2019

Clientèle

INTEGRATED ANNUAL REPORT

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Clientèle LIFE

Clientèle GENERAL

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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 **79 to 85**).

Our Vision, Purpose and Values

Clientèle

Our purpose

SAFEGUARDING YOUR WORLD... WITH COMPASSION

Our vision

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

Our values

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

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

PASSION
Approaching every task with determination, energy and commitment.

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

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

Group Structure

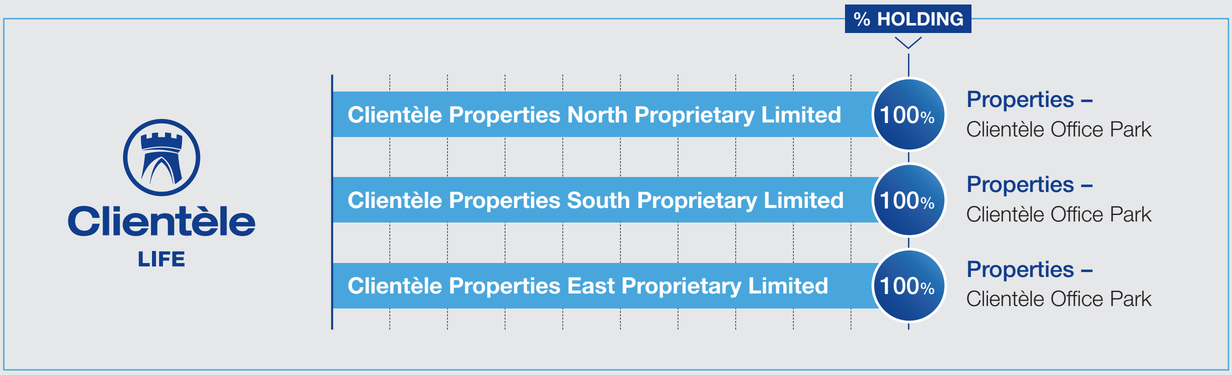
The Group comprises the following operating companies:

LONG-TERM INSURANCE:
Authorised Financial Services Provider

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

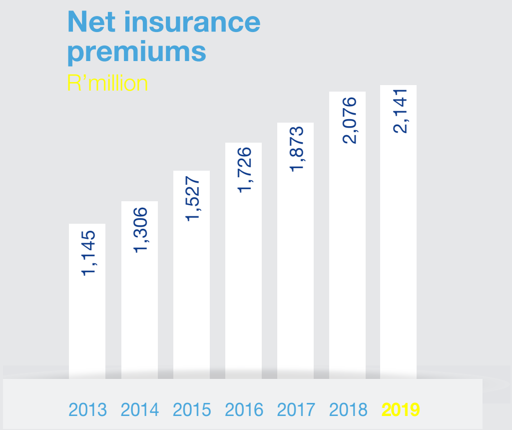
SERVICES AND REWARDS

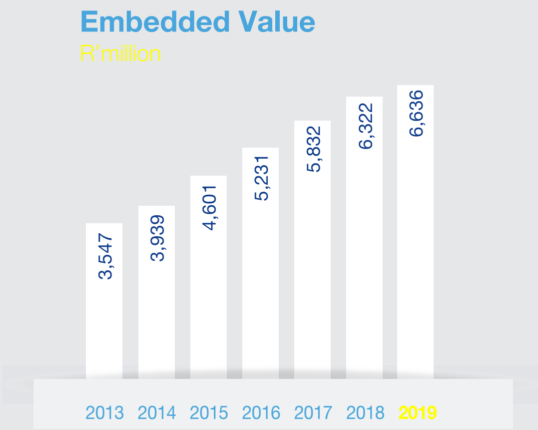
Clientèle Life has the following investments in subsidiaries:

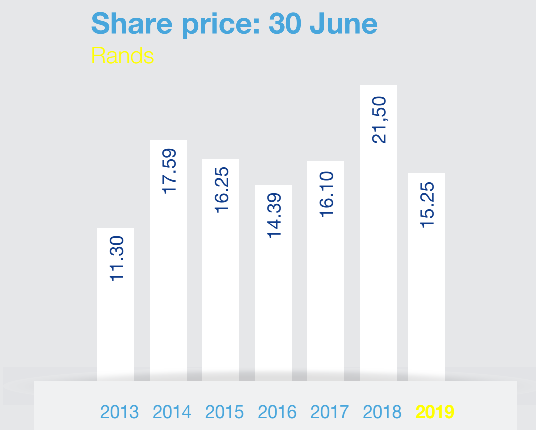


Clientèle General Insurance does not have subsidiaries.

Seven Year Statistics







30 June	2013	2014	2015	2016	2017	2018	2019
Net profit for the year (R'000)	293,406	306,516	364,391	414,721	466,697	490,323	400,937
Earnings per share (cents)	89.45	93.64	109.66	123.98	140.35	146.62	119.65
Headline earnings per share (cents)	89.62	93.58	109.33	124.00	140.29	147.22	120.00
EV per share (cents)	1,081.27	1,196.38	1,391.68	1,576.42	1,745.96	1 888.69	1,979.16
Return on average shareholders' interests (%)	65	60	56	55	53	48	38
Total distributions declared (R'million)	242	256	297	332	384	419	439
VNB (R'million)	302	638	718	660	527	448	301
Recurring Return on EV (%)	21	24	30	23	19	18	8
Recurring EV Earnings (R'million)	636	805	1,098	1,002	939	979	492

Chairman's Statement

GAVIN ROUTLEDGE

I am, by nature, a positive and pragmatic person but this year, I must admit, my sentiment is best described by the title of the iconic South African book written by Alan Paton –"Cry the Beloved Country".

It seems that politicians of all parties have only their own agendas and interests at heart regardless of the best interests of the people of South Africa who these politicians are supposed to, and have sworn to, serve.

Ramaphoria buoyed the country for a short while and relief and hope translated into a brief period of renewed confidence, however each week seems to bring more bad news in the political and economic arenas. Confidence has wilted under this pressure and ordinary South African citizens, renowned for their resilience and ability to "make a plan", are becoming disillusioned and discouraged.

While the various Commissions and changes to the Cabinet and Institutions such as the South African Revenue Services and the National Prosecuting Authority bring some hope, little concrete action or results are visible.

