Clientèle

2015

ANNUAL REPORT

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The Integrated Annual Report was prepared under the supervision of Mr IB Hume, the Group Financial Director. The Annual Financial Statements have been audited (refer to the Independent Auditors' Report to the Shareholders of Clientèle Limited on page 61).

Our Vision, Purpose and Values

Clientèle

OUR PURPOSE

SAFEGUARDING YOUR WORLD... WITH COMPASSION

OUR VISION

TO BE SOUTH AFRICA'S MOST RELIABLE AND VALUED FINANCIAL SERVICES PARTNER

OUR VALUES

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

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

PASSION
Approaching every task with determination, energy and commitment.

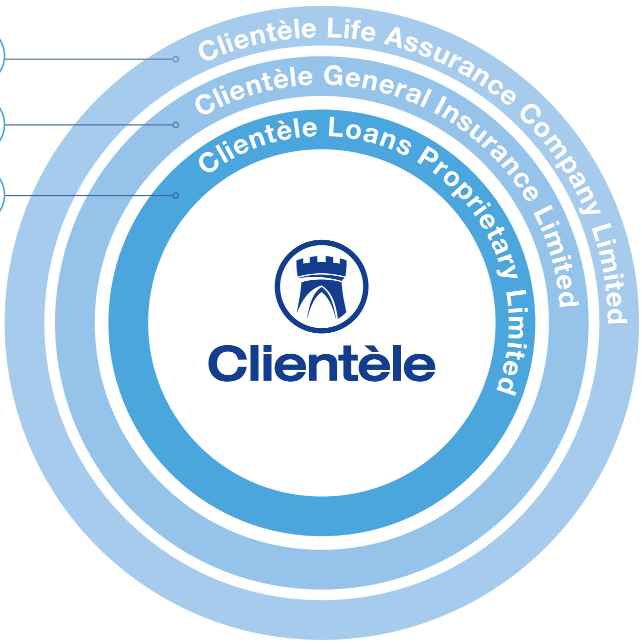
INTEGRITY
Adhering to high moral standards and being honest in all that we do.

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

Group Structure

The Group comprises of the following companies:

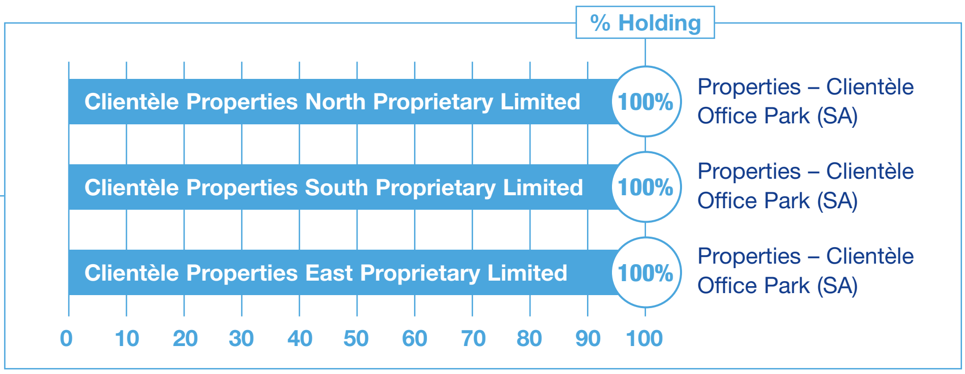
	% Holding
Long-term Insurance and investment business (SA)	100%
Short-term insurance: Personal and business lines legal insurance policies (SA)	100%
Lending (SA)	100%



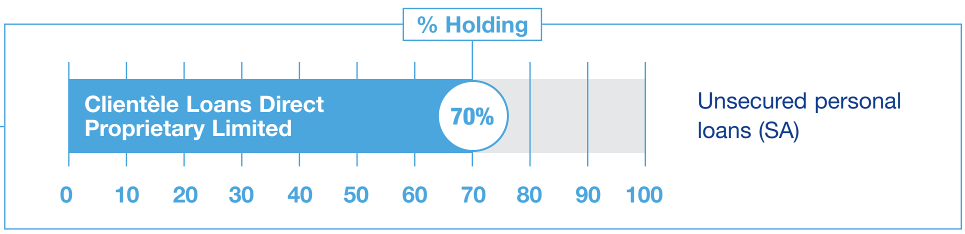
- Clientèle Direct Proprietary Limited is a dormant financial intermediary services company.
- Clientèle Mobile Proprietary Limited ceased its activities during early 2015 and will be dormant going forward.
- Clientèle Life (Netherlands) Coöpertieve U.A was liquidated on 25 August 2014.

Clientèle Life and Clientèle Loans in turn have the following investments in subsidiaries and associates:

Clientèle LIFE



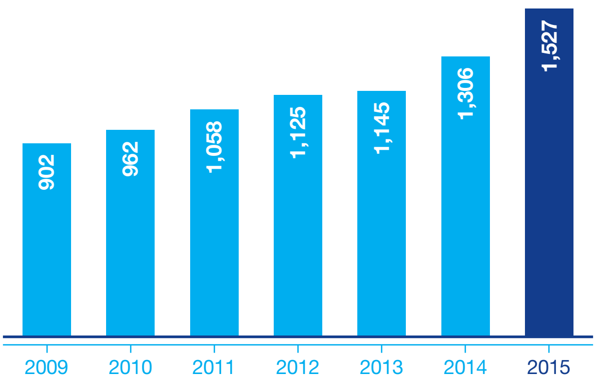
Clientèle LOANS



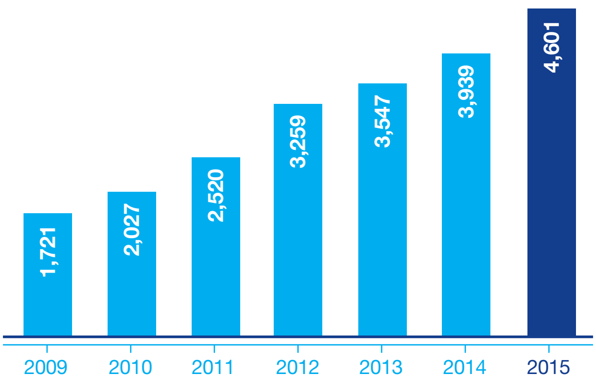
Clientèle General Insurance, Clientèle Direct and Clientèle Mobile do not have subsidiaries.

Seven Year Statistics

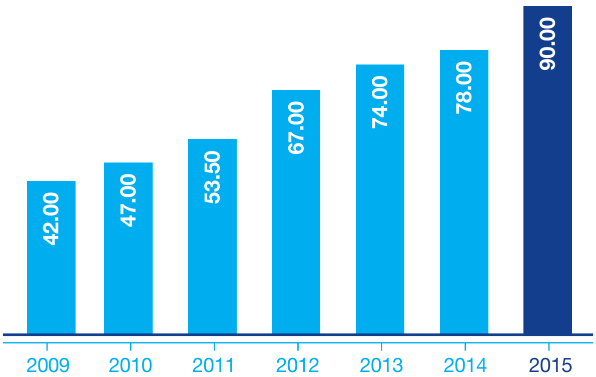
Net insurance premiums R'millions



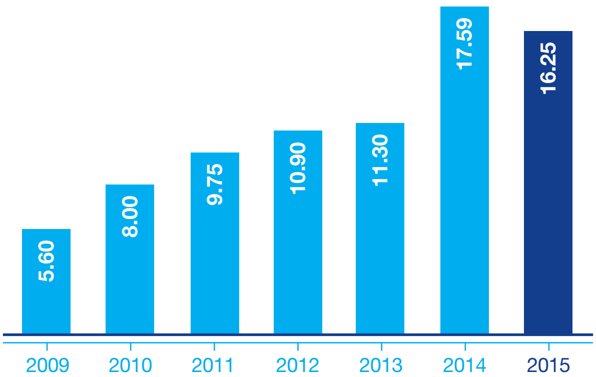
Embedded Value R'millions



Dividends declared per share Cents



Share price Rands



30 June	2009	2010	2011	2012	2013	2014	2015
Net profit for the year (R'000)	137,960	148,459	217,093	260,069	293,406	306,516	364,391
Earnings per share (cents)	44.60	49.37	67.01	79.60	89.45	93.64	109.66
Headline earnings per share (cents)	44.52	49.31	61.65	78.89	89.62	93.58	109.33
EV per share (cents)	532.01	626.46	777.95	997.55	1,081.27	1,196.38	1,391.68
Return on average shareholders' interests	57%	54%	59%	65%	65%	60%	56%
Total distributions declared (R'millions)	135	152	173	218	242	256	297
VNB (R'millions)	420	353	458	365	302	638	718
Recurring Return on EV (%)	51%	26%	32%	26%	21%	24%	30%
Recurring EV Earnings (R'millions)	540	417	593	602	636	805	1,098

Chairman's Statement

In thinking about the message I wish to convey this year, I went back through the Chairman's Statements of several prior years and I was struck by how many of the issues that we were wrestling with in past years repeat themselves, and in fact remain to this day.

A challenging business environment, the global financial crisis, the "new normal", the Grexit crisis, Eskom, the distrust that exists between government and business and between employers and employees, regulation, education, unsecured lending and the volatility or fragility of regular and reliable income for our target market. These issues are as relevant now as they were when I first raised them many years ago.

Having studied and practiced coaching for many years I am struck by the similarity on a global and macro scale between South Africa (and the world) and the many individuals who approach coaches for assistance. In coaching parlance and, I believe, in the field of psychology the individual is described as being "stuck" – frozen into inaction and in a state of inertia because he or she cannot see the way forward. They see the problems but no solutions. So it is, I believe, with South Africa.

If one is brutally honest, one would acknowledge that in the last 5 to 10 years the business environment in South Africa has been challenging. There is grave distrust between government and business and both see the other being the cause of the distrust. Labour relations have deteriorated and again employers and employees seem unable to appreciate the position of the other. Labour demands increases well above inflation and point to historical inequity and the wage gap between executives and labour while management speaks of tough business conditions, falling profits (or no profits), productivity and loss of jobs if the high wage demands are conceded.

Other issues which have highlighted the disconnect between different sectors of the South African population are Eskom and load shedding, Nkandla, and the "Rhodes must Fall" campaign at the University of Cape Town.

From one point of view the Eskom crisis is not a crisis at all and the difficulties experienced are all attributable to the strategic positioning of Eskom under the apartheid regime. The other point of view claims that the problems were created by poor strategic option taking post 1994 and the laying off of many of the experienced engineers, which has resulted in inadequate maintenance and a failure to build generating capacity to cater for expected future demand.

Nkandla has been debated ad nauseam and no end is yet in sight as the different protagonists use the subject to advance their own agendas. From a dispassionate point of view however the concerning feature is that it seems common cause that the cost is exorbitant and the value and quality delivered is small. However there has been no apology for this at any level and no-one wishes to take responsibility for the enormous waste of funds that could have been more valuably applied to building schools, clinics or houses or spent on education and policing among other desperately needed services.

The "Rhodes must Fall" campaign shone a bright light on the dramatically different way in which life in South Africa is seen by different groups of its citizens. For the protagonists of the campaign the fact that they had to pass the statue of Rhodes daily was a constant torture, a harsh reminder of all the injustice that blacks had to endure under apartheid. Others believed that the energy spent in conducting the "Rhodes must Fall" campaign could have been more valuably applied in a different and more constructive way.

These examples all illustrate how differently these groupings of South Africans view and experience the world of South Africa. In a coaching situation a good coach would spend time with the "stuck" individual in unpacking his or her view of the world and attempting to open up some alternative views of the same world to allow a different perspective and understanding to emerge – hopefully creating a positive environment for the individual to see new and sustainable solutions and paths forward.

This is what South Africa needs now, a good coach, with the vision, humility and the generosity of spirit of a Madiba and the negotiators of our Constitution. I believe that we have the potential and the intent – we are just "stuck".

At Clientèle we are trying to find additional and different sustainable solutions and paths forward that will benefit all our stakeholders. We believe that we must constantly strive to be relevant in our society and in the products that we provide. Insurance has been around for a long time and in many ways the products have not changed as much as one might expect looking at the changes in the world over the same timeframe.

We spend a great deal of time researching our target market and their needs and desires so that we can remain relevant and we believe that we do offer our market relevant and valuable products in a way that these can be easily understood and conveniently bought. We also believe that the needs of our target market and the products that we offer have to be constantly monitored and our products and sales channels reinvented when necessary.

Clientèle has adapted the Treating Customers Fairly regulation introduced by the FSB and National Treasury and aim to Treat Customers Well at all points of contact, in other words better than the standards required by regulation. We believe that insurance products, particularly life products, are most valuable to our customers over the long term and we hope to establish and nurture long-term relationships with our policyholders to our mutual benefit. We aim to be a trustworthy and reliable Group which provides value for money in products and services and provides excellent service to our policyholders.

Clientèle aims to be the most reliable and valued financial service partner to our target market with the intent of "Safeguarding your world….with compassion" so that our policyholders have peace of mind, no matter what.

NOTABLE EVENTS

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

- Clientèle was placed 14th in the Financial Mail "Top Company" survey;
- Clientèle is the only company presently listed on the JSE which has increased profits every year for the last 16 years;
- Clientèle's National Contact Centre won the Award for the Best Contact Centre in South Africa at the Contact Centre Management Group of South Africa awards;
- The Clientèle brand was recognized as one of the top 3 Long-term Insurance brands in the Sunday Times Brand Report;
- Clientèle was certified as a Top Employer for 2015 by The Top Employers Institute of South Africa;
- Clientèle received an honorary award from the DSA for the Community Water project in Kgautshwane Village, Limpopo;
- Clientèle awarded bursaries to ten deserving students to further their studies at tertiary institutions across South Africa; and
- Clientèle continued to contribute to the upkeep of community centres such as, Sithabile and various charitable organisations.

RESULTS

In the year ended 30 June 2015, Clientèle surpassed the record results that it achieved in 2014. We are extremely proud of this achievement, which is the fruit of many years of focus and hard work.

I am sure that shareholders will be appreciative of the growth in the dividend and the share price.

The detailed results are contained in the Group Managing Director's Report.

FUTURE PROSPECTS

The Group continues to evaluate opportunities in line with the Group's intention to deliver value to all stakeholders. We believe that there remains significant opportunity for growth in our current geography and target market.

APPRECIATION

I once again thank all the members of the Board, the management team, the employees and the IFAs for another wonderful performance. There are no passengers on this ship, only valuable and hard working crew members. Thank you all.

Gavin Routledge
14 September 2015

Group Managing Director's Report

The Group has achieved another year of good operating results despite the ongoing tough economic environment.

THE YEAR IN PERSPECTIVE

The strong production achieved during the 2014 financial year has continued this year whilst the quality of new business written has been maintained. This is a result of the Group's continued focus on ingraining sustainability practices and principles and maintaining strict controls.

Profit before tax increased by 19% to R501.9 million (2014: R422.4 million) and headline earnings for the Group increased by 17% to R360.6 million (2014: R307.6 million). The headline earnings and profit for last year were positively impacted by the once-off discretionary margin of R49.9 million (R35.9 million after-tax) and negatively by the R23.5 million (after-tax) fair value adjustment to the zero coupon fixed deposits in ABL.

Recurring EV Earnings have increased by 36% to R1.1 billion (2014: R805.3 million) and the VNB has increased by 12% to R717.6 million (2014: R638.2 million) despite the increase in the RDR. Had the RDR remained at the 30 June 2014 level, VNB would have increased by 21%. New Business profit margins have improved to 28.9% (2014: 27.5%) as a result of continued cost control, strong production of good quality new business and an increase in average premiums.

This performance resulted in the Group achieving a return on average shareholders' interests of 56%.

HIGHLIGHTS

FINANCIAL

Diluted headline earnings per share for the year increased by 15% to 107.67 cents (2014: 93.53 cents).

Net insurance premium revenue increased by 17% to R1.5 billion (2014: R1.3 billion), on the back of the ongoing increase in the production of good quality business and good withdrawal experience.

Investment returns of R154.9 million, although being above the market's returns, are lower than last year's returns of R181.6 million.

Net insurance benefits and claims of R300.5 million (2014: R311.1 million) are 3.4% lower than last year due to lower encashments related to unitised endowment policies.

Despite the increase in marketing and other acquisition costs incurred to support the VNB growth, the increase in operating expenses has been restricted to 7% in comparison to the 17% increase in net insurance premiums mentioned above.

The Group follows a conservative accounting practice of eliminating negative reserves. As acquisition costs are expensed upfront the recovery of these costs and the profits are deferred over the policy life. The present value of this discretionary margin amounts to R2.5 billion (2014: R2.3 billion).

As mentioned above, the sustained momentum in the production of good quality business has driven the increase in the VNB to R717.6 million (2014: R638.2 million). The Recurring EV Earnings of R1.1 billion translates into a ROEV of 30% (2014: 24%). The Group EV has increased by 17% to R4.6 billion (2014: R3.9 billion). Withdrawal experience on new business as well as most tranches of existing business was better than assumption and an improvement on the prior year resulting in a withdrawal profit of R19 million (2014: a loss of R17 million).

NON-FINANCIAL

Vision, brand purpose and awards

The Group has spent much time and effort, over the last few years, improving our understanding of our clients as well as ensuring that we treat our clients well in all situations. The Clientèle culture has continued to become more client-centric over the year. As part of the process, we launched an internal campaign aimed at Treating Customers Well at every touch point within the Group. We believe that this is an essential step towards us fulfilling our brand purpose ("Safeguarding your world... with compassion") and fulfilling our vision ("To be South Africa's most reliable and valued financial services partner").

Our increased focus on client service together with our continued focus on the quality and quantity of new business has resulted in us receiving a number of awards as outlined in the Chairman's Statement.

Governance and King III

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

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

Since King III came into effect 5 years ago, the Group has endeavoured to apply the principles of King III in a practical manner, and in 2015 the Group continued to review its practices based on these principles.

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

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

The FSB introduced Board Notice 158 of 2014 entitled "Governance and Risk Management Framework for insurers" in December 2014, effective 1 April 2015. We are pleased to record that almost all the principles contained in the framework were already applied within the Group but where necessary specific requirements of this framework were adopted throughout the Group. The Board is confident that the application of this framework will not only ensure that all statutory governance requirements are met but will also enhance accountability, responsibility, independence, reporting, communication and transparency.

RISK MANAGEMENT

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

The strategy for managing risk is aligned with the principles of SAM. Business objectives based on a 3 year time horizon are set by the legal entities within the Group. Action plans to achieve these business objectives are then identified so as to support the longer term strategy. Risk events that could threaten the achievement of the business objectives are then identified and rated against an impact and probability scale, which differs between entities given their individual materiality level.

Potential risk events are managed so as to minimise any negative impact on the Group. All risk events are measured against a pre-defined overall risk appetite. The current Group risk appetite comprises three metrics, namely, Solvency (statutory minimum plus a buffer), Free cash flow and Recurring EV Earnings. Specific key risks are also measured individually against pre-defined risk tolerance levels.

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

BBBEE

Clientèle has been working for some time to put in place a BBBEE transaction, as part of its BBBEE initiatives, which will add value both to the participants in the transaction and to Clientèle and all its stakeholders. A transaction, constituting the first phase in increasing BBBEE equity ownership in Clientèle, has now been concluded through the sale by Old Mutual to YTI of 12,963,747 shares in Clientèle. YTI is the investment company of The Hollard Foundation Trust.

The Hollard Foundation Trust is a catalyst for positive change in South Africa, with a focus on promoting inclusive and equitable economic and social development. Its core large scale social initiatives include the Harambee Youth Employment Accelerator which is focused on addressing youth unemployment, PILO and FUEL which focus on improving learning outcomes and feeding in public schools, and Kago Ya Bana and Smartstart which are driving large scale provision of Early Childhood Development.

Nedbank Limited are financing the transaction and, as security, will require a guarantee from Clientèle. This guarantee will be up for approval by Clientèle's shareholders in terms of section 44 of the Companies Act (granting of financial assistance) at the Clientèle AGM on 29 October 2015. The gross value of the guarantee required from Clientèle is R274.4 million. A back to back guarantee from HSBC has been arranged (at a cost of R2.7 million per annum) whereby Clientèle will be liable for claims by Nedbank in respect of any breach of the terms of the funding agreements by YTI up to an amount of 20% of the value of the initial transaction, thereafter HSBC will cover the balance of any claim, accordingly, the net guarantee from Clientèle is limited to R45 million. Clientèle will have the right to cancel the back to back agreement with HSBC, at its discretion, in the future.

Group Managing Director's Report continued

CORPORATE SOCIAL INVESTMENTS

Our CSI objective is to partner with other stakeholders in order to contribute to sustainable development in sectors of society that are in need, through resourcing, support and empowerment. Our CSI approach focuses on the following areas:

- **Education and Youth Development:** Since inception of the Clientèle Bursary Scheme in 2009, Clientèle has awarded 77 bursaries worth up to R60,000 per annum each to children of IFAs and staff. Clientèle funds and administers the bursary process which includes selection, interviews, payments, liaison with institutions and students. The process is currently underway to award a further group of students for 2016.
- **Child and Youth Care Centres:** Clientèle supports a number of children's homes and charities that take care of the Youth. Charities that we support include :
  - Ekupholeni which is situated in Ekurhuleni. This charity provides psychological support to the youth;
  - The Starfish initiative which helps to develop youth in career and life skills;
  - SKY (Soweto Kliptown Youth) Centre provides a home for children and the youth who come from different backgrounds such as HIV stricken homes; and
  - The Sithabile Child and Youth centre which continues to be one of the adopted beneficiaries of Clientèle.
- **Community Development projects:** Clientèle officially handed over a sustainable water source to the community of Kgautshwane Village in Limpopo in April 2015. Clientèle received an Honorary Award from the DSA for this initiative.
- **Staff Volunteering:** The three pillars of our CSI footprint outlined above are strongly supported by the culture of employee volunteering at Clientèle. Every year, our employees participate in initiatives such as:
  - The Winter Warmer campaign where blankets are donated to charities supported by the Group;
  - Mandela Day activities; and
  - Other activities throughout the year which give back to various charities (e.g. Casual Day and Cancer Awareness campaigns like Movember).

The annual employee giving campaign, where employees donate monetary contributions through the payroll, continues to be a success. We are proud of the caring culture of our staff.

Our efforts and contributions are aimed at providing opportunities to individuals to develop themselves and together with communities, build foundations for sustainable growth and positive change.

BUSINESS SEGMENTS

CLIENTÈLE LIFE – LONG-TERM INSURANCE

Clientèle Life's Long-term insurance segment remains the major contributor to Group performance. It accounts for 84% (2014: 86%) or R602.3 million (2014: R550.6 million) of the Group's R717.6 million (2014 : R638.2 million) of VNB and recorded Recurring EV Earnings of R911.4 million (2014: R677.0 million) for the year. The segment generated R303.6 million (2014: R283.4 million) net profit for the year, an increase of 7%, a pleasing result given the once-off positive after-tax impact of R35.9 million in the comparative year resulting from the release of the discretionary margin.

The Investment Contracts operating segment reported a R4.6 million net profit for the year (2014: R13.9 million loss). This should be viewed in conjunction with the R19.9 million (2014: R21.7 million) of deferred profits included in the SOFP. The prior year net profit for the year was impacted by the fair value adjustment of R22.5 (after-tax) to zero coupon fixed deposits in ABL.

CLIENTÈLE GENERAL INSURANCE (CLIENTÈLE LEGAL) – SHORT-TERM INSURANCE

Clientèle Legal accounts for R111.4 million (2014: R85.5 million) of the Group's VNB for the year, and recorded Recurring EV Earnings of R184.4 million (2014: R135.5 million). The segment generated a 15% increase in net profit for the year to R47.0 million (2014: R40.8 million).

OTHER SEGMENTS

The personal loans business, Clientèle Loans Direct, as previously reported, no longer enters into new business contracts as reflected by the substantial decrease in both the "Loans and receivables including insurance receivables" and "Financial liabilities – loans at amortised cost" balances as reflected in the Consolidated Group SOFP. New business contracts are now being concluded in accordance with a PSA in respect of unsecured personal loans with WesBank and Direct Axis.

NEW BUILDING

Due to the significant expansion of the Group during the last few years, the Group's wholly owned property subsidiaries are in the process of developing a new office building and parking structure within the existing Clientèle Office Park. The capitalised costs of this are estimated to be R213.0 million. It is the Group's intention that the building will be occupied by the Group in November 2015. We are very excited about this project and the future expansion it allows as well as the synergies it brings to the Group.

DIVIDENDS

The Board has declared a dividend per ordinary share of 90.00 cents, an increase of 15% over last year's dividend per ordinary share of 78.00 cents.

PROSPECTS

The Board's focus for the future will remain on building on the positive momentum that has been achieved in the production of good quality business and on customer service. In addition, the Board is committed to providing products that are relevant and meet the individual policyholder's needs and delivering these to the market conveniently and efficiently as well as creating and nurturing mutually beneficial partnerships with all its stakeholders that add value on a sustainable basis. The Board remains convinced that there remain attractive opportunities for growth and value creation in Clientèle's target market.

APPRECIATION AND BOARD COMPOSITION

I would like to thank the Chairman of the Board and the other Non-executive Directors for their support and confidence in the Excom team. I look forward to working with the team as we treat clients well with the aim of making our vision a reality and, in the process, take the Group to even greater heights.

One of our Non-executive Directors, Mr Matsobane Matlwa, resigned from the Board during the year as a consequence of him taking up a fulltime executive role with the South African Revenue Service and we wish him all the best in his future endeavours.

As I reported last year, our previous Managing Director of Clientèle General Insurance resigned early in the financial year as he and his family emigrated. As a consequence, we appointed Mr Laurence Balcomb as a member of Group Excom and Managing Director of Clientèle General Insurance with effect from 1 July 2015. We wish him a long and successful tenure with Clientèle.

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

BW Reekie

Mr BW Reekie
14 September 2015

Corporate Governance

1. INTRODUCTION

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

Clientèle continually keeps abreast of new governance and risk management requirements as legislation evolves. During December 2014 the FSB issued Board Notice 158 of 2014 entitled "Governance and Risk Management Framework for Insurers". This framework requires an insurer to adopt, implement and document an effective governance framework that provides for the prudent management and oversight of its insurance business and that adequately protects the interests of policyholders and other stakeholders.

The required framework was incorporated within all levels of the business and all Committee and sub-committee Terms of Reference were aligned accordingly. The Board is confident that the application of this framework will not only ensure that all statutory governance requirements are met but will also ensure a special focus and sense of accountability, responsibility, independence, reporting, communication and transparency, both internally and with all key external stakeholders.

The Group is aiming for King III compliance as far as is practical and appropriate in the context of the Group, despite the recommendations being aspirational and advisory and not mandatory.

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

The following narrative report serves to provide information on the extent of compliance with the principles of sound governance, as provided by King III, during the 2015 financial year:

	Principle	Application or reason for non-compliance
	SECTION A: ETHICAL LEADERSHIP AND CORPORATE CITIZENSHIP	
1	The Board should ensure that the Group is and is seen to be a responsible corporate citizen.	The Board considers not only financial performance but also ethical relationships between the Group and the society in which it operates. The Group Social and Ethics Committee has been tasked with appropriately addressing the requirements of the principle.

	Principle	Application or reason for non-compliance
	SECTION B: BOARD AND DIRECTORS	
2	The Board should act as the focal point for and custodian of corporate governance.	The Board's Terms of Reference explicitly caters for this. The Board meets at least four times a year.
3	The Board should appreciate that strategy, risk, performance and sustainability are inseparable.	The Board informs and approves the Group's strategy and satisfies itself that business plans are not encumbered by unexamined risks. The Board also ensures that the strategy will result in sustainable outcomes and considers sustainability to be both a necessity and a business opportunity.
4	The Board should provide effective leadership based on an ethical foundation.	Refer to section A.
5	The Board should ensure that the Group's ethics are managed effectively.	Refer to section A. The Board reviews the Group's code of ethics on an annual basis and satisfies itself that the Group is governed by these principles.
6	The Board should ensure that the Group has an effective and independent Audit Committee.	Refer to section C.
7	The Board should be responsible for the governance of risk.	Refer to section D.
8	The Board should be responsible for IT governance.	Refer to section E.
9	The Board should ensure that the Group complies with applicable laws and considers adherence to non-binding rules, codes and standards.	Refer to section F.
10	The Board should ensure that there is an effective risk-based internal audit.	Refer to section G.
11	The Board should appreciate that stakeholders' perceptions affect the Group's reputation.	Refer to section H.
12	The Board should ensure the integrity of the Group's Integrated Annual Report.	Refer to section I.
13	The Board should report on the effectiveness of the Group's system of internal controls.	Refer to section L.
14	The Board and its Directors should act in the best interest of the Group.	The Directors act in the best interest of the Group by, amongst other actions, disclosing conflicts where they exist, dealing in securities only as allowed by internal policies and by adhering to legal standards of conduct. Where required, they are permitted to take independent advice at the cost of the Group.
15	The Board should consider business rescue proceedings or other turnaround mechanisms as soon as the Group is financially distressed as defined in the Companies Act.	Refer to section J.
16	The Board should elect a Chairman of the Board who is an Independent Non-executive Director. The Managing Director of the Group should not also fulfil the role of Chairman of the Board.	The Board has elected an Independent Non-executive Chairman who has been assessed and declared as Independent. The Managing Director and the Chairman are two separate individuals.

Corporate Governance continued

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	Principle	Application or reason for non-compliance
17	The Board should appoint the Managing Director and establish a framework for the delegation of authority.	The Board formally confirms the appointment of the Managing Director on an annual basis and ensures that the role of the Managing Director is formalised and his performance evaluated against specified criteria. The Board has established Committees to which certain responsibilities and authorities are delegated. (refer to the Terms of Reference of the Board and its Committees and Sub-committees on pages 15 to 35).
18	The Board should comprise a balance of power, with a majority of Non-executive Directors. The majority of Non-executive Directors should be Independent.	There are presently six Non-executive Directors (nine Directors in total) of which four have been assessed and declared as Independent.
19	Directors should be appointed through a formal process.	Directors are formally appointed, and rotated for re-election by the shareholders at the AGM. The appointment of Directors is a function of the Board as a whole.
20	The induction of and on-going training and development of Directors should be conducted through formal processes.	New Directors are suitably trained through formal induction and mentorship programmes. Directors are kept up to date through regular briefings and continuing professional development initiatives.
21	The Board should be assisted by a competent, suitably qualified and experienced Group Secretary.	The Board is assisted by a competent, suitably qualified and experienced Group Secretary who complies with the requirements set out in the Companies Act.
22	The evaluation of the Board, its Committees and the individual Directors should be performed every year.	The required evaluations are conducted on an annual basis with the feedback being addressed at the appropriate level thereafter.
23	The Board should delegate certain functions to well-structured Committees but without abdicating its own responsibilities.	The appropriate Committees are duly constituted and each has formulated Terms of References that are reviewed annually. These Committees feed back to the Board throughout the year.
24	A governance framework should be agreed between the Group and its subsidiary Boards.	A governance framework is established between the Group and the subsidiary Boards. Subsidiaries and their activities are appropriately discussed at all Group Board Committee and sub-committee meetings.
25	Companies should remunerate Directors and Executives fairly and responsibly.	Refer to section N.
26	Companies should disclose the remuneration of each individual Director and certain Senior Executives.	Refer to section N.
27	Shareholders should approve the Group's remuneration policy.	Refer to section N.
	SECTION C: GROUP AUDIT COMMITTEE	
28	The Board should ensure that the Group has an effective and Independent Group Audit Committee.	The Board evaluates the effectiveness and independence of the Group Audit Committee on an annual basis. The Group Audit Committee met six times in the 2015 financial year and also met with GIA and the External Auditors without management being present.

	Principle	Application or reason for non-compliance
29	Group Audit Committee members should be suitably skilled and experienced Independent Non-executive Directors.	The Group Audit Committee members are suitably skilled and experienced Independent Non-executive Directors. Mr GQ Routledge (Independent, Chairman of the Board of Directors) is presently being retained as a Group Audit Committee member due to the value derived from his wealth of experience and knowledge of the business.
30	The Group Audit Committee should be chaired by an Independent Non-executive Director.	The Group Audit Committee is chaired by an Independent Non-executive Director, Mr BA Stott, whose independence has been both formally declared and assessed. The Chairman of the Group Audit Committee attends the AGM.
31	The Group Audit Committee should oversee integrated reporting.	The Group Audit Committee has established and delegated the responsibility to a sub-committee to review all contents of the Integrated Annual Report. The Group Audit Committee is ultimately responsible for the content and integrity of the Integrated Annual Report.
32	The Group Audit Committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities.	The Group Audit Committee monitors the relationship between the external assurance providers and the Group and ensures that combined assurance is given to address all the significant risks facing the Group.
33	The Group Audit Committee should satisfy itself of the expertise, resources and experience of the Group's finance function.	The finance function is reviewed and assessed on an annual basis. This is appropriately disclosed in the Integrated Annual Report, on page 52.
34	The Group Audit Committee should be responsible for overseeing the internal audit function.	The Group Audit Committee is responsible for the performance management of the CAE, approval of the GIA plan and ensuring the GIA audit function is subject to an independent quality review as and when the Committee deems appropriate.
35	The Group Audit Committee should be an integral component of the risk management process.	The Group Risk Committee, Group ICC and Group IFCC formally report at the Group Audit Committee meetings on a quarterly basis.
36	The Group Audit Committee is responsible for recommending the appointment of the External Auditor and overseeing the external audit process.	The Group Audit Committee nominates the External Auditor for appointment at the AGM; approves the terms of engagement and remuneration for the external audit engagement; monitors and reports on the independence of the External Auditor; defines a policy for non-audit services provided by the External Auditor and approves the contracts for non-audit services; is informed of any reportable irregularities identified and reported by the External Auditor and reviews the quality and effectiveness of the external audit process.
37	The Group Audit Committee should report to the Board and shareholders on how it has discharged its duties.	The Group Audit Committee reports internally to the Board, externally to shareholders at the AGM and makes adequate disclosure in the Integrated Annual Report.
	SECTION D: THE GOVERNANCE OF RISK	
38	The Board should be responsible for the governance of risk.	The Board is aware of the responsibility and has established a Group Risk Committee to aid the governance thereof.
39	The Board should determine the levels of risk tolerance.	The Board has established the risk levels that it will tolerate versus the risk that it is willing to take i.e. risk appetite.

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Corporate Governance continued

	Principle	Application or reason for non-compliance
40	The Group Risk Committee or the Group Audit Committee should assist the Board in carrying out its risk responsibilities.	The Group Audit and Group Risk Committees both assist the Board in its responsibility for the governance of risk.
41	The Board should delegate to management the responsibility to design, implement and monitor the risk management plan.	The Board has delegated to management the responsibility to design, implement and monitor the risk management plan.
42	The Board should ensure that risk assessments are performed on a continual basis.	The Group Risk Committee met four times during the 2015 financial year, which included discussions of the risk assessments and risk framework and methodology.
43	The Board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks.	The Group Risk Committee has ensured that the risk assessment framework and methodology increases the probability of anticipating unpredictable risks.
44	The Board should ensure that management considers and implements appropriate risk responses.	The Group Risk Committee reports to the Board on a quarterly basis at the Board meetings. The Group Risk Committee has ensured that management considers and implements the appropriate risk responses.
45	The Board should ensure continuous risk monitoring by management.	The Group Risk Committee reports to the Board on a quarterly basis at the Board meetings and includes a review of the risk monitoring by management.
46	The Board should receive assurance regarding the effectiveness of the risk management process.	The Group Risk Committee provides the required assurance with regard to the risk management process to the Board on a quarterly basis at the Board meetings.
47	The Board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders.	Refer to the Risk management report on pages 77 to 109.

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SECTION E: THE GOVERNANCE OF IT

	Principle	Application or reason for non-compliance
48	The Board should be responsible for IT governance.	The Board has an established Group IT Steering Committee to assist in its IT Governance responsibilities. The IT governance framework and IT Policy framework supports effective and efficient management and decision making around the utilisation of IT resources to facilitate the achievement of the Group's objectives and the management of IT-related risk. The Committee has a Terms of Reference, policies, decision-making structures, accountability framework, IT reporting and an IT risk and controls framework.
49	IT should be aligned with the performance and sustainability objectives of the Group.	The Board ensures that the IT strategy is integrated into the Group's strategic and business processes and that IT adds value to the Group objectives.
50	The Board should delegate to management the responsibility for the implementation of an IT governance framework.	The Board has an established Group IT Steering Committee reporting to Group Excom. The IT governance framework is included in the Terms of Reference of this Committee.
51	The Board should monitor and evaluate significant IT investments and expenditure.	The Board ensures that the information and intellectual property contained in the information systems are protected. The Board is responsible for ensuring good governance principles are in place for the acquisition of IT goods and services and is formally approved by the Board annually. IT management ensure good project portfolio management principles are applied.

	Principle	Application or reason for non-compliance
52	IT should form an integral part of the Group's risk management.	IT risk management includes disaster recovery planning, business continuity, IT legal risks, compliance to laws, rules, codes and standards which is an integral part of the Group's risk management.
53	The Board should ensure that information assets are managed effectively.	The Board, through the Group IT Steering Committee and the Data Governance sub-committee, ensures that processes have been established to ensure information assets are effectively managed.
	SECTION F: COMPLIANCE WITH LAWS, RULES, CODES AND STANDARDS	
54	The Board should ensure that the Group complies with applicable laws and regulations and considers adherence to non-binding rules, codes and standards.	Refer to the Corporate Governance Report in the Integrated Annual Report (pages 10 to 38). The Board and its Committees and sub-committees ensure the adherences and monitoring of the compliance with applicable laws, regulations, codes and standards. The Board makes use of external attorneys to review complex regulatory matters.
55	The Board and each individual Director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the Group and its business.	Directors are suitably qualified and trained through formal induction and mentorship programmes. Directors are kept up to date through regular briefings and continuing professional development initiatives.
56	Compliance should form an integral part of the Group's risk management process.	A Compliance function is established within the Group and forms an integral part of the Group's risk management process. The Board receives reports on compliance at quarterly meetings.
57	The Board should delegate to management the implementation of an effective compliance framework and processes.	A suitably qualified Compliance Officer is appointed as well the establishment of a Compliance Department. Compliance is achieved through integration with business/organisational processes, ethics and culture.
	SECTION G: INTERNAL AUDIT	
58	The Board should ensure that there is an effective risk-based Internal Audit function.	An independent, effective, risk-based GIA function exists within the Group, which conforms with the International Standards for the Professional Practice of Internal Auditing.
59	Internal Audit should follow a risk-based approach to its plan.	GIA's planning is aligned to the strategy of the Group. The CAE attends the Group Audit Committee, Group Risk Committee, Group SAM Committee, Group ICC and Group IFCC meetings by invitation, and follows a risk-based approach to its plan.
60	Internal Audit should provide a written assessment of the effectiveness of the Group's system of internal controls and risk management.	Refer to the Board Report on the Effectiveness of Internal Controls in the Integrated Annual Report (page 39).
61	The Group Audit Committee should be responsible for overseeing Internal Audit.	GIA is accountable to and report to the Group Audit Committee on a quarterly basis. The CAE reports functionally to the Chairman of the Group Audit Committee.
62	Internal Audit should be strategically positioned to achieve its objectives.	GIA planning is aligned to the strategy of the Group. The CAE attends the Group Audit Committee, Group Risk Committee, Group SAM Committee, Group ICC and Group IFCC meetings by invitation. The CAE meets with members of management on an on-going basis.

