2018

INTEGRATED

ANNUAL REPORT

Clientèle

contents

Clientèle LIFE

Clientèle GENERAL

Clientèle INVESTMENTS

IFA A division of Clientèle Life

The Integrated Annual Report was prepared under the supervision of Mr IB Hume (CA(SA); ACMA), the Group Financial Director. The Annual Financial Statements have been audited (refer to the Independent Auditors' Report to the Shareholders on pages 77 to 81).

Our Vision, Purpose and Values

Our purpose

SAFEGUARDING YOUR WORLD... WITH COMPASSION

Clientèle

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

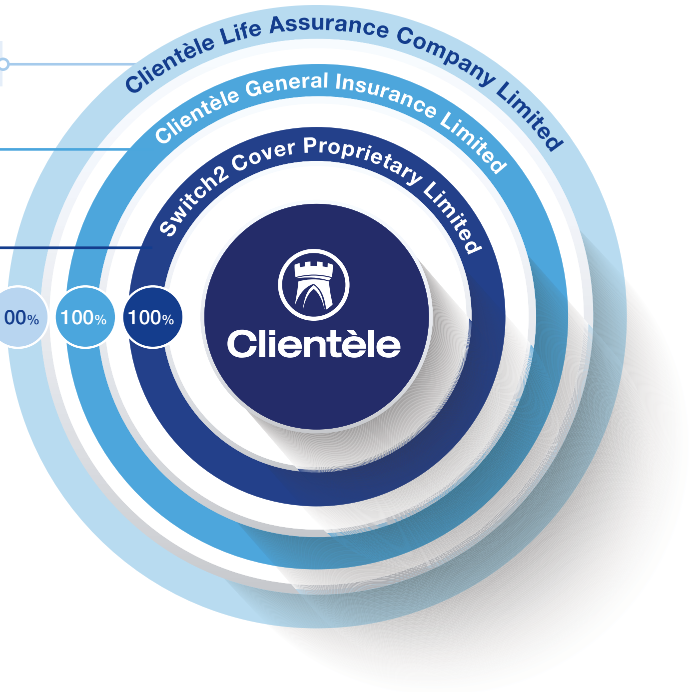
The Group comprises the following operating companies:

LONG-TERM INSURANCE AND INVESTMENT BUSINESS

SHORT-TERM INSURANCE:
Personal and business lines legal insurance policies

LONG-TERM INSURANCE
– Authorised Financial Services Provider

% HOLDING 100% 100% 100%



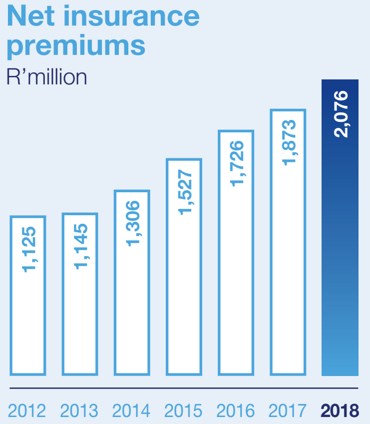
Clientèle Life has the following investments in subsidiaries:

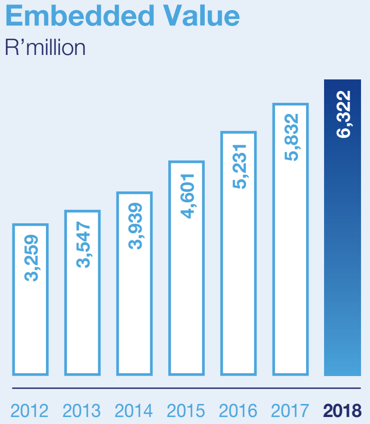
Clientèle LIFE

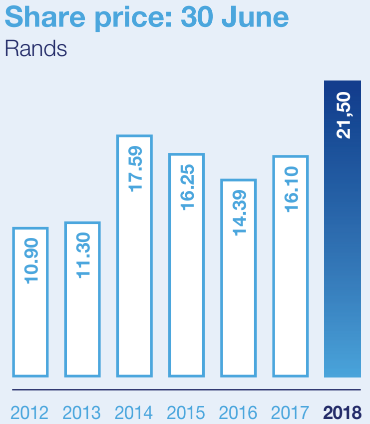
	% HOLDING	
Clientèle Properties North Proprietary Limited	100%	Properties – Clientèle Office Park
Clientèle Properties South Proprietary Limited	100%	Properties – Clientèle Office Park
Clientèle Properties East Proprietary Limited	100%	Properties – Clientèle Office Park

Clientèle General Insurance does not have subsidiaries.

Seven Year Statistics







30 June	2012	2013	2014	2015	2016	2017	2018
Net profit for the year (R'000)	260,069	293,406	306,516	364,391	414,721	466,697	490,323
Earnings per share (cents)	79.60	89.45	93.64	109.66	123.98	140.35	146.62
Headline earnings per share (cents)	78.89	89.62	93.58	109.33	124.00	140.29	147.22
EV per share (cents)	997.55	1,081.27	1,196.38	1,391.68	1,576.42	1,745.96	1 888.69
Return on average shareholders' interests (%)	65	65	60	56	55	53	48
Total distributions declared (R'million)	218	242	256	297	332	384	418
VNB (R'million)	365	302	638	718	660	527	448
Recurring Return on EV (%)	26	21	24	30	23	19	18
Recurring EV Earnings (R'million)	602	636	805	1,098	1,002	939	979

Chairman's Statement

GAVIN ROUTLEDGE

The more things change the more they stay the same.

The business and socio-economic environment in the world and South Africa remain in flux and volatile.

When I wrote my Chairman's Statement last year I focused on some global issues and some local issues, while the global scene remains a backdrop to South Africa and cannot be ignored, it seems to me that there are enough concerns in the South African environment to warrant sole focus this year.

At the date of my 2017 Chairman's Statement, we were focused on the ANC Elective Conference and after a bruising contest we breathed a collective sigh of relief when Cyril Ramaphosa won the Elective Conference and then went on to become President of South Africa.

Ramaphoria was born and business confidence rose sharply. Since then however it has become clear that factionalism in the ANC remains and President Ramaphosa appears not to have the support he needs to take decisive action.

The result is that much has been said but little done to put South Africa on a solid growth path. Business confidence has declined again, unemployment has risen and economic growth has again been revised downwards.

In addition, South Africa is now also faced with the spectre of an amendment to the Constitution, of which we were all so proud, to provide clearly for Expropriation Without Compensation.

While there is no doubt that land ownership is a critical issue in South Africa which has not been adequately addressed, I believe that the issue has now been politicised and artificially elevated as the highest priority issue above the more critical issues of poverty, inequality, education, unemployment, crime and corruption. In addition, the way the land issue is being approached by different interest groups is polarising the different race groups in South Africa and further damaging business and investor confidence.

All of this leads to an environment not conducive to positive economic growth and I do not foresee a significant change in the short to medium term. Accordingly, the fortunes of Clientèle are unlikely to be helped by the rising tide of returning economic growth.

What this means is that Clientèle will need to put its collective energy to work in making a positive difference to the lives of our policyholders, employees and others in the communities we serve by taking action within our own power and control and not waiting for government or the economy to assist if we wish to continue to live our purpose of "Safeguarding your world with Compassion".

It has once again been a busy year for Clientèle. Focus has been ongoing in developing and growing our different distribution channels to make it easier for our target market to buy Clientèle policies through the medium that they prefer.

The Agency Force has grown and now numbers over 1,400 tied agents delivering a growing number of new policies every month, the Broker distribution channel is also now a significant contributor of new policies and both will continue to grow strongly over the next year. The IFA channel has acquired a new lease on life and has again started producing a pleasing number of new policies while the Telesales channel continues

Chairman's Statement continued

to grow and now numbers over 1,000 staff members. Telesales remains the largest contributor of new policies. New initiatives in the digital and Insuretech space are evaluated constantly.

Unsurprisingly in the difficult economic environment, quality of new business and withdrawals have presented a challenge as policyholders in our target market have suffered under the tough economic climate and growing unemployment. Clientèle tries hard to assist policyholders under financial stress while attempting to educate them to ensure that, where possible, they fully understand the consequences of cancelling (or failing to keep up) policies.

Unfortunately there is a growing trend of consumers (policyholders) disputing valid debit orders in order to manage their cash flow. Currently banking practice in South Africa allows a customer to dispute any debit order payment from his account within 40 days of the debit upon which the customer is immediately refunded by the bank. It is not necessary in this process for the customer to show any proof that the debit order is not valid, that the individual has not received goods or services in exchange for the debit order, nor that he has approached the holder of the debit order to dispute or query the debit.

Cash strapped consumers have quickly learnt that they can get immediate cash in their account by disputing all debit orders regardless if they are valid or not. While this is of benefit to the consumer if the debit order is "rogue" or unauthorised, it is fraudulent if a valid debit order is disputed purely to enhance cash flow. This clearly causes loss to the debit order holder as the services have been provided already and may cause damage to the consumer by losing cover under, in our case, his insurance policy and creating new waiting periods and also by tainting his credit record.

Banks have also contributed to the problem by making the dispute process very easy and convenient through the use of the various banking applications.

Clientèle management has, unfortunately, had to spend a great deal of time bringing this problem to the attention of the banks and PASA and trying to convince them to implement sensible practices to resolve the problem. While progress has been made, much work is still needed and the problem remains.

True to our commitment to treat clients well, we are trying to educate our policyholders on the risks and disadvantages of this behaviour and the benefits to them of paying their premiums regularly. I am proud of the efforts made by Clientèle over the past year in this area. This will remain a key area of focus going forward.

NOTABLE EVENTS

- This year marks the twentieth year that Clientèle has increased profits, by more than GDP growth, from the year before.
- Clientèle concluded an agreement with Shembe Foundation to offer Clientèle policies to all Shembe church members. This relationship has great potential for both Clientèle and Shembe.
- Clientèle continues to support a number of Corporate Social Investment projects – for more detail on this please read the Group Managing Director's Report.

RESULTS

The year ended 30 June 2018 was a tough year and the results did not meet our high expectations, although many of the key metrics remain the best in the industry.

The management team and staff worked extremely hard to deal with difficult conditions in a weak economic environment. I am proud of what they have achieved and we are satisfied that we have learnt many valuable lessons in the process.

FUTURE PROSPECTS

The Group has once again proved that it is resilient in tough economic conditions and continues to build capacity and distribution channels to create a solid foundation for future growth in the changing business environment.

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 particularly when the economy begins to improve.

APPRECIATION

At the start of the 2019 financial year we welcomed Nazeer Hoosen to the Board of Clientèle General as Managing Director. I am confident that he will add significant value to this focused and fast growing company in the Group.

I once again thank all the members of the Board both Executive and Non-executive for their diligence and contribution in times that are trying and made more challenging with increasing and complex regulation. Your support has been invaluable.

I thank also the management team, the employees, the IFAs, our tied agents and our brokers for their hard work in difficult circumstances this year, their resilience and determination are both commended and appreciated.

Thank you all.

Gavin Routledge
14 September 2018

Group Managing Director's Report

BW REEKIE

THE YEAR IN PERSPECTIVE

The results, when considered in the context of the continuing challenging economic environment and the performance of the market in general, are acceptable. We are however, disappointed with the results when compared to past performance.

Withdrawals, particularly in respect of new business written have not met management's expectations which has negatively affected insurance premium revenue, the VNB and EV Earnings. This has been exacerbated by the ongoing increasing trend in debit order disputes across the entire banking payment system.

Overall new business production volumes are in line with expectations which has been assisted by the contributions from the new Agency and Broker distribution channels. These new channels were established over a year ago and are both growing in line with the business plan. In addition the IFA Division performed well, however business from the Telesales channel was behind expectation.

The co-branded single premium products have been well supported by customers and accounts for most of the increase in financial assets during the year.

Investment performance for the year was good and produced a 13% return from portfolios with a conservative equity content.

The increase in expenses above inflation is mostly attributable to the new business acquisition costs for the Agency and Broker channels as well as increased production from the IFA distribution network. It should be noted that R15.3 million in respect of the Goodwill Scheme was expensed in the current year and R36.8 million was released in the previous year. If the Goodwill Scheme and the Agency, Broker and other new venture expenses are excluded, then the operating expenses would have increased by 5%.

HIGHLIGHTS

Financial

Net insurance premiums increased by 11% to R2.1 billion (2017: R1.9 billion) on the back of good production over the last eighteen months and higher average premiums on new business. Diluted headline earnings per share, however, only increased by 6% over the comparative year due to new business acquisition costs in respect of the new distribution channels and the higher withdrawals referred to above.

Net insurance benefits and claims of R384.5 million (2017: R359.5 million) were 7% higher than the previous year.

Operating expenses of R1.3 billion (2017: R1.1 billion) were 18% higher than the comparative year for the reasons explained above.

Headline earnings for the Group increased by 6% to R492.3 million (2017: R466.3 million) which has resulted in a return on average shareholders' interests of 48% (2017: 53%).

The Group EV, after the R384.3 million annual dividend payment during the year, increased from R5.8 billion at 30 June 2017 to R6.3 billion at 30 June 2018, an increase of 8.4%. REVE of R979.0 million were recorded for the year (2017: R939.0 million), an increase of 4.3%.

The VNB was negatively impacted by lower quality new business and decreased by 15% from R527.2 million in the comparative year to R448.0 million this year.

New business profit margins (excluding single premium investment business) have decreased to 18.3% (2017: 23.2%) due to the factors 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 R3.2 billion (2017: R3.1 billion).

Non-financial

Vision and brand purpose

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 continues to become more client centric with our TCW campaign gaining momentum, at the same time we also believe in treating all other Stakeholders well. We have put significant effort into Treating our Employees well over the year and are always aiming to make the working environment one that is conducive to personal growth and a "fun" place to be. Our interaction with other stakeholders during the year has been positive and we continue to have a constructive relationship with our key stakeholders.

Governance and King IV

In recognition of the need to conduct the affairs of the Group according to the highest standards of corporate governance and in the interests of the various Stakeholders, the Group's commitment to good governance is formalised in various charters, policies and operating procedures. These are intended to cover all aspects of the Group's activities, with regard to reporting internally and to Stakeholders. The Board is committed to achieving high standards of corporate governance, business integrity and ethics across all of its activities.

The principles and structures for good corporate governance are in place throughout the Group and are operating well. The Directors are satisfied that the Group substantially complies with the principles and spirit of King IV.

The Board of Clientèle assumes responsibility for governance across the Group by setting direction and approving a Group governance framework. In all material instances, the Group Directors represent the majority of Directors of subsidiaries. This ensures that the Boards of subsidiaries are included in the Group governance framework.

The Group will continue to review the relevant governance structures and processes to ensure that the Directors and the Board exercise effective and ethical leadership and good corporate citizenship.

RISK MANAGEMENT

The Board continues to acknowledge and monitor its responsibilities with regard to the management of risk in terms of King IV. 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 the new Insurance Act and related prudential standards. Business objectives, based on a 3 year time horizon, are set by the various entities and divisions 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 identified and rated against an impact and probability scale, which differs between entities and divisions 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, financial soundness (statutory minimum plus a buffer), free cash flow and REVE. 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

During the 2017 and 2016 financial years Clientèle Limited provided financial assistance through the issuance of guarantees as security for loan finance in respect of ordinary shares which YTI purchased.

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 as well as PILO and FUEL which focus on improving learning outcomes and feeding in public schools, and Kago Ya Bana and Smartstart schemes which drive the large scale provision of Early Childhood Development.

The purchases of ordinary shares by YTI are financed by Nedbank, and the loan obligations are secured by guarantees issued by Clientèle Limited. The face value of the guarantees is an amount of R497 million, with back to back guarantees from HSBC totalling R297 million and a total net exposure of R200 million. The direct YTI holding in Clientèle, as at 30 June 2018, was 7.3% (10.2% allowing for their indirect holdings).

CORPORATE SOCIAL INVESTMENTS

Clientèle believes that contributing to the upliftment of the communities we operate in is a key component of what we stand for and what our business is about. Our CSI initiatives have focused on the following:

- **Education:** Our bursary scheme has continued to support children of our staff and IFAs with bursaries for tertiary studies. Our bursaries cover tuition, books, meals and accommodation. Some of the graduates from the bursary scheme have taken up opportunities within the Company while others have joined other leading organisations in South Africa. Some of the graduates have decided to continue with post-graduate studies. We were particularly proud of our students last year. Our 25 students last year (calendar year 2017) achieved 51 distinctions between them.
- **Donations:** We provide financial assistance to several charities, orphanages and projects in poor communities as part of our donations programmes. These include:
  - Sithabile Child and Youth centre in Benoni
  - Ekupholeni Trauma centre in Katlehong
  - Okwethu Community centre in Katlehong
  - Abanqobi-Tingwazi community centre for poverty alleviation projects in Orange Farm
- **Health:** Clientèle has long-standing relationships with the South African National Blood Services, Khomanani campaign and Cancervive to support and drive staff participation in campaigns such as monthly blood donation, HIV testing and counselling (HIV/AIDS awareness) as well as cancer awareness.
- **Employee Giving and Volunteering:** Compassion continues to be demonstrated through the participation of staff in the Employee Giving campaign and volunteering in the outreach programmes that we organise. This year, proceeds from the donations collected through staff payroll deductions were used to purchase 450 pairs of school shoes to award to some primary schools around the Gauteng area. In addition, our annual Winter Warmer collection drive enabled us to donate blankets, clothes and other necessities to orphanages and homes that we support in the Johannesburg area.
- **Internship Programme:** Our internship programme has been an opportunity to bring in recent graduates and afford them on the job experience under the guidance on experienced staff. The programme has also been a successful recruitment tool for some parts of the business. After completion of the internship programme, we have absorbed the majority of the interns into the relevant departments as permanent staff.

BUSINESS SEGMENTS

Long-term Insurance

Clientèle Life's Long-term insurance segment remains the major contributor to the Group's performance and generated a 5% increase in net profit for the year to R423.7 million (2017: R404.4 million). Clientèle Life's VNB of R339.2 million (2017: R408.8 million) decreased by 17%, and it recorded an REVE of R734.9 million (2017: R760.2 million), a decrease of 3.3%. These decreases are driven largely by worse withdrawals and an increase in the RDR.

Short-term Insurance

Clientèle Legal generated a 9% increase in net profit for the year to R67.1 million (2017: R61.8 million). Clientèle Legal's VNB of R108.2 million (2017: R117.3 million) decreased by 7.8% and its REVE recovered to R230.1 million (2017: R141.6 million), an increase of 62.5% on the back of a negative persistency assumption change in the prior year.

DIVIDENDS

The Board has declared a dividend per ordinary share of 125.00 cents, an increase of 8.7% over last year's dividend per ordinary share of 115.00 cents.

OUTLOOK

Management's primary focus is to improve the quality of new business written and to reduce withdrawals, thereby improving margins.

Growth of the Agency and Broker channels are expected to create meaningful value for the Group in future.

The new initiatives, "Switch2", an innovative start-up providing niche credit life products to the South African consumer and the "Estate" product, which were launched in the second half of the financial year are in their infancy and management will monitor their progress closely.

In an exciting development, Clientèle has signed an evergreen agreement with the Shembe Foundation under which it will provide Clientèle products to Shembe Church members. Policy sales will commence in the next few months.

The Board is encouraged by the new initiatives and their prospects for growth and value creation in the Group's target market.

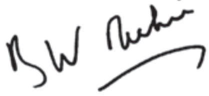
APPRECIATION AND BOARD COMPOSITION

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. Thanks also to the Excom team who, as always, worked tirelessly during the year despite the challenging environment.

It is my pleasure to welcome Mr Nazeer Hoosen to the Excom team. Nazeer joins the team as Managing Director of Clientèle General, replacing his predecessor (Mr Laurence Balcomb). Mr Balcomb resigned as Managing Director of Clientèle General to return to his "home" in KwaZulu-Natal. The Board and myself thank Laurence for his significant input to Clientèle during his short tenure with us and wish him all the very best for the future.

I look forward to working with the Excom team in the year ahead as we continue treating clients and employees well with the aim of making our vision a reality and, in the process, take the Group to even greater heights.

It is also fitting to thank each and every member of the Clientèle staff and management team who have helped Excom, the Board and myself in taking the Group forward over the last year. Clientèle staff, our IFA business partners, our Agency force and Brokers have all added meaningful value during the year and we look forward to this continuing into the future.



Mr BW Reekie

14 September 2018

Corporate Governance

1. INTRODUCTION

The King Code of Governance Principles underpins the Group's corporate governance framework. An assessment of the King IV Report on Corporate Governance for South Africa 2016 (King IV) was undertaken following its publication in November 2016. The Group is in support of the voluntary principles and leading practices of King IV and applies its recommendations. There is continuous focus to integrate King IV into the Group's internal controls and policies, as well as the Board's corporate governance Terms of Reference.

The Board confirms that the Group complied with the Code of Governance Principles as set out in King IV for the 2018 financial period. The Board is confident that the application of these principles will not only ensure that all statutory governance requirements are met but will also ensure a special focus towards the achievement of the following governance outcomes:

- Ethical culture;
- Good performance;
- Effective control; and
- Legitimacy.

The Board recognises its responsibility to create value in a sustainable manner and therefore conducting its affairs ethically with prudence, transparency, accountability, fairness and social responsibility, thereby safeguarding the interests of all stakeholders, including government and regulators, shareholders, policyholders, IFAs, agents and brokers, employees, customers, suppliers and industry associates.

The following report serves to provide information on the extent of compliance with the principles of sound governance, as provided by King IV, during the 2018 financial year:

	Principle	Application
1	The Board should lead ethically and effectively.	The Board is obligated to act in accordance with the Companies Act (as per the company MOI) and section 76(3) states that a Director of a company must exercise the powers and perform the functions of a Director in good faith, for a proper purpose, in the best interests of the Group; and with a degree of care, skill and diligence. The Board's annual assessment of the performance of its Committees, Directors and Executives, incorporates a focus on ethical outcomes. The Board's Terms of Reference also outlines the policies and practices of the Board on matters such as Directors' dealings in the securities of the Company and declarations of conflicts of interest. The Directors have the necessary competence to discharge their responsibilities and provide strategic direction and control of the Group. Further, the Directors are devoted to ensuring the sustainable success of the Group and therefore attend meetings as required and dedicate sufficient time and effort in preparation for such meetings.
2	The Board should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.	The Board is mandated with the responsibility to review and approve the Group's policies on values and code of ethics. The Group Social and Ethics Committee assists to guide, as the conscience of the Group, on social and ethics matters and to ensure oversight over the implementation, reporting, training and awareness of the Group's code of ethics. In order to ensure that the Group's purpose is achieved it therefore becomes imperative that the Group's values and code of ethics form an integral part of the Group's strategy and the implementation thereof. Further details are available in the Group Social and Ethics Report, pages 48 to 51.

	Principle	Application
3	**The Board should ensure that the organisation is and is seen to be a responsible corporate citizen.**	The Board oversees and monitors the consequences of the Group's activities and outputs and its status as a responsible citizen. Clientèle is diligent with regard to ensuring that compliance with legislation, regulations, leading standards and adherence to its own policies is monitored on an ongoing basis through various Board and management Committees. The Group Social and Ethics Committee has the responsibility to monitor the overall responsible corporate citizen performance of the Group and delivery of an ethical culture. The responsibilities of this Committee include the review of the workplace, workforce and the impact of Clientèle on the economy, society and the environment.
4	**The Board should appreciate that the Group's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.**	The Group has a clearly defined strategy incorporating the associated risks. At the biannual strategy sessions, the Board challenges management on how executing the proposed strategy will create value and its dependence and impact on the resources and relationships available. Once the strategy is approved by the Board, a report back on execution against strategy is on the Excom agenda, with regular reports to the Board and appropriate Board Committees. Through these regular reports the Board ensures that the Group responds to any consequences of its activities and outputs. The Group Audit and Risk Committees assist with the governance of risks. They monitor the effects of the identified risks and the mitigating controls. The responsibility for risk management is detailed in the Group Audit and Group Risk Committees' Terms of Reference. The Group is aware of the general viability, reliance and effect of its activities on its solvency and liquidity and its going concern status.
5	**The Board should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the Group's performance, and its short, medium and long-term prospects.**	The Board oversees the preparation of all reports that are publicly available, ensuring they present material information in an integrated manner, providing users with a holistic, clear, concise and understandable view of the Group's performance in terms of sustainable value creation in the economic, social and environmental context within which it operates. Management has been delegated responsibility for the Group's reporting, following the direction set by the Board. Clientèle produces an Integrated Annual Report as well as supplementary information which, together, contain all the legitimate and reasonable information needs of material stakeholders. The preparation of the Integrated Annual Report is overseen by the Group Audit Committee. The Integrated Annual Report and supporting documentation are published on Clientèle's website. Printed copies can be requested by stakeholders.

Corporate Governance continued

	Principle	Application
6	**The Board should serve as the focal point and custodian of corporate governance in the Group.**	The Board has an approved Terms of Reference which it reviews annually. The Board's role and responsibilities are articulated in the Terms of Reference. The Board is the focal point and custodian of corporate governance, both in terms of how its role and responsibilities are documented and the way it executes its duties and responsibilities. The Board is supported by various Board Committees which have delegated responsibility to assist it to fulfil certain specific functions, as well as by the Group Company Secretarial function.
7	**The Board should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities, objectively and effectively.**	The Board is assisted by the Group Nominations Committee, who considers, annually and before any new Director appointments, the composition, balance of skills, experience, independence, diversity and knowledge of the Board and whether this enables it to effectively discharge its roles and responsibilities.
8	**The Board should ensure that its arrangements for delegation within its own structures promote independent judgment, and assist with balance of power and the effective discharge of its duties.**	The Board currently has seven standing Committees that assist it in discharging its duties and responsibilities. The Committees are as follows: the Group Audit Committee, Group Risk Committee, Group Investment Committee, Group Remuneration Committee, Group Nominations Committee, Group Actuarial Committee and the Group Social and Ethics Committee. These Committees operate in accordance with written Terms of Reference approved by the Board, which are reviewed at least annually. The Committees are appropriately constituted and members are appointed by the Board, with the exception of the Group Audit Committee, whose members are nominated by the Board and elected by shareholders of the Group. The Group Nominations Committee reviews the composition of Board Committees and makes recommendations to the Board with regard to their composition, taking into account factors such as diversity and skills and the need to create a balanced distribution of power. External advisors, Executive Directors and members of Excom and Senior Management attend Committee meetings by invitation. The Committees play an important role in enhancing high standards of governance and achieving increased effectiveness within the Group. The Board considers the allocation of roles and associated responsibilities and the composition of membership across Committees holistically. A delegation by the Board of its responsibilities to a Committee will not by or of itself constitute a discharge of the Board's accountability. The Board applies its collective mind to the information, opinions, recommendations, reports and statements presented by the Chairperson of a Committee.

	Principle	Application
9	The Board should ensure that the evaluation of its own performance and that of its Committees, its Chair and its individual members, support continued improvement in its performance and effectiveness.	An assessment of the performance of the Chairman, Board, Board Committees and Directors' self-evaluation is conducted annually, with the last evaluation done in September 2017. Having regard to the results of the performance evaluations, no issues were raised and the contribution, value and participation of the Board and Board subcommittees was considered satisfactory and positive. Going forward the Board will conduct a formal evaluation process of the Board, the Chairman, its Committees and individual Directors at least every two years.
10	The Board should ensure that the appointment of, and delegation to management contributes to role clarity and the effective exercise of authority and responsibilities.	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.
11	The Board should govern risk in a way that supports the organisation in setting and achieving strategic objectives.	The Board understands and takes accountability for all risks that potentially affect the achievement of its strategic objectives and has delegated the responsibility for overseeing the adequacy and effectiveness of the risk management process to the Group Audit and Group Risk Committees. The Group Audit and Group Risk Committees delegate to management the responsibility to continuously identify, assess, mitigate and manage risks within the existing operating environment. Mitigating controls are in place to address these risks, which are monitored on a continuous basis. Two Non-executive Directors are members of both the Group Audit and Group Risk Committees, thus ensuring that there is coordination in respect of the evaluation and reporting of risks.
12	The Board should govern technology and information in a way that supports the organisation in setting and achieving its strategic objectives.	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 Group IT Steering Committee has a Terms of Reference, policies, decision-making structures, an accountability framework, IT reporting and an IT risk and controls framework, to guide their activities.

Corporate Governance continued

	Principle	Application
13	**The Board should govern compliance with applicable laws and adopt non-binding rules, codes and standards in a way that supports the Group being ethical and a good corporate citizen.**	The Board and its Committees and sub-committees ensure the adherence and monitoring of the compliance with applicable laws, regulations, codes and standards. The Board makes use of external attorneys and external experts and advisors to review complex regulatory matters. A Group Compliance function is established within the Group and forms an integral part of the Group's regulatory and operational risk management process. The Group Audit Committee and the Board receive reports on compliance with applicable laws, rules, codes and standards at quarterly meetings. A suitably qualified Group Compliance Officer is appointed as well as the establishment of a Group Compliance Department. Compliance is achieved through integration with business/ organisational processes, ethics and culture.
14	**The Board should ensure that the Group remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long-term.**	The Board has established a Group Remuneration Committee, consisting solely of Non-executive Directors, the majority of whom are Independent, who assist the Board in setting and administering a fair, equitable and responsible remuneration policy. 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 their consideration and final approval. The Group Remuneration Committee works according to a Terms of Reference. 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, officers, members of senior management and staff fairly and responsibly; and • The disclosure of remuneration is accurate, complete and transparent.

	Principle	Application
15	The Board should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.	**Combined assurance** The Board has delegated to the Group Audit Committee oversight of, among others, the effectiveness of the Company's assurance services, with particular focus on combined assurance, including External Audit, Internal Audit and the finance function as well as the integrity of the Integrated Annual Report and the Annual Financial Statements and, to the extent delegated by the Board, other external reports issued by the Group. The Group Audit Committee also considers annually, and satisfies itself of, the appropriateness of the expertise and experience of the Financial Director and the finance function. **Assurance of external reports** With the assistance of independent assurers, such as the External Auditor, GIA, the Head of the Actuarial Function and the External Actuaries, the Group Audit Committee reviews and evaluates the Integrated Annual Report and the Annual Financial Statements, prior to recommendation to the Board for approval. The Integrated Annual Report and complementary reports provide a consolidated review of the sustainability of the Group including the Group's financial, economic, social and environmental performance on matters material to the Group's strategy and the key stakeholders. **Internal audit** The Group Audit Committee has been delegated the responsibility for overseeing that assurance services are performed in terms of the GIA Terms of Reference. The Group has an GIA function and its role and responsibilities are set out in an Internal Audit Terms of Reference which requires, *inter alia*, the performance of risk-based internal audits in terms of an internal audit plan approved by the Group Audit Committee. GIA submits formal reports to the Group Audit Committee quarterly. The Integrated Annual Report includes the Group Audit and Group Risk Committee's confirmation of having received GIA's written assessment of the effectiveness of the Group's governance, risk management and control processes, including the effectiveness of the Group's systems of internal financial controls.
16	In the execution of its governance role and responsibilities, the Board should adopt a Stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.	The Board appreciates that close relationships with stakeholders should be maintained and that Stakeholder perceptions affect the Group's reputation. The Board has identified relevant stakeholders and has formalised the Stakeholder relationships processes with management. 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. The Board has adopted communication guidelines that support a responsible Stakeholder communication programme.

1.1 Corporate Governance Framework

The Board applies corporate governance practices as subscribed by, among others, the Companies Act, Listings Requirements as well as those contained in the Clientèle MOI.

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

In 2017 the Board commenced with a gap analysis to establish the need to address any shortcomings in the governance structures, based on the requirements of King IV. The gap analysis has been completed at Board and sub-committee levels and the identified gaps and/or deviations have been addressed. As a responsible corporate citizen, a holistic approach to the application of the governance principles contained in King IV has been adopted.

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

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, brokers, agents, employees, suppliers and industry associates.

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

1.2.1 Government and Regulators

Certain companies within the Group are subject to the oversight of the FSCA and the PA.

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 transparency 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 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;
- SMS communication is widely used to keep policyholders up to date on their particular interactions with the Group;
- Walk-in centres assist policyholders who prefer face-to-face contact in dealing with their queries; and
- Agency kiosks in various shopping centres across South Africa where a client can take out a policy.

The Group subscribes to the principles of TCF to ensure that:

- Policyholders can be confident that they are dealing with a Group where the fair treatment of customers is central to the corporate culture;
- Products marketed and sold are designed to meet the needs of identified consumer groups and are targeted accordingly;
- Products are easy to understand. The wording of policies is continuously reviewed to ensure the wording is simple, clear and easy to follow;
- There is a focus on customer-centricity to ensure that policyholders get the after-sales service that they expect;
- The Group always deals with policyholders with compassion; and
- There is a continuous focus on the claims process and complaints management to ensure that customers receive professional and timely claims services.

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

Also refer to the Group Social and Ethics Report on pages 48 to 51.

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 section, 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 when necessary.

2.3 Composition of the Board

The Board of Clientèle, with input from the Group Nominations Committee, continuously spends 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 consists of a majority of Non-executive Directors, of which the majority of Non-executive Directors are Independent.

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-making.

The Board members have been assessed and found to be fit and proper as required by the FSB Board Notice 194 of 2017.

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. This power has been delegated to the Group Nominations Committee.

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.

The formal retirement age set for the Non-executive Directors is age 75.

Clientèle supports the principles and aims of gender diversity at Board level. The race and gender targets for the Board have been reviewed to ensure that future appointments are aligned with the Group's policy on gender and race diversity and the BEE codes.

