January 2011.

Annual improvements issued May 2010, not yet effective

Improvements to IFRS is a collection of amendments to International Financial Reporting Standards (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 this pronouncement will have a material impact on the Group's results.

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 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. FOREIGN CURRENCIES

5.1 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.

5.2 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.

5.3 Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary 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.

6. 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.

6.1 Amortisation

Computer software development 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 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.

Computer software costs recognised as intangible assets are amortised over the useful lives, which does not exceed 5 years.

6.2 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 assets fair value less cost to sell and value in use.

7. PROPERTY, PLANT 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.

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.

7.1 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.

7.2 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.

8. INVENTORIES

Inventories represent marketing materials held for resale and are stated at the lower of cost or net realisable value. Cost is determined by 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.

9. FINANCIAL INSTRUMENTS

9.1 Financial assets

9.1.1 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 (unquoted), funds on deposit, fixed interest securities (quoted), fixed interest securities (unquoted), government and public authority bonds (quoted), unlisted unit trusts (quoted), equity securities (listed) 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.

9.1.2 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.
- 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.

9.1.3 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 on an arm's length basis. Fair value is defined in terms of a price agreed by a willing buyer and a willing seller in an arm's length transaction. 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 risk free 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.

9.1.4 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 has 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.

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.

9.2 Financial liabilities

9.2.1 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.

9.2.2 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.

9.2.3 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.

9.3 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.

10. 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.

11. 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.

12. 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.

13. 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

13.1 Long-term insurance contracts

Professional Guidance Notes (PGNs) 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 PGNs to determine the liability in respect of contracts classified as long-term insurance contracts in terms of IFRS 4 – Insurance contracts. The following PGNs are of relevance to the determination of insurance contract liabilities:

PGN 102: Life Offices – HIV/AIDS

PGN 104: Life Offices – Valuation of Long-term Insurers

PGN 105: Recommended AIDS extra mortality bases

PGN 110: Maturity Guarantees

Where applicable, the PGNs 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, cashback products ("cashback products")* are whole life final benefits products with benefits which are payable upon defined events, for example death or disability and include a return of either one year's or six months premiums every five years.
- *Hospital insurance products ("hospital products")* with a "cashback" 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.

Measurement of long-term insurance contracts

These contracts are valued in terms of the Financial Soundness Valuation ("FSV") basis as described in PGN 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, cashback 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, cashback 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.

- 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 cashback 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 PGN 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 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.

13.2 Short-term insurance contracts

Circular 2/2007 – Recognition and measurement of short-term insurance contracts issued by the South African Institute of Chartered Accountants (“Circular 2/2007”)
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 Legal Policies with risk benefits to cover individual persons for civil, criminal and labour related matters. These contracts are monthly renewable contracts.

Measurement of short-term insurance contracts
Premium income
Insurance premium revenue comprise 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 compensation owed to 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 separate case by case basis with due regard to the specific circumstances, information available from the insured and/or loss adjuster and past experience with similar claims. 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 amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made, and disclosed separately if material.

An IBNR provision is raised for claims incurred but not yet reported based on historical experience. Where there is insufficient historical data available to determine the IBNR the Group determines the IBNR by applying a percentage to premiums written during the period. 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 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 direct (commission) and indirect costs arising from the securing of short-term insurance contracts and are expensed when incurred.

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.

13.3 Cashback benefits to policyholders

The Clientèle Group, through Clientèle Life and Clientèle General Insurance, issue policies which pay cashback 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.

14. INTEREST INCOME AND EXPENSES

The Group recognises interest income and expense in the Statement of Comprehensive Income for 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.

15. 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.

Clientèle LIMITED

16. TAX

Direct tax

The taxation charge comprises current tax, deferred tax and STC. 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.

16.1 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.

16.2 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 they 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 taxes 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.

16.3 STC

STC is the expected tax payable, using the enacted STC rate at Statement of Financial Position date on the amount by which dividends declared exceed dividends received. STC is recognised as part of the current tax charge in profit or loss when the related dividend is declared.

South African resident companies are 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 incurs STC charges on the declaration or deemed declaration of dividends (as defined under tax law) to its shareholders. STC is not a withholding tax on shareholders, but a tax on companies.

The STC tax consequence of dividends is recognised as a taxation charge in the Statement of Comprehensive Income in the same period that the related dividend is accrued as a liability. The dividend declared is reduced by dividends received during the dividend cycle. Where dividends declared exceed the dividends received during a cycle, STC is payable at the current STC rate on the net amount. Where dividends received exceed dividends declared within a cycle, there is no liability to pay STC. The potential tax benefit related to excess dividends received is carried forward to the next dividend cycle as an STC credit. Deferred tax assets are recognised on unutilised STC credits to the extent that it is probable that the Group will declare future dividends to utilise such STC credits.

16.4 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.

17. 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.

18. 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.

19. LEASES

19.1 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.

19.2 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 profit or loss 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.

20. EMPLOYEE BENEFITS

20.1 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 Independent External Actuaries and approved by the Group Remuneration Committee, in excess of predetermined criteria and is payable over a three year period for the cycles ended 30 June 2007 and over a four year period for cycles ending thereafter. 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 first cycle began on 1 July 2002 and ended 30 June 2007 and is payable over a three year period for the cycle ended 30 June 2007 and is payable over a five year period for cycles thereafter. The second cycle commenced on 1 July 2008. The Goodwill created is determined with reference to the EV of New Business (as determined by the Group's Independent 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 also 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 it arises.

Short-term bonuses are paid to all levels of management and are based on performance above agreed upon criteria and are payable annually and are charged to the Statement of Comprehensive Income in the period in which it arises.

20.2 Retirement benefits

95% 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.

20.3 Share-based payments

The Group operates an equity-settled share-based compensation plan in the form of a SAR Scheme. The fair value of the employee services received in exchange for the grant of the SARs is 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 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 that are expected to become exercisable. At each Statement of Financial Position date, the entity revises its estimates of the number of SARs 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.

21. 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 six reportable operating segments. This is consistent with the way the Group manages the business. The six reportable operating segments, based on the six principal lines of business from which the Group generates revenue are long-term insurance, investment contracts, short-term insurance, loans business, mobile business and long-term brokerage segments.

The Group also considers the two geographical segments in which it operates, South Africa and Nigeria.

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 assets for inter-segment revenues and transfers as if the transactions were with third parties at current market prices.

Capital expenditure in property, plant and equipment and intangible assets has been allocated to the segments to which it relates.

Statements of Financial Position

at 30 June 2011

(R'000)	Notes	Group 2011	Group 2010	Company 2011	Company 2010
Assets					
Intangible assets	2	**24 762**	37 036		
Property, plant and equipment	3	**47 822**	50 893		
Owner-occupied properties	4	**150 329**	134 300		
Investment in subsidiaries	5			**297 826**	292 645
Investment in associates	6	**291**	372		
Deferred tax	21	**30 270**	22 367		796
Inventories		**839**	1 412		
Reinsurance assets	7	**4 178**	6 579		
Financial assets at fair value through profit or loss	8	**1 940 210**	1 607 713		
Loans and receivables including insurance receivables	9	**154 255**	65 814	**54**	54
Current tax				**30**	
Cash and cash equivalents	10	**145 681**	77 983	**898**	237
Total assets		**2 498 637**	2 004 469	**298 808**	293 732
Equity					
Share capital	11	**6 479**	6 471	**6 479**	6 471
Share premium	11	**223 170**	218 857	**223 170**	218 857
Common control deficit	11	**(220 273)**	(220 273)		
		9 376	5 055	**229 649**	225 328
Retained earnings		**257 528**	218 030	**18 666**	19 051
SAR Scheme reserve	12	**15 656**	14 796	**15 656**	14 796
NDR: Contingency	13	**11 011**	7 610		
NDR: FCTR	13	**(9 330)**	(9 446)		
NDR: Change in ownership	13	**43 906**	45 326		
NDR: Revaluation	13	**31 534**	26 827		
Non-controlling interest		**(6 461)**	(3 295)		
Total equity		**353 220**	304 903	**263 971**	259 175
Liabilities					
Policyholder liabilities under insurance contracts	14	**776 979**	693 725		
Financial liabilities		**1 049 988**	811 979	**34 198**	30 466
– at fair value through profit or loss	15	**1 015 790**	781 513		
– at amortised cost	16	**34 198**	30 466	**34 198**	30 466
Loans at amortised cost	17	**93 488**	14 790		
Finance leases	18	**319**	778		
Employee benefits	19	**86 293**	64 676		
Accruals and payables including insurance payables	20	**113 456**	92 429	**639**	3 754
Deferred tax	21	**23 083**	16 483		
Current tax		**1 811**	4 706		337
Total liabilities		**2 145 417**	1 699 566	**34 837**	34 557
Total equity and liabilities		**2 498 637**	2 004 469	**298 808**	293 732

Statements of Comprehensive Income

for the year ended 30 June 2011

(R'000)	Notes	Group 2011	Group 2010	Company 2011	Company 2010
Revenue					
Insurance premium revenue	22	**1 114 995**	1 005 660		
Reinsurance premiums	23	**(56 673)**	(42 755)		
Net insurance premiums		**1 058 322**	962 905		
Other income	24	**157 972**	160 025	**157 086**	149 237
Interest income	25	**25 357**	15 141	**776**	333
Fair value adjustment to financial assets at fair value through profit or loss	26	**224 686**	185 064		
Net income		**1 466 337**	1 323 135	**157 862**	149 570
Net insurance benefits and claims	27	**(209 319)**	(169 434)		
Change in policyholder liabilities under insurance contracts	28	**(84 032)**	(109 697)		
Decrease in reinsurance assets	7	**(2 401)**	(15 568)		
Fair value adjustment to financial liabilities at fair value through profit or loss	15	**(99 960)**	(98 705)		
Interest expense		**(6 085)**	(2 326)	**(3 732)**	(1 630)
Impairment of advances	29	**(11 558)**	(5 608)		
Operating expenses	30	**(766 258)**	(674 438)	**(1 500)**	(1 321)
Profit from operations		**286 724**	247 359	**152 630**	146 619
Equity accounted (loss)/earnings	32	**(81)**	23		
Profit before tax		**286 643**	247 382	**152 630**	146 619
Tax	33	**(96 417)**	(98 923)	**(957)**	(384)
Profit for the year		**190 226**	148 459	**151 673**	146 235
Attributable to:					
– Non-controlling interest – ordinary shares		**(4 731)**	(11 280)		
– Equity holders of the Group		**194 957**	159 739	**151 673**	146 235
Profit for the year		**190 226**	148 459	**151 673**	146 235
Other comprehensive income:					
Exchange differences on translating foreign operations		**261**	(2 691)		
Gains on property revaluation		**5 937**	5 509		
Income tax relating to gains on property revaluation		**(1 230)**	(1 345)		
Other comprehensive income for the year net of tax		**4 968**	1 473		
Total comprehensive income for the year		**195 194**	149 932	**151 673**	146 235
Attributable to:					
– Non-controlling interest – ordinary shares		**(4 586)**	(11 953)	**–**	–
– Equity holders of the Group		**199 780**	161 885	**151 673**	146 235
Earnings per share (cents)	34	**60.24**	49.38		
Diluted earnings per share (cents)	34	**59.86**	49.17		