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Corporate Governance continued

	Principle	Application or reason for non-compliance
SECTION H: GOVERNING STAKEHOLDER RELATIONSHIPS		
63	The Board should appreciate that stakeholders' perceptions affect a Group's reputation.	The Board appreciates that close relationships with stakeholders should be maintained and that stakeholder perceptions affect the Group's reputation. The Board has identified the stakeholders and has formalised the stakeholder relationships processes.
64	The Board should delegate to management to proactively deal with stakeholder relationships.	The Board has identified the stakeholders of the Group and has formalised the stakeholder relationships processes.
65	The Board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the Group.	The Board takes account of the legitimate interests and expectations of all of its stakeholders in decision-making in the best interests of the Group.
66	Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence.	The Board has adopted communication guidelines that support a responsible stakeholder communication programme.
SECTION I: INTEGRATED REPORTING AND DISCLOSURE		
67	The Board should ensure the integrity of the Group's Integrated Annual Report.	The Group has controls to enable it to verify and safeguard the integrity of its Integrated Annual Report and the Board has delegated the responsibilities to the Group Audit Committee to evaluate the disclosure. A sub-committee of suitably qualified Executives has been appointed to oversee the preparation of the Integrated Annual Report.
68	Sustainability reporting and disclosure should be integrated with the Group's financial reporting.	Refer to the Group Social and Ethics Report in the Integrated Annual Report on pages 47 to 49.
69	Sustainability reporting and disclosure should be independently assured.	The Group is committed to implement independent assurance of this function when it is practical to do so.
SECTION J: BUSINESS RESCUE		
70	The Board should consider business rescue proceedings or other turnaround mechanisms as soon as the Group is financially distressed as defined in the Companies Act.	Not applicable at present, however, the Board annually formally receives and reviews reports supporting the assertion that all companies in the Group are going concerns and where applicable comply with solvency levels approved by the Boards. The Statutory Actuary of each of the insurance companies confirms the financial soundness of the companies in writing.
SECTION K: ALTERNATE DISPUTE RESOLUTION		
71	The Board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible.	The Board adopts formal dispute resolution processes for internal and external disputes and would select the appropriate individuals to represent the Group in an alternate dispute resolution.
SECTION L: INTERNAL FINANCIAL CONTROLS		
72	The Board should report on the effectiveness of the Group's system of internal controls.	Refer to section G and I.
73	The Group Audit Committee should be an integral component of the risk management process.	The Group Risk Committee, Group ICC and Group IFCC formally report at the Group Audit Committee meetings on a quarterly basis. The Group Audit Committee is an integral component of the risk management process.

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	Principle	Application or reason for non-compliance
74	The Group Audit Committee should report to the Board and shareholders on how it has discharged its duties.	The Group Audit Committee reports internally to the Board and makes adequate disclosure in the Integrated Annual Report to shareholders. Refer to the Report of the Group Audit Committee on pages 50 to 52.
75	The Board should be responsible for the governance of risk.	Refer to section D.
76	The Board should receive assurance regarding the effectiveness of the risk management process.	The Group Risk Committee reports on assurance on the risk management process to the Board on a quarterly basis at the Board meetings.
77	Internal Audit should provide a written assessment of the effectiveness of the Group's system of internal controls and risk management.	Refer to the Board Report on the Effectiveness of Internal Controls in the Integrated Annual Report (page 39).
SECTION M: SOLVENCY AND LIQUIDITY TESTS		
78	Solvency and Liquidity tests should be performed in accordance with section four of the Companies Act.	The requirements of section four of the Companies Act are duly complied with. Also refer to Section J, Principle 70.
SECTION N: REMUNERATION OF DIRECTORS AND SENIOR EXECUTIVES		
79	Companies should remunerate Directors and Executives fairly and responsibly.	The Board has established a Group Remuneration Committee, consisting solely of Non-executive Directors, who assist the Board in setting and administering a fair, equitable and responsible remuneration policy. (Refer to the Group Remuneration Report on pages 41 to 46).
80	Companies should disclose the remuneration of each individual Director and certain senior Executives.	Refer to note 29 on pages 156 to 157.
81	Shareholders should approve, by way of a non-binding endorsement, the Group's remuneration policy.	The Group's remuneration policy was approved at the 2014 AGM.

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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 its responsibility to conduct its affairs with prudence, transparency, accountability, fairness and social responsibility, thereby safeguarding the interests of all stakeholders, including government and regulators, shareholders, policyholders, IFAs, employees, customers, suppliers and industry associates.

1.1 CORPORATE GOVERNANCE ETHOS

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

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

1.2 STAKEHOLDER COMMUNICATION

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

Corporate Governance continued

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

1.2.1 Government and Regulators

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

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

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

1.2.2 Shareholders

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

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

1.2.3 Policyholders

Clientèle interacts with policyholders in various ways:

- A policy document and welcome letter is sent to every Group policyholder who takes up a policy;
- A well-established and well-trained call centre deals with the Group policyholder queries;
- Policyholders are also able to access important information and update certain details via the self-service portal; and
- SMS communication is also widely used to keep policyholders up to date on their particular interaction with the Group.

The Group subscribes to the principles of TCF, including:

- Policyholders can be confident that they are dealing with a Group where the fair treatment of customers is central to the corporate culture;
- Products marketed and sold are designed to meet the needs of identified consumer groups and are targeted accordingly;
- Products are easy to understand. The wording of policies is continuously reviewed to ensure the wording is simple, clear and easy to follow;
- Focus on customer-centricity to ensure that policyholders get the after-sales service that they expect
- Always dealing with policyholders with compassion; and
- Continuous focus on the claims process to ensure that it is any easy and quick process.

The TCW initiative, combined with the Group's values, are integral in achieving the Clientèle purpose of "Safeguarding your world... with compassion."

2. BOARD OF DIRECTORS

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

2.1 ROLE

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

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

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

2.2 FUNCTION OF THE BOARD

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

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

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

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

2.3 COMPOSITION OF THE BOARD

The Board of Clientèle continuously spends 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 and experience within the Boards is well balanced alongside the value of Non-executive Director knowledge and experience. The Group will continue to review the composition and effectiveness of the Boards to ensure that they remain effective and relevant to the Group. The Board of Clientèle currently consists of a majority of Non-executive Directors, of which the majority of Non-executive Directors are Independent.

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

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

Clientèle has an Independent Non-executive Chairman.

Clientèle has a Board consisting of nine Directors, of which six are Non-executive, with four of the six being Independent. The details of the Directors are provided on pages 64 to 68 in the Report of the Directors.

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These Directors bring a wide range of experience, insight and professional skills to the Board.

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

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

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

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

2.4 SUBSIDIARY BOARDS AND BOARD COMMITTEES

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

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

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

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

2.5 RESPONSIBILITIES INCLUDE:

- Establish the strategy of the Group;
- Ensure 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;

Corporate Governance continued

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

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

2.6 INDEPENDENCE OF THE BOARD

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

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

Dr ADT Enthoven, a Non-executive Director, is not independent due to his involvement with Pickent Investment Limited, the ultimate holding Company of the Group.

Mr GJ Soll, the Non-executive Vice Chairman, is not Independent due to his prior Executive position as the Group Executive Vice Chairman. Mr GJ Soll's classification from Executive to Non-executive Vice Chairman changed on 30 June 2014.

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 Group;
- Non-executive Directors are those who are not involved in the day to day management of the business but are not independent; and
- Independent Non-executive Directors are all other Directors.

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

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

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

2.8 GROUP COMPANY SECRETARY

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

The Board, on an annual basis, assess the competence, qualifications and experience of the Group Company Secretary, as required in terms of the Listings Requirements and has agreed that she is sufficiently qualified, competent and experienced to hold her position as Group Company Secretary. This assessment is done through a questionnaire completed by every Board member.

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

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

2.9 DIRECTORS' INTERESTS

The shareholding of Directors appear on page 68 in the Report of the Directors.

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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, Act 135 of 1998, and the Listings Requirements in respect of dealings by Directors. The Group Company Secretary undertakes the administration required to ensure compliance with this code under the direction of the Chairman.

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

2.11 PARTY POLITICAL SUPPORT

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

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 and to shareholders at the AGM.

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

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

The Group Product Committee, the Group ICC, the Group IFCC, the Group Client Services Committee, the Group Marketing Committee, the Group Negative Production Committee, the Group Employment Equity Committee, the Group SAM Committee, the Group Digital Committee, the Group Communications Committee and the Group IT Steering Committee operate as management Committees of the Group, reporting to Group Excom or one of the main Board Committees.

Corporate Governance continued

All the Board and Non-Board Committees:

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

Details of these Committees follow:

3.1 GROUP AUDIT COMMITTEE

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

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

3.1.1 Composition

Mr BA Stott (Chairman, Independent Non-executive Director), Mr GQ Routledge (Independent Non-executive Director, Chairman of the Board) and Mr RD Williams (Independent Non-executive Director). Mr MP Matlwa (Independent Non-executive Director) was appointed to this Committee on 1 July 2014 and resigned on 5 January 2015.

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

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

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

The Report of the Group Audit Committee is set out on pages 50 to 52.

3.1.2 Purpose

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

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

3.1.3 Responsibilities include:

1. General

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

2. Risk Management

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

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

3. Group Financial and Integrated Annual Reporting

- Review the accounting policies adopted by the Group and any proposed changes thereto;
- Review the Annual Financial Statements of the Group for reasonability, compliance with accounting standards, regulatory requirements, completeness and accuracy and reasonability of significant estimates and judgments, prior to issue and approval by the Board;
- In consultation with the External Auditors and GIA, review the integrity of the Group's internal financial controls and reporting processes, both internal and external;
- Consider the External Auditor's opinion about the quality and appropriateness of the Group's accounting policies as applied in its financial reporting;
- Consider and approve, if appropriate, major changes to the Group's auditing and accounting principles and practices as suggested by the External Auditor, Group Actuarial Committee, management or GIA;
- Consider significant adjustments resulting from the internal and external audits;
- Review the basis on which management has determined that the Group is a going concern;
- Review CAR;
- Pay particular attention to complex and/or unusual transactions and estimates and assess the accuracy of the accounting treatment thereof;
- Review the non-financial sections of the Integrated Annual Report before its release and consider whether the information is appropriate to its audience and meaningfully and accurately contributes to stakeholders' knowledge about the Group and its operations and does not conflict with the Annual Financial Statements; and
- Review interim reporting, consider whether the External Auditor should perform assurance procedures on interim reports. Review trading statements, prospectuses and any other publicly issued financial information before issuing.

4. Compliance

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

Corporate Governance continued

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

6. Internal Audit Function

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

7. External Audit

- Make recommendations to the shareholders with regard to the appointment, reappointment and removal of External Auditors;
- Approve the scope of the external audit, the terms of the engagement and the fees and other compensation to be paid to the External Auditor;
- Ensure that the appointment of the External Auditor complies with the Companies Act and any other regulations relating to such appointment;
- On an annual basis, review and discuss with the External Auditor all significant relationships the External Auditor has with the Group to assess the Auditor's independence;
- Ensure that there is a process for the Committee to be informed of any reportable irregularities (as identified in the Auditing Profession Act, Act 26 of 2005) identified and reported by the External Auditor;
- Review the quality and effectiveness of the External Audit process;
- Consider whether the individual External Auditor responsible for performing the functions of Auditor is accredited on the JSE list of Auditors as required by the Listings Requirements;
- Determine the nature and extent of non-audit work to be done by the External Auditor, including assignments which do not fall within the normal scope of their audit and pre-approve any proposed contract with the External Auditor for the provision of non-audit services to the Group;

- Periodically consult with the External Auditor about internal financial and operating controls and the completeness and accuracy of the Group's financial records;
- Review External Audit reports to ensure that prompt action is taken by management in respect of those reports;
- Review any significant disagreement among management and the External Auditor in connection with any External Audit report; and
- Evaluate the performance of the External Auditor.

8. Group Actuarial Committee and Internal Group Actuary

- 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. External Actuaries

- Review and certify the annual formal Actuarial Valuations and EV reports.

10. Reporting responsibilities

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

3.1.4 External Auditor independence

At the AGM held in October 2014, shareholders approved the Committee's recommendation for the re-appointment of PricewaterhouseCoopers Incorporated as External Auditors of the Group until the next AGM. Mrs A du Preez was appointed as the individual registered External Auditor undertaking the Group's audit for the year under review.

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

At the Group Audit Committee meeting held on 13 May 2015 it was confirmed that PricewaterhouseCoopers Incorporated and Mrs A du Preez were on the list of JSE approved Auditors.

Details of fees paid to the External Auditors are disclosed in note 28 on page 155 of the Group Annual Financial Statements.

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3.1.5 Meetings

Group Audit Committee meetings are held at least four times a year and are attended by the Group's External Auditors, the Statutory Actuaries (at least semi-annually), the CAE, the Group Compliance Officer and members of Senior management. Details of attendance at meetings are set out on page 36.

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

Corporate Governance continued

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 Actuaries.

3.2.1 Composition

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

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

3.2.2 Responsibilities include:

- Highlight any policyholder reasonable benefit expectation issues, having specific regard to TCF;
- Review the asset liability matching position of the Company;
- Review the actuarial and EV reports;
- Liaise with External Auditor's Actuary to consider the results of year-end Valuations;
- Review and approve the monthly unit price calculation;
- Review and approve the quarterly actuarial liability calculation;
- Consider and recommend to the Group Audit Committee and Board the approval of bi-annual formal Valuation and EV reports of the Statutory Actuary;
- On an annual basis, review and discuss with the 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 Actuaries, to assist it in carrying out its responsibilities;
- Review the impacts of regulatory and industry changes on Clientèle's Valuation and EV;
- Review findings with regard to data accuracy and data integrity of all individual policy information on the central database, and make recommendations with regard to changes required in terms of data management in order for the Statutory Actuary and actuarial team to have sufficient meaningful data available for the investigations they perform; and
- Oversee implementation of and compliance with the SAM project.

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

3.3 GROUP RISK COMMITTEE

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

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

3.3.1 Composition

Mr BA Stott (Chairman, Independent Non-executive Director), Mr GQ Routledge (Independent Non-executive Director), Mr RD Williams (Non-executive Director), Mr GJ Soll (Group Non-executive Vice Chairman) Mr BW Reekie (Group Managing Director), Dr GO Simpson (Group Compliance Officer), Mr IB Hume (Group Financial Director), Ms B Frodsham (Executive Director), Mr JL Potgieter (Chief Risk Officer) and members of Senior management.

Dr Simpson has resigned with effect from 31 August 2015. Ms Y Pistorius was appointed Group Compliance Officer on 1 June 2015 and replaced Dr Simpson on this Committee.

3.3.2 Responsibilities include:

- The governance of risk;
- Determining the levels of risk tolerance and risk appetite;
- Monitoring the risk management plan;
- Ensuring that risk assessments are performed on a continual basis;
- Ensuring that frameworks and methodologies are implemented to increase the probability of anticipating emerging risks;

- Ensuring that management considers and implements appropriate risk responses;
- Ensuring continual risk monitoring by management;
- Obtaining assurance regarding the effectiveness of the risk management process; and
- Ensuring that there are processes in place enabling complete, timely, relevant, accurate and accessible disclosure to stakeholders regarding the management of risk.

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

3.4 GROUP INVESTMENT COMMITTEE

The Group Investment Committee is a sub-committee of the Board and assists the Board with its responsibilities regarding the management of investment assets, SOFP management, compliance with legislation 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 Non-executive Vice Chairman), Mr BW Reekie (Group Managing Director), Dr ADT Enthoven (Non-executive Director), Mr BA Stott (Non-executive Director) and members of Senior management.

Mr Stott was appointed as a member of the committee with effect from 21 January 2015.

3.4.2 Responsibilities include:

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 in respect of both policyholders' and shareholders' portfolios.

3. Policyholders' 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 on-going basis, the performance of existing investments; and
- Report on the performance of existing investments at each meeting and between meetings if necessary.

6. Tax

Manage the Group's tax affairs by:

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

7. Credit Risk

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

Corporate Governance continued

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

The Group Managing Director attends all meetings by invitation. Members of this Committee and its Chairman are appointed by the Board.

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

3.5.2 Role

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

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

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

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

3.5.3 Responsibilities include:

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

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Refer to the Group Remuneration Report on pages 41 to 46 for the remuneration policy.

3.6 GROUP SOCIAL AND ETHICS COMMITTEE

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

3.6.1 Composition

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

Members of this Committee and its Chairperson are appointed by the Board.

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

Dr Simpson has resigned with effect from 31 August 2015. Ms Y Pistorius was appointed Group Compliance Officer on 1 June 2015 and replaced Dr Simpson on this Committee.

3.6.2 Role

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

3.6.3 Responsibilities include:

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

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

4. NON-BOARD COMMITTEES

4.1 GROUP 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 Executive Committees whose activities are overseen by Group Excom. The Group Managing Director chairs the Committee, which meets as and when necessary.

4.1.1 Composition

Mr BW Reekie (Group Managing Director), Mr IB Hume (Group Financial Director), Ms B Frodsham (Executive Director), Dr GO Simpson (Group Compliance Officer), Mr H Louw (Executive), Mr JWF Pretorius (Executive), Ms T Tabane (Executive), Mr M Mbali (Executive), Mr MD Mac Donald (Executive) and Mr LH Balcomb (Clientèle General Insurance Managing Director).

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

Dr GO Simpson has resigned with effect from 31 August 2015.

Mr MD Mac Donald was appointed with effect from 1 November 2014.

Mr LH Balcomb was appointed with effect from 1 July 2015.

4.2 GROUP IT STEERING COMMITTEE

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

Corporate Governance continued

4.2.1 Composition

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

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

Mr MD Mac Donald was appointed with effect from 1 November 2014.

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 Group. The Committee is also tasked with making recommendations to Group 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 include:

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

4.3 GROUP PRODUCT COMMITTEE

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

4.3.1 Composition

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

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

Dr GO Simpson has resigned with effect from 31 August 2015. Ms Y Pistorius was appointed Group Compliance Officer on 1 June 2015 and replaced Dr Simpson on this Committee.

4.3.2 Purpose

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

4.3.3 Responsibilities include:

- 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 Actuarial department on Actuarial Valuation and EV results;
- Consider all aspects of risks pertaining to new product design and to existing products and to liase with the Group Risk Committee accordingly;
- Review and approve the use of reinsurance in accordance with the Group's risk appetite;
- Monitoring claims experience at a product level to determine if experience is in line with expectations and, if not, determine what action is required;
- Ensuring that all rules, terms and conditions for each product are accurately recorded and that all business processes and systems are designed in accordance with these rules;
- Ensuring that all newly developed products are approved by the Statutory 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 that they are consistent with the Group's philosophy of TCW;
- Performing an annual review of all premium changes;
- Reviewing the products on offer by competitors and performing an assessment on whether similar products would be appropriate for the Group's client base using the Group's distribution mechanisms;
- Designing and approving of all policy terms, conditions and rules and ensure that marketing materials are consistent with the terms, conditions and rules; and
- Approving of any changes made to existing policy terms, conditions and rules.

4.4 GROUP INTERNAL CONTROLS COMMITTEE

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

4.4.1 Composition

Mrs W van Zyl (Chairperson; Group Company Secretary), Mr IB Hume (Group Financial Director), Dr GO Simpson (Group Compliance Officer), Mr H Louw (Executive), Mr JWF Pretorius (Executive) and members of Senior management. The CAE attends all meetings by invitation.

Dr GO Simpson has resigned with effect from 31 August 2015.

4.4.2 Purpose

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

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

4.4.3 Responsibilities include:

The Group ICC's tasks include overseeing:

- Assessment of control strengths and weaknesses;
- Communication on the importance of the implementation of effective internal controls and the creation of a culture of internal control;
- The awareness of management on what constitutes effective internal controls;
- Monitoring of the application and implementation of internal controls by management;
- Guidance in terms of improvement of control weaknesses;
- Guidance in terms of the implementation of mitigating controls;
- Training on effective internal controls;
- Reporting to Group 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 Group Excom.

Corporate Governance continued

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 Group Excom; and
- Meet with management to discuss significant risks to the Group identified by management and measures adopted by management to prevent, monitor and control these risks.

4.5 GROUP INTERNAL FINANCIAL CONTROLS COMMITTEE

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

4.5.1 Composition

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

4.5.2 Purpose

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

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

The Committee has been established to ultimately assist the Group Audit Committee and GIA in their responsibilities in assessing the effectiveness of the internal financial controls.

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

4.5.3 Responsibilities include:

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

In overseeing the tasks listed above, the Committee may:

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

4.6 GROUP NEGATIVE PRODUCTION COMMITTEE

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

4.6.1 Composition

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

Dr GO Simpson has resigned with effect from 31 August 2015. Ms Y Pistorius was appointed Group Compliance Officer on 1 June 2015 and replaced Dr Simpson on this Committee.

Mr LH Balcomb was appointed with effect from 1 July 2015.

4.6.2 Purpose

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

4.6.3 Responsibilities include:

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

4.7 GROUP CLIENT SERVICES COMMITTEE

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

4.7.1 Composition

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

Dr GO Simpson has resigned with effect from 31 August 2015. Ms Y Pistorius was appointed Group Compliance Officer on 1 June 2015 and replaced Dr Simpson on this Committee.

Mr LH Balcomb was appointed with effect from 1 July 2015.

4.7.2 Purpose

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

4.7.3 Responsibilities include:

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

4.8 GROUP MARKETING COMMITTEE

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

4.8.1 Composition

Mrs LA Botha (Chairperson; Clientèle Life Executive), Mrs B Frodsham (Executive Director), Mr BW Reekie (Group Managing Director), Mr JWF Pretorius (Executive), Mr M Mbali (Executive), Mr LH Balcomb (Clientèle General Insurance Managing Director) and members of Senior management.

Mr LH Balcomb was appointed with effect from 1 July 2015.

4.8.2 Purpose

The Group Marketing Committee is established to review strategic positions on branding, marketing and advertising for the Group in conjunction with new product launches and new initiatives.

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

4.8.3 Responsibilities include:

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

Corporate Governance continued

4.9 GROUP EMPLOYMENT EQUITY COMMITTEE

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

4.9.1 Composition

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

4.9.2 Purpose

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

4.9.3 Responsibilities include:

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

4.10 GROUP SAM COMMITTEE

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

4.10.1 Composition

Mr JL Potgieter (Chairperson; Chief Risk Officer), Mr IB Hume (Group Financial Director), Dr GO Simpson (Group Compliance Officer), Mr LH Balcomb (Clientèle General Insurance Managing Director), Mr H Louw (Executive) and members of Senior management.

Dr GO Simpson has resigned with effect from 31 August 2015. Ms Y Pistorius was appointed as Group Compliance Officer on 1 June 2015 and replaced Dr Simpson on this Committee.

Mr LH Balcomb was appointed with effect from 1 July 2015.

4.10.2 Purpose

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

- Manage the implementation of and to ensure that the Group complies with the interim measures and full SAM project by the relevant deadline dates communicated by the FSB;
- Ensure compliance with SAM and submit the required returns/information after the initial implementation;
- Report and communicate the associated SAM risks and obligations to the Group Actuarial and Group Risk Committees; and
- To guide, monitor and communicate to management with respect to SAM implementation.

4.10.3 Responsibilities include:

- Overseeing the implementation of the SAM project based on the guidelines supplied by the FSB;
- Monitoring the completion and submission of any Quantitative Impact Studies to the FSB;
- Advising management in respect of interaction with the FSB on possible impacts and interim measures taken;
- Liaising with the External Auditors and External Actuaries during the implementation process;
- Monitoring process and/or system changes enabling the implementation of the project; and
- Informing the Board, via the Group Actuarial Committee and Group Risk Committee, of areas where the Group does not comply with SAM and submit requirement returns/information after the implementation.

4.11 GROUP DIGITAL COMMITTEE

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

4.11.1 Composition

Mrs LA Botha (Chairperson; Clientèle Life Executive), Mr LH Balcomb (Clientèle General Insurance Managing Director), Mr BW Reekie (Group Managing Director), Mr IB Hume (Group Financial Director), Ms B Frodsham (Executive Director) and members of Senior management.

Mr LH Balcomb was appointed with effect from 1 July 2015.

4.11.2 Purpose

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

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

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

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

4.11.3 Responsibilities include:

- Overseeing the development and implementation of the Group's digital strategy;
- Being responsible for and monitoring the implementation of deliverables related to the digital strategy;
- Appointing, liaising with and overseeing external consultants where appropriate;
- Monitoring process and/or system changes and enhancements, enabling the implementation of the digital strategy; and
- Ensuring that the digital strategy and approach is closely aligned to the overall Group strategies and objectives.

4.12 GROUP COMMUNICATION COMMITTEE

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

4.12.1 Composition

Mrs LA Botha (Chairperson; Clientèle Life Executive), Mr H Louw (Executive), Mr LH Balcomb (Clientèle General Insurance Managing Director) and members of Senior management.

Mr LH Balcomb was appointed with effect from 1 July 2015.

4.12.2 Purpose

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

4.12.3 Responsibilities include:

- Defining the overall client communication strategy for the Group;
- Ensuring consistency and appropriateness of all Group client communications;
- Evaluating the effectiveness of all client communications;
- Recommending changes to client communications and approval thereof;
- Approving all policies relating to client communications;
- Monitoring process and/or system changes and enhancements, enabling the implementation of the client communication strategy;
- Performing an annual review of all existing client communications to assess appropriateness and validity of such communications;
- Ensuring that the client communications strategy and approach is closely aligned to the overall Group strategies and objectives; and
- Reviewing the communications approach adopted by competitors.

Corporate Governance continued

5. ATTENDANCE (1 JULY 2014 TO 30 JUNE 2015) OF SHAREHOLDER, BOARD AND BOARD COMMITTEE MEETINGS

5.1 CLIENTÈLE

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

5.2 CLIENTÈLE SUBSIDIARIES

	Clientèle Life Board	Clientèle General Insurance Board	Clientèle Loans Direct Board
Number of meetings held	4	4	4
Directors:			
GJ Soll	4/4	4/4	3/4
GQ Routledge	4/4	4/4	2/4
BW Reekie	4/4	4/4	3/4
IB Hume[3]	4/4	4/4	4/4
B Frodsham	3/4*		
ADT Enthoven	2/4		
PR Gwangwa	3/4		
JWF Pretorius	4/4	4/4*	
BA Stott	4/4	4/4	
RD Williams	4/4	4/4	
D du Toit[4]	1/1*	1/1	
MP Matlwa[1]	2/2		
LH Balcomb[5]			
MA Finlayson			4/4
MY Güttler[6]			
PV Cox[7]			3/4
MJ Davis[8]			3/3
BP Finlay[9]			2/2

* *by invitation.*
1 *Appointed as a Director of Clientèle and Clientèle Life and as Group Audit Committee Member on 1 July 2014 and resigned with effect on 05 January 2015.*
2 *Appointed as a member of the Group Investment Committee with effect 21 January 2015.*
3 *Appointed as Managing Director of Clientèle General Insurance on 15 August 2014 to 30 June 2015.*
4 *Resigned as Managing Director of Clientèle General Insurance on 14 August 2014.*
5 *Appointed as Managing Director of Clientèle General Insurance on 1 July 2015.*
6 *Resigned as a Director of Clientèle Loans Direct on 11 August 2014.*
7 *Appointed as a Director of Clientèle Loans Direct on 11 August 2014.*
8 *Appointed as a Director of Clientèle Loans Direct on 24 November 2014.*
9 *Resigned as a Director of Clientèle Loans Direct on 10 October 2014.*

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 Group Excom by the Board. The Group Audit Committee reviews these matters at least annually on behalf of the Board.

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

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

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

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

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

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

The Board has not been made aware of any issue that would constitute a material breakdown in the functioning of these controls up to the date of this report. The Board's Report on the Effectiveness of Internal Controls is set out on page 39.

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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.

Dr GO Simpson resigned on 31 August 2015. Ms Y Pistorius was appointed Group Compliance Officer on 1 June 2015.

8. GROUP INTERNAL AUDIT

GIA performs reviews of the Group's operations and internal controls and operates with the full authority of the Board and has direct access to the Chairman of the Group Audit Committee.

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

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

GIA is charged with examining and evaluating the effectiveness of the Group's operational activities, the attendant business risks and the systems of internal financial and operating controls, with major weaknesses being brought to the attention of the Group Audit Committee, the External Auditors and members of Senior management for their consideration and remedial action. The work of GIA is focused on the areas of greatest risk within the Group as determined by a risk assessment process. The output from the process is summarised in the Annual Audit 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 Group employees and representatives are expected to act in a manner that inspires trust and confidence from the general public.

Corporate Governance continued

The Group places a high value on integrity, honesty and trust. Reference and criminal checks are carried out on all job applicants and their qualifications are verified before offers of employment are made. The principle of 'zero tolerance' of fraud and corruption will continue to be applied to employees, IFAs and professional presenters. All employees are required to report all incidences of suspected or actual fraudulent events or other financial irregularities for investigation. The induction training of new employees includes modules dealing with the code of ethics, compliance therewith and the Group's stance on fraud. Existing policies on the reporting of breaches of the code of ethics ensures confidentiality and protection to persons making reports, as outlined by the Protected Disclosure Act, Act 26 of 2000. Internal disciplinary procedures are fully compliant with the Labour Relations Act, Act 66 of 1995.

10. GROUP ANNUAL FINANCIAL STATEMENTS

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The Directors are responsible for the preparation of the Group and separate Annual Financial Statements of the Group, which have been prepared in accordance with IFRS. The Group Annual Financial Statements have been prepared from the accounting records and the use of appropriate policies supported by reasonable and prudent judgments and estimates and fairly present the state of affairs of the Group. The External Auditors are responsible for auditing and reporting on these Group Annual Financial Statements. The Group's Annual Financial Statements have been audited in accordance with International Standards on Auditing. The Group's External Auditors also provide taxation and JSE sponsor services. (Details of the External Auditor's remuneration for audit and other services are provided in note 28 on page 155 to the Group Annual Financial Statements.) The Group believes that the External Auditors are independent.

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. INTERNAL AND EXTERNAL ACTUARIES

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CLIENTÈLE LIFE

The Independent Internal Statutory Actuary, Mr JL Potgieter, is responsible for assisting the Board in actuarial matters and conducting the Actuarial Valuation of the assets and liabilities of Clientèle Life (refer to pages 71 to 76). Annual Actuarial Valuations are reviewed and certified externally by QED Actuaries and Consultants. Mr Potgieter attends all Clientèle Life Board meetings.

CLIENTÈLE GENERAL INSURANCE

Independent Statutory Actuary, Mr L Moroney of QED Actuaries and Consultants, in conjunction with Mr JL Potgieter, assists the Board in reviewing the policyholder liability calculation for Clientèle General Insurance. Mr L Moroney is invited to attend all Clientèle General Insurance Board meetings.

CLIENTÈLE

The annual EV is reviewed and certified externally by QED Actuaries and Consultants. Mr JL Potgieter assists the Board in calculating the EV of the Group.

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

12. THE GOVERNANCE OF INFORMATION TECHNOLOGY

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.

A Group Executive, Mr MD Mac Donald, is responsible for the management of IT. Mr Mac Donald has suitable qualifications and experience and interacts regularly with the Board and Group 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 about the Group's IT function, its objectives, projects, financial information, risks and human capital management.

The Board provides appropriate 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 annual 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 matters. Controls are the means by which management seeks to mitigate risks to an acceptable level of exposure.

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

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

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

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

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

Mr GQ Routledge
Chairman of the Board

14 September 2015

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 2015.

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

- Design;
- Implementation; and
- Effectiveness

conducted by GIA during the 2015 year and considering:

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

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

Mr BA Stott
Chairman of the Group Audit Committee

14 September 2015

Group Remuneration Report

The Board is pleased to present the Group's Remuneration Report as at 30 June 2015.

This report sets out, in an abridged form, the remuneration policy adopted by the Group. The remuneration policy is voted on as a non-binding advisory policy at the AGM.

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.

1. DEFINITION OF REMUNERATION

(Section 30(6) of the Companies Act)

Remuneration includes:

a) fees paid to Directors for services rendered by them to or on behalf of the Company, including any amount paid to a person in respect of the person's accepting the office of Director;
b) salary, bonuses and performance-related payments;
c) expense allowances, to the extent that the Director is not required to account for the allowance;
d) contributions paid under any pension scheme;
e) the value of any option or right given directly or indirectly to a Director, past Director or future Director, or person related to any of them, as contemplated in section 42;
f) financial assistance to a Director, past Director or future Director, or person related to any of them, for the subscription of options or securities, or the purchase of securities, as contemplated in section 44; and
g) with respect to any loan or other financial assistance by the Company to a Director, past director or future Director, or a person related to any of them, or any loan made by a third party to any such person, as contemplated in section 45, if the company is a guarantor of that loan, the value of:

   i) any interest deferred, waived or forgiven; or
   ii) the difference in value between:

      aa) the interest that would reasonably be charged in comparable circumstances at fair market rates in an arm's length transaction; and
      bb) the interest actually charged to the borrower, if less.

2. SCOPE OF THE REMUNERATION POLICY

The Remuneration Policy applies to all Clientèle staff, including Directors, Managing Executives, heads of controls functions and all other heads of functions.

The Group Remuneration Committee ensures that:

- Where remuneration includes both fixed and variable components, the fixed portion represents a sufficiently high portion of the total remuneration to avoid over dependence on the variable components;
- The remuneration policy is consistent with the Clientèle business and risk management strategy and performance;
- The policy provides for a clear, transparent and effective management structure around remuneration; and
- In defining an individual's performance, financial and non-financial performance are considered.

Group Remuneration Report continued

3. MONTHLY REMUNERATION

Clientèle 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 Clientèle's packages against industry standards are undertaken and every effort is made to ensure that market-related packages are offered to employees.

Clientèle does not make use of an external job-grading system; however job grading based on Group requirements and structure takes place based on an internally developed system. Clientèle's grading system is simple and relatively easily comparable to formal systems.

4. ANNUAL INCREASES

As a rule, Clientèle'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.

5. INCENTIVES

At the core of Clientèle's remuneration are the incentive programmes.

Incentives are given purely on employee performance compared against pre-determined, and agreed upon, key measurement factors. Incentives are determined based on the specific function of each department.

Clientèle's incentive system is based on the key assumption that employees expect that incentives earned from Clientèle will correlate with their relative level of performance. This means that expectations are set in terms of rewards and compensation if certain levels of performance are achieved. These expectations will determine goals and expected levels of performance for the future.

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

Due to Clientèle'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.

6. CORE PRINCIPLES OF CLIENTÈLE'S REMUNERATION AND INCENTIVE STRUCTURES

6.1 GENERAL STAFF

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

- The core principles underlying Clientèle's approach to staff incentivisation are based on the assumption that behaviour that is rewarded is more likely to be repeated and behaviour that is not rewarded is 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 financial reward received;
- This reward system provides base income and the opportunity to earn additional compensation if productivity exceeds a certain standard (this 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;
- The minimum salary paid to staff who cannot earn significant extras via incentives and commission is set at R5,800 per month;
- Incentives are not guaranteed;
- Incentives rely on the assumption that proper and consistent evaluation and measurements take place that are equitable and measurable;
- It is intended to reward above average performance and work related achievements; and
- Staff participate in the SAR and Bonus Rights Scheme.

6.2 MANAGEMENT AND TECHNICAL STAFF

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

The core of Clientèle's policy on management remuneration is ensuring that Clientèle'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 largely based on individual key performance criteria with a portion based on to the achievement of Group profit and recurring EV Earnings 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 and Bonus Rights Schemes and generous leave allocations.

Core principles for management incentivisation include:

- 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 sets required, market trends and job level. Clear guidelines are provided in this regard;
- It relies on proper and consistent evaluation and measurement which is equitable and measurable; and
- It is intended to reward above average performance and work related achievements. It is not intended for merely 'doing the job' or mediocrity.

Selected members of management participate in the Medium-term Incentive pool (outlined below) from time to time based on performance.

6.3 GROUP EXCOM

The remuneration packages of Group 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 Clientèle's policy in respect of Group 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 growth in Clientèle's EV and the creation of Scheme Goodwill over time. This is structured on a basis that aligns the interests of Group 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 for individuals to earn under the non-guaranteed portion.

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

The Incentive Bonus Scheme is formulated and managed to encourage behaviour that fosters long-term sustainable growth for Clientèle and to discourage short-term behaviour and unnecessary risk taking. Inappropriate risk taking results in the Group Excom member involved receiving a reduced (or nil) incentive payment.

The core principles of this scheme are to:

- Align Executives' and selected Senior management's interests with those of shareholders;
- Link Group Excom's remuneration directly to growth in EV, Group profitability and growth in the overall value of Clientèle;
- Provide a tool whereby Group Excom remuneration is determined to encourage long-term employment with Clientèle;
- A "clawback" on historic incentive bonus allocation 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.

Group Remuneration Report continued

In summary Group Excom receive the following remuneration package:

- A monthly salary;
- A short-term bonus;
- A medium-term incentive (EV Scheme); and,
- A long-term incentive (Goodwill Scheme).

Short-term bonus potential is determined at the beginning of the year and the actual payout is based on Clientèle's performance in terms of profit and the individual key measurement factors of the Group Excom member concerned.

The Incentive Bonus Scheme comprises two elements, namely an EV element (medium-term) and a Scheme Goodwill (long-term) 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 Clientèle's standard remuneration and short-term bonus policy.

The EV scheme (medium-term) is based on growth in EV, as certified by Clientèle's Actuaries and approved by the Group Remuneration Committee, in excess of a pre-determined hurdle rate and vests and is payable over a four year period.

Broadly speaking 15% of Recurring EV earnings in excess of the pre-determined growth in EV (adjusted for various once off items) is available as a pool (the "medium-term pool") for allocation to the participants in the pool. Each participant's share in the pool is set at an initial level at the beginning of the year and then adjusted up or down based on individual performance during the year. The Group Remuneration Committee rarely award 100% of the pool to participants. Once each participant's share in the pool is determined, it is paid out in four annual payments with the first annual payment being at the time of the amount of the pool being determined. There is a "clawback" if the pre-determined assumptions are not met, which is applied to non-vested amounts earned but not yet paid.

The Scheme Goodwill element of the scheme is intended to take account of long-term capital growth in Clientèle that is not adequately dealt with under the EV element of the scheme. 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 on 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. The second cycle commenced on 1 July 2007, and ended on 30 June 2012. The third cycle commenced on 1 July 2012 and ends on 30 June 2017.

The Scheme Goodwill created is determined with reference to the VNB (as certified by Clientèle's 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 rules. In essence the Goodwill Scheme results in a pool being created as a consequence of the growth in the VNB. This pool is calculated at the end of each 5 year cycle, as 7.5% x the difference between the VNB x a multiplier at the end of the period and the VNB x the multiplier at the beginning of the period. Participants in this Scheme receive a percentage of this pool based on their average percentage allocation to the medium term pool over the five year cycle. There is an adjustment made to future payments under this Scheme, positive or negative, if actual experience differs by more than 10% from 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 Clientèle's shareholding and also given the Board's conviction that the most important element of success of Clientèle in the long-term is growth in EV and VNB.

Life Excom and Legal Excom participates in the EV Scheme as well as the SAR and the Bonus Rights Schemes.

Group Excom participates in the EV Scheme as well as the Goodwill Scheme but does not participate in the SAR and Bonus Rights Schemes.

6.4 NON-EXECUTIVE DIRECTORS

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

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

7. SHARE APPRECIATION RIGHTS (SAR) SCHEME

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

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

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

Salient features:

- The aggregate number of shares that may be allotted and issued to participants under the SAR Scheme may not exceed 10% of the original issued share capital of Clientèle which amounts to 32,350,000 shares. This percentage may be increased by ordinary resolution of members of Clientèle. Of the shares reserved for the SAR Scheme, it is contemplated that approximately 50% thereof will be reserved for employees and 50% thereof for IFAs.
- At any time after:
  - 3 years from the Invitation Date, up to 20% of the SARs may be exercised by a participant;
  - 4 years from the Invitation Date, up to 50% of the SARs may be exercised by the participant; and,
  - 5 years from the Invitation Date, up to 100% of the SARs may be exercised by the participant, or on such earlier date or dates as may be agreed to or determined by the Directors in their discretion, provided that SARs may not be exercised during a closed period or any period during which dealings in securities of Clientèle are prohibited.
- A SAR that has been allocated to an employee will lapse and accordingly may not be exercised after the 7th anniversary of the Invitation Date.
- A participant's rights in terms of the SAR Scheme will be adjusted to recognise the impact of any capitalisation issues, sub-division or consolidation of ordinary shares, any reduction of the ordinary share capital of Clientèle or special dividends or distributions.
- When SARs are due to be settled, the value of each SAR is the difference between the volume weighted average price that the ordinary shares in Clientèle traded on the JSE during the thirty trading days immediately preceding the invitation date and the volume weighted average price that the ordinary shares in Clientèle traded on the JSE during the thirty trading days immediately preceding the exercise date less one and a half cents ("the terminal price"), as determined by the rules of the scheme.
- By means of the allotment and issue of new shares to the participant at the terminal price, 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.