Unemployment has increased to new record levels and the disastrous state of most of South Africa's State Owned Enterprises ("SOE's") weighs heavily on both confidence and the economy. It is difficult to understand how these SOE's can be funded and restructured and were they private companies, most would be forced into Business Rescue or Insolvency. It is clear that Eskom cannot be allowed to fail as this would bring the economy and South Africa to its knees, but there is no sign of a practical plan or of the appointment of executive management who could turn the fortunes of Eskom around. It seems inevitable that the cost of electricity and taxes will rise and yet both of these factors would further depress the already frail economy.

Significant further funding for all these SOE's will be required and there is no clear picture as to where this funding can come from.

As if that were not enough, government has just tabled a Bill for the National Health Insurance, a project that, while laudable, cannot be funded or managed in the South Africa that we currently live in.

Another piece of legislation that has just appeared in the form of a Bill is The National Credit Amendment Bill, which proposes the forgiveness of debt up to R50 000 per person owed by low income workers. While there is no doubt that such people are in need of assistance, legislation allowing a write-off of debt is likely to result in all sorts of unintended consequences. There is already a culture of non-accountability in South Africa strengthened, no doubt, by the large number of high profile figures in both the public and private sector who seem to suffer no consequences for acts of fraud, corruption, theft and other crimes. This has already, as I reported in 2018, created an environment in the debit order payment system where debtors are disputing both legitimate and fraudulent debit orders in order to get refunds of amounts paid regardless of the legitimacy of the dispute.

I have little doubt that this culture of non-payment of obligations will be worsened by the forgiveness of the debts.

Clientèle's target market is highly susceptible to these negative changes in the economy and increasing unemployment and a lack of new job opportunities affects this segment immediately and materially. Many of our existing and potential clients, even where they are employed, are financially vulnerable and have little or no headroom in their monthly budgets, accordingly any negative change can affect their ability to make premium payments.

Clientèle is committed to, and does, provide essential products to this market segment in the form of funeral policies, pre-paid legal policies, health policies and savings policies

Chairman's Statement continued

and the interest shown in these policies through the large number of people who contact Clientèle and engage with Clientèle through our various distribution channels demonstrates this. Clientèle attracts large numbers of leads and sells well over 500,000 policies of various descriptions every year. However the dire state of the economy and the vulnerable financial position of our target market results in large numbers of withdrawals every year and indeed large numbers of clients who sign up for a policy but do not pay the first premium.

While this is, to a certain extent, the nature of this target market, it is distressing and concerning to see the increase in the numbers of clients who don't pay the first premium and who withdraw either by cancellation or simply non-payment of premiums after paying for some months or even years. This is not in the interests of these clients or of Clientèle.

Research and investigation shows that most of these clients withdraw due to an inability to pay the premiums through their financial circumstances. Many will return and buy a policy again once their financial conditions improve but the financial stress they are under is of great concern as this often means that clients are not covered by a valid policy at the time that they need it most.

This area of the market is becoming very crowded as other insurers who previously did not focus on this sector of the market are increasing their efforts in this area and banks are starting to target the lower income market for insurance products and are using their data on account holders to selectively target clients.

In our view, some banks are behaving anti-competitively and use their information on their account holders to then offer the better paying clients policies to replace existing policies which these clients hold with Clientèle and other insurers. As the banks do not have marketing costs and have low marginal costs to sell policies in this way, they are able to undercut the premiums of the existing policies. While it is questionable whether the banks have the insurance experience and can offer the expertise and level of service provided by Clientèle, in this target market cost is extremely important and banks are using this factor to switch clients to their policies. These policies do not always contain all of the features and benefits of the original policy disadvantaging clients further.

This is certainly not a level playing field and, in my opinion, clients are often disadvantaged by the move as the service offering of the large banks is not designed to be efficient and caring at the time of claim. Clientèle is working hard to educate clients and remind and assure existing and future clients of the service, caring and depth of experience of Clientèle in this area of the market.

Clientèle is no longer a small company and now has a large and diverse complement of staff. This, combined with the dire state of the economy and the increasing competition, has challenged our executive management team which has again met the challenge admirably. However, due largely to external factors beyond their control, their commitment and hard work has not translated into the sort of financial performance that Clientèle has become accustomed to and been proud of for many years. The executive incentive scheme, which has worked extremely well for both executive management and the shareholders for many years, has this year produced a negative incentive pool. This outcome was concerning to both executives and the Board of Clientèle and the Group Remuneration Committee spent many hours analysing and deliberating on the effect of this. A complicating factor was that, over a decade ago, a decision had been taken to limit the incremental increases of the guaranteed portion of executive management remuneration to the inflation rate. In the past, this was beneficial to shareholders as the guaranteed cost of remuneration was kept low but executive management were comfortable with this as total remuneration was generous once the incentive payments were taken into account. Over the years however, guaranteed remuneration payable to the Clientèle executives has fallen significantly behind the level of other insurance companies on a bench marked basis. Accordingly in 2019 with a negative incentive pool, the total remuneration calculated for the executive team would have been at a level far below the competitor group and materially below what the executives had earned in prior years. Not only was this going to result in a very demotivated executive team, but, more importantly, it would have meant a remuneration level well below the value contributed by the executive team as assessed by the Group Remuneration Committee.

After much debate and despite a reluctance to change the terms of the incentive scheme, the Group Remuneration Committee decided that executive remuneration for 2019 should be modified from the strict terms of the Incentive Scheme and that the Incentive Scheme in future years should be amended to achieve a more equitable result for management but one nevertheless still in the best interests of shareholders. I refer you to the detail set out in the Remuneration Report. I am satisfied that the end result as approved by the Board, is a fair result for both shareholders and executives and does not amount to management being "bailed out". In all cases, except where a promotion or change in role is concerned, executives will be paid less this year than in 2018.

NOTABLE EVENTS

- Clientèle introduced an App to serve as an engagement platform to assist with Treating Clients Well, to improve persistency and to improve new business capture quality. The App has gained acceptance very quickly and we have over 100,000 downloads and over 60,000 unique registrations to date.
- Clientèle launched a Rewards program focusing on client needs and aiming to deliver substantial value to our policyholders at the same time as encouraging client loyalty. We now have over 100,000 in-force clients signed up for Clientèle Rewards.
- Clientèle has made considerable progress with preparing for the DebiCheck debit order development and is ready for implementation of the project proposed to be on 31 October 2019.
- Clientèle continues to support a number of Corporate Social Investment projects – for more detail on this please read the Group Managing Directors Report.