Group Statement of Changes in Equity

for the year ended 30 June 2011

(R'000)	Share capital	Share premium	Common control deficit	Sub-total	Retained earnings	SAR 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 2009	6 470	218 656	(220 273)	4 853	200 615	12 115	1 156	(7 428)	45 326	22 663	279 300	8 658	287 958
Ordinary dividend					(135 870)						(135 870)		(135 870)
Total comprehensive income					159 739			(2 018)		4 164	161 885	(11 953)	149 932
– Net profit/(loss) for the year					159 739						159 739	(11 280)	148 459
– Other comprehensive income/(expense)								(2 018)		4 164	2 146	(673)	1 473
Transfer to contingency reserve					(6 454)		6 454				–		–
Shares issued	1	201		202							202		202
SAR Scheme allocated						2 883					2 883		2 883
Transfer from shares issued						(202)					(202)		(202)
Balance as at 30 June 2010	6 471	218 857	(220 273)	5 055	218 030	14 796	7 610	(9 446)	45 326	26 827	308 198	(3 295)	304 903
Balance as at 1 July 2010	**6 471**	**218 857**	**(220 273)**	**5 055**	**218 030**	**14 796**	**7 610**	**(9 446)**	**45 326**	**26 827**	**308 198**	**(3 295)**	**304 903**
Ordinary dividend					**(152 058)**						**(152 058)**		**(152 058)**
Total comprehensive income					**194 957**			**116**		**4 707**	**199 780**	**(4 586)**	**195 194**
– Net profit/(loss) for the year					**194 957**						**194 957**	**(4 731)**	**190 226**
– Other comprehensive income								**116**		**4 707**	**4 823**	**145**	**4 968**
Transfer to contingency reserve					**(3 401)**		**3 401**				**–**		**–**
Shares issued	**8**	**4 313**		**4 321**							**4 321**		**4 321**
SAR Scheme allocated						**5 181**					**5 181**		**5 181**
Transfer from shares issued						**(4 321)**					**(4 321)**		**(4 321)**
Shares issued by subsidiary									**(1 420)**		**(1 420)**	**1 420**	**–**
Balance as at 30 June 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**

Company Statement of Changes in Equity

for the year ended 30 June 2011

(R'000)	Share capital	Share premium	Retained earnings	SAR Scheme reserve[1]	Capital and reserves attributable to ordinary equity holders
Balance as at 1 July 2009	6 470	218 656	8 686	12 115	245 927
Ordinary dividend			(135 870)		(135 870)
Net profit for the year			146 235		146 235
Shares issued	1	201			202
SAR Scheme allocated				2 883	2 883
Transfer from shares issued				(202)	(202)
Balance as at 30 June 2010	6 471	218 857	19 051	14 796	259 175
Balance as at 1 July 2010	**6 471**	**218 857**	**19 051**	**14 796**	**259 175**
Ordinary dividend			**(152 058)**		**(152 058)**
Net profit for the year			**151 673**		**151 673**
Shares issued	**8**	**4 313**			**4 321**
SAR Scheme allocated				**5 181**	**5 181**
Transfer from shares issued				**(4 321)**	**(4 321)**
Balance as at 30 June 2011	**6 479**	**223 170**	**18 666**	**15 656**	**263 971**

1. *The SAR Scheme reserve held is in respect of the SARs granted to management (excluding Directors), IFAs and key employees in terms of the SAR Scheme.*
2. *A reserve in equity is made for the full amount of the contingency reserve as required by the provisions of the Short-term Insurance Act. The reserve is calculated at 10% of net premiums written for short-term insurance policies. The reserve may be utilised only with the written consent of the Registrar of Short-term Insurance. Transfers to and from this reserve are treated as appropriations of retained earnings.*
3. *Comprises the accumulated owner-occupied properties fair value adjustment and related tax.*

Statements of Cash Flows

for the year ended 30 June 2011

		Group		Company	
(R'000)	Notes	**2011**	2010	**2011**	2010
Cash generated by operations	35	**406 194**	248 948	**155 444**	148 415
Net acquisition of investments		**(107 811)**	(25 459)		
Interest received		**30 437**	32 992	**776**	
Dividends received		**14 300**	10 271		
Dividends paid	36	**(152 009)**	(135 870)	**(151 911)**	(135 870)
Tax paid	37	**(100 614)**	(126 822)	**(528)**	(174)
Cash flows from operating activities		**90 497**	4 060	**3 781**	12 371
Investment in subsidiaries					(25 000)
Acquisition of intangible assets		**(8 904)**	(10 428)		
Acquisition of property, plant and equipment		**(12 465)**	(25 718)		
Acquisition of owner-occupied properties		**(10 092)**	(1 459)		
Proceeds from disposal of property, plant and equipment		**652**	380		
Payment of SAR Scheme		**(4 321)**	(202)	**(4 321)**	(202)
Cash flows from investing activities		**(35 130)**	(37 427)	**(4 321)**	(25 202)
Proceeds from issue of share capital		**4 321**	202	**4 321**	202
Increase/(decrease) in shareholders loans		**8 597**	(715)		
Decrease in finance leases		**(587)**	(770)		
Increase in financial liabilities held at amortised cost					28 836
Decrease in amount due to subsidiary				**(3 120)**	(23 933)
Cash flows from financing activities		**12 331**	(1 283)	**1 201**	5 105
Increase/(decrease) in cash and cash equivalents		**67 698**	(34 650)	**661**	(7 726)
Cash and cash equivalents at beginning of year		**77 983**	112 633	**237**	7 963
Cash and cash equivalents at end of year	10	**145 681**	77 983	**898**	237

Segment Information

for the year ended 30 June 2011

BASIS OF SEGMENTATION

The Group's operations are analysed across six reportable operating segments. This is consistent with the way the Group manages the business. The six reportable operating segments, based on the six principal lines of business from which the Group generates revenue are long-term insurance, investment contracts, short-term insurance, loans business, mobile business and long-term brokerage segments.

The Group also considers the two geographical segments in which it operates, South Africa and Nigeria.

Statement of Comprehensive Income – segment information for the year ended 30 June 2011

	SA Long-term insurance R'000	SA Investment contracts R'000	SA Short-term insurance R'000	SA Loans R'000	SA Mobile R'000	Nigerian Long-term brokerage R'000	Inter-segment R'000	Total R'000
Revenue								
Insurance premium revenue	1 004 877		110 118					1 114 995
Reinsurance premiums	(56 673)							(56 673)
Net insurance premiums	948 204		110 118					1 058 322
Other income	130 622	8 234	5	6 911	3 498	10 718	(2 016)	157 972
Loan waived						17 519	(17 519)	–
Interest income	16 929		260	14 753	137	23	(6 745)	25 357
Fair value adjustment to financial assets at fair value through profit or loss	115 030	103 692	5 964					224 686
Segment revenue	1 210 785	111 926	116 347	21 664	3 635	28 260	(26 280)	1 466 337
Net insurance benefits and claims	(199 595)		(9 724)					(209 319)
Change in policyholder liabilities under insurance contracts	(86 347)		2 315					(84 032)
Decrease in reinsurance assets	(2 401)							(2 401)
Fair value adjustment to financial liabilities at fair value through profit or loss		(99 960)						(99 960)
Interest expense		(3 732)		(8 969)		(129)	6 745	(6 085)
Impairment of advances				(11 558)				(11 558)
Loan account write off	(17 519)						17 519	–
Operating expenses	(626 186)	(7 012)	(85 174)	(9 480)	(2 943)	(37 479)	2 016	(766 258)
Segment expenses and claims	(932 048)	(110 704)	(92 583)	(30 007)	(2 943)	(37 608)	26 280	(1 179 613)
Segment result	278 737	1 222	23 764	(8 343)	692	(9 348)		286 724
Equity accounted loss	(81)							(81)
Profit before tax	278 656	1 222	23 764	(8 343)	692	(9 348)		286 643
Tax	(92 075)	(342)	(6 026)	2 220	(194)			(96 417)
Net profit/(loss) for the year	186 581	880	17 738	(6 123)	498	(9 348)	–	190 226
Net profit/(loss) for the year attributable to equity holders of the Group	186 581	880	17 738	(4 286)	498	(6 454)		194 957
Non-controlling interest – share of loss				(1 837)		(2 894)		(4 731)
Segment items included in the Statement of Comprehensive Income: 2011								
Amortisation of intangible assets	12 442		743		28	755		13 968
Depreciation	11 777		416		2	2 160		14 355

Segment Information continued

Clientèle LIMITED

Statement of Comprehensive Income – segment information for the year ended 30 June 2010

	SA Long-term insurance R'000	SA Investment contracts R'000	SA Short-term insurance R'000	SA Loans R'000	SA Mobile R'000	Nigerian Long-term brokerage R'000	Inter-segment R'000	Total R'000
Revenue								
Insurance premium revenue	930 046		75 614					1 005 660
Reinsurance premiums	(42 755)							(42 755)
Net insurance premiums	887 291		75 614					962 905
Other income	145 723			2 852	2 722	9 848	(1 120)	160 025
Interest income	7 629		345	10 749	97	460	(4 139)	15 141
Fair value adjustment to financial assets at fair value through profit or loss	79 762	103 806	1 496					185 064
Segment revenue	1 120 405	103 806	77 455	13 601	2 819	10 308	(5 259)	1 323 135
Net insurance benefits and claims	(161 688)		(7 746)					(169 434)
Change in policyholder liabilities under insurance contracts	(101 744)		(7 953)					(109 697)
Decrease in reinsurance assets	(15 568)							(15 568)
Fair value adjustment to financial liabilities at fair value through profit or loss		(98 705)						(98 705)
Interest expense		(1 630)		(4 591)		(244)	4 139	(2 326)
Impairment of advances				(5 608)				(5 608)
Operating expenses	(560 921)	(7 028)	(53 184)	(10 602)	(2 640)	(41 183)	1 120	(674 438)
Segment expenses and claims	(839 921)	(107 363)	(68 883)	(20 801)	(2 640)	(41 427)	5 259	(1 075 776)
Segment result	280 484	(3 557)	8 572	(7 200)	179	(31 119)		247 359
Equity accounted earnings	23							23
Profit before tax	280 507	(3 557)	8 572	(7 200)	179	(31 119)		247 382
Tax	(91 734)	996	(2 371)	2 016	(50)	(7 780)		(98 923)
Net profit/(loss) for the year	188 773	(2 561)	6 201	(5 184)	129	(38 899)	–	148 459
Net profit/(loss) for the year attributable to equity holders of the Group	188 773	(2 561)	6 201	(3 629)	129	(29 174)		159 739
Non-controlling interest – share of loss				(1 555)		(9 725)		(11 280)
Segment items included in the Statement of Comprehensive Income: 2010								
Amortisation of intangible assets	3 866		212		8	569		4 655
Depreciation	13 633		334		36	3 156		17 159