8. BONUS RIGHTS SCHEME

The Board implemented the Bonus Rights Scheme, based on the approval by shareholders obtained at the AGM in October 2012.

The Bonus Rights Scheme is based substantially on the SAR Scheme, which itself is a bonus scheme, the terminology and mechanics are more easily understood by participants.

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

Salient features:

- The Bonus Rights Scheme is intended as an incentive to Employees to promote the continued growth of Clientèle by giving them an opportunity to acquire shares in its capital, thereby aligning their interests with those of Clientèle and its shareholders whilst encouraging their retention and motivation. Thus Employees may become eligible for participation in the Bonus Rights Scheme. Below are some of the salient features of the Bonus Rights Scheme:

Group Remuneration Report continued

- The aggregate number of ordinary shares that may be allotted and issued to Bonus Participants under the Bonus Rights Scheme will not exceed 32,350,000 ordinary shares less that number of ordinary shares issued or which may be issued to participants under the existing SAR Scheme. The allocation may be increased by ordinary resolution of the members of Clientèle;
- The aggregate number of Bonus Rights which may be allocated to any one participant under the Bonus Rights Scheme will be 647,000, namely 2% of the total number of Bonus Rights available under the Bonus Rights Scheme;
- Notwithstanding that a Bonus Participant has been invited to participate in the Bonus Rights Scheme, no rights will vest in the Bonus Participant until such time as Bonus Rights are exercised;
- No amount will be payable by a Bonus Participant in order to participate in the Bonus Rights Scheme.
- At any time after:
  - 3 years from the Invitation Date, up to 20% of the Bonus Rights may be exercised by a Bonus Participant;
  - 4 years from the Invitation Date, up to 50% of the Bonus Rights may be exercised by a Bonus Participant; and
  - 5 years from the Invitation Date, up to 100% of the Bonus Rights may be exercised by a Bonus Participant, or on such earlier date or dates as may be agreed to or determined by the Directors in their discretion, provided that Bonus Rights may not be exercised during a closed period or any other period during which dealings in securities of the Company are prohibited;
- A Bonus Right Participant will be entitled to sell shares which he has acquired pursuant to the Exercise of a Bonus Right only after the vesting date, which is after the implementation in full of the transaction arising from the Exercise of the Bonus Right. The Bonus Participant will first be obliged to offer his shares in terms of the pre-emptive rights provisions of the Bonus Rights Scheme and failing acceptance thereof, will be entitled to sell the relevant shares to a third party;
- The Board may amend the Bonus Rights Scheme, provided that no amendments affecting any of the following matters shall operate unless sanctioned by the shareholders in general meeting and, if required:
  - the eligibility of Bonus Participants under the Bonus Rights Scheme;
  - the maximum number of Bonus Rights which may be acquired by a single participant under the Bonus Rights Scheme;
  - the total number of Bonus Rights which may be granted in terms of the Bonus Rights Scheme;
  - the total number of shares which may be allotted and issued by the Company in terms of the Bonus Rights Scheme;
  - the basis for determining the Initial Price;
  - the basis for determining the Terminal Price; and
  - any other matter as may be prescribed by the Listings Requirements; and
- The Company ensures compliance with all applicable laws including, but without limitation, the Listings Requirements.
- When Bonus Rights are due to be settled the value of each Bonus Right is the difference between the price of a Clientèle share at the time of the issue of each Bonus Right and the 30 day closing volume weighted average price of a Clientèle share as at the date of exercise, as determined by the rules of the scheme.
- The Directors in their discretion may settle Bonus Rights 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 Bonus Rights participant.

Mr BA Stott
Chairman: Group Remuneration Committee

14 September 2015

Group Social and Ethics Report

1. INTRODUCTION

The Group Social and Ethics Committee is constituted as a Committee of the Board of Clientèle in terms of section 72(4) of the Companies Act read with Regulation 43 of the Companies Regulations. The Committee is a Group Committee and it oversees the social and ethics requirements of the subsidiaries in the Group. The Committee is chaired by an Independent Non-executive Director and includes three Executives in its membership. The Committee meets quarterly.

The Committee's mandate is to monitor the Group's activities, with regards to relevant legislation, other legal requirements or prevailing codes of best practice, on matters relating to:

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

During the period under review, the Group managed its performance against the above principles. The Committee also ensured that the Group integrated ethical standards into its day to day activities. Indeed, the reputation of the Group's business and the value of its brand is built on the long–standing commitment to being a responsible and ethical business.

2. BBBEE

Clientèle has been working for a considerable length of time to put in place a BBBEE transaction, as part of its BBBEE initiatives, which will add value both to the participants in the transaction and to Clientèle and all its stakeholders. A transaction has now been concluded through the sale by Old Mutual to YTI of 12,963,747 shares in Clientèle. YTI is the investment company of The Hollard Foundation Trust.

The Hollard Foundation Trust is a catalyst for positive change in South Africa, with a focus on promoting inclusive and equitable economic and social development. Its core large scale social initiatives include the Harambee Youth Employment Accelerator which is focussed on addressing youth unemployment, PILO and FUEL which focus on improving learning outcomes and feeding in public schools, and Kago Ya Bana and Smartstart which are driving large scale provision of Early Childhood Development.

We are gratified that the relationship between Clientèle and YTI will allow Clientèle input into the application of benefits flowing through YTI to the ultimate beneficiaries so that Clientèle may further its existing and future corporate responsibility objectives as well as contributing to the growth of value in YTI.

Group Social and Ethics Report continued

The Group is also in the process of procuring its BBBEE scorecard under the Financial Services Code.

During the period under review, the Group focused its attention on re-building the IFA network, its network marketing distribution channel. IFAs grow their businesses and earn revenue by referring people to IFA presentations where they are introduced to Clientèle insurance products. The attention during the period under review was growing this pool of business owners and expanding their opportunity to earn. IFAs earned in excess of R154 million during this period and almost R2 billion since inception.

3. HUMAN RESOURCES, LABOUR RELATIONS AND EMPLOYMENT EQUITY

A motivated and engaged workforce is key to realising business imperatives. The Group invests in its employees through a system of incentives, rewards and recognitions. The rules for participation ensure equality and fairness. The Group also encourages self-development and training. As it 30 June 2015 the Group had 146 employees on various medium-term training programmes, at a total rand value of R2,775,112. There were 58 promotions, of which 5 were at senior management and executive level. These were all handled with fairness and equity, ensuring that deserving candidates got promoted. The Group's disciplinary measures place emphasis on the employee's rights. They are also fair and the Committee is satisfied that they are applied reasonably and objectively. Regular employee climate/culture surveys are conducted and these give a temperature reading on the wellness of the staff. The Group's requirement for the wellness of its staff extends to that of its suppliers' staff at its premises, with the Group taking measures to ensure that they are also treated fairly and well.

The Group also participates in the youth job placement initiative Harambee Youth Employment Accelerator, which facilitates new entrants into the job market. The Harambee graduates undergo an intensive three month programme which better prepares them for the work environment. These graduates are then given further guidance and development in the Group, further enhancing transformation in the country by employing first-entrants into the job market.

The Group's ethics survey and code of conduct also keeps employees informed about how to manage ethics and to conduct themselves in a trustworthy and professional manner.

There is an active Employment Equity Committee (the EE Committee), with Committee members being able to freely express themselves on pertinent issues. The EE Committee makes input into the process of compiling the Group's Employment Equity Plan that is submitted annually to the Department of Labour.

4. CONSUMER RELATIONSHIPS, INCLUDING THE GROUP'S ADVERTISING, PUBLIC RELATIONS AND COMPLIANCE WITH CONSUMER PROTECTION LAWS

The Group focused significant effort across all teams to become client-centric. This included consistent, efficient and relevant communication to all customers across the policy life cycle; claims efficiency and measuring the right behaviour; understanding the customer better and using that understanding to inform product design, process design and communication strategies.

The Group further went beyond basic compliance on TCF and enhanced this into a business tool, TCW. In addition, the Group has created value for its customers through its customer driven innovations that it prides itself in. These are innovations such as paying funeral benefit claims within 24 hours, making payment of claims to a cellphone and paying R200 airtime to assist policyholders with funeral arrangements. The Group's focus has been on things that have made its customers lives easier because what is good for the customers is ultimately good for business. Feedback from clients is shared with its three main client touch-point departments namely the Sales, Service and Claims departments making sure that they understand client perceptions, resolve queries that arise more efficiently and generally improve internal processes.

The Group also places additional focus on ethical selling. During the year it reviewed its policies pertaining the number of insurance policies sold to a client, and added more checks to ensure as far as possible that clients are sold policies that they can afford. Focus is on customer-centricity and not just chasing targets. The Group has also taken measures in its loans business that seek to establish that it does not give loans for current/ day-to-day expenditure.

5. FRAUD AND ANTI-CORRUPTION

The Group is committed to maintaining the highest standards of honesty, integrity and ethical conduct. To this end, it has adopted a policy to ensure consistent and effective investigation, reporting, disclosure and minimisation of fraud, corruption and theft occurrences within the Group. The Group supports and fosters a culture of zero tolerance to fraud, corruption and theft in all of its activities. Employees who commit an act of fraud are subjected to disciplinary action, up to and including termination. The Group also has a whistle blowing policy to encourage employees to raise serious concerns relating to specific matters (including fraud, corruption and theft) without fear of victimisation. These policies are reviewed annually.

During the period under review, the Group had to deal with several cases of fraud pertaining to claims on its hospital products, in Kwazulu Natal. These were dealt with appropriately and the relevant hospitals were notified.

6. CSI

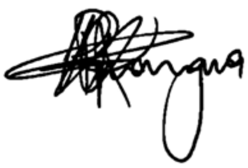
In pursuance of its identified 3 central pillars of Education, Health and Community Development, the Group took part in the following CSI projects:

- Volunteer Day;
- Casual Day contributions (supporting Disability causes);
- Breast Cancer Awareness;
- Movember;
- Clothing Collection Campaign;
- IFA Bursary Scheme;
- Kgautshwane Village Water project;
- Employee Giving Campaign; and
- Winter Warmers.

The Group strongly encourages employee voluntarism and it has, at times, matched in rand value the contribution made by employees towards certain causes in order to encourage them to make further contributions.

7. CONCLUSION

The Committee has discharged its mandate of ensuring that the Group conducts its business activities in accordance with its brand purpose of "safeguarding your world with compassion".



Pheladi Gwangwa
Chairperson: Group Social and Ethics Committee

14 September 2015

Report of the Group Audit Committee

for the year ended 30 June 2015

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

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

1. GROUP AUDIT COMMITTEE TERMS OF REFERENCE

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

2. GROUP AUDIT COMMITTEE MEMBERS, MEETINGS AND ASSESSMENT

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

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

During the year six meetings were held.

The Chairman of the Group Audit Committee attended the AGM held during this reporting period. The effectiveness of the Group Audit Committee and its members is assessed on an annual basis. The most recent assessment carried out at the end of August 2015 did not highlight any significant matter of concern.

3. ROLE, RESPONSIBILITIES AND FULFILMENT THEREOF

3.1 STATUTORY DUTIES

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

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

External Auditor appointment and independence

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

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

The Group Audit Committee, in consultation with Group Excom, approved the Group engagement letter, Group management representation letter, audit plan and budget for the 2015 financial year and actual audit fees for the 2014 financial year. The Group Audit Committee received and considered the report of the External Auditors on the results of their annual audit. No significant matters were reported.

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

The Group Audit Committee has nominated, for election at the AGM, PricewaterhouseCoopers Incorporated as the External Audit firm and Mrs Alsue du Preez as the designated External Auditor responsible for performing the functions of External Auditor for the 2016 financial year. The Group Audit Committee has satisfied itself that the External Audit firm and designated Auditor are accredited as such on the JSE list of Auditors and their advisors.

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

Annual Financial Statements, Group preliminary results and accounting practices

The Group Audit Committee has reviewed the accounting policies, the Annual Financial Statements and results for the six months to 31 December 2014 and the year to 30 June 2015 of the Group and is satisfied that they are appropriate and comply with IFRS. The dividend for the year was considered by the Group Audit Committee and recommended to the Board for approval. The Group Audit Committee did not receive any complaints from within or outside the Group relating to accounting practices, internal audit or the content or audit of the annual financial statements or to any related matter.

Internal financial controls

The Group Audit Committee has overseen a process by which GIA was requested to provide a written assessment of the effectiveness of the Group's system of internal control and risk management, including internal financial controls. This written assessment by GIA formed the basis for the Group Audit Committee's recommendation in this regard to the Board, in order for the Board to report thereon. The Group Audit Committee Report on the Effectiveness of Internal Financial Controls is included on page 40. The Board report on the Effectiveness of Internal Controls is included on page 39.

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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 2015 has been reviewed and approved by a sub-committee appointed by the Board 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 38.

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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.

GIA

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.

Report of the Group Audit Committee continued

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

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

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

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

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

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

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

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

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

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

Mr BA Stott
Chairman: Group Audit Committee

14 September 2015

Statement of Group Embedded Value

for the year ended 30 June 2015

1. INTRODUCTION

The following is a summary of the EV results for the Group for the 12 months ended 30 June 2015, together with the comparative figures for the year ended 30 June 2014. The results in this statement pertaining to the year ended 30 June 2015 comply with the Actuarial Guidance Note APN107 version 7.

The calculations are being performed by the Clientèle Internal Actuarial Department, is being reviewed by the Group Actuary and is being certified by the External Actuaries.

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

The Free Surplus is the ANW less the Required Capital attributed to covered business. The Required Capital has been set at the greater of the Statutory Termination CAR and 1.25 times the Statutory Ordinary CAR 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 2015.

The CoC is the opportunity cost of having to hold assets to cover the Required Capital of R335.2 million as at 30 June 2015.

2. COVERED BUSINESS

All material business written by the Group has been covered by EV methodology as outlined in the APN107 of the Actuarial Society of South Africa, including:

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

Statement of Group Embedded Value continued

3. ADJUSTED NET WORTH

The table below shows the reconciliation of Total Equity to ANW for the year ended 30 June 2015, as well as the year ended 30 June 2014:

(R'000)	**Year ended 30 June 2015**	Year ended 30 June 2014
Total equity and reserves per SOFP	740,195	618,846
Removal of Deferred Profits and impact of Compulsory Margins on Investment Business (net impact after-tax)	11,327	12,793
Adjusting for minority interests	3,102	5,850
Adjusting subsidiaries to Net Asset Value	21,884	20,148
SAR and Bonus Rights Schemes adjustment	(53,695)	(57,897)
ANW	722,813	599,740

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

Clientèle Life's statutory CAR cover ratio as at 30 June 2015 was 2.32 (30 June 2014: 2.03) on the SVM.

Clientèle General Insurance's Statutory CAR cover ratio at 30 June 2015 was 1.33 (30 June 2014: 1.57) on the SVM.

4. EV OF COVERED BUSINESS

The table below shows the EV for the year ended 30 June 2015, as well as the year ended 30 June 2014:

(R'000)	**Year ended 30 June 2015**	Year ended 30 June 2014
Free Surplus	387,605	287,353
Required Capital	335,208	312,387
ANW of covered business	722,813	599,740
CoC	(74,170)	(58,308)
PVIF	3,952,657	3,397,262
EV of covered business	4,601,300	3,938,694

The EV per share and the Diluted EV per share for these periods are shown below:

(cents)	**Year ended 30 June 2015**	Year ended 30 June 2014
EV per share	1,391.68	1,196.38
Diluted EV per share	1,370.63	1,195.73

5. VALUE OF NEW BUSINESS

The VNB represents the present value of the projected after-tax profits at the point of sale on new covered business commencing during the 12 months ended 30 June 2015 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 Valuation. The definition used for new business is consistent with what has been used when preparing the Annual Financial Statements. The assumptions used for the calculation are the same as what has been used to determine the EV results for the year, including investment yields.

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

The total VNB for the Group (excluding any allowance for the Management Incentive Scheme and after adjustment for non-controlling interests), for the year ended 30 June 2015 (RDR: 11.80% p.a.), as well as the year ended 30 June 2014 (RDR: 11.10% p.a.) are as follows:

(R'000)	Year ended 30 June 2015	Year ended 30 June 2014
Total VNB	726,239	644,438
CoC for New Business	(8,665)	(6,284)
Total VNB net of Cost of Capital	717,574	638,154
Present Value of New Business premiums	2,482,780	2,319,368
New Business profit margin %	28.9	27.5

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

The RDR has been determined using a top-down weighted average cost of capital approach, with the equity return calculated using Capital Asset Pricing Model (CAPM) theory. In terms of current actuarial guidance, the RDR has been set as the risk free rate plus a beta multiplied by the assumed equity risk premium. It has been assumed that the equity risk premium (i.e. the long-term expected difference between equity returns and the risk free rate) is 3.5%.

The beta pertaining to the Clientèle share price is relatively low, which is partially a consequence of the relatively small free float shares. After careful consideration, the Board has decided to continue to use a more conservative beta of 1, in the calculation of the RDR.

Based on the above, the RDR utilised for the South African business as at 30 June 2015 was 11.80% p.a.

The table below shows the long-term economic assumptions for business written in South Africa for the year ended 30 June 2015 as well as the year ended 30 June 2014:

(%)	Year ended 30 June 2015	Year ended 30 June 2014
RDR	11.80	11.10
Non-unit investment return	8.30	7.60
Unit investment return	9.30	9.00
Expense inflation	6.80	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 Valuation date. Adjustments were made to the assumptions for withdrawals and mortality for the South African business, based on this investigation. Renewal expenses were increased by assumed inflation.

Statement of Group Embedded Value continued

8. SEGMENT INFORMATION

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

(R'000)	ANW	PVIF	CoC	EV
30 June 2015				
SA – Long-term insurance*	609,521	3,306,547	(53,314)	3,862,754
SA – Short-term insurance**	120,532	639,592	(20,856)	739,268
SA – Investment contracts***	–	2,629	–	2,629
SA – Other****	(7,240)	3,889	–	(3,351)
Total	722,813	3,952,657	(74,170)	4,601,300
30 June 2014				
SA – Long-term insurance*	500,170	2,868,411	(41,066)	3,327,515
SA – Short-term insurance**	111,976	518,714	(17,242)	613,448
SA – Investment contracts***	–	3,051	–	3,051
SA – Other****	(12,406)	7,086	–	(5,320)
Total	599,740	3,397,262	(58,308)	3,938,694

* *SA Long-term Insurance includes Clientèle Life, Clientèle Properties South, Clientèle Properties North, Clientèle Properties East.*
** *SA Short-term Insurance includes Clientèle General Insurance Limited.*
*** *SA Investment Contracts is the Single Premium business PVIF split out from SA Long-term insurance.*
**** *SA Other includes Clientèle Loans (Clientèle Loans Direct & PSA).*

The table below shows the VNB split between segments for the year ended 30 June 2015 and the year ended 30 June 2014:

(R'000)	**30 June 2015**	30 June 2014
SA – Long-term insurance*	602,313	550,551
SA – Short-term insurance**	111,360	85,507
SA – Investment contracts***	3,037	745
SA – Other****	864	1,351
Total	717,574	638,154

* *SA Long-term Insurance includes Clientèle Life, Clientèle Properties South, Clientèle Properties North, Clientèle Properties East.*
** *SA Short-term Insurance includes Clientèle General Insurance Limited.*
*** *SA Investment Contracts is the Single Premium business PVIF split out from SA Long-term insurance.*
**** *SA Other includes Clientèle Loans (Clientèle Loans Direct & PSA).*

9. SENSITIVITIES – EV

The table below illustrates the effect of the different assumptions on the EV (net of company tax) at a RDR of 11.80% p.a. (unless otherwise specified):

(R'000)	ANW	Value of in-force Business	Cost of Capital	EV	% of Main Basis
Main Basis	722,813	3,952,657	(74,170)	4,601,300	
1% increase in RDR	722,813	3,684,594	(84,533)	4,322,874	93.9
2% increase in RDR	722,813	3,456,891	(94,089)	4,085,615	88.8
1% decrease in RDR	722,813	4,272,508	(62,894)	4,932,427	107.2
2% decrease in RDR	722,813	4,659,868	(50,578)	5,332,103	115.9
4% increase in RDR	722,813	3,091,058	(111,132)	3,702,739	80.5
Assuming a 10% decrease in the following:					
– Future expenses	722,813	3,991,092	(74,170)	4,639,735	100.8
– Policy discontinuance rate	722,813	4,377,929	(78,619)	5,022,123	109.1
5% decrease in Claims (and reinsurance rates) experience	722,813	4,003,933	(75,154)	4,651,593	101.1
Investment return less 1%	722,813	3,933,006	(63,541)	4,592,278	99.8
Inflation plus 1%	722,813	3,929,315	(73,962)	4,578,166	99.5
Assuming a once-off 10% reduction in equity holdings	708,897	3,954,293	(72,863)	4,590,328	99.8

The sensitivity analysis has assumed that the reserving basis will remain static, despite changes in experience, except in the following case (where APN107 (Version 7)) require the change in reserving basis to be considered in conjunction with the change in assumptions:

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

10. SENSITIVITIES – VNB

The table below illustrates the effect of the different assumptions on the VNB (including reinstatements) at a RDR of 11.80% p.a. (unless otherwise specified):

(R'000)	VNB (after expense loss)	% of Main Basis
Main Basis	717,574	
Initial Expenses less 10%	754,465	105.1
Renewal Expenses less 10%	730,307	101.8
Inflation plus 1%	712,786	99.3
Investment return less 1%	715,412	99.7
Claims (and reinsurance rates) less 5%	732,218	102.0
Withdrawals less 10%	915,105	127.5
RDR of 9.80%	902,672	125.8
RDR of 10.80%	800,815	111.6
RDR of 12.80%	647,370	90.2
RDR of 13.80%	588,226	82.0
RDR of 11.10%	774,042	107.9
RDR of 15.80%	493,356	68.8
RDR of 16.80%	454,644	63.4

Statement of Group Embedded Value continued

11. EV EARNINGS

EV earnings (per APN107) comprises the change in EV (after non-controlling interests) for the year after adjusting for capital movements and dividends paid as they pertain to Clientèle. EV earnings explicitly include any changes in non-controlling shareholder interests.

The table below shows the EV earnings for the year ended 30 June 2015:

(R'000)	ANW	PVIF	CoC	EV
A: EV at the end of the year	722,813	3,952,657	(74,170)	4,601,300
EV at the beginning of the year	599,740	3,397,262	(58,308)	3,938,694
Less: Dividends accrued or paid	257,031	–	–	257,031
B: Adjusted EV at the beginning of the year	342,709	3,397,262	(58,308)	3,681,663
EV earnings (A – B)	380,104	555,395	(15,862)	919,637
Less: Impact of once-off economic assumption changes	1,628	(171,997)	(7,636)	(178,005)
Less: Impact of other once-off items	–	–	–	–
EV earnings before once off items	378,476	727,392	(8,226)	1,097,642
Annualised EV earnings before once off items	378,476	727,392	(8,226)	1,097,642
As a percentage of Adjusted EV at the beginning of the year – ROEV (%)				29.8
ROEV including once-off items (%)				25.0
Components of EV earnings				
VNB	(250,093)	976,333	(8,665)	717,574
Expected return on covered business (unwinding of RDR)	–	404,319	6,973	411,292
Expected profit transfer	617,648	(617,648)	–	–
Withdrawal and unpaid premium experience variance	(2,452)	23,312	(1,843)	19,017
Claims and reinsurance experience variance	(3,416)	–	–	(3,416)
Sundry experience variance	4,233	(66)	–	4,167
Other Changes in modelling/basis and non-economic assumptions	11,012	(38,272)	(4,691)	(31,951)
Expected return on ANW	34,987	–	–	34,987
SAR and Bonus Rights Schemes dilution	13,221	–	–	13,221
Goodwill and Medium-term incentive schemes	(47,912)	(20,586)	–	(68,498)
EV operating return	377,228	727,392	(8,226)	1,096,394
Investment return variances on ANW	1,248	–	–	1,248
Effect of economic assumption changes	1,628	(171,997)	(7,636)	(178,005)
EV Earnings	380,104	555,395	(15,862)	919,637

12. CONCLUSION

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

Ms SC Poriazis
Consulting Actuary
Fellow of the Actuarial Society of South Africa

14 September 2015

Approval of the Annual Financial Statements

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

It is the responsibility of the External Auditors to report on the fair presentation of the Company and the Group annual 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 annual financial statements in terms of IFRS and to adequately safeguard, verify and maintain accountability for Group assets. Accounting policies supported by judgments, estimates, and assumptions which comply with IFRS are applied on a consistent and going concern basis. Systems and controls include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties.

Systems and controls are monitored throughout the Group. More detail, including the operation of GIA, is provided in the corporate governance section of the Integrated Annual Report on pages 37 to 38.

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Based on the information and explanations given by management and GIA, the Directors are of the opinion that the internal financial controls and the financial records may be relied upon for preparing annual 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 annual financial statements.

The Integrated Annual Report, including the annual financial statements for the year ended 30 June 2015, prepared in accordance with IFRS, were approved by the Board on 14 September 2015 and signed on its behalf by:

Mr GQ Routledge
Chairman

Mr BW Reekie
Managing Director

14 September 2015

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

14 September 2015

Independent Auditors' Report to the Shareholders

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We have audited the consolidated and separate Financial Statements of Clientèle Limited set out on pages 77 to 165, which comprise the Statements of Financial Position as at 30 June 2015, and the Statements of Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flows for the year then ended, and the Notes, comprising a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company's Directors are responsible for the preparation and fair presentation of these consolidated and separate Financial Statements in accordance with IFRS and the requirements of the Companies Act of South Africa, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated and separate Financial Statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

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

OTHER REPORTS REQUIRED BY THE COMPANIES ACT

As part of our audit of the consolidated and separate Financial Statements for the year ended 30 June 2015 we have read the Directors' Report, the Group Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate Financial Statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate Financial Statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: Mrs A du Preez
Registered Auditor

Sunninghill

14 September 2015

Report of the Directors

The Directors have pleasure in submitting their Director's Report, which forms part of the Integrated Annual Report for the year ended 30 June 2015.

1. NATURE OF BUSINESS

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

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Refer to page 2 for the Group Structure and the companies that form part of the Group.

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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 annual financial statements and notes thereto on pages 126 to 165. An ordinary dividend of 90.00 cents per share (2014: 78.00 cents per share) was declared on 13 August 2015. The dividend will be paid on Monday, 21 September 2015.

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, 11 September 2015. The shares commenced trading ex dividend on Monday, 14 September 2015 and the record date will be Friday, 18 September 2015.

Share certificates could not be dematerialised or rematerialised between Monday, 14 September 2015 and Friday, 18 September 2015, 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 2015	30 June 2014	% change
Financial position			
Total assets (R'm)	2,755	2,648	4.0
Net asset value per share (cents)	223.87	187.97	19.1
Return on shareholders interest (%)	56	57	
Operating results			
Insurance premium revenue (R'm)	1,641	1,406	16.7
Profit before tax (R'm)	502	422	19.0
Tax (R'm)	138	116	19.0
Net profit attributable to ordinary shareholders of the Group (R'm)	362	308	17.5
Diluted EPS (cents)	107.99	93.59	15.4
Diluted headline EPS (cents)	107.67	93.53	15.1
Dividend per share (cents)	90.00	78.00	15.4

The holding Company's interest in the aggregate profits earned after tax (after adjusting for non-controlling interests), by the subsidiaries amounted to R361.6 million (2014: R310.8 million).

The holding Company's interest in the aggregate losses earned after tax (after adjusting for non-controlling interests), by the subsidiaries amounted to Rnil (2014: R3.0 million).

HEADLINE EARNINGS PER SHARE

Headline EPS has been adjusted by the profit on disposal of equipment of R282,000 (2014: R202,000) impairment of intangible assets of R1,234,000 (2014: Rnil) and taxation effects on loan write-off of R2,037,000 (2014: Rnil).

Headline earnings per share increased by 17% from 93.58 cents to 109.33 cents.

Group (R'000) **Reconciliation of earnings to headline earnings**	**2015**	2014
Net profit attributable to ordinary shareholders	361,643	307,811
Less: profit on disposal of fixed assets	(282)	(202)
Add: Impairment of intangible assets	1,234	–
Less: Taxation effects on loan write-off	(2,037)	–
Headline earnings	360,558	307,609
Diluted weighted ordinary shares in issue		
Ordinary shares in issue (000's)	330,630	329,218
Weighted ordinary shares (000's)	329,799	328,722
Adjustment for dilution due to SAR and Bonus Rights Schemes (000's)	5,078	179
Diluted weighted ordinary shares (000's)	334,877	328,901
Diluted earnings per share (cents)	107.99	93.59
Diluted headline earnings per share (cents)	107.67	93.53

3. SHARE CAPITAL

1,411,150 shares were issued at a nominal value of R28,223 during the year as part of the SAR and Bonus Rights Schemes. The share capital as at 30 June 2015 is as follows:

Group (R'000)	**2015**	2014
Authorised:		
750,000,000 (2014: 750,000,000) ordinary shares of 2 cents each	15,000	15,000
Issued:		
330,629,599 (2014: 329,218,449) ordinary shares of 2 cents each	6,613	6,584

4. HOLDING COMPANY

Clientèle is ultimately controlled by Pickent Investments Limited (formerly known as R Enthoven and Sons Proprietary Limited), which is incorporated in South Africa through the holding of voting rights (indirectly) of 79.10% (2014: 76.79%) of the issued share capital (refer to note 10 on pages 142 to 143: Share capital and premium).

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Pickent Investments Limited is also the ultimate holding Company of the Hollard Group.

Report of the Directors continued

5. DIRECTORS AND SECRETARY

The following people acted as Directors during the year:

Gavin Quentin Routledge BA, LLB	Chairman	Independent Non-executive Director, member of the Group Audit, Group Risk, Group Remuneration and Group Investment Committees
Gavin John Soll CA(SA)	Group Vice Chairman	Non-executive Director, member of Group Risk and Group Investment Committees
Adrian Domoniq t'Hooft Enthoven BA, PhD (Political Science)		Non-executive Director, member of the Group Remuneration and Group Investment Committees
Brenda-Lee Frodsham B.Com		Executive Director, member of the Group Actuarial and Group Risk Committees
Iain Bruce Hume CA(SA), ACMA	Group Financial Director	Executive Director, Chairman of the Group Investment Committee, member of Group Actuarial and Group Risk Committees
Basil William Reekie BSc(Hons), FASSA	Group Managing Director, Managing Director – Clientèle Life	Executive Director, Chairman of Group Actuarial Committee, member of the Group Risk, Group Social and Ethics and Group Investment Committees
Barry Anthony Stott CA(SA)		Independent Non-executive Director, Chairman of the Group Audit, Group Risk and Group Remuneration Committees, member of the Group Investment Committee.
Pheladi Raesibe Gwangwa B.Proc (LLM)		Independent Non-executive Director, Chairperson of Group Social and Ethics Committee
Robert Donald Williams B. Bus Sc(Hons), FASSA		Independent Non-executive Director, member of the Group Audit, Group Risk and Group Actuarial Committees
Matsobane Peter Matlwa[1] CA (SA), MBA, M.Com (Tax)	Appointed 1 July 2014, resigned 5 January 2015	Independent Non-executive Director, member of the Group Audit Committee

1 Appointed as a Director of Clientèle and Clientèle Life and a Group Audit Committee Member on 1 July 2014. Resigned as a Director on 5 January 2015.

Gavin Quentin Routledge, 59, (Independent Non-executive Chairman), BA, LLB (Wits)
Mr Gavin Routledge is based in Cape Town and is engaged in private equity for his own account and also advises companies and Executives on strategy and deal making. When required, he attends to the Group's business in his capacity as Chairman of the Board. Previously he was responsible for many of the Hollard Group's private equity investments in Southern Africa and prior to that he was Chief Executive of a niche investment banking company, A&R Corporate Finance, concentrating on international financial transactions and investment banking.

Gavin John Soll, 53, (Group Non-executive Vice Chairman), CA(SA)
Prior to joining Clientèle Life, Mr Gavin Soll was employed by the Imperial Group, where he acted as a Director of a number of entities within that Group. Mr Gavin Soll joined Clientèle Life as Group Financial Director in February 1998 and in September of the same year was appointed Managing Director. Mr Gavin Soll was appointed Managing Director of Clientèle on its formation in May 2008. Mr Gavin Soll was succeeded by Mr Basil Reekie as the Group Managing Director of Clientèle effective 1 July 2013 and now serves on the Clientèle Board as Group Non-executive Vice Chairman with effect from 30 June 2014.

Basil William Reekie, 42, (Group Managing Director), BSc (Hons), FASSA
Mr Basil Reekie is a qualified actuary who joined Clientèle on 1 January 2008 and has been the Managing Director of Clientèle Life (the major subsidiary of Clientèle) since May 2008 and the Managing Director of Clientèle since 1 July 2013. Prior to joining Clientèle, Mr Basil Reekie was the Managing Executive of QED Actuaries and Consultants where he was responsible for the day-to-day operations of QED and consulted to numerous life insurance companies in South Africa and across the African continent. As a consultant, he acted in the capacity of Statutory Actuary for many of these companies.

Adrian Domonic t'Hooft Enthoven, 46, (Non-executive Director), BA Hons in Politics, Philosophy and Economics, PhD in Political Science.
Dr Adrian Enthoven is the Executive Chair of Yellowwoods Ventures Investments (SA) Proprietary Limited, an international investment and insurance Group. He also serves on the Boards of a number of South African companies and non-government organisations. In the early nineties, he worked at the Metropolitan Chamber, a multi-party negotiating forum responsible for the democratisation of Greater Johannesburg. During 1995, he worked as an adviser to the Elections Task Group, a national body responsible for co-ordinating the first non-racial local government elections in South Africa. He has been involved in the investment business since completing his PhD in 2000. He is responsible for the Yellowwoods investments in South Africa.

Brenda-Lee Frodsham, 43, (Executive Director), B.Com (Wits)
Ms Brenda-Lee Frodsham joined Clientèle Life in February 1994 and has managed and gained experience in several areas of the business including telesales, client services, administration, claims, direct mail, business development, product development, marketing, IT and IFA. Currently she assumes the portfolio of Strategic Operations Director for the Group.

Iain Bruce Hume, 48, (Group Financial Director), CA(SA), ACMA
Mr Iain Hume is a Chartered Accountant and an associate of the Chartered Institute of Management Accountants with over 17 years of experience in the banking and insurance industries. Mr Hume has been with the Group since 2000.

Barry Anthony Stott, 66, (Independent Non-executive Director), CA(SA)
Mr Barry Stott was previously a senior partner of PricewaterhouseCoopers and responsible for the financial services practice.

His experience in the financial services industry includes various long-term and short-term insurers, asset managers and stockbrokers. Mr Barry Stott is the Chairman of Discovery Health Medical Scheme Audit and Risk Committees.

Pheladi Raesibe Gwangwa, 42, (Independent Non-executive Director), B Proc, LLB (LLM)
Ms Pheladi Gwangwa is currently the Station Manager of Talk Radio 702 and has been involved with Primedia Broadcasting since 2002. She is a qualified lawyer who has previously worked for the State Attorney, IBA, ICASA and Cell C before joining Primedia Broadcasting.

Robert Donald Williams, 59, (Independent Non-executive Director), B. Bus Sc(Hons), FASSA
Mr Robert Williams has been appointed as an Independent Non-executive Director of Clientèle with effect from 1 January 2013. Mr Robert Williams is a Fellow of the Actuarial Society of South Africa and his previous experience includes six years as the Executive Head of Aon Hewitt (retirement funding, health care and actuarial services), prior to that managing Director of QED Actuaries and Consultants (actuarial services to life insurers, short-term insurers, retirement funds). Mr Robert Williams has over 20 years experience acting as the appointed Statutory Actuary to various life insurance companies in Southern Africa.

Matsobane Peter Matlwa, 59, (Independent Non-executive Director), CA(SA), MBA, M.Com (Tax)
Mr Matsobane Matlwa has been appointed as an Independent Non-executive Director of Clientèle with effect from 1 July 2014. He is presently an Independent Non-executive Director of Sasol Inzalo Public Limited and the Chief Executive Officer of Matlwa Consulting (Pty) Ltd. He was previously an Independent Non-executive Director of JD Group Limited where he also served as the Chairperson of the Risk Management Committee and a member of the Audit Committee. He also served as the Chief Executive Officer of the South African Institute of Chartered Accountants (SAICA) until 31 January 2014. Mr Matsobane Matlwa resigned as a Director of Clientèle on 5 January 2015 to pursue a full-time senior position in the South African Revenue Service.

Report of the Directors continued

OTHER DIRECTORSHIPS HELD BY THE DIRECTORS

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

Name	Current Directorships/Partnerships	Nature of Business
IB Hume	Clientèle Limited	Financial Services
	Clientèle Life Assurance Company Limited	Life Insurance
	Clientèle Properties South Proprietary Limited	Property Investments
	Clientèle Properties North Proprietary Limited	Property Investments
	Clientèle Properties East Proprietary Limited	Property Investments
	Clientèle General Insurance Limited	Short-term Insurance
	Clientèle Loans Proprietary Limited	Unsecured Personal Loans
	Clientèle Loans Direct Proprietary Limited	Unsecured Personal Loans
	Clientèle Direct Proprietary Limited	Financial Services
	Clientèle Mobile Proprietary Limited	Mobile Services
BW Reekie	Clientèle Life Assurance Company Limited	Life Insurance
	Clientèle Limited	Financial Services
	Clientèle Direct Proprietary Limited	Financial Services
	Clientèle General Insurance Limited	Short-term Insurance
	Clientèle Properties East Proprietary Limited	Property Investments
	Clientèle Properties North Proprietary Limited	Property Investments
	Clientèle Properties South Proprietary Limited	Property Investments
	Clientèle Mobile Proprietary Limited	Mobile Services
	Clientèle Loans Proprietary Limited	Unsecured Personal Loans
	Clientèle Loans Direct Proprietary Limited	Unsecured Personal Loans
BA Stott	Clientèle Life Assurance Company Limited	Life Insurance
	Clientèle Limited	Financial Services
	Clientèle General Insurance Limited	Short-term Insurance
	Boca Raton Owners Association	Property
PR Gwangwa	Clientèle Limited	Financial Services
	Clientèle Life Assurance Company Limited	Life Insurance
	Broadcast Research Council	Media Research
RD Williams	Clientèle Limited	Financial Services
	Clientèle Life Assurance Company Limited	Life Insurance
	Clientèle General Insurance Limited	Short-term Insurance
	Grayston Nominees Proprietary Limited	Financial Services
	RD Williams Actuarial Consulting Services Proprietary Limited	Financial Services
MP Matlwa	Clientèle Limited	Financial Services
	Clientèle Life Assurance Company Limited	Life Insurance
	Sasol Inzalo Public Limited	Mining
	Matlwa Consulting Proprietary Limited	Consulting

Report of the Directors continued

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

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

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

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

Postal address:
PO Box 1316
Rivonia
2128

6. DIRECTORS' SHAREHOLDINGS

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

	Ordinary shares		
	Beneficial Direct	**Indirect**	**Associates**
2015			
Non-executive Directors			
GQ Routledge*	300,000	3,540,185	104,622
BA Stott	20,000	30,000	32,000
GJ Soll	5,200,000	–	–
Executive Directors			
IB Hume†	–	1,623,434	–
B Frodsham	–	776,951	–
BW Reekie#	87,000	2,156,406	–
	5,607,000	8,126,976	136,622

Subsequent to year-end, Mr Reekie acquired an additional 33,000 shares. The details of the trade was published on SENS, in line with the Listings Requirements.