2.4 Subsidiary Boards

Clientèle has wholly-owned operating subsidiaries (refer to the Group Structure on page 2).

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

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

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 Excom is ensured:

- The Board has eleven Directors, eight of whom are Non-executive of which six are Independent Non-executive Directors. 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;
- Clientèle has an Independent Non-executive Chairman;
- 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 and Mr PG Nkadimeng, both Non-executive Directors, are not independent due to their involvement with Friedshelf 1577 Proprietary Limited, the Parent Company of the Group.

The details of the Directors are provided on pages 65 to 68.

The Board is satisfied that all Independent Non-executive Directors have declared themselves Independent and have been found to be Independent in fact and in perception by the Board.

2.7 Criteria for Independence

A Non-executive Director is classified as Independent if the following criteria is being met:

- Is NOT a significant provider of financial capital, or ongoing funding to the Company; or is an officer, employee or a representative of such provider of financial capital or funding;
- Does NOT participate in a share-based incentive scheme offered by the Company;
- Does NOT own securities in the Company, the value of which is material to the personal wealth of the Director;
- Has NOT been in the employ of the Company as an Executive Manager during the preceding three financial years, or is a related party to such Executive Manager;
- Has NOT been the designated External Auditor responsible for performing the statutory audit for the Company, or a key member of the audit team of the External Audit firm, during the preceding three financial years.
- Is NOT a significant or ongoing professional advisor to the Company, other than as a member of the Board;
- Is NOT a member of the Board or Excom of a significant customer of, or supplier to, the Company;
- Is NOT a member of the Board or Excom of another organisation which is a related party to the Company; or
- Is NOT entitled to remuneration contingent on the performance of the Company.

It is further important to note that an Independent Non-executive Director should be Independent in fact and in the perception of a reasonably informed outsider.

2.8 Group Chairman

Mr Gavin Quentin Routledge is the Chairman of the Board of Clientèle, Clientèle Life and Clientèle General.

Mr Routledge has declared himself to be Independent and has also been found to be Independent by the Board, when applying the definition as supplied above. Clientèle believes that an Independent Chairman fosters the activities of a thoughtful and dynamic Board and, in turn, leads to a more proactive and effective Board of Directors.

The roles and responsibilities of the Chairman are, *inter alia*, as follows:

- Provides leadership and governance of the Board so as to create the conditions for the Board's and individual Director's effectiveness, and ensures that all key and appropriate issues are discussed by the Board in a timely manner;
- Promotes effective relationships and open communication, and creates an environment that allows constructive debates and challenges, both inside and outside the boardroom, between Non-executive Directors and the management;
- Ensures that the Board as a whole plays a full and constructive part in the development and determination of the Group's strategies and policies, and that Board decisions taken are in the Group's best interests and fairly reflect Board's consensus;
- Ensures that the strategies and policies agreed by the Board are effectively implemented by management;
- Sets, in consultation with the Group Managing Director and Company Secretary, the Board meeting schedule and agenda to take full account of the important issues facing the Group and the concerns of all Directors, and ensures that adequate time is available for thorough discussion of critical and strategic issues;
- Ensures that the Board is properly briefed on issues arising at Board meetings and receives, in a timely manner, adequate information which must be accurate, clear, complete and reliable, to fulfill its duties, such as reports on the Group's performance, the issues, challenges and opportunities facing the Group, and matters reserved for it to make decisions;
- Ensures that there is effective communication with shareholders and other stakeholders, and that each Director develops and maintains an understanding of the stakeholders' views; and
- Establish good corporate governance practices and procedures and promote the highest standards of integrity and corporate governance throughout the Group and particularly at Board level.

Mr Routledge attends Group Audit Committee Meetings and is a member of the Group Risk, Group Investment, Group Remuneration and Group Nomination Committees.

Mr Routledge was appointed as Chairman of the Board of Clientèle on 31 January 2008.

Mr Routledge's notice period is six months.

Mr Routledge is allowed to hold outside professional positions and commitments and discloses these positions to the Group Nominations Committee on an annual basis and whenever there have been significant changes in outside appointments and commitments.

The Board is of the opinion that there is no need for a Lead Independent Director due to the size of the Company and the Group, as well as the size and structure of the Board Committees.

2.9 Board Managing Director

Mr Basil William Reekie is the Managing Director of Clientèle and Clientèle Life.

Mr Reekie's notice period is six months.

Mr Reekie is a Fellow of the Actuarial Society of South Africa and has no other professional commitments.

A succession plan is in place for the position of Managing Director.

2.10 Executive Directors

There were no payments made relating to sign-on and termination of employment to any Executive Directors.

2.11 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 on 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 a biennial basis, assesses 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 Excom 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.

2.12 Directors' Interests

The shareholding of Directors appear on page 47 in the Group Remuneration Report.

2.13 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 Financial Markets Act, 2012, 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.

2.14 Political Party Support

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

3. SHAREHOLDER AND BOARD COMMITTEES

All of the Board and Non-Board Committees:

- Have an independent role, operating as an overseer and maker of recommendations to the Board, Group Excom and 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 and Shareholders as recorded in its respective Terms of Reference;
- May call upon the Chairpersons of other Board, Excom Committees, any of the Executive Directors, applicable officers or the Group Company Secretary to provide information to it;
- Have reasonable access to the Group's records, facilities and any other resources necessary to discharge its duties and responsibilities;

- 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; and
- Take responsibility for risk management. The Chairperson of each Committee is responsible to ensure that risk management is conducted in line with the scope and objectives of the Committee and ensure that both a risk register is maintained and that internal controls are implemented and actions are taken to mitigate risks and that the register is kept and updated on a regular basis. In addition to this, all risk incidents are reported to the Group Risk Function in a timeous matter.

3.1 Group Audit Committee

Refer to the Report of the Group Audit Committee on pages 52 to 55.

3.2 Group Actuarial Committee

Members	Number of meetings held	Number attended
BW Reekie (Chairperson)	5	5
IB Hume		5
RD Williams		5
B du Toit (previously Frodsham)		5
JL Potgieter		5

Appointed by:
- Group Audit Committee

Authority:
- Group Audit Committee

Other:
- External Auditors and the Chairman of the Group Audit Committee attend the interim and year-end Group Actuarial Committee meetings
- External Independent Actuaries have a standing invitation to attend all meetings
- Refer to pages 65 to 67 for members' qualifications and experience

Assessment:
- Annually
- Satisfactory rating in 2017

Conclusion:
Satisfied that the Committee has fulfilled its responsibilities in accordance with the Terms of Reference for the reporting period

2018 KEY FOCUS AREAS

During the year, various issues were addressed, including:

- Highlighting any policyholder reasonable benefit expectation issues, having specific regard to TCF and TCW;
- Reviewing and amending the format and content of actuarial reports;
- Reviewing ALM position, cash flow management and capital requirements of the Group;
- Liaising with External Actuaries and External Auditor;
- Reviewing and approving the quarterly actuarial liability calculation;
- Considering and recommending to the Group Audit Committee and Board the approval of bi-annual formal Actuarial Valuation and EV reports of the Head of the Actuarial Function;
- Reviewing and approving the monthly unit price calculation;
- Reviewing and discussing, annually, potential threats to External Actuary independence;
- Reviewing appropriateness of experience, expertise and adequacy of the resources of the actuarial function;
- Reviewing impacts of regulatory and industry changes on the Actuarial Valuation and EV;
- Reviewing findings relating to data accuracy and data integrity; and
- Overseeing the implementation and compliance with SAM.

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

Refer to the Statement of Group EV on pages 56 to 61 and the Statement of Actuarial Values of Assets and Liabilities of Clientèle Life on pages 71 to 76.

Corporate Governance continued

3.3 Group Risk Committee

Members	Number of meetings held	Number attended
BA Stott (Chairperson)	4	4
BW Reekie		4
IB Hume		4
GQ Routledge		4
RD Williams		4

Appointed by:
- The Board

Authority:
- The Board

Other:
- The Chief Risk Officer, Mr JL Potgieter, the risk officers, the External Auditors and the CAE attend all meetings as invitees
- Refer to pages 65 to 67 for members' qualifications and experience

Assessment:
- Annually
- Satisfactory rating in 2017

Conclusion:
Satisfied that the Committee has fulfilled its responsibilities in accordance with the Terms of Reference for the reporting period

2018 KEY FOCUS AREAS

During the year, various issues were addressed, including:

- Assisting the Board in ensuring that there are processes in place enabling:
  - complete;
  - timely;
  - relevant;
  - accurate; and
  - accessible disclosure on risks to stakeholders;
- Providing assurance relating to the effectiveness of the risk management process;
- Designing, implementing and monitoring the risk management plan;
- Performing continuous risk assessments, including consideration of new and emerging risks;
- Ensuring frameworks and methodologies are implemented to increase probability of anticipating emerging risks;
- Ensuring that management considers and implements appropriate risk responses;
- Ensuring continuous risk monitoring by management;
- Annual review and approval of the Business Continuity policy and plan;
- Approving updated risk appetite and risk tolerance statements and risk rating scales;
- Receiving feedback on the compliance with SAM;
- Approval of "shock" scenarios for ORSA;
- Review and approval of ORSA;
- Review of the annual socio-economic environmental report and impacts on the Group;
- Review and approval of capital management policies; and
- Review and discuss the presentation on global and local economic conditions are presented by the Bureau for Economic Research.

More detail in the Risk Management section, pages 82 to 101.

3.4 Group Investment Committee

Members	Number of meetings held	Number attended
IB Hume (Chairperson)	4	4
BW Reekie		4
GQ Routledge		4
BA Stott		4
N Hoosen (Appointed 1 August 2018)		N/A
LH Balcomb (Resigned 31 March 2018)		3 of 3
JL Potgieter		4

Appointed by:
- The Board

Authority:
- The Board
- The Group Audit Committee on taxation matters

Other:
- The Group Investment Committee reports to the Group Audit Committee on matters relating to taxation
- Refer to pages 65 to 67 for members' qualifications and experience
- Dr ADT Enthoven resigned as a member of this Committee on 1 July 2017.

Assessment:
- Annually
- Satisfactory rating in 2017

Conclusion:
Satisfied that the Committee has fulfilled its responsibilities in accordance with the Terms of Reference for the reporting period

2018 KEY FOCUS AREAS

During the year, various issues were addressed, including:

- Asset and liability management, in conjunction with the investment manager and the Group Actuarial Committee;
- Recommending to the Board investment managers to manage the Group's investment portfolios and oversee investment decisions;
- Overseeing that investment decisions are made in the best interests of policyholders (with regard to reasonable policyholder expectations);
- Overseeing the appropriate mix of investments on behalf of the Board relating to shareholders;
- Ensuring there are processes in place to:
  - continuously monitor and review the performance of existing investments;
  - report on the performance of existing investments, as and when necessary;
- Ensuring that there are processes in place to monitor the Group's tax matters by:
  - Ensuring tax implications of new and existing insurance and investment products are identified and understood;
  - Reviewing processes implemented to ensure the Group follows the most effective tax route;
  - Ensuring all tax returns are submitted timeously;
  - Ensuring all SARS queries have been dealt with by persons with appropriate responsibility and expertise;
  - Ensuring management keeps current with tax legislation; and
  - Reporting to Group Audit Committee and Board on any significant tax matters;
- Monitoring the performance of the investment manager; and
- Reviewing credit risk related to Group's investment assets to ensure optimum mix of risk and return.

3.5 Group Remuneration Committee

Members	Number of meetings held	Number attended
BA Stott (Chairperson)	3	3
GQ Routledge		3
ADT Enthoven		3

Appointed by:
- The Board

Authority:
- The Board
- Shareholders by a non-binding advisory endorsement of the remuneration policy

Other:
- The Group Managing Director attends all meetings by invitation
- Refer to pages 65 to 67 for members' qualifications and experience

Assessment:
- Annually
- Satisfactory rating in 2017

Conclusion:
Satisfied that the Committee has fulfilled its responsibilities in accordance with the Terms of Reference for the reporting period

2018 KEY FOCUS AREAS

- The Group Remuneration Committee assists the Board in ensuring that:
  - The Group remunerates Directors and Executives fairly and responsibly;
  - The levels of increases given to staff and management is appropriately reviewed;
  - The disclosure of remuneration is accurate, complete and transparent;
- Overseeing the remuneration policy and ensuring that it promotes the achievement of strategic objectives and Group targets;
- Reviewing the outcomes of implementation of remuneration policy in terms of achievement of set objectives;
- Ensuring the mix of fixed and variable pay meets the Group's strategic objectives and needs;
- Satisfying itself as to the accuracy of performance measures that govern vesting and payment of incentives and bonuses;
- Ensuring that all benefits are justified and correctly valued;
- Considering the evaluation results of the performance of the Group Managing Director, other Executive Directors, heads of control functions and 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 the rules;
- Considering the appropriateness of early vesting of SARs and Bonus Rights at the end of employment;
- Reviewing the performance of Non-executive Directors; and
- Advising on the remuneration of Non-executive Directors.

More detail in Group Remuneration Report on pages 33 to 47.

3.6 Group Social And Ethics Committee

Members	Number of meetings held	Number attended
PR Gwangwa (Chairperson)	4	4
BW Reekie		4
RDT Tabane		4
BY Mkhondo		4

Appointed by:
- The Board

Authority:
- The Board
- Report to shareholders through the Integrated Annual Report
- Refer to pages 65 to 67 for members' qualifications and experience

Assessment:
- Annually
- Satisfactory rating in 2017

Conclusion:
Satisfied that the Committee has fulfilled its responsibilities in accordance with the Terms of Reference for the reporting period

2018 KEY FOCUS AREAS

- Social and economic development, including the Group's standing in terms of goals and purposes relating to:
  - The ten United Global Compact Principles;
  - The OECD recommendations regarding corruption;
  - The BBBEE Act; and
  - The Employment Equity 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/services are predominantly marketed; and
  - Record of sponsorship, donations and charitable givings;
  - The environment, health and public safety, including the impact of the Group's activities and its products/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;
- Monitoring that the Group conducts its activities in an ethical manner;
- Drawing matters within its mandate to the attention of the Board, as the occasion requires; and
- Attending the AGM to report, through a member, to the shareholders on the matters within its mandate, if required.

Refer to the Group Social and Ethics Report on pages 48 to 51.

Corporate Governance continued

3.7 Group Nominations Committee

Members	Number of meetings held	Number attended
BA Stott (Chairperson)	2	2
GQ Routledge		2
ADT Enthoven		1
BW Reekie		2

Appointed by:
- The Board

Authority:
- The Board
- Report to shareholders through the Integrated Annual Report
- Refer to pages 65 to 67 for members' qualifications and experience

Assessment:
- Annually
- Satisfactory rating in 2017

Conclusion:
Satisfied that the Committee has fulfilled its responsibilities in accordance with the Terms of Reference for the reporting period

2018 KEY FOCUS AREAS

- Ensure that the process of nomination, election and appointment of members of the Board is formal and transparent;
- Ensure that any candidate for election as Non-executive Director has sufficient time available to fulfill the responsibilities as a member of the Board by requesting details of professional commitments and a statement to the effect that the candidate has sufficient time available to fulfill such responsibilities;
- Ensure a process is in place for receipt of a declaration in respect of all financial, economic and other interests held by each Director and any related parties on an annual basis;
- Ensure that formal succession plans for the Board, Managing Director and senior management are developed and implemented;
- Recommend to the Board the continuation (or not) in service of any Director who has reached the age of 75;
- Consider annually, the eligibility for re-election of those Directors who retire by rotation and recommend or advise otherwise such retiring Directors re-appointment by shareholders at the AGM taking into account the results of their performance evaluation;
- Consider annually, as part of the Board evaluation process, the independence of the Directors. An annual review is required for Independent Directors serving for longer than nine years, to ensure:
  – the member exercises objective judgment;
  – there is no interest, position, association or relationship which, when judged from the perspective of a reasonable and informed third party, is likely to influence unduly or cause bias in decision-making.
  – the establishment of a formal process for the appointment of Directors and to regularly review such process to ensure its appropriateness and adequacy, including:
    ~ identifying suitable candidates for election to the Board;
    ~ performing reference and background checks of candidates prior to nominating them for appointment;
    ~ formalising the appointment of Directors through an agreement between the Company and the Director;
- Oversee the development of a formal induction programme for new Directors including the development and implementation of continuing professional development programmes for Directors and mentorship of inexperienced Directors;
- Ensure that Directors receive regular briefings on changes in risks, laws and the environment in which the company operates;
- Co-ordinate the annual performance evaluation of the Board and Committees, independence assessment of Directors, peer reviews, and assessment of the qualifications and competence of the Group Company Secretary;
- Ensure the implementation of action plans emanating from the annual evaluations;
- Considering and recommending to the Board for approval policies relating to the Committee's mandate as set out in these Terms of Reference;
- Recording and approval of any delegation to individual member or members (include nature and extent of delegation, decision-making authority, duration of delegation and delegate's reporting responsibilities);
- Agree with the Managing Director whether any additional professional positions may be taken up by the Managing Director;
- On an annual basis, discuss the need for a Lead Independent Director; and
- Ensure that there are adequate policies and procedures relating to the appointment, dismissal and succession of managing executives and heads of control functions.

4. NON-BOARD COMMITTEES

The following, *inter alia*, are non-board Committees in place as at 30 June 2018:

- Group Excom;
- Group IT Steering Committee;
- Group Product Committee;
- Group Internal Controls Committee;
- Group Internal Financial Controls Committee;
- Group Negative Production Committee;
- Group Client Services Committee;
- Group Marketing Committee;
- Group Employment Equity Committee;
- Group SAM Committee;
- Group Digital Committee;
- Group Communication Committee;
- Group Data Governance Committee;
- Group Internal Arbitrator Committee; and
- Group Script Committee.

Board and Non-Board Committees have formal Terms of Reference, which are reviewed on an annual basis.

The Terms of Reference of the Committees are available on request from the Group Company Secretary on 011 320 3284 or wvanzyl@clientele.co.za

Corporate Governance continued

5. ATTENDANCE AND MEMBERSHIP OF SHAREHOLDER, BOARD AND BOARD COMMITTEE MEETINGS

5.1 Members of Clientèle Limited Board and Committees as at 30 June 2018

Directors and members	Description	Note	Clientèle Limited Board	Group Audit	Group Actuarial	Group Remun-eration	Group Social & Ethics	Group Risk	Group Invest-ment	Group Nomi-nations
DIRECTORS										
GQ Routledge	Chairperson, Independent Non-executive Director	1	✓	I		✓		✓	✓	✓
BW Reekie	Group Managing Director	2	✓	I	✓	I	✓	✓	✓	✓
ADT Enthoven	Non-executive Director	3	✓			✓				✓
B du Toit (previously Frodsham)	Executive Director		✓	I	✓			I		
IB Hume	Group Financial Director	4	✓	I	✓			✓	✓	
BA Stott	Independent Non-executive Director	5	✓	✓	I	✓		✓	✓	✓
PR Gwangwa	Independent Non-executive Director	6	✓				✓			
RD Williams	Independent Non-executive Director		✓	✓	✓			✓		
BY Mkhondo	Independent Non-executive Director		✓				✓			
D Molefe	Independent Non-executive Director		✓	✓						
PG Nkadimeng	Non-executive Director		✓							
GROUP EXCOM										
JL Potgieter	Head of the Actuarial Function		I	I	✓			I	✓	
H Louw	Chief Operations Officer		I	I	I			I		
RDT Tabane	Group Human Resources Executive		I				✓	I		
MD Mac Donald	Group IT Executive		I	I	I			I		
LA Botha	Group Marketing and Advertising Executive		I							
ML Mbali	IFA Marketing Executive		I					I		
LH Balcomb	Clientèle General Insurance Limited Managing Director	7	I	I	I			I	✓	
A Singh	Group Sales Executive		I	I				I		

(✓ = member, I = invitee)

1 *Resigned as a member of the Group Audit Committee on 10 August 2017.*
2 *Chairperson of Group Actuarial Committee.*
3 *Resigned as Member of the Group Investment Committee on 1 July 2017.*
4 *Chairperson of Group Investment Committee.*
5 *Chairperson of Group Audit, Group Risk, Group Remuneration and Group Nominations Committees.*
6 *Chairperson of Group Social and Ethics Committee.*
7 *Resigned as Managing Director of Clientèle General Insurance on 31 March 2018.*

5.2 Attendance at Clientèle Board and Committee Meetings (1 July 2017 to 30 June 2018)

Directors and members	Clientèle Limited Board	Group Audit	Group Actuarial	Group Remun-eration	Group Social & Ethics	Group Risk	Group Invest-ment	Group Nomi-nations
Meetings held	**4**	**6**	**5**	**3**	**4**	**4**	**4**	**2**
DIRECTORS								
GQ Routledge	4	6		3		4	4	2
BW Reekie	4	6	5	3	4	4	4	2
ADT Enthoven	2			3				1
B du Toit	4	3	5			4		
IB Hume	4	6	5			4	4	
BA Stott	4	6	2	3		4	4	2
PR Gwangwa	4				4			
RD Williams	4	6	5			4		
BY Mkhondo	4				4			
D Molefe	3	5						
PG Nkadimeng	4							
GROUP EXCOM								
JL Potgieter	4	6	5			4	3	
H Louw	4	6	5			4		
RDT Tabane	4				4	4		
MD Mac Donald	4	5	5			4		
LA Botha	4							
ML Mbali	3					4		
LH Balcomb	3	5	4			4	3	
A Singh	4	6				4		

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, 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.

GIA assists in providing the Board and Excom 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 Report on the Effectiveness of Internal Controls is set out on page 31.

7. COMPLIANCE

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

8. GROUP INTERNAL AUDIT

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 Excom 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.

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, professional presenters, brokers and agents. 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 internal 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 and the Protection of Personal Information Act, Act 4 of 2013. Internal disciplinary procedures are fully compliant with the Labour Relations Act, Act 66 of 1995.

Mr Reekie signed the BLSA Integrity Pledge on behalf of the Group. The Pledge holds the Group accountable to play a part in preventing and defeating corruption, to reaffirm honesty, respect for the rule of law, transparency and putting South Africa first. The Pledge is binding on the Group and its Directors and Officers.

10. GROUP ANNUAL FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the consolidated 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 Annual Financial Statements have been audited in accordance with International Standards on Auditing. The Group's External Auditors also provide tax and JSE sponsor services. (Details of the External Auditor's remuneration for audit and other services are provided in Note 28 on page 144 to the Group Annual Financial Statements.) The Group is satisfied with the Independence of the External Auditors.

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

11. INTERNAL AND EXTERNAL ACTUARIES

Clientèle Life and Clientèle General Insurance

The Head of the Actuarial Function, 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) and Clientèle General Insurance. Mr JL Potgieter attends all Clientèle Life and Clientèle General Board meetings.

Clientèle Group

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

Mr JL Potgieter attends the Group Audit Committee meetings, the Group Risk Committee meetings, the Group Actuarial Committee meetings and the Clientèle Board 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 and data 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 Excom. Mr Mac Donald was appointed as a Director of Clientèle Life on 1 August 2017.

The Board and Group Audit Committee have formally accepted the overall responsibility for IT and it was 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 supports the achievement of 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 on-going basis to provide reasonable assurance to the Board regarding:

- Integrity and reliability of the Group 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 Group 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 2018

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 2018.

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 2018 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 Group Annual Financial Statements.

Mr BA Stott
Chairman of the Group Audit Committee

14 September 2018

Group Remuneration Report

PART 1: BACKGROUND STATEMENT

The Board is pleased to present the Group's Remuneration Report for the year ended 30 June 2018.

The Group Remuneration Report is a three-part report, as prescribed by King IV:

- **Part 1** is a summary of background information necessary to give perspective to parts 2 and 3;
- **Part 2** sets out the Group's remuneration philosophy and policy, on which the non-binding advisory vote will be sought at the AGM;
- **Part 3** details the implementation of the policy in the 2018 financial year.

The Group Remuneration Report was compiled in accordance with the recommendations on remuneration contained in King IV and complies with the requirements of the Companies Act and Board Notice 158 of 2014, issued by the FSB (where relating to Clientèle Life and Clientèle General Insurance).

At the AGM, shareholders are being requested to consider and approve, via a non-binding advisory vote, the Group's remuneration philosophy and policy (Part 2 of this Group Remuneration Report).

The shareholder resolution and explanatory notes relating to the above matter are set out on pages 155 to 156 in the Notice of the AGM. Shareholders are requested to offer their support by voting in favour of these resolutions at the AGM.

The Group's business strategy, as set by the Board, informs the Group's Executive and staff remuneration policy. The end-goal is to achieve the Group's growth objectives by retaining skilled key talent and attracting new talent to deliver on these growth objectives.

The remuneration policy is based on the principle of both Group and Individual performance driven remuneration, which is fair and reasonable for shareholders and aligned to shareholder value creation. The remuneration policy followed by the Group is in line with the policy applicable to prior years with no significant changes.

The Group strives constantly to attract new talent and to retain existing talent to deliver on the Group's growth objectives. This is a difficult task in the context of regulation, competition for scarce skilled and talented people and requires a careful balance between advancement opportunities, guaranteed remuneration and incentivisation. The Group Remuneration Committee seeks to do this through industry benchmarking, stakeholder engagement and innovative thinking.

The Group's remuneration policy strongly aligns to shareholders interests and intends to maintain its focus on balancing the Group's long-term growth objectives with generating a sustainable, healthy return on investment for shareholders.

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.

Our remuneration philosophy is founded on enduring principles, which we seek to apply consistently each year. There has been no change to our core philosophy during 2018. In short, this philosophy aims to promote a culture that supports innovation, enterprise and the execution of Group strategy and that aligns the interests of the majority of staff with attaining profitable (and sustainable) long-term growth for the benefit of all stakeholders. Inherent to this philosophy is the linkage between pay and short-term and long-term performance (both at an individual and corporate level).

PART 2: REMUNERATION PHILOSOPHY AND POLICY

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 and heads of control functions.

The Group Remuneration Committee ensures that:

- Excessive or inappropriate risk-taking is not induced and aligns remuneration with the long-term interests of the Group and its stakeholders;
- Where remuneration includes both fixed and variable components, the mix of fixed and variable pay meets the Group needs and strategic objectives;
- 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.

3. GOVERNANCE AND THE GROUP REMUNERATION COMMITTEE

Role and Constitution of the Group Remuneration Committee

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 their consideration. The Group Remuneration Committee Terms of Reference, which is approved by the Board, requires that the Group Remuneration Committee comprise of three Group Non-executive Directors, the majority of whom must be Independent Non-executive Directors.

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, officers, members of senior management and staff fairly and responsibly; and
- The disclosure of remuneration is accurate, complete and transparent.

4. REMUNERATION MATRIX AS AT 30 JUNE 2018

The following matrix outlines the type of remuneration that employees can participate in:

Category	Number of employees	Basic Salary	Short-term Bonus Incentives	Bonus Rights Scheme	EV Scheme	Goodwill Scheme
Group Excom	9	X	X		X	X
Balance of Excom	13	X	X	X	X	
Management and specialists	375	X	X	X		
Staff	1,774	X	X	X		
Total	**2,171**					

5. CORE PRINCIPLES OF REMUNERATION

5.1 Monthly Remuneration (Basic Salary)

Clientèle operates on a CTC basis as a contractual condition of employment.

CTC 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 the Group's requirements and structure takes place based on an internally developed system. Clientèle's grading system is simple and relatively easily comparable to formal systems.

The grading system is based on the job level and job family classification method. The Group's employees are categorised according to employment levels from staff level up to senior manager level. Each employment level has a set of job requirements according to the defined job family (e.g. sales, finance, administration, legal) skill, knowledge and in certain cases qualifications, which all determine where employees are placed on the salary band.

Clientèle's salary system provides base income and the opportunity to earn additional compensation if productivity exceeds a certain standard (this forms part of total CTC package potential).

Promotions are based on the availability of a vacancy in the higher job level as well as individual performance relative to the job requirements.

5.2 Short-Term Bonus Incentives

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

Incentives are given, based 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 CTC 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.

5.2.1 Staff

The main purpose of staff incentivisation is to relate a portion of employees' pay to their performance. Their performance incentive payment increases directly in line with 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;
- 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 additional incentives is set at R7,142 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; and
- Incentives are intended to reward above average performance and work related achievements.

5.2.2 Management and Specialists

Annual (or 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 and specialist remuneration is ensuring that Clientèle's key staff are rewarded in the top quartile for equivalent manager positions. Bonuses paid to management and specialist staff are highly attractive and lucrative. These are largely based on individual key performance criteria with a portion based on 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 Bonus Rights Scheme, access to company vacation houses and generous leave allocations.

Core principles for management incentivisation include:

- Motivate, attract, reward and 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 skills and experience are 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;
- It is intended to reward above average performance and work related achievements. It is not intended for merely 'doing the job' or mediocrity; and
- Individual members of management participate in the EV Scheme Incentive pool, from time to time, based on absolutely outstanding performance.

5.3 Bonus Rights Scheme (including the SAR scheme)

The Bonus Rights Scheme (which replaced the SAR Scheme), exists for the purpose of retaining, motivating and rewarding employees (excluding Group Excom, who participate in the Goodwill Scheme) 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. For additional detail on the Schemes refer to Note 12 on pages 132 to 133).

Salient features:

- 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 to participants under the SAR Scheme. The allocation may be increased by ordinary resolution of the members of Clientèle;
- The maximum 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 and the SARs available under the SAR 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;
- Bonus Rights not exercised within 7 years from the Invitation Date will be forfeited;
- 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 a general meeting:
  - 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;
- 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 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;
- The Board, in its discretion, may settle Bonus Rights either:
  - By means of the allotment and issue of new shares to the participant;
  - By way of a 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 Board in its discretion, will a cash payment be made to a Bonus Rights participant.
- In determining the allocation of Bonus Rights, the following performance measures are used:

– Underperformers	– No allocation
– Low performers	– No allocation
– Average performers	– A minimal allocation per category
– Good performers	– An average allocation per category
– Excellent performers	– The maximum allocation per category

5.4 Incentive Scheme and Goodwill Scheme

The remuneration packages for Group Excom and Excom members comprise both a guaranteed portion in the form of salary (unconditional entitlement) and a non-guaranteed portion in the form of bonuses and incentives (conditional entitlement).

At the core of Clientèle’s policy for 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. These are referred to as the EV Scheme and the Goodwill Scheme respectively. This is structured on a basis that aligns Group Excom’s interests 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. However, it is the intention that, should Group Excom and Excom perform in line with, or better than, expectation, the total remuneration paid to them will be in the top quartile.

This Incentive Scheme is a formally documented Scheme. The Incentive 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. The Goodwill Scheme is intended for members of Group Excom whereas the EV Scheme also includes members of Life and General Excom 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 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 Executive involved receiving a reduced (or nil) incentive payment.

The core principles of the Incentive Scheme are to:

- Align Executives' interests with those of shareholders;
- Link remuneration directly to growth in EV, Group profitability and growth in the overall value of Clientèle;
- Provide a tool whereby remuneration is determined to encourage long-term employment with Clientèle;
- Include a "clawback" on historic incentive bonus allocations – this applies in instances where the growth in EV is less than a predetermined growth criteria; and
- Includes an adjustment which is made, positive or negative, if actual experience differs by a pre-determined percentage compared to the assumptions used in calculating Scheme Goodwill.

In summary Group Excom receive the following remuneration package:

- A monthly salary;
- A short-term bonus based on individuals key measurement factors;
- A medium-term incentive (EV Scheme); and,
- A long-term incentive (Goodwill Scheme).

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

5.4.1 Current Components of Group Excom Remuneration

Fixed/ variable	Element	Definition
Fixed	Salary Medical Aid Provident Fund	CTC refers to the fixed element of remuneration and includes a basic salary, contributions to the medical aid scheme and contributions to the provident fund.
Variable	Annual short-term incentive	The short-term bonus is delivered as an annual cash payment aimed at delivering the Group's short-term goals and strategic priorities.
Variable	Medium-term incentive (EV Scheme)	The medium-term incentive is calculated annually and paid over four years via an annual cash payment. The aim is to maximise growth in the Group's EV.
Variable	Long-term incentive (Goodwill Scheme)	The long-term incentive is calculated in five year cycles and is paid via 5 annual incentive payments. This Scheme is aimed at the creation of Value of Future New Business (i.e. value in excess of EV). The rationale for this is that the Goodwill Scheme is designed to incentivise behaviour and performance over the long-term and the drivers of this performance are largely under the control of Group Excom. The Bonus Rights Scheme benefits participants for the more general long-term performance of the Group and this is deemed to be more appropriate for Life and General Excoms.

5.4.2 Annual Short-term Incentive

Purpose	To encourage and reward delivery of the Group's strategic priorities and short-term goals.	
Participants	Group Excom, Excom and members of management.	
Operation	The short-term bonus potential is determined at the beginning of the year and the actual pay-out is based on Clientèle's performance in terms of profit, EV earnings and the individual key measurement factors tailored for the individual concerned which may include financial and non-financial elements. The Remuneration Committee looks at recommendations provided by the Managing Director and can change the payment upwards or downwards for individuals or all participants at its discretion.	
Performance measures	The award for all participants is determined on the basis of Clientèle's performance as well as individual performance assessments measured against key measurements factors determined at the beginning of the year. Key measurement factors for Group Excom include the following: • Group profits • Embedded Value creation • Managing Withdrawals • Production and Quality of New Business • Developing new distribution channels • Lead creation • Focus on Authenticated Collections • Building brand and other marketing activities • Innovation • Smooth functioning of relevant business areas • Improving culture and level of client service • Staff Management and Treating Employees Well • Staff development and stability • Succession planning • Expense management • Strategic input and Executive contribution • Fintech, automation, digital and strategy • System stability • Hardware development and planning • Attainment of appropriate BBBEE certification • TCW • Maintaining appropriate service levels and standards • New distribution channels • Transformation • Living the values • Key staff retention The key measurement factors are different in weight depending on the role of the participant and do not apply to every participant. The key measurement factors also contribute to the final awards for the Embedded Value incentive.	
Key measurement scores of Group Excom for 2018	Ranged from 80% to 95%	
Maximum value of annual incentive earned and paid for 2018	9 Months	Group Excom
	6 Months	Excom
	6 Months	Members of Management
	The amounts are expressed as multiples of the monthly salaries.	
Changes for 2019	No significant changes are expected to this incentive during the next financial year.	