RESULTS

The year ended 30 June 2019 was an even tougher year than 2018 and the results are disappointing.

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 is concerned by the weak state of the economy and the negative effect on our policyholders and target market.

The Group is focused on being as efficient as possible in the difficult environment and being close to the needs and wants of our policyholders and plans to enhance and improve our service offering. The Group continues to evaluate opportunities in line with the Group's intention to deliver value to all stakeholders. We believe that when the economy begins to improve again, significant opportunity for growth in our current geography and target market will open up.

APPRECIATION

This has been an extremely challenging year and it has demanded strength, resilience, commitment and determination from all the members of the Board both executive and non-executive. I thank you all for maintaining your poise and sense of humour.

I thank also the management team, the employees, the IFAs, our tied agents and our brokers for their hard work and enthusiasm in difficult circumstances this year.

I wish you all better luck and fortune in 2020.

Gavin Routledge
16 September 2019

Group Managing Director's Report

BW REEKIE

THE YEAR IN PERSPECTIVE

The high unemployment rate and dire state of the economy has had a negative effect on our clients. Unsurprisingly, this has resulted in a disappointing set of results for the Group.

Total new business production volumes, although marginally higher than last year, are below expectation for the traditional Telesales and IFA channels. Fortunately, this was partially offset by good production from the newer Agency and Mass Market Broker distribution channels, which are both producing volumes ahead of the original business plan.

These new channels attract up-front acquisition costs and this is the major contributing factor to the increase in expenses for the year.

Investment returns for the year were poor and produced a 5.2% (2018: 13.2%) return.

A major contributor to the disappointing results is adverse withdrawals, which have been worse than management's expectations and has affected insurance premium revenue, the Value of New Business ("VNB") and Recurring Embedded Value Earnings ("REVE"). The negative withdrawal and unpaid premium experience variance for the year amounts to R225.6 million (2018: R81.6 million). In addition, withdrawal assumptions were reviewed and the negative impact on existing business of R281.6 million (2018: R43.9 million) is included in the "Changes in non-economic assumptions and modelling" item, as disclosed in the Embedded Value Earnings Analysis (on pages 64 to 65 of the Integrated Annual Report). Withdrawals are the subject of intense focus by management in order to improve this aspect of the business.

Despite the challenges and the disappointing results, we have seen a number of successes that will stand us in good stead for the future. These include:

- The successful launch of Clientèle Rewards (our exciting new loyalty program);
- The successful launch of the Clientèle App (which allows improved digital interaction with our clients);
- Significant progress in terms of ensuring that we are ready for DebiCheck going live (DebiCheck is the new authentication system being rolled out by the banks in South Africa); and,
- Over the past two years Clientèle has underwritten co-branded single premium investment products with Old Mutual and Absa, which have been well supported by clients. This once-off co-branded single premium business accounts for most of the R4.5 billion increase in financial assets during the year.

Clientèle Rewards provides tangible monthly benefits to loyal Clientèle policyholders which include discounts at Shoprite, Checkers, Checkers Hyper, Dischem, Edgars, Jet, CNA, Greyhound and Citiliner. The Rewards Program will continue to be enhanced in the new financial year. The loyalty program is delivered by Clientèle Benefits Company (Proprietary) Limited, a wholly owned subsidiary of Clientèle Limited. The relationship with the loyalty benefit providers is managed by Direct Rewards (Proprietary) Limited ("Direct Rewards"). The Rewards program is of strategic importance to Clientèle and Clientèle has secured the option to buy a 25% stake in Direct Rewards, at Clientèle's election, in the 2020 financial year.

The Clientèle App ("the App") has been keenly adopted by our clients, employees and intermediaries. The App opens up many exciting avenues for better fulfilling Clientèle's various stakeholder needs in future and enables a more interactive relationship with our clients.

HIGHLIGHTS

Financial

Net insurance premiums increased by 3% to R2.14 billion (2018: R2.08 billion). Lower production from our traditional Telesales and IFA channels over the year was partially offset by good production from the newer Agency and Mass Market Broker distribution channels.

Net insurance benefits and claims of R342.8 million (2018: R384.5 million) were 11% lower than last year.

Operating expenses of R1.5 billion (2018: R1.3 billion) were 13% higher than last year. If the Agency, Mass Market Broker and other new venture expenses are excluded then the operating expenses would have decreased by 4%.

Due to the volume of co-branded single premium business written, it is probable that a portion of the assessed loss in the Individual Policyholders' fund will be utilised. In terms of IAS 12, a deferred tax asset of R179.4 million (2018: R Nil) has accordingly been recognised. This impacts the taxation charge in the Group Statement of Comprehensive Income, which will reverse over five years. The corresponding transfer to liabilities at fair value through profit or loss in the Group Statement of Comprehensive Income has accordingly been increased by R157.1 million (2018: R Nil). The net after tax impact on headline earnings is an increase of R16.0 million.

Diluted headline earnings per share decreased by 18% over last year partly due to an increase in withdrawals which impacted net insurance premiums, partly as a result of lower investment returns in the Group's investment portfolios for the year of 5.2% contrasted with good investment returns last year of 13.2% and partly as a consequence of high new business strain relating to the newer Agency and Mass Market Broker distribution channels.

Headline earnings for the Group decreased by 18% to R402.1 million (2018: R492.3 million), generating a return on average shareholders' interests of 38% (2018: 48%).

The Group Embedded Value ("EV") increased from R6.3 billion at 30 June 2018 to R6.6 billion at 30 June 2019. Recurring Embedded Value Earnings ("REVE") of R491.9 million were recorded for the year (2018: R979.0 million), a decrease of 49.8%.

The majority of the "Change in non-economic assumptions and modelling changes" of R281.6 million pertains to the impact of changing persistency and collection assumptions. Included in this, is a once-off negative impact of R115 million as a result of changing the methodology in setting withdrawal assumptions by shortening the investigation period (from 24 months to 12 months) considered for this purpose. This methodology change gives a more accurate reflection of the future expected withdrawal experience in the current economic environment.