† *Subsequent to year-end, Mr Hume, through his indirect holding, acquired an additional 8,030 shares. The details of the trades were published on SENS, in line with the Listings Requirements.*

	Ordinary shares		
	Beneficial Direct	Indirect	Associates
2014			
Non-executive Directors			
GQ Routledge*	300,000	3,394,359	250,448
BA Stott	20,000	–	20,000
GJ Soll	5,200,000	5,631,640	–
Executive Directors			
IB Hume	50,000	2,628,020	107,167
B Frodsham	–	1,294,920	–
BW Reekie	–	3,235,000	–
	5,570,000	16,183,939	377,615

* *The shareholding attributable to Mr GQ Routledge's associates has been adjusted for the following reasons:*
- *The shares previously reflected as being held by his associates included 58,817 shares owned by a child and a step-child of Mr Routledge. Those children are not minors and accordingly not associates of Mr Routledge. The adjustment has accordingly been made.*
- *The shares previously reflected as being held by his associates included 25,000 shares erroneously thought to be owned by Mr Routledge's wife. Those shares are and at all material times have been owned by Mr Routledge's father-in-law, who is not an associate of Mr Routledge. The adjustment has accordingly been made.*

7. EQUIPMENT

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

8. EXTERNAL AUDITORS

In accordance with section 94(7)a of the Companies Act, the Group Audit Committee, on behalf of the Board, nominated Mrs A du Preez of PricewaterhouseCoopers Incorporated for appointment as External Auditor. This appointment will be subject to approval by a majority of shareholders at the AGM on 29 October 2015.

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9. DIRECTORS' EMOLUMENTS

Details of Directors' emoluments are set out in note 29 on pages 156 to 157 to the Annual Financial Statements.

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Details of Directors' employment contracts are set out in section 2.3 on page 19 to the Integrated Annual Report.

10. SPECIAL RESOLUTIONS: CLIENTÈLE

The following special resolutions were passed during the year:

1 REMUNERATION OF NON-EXECUTIVE DIRECTORS

The remuneration of the Non-executive Directors for the period 1 July 2014 to 30 June 2015 was approved.

An increase of between 5% and 10% was approved in terms of the remuneration of the Non-executive Directors for the period 1 July 2015 to 30 June 2016.

2 FINANCIAL ASSISTANCE

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

- Any such financial assistance shall not in the aggregate for any particular financial year exceed R200 million.

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

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

Report of the Directors continued

11. SPECIAL RESOLUTIONS: SUBSIDIARIES

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

Clientèle Life: Approval of financial assistance to a maximum of R100 million for the year and the remuneration of the Directors;

Clientèle General Insurance: Approval of financial assistance to a maximum of R30 million for the year and the remuneration of the Directors;

Clientèle Mobile: Approval of financial assistance to a maximum of R20 million for the year and the remuneration of the Directors;

Clientèle Properties North: Approval of financial assistance to a maximum of R20 million for the year and the remuneration of the Directors;

Clientèle Properties South: Approval of financial assistance to a maximum of R20 million for the year and the remuneration of the Directors; and

Clientèle Properties East: Approval of financial assistance to a maximum of R20 million for the year and the remuneration of the Directors.

12. DIRECTOR'S 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.

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)	**June 2015**	June 2014
Assets		
SOFP assets	2,496,710	2,477,635
Reinsurance assets	(3,015)	(3,242)
Total assets net of reinsurance assets	2,493,694	2,474,393
Less: Liabilities		
Actuarial value of liabilities	689,676	695,554
Reduction in policy liabilities due to reinsurance	(3,015)	(3,242)
Other policyholder liabilities	942,336	1,046,722
Current liabilities	250,395	195,229
Deferred Profit	20,133	22,729
Total liabilities	1,899,525	1,956,992
Excess of assets over liabilities	594,169	517,401

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

(R'000)	**June 2015**	June 2014
Assets		
Total assets net of reinsurance assets	2,493,694	2,474,393
Disallowed assets	(33,858)	(38,975)
Total assets	2,459,836	2,435,418
Liabilities		
Actuarial liabilities	1,633,399	1,743,994
Current liabilities	250,395	195,229
Tax Impact of Deferred Profit and Compulsory Margins*	4,405	4,975
Total liabilities	1,888,198	1,944,198
Excess of assets over liabilities	571,638	491,220
CAR	246,566	241,553
CAR ratio (%)	232	203

* *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 year, in the Excess Assets on the Published Reporting Basis is shown below:

(R'000)	June 2015	June 2014
Excess assets at the end of the year	594,169	517,401
Excess assets at the beginning of the year	517,401	447,835
Change in excess assets over the year	76,768	69,566
The change in excess assets is due to the following factors:		
Investment income and growth on excess assets	33,788	57,805
Operating surplus (excluding changes in method or assumption)	360,351	248,905
Changes in Valuation method or assumptions	17,594	50,564
Revaluation of properties	4,134	20,414
Tax	(119,438)	(95,053)
Total earnings	296,430	282,635
Dividends paid	(219,662)	(213,069)
Total Change in Excess Assets	76,768	69,566

3. RECONCILIATION OF EXCESS ASSETS TO REPORTED EARNINGS

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

(R'000)	June 2015	June 2014
Net profit attributable to ordinary shareholders	311,226	292,332
Dividend paid	(219,662)	(213,069)
SAR and Bonus Rights Schemes	(14,796)	(9,697)
Total Change in Excess Assets (Published Reporting Basis)	76,768	69,566

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

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

(R'000)	June 2015	June 2014
Excess assets on Published Reporting Basis	594,169	517,401
Disallowed assets	(33,858)	(38,975)
Removal of Deferred Profit	20,133	22,729
Compulsory Margins on Investment Business	(4,401)	(4,960)
Tax Impact of Deferred Profit and Compulsory Margins	(4,405)	(4,975)
Excess Assets on Statutory Basis	571,638	491,220

5. CHANGES IN PUBLISHED REPORTING VALUATION METHOD AND ASSUMPTIONS

The methodology and Actuarial Valuation assumptions used remained broadly the same as those applied as at 30 June 2014, except for the following changes (before allowing for compulsory margins):

- The long-term investment return assumption was increased from the previous Actuarial Valuation as shown in the table below. This change was based on the economic data as it applied at the Actuarial Valuation date. The return was based on the risk-free yield curve over the appropriate term to maturity;
- The reinsurance and claims experience was updated in line with experience;
- The lapse experience was updated to be in line with the latest withdrawal investigations as per the withdrawals report produced by the Actuarial department, and;
- The expense inflation assumption was increased in line with the increase in the investment return assumption.

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

(%)	**June 2015**	June 2014
Non-unit investment return	8.30	7.60
Unit investment return	9.30	9.00
Expense inflation rate	6.80	6.10
Corporate tax rate	28.00	28.00

Other Assumptions:

- Several other refinements were made to the modelling of the business which collectively, as well as individually, had an immaterial impact on the results.

6. PUBLISHED REPORTING VALUATION METHOD AND ASSUMPTIONS

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

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

Investment contracts have been valued in accordance with IAS 39. 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 under review.

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

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

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

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):

- A non-unit investment return rate of 8.3% (2014: 7.6%) was used for all classes of business;
- An unit interest rate of 9.3% (2014: 9.0%) was used for all classes of unit-linked business;
- The expense allowance for the year after the Valuation date was based on the latest expense investigation, inflated by 6.8% p.a. (2014: 6.1%);
- For assurances, mortality rates are based on recent experience investigations;
- Withdrawal rates are based on recent experience investigations; and,

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 Liability is held, which defers the profit over the term of the policy. As at 30 June 2015, the Deferred Profit is R20.13 million (2014: R22.7 million).

9. PUBLISHED REPORTING ASSET VALUATION METHOD AND ASSUMPTIONS

All assets have been taken at SOFP values as described in the accounting policies.

10. STATUTORY CAR

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

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

The Credit Risk component inside of OCAR has an allowance for the credit risk of ABL of R93 million.

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 2015, is TCAR which is equal to R246.6 million (2014: R241.6 million). The ratio of the statutory excess of assets over liabilities to the CAR was 232% (2014: 203%).

11. APN110 DISCLOSURE

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

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

(R'000)	June 2015	June 2014
Stochastic Liability	2,290	2,657
CAR Stochastic Resilience Liability	1,376	1,186

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

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

Maturity	Strike Price	Option Price %	Volatility %
1 year	Spot	5.3	17.73
1 year	0.8*Spot	1.9	25.86
1 year	Forward	6.9	17.73
5 years	Spot	7.9	22.79
5 years	(1.04^5)*Spot	17.3	25.68
5 years	Forward	19.5	25.68
20 years	Spot	2.4	26.02
20 years	(1.04^20)*Spot	11.6	26.08
20 years	Forward	24.3	26.08

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 3.8% 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 0.036%.

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

ZERO COUPON CURVE

Year	Rate %
1	6.50
2	7.27
3	7.62
4	7.89
5	8.07
10	8.51
15	9.31
20	9.45
25	9.64
30	9.83

The date of calibration as well as the date of calculation was 30 June 2015. This calculation is only performed annually due to the complexity involved and the negligible impact on OCAR.

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 2015, the results of which are summarised above, has been conducted in accordance with, and this Statutory Actuary's Report has been produced in accordance with applicable Actuarial Society of South Africa APNs and SAPs.
- In terms of the SVM, Clientèle Life has assets exceeding the liabilities and CAR.
- Clientèle Life currently satisfies the asset spreading requirements in terms of section 31 of the Long-term Insurance Act.
- Therefore, Clientèle Life is financially sound in terms of section 29 of the Act and, in my opinion, is likely to remain financially sound for the foreseeable future.

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

14 September 2015

Risk Management

for the year ended 30 June 2015

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.

The Group has ensured the successful implementation of Board Notice 158 of 2014 – Governance and Risk Management Framework for Insurers. The required framework was incorporated within all levels of the business and all Committee and sub-committee Terms of Reference were aligned accordingly.

The risk management policy was also fully aligned to ensure compliance with this framework.

RESPONSIBILITY FOR RISK MANAGEMENT

The Group Audit Committee, the Group Investment Committee, the Group Risk Committee and the Group Social and Ethics Committee (incorporating sustainability), being sub-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 (as a shareholder Committee) has the following objectives pertaining to risks:

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

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

- Review and evaluate market risk, credit risk, liquidity risk, capital management, solvency risk and taxation risk accepted by the Group, including ALM; 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:

- Assist the Board in ensuring that there are processes in place enabling complete, timely, relevant, accurate and accessible disclosure to stakeholders;
- Provide assurance as to the effectiveness of the risk management process;
- Design, implement and monitor the risk management plan;
- Perform risk assessments on a continual basis;
- Ensure that frameworks and methodologies are implemented to increase the probability of anticipating emerging risks;
- Ensure that management considers and implements appropriate risk responses;

Risk Management continued

- Ensure continual risk monitoring by management;
- Review the Group's risk strategy, policies and processes as recommended by the risk function;
- Review the adequacy and effectiveness of the Group's risk function and its implementation by management; and
- To recommend the risk appetite and tolerance levels 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), solvency 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 Group 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 by relying on the following three lines of defence:

- First line of defence – management of the Group;
- Second line of defence – Chief Risk Officer, Risk function, Compliance function and Internal Statutory Actuary; and
- Third line of defence – GIA, External Audit and External Actuaries.

For effectiveness, these processes rely on regular communication, sound judgment and a thorough knowledge of the products and markets by the people closest to them. Management are tasked with integrating the management of risk into day-to-day activities of the Group.

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

Pillar 2 of SAM focuses on Risk Management and Governance as well as the impact of these on Economic capital requirements.

Clientèle is in the process of embedding the principles of SAM in all its business processes. During the last few years, the FSB has moved to the light parallel and comprehensive parallel run phase addressing Pillar I and Pillar II of SAM as well as other qualitative studies. Clientèle participated in all of these and does not foresee any significant negative impact on operations at this stage.

The Group's first ORSA was completed in 2015 in line with SAM Pillar II guidelines. This was submitted to the FSB at the end of August 2015.

1. RISK MANAGEMENT PROCESS

In performing the risk management process the following factors may be taken into account when managing risk for the Group:

1.1 RISK POLICY AND STRATEGY

The Group strategy must incorporate the risk strategy and the approach to risk for each of the subsidiaries.

1.1.1 Strategic Objectives

Strategic objectives are derived from the Group's business strategy, which is forward-looking over the medium-term, as well as each Company's specific strategic objectives.

1.1.2 Action Plans to Achieve Strategic Objectives

Detailed action plans, developed to ensure that strategic objectives are achieved, are identified (current position to eighteen months forward looking).

1.2 RISK IDENTIFICATION

Risks are identified as any event that can cause each Company to not achieve its strategy and/or objectives.

Risk identification includes both emerging and current risks. Risks are identified on both an enterprise-wide and individual business unit basis. It is the responsibility of the appropriate Committees to identify and ensure that all operational risks, impacting their areas, are covered.

The risk universe includes the following broad risk categories: strategic, operational, financial and compliance risk management. The risk universe includes all significant business activities within each Company and serves as one of the starting points in identifying risks.

1.3 RISK ASSESSMENT AND ANALYSIS

The following are considered when assessing and analysing every risk to ensure that each risk is fully understood:

1.3.1 Risk Taxonomy

All risks are identified relative to identified risk taxonomies.

1.3.2 Contributing Factors

Contributing factors will include internal or external processes, people or the environment that may cause the risk to materialise or increase the risk likelihood or impact.

1.3.3 Controls

Controls that are currently in place to be considered and documented.

1.3.4 Control Adequacy

An overall categorisation of the combined controls, relative to a specific risk, are established as either adequate, partially adequate or inadequate.

1.3.5 Additional Action Plans

Action plans are instituted where controls can be improved upon or where the risk can be further mitigated.

1.3.6 Risk Ratings

Risks are rated residually against an impact and likelihood scale. This process is performed at least quarterly.

The Group risk function is responsible for keeping the risk scale and ensuring that it is relevant and updated on a regular, at least annual, basis.

1.3.7 Key Risk Indicators

Key risk indicators are the business drivers that will indicate the likelihood of the risk materialising should the key risk indicator move above its acceptable level.

1.3.8 Risk Response Strategy

Management identifies risk response strategy options (listed below) and considers their effect on risk likelihood and impact, in relation to risk appetite and the costs versus benefits. Management then designs and implements response options.

The consideration of risk responses is integral to risk management and requires that management select a response that is expected to bring the risk likelihood and impact (where applicable) within the risk appetite.

The following will be used as the possible control strategies considered by management:

- Transfer the risk to external parties;
- Accept the risk;
- Treat/mitigate through rigorous management practices and controls; or
- Terminate the risk by eliminating a process, a product, or a geographical zone.

The Chairman of all the identified Committees will be responsible for keeping a list of all mitigating actions and or controls that are currently in place to reduce the risk rating.

1.4 RISK APPETITE

The Group defines risk appetite as the total amount of risk that the Group is willing to accept in the pursuit of its long-term objectives.

The following are the three risk appetite metrics, as approved by the Board:

- Solvency (Statutory Minimum plus a buffer);
- Free cash flow (three year forward rolling projection); and
- Recurring EV Earnings (three year forward rolling projection).

Risk Management continued

1.5 RISK TOLERANCE

The Group defines risk tolerance as the maximum amount of risk related specific events and key financial indicators that the Group is willing to accept as part of the risk appetite.

The following are the risk tolerance metrics, as approved by the Board:

- Insurance risk – Persistency;
- Financial risk – Production of existing products;
- Fraud risk (zero tolerance);
- Compliance risk (zero tolerance);
- Reputational risk (very low tolerance); and
- IT risk (very low tolerance).

1.6 SIGNIFICANT AND WATCHLIST RISKS

The following are the significant and watchlist risks identified that are monitored against the Group's business objectives:

RISK CATEGORY	RISK	RATIONALE
Operational/ Insurance	NAEDO	NAEDO being removed without a suitable alternative and new authenticated collections not being appropriate for Clientèle. NAEDO is the Group's most significant control to manage persistency risk.
Insurance	Persistency	Negative move by 15% against budget over a period of one year.
Financial	New Business Value (Volumes, RDR and new business margins)	The combined risk of the following: • Negative move in volumes of 25% against budget in one year; • Increase in RDR of 2% in a year; and • Profit margins significantly reducing due to market pressure and pricing war.
Compliance	Retail Distribution Review	Potential requirements that are overly stringent.
Compliance	Taxation regulations	The possible potential tax liability as a result of the SAM methodology.
Compliance	Demarcation	The possibility of cancelling the Hospital in-force book.
Financial	Liquidity/Credit	The new section 29a of the Income Tax Act is further changed before being promulgated and further delays in the ABL zero coupon fixed deposit payments.
Compliance	BBBEE	Possible negative implications with regard to television advertising and IFA positioning with regard to BBBEE.

1.7 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. When determining the Group CAR, an allowance is made for various factors including external borrowings and guarantees. The Group CAR ratio is maintained at a level of greater than 1.

1.7.1 Long-term insurance

Clientèle Life is required to maintain a capital balance equivalent to, at least, the CAR and targets an internal CAR cover ratio of no less than 1.25. 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 capital measure that is intended to provide a high level of confidence that insurers will be able to meet their existing liabilities.

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

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

As at 30 June 2015, the CAR of Clientèle Life for insurance and investment contract business amounted to R246.6 million (2014: R241.6 million) and was covered 2.32 times (2014: 2.03 times) by the excess of assets over liabilities. The credit risk component of OCAR includes an amount of R90 million specifically pertaining to the credit risk on ABL assets backing policyholder liabilities.

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

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

1.7.2 Short-term insurance

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

Clientèle General Insurance is required to maintain a capital balance equivalent to, at least, the CAR in terms of FSB Board Notice 169 of 2011 and targets an internal CAR cover ratio of no less than 1.10.

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

As at 30 June 2015, the CAR amounted to R88.6 million (2014: R70.8 million). This translated into a CAR cover ratio of 1.33 (2014: 1.60).

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

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

Risk Management continued

1.8 INSURANCE RISK

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

Insurance risk	Long-term Insurance	Short-term Insurance
Mortality and morbidity risk	1.8.1.1	
Frequency and severity of claims risk		1.8.2.1
Contract persistency risk	1.8.1.2	1.8.2.2
Expense risk	1.8.1.3	1.8.2.3
Assumption risk	1.8.1.4	1.8.2.4
Data risk	1.8.1.5	1.8.2.5

1.8.1 Long-term insurance

1.8.1.1 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 or widespread changes in lifestyle (smoking, exercise, eating, sexual practices), resulting in more or earlier claims;
- Economic conditions can potentially affect morbidity claims where benefits are determined in terms of the ability to perform an occupation; and
- Fraudulent claims.

Management of this risk

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

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

Sum insured per benefit (R'000)	Number of benefits insured	Gross amount R'm	Net amount R'm
2015			
0 – 20	1,260,120	15,393	7,469
20 – 50	425,123	14,709	7,980
50 – 100	297,933	18,545	13,955
100 – 200	64,224	8,054	4,085
200 – 500	55,382	13,462	6,348
500 +	20,938	13,935	4,998
Total	2,123,720	84,098	44,835

Sum insured per benefit (R'000)	Number of benefits insured	Gross amount R'm	Net amount R'm
2014			
0 – 20	1,069,623	8,318	3,752
20 – 50	512,112	18,736	10,687
50 – 100	351,286	22,461	15,029
100 – 200	81,918	11,850	4,756
200 – 500	61,015	17,171	5,723
500 +	18,209	17,434	4,121
Total	2,094,163	95,970	44,068

The above tables demonstrate that there is limited concentration risk as risk is spread over numerous beneficiaries with the highest volume in respect of the smaller sums insured. In addition we monitor the distribution of our in-force policies across various geographic regions.

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

1.8.1.2 Contract persistency risk

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

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

Factors affecting this risk

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

Management of this risk

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

Risk Management continued

1.8.1.3 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.

1.8.1.4 Assumption risk

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

Factors affecting this risk

- Adverse actual experience or the use of incorrect assumptions.

Management of this risk

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

1.8.1.5 Data risk

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

Factors affecting this risk

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

Management of this risk

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

1.8.2 Short-term insurance

Short-term insurance in respect of personal lines legal insurance is currently limited to a maximum of R365,000 (2014: R350,000) of legal claims per policy per annum and R3.7 million (2014: R3.5 million) per policy for the policyholders lifetime.

Short-term insurance in respect of business lines legal insurance is currently limited to a maximum of R1,000,000 (2014: R500,000) of legal claims per policy per annum.

1.8.2.1 Frequency and severity of claims

Factors affecting this risk

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

Management of this risk

- These contracts are issued individually and exclude pre-existing litigation matters and certain specifically excluded matters;
- Limits are set on the amount which can be claimed annually and in a policyholder's lifetime;
- Most matters are dealt with through in-house legal advice and day to day management is exercised with regard to the expected versus actual claims ratios and claims statistics;
- The panel of external attorneys who provide legal advice is continually reviewed and assessed to ensure the appropriate level of advice is given and charged for at an appropriate level. 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; and
- Claims experience on the accidental death claims is monitored monthly.

1.8.2.2 Contract persistency risk

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

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

Factors affecting this risk

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

Management of this risk

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

1.8.2.3 Expense risk

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

Factors affecting this risk

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

Management of this risk

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

1.8.2.4 Assumption risk

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

Factors affecting this risk

- Adverse actual experience or the use of incorrect assumptions.

Management of this risk

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

Risk Management continued

1.8.2.5 Data risk

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

Factors affecting this risk

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

Management of this risk

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

1.9 OPERATIONAL RISK AND MARKET RISK ARISING FROM FINANCIAL INSTRUMENTS AND PROPERTIES

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

Risk Types	Long-term insurance	Long-term Investment contracts*	Short-term insurance	Loans business*
Equity risk	1.9.1.1	n/a	1.9.3.1	n/a
Interest rate risk	1.9.1.2	1.9.2.1	1.9.3.2	1.9.4.1
Property risk	1.9.1.3	n/a	1.9.3.3	n/a
Operational risk	1.9.1.4	1.9.2.2	1.9.3.4	1.9.4.2

* *The assets held in terms of the Long-term Investment contracts and Loans business do not include listed equity or property investments.*

1.9.1 Long-term insurance

1.9.1.1 Equity risk

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

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

Factors affecting exposure to this risk

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

Management of this risk

- Asset allocations are reviewed on a quarterly basis by the Group Investment Committee;
- Limitations in terms of the Long-term Insurance Act on the types and amounts which may be invested in certain financial assets are monitored and adhered to;
- A conservative investment strategy with an appropriate mix of assets which avoids undue concentration in riskier asset classes is adopted;
- The general principal of consistency of returns being more important than the returns themselves is considered in the individual asset selections and asset mix;

- Asset selection and mix is aligned to the underlying policyholder obligations and policyholder reasonable expectations and is matched accordingly;
- Financial assets which are complex or "less transparent" are avoided. Complex assets or "less transparent" assets are only considered after receiving the consideration and approval of the Group Investment Committee;
- The "Prudent Person Principle" is adopted and only assets and instruments whose risks can be properly identified, assessed, monitored, managed, controlled and reported on are invested in, and assets are invested in a manner appropriate to the nature and duration of the corresponding liabilities and the best interests of policyholders and beneficiaries;
- Investment of all assets, specifically those assets covering the financial soundness requirements are invested in a manner that ensures the security, quality, liquidity and profitability of the whole portfolio of assets and the availability of assets;
- In the event of a conflict of interest, investments are made in the best interests of policyholders and beneficiaries;
- In respect of assets held in respect of long-term policies where the investment risk is borne by the policyholders, the liabilities are:
  - In the case of policy benefits that are directly linked to the value of units, represented as closely as possible by those units;
  - In the case of policy benefits that are directly linked to a share index or a reference value other than units, represented as closely as possible by the units deemed to represent the reference value or, in the case where units are not established, represented by assets of appropriate security and marketability which correspond as closely as possible with those on which the particular reference value is based;
  - The assets:
    - (a) Take account of all marketing and policy literature; and
    - (b) Are in line with policyholder reasonable expectations.
- The policyholder benefits referred to above that include a guarantee of investment performance or another guarantee benefit are backed by assets appropriate to cover the corresponding additional liabilities;
- Investments in derivative instruments are only made in accordance with section 34 of the Long-term Insurance Act;
- Investments in assets which are not admitted to trading on a regulated financial market are kept to stated prudent levels;
- Assets are properly diversified in a manner that avoids excessive reliance on any particular asset, issuer, group of companies or geographical area and excessive concentration of risk in the portfolio as a whole thus avoiding the risk of contagion between concentrated exposures;
- Factors that may materially affect the sustainable long term performance of assets or asset classes, including factors of an environmental, social and governance character are considered;
- Assets backing single premium guarantee products are (as closely as possible) matched to the liabilities;
- The categories of equities invested in are monitored monthly by Melville Douglas, who report to the Group Investment Committee;
- The equities selection and investment analysis process is outsourced to Melville Douglas and Cannon, who invest within the mandates set by the Group Investment Committee. Cannon's mandate was withdrawn effective 30 November 2014;
- Outsourcing agreements are in place to ensure that investment risks, returns and charges are appropriately managed;
- Portfolio statements are distributed to management monthly and are available electronically on a daily basis; and
- Movements on the unitised portfolio are monitored by management on a daily basis.

Risk Management continued

1.9.1.2 Interest rate risk

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

Factors affecting this risk

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

Management of this risk

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

1.9.1.3 Property risk

Property risk is the risk that the value of the properties will fluctuate as a result of changes in the property market. In addition, property risk includes the risk of suffering financial or reputational losses through the materialisation of risks linked to building activities undertaken.

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

Factors affecting this risk

- Changes in interest rates;
- Occupancy levels in the Sandton, Morningside and Rivonia area and generally for occupancy levels of commercial, retail and industrial property in South Africa;
- The condition of the buildings and surrounds in the office park;
- The state of the South African property market; and
- Various risks are associated with building activities undertaken.

Management of this risk

- Management has chosen to make the office park the home of the Group;
- The office park is being continually maintained and improved to enhance its value;
- Management believes that the Sandton, Morningside and Rivonia areas have an extremely attractive long-term investment future for property, which is continually reviewed and assessed by management over time;
- Management ensures that appropriate insurance cover is in place to protect against property damage;
- The exposure to listed property is kept at acceptable levels and is reviewed monthly by management and Melville Douglas; and
- Risks as identified by management in relation to the building activities in the office park are detailed on a risk register, which is monitored and updated regularly for the duration of the project.

1.9.1.4 Operational risk

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

Factors affecting this risk

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

Management of this risk

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

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

1.9.2 Long-term investment contracts

1.9.2.1 Interest rate risk

Financial liabilities held at fair value through profit or loss consist of non-linked investment contracts (Single Premium) (R770.9 million (2014: R839.5 million)) that are exposed to interest rate risk and linked investment contracts (R171.4 million (2014: R158.8 million)) that are not 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 of financial assets relates to financial liabilities of the long-term investment contract business);
- Policyholder contracts provide that in the event of an early withdrawal by the policyholder the interest rate risk is carried by the policyholder; and
- The lower of market value or original investment value plus accrued interest is paid out to policyholders after deducting a surrender fee on early withdrawal.

1.9.2.2 Operational risk

Refer to 1.9.1.4

1.9.3 Short-term insurance

1.9.3.1 Equity risk

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

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

Factors affecting exposure to this risk

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

Management of this risk

- Asset allocations are reviewed on a quarterly basis by the Group Investment Committee;
- Limitations in terms of the Short-term Insurance Act on the types and amounts which may be invested in certain financial assets are monitored and adhered to;
- A conservative investment strategy with an appropriate mix of assets which avoids undue concentration in riskier asset classes is adopted;
- The general principal of consistency of returns being more important than the returns themselves is considered in the individual asset selections and asset mix;
- Asset selection and mix is aligned to the underlying policyholder obligations, policyholder reasonable expectations and matched accordingly;

Risk Management continued

- Financial assets which are complex or "less transparent" are avoided. Complex assets or "less transparent" assets are only considered after receiving the consideration and approval of the Group Investment Committee;
- The "Prudent Person Principle" is adopted and only assets and instruments whose risks can be properly identified, assessed, monitored, managed, controlled and reported on are invested in, and assets are invested in a manner appropriate to the nature and duration of the corresponding liabilities and the best interests of policyholders and beneficiaries;
- Investment of all assets, specifically those assets covering the financial soundness requirements are invested in a manner that ensures the security, quality, liquidity and profitability of its whole portfolio of assets and the availability of assets;
- In the event of a conflict of interest, investments are made in the best interests of policyholders and beneficiaries;
- Investments in derivative instruments are only made in accordance with section 33 of the Short-term Insurance Act;
- Investments in assets which are not admitted to trading on a regulated financial market are kept to stated prudent levels;
- Assets are properly diversified in a manner that avoids excessive reliance on any particular asset, issuer, group of companies or geographical area and excessive concentration of risk in the portfolio as a whole thus avoiding the risk of contagion between concentrated exposures;
- Factors that may materially affect the sustainable long term performance of assets or asset classes, including factors of an environmental, social and governance character are considered.
- 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.

1.9.3.2 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. Clientèle General Insurance invests in fixed interest instruments within the shareholders and cashback investment portfolios. In addition, cashback policyholders' liabilities will be affected by changes in interest rates.

Factors affecting this risk

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

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; and
- Interest rate risk is minimised by matching the profile of liabilities with similar assets.

1.9.3.3 Property risk

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

The Group is exposed to property risk through its ownership of listed real estate equity exposure in the Melville Douglas shareholders and cashback portfolios.

Factors affecting this risk

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

Management of this risk

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

1.9.3.4 Operational risk

Refer to 1.9.1.4

1.9.4 Loans business

1.9.4.1 Interest rate risk

Factors affecting this risk

The Group's loans business receives a fixed rate of interest on advances. Advances have a maximum repayment term of five years. Funding for loan facilities is 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.

1.9.4.2 Operational risk

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

Direct Axis is a fully integrated and centralised direct marketing business that offers selected financial products. Direct Axis has established joint ventures with other insurance and banking partners that utilise its risk management, intellectual property, marketing tools, IT infrastructure, database and risk assessment expertise, customer management skills and distribution ability. Direct Axis prides itself on its extensive loan portfolio management skills acquired since inception in 1995. Clientèle owns 70% of the personal loans business, Clientèle Loans Direct which is no longer entering into new business contracts. All new business contracts as of 16 February 2013 are being concluded in accordance with a PSA in respect of unsecured personal loans with WesBank and Direct Axis. This business is funded and conducted by WesBank on its SOFP as a separate business unit and administered by Direct Axis. Clientèle will share in cumulative profits when they arise (refer to note 1.10).

Management of this risk

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

Risk Management continued

1.10 CREDIT RISK

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

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

The financial assets (excluding equities) and reinsurance assets included in the SOFP are exposed to credit risk. At 30 June 2015, the Group has provided for credit risk by way of a provision against advances to customers on the loans business, which is set out in note 1.10.3 of the Risk Management section and a fair value adjustment to financial assets at fair value through profit or loss as set out in note 7 to the Annual Financial Statements.

Factors affecting this risk

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

Management of this risk

- Spreading of financial assets in terms of the provisions of the Long-term Insurance Act and the Short-term Insurance Act for Clientèle Life and Clientèle General Insurance has the effect of limiting exposure to individual issuers due to the inadmissibility of assets for regulatory purposes if specified limits are breached. Exposure vs limits is evaluated on an ongoing basis;
- Cash equivalents, financial assets and reinsurance are placed with reputable companies. The credit rating of the Company is assessed when placing the business and when there is a decrease in the status of the credit rating of the Company. The counterparties for assets backing financial liabilities at fair value through profit or loss in respect of guaranteed single premium investment contract business are rated at least A1- by International rating agencies (Moody's and Fitch) as at investment date (refer to internal debt rating scale on page 95);
- The Group places business with at least A1+ rated reinsurers (refer to internal debt rating scale on page 95);
- 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 1.10.3); and
- The credit risk in respect of advances granted in terms of the PSA is borne by WesBank as the advances are granted by WesBank and are reflected as assets on its SOFP. Clientèle indirectly shares in credit risk through sharing of profits when the PSA is in a net cumulative profit position.

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1.10.1 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 (includes all promissory notes and fixed deposits) at 30 June:

(R'000)	A1+	A1	A1-	B	Not rated#	Total carrying value
2015						
Reinsurance assets	3,015					3,015
Financial assets at fair value through profit or loss	–	948,544	32,602	413,424	–	1,394,570
Promissory notes and fixed deposits		465,618	23,308	410,386*		899,312
Funds on deposit		416,318				416,318
Fixed interest securities		66,608	9,294	3,038		78,940
Loans and receivables including insurance receivables					89,866	89,866
Cash and cash equivalents		198,302				198,302
Total assets bearing credit risk	3,015	1,146,846	32,602	413,424	89,866	1,685,753

* *The ABL zero coupon fixed deposits of R410.4 million relate to linked policyholder liabilities of R139.7 million and guaranteed policyholder liabilities of R270.7 million.*

(R'000)	A1+	A1	A1-	B	Not rated#	Total carrying value
2014						
Reinsurance assets	3,242					3,242
Financial assets at fair value through profit or loss	798,880	446,015	45,675	–	–	1,290,570
Promissory notes and fixed deposits	550,083	423,754				973,837
Funds on deposit	179,635					179,635
Fixed interest securities	69,162	22,261	24,588			116,011
Government and public authority bonds			21,087			21,087
Loans and receivables including insurance receivables					120,683	120,683
Cash and cash equivalents	155,904					155,904
Total assets bearing credit risk	958,026	446,015	45,675	–	120,683	1,570,399

Last year, at 30 June 2014, shareholders' ABL zero coupon fixed deposits of R252.4 million and policyholders' linked ABL zero coupon fixed deposits of R129.5 million and subordinated ABL fixed interest securities of R8.0 million were classified as A1 on the Group's internal debt rating scale (refer to 1.10.2) as ABL had a Moody's national long-term credit rating of A3. On 18 August 2014 ABL's national long-term credit rating as determined by Moody's was downgraded to Caa2. This resulted in a reclassification of these assets to B on the Group's internal debt rating scale.

During August 2014, all the major South African banks credit ratings were downgraded by Moody's from Aa to A resulting in a change of the credit rating category from A1+ to A1.

Risk Management continued

1.10.2 Short-term insurance

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

(R'000)	A1	A1-	B	Not rated#	Total carrying value
2015					
Financial assets at fair value through profit or loss	76,586	1,186	1,910	–	79,682
Funds on deposit	68,146				68,146
Fixed interest securities	8,440	1,186	1,910		11,536
Receivables including insurance receivables				1,519	1,519
Cash and cash equivalents	25,011				25,011
Total assets bearing credit risk	101,597	1,186	1,910	1,519	106,212

(R'000)	A1+	A1	A1-	Not rated#	Total carrying value
2014					
Financial assets at fair value through profit or loss	48,318	5,694	6,369	–	60,381
Funds on deposit	40,615				40,615
Fixed interest securities	7,703	5,694	3,265		16,662
Government and public authority bonds			3,104		3,104
Receivables including insurance receivables				1,098	1,098
Cash and cash equivalents	24,209				24,209
Total assets bearing credit risk	72,527	5,694	6,369	1,098	85,688

Last year, at 30 June 2014, shareholders' subordinated fixed interest ABL securities of R0.9 million and cashback policyholders' senior ABL fixed interest securities of R0.6 million were classified as A1 on the Group's internal debt rating scale (below) as ABL had a Moody's national long-term credit rating of A3. On 18 August 2014 ABL's national long-term credit rating as determined by Moody's was downgraded to Caa2. This resulted in a reclassification of these assets to B on the Group's internal debt rating scale.

During August 2014, all the major South African banks credit ratings were downgraded by Moody's from Aa to A resulting in a change of the credit rating category from A1+ to A1.

Internal debt rating scale

High grade

Ratings scale summary by Rating Agencies

The Group developed its own internal debt rating scale to categorise the credit quality of its financial and reinsurance assets. The Group uses credit ratings of the ratings agencies as set out below to classify the Group's financial assets.

		Moody's Long-term	Fitch Long-term
A1+	Financial assets rated A1+ are considered to be upper-medium grade to highest quality and subject to low to minimal credit risk	Aaa/Aa	AAA
A1	Financial assets rated A1 are subject to moderate credit risk. They are considered medium-grade and as such may possess certain speculative characteristics.	A	AA/A/BBB
A1-	Financial assets rated A1- are considered speculative and subject to high credit risk	Baa/Ba	BB/B
B	Financial assets rated B are of poor standing and subject to very high credit risk	Caa	CCC

Not rated

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

1.10.3 Loans business

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

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

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

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

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

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

Risk Management continued

Based on the number of loans there is no significant concentration of credit risk as indicated by the broad spread of average loan values in the following tables:

Average loan value (at inception) (R'000)	Number of loans	% of total number of loans	Carrying value R'000	% of total carrying value
2015				
< 5	457	9	405	1
5 – 10	1,112	22	2,210	6
10 – 15	906	18	3,504	10
15 – 20	682	13	4,156	12
20 – 30	1,149	23	11,301	32
30 – 40	475	9	6,412	18
40 – 50	193	4	3,993	11
50 >	107	2	3,741	10
Total	5,081	100	35,722	100
2014				
< 5	666	9	8,515	9
5 – 10	1,249	16	8,056	8
10 – 15	1,541	20	10,469	10
15 – 20	1,099	14	11,834	12
20 – 30	1,979	26	33,239	33
30 – 40	791	11	17,472	17
40 – 50	319	4	10,735	11
Total	7,644	100	100,320	100

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

(R'000)	2015	2014
The maximum exposure to credit risk is as follows:		
Unsecured interest bearing loans receivable	35,722	100,320
Accounts and other receivables (not rated)	1,197	1,932
Cash and cash equivalents (A1 (2014: A1+) on internal debt rating scale	626	2,300
Total	37,545	104,552

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

(R'000)	2015	2014
Neither impaired nor past due		
– Unsecured interest bearing loans receivable	19,773	65,702
Past due but not impaired	13,500	30,639
Specifically impaired advances	2,449	3,979
Total advances	35,722	100,320
Less: Provision for impairments	(13,479)	(20,155)
Carrying amount at end of year	22,243	80,165

The Group has specifically provided for all individual advances in arrears for longer than 120 days taking into consideration historical recoveries, which indicates that such outstanding balances are only partially recoverable.

Advances between current and 120 days in arrears are provided for based on estimated irrecoverable amounts in respect of the advances, determined by reference to past default experience. Debt review accounts, where customers pay an agreed proposal amount, are not specifically provided for, but are assessed for impairment on a collective basis and included in the portfolio provision.

The following loss given default (LGD) percentages have been applied to the outstanding balances to provide for impairments:

(%)	2015	2014
Current	1.52	2.45
30 – 60 days	30.90	30.70
60 – 90 days	51.76	52.79
90 – 120 days	79.56	65.00
120 – 150 days	79.56	65.00
150+ days	79.56	65.00

	Ageing of past due but not specifically impaired		Ageing of specifically impaired advances	
(R'000)	2015	2014	2015	2014
Currrent			35	233
30 – 60 days			16	132
60 – 90 days	1,951	2,573	18	60
90 – 120 days	1,199	2,500		63
120 – 150 days	1,806	1,881	11	71
150 + days	8,544	23,685	2,369	3,420
	13,500	30,639	2,449	3,979

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

Included in the impairment provision are specific impaired advances with a balance of R1.7 million (2014: R2.2 million) and R11.7 million (2014: R18.0 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.