5.4.3 EV Scheme – Medium-term Incentive

Purpose	The medium-term incentive is calculated annually and paid over four years via an annual cash payment. The aim is to maximise growth in the Group's EV.
Participants	Life Excom, General Excom and Group Excom. A small portion of the pool is also allocated, on an ad-hoc basis, to members of management based on their strategic importance and performance during the year. This is done at the discretion of the Managing Director and subject to Group Remuneration Committee approval.
Operation	The EV incentive 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 is based on growth in EV, as certified by Clientèle's External 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 (hurdle rate) 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 is entitled to allocate 100% of the pool to the participants; however, this has not been done to date with such lesser amount allocated based on circumstances. Each participant's share in the pool is determined annually, it is then paid out in four equal 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 deducted from non-vested amounts earned but not yet paid.
Performance measures	Each participant's allocation within the pool is determined (on a provisional basis) at the beginning of the year. The ultimate allocation will be similar to the initial allocation; however, it may be adjusted upwards or downwards based on the individual's performance during the year. Performance is assessed both on financial and non-financial elements.
Maximum value of annual incentive for 2018	There is no specific cap, however, the quantum of the bonus pool and the amounts per individual are approved by the Group Remuneration Committee.
Changes for 2019	No significant changes are expected to this incentive during the next financial year.

Group Remuneration Report continued

5.4.4 Goodwill Scheme – Long-term Incentive

Purpose	The long-term incentive is calculated in five year cycles and is paid via 5 annual incentive payments. This Scheme is aimed at the creation of Value of Future New Business (i.e. value in excess of EV).
Participants	Group Excom
Operation	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. Amounts are payable over a five year period and are subject to criteria included in the Incentive Scheme. The cycle where payments are currently being made commenced on 1 July 2012, and ended on 30 June 2017 with the first payment made in August 2017. The next cycle commended on 1 July 2017 and ends on 30 June 2022. The Goodwill Scheme results in a pool being created as a consequence of the growth in the Value of Future New Business. This pool is calculated at the end of each 5 year cycle, as 7.5% x the difference between the VNB x 5 at the end of the period and the VNB x 5 at the beginning of the period. Participants in this Scheme currently receive a percentage of this pool based on their average percentage allocation to the EV Scheme 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 Group Remuneration Committee is entitled to allocate 100% of the pool to the participants; however, this has not been done to date with such lesser amount allocated based on circumstances.
Performance measures	The Goodwill allocation vests every fifth year, and the ultimate allocation is only calculated at the time of vesting. The allocation, per participant, is calculated as the average Medium-term Scheme allocation over the five years (or part thereof if the participant joined the Group Excom team during the 5-year period). The medium-term scheme performance is assessed on financial and non-financial factors.
Maximum value of annual incentive	There is no specific cap, however, the quantum of the bonus pool is approved by the Group Remuneration Committee. 51.58% of the pool was allocated when the current cycle came to an end on 30 June 2017.
Changes for 2019	No significant changes are expected to this incentive during the next financial year.

5.5 Excom Contracts of Service

All Excom members have employment contracts with notice periods ranging from 3 to 6 months.

The contracts do not provide for restraint of trade payments but this may be negotiated by the Group Remuneration Committee when necessary.

Upon resignation of an Excom member, all vested amounts relating to the EV and Goodwill Scheme incentives will be paid in accordance with the rules of the Incentive Schemes. All unvested short-term bonus benefits will be forfeited.

6. NON-EXECUTIVE DIRECTORS

6.1 Appointment of Non-executive Directors

The appointment of Non-executive Directors for the reporting period is a matter for the Board as a whole.

The Group Nominations Committee, established on 17 August 2017, is tasked with this function, in conjunction with the Board.

Non-executive Directors are subject to election by shareholders at the first AGM following their appointment according to the Board rotation plan.

Employment contracts are in place with all Non-executive Directors, setting out their responsibilities.

6.2 Non-executive Director Fees

The Managing Director and the Chairman of the Board recommend the Non-executive Director fees to the Group Remuneration Committee for approval subsequent to periodic input by external independent advisers regarding benchmark studies based on the same competitive group used for Executive Directors' remuneration.

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).

The performance of Non-executive Directors is assessed by Group Excom.

The Non-executive Director's fees are approved at the AGM.

6.3 NON-BINDING ADVISORY VOTE

Shareholders are requested to cast a non-binding advisory vote on part 2 of this Remuneration Report.

PART 3: IMPLEMENTATION OF POLICIES FOR THE FINANCIAL YEAR

1. GUARANTEED PAY ADJUSTMENTS FOR 2018

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.

The average increase across all levels of employees amounted to 5.9% and Excom's increase was at June 2018's consumer price index of 4.6%.

2. EV SCHEME

The principal actuarial assumptions used for estimating the obligation that relates to the EV Scheme are based on the EV assumptions and calculations as outlined in the Statement of Group EV (refer to pages 56 to 61).

Details of the pool as confirmed by the External Actuaries (QED Actuaries and Consultants), are as follows:

EV Scheme pool	2018	2017
Total pool (Rand)	32,849,000	42,885,000
Payment terms (years)	4	4
Hurdle rate (%)	13.70	13.60
Pool utilisation (%)*	89.45	90.58

* *Including 5.00% ad-hoc allocation to select members of management (2017: 4.75%).*

3. GOODWILL SCHEME

(Refer to Note 17 on pages 138 to 139).

Cycle 4 ending 30 June 2022	2018	2017
Expected VNB at the end of the cycle (R'000)	1,250,000	–
Total pool (R'000)	271,000	–
Expected pool utilisation (%)	75	–
VNB multiple	5	–
Payment term (years)	5	–

The principal details relating to the Goodwill Scheme have been confirmed by the External Actuaries (QED Actuaries and Consultants) and are as follows:

Cycle 3 ended 30 June 2017	2018	2017
Projected In-force business (R'000)*	846,258	N/A
Actual In-force business (R'000)	769,381	N/A
VNB at the end of the cycle (R'000)	527,184	527,184
Total Pool (R'000)	60,632	60,632
Expected pool Utilisation %	50.18	51.58
VNB multiple	5	5
Payment term (years)	5	5

* *Based on current demographic assumptions with economic assumptions as at 30 June 2017.*

The variables used in calculating and estimating the liability in respect of the Goodwill Scheme are subject to approval by the Group Remuneration Committee. Those variables, which are subjective in nature, have been set at levels which the Group Remuneration Committee deem to be fair and equitable to both shareholders and the participants. The variables used are changed over time as circumstances, Group performance and the economic environment change.

4. REMUNERATION OF EXECUTIVE DIRECTORS, GROUP EXCOM AND EXCOM

The table below summarises the remuneration packages of executives applicable for the 2018 financial year.

EARNED 2018

(R'000) Category	Number of individuals	Base salary**	Short-term Incentive	EV Scheme	Goodwill Scheme***	Total
Managing Director – BW Reekie*	1	3,044	1,452	5,423	–	9,919
Financial Director – IB Hume*	1	2,047	724	4,106	–	6,877
Director – B du Toit*	1	1,796	739	2,467	–	5,002
Balance of Group Excom#	8	12,907	2,935	9,276	–	25,118
Balance of Excom	13	15,512	2,441	6,471	–	24,424
Total	24	35,306	8,291	27,743	–	71,340

(R'000)	Base salary**	Short-term Incentive	EV Scheme	Goodwill Scheme	Total
Average Balance of Group Excom	1,613	367	1,160	–	3,140
Average Balance of Excom	1,193	188	498	–	1,879

VESTED 2018

(R'000) Category	Number of individuals	Base salary**	Short-term Incentive	EV Scheme	Goodwill Scheme***	Total
Managing Director – BW Reekie*	1	3,044	1,452	10,688	2,013	17,197
Financial Director – IB Hume*	1	2,047	724	7,752	1,504	12,027
Director – B du Toit*	1	1,796	739	4,395	1,028	7,958
Balance of Group Excom#	8	12,907	2,935	13,746	1,540	31,128
Balance of Excom	13	15,512	2,441	7,862	–	25,815
Total	24	35,306	8,291	44,443	6,085	94,125

(R'000)	Base salary**	Short-term Incentive	EV Scheme	Goodwill Scheme	Total
Average Balance of Group Excom	1,613	367	1,718	193	3,891
Average Balance of Excom	1,193	188	605	–	1,876

* *Months in office = 12.*
** *Including retirement, medical and other benefits.*
*** *The Goodwill Scheme has a 5 year cycle, 2017 was the 5th year of cycle 3, and 2018 is the first year of cycle 4.*
# *Includes a base salary for Mr LH Balcomb, who resigned on 31 March 2018.*

Group Remuneration Report continued

EARNED 2017

(R'000) Category	Number of individuals	Base salary**	Short-term Incentive	EV Scheme	Goodwill Scheme***	Total
Managing Director – BW Reekie*	1	2,896	2,341	7,252	10,065	22,554
Financial Director – IB Hume*	1	1,948	1,172	5,334	7,518	15,972
Director – B du Toit*	1	1,708	1,123	3,414	5,139	11,385
Balance of Group Excom	8	12,386	4,946	12,902	8,549	38,784
Balance of Excom	12	13,231	3,046	8,019	–	24,296
Total	23	32,169	12,628	36,921	31,271	112,989

(R'000)	Base salary**	Short-term Incentive	EV Scheme	Goodwill Scheme	Total
Average Balance of Group Excom	1,548	618	1,613	1,069	4,848
Average Balance of Excom	1,103	254	668	–	2,025

VESTED 2017

(R'000) Category	Number of individuals	Base salary**	Short-term Incentive	EV Scheme	Goodwill Scheme***	Total
Managing Director – BW Reekie*	1	2,896	2,341	12,293	2,013	19,543
Financial Director – IB Hume*	1	1,948	1,172	8,990	1,504	13,614
Director – B du Toit	1	1,708	1,123	5,519	1,028	9,378
Balance of Group Excom	8	12,386	4,946	14,883	1,710	33,925
Balance of Excom	12	13,231	3,046	7,075	–	23,352
Total	23	32,169	12,628	48,760	6,255	99,812

(R'000)	Base salary**	Short-term Incentive	EV Scheme	Goodwill Scheme	Total
Average Balance of Group Excom	1,548	618	1,860	214	4,240
Average Balance of Excom	1,103	254	590	–	1,947

* *Months in office = 12.*
** *Including retirement, medical and other benefits.*
*** *The Goodwill Scheme has a 5 year cycle, 2017 is the 5th year of cycle 3.*

5. REMUNERATION OF NON-EXECUTIVE DIRECTORS

EARNED AND PAID 2018 – EXCLUSIVE OF VAT

Name	Months in office	Directors fees R'000	Total emoluments R'000
PR Gwangwa	12	457	457
BY Mkhondo	12	548	548
D Molefe	12	457	457
GQ Routledge	12	2,762	2,762
BA Stott	12	1,616	1,616
RD Williams	12	937	937
PG Nkadimeng	12	NIL	NIL
ADT Enthoven	12	NIL	NIL
Total		**6,777**	**6,777**

EARNED AND PAID 2017 – EXCLUSIVE OF VAT

Name	Months in office	Directors fees R'000	Total emoluments R'000
PR Gwangwa	12	435	435
BY Mkhondo	12	435	435
D Molefe	12	435	435
GQ Routledge	12	2,628	2,628
GJ Soll*	2	315	1,186
BA Stott	12	1,538	1,538
RD Williams	12	891	891
PG Nkadimeng	4	NIL	NIL
ADT Enthoven	12	NIL	NIL
Total		6,677	7,548

* *The remuneration in respect of Mr GJ Soll includes bonuses of R870,750 which accrued in 2014 on his retirement as an Executive Director and was paid in 2017.*

6. INCREASE IN NON-EXECUTIVE DIRECTOR FEES

Refer to Special Resolutions 1 and 2 in the Notice of AGM, detailing the increase in Non-executive Directors' fees (pages 155 to 156).

7. INTERESTS OF DIRECTORS, INCLUDING THEIR FAMILIES, IN THE SHARE CAPITAL OF CLIENTÈLE LIMITED

2018

Name	Beneficial direct	Indirect	Associates	Total
GQ Routledge	300,000	2,565,794	79,013	2,944,807
BA Stott	20,000	45,000	32,000	97,000
IB Hume	106,000	1,068,887	53,400	1,228,287
B du Toit	–	776,951	–	776,951
BW Reekie	120,000	2,156,406	–	2,276,406
Total	**546,000**	**6,613,038**	**164,413**	**7,323,451**

2017

Name	Beneficial direct	Indirect	Associates	Total
GQ Routledge	300,000	2,565,794	79,013	2,944,807
BA Stott	20,000	45,000	32,000	97,000
IB Hume	106,000	1,068,887	53,400	1,228,287
B du Toit	–	776,951	–	776,951
BW Reekie	120,000	2,156,406	–	2,276,406
Total	546,000	6,613,038	164,413	7,323,451

8. VOTING ON REMUNERATION

In the event that either the Remuneration Policy or the Implementation Report, or both, are voted against by 25% or more of the voting rights exercised at the AGM, the Board will:

- disclose in the voting results announcement, an invitation for dissenting shareholders to engage with the Board;
- detail the manner and timing of such engagement;
- engage with dissenting voters to ascertain the reasons for the dissenting votes;
- appropriately address legitimate and reasonable objections and concerns raised;
- amend the Group Remuneration Policy and/or Implementation Report, if necessary; and
- record in next year's Group Remuneration Report, the details and results of such engagements, and the steps taken to address legitimate and reasonable objections and concerns.

Group Social and Ethics Report

1. INTRODUCTION

The Group Social and Ethics Committee is a sub-committee of the Board that assists the Board to monitor the Group's activities with respect to legislation and the respective codes of best practice, with the aim of promoting the highest standards of compliance and ethical conduct.

It was established in terms of section 72(4) of the Companies Act read with Regulation 43 of the Companies Regulations. The Committee is chaired by an Independent Non-executive Director; its other three members are an Independent Non-executive Director and two Executive Directors. The Committee meets quarterly. Its scope includes social and economic development, good corporate citizenship, the environment, health and public safety, consumer relationships, labour and employment.

In addition to ensuring that the Group conducts its business in compliance with legislation and various codes of best practice as stated above, the Committee also ensures that it does so in conformance with Clientèle's values of respect, customer excellence, passion, integrity and teamwork, as well as staying true to Clientèle's purpose of "safeguarding your world… with compassion".

THE FOLLOWING ARE THE GROUP'S SOCIAL AND ETHICS PILLARS:

- EMPLOYEES
- CLIENTS
- ETHICS AND COMPLIANCE
- STAKEHOLDERS
- SOCIAL IMPACT

2. EMPLOYEES

The Group's talent management approach has been to develop and retain the right talent for the business, and to strengthen the talent pipeline. The training spend is testament to this. Clientèle regularly checks the composition and nature of the talent pool to ensure that it still meets the demands required to provide optimal service to its clients and it reviews its remuneration structure to ensure that it matches the changes in the industry.

An Internship programme for unemployed youth is successfully implemented across the Group. Clientèle has further committed to "YES", a social compact between government, business and labour, to improve the employment prospects of South Africa's youth in order to access job opportunities.

Incremental progress relating to the transformation agenda has also been made, with the Group meeting its employment equity targets, and in some cases exceeding them. All new senior manager positions were filled with EE candidates.

The recognition of top achievers through the Annual Awards, promotions and departmental events throughout the year keeps employees engaged and motivated to achieve more, whilst on the other hand inspiring other employees as well. Annual climate surveys are done as a dipstick to the level of staff engagement in the Group. The results are discussed and implemented at various levels within the Group.

Where discipline was being instilled, the Committee was satisfied that the correct procedures were followed, and that the sanction was fair and reasonable; but also, that there was constant communication and education to teach the right behaviour.

There is ongoing training to ensure staff development and consistency in knowledge standards which will enrich the clients' experience and service provided. Industry regulations that were introduced by the Regulator for the protection of clients, such as the Fit and Proper rules, were seamlessly integrated into the Group, as they are already in line with and strengthen the Group's values and client-centricity. The people processes, organisational culture and values of Clientèle are also inculcated into all acquired businesses, to ensure uniformity and value for the clients.

Group Social and Ethics Report continued

In terms of Section 22 of the Employment Equity Act of South Africa, herewith is a summary of the Group's Employment Equity Report in respect of its operations in South Africa at 30 June 2018:

Occupational Levels	AM		AF		CM	CF	IM	IF	WM	WF	Total
	SA	Foreign	SA	Foreign	SA	SA	SA	SA	SA	SA	2018
Top management	4	0	1	0	0	0	3	2	7	5	**22**
Senior management	3	2	2	0	2	2	3	1	3	8	**26**
Managers	2	0	3	2	1	6	1	5	11	15	**46**
Assistant Managers	13	2	6	0	4	6	3	4	12	6	**56**
Supervisors	34	1	24	2	5	7	7	11	8	5	**104**
Skilled Employees	35	0	46	0	4	9	8	12	15	14	**143**
Semi-Skilled	691	1	932	2	25	48	16	8	8	10	**1,741**
Unskilled	5	1	10	0	1	0	0	0	0	0	**17**
Learnership	4	0	4	0	0	0	0	0	0	0	**8**
Temporary Employees	2	0	5	0	0	1	0	0	0	0	**8**
Total	793	7	1,033	6	42	79	41	43	64	63	**2,171**
Actual %	36.53%	0.32%	47.58%	0.28%	1.93%	3.64%	1.89%	1.98%	2.95%	2.90%	**100%**

A = African, C = Coloured, I = Indian, W = White, M = Male, F = Female.

2.1 Transformation at Clientèle Board level

Over the last couple of years, Clientèle has focused on improving the racial and gender representation at the Group Board level. In the last two years, progress was made in the following areas:

- From 20% to 36% female representation. The female Directors also serve as Board members of the Subsidiaries of the Group. The voluntary target for female representation of 39% by 30 June 2020 has been set by the Group Nominations Committee.
- From 27% to 36% black representation. The voluntary target for black representation of 42% by 30 June 2020 has been set by the Group Nominations Committee.

Clientèle is committed to increasing race and gender diversity when opportunities arise as a result of replacements or expansion at the Board level.

3. CLIENTS

Clientèle's suite of Ultimate products, which pays back all the premiums in addition to the cover amount, is one that Clientèle is extremely proud of; it has changed the insurance industry and has provided good value for its clients, living up to the Group's Vision. Clientèle has continued to bring value to its clients through the design of new products such as the Estate and Credit Life products.

Clientèle has put in place measures to ensure consistent, efficient and relevant communication with clients across the client life cycle, to ensure that we Treat Clients Well (TCW) and that the Group lives its Vision and Brand Purpose. In TCW, three critical items are measured: a) the ease of access to Clientèle, b) how well Clientèle treats its clients, and c) how complaints are handled. This, it does through regular customer feedback surveys such as the C4C and the NPS surveys, which are used to get to know clients and to measure client satisfaction in terms of agent interaction when they get sold a product, dealing with policy queries and administration and when they claim. The insights gained from these surveys are used to inform product design, process design and communication strategy. Since organisational culture and training play a big role in client-centricity, daily coaching and training are also done to improve client service and interaction, and to infuse empathy in such interactions. Self-service portals have also been put in place to ensure speedy resolution of queries.

The Group also has measures (IT governance policies and tools) in place to safeguard the confidentiality and security of its policyholders' private information.

4. ETHICS AND COMPLIANCE

Part of the Committee's mandate is to ensure that the Group abides by current new applicable insurance and other legislation, and that it is a good corporate citizen. This mandate is fulfilled through its oversight of the Group's Compliance function, including interactions with the various regulatory authorities and the Ombudsman. The Committee also checks that these are communicated and implemented Group-wide.

The Committee further monitors the Group's anti-fraud and corruption policies and practices, including its whistleblowing policy and platforms; ensuring, in particular that these are communicated to staff and their use is encouraged.

Where there has been internal fraud identified, for example in respect of the funeral and/or hospital policies, the Committee is satisfied that the fraudulent activities have received the right corrective response and actions from the Group.

The Committee also ensures that ethics are at the core of the Group's business processes – starting with the design, of a product, throughout the product lifecycle from the sale of the product up to and including the processing of a claim and submitting of complaints. The Committee's approach in monitoring the Group's activities has been to ensure that not only does the Group act in a legal and compliant manner, but that its policies and practices are ethical as well.

5. STAKEHOLDERS AND REPUTATION

During the period under review, the Group found itself in the unfortunate situation where it was mentioned by the Department of Labour (DoL) as one of the companies that was found to have breached employment equity legislation. This was unfortunate as the breach related to form and not substance as it entailed an error in omission to submit a plan that was in fact in existence. The lesson learnt from this incident was that Clientèle reviewed its protocols with respect to communication and engagement with outside stakeholders and its quality check procedures. Whilst the initial engagement happened in the glare of the media, the resultant engagement and resolution was with the DoL and it was satisfactory for both parties, with Clientèle having been given an opportunity to demonstrate how it has progressed employment equity.

There are various other touchpoints with different stakeholders and the Committee has oversight of these to ensure that their needs are serviced and that the Group's reputation is safeguarded.

The Committee also monitors the Group's advertisements, to ensure that they carry the right messages and are not harmful to the public. Where complaints have been received from members of the public relating to its advertisements, these have been properly adjudicated by the relevant authorities and Clientèle acted appropriately, in accordance with those rulings.

6. CLIENTÈLE'S SOCIAL IMPACT

The Group reviewed its corporate social responsibility initiatives to measure how well we scored against the UN Global Compact; the extent to which we were aligned to the core business and therefore mutually beneficial and created shared value for all stakeholders; whether we have sustainable impact; and whether we advance the social and economic conditions in the communities in which we operate. Following this, Clientèle formulated its social impact strategy whose objectives are to:

- empower, educate and safeguard people's lives in South Africa;
- solidify compassion such that it pulls through in all business areas;
- use the Group's existing and latent mutually beneficial partnerships to participate and facilitate social upliftment initiatives; and
- increase employee engagement and involvement in such initiatives.

These initiatives include financial resilience flagship programmes, youth education sponsorships, executive donations, employee-giving and volunteering campaigns as well as partnership programmes. Central to all these programmes is their social impact on the communities in which Clientèle operates.

The following CSI initiatives were embarked upon during the year:

Education:

We currently have 27 students on our bursary scheme.

- 11 new students were offered bursaries in 2018;
- 7 students graduated at the end of the 2017 academic year;
- the bursary covers tuition fees, books, accommodation and equipment for the 27 recipients; and
- the mentorship programme has been well accepted by the students as a support structure to them during their tertiary studies period.

In celebration of youth month, we hosted the annual youth day event for grade 11 and grade 12 learners.

Donations:

The charities and orphanages that we continue to support through donations included:

- Sithabile Child and Youth Centre in Benoni;
- Ekupholeni Trauma Centre in Katlehong;
- Okwethu Community Centre in Katlehong; and
- Abanqobi-tingwazi Community Centre for poverty alleviation projects in Orange Farm.

Employee giving and volunteerism:

- 450 pairs of school shoes were donated to primary schools; and
- winter necessities were collected and donated from staff to homes and orphanages around Johannesburg.

Internship programme: solving the unemployment challenge one graduate at a time

We ran a 12-month internships programme in the following areas:

- Legal Department; and
- Client Services.

We have absorbed all the interns as permanent staff after completion of their internship period. We will be expanding our intern intake in the 2019 financial year.

Looking ahead, we have been exploring how to take Clientèle's footprint to the next level of social impact. Through internal workshops with various stakeholders, we are exploring using some elements of our CSI mandate as a corporate vehicle to drive consumer education that is directly beneficial to our clients and the overall consumer market. Further research will be undertaken at the beginning of the 2019 financial year to articulate the consumer education flagship offering.

7. CONCLUSION

The Committee is satisfied that the Group has achieved its objectives of delivering satisfactory financial performance to its shareholders, value to its clients and policyholders as well as to its employees and the society at large. The Committee is also satisfied that the Group conducts its activities in an ethical manner.

PR Gwangwa
Chairperson of the Group Social and Ethics Committee

14 September 2018

Report of the Group Audit Committee

for the year ended 30 June 2018

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. The members of the Group Audit Committee were appointed at the AGM held on 26 October 2017. Further duties are delegated to the Group Audit Committee by the Boards of the Companies in the Group. This report covers both these sets of duties and responsibilities.

For the year under review, the FSB approved an exemption to appoint separate Audit Committees for Clientèle Life and Clientèle General.

1. GROUP AUDIT COMMITTEE TERMS OF REFERENCE

The Group Audit Committee has adopted its formal Terms of Reference that have been approved by the Board and are reviewed annually. The Group Audit Committee has conducted its affairs in compliance with its Terms of Reference and has discharged the responsibilities contained therein.

2. GROUP AUDIT COMMITTEE MEMBERS, MEETINGS AND ASSESSMENT

The Group Audit Committee is Independent and consists of three Independent Non-executive Directors, subsequent to the resignation of Mr GQ Routledge on 10 August 2017. It meets at least four times a year as required by its Terms of Reference.

The Group Chairman, Group Managing Director, Group Financial Director, Chief Risk Officer, CAE, External Auditors and other assurance providers attend meetings by invitation only.

During the year six meetings were held.

Members	Number of meetings held	Number attended
BA Stott (Chairperson)	6	6
RD Williams		6
GQ Routledge (resigned as member on 10 August 2017)		1 of 1 as Member 5 of 5 as Invitee
D Molefe		5 of 6

The experience and qualifications of the members of the Group Audit Committee are set out on pages 65 to 67.

The Chairman of the Group Audit Committee attended the AGMs held during this reporting period. The effectiveness of the Group Audit Committee and its members is assessed on a biennial basis. The most recent assessment carried out did not highlight any significant matters 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, Insurance Act (effective 1 July 2018), JSE Listing Requirements and further responsibilities assigned to it by the Board.

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

External Auditor

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.

Report of the Group Audit Committee continued

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 approved the Group engagement letter, and budgeted fees for the 2018 financial year and actual audit fees for the 2017 financial year.

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 approved the fees paid for non-audit services up to the date of the report.

The Group Audit Committee has nominated, for election at the next AGM, PricewaterhouseCoopers Inc. 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 2019 financial year. In terms of section 92 of the Companies Act, the designated Auditor is required to rotate every five years. In terms of this Act, Mrs Alsue du Preez is required to rotate after the 2019 financial year-end audit. 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.

Group Annual Financial Statements, Group Preliminary Results and Accounting Practices

The Group Audit Committee has reviewed the accounting policies, the condensed Group results for the six months to 31 December 2017, the preliminary Group results for the year ended 30 June 2018 and the Group Annual Financial Statements for the year ended 30 June 2018 and is satisfied that they are appropriate and comply with IFRS. A formal written report to the Committee on estimates and judgments used in the preparation of the Group Annual Financial Statements was reviewed and approved.

The Group Audit Committee was satisfied that issues identified in the report on pro-active monitoring of Group Annual Financial Statements, issued by the JSE during the year, were complied with where relevant. Furthermore, the Group received a report on the JSE's review of the Group's 2017 Annual Financial Statements. No significant findings were identified and suggestions for improvements have been included in the 30 June 2018 Group Annual Financial Statements.

The dividend for the year was considered by the Group Audit Committee and recommended to the Board for approval.

The Group Annual Financial Statements have been 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, GIA or the content or audit of the Group 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 32. The Board Report on the Effectiveness of Internal Controls is included on page 31.

3.2 Duties Assigned by the Board

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

Integrated Reporting

The Group Audit Committee fulfils an oversight role regarding the Group's Integrated Annual Report. The Group's Integrated Annual Report for the year ended 30 June 2018 was reviewed and approved by a sub-committee appointed by the Group Audit Committee 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 pages 30 and 62.

Governance of Risk

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 risk as it relates to financial reporting.

Governance of Compliance

The Group Audit Committee receives and considers reports by GIA on the effectiveness of the Group's compliance policies and effectiveness of the compliance function.

The Group Compliance Officer formally reports to the Group Audit Committee at each Group Audit Committee meeting on laws and regulations impacting the business of the Group and on the results of identification of compliance risks, assessment of the risks and monitoring and reporting of the results of this analysis.

The Group Audit Committee was satisfied with the governance of compliance.

All legal matters which could impact on the Group Annual Financial Statements and the Integrated Annual Report are considered by the Group Audit Committee at each of its meetings.

GIA

The Group Audit Committee is responsible for ensuring that GIA 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 GIA and the External Auditors, and serves as a link between the Board and these functions.

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

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

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

The current CAE is Mr Ryan Prettirajh, subsequent to the resignation of Mrs Cronje and Mr Chideya.

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 CAE without management being present.

External Auditors

A primary function of the Group Audit Committee is overseeing the relationship and performance of the External Auditors.

The External Audit plan was reviewed and approved and the results of the External Audit in accordance with the plan, were discussed with the External Auditors. In particular the key audit matters as set out in the External Auditor's Report on the Group Annual Financial Statements were agreed and the results of the audit on these matters reviewed. The External Auditor's Report is set out on pages 77 to 81.

The quality of the External Auditor's work was assessed by continuous engagement with the Designated Auditor throughout the year and considering the results of formal surveys completed by members of the Group Audit Committee and management on the performance of the External Auditors. The Group Audit Committee also received and considered a written report on the quality control procedures implemented by the firm. The results of external quality reviews on the firm and on the Designated Auditor were received and considered. The Group Audit Committee was satisfied with the quality of the firm and the quality of the audit for the year.

The Group Audit Committee reviewed the Group Management Representation letter and authorised the Group Financial Director to sign the letter.

The Group Audit Committee met with the External Auditors without management being present. The Chairman of the Group Audit Committee also met with the designated External Auditor informally throughout the year.

Report of the Group Audit Committee continued

Combined Assurance

GIA is the custodian of Combined Assurance. GIA, in conjunction with management, has compiled a matrix of risks in the Group's business and mitigating action to manage the impact of the risks on the business. The model reflects the level of assurance provided by the five lines of defence. The risks are those identified through the Group's risk management processes.

The model has been reviewed by the Group Audit Committee and the Committee is satisfied with the level of assurance provided by the five lines of defence and the overall adequacy of assurance.

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 experience of the senior members of management responsible for the financial function.

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

Mr BA Stott
Chairman: Group Audit Committee

14 September 2018

Statement of Group Embedded Value

for the year ended 30 June 2018

1. INTRODUCTION

The following is a summary of the EV results for the Group for the 12 months ended 30 June 2018, together with the comparative figures for the year ended 30 June 2017. The results in this statement pertaining to the year ended 30 June 2018 comply with the Actuarial Guidance Note APN107 version 7.

The calculations are performed by the Clientèle Internal Actuarial Department, reviewed by the Group Actuary, and 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 values of subsidiaries were 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, removal of an intangible asset, 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 2018.

The CoC is the opportunity cost of having to hold assets to cover the Required Capital of R474.3 million as at 30 June 2018.

2. COVERED BUSINESS

All material business written by the Group has been covered by EV methodology as outlined in the APN107 of ASSA, 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; and
- Legal business, where EV Methodology has been used to determine future shareholder entitlements.

Statement of Group Embedded Value continued

3. ADJUSTED NET WORTH

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

(R'000)	Year ended 30 June 2018	Year ended 30 June 2017
Total equity and reserves per SOFP	**1,129,667**	1,015,996
Adjusted for Deferred Profits and impact of Compulsory Margins on Investment Business (net impact after tax)	**33 792**	29,326
Adjusted for minority interests		(282)
Adjusting subsidiaries to Net Asset Value	**33 123**	33,583
Reversal of Switch2 intangible asset	**(9 193)**	
SAR and Bonus Rights Schemes adjustment	**(26 434)**	(20,907)
ANW	**1 160 955**	1,057,716

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 2018 was 2.44 (30 June 2017: 2.43) on the SVM.

Clientèle General Insurance's statutory CAR cover ratio at 30 June 2018 was 1.47 (30 June 2017: 1.44) on the SVM.

4. EV OF COVERED BUSINESS

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

(R'000)	Year ended 30 June 2018	Year ended 30 June 2017
Required Capital	**474,317**	425,232
Free Surplus	**686,638**	632,484
ANW of covered business	**1,160,955**	1,057,716
CoC	**(108,092)**	(84,267)
PVIF	**5,268,725**	4,858,112
EV of covered business	**6,321,588**	5,831,561

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

(cents)	Year ended 30 June 2018	Year ended 30 June 2017
EV per share	**1,888.69**	1,745.96
Diluted EV per share	**1,885.45**	1,739.15

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 2018 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, reinstated 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 Schemes and after adjustment for non-controlling interests), for the year ended 30 June 2018 (RDR: 12.40% p.a.), as well as the year ended 30 June 2017 (RDR: 12.20% p.a.) are as follows:

(R'000)	Year ended 30 June 2018	Year ended 30 June 2017
Total VNB	**463,299**	539,623
CoC for New Business	**(15,318)**	(12,439)
Total VNB net of Cost of Capital	**447,981**	527,184
Present Value of New Business premiums	**3,747,458**	2,466,148
New Business profit margin %	**12.0**	21.4
New Business profit margin (exclude single premium investment business) %	**18.3**	23.2

The Present Value of New Business premiums has increased due to a significant increase in single premium investment business written over the period. The relatively low profit margin on this block of business has resulted in a marked decrease in the overall New Business profit margin.