Segment Information continued

Statement of Financial Position – segment information as at 30 June 2011

	SA Long-term insurance R'000	SA Investment contracts R'000	SA Short-term insurance R'000	SA Loans R'000	SA Mobile R'000	Nigerian Long-term brokerage R'000	Inter-segment R'000	Total R'000
Segment assets and liabilities								
Intangible assets	19 064		1 707			3 991		24 762
Property, plant and equipment	41 083		2 052		89	4 598		47 822
Owner-occupied properties	150 329							150 329
Investment in associates	291							291
Deferred tax	21 268		2 610	6 392				30 270
Inventories	396		95			348		839
Reinsurance assets	4 178							4 178
Financial assets at fair value through profit or loss	832 333	1 050 131	57 746					1 940 210
Loans and receivables including insurance receivables	97 226		1 700	115 481	11	4 669	(64 832)	154 255
Cash and cash equivalents	131 118		6 863	1 621	1 269	4 810		145 681
Total assets	1 297 286	1 050 131	72 773	123 494	1 369	18 416	(64 832)	2 498 637
Policyholder liabilities under insurance contracts	768 102		8 877					776 979
Financial liabilities		1 049 988						1 049 988
– at fair value through profit or loss		1 015 790						1 015 790
– at amortised cost		34 198						34 198
Loans at amortised costs				130 053		23 386	(59 951)	93 488
Finance leases						319		319
Employee benefits	86 293							86 293
Accruals and payables including insurance payables	92 464		10 579	10 291	875	4 128	(4 881)	113 456
Deferred tax	22 325		758					23 083
Current tax	1 572		239					1 811
Total liabilities	970 756	1 049 988	20 453	140 344	875	27 833	(64 832)	2 145 417
Segment items included in the Statement of Financial Position: 2011								
Acquisition of intangible assets	6 872		1 678			354		8 904
Acquisition of property, plant and equipment	11 479		429			557		12 465

Clientèle LIMITED

Statement of Financial Position – segment information as at 30 June 2010

	SA Long-term insurance R'000	SA Investment contracts R'000	SA Short-term insurance R'000	SA Loans R'000	SA Mobile R'000	Nigerian Long-term brokerage R'000	Inter-segment R'000	Total R'000
Segment assets and liabilities								
Intangible assets	31 886		618		8	4 524		37 036
Property, plant and equipment	41 055		2 192		112	7 534		50 893
Owner-occupied properties	134 300							134 300
Investment in associates	372							372
Deferred tax	14 857		3 338	4 171	1			22 367
Inventories	892		38			482		1 412
Reinsurance assets	6 579							6 579
Financial assets at fair value through profit or loss	748 454	817 627	41 632					1 607 713
Loans and receivables including insurance receivables	75 318		501	39 992	7	6 865	(56 869)	65 814
Cash and cash equivalents	65 587		5 847	1 836	446	4 267		77 983
Total assets	1 119 300	817 627	54 166	45 999	574	23 672	(56 869)	2 004 469
Policyholder liabilities under insurance contracts	681 755		11 970					693 725
Financial liabilities		811 979						811 979
– at fair value through profit or loss		781 513						781 513
– at amortised cost		30 466						30 466
Loans at amortised costs						14 790		14 790
Finance leases						778		778
Employee benefits	63 562					1 114		64 676
Accruals and payables including insurance payables	77 302		7 396	56 725	577	7 298	(56 869)	92 429
Deferred tax	16 265		218					16 483
Current tax	4 706							4 706
Total liabilities	843 590	811 979	19 584	56 725	577	23 980	(56 869)	1 699 566
Segment items included in the Statement of Financial Position: 2011								
Acquisition of intangible assets	9 758		124			546		10 428
Acquisition of property, plant and equipment	25 543		1 272		13	349		27 177

1. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS 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 judgements 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 (PGN104). In addition discretionary margins are included.

The compulsory margins were as follows:

Assumption	**2011 Margin**	2010 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") amounting to R1 609,8 million (2010: R1 108,2 million) have been eliminated against policyholder liabilities under insurance contracts.

The elimination of negative liabilities has increased significantly from June 2010. This is due to the large volumes of new business written at improved margins which results in negative liabilities.

At the previous year-end a margin was set up equal to 10% of the liability needed to ensure that each policy liability would be equal to a minimum of the Surrender Value. This factor was reduced to 0% for the current Valuation. This margin amounted to R11,67 million as at the previous financial year;

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 relative to these tables as referred to in the Statement of Actuarial Values of Assets And Liabilities of Clientèle Life on page 57 of the Integrated Annual Report.

Once the best estimate is determined, compulsory margins (as set out in PGN104) 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 2011 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 2011 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 2011, the Valuation rate has been set with reference to the current zero coupon yield curve (an effective rate of 7.73% (2010: 8.06%) at a term of 4 years) as at 30 June 2011.

  Based on the above, an investment return of 7.80% p.a. (2010: 8.10% p.a.) before compulsory margins was assumed for the majority of the business.

(b) ***Inflation***

The current assumed level of future expense inflation is 5.8% (2010: 6.1%) 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 therefore remained constant at 2.0%.

(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 a decrease in liabilities of R1,3 million;
- The renewal expense assumption was increased resulting in a small increase in liabilities;
- The percentage of the additional liability that is kept to maintain a reserve equal to the surrender value was reduced resulting in a decrease in liabilities of R5,7 million;
- Withdrawal and mortality rates were reviewed and adjusted where necessary in the light of recent experience resulting in an increase in liabilities of less then R100 000; and
- Refinement of modelling resulted in a decrease in liabilities of R1,9 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 to determine the IBNR provision, which amounted to R0,2 million (2010: R5,3 million) as at 30 June 2011. Clientèle General Insurance considers the statutory requirements of 7% overly prudent given the nature and the claims experience of the Company.

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.

Cashback liabilities

Discounted liabilities for the cashback benefits are calculated by projecting expected cashback 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. Management have applied 0.8% of written premiums to determine the current year's Outstanding Claims Reserve which amounted to R0,9 million as at 30 June 2011 (2010: R0,1 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.

1.4 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 counterparty), 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 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 and the actual results in the fifth year of any particular cycle of the scheme.

SARs are granted to qualifying IFAs and employees with more than one year of service. The SAR Scheme Reserve is determined using the Black Scholes model (refer to note 12 on page 124).

1.4.3 Owner occupied properties

The Valuation of R150,3 million (2010: R134,3 million) is arrived at using the capitalisation of net income method using the following underlying assumptions:

- Projected gross annual rental income of R17,0 million (2010: R13,4 million) based on market-related rental income per square metre.
- Capitalised at a remunerative rate of 10.0% (2010: 10.0%) on the net annual rental income.

1.4.4 Deferred tax assets

The Group considers that it is appropriate to recognise the deferred tax asset based on the following:

- Letters of guarantee are in place from Clientèle as described in note 39 on page 145 regarding financial support for those companies.
- 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.
- A significant component of expenses are fixed costs and profitability will increase as business volumes increase.

1.4.5. 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 page 118).

	Group		Company	
	2011 R'000	2010 R'000	**2011 R'000**	2010 R'000
2. INTANGIBLE ASSETS*				
Cost at beginning of year	**45 594**	35 166		
Additions	**8 904**	10 428		
Cost at end of year	**54 498**	45 594	**–**	–
Accumulated amortisation at beginning of year	**(8 558)**	(3 799)		
Amortisation charge for the year	**(13 968)**	(4 655)		
Impairment	**(6 654)**			
Foreign currency adjustments on translations	**(556)**	(104)		
Accumulated amortisation at end of year	**(29 736)**	(8 558)	**–**	–
Net carrying amount at end of year	**24 762**	37 036	**–**	–

** Comprises computer software*

Group	**Leasehold improvements R'000**	**Furniture and equipment R'000**	**Computer software R'000**	**Computer equipment R'000**	**Motor vehicles R'000**	**Total R'000**
3. PROPERTY, PLANT AND EQUIPMENT						
Year ended 30 June 2011						
Cost at beginning of year	**7 827**	**41 878**	**11 217**	**54 286**	**6 247**	**121 455**
Additions	**2 389**	**2 846**		**6 713**	**517**	**12 465**
Disposals	**(27)**	**(221)**		**(28)**	**(1 002)**	**(1 278)**
Cost at end of year	**10 189**	**44 503**	**11 217**	**60 971**	**5 762**	**132 642**
Accumulated depreciation at beginning of year	**(2 822)**	**(25 570)**	**(9 726)**	**(29 460)**	**(2 984)**	**(70 562)**
Depreciation charge for the year	**(2 487)**	**(3 012)**	**(1 491)**	**(6 108)**	**(1 257)**	**(14 355)**
Foreign currency adjustments on translations	**(41)**	**(277)**		**(353)**	**(107)**	**(778)**
Disposals	**3**	**91**		**12**	**769**	**875**
Accumulated depreciation at end of year	**(5 347)**	**(28 768)**	**(11 217)**	**(35 909)**	**(3 579)**	**(84 820)**
Net carrying amount at end of year	**4 842**	**15 735**	**–**	**25 062**	**2 183**	**47 822**

Group	Leasehold improvements R'000	Furniture and equipment R'000	Computer software R'000	Computer equipment R'000	Motor vehicles R'000	Total R'000
Year ended 30 June 2010						
Cost at beginning of year	849	39 357	11 217	39 313	6 441	97 177
Additions	7 232	2 521		15 109	856	25 718
Disposals	(254)			(136)	(1 050)	(1 440)
Cost at end of year	7 827	41 878	11 217	54 286	6 247	121 455
Accumulated depreciation at beginning of year	(203)	(23 563)	(7 459)	(22 051)	(2 449)	(55 725)
Depreciation charge for the year	(2 595)	(1 813)	(2 004)	(7 178)	(1 301)	(14 891)
Foreign currency adjustments on translations	(40)	(194)	(263)	(262)	(81)	(840)
Disposals	16			31	847	894
Accumulated depreciation at end of year	(2 822)	(25 570)	(9 726)	(29 460)	(2 984)	(70 562)
Net carrying amount at end of year	5 005	16 308	1 491	24 826	3 263	50 893

	2011			**2010**		
Group	**Land R'000**	**Buildings R'000**	**Total R'000**	Land R'000	Buildings R'000	Total R'000
4. **OWNER-OCCUPIED PROPERTIES**						
At Valuation at beginning of year	**40 290**	**94 010**	**134 300**	38 880	90 720	129 600
Additions at cost		**10 092**	**10 092**		1 459	1 459
Depreciation					(2 268)	(2 268)
Revaluation	**3 090**	**2 847**	**5 937**	1 410	4 099	5 509
At Valuation at end of year	**43 380**	**106 949**	**150 329**	40 290	94 010	134 300

The land and buildings are valued annually on 30 June at fair value by an independent valuator, CB Richard Ellis Proprietary Limited, reflecting the actual open market value of the properties.