Risk Management continued

1.11 LIQUIDITY RISK

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

Management of this risk

- Cash flow management: Active liquidity and funding management is an integrated effort across a number of functional areas, which is monitored by management;
- Appropriate assets back and match the Group's liabilities and it has sufficient liquid resources. The Group also continues to experience strong positive net cash flows;
- Insurance business: The expected and contractual maturities of insurance liabilities are monitored on a monthly basis by the Group Actuarial Committee, which ensures that the assets are appropriate to cover expected insurance obligations (both life insurance and short-term insurance) as and when due. The Group Investment Committee ensures that the mix of investments is appropriate to ensure that sufficient cash will be available to meet insurance obligations as and when due;
- The Statement of Comprehensive Income, SOFP, Cash flow statements and performance versus monthly budgets are tabled at monthly management accounting meetings;
- A risk register identifying potential liquidity risks is maintained, reviewed and updated by the Risk department. The Group Investment Committee is the custodian of this register and the register is tabled at quarterly Investment Committee meetings;
- Risks are assessed for impact and probability, ranked and mitigating controls implemented where necessary;
- 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. Policyholders carry interest rate risk if there is an early surrender. The ABL curator has suspended the payments in respect of maturities related to the five year zero coupon ABL fixed deposits. The maturity profile of the shareholder and policyholder linked zero coupon fixed deposits are detailed in note 1.11.1 on page 100.
- Loans business: The Group is exposed to liquidity risk in the event that repayments from customers of Clientèle Loans Direct are not sufficient to meet the repayment schedules agreed with the providers of funding. Cash flows are monitored on a monthly basis to ensure that cash resources are adequate to meet the necessary requirements; and
- Funding for the PSA is provided by WesBank.

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	Long-term insurance and investment contract business	Short-term insurance	Loans business
Liquidity risk	1.11.1	1.11.2	1.11.3

- ALM risk

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

  Factors affecting this risk

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

  Management of this risk

  – Products with a savings component are unit-linked products matched to the underlying net investment performance;
  – The assets backing financial liabilities at fair value through profit or loss are matched upfront and are monitored on a monthly basis to ensure appropriate asset-liability matching is achieved;
  – A current as well as a forecast liquidity matching schedule which takes account of annual strategic planning, forecasting and budget processes is prepared and reviewed;
  – Monitoring and updating the liquidity matching schedule for known and anticipated changes is conducted quarterly;
  – The appropriateness of the market and credit risk of each asset or asset class is considered;
  – The outputs of the liquidity matching schedule, market and credit risk are applied in making investment decisions;
  – The nature, quantum and period of any mismatch (if applicable) is reviewed and approved;
  – Special attention is given to single premium guaranteed products which need to be considered separately;
  – An understanding of the structure (including pricing) and obligations related to new and existing products is gained through a close working relationship with the Product Committee;
  – Operational and market risks related to financial instruments and assets are managed and co-ordinated, including:
    – Equity risk, interest rate risk, property risk, operational risk, credit risk and liquidity risk;
  – The ALM process recognises the interdependence between the entity's assets and liabilities and takes into account the correlation of risk between different asset classes and the correlation between different products and business lines;
  – The ALM process also takes into account any possible off balance sheet exposures, including contingent liabilities and capital commitments and the contingency that risks transferred may revert back to the Group;
  – The management of the Group's overall cash-flow is overseen by:
    • Monthly review of cash flow taking into account the annual strategic planning and budgeting processes;
    • Quarterly monitoring and updating the cash-flow for known and anticipated changes; and
    • Ensuring that the outputs of the cash-flow have been taken into account in the matching schedule and the making of investment decisions.
  – A CAR ratio in excess of regulatory requirements is maintained at all times;
  – Spreading of assets in terms of the provisions of the Long-term Insurance Act and the Short-term Insurance Act for Clientèle Life and Clientèle General Insurance respectively has the effect of limiting exposure to individual issuers due to the inadmissibility of assets for regulatory purposes if specified limits are breached; and
  – Regular monitoring by the Group Actuarial and Group Investment Committees.

1.11.1 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 SOFP date.

Following on the extension of maturities of ABL assets, Clientèle has managed and appropriately allocated assets in accordance with contractual policyholder liability maturity profiles within the various shareholders' and policyholders' portfolios ensuring liquidity and investment risk is managed in the best interests of policyholders.

Risk Management continued

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

(R'000)	Contractual cash flows for financial instruments and expected cash flows for insurance contracts (undiscounted) < 1 year	1 – 5 years	> 5 years	Open ended	Dis-counting effect**	Margins*	Undis-counted policy-holder liabilities under insurance contracts	Total
2015								
Reinsurance assets	3,046				(36)	5		3,015
Financial assets at fair value through profit or loss:								
Debt securities	544,708	1,389,646	14,123	–	(553,907)	–	–	1,394,570
Promissory notes and fixed deposits								
– Assets backing guaranteed endowment investment contracts (note 1 below)	76,170	1,045,600			(476,835)			644,935
– Assets backing unitised endowment contracts	4,661	98,095			(19,809)			82,947
– Assets backing linked endowment investment contracts (note 2 below)	10,526	211,041			(50,137)			171,430
Funds on deposit	416,318							416,318
Fixed interest securities (note 3 below)	37,033	34,910	14,123		(7,126)			78,940
Equity securities	–	–	–	520,584	–	–	–	520,584
Listed equity securities				516,734				516,734
Unlisted equity securities				3,850				3,850
Receivables including insurance receivables	89,866							89,866
Cash and cash equivalents	198,302							198,302
Total assets	835,922	1,389,646	14,123	520,584	(553,943)	5	–	2,206,337
Policyholder liabilities under insurance contracts***	(726,987)	(1,418,098)	(809,764)		1,139,094	2,501,638	3,794	689,677
Financial liabilities at fair value through profit or loss***	370,713	693,511			(121,888)			942,336
Loans at amortised cost	1,475	11,430	37,855		(15,583)			35,177
Accruals and payables including insurance payables	150,917	12,518						163,435
Total liabilities	(203,882)	(700,639)	(771,909)	–	1,001,623	2,501,638	3,794	1,830,625
Excess/(shortfall) of assets over liabilities	1,039,804	2,090,285	786,032	520,584	(1,555,566)	(2,501,633)	(3,794)	375,712

* *Including compulsory and discretionary margins. This column is included to reconcile the cash flow back to the SOFP and does not result in an actual shortfall of assets over liabilities.*

** *This column is included to reconcile the cash flow back to the SOFP and does not result in an actual shortfall of assets over liabilities.*

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

The table below summarises the maturity profile of ABL financial assets of the Group's Long-term insurance and investment contract business segments:

(R'000)	Contractual cash flows for ABL financial instruments < 1 year	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	> 5 years	Dis-counting effect	Total
1) Shareholders			54,363	190,875	131,068		(105,603)	270,703
2) Linked policyholders			120,319	67,348			(47,984)	139,683
3) Other policyholders						3,038		3,038
Total ABL assets	–	–	174,682	258,223	131,068	3,038	(153,587)	413,424

The following table summarises the overall maturity profile of financial and insurance 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	Discounting effect**	Margins*	Undiscounted policyholder liabilities under insurance contracts	Total
2014								
Reinsurance assets	3,140				(141)	243		3,242
Financial assets at fair value through profit or loss:								
Debt securities	537,353	1,002,155	12,366	–	(261,305)	–	–	1,290,569
Promissory notes and fixed deposits								
– Assets backing guaranteed endowment investment contracts	260,601	793,937			(239,543)			814,995
– Assets backing linked endowment investment contracts	86,187	84,637			(11,983)			158,841
Funds on deposit	179,635							179,635
Fixed interest securities	9,350	102,410	12,366		(8,115)			116,011
Government and public authority bonds	1,580	21,171			(1,664)			21,087
Equity securities	–	–	–	634,956	–	–	–	634,956
Listed equity securities				631,106				631,106
Unlisted equity securities				3,850				3,850
Receivables including insurance receivables	120,683							120,683
Cash and cash equivalents	155,904							155,904
Total assets	817,080	1,002,155	12,366	634,956	(261,446)	243	–	2,205,354
Policyholder liabilities under insurance contracts***	(690,420)	(1,156,846)	(750,687)		966,342	2,322,708	4,457	695,554
Financial liabilities at fair value through profit or loss***	356,498	787,735			(145,896)			998,337
Financial liabilities at amortised cost	50,653				(2,269)			48,384
Accruals and payables including insurance payables	100,857	12,633						113,490
Total liabilities	(182,412)	(356,478)	(750,687)	–	818,177	2,322,708	4,457	1,855,765
Excess/(shortfall) of assets over liabilities	999,492	1,358,633	763,053	634,956	(1,079,623)	(2,322,465)	(4,457)	349,589

* *Including compulsory and discretionary margins. This column is included to reconcile the cash flow back to the SOFP and does not result in an actual shortfall of assets over liabilities.*

** *This column is included to reconcile the cash flow back to the SOFP and does not result in an actual shortfall of assets over liabilities.*

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

Risk Management continued

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 2015 Carrying value for policies with no surrender	30 June 2015 Carrying value for policies with a surrender value	30 June 2015 Surrender value	30 June 2014 Carrying value for policies with no surrender value	30 June 2014 Carrying value for policies with a surrender value	30 June 2014 Surrender value
Insurance business	103,326	586,351	826,846	106,326	589,228	827,524
Investment business	171,430	770,906	767,511	207,225	839,497	814,311
Total	274,756	1,357,257	1,594,357	313,551	1,428,725	1,641,835

1.11.2 Short-term insurance

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

(R'000)	Contractual cash flows for financial instruments and expected cash flows for insurance contracts (undiscounted) < 1 year	1 – 5 years	> 5 years	Open ended	Dis-counting effect	Margins	Undis-counted policy-holder liabilities under insurance contracts	Total
2015								
Financial assets at fair value through profit or loss:	72,828	5,674	1,910	56,651	(730)	–	–	136,333
Debt securities								
Funds on deposit	68,146							68,146
Fixed interest securities (note 1 below)	4,682	5,674	1,910		(730)			11,536
Equity securities								
Listed equity securities				56,651				56,651
Receivables including insurance receivables	1,519							1,519
Cash and cash equivalents	25,011							25,011
Total assets	99,358	5,674	1,910	56,651	(730)	–	–	162,863
Policyholder liabilities under insurance contracts	2,218	2,466			(310)	254	4,577	9,205
Accruals and payables	22,374							22,374
Total liabilities	24,592	2,466	–	–	(310)	254	4,577	31,579
Excess/(shortfall) of assets over liabilities	74,766	3,208	1,910	56,651	(420)	(254)	(4,577)	131,284

The table below summarises the maturity profile of ABL financial assets of the Group's Short-term insurance business segment:

(R'000)	Contractual cash flows for ABL financial instruments < 1 year	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	> 5 years	Total
Total ABL assets	–	–	–	–	–	1,910	1,910

(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
2014								
Financial assets at fair value through profit or loss	42,845	18,255	2,865	57,488	(3,584)	–	–	117,869
Debt securities								
Funds on deposit	40,615							40,615
Fixed interest securities	1,997	15,139	2,865		(3,339)			16,662
Government and public authority bonds	233	3,116			(245)			3,104
Equity securities								
Listed equity securities				57,488				57,488
Receivables including insurance receivables	1,098							1,098
Cash and cash equivalents	24,209							24,209
Total assets	68,152	18,255	2,865	57,488	(3,584)	–	–	143,176
Policyholder liabilities under insurance contracts	3,341	1,823			(267)	210	3,263	8,370
Accruals and payables	18,068							18,068
Total liabilities	21,409	1,823	–	–	(267)	210	3,263	26,438
Excess/(shortfall) of assets over liabilities	46,743	16,432	2,865	57,488	(3,317)	(210)	(3,263)	116,738

1.11.3 Loans business

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

(R'000)	Contractual cash flows for financial instruments < 1 year	1 – 5 years	Impairments	Total
2015				
Loans and receivables	24,707	12,198	(13,479)	23,426
Cash and cash equivalents	626			626
Assets	25,333	12,198	(13,479)	24,052
Loans at amortised cost*	14,490	17,035		31,525
Accruals and payables	1,043			1,043
Liabilities	15,533	17,035	–	32,568
Excess/(shortfall) of assets over liabilities	9,800	(4,837)	(13,479)	(8,516)
2014				
Loans and receivables	52,216	50,007	(20,155)	82,068
Cash and cash equivalents	2,300			2,300
Assets	54,516	50,007	(20,155)	84,368
Loans at amortised cost*	33,715	61,647		95,362
Accruals and payables	1,069			1,069
Liabilities	34,784	61,647	–	96,431
Excess/(shortfall) of assets over liabilities	19,732	(11,640)	(20,155)	(12,063)

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

Risk Management continued

1.12 FAIR VALUE HIERARCHY

1.12.1 Introduction

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

1.12.2 Asset Hierarchy

Group (R'000)	Level 1	Level 2	Level 3	Total
2015				
Financial assets at fair value through profit or loss				
Listed equity securities	573,385			573,385
Unlisted equity securities		3,850		3,850
Promissory notes and fixed deposits		488,926	410,386*	899,312
Funds on deposit		484,464		484,464
Fixed interest securities		85,528	4,948	90,476
Assets subject to fair value hierarchy analysis	573,385	1,062,768	415,334	2,051,487

* *The ABL zero coupon fixed deposits of R410.4 million relate to linked policyholder liabilities of R139.7 million and guaranteed policyholder liabilities of R270.7 million.*

Group (R'000)	Level 1	Level 2	Level 3	Total
2014				
Financial assets at fair value through profit or loss				
Listed equity securities	688,594			688,594
Unlisted equity securities		3,850		3,850
Promissory notes and fixed deposits		973,836		973,836
Funds on deposit		220,250		220,250
Fixed interest securities		132,673		132,673
Government and public authority bonds	24,191			24,191
Assets subject to fair value hierarchy analysis	712,785	1,330,609	–	2,043,394

Fair values for level 2 financial assets are determined using the rate from a relevant quoted money market yield curve, based on the term to maturity of the instrument. These interest rates range between 5.8% and 10.8% per annum. A discounted cash flow model is then applied, using the determined yield after adjusted for credit risk, in order to calculate the market value.

Shareholders' exposure of R275.7 million (comprising single premium zero coupon fixed deposits of R270.7 million and fixed interest securities of R4.9 million) and policyholders' linked exposure of R139.7 million as at 30 June 2015 have been reclassified to level 3 (from level 2) on the fair value hierarchy as values are estimated indirectly using valuation techniques or models. The most relevant inputs to the level 3 discounted cash flow fair value model applied to the ABL fixed deposits are the risk premium (28.3% to the average zero coupon risk free yield curve) and the extension of maturities as announced by the ABL curator in the SENS Announcement dated 28 May 2015.

The model yields a value of approximately 90% of the face value of these fixed deposits which is in line with the 10% haircut announced by the Governor of the Reserve Bank on 10 August 2014 (the date of ABL being placed into curatorship). In the SENS announcement dated 28 May 2015, the curator reiterated the 10% haircut level for senior debt, reinforcing the appropriateness of the 90% of face value valuation level.

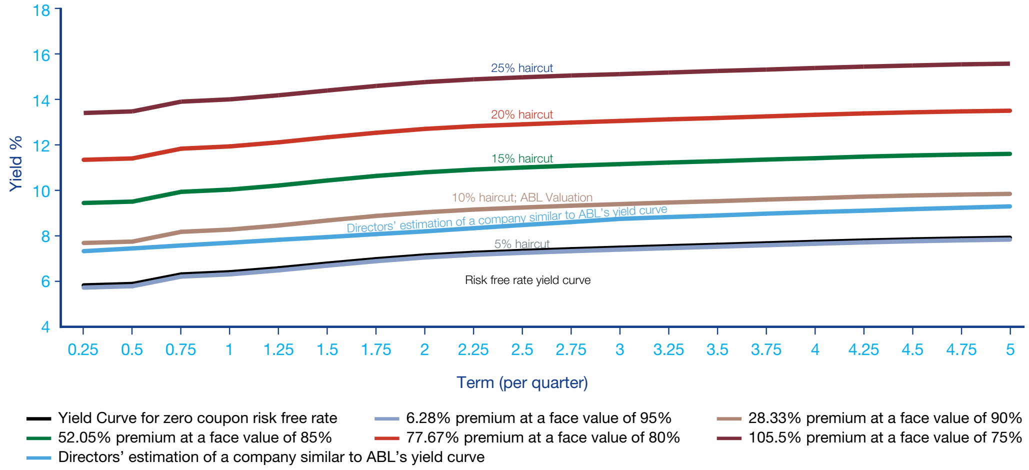
If the key inputs are adjusted in the valuation models, to illustrate sensitivities, between an upper and lower range this would illustrate an adjusted face value of between 95% (5% haircut level) and 75% (25% haircut level) respectively resulting in the net profit before tax changing in a range of between R15 million higher to R45 million lower as outlined in the table below.

Below is a graphical illustration comparing the yield curve and various sensitivity curves at the respective premiums to the yield curve.

Equivalent haircut	Premium to yield curve	New valuation (R millions)
5%	6.28%	290.9
10%	28.33%	275.7
15%	52.05%	260.3
20%	77.67%	244.9
25%	105.50%	229.6

Below is a graphical illustration comparing the yield curve and various sensitivity curves at the respective premiums to the yield curve.

Yield curve and sensitivity curves with premium added



1.12.3 Liability Hierarchy

Group (R'000)	Level 1	Level 2	Level 3	Total
2015				
Financial liabilities at fair value through profit or loss		802,653	139,683	942,336
Liabilities subject to fair value hierarchy analysis	–	802,653	139,683	942,336
2014				
Financial liabilities at fair value through profit or loss		998,337		998,337
Liabilities subject to fair value hierarchy analysis	–	998,337	–	998,337

Risk Management continued

1.12.4 Reconciliation of level 3 financial instruments

The following table presents the changes in level 3 financial instruments for the year ended 30 June 2015.

(R'000)	Financial assets at fair value through profit or loss	Financial liabilities at fair value through profit or loss
Opening balances	–	–
Transfers to level 3	391,500	129,525
Fair value adjustment recognised in profit or loss	23,834	10,158
Closing balances	415,334	139,683

1.13 COMPLIANCE RISK

Compliance risk is the risk that the Group does not comply with applicable laws, regulations, non-binding rules, codes and standards.

Management of this risk:

- The policy of the Group is zero tolerance to non-compliance with existing laws, regulations, rules, codes and standards;
- The Group has a qualified and experienced Compliance Officer;
- The Group's Compliance function ensures compliance with existing laws, regulations, rules, codes and standards;
- The Group Compliance Terms of Reference ensures that the Compliance function has the necessary authority, independence, resources, expertise and access to the Board to exercise its authority and perform its responsibilities; and
- The Compliance function has an established methodology in place to:
  - Assist the Board of Directors and Managing Executives in carrying out their respective responsibilities;
  - Maintain a risk-based compliance plan;
  - Promote a compliance culture that values responsible conduct and compliance with internal and external obligations;
  - Identify, assess and report on key legal and regulatory obligations and the risks associated therewith;
  - Assess the appropriateness of policies, processes, and controls in respect of key areas of legal, regulatory, and ethical obligations and the effective monitoring thereof by the insurer;
  - Ensure that regular training is conducted on key legal and regulatory obligations particularly for employees in positions of trust or responsibility or who are involved in activities that have significant legal or regulatory risk;
  - Facilitate the confidential reporting by employees of concerns, shortcomings or potential non-compliance in respect of the insurer's policies, legal or regulatory obligations, or ethical considerations;
  - Monitor compliance shortcomings and instances of non-compliance, including ensuring that adequate disciplinary actions are taken where appropriate and any necessary reporting to the Registrar or other relevant regulatory authorities is made; and
  - Conduct regular assessments of the compliance function and the compliance policies and systems and implement or monitor needed improvements.

1.14 FRAUD RISK

Fraud risk is the risk of internal and/or external operational and claims fraud.

Management of this risk

- The Group's fraud policy addresses the following:
  - The policy of the Group is zero tolerance to fraud, corruption and theft;
  - In addition, all fraud, corruption and theft will be investigated and followed up by the application of all remedies available within the full extent of the law, as well as the application of appropriate prevention and detection controls;
  - Employees who commit an act of fraud will be subject to disciplinary action, up to and including termination with cause; and
  - Where possible and practicable, the Group will pursue full recovery of all losses resulting from an act of fraud.

- A formal fraud reporting procedure is in place;
- The Group has an established whistle blowing policy which:
  - Encourages employees to raise serious concerns relating to specific matters (including fraud, corruption and theft) without fear of victimisation;
  - Prevents a person from suffering any penalty or retribution for good faith reporting of any suspected or actual incident of fraud or corruption; and
  - Discourages any individual from making allegations, which are false and/or made with malicious intentions.
- Fraud awareness training is provided during induction training and fraud awareness initiatives are conducted regularly; and
- The Group has highly experienced fraud investigators who assist the Group in the combat of claims fraud.

2. SENSITIVITY ANALYSIS

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

In order to interpret the table on pages 108 to 109 users are encouraged to understand the basis on which the variables were set and combine this information with other components of the annual 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.

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SENSITIVITY RANGES

The sensitivity ranges, i.e. the upper and lower limits, are indicative of the range of possible changes within a twelve month period from the reporting date of 30 June 2015. The sensitivity analysis below does not include the investment contract business as these liabilities have been matched to assets and the impact on profit is immaterial.

Sensitivities provided are as follows:

FINANCIAL RISK VARIABLES

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

2.1 LONG-TERM INSURANCE

Long-term insurance risk variables

Assurance mortality/morbidity:	Where actual death or disability rates by age category vary to those assumed on measurement of policies that offer death or 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.

Financial instrument risk variable

Default:	Where issuers of financial instruments fail to honour their obligations either in part or in full.

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.

Risk Management continued

In each sensitivity calculation, all other assumptions remain unchanged.

Sensitivity analysis (R'000)	% change	30 June 2015 Impact on policyholders' liabilities	30 June 2015 Impact on profit after tax	30 June 2014 Impact on policyholders' liabilities	30 June 2014 Impact on profit after tax
Financial risk variables					
Equity price*	+10	36,780	9,921	46,480	11,989
Equity price*	-10	(36,644)	(10,019)	(39,842)	(16,768)
Interest rate	+1	(10,444)	7,519	(12,459)	8,970
Interest rate	-1	12,579	(9,057)	15,132	(10,895)
Property equity value*	+10	5,682	1,532	6,155	1,545
Property equity value*	-10	(5,736)	(1,492)	(6,764)	(1,107)
Long-term insurance risk variables					
Assurance mortality and morbidity	+10	4,830	(3,478)	9,520	(6,854)
Assurance mortality and morbidity	-10	(3,184)	2,292	(6,541)	4,709
Renewal expenses	+10	3,599	(2,591)	3,534	(2,544)
Renewal expenses	-10	(3,607)	2,597	(3,816)	2,748
Withdrawals	+10	2,660	(1,915)	2,695	(1,941)
Withdrawals	-10	(2,423)	1,745	(2,519)	1,814
Inflation	+1	1,103	(794)	1,102	(794)
Inflation	-1	(1,087)	782	(1,224)	881
Financial instruments risk variable					
Default (non-linked)	-5		(26,204)		(29,340)

* *The impact on profit after tax includes the impact of the movement in the policyholder liabilities and the related movement in financial assets.*

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It should be noted that the above sensitivities allow for the elimination of negative reserves. As a result the reader is also referred to the EV sensitivities on page 57.

2.2 SHORT-TERM INSURANCE

Short-term insurance risk variables

Withdrawals: The possible change in expectation of policyholders withdrawing or lapsing benefits prior to the expiry of the contract or the assumed duration of the contract.

Value of claims: Where actual claims incurred differ from historical claims incurred.

Duration of settlement: Where actual time taken to settle claims varies.

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

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

In each sensitivity calculation, all other assumptions remain unchanged.

	30 June 2015			30 June 2014	
Sensitivity analysis (R'000)	**% change**	**Impact on policy-holders' liabilities**	**Impact on profit after tax**	Impact on policy-holders' liabilities	Impact on profit after tax
Financial risk variables					
Equity price*	+10		4,079		4,139
Equity price*	-10		(4,079)		(4,139)
Interest rate	+1	(48)	35	(43)	31
Interest rate	-1	48	(35)	43	(31)
Short-term insurance risk variables					
Withdrawals	+10	(76)	55	(62)	44
Withdrawals	-10	76	(55)	62	(44)
Value of claims	+10	780	(562)	666	(479)
Value of claims	-10	(780)	562	(666)	479
Duration of settlement	+10	534	(384)	430	(310)
Duration of settlement	-10	(534)	384	(430)	310

* *The impact on profit after tax includes the impact of the movement in the policyholder liabilities and the related movement in financial assets.*

2.3 LOANS BUSINESS

The sensitivity analysis below has been determined based on the exposure to interest rates for financial instruments at the SOFP date. For loan liabilities, the analysis is prepared assuming the amount of liability outstanding at the SOFP date was similarly outstanding at the end of the year.

		30 June 2015	30 June 2014
Sensitivity analysis (R'000)	**% change**	**Impact on profit after tax**	Impact on profit after tax
Financial risk variables			
Interest rate	+1	468	1,080
Interest rate	-1	(468)	(1,080)

Accounting Policies

for the year ended 30 June 2015

1. INTRODUCTION

The Group adopted the following policies in preparing its consolidated and separate annual financial statements.

2. BASIS OF PREPARATION OF THE STATEMENTS

The consolidated and separate annual financial statements have been prepared in accordance with IFRS, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial pronouncements as issued by Financial Reporting Standards Council, the Listing Requirements and the Companies Act. These annual financial statements have been prepared on the historical cost basis, as modified by the revaluation of owner-occupied properties, financial assets, financial liabilities and the Valuation of insurance contracts valued on the FSV basis, as set out in SAP 104 issued by the Actuarial Society of South Africa.

The preparation of annual financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Group's accounting policies. There are areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated and separate annual financial statements. These judgments, assumptions and estimates are disclosed in note 1 of the notes to the Annual Financial Statements.

The accounting policies set out below have been applied consistently to all years presented in these consolidated and separate annual 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 2015

The adoption of these pronouncements or standards in respect of IAS 32, IAS 36 and IAS 19 did not have a material impact on the Group's results.

Amendments to IAS 32 – 'Financial Instruments: Presentation' on financial instruments asset and liability offsetting

The IASB has issued amendments to the application guidance in IAS 32, 'Financial instruments: Presentation', that clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. However, the clarified offsetting requirements for amounts presented in the SOFP continue to be different from US GAAP.

IASB issues narrow-scope amendments to IAS 36, 'Impairment of assets' on recoverable amount disclosures

These amendments address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less cost of disposal.

Amendment to IAS 19 'Employee benefits', regarding defined benefit plan

These narrow scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.

Standards and Interpretations Issued Not Yet Effective

The Group has not opted to early adopt any of the following standards and amendments to standards issued by the IASB. The Group does not currently believe that the adoption of these pronouncements in respect of IFRS 10, IFRS 11, IFRS 14, IAS 1, IAS 16, IAS 38 and IAS 27, will have a material impact on the Group's results. The Group will continue to assess the impact that IFRS 9 and IFRS 15 may have.

Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures' on sale or contribution of assets

The IASB has issued this amendment to eliminate the inconsistency between IFRS 10 and IAS 28. If the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business', then the full gain or loss will be recognised by the investor. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

This standard is effective for annual periods commencing on or after 1 January 2016.

Amendment to IFRS 11, 'Joint arrangements' on acquisition of an interest in a joint operation.

This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.

This standard is effective for annual periods commencing on or after 1 January 2016.

IFRS 14 – Regulatory deferral accounts

The IASB has issued IFRS 14, 'Regulatory deferral accounts' specific to first time adopters ('IFRS 14'), an interim standard on the accounting for certain balances that arise from rate-regulated activities ('regulatory deferral accounts').

Rate regulation is a framework where the price that an entity charges to its customers for goods and services is subject to oversight and/or approval by an authorised body.

This standard is effective for annual periods commencing on or after 1 January 2016.

Amendments to IAS 1, 'Presentation of financial statements' disclosure initiative

In December 2014 the IASB issued amendments to clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

This amendment to the standard is effective for annual periods commencing on or after 1 January 2016.

Amendment to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets', on depreciation and amortisation

In this amendment the IASB has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.

This amendment to the standard is effective for annual periods commencing on or after 1 January 2016.

Amendments to IAS 27, 'Separate financial statements' on equity accounting

In this amendment the IASB has restored the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.

This amendment to the standard is effective for annual periods commencing on or after 1 January 2016.

IFRS 15 – Revenue from contracts with customers.

The FASB and IASB issued their long awaited converged standard on revenue recognition on 29 May 2014. It is a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of goods or services transfers to a customer.

This amendment to the standard is effective for annual periods commencing on or after 1 January 2017.

IFRS 9 – Financial Instruments (2009 & 2010): Financial liabilities, Derecognition of financial instruments, Financial assets and General hedge accounting

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.

The IASB has updated IFRS 9, 'Financial instruments' to include guidance on financial liabilities and derecognition of financial instruments. The accounting and presentation for financial liabilities and for derecognising financial instruments has been relocated from IAS 39, 'Financial instruments: Recognition and measurement', without change, except for financial liabilities that are designated at fair value through profit or loss.

This amendment to the standard is effective for annual periods commencing on or after 1 January 2018.

Accounting Policies continued

Amendment to IFRS 9 – 'Financial instruments', on general hedge accounting

The IASB has amended IFRS 9 to align hedge accounting more closely with an entity's risk management. The revised standard also establishes a more principles-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in IAS 39.

Early adoption of the above requirements has specific transitional rules that need to be followed. Entities can elect to apply IFRS 9 for any of the following:

- The own credit risk requirements for financial liabilities;
- Classification and measurement (C&M) requirements for financial assets;
- C&M requirements for financial assets and financial liabilities; and
- The full current version of IFRS 9 (that is, C&M requirements for financial assets and financial liabilities and hedge accounting).

The transitional provisions described above are likely to change once the IASB completes all phases of IFRS 9.

This amendment to the standard is effective for annual periods commencing on or after 1 January 2018.

Annual improvements issued September 2014, Not Yet effective

Improvements to IFRS is a collection of amendments to IFRS. These amendments are the result of conclusions the IASB reached on proposals made in its annual improvements project.

The Group does not currently believe that the adoption of these pronouncements in respect of IFRS 5, IFRS 7, IAS 19 and IAS 34, will have a material impact on the Group's results.

IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' – This is an amendment to the changes in methods of disposal – Assets (or disposal groups) are generally disposed of either through sale or through distribution to owners

The amendment to IFRS 5 clarifies that changing from one of these disposal methods to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in IFRS 5.

The amendment also clarifies that changing the disposal method does not change the date of classification.

This amendment to the standard is effective for annual periods commencing on or after 1 January 2016.

IFRS 7 – 'Financial Instruments: Disclosures' – Applicability of the offsetting disclosures to condensed interim financial statements.

The amendment removes the phrase 'and interim periods within those annual periods' from paragraph 44R, clarifying that these IFRS 7 disclosures are not required in the condensed interim financial report. However, the Board noted that IAS 34 requires an entity to disclose '[…] an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the entity since the end of the last annual reporting period'. Therefore, if the IFRS 7 disclosures provide a significant update to the information reported in the most recent Integrated Annual Report, the Board would expect the disclosures to be included in the entity's condensed interim financial report.

This amendment to the standard is effective for annual periods commencing on or after 1 January 2016.

IFRS 7 – 'Financial Instruments: Disclosures' – Servicing contracts

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in paragraphs IFRS 7.B30 and IFRS 7.42C in order to assess whether the disclosures are required.

This amendment to the standard is effective for annual periods commencing on or after 1 January 2016.

IAS 19 – 'Employee Benefits'

Discount rate: regional market issue – The amendment to IAS 19 clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

This amendment to the standard is effective for annual periods commencing on or after 1 January 2016.

IAS 34 – 'Interim Financial Reporting' – Disclosure of information 'elsewhere in the interim financial report'

The amendment states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

The IASB specified that the other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete.

This amendment to the standard is effective for annual periods commencing on or after 1 January 2016.

3. BASIS OF CONSOLIDATION

The Group annual financial statements consolidate the annual 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 control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that 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 annual 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.

Accounting Policies continued

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. FOREIGN CURRENCIES

4.1 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.

4.2 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 SOFP date are translated into the functional currency at the SOFP date at the ruling rate at that date. Foreign exchange differences are recognised in profit or loss.

5. 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.

5.1 AMORTISATION

Computer software development and video production costs recognised as assets are amortised in the Statement of Comprehensive Income on a straight-line basis at rates appropriate to the expected life of the asset. Amortisation of computer software commences from the date the intangible asset is applied when the asset becomes available for use. As the software costs is proprietary and specific to the Group operations, no residual value is estimated. The useful lives are assessed on an annual basis. Amortisation of video production commences when the video production is brought into use. Since existing video production is replaced by new video production, it has no residual value.

Computer software costs recognised as intangible assets are amortised over the useful lives, which do not exceed 5 years. Video production costs recognised as intangible assets are amortised over the useful lives, which do not exceed 2 years.

5.2 IMPAIRMENT

Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

6. PROPERTY AND EQUIPMENT

Equipment is stated at cost less accumulated depreciation and impairment losses. Maintenance and repairs, which neither materially add to the value of assets nor appreciably prolong their useful lives, are recognised in the Statement of Comprehensive Income. An asset's carrying amount is impaired to its recoverable amount if the asset's carrying amount is greater than its estimated receivable amount.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

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 classified as owner-occupied properties and 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 SOFP 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.

The office block under construction within Clientèle Properties East constitutes a qualifying asset in terms of IAS 23.

General and specific borrowing costs directly attributable to the acquisition and construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

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.

6.1 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:

• 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.

6.2 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.

7. INVENTORIES

Inventories represent marketing materials held for resale and are stated at the lower of cost or net realisable value. Cost is determined applying the first-in-first-out method.

Net realisable value is the estimate of the selling price in the ordinary course of business, less selling expenses.

8. FINANCIAL INSTRUMENTS

8.1 FINANCIAL ASSETS

8.1.1 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.

Accounting Policies continued

The financial assets at fair value through profit or loss has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short-term, if it forms part of a portfolio of financial assets in which there is evidence of short-term profit-taking or if so designated by management. Derivatives are also classified as held for trading, unless they are designated as hedges.

A financial asset is designated as fair value through profit or loss if it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring the asset or recognising the gains or losses on it on different bases; or a Group of financial assets is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy and information about the Group is provided internally on that basis to key management personnel. Under this criteria, the main classes of financial assets designated by the Group as at fair value through profit or loss are promissory notes and deposits, funds on deposit, fixed interest securities, government and public authority bonds, listed equity securities and unlisted equity securities.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market or those financial assets not designated at fair value through profit or loss.

8.1.2 Initial measurement

Purchases and sales of financial assets are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets are initially recognised as follows:

- Fair value through profit or loss (designated as held at fair value through profit or loss) – at fair value. Transaction costs are expensed; and
- Loans and receivables – at fair value plus transaction costs that are directly attributable to their acquisition.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or where they have been transferred and the Group has also transferred substantially all the risks and rewards of ownership.

8.1.3 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 value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at measurement date. Fair values for quoted financial assets are based on the quoted closing prices at the close of business on the last trading day on or before the SOFP 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. 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.

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.

8.1.4 Impairment: Financial assets carried at amortised cost

At each reporting date the Group assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. These assets include receivables relating to insurance contracts and reinsurance contracts. Such assets are impaired and impairment losses are recognised only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset, and the event or events have an impact on the estimated future cash flows of these assets that can be reliably estimated.

The Group first assesses whether objective evidence of impairment exists in respect of all financial assets that are individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a Group with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

Objective evidence includes a deterioration in credit ratings or failure to make payment on due dates. If any such indication exists, the assets' recoverable amounts are estimated and the carrying amount reduced to the recoverable amount and the impairment loss is recognised in profit or loss. The recoverable amount is the present value of expected cash flows discounted at the original effective interest rate of the financial asset.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improved credit rating), the previously recognised impairment loss is reversed. The amount of the reversal is recognised in profit or loss.

Loans and advances and provisions for impairment

Loans and advances are measured at each SOFP 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.

8.2 FINANCIAL LIABILITIES

8.2.1 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 initial profit on recognition is subsequently amortised over the life of the contract.

8.2.2 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.

Accounting Policies continued

8.2.3 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.

8.3 OFFSETTING

Financial assets and financial liabilities are offset and the net amount reported in the SOFP 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. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business in the event of default, insolvency and bankruptcy of the company or counterparty.

9. 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 SOFP.

10. 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.

11. 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.

12. 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

12.1 LONG-TERM INSURANCE CONTRACTS

In terms of IFRS 4 – Insurance contracts, defined insurance liabilities are allowed to be measured under existing local practice. The Group has adopted the SAPs and APNs issued by ASSA to determine the liability in respect of contracts classified as long-term insurance contracts in terms of IFRS 4 – Insurance contracts. The following SAPs/APNs are of relevance to the determination of insurance contract liabilities:

SAP 104: Calculation of the value of the assets, liabilities and CAR of Long-term Insurers
APN 105: Minimum requirements for deriving aids extra mortality rates
APN 106: Actuaries and long-term insurance in South Africa
APN 110: Allowance for embedded investment derivatives

Where applicable, the SAPs/APNs are referred to in the Accounting Policies and Notes to the Annual Financial Statements.

Features of Clientèle Life's main Long-term insurance contracts

Clientèle Life's main Long-term insurance contracts are as follows:

- *Market-related savings products ("market-related products") with risk benefits,* for example accidental death or disability. These products have an investment account which is built up based on the allocated portion of premiums and market returns in the form of income and growth less expenses and taxation; benefits are paid upon defined events, such as death, surrender or maturity of the product;
- *Whole life, final benefits products ("whole life products*") with benefits which are payable upon defined events, for example death or disability;
- *Whole life, Funeral insurance products ("funeral products")* are whole life products with benefits which are payable upon defined events, for example, death;
- *Whole life, cash-back products ("cash-back products")* are whole life final benefits products with benefits which are payable upon defined events, for example death, disability or dread disease and include a return of either one year's or six months premiums every five years; and
- *Hospital insurance products ("hospital products")* with a "cash-back" element are whole life products with benefits payable on defined events, for example hospitalisation or accidental disability and include a return of six months premiums every five years.

Measurement of Long-term insurance contracts

These contracts are valued in terms of the FSV basis as described in SAP 104 and the liability is reflected under insurance contracts in the SOFP.

Clientèle Life's Long-term insurance contracts are measured on either a discounted or undiscounted basis depending on the features of the contracts described above.

- *Discounted liabilities (market-related products, cash-back products, funeral products and hospital products)*

  The Valuation of these products has been performed on a policy by policy basis by discounting future expected premiums, risk benefits, cash-back benefits, risk charges, reinsurance costs and expenses at the actuarial discount rate. The projection of future expected experience is based on the Group's best estimate assumptions for investment returns, expenses, death rates, disability rates and withdrawal rates plus compulsory margins;

- *Undiscounted liabilities (market related products)*

  A market related 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 market related portion is determined on a policy by policy basis in relation to the fair value of the underlying assets; and

- *Undiscounted liabilities (whole life products)*

  IBNR liabilities are calculated for these products, which are based on a percentage of net premiums payable.

  Discretionary margins are added to the actuarial liability of the market related products and cash-back products so that the shareholders' participation in profit emerges when it is probable that future economic benefits will flow to the entity. Effectively these margins are released to income on a policy by policy basis, over the policy term. Detail on compulsory and discretionary margins is provided in note 1 of the Notes to the Annual Financial Statements.

  The liability assumptions are reviewed semi-annually. Any changes in assumptions and/or other changes to the liability calculation are reflected in the Statement of Comprehensive Income as they occur. The assumptions applicable to insurance contract liabilities are described in more detail in note 1 of the Notes to the Annual Financial Statements.