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

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% p.a.

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 2018 was 12.40% p.a.

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

%	Year ended 30 June 2018	Year ended 30 June 2017
RDR	**12.4**	12.2
Non-unit investment return	**8.9**	8.7
Unit investment return	**10.0**	9.7
Expense inflation	**6.1**	6.1
Corporate tax	**28.0**	28.0

Statement of Group Embedded Value continued

7. OTHER BUSINESS ASSUMPTIONS

Assumptions for mortality, withdrawal and expenses were derived from experience investigations based on the 12 – 24 months preceding the Valuation date. Adjustments were made to the assumptions for withdrawals and mortality based on this investigation. Renewal expenses were increased by assumed inflation.

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 2018				
Long-term insurance	**850,823**	**4,220,656**	**(78,395)**	**4,993,084**
Short-term insurance	**218,497**	**1,042,067**	**(29,697)**	**1,230,867**
Other	**91,635**	**6,002**		**97,637**
Total	**1,160,955**	**5,268,725**	**(108,092)**	**6,321,588**
30 June 2017				
Long-term insurance	774,375	3,963,841	(57,575)	4,680,641
Short-term insurance	187,134	887,721	(26,692)	1,048,163
Other	96,207	6,550		102,757
Total	1,057,716	4,858,112	(84,267)	5,831,561

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

(R'000)	Year ended 30 June 2018	Year ended 30 June 2017
Long-term insurance	**339,162**	408,763
Short-term insurance	**108,203**	117,321
Other	**616**	1,100
Total	**447,981**	527,184

9. SENSITIVITIES – EV

The table below illustrates the effect of the different assumptions on the EV (net of company tax) at a RDR of 12.40% p.a. (unless otherwise specified):

(R'000)	ANW	Value of in-force Business	Cost of Capital	EV	% of Main Basis
Main Basis	1,160,955	5,268,725	(108,092)	6,321,588	
1% increase in RDR	1,160,955	4,941,609	(124,911)	5,977,652	94.6
2% increase in RDR	1,160,955	4,648,819	(140,261)	5,669,513	89.7
4% increase in RDR	1,160,955	4,187,864	(167,269)	5,181,550	82.0
1% decrease in RDR	1,160,955	5,634,526	(89,588)	6,705,893	106.1
2% decrease in RDR	1,160,955	6,123,593	(69,083)	7,215,465	114.1
Previous year RDR (12.2%)	1,160,955	5,339,978	(104,532)	6,396,401	101.2
Assuming a 10% decrease in the following:					
– Future expenses	1,160,955	5,314,834	(108,119)	6,367,669	100.7
– Policy discontinuance rate	1,160,955	5,791,761	(115,421)	6,837,295	108.2
5% decrease in Claims (and reinsurance rates) experience	1,160,955	5,341,970	(110,077)	6,392,847	101.1
Investment return less 1%	1,160,955	5,252,026	(108,070)	6,304,912	99.7
Inflation plus 1%	1,160,955	5,246,488	(107,706)	6,299,737	99.7
Assuming a once-off 10% reduction in the value of equity holdings	1,130,358	5,271,179	(107,052)	6,294,484	99.6

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) requires the change in reserving basis to be considered in conjunction with the change in assumptions):

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

10. SENSITIVITIES – VNB

The table below illustrates the effect of the different assumptions on the VNB (including reinstatements) at a RDR of 12.40% p.a. (unless otherwise specified):

(R'000)	VNB (after expense loss)	% of Main Basis
Main Basis	447,981	
Initial Expenses less 10%	505,354	112.8
Renewal Expenses less 10%	457,431	102.1
Inflation plus 1%	446,020	99.6
Investment return less 1%	447,195	99.8
Claims (and reinsurance rates) less 5%	459,705	102.6
Withdrawals less 10%	668,312	149.2
RDR of 10.40%	585,162	130.6
RDR of 11.40%	511,244	114.1
RDR of 12.20%	459,721	102.6
RDR of 13.40%	394,216	88.0
RDR of 14.40%	349,291	78.0
RDR of 16.40%	272,029	60.7
RDR of 17.40%	252,052	56.3

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:

	Year ended 30 June 2018				Year ended 30 June 2017
(R'000)	ANW	PVIF	CoC	EV	EV
Closing EV	1,160,955	5,268,725	(108,092)	**6,321,588**	5,831,561
Opening EV	1,057,716	4,858,112	(84,267)	**5,831,561**	5,230,643
Dividends	(384,261)			**(384,261)**	(331,897)
Adjusted EV at the beginning of the year	**673,455**	**4,858,112**	**(84,267)**	5,447,300	**4,898,746**
EV earnings	**487,500**	**410,613**	**(23,825)**	874,288	**932,815**
Impact of once-off economic assumption changes	(3,806)	63,779	8,005	**67,978**	6,196
Impact of once-off debit order submission failure*	4,320	15,000		**19,320**	–
Reversing impact of Switch2 purchase and costs	17,544	(111)		**17,433**	–
Recurring EV earnings	505,558	489,281	(15,820)	**979,019**	939,011
Recurring Return on EV				**18.0%**	19.2%
ROEV				**16.0%**	19.0%

* *Impact of an operational breakdown at a service provider responsible for the monthly processing of policyholder premiums.*

Statement of Group Embedded Value continued

	Year ended 30 June 2018				Year ended 30 June 2017
(R'000)	ANW	PVIF	CoC	EV	EV
Components of EV earnings					
VNB	(452,000)	915,299	(15,318)	**447,981**	527,184
Expected return on covered business		594,001	12,927	**606,928**	553,610
Expected profit transfer	922,667	(922,667)		**–**	–
Withdrawal and unpaid premium experience variance	(12,425)	(66,802)	(2,407)	**(81,634)**	(99,458)
Other changes in non-economic assumptions and modelling	29,773	(62,915)	(10,807)	**(43,949)**	(85,410)
Claims and reinsurance experience variance	3,420			**3,420**	2,920
Sundry experience variance	(7,735)	(3,594)		**(11,329)**	(195)
Expected return on ANW	73,470			**73,470**	59,945
Set-up costs for new ventures	(6,087)			**(6,087)**	–
YTI guarantee costs	(4,461)			**(4,461)**	–
SAR and Bonus Rights Schemes	3,460			**3,460**	24,087
Goodwill and EV Schemes	(41,915)	35,959		**(5,956)**	(12,785)
Benefit enhancements				**–**	(7,622)
EV operating return	**508,167**	**489,281**	**(15,605)**	**981,843**	**962,276**
Investment return variances on ANW	(2,609)	–	(215)	**(2,824)**	(23,265)
Recurring EV earnings	**505,558**	**489,281**	**(15,820)**	**979,019**	**939,011**
Effect of economic assumption changes	3,806	(63,779)	(8,005)	**(67,978)**	(6,196)
Impact of once-off debit order submission failure*	(4,320)	(15,000)		**(19,320)**	–
Reversing impact of Switch2 purchase and costs	(17,544)	111		**(17,433)**	–
EV earnings	**487,500**	**410,613**	**(23,825)**	**874,288**	**932,815**

* *Impact of an operational breakdown at a service provider responsible for the monthly processing of policyholder premiums.*

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.

Mr AA Faurè, FASSA
Consulting Actuary
Fellow of the Actuarial Society of South Africa

14 September 2018

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 28 to 30.

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 2018, prepared in accordance with IFRS, were approved by the Board on 14 September 2018 and signed on its behalf by:

Mr GQ Routledge
Chairman

Mr BW Reekie
Managing Director

14 September 2018

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 2018

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 2018.

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 and invests funds derived therefrom and accounts for the majority of the Group's earnings and assets. The Group also provides personal and business lines legal insurance policies underwritten through Clientèle General Insurance, its short-term insurance subsidiary.

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

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 Group Annual Financial Statements and notes thereto on pages 82 to 152. An ordinary dividend of 125 cents per share (2017: 115.00 cents per share) was declared on 16 August 2018. The dividend will be paid on Tuesday, 25 September 2018.

To comply with the procedures of Strate Limited, the last day to trade in the shares for purposes of entitlement to the dividend is Tuesday, 18 September 2018. The shares commences trading ex dividend on Wednesday, 19 September 2018 and the record date will be Friday, 21 September 2018.

Share certificates can not be dematerialised or rematerialised between Wednesday, 19 September 2018 and Friday, 21 September 2018, 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 2018	30 June 2017	% change
Financial position			
Total assets (R'm)	**4,721**	3,293	43.4
Net asset value per share (cents)	**337.51**	304.19	10.9
Return on shareholders interest (%)	**48**	53	–
Operating results			
Insurance premium revenue (R'm)	**2,199**	2,003	9.8
Profit before tax (R'm)	**679**	642	5.8
Tax (R'm)	**189**	176	7.4
Net profit attributable to ordinary shareholders of the Group (R'm)	**490**	467	4.9
Diluted EPS (cents)	**146.24**	139.12	5.1
Diluted headline EPS (cents)	**146.83**	139.06	5.6
Dividend per share: Declared (cents)	**125.00**	115.00	8.7

The Holding Company's interest in the aggregate profits earned after tax, by the subsidiaries amounted to R490 million (2017: R467 million).

Report of the Directors continued

Headline earnings per share

Headline earnings per share increased by 5% from 140.29 cents to 147.22 cents.

(R'000)	Group 2018	Group 2017
Reconciliation of earnings to headline earnings		
Net profit attributable to ordinary shareholders	**490,302**	466,498
Add: Impairment of intangible assets	**2,177**	–
Less: (profit) on disposal of fixed assets	**(175)**	(207)
Headline earnings	**492,304**	466,291
Diluted weighted ordinary shares in issue		
Ordinary shares in issue (000's)	**334,708**	334,003
Weighted average ordinary shares in issue (000's)	**334,392**	332,381
Adjustment for dilution due to SAR and Bonus Rights Schemes (000's)	**950**	2,931
Diluted average ordinary shares in issue (000's)	**335,282**	335,312
Diluted earnings per share (cents)	**146.24**	139.12
Diluted headline earnings per share (cents)	**146.83**	139.06

3. SHARE CAPITAL

704,368 shares were issued (2017: 2,197,380) at a nominal value of R14,087.36 (2017: R43,947.60) during the year as part of the SAR and Bonus Rights Schemes. The share capital as at 30 June 2018 is as follows:

(R'000)	Group 2018	Group 2017
Authorised:		
750,000,000 (2017: 750,000,000) ordinary shares of 2 cents each	**15,000**	15,000
Issued:		
334,707,747 (2017: 334,003,379) ordinary shares of 2 cents each	**6,694**	6,680

4. PARENT COMPANY

Clientèle's Parent Company is Friedshelf 1577 Proprietary Limited, which is incorporated in South Africa, through the holding of voting rights (indirectly) of 78.39% of the issued share capital (refer to Note 11 on pages 130 to 131: Share capital and premium).

5. DIRECTORS AND SECRETARY

The following people acted as Directors during the year:

Name and qualification	Appointed as Director of Clientèle
Gavin Quentin Routledge – BA, LLB	31 January 2008
Adrian Domonic t'Hooft Enthoven – BA Hons in Politics, Philosophy and Economics, PhD (Political Science)	5 March 2008
Brenda-Lee du Toit (previously Frodsham) – BCom	31 January 2008
Iain Bruce Hume – CA(SA), ACMA	31 January 2008
Basil William Reekie – BSc(Hons), FASSA	31 January 2008
Barry Anthony Stott – CA(SA)	4 January 2010
Pheladi Raesibe Gwangwa – BProc, LLB, LLM	4 January 2010
Robert Donald Williams – BBusSc(Hons), FASSA	1 January 2013
Bonge Yandiswa Mkhondo – BCom, MBA	1 January 2016
Dineo Molefe – CA(SA)	1 March 2016
Phethedi Gideon Nkadimeng – BSc (Statistics and Economics)	1 March 2017

Gavin Quentin Routledge, 62, *(Independent Non-executive Chairman), BA, LLB*
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. Prior to that he was a partner at Webber Wentzel, specialising in commercial law and cross border transactions.

Basil William Reekie, 45, *(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, 49, *(Non-executive Director), BA Hons in Politics, Philosophy and Economics, PhD in Political Science.*
Dr Adrian Enthoven is Executive Chairman of Yellowwoods, a private investment group. He is responsible for the African portfolio of financial services, hospitality and wine investments. He serves on the boards of the Group's South African based businesses. He is also involved in various projects and initiatives in youth employment, education, social justice and the arts. He is a Board member of Citizens ZA, the African Leadership Initiative and Business Leadership South Africa, and a Trustee of Spier Arts Trust and WWF South Africa. He was educated at Michaelhouse School and at Oxford University.

Brenda-Lee du Toit (previously Frodsham) 46, *(Executive Director), BCom*
Mrs Brenda-Lee du Toit (previously 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, 51, *(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 20 years of experience in the banking and insurance industries. Mr Hume has been with the Group since 2000.

Barry Anthony Stott, 69, *(Independent Non-executive Director), CA(SA)*
Mr Barry Stott was previously a senior partner of PricewaterhouseCoopers Inc. 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 and member of the Investment Committee.

Pheladi Raesibe Gwangwa, 45, *(Independent Non-executive Director), BProc, LLB, LLM*
Ms Pheladi Gwangwa is a qualified lawyer who has previously worked for the State Attorney, IBA, ICASA and Cell C before joining Primedia Broadcasting. She was the previous Station Manager of Talk Radio, having been involved with Primedia Broadcasting from 2002 to 2016. She now a Director at Chueu Attorneys.

Robert Donald Williams, 62, *(Independent Non-executive Director), BBusSc(Hons), FASSA*
Mr Robert Williams is a Fellow of the ASSA 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 25 years experience acting as the appointed Head of the Actuarial Function to various life insurance companies in Southern Africa.

Bonge Mkhondo, 44, *(Non-executive Director), BCom, Diploma in Marketing Management, MBA*
Mrs Bonge Mkhondo is an experienced marketing executive and strategy consultant with diverse experience. She has worked in senior marketing executive positions and on marketing strategy consulting projects, predominantly within the financial services sector, for various organisations including Hollard, Clientèle, LegalWise, Absa Capital and Real People Group.

Dineo Molefe, 41, *(Independent Non-executive Director) CA(SA)*
Ms Dineo Molefe is a Board and Audit Committee member of Spur Corporation Limited before joining Clientèle and was previously a Finance Executive at Vodacom South Africa and Group Financial Director at Thebe Investment Corporation. Ms Molefe was appointed Managing Director of T-Systems in 2018 after having joined T-Systems South Africa as Chief Financial Officer in 2016.

Phethedi Gideon Nkadimeng, 46, *(Non-executive Director), B Sc (Statistics and Economics)*
Mr Gideon Nkadimeng was appointed as a Non-executive Director of Clientèle with effect 1 March 2017. Mr Nkadimeng is currently the Investment Executive of Yellowwoods Ventures Investments SA (Pty) Ltd and has extensive experience in the financial services industry.

Other Directorships and Professional Commitments held by the Directors During the Year

Name	Other Directorships/Partnerships	Other Professional Commitments
ADT Enthoven	African Leadership Initiative South Africa Fellowship	None
	And Beyond Holdings Proprietary Limited	
	Citizens ZA Movement	
	Clientèle Life Assurance Company Limited	
	Hollard Holdings Proprietary Limited	
	Hollard Life Assurance Company Limited	
	Hollard Business Associates Proprietary Limited	
	The Hollard Insurance Company Limited	
	Hollard Fundco (RF)	
	Regent Insurance Company	
	Regent Life Assurance Company	
	Yellowwoods Ventures Investments SA Proprietary Limited	
GQ Routledge	Clientèle Life Assurance Company Limited	None
	Clientèle General Insurance Limited	
	Genasys Group Holdings Proprietary Limited	
	Haven Sandown One Proprietary Limited	
B du Toit (Previously Frodsham)	Clientèle Properties North Proprietary Limited	None
	Clientèle Direct Proprietary Limited	
IB Hume	Clientèle Life Assurance Company Limited	None
	Clientèle General Insurance Limited	
	Clientèle Properties East Proprietary Limited	
	Clientèle Properties North Proprietary Limited	
	Clientèle Properties South Proprietary Limited	
	Clientèle Loans Proprietary Limited	
BW Reekie	Clientèle Life Assurance Company Limited	None
	Clientèle General Insurance Limited	
	Clientèle Properties East Proprietary Limited	
	Clientèle Properties North Proprietary Limited	
	Clientèle Properties South Proprietary Limited	
	Reekie Family Investments	
	The Social Project	

Name	Other Directorships/Partnerships	Other Professional Commitments
BA Stott	Boca Raton Owners Association	Chairman of the Audit Committee of Discovery Health Medical Scheme
	Clientèle Life Assurance Company Limited	Chairman of the Risk Committee of the Discovery Health Medical Scheme
	Clientèle General Insurance Limited	Member of the Investment Committee of Discovery Health Medical Scheme
PR Gwangwa	Clientèle Life Assurance Company Limited	Chueu INC Attorneys
	Foundation for Internet Development	
	ICT Sector Council	
	Chueu INC Attorneys	
RD Williams	Clientèle Life Assurance Company Limited	Independent Trustee – Investec Investment Linked Preservation Provident Fund
	Clientèle General Insurance Limited	Independent Trustee – Investec Investment Linked Preservation Pension Plan
	Grayston Nominees Proprietary Limited	Independent Trustee – Investec Investment Linked Retirement Annuity Fund
	RD Williams Actuarial Consulting Services Proprietary Limited	Member of the Discovery Limited Actuarial Committee
BY Mkhondo	Clientèle Life Assurance Company Limited	None
	Clientèle General Insurance Limited	
	Transpaco Limited	
D Molefe	Clientèle Life Assurance Company Limited	None
	Infovan Proprietary Limited	
	T-Systems South Africa Holdings Proprietary Limited	
	T-Systems South Africa Proprietary Limited	
	T-Systems South Africa ICT Academy	
	Spur Corporation Limited	
	T-Systems South Africa Community Trust	
	Thebe Investment Corporation Proprietary Limited	
	Road Accident Fund	
PG Nkadimeng	Clientèle Life Assurance Company Limited	None
	Clientèle General Insurance Limited	
	LHM Advisors Proprietary Limited	
	Cyber Guard Proprietary Limited	
	Tafari Capital Proprietary Limited	
	Tafari Technology Proprietary Limited	

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. The Group Nominations Committee was established on 17 August 2017 to oversee this function going forward.

At each AGM of Clientèle, one-third of the Non-executive 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:	Postal address:
Clientèle Office Park	PO Box 1316
Corner Rivonia and Alon Roads	Rivonia
Morningside, 2196	2128

6. DIRECTORS' SHAREHOLDINGS

The interests, direct, indirect and through associates of the Directors are on page 47 of the Group Remuneration Report.

There were no changes to the shareholding between year-end and the date of the approval of the Group Annual Financial Statements.

7. 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 Inc. for appointment as External Auditor. This appointment will be subject to approval by a majority of shareholders at the AGM on 30 October 2018.

8. DIRECTORS' EMOLUMENTS

Details of Directors' emoluments are set out in Note 29 on pages 145 to 146 to the Group Annual Financial Statements.

Details of Directors' employment contracts are set out in section 2.3 on page 16 to the Integrated Annual Report.

9. SPECIAL RESOLUTIONS: CLIENTÈLE

The following special resolutions were passed during the year:

1. Remuneration of Non-executive Directors (VAT)

The remuneration of the Non-executive Directors for the period 1 July 2016 to 30 June 2017 was ratified.

SARS has ruled in Binding General Ruling, issued on 10 February 2017, that Non-executive Directors should register and account for VAT on their Directors' fees where the fees exceed the VAT registration threshold of R1 million in a 12-month period, as they are not considered to be common law employees but independent contractors. This ruling was made effective from 1 June 2017.

The fees of Mr GQ Routledge and Mr BA Stott for the month of June 2017, as approved at the 2016 AGM, was increased with the 14% VAT.

2. Remuneration of Non-executive Directors

The remuneration of the Non-executive Directors for the period 1 July 2017 to 30 June 2018 was approved.

An increase in line with the average increase in remuneration of the members of Group Excom was approved in terms of the remuneration of the Non-executive Directors for the period 1 July 2018 to 30 June 2019. This increase is limited to a percentage increase of between 5% and 10%.

3. Financial Assistance (Section 45 of the Companies Act)

The Board was authorised to provide direct or indirect financial assistance (subject to section 45 of the Companies Act) 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 tests 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.

4. General authority to repurchase securities

The Company was authorised to repurchase up to 20% of the shares in the capital of the Company in accordance with section 48 of the Companies Act and subject to the Listings Requirements.

10. 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 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.

11. DIRECTORS' INTERESTS IN CONTRACTS

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

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

Statement of Actuarial Values of Assets and Liabilities of Clientèle Life

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

1. EXCESS ASSETS

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

(R'000)	June 2018	June 2017
Assets		
SOFP assets	**4,194,997**	2,810,924
Reinsurance assets	**(2,925)**	(2,504)
Total assets net of reinsurance assets	**4,192,072**	2,808,420
Less: Liabilities		
Actuarial value of liabilities	**620,674**	643,232
Reduction in policy liabilities due to reinsurance	**(2,925)**	(2,504)
Other policyholder liabilities	**2,464,295**	1,159,676
Current liabilities	**249,548**	231,982
Deferred Profit	**54,765**	47,234
Total Liabilities	**3,386,356**	2,079,620
Excess of assets over liabilities	**805,715**	728,800

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

(R'000)	June 2018	June 2017
Assets		
Total assets net of reinsurance assets	**4,192,072**	2,808,420
Disallowed assets	**(36,736)**	(35,219)
Total Assets	**4,155,336**	2,773,201
Liabilities		
Actuarial liabilities	**3,089,874**	1,806,907
Current liabilities	**249,548**	231,982
Tax Impact of Deferred Profit and Compulsory Margins*	**13,142**	11,405
Total Liabilities	**3,352,564**	2,050,294
Excess of assets over liabilities	**802,772**	722,907
CAR	**328,356**	298,054
CAR ratio (%)	**244%**	243%

* *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.*

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

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

(R'000)	June 2018	June 2017
Excess Assets at the end of reporting period	**805,715**	728,800
Excess Assets at the beginning of reporting period	**728,800**	652,821
Change in excess assets over the reporting period	**76,915**	75,979
The change in Excess Assets is due to the following factors:		
Investment income and growth on excess assets	**29,275**	52,662
Operating surplus (excluding changes in method or assumption)	**513,251**	461,237
Changes in Valuation method or assumptions	**42,083**	16,839
Revaluation of properties	**(3,155)**	3,875
Tax	**(162,116)**	(151,328)
Total earnings	**419,339**	383,285
Dividends paid	**(342,424)**	(307,306)
Total Change in Excess Assets	**76,915**	75,979

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 2018	June 2017
Net profit attributable to ordinary shareholders	**422,558**	410,449
Dividend paid	**(342,424)**	(307,306)
SAR and Bonus Rights Schemes	**(3,219)**	(27,164)
Total Change in Excess Assets (Published Reporting Basis)	**76,915**	75,979

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 2018	June 2017
Excess Assets on Published Reporting Basis	**805,715**	728,800
Disallowed assets	**(36,736)**	(35,219)
Removal of Deferred Profit	**54,765**	47,234
Compulsory Margins on Investment Business	**(7,830)**	(6,503)
Tax Impact of Deferred Profit and Compulsory Margins	**(13,142)**	(11,405)
Excess Assets on Statutory Basis	**802,772**	722,907

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

5. CHANGES IN PUBLISHED REPORTING VALUATION METHOD AND ASSUMPTIONS

The methodology and Actuarial Valuation assumptions used remained broadly the same as those applied as at 30 June 2018, 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 inflation gap was updated and based on the difference between the FSB real and nominal yield curve;
- 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 claims experience and reinsurance risk rates where adjusted for the latest risk rates received from the Reinsurers.

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

%	June 2018	June 2017
Non-unit investment return	**8.90**	8.70
Unit investment return	**10.00**	9.70
Expense inflation rate	**6.10**	6.10
Corporate tax rate	**28.00**	28.00

Other Assumptions:

- A few other refinements were made to the modelling of the business which collectively, as well as individually, had a minor 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 9). 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 period 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 9) 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.

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 8.9% (June 2017: 8.7%) was used for all classes of business;
- An unit interest rate of 10.0% (June 2017: 9.7%) 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 6.1% p.a. (June 2017: 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 2018, the Deferred Profit is R54.765 million (June 2017: R47.234 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 9)) and the FSB Board Notice 14 of 2010 "Prescribed requirements for the calculation of the value of assets, liabilities and CAR of Long-term insurers".

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

The TCAR exceeded the OCAR as well as the MCAR and thus the CAR has been based on the TCAR. Hence, the CAR for Clientèle Life, as at 30 June 2018, is TCAR which is equal to R328 million (June 2017: R298 million). The ratio of the statutory excess of assets over liabilities to the CAR was 244% (June 2017: 243%).

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

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).

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	Spot	4.5%	17.2%
1	0.8*Spot	0.9%	21.3%
1	Forward	6.7%	17.2%
5	Spot	7.1%	22.5%
5	(1.04^5)*Spot	15.0%	24.0%
5	Forward	18.4%	24.0%
20	Spot	1.3%	26.0%
20	(1.04^20)*Spot	7.0%	26.0%
20	Forward	24.9%	26.0%

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 4.9% 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 0.0%.

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

Zero Coupon Curve

Year	Rate %
1	7.83
2	7.71
3	8.03
4	8.28
5	8.52
10	9.54
15	9.81
20	10.88
25	10.60
30	10.53

The date of calibration as well as the date of calculation was 30 June 2018. This calculation is only performed annually due to the complexity involved and the negligible impact on OCAR.

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 HEAD OF THE ACTUARIAL FUNCTION

I hereby certify that:

The Valuation on the Statutory basis of Clientèle Life as at 30 June 2018, the results of which are summarised above, has been conducted in accordance with, and this Head of the Actuarial Function'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
Head of the Actuarial Function
Fellow of the Actuarial Society of South Africa

14 September 2018

Independent Auditor's Report to the Shareholders of Clientèle Limited

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Our 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 (the Company) and its subsidiaries (together the Group) as at 30 June 2018, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Clientèle Limited's consolidated and separate financial statements set out on pages 82 to 130 and 132 to 152 comprise:

- risk management;
- accounting policies;
- the consolidated and separate statements of financial position as at 30 June 2018;
- the consolidated and separate statements of comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended;
- segment information; and
- notes to the financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report.

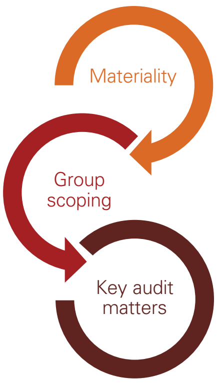
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the *Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B).

Our audit approach

Overview



Overall group materiality

- *R34 million, which represents 5% of profit before tax.*

Group audit scope

- *Five operating subsidiaries were included in our group audit scope.*

Key Audit Matters

- *Valuation of the policyholder liabilities under insurance contracts of Clientèle Life Assurance Company Limited*
- *Valuation of the Goodwill and Embedded Value Schemes of Clientèle Life Assurance Company Limited and Clientèle General Insurance Limited*

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	*R34 million*
How we determined it	*5% of profit before tax*
Rationale for the materiality benchmark applied	*We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.*

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group's financial statements are a consolidation of seven reporting components. Of these reporting components, we selected five for full scope audit procedures due to their financial significance. These audits were performed by the group engagement team. For the remaining components, we performed analytical review procedures.

This, together with additional procedures performed at the group level, including testing of consolidation journals and intercompany eliminations, gave us sufficient and appropriate evidence to form an opinion on the group financial statements as a whole.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report to the Shareholders of Clientèle Limited continued

Consolidated financial statements:

Key audit matter	How our audit addressed the key audit matter
Valuation of the policyholder liabilities under insurance contracts of Clientèle Life Assurance Company Limited (Refer to Note 14 in the financial statements)	
The valuation of the policyholder liabilities under insurance contracts of R 630 million as at 30 June 2018 was considered to be a matter of most significance to the audit as it involves complex and subjective judgments about uncertain future events, policyholder behaviour and economic conditions. Assumptions are applied in determining the value of the liabilities at 30 June 2018. Withdrawal assumptions, in particular, may result in a material adjustment to the valuation of the policyholder liabilities. The extent of the impact of this assumption change is neutralised in the net profit of Clientèle Life Assurance Company Limited in line with the accounting policy (policy number 11) relating to eliminating negative liabilities.	We involved our actuarial experts to assist us in obtaining sufficient and appropriate audit evidence in relation to the valuation of policyholder liabilities under insurance contracts. They assisted the engagement team in performing, amongst others, the following audit procedures: • Evaluating the competence and objectivity of management's internal and external actuarial experts. Our procedures included, amongst others, inspecting the actuarial experts' affiliation with the Actuarial Society of South Africa. No exceptions were observed. • Considering Clientèle's actuarial control environment and governance such as the functioning of the Actuarial Committee. The Actuarial Committee approves methodology and assumption changes. We attended the Actuarial Committee meetings where these methodology and assumption changes were approved. We corroborated that these methodology and assumption changes were applied in the valuation as approved. • Evaluating the methodology applied in the valuation to the requirements of SAP 104 and industry practice. No material inconsistencies were noted. • For a sample of the assumptions applied by management that we considered to be of most significance in determining the value of policyholders liabilities under insurance contracts, we assessed the reasonableness of these assumptions against recent actual experience, industry trends and economic market trends. • Testing the underlying data used in the valuation by testing the controls performed by management, such as performance of monthly unit reconciliations. Tracing, on a sample basis, policyholder valuation input data, such as premiums and expenses, to the information contained in the accounting and policyholder administration system to ensure the accuracy and completeness of the policyholder data. No material differences were observed. • Testing the control implemented by management which involves them comparing their internal valuation performed as at 30 June 2018 to the valuation performed independently by management's external actuarial experts. No material differences were observed. Specific consideration was given to the withdrawal experience and our procedures included, amongst others, evaluating the reasonableness of the withdrawal assumptions applied by management in their valuation of the policyholder liabilities to: • Management's experience investigations performed; and • Macroeconomic and industry trends.

Key audit matter	How our audit addressed the key audit matter
Valuation of the Goodwill and Embedded Value (EV) Schemes of Clientèle Life Assurance Company Limited and Clientèle General Insurance Limited (Refer to Note 17 in the financial statements)	
The valuation of the Goodwill and EV schemes was considered a matter of most significance to the audit due to the magnitude of the balance (R 93 million as at 30 June 2018) and the estimation uncertainty of the estimated value of future new business and the growth in EV used as inputs in the scheme calculations.	Our audit procedures included the following: • Reviewing and assessing the accounting treatment of the schemes in terms of the scheme rules, as approved by the board of directors, and IAS 19 *Employee Benefits*. It was noted to be consistent with the prior year and in accordance with the scheme rules and IAS 19. • Recalculating the bonus pools in terms of the scheme rules. No material differences were observed. • Testing the inputs to the bonus pool calculations for reasonableness, by performing the following procedures: *In respect of the estimated value of future new business used in the Goodwill scheme calculation:* – We agreed the estimated value of future new business to the budgeted values approved by the board of directors; and – We compared the estimated value of future new business applied by management in prior years to actual values to consider whether any estimated value of future new business, with hindsight, had been appropriate. Management's assumptions were found to be reasonable. *In respect of the growth in EV used on the EV scheme calculation:* – We evaluated the competence and objectivity of management's internal and external actuarial experts. Our procedures included, amongst other, inspecting the actuarial experts' affiliation with the Actuarial Society of South Africa. – We compared management's internal EV valuation as at 30 June 2018 to the valuation performed independently by management's external actuarial experts. Managements valuation was in line with the valuation performed independently by the external actuarial experts; and – We assessed, with the involvement of our internal actuarial experts, the appropriateness of the methodology and a sample of assumptions used by management's experts against industry trends and economic market trends.

Separate financial statements
We have determined that there are no key audit matters in respect of the separate financial statements.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the *Clientèle Limited Integrated Annual Report 2018*, which includes the Report of Directors, the Report of the Group Audit Committee and the Certificate by the Company Secretary as required by the Companies Act of South Africa. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

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

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

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Clientèle Limited for 21 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: A. du Preez
Registered Auditor
Johannesburg

14 September 2018

Risk Management

for the year ended 30 June 2018

1. RISK MANAGEMENT FRAMEWORK AND OBJECTIVES

Risk is an integral part of any business. Having an effective risk management process is essential for sustainable and profitable growth.

The risk management framework and policy is fully aligned to ensure compliance with the Prudential Standard GOI 3 – Risk Management and Internal Controls for Insurers.

The risk management processes cover strategic, insurance, financial, compliance and operational risks inherent to the Group's business.

1.1 Responsibility for Risk Management

The overall responsibility for risk management resides with the Board. At an operational level, the Group Risk Function facilitates the risk management process. The Group has a number of Committees and business functions which manage the risks in their respective areas. These Committees and business functions are responsible for identifying and rating all risks, internal controls and actions taken to mitigate risk and act as a first line of assurance in the combined assurance model. The Committees and business functions that have been identified ensure that they sufficiently cover all risk areas.

The Group Risk Function acts as the second line of assurance in the combined assurance model.

1.2 Key Focus Areas During the Year

- **Insurance Act**

  Integrating all final changes, including alignment of all internal policies to GOI and implementing the FSI requirements.