The property consists of six contiguous office buildings situated on Erven 1501, 1502 and 1506, Morningside Extension 71, Sandton, Gauteng and Erf 1726, Morningside Extension 42, Sandton, Gauteng. 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 R108,9 million as at 30 June 2011 (2010: R98,8 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 prior to consolidation[4] R'000	Consolidation[3] R'000	Directors Valuation after consolidation R'000
2011						
Direct holdings						
Unlisted subsidiaries						
Clientèle Life[1]	**4 853 000**	**100**	**245 305**	**5 158 301**	**(385 388)**	**4 772 913**
Clientèle General Insurance[2]	**42 500 000**	**100**	**42 500**	**521 009**	**(38 926)**	**482 083**
Clientèle Mobile	**1**	**100**	*****	**1**		**1**
Clientèle Loans	**1**	**100**	*****	**1**		**1**
Indirect holdings						
Unlisted subsidiaries						
IFA Nigeria[4]	**72 808 870**	**85**	**10 021**	**1**		**1**
Clientèle Loans Direct	**100**	**70**	*****	**1**		**1**
			297 826	**5 679 314**	**(424 314)**	**5 255 000**

	Amount of issued share capital and share premium R	Percentage of issued share capital %	Shares held at cost R'000	Directors Valuation prior to consolidation R'000	Consolidation[3] R'000	Directors Valuation after consolidation R'000
2010						
Direct holdings						
Unlisted subsidiaries						
Clientèle Life[1]	4 853 000	100	240 124	3 785 368	(100 322)	3 685 045
Clientèle General Insurance[2]	42 500 000	100	42 500	675 165	(17 894)	657 272
Clientèle Mobile	1	100	*	1		1
Clientèle Loans	1	100	*	1		1
Indirect holdings						
Unlisted subsidiaries						
IFA Nigeria[4]	72 808 870	75	10 021	1		1
Clientèle Loans Direct	100	70	*	1		1
			292 645	**4 460 537**	**(118 216)**	**4 342 321**

** 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 an actuarial calculation which incorporates certain assumptions. The Appraisal Value is the sum of the EV (as published) and the Value of Future New Business. The Value of Future New Business is a subjective value and has been calculated as the VNB (as published) for the year ending 30 June 2011 times a multiplier. The actuarial assumptions used to calculate the multiplier have been set on a conservative basis. In particular, the multiplier takes cognisance 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% p.a. (2010: 15% p.a.) has been used (i.e. higher than the underlying RDR); and,
- A conservative assumption has been made in terms of growth in new business volumes. In particular, it has been assumed that the VNB will remain level into the future.

The above assumptions result in a multiplier of 6.667 (2010: 6.667). The Directors have used a more conservative multiplier of 6.5 (2010: 6.5) for purposes of the Directors' Valuation. The Value of Future New Business allowing for this multiplier is R2,86 billion (calculated as R440,0 million x 6.5) (2010: R1,95 billion (calculated as R300,7 million x 6.5). The EV of Clientèle Life as at 30 June 2011 is R2,3 billion (2010: R1,8 billion). Combined with the Value of Future New Business, this results in an Appraisal Value of R5,2 billion (2010: R3,8 billion) before consolidation adjustments (see note 3 below).

2 Similarly, an Appraisal Value calculation has been utilised to place a value on Clientèle General Insurance. The Directors have conservatively assumed that the VNB will remain level into the future and 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 R280,0 million (calculated as R43,1 million x 6.5) (2010: R470,6 million (calculated as R72,4 million x 6.5) for Clientèle General Insurance, which together with the EV of R241,0 million (2010: R204,5 million) results in an Appraisal Value of R521,0 million (2010: R675,2 million) before consolidation adjustments (see note 3 below).

3 On consolidation, two items which have an impact on the Value of Future New Business are incorporated. These are:

- Expenses in respect of new ventures (incurred in South Africa); and
- Expected costs in terms of the management incentive scheme (EV Scheme and Goodwill Scheme).

The Value of Future New Business (negative adjustment) for the above two items was set such that it correlates to the projected growth in EV implied by the multipliers used in the valuations outlined in note 1 and 2 above.

Hence, the consolidating entry for the Value of Future New Business is negative R424,3 million (2010: negative R118,2 million).

4 As IFA Nigeria was placed into liquidation on 29 July 2011, the Board has valued IFA Nigeria at R1 (2010: R1).

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
6. INVESTMENT IN ASSOCIATES				
Balance at beginning of year	**372**	349		
Share of (loss)/profit	**(81)**	23		
Balance at end of year	**291**	372	**–**	–
Key financial information of associates				
Indirect holding – Unlisted				
Clientèle USA LLC:				
Revenue	**20**	752		
Net profit attributable to ordinary shareholders	**(239)**	65		
Current assets	**767**	1 082		
Current liabilities	**(36)**	(4 077)		

The investments are accounted for by the equity method of accounting.

The unlisted associate, Clientèle USA LLC, of which Clientèle Life holds 33.3% (2010: 33.3%), is incorporated in the United States of America. Its business is the distribution of life insurance policies and it has a December year end. The cost of the investment was fully impaired at 30 June 2006 and no new business is being written. Clientèle USA LLC was liquidated on 4 August 2011.

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
7. REINSURANCE ASSETS				
Reinsurers share of insurance liabilities				
Balance at beginning of year	**6 579**	22 147		
Movement in reinsurers' share of insurance liabilities	**(2 401)**	(15 568)		
Balance at end of year	**4 178**	6 579	**–**	–

	Group		Company	
	2011 R'000	2010 R'000	**2011 R'000**	2010 R'000
8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS				
Designated				
Balance at beginning of year	**1 607 713**	1 404 549		
Movements for year				
– Fair value adjustments	**224 686**	185 064		
– Additions	**337 633**	660 063		
– Disposals	**(229 822)**	(642 063)		
Balance at end of year	**1 940 210**	1 607 713	**–**	–
Total debt securities	**1 350 960**	1 158 153		
Promissory notes and deposits (unquoted)	**989 253**	749 581		
Funds on deposit	**221 726**	333 415		
Fixed interest securities (quoted)	**107 773**	72 460		
Government and public authority bonds (quoted)	**32 208**	2 697		
Total equity securities	**589 250**	449 560		
Listed on the JSE	**585 566**	440 146		
Unlisted equities	**3 684**	9 414		
Total instruments	**1 940 210**	1 607 713	**–**	–

	%	%	%	%
Spread of equities listed on the JSE by sector				
Industrials	**46.4**	14.4		
Resources	**23.4**	55.5		
Financials	**7.2**	8.1		
Real estate	**12.1**	12.0		
Telecommunications	**10.9**	10.0		
	100.0	100.0	**–**	–

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 recent arm's length market 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 equities 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 arms-length prices between willing buyers and sellers.

A register of listed and unlisted investments is available for inspection in terms of the provisions of section 113 of the Companies Act.

With the approval of the FSB, financial assets at fair value through profit or loss amounting to R nil (2010: R14,8 million), which matched financial liabilities at fair value through profit or loss, have been ceded to Sanlam Limited.

	Group		Company	
	2011 **R'000**	2010 R'000	**2011** **R'000**	2010 R'000
9. LOANS AND RECEIVABLES INCLUDING INSURANCE RECEIVABLES				
Receivables	**12 521**	5 067	**54**	54
Net advances (refer Note 9.1)	**113 018**	39 992		
Premiums receivable under insurance contracts	**8 688**	6 295		
Reinsurance receivable under reinsurance contracts	**9 568**	3 008		
Prepayments	**8 916**	6 916		
Prepaid lease payments*	**1 544**	4 536		
	154 255	65 814	**54**	54

The carrying value amounts approximates the fair value of these amounts.

* The prepaid lease payments relate to rentals for IFA Nigeria which have been paid in advance, as is customary in Nigeria.

	Group 2011	Group 2010	Company 2011	Company 2010
Maturity analysis				
Due within one year	**85 823**	46 407	**54**	54
Due within two to five years	**77 442**	22 662		
	163 265	69 069	**54**	54
Provisions for impairments	**(9 010)**	(3 255)		
	154 255	65 814	**54**	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.

	Group		Company	
	2011 **R'000**	2010 R'000	**2011** **R'000**	2010 R'000
9.1 Net advances of Clientèle Loans Direct				
Unsecured personal loans (South Africa)				
Gross loans and advances	**122 028**	43 247		
Provision for impairments	**(9 010)**	(3 255)		
– Specific provision	**(1 684)**	(658)		
– Portfolio provision	**(7 326)**	(2 597)		
Balance at end of year	**113 018**	39 992	**–**	–

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.

	Group 2011	Group 2010	Company 2011	Company 2010
Movement in impairments provision				
Balance at beginning of year	**3 255**	1 412		
Current year movement	**5 755**	1 843		
Balance at end of year	**9 010**	3 255	**–**	–

The advances portfolio and the bank account of Clientèle Loans Direct has been ceded as security in terms of the external funding facility agreement (refer to note 17).