Outstanding claims provision

Provision is made for the estimated cost of claims outstanding at the end of the year. Outstanding claims and benefit payments are stated gross of reinsurance. The impact of reinsurance is shown separately. 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.

Accounting Policies continued

Liability adequacy test

At each SOFP date, liability adequacy tests are performed to ensure the adequacy of the insurance contract liabilities. The liability is calculated in terms of the FSV basis as described in SAP 104. The FSV basis meets the minimum requirement of the liability adequacy test. For undiscounted liabilities these tests include current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities. Any deficiency is charged to the Statement of Comprehensive Income in establishing a provision for losses arising from liability adequacy tests.

Reinsurance contracts held

Reinsurance contracts, which are insurance contracts, are contracts entered into by the Group with reinsurers under which the Group is compensated for a portion of losses arising on one or more of the insurance contracts issued by the Group.

The expected benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers (classified with receivables including insurance receivables) as well as longer-term receivables (classified as reinsurance assets) that are dependent on the present value of expected claims and benefits arising on insurance contracts net of expected premiums payable under the reinsurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract.

Premium income

Premiums on insurance contracts are recognised when due. Premium income on insurance contracts is shown gross of reinsurance. Premiums are shown before deduction of commission.

Reinsurance premiums

Reinsurance premiums are recognised when insurance premiums are due.

Claims and benefits paid

Claims on insurance contracts, which include death, disability, maturity and surrenders are charged against 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 SOFP date.

Reinsurance recoveries are accounted for in the same period as the related claim.

Acquisition costs

Acquisition costs for insurance contracts represent commission, advertising and other costs that relate to the securing of new contracts and the 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 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.

12.2 SHORT-TERM INSURANCE CONTRACTS

Circular 2/2007 – Recognition and measurement of Short-term insurance contracts issued by the South African Institute of Chartered Accountants

In terms of "IFRS 4 – Insurance contracts", insurance contracts are allowed to be measured under existing local practice. The Group has adopted Circular 2/2007 to determine the measurement in respect of Short-term insurance contracts.

Features of Clientèle General Insurance's main Short-term insurance contracts

Clientèle General Insurance's Short-term insurance contracts are personal lines and business lines legal policies with risk benefits to cover individual persons and SMME categories for civil, criminal and labour related matters. Certain personal lines contracts also include accidental death benefits. These contracts are monthly renewable contracts.

Measurement of Short-term insurance contracts

Premium income

Insurance premium revenue comprises the premiums on contracts that become due and payable during the current reporting period irrespective of whether the contract was entered into during the current or a previous reporting period. Premiums are recognised gross of commission payable to intermediaries and exclude Value Added Tax.

Reinsurance contracts held

Reinsurance contracts, which are insurance contracts, are contracts entered into by the Company with reinsurers under which the Company is compensated for a portion of losses arising on one or more of the insurance contracts issued by the Company.

Reinsurance premiums

Reinsurance premiums are recognised when the insurance premiums are due.

Claims and benefits paid

Claims and benefits paid consist of claims and claims handling expenses paid during the financial year and are determined by the market value of the indemnification received by the policyholder.

Reinsurance recoveries are recorded in the same period as the related claim.

Outstanding claims provision

The provision for outstanding claims comprises the Group's estimate of settling all claims reported (notified claims) but unpaid at the SOFP date and claims IBNR.

Each notified claim is assessed on a case by case basis with due regard to the specific circumstances, information available from the insured and/or loss adjuster and past experience with similar claims. Standardised policies and procedures are applied to claims assessments. The provision for each notified claim includes an estimate of the associated claims handling costs but excludes Value Added Tax.

The ultimate cost of incurred claims may vary as a result of future developments or better information becoming available about the current circumstances. Adjustments to the quantum of claims provisions established in prior years are reflected in the annual financial statements for the period in which the adjustments are made, and disclosed separately if material.

An IBNR provision is raised for claims incurred but not yet reported based on historical experience. The Group determines the IBNR by applying a percentage to premiums written during the period. Outstanding claims and the IBNR provision are included in policyholder liabilities under insurance contracts items in the SOFP.

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 commission, advertising and other costs arising from the securing of short-term insurance contracts and are expensed when incurred. The impact of reinsurance is shown separately. Short-term insurance contracts are monthly renewable contracts, and accordingly costs are expensed when incurred and are not deferred.

Receivables and payables related to long and short-term insurance contracts and financial instruments

Receivables and payables are recognised when due. Payables are initially recognised at fair value less transaction costs and are subsequently amortised. These include amounts due to and from IFAs and policyholders.

12.3 CASHBACK BENEFITS TO POLICYHOLDERS

The Group, through Clientèle Life (and Clientèle General Insurance until July 2011), issues policies which pay cash-back benefits to policyholders if their policies persist for certain pre-determined periods. An actuarial liability (based on best estimate assumptions plus margins) is created, through the Statement of Comprehensive Income, to ensure that, based on actuarial assumptions, the liability is sufficient to meet the obligations to policyholders as and when they become due and payable. Discounting and decrementing is used in determining the actuarial liability.

Accounting Policies continued

13. INTEREST INCOME AND EXPENSES

The Group recognises interest income and expenses in the Statement of Comprehensive Income for all interest bearing financial instruments based on amortised cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortised cost of a financial asset or financial liability and allocating the interest income or expense over the average expected life of the financial instrument.

14. OTHER INCOME

Other income includes monthly fees received from IFAs, legal services rendered internally to fellow subsidiaries, administration fees charged on the handling of accidental death claims, fees charged on the administering of SMME policies, interest income, 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.

15. TAX

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

15.1 CURRENT TAX

Current tax and capital gains tax is the expected tax payable, using tax rates enacted at the SOFP date, including any prior year over- or under-provision. 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.

15.2 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 annual 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 SOFP date. A deferred tax asset is recognised for the carry forward of unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which it can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

15.3 DWT

Shareholders are subject to DWT on dividends received, unless they are exempt in terms of the amended tax law. DWT is levied at 15% of the dividend received. The DWT is categorised as a withholding tax, as the tax is withheld and paid to tax authorities by the company paying the dividend or by a regulated intermediary and not the beneficial owner of the dividend.

Other indirect taxes

Other 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.

16. 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.

17. 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.

18. LEASES

18.1 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.

18.2 FINANCE LEASES

Lease agreements where the Group substantially accepts the risks and rewards of the ownership of the leased asset are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are allocated between the liability and finance charges so as to achieve a constant interest rate of the outstanding balance of the liability.

Finance lease obligations, net of finance charges, are included in liabilities. The interest element of the finance costs is charged to the Statement of Comprehensive Income over the lease period according to the effective interest method. Where applicable, assets acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

19. EMPLOYEE BENEFITS

19.1 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 confirmed by the Group's External Actuaries and approved by the Group Remuneration Committee, in excess of predetermined criteria and is payable over a four year period. A "clawback" applies in instances where the growth in EV is less than predetermined growth criteria.

The Group recognises a provision and an expense for the EV scheme component based on a formula that takes into consideration the conditions of the bonus scheme. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

The Goodwill Scheme component recognises the creation of value in excess of EV.

The Goodwill created is measured in five year cycles. The second cycle commenced on 1 July 2007 and ended 30 June 2012. The third cycle commenced 1 July 2012 and ends 31 June 2017. The Goodwill created is determined with reference to the VNB (as determined by the Group's External Actuaries) in the fifth year of a cycle and by applying a multiple, as approved by the Board on recommendation of the Group Remuneration Committee having regard to criteria included in the Incentive Bonus Scheme document. An adjustment is made, positive or negative, if actual experience differs by a pre-determined percentage compared to the assumptions used in calculating Goodwill.

A provision is recognised in the SOFP 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 SOFP date together with adjustments for unrecognised actuarial gains or losses and past service costs. The Goodwill Scheme component obligation is calculated annually using the projected unit credit method. The present value of the Goodwill Scheme component obligation is determined by discounting the estimated future cash outflows using a risk-free interest rate.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to profit or loss as they arise each year.

Past-service costs are charged against profit or loss in the period in which they arise.

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

Accounting Policies continued

19.2 RETIREMENT BENEFITS

The vast majority of the Group's employees are members of the Clientèle Life Provident Fund.

The Group operates a defined contribution provident fund for its employees, the assets of which are held in a separate trustee administered fund. The Clientèle Life Provident Fund is governed by the Pension Fund Act of 1956. The fund is funded by contributions by the Group which are charged to profit or loss in the year to which they relate.

The Group has no further payment obligations once the contributions have been paid. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

19.3 SHARE-BASED PAYMENTS

The Group operates an equity-settled share based compensation plan in the form of SAR and Bonus Rights Schemes.

The fair value of the employee services received in exchange for the grant of the SARs and Bonus Rights are recognised as an expense and calculated at the grant date using the Black Scholes model.

The grant by the Company of SARs and Bonus Rights to the employees of the subsidiaries in the Group is treated as a capital contribution to the subsidiary. The fair value of the employee services received, measured by reference to the grant date fair value is recognised over the vesting period as an increase to the investment in the subsidiaries, with a corresponding credit to equity (SAR and Bonus Rights Scheme Reserve) in the Company annual financial statements.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the SARs and Bonus Rights granted, excluding the impact of any non-market vesting conditions. Non-market performance vesting conditions are included in assumptions about the number of SARs and Bonus Rights that are expected to become excercisable.

At each SOFP date, the entity revises its estimates of the number of SARs and Bonus Rights that are expected to become excercisable. 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.

When the SARs and Bonus Rights vest and are exercised, the Company issues new shares. The fair value of the shares issued at exercise date is credited to share capital (nominal value) and share premium, with a debit to the SAR and Bonus Rights Scheme Reserve (equity) for the grant date fair value. Any difference between the grant date fair value and the exercise date fair value is debited/credited to retained earnings.

The excercising by employees of their rights results in a realisation of the investment for which there is a recharge to the subsidiaries. The recharge is a repayment arrangement which requires the subsidiaries to repay the Company for the provision of the equity settled share-based payments to the suppliers of goods and services (being the employees of the subsidiaries). The recharge is determined by reference to the fair value at exercise date.

The investment in the subsidiary is accordingly reduced by the corresponding cumulative grant date fair value in respect of the SARs and Bonus Rights exercised in that period, and the amount by which the recharge exceeds the cumulative grant date fair value in respect of the SARs and Bonus Rights exercised is considered a capital contribution and credited to the Statement of the Comprehensive Income in the Company.

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

Segment information is prepared in conformity with the measure that is reported to Excom. These values have been reconciled to the consolidated Annual Financial Statements. The measure reported by the Group is in accordance with the accounting policies adopted for preparing and presenting the consolidated Annual Financial Statements.

The segment assets, liabilities, revenue and expenses comprise of all assets, liabilities, revenue and expenses which are directly attributable to the segment, or can be allocated to the segment on a reasonable basis. The Group accounts for inter-segment revenues and transfers as if the transactions were with third parties at current market prices.

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

Statements of Financial Position

at 30 June 2015

		Group		Company	
(R'000)	Notes	2015	2014	2015	2014
Assets					
Intangible assets	2	27,088	23,461		
Property and equipment	3	26,487	23,389		
Owner-occupied properties	4	308,715	224,009		
Investment in subsidiaries	5			299,848	295,331
Deferred tax	18	31,395	25,744		88
Inventories		1,484	1,860		
Reinsurance assets	6	3,015	3,242		
Financial assets at fair value through profit or loss	7	2,051,487	2,043,394	38,410	
Loans and receivables including insurance receivables	8	76,138	113,348	440	9,118
Current tax		5,258	6,317	19	
Cash and cash equivalents	9	223,939	183,246	19,349	68,408
Total assets		2,755,006	2,648,010	358,066	372,945
Equity					
Share capital	10	6,613	6,584	6,613	6,584
Share premium	10	310,185	285,618	310,185	285,618
Common control deficit	10	(220,273)	(220,273)		
		96,525	71,929	316,798	292,202
Retained earnings		552,882	468,364	12,548	8,420
SAR and Bonus Rights Schemes reserve	11	27,699	23,181	27,699	23,181
NDR: Revaluation	12	66,191	61,222		
		743,297	624,696	357,045	323,803
Non-controlling interest		(3,102)	(5,850)		
Total equity		740,195	618,846	357,045	323,803
Liabilities					
Policyholder liabilities under insurance contracts	13	698,882	703,924		
Financial liabilities		942,336	1,046,721		48,384
– at fair value through profit or loss	14	942,336	998,337		
– at amortised cost	15		48,384		48,384
Loans at amortised cost	16	35,177	10,000		
Employee benefits	17	122,308	98,423		
Deferred tax	18	30,071	33,727	110	
Accruals and payables including insurance payables	19	181,620	134,909	911	758
Current tax		4,417	1,460		
Total liabilities		2,014,811	2,029,164	1,021	49,142
Total equity and liabilities		2,755,006	2,648,010	358,066	372,945

Statements of Comprehensive Income

for the year ended 30 June 2015

(R'000)	Notes	Group 2015	Group 2014	Company 2015	Company 2014
Revenue					
Insurance premium revenue	20	1,641,189	1,406,175		
Reinsurance premiums	21	(114,001)	(100,005)		
Net insurance premiums		1,527,188	1,306,170		
Other income	22	170,652	171,194	**281,745**	260,860
Interest income	23	22,759	53,169	**1,608**	3,413
Fair value adjustment to financial assets at fair value through profit or loss	24	154,889	181,556	**1,210**	
Net income		1,875,488	1,712,089	**284,563**	264,273
Net insurance benefits and claims	25	(300,499)	(311,102)		
Gross insurance benefits and claims	25	(417,749)	(407,741)		
Insurance claims recovered from reinsurers	25	117,250	96,639		
Decrease in policyholder liabilities under insurance contracts	26	5,042	42,727		
Decrease in reinsurance assets	6	(227)	(95)		
Fair value adjustment to financial liabilities at fair value through profit or loss	14	(72,275)	(49,184)		
Interest expense		(2,752)	(12,393)	**(107)**	(5,280)
Impairment of advances	27	(12,380)	(31,719)		
Acquisition costs	28	(781,794)	(745,876)		
Administrative expenses	28	(208,711)	(182,061)	**(2,022)**	(1,492)
Profit before tax		501,892	422,386	**282,434**	257,501
Tax	30	(137,501)	(115,870)	**(1,181)**	(99)
Net profit for the year		364,391	306,516	**281,253**	257,402
Attributable to:					
– Non-controlling interest – ordinary shareholders		2,748	(1,295)		
– Equity holders of the Group – ordinary shareholders		361,643	307,811	**281,253**	257,402
Net profit for the year		364,391	306,516	**281,253**	257,402
Other comprehensive income:					
Gains on property revaluation[1]		6,711	20,296		
Income tax relating to gains on property revaluation[1]		(1,742)	(5,014)		
Other comprehensive income for the year net of tax		4,969	15,282		
Total comprehensive income for the year		369,360	321,798	**281,253**	257,402
Attributable to:					
– Non-controlling interest – ordinary shareholders		2,748	(1,295)	**–**	–
– Equity holders of the Group – ordinary shareholders		366,612	323,093	**281,253**	257,402
Earnings per share (cents)	31	109.66	93.64		
Diluted earnings per share (cents)	31	107.99	93.59		

1 *Items that cannot be recycled to profit or loss.*

Group Statement of Changes in Equity

for the year ended 30 June 2015

(R'000)	Share capital	Share premium	Common control deficit	Sub-total	Retained earnings	SAR and Bonus Rights Schemes Reserve[1]	NDR: revaluation[2]	Capital and reserves attributable to ordinary equity holders	Non-controlling interest	Total
Balance as at 1 July 2013	6,560	268,982	(220,273)	55,269	417,700	15,066	45,940	533,975	(4,555)	529,420
Ordinary dividends					(243,069)			(243,069)		(243,069)
Total comprehensive income					307,811		15,282	323,093	(1,295)	321,798
– Net profit/(loss) for the year					307,811			307,811	(1,295)	306,516
– Other comprehensive income							15,282	15,282		15,282
Shares issued	24	16,636		16,660				16,660		16,660
SAR and Bonus Rights Schemes allocated						10,697		10,697		10,697
Transfer from shares issued					(14,078)	(2,582)		(16,660)		(16,660)
Balance as at 30 June 2014	6,584	285,618	(220,273)	71,929	468,364	23,181	61,222	624,696	(5,850)	618,846
Balance as at 1 July 2014	6,584	285,618	(220,273)	71,929	468,364	23,181	61,222	624,696	(5,850)	618,846
Ordinary dividends					(257,031)			(257,031)		(257,031)
Total comprehensive income					361,643		4,969	366,612	2,748	369,360
– Net profit for the year					361,643			361,643	2,748	364,391
– Other comprehensive income							4,969	4,969		4,969
Shares issued	29	24,567		24,596				24,596		24,596
SAR and Bonus Rights Schemes allocated						9,020		9,020		9,020
Transfer from shares issued					(20,094)	(4,502)		(24,596)		(24,596)
Balance as at 30 June 2015	6,613	310,185	(220,273)	96,525	552,882	27,699	66,191	743,297	(3,102)	740,195

Company Statement of Changes in Equity

for the year ended 30 June 2015

(R'000)	Share capital	Share premium	Retained earnings	SAR and Bonus Rights Schemes Reserve[1]	Capital and reserves attributable to ordinary equity holders
Balance as at 1 July 2013	6,560	268,982	8,165	15,066	298,773
Ordinary dividends			(243,069)		(243,069)
Net profit for the year			257,402		257,402
Shares issued	24	16,636			16,660
SAR and Bonus Rights Schemes allocated				10,697	10,697
Transfer from shares issued			(14,078)	(2,582)	(16,660)
Balance as at 30 June 2014	6,584	285,618	8,420	23,181	323,803
Balance as at 1 July 2014	6,584	285,618	8,420	23,181	323,803
Ordinary dividends			(257,031)		(257,031)
Net profit for the year			281,253		281,253
Shares issued	29	24,567			24,596
SAR and Bonus Rights Schemes allocated				9,020	9,020
Transfer from shares issued			(20,094)	(4,502)	(24,596)
Balance as at 30 June 2015	6,613	310,185	12,548	27,699	357,045

1 *The SAR and Bonus Rights Schemes reserve held is in respect of the SARs and Bonus Rights granted to management (excluding Directors), IFAs and key employees in terms of the SAR and Bonus Rights Schemes.*

2 *Comprises the accumulated owner-occupied properties fair value adjustment and related tax.*

Statements of Cash Flows

for the year ended 30 June 2015

(R'000)	Notes	Group 2015	Group 2014	Company 2015	Company 2014
Profit from operations		501,892	422,386	**282,434**	257,501
Adjusted for non-cash items		51,228	(3,666)	**(1,103)**	5,280
Working capital changes		9,350	(95,884)	**(70)**	293
Separately disclosable items		(61,082)	(49,005)	**(2,957)**	(3,413)
Decrease in financial liabilities		(178,930)	(334,158)		
Cash generated/(utilised) by operations	32	322,458	(60,327)	**278,304**	259,661
Acquisition of financial assets	7	(562,884)	(197,385)	**(37,200)**	
Disposal of financial assets	7	709,680	623,527		
Interest received		44,435	30,145	**2,718**	3,413
Dividends received		16,647	18,860	**239**	
Dividends paid	33	(257,081)	(243,030)	**(257,081)**	(243,030)
Tax paid	34	(144,534)	(122,545)	**(1,002)**	79
Cash flows from operating activities		128,721	49,245	**(14,022)**	20,123
Acquisition of intangible assets	2	(19,587)	(20,077)		
Acquisition of property and equipment	3	(15,982)	(10,703)		
Acquisition of owner-occupied properties	4	(77,995)	(15,473)		
Proceeds from disposal of property and equipment		359	243		
Proceeds from issue of share capital*				**4,502**	2,582
Cash flows from investing activities		(113,205)	(46,010)	**4,502**	2,582
Repayment of loans at amortised cost		(10,000)			
Advances of loans at amortised cost		35,177			
Repayment of financial liabilities at amortised cost				**(48,491)**	
Decrease in amount due from subsidiary				**8,952**	614
Cash flows from financing activities		25,177	–	**(39,539)**	614
Increase/(decrease) in cash and cash equivalents		40,693	3,235	**(49,059)**	23,319
Cash and cash equivalents at beginning of year		183,246	180,011	**68,408**	45,089
Cash and cash equivalents at end of year	9	223,939	183,246	**19,349**	68,408

* *The proceeds from the issue of share capital is considered to be a deemed capital contribution and therefore disclosed as an investing cash inflow.*

Segment Information

at 30 June 2015

BASIS OF SEGMENTATION

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

STATEMENT OF FINANCIAL POSITION – SEGMENT INFORMATION AS AT 30 JUNE 2015

(R'000)	SA Long-term insurance	SA Investment contracts	SA Short-term insurance	SA Loans	Inter-segment	Total
Segment assets and liabilities						
Intangible assets	23,667		3,421			27,088
Property and equipment	25,280		1,207			26,487
Owner-occupied properties	308,715					308,715
Deferred tax	25,971		5,424			31,395
Inventories	1,340		144			1,484
Reinsurance assets	3,015					3,015
Financial assets at fair value through profit or loss	972,453	942,702	136,332			2,051,487
Loans and receivables including insurance receivables	89,866		1,519	23,427	(38,674)	76,138
Current tax	4,418		747	93		5,258
Cash and cash equivalents	198,302		25,011	626		223,939
Total assets	1,653,027	942,702	173,805	24,146	(38,674)	2,755,006
Policyholder liabilities under insurance contracts	689,677		9,205			698,882
Financial liabilities at fair value through profit or loss		942,336				942,336
Loans at amortised cost	35,177			31,525	(31,525)	35,177
Employee benefits	107,875		14,433			122,308
Deferred tax	25,755		4,316			30,071
Accruals and payables including insurance payables	163,435		22,374	2,960	(7,149)	181,620
Current tax	4,417					4,417
Total liabilities	1,026,336	942,336	50,328	34,485	(38,674)	2,014,811
Segment items included in the SOFP: 2015						
Acquisition of intangible assets	16,402		3,185			19,587
Acquisition of property and equipment	15,513		469			15,982

Segment Information continued

STATEMENT OF FINANCIAL POSITION – SEGMENT INFORMATION AS AT 30 JUNE 2014

(R'000)	SA Long-term insurance	SA Investment contracts	SA Short-term insurance	SA Loans	SA Mobile*	Inter-segment	Total
Segment assets and liabilities							
Intangible assets	20,480		2,981				23,461
Property and equipment	21,997		1,387		5		23,389
Owner-occupied properties	224,009						224,009
Deferred tax	23,383		2,361				25,744
Inventories	1,612		248				1,860
Reinsurance assets	3,242						3,242
Financial assets at fair value through profit or loss	877,548	1,047,977	117,869				2,043,394
Loans and receivables including insurance receivables	120,683		1,098	82,068	380	(90,881)	113,348
Current tax	5,798			388	131		6,317
Cash and cash equivalents	155,904		24,209	2,300	833		183,246
Total assets	1,454,656	1,047,977	150,153	84,756	1,349	(90,881)	2,648,010
Policyholder liabilities under insurance contracts	695,554		8,370				703,924
Financial liabilities		1,046,721					1,046,721
– at fair value through profit or loss		998,337					998,337
– at amortised cost		48,384					48,384
Loans at amortised cost				95,362		(85,362)	10,000
Employee benefits	94,509		3,914				98,423
Deferred tax	29,247		4,480				33,727
Accruals and payables including insurance payables	113,490		18,068	8,485	385	(5,519)	134,909
Current tax	207		1,253				1,460
Total liabilities	933,007	1,046,721	36,085	103,847	385	(90,881)	2,029,164
Segment items included in the SOFP: 2014							
Acquisition of intangible assets	16,776		3,301				20,077
Acquisition of property and equipment	10,338		365				10,703

* *The SA Mobile segment was closed in the 2015 financial year.*

Segment Information continued

STATEMENT OF COMPREHENSIVE INCOME – SEGMENT INFORMATION FOR THE YEAR ENDED 30 JUNE 2015

(R'000)	SA Long-term insurance	SA Investment contracts	SA Short-term insurance	SA Loans	Inter-segment	Total
Revenue						
Insurance premium revenue	1,397,393		243,796			1,641,189
Reinsurance premiums	(114,001)					(114,001)
Net insurance premiums	1,283,392		243,796			1,527,188
Other income	145,170	12,750	363	17,647	(5,278)	170,652
Interest income	13,777		1,018	14,088	(6,124)	22,759
Fair value adjustment to financial assets at fair value through profit or loss	71,428	73,497	9,964			154,889
Segment revenue	1,513,767	86,247	255,141	31,735	(11,402)	1,875,488
Net insurance benefits and claims	(275,677)		(24,822)			(300,499)
Decrease/(increase) in policyholder liabilities under insurance contracts	5,877		(835)			5,042
Decrease in reinsurance assets	(227)					(227)
Fair value adjustment to financial liabilities at fair value through profit or loss		(72,275)				(72,275)
Interest expense		(2,270)		(6,606)	6,124	(2,752)
Impairment of advances				(12,380)		(12,380)
Operating expenses	(821,948)	(5,229)	(165,142)	(3,464)	5,278	(990,505)
Segment expenses and claims	(1,091,975)	(79,774)	(190,799)	(22,450)	11,402	(1,373,596)
Profit before tax	421,792	6,473	64,342	9,285	–	501,892
Tax	(118,172)	(1,812)	(17,367)	(150)		(137,501)
Net profit for the year	303,620	4,661	46,975	9,135	–	364,391
Net profit for the year attributable to equity holders of the Group	303,620	4,661	46,975	6,387		361,643
Non-controlling interest – share of profit				2,748		2,748
Segment items included in the Statement of Comprehensive Income: 2015						
Amortisation of intangible assets	11,867		2,745			14,612
Depreciation	12,222		648			12,872

Segment Information continued

STATEMENT OF COMPREHENSIVE INCOME – SEGMENT INFORMATION FOR THE YEAR ENDED 30 JUNE 2014

(R'000)	SA Long-term insurance	SA Investment contracts	SA Short-term insurance	SA Loans	SA Mobile*	Inter-segment	Total
Revenue							
Insurance premium revenue	1,211,029		195,146				1,406,175
Reinsurance premiums	(99,568)		(437)				(100,005)
Net insurance premiums	1,111,461		194,709				1,306,170
Other income	151,740	13,071	102	9,442	2,027	(5,188)	171,194
Interest income	14,478		916	45,576	60	(7,861)	53,169
Fair value adjustment to financial assets at fair value through profit or loss	140,741	26,726	14,089				181,556
Segment revenue	1,418,420	39,797	209,816	55,018	2,087	(13,049)	1,712,089
Net insurance benefits and claims	(287,212)		(23,890)				(311,102)
Decrease in policyholder liabilities under insurance contracts	41,396		1,331				42,727
Decrease in reinsurance assets	(95)						(95)
Fair value adjustment to financial liabilities at fair value through profit or loss		(49,184)					(49,184)
Interest expense		(5,280)		(14,974)		7,861	(12,393)
Impairment of advances				(31,719)			(31,719)
Operating expenses	(787,958)	(4,668)	(132,338)	(6,863)	(1,298)	5,188	(927,937)
Segment expenses and claims	(1,033,869)	(59,132)	(154,897)	(53,556)	(1,298)	13,049	(1,289,703)
Profit/(loss) before tax	384,551	(19,335)	54,919	1,462	789		422,386
Tax	(101,130)	5,414	(14,155)	(5,778)	(221)		(115,870)
Net profit/(loss) for the year	283,421	(13,921)	40,764	(4,316)	568	–	306,516
Net profit/(loss) for the year attributable to equity holders of the Group	283,421	(13,921)	40,764	(3,021)	568		307,811
Non-controlling interest – share of loss				(1,295)			(1,295)
Segment items included in the Statement of Comprehensive Income: 2014							
Amortisation of intangible assets	14,297		1,953		23		16,273
Depreciation	12,631		579		25		13,235

* *The SA Mobile segment was closed in the 2015 financial year. Its results for the year, which include segment revenue of R1,473,000, segment expenses of R938,000 and net profit of R385,000 has been included in the SA Loans segment in 2015.*

Notes to the Annual Financial Statements

for the year ended 30 June 2015

1. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS USED IN APPLYING ACCOUNTING POLICIES

The Group makes estimates and assumptions that affect the reported amounts of its insurance liabilities and assets, financial liabilities and financial assets at fair value and employee benefit obligations. Save for employee benefit obligations which are evaluated semi-annually, estimates and judgments are evaluated monthly and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

1.1 LONG-TERM INSURANCE

Other than where an IBNR liability has been established, the insurance liabilities are calculated by projecting liability outgo and expected future premiums and discounting the cash flows to the Valuation date based on the Valuation discount rate. These are referred to as discounted liabilities.

Discounted Liabilities

These liabilities are established on a policy by policy basis. The basis of the projections is on a "best estimate" assumption basis. Compulsory margins are added to allow for risk and uncertainty based on the relevant local Actuarial Guidance Note (SAP104). In addition discretionary margins are included.

The compulsory margins were as follows:

Assumption	2015 Margin	2014 Margin
Investment return	0.25% increase/decrease*	0.25% increase/decrease*
Mortality	7.5% increase	7.5% increase
Expenses	10.0% increase	10.0% increase
Expense inflation	10.0% increase	10.0% increase
Lapses	25.0% increase/decrease*	25.0% increase/decrease*
Surrenders	10.0% increase/decrease*	10.0% increase/decrease*

* *Depending on which change increases the liability.*

Discretionary margins

Assets under insurance contracts ("negative liabilities") have been eliminated against policyholder liabilities under insurance contracts. The elimination of negative liabilities has increased from June 2014. Increases are due to the high volumes of profitable new business written.

Previously, a discretionary margin relating to tax charges on market related products was kept. This margin, totalling R49.9 million, was released during the previous financial year.

The total value of discretionary margins amounted to R2,478.7 million (2014: R2,292.5 million).

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. Each assumption is reviewed annually 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 assumption levels.

Once the best estimate is determined, compulsory margins (as set out in SAP104) are incorporated as described above.

Demographic Assumptions

Mortality

A detailed mortality investigation was undertaken for homogenous groupings of business for the year ended 30 June 2015 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 2015 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. The impact of the amended withdrawal assumption resulted in a release of liabilities of R11.1 million.

Expenses

The renewal expense assumption was increased by inflation, based on an expense investigation.

Economic Assumptions

(a) *Investment Return*

The non-unit 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 2015, the Valuation rate has been set with reference to the current zero coupon yield curve (an effective rate of 8.3% (2014: 7.6%) at a term of 6.5 years).

Based on the above, a non-unit investment return of 8.3% p.a. (2014: 7.6% p.a.) before compulsory margins was assumed for the majority of the business.

The unit investment return assumption was set based on the expected performance of the underlying assets, and thus a return of 9.3% p.a. (2014: 9.0%) (before compulsory margins) was assumed.

(b) *Inflation*

The current assumed level of future expense inflation is 6.8% (2014: 6.1%) per annum. This was set with reference to the revised level of the Valuation interest rate. The gap between the non-unit investment return assumption and the inflation rate remain unchanged at 1.5% (2014: 1.5%). The gap between interest rate and inflation rate is based on the gap between the real and nominal government bond yield curves based on the Discounted Mean Term of the policies. The gap is then also adjusted if necessary based on the budgeted expenses and internal 5 year forecasts to ensure that the inflation assumption is appropriate for Clientèle.

(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 SOFP 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 R2.3 million;
- The renewal expense assumption was increased by inflation and had no impact on the liabilities; and
- Withdrawal, reinsurance, other decrements and refinement of modelling were reviewed and adjusted where necessary in the light of recent experience resulting in a decrease in liabilities of R15.3 million, detailed as follows:
  - The withdrawal assumptions were reviewed and adjusted where necessary in light of recent experience and resulted in a decrease in liabilities of R11.1 million.
  - The reinsurance and other decrements assumptions were reviewed and adjusted where necessary in light of recent experience and resulted in a decrease in liabilities of R5.6 million.
  - The refinement of the modelling was done and resulted in a increase in liabilities of R1.4 million.

Notes to the Annual Financial Statements continued

Undiscounted Liabilities

IBNR liabilities are based on a percentage of the premiums payable and have been established at a level which is appropriate based on historic trends. The percentage is reviewed annually against actual experience and expected future trends.

1.2 SHORT-TERM INSURANCE

IBNR – Undiscounted Liabilities

Clientèle General Insurance determines its IBNR liability based on historical data. Management applied 0.2% of written premiums (approved by the FSB) to determine the legal IBNR provision on Legal business (personal lines) plus that required per legislation for the IBNR on accidental death business and Legal SMME business, which amounted to R1.7 million (2014: R1.2 million) as at 30 June 2015.

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 cash-back benefits are calculated by projecting expected cash-back payments and discounting the cash flows to the Valuation date, after allowing for decrementing.

Outstanding Claims Provision

The Outstanding Claims Provision has been determined based on the Company's latest claim statistics. The current year's Outstanding Claims Reserve amounted to R2.9 million (2014: R2.0 million).

1.3 LOANS BUSINESS

1.3.1 Credit impairment losses on loans and advances

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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 debt 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 considered to be reasonable under the circumstances. Also refer to note 1.10.3 on pages 95 to 97 for further details.

1.3.2 Deferred tax assets

As at 30 June 2014, the Group no longer deemed it appropriate to recognise the deferred tax asset as it was no longer probable that there would be sufficient taxable profit available against which the temporary differences could be utilised in future years. The deferred tax asset of R4.3 million at 30 June 2014 was therefore reduced to zero during the 2014 financial year.

1.4 OTHER

1.4.1 Financial liabilities at fair value

The Group issues contracts that are classified as financial liabilities at fair value through profit or loss. These financial instruments are not quoted in active markets, and their fair values are determined by using Valuation techniques. All models are validated before they are used and calibrated to ensure that outputs reflect actual experience and comparable market prices. A variety of factors are considered in the Group's Valuation techniques, including time value of money, credit risk (both own and counter-party), and activity in similar instruments.

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Changes in assumptions relating to these factors could affect the reported fair value of these financial liabilities. 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. Also refer to note 14 on page 148.

1.4.2 Employee benefits liabilities and SARs and Bonus Rights

The determination of the liabilities in respect of the Goodwill Scheme component of the Group's bonus scheme is dependent on estimates made by the Group. Estimates are made as to the expected VNB generated in the fifth year of the current five year cycle of the scheme, the multiple used in the formula and the expected number of participants in the scheme. The Group bases these estimates on budgets and forecasts based on the Group's business plans (refer to note 17 on pages 150 and 151).

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SARs and Bonus Rights are granted to qualifying IFAs and employees with more than one year of service. The SAR and Bonus Rights Scheme reserve is determined using the Black Scholes model (refer to note 11 on pages 144 and 145).

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1.4.3 Owner occupied properties

The valuation of R308.7 million (2014: R224.0 million) is arrived at using the capitalisation of net income method using the following underlying assumptions:

- Projected gross annual rental income of R21.5 million (2014: R19.6 million) based on market related rental income per square metre; and
- Capitalised at a remunerative rate of 9.5% (2014: 9.5%) on the net annual rental income.

Also refer to note 4 on pages 138 and 139.

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	Group					
	2015			2014		
Group (R'000)	Computer Software	Video Production	Total	Computer Software	Video Production	Total
2. INTANGIBLE ASSETS						
Cost at beginning of year	68,706	32,924	101,630	59,201	22,352	81,553
Additions	9,300	10,287	19,587	9,505	10,572	20,077
Cost at end of year	78,006	43,211	121,217	68,706	32,924	101,630
Accumulated amortisation at beginning of year	(51,389)	(26,780)	(78,169)	(44,951)	(16,945)	(61,896)
Amortisation charge for the year	(6,945)	(7,667)	(14,612)	(6,438)	(9,835)	(16,273)
Impairment of intangible assets	(1,348)		(1,348)			
Accumulated amortisation at end of year	(59,682)	(34,447)	(94,129)	(51,389)	(26,780)	(78,169)
Net carrying amount at end of year	18,324	8,764	27,088	17,317	6,144	23,461

Group (R'000)	Leasehold improvements	Furniture and equipment	Computer equipment	Motor vehicles	Total
3. PROPERTY AND EQUIPMENT					
Year ended 30 June 2015					
Cost at beginning of year	14,372	47,972	71,262	7,521	141,127
Additions	1,921	1,289	10,649	2,123	15,982
Disposals		(8)	(19)	(691)	(718)
Cost at end of year	16,293	49,253	81,892	8,953	156,391
Accumulated depreciation at beginning of year	(12,897)	(41,143)	(58,974)	(4,724)	(117,738)
Depreciation charge for the year	(1,413)	(3,777)	(6,396)	(1,286)	(12,872)
Disposals		5	10	691	706
Accumulated depreciation at end of year	(14,310)	(44,915)	(65,360)	(5,319)	(129,904)
Net carrying amount at end of year	1,983	4,338	16,532	3,634	26,487

Notes to the Annual Financial Statements continued

Group (R'000)	Leasehold improvements	Furniture and equipment	Computer equipment	Motor Vehicles	Total
Year ended 30 June 2014					
Cost at beginning of year	13,145	46,939	65,533	6,554	132,171
Additions	1,227	1,051	5,782	2,643	10,703
Disposals		(18)	(53)	(1,676)	(1,747)
Cost at end of year	14,372	47,972	71,262	7,521	141,127
Accumulated depreciation at beginning of year	(12,571)	(36,018)	(52,019)	(5,601)	(106,209)
Depreciation charge for the year	(326)	(5,128)	(6,983)	(798)	(13,235)
Disposals		3	28	1,675	1,706
Accumulated depreciation at end of year	(12,897)	(41,143)	(58,974)	(4,724)	(117,738)
Net carrying amount at end of year	1,475	6,829	12,288	2,797	23,389

	2015			2014		
Group (R'000)	**Land**	**Buildings**	**Total**	Land	Buildings	Total
4. OWNER-OCCUPIED PROPERTIES						
At Valuation at beginning of year	72,900	151,109	224,009	65,750	122,490	188,240
Additions: Buildings 1 to 6		2,682	2,682		1,058	1,058
Additions: Building 7*		75,313	75,313		14,415	14,415
Revaluation	1,464	5,247	6,711	7,150	13,146	20,296
At Valuation at end of year	74,364	234,351	308,715	72,900	151,109	224,009

* *Additions include capitalised borrowing costs of (R1.7 million (2014: R0.6 million).*

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

In arriving at the open market value of the lettable properties, the capitalisation of income approach was adopted by applying the gross open market rentals to the gross lettable area and then deducting normal landlord outgoings including a management fee to arrive at the annual net income figure. A net rental figure of approximately R130 (2014: R125) per square meter per month after deducting operating costs was applied. This has then been capitalised into perpetuity at a yield of 9.5% (2014: 9.5%) which is appropriate given the current state of the property market and the quality of the property investments.

The valuation of the erven within Clientèle Properties East was based on broker's opinions as well as recent transactional evidence and the current asking prices in and around the Morningside node. The bulk rate for development land in Morningside is around R2,800 (2014: R2,800) per square meter and is based on market research undertaken in and around the Sandton, Morningside, Sunninghill and Rivonia areas.

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Owner-occupied properties are disclosed at level 2 in the fair value measurement hierarchy. Refer to the level 2 definition on page 104.