The VNB was negatively impacted by lower quality new business and decreased by 32.9% to R300.5 million for the year ending 30 June 2019 (2018 : R478.0 million). The VNB contribution from single premium business written amounted to R84.3 million (2018: R27.1 million). New business profit margins (excluding single premium investment business) have decreased to 10.5% (2018: 18.3%).

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 App has given us an opportunity to interact more with our clients and we are using this (and other means) to better understand our clients and their needs.

It remains our stated intention to Treat Employees Well in all circumstances. To this end, we have established a number of new employee forums which allow for better interaction with our employees in order to ensure that we are indeed treating them well and with compassion.

Our interaction with other stakeholders during the year has been positive and we continue to have a constructive relationship with our key stakeholders.

Our brand purpose is to "safeguard your [clients and employees] world with compassion". This is something that we are passionate about and strive to achieve on a daily basis. The Clientèle Life claims team is particularly proud of their drive to pay every valid claim (and no invalid claims).

Governance and King IV

During the 2019 financial year the Group continued to practice corporate governance at a high level, aimed at adding value to the business as well as facilitating the Group's sustainability, the generation of long-term shareholder value and benefiting other stakeholders.

Governance in the Group extends far beyond a box-ticking process, and accordingly compliance with codes, legislation, regulations and listings requirements is the minimum requirement. Management has adopted sound corporate governance principles and appropriate governance structures and policies, and we believe that we have embedded a business-wide culture of good governance that is aligned to the Group's vision, purpose and values into our operations.

During the 2019 financial year the Group has, in all material respects, voluntarily applied King IV principles and complied with the mandatory corporate governance provisions in the JSE Listings Requirements. A narrative of how the Group has applied the King IV principles and complied with the JSE Listings Requirements is set out in the Corporate Governance section of this Integrated Annual Report.

The Group's' approach to corporate governance is to aim for the relevant policies, structures and processes to contribute to improved operational decision-making and corporate performance.

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 (prudential 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

Clientèle continues to seek opportunities to increase the BBBEE shareholding in Clientèle over time. Recent focus has been on the shareholding of Yellowwoods Trust Investments (Proprietary) Limited ("YTI").

YTI is the investment company of The Hollard Foundation Trust. The Hollard Foundation Trust is a catalyst for positive change in South Africa, with a focus on promoting inclusive and equitable economic and social development. Its core large scale social initiatives include the Harambee Youth Employment Accelerator which is focused on addressing youth unemployment 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.

Clientèle has continued with its strategy of providing financial assistance through the issuance of guarantees as security for loan finance in respect of ordinary shares purchased by YTI.

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 issued guarantees as at 30 June 2019 was R497 million, with back to back guarantees from HSBC totalling R297 million and a total net exposure of R200 million.

In August 2019, the Board approved the provision of further financial assistance through the issuance of a guarantee amounting to R76 million in respect of an additional 4.1 million Clientèle Limited Ordinary Shares which YTI had purchased.

Subsequent to the Board meeting held on 21 August 2019, YTI purchased a further 1.4 million Clientèle Ordinary Shares. The Board has agreed to provide financial assistance through the issuance of a R13.5 million guarantee, resulting in the proposed guarantee of R76 million increasing to R89.5 million. The Board will seek ratification of this decision at the AGM to be held on 30 October 2019, following which, if approved, the guarantee in the amount of R89.5 million will be issued.

The direct YTI holding in Clientèle, as at 30 June 2019, was 8.6% (10.9% after 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 pillars:

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 Group while others have joined other leading organisations in South Africa. Some of the graduates have decided to continue with post-graduate studies. The Clientèle bursary scheme kicked off in 2008 with our first recipient receiving their bursary in 2009. We have since awarded 118 bursaries to children of Clientèle staff members and IFAs.

The Group has invested R10 million in Bonds4Jobs NPC (FR), an independent, not-for-profit Company, approved as a section 30 public benefit organisation. Bonds4Jobs was set up solely to facilitate the youth inclusive employment impact bond focused on social development by educating previously disadvantaged individuals, and preparing them for the work environment by training the candidates in work categories such as "sales and services" and "coding".

Community Development and 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;
- Othandweni Children's Home;
- Okwethu Community Centre in Katlehong; and,
- Ditau Primary School in Soweto.

Healthcare: 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 blood donations, 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 for the outreach programmes that we organise. This year, proceeds from the donations collected through staff payroll deductions were used to purchase around 1,000 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 goods to the United Cerebral Palsy Association of South Africa. Employees also knitted blankets for a charity that dedicates their time to struggling young mothers and their children. We also donated 500 food parcels to communities in need on Mandela Day.

Youth Development: Our internship programme has been an opportunity to bring in recent graduates and afford them "on the job" experience under the guidance of experienced staff. The programme has also been a successful recruitment tool for some parts of the business. After completion of each year's internship programme, we have absorbed the majority of the interns, into the relevant departments, as permanent staff.

We have established an annual programme whereby we invite Grade 9 to 12 learners to participate in career assessment tests, tours of the Office Park and discussions about real life issues. This initiative gives the youth, who attend, an incentive to work hard to achieve their goals and possibly work for Clientèle one day.

BUSINESS SEGMENTS

Long-term Insurance

Clientèle Life's Long-term insurance segment remains the major contributor to the Group's performance, and recorded a 16% decrease in net profit for the year to R355.4 million (2018: R423.7 million). Part of the decrease in profit for the year is in respect of attributable shareholders' investment returns, excluding policyholder investment returns which have a corresponding liability, which recorded a R40.0 million return for the year, compared to a R62.7 million return for last year. A further contributing factor is the increase in withdrawals which has impacted net premium income. Clientèle Life's VNB of R209.4 million (2018: R339.2 million) decreased by 38.3%. Clientèle Life recorded REVE of R354.9 million (2018: R734.0 million), a decrease of 51.6%.

Short-term Insurance

Clientèle Legal recorded a 19% decrease in net profit for the year to R54.3 million (2018: R67.1 million). Part of the decrease in profit for the year is in respect of investment returns which recorded a R15.5 million return for the year compared to a R21.1 million return for last year and a further contributing factor is the increase in withdrawals which has impacted net premium income. Clientèle Legal's VNB of R85.7 million (2018: R108.2 million) decreased by 20.8%. Clientèle Legal recorded REVE of R113.2 million (2018: R230.1 million), a decrease of 50.8%.