Notes to the Annual Financial Statements

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	Group		Company	
	2011 R'000	2010 R'000	**2011 R'000**	2010 R'000
10. CASH AND CASH EQUIVALENTS				
Cash in bank and at hand	**145 681**	77 983	**898**	237
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				
2011: 323 971 243 (2010: 323 526 946) ordinary shares of 2 cents each	**6 479**	6 471	**6 479**	6 471
Share premium	**223 170**	218 857	**223 170**	218 857
Common control deficit*	**(220 273)**	(220 273)		
	9 376	5 055	**229 649**	225 328

* Clientèle acquired the shares in Clientèle Life and its subsidiaries with effect from 19 May 2008. As there were 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 2011

Shareholder spread	Number of shareholdings	%	Number of shares	%
1 – 1 000 shares	98	15.81	58 277	0.02
1 001 – 10 000 shares	296	47.74	1 444 180	0.45
10 001 – 100 000 shares	174	28.06	5 729 323	1.77
100 001 – 1 000 000 shares	35	5.65	11 060 421	3.41
1 000 001 shares and over	17	2.74	305 679 042	94.35
Totals	**620**	**100.00**	**323 971 243**	**100.00**

Clientèle LIMITED

Analysis of shareholders by classification as at 30 June 2011

Shareholder spread	Number of shareholdings	%	Number of shares	%
Banks	5	0.81	7 301 491	2.25
Close Corporations	6	0.97	1 013 350	0.31
Individuals	466	75.15	15 441 376	4.77
Insurance Companies	5	0.81	65 574 293	20.24
Mutual Funds	13	2.10	21 874 531	6.75
Nominees & Trusts	81	13.06	4 840 753	1.49
Other Corporations	18	2.90	456 847	0.15
Private Companies	21	3.39	207 415 779	64.02
Public Company	1	0.16	30 000	0.01
Retirement Funds	4	0.65	22 823	0.01
Totals	**620**	**100.00**	**323 971 243**	**100.00**

Public/non-public shareholders

Shareholder spread	Number of shareholdings	%	Number of shares	%
Non-public shareholders	**14**	**2.26**	**274 679 115**	**84.78**
Directors	3	0.48	5 510 000	1.70
Associates	6	0.97	16 614 171	5.12
Strategic holdings (more than 10% shareholding)	5	0.81	252 554 944	77.96
Public shareholders	**606**	**97.74**	**49 292 128**	**15.22**

Shareholder spread	Number of shares	%
Beneficial shareholders holding 3% or more		
R Enthoven and Sons Proprietary Limited	252 554 944	77.96
Totals	**252 554 944**	**77.96**

	Group		Company	
	2011 R'000	2010 R'000	**2011 R'000**	2010 R'000
12. SAR SCHEME RESERVE				
SAR Scheme reserve	**15 656**	14 796	**15 656**	14 796

SARs are granted to qualifying IFAs and employees, excluding Group Directors, with more than one year of service.

The initial price of the SAR 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 are conditional on the employee staying in the employ of the Group for the vesting period and the IFA remaining an IFA. The SARs are exercisable starting three years from the invitation/announcement date. All SARs not exercised on the seventh anniversary of the invitation/announcement date will lapse.

	2011		2010	
	Volume weighted average price on grant	**Number of SARs granted**	Volume weighted average price on grant	Number of SARs granted
At beginning of year		**24 882 335**		22 580 533
Allotment	**7.63**	**911 787**	5.47	1 811 499
Allotment	**9.85**	**883 682**	5.47	146 252
Allotment			5.87	102 504
Allotment			6.29	158 982
Allotment			7.23	138 812
Allotment			7.48	1 005 051
Allotment			7.52	132 203
Allotment			7.50	140 000
Terminated	**6.41**	**(8 423 677)**	6.41	(875 573)
Terminated	**8.03**	**(34 732)**	8.03	
Terminated	**8.67**	**(29 350)**	8.67	(113 000)
Terminated	**7.89**	**(69 154)**	7.89	(207 296)
Terminated	**5.35**	**(275 742)**		
Terminated	**5.88**	**(231 811)**	5.88	(43 632)
Terminated	**5.47**	**(404 958)**	5.47	(7 500)
Terminated	**5.47**	**(146 252)**		
Terminated	**7.23**	**(500)**		
Terminated	**7.48**	**(72 898)**		
Terminated	**7.52**	**(132 203)**		
Terminated	**7.63**	**(16 813)**		
Exercised		**(1 363 228)**		(86 500)
At end of year		**15 476 486**		24 882 335

3,4 million (2010: 1,5 million) of the 15,5 million (2010: 24,9 million) outstanding SARs were exercisable.

SARs outstanding at the end of the year have the following expiry dates:

	Average grant price	Number of SARs
24 January 2014	6.41	6 402 500
1 March 2014	6.65	230 000
2 July 2014	8.03	396 830
1 February 2015	8.67	1 024 760
1 March 2015	8.46	263 040
1 May 2015	7.60	126 400
3 July 2015	7.89	967 873
1 September 2015	6.59	223 857
16 February 2016	5.88	1 191 578
17 July 2016	5.47	1 399 041
7 September 2016	5.87	102 504
2 November 2016	6.29	158 982
11 January 2017	7.23	138 312
5 February 2017	7.48	932 153
1 April 2017	7.50	140 000
2 July 2017	7.63	894 974
25 February 2018	9.85	883 682
		15 476 486

The Statement of Comprehensive Income charge was determined using the Black Scholes model. The IFRS 2: Share based payments costs relating to the SAR Scheme amounted to R5,2 million (2010: R2,7 million). Significant inputs into the model include the grant prices of SARs, the dividend yield of 5% p.a. (2010: 6% p.a.), risk-free interest rate of 7.88% p.a. (2010: 7.88% p.a.), employee turnover of 10.92% p.a. (2010: 10.79% p.a.), IFAs qualification and vesting of 50% (2010: 50%) contractual life of 1 to 7 years (2010: 1 to 7 years) and potential share price growth.

	Group		Company	
	2011 R'000	2010 R'000	**2011 R'000**	2010 R'000
13. NDR				
NDR: Contingency	**11 011**	7 610	**–**	–

The full amount of the contingency reserve is the reserve as required in terms of the provisions of the Short-term Insurance Act. The reserve is calculated at 10% of net premiums written during the previous 12 months for short-term insurance policies. The reserve may be utilised only with the written consent of the Registrar of Short-term Insurance. Transfers to and from this reserve are treated as appropriations of retained earnings.

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	Group		Company	
	2011 R'000	2010 R'000	**2011 R'000**	2010 R'000
NDR: FCTR reserve	**(9 330)**	(9 446)	**–**	–
This reserve arises due to exchange differences when accounting for a foreign entity. Asset and liabilities of the foreign entity are translated at the closing rate whilst Statement of Comprehensive Income items are translated at an average rate of exchange for the year.				
NDR: Change in ownership				
Balance at beginning of year (2 500 005 ordinary shares)	**45 326**	45 326	**–**	–
Changes in ownership interests in subsidiary that do not result in a loss of control	**(1 420)**			
Balance at end of year (2 833 339 ordinary shares)	**43 906**	45 326	**–**	–
NDR: Revaluation	**31 534**	26 827	**–**	–
The revaluation reserve relates to owner occupied land and buildings owned by the subsidiaries, Clientèle Properties North and Clientèle Properties South referred to in note 4 of the Notes to the Annual Financial Statements. The land and buildings have been revalued to market value through equity. Deferred taxation (refer to note 21 on page 132) has been provided at rates appropriate to the land and buildings and resulted in a net increase of R1,2 million to the deferred tax liability (2010: R1,3 million).				

	Group	
	2011 R'000	2010 R'000
14. POLICYHOLDERS' LIABILITIES UNDER INSURANCE CONTRACTS		
Balance at beginning of year	**693 725**	584 027
Change in policyholder liabilities under insurance contracts	**84 032**	109 698
Repayment	**(778)**	
Balance at end of year	**776 979**	693 725

Group	2011 Gross of reinsurance R'000	2011 Net of reinsurance R'000	2010 Gross of reinsurance R'000	2010 Net of reinsurance R'000
Long-term insurance				
Changes in insurance liabilities and reinsurance				
Discounted insurance liabilities as at the beginning of the year	**673 010**	**669 692**	558 583	552 565
Discretionary margins	**(1 119 913)**	**(1 119 913)**	(922 375)	(922 375)
Discounted insurance liabilities as at the beginning of the year prior to allowance for discretionary margins	**(446 903)**	**(450 221)**	(363 791)	(369 810)
Expected interest on insurance liabilities (and cash flows)	**(48 699)**	**(48 459)**	(38 067)	(37 657)
Expected premiums on insurance liabilities	**894 806**	**838 516**	758 680	716 243
Expected unwinding of margins (existing business)	**(80 533)**	**(80 542)**	(97 711)	(96 658)
Expected claims, expiries and lapses	**(336 422)**	**(284 429)**	(255 569)	(203 576)
Expected expenses, commission and charges	**(206 662)**	**(206 662)**	(110 622)	(110 622)
Experience variations	**(86 344)**	**(78 880)**	60 052	47 424
Changes in Valuation basis (renewal business only)	**(8 896)**	**(8 852)**	(9 424)	(9 322)
New business added during the year	**(544 335)**	**(544 124)**	(390 451)	(386 243)
Discounted insurance liabilities as at the end of the year prior to allowance for discretionary margins	**(863 988)**	**(863 653)**	(446 903)	(450 221)
Plus: Discretionary margins	**1 623 476**	**1 622 846**	1 119 913	1 119 913
A: Discounted insurance liabilities as at the end of the year	**759 488**	**759 193**	673 010	669 692
Undiscounted insurance liabilities as at the beginning of the year	**8 745**	**5 483**	21 428	5 299
Withdrawals and change in reinsurance during the year	**(1 772)**	**(1 059)**	(13 611)	(45)
Change in method on existing business	**1 238**			
New business added during the year	**404**	**308**	928	230
B: Undiscounted insurance liabilities as at the end of the year	**8 615**	**4 732**	8 745	5 484
Total insurance liabilities as at the end of the year (A+B)	**768 103**	**763 925**	681 755	675 176
Reinsurance assets		**4 178**		6 579
Gross insurance liabilities as at the end of the year	**768 103**	**768 103**	681 755	681 755
Short-term insurance	**8 876**	**8 876**	11 970	11 970
IBNR	**220**	**220**	5 328	5 328
Cash back bonus & Outstanding Claims	**8 656**	**8 656**	6 642	6 642
	776 979	**776 979**	693 725	693 725

Notes to the Annual Financial Statements

continued

	Group		Company	
	2011 R'000	2010 R'000	**2011 R'000**	2010 R'000
15. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS				
Balance at beginning of year	**781 513**	717 561		
Movements for the year				
– Fair value adjustments	**99 960**	98 705		
– Deposits	**224 706**	245 317		
– Withdrawals and maturities	**(90 389)**	(280 070)		
Balance at end of year	**1 015 790**	781 513	**–**	–

The unrecognised profit in respect of financial liabilities at fair value through profit or loss amounts to R32,2 million (2010: R23,9 million).

The change in fair value attributable to changes in credit risk is insignificant or R nil (2010: R nil). The amount payable on maturity is R1 268,0 million (2010: R1 006,0 million).

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
16. FINANCIAL LIABILITIES AT AMORTISED COSTS				
Balance at beginning of year	**30 466**		**30 466**	
Movements for the year				
– Interest	**3 732**	1 630	**3 732**	1 630
– Deposits		28 836		28 836
Balance at end of year	**34 198**	30 466	**34 198**	30 466

The loan bears interest at fixed interest rates (between 10% and 12.25% per annum) and is repayable after a five year period.

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
17. LOANS AT AMORTISED COST				
KC2008				
Balance at beginning of year	**14 790**	15 505		
Advances	**10 912**			
Foreign currency adjustments on translations	**(2 316)**	(715)		
	23 386	14 790	**–**	–

The loan is unsecured, has no interest and is under discussion as part of the voluntary liquidation process (refer to note 40 – Events after the Reporting Date). There were no loan breaches or defaults during the year.