- **External events impacting risks**

  A list of the top external events that can potentially impact the Group's Significant and WatchList risks have been identified and are monitored.

- **Risk culture**

  Training to outline management's responsibility towards effective risk management is provided on an ongoing basis. All departments are required to document and report all operational risk incidents within their business units, as well as all emerging risks, current risks, internal controls and actions taken to mitigate risk.

- **Enhancement of the risk frameworks**

  Risk is a standing agenda item for most Committees and other meetings across the Group.

  Significant progress has been made to provide the Board with a more holistic view of the risks facing the Group, as well as to the business units responsible for managing these risks.

- **KRIs**

  The use of KRIs has advanced with external economic conditions being correlated to most of the quantitative risks facing the Group.

2. RISK APPETITE

The Group defines its risk appetite as the total quantum 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:

- Financial soundness (financially sound if, on the published basis, the assets exceed the liabilities plus the Economic Capital and on the Solvency assessment method the assets exceed the liabilities plus the Standard Capital requirements);
- Free cash flow; and
- Recurring EV Earnings.

At present, the Group is operating within its risk appetite.

Specific key risks are also measured individually against pre-defined risk tolerance levels.

3. SIGNIFICANT AND WATCHLIST RISKS

The following are the Significant risks (where the impact is high and the likelihood is possible) that are monitored against the Group's business objectives:

Risk category	Risk area	Significant risks	Rationale
Operational	External events/ changes that impact operational processes	Banking system changes	The proposed DebiCheck solution may not be appropriate for Clientèle's business model, and the proposed DebiCheck costs may be uneconomical. Risk that NAEDO will be phased out without a suitable alternative being put in its place.
Insurance	Persistency	Persistency	Negative move in actual withdrawals against actuarial assumptions over a period of one year.
Strategic	Existing product opportunities	New business Value	Overall risk relating to new business production during the financial year.

The following are the WatchList risks (where the impact is very high but the likelihood very low) that are monitored against the Group's business objectives:

Risk category	Risk area	Significant risks	Rationale
Operational	System/technology	Legacy IT system change	Risk of system downtime or loss of data due to the change from the legacy IT system to a new system over the next couple of years.
Operational	People	Group Excom travel	Risk involved when members of the Group Excom team travel together.
Compliance	Regulatory	Retail Distribution Review	Potential requirements that are overly stringent.
Compliance	Regulatory	Cybercrimes and Cybersecurity Bill	Potential requirements that are overly stringent.
Compliance	Regulatory compliance	Non-compliance with existing legislation	Reputational risk as a result of potential non-compliance with existing legislation, guidelines, standards, requirements and good practices.
Strategic	IFA regeneration	Negative sentiment	Should IFA numbers decrease, negatively affecting the profitability of the IFA business unit.

4. FOCUS AREAS FOR 2019

- Identifying further KRI's for business areas throughout the Group;
- Further enhancing the risk culture through risk training and awareness; and
- Implementation of the new Insurance Act and re-applying for all insurance licenses.

5. INSURANCE RISK

Insurance risk is the risk relating to the unknown future cash flows (including premiums, claims, expenses, etc.) relating to the policies on the books as well as the Group's insurance liabilities.

5.1 Persistency Risk

This is a Significant risk for the Group.

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.

Factors with the potential to affect this risk

- Economic conditions, such as unemployment, real disposable income, credit extension, total household consumption and budget deficit to GDP that may impact our clients' ability to pay premiums;
- Changes in banking processes and procedures (e.g. the use of NAEDO, the introduction of DebiCheck and the debit order dispute process followed by banks);
- Service levels throughout the Group; and
- Negative perception of the insurance industry.

Risk mitigation action

- 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 mechanisms of collecting premiums;
- The NAEDO system is used to process the collections of premiums closer to the bulk salary payment window, thereby improving the likelihood of successful collections;
- Various initiatives to better understand our clients' needs in order to provide policy benefits that encourage persistency;
- Discussion and participation in meetings of industry committees (e.g. ASISA, PASA, etc.);
- Products are designed in such a way to increase persistency by providing policy benefits which encourage persistency and reduce the risk of early withdrawal (e.g. cashback benefit and premium payback benefit on certain policies); and
- Limiting the number of new sales per individual bank accounts.

5.2 Client Payments and Benefits

5.2.1 Mortality and Morbidity (Clientèle Life)

Contracts provide benefits on death, dread disease, hospitalisation and disability to individuals. Premium rates are determined using mortality and morbidity assumptions. If actual experience differs from assumptions, premium rates may become inappropriate.

Factors with the potential to affect this risk

- Fraudulent claims;
- Epidemics (e.g. AIDS or Ebola);
- Widespread changes in lifestyle (e.g. smoking, physical activity, nutrition, stress or sexual practices);
- Income bracket (e.g. the lower income bracket may be more susceptible to extreme weather conditions and have less access to basic facilities); and
- Sector of employment (e.g. The South African Police Service or fire brigade).

Risk mitigation action

- 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 Head of the Actuarial Function 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.

- 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 where applicable and permitted in terms of current legislation. Semi-annual experience investigations have shown that these are reliable indicators of the risk exposure;
- Policy terms and conditions are used to avoid anti-selection to ensure the fair treatment of policyholders;
- Claims as a result of death due to natural causes are reinsured for between 66% and 90% of the claim value depending on product types and potential claim quantum;
- Claims as a result of accidental death below a pre-determined value are not reinsured and claims experience is monitored monthly;
- Ways in which to further mitigate claims fraud are constantly investigated and tools (fraud risk scoring model, account verification system, etc.) are used to manage this as far as possible;
- 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
- An investigation indicated that our policyholder spread is closely linked to the spread of the actual population of South Africa, thereby limiting concentration risk.

5.2.2 Frequency and Severity of Claims (Clientèle General)

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.

Factors with the potential to affect this risk

- Increase in litigation costs in the future may be higher than expected;
- Accidental death claims can be higher than expected;
- Misrepresentation at sales stage, causing a higher than expected number of claims to be covered; and
- External attorney referrals (that involve a direct cost) are higher than expected.

Risk mitigation action

- All contracts contain specific terms and conditions (pre-existing conditions are excluded, etc.) to ensure fair treatment of all policyholders;
- Limits are set on the amount which can be claimed annually as well as 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 efficiency of resolving legal matters;
- Management of sales consultants (quality assurance) and appropriate training of sales agents;
- Oversight and monitoring of claims referred to external attorneys; and
- 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.

5.3 EXPENSES

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

Factors with the potential to affect this risk

- Stagnation or reduction in new business volumes (making it difficult to cover fixed expenses);
- Unexpected sudden increase in expenses; and
- Withdrawals at rates higher than assumptions.

Risk mitigation action

- Comprehensive budgeting and forecasting processes, strict cost control by business units together with strong new business flows and the management of collections; and
- Actual experience is closely monitored and compared to assumptions on a monthly basis.

5.4 Model

5.4.1 Data

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

Factors with the potential to affect this risk

- Incorrect data or Valuation extracts emanating 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.

Risk mitigation action

- Data integrity testing and investigation of any exceptions, conducted on a monthly basis;
- Group Actuarial Committee meetings on a quarterly basis; and
- Annual review by External Actuaries and External Auditors.

5.4.2 Assumptions

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

Factors with the potential to affect this risk

Adverse actual experience or the use of incorrect assumptions.

Risk mitigation action

- Actuarial assumptions are set by the Actuarial Department and reviewed by the Head of the Actuarial Function;
- Annual review by External Actuaries and External Auditors; and
- The following is performed on a monthly basis:
  - Policyholder liability Valuation calculations;
  - EV calculations;
  - Management review of Valuation and calculations; and
  - Actual experience is monitored and compared to assumptions.

5.5 Solvency

The Group's capital management process ensures that each entity within the Group maintains sufficient capital 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 greater than 1.

5.5.1 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 will ensure that Clientèle Life will 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 2018, the CAR of Clientèle Life for insurance and investment contract business amounted to R328.4 million (2017: R298.1 million) and was covered 2.44 times (2017: 2.43 times) by the excess of assets over liabilities.

Risk mitigation action

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

5.5.2 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.

As at 30 June 2018, the CAR amounted to R146.0 million (2017: R127.2 million). This translated into a CAR cover ratio of 1.47 (2017: 1.44).

Risk mitigation action

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

6. STRATEGIC RISK

6.1 New Business (Production)

New business risk is the risk of not achieving the budgeted production numbers and quality of sales.

The WatchList risk of negative sentiment on the IFA business forms part of this risk.

Factors with the potential to affect this risk

- New business volumes across all distribution channels being lower than expected; and
- South African economy and other external factors affecting our potential clients.

Risk mitigation action

- Frequent updates are received by various key members of management to ensure that new business related risks are correctly monitored and assessed at all times;
- The management incentive structure is linked to, *inter alia*, new business volumes;
- New business volumes are monitored by various Committees on a regular basis;
- Various initiatives to better understand our clients' needs to ensure that we design products that drive production;
- Products are designed in such a way as to reduce new business risks and increase new business volumes;
- Limiting the number of policies per bank account to ensure that all new business that is written is of acceptable quality;
- Generators and UPS' are in place to ensure that sales can continue irrespective of an electricity failure;
- A business continuity plan is in place to ensure that sales can continue in the event that one or more of the sales floors can't be accessed for any reason; and
- The Broker and Agency distribution channels introduced in the previous year, to diversify risk, have been growing in line with expectations.

7. FINANCIAL RISK

7.1 ALM and Liquidity Risk

7.1.1 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 with the potential to affect this risk

- 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.

Risk mitigation action

- 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 ALM 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 Group Product Committee;
- The ALM process recognises the interdependence between the Group 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;
- Regular monitoring by the Group Actuarial and Group Investment Committees, with the Group Actuarial Committee having ultimate oversight of this aspect; and
- Spreading of assets in terms of the provisions of the Long-term Insurance Act and the Short-term Insurance Act for Clientèle Life and Clientèle General Insurance respectively has the effect of limiting exposure to individual issuers due to the inadmissibility of assets for regulatory purposes if specified limits are breached.

7.1.2 LIQUIDITY RISK

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

Factors with the potential to affect this risk

- Poor cash flow management within the Group; and
- Third party defaults on obligations.

Risk mitigation action

- 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, which ensures that the assets are appropriate to cover expected insurance obligations (both life insurance and short-term insurance) 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 when due;
- SOCI, SOFP, Statement of Cash Flows and performance versus monthly budgets are tabled and reviewed at monthly meetings; and
- Investment business: The contractual maturities of single premium guaranteed endowment investment product liabilities are matched by purchasing appropriate assets of the same maturity profile. This ensures that cash is available on maturity of the policyholder obligations. Policyholders carry interest rate risk if there is an early surrender. Zero coupon fixed deposits held in African Bank Limited ("Old Bank") were exchanged for new fixed deposits in new ABL ("Good Bank") on 4 April 2016 (restructuring date). The new fixed deposits have extended maturity dates and are placed in investment portfolios whose corresponding policyholder liabilities have similar maturity profiles. The single premium liabilities are matched with appropriate A1- or above grade bank paper of appropriate maturities. The maturity profile of the shareholder and policyholder linked zero coupon fixed deposits are detailed in Note 7.1.2 on page 89.

Risk Management continued

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

(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
2018								
Reinsurance assets	2,910				(33)	48		2,925
Financial assets at fair value through profit or loss:								
Debt securities	844,838	3,065,304	323,866	47,342	(1,288,411)	–	–	2,992,939
Promissory notes and fixed deposits – Assets backing guaranteed endowment investment contracts	139,978	974,523			(420,572)			693,929
– Assets backing linked endowment investment contracts (includes ABL exposure – note 1 the table below)	88,788	2,081,920		15,931	(601,891)			1,584,748
Funds on deposit	614,856				(15,204)			599,652
Fixed interest securities (includes ABL exposure – note 2 and 3 in the table below)	766	5,074	8,274	31,411	(3,481)			42,044
Government and public authority bond	450	3,787	315,592		(247,263)			72,566
Equity securities	–	–	–	598,776	–	–	–	598,776
Listed equity securities				594,926				594,926
Unlisted equity securities				3,850				3,850
Financial assets at amortised cost (includes ABL exposure – note 4 in the table below)		177,672			(24,487)			153,185
Receivables including insurance receivables	41,862							41,862
Cash and cash equivalents	372,656							372,656
Total Assets	1,262,266	3,242,976	323,866	646,118	(1,312,931)	48	–	4,162,343
Policyholder liabilities under insurance contracts***	(945,436)	(2,038,155)	(1,285,724)		1,651,906	3,237,099	10,806	630,496
Financial liabilities at fair value through profit or loss***	221,149	2,927,115			(683,969)			2,464,295
Loans at amortised cost	9,634	128,269			(24,894)			113,009
Accruals and payables including insurance payables	234,585							234,585
Total Liabilities	(480,068)	1,017,229	(1,285,724)	–	943,043	3,237,099	10,806	3,442,385
Excess/(shortfall) of assets over liabilities	1,742,334	2,225,747	1,609,590	646,118	(2,255,974)	(3,237,051)	(10,806)	719,958

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

** *This column is included to reconcile the cash flow 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:

2018 (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	Open ended	Dis-counting effect	Total
1) Linked policyholders	85,326	37,569					15,931	(6,734)	132,092
2) Other policyholders						2,394			2,394
3) Other shareholders						1,602	31,411		33,013
4) Financial assets at amortised cost		104,976	72,696					(24,487)	153,185
Total ABL assets	85,326	142,545	72,696			3,996	47,342	(31,221)	320,684

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

(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
2017								
Reinsurance assets	2,533				(34)	5		2,504
Financial assets at fair value through profit or loss:								
Debt securities	859,618	1,216,340	312,120	41,662	(729,486)	–	–	1,700,254
Promissory notes and fixed deposits								
– Assets backing guaranteed endowment investment contracts	150,691	837,533			(414,587)			573,637
– Assets backing linked endowment investment contracts (includes ABL exposure – note 1 the table below)	55,791	366,791		9,326#	(42,891)#			389,017
Funds on deposit	648,910				(30,685)			618,225
Fixed interest securities (includes ABL exposure – note 2 and 3 in the table below)	4,226#	6,566#	11,191#	32,336#	(4,990)#			49,329
Government and public authority bond		5,450#	300,929#		(236,333)#			70,046
Equity securities	–	–	–	495,766	–	–	–	495,766
Listed equity securities				491,916				491,916
Unlisted equity securities				3,850				3,850
Financial assets at amortised cost (includes ABL exposure – note 4 in the table below)		355,228			(66,601)			288,627
Receivables including insurance receivables	34,891							34,891
Cash and cash equivalents	221,047							221,047
Total Assets	1,118,089	1,571,568	312,120	537,428	(796,121)	5	–	2,743,089
Policyholder liabilities under insurance contracts***	(899,998)	(1,934,480)	(1,224,765)		1,627,727	3,075,516	8,614	652,614
Financial liabilities at fair value through profit or loss***	188,152	1,257,821			(286,297)			1,159,676
Loans at amortised cost	10,020	138,939			(35,916)			113,043
Accruals and payables including insurance payables	210,180							210,180
Total Liabilities	(491,646)	(537,720)	(1,224,765)	–	1,305,514	3,075,516	8,614	2,135,513
Excess/(shortfall) of assets over liabilities	1,609,735	2,109,288	1,536,885	537,428	(2,101,635)	(3,075,511)	(8,614)	607,576

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

** *This column is included to reconcile the cash flow 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:

2017 (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	Open ended	Dis-counting effect	Total
1) Linked policyholders	55,791	85,326	37,569				9,326#	(18,578)#	169,434
2) Other policyholders						2,328			2,328
3) Other shareholders						1,572#	18,388#		19,960
4) Financial assets at amortised cost		177,556	104,976	72,696				(66,601)	288,627
Total ABL Assets	55,791	262,882	142,545	72,696	–	3,900	27,714	(85,179)	480,349

\# *These numbers were restated to correctly reflect the maturity profile of the Group's financial and insurance assets and liabilities. This restatement had no impact, other than the disclosure in this section.*

Risk Management continued

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

(R'000)	30 June 2018			30 June 2017		
	Carrying value for policies with no surrender value	Carrying value for policies with a surrender value	Surrender value	Carrying value for policies with no surrender value	Carrying value for policies with a surrender value	Surrender value
Insurance business	**108,630**	**512,044**	**838,927**	118,867	524,365	817,023
Investment business	**132,092**	**2,332,203**	**2,280,627**	169,434	990,242	983,916
Total	**240,722**	**2,844,247**	**3,119,554**	288,301	1,514,607	1,800,939

7.2 Market Risk

7.2.1 Equity Risk

Equity risk is the risk that the fair value of equity 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's equity investments are listed. Equities are reflected at market values, which are susceptible to fluctuations.

Factors with the potential to affect this risk

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

Risk mitigation action

- The equities selection and investment analysis process is outsourced to Melville Douglas, who invest within the mandates set by the Group Investment Committee;
- Asset allocations are monitored on a daily basis by Melville Douglas and reviewed on a quarterly basis by the Group Investment Committee;
- Limitations in terms of the Long-term Insurance Act and 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;
- 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; and
- 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.

7.2.2 Property Risk

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

The Group is exposed to property risk through its ownership of the three property subsidiaries of Clientèle Life, which own the Clientèle Office Park, as reflected in the SOFP, as well as to listed real estate exposure in the Melville Douglas portfolios.

Factors with the potential to affect this risk

- Changes in interest rates;
- Occupancy levels in the Sandton, Morningside and Rivonia areas and general occupancy levels of commercial property in South Africa;
- The condition of the buildings and surrounds of the office park; and
- The state of the South African property market.

Risk mitigation action

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

7.3 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.

Financial liabilities held at fair value through profit or loss consist of non-linked investment contracts (Single Premium) that are exposed to interest rate risk and linked investment contracts that are not exposed to interest rate risk.

Factors with the potential to affect 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 the prevailing market interest rates;
- Our RDR is based on the long-term zero coupon government bond yield curve and, as a result, any movement in the yield curve will impact the EV of the Group; and
- Withdrawals by policyholders can result in lower fair values of the asset at the date of the withdrawal being lower than the original purchase price of the contract.

Risk mitigation action

- The ongoing market expectations assessment by Melville Douglas 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;
- 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;
- 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 an early withdrawal.

7.4 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 and cash and cash equivalents.

Factors with the potential to affect this risk

- Fair values of investments may be affected by the creditworthiness of the issuer of securities;
- Financial soundness of the reinsurer; and
- The reinsurer failing to make payment for any reason.

Risk mitigation action

- 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 respectively has the effect of limiting exposure to individual issuers due to the inadmissibility of assets for regulatory purposes if specified limits are breached. Exposure versus legislated limits is evaluated on an on-going basis;
- Cash equivalents, financial assets and reinsurance cover are placed with reputable companies. The credit rating of the counterparty is assessed when placing the business and when there is a decrease in the credit rating of the counterparty. 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 the internal debt rating scale on page 95);
- The Group places business with at least A1+ rated reinsurers (refer to the internal debt rating scale on page 95); and
- Financial assets at amortised cost are tested for impairment on a bi-annual basis or more regularly when indicators require.

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
2018						
Reinsurance assets	**2,925**					**2,925**
Financial assets at fair value through profit or loss	**2,751,965**	**120,808**	**72,824**		**47,342**	**2,992,939**
Promissory notes and fixed deposits	**2,146,585**	**116,161#**			**15,931**	**2,278,677**
Funds on deposit	**599,652**					**599,652**
Fixed interest instruments	**5,728**	**4,647#**	**258**		**31,411**	**42,044**
Government and public authority bonds			**72,566**			**72,566**
Financial assets at amortised cost		**153,185#**				**153,185**
Loans and receivables including insurance receivables					**41,862**	**41,862**
Cash and cash equivalents	**372,656**					**372,656**
Total assets bearing credit risk	**3,127,546**	**273,993**	**72,824**		**89,204**	**3,563,567**
2017						
Reinsurance assets	2,504					2,504
Financial assets at fair value through profit or loss	1,419,413	–	262,172	–	18,669	1,700,254
Promissory notes and fixed deposits	793,220		169,434			962,654
Funds on deposit	618,225					618,225
Fixed interest instruments	7,968		22,692		18,669	49,329
Government and public authority bonds			70,046			70,046
Financial assets at amortised cost			288,627			288,627
Loans and receivables including insurance receivables					34,891	34,891
Cash and cash equivalents	221,047					221,047
Total assets bearing credit risk	1,642,964	–	550,799	–	53,560	2,247,323

The African Bank fixed deposits were previously classified under A1- rating. During the 2018 financial year the African Bank's credit rating was improved from zaBBB to zaA- which resulted in reclassification from A1- to A1 according to internal debt rating scales.

Risk Management continued

Internal debt rating scale

The Group has developed its own internal debt rating scale to categorise the credit quality of its financial and reinsurance assets. The Group uses the long-term national credit ratings of the ratings agencies as set out below to classify the Group's financial assets. Where discrepancies exist between Moody's and Fitch ratings, preference is given to the Moody's ratings.

		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.

8. OPERATIONAL RISK

The risk of losses resulting from inadequate or failed processes, people, systems, or from external events.

8.1 External events/changes that impact operational processes

The Significant risk of banking system changes forms part of this risk.

Factors with the potential to affect this risk

- External events having an impact on our business; and
- Changes brought about by the industry, example NAEDO and DebiCheck, affecting the way in which we do business.

Risk mitigation action

- Business Disaster risks together with their controls that are currently in place and any possible future risk mitigation that may be considered, are documented and discussed on an annual basis by the Group Risk Committee;
- A Business Continuity Plan is in place and dictates the way in which the business will continue should access not be available to specific buildings within the office park;
- The Group Risk Committee Agenda has a standard item called 'Blue Sky discussions'. These refer to any external events that are currently trending and encourages a forum for members to discuss scenarios and suggestions as to how best to deal with these;
- Involvement in lobbying for changes should a newly proposed change affect the way in which we do business;
- All operational risk incidents are reported to the Group Risk Function on a quarterly basis;
- A close working relationship is maintained by GIA and Group Risk Functions to ensure that the correct focus is placed on specific operational areas; and
- Numerous Committees and business functions throughout the Group manage operational risks within their areas.

8.2 Systems/Technology

The WatchList risk of Legacy IT system change forms part of this risk.

Factors with the potential to affect this risk

- Systems not operating as expected, making them unable to comply with business requirements; and
- IT covers an extremely broad spectrum of tasks and technologies which constantly change.

Risk mitigation action

- Specific policies and processes (Disaster Recovery Framework, Internet Policy, Backup Policy, Software Acquisition Policy, etc.) deal with operational risk arising from system or technology failures;
- All operational risk incidents are reported to the Group Risk Function on a quarterly basis;
- A close working relationship is maintained by GIA and Group Risk Functions to ensure that the correct focus is placed on specific operational areas; and
- Numerous Committees and business functions throughout the Group manage operational risks within their areas.

8.3 People

Factors with the potential to affect this risk

Business processes not followed due to human error, either negligent or intentional. The WatchList risk of Group Excom travel forms part of this risk.

Risk mitigation action

- Succession planning is in place;
- Should any staff member act outside of their Standard Operating Procedures, disciplinary and remedial processes are in place;
- Sign-off procedures and segregation of duties exist as far as possible within all departments and are monitored by GIA;
- A Fraud policy is in place and this, coupled with continuous fraud training and awareness, mitigates internal fraud;
- All operational risk incidents are reported to the Group Risk Function on a quarterly basis;
- A close working relationship is maintained by GIA and Group Risk Function to ensure that the correct amount of focus is placed on specific operational areas;
- Numerous committees and business functions throughout the Group manage operational risks within their areas; and
- A Group Excom Travel Risk Policy, regulating the way in which Excom members travel together, is in place.

8.4 Process

Factors with the potential to affect this risk

- Where there is no process in place, resulting in a breakdown of controls; and
- The process is incomplete or inadequate.

Risk mitigation action

- Where applicable, all operational areas have Standard Operating Procedures in place to mitigate risk;
- The ICC and IFCC oversee the identification and improvement of internal controls and internal financial controls respectively;
- All operational risk incidents are reported to the Group Risk Function on a quarterly basis;
- A close working relationship is maintained by GIA and Group Risk Function to ensure that the correct amount of focus is placed on specific operational areas; and
- Numerous committees and business functions throughout the Group manage operational risks within their areas.

8.5 Contract and Litigation

Factors with the potential to affect this risk

- Proper contracts not in place between the Group and suppliers; and
- Terms of a contract not followed by the Group or our suppliers.

Risk mitigation action

- All contracts are kept by the Legal Department on the Contract management System;
- All contracts are reviewed by the Legal Department prior to signature;
- Where appropriate, matters are referred to external legal counsel for opinion;
- All operational risk incidents are reported to the Group Risk Function on a quarterly basis;
- A close working relationship is maintained by GIA and Group Risk Functions to ensure that the correct amount of focus is placed on specific operational areas; and
- Numerous committees and business functions throughout the Group manage operational risks within their areas.

9. COMPLIANCE RISK

9.1 Regulatory Compliance

Regulatory compliance risk is the risk that the Group may not comply with applicable regulatory requirements that are currently in force.

The WatchList risk of non-compliance with existing legislation forms part of this risk.

Factors with the potential to affect this risk

- Growing regulatory universe;
- Correct processes not followed due to human error that results in a compliance breach; and
- Differing interpretation of legislation or regulations.

Risk mitigation action

- The Group has a zero tolerance approach for non-compliance with existing laws, regulations, rules, codes and standards;
- The Group has a qualified and experienced Compliance Officer;
- Compliance training is provided on an ongoing basis to various areas within the Group;
- A regulatory compliance risk universe, setting out all the Acts and regulations facing the Group is in place; and
- A regulatory compliance management software system is used to manage the top 20 identified acts and regulations facing the Group.

9.2 Regulatory

Regulatory risk is the risk that proposed new legislation not yet in force may impact our business processes or the way in which we do business in the future.

The WatchList risks of Retail Distribution Review, Cybercrimes and Cybersecurity Bill form part of this risk.

Factors with the potential to affect this risk

- Growing regulatory universe; and
- Differing interpretation of new legislation or regulations.

Risk mitigation action

- Weekly regulatory scanning is performed to identify any upcoming legislation, regulations or enforcement trends that may have a potential impact on the business;
- Any new legislation and regulations that may be applicable are communicated to the relevant business units;
- Where issues are identified that can potentially result in non-compliance, should the legislation or regulations be implemented, remedial actions are taken to ensure compliance;
- In some instances, working groups may be established to focus on compliance and ensure that the Group is prepared; and
- Interaction with regulators and other role players and involvement in lobbying changes throughout the finalisation and implementation of new legislation and regulations.

9.3 Conduct

Conduct risk is the risk of the Group employees or representatives interacting with clients in an inappropriate way that is not in line with the Group's values.

Factors with the potential to affect this risk

- Sales agents not following the relevant sales scripts;
- IFA presenters not following the presentation script; and
- Any client facing area not treating a client with due consideration of the Group's values.

Risk mitigation action

- A risk-based compliance plan is followed;
- A compliance culture, that values responsible conduct and compliance with internal and external obligations, is continuously promoted;
- 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 is promoted;
- The Quality Assessment Department monitors sales and service phone calls to ensure that a certain benchmark is achieved and that actions are taken when individuals do not perform in terms of the internal quality rating;

- The Compliance Department is responsible for sales complaint resolution; and
- The Internal Arbitrator Department is responsible for internal complaints that have been escalated, as well as Ombudsman and FSB complaints.

10. FAIR VALUE HIERARCHY

10.1 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.

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.

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).

10.2 Asset Hierarchy

	Group			
(R'000)	Level 1	Level 2	Level 3	Total
2018				
Financial assets at fair value through profit or loss				
Listed equity securities	**594,926**			**594,926**
Unlisted equity securities		**3,850**		**3,850**
Promissory notes and fixed deposits		**2,146,585**	**132,092#**	**2,278,677**
Funds on deposit		**599,652**		**599,652**
Fixed interest securities		**39,424**	**2,620**	**42,044**
Government and public authority bonds		**72,566**		**72,566**
Assets subject to fair value hierarchy analysis	**594,926**	**2,862,077**	**134,712**	**3,591,715**
2017				
Financial assets at fair value through profit or loss				
Listed equity securities	491,916			491,916
Unlisted equity securities		3,850		3,850
Promissory notes and fixed deposits		793,220	169,434#	962,654
Funds on deposit		618,226		618,226
Fixed interest securities		45,316	4,013	49,329
Government and public authority bonds		70,045		70,045
Assets subject to fair value hierarchy analysis	491,916	1,530,657	173,447	2,196,020

Policyholders' linked exposure to ABL through investments in zero coupon fixed deposits of R132.1 million as at 30 June 2018 (30 June 2017: R169.4 million) are disclosed at level 3 on the fair value hierarchy as values are estimated indirectly using Valuation techniques or models.

Risk Management continued

Refer to Note 4 on page 127 for the fair value hierarchy disclosure of owner-occupied properties and Note 8 on page 129 for the fair value hierarchy disclosure of financial assets at amortised cost.

Fair values for level 2 financial assets are determined using the rates from the zero coupon risk free yield curve, based on the term to maturity of the instrument. These interest rates range between 7.4% and 7.6% (2017: 7.5% and 7.8%) per annum. A discounted cash flow model is then applied, using the determined yield after adjusting for credit risk, in order to calculate the market value.

The most relevant inputs to the level 3 discounted cash flow fair value model applied to the ABL fixed deposits are the zero coupon risk free yield curve (interest rates range between 7.4% and 7.6% (2017: between 7.5% and 7.8%)) and the extension of maturities as embodied in the exchange offer. As ABL fixed deposits are not tradeable in the market, there is no proxy for fair value and therefore the default zero coupon risk free yield curve was used as an input. An increase in the yield curve will reduce the fair value.

10.3 Liability Hierarchy

	Group			
(R'000)	Level 1	Level 2	Level 3	Total
2018				
Financial liabilities at fair value through profit or loss		**2,332,203**	**132,092**	**2,464,295**
Liabilities subject to fair value hierarchy analysis	**–**	**2,322,203**	**132,092**	**2,464,295**
2017				
Financial liabilities at fair value through profit or loss		990,242	169,434	1,159,676
Liabilities subject to fair value hierarchy analysis	–	990,242	169,434	1,159,676

Fair values for level 2 financial liabilities are determined using the rates from the zero coupon risk free yield curve, based on the term to maturity of the instrument. These interest rates range between 7.4% and 7.6% (2017: 7.5% and 7.8%) per annum. A discounted cash flow model is then applied, using the determined yield after adjusting for credit risk, in order to calculate the market value.

10.4 Reconciliation of Level 3 Financial Instruments

The following table presents the changes in level 3 financial instruments for the year ended 30 June 2018:

	30 June 2018		30 June 2017	
(R'000)	Financial assets at fair value through profit or loss	Financial liabilities at fair value through profit or loss	Financial assets at fair value through profit or loss	Financial liabilities at fair value through profit or loss
Opening balances	**173,447**	**169,434**	151,788	147,895
Fair value adjustment recognised in profit or loss	**17,056**	**18,449**	21,659	21,539
Repayments	**(55,791)**	**(55,791)**		
Closing balances	**134,712**	**132,092**	173,447	169,434

11. SENSITIVITY ANALYSIS

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

In order to interpret the table on pages 100 to 101 users are encouraged to understand the basis on which the variables were set and combine this information with other components of the Group 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 tax.

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 2018. 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.

11.1 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 tax and, correspondingly, negative numbers indicate a decrease in policyholders' liabilities or profit after tax.

Sensitivity analysis (R'000)	30 June 2018 % change	30 June 2018 Impact on policy-holders' liabilities	30 June 2018 Impact on profit after tax	30 June 2017 Impact on policy-holders' liabilities	30 June 2017 Impact on profit after tax
Financial risk variables					
Equity price*	10	26,943	14,537	28,098	10,493
Equity price*	(10)	(26,904)	(14,565)	(28,073)	(10,511)
Interest rate	1	(16,558)	11,922	(10,732)	7,727
Interest rate	(1)	18,947	(13,642)	13,470	(9,699)
Property equity value*#	10	–	5,913	2,359	712
Property equity value*#	(10)	–	(5,913)	(2,296)	(757)
Long-term insurance risk variables					
Assurance mortality and morbidity	10	9,851	(7,093)	8,377	(6,031)
Assurance mortality and morbidity	(10)	(7,519)	5,414	(5,888)	4,239
Renewal expenses	10	6,427	(4,627)	3,663	(2,637)
Renewal expenses	(10)	(5,228)	3,764	(3,564)	2,566
Withdrawals	10	5,606	(4,036)	1,901	(1,368)
Withdrawals	(10)	(5,872)	4,228	(2,879)	2,073
Inflation	1	1,931	(1,390)	1,167	(840)
Inflation	(1)	(1,795)	1,293	(1,119)	806
Financial instruments risk variable					
Default (non-linked)	(5)	(68,308)	(49,182)	(43,114)	(31,042)

* *The impact on profit after tax includes the impact of the movement in the policyholder liabilities and the related movement in financial assets.*
\# *The sensitivities for the 2018 financial year include direct property investments only, whereas the 2017 sensitivities included Real Estate Investment Trust investments only.*

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 59.

11.2 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 tax and, correspondingly, negative numbers indicate a decrease in policyholders' liabilities or profit after tax.

In each sensitivity calculation, all other assumptions remain unchanged.