DIVIDENDS

The Board has declared a dividend per ordinary share of

131.00 cents, an increase of 4.8% over last year's dividend per ordinary share of 125.00 cents.

OUTLOOK

The economic environment has been challenging over the year and remains so. The Board and I are concerned by the current state of the economy and we are not expecting any improvement in the economic environment for next year.

Management have introduced new initiatives aimed at improving the quality of new business and will continue to focus on increasing production levels, particularly in our traditional Telesales and IFA distribution channels. Tight control will be kept to maintain and improve business efficiencies.

The Agency and Mass Market Broker distribution channels are expected to create meaningful value for the Group in future.

Clientèle launched a project with the Landile Shembe Foundation ("LSF") through which it will provide Clientèle products to the Shembe community. This initiative has commenced and will be nurtured during its early years.

Clientèle Rewards and the Clientèle App are important ingredients in offering our clients improved value, convenience and service which we believe will further enhance and differentiate the Clientèle business model in future.

Clientèle remains committed to providing products and services that are relevant and meet our clients' needs and will continue to improve on the delivery of them to the market conveniently and efficiently.

I am disappointed by the results for the year; however, I am encouraged by the new initiatives and their prospects for growth and value creation over time and I look forward to updating shareholders next year on how projects like Clientèle Rewards and the Clientèle App have unfolded.

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 and Management team who, as always, worked tirelessly during the year despite the extremely challenging environment.

I look forward to working with the Clientèle 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.

I would also like 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
16 September 2019

Corporate Governance

1. INTRODUCTION

The King Code of Governance Principles underpins the Group's corporate governance framework. 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 2019 financial year. 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 conducts 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 2019 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 biennial 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 ethical 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 52 to 55.

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 part of 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 Group 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, after any existing Director exits 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 the 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 2018. Having regard to the results of the performance evaluations, no issues were raised and the contribution, value and participation of the Board and Board sub-committees 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. Three 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.	Excom 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 a 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 Committees' 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.

Corporate Governance continued

1.1 Corporate Governance Framework

The Board applies corporate governance practices as prescribed 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.

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, as well as disclosure on the website. 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 policyholder queries;
- Policyholders are also able to access important information and update certain details via the self-service portal and the Clientèle App;
- SMS and in-App 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 are located in various shopping centres across South Africa where a prospective 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 service.

The TCW initiative, which goes beyond TCF, 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 52 to 55.

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 and 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 PA Prudential Standard GO14.

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 75.

Clientèle supports the principles and aims of race and 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 BBBEE 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 the ORSA process;
- 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 ten Directors, seven of whom are Non-executive of which five 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 69 to 72.

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 are 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 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 the 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 on;
- 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 was appointed as a member of the Group Audit Committee on 1 December 2018 upon the resignation of Ms Molefe and is also a member of the Group Risk, Group Investment, Group Remuneration and Group Nominations 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 or termination of employment to any Executive Directors.

2.11 Group Company Secretary

Mrs W van Zyl was appointed as 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 51 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

The Board and Non-Board Committees (referred to in the Corporate Governance Report):

- 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 56 to 59.

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		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 70 to 71 for members qualifications and experience'

Assessment:
- Annually
- Satisfactory rating in September 2018

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

2019 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 Department and 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;
- Advising as to the viability of any proposed client underwriting;
- Review and monitor relevant items from an internal capital management and planning process; 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 60 to 65 and the Statement of Actuarial Values of Assets and Liabilities of Clientèle Life on pages 75 to 78.

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		3
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 70 to 71 for members' qualifications and experience
- The composition and responsibilities of this Committee are aligned to the Prudential Standard GOI 2 – Governance of Insurers

Assessment:
- Annually
- Satisfactory rating in September 2018

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

2019 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 as presented by the Bureau for Economic Research.

More detail in the Risk Management section, pages 86 to 107.

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)		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 70 to 71 for members' qualifications and experience

Assessment:
- Annually
- Satisfactory rating in September 2018

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:
- ALM, in conjunction with the investment manager and the Group Actuarial Committee;
- 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 70 to 71 for members' qualifications and experience
- The composition and responsibilities of this Committee are aligned to the Prudential Standard GOI 2 – Governance of Insurers

Assessment:
- Annually
- Satisfactory rating in September 2018

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

2019 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; and
  - 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 BRs 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 35 to 51.

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 70 to 71 for members' qualifications and experience

Assessment:
- Annually
- Satisfactory rating in September 2018

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

2019 KEY FOCUS AREAS

- Social and economic development, including the Group's standing in terms of goals and purpose 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;
  - Record of sponsorship, donations and charitable givings; and
  - 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 52 to 55.

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 70 to 71 for members' qualifications and experience

Assessment:
- Annually
- Satisfactory rating in September 2018

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

2019 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-appointments 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; and
  – 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; and
  – 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 the 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;
- 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 2019:

- 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 IFRS 17 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 2019

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	✓	✓		✓		✓	✓	✓
BW Reekie	Group Managing Director	2	✓	I	✓	I	✓	✓	✓	✓
ADT Enthoven	Non-executive Director		✓			✓				✓
B du Toit	Executive Director		✓	I	✓			I		
IB Hume	Group Financial Director	3	✓	I	✓			✓	✓	
BA Stott	Independent Non-executive Director	4	✓	✓	I	✓		✓	✓	✓
PR Gwangwa	Independent Non-executive Director	5	✓				✓			
RD Williams	Independent Non-executive Director		✓	✓	✓			✓		
BY Mkhondo	Independent Non-executive Director		✓				✓			
D Molefe	Independent Non-executive Director	6	✓	✓						
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			✓	I		
MD Mac Donald	Group IT Executive		I	I	I			I		
LA Botha	Group Marketing and Advertising Executive		I	I						
ML Mbali	IFA Marketing Executive		I	I				I		
A Singh	Group Sales Executive	7	I	I	I			I		
N Hoosen	Executive	8	I	I	I			I	✓	
V Mthethwa	Group Sales Executive	9	I	I				I		

(✓ = member, I = invitee)