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
Wesbank				
Balance at beginning of the year	**–**			
Advances	**70 000**			
Interest	**1 910**			
Repayments	**(1 808)**			
	70 102	–	**–**	–

The above loan is in terms of a funding facility agreement with Wesbank, a division of FirstRand Bank Limited. The loan consists of three advances repayable over a three year period bearing interest ranging between 7.70% – 8.45%, with monthly interest payments of R0,5 million. The capital amount fo each advance is repayable at the end of each advance's 3 year period, with the final instalment of R15 million due on 25 May 2014. 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.

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
Maturity analysis				
Due within one year	**23 386**			
Due within two to five years	**70 102**	14 790		
Balance at end of year	**93 488**	14 790	**–**	–

	Group		Company	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
18. FINANCE LEASES				
Not later than one year	370	541		
Later than one year and not later than five years	29	398		
Total finance lease liabilities	399	939		
Future finance charges on finance leases	(80)	(161)		
Present value of finance lease liability	319	778	–	–
Current	319	447		
Non-current		331		
	319	778	–	–

The finance lease liability is secured over certain equipment utilised in the brokerage business (IFA Nigeria). Repayments are based on interest rates of 18% and 27% and are payable one month in arrears.

	Group		Company	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
19. EMPLOYEE BENEFITS				
Goodwill Scheme (refer to 19.1)	36 287	21 500		
EV scheme (refer to 19.2)	36 733	28 699		
Short-term bonuses (refer to 19.3)	13 273	14 477		
	86 293	64 676	–	–
Current	50 006	43 176		
Non-current	36 287	21 500		
	86 293	64 676	–	–
19.1 Goodwill Scheme				
Balance at beginning of year	21 500	28 943		
Payments during the year		(21 888)		
Provision raised (refer to note 30)	14 787	14 445		
Interest cost	1 761	553		
Service cost	9 072	7 115		
Net actuarial loss	3 954	6 777		
Balance at end of year	36 287	21 500	–	–

The above relates to the Goodwill element of the incentive bonus scheme as discussed in the Group Remuneration Report (page 32) and the accounting policies (note 20 on page 102) 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	
	2011	2010
VNB at end of cycle (R million)	650	600
Goodwill Scheme multiple	5.00	5.00
Risk free rate (%)	7.68	8.25
In force participants (%)	75.00	75.00
Payment term (years)	5	5

Goodwill sensitivities	**Cycle 2 R'000**
Value of liability at VNB of R650 million	36 287
VNB at end of Cycle	
R700 million	41 289
R750 million	46 291
Risk free rate	
+ 1%	35 318
– 1%	37 298
Goodwill scheme multiple	
6	49 292
7	62 297
Proportion of in-force participants (Cycle 2)	
100%	48 382

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, in cycle 1 of the Goodwill Scheme, been set at levels which the Group Remuneration Committee deem to be fair and equitable to both shareholders and the participants and are fixed for cycle 1 which ended on 30 June 2007, after taking into account all relevant circumstances at the time in accordance with the rules of the Goodwill Scheme. The variables used for cycle 2 will change over time as circumstances, Group performance and the economic environment change. The effect on the liability when using difference assumptions is set out above. These variables will be fixed by the Group Remuneration Committee when cycle 2 ends on 30 June 2012.

19.2 EV scheme

The build-up of the EV scheme liability is as follows:

	Group		Company	
	2011 R'000	2010 R'000	**2011 R'000**	2010 R'000
Balance at beginning of year	**28 699**	33 160		
Provision raised (refer to note 30)	**36 733**	28 699		
Payment during the year	**(28 699)**	(33 160)		
Balance at end of year	**36 733**	28 699	**–**	–

The principal actuarial assumptions used for estimating the obligation that relates to the EV Scheme are as follows:

	Group 2011	Group 2010	Company 2011	Company 2010
Payment terms (years)	**4**	4		
Hurdle rate (%)	**12.681**	13.517		
In-force participants (%)	**78.00**	86.00		

EV Earnings are based on the EV assumptions and calculations as outlined in the EV Statement.

19.3 Short-term bonuses

	Group 2011	Group 2010	Company 2011	Company 2010
The build-up of the liability in respect of short-term bonuses is as follows:				
Balance at beginning of year	**14 477**	11 620		
Provision raised (refer to note 30)	**13 273**	14 477		
Payments during the year	**(14 477)**	(11 620)		
Balance at end of year	**13 273**	14 477	**–**	–

20. ACCRUALS AND PAYABLES INCLUDING INSURANCE PAYABLES

	Group 2011	Group 2010	Company 2011	Company 2010
IFA referral fees and bonuses payable	**8 443**	9 226		
Premiums received in advance	**15 451**	10 578		
Deferred income	**37 115**	25 632		
Due from subsidiaries			**148**	3 268
Other accruals and payables	**52 447**	46 993	**491**	486
	113 456	92 429	**639**	3 754

The carrying value amounts approximates fair value amounts.

Maturity analysis	Group 2011	Group 2010	Company 2011	Company 2010
Due within one year	**90 439**	74 987	**639**	3 754
Due within two to five years	**23 017**	17 442		
	113 456	92 429	**639**	3 754

	Group		Company	
	2011 R'000	2010 R'000	**2011 R'000**	2010 R'000
21. DEFERRED TAX				
Assets				
Balance at beginning of year	**22 367**	24 201	**796**	796
Charge to the Statement of Comprehensive Income				
– Tax losses	**680**	(9 438)		
– STC	**(796)**		**(796)**	
– Income received in advance	**302**	131		
– Cashback bonus provision	**1 218**	959		
– Long-term employee benefits	**4 140**	3 265		
– Deferred profits on financial liabilities held at fair value through profit or loss	**2 359**	3 249		
Balance at end of year	**30 270**	22 367	**–**	796
Liability				
Balance at beginning of year	**16 483**	11 682		
Charge to the Statement of Comprehensive Income				
– Accruals and provisions	**4 861**	1 812		
– Property, plant and equipment	**509**	1 644		
Deferred tax on revaluation of land	**433**	197		
Deferred tax on revaluation of buildings	**797**	1 148		
Balance at end of year	**23 083**	16 483	**–**	–
Analysis of deferred tax balances:				
Assets				
Tax losses	**8 434**	7 754		
STC credits		796		796
Income received in advance	**433**	131		
Cashback bonus provision	**2 177**	959		
Long-term employee benefits	**10 161**	6 021		
Deferred profits on financial liabilities held at fair value through profit or loss	**9 065**	6 706		
Deferred tax asset at end of year	**30 270**	22 367	**–**	796
Liability				
Accruals and provisions	**9 890**	5 029		
Plant and equipment	**3 338**	2 829		
Revaluation of land	**1 948**	1 515		
Revaluation of buildings	**7 907**	7 110		
Deferred tax liability at end of year	**23 083**	16 483	**–**	–
Total deferred tax asset	**30 270**	22 367	**–**	796
Current	**433**	927		796
Non-current	**29 837**	21 440		
Total deferred tax liability	**(23 083)**	(16 483)	**–**	–
Current	**(9 890)**	(5 029)		
Non-current	**(13 193)**	(11 454)		
Net deferred tax asset at end of year	**7 187**	5 884	**–**	796

The assessable tax loss of the IPF amounts to R1,68 billion (2010: R1,42 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.

	Group		Company	
	2011 R'000	2010 R'000	**2011 R'000**	2010 R'000
22. INSURANCE PREMIUM REVENUE				
Long-term insurance – individual recurring	**999 467**	926 361		
Short-term insurance – individuals	**115 528**	79 299		
	1 114 995	1 005 660	**–**	–
23. REINSURANCE PREMIUMS				
Long-term insurance – individual recurring	**56 673**	42 755		
	56 673	42 755	**–**	–
24. OTHER INCOME				
IFA annuity fee income	**125 490**	142 115		
Marketing materials' sales	**226**	1 035		
Supplier discounts received	**128**	129		
Fee income			**5 028**	3 367
Properties – rental income	**1 811**	853		
Fee income from advances	**6 905**	2 852		
Income from Mobile business	**3 498**	2 722		
Other income	**8 659**	422		
Admin fees	**1 631**	1 151		
IFA brokerage income	**9 624**	8 746		
Dividends received (unlisted)			**152 058**	145 870
	157 972	160 025	**157 086**	149 237
25. INTEREST INCOME				
Loans business	**23 722**	10 750		
Cash and cash equivalents	**1 635**	4 391	**776**	333
	25 357	15 141	**776**	333
26. FAIR VALUE ADJUSTMENT TO FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS				
Designated – fair value adjustments	**224 686**	185 064	**–**	–
The above fair value adjustments include gains arising from:				
Interest	**122 457**	122 824		
Dividends (listed)	**15 083**	10 271		

Notes to the Annual Financial Statements

continued

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
27. NET INSURANCE BENEFITS AND CLAIMS				
Long-term insurance				
Claims and policyholders' benefits under insurance contracts	**254 451**	218 865	**–**	–
Death and disability claims	**95 812**	88 807		
Policy surrender claims	**158 639**	130 058		
Insurance claims recovered from reinsurers	**(54 856)**	(57 178)		
	199 595	161 687	**–**	–
Short-term insurance	**9 724**	7 747		
	209 319	169 434	**–**	–
28. CHANGE IN POLICYHOLDER LIABILITIES UNDER INSURANCE CONTRACTS				
Long-term insurance	**86 347**	101 744		
Short-term insurance	**(2 315)**	7 953	**–**	–
IBNR	**(5 107)**	4 528		
Cashback bonus	**1 911**	3 425		
Outstanding claims	**881**			
	84 032	109 697	**–**	–
29. IMPAIRMENT OF ADVANCES				
Specific	**1 028**	456		
Portfolio	**4 729**	1 387		
Bad debts written off	**5 801**	3 765		
	11 558	5 608	**–**	–

Clientèle LIMITED

	Group		Company	
	2011 R'000	2010 R'000	**2011 R'000**	2010 R'000
30. OPERATING EXPENSES				
Acquisition and administration expenses by nature are as follows:				
Total Auditors' remuneration	**3 757**	4 102	**548**	675
Audit fees	**3 441**	3 630	**548**	675
Other services – taxation	**246**	462		
Other services – corporate finance	**70**	10		
Actuarial fees	**2 272**	1 798		
Computer expenses	**16 387**	13 796		
Consultancy fees	**5 621**	5 033		
Employee benefits	**294 546**	242 295	**–**	–
Salaries and other short-term benefits	**216 362**	175 352		
Defined contribution provident fund – current service costs	**8 210**	6 439		
Goodwill Scheme expense	**14 787**	14 445		
EV scheme expense	**36 733**	28 699		
Short-term bonuses	**13 273**	14 477		
SAR Scheme expense	**5 181**	2 883		
Asset management fees	**3 874**	2 699		
Operating lease rentals	**2 736**	2 959		
Amortisation of intangible assets	**13 968**	4 655		
Impairment of intangible assets	**6 654**			
Depreciation	**14 355**	17 159	**–**	–
Computer equipment	**6 108**	7 178		
Computer software	**1 491**	2 004		
Furniture and equipment	**3 012**	1 813		
Leasehold improvement	**2 487**	2 595		
Motor vehicles	**1 257**	1 301		
Owner–occupied properties	**–**	2 268		
Local travel costs	**1 249**	1 398		
Administration and marketing	**243 326**	213 112	**483**	397
IFA referral fees and bonuses paid	**120 001**	123 800		
Property expenses	**5 405**	7 897		
Profit on disposal of fixed assets	**(250)**	(234)		
Foreign exchange loss	**1 257**	382		
Other	**31 100**	33 587	**469**	249
	766 258	674 438	**1 500**	1 321
Comprising:				
Acquisition costs associated with insurance contracts	**613 867**	539 297		
Administrative expenses	**152 391**	135 141	**1 500**	1 321
	766 258	674 438	**1 500**	1 321
Staff count	**1 039**	845	**–**	–

Notes to the Annual Financial Statements
continued

31. 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 Executive Directors of Clientèle, whose remuneration is disclosed below.