	30 June 2018			30 June 2017	
Sensitivity (R'000)	**% change**	**Impact on liabilities**	**Impact on profit after tax**	Impact on liabilities	Impact on profit after tax
Financial risk variables					
Equity price*	**10**		**8,285**		5,976
Equity price*	**(10)**		**(8,285)**		(5,976)
Interest rate	**1**	**(40)**	**29**	(29)	21
Interest rate	**(1)**	**40**	**(29)**	29	(21)
Short-term variables					
Withdrawals	**10**	**(40)**	**29**	(38)	27
Withdrawals	**(10)**	**40**	**(29)**	38	(27)
Value of claims	**10**	**1,200**	**(864)**	1,203	(866)
Value of claims	**(10)**	**(1,200)**	**864**	(1,203)	866
Duration of settlement	**10**	**864**	**(622)**	866	(623)
Duration of settlement	**(10)**	**(864)**	**622**	(866)	623

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

Accounting Policies

for the year ended 30 June 2018

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.

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.

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 Rands, rounded to the nearest thousand, unless otherwise stated.

RECENT IFRS PRONOUNCEMENTS

New IFRS Standards and Amendments Effective for the year ended 30 June 2018

The following amendments effective for the first time for the 30 June 2018 year-end did not have a material impact on the Group's results or disclosures:

- Amendment to IAS 7 – Cash flow statements
- Amendment to IAS 12 – Income taxes

New IFRS Standards and Amendments Issued not yet effective

The Group has not opted to early adopt any of the following new standards and amendments.

New standards not yet effective that may significantly impact the Group's results or disclosures

IFRS 15 – Revenue from contracts with customers

Scope

IFRS 15 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. IFRS 15 replaces the existing revenue standards and their related interpretations and applies to all contracts with customers except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments.

The new standard is effective for years commencing on or after 1 January 2018, and therefore effective for Clientèle as from the 2019 financial year.

Potential Impact to the Group

In assessing the impact of IFRS 15 on Clientèle the scope in paragraph 5 of IFRS 15 was applied, which states that IFRS 15 applies to all contracts with customers except for:

- Leases;
- Insurance contracts within the scope of IFRS 4; and
- Financial instruments within the scope of IFRS 9.

At 30 June 2018, as disclosed in the SOCI, Clientèle had R2,559 million of net revenue which comprised:

Standards	2018 Revenue (R'million)
Insurance Contracts – subject to IFRS 4	2,076
Financial instruments – subject to IFRS 9	315
Other revenue – subject to IFRS 15	168

Accounting Policies continued

Of the R0.17 billion of other income (refer to Note 22 on page 142), R0.14 billion relates to IFA annuity fee income for which services are rendered on a monthly basis and fees are billed and collected on a monthly basis.

Clientèle considers this to be the most significant item that will be impacted by IFRS 15 and has elected to apply IFRS 15 retrospectively, an allowable transitional method. The revenue recognition criteria currently applied in respect of the IFA annuity fee is similar to the application under IFRS 15.

IFRS 9 – Financial Instruments

Scope

IFRS 9 is the IASB's project to replace IAS 39. IFRS 9 introduces new requirements for the classification and measurement of financial assets. The standard also contains a new impairment model which will result in earlier recognition of losses. The standard did not introduce changes to the classification and measurement of financial liabilities, except for the recognition of changes in own credit risk in other comprehensive income for liabilities designated at fair value through profit or loss.

The amendments also 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.

The new standard is effective for years commencing on or after 1 January 2018, and therefore effective for Clientèle as from the 2019 financial year.

Potential Impact to the Group

In assessing the impact of IFRS 9 on Clientèle, the project team's summary is as follows:

SOFP	2018 R'000	Subject to IFRS 9	IAS 39 Classification & Measurement	IFRS 9 Classification & Measurement	Note
Assets					
Intangible assets		–	–	–	
Property and equipment		–	–	–	
Owner-occupied properties		–	–	–	
Investment in subsidiaries		Yes – but scoped out of IFRS 9	–	–	
Deferred tax		–	–	–	
Inventories		–	–	–	
Reinsurance assets	**2,925**	Scoped into IFRS 4	–	–	
Financial assets at fair value through profit or loss	**3,591,715**	Yes	Fair value through profit or loss	Fair value through profit or loss/ Amortised cost	1
Financial assets at amortised cost	**153,185**	Yes	Amortised cost	Amortised cost	2/4
Loans and receivables including insurance receivables	**41,862**	Yes – loans and receivables IFRS 4 – insurance receivables	Amortised cost	Amortised cost	3/4
Current tax		–	–	–	
Cash and cash equivalents	**372,656**	Yes	Amortised cost	Amortised cost	5

SOFP	2018 R'000	Subject to IFRS 9	IAS 39 Classification & Measurement	IFRS 9 Classification & Measurement	Note
Liabilities					
Policyholder liabilities under insurance contracts	**630,496**	Scoped into IFRS 4	–	–	
Financial liabilities at fair value through profit or loss	**2,464,295**	Yes	Fair value through profit or loss	Fair value through profit or loss/ Amortised cost	2/6
Loans at amortised cost	**113,009**	Yes	Amortised cost	Amortised cost	7
Employee benefits		–	–	–	
Deferred tax		–	–	–	
Accruals and payables including insurance payables	**234,585**	Yes – accruals and payables IFRS 4 – insurance payables	Amortised cost	Amortised cost	7
Current tax		–	–	–	

Notes:

1. Clientèle is currently finalising its assessment of which financial assets will continue to be classified and measured at fair value through profit or loss as permitted in terms of Chapter 4.1.4 of IFRS 9 and those which will change in classification and measurement to amortised cost. This assessment includes the finalisation of the business model for specific portfolios of financial assets, where the intention is to hold and collect the cash flows from the portfolios. In addition, Clientèle is finalising the test of whether the cash flow in these portfolios represents solely payments of principal and interest.
2. Under IFRS 9, these financial instruments will continue to be classified and measured at amortised cost as all the factors required in order to recognise financial assets at amortised cost in Chapter 4.1.2 of IFRS 9 have been complied with.
3. Loans and receivables comprise:

Description	R'000	IFRS 9 classification	Notes
Receivables	10,307	Amortised cost	4
Premium receivable under insurance contracts	5,993	IFRS 4	
Reinsurance receivables under reinsurance contracts	15,232	IFRS 4	
Prepayments	10,330	Non-financial instrument	
Total	**41,862**		

4. Financial assets classified and measured at amortised cost are subject to a new impairment model under IFRS 9. Under IFRS 9, the expected credit loss ("ECL") of a financial asset must be assessed. Management is finalising its impact assessment relating to the movement in opening retained earnings relating to the recognition of an ECL provision for all financial assets classified and measured at amortised cost.
5. Cash and cash equivalents are invested in banks with credit ratings of at least Aaa/Aa on the Moody's Long-term rating scale or AAA on the Fitch Long-term rating scale (refer to Note 7 on page 95 for credit rating of cash and cash equivalents and the Internal Debt Rating Scale respectively). It was assessed that cash and cash equivalents do not hold any significant credit risk and therefore can continue to be recognised as cash and cash equivalents under IAS 7 and IFRS 9.

Accounting Policies continued

6. Under IAS 39, the entire change in the fair value of financial liabilities designated at fair value through profit or loss was recognised in profit or loss. IFRS 9 modifies this requirement to specify that the portion of the change attributable to changes in the entity's own credit risk is recognised in Other Comprehensive Income ("OCI"), with no recycling unless the OCI presentation would create or enlarge an accounting mismatch in profit or loss, or the liability is a loan commitment or financial guarantee contract. The IFRS 9 project team is finalising its assessment of this requirement.
7. IFRS 9 has not altered the measurement and recognition of financial liabilities.

Other IFRS 9 considerations:

- Clientèle does not make use of hedging arrangements as defined in IAS 39 and IFRS 9 and therefore does not apply hedge accounting; and
- Financial guarantees issued by Clientèle in terms of the YTI financial assistance set out in Note 36 will be subject to the ECL model under IFRS 9. In determining the value of the ECL provision attributable to the financial guarantees, Clientèle has made use of models, including a Monte Carlo simulation, simulating a variety of scenarios and taking into account the credit mitigation that Clientèle took out in the form of back to back financial guarantee contracts. The preliminary results from the simulations indicate that the ECL is likely to be negligible.

Clientèle has elected to transition to IFRS 9 by applying IFRS 9 retrospectively with adjustments to equity at 1 July 2018 without restating comparatives.

IFRS 16 – Leases

Scope

IFRS 16 introduces a single lessee accounting model, where all qualifying leases entered into by Clientèle will result in the recognition of a right of use asset and lease liability. The right of use asset represents Clientèle's right to use underlying leased asset and the leased liability represent the expected future cash flows that Clientèle will be required to pay in terms of the lease contract.

IFRS 16 does contain practical expedients. These include the option for the lessee not to measure a lease in terms of IFRS 16 where the lease term is less than 12 months, or where the underlying leased asset is determined to be low value.

The existing leases standard and its related interpretations will be replaced by the IFRS 16, effective for Clientèle from 1 July 2019.

Potential Impact to the Group

The majority of the leases in the Group are "inter-group" leases. The Group therefore doesn't anticipate a significant impact as a result of the implementation of the standard however, the Group is still assessing the requirements of IFRS 16 on all qualifying leases as well as the transitional provisions the Group will elect to adopt.

IFRS 17 – Insurance contracts

Scope

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. Whereas the current standard, IFRS 4, allows insurers to use their local GAAP, IFRS 17 defines clear and consistent rules that will significantly increase the comparability of Financial Statements.

Under IFRS 17, the general model requires entities to measure an insurance contract at initial recognition at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are remeasured on a current basis each reporting period. The unearned profit (contractual service margin) is recognised over the coverage period.

Aside from this general model, the standard provides, as a simplification, the premium allocation approach. This simplified approach is applicable for certain types of contracts, including those with a coverage period of one year or less.

For insurance contracts with direct participation features, the variable fee approach applies. The variable fee approach is a variation on the general model. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. As a consequence, the fair value changes are not recognised in profit or loss in the period in which they occur but over the remaining life of the contract.

The new standard will be effective for Clientèle from 1 July 2021.

Potential Impact to the Group

The new standard will have significant impacts on underlying valuation models, systems, processes, profit recognition and presentation in the SOCI. Data collection and storage, modelling and general ledger configuration will require significant development.

An IFRS 17 steering Committee has been established to identify and implement systems and process changes in anticipation of the implementation of the standard.

Other amendments to standards

Other amendments to standards that are effective for years commencing on or after 1 July 2018 are not expected to significantly impact the Group's results or disclosures.

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 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 SOCI.

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.

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

The Group's presentation and functional currency is South African Rands (ZAR).

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 SOCI 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 becomes available for use. As the software costs are 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. 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.

6. PROPERTY AND EQUIPMENT

Equipment is stated at cost less accumulated depreciation and impairment losses. Repairs and maintenance, which neither materially adds to the value of assets nor appreciably prolong their useful lives, are recognised in the SOCI. 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 SOCI 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 to ensure 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 SOCI.

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.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in the SOCI 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 SOCI 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
Buildings	2.5%

The residual values and useful lives are reassessed on an annual basis.

Land is not depreciated.

Where the estimated residual value exceeds the current carrying amount, the assets' depreciation charge for the period is zero.

The only fixed asset category to which this applies at year end is buildings.

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. FINANCIAL INSTRUMENTS

7.1 Financial Assets

7.1.1 Classification

The Group classifies its financial assets into those at fair value through profit or loss, financial assets at amortised cost or loans and receivables disclosed as "loans and receivables including insurance receivables". The classification depends on the intention when the asset is acquired.

The financial assets at fair value through profit or loss has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short-term, if it forms part of a portfolio of financial assets in which there is evidence of short-term profit-taking or if so designated by management.

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 these 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.

A financial asset is designated as a financial asset at amortised cost if the investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that an entity has the positive intention and ability to hold to maturity.

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.

7.1.2 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;
- Amortised cost – measured initially at its fair value, net of transaction cost incurred; 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.

7.1.3 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 price is not available in an active market the fair value is estimated using the repurchase price for unit trusts or discounted cash flow techniques for other financial instruments.

Financial assets designated as held at amortised cost

Subsequent to initial recognition financial assets are carried at amortised cost using the effective interest rate method less any required impairment.

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.

7.1.4 Impairment

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.

7.2 Financial Liabilities

7.2.1 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.

7.2.2 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 SOCI over the period of the loan using the effective interest method.

Financial liabilities are derecognised when the obligation to settle the liabilities has expired.

7.3 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.

8. 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.

9. 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.

10. 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.

11. 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

11.1 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

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 tax; 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
- *Health insurance products:*
  - Before 1 April 2017 – 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; and
  - After 1 April 2017 – Health Event Life Plans ("H.E.L.P. products"), are annually renewable products with benefits on defined life events, for example hospitalisation, accidental death, accidental disability and dread disease benefit, with a premium payback benefit on the Ultimate Plan.

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, whole life 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 (selected 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 liabilities 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.

The liability assumptions are reviewed semi-annually. Any changes in assumptions and/or other changes to the liability calculation are reflected in the SOCI as they occur.

Outstanding claims provisions

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.

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 SOCI 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.

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. Commissions and other acquisition costs relating to insurance contracts and financial liabilities designated at fair value through profit or loss are expensed as incurred.

11.2 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 short-term insurance contracts

Clientèle General Insurance's Short-term insurance contracts are personal lines and business lines legal policies with risk benefits to cover individual persons and SMME categories for civil, criminal and labour related matters. Certain personal lines contracts also include accidental death benefits. These contracts are monthly renewable contracts.

Measurement of short-term insurance contracts

Premium income

Insurance premium revenue comprises the premiums on contracts that become due and payable during the current reporting period irrespective of whether the contract was entered into during the current or a previous reporting period. Premiums are recognised gross of commission payable to intermediaries and exclude Value Added Tax.

Claims and benefits paid

Claims and benefits paid consist of claims and claims handling expenses paid during the financial year and are determined by the market value of the indemnification received by the policyholder.

Outstanding claims and IBNR provisions

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 Group 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.

11.3 Cash-Back 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 SOCI, to ensure that, based on actuarial assumptions, the liability is sufficient to meet the obligations to policyholders when they become due and payable. Discounting and decrementing is used in determining the actuarial liability.

12. INTEREST INCOME AND EXPENSES

The Group recognises interest income and expenses in the SOCI 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.

13. OTHER INCOME

Other income includes mainly monthly fees received from IFAs, deferred profit from single premium policies, administration fees charged on the handling of accidental death claims, fees charged on the administering of SMME policies and recharges from Clientèle Limited's subsidiaries in respect of SARs and bonus rights schemes. Monthly fees received from IFAs are recognised on an accrual basis. Other income is recognised on an accrual basis.

14. DIVIDEND REVENUE

Dividends are recognised in the Company Financial Statements when the right to receive payment is established.

15. TAXATION

The tax charge comprises current tax, deferred tax and DWT. Income tax expense is recognised in the profit and loss component of the SOCI, 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.

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 Group 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 tax 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 20% (2017: 20%) 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.

15.4 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 in order 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 SOCI 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 Scheme for Excom, 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 ended on 30 June 2017. The fourth cycle commenced 1 July 2017 and ends on 30 June 2022. The Goodwill created is determined with reference to the VNB (as certified 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 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 SOCI 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, based on performance relative to agreed upon criteria, payable annually and are charged to the SOCI in the period in which they arise.

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 exercisable.

At each SOFP date, the entity revises its estimates of the number of SARs and Bonus Rights that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the SOCI, 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 exercising 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 SOCI in the Company.

The cash received in respect of the recharge is reflected in the Company statement of cash flows as follows:

- The cash received in respect of the grant date fair value is included in investment activities as proceeds from receiving a capital repayment by the subsidiary in respect of the issue of share capital.
- The cash in respect of the amount by which the recharge exceeds the cumulative grant date fair value is included under cash generated by operations.

This transaction is eliminated in the Statement of Cash Flows on consolidation.

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 Group Excom.

The Group's operations are analysed across three reportable operating segments. This is consistent with the way the Group manages the business. The three reportable operating segments, based on the three principal lines of business from which the Group generates revenue are long-term insurance, short-term insurance and other (predominantly Clientèle Limited) business segments.

Segment information is prepared in conformity with the measure that is reported to Group 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

as at 30 June 2018

		Group		Company	
(R'000)	Notes	2018	2017	2018	2017
Assets					
Intangible assets	2	**41,099**	35,751		
Property and equipment	3	**45,877**	46,518		
Owner-occupied properties	4	**423,513**	422,013		
Investment in subsidiaries	5			**299,007**	293,443
Deferred tax	18	**46,309**	42,817	**658**	349
Inventories		**2,765**	1,894		
Reinsurance assets	6	**2,925**	2,504		
Financial assets at fair value through profit or loss	7	**3,591,715**	2,196,020	**89,862**	63,671
Financial assets at amortised cost	8	**153,185**	288,627		
Loans and receivables including insurance receivables	9	**41,862**	34,891	**17,292**	2,790
Current tax			990		52
Cash and cash equivalents	10	**372,656**	221,047	**20,323**	53,052
Total assets		**4,721,906**	3,293,072	**427,142**	413,357
Equity					
Share capital	11	**6,694**	6,680	**6,694**	6,680
Share premium	11	**377,757**	365,888	**377,757**	365,888
Common control deficit	11	**(220,273)**	(220,273)		
		164,178	152,295	**384,451**	372,568
Retained earnings		**871,898**	770,432	**16,116**	18,304
SAR and Bonus Rights Schemes reserve	12	**22,972**	21,293	**22,972**	21,293
NDR: Revaluation	13	**70,619**	71,694		
		1,129,667	1,015,714	**423,539**	412,165
Non-controlling interest			282		
Total equity		**1,129,667**	1,015,996	**423,539**	412,165
Liabilities					
Policyholder liabilities under insurance contracts	14	**630,496**	652,614		
Financial liabilities at fair value through profit or loss	15	**2,464,295**	1,159,676		
Loans at amortised cost	16	**113,009**	113,043		
Employee benefits	17	**92,990**	97,339		
Deferred tax	18	**50,061**	43,855	**739**	
Accruals and payables including insurance payables	19	**234,585**	210,180	**2,746**	1,192
Current tax		**6,803**	369	**118**	
Total liabilities		**3,592,239**	2,277,076	**3,603**	1,192
Total equity and liabilities		**4,721,906**	3,293,072	**427,142**	413,357

Statements of Comprehensive Income

for the year ended 30 June 2018

(R'000)	Notes	Group 2018	Group 2017	Company 2018	Company 2017
Revenue					
Insurance premium revenue	20	**2,199,439**	2,003,255		
Reinsurance premiums	21	**(123,112)**	(130,690)		
Net insurance premiums		**2,076,327**	1,872,565		
Other income	22	**167,560**	156,113	**6,839**	22,104
Dividend revenue	27			**378,130**	337,256
Interest income	23	**34,276**	40,090	**2,349**	1,316
Fair value adjustment to financial assets at fair value through profit or loss	24	**280,311**	136,881	**7,508**	3,256
Net income		**2,558,474**	2,205,649	**394,826**	363,932
Net insurance benefits and claims	25	**(384,490)**	(359,470)		
Gross insurance benefits and claims	25	**(486,195)**	(460,145)		
Insurance claims recovered from reinsurers	25	**101,705**	100,675		
Decrease in policyholder liabilities under insurance contracts	26	**22,118**	37,488		
Increase/(decrease) in reinsurance assets	6	**421**	(285)		
Fair value adjustment to financial liabilities at fair value through profit or loss	15	**(172,115)**	(99,346)		
Interest expense		**(9,819)**	(9,866)	**(9)**	(9)
Acquisition costs	28	**(1,074,569)**	(890,878)		
Administrative expenses	28	**(260,603)**	(241,127)	**(5,550)**	(5,849)
Profit before tax		**679,417**	642,165	**389,267**	358,074
Tax	30	**(189,094)**	(175,468)	**(2,619)**	(1,524)
Net profit for the year		**490,323**	466,697	**386,648**	356,550
Attributable to:					
– Non-controlling interest – ordinary shareholders		**21**	199		
– Equity holders of the Group – ordinary shareholders		**490,302**	466,498	**386,648**	356,550
Net profit for the year		**490,323**	466,697	**386,648**	356,550
Other comprehensive income:					
(Losses)/gains on property revaluation[1]		**(1,535)**	8,475		
Income tax relating to losses/(gains) on property revaluation[1]		**460**	(2,155)		
Other comprehensive income for the year net of tax		**(1,075)**	6,320		
Total comprehensive income for the year		**489,248**	473,017	**386,648**	356,550
Attributable to:					
– Non-controlling interest – ordinary shareholders		**21**	199		
– Equity holders of the Group – ordinary shareholders		**489,227**	472,818	**386,648**	356,550
Earnings per share (cents)	31	**146.62**	140.35		
Diluted earnings per share (cents)	31	**146.24**	139.12		

1 *Items that cannot be recycled to profit or loss.*

Group Statement of Changes in Equity

for the year ended 30 June 2018

(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 2016	6,636	328,875	(220,273)	115,238	655,279	28,524	65,374	864,415	1,133	865,548
Ordinary dividends					(331,897)			(331,897)	(1,050)	(332,947)
Total comprehensive income	–	–	–	–	466,498	–	6,320	472,818	199	473,017
– Net profit for the year					466,498			466,498	199	466,697
– Other comprehensive income							6,320	6,320		6,320
Shares issued	44	37,013		37,057				37,057		37,057
SAR and Bonus Rights Schemes allocated						10,378		10,378		10,378
Transfer from shares issued					(19,448)	(17,609)		(37,057)		(37,057)
Balance as at 30 June 2017	6,680	365,888	(220,273)	152,295	770,432	21,293	71,694	1,015,714	282	1,015,996
Balance as at 1 July 2017	**6,680**	**365,888**	**(220,273)**	**152,295**	**770,432**	**21,293**	**71,694**	**1,015,714**	**282**	**1,015,996**
Ordinary dividends				**–**	**(384,261)**			**(384,261)**	**(303)**	**(384,564)**
Total comprehensive income	**–**	**–**	**–**	**–**	**490,302**	**–**	**(1,075)**	**489,227**	**21**	**489,248**
– Net profit for the year				**–**	**490,302**			**490,302**	**21**	**490,323**
– Other comprehensive income				**–**			**(1,075)**	**(1,075)**		**(1,075)**
Shares issued	**14**	**11,869**		**11,883**				**11,883**		**11,883**
SAR and Bonus Rights Schemes allocated				**–**		**8,987**		**8,987**		**8,987**
Transfer from shares issued#				**–**	**(4,575)**	**(7,308)**		**(11,883)**		**(11,883)**
Balance as at 30 June 2018	**6,694**	**377,757**	**(220,273)**	**164,178**	**871,898**	**22,972**	**70,619**	**1,129,667**	**–**	**1,129,667**

Refer to point 19.3 of the Accounting Policies.

Company Statement of Changes in Equity

for the year ended 30 June 2018

(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 2016	6,636	328,875	13,099	28,524	377,134
Ordinary dividends			(331,897)		(331,897)
Net profit for the year			356,550		356,550
Shares issued	44	37,013			37,057
SAR and Bonus Rights Schemes allocated				10,378	10,378
Transfer from shares issued			(19,448)	(17,609)	(37,057)
Balance as at 30 June 2017	6,680	365,888	18,304	21,293	412,165
Balance as at 1 July 2017	**6,680**	**365,888**	**18,304**	**21,293**	**412,165**
Ordinary dividends			**(384,261)**		**(384,261)**
Net profit for the year			**386,648**		**386,648**
Shares issued	**14**	**11,869**			**11,883**
SAR and Bonus Rights Schemes allocated				**8,987**	**8,987**
Transfer from shares issued			**(4,575)**	**(7,308)**	**(11,883)**
Balance as at 30 June 2018	**6,694**	**377,757**	**16,116**	**22,972**	**423,539**

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. 0.7 million (2017: 2.2 million) shares were issued 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 2018

(R'000)	Notes	Group 2018	Group 2017	Company 2018	Company 2017
Profit from operations		**679,417**	642,165	**389,267**	358,074
Adjusted for non-cash items		**(17,786)**	(9,886)	**(7,508)**	(3,256)
Separately disclosable items		**(111,335)**	(96,040)	**(8,306)**	(5,322)
Working capital changes		**(70,137)**	(29,754)	**(12,922)**	(709)
Increase in financial liabilities		**1,132,504**	150,511		
Acquisition of financial assets	7	**(1,763,748)**	(786,752)	**(22,291)**	
Disposal of financial assets	7, 8	**803,317**	582,541	**3,608**	
Cash generated by operations	32	**652,232**	452,785*	**341,848**	348,787*
Interest received		**88,568**	80,024	**6,952**	4,767
Dividends received		**22,767**	16,017	**1,354**	555
Dividends paid	33	**(384,588)**	(332,846)	**(384,285)**	(331,796)
Tax paid	34	**(178,496)**	(174,477)	**(2,019)**	(1,520)
Cash flows from operating activities		**200,483**	41,503	**(36,150)**	20,793
Acquisition of intangible assets	2	**(14,387)**	(16,445)		
Acquisition of property and equipment	3	**(14,730)**	(13,591)		
Acquisition of owner-occupied properties	4	**(3,035)**	(4,887)		
Proceeds from disposal of property and equipment		**427**	374		
Acquisition of investment in subsidiary		**(3,401)**		**(3,887)**	
Proceeds from issue of share capital#				**7,308**	17,609
Cash flows from investing activities		**(35,126)**	(34,549)	**3,421**	17,609
Repayment of loans at amortised cost	16	**(13,748)**	(9,755)		
Advances of loans at amortised cost	16		14,000		
Cash flows from financing activities		**(13,748)**	4,245	**–**	–
Increase/(decrease) in cash and cash equivalents		**151,609**	11,199	**(32,729)**	38,402
Cash and cash equivalents at beginning of year		**221,047**	209,848	**53,052**	14,650
Cash and cash equivalents at end of year	10	**372,656**	221,047	**20,323**	53,052

Proceeds from the issue of share capital relates to the recharge arrangement described in accounting policy 19.3.

* *These numbers were restated to reflect the acquisition and disposal of financial assets in cash generated from operations. This restatement had no impact other than the classification within "cash flows from operating activities".*

Segment Information

as at 30 June 2018

BASIS OF SEGMENTATION

The Group's operations are analysed across three reportable operating segments, based on the three principal lines of business from which the Group generates revenue, being Long-term insurance (incorporating the property subsidiaries), short-term insurance and other business segments.

The long-term insurance segment incorporates the sale and administration of long-term insurance risk policies (refer to Note 11.1 on page 100) as well as the transactions associated with the owner-occupied properties.

The short-term insurance segment incorporates the sale and administration of legal advice policies concluded under the short-term insurance license (refer to Note 11.2 on page 101).

The Other segment incorporates predominantly Clientèle Limited.

Statement of Financial Position – Segment Information as at 30 June 2018

(R'000)	Long-term insurance	Short-term insurance	Other	Inter-segment	Total
Segment assets and liabilities					
Intangible assets	24,872	7,034	9,193		41,099
Property and equipment	43,939	1,720	218		45,877
Owner-occupied properties	423,513				423,513
Deferred tax	38,066	7,407	836		46,309
Inventories	2,581	184			2,765
Reinsurance assets	2,925				2,925
Financial assets at fair value through profit or loss	3,273,960	227,893	89,862		3,591,715
Financial assets at amortised cost	153,185				153,185
Loans and receivables including insurance receivables	49,383	1,382	5,305	(14,208)	41,862
Cash and cash equivalents	305,580	46,278	20,798		372,656
Total assets	4,318,004	291,898	126,212	(14,208)	4,721,906
Policyholder liabilities under insurance contracts	620,674	9,822			630,496
Financial liabilities at fair value through profit or loss	2,464,295				2,464,295
Loans at amortised cost	113,009				113,009
Employee benefits	77,874	15,116			92,990
Deferred tax	42,924	6,398	739		50,061
Accruals and payables including insurance payables	207,713	37,650	3,430	(14,208)	234,585
Current tax	6,317	252	234		6,803
Total liabilities	3,532,806	69,238	4,403	(14,208)	3,592,239
Segment items included in the SOFP: 2018					
Acquisition of intangible assets	10,996	3,391			14,387
Acquisition of property and equipment	14,197	533			14,730

Statement of Financial Position – Segment Information as at 30 June 2017

(R'000)	Long-term insurance	Short-term insurance	Other	Inter-segment	Total
Segment assets and liabilities					
Intangible assets	27,989	7,762			35,751
Property and equipment	44,740	1,778			46,518
Owner-occupied properties	422,013				422,013
Deferred tax	35,745	6,544	528		42,817
Inventories	1,604	290			1,894
Reinsurance assets	2,504				2,504
Financial assets at fair value through profit or loss	1,931,012	201,337	63,671		2,196,020
Financial assets at amortised cost	288,627				288,627
Loans and receivables including insurance receivables	42,047	1,993	3,529	(12,678)	34,891
Current tax		856	134		990
Cash and cash equivalents	136,316	31,301	53,430		221,047
Total assets	2,932,597	251,861	121,292	(12,678)	3,293,072
Policyholder liabilities under insurance contracts	643,232	9,382			652,614
Financial liabilities at fair value through profit or loss	1,159,676				1,159,676
Loans at amortised cost	113,043				113,043
Employee benefits	82,552	14,787			97,339
Deferred tax	39,840	4,015			43,855
Accruals and payables including insurance payables	187,288	33,433	2,137	(12,678)	210,180
Current tax	253		116		369
Total liabilities	2,225,884	61,617	2,253	(12,678)	2,277,076
Segment items included in the SOFP: 2017					
Acquisition of intangible assets	11,096	5,349			16,445
Acquisition of property and equipment	12,863	728			13,591

Segment Information continued

Statement of Comprehensive Income – Segment Information for the year ended 30 June 2018

(R'000)	Long-term insurance	Short-term insurance	Other	Inter-segment	Total
Revenue					
Insurance premium revenue	1,795,433	404,006			2,199,439
Reinsurance premiums	(123,112)				(123,112)
Net insurance premiums	1,672,321	404,006			2,076,327
Other income	180,150	717	6,902	(20,209)	167,560
Dividend revenue			378,130	(378,130)	–
Interest income	30,533	1,276	2,467		34,276
Fair value adjustment to financial assets at fair value through profit or loss	252,988	19,815	7,508		280,311
Segment income	2,135,992	425,814	395,007	(398,339)	2,558,474
Net insurance benefits and claims	(344,573)	(39,917)			(384,490)
Decrease/(increase) in policyholder liabilities under insurance contracts	22,558	(440)			22,118
Increase in reinsurance assets	421				421
Fair value adjustment to financial liabilities at fair value through profit or loss	(172,115)				(172,115)
Interest expense	(9,810)		(9)		(9,819)
Operating expenses	(1,046,887)	(293,807)	(7,267)	12,789	(1,335,172)
Segment expenses and claims	(1,550,406)	(334,164)	(7,276)	12,789	(1,879,057)
Profit before tax	585,586	91,650	387,731	(385,550)	679,417
Tax	(161,918)	(24,557)	(2,619)		(189,094)
Net profit for the year	423,668	67,093	385,112	(385,550)	490,323
Net profit for the year attributable to equity holders of the Group	423,668	67,093	385,091	(385,550)	490,302
Non-controlling interest – share of profit			21		21
Segment items included in the SOCI: 2018					
Amortisation of intangible assets	14,400	4,118		4,392	22,910
Depreciation	14,502	585	72		15,159

Statement of Comprehensive Income – Segment Information for the year ended 30 June 2017

(R'000)	Long-term insurance	Short-term insurance	Other	Inter-segment	Total
Revenue					
Insurance premium revenue	1,651,594	351,661			2,003,255
Reinsurance premiums	(130,690)				(130,690)
Net insurance premiums	1,520,904	351,661	–	–	1,872,565
Other income	164,253	564	23,087	(31,791)	156,113
Dividend revenue			337,256	(337,256)	–
Interest income	37,234	1,262	1,594		40,090
Fair value adjustment to financial assets at fair value through profit or loss	123,375	10,250	3,256		136,881
Segment income	1,845,766	363,737	365,193	(369,047)	2,205,649
Net insurance benefits and claims	(319,313)	(40,157)			(359,470)
Decrease in policyholder liabilities under insurance contracts	36,130	1,358			37,488
Decrease in reinsurance assets	(285)				(285)
Fair value adjustment to financial liabilities at fair value through profit or loss	(99,346)				(99,346)
Interest expense	(9,866)				(9,866)
Operating expenses	(898,266)	(239,882)	(6,200)	12,343	(1,132,005)
Segment expenses and claims	(1,290,946)	(278,681)	(6,200)	12,343	(1,563,484)
Profit before tax	554,820	85,056	358,993	(356,704)	642,165
Tax	(150,465)	(23,222)	(1,781)		(175,468)
Net profit for the year	404,355	61,834	357,212	(356,704)	466,697
Net profit for the year attributable to equity holders of the Group	404,355	61,834	357,013	(356,704)	466,498
Non-controlling interest – share of profit			199		199
Segment items included in the SOCI: 2017					
Amortisation of intangible assets	13,703	3,426			17,129
Depreciation	13,965	509			14,474

Notes to the Annual Financial Statements

for the year ended 30 June 2018

1. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS USED IN APPLYING ACCOUNTING POLICIES

The Group makes use of estimates and assumptions that affect the reported amounts of its insurance liabilities, owner-occupied properties 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. Refer to Note 14 on pages 134 to 136 and to the sensitivity analysis in Risk Management Note 11 on page 99.