1 *Resigned as a member of the Group Audit Committee on 10 August 2017. Re-appointed as a member of the Group Audit Committee on 1 December 2018.*
2 *Chairperson of Group Actuarial Committee.*
3 *Chairperson of Group Investment Committee.*
4 *Chairperson of Group Audit, Group Risk, Group Remuneration and Group Nominations Committees.*
5 *Chairperson of Group Social and Ethics Committee.*
6 *Resigned as a Director on 30 November 2018.*
7 *Resigned as an employee on 28 February 2019.*
8 *Appointed as Managing Director of Clientèle General on 1 August 2018.*
9 *Appointed as Group Executive on 1 July 2018 and Group Sales Executive on 1 May 2019.*

5.2 Attendance at Clientèle Board and Committee Meetings

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		3	4	2
BW Reekie	4	6	5	3	4	4	4	2
ADT Enthoven	2			3				1
B du Toit	4	4	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[1]	2	3						
PG Nkadimeng	4							
GROUP EXCOM								
JL Potgieter	4	5	5			4	4	
H Louw	4	6	5			4		
RDT Tabane	4				4	4		
MD Mac Donald	4	5	5			4		
LA Botha	3							
ML Mbali	4					4		
A Singh[2]	3	3	3			4		
N Hoosen	4	6				4	3	
V Mthethwa	4	2						

1 Resigned as a Director on 30 November 2018.
2 Resigned as an employee on 28 February 2019.

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 33.

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

Mr Ryan Prettirajh was appointed CAE on 1 July 2018.

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 certain 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 POPIA. 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 in 2017. 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 29 on page 152 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 75 to 78) and Clientèle General Insurance. Mr Potgieter attends all Clientèle Life and Clientèle General Board meetings.

Clientèle Group

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

Mr Potgieter attends the Group Audit Committee meetings, the Group Risk Committee meetings, the Group Actuarial Committee meetings, the Group Investment Committee meeting 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 functions 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.

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

16 September 2019

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 2019. 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 2019 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

16 September 2019

Group Remuneration Report

The Board is pleased to present the Group's Remuneration Report for the year ended 30 June 2019. 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, as well as changes to be made for the 2020 and future financial years, on which the non-binding advisory vote will be sought at the AGM;
- **Part 3** details the implementation of the policy in the 2019 financial year.

PART 1: BACKGROUND STATEMENT

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 Prudential Standard GOI 2 – Governance of Insurers, issued by the PA (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 as well as changes pertaining to the Scheme going forward (Part 2 of this Group Remuneration Report).

The shareholder resolution and explanatory notes relating to the above matter are set out on pages 163 to 164 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; however, there are two important items to note:

- The Board, based on a recommendation from the Group Remuneration Committee, allocated a special bonus pool for the 2019 financial year; and,
- The Board, based on recommendations from the Group Remuneration Committee, has made some changes to the EV Scheme for future financial years.

Part 2 of this report includes details with regard to the changes to the EV Scheme (for Excom) going forward, while Part 3 of this report outlines the rationale for the special bonus pool.

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 long-term 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 2019 although there are changes being made to the mechanics of the EV Scheme for future years. 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 2019

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

Category	Number of employees	Basic Salary	Short-term Bonus Incentives	BR Scheme	EV Scheme	Goodwill Scheme
Group Excom	11	X	X		X	X
Balance of Excom	12	X	X	X	X	
Management and specialists	422	X	X	X		
Staff	1,949	X	X	X		
Total	**2,394**					

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 R6,500 per month;
- The minimum salary paid to staff who can earn a significant portion of their earnings via incentives is R4,000 per month. In all cases, we would expect such staff to be able to earn R6,500 or more by meeting the basic requirements of their job description (e.g. for Telesales agents spending at least 3.5 hours on the phone each day);
- 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 BR 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 BR Scheme

The BR 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 140 to 141).

Salient features:

- The aggregate number of ordinary shares that may be allotted and issued to Bonus Participants under the BR 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 BRs which may be allocated to any one participant under the BR Scheme will be 647,000, namely 2% of the total number of BRs available under the BR Scheme and the SARs available under the SAR Scheme;
    - Notwithstanding that a Bonus Participant has been invited to participate in the BR Scheme, no rights will vest in the Bonus Participant until such time as BRs are exercised;
    - No amount will be payable by a Bonus Participant in order to participate in the BR Scheme.

- At any time after:
  - 3 years from the Invitation Date, up to 20% of the BRs may be exercised by a Bonus Participant;
  - 4 years from the Invitation Date, up to 50% of the BRs may be exercised by a Bonus Participant; and
  - 5 years from the Invitation Date, up to 100% of the BRs 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 BRs may not be exercised during a closed period or any other period during which dealings in securities of the Company are prohibited;
- BRs not exercised within 7 years from the Invitation Date will be forfeited;
- A BR Participant will be entitled to sell shares which he has acquired pursuant to the Exercise of a BR only after the vesting date, which is after the implementation in full of the transaction arising from the Exercise of the BR. The Bonus Participant will first be obliged to offer his shares in terms of the pre-emptive rights provisions of the BR Scheme and failing acceptance thereof, will be entitled to sell the relevant shares to a third party;
- The Board may amend the BR 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 BR Scheme;
  - the maximum number of BRs which may be acquired by a single participant under the BR Scheme;
  - the total number of BR which may be granted in terms of the BR Scheme;
  - the total number of shares which may be allotted and issued by the Company in terms of the BR 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 BRs are due to be settled, the value of each BR 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 BRs 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 BR participant.
- In determining the allocation of BRs, 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 is 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 BR Scheme. The BR 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. They do not participate in the Goodwill Scheme. Group Excom participates in the EV Scheme as well as the Goodwill Scheme but do not participate in the SAR and BR 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.