Year ended 30 June 2011

Non-executive Directors **Paid by the Group**	**Months in office**	**Directors' fees R'000**	**Total emoluments R'000**
G.Q. Routledge	**12**	**1 700**	**1 700**
B.A. Stott	**12**	**900**	**900**
P.R. Gwangwa	**12**	**307**	**307**
Total emoluments		**2 907**	**2 907**

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**
G.J. Soll	**12**	**1 616**	**11 536**	**34**	**13 186**
B. Frodsham	**12**	**892**	**6 445**	**62**	**7 399**
I.B. Hume	**12**	**1 147**	**6 426**	**89**	**7 662**
B.W. Reekie	**12**	**2 036**	**5 745**	**68**	**7 849**
Total emoluments		**5 691**	**30 152**	**253**	**36 096**

Bonuses and performance related payments include incentive bonus scheme payments and amounts payable. No SARs have been issued to Directors.

Year ended 30 June 2010

Non-executive Directors **Paid by the Group**	Months in office	Directors' fees R'000	Total emoluments R'000
P.J.A. Cunningham	10	540	540
G.Q. Routledge	12	1 350	1 350
B.A. Stott*	6	325	325
P.R. Gwangwa	6	150	150
Total emoluments		2 365	2 365

* *Consulting fees of R225 000 were paid prior to appointment as a Non-executive Director.*

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
G.J. Soll	12	1 660	8 868	37	10 565
B. Frodsham	12	853	4 804	59	5 716
I.B. Hume	12	1 096	4 846	83	6 025
B.W. Reekie	12	1 949	4 253	63	6 265
Total emoluments		5 558	22 771	242	28 571

Bonuses and performance related payments include incentive bonus scheme payments and vested amounts payable. No SARs have been issued to Group Directors.

	Group		Company	
	2011 R'000	2010 R'000	**2011 R'000**	2010 R'000
Key management				
The following salaries were paid and bonuses payable to key management excluding Group Directors	**23 158**	26 930	**–**	–
Key management are part of Excom.				
32. EQUITY ACCOUNTED (LOSS)/EARNINGS				
Clientèle USA LLC	**(81)**	23		
	(81)	23	**–**	–
33. TAX				
South African normal tax	**79 771**	79 071	**957**	210
Current year tax	**82 556**	83 876	**161**	210
Deferred tax	**(2 345)**	(3 561)	**796**	
Prior year over provision	**(440)**	(1 244)		
South African capital gains tax	**1 108**	76	**–**	–
Current year tax	**1 108**	76		
STC	**15 538**	11 996		174
Nigerian tax	**–**	7 780	**–**	–
Deferred tax		7 780		
Total tax expense	**96 417**	98 923	**957**	384
Tax rate reconciliation				
Profit before tax	**286 643**	247 382	**152 630**	148 249
Tax	**(96 417)**	(98 923)	**(957)**	(384)

	%	%	**%**	%
Effective tax rate	**33.64**	39.99	**0.63**	0.26
Adjustments due to:				
Over provisions in respect of prior year	**0.15**	0.50		
STC	**(5.42)**	(4.85)	**(0.52)**	0.12
Capital gains tax	**(0.39)**	(0.03)		
Effect of tax rate change				
Exempt income	**0.22**	0.47	**27.89**	27.62
Other items	**0.72**	(1.42)		
Reversal of deferred tax in respect of prior year		(3.14)		
Unrecognised deferred tax on tax losses	**(0.92)**	(3.52)		
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.

The amount of income tax consequences of dividends to shareholders of the company that were declared and paid before the financial statements were authorised for issue, but are not recognised as a liability in the Annual Financial Statements amounted to R16,9 million.

Notes to the Annual Financial Statements

continued

	Group		Company	
	2011 R'000	2010 R'000	**2011 R'000**	2010 R'000
34. EARNINGS PER SHARE				
Reconciliation of earnings to headline earnings				
Profit attributable to ordinary shareholders	**194 957**	159 739	**151 673**	146 235
Less: Profit on disposal of fixed assets	**(250)**	(234)		
Add: Impairment of software	**4 790**			
Headline earnings	**199 497**	159 505	**151 673**	146 235
Weighted ordinary shares in issue ('000)	**323 616**	323 505		
Diluted average ordinary shares in issue ('000)	**325 698**	324 857		

	Cents	**Cents**
Earnings per share	**60.24**	49.38
Headline earnings per share	**61.65**	49.31
Diluted earnings per share	**59.86**	49.17
Diluted headline earnings per share	**61.25**	49.10

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 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 the strike price at grant date. This difference gives the value per share of the benefit accruing to the SAR participant. The value is multiplied by the number of SARs and divided by the average Clientèle share price to measure the value as the notional number of shares.

	Group		Company	
	2011 **R'000**	2010 R'000	**2011** **R'000**	2010 R'000
35. CASH GENERATED BY OPERATIONS				
Profit from operations	**286 643**	247 382	**152 630**	146 619
Adjusted for non-cash items:				
Fair value adjustment to financial assets at fair value through profit or loss	**(224 686)**	(185 064)		
Increase in policyholder liabilities under insurance contracts	**84 032**	109 697		
Fair value adjustment to financial liabilities at fair value through profit or loss	**99 960**	98 705		
Accrued interest expense	**3 732**	1 630	**3 732**	1 630
Decrease in reinsurance assets	**2 401**	15 568		
Impairment of advances	**12 323**	1 843		
Amortisation of intangible assets	**13 968**	4 655		
Depreciation	**14 355**	17 159		
Impairment of intangible assets	**6 654**			
SAR scheme expense	**5 181**	2 883		
Interest on finance leases	**129**	244		
Profit on disposal of fixed assets	**(250)**	(234)		
Equity accounted earnings from associate	**81**	(23)		
FCTR	**267**	(2 691)		
Items disclosed separately:				
Interest received	**(30 437)**	(32 992)	**(776)**	
Dividends received	**(14 300)**	(10 271)		
Working capital changes:				
Increase in investment in associate				
Decrease in inventories	**573**	1 241		
Increase in loans and receivables including insurance receivables	**(101 493)**	(17 098)		
Increase/(decrease) in financial liabilities at fair value through profit or loss	**134 317**	(34 752)		
Increase in financial liabilities at amortised cost	**70 000**	28 836		
Increase/(decrease) in provisions, accruals, payables and employee benefits	**31 261**	(10 481)	**(142)**	166
Increase in deferred profits not recognised	**11 483**	12 711		
	406 194	248 948	**155 444**	148 415

Notes to the Annual Financial Statements

continued

	Group		Company	
	2011 R'000	2010 R'000	**2011 R'000**	2010 R'000
36. DIVIDENDS PAID				
Balance owing at the beginning of the year	**168**	168	**70**	70
Amount declared for the year	**152 058**	135 870	**152 058**	135 870
	152 226	136 038	**152 128**	135 940
Balance owing at the end of the year	**(217)**	(168)	**(217)**	(70)
Amount paid during the year	**152 009**	135 870	**151 911**	135 870
37. TAX PAID				
Balance owing at the beginning of the year	**(1 179)**	26 720	**(459)**	(669)
Amount provided for the year	**96 417**	98 923	**957**	384
	95 238	125 643	**498**	(285)
Balance owing at the end of the year	**5 376**	1 179	**30**	459
Amount paid during the year	**100 614**	126 822	**528**	174

38. RELATED PARTIES DISCLOSURE

The Group defines related parties as:

- The parent company:
- Subsidiaries and fellow subsidiaries
- Associates
- Key management personnel

38.1 The parent company

R Enthoven and Sons Proprietary Limited ultimately controls 77.96% (2010: 81.9%) of the issued ordinary shares via its Group companies (refer to note 11 on page 122).

38.2 Subsidiaries and fellow subsidiaries

Details of interests in subsidiaries are disclosed on page 117. Transactions between Clientèle and its subsidiaries have been eliminated on consolidation and are disclosed in this note as required by IFRS.

	Group	
	2011 R'000	2010 R'000
Statement of Financial Position information		
The following are the transactions and balances in respect of subsidiaries:		
– Inter-company loan to Clientèle by Clientèle Life*		
Balance at beginning of year	**9 192**	29 198
Advances	**2 512**	17 762
Repayments	**(4 704)**	(37 768)
Balance at end of year	**7 000**	9 192
– Inter-company loan by Clientèle Life to Clientèle Properties East*		
Balance at beginning of year	**2 043**	2 540
Advances	**8 200**	5 665
Repayments	**(2 893)**	(6 162)
Balance at end of year	**7 350**	2 043

	Group	
	2011 R'000	2010 R'000
– Investment by Clientèle Life in corporate bond issued by Clientèle Properties South**		
Balance at beginning of year	**40 413**	40 413
Interest expense	**4 029**	4 040
Repayment	**(4 040)**	(4 040)
Balance at end of year	**40 402**	40 413
– Investment by Clientèle Life in corporate bond issued by Clientèle Properties North **		
Balance at beginning of year	**65 587**	61 762
Interest expense	**6 929**	6 793
Repayments	**(8 017)**	(2 968)
Balance at end of year	**64 499**	65 587
– Investment by Clientèle Life in corporate bond issued by Clientèle**		
Balance at beginning of year	**30 466**	–
Advances		28 836
Interest expense	**3 732**	1 630
Balance at end of year	**34 198**	30 466
– Inter-company loan to IFA Nigeria by Clientèle Life***		
Balance at beginning of year	**4 359**	1 276
Interest	**343**	171
Royalty income	**42**	63
Advances	**12 812**	6 279
Repayments		(3 430)
Loan waived	**(17 556)**	
Balance at end of year	**–**	4 359
– Inter-company loan to Clientèle General Insurance by Clientèle Life*		
Balance at beginning of year	**1 231**	2 916
Management and support services charge	**31 704**	8 970
Advances	**16 130**	21 546
Repayments	**(44 347)**	(32 201)
Balance at end of year	**4 718**	1 231
– Inter-company loan to Clientèle General Insurance by Clientèle*		
Balance at beginning of year	**8**	1 997
Advances	**1 741**	891
Repayments	**(1 579)**	(2 880)
Balance at end of year	**170**	8