1.2 Employee Benefits

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 a five year cycle of the Scheme, the multiple used in the formula and the expected number of participants in the Scheme. Refer to Note 17 on pages 138 to 139. The determination of the liabilities in respect of the EV component of the Group's bonus scheme is dependent on estimates made by the Group. Factors affecting the calculation are the EV earnings, the hurdle rate and the expected pool utilisation. Refer to Note 17 on pages 138 to 139.

	Group						
	2018				2017		
(R'000)	Computer software and other	Intellectual property and customer relationships	Video production	Total	Computer software	Video production	Total
2. INTANGIBLE ASSETS							
Cost at beginning of year	51,230		20,710	71,940	43,093	37,954	81,047
Additions	5,595	13,871	8,792	28,258	8,172	8,273	16,445
Assets written off*	(9,931)		(10,953)	(20,884)	(35)	(25,517)	(25,552)
Impairment		(3,042)		(3,042)			
Cost at end of year	46,894	10,829	18,549	76,272	51,230	20,710	71,940
Accumulated amortisation at beginning of year	(24,304)		(11,885)	(36,189)	(15,508)	(29,104)	(44,612)
Amortisation charge for the year	(9,440)	(1,357)	(9,071)	(19,868)	(8,831)	(8,298)	(17,129)
Assets written off*	9,931		10,953	20,884	35	25,517	25,552
Accumulated amortisation at end of year	(23,813)	(1,357)	(10,003)	(35,173)	(24,304)	(11,885)	(36,189)
Net carrying amount at end of year	23,081	9,472	8,546	41,099	26,926	8,825	35,751

* *Fully amortised/depreciated assets that were not in use were written off by the Group.*

(R'000)	Group				
	Leasehold improvements	Furniture and equipment	Computer equipment	Motor vehicles	Total
3. PROPERTY AND EQUIPMENT					
Year ended 30 June 2018					
Cost at beginning of year	12,548	40,156	63,575	6,134	122,413
Additions	1,046	4,434	8,143	1,107	14,730
Assets written off*	(2,847)	(9,546)	(26,892)	(525)	(39,810)
Disposals		(5)	(221)	(1,251)	(1,477)
Cost at end of year	10,747	35,039	44,605	5,465	95,856
Accumulated depreciation at beginning of year	(6,593)	(24,276)	(40,334)	(4,692)	(75,895)
Depreciation charge for the year	(1,318)	(4,645)	(8,062)	(1,134)	(15,159)
Assets written off*	2,847	9,546	26,892	525	39,810
Disposals		1	23	1,241	1,265
Accumulated depreciation at end of year	(5,064)	(19,374)	(21,481)	(4,060)	(49,979)
Net carrying amount at end of year	5,683	15,665	23,124	1,405	45,877

(R'000)	Leasehold improvements	Furniture and equipment	Computer equipment	Motor Vehicles	Total
Year ended 30 June 2017					
Cost at beginning of year	12,399	38,128	57,927	6,619	115,073
Additions	2,657	3,451	7,019	464	13,591
Assets written off*	(2,504)	(1,423)	(1,296)		(5,223)
Disposals	(4)		(75)	(949)	(1,028)
Cost at end of year	12,548	40,156	63,575	6,134	122,413
Accumulated depreciation at beginning of year	(6,355)	(22,009)	(34,917)	(4,283)	(67,564)
Depreciation charge for the year	(2,745)	(3,690)	(6,763)	(1,276)	(14,474)
Assets written off*	2,504	1,423	1,296		5,223
Disposals	3		50	867	920
Accumulated depreciation at end of year	(6,593)	(24,276)	(40,334)	(4,692)	(75,895)
Net carrying amount at end of year	5,955	15,880	23,241	1,442	46,518

* *Fully amortised/depreciated assets that were not in use were written off by the Group.*

Notes to the Annual Financial Statements continued

(R'000)	Group 2018 Land	Group 2018 Buildings	Group 2018 Total	Group 2017 Land	Group 2017 Buildings	Group 2017 Total
4. OWNER-OCCUPIED PROPERTIES						
Valuation at beginning of year	**83,904**	**338,109**	**422,013**	80,004	328,647	408,651
Additions: Buildings 1 to 7		**3,035**	**3,035**		4,887	4,887
Revaluation	**543**	**(2,078)**	**(1,535)**	3,900	4,575	8,475
Valuation at end of year	**84,447**	**339,066**	**423,513**	83,904	338,109	422,013

The land and buildings are valued annually 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 net rentals in terms of seven year leases (2017: gross open market rentals) to the gross lettable area and then deducting normal landlord outgoings including a management fee to arrive at the annual income figure. These intergroup leases were previously annually renewable. A net rental of between R120 and R156 (2017: between R114 and R149) per square meter per month after deducting operating costs was applied. This has then been capitalised into perpetuity at a yield of between 8.13% (2017: 8.25%) (building 7) and 8.34% (2017: 9.00%) (buildings 1 to 6) which is appropriate given the current state of the property market and the quality of the property investments.

Owner-occupied properties are disclosed at level 3 on the fair value measurement hierarchy. Refer to the level 3 definition on page 98.

Sensitivity Analysis

The effect of changes in gross annual rental and yield will have the following effect on the fair value of the properties:

	% change	2018 R'000	2017 R'000
Gross annual rental	+5	**20,875**	20,800
Gross annual rental	-5	**(20,875)**	(20,800)
Yield	+0.25	**(12,294)**	(11,703)
Yield	-0.25	**13,064**	12,402

The properties consist of seven contiguous office buildings and a parking structure situated on Erf 1725, Morningside Extension 71, Erf 1731, Morningside Extension 42, Portions 1, 2 and 3 of Erf 1502, Morningside Extension 71, Erf 1726, Morningside Extension 42, Erf 777 Morningside Extension 71 and Erf 776 Morningside Extension 71, Sandton, Gauteng. The buildings and parking structure are predominantly leased by 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 R319.7 million as at 30 June 2018 (2017: R316.7 million).

5. INVESTMENT IN SUBSIDIARIES

	Company		
	Amount of issued share capital and share premium R	Percentage of issued share capital %	Shares held at cost R'000
2018			
Direct holdings			
Unlisted subsidiaries			
Clientèle Life	**4,853,000**	**100**	**249,002#**
Clientèle General Insurance	**42,500,000**	**100**	**46,118#**
Clientèle Loans	**1**	**100**	*****
Switch2 Cover	**1**	**100**	**3,887**
			299,007
2017			
Direct holdings			
Unlisted subsidiaries			
Clientèle Life	4,853,000	100	247,774
Clientèle General Insurance	42,500,000	100	45,669
Clientèle Loans	1	100	*
Indirect holdings			
Unlisted subsidiaries			
CLD~	100	70	
			293,443

* *Less than R1,000.*
~ *CLD was deregistered during the 2018 financial year.*
\# *The increase relates to the recharge arrangement described in accounting policy 19.3.*

(R'000)	Group 2018	Group 2017	Company 2018	Company 2017
6. REINSURANCE ASSETS				
Reinsurers' share of insurance liabilities				
Balance at beginning of year	**2,504**	2,789		
Movement in reinsurers' share of insurance liabilities	**421**	(285)		
Balance at end of year	**2,925**	2,504	**–**	–

Notes to the Annual Financial Statements continued

(R'000)	Group 2018	Group 2017	Company 2018	Company 2017
7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS				
Balance at beginning of year	**2,196,020**	1,854,928	**63,671**	60,415
Movements for year				
– Fair value adjustments	**280,311**	136,881	**7,508**	3,256
– Additions	**1,763,748**	786,752	**22,291**	
– Disposals	**(648,364)**	(582,541)	**(3,608)**	
Balance at end of year	**3,591,715**	2,196,020	**89,862**	63,671
Total debt securities	**2,992,939**	1,700,254	**56,192**	43,039
Promissory notes and fixed deposits†	**2,278,677**	962,654		
Funds on deposit	**599,652**	618,225	**51,185**	37,566
Fixed interest securities	**42,044**	49,329	**351**	933
Government and public authority bonds	**72,566**	70,046	**4,656**	4,540
Total equity securities	**598,776**	495,766	**33,670**	20,632
Listed equity securities	**594,926**	491,916	**33,670**	20,632
Unlisted equity securities	**3,850**	3,850		
Total instruments	**3,591,715**	2,196,020	**89,862**	63,671
	%	%	**%**	%
Spread of equities listed on the JSE by sector				
Industrials	**55.2**	58.5	**51.5**	53.8
Resources	**19.4**	15.9	**23.7**	20.3
Financials	**20.1**	14.3	**21.9**	16.3
Real estate	**5.3**	7.9	**2.9**	6.1
Telecommunications		3.4		3.5
	100.0	100.0	**100.0**	100.0

† *Includes zero coupon fixed deposits held in ABL ("Good Bank") of R132.1 million (2017: 169.4 million) that are held at fair value through profit or loss and are disclosed at level 3 on fair value hierarchy as values are estimated indirectly using techniques and models. Key inputs include the zero coupon risk free yield curve.*

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

(R'000)	Group 2018	Group 2017	Company 2018	Company 2017
8. FINANCIAL ASSETS AT AMORTISED COST				
Balance at beginning of year	**288,627**	264,023		
Movements for year				
– Interest received	**19,511**	24,604		
– Disposal	**(154,953)**			
Balance at end of year	**153,185**	288,627	**–**	–

The carrying value approximates the fair value. If the financial assets were measured at fair value, they would be disclosed at level 3 in the fair value measurement hierarchy.

(R'000)	Group 2018	Group 2017	Company 2018	Company 2017
9. LOANS AND RECEIVABLES INCLUDING INSURANCE RECEIVABLES				
Receivables	**10,307**	9,164	**3,726**	494
Premiums receivable under insurance contracts	**5,993**	1,741		
Due from subsidiaries			**11,351**	138
Reinsurance receivables under reinsurance contracts	**15,232**	13,132		
Prepayments	**10,330**	10,854	**2,215**	2,158
	41,862	34,891	**17,292**	2,790
Current	**41,862**	34,891	**6,092**	2,790
Non-current			**11,200**	
	41,862	34,891	**17,292**	2,790
The carrying value amounts approximate the fair value of these amounts.				
Maturity analysis				
Due within one year	**41,862**	34,891	**6,092**	2,790
Due within two to five years			**11,200**	
	41,862	34,891	**17,292**	2,790

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.

(R'000)	Group 2018	Group 2017	Company 2018	Company 2017
10. CASH AND CASH EQUIVALENTS				
Cash in bank and at hand	**372,656**	221,047	**20,323**	53,052

(R'000)	Group 2018	Group 2017	Company 2018	Company 2017
11. SHARE CAPITAL AND PREMIUM				
Authorised share capital				
750,000,000 ordinary shares of 2 cents each	**15,000**	15,000	**15,000**	15,000
Issued share capital				
2018: 334,707,747 (2017: 334,003,379) ordinary shares of 2 cents each	**6,694**	6,680	**6,694**	6,680
Share premium	**377,757**	365,888	**377,757**	365,888
Common control deficit*	**(220,273)**	(220,273)		
	164,178	152,295	**384,451**	372,568

* *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.*

0.7 million (2017: 2.2 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.

Notes to the Annual Financial Statements continued

Ordinary shareholders analysis as at 30 June 2018 – Unaudited

Shareholder spread	Number of shareholdings	%	Number of Shares	%
1 – 1,000 shares	590	40.86	176,976	0.05
1,001 – 10,000 shares	568	39.33	2,254,271	0.67
10,001 – 100,000 shares	229	15.86	6,927,580	2.07
100,001 – 1,000,000 shares	41	2.84	11,004,694	3.29
1,000,001 shares and over	16	1.11	314,344,226	93.92
Totals	1,444	100.00	334,707,747	100.00

Analysis of shareholders by classification as at 30 June 2018 – Unaudited

Distribution of shareholders	Number of shareholdings	%	Number of shares	%
Banks/Brokers	7	0.49	741,614	0.22
Close Corporations	14	0.97	1,283,986	0.38
Endowment Funds	2	0.14	3,502	0.00
Individuals	1,158	80.19	16,381,391	4.90
Insurance Companies	12	0.83	63,335,754	18.92
Investment Companies	2	0.14	8,015	0.00
Medical Schemes	1	0.06	1,138	0.00
Mutual Funds	35	2.42	14,854,057	4.44
Other Corporations	7	0.49	15,460	0.00
Private Companies	60	4.16	232,289,367	69.40
Public Companies	2	0.14	81,550	0.03
Retirement Funds	10	0.69	2,333,374	0.70
Trusts	134	9.28	3,378,539	1.01
Totals	1,444	100.00	334,707,747	100.00

Public/non-public shareholders at 30 June 2018 – Unaudited

Shareholder spread	Number of shareholdings	%	Number of shares	%
Non-Public shareholders	26	1.80	269,694,909	80.58
Directors and Associates	20	1.39	7,323,451	2.19
Strategic Holdings (more than 10%)	6	0.41	262,371,458	78.39
Public shareholders	1,418	98.20	65,012,838	19.42
Totals	1,444	100.00	334,707,747	100.00

Beneficial shareholders of 5% or more	Number of shares	%
Friedshelf 1577 Proprietary Limited	262,371,458	78.39
Hollard Foundation Trust (BBBEE trust)	24,580,049	7.34
Totals	286,951,507	85.73

(R'000)	Group 2018	Group 2017	Company 2018	Company 2017
12. SAR AND BONUS RIGHTS SCHEMES RESERVE				
SAR and Bonus Rights Schemes reserve	**22,972**	21,293	**22,972**	21,293

Bonus Rights are granted to qualifying employees, excluding Group Directors.

The initial price of the Bonus Right is the volume weighted average price that the ordinary share traded at on the JSE during the 30 (thirty) trading days immediately preceding the invitation date. Bonus Rights are conditional on the employee staying in the employ of the Group for the vesting period. The Bonus Rights are exercisable starting three years from the invitation date. All Bonus Rights not exercised on the seventh anniversary of the invitation date will lapse.

	2018		2017	
	Volume weighted average price on grant date (Rands)	Number of SARs and Bonus Rights granted	Volume weighted average price on grant date (Rands)	Number of SARs and Bonus Rights granted
At beginning of year		**14,898,704**		19,714,364
Allotment	**14.94**	**19,000**		
Allotment			16.01	2,080,152
Allotment	**16.36**	**2,691,005**		
Allotment	**17.24**	**1,417,944**	17.47	3,187,972
Allotment	**19.71**	**1,189,250**		
Forfeited	**11.20**	**(7,159)**	11.20	(8,591)
Forfeited			11.28	(20,470)
Forfeited			11.51	(257,000)
Forfeited	**11.89**	**(35,064)**	11.89	(9,440)
Forfeited	**13.14**	**(306,164)**	13.14	(518,830)
Forfeited			14.78	(1,000)
Forfeited	**14.94**	**(215,954)**	14.94	(653,552)
Forfeited	**16.01**	**(355,594)**	16.01	(612,446)
Forfeited	**16.36**	**(906,610)**		
Forfeited	**17.00**	**(103,666)**	17.00	(314,300)
Forfeited	**17.24**	**(117,500)**		
Forfeited	**17.27**	**(65,878)**	17.27	(182,934)
Forfeited	**17.47**	**(866,579)**	17.47	(435,118)
Forfeited	**18.21**	**(294,327)**	18.21	(325,584)
Forfeited	**19.71**	**(23,500)**		
Exercised		**(2,522,577)**		(6,744,519)
At end of year		**14,395,331**		14,898,704

1.8 million (2017: 2.6 million) of the 14.4 million (2017: 14.9 million) outstanding SARs and Bonus Rights were exercisable.

SARs and Bonus Rights granted at the end of the year have the following expiry dates:

	Average grant price (Rands)	Number of SARs and Bonus Rights
03 January 2019	11.28	176,265
30 October 2019	11.20	18,608
02 January 2020	11.89	37,761
01 March 2020	12.25	97,959
01 November 2020	13.14	2,549,510
03 January 2021	14.78	36,448
18 February 2021	14.36	110,000
26 May 2021	14.27	10,346
01 September 2021	17.00	759,385
30 March 2022	17.27	843,772
01 April 2019	11.51	378,315
30 September 2022	18.21	1,011,350
31 March 2023	14.94	1,116,636
30 September 2023	16.01	1,112,112
31 March 2024	17.47	1,886,275
30 September 2024	16.36	1,784,395
01 April 2025	17.24	1,300,444
30 June 2025	19.71	1,165,750
At end of year		**14,395,331**

The SOCI 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 (2017: R10.4 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 2012 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 14.0% and 16.00% depending on the date of granting the rights (2017: ranging between 10.8% and 17.8%), contractual life of 1 to 7 years (2017: 1 to 7 years) and potential share price growth.

	Group		Company	
(R'000)	2018	2017	2018	2017
13. NDR				
NDR: Revaluation	**70,619**	71,694	**–**	–
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 127. The land and buildings have been revalued to market value through equity. Deferred tax (refer to Note 18 on page 140) has been provided at rates appropriate to the land and buildings and resulted in a net decrease of R0.5 million to the deferred tax liability (2017: R2.2 million increase).				

(R'000)	Group 2018	Group 2017	Company 2018	Company 2017
14. POLICYHOLDER LIABILITIES UNDER INSURANCE CONTRACTS				
Balance at beginning of year	**652,614**	690,102		
Decrease in policyholder liabilities under insurance contracts	**(22,118)**	(37,488)		
Balance at end of year	**630,496**	652,614	**–**	–

(R'000)	Group 2018 Gross of reinsurance	Group 2018 Net of reinsurance	Group 2017 Gross of reinsurance	Group 2017 Net of reinsurance
Long-term insurance				
Changes in insurance liabilities and reinsurance				
Discounted insurance liabilities as at the beginning of the year	**637,926**	**637,868**	673,462	673,403
Discretionary margins	**(3,056,146)**	**(3,055,867)**	(2,755,150)	(2,754,909)
Discounted insurance liabilities as at the beginning of the year prior to allowance for discretionary margins	**(2,418,220)**	**(2,417,999)**	(2,081,688)	(2,081,506)
Expected interest on insurance liabilities (and cash flows)	**(179,713)**	**(179,713)**	(181,551)	(181,551)
Expected premiums on insurance liabilities	**1,319,247**	**1,201,135**	1,218,287	1,104,177
Expected change in margins (existing business)	**(7)**	**(9)**	(2,564)	(2,564)
Expected claims, expiries and lapses	**(401,749)**	**(310,277)**	(367,922)	(272,489)
Expected expenses, commission and charges	**(137,018)**	**(137,018)**	(133,163)	(133,163)
Experience variations	**82,342**	**109,091**	25,021	43,655
Changes in Valuation basis (renewal business only)	**(46,642)**	**(46,637)**	(21,803)	(21,801)
New business added during the year	**(822,565)**	**(822,411)**	(872,837)	(872,757)
Discounted insurance liabilities as at the end of the year prior to allowance for discretionary margins	**(2,604,325)**	**(2,603,838)**	(2,418,220)	(2,417,999)
Discretionary margins	**3,217,847**	**3,217,245**	3,056,146	3,055,867
A: Discounted insurance liabilities as at the end of the year	**613,522**	**613,407**	637,926	637,868
Undiscounted insurance liabilities as at the beginning of the year	**5,306**	**2,860**	5,900	3,170
Withdrawals and change in reinsurance during the year	**(250)**	**(248)**	(844)	(558)
New business added during the year	**2,096**	**1,729**	250	248
B: Undiscounted insurance liabilities as at the end of the year	**7,152**	**4,341**	5,306	2,860
Total insurance liabilities as at the end of the year (A+B)	**620,674**	**617,748**	643,232	640,728
Reinsurance assets	**–**	**2,925**	–	2,504
Gross long-term insurance liabilities as at the end of the year	**620,674**	**620,673**	643,232	643,232
Short-term insurance	**9,822**	**9,822**	9,382	9,382
IBNR	**3,926**	**3,926**	3,117	3,117
Cash back bonus	**3,357**	**3,357**	3,627	3,627
Outstanding claims	**2,539**	**2,539**	2,638	2,638
	630,496	**630,495**	652,614	652,614

Notes to the Annual Financial Statements continued

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	2018 Margin	2017 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 zeroised against policyholder liabilities under insurance contracts. These negative liabilities have increased from June 2017. Increases are due to the high volumes of profitable new business written.

The total value of discretionary margins amounted to R3,217.2 million (2017: R3,055.9 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. 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 a 24 month period ending 30 June 2018 based on the in-force data file, movements data and claims during the period. These results were used to set the mortality assumptions relative to either the latest published local assured lives or in-house rates.

Withdrawals

A detailed withdrawal investigation was carried out for a 24 month period ending 30 June 2018 based on homogenous groupings of business. Based on this investigation, the withdrawal assumptions of some of the classes of business were amended to reflect the recent and expected future experience.

Expenses

The renewal expense assumption was increased by 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 2018, the Valuation rate has been set with reference to the current zero coupon yield curve (an effective rate of 8.9% (2017: 8.7%) at a term of 6.75 years (2017: 7.0 years)).

Based on the above, a non-unit investment return of 8.9% p.a. (2017: 8.7% 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 10.0% p.a. (2017: 9.7%) (before compulsory margins) was assumed.

(b) Inflation

The current assumed level of future expense inflation is 6.1% (2017: 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 of 2.8% (2017: 2.6%) was updated and based on the difference between the FSB real and nominal yield curve.

(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 – 2018

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 R5.3 million;
- The renewal expense assumption was increased by inflation and had no impact on the liabilities;
- The withdrawal and other decrement assumptions were reviewed and adjusted where necessary in light of recent experience and resulted in a increase in liabilities of R3.8 million; and
- Modelling refinements resulted in a decrease in liabilities of R45.1 million.

Effect of changes in assumptions – 2017

The following changes were made to the Actuarial Valuation basis when compared to the previous year's basis:

- Economic assumptions were reviewed to reflect the current environment resulting in a decrease in liabilities of R1.9 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 R16.0 million, detailed as follows:
  - The withdrawal and other decrement assumptions were reviewed and adjusted where necessary in light of recent experience and resulted in a decrease in liabilities of R14.6 million.
  - Other modelling refinements resulted in a decrease in liabilities of R1.4 million.

Undiscounted Liabilities

IBNR liabilities on short-term insurance of R3.9 million (2017: R2.9 million) 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.

Notes to the Annual Financial Statements continued

(R'000)	Group 2018	Group 2017	Company 2018	Company 2017
15. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS				
Balance at beginning of year	**1,159,676**	909,819		
Movements for the year				
– Fair value adjustments	**172,115**	99,346		
– Deposits	**1,477,213**	474,661		
– Withdrawals and maturities	**(344,709)**	(324,150)		
Balance at end of year	**2,464,295**	1,159,676	**–**	–

The amount payable on maturity (including annuity payments) is R3,148.3 million (2017: R1,446.0 million).

The Group issues contracts that are classified as financial liabilities at fair value through profit or loss. These financial instruments are not quoted in active markets, and their fair values are determined by using Valuation techniques. All models are validated before they are used and calibrated to ensure that outputs reflect actual experience and comparable market prices. A variety of factors are considered in the Group's Valuation techniques, including time value of money, credit risk (both own and counter-party), and activity in similar instruments.

Changes in assumptions 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.

(R'000)	Group 2018	Group 2017	Company 2018	Company 2017
16. LOANS AT AMORTISED COST				
Nedbank Limited				
Balance at beginning of the year	**113,043**	98,932		
Movements for the year				
– Advances		14,000		
– Interest	**9,819**	9,866		
– Repayments	**(9,853)**	(9,755)		
	113,009	113,043	**–**	–
Current				
Non-current	**113,009**	113,043		
	113,009	113,043	**–**	–
Maturity analysis				
Due within one year	**9,634**	10,020		
Due within two to five years	**128,269**	138,939		
Less: discounting	**(24,894)**	(35,916)		
	113,009	113,043	**–**	–

The loans comprise of medium-term credit facilities granted for the construction of Building 7 in Clientèle Properties East and a parking structure and front entrance upgrade in Clientèle Properties North, and are secured by guarantees issued in favour of Nedbank from Clientèle.

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

The loans are unsecured with interest charged at the aggregate of the base rate and the applicable margins. The base rates for the facilities was 3 month JIBAR. The margins range between 160 and 200 basis points and the terms of loans range between 72 and 76 months.

(R'000)	Group 2018	Group 2017	Company 2018	Company 2017
17. EMPLOYEE BENEFITS				
Goodwill Scheme (refer to 17.1)	**25,960**	16,902		
EV Scheme (refer to 17.2)	**49,430**	60,898		
Short-term bonuses (refer to 17.3)	**17,600**	19,539		
	92,990	97,339	**–**	–
Current	**73,114**	86,691#		
Non-current	**19,876**	10,648#		
	92,990	97,339	**–**	–

 # These numbers were restated to correctly reflect the current and non-current split. This restatement had no impact, other than the disclosure in this section of the Note.

17.1 Goodwill Scheme

(R'000)	Group 2018	Group 2017	Company 2018	Company 2017
Balance at beginning of year	**16,902**	56,190		
Payments made during the year	**(6,254)**	(2,457)	**–**	–
Existing Executives	**(6,254)**	(1,560)		
Retired Executives	**–**	(897)		
Provision raised/(reversed) (refer to Note 28)	**15,312**	(36,831)	**–**	–
Interest cost	**749**	4,488		
Service cost	**16,973**	3,380		
Remeasurements	**(2,410)**	(44,699)		
Balance at end of year	**25,960**	16,902	**–**	–

The above relates to the Goodwill element of the Incentive Scheme as discussed in the Group Remuneration Report (pages 33 to 47) and the accounting policies (policy 19 on pages 115 to 116) to the Annual Financial Statements.

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

	Cycle 3 2018	Cycle 3 2017
VNB at end of cycle in 2017 (R million)	**527**	527
VNB Multiple	**5.00**	5.00
Risk-free rate (%)	**8.24**	8.24
Expected pool utilisation (%)	**50.18**	51.58
Payment term (years)	**5**	5

	Cycle 4 2018	Cycle 4 2017
Expected VNB at end of cycle in 2022 (R million)	**1,250**	–
VNB Multiple	**5.00**	–
Risk-free rate (%)	**8.52**	–
Expected pool utilisation (%)	**75.00**	–
Payment term (years)	**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 3 and 4 change over time as circumstances, Group performance and the economic environment change.

Notes to the Annual Financial Statements continued

17.2 EV scheme

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

(R'000)	Group 2018	Group 2017	Company 2018	Company 2017
Balance at beginning of year	**60,898**	67,217		
Provision raised (refer to Note 28)	**42,902**	55,228		
Payments during the year	**(54,370)**	(61,547)	**–**	–
Existing Executives	**(51,994)**	(55,999)		
Management and retired Executives	**(2,376)**	(5,548)		
Balance at end of year	**49,430**	60,898	**–**	–

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

	Group 2018	Group 2017	Company 2018	Company 2017
Payment terms (years)	**4**	4		
Hurdle rate (%)	**13.7**	13.6		
Expected pool utilisation (%)	**89.45**	90.58		

EV Earnings are based on the EV assumptions and calculations as outlined in the Statement of the Group EV (pages 56 to 61). Refer also to the Group Remuneration Report (pages 33 to 47).

17.3 Short-term bonuses

The build-up of the liability in respect of short-term bonuses is as follows:	Group 2018	Group 2017	Company 2018	Company 2017
Balance at beginning of year	**19,539**	16,179		
Provision raised (refer to Note 28)	**21,154**	18,663		
Payments during the year	**(23,093)**	(15,303)		
Balance at end of year	**17,600**	19,539	**–**	–

Refer also to the Group Remuneration Report (pages 33 to 47).

(R'000)	Group 2018	Group 2017	Company 2018	Company 2017
18. DEFERRED TAX				
Assets				
Balance at beginning of year	**48,965**	53,199	**349**	408
Charge to the Statements of Comprehensive Income				
– Tax losses/capital allowances	**1,493**	1,528	**309**	(59)
– Income received in advance	**190**	378		
– Property and equipment		(228)		
– SAR and Bonus Rights Schemes	**367**	(1,354)		
– Goodwill/EV Schemes	**(301)**	(11,050)		
– Deferred profits on financial liabilities held at fair value through profit or loss	**2,109**	7,146		
– Return transfer credit		(654)		
Balance at end of year	**52,823**	48,965	**658**	349
Liability				
Balance at beginning of year	**50,003**	46,510	**–**	150
Charge to the SOCI				
– Prepayments	**(270)**	677		
– Property and equipment	**360**	358		
– Unrealised gains on investments	**6,942**	303	**(739)**	(150)
Deferred tax on revaluation of land	**122**	874		
Deferred tax on revaluation of buildings	**(582)**	1,281		
Balance at end of year	**56,575**	50,003	**(739)**	–
Analysis of deferred tax balances:				
Assets				
Tax losses/capital allowances	**15,445**	13,952	**658**	349
Income received in advance	**1,706**	1,516		
Property and equipment	**1,714**	1,714		
SAR and Bonus Rights Schemes	**4,717**	4,350		
Goodwill/EV Schemes	**13,907**	14,208		
Deferred profits on financial liabilities held at fair value through profit or loss	**15,334**	13,225		
Deferred tax asset at end of the year	**52,823**	48,965	**658**	349
Liability				
Prepayments	**1,159**	1,429		
Property and equipment	**718**	358		
Unrealised gains on investments	**21,575**	14,633	**(739)**	
Revaluation of land	**8,917**	8,795		
Revaluation of buildings	**24,206**	24,788		
Deferred tax liability at end of the year	**56,575**	50,003	**(739)**	–
Offsetting of deferred tax assets and liabilities in terms of accounting policy 15.2:				
Total deferred tax asset	**46,309**	42,817	**658**	349
Current	**1,696**	1,488	**658**	349
Non-current	**44,613**	41,329		
Total deferred tax liability	**(50,061)**	(43,855)	**(739)**	–
Current	**(1,152)**	(1,402)	**(739)**	
Non-current	**(48,909)**	(42,453)		
Net deferred tax liability at end of year	**(3,752)**	(1,038)	**(81)**	349

The assessable tax loss of the IPF amounts to R2.79 billion (2017: R2.84 billion). A deferred tax asset has been raised in respect of the assessable tax loss in the IPF to the extent of unrealised gains on policyholder investments.

Notes to the Annual Financial Statements continued

(R'000)	Group 2018	Group 2017	Company 2018	Company 2017
19. ACCRUALS AND PAYABLES INCLUDING INSURANCE PAYABLES				
IFA referral fees and bonuses payable	**9,054**	8,210		
Premiums received in advance	**33,049**	31,538		
Deferred profit	**54,765**	47,234		
Other accruals and payables	**137,717**	123,198	**2,746**	1,192
	234,585	210,180	**2,746**	1,192
The carrying value amounts approximate fair value amounts.				
Maturity analysis				
Due within one year	**198,796**	188,410	**2,746**	1,192
Due within two to five years	**40,789**	21,770		
	234,585	210,180	**2,746**	1,192

(R'000)	Group 2018	Group 2017	Company 2018	Company 2017
20. INSURANCE PREMIUM REVENUE				
Long-term insurance – individual recurring	**1,795,433**	1,651,594		
Short-term insurance – individuals and SMME	**404,006**	351,661		
	2,199,439	2,003,255	**–**	–

(R'000)	Group 2018	Group 2017	Company 2018	Company 2017
21. REINSURANCE PREMIUMS				
Long-term insurance – individual recurring	**123,112**	130,690		
	123,112	130,690	**–**	–

(R'000)	Group 2018	Group 2017	Company 2018	Company 2017
22. OTHER INCOME				
IFA annuity fee income	**142,755**	134,057		
Leads and brand fee	**502**	716	**502**	716
Marketing materials' gross profit	**350**	352		
Supplier discounts received	**170**	142		
Fee income			**1,641**	1,940
INSETA grants	**2,139**	2,873		
Deferred profit release	**6,874**	11,042		
Other income	**8,322**	3,039	**121**	
Administration fees	**6,448**	3,892		
Recharge from Clientèle Life and Clientèle General Insurance in excess of capital contribution			**4,575**	19,448
	167,560	156,113	**6,839**	22,104

(R'000)	Group 2018	Group 2017	Company 2018	Company 2017
23. INTEREST INCOME				
Interest received – financial assets at amortised cost	**19,511**	24,604		
Cash and cash equivalents	**14,745**	15,243	**2,349**	1,316
Other	**20**	243		
	34,276	40,090	**2,349**	1,316

(R'000)	Group 2018	Group 2017	Company 2018	Company 2017
24. FAIR VALUE ADJUSTMENT TO FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS				
Designated – fair value adjustments	**280,311**	136,881	**7,508**	3,256
The above fair value adjustments include gains arising from:				
Interest (unlisted)	**177,966**	112,252	**4,602**	3,451
Dividends (listed)	**24,290**	16,017	**1,354**	555

Notes to the Annual Financial Statements continued

(R'000)	Group 2018	Group 2017	Company 2018	Company 2017
25. NET INSURANCE BENEFITS AND CLAIMS				
Long-term insurance				
Claims and policyholders' benefits under insurance contracts	**394,386**	364,736	**–**	–
Death and disability claims	**202,713**	184,073		
Policy surrender claims	**191,673**	180,663		
Insurance claims recovered from reinsurers	**(101,705)**	(100,675)		
Cash-back payments	**51,892**	55,252		
	344,573	319,313	**–**	–
Short-term insurance	**39,917**	40,157	**–**	–
Legal claims	**37,280**	36,944		
Cash-back payments	**2,637**	3,213		
	384,490	359,470	**–**	–

(R'000)	Group 2018	Group 2017	Company 2018	Company 2017
26. CHANGE IN POLICYHOLDER LIABILITIES UNDER INSURANCE CONTRACTS				
Long-term insurance	**(22,558)**	(36,130)		
Short-term insurance	**440**	(1,358)	**–**	–
IBNR	**809**	668		
Cash-back bonus	**(270)**	(1,406)		
Outstanding claims	**(99)**	(620)		
	(22,118)	(37,488)	**–**	–

(R'000)	Group 2018	Group 2017	Company 2018	Company 2017
27. DIVIDEND REVENUE				
Dividends received (unlisted)			**378,130**	337,256
	–	–	**378,130**	337,256

(R'000)	Group 2018	Group 2017	Company 2018	Company 2017
28. OPERATING EXPENSES				
Acquisition and administration expenses by nature are as follows:				
Total Auditors' remuneration	**5,831**	6,216	**602**	985
Audit fees	**5,188**	5,874	**370**	782
Other services	**643**	342	**232**	203
Actuarial fees	**1,425**	1,722		
Computer expenses	**25,552**	22,509		
Consultancy fees	**12,356**	10,679		
Employee benefits	**506,237**	408,388	**–**	–
Salaries and other short-term benefits	**404,295**	348,470		
Defined contribution provident fund – current service costs	**13,587**	12,481		
Goodwill Scheme expense/(recovery)	**15,312**	(36,832)		
EV Scheme expense	**42,902**	55,228		
Short-term bonuses	**21,154**	18,663		
SAR and Bonus Rights Schemes expense	**8,987**	10,378		
Amortisation of intangible assets	**22,910**	17,129		
Depreciation	**15,159**	14,474	**–**	–
Computer equipment	**8,061**	6,763		
Furniture and equipment	**4,646**	3,690		
Leasehold improvements	**1,318**	2,745		
Motor vehicles	**1,134**	1,276		
Local travel costs	**1,739**	960		
Administration and marketing	**563,529**	511,329	**163**	175
IFA referral fees and bonuses paid	**103,877**	99,948		
Property expenses	**17,146**	16,040		
Profit on disposal of fixed assets	**(215)**	(267)		
Foreign exchange losses	**54**	27		
BBBEE guarantee fees	**4,461**	4,038	**4,689**	4,038
Other	**55,112**	18,813	**96**	651
	1,335,172	1,132,005	**5,550**	5,849
Comprising:				
Acquisition costs associated with insurance contracts	**1,074,569**	890,878		
Administrative expenses	**260,603**	241,127	**5,550**	5,849
	1,335,172	1,132,005	**5,550**	5,849
Staff count	**2,171**	1,761	**–**	–

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. Refer also to the Group Remuneration Report (pages 33 to 47).