Group Remuneration Report continued

5.4.2 Annual Short-term Incentive

<table>
<tr><td>Purpose</td><td colspan="2">To encourage and reward delivery of the Group's strategic priorities and short-term goals.</td></tr>
<tr><td>Participants</td><td colspan="2">Group Excom, Excom and members of management.</td></tr>
<tr><td>Operation</td><td colspan="2">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 Group 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.</td></tr>
<tr><td>Performance measures</td><td colspan="2">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
• EV 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 EV incentive.</td></tr>
<tr><td>Key measurement scores of Group Excom for 2019</td><td colspan="2">Ranged from 75% to 96%</td></tr>
<tr><td rowspan="4">Maximum value of annual incentive earned and paid for 2019</td><td>9 Months</td><td>Group Excom</td></tr>
<tr><td>6 Months</td><td>Excom</td></tr>
<tr><td>6 Months</td><td>Members of Management</td></tr>
<tr><td colspan="2">The amounts are expressed as multiples of the monthly salaries.</td></tr>
<tr><td>Changes for 2020</td><td colspan="2">No significant changes are expected to this incentive during the next financial year.</td></tr>
</table>

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 2019	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 2020	Following recommendations from the Group Remuneration Committee, the Board approved changes to the EV Scheme which will be applicable from 1 July 2019. Going forward, the EV Scheme will be split into two pools; Pool 1 will be calculated, broadly, as a percentage (5%) of the REVE. Pool 2 will be based on the outperformance of REVE over a defined hurdle rate at a participation level of 5.6% (reduced from 15% under the current EV Scheme). The changes to the EV Scheme retain the principle of aligning the interests of management and shareholders, while paying, what the Board views, as appropriate and competitive earnings to Excom. (See the comments on changes to the EV Scheme later in this report).

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 commenced 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 five-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 2020	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. CHANGES TO THE EV SCHEME

6.1 Background

The Clientèle Executive EV Scheme has worked well (for shareholders and executives) over the last 17 years (having been established in 2002 and reviewed and refined in both 2008 and 2014). The EV Scheme was originally designed to align the interests of management and shareholders by essentially incentivising management to grow the EV of Clientèle over time. The Group Remuneration Committee is satisfied that, until recently, the EV Scheme has appropriately aligned the interests of all parties.

Based on the success of the EV Scheme for both management and shareholders, an approach was taken more than a decade ago to limit the annual increase in guaranteed remuneration for the management team to the inflation rate in South Africa and to rely on the Scheme to deliver the greater part of management remuneration.

More recently several factors combined to have the effect that the Scheme no longer delivered the appropriate incentive to the management team, namely:

- The guaranteed portion of the remuneration of the management team fell out of line with competitors in the industry;
- The global approach to executive compensation changed with best practices focussed on creating a balance between guaranteed remuneration and incentive remuneration both short-term and medium/long-term so that each element of remuneration would constitute approximately one third of total remuneration in the instance of excellent performance;
- Clientèle moved out of the "fast growing new company" phase and entered the maturing phase where rapid growth on a sustainable and responsible basis becomes more difficult;
- The South African economy is enduring an extended period of very low growth and high unemployment which has had a negative effect on Clientèle's target market; and
- This has the result that in years of weaker performance due to the economic environment, the element of remuneration generated by the incentive scheme has been unable to bring the total remuneration paid to Executives up to a level that is comparable to other executives in this sector performing at a comparable level and accordingly the incentive scheme has created a risk to the company that key executives could be lost to competitors.

As a result, the Group Remuneration Committee of Clientèle recommended (and the Board approved) changes to the EV scheme in an attempt to deal with these challenges. While total packages of Clientèle executives have been good over the years, the guaranteed portion has been relatively low. One of the initial thoughts was to make significant changes to the guaranteed basic salaries of executives to bring them in line with other companies in the market; however, it was ultimately felt that a change to the incentive scheme which would create a high level of confidence that, based on expected performance, a first pool of incentive would be generated (as opposed to a guarantee) would be more appropriate at this point in time. This is achieved via the new Medium-term Pool 1; and a second pool (Medium-term Pool 2) would be created to cater for outperformance by the Executive team.

Despite believing that his change is the most appropriate at this time, the Group Remuneration Committee would like to see the guaranteed portion of pay increase over time and will be looking at ways to achieve this in a systematic fashion.

6.2 Changes to the Scheme

The parameters for the new scheme are outlined in section 5.4.3 above and were set based on the following:

- Broadly benchmarking appropriate earnings figures for key positions in the Excom team on the assumption that Clientèle performs according to expectation into the future; and,
- Stress testing the bonus pool outputs for exceptionally good performance and for poor performance and making sure that the outcomes remain appropriate;

The changes:

- Retain the principle of aligning the interests of management and shareholders;
- Pay what the Board views as appropriate and competitive earnings to Excom in a range of scenarios (ranging from poor performance to exceptional performance); and,
- Reduce the risk of the management being paid below market rates in circumstances where the financial performance of Clientèle is negatively affected by factors outside the control of management by setting the conditions so that the Scheme is anticipated to generate an amount equal to the sum of salary plus Short-term Bonus plus Medium-term pool 1 at what the Group Remuneration Committee believes is broadly equivalent to a sensible level compared to the Guaranteed Salary at competitors. In consideration for reducing the downside risk to management, the changes to the EV Scheme remove some of the upside for the executive team in really good years.

Clientèle will investigate the practicality of, over time, increasing the guaranteed portion of remuneration and reducing the variable portion of remuneration for Excom so that this is more in line with global best practice.

7. NON-EXECUTIVE DIRECTORS

7.1 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 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.

7.2 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 BR Scheme).

The performance of Non-executive Directors is assessed by Group Excom. The Non-executive Director's fees are approved at the AGM.

7.3 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 2019

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 5.4% and Excom's increase was at June 2019's consumer price index of 4.5%.

2. EV SCHEME

The results of the financial year were disappointing when compared to the Groups previous successes. Much of the reduction in results related to the economic environment and the significant financial strain under which the Group's client base finds itself. Despite this, the Group had a number of significant successes which stands the Group in good stead for the future, these include:

- The Clientèle App was developed and launched in the financial year and has seen around 100,000 downloads. This is in line with the Group's strategy to ensure that we are ready for a digital future and was achieved in record time;
- Clientèle Rewards was successfully launched with over 100,000 active reward members as at 30 June. The launch of Clientèle Rewards gives the Group a tool to assist with the challenge of persistency in future; and,
- Clientèle is a market leader in the implementation of DebiCheck authentications.