SENSITIVITY ANALYSIS

The effect of changes in gross annual rental, bulk rates and yield will have the following effect on the fair value of the properties and corresponding effect on equity:

	%	2015 R'000	2014 R'000
Gross annual rental and bulk rates	+5	10,422	10,177
Gross annual rental and bulk rates	-5	(10,422)	(10,177)
Yield	+0.25	(4,911)	(4,785)
Yield	-0.25	5,176	5,044

The properties consist of six contiguous office buildings situated on Erf 1725, Morningside Extension 71, Erf 1731, Morningside Extension 42, Portions 1 and 3 of Erf 1502, Morningside Extension 71 and Erf 1726, Morningside Extension 42, Sandton, Gauteng. As at 30 June 2015 building operations on a seventh office building on Erf 777 Morningside Extension 71 Township and Erf 776 Morningside Extension Township adjacent to the existing buildings was at an advanced stage. Building operations had also commenced on a parking structure in Clientèle Properties North on portion 1 and 2 of Erf 1502 Morningside Extension 42. The capitalised costs of this new building and parking structure are estimated to be R213.0 million and it is the Group's intention that the building and parking structure will be occupied by the Group in November 2015. 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 R220.6 million as at 30 June 2015 (2014: R142.7 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
2015			
Direct holdings			
Unlisted subsidiaries			
Clientèle Life	4,853,000	100	255,828
Clientèle General Insurance	42,500,000	100	44,020
Clientèle Mobile	1	100	*
Clientèle Loans	1	100	*
Indirect holdings			
Unlisted subsidiaries			
Clientèle Loans Direct	100	70	*
			299,848
2014			
Direct holdings			
Unlisted subsidiaries			
Clientèle Life	4,853,000	100	251,895
Clientèle General Insurance	42,500,000	100	43,436
Clientèle Mobile	1	100	*
Clientèle Loans	1	100	*
Indirect holdings			
Unlisted subsidiaries			
Clientèle Loans Direct	100	70	*
			295,331

* *Less than R1,000.*

Notes to the Annual Financial Statements continued

(R'000)	Group 2015	Group 2014	Company 2015	Company 2014
6. REINSURANCE ASSETS				
Reinsurers' share of insurance liabilities				
Balance at beginning of year	3,242	3,337		
Movement in reinsurers' share of insurance liabilities	(227)	(95)		
Balance at end of year	3,015	3,242	–	–
7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS				
Designated				
Balance at beginning of year	2,043,394	2,287,980		
Movements for year				
– Fair value adjustments	154,889	181,556	1,210	
– Additions	562,884	197,385	37,200	
– Disposals	(709,680)	(623,527)		
Balance at end of year	2,051,487	2,043,394	38,410	–
Total debt securities	1,474,252	1,350,950	27,268	
Promissory notes and fixed deposits	899,312	973,836		
Funds on deposit	484,464	220,250	24,296	
Fixed interest securities	90,476	132,673	2,972	
Government and public authority bonds		24,191		
Total equity securities	577,235	692,444	11,142	
Listed equity securities	573,385	688,594	11,142	
Unlisted equity securities	3,850	3,850		
Total instruments	2,051,487	2,043,394	38,410	–
	%	%	%	%
Spread of equities listed on the JSE by sector				
Industrials	53.3	51.5	47.3	
Resources	15.0	18.0	26.8	
Financials	9.3	7.3	13.2	
Real estate	15.1	13.2	5.3	
Telecommunications	7.3	10.0	7.4	
	100.0	100.0	100.0	–

During the previous financial year, in view of ABL's deteriorating financial position, the Group reviewed it's shareholders' exposure to ABL and consequently fair valued shareholders' zero coupon fixed deposits of R286.5 million in ABL at the 2014 year-end. This fair value adjustment attributable to changes in credit risk amounted to R32.5 million.

The Group had also reviewed it's linked policyholder investment exposure to ABL and consequently fair valued its ABL policyholder linked zero coupon fixed deposits of R143.9 million in ABL resulting in a fair value adjustment attributable to changes in credit risk of R14.4 million and a corresponding fair value adjustment to it's linked policyholder financial liabilities at 30 June 2014.

At 30 June 2015, the Group reviewed the ABL valuation and concluded that no further fair value adjustments are necessary. For sensitivities in respect of further changes in credit risk refer to 1.12.2 of the Risk Management section.

USE OF VALUATION TECHNIQUES TO DETERMINE FAIR VALUE

The Group establishes fair value by using a valuation technique if the market for a financial instrument is not quoted in an active market. Valuation techniques include using transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the Group uses that technique. Fair value is estimated on the basis of the results of a valuation technique that makes maximum use of market inputs, and relies as little as possible on entity-specific inputs.

The value for the unlisted equity securities represents shares in share block companies which are valued with reference to a written valuation by management of the administration company for the shareblock company, which is based on recent market related prices between willing buyers and sellers.

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

	Group		Company	
(R'000)	2015	2014	2015	2014
8. LOANS AND RECEIVABLES INCLUDING INSURANCE RECEIVABLES				
Receivables	10,704	7,585	341	220
Net advances (refer to note 8.1)	22,243	80,165		
Premiums receivable under insurance contracts	5,660	5,862		
Due from subsidiaries			48	8,898
Reinsurance receivables under reinsurance contracts	32,063	13,826		
Prepayments	5,468	5,910	51	
	76,138	113,348	440	9,118
Current	68,543	73,388	440	9,118
Non-current	7,595	39,960		
	76,138	113,348	440	9,118
The carrying value amounts approximate the fair value of these amounts.				
Maturity analysis				
Due within one year	77,419	83,496	440	9,118
Due within two to five years	12,198	50,007		
	89,617	133,503	440	9,118
Provisions for impairments	(13,479)	(20,155)		
	76,138	113,348	440	9,118

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.

Notes to the Annual Financial Statements continued

	Group		Company	
(R'000)	2015	2014	2015	2014
8.1 NET ADVANCES OF CLIENTÈLE LOANS DIRECT				
Unsecured personal loans				
Gross loans and advances	35,722	100,320		
Provision for impairments	(13,479)	(20,155)		
– Specific provision	(1,731)	(2,170)		
– Portfolio provision	(11,748)	(17,985)		
Net advances	22,243	80,165	–	–

All advances are unsecured and have a maximum repayment term of five years with interest charged based on the credit-worthiness of customers. Advances together with interest thereon, are payable in equal monthly instalments.

	Group		Company	
(R'000)	2015	2014	2015	2014
Movement in impairments provision				
Balance at beginning of year	20,155	23,989		
Current year movement	(6,676)	(3,834)		
Bad debts written off	(25,838)	(40,325)		
Amount raised during the current year	19,162	36,491		
Balance at end of year	13,479	20,155	–	–

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The advances portfolio and the collections bank account amounting to R0.6 million (2014: R1.3 million) of Clientèle Loans Direct has been ceded as security in terms of the external funding facility agreement (refer to note 16 on page 149).

	Group 2015	Group 2014	Company 2015	Company 2014
9. CASH AND CASH EQUIVALENTS				
Cash in bank and at hand	223,939	183,246	19,349	68,408
10. 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				
2015: 330,629,599 (2014: 329,218,449) ordinary shares of 2 cents each	6,613	6,584	6,613	6,584
Share premium	310,185	285,618	310,185	285,618
Common control deficit*	(220,273)	(220,273)		
	96,525	71,929	316,798	292,202

* *Clientèle acquired the shares in Clientèle Life and its subsidiaries with effect from 19 May 2008. As there was no change in the beneficial shareholders, this transaction was treated as a common control transaction. This treatment resulted in a common control deficit of R220.3 million, which was the difference between the net asset value of Clientèle Life at the date of transfer and the par value of the shares issued.*

1.4 million (2014: 1.2 million) shares were issued in terms of the SAR and Bonus Rights Schemes.

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 2015

Shareholder spread	Number of shareholdings	%	Number of Shares	%
1 – 1,000 shares	383	32.49	174,792	0.05
1,001 – 10,000 shares	507	43.00	2,129,378	0.64
10,001 – 100,000 shares	229	19.42	7,285,841	2.20
100,001 – 1,000,000 shares	41	3.48	12,771,862	3.86
1,000,001 shares and over	19	1.61	308,267,726	93.25
Totals	1,179	100.00	330,629,599	100.00

ANALYSIS OF SHAREHOLDERS BY CLASSIFICATION AS AT 30 JUNE 2015

Distribution of shareholders	Number of shareholdings	%	Number of shares	%
Banks	8	0.69	3,811,635	1.15
Close Corporations	12	1.02	1,236,796	0.37
Endowment Funds	5	0.42	15,530	0.00
Individuals	921	78.12	16,337,933	4.94
Insurance Companies	11	0.93	68,541,935	20.73
Investment Companies	4	0.34	16,988	0.01
Medical Scheme	1	0.08	687,385	0.21
Mutual Funds	18	1.53	21,506,020	6.51
Other Corporations	11	0.93	64,435	0.02
Private Companies	38	3.22	208,308,732	63.00
Public Companies	2	0.17	81,550	0.03
Retirement Funds	11	0.93	6,150,297	1.86
Trusts	137	11.62	3,870,363	1.17
Totals	1,179	100.00	330,629,599	100.00

PUBLIC/NON-PUBLIC SHAREHOLDERS

Shareholder spread	Number of shareholdings	%	Number of shares	%
Non-public shareholders	17	1.44	275,468,087	83.31
Directors and Associates	11	0.93	13,929,415	4.21
Strategic Holdings (more than 10%)	6	0.51	261,538,672	79.10
Public shareholders	1,162	98.56	55,161,512	16.69
Totals	1,179	100.00	330,629,599	100.00

Shareholder spread	Number of shares	%
Beneficial shareholders holding 5% or more		
Pickent Investments Limited	261,538,672	79.10
Old Mutual	17,509,267	5.30
Totals	279,047,939	84.40

Notes to the Annual Financial Statements continued

(R'000)	Group 2015	Group 2014	Company 2015	Company 2014
11. SAR AND BONUS RIGHTS SCHEME RESERVE				
SAR and Bonus Rights Schemes reserve	27,699	23,181	27,699	23,181

SARs and Bonus Rights are granted to qualifying IFAs and employees, excluding Group Directors.

The initial price of the SAR and the Bonus Right is the volume weighted average price that the ordinary share traded on the JSE during the 30 (thirty) trading days immediately preceding the invitation date in the case of employees and the announcement date in the case of IFAs. SARs and Bonus Rights are conditional on the employee staying in the employ of the Group for the vesting period and the IFA remaining an IFA. The SARs and Bonus Rights are exercisable starting three years from the invitation/announcement date. All SARs and Bonus Rights not exercised on the seventh anniversary of the invitation/announcement date will lapse.

	2015		2014	
	Volume weighted average price on grant	**Number of SARs and Bonus Rights granted**	Volume weighted average price on grant	Number of SARs and Bonus Rights Granted
At beginning of year		11,648,787		7,662,432
Allotment	11.45		11.45	61,619
Allotment	11.51	15,406,937		
Allotment	13.14		13.14	7,615,035
Allotment	14.78		14.78	48,956
Allotment	14.36		14.36	110,000
Allotment	13.14		13.14	34,485
Allotment	17.00	2,233,993		
Allotment	17.27	1,506,116		
Forfeited	6.41	(7,500)	6.41	(53,750)
Forfeited	8.67		8.67	(17,655)
Forfeited	5.88		5.88	(13,633)
Forfeited	5.47	(3,750)	5.47	(77,500)
Forfeited	7.48	(9,646)	7.48	(16,721)
Forfeited	7.63	(53,800)	7.63	(42,032)
Forfeited	9.85	(72,441)	9.85	(68,047)
Forfeited	9.79	(24,897)	9.79	(63,877)
Forfeited	9.44	(25,664)		
Forfeited	11.20	(61,564)	11.20	(98,371)
Forfeited	11.28	(36,391)	11.28	(105,195)
Forfeited	11.45	(61,619)		
Forfeited	11.51	(30,000)		
Forfeited	11.89	(9,364)	11.89	(18,881)
Forfeited	13.14	(1,194,809)	13.14	(858,265)
Forfeited	14.78	(4,598)		
Forfeited	17.00	(564,620)		
Exercised		(3,035,922)		(2,449,813)
At end of year		25,599,248		11,648,787

2.6 million (2014: 1.0 million) of the 25.6 million (2014: 11.6 million) outstanding SARs and Bonus Rights were exercisable.

15.4 million (2014: nil) Bonus Rights were issued to IFAs during the year in terms of the Khula Nathi share scheme.

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

	Average grant price	Number of SARs and Bonus Rights
03 July 2015	7.89	28,046
19 January 2016	5.88	143,219
16 February 2016	5.47	84,259
07 September 2016	6.29	127,186
11 January 2017	7.48	76,524
01 April 2017	7.63	276,369
02 July 2017	9.85	448,296
25 February 2018	9.79	457,652
02 September 2018	11.28	317,860
30 October 2019	11.20	413,552
01 April 2019	11.51	13,992,994
02 January 2020	11.89	209,039
01 March 2020	12.25	97,959
01 November 2020	13.14	5,561,961
03 January 2021	14.78	44,358
18 February 2021	14.36	110,000
26 May 2021	13.41	34,485
01 September 2021	17.00	1,669,373
30 March 2022	17.27	1,506,116
At end of year		25,599,248

The Statement of Comprehensive Income charge was determined using the Black Scholes model. The IFRS 2: Share based payments costs relating to the SAR and Bonus Rights Schemes amounted to R9.0 million (2014: R10.7 million). Significant inputs into the model include the grant prices of SARs and Bonus Rights, the dividend yield of 6% p.a. for rights granted up to 30 June 2010 and 5% p.a. for rights issued thereafter, risk-free interest rate of 7.9% p.a. for rights granted prior to July 2007, and the risk-free yield depending on term until exercised for rights granted thereafter (unchanged from 2014), employee turnover ranging between 10.8% and 17.8% depending on the date of granting the rights (2014: ranging between 10.8% and 17.8%), contractual life of 1 to 7 years (2014: 1 to 7 years) and potential share price growth. The Statement of Comprehensive Income charge includes R3.7 million (2014: R7.1 million) which relates to Bonus Rights which could be allocated to IFAs in future based on meeting certain qualifying criteria.

Notes to the Annual Financial Statements continued

(R'000)	Group 2015	Group 2014	Company 2015	Company 2014
12. NDR				
NDR: Revaluation	66,191	61,222	–	–
The revaluation reserve relates to owner occupied land and buildings owned by the subsidiaries, Clientèle Properties North, Clientèle Properties South and Clientèle Properties East referred to in note 4 on page 138. The land and buildings have been revalued to market value through equity. Deferred taxation (refer to note 18 on page 151 and 152) has been provided at rates appropriate to the land and buildings and resulted in a net increase of R1.7 million to the deferred tax liability (2014: R5.0 million).				

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(R'000)	Group 2015	Group 2014
13. POLICYHOLDER LIABILITIES UNDER INSURANCE CONTRACTS		
Balance at beginning of year	703,924	746,651
Decrease in policyholder liabilities under insurance contracts	(5,042)	(42,727)
Balance at end of year	698,882	703,924

	2015		2014	
Group (R'000)	Gross of reinsurance	Net of reinsurance	Gross of reinsurance	Net of reinsurance
Long-term insurance				
Changes in insurance liabilities and reinsurance				
Discounted insurance liabilities as at the beginning of the year	688,017	687,854	728,508	728,432
Discretionary margins	(2,293,024)	(2,292,481)	(1,884,702)	(1,884,255)
Discounted insurance liabilities as at the beginning of the year prior to allowance for discretionary margins	(1,605,007)	(1,604,627)	(1,156,194)	(1,155,823)
Expected interest on insurance liabilities (and cash flows)	(109,642)	(109,642)	(121,719)	(121,706)
Expected premiums on insurance liabilities	1,076,557	981,724	943,402	844,277
Expected change in margins (existing business)	(7,736)	(7,739)	(2,144)	(2,151)
Expected claims, expiries and lapses	(319,413)	(234,594)	(401,244)	(305,553)
Expected expenses, commission and charges	(127,346)	(127,346)	(112,880)	(112,880)
Experience variations	(35,898)	(26,135)	108,387	111,629
Changes in Valuation basis (renewal business only)	59,762	59,748	(70,235)	(70,228)
New business added during the year	(727,338)	(727,261)	(792,380)	(792,192)
Discounted insurance liabilities as at the end of the year prior to allowance for discretionary margins	(1,796,061)	(1,795,872)	(1,605,007)	(1,604,627)
Discretionary margins	2,479,001	2,478,740	2,293,024	2,292,481
A: Discounted insurance liabilities as at the end of the year	682,940	682,868	688,017	687,854
Undiscounted insurance liabilities as at the beginning of the year	7,537	4,458	8,442	5,181
Withdrawals and change in reinsurance during the year	(924)	(786)	(965)	(758)
New business added during the year	124	122	60	35
B: Undiscounted insurance liabilities as at the end of the year	6,737	3,794	7,537	4,458
Total insurance liabilities as at the end of the year (A+B)	689,677	686,662	695,554	692,312
Reinsurance assets		3,015		3,242
Gross long-term insurance liabilities as at the end of the year	689,677	689,677	695,554	695,554
Short-term insurance	9,205	9,205	8,370	8,370
IBNR	1,702	1,702	1,242	1,242
Cash back bonus	4,628	4,628	5,107	5,107
Outstanding claims	2,875	2,875	2,021	2,021
	698,882	698,882	703,924	703,924

Notes to the Annual Financial Statements continued

	Group		Company	
(R'000)	**2015**	2014	**2015**	2014
14. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS				
Balance at beginning of year	998,337	1,283,311		
Movements for the year				
– Fair value adjustments	72,275	49,184		
– Deposits	140,032	121,790		
– Withdrawals and maturities	(268,308)	(455,948)		
Balance at end of year	942,336	998,337	**–**	–

The unrecognised initial profit in respect of financial liabilities at fair value through profit or loss amounts to R20.1 million (2014: R22.7 million).

The change in fair value attributable to changes in the Group's credit risk is R Nil (2014: R Nil).

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As referred to in note 7 on page 140, the Group reviewed its linked policyholder exposure to ABL and consequently fair valued its zero coupon fixed deposits at 30 June 2014. As these are linked policyholder assets a corresponding fair value adjustment to financial liabilities of R14.4 million was made at 30 June 2014.

At 30 June 2015, the Group reviewed the ABL valuation and concluded that no further fair value adjustments are necessary and consequently no further adjustments to linked policyholders' are required.

The amount payable on maturity (including annuity payments) is R1,064.2 million (2014: R1,144.2 million).

	Group		Company	
(R'000)	**2015**	2014	**2015**	2014
15. FINANCIAL LIABILITIES AT AMORTISED COSTS				
Balance at beginning of year	48,384	43,104	**48,384**	43,104
Movements for the year				
– Interest	2,270	5,280	**107**	5,280
– repayments	(50,654)		**(48,491)**	
Balance at end of year	–	48,384	**–**	48,384
Current	–	48,384	**–**	48,384

The loan bears interest at fixed interest rates (between 10% and 12.25%) and is repayable at the end of the 2015 financial year with the first payment commencing in September 2014.

	Group		Company	
(R'000)	**2015**	2014	**2015**	2014
Maturity analysis				
Due within one year	–	50,654	**–**	50,654
Due within two to five years				
Balance at end of year	–	50,654	**–**	50,654

(R'000)	Group 2015	Group 2014	Company 2015	Company 2014
16. LOANS AT AMORTISED COST				
Nedbank Limited				
Balance at beginning of the year	–			
Advances	33,500			
Interest	1,677			
	35,177	–	–	–

The loan was in terms of a medium term credit facility granted for the construction of Building 7 in Clientèle Properties East and is secured by a guarantee issued in favour of Nedbank from Clientèle.

(R'000)	Group 2015	Group 2014	Company 2015	Company 2014
WesBank				
Balance at beginning of the year	10,000	118,091		
Advances				
Interest	105	5,693		
Repayments	(10,105)	(113,784)		
	–	10,000	–	–

The above loan was in terms of a funding facility agreement with WesBank with interest at 8.90% per annum. The capital amount was repaid on 13 August 2014. Accordingly the cession of the advances portfolio and the bank account of Clientèle Loans Direct fell away (in terms of the funding facility agreement).

(R'000)	Group 2015	Group 2014	Company 2015	Company 2014
Direct Axis				
Balance at beginning of the year	–	16,905		
Advances				
Interest		607		
Repayments		(17,512)		
	–	–	–	–
	35,177	10,000	–	–

The Direct Axis loan was in terms of a revolving credit funding facility agreement of R30 million with Direct Axis. The loan was unsecured, bore interest ranging from 8.13% to 8.9% and the full capital was repaid by 31 December 2013.

(R'000)	Group 2015	Group 2014	Company 2015	Company 2014
Current	1,475			
Non-current	33,702	10,000		
	35,177	10,000	–	–
Maturity analysis				
Due within one year	1,475			
Due within two to five years	11,430	10,000		
Due after five years	37,855			
Less: discounting	(15,583)			
	35,177	10,000	–	–

Notes to the Annual Financial Statements continued

(R'000)	Group 2015	Group 2014	Company 2015	Company 2014
17. EMPLOYEE BENEFITS				
Goodwill Scheme (refer to 17.1)	48,293	33,505		
EV scheme (refer to 17.2)	59,129	49,789		
Short-term bonuses (refer to 17.3)	14,886	15,129		
	122,308	98,423	–	–
Current	64,738	59,182		
Non-current	57,570	39,241		
	122,308	98,423	–	–
17.1 GOODWILL SCHEME				
Balance at beginning of year	33,505	20,131		
Payment made during the year	(2,468)	(3,651)		
Provision raised (refer to note 28)	17,256	17,025		
Interest cost	2,377	1,137		
Service cost	16,465	16,503		
Remeasurements	(1,586)	(615)		
Balance at end of year	48,293	33,505	–	–

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The above relates to the Goodwill element of the incentive bonus scheme as discussed in the Group Remuneration Report (pages 41 to 46) and the accounting policies (policy 19 on pages 123 to 124) to the Annual Financial Statements.

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

	Cycle 2	
	2015	2014
VNB at end of cycle (R million)	365	365
VNB Multiple	5.00	5.00
Risk-free rate (%)	5.72	5.72
Expected pool utilisation (%)	63.11	52.76
Payment term (years)	5	5

	Cycle 3	
	2015	2014
Assumed VNB at end of cycle (R million)	1,050	975
VNB Multiple	5.00	5.00
Risk-free rate (%)	8.07	7.89
Expected pool utilisation (%)	70.00	85.00
Payment term (years)	5	5

The variables used in calculating and estimating the liability in respect of the Goodwill Scheme are subject to approval by the Group Remuneration Committee. Those variables, which are subjective in nature, have been set at levels which the Group Remuneration Committee deems to be fair and equitable to both shareholders and the participants. The variables used for cycle 2 and 3 are changed over time as circumstances, Group performance and the economic environment change.

17.2 EV SCHEME

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

	Group		Company	
(R'000)	**2015**	2014	**2015**	2014
Balance at beginning of year	49,789	31,828		
Provision raised (refer to note 28)	49,287	49,789		
Payment during the year	(39,947)	(31,828)		
Balance at end of year	59,129	49,789	**–**	–

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

Payment terms (years)	4	4		
Hurdle rate (%)	12.60	12.73		
Expected pool utilisation (%)	82.00	88.00		

EV Earnings are based on the EV assumptions and calculations as outlined in the Statement of the Group EV (pages 53 to 58).

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17.3 SHORT-TERM BONUSES

The build-up of the liability in respect of short-term bonuses is as follows:				
Balance at beginning of year	15,129	14,424		
Provision raised (refer to note 28)	13,238	15,095		
Payments during the year	(13,481)	(14,390)		
Balance at end of year	14,886	15,129	**–**	–

	Group		Company	
(R'000)	**2015**	2014	**2015**	2014
18. DEFERRED TAX				
Assets				
Balance at beginning of year	31,785	29,755	**88**	187
Charge to the Statements of Comprehensive Income				
– Tax losses	(123)	(5,714)	**(88)**	(99)
– Income received in advance	182	195		
– Property and equipment	203	1,897		
– SAR and Bonus Rights Schemes	553	1,570		
– Long-term employee benefits	6,281	5,839		
– Deferred profits on financial liabilities held at fair value through profit or loss	(727)	(1,757)		
Balance at end of year	38,154	31,785	**–**	88
Liability				
Balance at beginning of year	39,768	30,319		
Charge to the Statement of Comprehensive Income				
– Prepayments	(217)	(733)	**14**	
– Property and equipment		(616)		
– Unrealised (losses)/gains on investments	(4,463)	5,784	**96**	
Deferred tax on revaluation of land	273	1,333		
Deferred tax on revaluation of buildings	1,469	3,681		
Balance at end of year	36,830	39,768	**110**	–

Notes to the Annual Financial Statements continued

(R'000)	Group 2015	Group 2014	Company 2015	Company 2014
18. DEFERRED TAX continued				
Analysis of deferred tax balances:				
Assets				
Tax losses	2,632	2,755		88
Income received in advance	997	815		
Property and equipment	2,100	1,897		
SAR and Bonus Rights Schemes	4,985	4,432		
Long-term employee benefits	21,704	15,423		
Deferred profits on financial liabilities held at fair value through profit and loss	5,736	6,463		
Deferred tax asset at end of the year	38,154	31,785	–	88
Liability				
Prepayments	1,157	1,374	14	
Unrealised gains on investments	13,789	18,252	96	
Revaluation of land	5,546	5,273		
Revaluation of buildings	16,338	14,869		
Deferred tax liability at end of the year	36,830	39,768	110	–
Total deferred tax asset	31,395	25,744	–	88
Current	2,149	756		
Non-current	29,246	24,988		88
Total deferred tax liability	(30,071)	(33,727)	(110)	–
Current	(2,308)	(1,314)	(14)	
Non-current	(27,763)	(32,413)	(96)	
Net deferred tax liability at end of year	1,324	(7,983)	(110)	88

The assessable tax loss of the IPF amounts to R2.7 billion (2014: R2.4 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.

(R'000)	Group 2015	Group 2014	Company 2015	Company 2014
19. ACCRUALS AND PAYABLES INCLUDING INSURANCE PAYABLES				
IFA referral fees and bonuses payable	9,239	10,781		
Premiums received in advance	18,397	16,308		
Deferred income	20,484	24,470		
Due to subsidiaries			101	
Other accruals and payables*	133,500	83,350	810	758
	181,620	134,909	911	758
Current	169,102	122,276	911	758
Non-current	12,518	12,633		
	181,620	134,909	911	758

The carrying value amounts approximate fair value amounts.

Maturity analysis	Group 2015	Group 2014	Company 2015	Company 2014
Due within one year	169,102	122,276	911	758
Due within two to five years	12,518	12,633		
	181,620	134,909	911	758

* *The increase in other accruals and payables relates primarily to an increase in the claims provision and an increase in suppliers relating to the construction project.*

(R'000)	Group 2015	Group 2014	Company 2015	Company 2014
20. INSURANCE PREMIUM REVENUE				
Long-term insurance – individual recurring	1,397,393	1,211,029		
Short-term insurance – individuals and SMME	243,796	195,146		
	1,641,189	1,406,175	–	–
21. REINSURANCE PREMIUMS				
Long-term insurance – individual recurring	114,001	99,568		
Short-term insurance – individuals		437		
	114,001	100,005	–	–
22. OTHER INCOME				
IFA annuity fee income	142,454	140,447		
Leads and brand fee	904	973	904	973
Marketing materials' gross profit/(loss)	529	(780)		
Supplier discounts received	184	156		
Fee income			2,368	2,507
Fee income from advances	3,416	9,401		
Inseta grants	1,743	2,444		
Income from Mobile business	1,396	2,027		
Deferred profit	12,598	12,280		
Other income	1,264	1,534		233
Administration fees	2,371	2,712		
Loan waived	3,793			
Recharge from Clientèle Life and Clientèle General Insurance in excess of capital contribution			20,093	14,078
Dividends received (unlisted)			258,380	243,069
	170,652	171,194	281,745	260,860
23. INTEREST INCOME				
Loans business	14,012	45,576		
Cash and cash equivalents	8,747	7,593	1,608	3,413
	22,759	53,169	1,608	3,413
24. FAIR VALUE ADJUSTMENT TO FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS				
Designated – fair value adjustments	154,889	181,556	1,210	–
The above fair value adjustments include gains arising from:				
Interest (unlisted)	111,893	124,399	1,110	
Dividends (listed)	16,647	20,474	239	

Notes to the Annual Financial Statements continued

(R'000)	Group 2015	Group 2014	Company 2015	Company 2014
25. NET INSURANCE BENEFITS AND CLAIMS				
Long-term insurance				
Claims and policyholders' benefits under insurance contracts	374,307	352,475	–	–
Death and disability claims	188,043	145,094		
Policy surrender claims	186,264	207,381		
Insurance claims recovered from reinsurers	(117,250)	(96,639)		
Cashback payments	18,620	31,376		
	275,677	287,212		
Short-term insurance	24,822	23,890	–	–
Legal claims	22,220	18,830		
Cashback payments	2,602	5,060		
	300,499	311,102	–	–
26. CHANGE IN POLICYHOLDER LIABILITIES UNDER INSURANCE CONTRACTS				
Long-term insurance	(5,877)	(41,396)		
Short-term insurance	835	(1,331)		
IBNR	460	355		
Cashback bonus	(479)	(2,349)		
Outstanding claims	854	663		
	(5,042)	(42,727)	–	–
27. IMPAIRMENT OF ADVANCES				
Specific	(439)	(1,327)		
Portfolio	(6,237)	(2,507)		
Bad debts written off	25,838	40,325		
Bad debts recovered	(6,782)	(4,772)		
	12,380	31,719	–	–

(R'000)	Group 2015	Group 2014	Company 2015	Company 2014
28. OPERATING EXPENSES				
Acquisition and administration expenses by nature are as follows:				
Total Auditors' remuneration	5,883	5,174	974	866
Audit fees	5,442	4,821	955	866
Other services	441	353	19	
Actuarial fees	2,460	2,619		
Computer expenses	19,048	16,251		
Consultancy fees	8,844	7,217		
Employee benefits	375,254	351,952	–	–
Salaries and other short-term benefits	276,714	250,442		
Defined contribution provident fund – current service costs	9,739	8,904		
Goodwill Scheme expense	17,256	17,025		
EV scheme expense	49,287	49,789		
Short-term bonuses	13,238	15,095		
SAR and Bonus Rights Schemes expense	9,020	10,697		
Asset management fees	4,984	4,858		
Amortisation of intangible assets	14,612	16,273		
Impairment of intangible assets	1,348			
Depreciation	12,872	13,235	–	–
Computer equipment	6,396	6,983		
Furniture and equipment	3,777	5,128		
Leasehold improvements	1,413	326		
Motor vehicles	1,286	798		
Local travel costs	899	825		
Administration and marketing	409,010	361,395	421	416
IFA referral fees and bonuses paid	118,730	127,372		
Property expenses	9,104	8,171		
Profit on disposal of fixed assets	(346)	(202)		
Foreign exchange gains	(10)	(8)		
Other	7,813	12,805	627	210
	990,505	927,937	2,022	1,492
Comprising:				
Acquisition costs associated with insurance contracts	781,794	745,876		
Administrative expenses	208,711	182,061	2,022	1,492
	990,505	927,937	2,022	1,492
Staff count	1,373	1,277	–	–

Notes to the Annual Financial Statements continued

29. DIRECTORS' AND KEY MANAGEMENT REMUNERATION

The Companies Act requires the remuneration of Prescribed Officers to be disclosed in the Integrated Annual Report. It is the opinion of the Board that Clientèle's Prescribed Officers are the Directors of Clientèle, whose remuneration is disclosed below.

YEAR ENDED 30 JUNE 2015

Non-executive Directors Group Remuneration	Months in office	Directors' fees R'000	Total emoluments R'000
GQ Routledge	12	2,355	2,355
GJ Soll*	12	6,951	6,951
BA Stott	12	1,378	1,378
PR Gwangwa	12	389	389
RD Williams	12	799	799
MP Matlwa#	6	210	210
Total emoluments		12,082	12,082

* *The remuneration in respect of Mr GJ Soll includes bonuses which vested on his retirement as an Executive Director.*

Mr MP Matlwa was appointed as Non-executive Director on 1 July 2014 and resigned on 5 January 2015.

Executive Directors Group Remuneration	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
B Frodsham	12	1,438	6,950	97	8,485
IB Hume	12	1,624	9,339	126	11,089
BW Reekie	12	2,422	12,341	181	14,944
Total emoluments		5,484	28,630	404	34,518

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

YEAR ENDED 30 JUNE 2014

Non-executive Directors Group Remuneration	Months in office	Directors' fees R'000	Total emoluments R'000
GQ Routledge	12	2,019	2,019
BA Stott	12	1,181	1,181
PR Gwangwa	12	365	365
FFT De Buck	2	60	60
RD Williams	12	749	749
Total emoluments		4,374	4,374

Executive Directors Group Remuneration	Months in office	Basic salary R'000	Bonuses and performance related payments R'000	Retirement, medical and other benefits R'000	Total emoluments R'000
GJ Soll	12	1,283	17,478	37	18,798
B Frodsham	12	1,349	6,734	91	8,174
IB Hume	12	1,418	7,512	113	9,043
BW Reekie	12	2,281	9,087	160	11,528
Total emoluments		6,331	40,811	401	47,543

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

	Group		Company	
(R'000)	**2015**	2014	**2015**	2014
Key management The following salaries are paid and bonuses are payable to key management excluding Group Directors. Key management are part of Excom.	39,145	32,106	**–**	–
Salaries and other benefits	18,595	15,497		
Short-term bonuses	4,021	3,805		
EV Scheme	16,486	12,592		
Goodwill Scheme	43	212		

30. TAX

(R'000)	Group 2015	Group 2014	Company 2015	Company 2014
South African normal tax	131,690	115,156	**1,181**	99
Current year tax	140,350	112,708	**983**	
Deferred tax	(11,049)	2,026	**198**	99
Prior year under-provision	2,389	422		
South African capital gains tax	5,811	714	**–**	–
Current year tax	5,811	714		
Total tax expense	137,501	115,870	**1,181**	99
Tax rate reconciliation				
Profit before tax	501,892	422,386	**282,434**	257,501
Tax	(137,501)	(115,870)	**(1,181)**	(99)
	%	%	**%**	%
Effective tax rate	27.40	27.43	**0.42**	0.04
Adjustments due to:				
Under-provision in respect of prior year	(0.80)	(0.10)		
Capital gains tax	0.30	2.30		
Exempt income	0.61	(0.36)	**27.58**	27.96
Tax losses not recognised	0.15			
Deductible temporary differences not recognised	0.34			
Reversal of deferred tax assets		(1.27)		
Statutory tax rate	28.00	28.00	**28.00**	28.00

Policyholder taxation funds are separate tax entities which have differing tax rules as applied in the South African taxation legislation for life insurance companies. There are two separate funds applicable to Clientèle Life, defined as untaxed and individual. As these funds and related taxes are in essence direct taxes against investments held on behalf of policyholders (not shareholders), it is not considered necessary to reconcile effective tax rates by fund.

Notes to the Annual Financial Statements continued

(R'000)	Group 2015	Group 2014	Company 2015	Company 2014
31. EARNINGS PER SHARE				
Net profit for the year attributable to equity holders of the Group	361,643	307,811	281,253	257,402
Profit on disposal of property and equipment (after-tax)	(282)	(202)		
Impairment of intangible assets (after-tax)	1,234			
Taxation effects on loan write-off*	(2,037)			
Headline earnings for the year	360,558	307,609	281,253	257,402
Ordinary shares in issue ('000)	330,630	329,218		
Weighted ordinary shares in issue ('000)	329,799	328,722		
Diluted average ordinary shares in issue ('000)	334,877	328,901		

* *The write off of an intercompany loan from Clientèle Life to Clientèle Loans Direct resulted in a positive tax effect for the Group as Clientèle Loans Direct had, in the 2014 financial year reversed the deferred tax asset of R 4.3 million. The deferred tax liability associated with the loan write off in the 2015 financial year was as a result not raised by Clientèle Loans Direct.*

	Cents	Cents
Earnings per share	109.66	93.64
Headline earnings per share	109.33	93.58
Diluted earnings per share	107.99	93.59
Diluted headline earnings per share	107.67	93.53

DILUTED EARNINGS PER SHARE

Diluted earnings per share is calculated on the same basis as earnings per share, except that the weighted average number of ordinary shares in issue during the year is adjusted for the dilutive effect of the SAR and Bonus Rights Schemes. This potential dilutive effect is calculated using the average Clientèle share price less the sum of the estimated fair value of goods and services to be rendered by employees per SAR and Bonus Right and the strike price at grant date. This difference gives the value per share of the benefit accruing to the SAR and Bonus Rights participant. The value is multiplied by the number of SARs and Bonus Rights and divided by the average Clientèle share price to quantify this value as a number of notional shares.

(R'000)	Group 2015	Group 2014	Company 2015	Company 2014
32. CASH GENERATED BY OPERATIONS				
Profit from operations	501,892	422,386	**282,434**	257,501
Adjusted for non-cash items:	51,228	(3,666)	**(1,103)**	5,280
Fair value adjustment to financial assets at fair value through profit or loss	(154,889)	(181,556)	**(1,210)**	
Decrease in policyholder liabilities under insurance contracts	(5,042)	(42,727)		
Fair value adjustment to financial liabilities at fair value through profit or loss	72,275	49,184		
Accrued interest expense	2,752	12,393	**107**	5,280
Decrease in reinsurance assets	227	95		
Impairment of advances	20,762	37,711		
Loan waived	(3,793)			
Amortisation of intangible assets	14,612	16,273		
Depreciation	12,872	13,235		
Impairment of intangible assets	1,348			
SAR and Bonus Rights Schemes expense	9,020	10,697		
Profit on disposal of fixed assets	(346)	(202)		
Employee benefits	81,430	81,231		
	553,120	418,720	**281,331**	262,781
Items disclosed separately:	(61,082)	(49,005)	**(2,957)**	(3,413)
Interest received	(44,435)	(30,145)	**(2,718)**	(3,413)
Dividends received	(16,647)	(18,860)	**(239)**	
Working capital changes:	9,350	(95,884)	**(70)**	293
Decrease/(increase) in inventories	376	(737)		
Decrease/(increase) in receivables including insurance receivables	16,450	72,247	**(172)**	201
Decrease in financial liabilities at amortised cost	(10,105)	(131,296)		
Increase/(decrease) in provisions, accruals and payables	6,615	(25,942)	**102**	92
Decrease in deferred profits	(3,986)	(10,156)		
Decrease in financial liabilities at fair value through profit and loss	(178,930)	(334,158)		
	322,458	(60,327)	**278,304**	259,661

Notes to the Annual Financial Statements continued

(R'000)	Group 2015	Group 2014	Company 2015	Company 2014
33. DIVIDENDS PAID				
Balance owing at the beginning of the year	372	333	372	333
Amount declared for the year	257,031	243,069	257,031	243,069
	257,403	243,402	257,403	243,402
Balance owing at the end of the year	(322)	(372)	(322)	(372)
Amount paid during the year	257,081	243,030	257,081	243,030
34. TAX PAID				
Balance owing at the beginning of the year	3,126	4,787	(88)	(266)
Amount provided for the year	139,243	120,884	1,181	99
	142,369	125,671	1,093	(167)
Balance owing at the end of the year	2,165	(3,126)	(91)	88
Amount paid during the year	144,534	122,545	1,002	(79)

35. RELATED PARTIES DISCLOSURE

The Group defines related parties as:

- The Parent Company
- Subsidiaries and fellow subsidiaries
- Associates
- Key management personnel

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35.1 THE PARENT COMPANY

Pickent Investments Limited (formerly known as R Enthoven and Sons Proprietary Limited) ultimately controls 79.10% (2014: 76.79%) of the issued ordinary shares via its Group companies (refer to note 10 on pages 142 and 143).

35.2 SUBSIDIARIES AND FELLOW SUBSIDIARIES

Transactions between Clientèle and its subsidiaries have been eliminated on consolidation and are disclosed in this note.