Year ended 30 June 2018

Non-executive Directors Group Remuneration	Months in office	Directors' fees R'000	Total emoluments R'000
GQ Routledge*	12	3,156	3,156
BA Stott*	12	1,846	1,846
PR Gwangwa	12	457	457
RD Williams	12	937	937
BY Mkhondo^	12	548	548
D Molefe	12	474	474
Total		**7,418**	**7,418**

* *Inclusive of VAT for the whole year.*
^ *Inclusive of VAT from 1 April 2018.*

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 du Toit (previously Frodsham)	12	1,596	6,162	200	7,958
IB Hume	12	1,866	9,980	181	12,027
BW Reekie	12	2,798	14,153	246	17,197
Total		**6,260**	**30,295**	**627**	**37,182**

Bonuses and performance related payments include Incentive Scheme payments and vested amounts payable. No SARs or Bonus Rights have been issued to Group Directors.

Year ended 30 June 2017

Non-executive Directors Group Remuneration	Months in office	Directors' fees R'000	Total emoluments R'000
GQ Routledge	12	2,628	2,628
GJ Soll	2	315	1,186*
BA Stott	12	1,538	1,538
PR Gwangwa	12	435	435
RD Williams	12	891	891
BY Mkhondo	12	435	435
D Molefe	12	435	435
Total		6,677	7,548

* *The remuneration in respect of Mr GJ Soll includes bonuses of R870,750 which accrued in 2014 on his retirement as an Executive Director and was paid in 2017.*

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 du Toit (previously Frodsham)	12	1,598	7,670	110	9,378
IB Hume	12	1,686	11,666	262	13,614
BW Reekie	12	2,671	16,647	225	19,543
Total		5,955	35,983	597	42,535

Bonuses and performance-related payments include Incentive Scheme payments and vested amounts payable. No SARs or Bonus Rights have been issued to Group Directors.

(R'000)	Group 2018	Group 2017	Company 2018	Company 2017
29. DIRECTORS' AND KEY MANAGEMENT REMUNERATION (CONTINUED)				
Key management				
The following salaries are paid and bonuses are payable to key management excluding Group Directors. Key management are part of Excom.	**57,721**	58,816	**–**	–
Salaries and other benefits	**29,178**	26,871		
Short-term bonuses	**5,395**	8,277		
EV Scheme	**21,608**	21,958		
Goodwill Scheme	**1,540**	1,710		

(R'000)	Group 2018	Group 2017	Company 2018	Company 2017
30. TAX				
South African normal tax	**189,067**	176,533	**2,619**	1,524
Current year tax	**187,030**	170,631	**2,189**	1,615
Deferred tax	**3,173**	5,573	**430**	(91)
(Overprovision)/underprovision in prior years	**(1,136)**	329		
South African capital gains tax	**27**	(1,065)	**–**	–
Current year tax	**27**	(1,065)		
Total tax expense	**189,094**	175,468	**2,619**	1,524
Tax rate reconciliation				
Profit before tax	**679,417**	642,165	**389,267**	358,074
Tax	**(189,094)**	(175,468)	**(2,619)**	(1,524)

	%	%	%	%
Effective tax rate	**27.83**	27.32	**0.67**	0.43
Adjustments due to:				
Under-provision in respect of prior year	**(0.31)**	(0.35)		
Capital gains tax	**(0.01)**	0.68	**0.03**	(0.01)
Exempt income	**0.16**	0.41	**27.30**	27.58
Deductible temporary differences not recognised	**0.33**	(0.06)		
Statutory tax rate	**28.00**	28.00	**28.00**	28.00

Policyholder tax funds are separate tax entities which have differing tax rules as applied in the South African tax legislation for life insurance companies. There are three separate funds applicable to Clientèle Life, defined as untaxed, individual and risk. 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 2018	Group 2017
31. EARNINGS PER SHARE		
Net profit for the year attributable to equity holders of the Group	**490,302**	466,498
Impairment of intangible assets	**2,177**	
Profit on disposal of property and equipment (after tax)	**(175)**	(207)
Headline earnings for the year	**492,304**	466,291
Ordinary shares in issue ('000)	**334,708**	334,003
Weighted average ordinary shares in issue ('000)	**334,392**	332,381
Diluted average ordinary shares in issue ('000)	**335,282**	335,312

	Cents	Cents
Earnings per share	**146.62**	140.35
Headline earnings per share	**147.22**	140.29
Diluted earnings per share	**146.24**	139.12
Diluted headline earnings per share	**146.83**	139.06

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 Bonus Rights Scheme. This potential dilutive effect is calculated using the average Clientèle share price less the sum of the estimated fair value of goods and services to be rendered by employees per Bonus Right and the strike price at grant date. This difference gives the value per share of the benefit accruing to the Bonus Rights participant. The value is multiplied by the number of Bonus Rights and divided by the average Clientèle share price to quantify this value as a number of notional shares.

(R'000)	Group 2018	Group 2017	Company 2018	Company 2017
32. CASH GENERATED BY OPERATIONS				
Profit from operations	**679,417**	642,165	**389,267**	358,074
Adjusted for non-cash items:	**(17,786)**	(9,886)	**(7,508)**	(3,256)
Fair value adjustment to financial assets at fair value through profit or loss	**(280,311)**	(136,881)	**(7,508)**	(3,256)
Decrease in policyholder liabilities under insurance contracts	**(22,118)**	(37,488)		
Fair value adjustment to financial liabilities at fair value through profit or loss	**172,115**	99,346		
Interest received on financial assets at amortised cost	**(19,511)**	(24,604)		
Accrued interest expense	**9,819**	9,866		
(Increase)/decrease in reinsurance assets	**(421)**	285		
Impairment of advances		(65)		
Amortisation of intangible assets	**22,910**	17,129		
Depreciation	**15,159**	14,474		
SAR and Bonus Rights Schemes expense	**8,987**	10,378		
Profit on disposal of fixed assets	**(215)**	(267)		
Employee benefits	**75,800**	37,941		
	661,631	632,279	**381,759**	354,818
Items disclosed separately:	**(111,335)**	(96,040)	**(8,306)**	(5,322)
Interest received	**(88,568)**	(80,023)	**(6,952)**	(4,767)
Dividends received	**(22,767)**	(16,017)	**(1,354)**	(555)
Working capital changes:	**(70,137)**	(29,754)	**(12,922)**	(709)
Increase in inventories	**(871)**	(746)		
(Increase)/decrease in receivables including insurance receivables	**(13,534)**	9,570	**(14,501)**	(882)
(Decrease)/increase in provisions, accruals and payables	**(63,263)**	(64,099)	**1,579**	173
Increase in deferred profits	**7,531**	25,521		
Increase in financial liabilities at fair value through profit and loss	**1,132,504**	150,511		
Acquisition of financial assets	**(1,763,748)**	(786,752)	**(22,291)**	
Disposal of financial assets	**803,317**	582,541	**3,608**	
	652,232	**452,785**	**341,848**	**348,787**

Notes to the Annual Financial Statements continued

(R'000)	Group 2018	Group 2017	Company 2018	Company 2017
33. DIVIDENDS PAID				
Balance owing at the beginning of the year	**469**	368	**469**	368
Amount declared for the year	**384,564**	332,947	**384,261**	331,897
	385,033	333,315	**384,730**	332,265
Balance owing at the end of the year	**(445)**	(469)	**(445)**	(469)
Amount paid during the year	**384,588**	332,846	**384,285**	331,796

(R'000)	Group 2018	Group 2017	Company 2018	Company 2017
34. TAX PAID				
Balance owing at the beginning of the year	**417**	(2,729)	**(401)**	(405)
Amount provided for the year	**188,634**	177,623	**2,619**	1,524
	189,051	174,894	**2,218**	1,119
Balance owing at the end of the year	**(10,555)**	(417)	**(199)**	401
Amount paid during the year	**178,496**	174,477	**2,019**	1,520

35. RELATED PARTIES DISCLOSURE

The Group defines related parties as:

- The Parent Company;
- Subsidiaries and fellow subsidiaries;
- Associates; and
- Key management personnel.

35.1 The Parent Company

Friedshelf 1577 Proprietary Limited is the Parent Company of Clientèle and controls 78.4% (2017: 78.6%) of the issued ordinary shares via its Group companies (refer to Note 11 on pages 130 to 131).

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 2018	Group 2017
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		153
Advances	**818**	726
Repayments	**(808)**	(879)
Balance at end of year	**10**	–
– Investments by Clientèle Life in corporate bonds issued by Clientèle Properties East**		
Balance at beginning of year	**126,137**	115,176
Interest	**11,858**	10,963
Repayments	**(20,000)**	(2)
Balance at end of year	**117,995**	126,137

(R'000)	Group 2018	Group 2017
– Investment by Clientèle Life in corporate bonds issued by Clientèle Properties South**		
Balance at beginning of year	**42,986**	39,361
Interest expense	**3,958**	3,625
Balance at end of year	**46,944**	42,986
– Investment by Clientèle Life in corporate bonds issued by Clientèle Properties North**		
Balance at beginning of year	**85,670**	92,638
Interest expense	**6,489**	7,032
Repayment	**(13,000)**	(14,000)
Balance at end of year	**79,159**	85,670
– Inter-company loan to Clientèle Properties North by Clientèle Properties South**		
Balance at beginning of year	**8,991**	11,222
Interest	**384**	769
Repayments	**(8,000)**	(3,000)
Balance at end of year	**1,375**	8,991
– Inter-company loan to Clientèle General Insurance by Clientèle Life*		
Balance at beginning of year	**12,539**	7,974
Management and support services charges	**68,424**	64,286
Advances	**65,004**	76,611
Repayments	**(131,773)**	(136,332)
Balance at end of year	**14,194**	12,539
– Inter-company loan to Clientèle General Insurance by Clientèle*		
Balance at beginning of year	**137**	133
Advances	**1,755**	1,603
Repayments	**(1,745)**	(1,599)
Balance at end of year	**147**	137
– Inter-company loan to Clientèle Properties South by Clientèle Life*		
Balance at beginning of year	**23**	9
Management and support services charges	**1,713**	1,712
Repayments	**(1,704)**	(1,698)
Balance at end of year	**32**	23
– Inter-company loan to Clientèle Properties North by Clientèle Life*		
Balance at beginning of year	**21**	3
Management and support services charges	**1,794**	1,422
Repayments	**(936)**	(1,404)
Balance at end of year	**879**	21
– Inter-company loan to Switch2 Cover by Clientèle*		
Balance at beginning of year		
Advances	**11,200**	
Balance at end of year	**11,200**	–

* *These inter-company loans do not bear interest and have no fixed terms of repayment.*
** *The investments bear interest at fixed interest rates (between 8% and 12.25% per annum) and are repayable over 5 year periods.*

Notes to the Annual Financial Statements continued

(R'000)	Group 2018	Group 2017
35.3 SOCI 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 Group Annual Financial Statements are as follows:		
Interest		
– Interest expense paid by Clientèle Properties South to Clientèle Life	**3,958**	3,625
– Interest expense paid by Clientèle Properties North to Clientèle Life	**6,489**	7,032
– Interest expense paid by Clientèle Properties North to Clientèle Properties South	**384**	769
– Interest expense paid by Clientèle Properties East to Clientèle Life	**11,858**	10,963
Rentals		
– Rental expense paid by Clientèle Life to Clientèle Properties South	**11,986**	12,356
– Rental expense paid by Clientèle Life to Clientèle Properties North	**6,268**	4,352
– Rental expense paid by Clientèle Life to Clientèle Properties East	**20,700**	19,880
– Rental expense paid by Clientèle General Insurance to Clientèle Properties South	**2,091**	2,241
– Rental expense paid by Clientèle General Insurance to Clientèle Properties North	**4,206**	3,524
– Rental expense paid by Clientèle General Insurance to Clientèle Properties East	**6,192**	5,554
– Rental expense paid by Clientèle Properties East to Clientèle Properties North		
Management and support services charge		
– Expenses paid by Clientèle Properties South to Clientèle Life	**1,713**	1,712
– Expenses paid by Clientèle Properties North to Clientèle Life	**1,794**	1,422
– Expenses paid by Clientèle Properties East to Clientèle Life	**129**	109
– Expenses paid by Clientèle General Insurance to Clientèle Life	**68,424**	64,286

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 145 and 146 to the Group Annual Financial Statements and their shareholdings in the Company are disclosed in the Group Remuneration Report on page 47 under 'Directors' shareholdings'. No Director had a material interest in any contract of significance with the Company or any of its subsidiaries during 2018.

Refer also to the Group Remuneration Report (pages 33 to 47).

36. COMMITMENTS

Letters of guarantees:

Letter of support: Clientèle has agreed to provide financial assistance to Clientèle Properties East for the foreseeable future, until such time as Clientèle Property East's assets fairly valued exceeds their liabilities.

Nedbank 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.

Nedbank guarantee: Clientèle's Board approved the granting of a guarantee on 19 May 2016 in favour of Nedbank Limited of R14.0 million in respect of a Term Credit Facility for Clientèle Properties North.

Depfin guarantee: During the 2016 financial year Clientèle Limited provided financial assistance resulting in a net exposure through guarantees of R45 million for the purchase of approximately 3.92% of Clientèle's issued ordinary shares by Yellowwoods Trust Investments (Pty) Ltd ("YTI") a wholly owned subsidiary of the Hollard Foundation Trust, a BBBEE Trust.

During the 2017 financial year Clientèle Limited provided further financial assistance through the issuance of a guarantee in the amount of R223 million (with a net unhedged exposure of R155 million) in respect of additional ordinary shares which YTI purchased or will purchase, the majority of which have already been purchased.

As at 30 June 2018, both guarantees remained in place.

37. EVENTS AFTER THE REPORTING DATE

Dividend

The Board declared a final gross dividend of 125.00 cents per share on 16 August 2018 for the year ended 30 June 2018.

The dividend is subject to DWT, that was introduced with effect from 1 April 2012.

Notice of Annual General Meeting

for the year ended 30 June 2018

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 10th AGM of Clientèle, the Record Date is hereby set as close of business on 19 October 2018 with the last day to trade in the shares of Clientèle on the JSE being on Tuesday, 16 October 2018.

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 10th AGM of Clientèle will be held in the Yellowwood Boardroom, Building 7, Clientèle Office Park, corner Rivonia and Alon Roads, Morningside on 30 October 2018 at 08:00 for the following business to be transacted and for the following resolutions to be proposed, and if deemed fit, to be passed with or without modification, at the AGM or at such adjournment thereof in the manner required by the Companies Act, as read with the Listings Requirements:

ORDINARY RESOLUTION 1 – PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

To present the Annual Financial Statements of the Company and the Group for the year ended 30 June 2018 as per the attached pages 82 to 152. 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 – BW REEKIE

"**RESOLVED** that Mr Basil William Reekie be and is hereby re-elected as a Director of the Company with effect from 30 October 2018."

Mr Reekie, who retired in terms of the provisions of the MOI, is eligible and offers himself for re-election.

Basil William Reekie, 45, Group Managing Director, B Sc (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.

Having taken into account the Director's performance, attendance at Board and Committee meetings and 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 – BA STOTT

"**RESOLVED** that Mr Barry Anthony Stott be and is hereby re-elected as a Director of the Company with effect from 30 October 2018."

Mr Stott, who retired in terms of the provisions of the MOI, is eligible and offers himself for re-election.

Barry Anthony Stott, 69, Independent Non-executive Director, CA(SA)

Mr Barry Stott was previously a senior partner of PricewaterhouseCoopers Inc. 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 and a member of the Discovery Health Medical Scheme Investment Committee.

Having taken into account the Director's performance, attendance at Board and Committee meetings and 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 – RD WILLIAMS

"**RESOLVED** that Mr Robert Donald Williams be and is hereby re-elected as a Director of the Company with effect from 30 October 2018."

Mr Williams, who retired in terms of the provisions of the MOI, is eligible and offers himself for re-election.

Robert Donald Williams, 62, (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 25 years experience acting as the appointed Statutory Actuary to various life insurance companies in Southern Africa.

Having taken into account the Directors' performance, attendance at Board and Committee meetings and 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 – ROTATION OF A DIRECTOR – B DU TOIT

"**RESOLVED** that Mrs Brenda-Lee du Toit (previously Frodsham) be and is hereby re-elected as a Director of the Company with effect from 30 October 2018."

Mrs du Toit, who retired in terms of the provisions of the MOI, is eligible and offers herself for re-election.

Brenda-Lee du Toit (previously Frodsham) 46, (Executive Director), B Com (Wits)

Mrs Brenda-Lee du Toit joined Clientèle Life in February 1994 and has managed and gained experience in several areas of the business including telesales, client services, administration, claims, direct mail, business development, product development, marketing, IT and IFA. Currently she assumes the portfolio of Strategic Operations Director for the Group.

Having taken into account the Directors' performance, attendance at Board and Committee meetings and 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 6 – RE-APPOINTMENT OF THE EXTERNAL AUDITORS

To re-appoint the External Auditors, PricewaterhouseCoopers Inc., (as nominated by the Clientèle's Group Audit Committee, which has concluded that the re-appointment of PricewaterhouseCoopers Inc. will comply with the requirements of the Companies Act and the Listings Requirements), as Independent Auditors for the financial year ending 30 June 2019 and their concomitant remuneration. The Designated Auditor for the year ending 30 June 2019 will be Mrs Alsue du Preez, who meets the requirements of section 90(2) of the Companies Act. The Group Audit Committee has evaluated the independence, experience and effectiveness of both PricewaterhouseCoopers Inc. and Mrs du Preez and has concluded that both the firm and the individual Designated Auditor are independent of the Group in accordance with section 94(8) of the Companies Act. In compliance with the Listings Requirements (paragraph 3.94(h)(iii)) the Group Audit Committee obtained and considered all information listed in 22.15(h) of the Listings Requirements in its assessment of the suitability of PricewaterhouseCoopers Inc., as well as Mrs du Preez, for re-appointment.

ORDINARY RESOLUTION 7 – ELECTION TO THE GROUP AUDIT COMMITTEE

"**RESOLVED** that Mr Robert Williams, who is an Independent Non-executive Director of Clientèle, be and is hereby re-elected as a member of the Group Audit Committee effective 30 October 2018 until the conclusion of the next AGM."

ORDINARY RESOLUTION 8 – ELECTION TO THE GROUP AUDIT COMMITTEE

"**RESOLVED** that Mr Barry Stott, who is an Independent Non-executive Director of Clientèle, be and is hereby re-elected as a member of the Group Audit Committee effective 30 October 2018 until the conclusion of the next AGM."

ORDINARY RESOLUTION 9 – ELECTION TO THE GROUP AUDIT COMMITTEE

"**RESOLVED** that Mrs Dineo Molefe, who is an Independent Non-executive Director of Clientèle, be and is hereby re-elected as a member of the Group Audit Committee effective 30 October 2018 until the conclusion of the next AGM."

Reason for and effect of Ordinary Resolutions Numbers 7 to 9

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 66 to 67 in the Report of the Directors), the proposed members all have relevant experience in audit, accounting and the insurance industry, amongst others.

ORDINARY RESOLUTION 10 – 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 10

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.

ORDINARY RESOLUTION 11 – 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 11

In order to comply with the SAR Scheme Rules which requires ordinary shares to be issued to participants of the SAR Scheme.

ORDINARY RESOLUTION 12 – 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 12

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 ENDORSEMENT OF THE REMUNERATION POLICY

"**RESOLVED** that the Company's remuneration policy be and is hereby approved by way of a non-binding advisory vote, as recommended in King IV."

NON-BINDING ADVISORY ENDORSEMENT 2 – ADVISORY ENDORSEMENT OF THE IMPLEMENTATION OF THE REMUNERATION POLICY

"**RESOLVED** that the implementation of the Company's remuneration policy be and is hereby approved by way of a non-binding advisory vote, as recommended in King IV."

Explanatory note on Advisory Endorsement

In accordance with King IV, shareholder approval is sought for the Company's remuneration policy and implementation thereof by way of separate non-binding advisory votes. The non-binding votes enable shareholders to express their views on the Company's remuneration policy and the implementation thereof.

The detailed Remuneration Policy, for which approval is being sought, is set out on pages 33 to 47 of the Integrated Annual Report.

SPECIAL RESOLUTION NUMBER 1 – RATIFICATION OF REMUNERATION OF NON-EXECUTIVE DIRECTORS FOR THE YEAR 1 JULY 2017 TO 30 JUNE 2018

"**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 2017 to 30 June 2018, on the basis set out hereunder, be ratified."

This resolution relates to Directors where the remuneration payable to the Directors was amended during the year.

Non-executive Directors' Fees (R)	Year ending 30 June 2018 Approved VAT Exclusive	VAT @ 14%	Approved VAT Inclusive	Extra VAT from 1 April 2018 % and^	Extra Respon-sibility	Ratify VAT Inclusive %
GQ Routledge[%]	2,762,105	386,695	3,148,800	6,910	–	3,155,710
BA Stott[%]	1,616,026	226,244	1,842,270	4,040	–	1,846,310
D Molefe^	456,722	–	456,722	17,127	–	473,849
BY Mkhondo[&]	456,722	–	456,722	–	91,344	548,066

% *Increased in line with the increase in VAT from 14% to 15% on 1 April 2018.*
^ *Director registered for VAT and VAT included from 1 April 2018.*
& *Increase in Director Fees in line with an increase in responsibilities. Increase was back-dated to 1 July 2017.*

SPECIAL RESOLUTION NUMBER 2 – REMUNERATION OF NON-EXECUTIVE DIRECTORS FOR THE YEAR 1 JULY 2018 TO 30 JUNE 2019 AND 30 JUNE 2020

"**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 2018 to 30 June 2019, on the basis set out hereunder, be approved."

Non-executive Directors' Fees (R)	Year ending 30 June 2019 VAT exclusive	VAT@ 15%	Year ending 30 June 2019
GQ Routledge*†	2,900,213	435,032	**3,335,245**
BA Stott*†	1,696,826	254,524	**1,951,350**
PR Gwangwa#	502,392	–	**502,392**
RD Williams†	983,732	–	**983,732**
PG Nkadimeng	NIL	–	**NIL**
D Molefe*#	502,392	75,359	**577,751**
BY Mkhondo#	602,870	–	**602,870**
ADT Enthoven	NIL	–	**NIL**
	7,188,425	764,915	**7,953,340**

* *Directors are registered for VAT.*
† *Increase of 5% applied.*
# *Increase of 10% applied.*

This represents an increase of 5% to 10% on the ratified June 2018 salaries, subsequent to the approval of Special Resolution 1.

The remuneration of the Non-executive Directors, for their services as Directors, for the period 1 July 2019 to 30 June 2020 also 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%).

The remuneration of any Non-executive Director/s to be appointed during the period 1 July 2018 to 30 June 2019 would be determined by the Group Remuneration Committee and ratified at the next AGM.

Reason for and effect of Special Resolution Numbers 1 and 2

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 2019 and to approve the payment of remuneration of the Non-executive Directors for their services as Directors for the year ending 30 June 2020, in accordance with the requirements of section 66(9) of the Companies Act.

SPECIAL RESOLUTION NUMBER 3 – 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 3

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 3 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 4 – GENERAL AUTHORITY TO REPURCHASE SECURITIES ("GENERAL AUTHORITY")

"**RESOLVED** that, 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.

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.

Reason and effect for Special Resolution Number 4

The reason for Special Resolution Number 4 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's Directors undertake that they will not implement any such repurchases while this general authority is valid, unless:

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 131.
- Share capital of the Company on page 130.

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.

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, Rosebank Towers, 15 Biermann Ave, Rosebank, Johannesburg, 2196 (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 in 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 2018

Definitions and Interpretations

"ABL"	African Bank Holdings Limited "Good Bank" (Registration number 2014/176899/06), which was formed as part of the restructuring process and started operation on 4 April 2016 (the restructuring date).
"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
"ASISA"	The Association for Savings and Investment South Africa
"ASSA"	The Actuarial Society of South Africa
"BBBEE"	Broad-based Black Economic Empowerment
"BLSA"	Business Leadership South Africa
"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.
"C4C"	Clientèle for Clients
"CAE"	The Chief Audit Executive, the head of GIA.
"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. Dormant during the 2018 financial year.
"Clientèle General Insurance Excom/ Executive"	The Executive Committee of Clientèle General Insurance Limited
"Clientèle General Insurance" or "Clientèle General"	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 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
"CTC"	Cost to Company
"DebiCheck"	Authenticated debit order collections
"Depfin"	Depfin Proprietary Limited, a wholly-owned subsidiary of Nedbank Limited
"Direct Axis"	Direct Axis (SA) Proprietary Limited (Registration number 1995/06077/07), a private company incorporated in South Africa
"DWT"	Dividend Withholding Tax
"EV"	Embedded Value
"Excom"	The Executive Committee of the Clientèle Group, including Life Excom and General Excom
"Executive"	Member of the Executive Committee
"FSB"	Financial Services Board, replaced by FSCA and PA from 1 April 2018
"FSCA"	Financial Sector Conduct Authority, replaced part of FSB on 1 April 2018
"FSI"	Financial Soundness Standards for Insurers
"FSV"	Financial Soundness Valuation
"General Excom"	The Executive Committee of Clientèle General Insurance
"GIA"	Group Internal Audit Department
"GOI"	Governance and Operational Standards for Insurers
"Group Excom"	The Group Executive Committee of Clientèle
"Goodwill Scheme"	A management incentive scheme based on the Scheme Goodwill created
"Head of the Actuarial Function"	The Internal Actuary who reviews all the Group actuarial calculations and also acts as the Head of the Actuarial Function of Clientèle Life and Clientèle General, appointed in terms of the Insurance Act.
"HSBC"	HSBC Private Bank (Suisse) S.A., Geneva
"IAS"	International Accounting Standards
"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

Definitions and Interpretations continued

"IFCC"	The Internal Financial Controls Committee of the Group
"IFRS"	International Financial Reporting Standards
"INSETA"	Insurance Sector Education and Training Authority
"Insurance Act"	Insurance Act, Act 18 of 2017
"Investment contract business"	Policies which provide, in consideration for a single premium, a series of benefit payments for a defined period or which provide benefits that are fixed contractually e.g. linked or fixed benefit policies.
"IPF"	Individual Policyholder Fund
"IT"	Information Technology
"JSE"	JSE Limited (Registration number 2005/022939/06), a South African incorporated public company and licensed as an exchange under the Financial Markets Act, Act 19 of 2012
"Life Excom"	The Executive Committee of Clientèle Life
"Khula Nathi"	A competition for IFAs where the outcome lead to the allocation of SARs and Bonus Rights to participants. The last allocation under this competition was done on 1 April 2015
"King IV"	King IV Report on Corporate Governance for South Africa, 2016, effective in respect of financial years starting on or after 1 April 2017
"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
"NPS"	Net Promoter Score, a measurement tool of client satisfaction in terms of agent interaction and the client's overall perception of Clientèle
"OCAR"	Ordinary Capital Adequacy Requirement
"OECD"	Organisation for Economic Co-operation and Development
"ORSA"	Own Risk and Solvency Assessment
"PA"	Prudential Authority, replaced part of FSB on 1 April 2018
"PASA"	Payments Association of South Africa
"POPIA"	Protection of Personal Information Act, Act 4 of 2013
"PSA"	Profit Sharing Agreement between Clientèle Limited, Direct Axis and WesBank
"PVIF"	Present Value of In-force business
"RDR"	Risk Discount Rate
"Residual Debt Services"	Residual Debt Services Limited (Registration number 1975/002526/06), a public company incorporated in South Africa (in curatorship)
"REVE"	Recurring Embedded Value Earnings
"ROEV"	Return on EV
"SAM"	Solvency Assessment and Management

Definitions and Interpretations continued

"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 Clientèle Limited Share Appreciation Rights Scheme, approved by shareholders at the AGM 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
"SOCI"	Statement of Comprehensive Income
"SOFP"	Statement of Financial Position
"SVM"	Statutory Valuation Method/Basis
"Switch2"	Switch2 Cover, a division of Clientèle Life
"TCAR"	Termination Capital Adequacy Requirement
"TCF"	Treating Customers Fairly
"TCW"	Treating Clients Well
"Valuations"	see 'Actuarial Valuations'
"VNB"	Value of New Business
"WesBank"	A division of FirstRand Bank Limited
"YES"	Youth Employment Service. YES is one of the first social compacts between government, business and labour created to give one million youth one million opportunities to succeed, while securing South Africa's economic prosperity.
"YTI"	Yellowwoods Trust Investments, an investment company of the Hollard Foundation Trust

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

of 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 30 October 2018 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)

	In favour of	Against	Abstain
Ordinary resolutions:			
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. Rotation of a Director: Brenda-Lee du Toit			
6. Re-appointment of the External Auditors			
7. Election to the Group Audit Committee: Robert Donald Williams			
8. Election to the Group Audit Committee: Barry Anthony Stott			
9. Election to the Group Audit Committee: Dineo Molefe			
10. General approval for the issue of authorised but unissued shares			
11. Approval of the SAR Scheme share issue			
12. Approval of the Bonus Rights Scheme share issue			
Endorsements:			
1. Advisory endorsement of the remuneration policy			
2. Advisory endorsement of the implementation of the remuneration policy			
Special resolutions:			
1. Approval of the remuneration of Non-executive Directors: 30 June 2018			
2. Approval of the remuneration of Non-executive Directors: 30 June 2019 and 30 June 2020			
3. Approval of section 45 related or inter-related company financial assistance			
4. Approval of general authority to repurchase securities			

Dated this day of 2018

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 ("holders") 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:	*Postal deliveries:*
Rosebank Towers	PO Box 61051
15 Biermann Ave	Marshalltown
Rosebank	2107
Johannesburg	
2196	

Corporate Information

COMPANY REGISTRATION NUMBER

2007/023806/06

REGISTERED OFFICE

Clientèle Office Park
Corner Rivonia and Alon Roads Morningside, 2196
Telephone: (011) 320-3333
Website: www.clientele.co.za
E-mail: info@clientele.co.za

TRANSFER SECRETARIES

Computershare Investor Services Proprietary Limited
First floor, Rosebank towers, Biermann Avenue,
Rosebank, 2196
(PO Box 61051, Marshalltown, 2107)

AUDITORS

PricewaterhouseCoopers Inc.
4 Lisbon Lane
Waterfall City, Jukskei View, 2090
(Private Bag X36, Sunninghill, 2157)

SPONSORS

PricewaterhouseCoopers Corporate Finance
Proprietary Limited
4 Lisbon Lane
Waterfall City, Jukskei View, 2090
(Private Bag X36, Sunninghill, 2157)

SHAREHOLDERS' CALENDAR

Financial year-end	30 June 2018
Dividend declaration	16 August 2018
Final results announcement	20 August 2018
Dividend payment	25 September 2018
Publication of Integrated Annual Report	28 September 2018
AGM	30 October 2018

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 Roads Morningside, 2196

COMPANY SECRETARY

Wilna van Zyl
E-mail: wvanzyl@clientele.co.za
Telephone: +27 (0)11 320 3248

Long-term insurance policies are underwritten and administered by Clientèle Life Assurance Company Limited, an authorised financial services provider and registered insurer: FSP 15268.

Short-term insurance policies are underwritten and administered by Clientèle General Insurance Limited, an authorised financial services provider and registered insurer: FSP 34655.

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
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