Notes to the Annual Financial Statements

continued

	Group	
	2011 R'000	2010 R'000
– Inter-company loan to Clientèle Properties South by Clientèle Life*		
Balance at beginning of year	**322**	1 980
Management and support services charge	**1 403**	1 009
Advances	**650**	187
Repayments	**(2 378)**	(2 854)
Balance at end of year	**(3)**	322
– Inter-company loan to Clientèle Properties North by Clientèle Life*		
Balance at beginning of year	**–**	217
Management and support services charge	**711**	536
Advances	**2 300**	11
Repayments	**(3 009)**	(764)
Balance at end of year	**2**	–
– Inter-company loan to Clientèle Properties South by Clientèle*****		
Balance at beginning of year	**5 916**	–
Interest	**766**	182
Advances		5 734
Balance at end of year	**6 682**	5 916
– Loan to Clientèle Mobile by Clientèle Life*		
Balance at beginning of year	**43**	343
Advances	**1 215**	3 157
Repayments	**(1 265)**	(3 457)
Balance at end of year	**(7)**	43
– Loan to Clientèle Loans Direct by Clientèle Life*****		
Balance at beginning of year	**51 272**	31 815
Interest	**6 744**	4 487
Credit life income	**5 692**	2 122
Advances	**71 500**	31 955
Repayments	**(75 257)**	(19 107)
Balance at end of year	**59 951**	51 272

* *These inter-company loans do not bear interest and have no fixed terms of repayment.*

** *The investment bears interest at fixed interest rates (between 10% 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.*

	2011 R'000	2010 R'000
38.3 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	**4 029**	4 040
– Interest expense paid by Clientèle Properties North to Clientèle Life	**6 929**	6 793
– Interest expense paid by IFA Nigeria to Clientèle Life	**343**	171
– Interest expense paid by Clientèle Loans Direct to Clientèle Life	**6 744**	4 487
– Interest expense paid by Clientèle Properties South to Clientèle	**766**	182
– Interest expense paid by Clientèle to Clientèle Life	**3 732**	1 630
Rentals		
– Rental expense paid by Clientèle Life to Clientèle Properties South	**11 862**	11 516
– Rental expense paid by Clientèle Life to Clientèle Properties North	**6 851**	6 141
– Rental expense paid by Clientèle General Insurance to Clientèle Properties North	**1 954**	1 120
Royalties		
Royalty expense paid by IFA Nigeria to Clientèle Life	**42**	63
Insurance		
Insurance expense paid by Clientèle Life to Hollard Insurance Company Limited	**160**	640
Management and support services charge		
– Expenses paid by Clientèle Properties South to Clientèle Life	**1 403**	1 009
– Expenses paid by Clientèle Properties North to Clientèle Life	**711**	536
– Expenses paid by Clientèle General Insurance to Clientèle Life	**31 704**	8 970

38.4 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 31 to the Annual Financial Statements and their shareholdings in the Company are disclosed in the Report of the Directors on page 55 under 'Directors' shareholdings'. No Director had a material interest in any contract of significance with the Company or any of its subsidiaries during 2011.

Notes to the Annual Financial Statements
continued

38.5 Fellow subsidiaries

Affiliated companies of the Hollard Group

Adampol Proprietary Limited
Altrisk Proprietary Limited
Colin Cooper & 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 & 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 & 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)

39. COMMITMENTS

The Group's operating leases relate mainly to property rental of the Nigerian operation. The rentals were negotiated upfront, with a percentage contribution of the monthly operating costs. The lease is non-cancellable.

Letters of guarantee: Clientèle has agreed to provide financial assistance to Clientèle Properties North, Clientèle Mobile and Clientèle Loans Direct for the foreseeable future, until such time as the assets fairly valued exceeds their liabilities.

40. EVENTS AFTER THE REPORTING DATE

After year end, 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. As has been previously communicated to shareholders, the biggest challenge and threat to the viability and sustainability of the IFA business in Nigeria has been the high level of unpaid premiums. Despite every effort to try and improve the level of collections, the level of unpaid premiums on existing business continued to exceed acceptable levels due to factors unique to the Nigerian market. The Board did not envisage that this situation would change significantly in the foreseeable future, and reluctantly made the decision to close IFA Nigeria.

Notice of Annual General Meeting

for the year ended 30 June 2011

The Companies Act came into effect on 1 May 2011. Accordingly, the Company's Memorandum and Articles of Association are now referred to as the MOI.

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 4th AGM of Clientèle, the Record Date is hereby set as close of business on 21 October 2011 with the Last Day to Trade in the shares of Clientèle on the JSE being on Friday, 14 October 2011.

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 fourth AGM of Clientèle will be held in the boardroom, Building 3, Clientèle Office Park, corner Rivonia and Alon Roads, Morningside on 27 October 2011 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 2011 as per the attached pages 50 to 145. A copy of the Annual Financial Statements of the Company relating to the preceding financial year can be obtained from the 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.

Gavin Quentin Routledge, 55, (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 advisese 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.

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 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 himself for re-election.

Adrian Domonic 't Hooft Enthoven, 41, (Non-executive Director) (BA Hons Politics, Philosophy, and Economics; PhD in Political Science)
Dr Adrian Enthoven is the Executive Chair of Capricorn Ventures International, an international investment and insurance Group. He also serves on the Boards of a number of South African companies and NGOs. In the early nineties, he worked as a facilitator in 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 Capricorn Group investment and philanthropic strategy in Africa, and manages the South African based tourism, property and wine assets.

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 himself for re-election.

Iain Bruce Hume, 44, (Executive Director), (CA(SA) CIMA).
Mr Iain Hume is a Chartered Accountant and an associate of the Chartered Institute of Management Accountants with 15 years' experience in the banking and life insurance industry. Mr Hume has been with the Clientèle Group since 2000. Mr Hume is the Financial Director of the Clientèle Group and the Managing Director of Clientèle General Insurance.

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 Auditor

To re-appoint the 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 2012 and their concomitant remuneration. The designated Audit partner for the year ending 30 June 2012 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 subject to the passing of Ordinary Resolution Number 2, contained in this same notice of AGM as that which contains notice of this Ordinary Resolution Number 6, 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 3, contained in this same notice of AGM as that which contains notice of this Ordinary Resolution Number 7, the election of Dr ADT Enthoven, a Non-executive Director of the Company, as a member of Clientèle's 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 the Company, as a member and Chairman of Clientèle's Group Audit Committee until the conclusion of the next AGM, be and is hereby approved.

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 curriculum vitae of the proposed members (refer to pages 53 to 54 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 Issuer Services Division of 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 (requirement of 75%) – SAR Scheme amendments
Resolved that the following amendments to the SAR Scheme are approved, so as to comply with Schedule 14 of the Listings Requirements, namely:

1.1 clause 3.2 of the Scheme is deleted in its entirety and replaced with the following new clause
"3.2 The aggregate number of Ordinary Shares that may be allotted and issued to SAR Participants under the Scheme shall not exceed 32 350 000 Ordinary Shares ("Scheme Allocation"). The Scheme Allocation may be increased by ordinary resolution of the shareholders of the Company from time to time."
1.2 clause 3.3 of the Scheme is deleted in its entirety and replaced with the following new clause
"3.3 The aggregate number of SARS which may be allocated to any one SAR Participant under the Scheme shall be 647 000."
1.3. by the deletion of clause 3.4.2 of the Scheme in its entirety;
1.4. by the insertion of the following new clause 4.5:
"4.5 In exercising their Discretion and thereby determining the identity of the Employees who will participate in the Scheme and the number of SARS that will be allocated to Employees as contemplated by clause 4.2, the Board will have regard to and take account of the following factors:
4.5.1 in relation to Employees : job category, performance and number of years' service;
4.5.2 in relation to IFAs : level within the IFA network and points earned based on production.
1.5 by the insertion of the following words at the end of clause 5.5 immediately after the words "are prohibited": "and in addition it may not be done without the prior approval of the JSE".

The Scheme Rules are available on request from Clientèle's registered office.

Reason for and effect of Ordinary Resolution Number 11
In order to align the SAR Scheme with Schedule 14 of the Listings Requirements.

In terms of the Listings Requirements, this resolution must be approved by a 75% majority of the votes cast in favour of this resolution.

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 32 to 35 of the Annual Integrated Report.

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 2012 (1 July 2011 to 30 June 2012) on the basis set out hereunder be approved.

Non-executive Directors' Fees	Proposed Fee Year ended 30 June 2012
GQ Routledge	R1 796 900
BA Stott	R1 051 300
PR Gwangwa	R325 000
ADT Enthoven	R NIL

It is also resolved that the remuneration of the Non-executive Directors for their services as Directors for the period 2013 (1 July 2012 to 30 June 2013) 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 5% and 7.5%).

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 2012 and 30 June 2013 in accordance with the requirements of section 66(9) of the Companies Act. Should the holders approve the payment of remuneration to Non-executive Directors, they will be paid remuneration in respect of the period 1 July 2011 to 27 October 2011 based on the approved amount pro-rated for the length of the period in question.

In order to align the timing of the increases of the Non-executive Directors to that of the Group, the approval is required for the two years as mentioned above.

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 R20 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
Company Secretary

16 September 2011

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.Clientèle.co.za
E-mail: services@Clientèle.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)

SPONSOR

PricewaterhouseCoopers Corporate Finance
Proprietary Limited
2 Eglin Road
Sunninghill, 2157
(Private Bag X36, Sunninghill, 2157)

SHAREHOLDERS' CALENDAR

Financial year ended 30 June 2011

Dividend declaration	19 August 2011
Final results announcement	22 August 2011
Dividend payment	12 September 2011
Publication of Annual Integrated Report	26 September 2011
AGM	27 October 2011

STUDIO 5

Clientèle LIMITED

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

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 27 October 2011 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:

(One vote per ordinary share)

Ordinary resolutions:	**In favour of**	**Against**	**Abstain**
1. Presentation of the Annual Financial Statements			
2. Rotation of a Director: Gavin Quentin Routledge			
3. Rotation of a Director: Adrian Domonic t'Hooft Enthoven			
4. Rotation of a Director: Iain Bruce Hume			
5. Re-appointment of the Auditor			
6. Election to the Group Audit Committee: Gavin Quentin Routledge			
7. Election to the Group Audit Committee: Adrian Domonic t'Hooft Enthoven			
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 SAR Scheme amendments			
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			

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.

Dated this day of 2011

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 sub-register 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 general meeting".

   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