(R'000)	Group 2015	Group 2014
SOFP		
The following are the transactions and balances in respect of subsidiaries:		
– Inter-company loan between Clientèle and Clientèle Life*		
Balance at beginning of year	(1,021)	(2,505)
Advances	3,208	67,984
Repayments	(2,085)	(66,500)
Balance at end of year	102	(1,021)
– Investments by Clientèle Life in corporate bonds issued by Clientèle Properties East**		
Balance at beginning of year	32,564	14,882
Interest	3,847	1,560
Advances	52,759	16,122
Balance at end of year	89,170	32,564

(R'000)	Group 2015	2014
– Inter-company loan by Clientèle Properties South to Clientèle Properties East*		
Balance at beginning of year	–	1,579
Advances		1,020
Repayments		(2,599)
Balance at end of year	–	–
– Investment by Clientèle Life in corporate bonds issued by Clientèle Properties South**		
Balance at beginning of year	40,402	40,402
Interest expense	3,170	3,677
Repayment	(10,589)	(3,677)
Balance at end of year	32,983	40,402
– Investment by Clientèle Life in corporate bonds issued by Clientèle Properties North**		
Balance at beginning of year	75,010	69,134
Interest expense	6,442	5,876
Balance at end of year	81,452	75,010
– Investment by Clientèle Life in corporate bond issued by Clientèle**		
Balance at beginning of year	48,384	43,104
Interest expense	107	5,280
Repayments	(48,491)	
Balance at end of year	–	48,384
– Inter-company loan to Clientèle General Insurance by Clientèle Life*		
Balance at beginning of year	5,456	4,902
Management and support services charges	36,016	31,403
Advances	40,474	28,759
Repayments	(74,845)	(59,608)
Balance at end of year	7,101	5,456
– Inter-company loan to Clientèle General Insurance by Clientèle*		
Balance at beginning of year	62	89
Advances	644	883
Repayments	(658)	(910)
Balance at end of year	48	62

Notes to the Annual Financial Statements continued

	Group	
(R'000)	2015	2014
– Inter-company loan to Clientèle Properties South by Clientèle Mobile*		
Balance at beginning of year	–	112
Management and support services charges		
Repayments		(112)
Balance at end of year	–	–
– Inter-company loan to Clientèle Properties South by Clientèle Life*		
Balance at beginning of year	(53)	5
Management and support services charges	1,101	972
Repayments	(970)	(1,030)
Balance at end of year	78	(53)
– Inter-company loan to Clientèle Properties North by Clientèle Life*		
Balance at beginning of year	(8)	(3)
Management and support services charges	1,191	1,100
Repayments	(1,174)	(1,105)
Balance at end of year	9	(8)
– Inter-company loan to Clientèle Properties North by Clientèle Properties South**		
Balance at beginning of year	–	–
Advances	9,800	
Interest	590	
Balance at end of year	10,390	–
– Inter-company loan to Clientèle Properties South by Clientèle****		
Balance at beginning of year	7,815	6,919
Interest	244	896
Repayments	(8,059)	
Balance at end of year	–	7,815
– Inter-company loan to Clientèle Mobile by Clientèle Life*		
Balance at beginning of year	1	(121)
Management and support services charges	304	318
Advances		67
Repayments	(305)	(263)
Balance at end of year	–	1
– Loan to Clientèle Loans Direct by Clientèle Life***		
Balance at beginning of year	85,362	78,921
Interest	6,136	7,861
Credit life income	5,772	6,140
Loan written off	(8,973)	
Repayments	(56,772)	(7,560)
Balance at end of year	31,525	85,362

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

** *The investment bears interest at fixed interest rates (between 8% and 12.25% per annum) and is repayable over a 5 year period.*

*** *The loan bears interest at 10% per annum on the first R20 million which is repayable upon demand. 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 was subject to interest at fixed interest rates (between 10% and 12.5% per annum) with no fixed terms of repayment.*

(R'000)	Group 2015	Group 2014
35.3 STATEMENT OF COMPREHENSIVE INCOME INFORMATION		
The Group has related-party transactions between its subsidiaries which were concluded at market related prices. Details of material transactions with related parties not disclosed elsewhere in the financial statements are as follows:		
Interest		
– Interest expense paid by Clientèle Properties South to Clientèle Life	3,170	3,677
– Interest expense paid by Clientèle Properties North to Clientèle Life	6,442	5,876
– Interest expense paid by Clientèle Properties North to Clientèle Properties South	590	
– Interest expense paid by Clientèle Properties East to Clientèle Life	3,847	1,560
– Interest expense paid by Clientèle Loans Direct to Clientèle Life	6,136	7,861
– Interest expense paid by Clientèle Properties South to Clientèle	244	896
– Interest expense paid by Clientèle to Clientèle Life	107	5,280
Rentals		
– Rental expense paid by Clientèle Life to Clientèle Properties South	11,091	12,327
– Rental expense paid by Clientèle Life to Clientèle Properties North	9,101	8,160
– Rental expense paid by Clientèle General Insurance to Clientèle Properties North	2,611	2,670
– Rental expense paid by Clientèle General Insurance to Clientèle Properties South	2,666	2,469
– Rental expense paid by Clientèle Mobile to Clientèle Properties North		50
– Rental expense paid by Clientèle Properties East to Clientèle Properties North	74	25
Management and support services charge		
– Expenses paid by Clientèle Properties South to Clientèle Life	1,101	3,677
– Expenses paid by Clientèle Properties North to Clientèle Life	1,191	1,100
– Expenses paid by Clientèle General Insurance to Clientèle Life	36,016	31,403
– Expenses paid by Clientèle Mobile to Clientèle Life	304	318
Other		
– Reinsurance premiums paid by Clientèle Life to Hollard Life Assurance Company Limited	10,210	8,283
– Service fees paid by Clientèle to Hollard Life Assurance Company Limited	62	87

35.4 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 29 on pages 156 and 157 to the Annual Financial Statements and their shareholdings in the Company are disclosed in the Report of the Directors on page 68 under 'Directors' shareholdings'. No Director had a material interest in any contract of significance with the Company or any of its subsidiaries during 2015.

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Notes to the Annual Financial Statements continued

35.5 FELLOW SUBSIDIARIES

Affiliated companies of the Hollard Group

Aconcagua 7 Investments Limited
Adampol Limited
Altrisk Proprietary Limited
African Revival Consortium Proprietary Limited
Borbartia Investments Proprietary Limited
Capricorn Capital Partners Limited
Capricorn Capital Partners Proprietary Limited
Capricorn Royal Company Proprietary Limited
Direct Axis Proprietary Limited
Eikos Holdings Proprietary Limited
Elected Investments Proprietary Limited
Erf 234 Hyde Park Proprietary Limited
FWD Financial Services Proprietary Limited
HBFT Investments Proprietary Limited
High Growth Investment Proprietary Limited
Hollard Investment Cooperatief U.A
Hollard Life Assurance Company Limited
Hollard Life Properties Limited
Insurec Insurance Company Limited
Itoo Investments Proprietary Limited
Lombard Insurance Limited
Mountain Cypress Investments Proprietary Limited
Nandos Group Holding Limited
Nandos Group Holding Proprietary Limited
Newshelf 702 Proprietary Limited
Oakhurst Insurance Company Limited
Product Warranty Solutions Proprietary Limited
River Lily Investment Proprietary Limited
Sand Olive Investments Proprietary Limited
Silver Cluster Loan Stock Company Limited
Spier Holdings
Stride Intermediary Holdings Proprietary Limited
Stride South Africa (RF) Proprietary Limited
Syndicate Investments Proprietary Limited
Syringa Tree Investments Proprietary Limited
TIG Holdings Proprietary Limited
Velvet Raisin Investments Proprietary Limited
Wealth Associates SA Proprietary Limited
Yellowwoods Trust Investments Proprietary Limited

Subsidiaries of the Hollard Group

Accredinet Investments Proprietary Limited
Altrisk Limited
Apex Underwriting Managers Proprietary Limited
Artinsure Underwriting Managers Proprietary Limited
Best Funeral Society Limited
Casa Luigi Properties Proprietary Limited
Comingo Trading Proprietary Limited
Community Development Loans Proprietary Limited
Covision Life Company Limited
Electrical Plumbing Care Underwriting Managers Proprietary Limited
Electronic Risk Underwriting Managers Proprietary Limited
Etana Insurance Company Proprietary Limited (formerly Hollard Commercial and General Limited)
Equimed Underwriting Managers Proprietary Limited
Exiliti Services Limited
Extreme Risk Assessment Proprietary Limited
Factory and Industrial Risk Managers Limited
Finningley Proprietary Limited
Firebush Investments Proprietary Limited
Flaviobiz Limited
Fusionary Integrated Risk Solutions Proprietary Limited
Ground Lily Investments Proprietary Limited
Haven Development Company Proprietary Limited
Hollard Arcardia Investment Proprietary Limited
Hollard and Connolly Investments Proprietary Limited
Hollard Asset Management Proprietary Limited
Hollard Botswana Proprietary Limited
Hollard Health 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 Life Properties Limited
Hollard Management Company Limited
Hollard Mocambique Companhia de Seguros (incorporated and operational in Mozambique)
Hollard Portfolio Management Limited
Hollard Wealth Management Limited
International Underwriters and Administrators Limited
JJK Marketing Consultants Proprietary Limited
Leungo Investments Proprietary Limited
New Berea Centre Proprietary Limited
Newshelf 33 Proprietary Limited
Pico Ruivo Investments Proprietary Limited
Plan B Financial Compliance Limited
Precept Supply Chain Management Proprietary Limited
Quisisana Proprietary Limited
Real Life Protection Company Proprietary Limited
Real Risk Cover Proprietary Limited

Joint Ventures of the Hollard Group

Hollard Australia Group Proprietary Limited
Hollard Australia Proprietary Limited
Hollard Asset Management Limited
NER Investments Proprietary Limited

Associates of the Hollard Group

Advantage Motor Plan Proprietary Limited
African Independent Brokers Proprietary Limited
Akward Investments Proprietary Limited
Amserve Consultants Private Limited
Amsure Insurance Agency Public Limited
Astra Maritime Proprietary Limited
Axitrade No 11 Proprietary Limited
Badger Insurance Holdings Proprietary Limited
Broadcast Micro Solutions Proprietary Limited
Capricorn Capital Partners Limited
Caste Arena Trade and Invest 87 Proprietary Limited
Chips Away Proprietary Limited
Clarendon Transport Underwriters Proprietary Limited
Columbia Falls Properties 18 Proprietary Limited
Compendium Insurance Group Limited
D Holland & Associates Proprietary Limited
D Holland Acceptances Proprietary Limited
Eikos Holdings SA Proprietary Limited

Elandshoek Syndicate Proprietary Limited
Fiscal Tree Investments Proprietary Limited
Flexible Accident and Sickness Acceptances Proprietary Limited
Gapwedge 72 Proprietary Limited
Hollard Asset Management Limited
Jonkershoek Admin Proprietary Limited
Konsjhol Investments Proprietary Limited
Legal Expenses Group Africa Limited
LomHold Proprietary Limited
Louwfut Beleggings 1077 Proprietary Limited
Magnolia Ridge Investments Holdings Proprietary Limited
Malcanter Holdings Proprietary Limited
Mechanical and Construction Insurance Proprietary Limited
Mitre Risk Capital Proprietary Limited
Mpumalanga Risk Acceptances Proprietary Limited
Multirisk Investment Capital Proprietary Limited
Oakhurst Insurance Company Limited
Oojah Travel Protection Limited
Otta Proprietary Limited
Petsure Limited
Precept Accident Repair Centre Limited
Product Warranty Solutions Proprietary Limited
ProRisk Pooling Scheme Administrators Proprietary Limited
QDOS Underwriting Managers Proprietary Limited
Quantum Underwriting Managers Limited
Risk Benefit Investments Holdings Proprietary Limited
River's Edge Investment Holdings Proprietary Limited
Sapcor Holding Investments Proprietary Limited
Scintilla Proprietary Limited
Scintilla Tailored Risk Solutions Proprietary Limited
Small Area Repair Technology Underwriting Managers Proprietary Limited
Tenrisk Proprietary Limited
Tuscaloosa 53 Proprietary Limited
Shaheen Insurance Company Proprietary Limited
South African Underwriting Managers Proprietary Limited
Zenith Product Design Proprietary Limited

36. COMMITMENTS

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

Letter of guarantee: Clientèle's Board approved the granting of a guarantee on 13 February 2015 in favour of Nedbank Limited of R100.0 million in respect of a Term Credit Facility for Clientèle Properties East.

Capital commitments: The Group's wholly owned subsidiaries, Clientèle Properties East and Clientèle Properties North, are in the process of developing a new office building and parking structure within the Clientèle Office Park. The capitalised costs of this are estimated to be R213.0 million. It is the Group's intention that the building will be occupied by the Group in November 2015.

37. EVENTS AFTER THE REPORTING DATE

The Board declared a final gross dividend of 90.00 cents per share on 13 August 2015 for the year ended 30 June 2015. The dividend is subject to DWT that was introduced with effect from 1 April 2012.

Clientèle has facilitated a BBBEE transaction through the sale by Old Mutual to YTI of 12,963,747 shares in Clientèle. YTI is the investment company of The Hollard Foundation Trust.

The Hollard Foundation Trust is a catalyst for positive change in South Africa, with a focus on promoting inclusive and equitable economic and social development. Its core large scale social initiatives include the Harambee Youth Employment Accelerator which is focussed on addressing youth unemployment, PILO and FUEL which focus on improving learning outcomes and feeding in public schools, and Kago Ya Bana and Smartstart which are driving large scale provision of Early Childhood Development.

Nedbank is currently financing the transaction by providing YTI with a bridging loan (approximately 6 months) with security by way of the Clientèle shares and Hollard shares held within YTI. It is intended that the bridging loan will be replaced by a preference share transaction where YTI will issue preference shares to Depfin (a 100% subsidiary of Nedbank Limited) who will then require a guarantee from Clientèle to replace the security provided by YTI.

It is proposed that the preference share transaction will happen subsequent to the Clientèle AGM (29 October 2015) at which approval from shareholders will be sought in terms of section 44 of the Companies Act (granting of financial assistance) in respect of a guarantee in favour of Depfin for the transaction.

The gross value of the guarantee required from Clientèle is R274.4 million. A back to back guarantee from HSBC will initially be put in place (at a cost of R2,7 million per annum) whereby Clientèle will be responsible for curing a breach of the share price reducing to less than 80% of the purchase value per share, and thereafter HSBC will cover the balance required to cure the breach. The net guarantee from Clientèle is therefore limited to R45 million. Clientèle will have the right to cancel the guarantee, at its discretion, in the future.

Notice of Annual General Meeting

for the year ended 30 June 2015

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 8th AGM of Clientèle, the Record Date is hereby set as close of business on 23 October 2015 with the last day to trade in the shares of Clientèle on the JSE being on Friday, 16 October 2015.

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 8th AGM of Clientèle will be held in the Boardroom, Building 3, Clientèle Office Park, corner Rivonia and Alon Roads, Morningside on 29 October 2015 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

pg 77 – 165

To present the Annual Financial Statements of the Company and the Group for the year ended 30 June 2015 as per the attached pages 77 to 165. A copy of the Annual Financial Statements of the Company relating to the preceding financial year can be obtained from the Group Company Secretary.

ORDINARY RESOLUTION 2 – ROTATION OF A DIRECTOR

To re-elect the following Director who is required to retire and, being eligible, in terms of Clientèle's MOI, offers himself for re-election.

Basil William Reekie, 42, (Executive Director) (BSc (Hons), FASSA)

Mr Basil Reekie is a qualified actuary who, prior to joining the Group on 8 January 2008, 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 and Clientèle.

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.

Barry Anthony Stott, 66, (Independent Non-executive Director) CA(SA)

Mr Barry Stott joined the Group on 4 January 2010. Mr Stott was previously a senior partner of PWC and responsible for the financial services practice. His experience in the financial services industry includes various long-term and short-term insurers, asset managers and stockbrokers.

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.

Robert Donald Williams, 59, (Independent Non-executive Director), BSc(Hons), FASSA

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

Having reviewed the composition of the Board against corporate governance requirements, the Board recommends the re-election of this Director. It is the view of the Board that the re-election of this candidate would enable the Company to effectively maintain a diversity of academic qualifications, technical expertise, industry knowledge and business skills relevant to the Company and balance the requirements of continuity and succession planning.

ORDINARY RESOLUTION 5 – RE-APPOINTMENT OF THE EXTERNAL AUDITORS

To re-appoint the External Auditors, PricewaterhouseCoopers Incorporated, (as nominated by the Clientèle's Group Audit Committee, which has concluded that the re-appointment of PricewaterhouseCoopers Incorporated will comply with the requirements of the Companies Act), as Independent Auditors for the current financial year ending 30 June 2016 and their concomitant remuneration. The designated Audit partner for the year ending 30 June 2016 will be Mrs Alsue du Preez, who meets the requirements of section 90(2) of the Companies Act.

ORDINARY RESOLUTION 6 – ELECTION TO THE GROUP AUDIT COMMITTEE

Resolved that the election of Mr Gavin 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 4, the election of Mr Robert Williams, an Independent Non-executive Director of Clientèle, as a member of the Group Audit Committee until the conclusion of the next AGM, be and is hereby approved.

ORDINARY RESOLUTION 8 – ELECTION TO THE GROUP AUDIT COMMITTEE

Resolved that, subject to the passing of Ordinary Resolution Number 3, the election of Mr Barry Stott, an Independent Non-executive Director of Clientèle, as a member of the Group Audit Committee until the conclusion of the next AGM, be and is hereby approved.

Reason for and effect of Ordinary Resolutions Numbers 6 to 8

In terms of the Companies Act, the Group Audit Committee is no longer a Committee of the Board but a Committee elected by the shareholders and those entitled to exercise votes at the meeting when the election takes place at each AGM. In terms of the Companies Regulations, 2011, for the purposes contemplated in section 94 (5) of the Companies Act, at least one-third of the members of a Company's Audit Committee at any particular time must have academic qualifications or experience in economics, law, corporate governance, finance, accounting, commerce, industry, public affairs or human resource management.

As can be seen from the condensed curriculum vitae of the proposed members (refer to pages 64 to 65 in the Report of the Directors), the proposed members all have relevant experience in audit, accounting and the insurance industry, amongst others.

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ORDINARY RESOLUTION 9 – GENERAL APPROVAL FOR THE ISSUE OF AUTHORISED BUT UNISSUED ORDINARY SHARES

Resolved that in terms of section 38 of the Companies Act as read with Schedule 10.1 of the Listing Requirements, the entire authorised but unissued ordinary share capital of Clientèle, be and is hereby placed under the control of the Directors to allot and issue such shares on such terms and conditions as they may deem fit, but subject always to the provisions of the Companies Act and the Listing Requirements.

Reason for and effect of Ordinary Resolution Number 9

Section 38 of the Companies Act provides that the Board has the authority to issue authorised shares of the Company except in certain circumstances and save to the extent that a Company's MOI provides otherwise. In this regard, the Company's MOI provides that the prior approval of shareholders at an AGM and the JSE is required.

This resolution is proposed in order to place the authorised but unissued share of the Company under the control of the Board, in compliance with the requirements of the MOI and the Listings Requirements.

Ordinary resolution number 10 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.

Notice of Annual General Meeting continued

ORDINARY RESOLUTION 10 – SAR SCHEME SHARE ISSUE

Resolved that the Board is authorised to allot and issue, pursuant to the provisions of the Clientèle SAR Scheme rules (as approved by the shareholders of the Group on 23 January 2007), the allowable maximum number of ordinary shares as provided thereunder and subject to the terms and conditions included in the scheme allocation limits as set out in the Scheme rules is placed under the control of the Board.

Reason for and effect of Ordinary Resolution Number 10

In order to comply with the SAR Scheme Rules which requires ordinary shares to be issued to participants of the SAR Scheme.

ORDINARY RESOLUTION 11 – BONUS RIGHTS SCHEME SHARE ISSUE

Resolved that the Board is authorised to allot and issue, pursuant to the provisions of the Clientèle Bonus Rights Scheme rules (as approved by the shareholders of the Group on 30 October 2012), the allowable maximum number of ordinary shares as provided thereunder and subject to the terms and conditions included in the scheme allocation limits as set out in the Scheme rules is placed under the control of the Board.

Reason for and effect of Ordinary Resolution Number 11

In order to comply with the Bonus Rights Scheme Rules, which requires ordinary shares to be issued to participants of the Bonus Rights Scheme.

NON-BINDING ADVISORY ENDORSEMENT 1 – ADVISORY OF THE REMUNERATION POLICY

pg 41 – 46

To endorse on a non-binding advisory basis the Company's abridged remuneration policy as set out on pages 41 to 46 of the Integrated Annual 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, the remuneration payable to the Non-executive Directors for their services as Directors for the period 1 July 2015 to 30 June 2016, on the basis set out hereunder, be approved.

Non-executive Directors' Fees (R)	Year ending 30 June 2016
GQ Routledge	2,472,317
BA Stott	1,446,476
PR Gwangwa	408,804
RD Williams	838,589
GJ Soll	1,890,000
ADT Enthoven	NIL

This represents an average increase of 5.00%, as approved by shareholders at the AGM on 30 October 2014.

Resolved that the remuneration of the Non-executive Directors for their services as Directors for the period 1 July 2016 to 30 June 2017 be increased in line with the average increase in remuneration of the members of Group Excom for the related period (limited to a percentage increase of between 5% and 10%).

Resolved that the remuneration of any Non-executive Director/s to be appointed during the period 1 July 2015 to 30 June 2016 be determined by the Group Remuneration Committee and ratified at the next AGM.

Reason for and effect of Special Resolution Number 1

In terms of section 66(8) and (9) of the Companies Act, which took effect on 1 May 2011, remuneration may only be paid to Directors for their services as Directors in accordance with a special resolution approved by the holders within the previous two years and if not prohibited in terms of the Company's MOI. Therefore the reason and effect of this special resolution is to ratify the payment of remuneration of the Non-executive Directors for their services as Directors for the year ending 30 June 2016 and to approve the payment of remuneration of the Non-executive Directors for their services as Directors for the year ending 30 June 2017, in accordance with the requirements of section 66(9) of the Companies Act.

SPECIAL RESOLUTION NUMBER 2 – FINANCIAL ASSISTANCE IN TERMS OF SECTION 45 OF THE COMPANIES ACT

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 R200 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.

SPECIAL RESOLUTION NUMBER 3: GENERAL AUTHORITY TO REPURCHASE SECURITIES ("GENERAL AUTHORITY")

So as to comply with the Companies Act and the Listings Requirements the approval of Shareholders by way of a special resolution at this Annual General Meeting is required for the general authority to become effective.

Resolved in terms of clause 4 of the Company's MOI that the Company be and it is hereby authorised, by way of a general authority, to repurchase up to 20% of the shares in the capital of the Company as contemplated by and in accordance with Section 48 of the Companies Act and subject to the Listings Requirements.

Reason and effect for special resolution number 3

The reason for Special Resolution Number 3 is to facilitate the repurchase by the Company of shares in its capital, thus allowing the Directors to effect repurchases from time to time if they believe such to be in the best interests of the Company. The effect of the special resolution is to authorise the Board to act accordingly subject to compliance with the Listings Requirements and the Companies Act.

The Listings Requirements provide *inter alia* that:

a) any such share repurchase of the Company will be effected through the order book operated by the JSE trading system and done without prior understanding or arrangement between the Company and the counterparty (reported trades are prohibited);

b) this general authority will only be valid until the Company's next AGM, provided that it does not extend beyond 15 months from the date of passing this special resolution;

c) the repurchases may not be made at a price greater than 10% above the weighted average of the market value for the securities for the five business days immediately preceding the date on which the transaction is effected;

d) the general repurchase by the Company shall not, in the aggregate in any one financial year exceed 20% of the issued share capital of that class in that financial year;

e) at any point, the Company may only appoint one agent to effect any repurchase/s on its behalf;

f) a resolution by the Board of Directors that it has authorised the repurchase, that the Company and its subsidiary/ies have passed the solvency and liquidity test and that, since the test was performed, there have been no material changes to the financial position of the Group;

g) The Company may not repurchase its own shares during a prohibited period as defined in the Listings Requirements unless it has a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and full details of the programme have been disclosed in an announcement over SENS prior to the start of the prohibited period; and

h) An announcement will be published as soon as the Company has acquired shares constituting, cumulatively, 3% of the number of Company shares in issue at the time the authority is granted and for each subsequent 3% purchased, containing full details of such acquisition.

Clientèle has considered the impact that a repurchase of 20% of the Company's shares (being the maximum number of Company shares that may be repurchased in terms of this special resolution) would have on the Company and the Group is of the opinion that:

i. The Company and the Group will be able in the ordinary course of business to pay its debts for a period of 12 months after the date of this Integrated Annual Report;

ii. The assets of the Company and the Group exceed the liabilities of the Company and the Group for a period of 12 months after the date of this notice of AGM. For this purpose, assets and liabilities will be recognised and measured in line with accounting policies used in the latest audited Group annual financial statements;

iii. The working capital, share capital and reserves of the Company and the Group will be adequate for a period of 12 months after the date of this notice of AGM; and

iv. working capital of the Company and the Group will be adequate for ordinary business purposes for a period of 12 months after the date of the notice of the AGM/ general meeting.

Other than the facts and developments noted in this Integrated Annual Report, there have been no material changes in the financial or trading position of the Company and its subsidiaries since the date of signing the audit report and up to the date of this notice of AGM.

The Listings Requirements require the following disclosures, which appear elsewhere in this Integrated Annual Report:

- Major shareholders on page 143
- Share capital of the Company on page 142

pg 143
pg 142

Notice of Annual General Meeting continued

Directors' responsibility statement

The Directors of the Company, collectively and individually, accept full responsibility for the accuracy of information relating to these special resolutions and certify that, to the best of their knowledge, no facts have been omitted that would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that these special resolution contain all information required by law and by the Listings Requirements.

SPECIAL RESOLUTION NUMBER 4 – AUTHORITY TO PROVIDE FINANCIAL ASSISTANCE IN TERMS OF SECTION 44 OF THE COMPANIES ACT

Resolved that, the Board may, subject to compliance with the Company's MOI and the requirements of the Companies Act, authorise the Company to provide financial assistance in the form of a guarantee in favour of Depfin (Pty) Ltd, a wholly owned subsidiary of Nedbank Limited, to facilitate the acquisition by YTI of 12,963,947 ordinary shares in the capital of the Company, subject to the Company's maximum liability thereunder being limited to R45 million.

Reason and effect of Special Resolution Number 4

YTI has acquired 12,963,947 shares in the capital of the Company. It is contemplated that the transaction will be funded by way of an allotment and issue by YTI of preference shares in its capital to Depfin (Pty) Ltd. So as to support and facilitate this BBBEE initiative, the Company intends, within prescribed parameters, to guarantee the obligations of YTI under its preference share agreement with Depfin (Pty) Ltd. The Company's liability under the guarantee will be limited to and will not exceed R45 million by virtue of a back to back guarantee issued by HSBC in favour of the Company. YTI is not a 'related party' in relation to the Company.

The reason for proposed special resolution number 4 is to obtain approval from the shareholders of the Company for the Board to authorise the Company to provide financial assistance in the form of a guarantee in favour of Depfin (Pty) Ltd as security for the obligations of YTI under the preference share agreement subject to the Company's liability being limited to R45 million. The effect of special resolution number 4 is that the Company will have the requisite shareholder approval for the Company to guarantee the obligations of YTI in favour of Depfin (Pty) Ltd as aforesaid provided that the Board will not approve any resolution to authorise the issue of the guarantee unless the Directors are satisfied that:

- immediately after providing such financial assistance, the Company will satisfy the solvency and liquidity test as contemplated by Section 4 of the Companies Act; and
- the terms under which such financial assistance is proposed to be given are fair and reasonable to the Company.

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 CSDP or broker who will furnish them with the necessary authority to attend the AGM or alternatively, should you not wish to attend the AGM, you should provide your broker of CSDP with your voting instructions.

If you have disposed of all of your securities, this document should be handed to the purchaser of such securities or to the broker, CSDP, banker, attorney, accountant or other person through whom the disposal was effected.

By order of the Board.

Mrs W van Zyl
Group Company Secretary

14 September 2015

Definitions and Interpretations

"ABL"	African Bank Limited
"Actuarial Valuation"	An Actuarial Valuation is an appraisal which requires making economic and demographic assumptions in order to estimate the present value of future policyholder liabilities. The assumptions are typically based on statistical analysis
"AGM"	Annual General Meeting
"ALM"	Asset and Liability Matching
"ALSI"	All Share Index
"ANW"	Adjusted Net Worth
"APN"	Advisory Practice Notes of the Actuarial Society of South Africa
"ASSA"	The Actuarial Society of South Africa
"BBBEE"	Broad-based Black Economic Empowerment
"the Board"	The Directors of Clientèle
"Bonus Rights Scheme"	The Clientèle Limited Bonus Rights Scheme, approved by shareholders at the AGM on 30 October 2012
"CAE"	The Chief Audit Executive, the head of GIA, Mrs L Forte, Mrs Forte resigned as CAE on 30 June 2015 in order to apply herself to the operations of the Group. Mrs N Cronjé was appointed as CAE on 1 July 2015
"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
"Clientèle" or "the Company"	Clientèle Limited (Registration number 2007/023806/06), a public company incorporated in South Africa
"Clientèle Direct"	Clientèle Direct Proprietary Limited (Registration number 2007/023887/07), a private company incorporated in South Africa
"Clientèle General Insurance Excom/Executive"	The Executive Committee of Clientèle General Insurance Limited
"Clientèle General Insurance"	Clientèle General Insurance Limited (Registration number 2007/023821/06), a public company incorporated in South Africa
"Clientèle Group" or "the Group"	Clientèle and its subsidiaries and associated companies
"Clientèle Legal"	A division of Clientèle General Insurance Limited
"Clientèle Life"	Clientèle Life Assurance Company Limited (Registration number 1973/016606/06), a public company incorporated in South Africa
"Clientèle Life Excom/ Executive"	The Executive Committee of Clientèle Life Assurance Company Limited
"Clientèle Loans Direct"	Clientèle Loans Direct Proprietary Limited (Registration number 2007/030539/07), a private company incorporated in South Africa

Definitions and Interpretations continued

“Clientèle Loans”	Clientèle Loans Proprietary Limited (Registration number 2007/026058/07), a private company incorporated in South Africa
“Clientèle Mobile”	Clientèle Mobile Proprietary Limited (Registration number 2008/029129/07), a private company incorporated in South Africa
“Clientèle Properties East”	Clientèle Properties East Proprietary Limited (Registration number 1992/001651/07), a private company incorporated in South Africa
“Clientèle Properties North”	Clientèle Properties North Proprietary Limited (Registration number 2001/029155/07), a private company incorporated in South Africa
“Clientèle Properties South”	Clientèle Properties South Proprietary Limited (Registration number 2005/030653/07), a private company incorporated in South Africa
“CoC”	Cost of Required Capital. The Cost of Required Capital reflects the opportunity cost of restricted capital given the difference between the assumed future investment earnings rate on surplus capital and the interest rate at which this income and future capital releases are discounted to the present in the EV calculation
“Companies Act”	The Companies Act, Act 71 of 2008, including the Regulations
“CSDP”	Central Securities Depositary Participant
“CSI”	Corporate Social Investment
“Direct Axis”	Direct Axis (SA) Proprietary Limited (Registration number 1995/06077/07), a private company incorporated in South Africa
“DSA”	Direct Selling Association of South Africa
“DWT”	Dividend Withholding Tax
“EV”	Embedded Value
“Excom”	The Executive Committee of the Clientèle Group, including Life Excom and General Excom
“Executive”	Member of the Executive Committee
“FAIS”	Financial Advisory and Intermediary Services Act, Act 37 of 2002
“FASB”	Financial Accounting Standards Board
“FCTR”	Foreign Currency Translation Reserve
“FSB”	Financial Services Board
“FSV”	Financial Soundness Valuation
“General Excom”	The Executive Committee of Clientèle General
“GIA”	Group Internal Audit Department
“Group Actuary”	The Internal Actuary who reviews all the Group actuarial calculations and also acts as the Statutory Actuary of Clientèle Life
“Group Excom”	The Group Executive Committee of Clientèle
“Goodwill Scheme”	A management incentive scheme based on the Scheme Goodwill created
“IASB”	International Accounting Standards Board
“IBNR”	Incurred But Not Reported
“ICC”	The Internal Controls Committee of the Group
“IFA/IFAs”	Independent Field Advertisers, independent contractors of Clientèle Life
“IFCC”	The Internal Financial Controls 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

Definitions and Interpretations continued

"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 Financial Markets Act, Act 19 of 2012
"Life Excom"	The Executive Committee of Clientèle Life
"King III"	The King Committee's Code on Corporate Governance and Conduct
"Listings Requirements"	The Listings Requirements of JSE Limited
"Long-term Insurance Act"	Long-term Insurance Act, Act 52 of 1998
"MCAR"	Minimum Capital Adequacy Requirement
"Melville Douglas"	Melville Douglas Investment Management Proprietary Limited, a subsidiary of the Standard Bank Group Limited
"MOI"	Memorandum of Incorporation
"NAEDO"	Non-authenticated early debit-order
"NDR"	Non-distributable Reserves
"OCAR"	Ordinary Capital Adequacy Requirement
"OECD"	Organisation for Economic Co-operation and Development
"ORSA"	Own Risk and Solvency Assessment
"PSA"	Profit Sharing Agreement between Clientèle Limited, Direct Axis and WesBank
"PVIF"	Present Value of In-force business
"RDR"	Risk Discount Rate
"ROEV"	Return on EV
"SAM"	Solvency Assessment and Management
"SAP"	Standards of Actuarial Practice, issued by the Actuarial Society of South Africa
"SARS"	The South African Revenue Service
"SARs"	Share Appreciation Rights, as defined in the SAR Scheme
"SAR Scheme"	The Share Appreciation Rights Scheme as implemented by Clientèle during January 2007
"Scheme Goodwill"	The amount derived by applying a multiple to one year's VNB at the end of each financial year
"SENS"	Securities Exchange News Service
"Short-term Insurance Act"	Short-term Insurance Act, Act 53 of 1998
"SMME"	Small, medium and micro-sized enterprises
"SOFP"	Statement of Financial Position
"Statutory Actuary"	An Actuary appointed in terms of the Long-term and Short-term Insurance Acts
"STC"	Secondary Tax on Companies
"SVM"	Statutory Valuation Method/Basis
"TCAR"	Termination Capital Adequacy Requirement
"TCF"	Treating Customers Fairly
"TCW"	Treating Customers Well
"US GAAP"	USA Generally Accepted Accounting Principles
"VNB"	Value of New Business
"WesBank"	A division of FirstRand Bank Limited
"YTI"	Yellowwoods Trust Investments an investment company of the Hollard Foundation Trust

Corporate Information

COMPANY REGISTRATION NUMBER
2007/023806/06

REGISTERED OFFICE
Clientèle Office Park
Corner Rivonia and Alon Roads
Morningside, 2196
Telephone: (011) 320-3333
Telefax: (011) 884-9056
Website: www.clientele.co.za
E-mail: info@clientele.co.za

TRANSFER SECRETARIES
Computershare Investor Services Proprietary Limited
70 Marshall Street
Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)

AUDITORS
PricewaterhouseCoopers Incorporated
2 Eglin Road
Sunninghill, 2157
(Private Bag X36, Sunninghill, 2157)

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

SHAREHOLDERS' CALENDAR

Financial year-end	30 June 2015
Dividend declaration	13 August 2015
Final results announcement	17 August 2015
Dividend payment	21 September 2015
Publication of Integrated Annual Report	29 September 2015
AGM	29 October 2015

Form of proxy

(For use only by certificated and own name dematerialised shareholders)

Please use block letters

I/We ______________________________

of ______________________________

being a member/s of the Company and the registered owner/s ______________________________

ordinary shares in the Company hereby appoint ______________________________

or failing him/her ______________________________

the Chairman of the meeting to vote for me/us and on my/our behalf at the AGM of the Company to be held at 08:00 on 29 October 2015 and at any adjournment thereof and to speak and act for me/us and on a poll, vote on my/our behalf. My/Our proxy shall vote as follows:

Indicate with a cross how you wish your votes to be cast. If you do not do so, the proxy may vote or abstain at his/her discretion.

(One vote per ordinary share)

Ordinary resolutions:	**In favour of**	**Against**	**Abstain**
1. Presentation of the Annual Financial Statements			
2. Rotation of a Director: Basil William Reekie			
3. Rotation of a Director: Barry Anthony Stott			
4. Rotation of a Director: Robert Donald Williams			
5. Re-appointment of the External Auditors			
6. Election to the Group Audit Committee: Gavin Quentin Routledge			
7. Election to the Group Audit Committee: Robert Donald Williams			
8. Election to the Group Audit Committee: Barry Anthony Stott			
9. General approval for the issue of authorised but unissued shares			
10. Approval of the SAR Scheme share issue			
11. Approval of the Bonus Rights Scheme share issue			
Endorsements:			
1. Endorsement of the remuneration policy			
Special resolutions:			
1. Approval of the remuneration of Non-executive Directors			
2. Approval of section 45 related or inter-related company financial assistance			
3 Approval of general authority to repurchase securities			
4. Approval of section 44 financial assistance for the subscription of shares			

Dated this ______________ day of ______________ 2015

Signature ______________________________

Notes to the Form of proxy

Please refer to section 58 of the Companies act

1. A form of proxy is only to be completed by those shareholders who are:
   - Holding securities in certificated form; or
   - Recorded on subregister electronic form in "own name".

   All other beneficial owners who have dematerialised their shares through a CSDP or broker and wish to attend the AGM, must instruct their CSDP or broker to provide them with the required Letter of Representation.

   Beneficial owners who have dematerialised their shares through a CSDP or broker who do not wish to attend the AGM, must provide the CSDP or broker by the cut-off time with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.

2. A holder entitled to attend and vote may insert the name of a proxy or the names of two alternative proxies of the holder's choice in the space provided, with or without deleting "the Chairman of the AGM".

   A proxy need not be a holder of the Company. The person whose name stands first on the form of proxy and who is present at the meeting will be entitled to act as proxy to the exclusion of those whose names follow.

3. A holder is entitled to one vote on a show of hands and, on a poll, one vote in respect of each ordinary share held in terms of section 58 of the Companies Act. A holder's instructions to the proxy must be indicated by inserting a cross in the appropriate box(es). Failure to comply with this will be deemed to authorise the proxy to vote or to abstain from voting at the general meeting as he deems fit in respect of all the holder's votes.

   A vote given in terms of an instrument of proxy shall be valid in relation to the general meeting notwithstanding the death of the person granting it, or the revocation of the proxy, or the transfer of the ordinary shares in respect of which the vote is given.

4. If a holder does not indicate on this form that his proxy is to vote in favour or against any resolution or to abstain from voting, or gives contradictory instructions, or should any further resolution(s) or any amendment(s) which may be properly put before the general meeting be proposed, the proxy shall be entitled to vote as he thinks fit.

5. The Chairman of the general meeting may reject or accept any form of proxy which is completed and/or received other than in compliance with these notes.

6. The completion and lodging of this form of proxy will not preclude the relevant holder from attending the meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such holder wish to do so.

7. Documentary evidence establishing the authority of a person signing the proxy form in a representative capacity must be attached to this form of proxy, unless previously recorded by the Company or unless this requirement is waived by the Chairman of the AGM.

8. A minor or any other person under legal incapacity must be assisted by his/her parent or guardian, as applicable, unless the relevant documents establishing his/her capacity are produced or have been registered by the Company.

9. Where there are joint holders of ordinary securities:
   - Any one holder may sign the form of proxy;
   - The vote(s) of the most senior (for that purpose seniority will be determined by the order in which the names of shareholders appear in the Company's register of shareholders) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint holder(s).

10. Forms of proxy should be lodged with or posted to the Company's transfer secretaries, Computershare Investor

Services Proprietary Limited:

Hand deliveries:
Ninth Floor
70 Marshall Street
Johannesburg
2001

Postal deliveries:
PO Box 61051
Marshalltown
2107

Clientèle Head Office
Telephone: +27 (0)11 320 3000
Fax: +27 (0)11 320 3133
E-mail: services@clientele.co.za

Physical Address
Clientèle Office Park
Corner Rivonia and Alon Road
Morningside, 2196