The strict interpretation of the current EV Scheme's bonus formula would result in a negative bonus pool. However, bearing the above items in mind and considering the risk of management being paid below market rates where the financial performance of Clientèle was negatively affected by factors which were, mainly, outside the control of management, the Board approved the allocation of a special bonus pool of R25 million. It was further approved that the negative EV Scheme bonus pool created would not result in clawback.

The amount of R25 million was determined by taking all of the above into account and was further set at a level which would still result in executives both earning and being paid substantially less than in prior financial years. The special bonus pool will be paid out in four annual payments to Executives still in the employ of Clientèle at the payment date, as is the case for any bonus pools earned under the 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 60 to 65).

Details of the pool (2019 number confirmed by the External Actuaries (QED Actuaries and Consultants)), are as follows:

EV Scheme pool	2019	2018
Total pool (Rand)	**RNil**	32,849,000
Payment terms (years)	**4**	4
Hurdle rate (%)	**13.90**	13.70
Pool utilisation (%)*	**100**	89.45

* *The 2018 figure includes an ad-hoc allocation to select members of management.*

Special bonus pool	2019	2018
Total pool (Rand)	**25,000,000**	N/A
Payment terms (years)	**4**	N/A
Hurdle rate (%)	**N/A**	N/A
Pool utilisation (%)*	**100**	N/A

* *Including an ad-hoc allocation of R1.59 million to select members of management.*

3. GOODWILL SCHEME

(Refer to Note 17 on pages 147 to 148).

Cycle 4 ending 30 June 2022	2019	2018
Expected VNB at the end of the cycle (R'000)	**1,100,000**	1,250,000
Total pool (R'000)	**215,000**	271,000
Expected pool utilisation (%)	**80**	75
VNB multiple	**5**	5
Payment term (years)	**5**	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	2019	2018
Projected In-force business (R'000)*	**758,029**	846,258
Actual In-force business (R'000)	**611,588**	769,381
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**	50.18
VNB multiple	**5**	5
Payment term (years)	**5**	5

* *Based on current demographic assumptions with economic assumptions as at 30 June 2019.*

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 2019 financial year.

EARNED 2019

(R'000) Category	Number of individuals	Base salary[2]	Short-term Incentive	EV Scheme[4]	Special bonus	Goodwill Scheme[3]	Total
Managing Director – BW Reekie[1]	1	3,184	1,474	–	4,824	–	9,482
Financial Director – IB Hume[1]	1	2,141	733	–	3,467	–	6,341
Director – B du Toit[1]	1	1,878	611	–	1,811	–	4,300
Balance of Group Excom[5]	9	14,534	3,613	1,188	9,198	–	28,532
Balance of Excom[6]	13	13,770	1,506	616	4,113	–	20,004
Total	25	35,506	7,936	1,804	23,413	–	68,659

(R'000)	Base salary[2]	Short-term Incentive	EV Scheme[4]	Special bonus	Goodwill Scheme[3]	Total
Average Balance of Group Excom	1,615	401	132	1,022	–	3,170
Average Balance of Excom	1,059	116	47	316	–	1,539

PAID 2019

(R'000) Category	Number of individuals	Base salary[2]	Short-term Incentive	EV Scheme[4]	Special bonus	Goodwill Scheme[3]	Total
Managing Director – BW Reekie[1]	1	3,184	1,474	6,039	1,206	1,521	13,424
Financial Director – IB Hume[1]	1	2,141	733	4,471	867	1,136	9,347
Director – B du Toit[1]	1	1,878	611	2,651	453	777	6,370
Balance of Group Excom[5]	9	14,534	3,613	9,215	2,300	1,163	30,824
Balance of Excom[6]	13	13,770	1,506	5,074	1,028	-	21,378
Total	25	35,506	7,936	27,450	5,853	4,597	81,342

(R'000)	Base salary[2]	Short-term Incentive	EV Scheme[4]	Special bonus	Goodwill Scheme[3]	Total
Average Balance of Group Excom	1,615	401	1,024	256	129	3,425
Average Balance of Excom	1,059	116	390	79	–	1,644

1 *Months in office = 12.*
2 *Including retirement, medical and other benefits.*
3 *The Goodwill Scheme has a five-year cycle, 2017 was the 5th year of cycle 3, and 2018 was the first year of cycle 4.*
4 *Includes Control Function Head bonuses.*
5 *Nazeer Hoosen joined on 1 August 2018, and one member of Group Excom left on 28 February 2019.*
6 *2 members joined during the year and 2 members left during the year.*

Group Remuneration Report continued

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

PAID 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 was the first year of cycle 4.*
\# *Includes a base salary for Mr LH Balcomb, who resigned on 31 March 2018.*

5. REMUNERATION OF NON-EXECUTIVE DIRECTORS

EARNED AND PAID 2019 – EXCLUSIVE OF VAT

Name	Months in office	Directors fees R'000	Total emoluments R'000
PR Gwangwa	12	502	502
BY Mkhondo	12	603	603
D Molefe	5	241	241
GQ Routledge	12	2,900	2,900
BA Stott	12	1,697	1,697
RD Williams	12	984	984
PG Nkadimeng	12	NIL	NIL
ADT Enthoven	12	NIL	NIL
Total	12	6,933	6,933

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

6. INCREASE IN NON-EXECUTIVE DIRECTOR FEES

Refer to Special Resolution 1 in the Notice of AGM, detailing the increase in Non-executive Directors' fees (page 164).

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

2019

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

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

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 Clientèle Group Social and Ethics Committee is a Board Committee. It was established in terms of section 72(4) of the Companies Act read with Regulation 43 of the Companies Regulations. The Group Social and Ethics Committee is chaired by an Independent Non-executive Director; its other three members consist of one Independent Non-executive Director and two Executive Directors. Other senior managers are invitees to the Group Social and Ethics Committee meetings.

The Group Social and Ethics Committee's scope includes social and economic development, good corporate citizenship, the environment, health and public safety, consumer relationships, labour and employment. The Group Social and Ethics Committee's responsibilities include monitoring the Group's activities with regard to matters relating to:

- Contribution to development of the communities in which its activities are predominantly conducted or within which its products or services are predominantly marketed; and
- The impact of the Group's activities and of its products and services.

The Board is responsible for the ethical culture of the Group, with support and oversight provided by the Group Social and Ethics Committee. Clientèle is committed to embedding a strong ethical culture and maintaining good corporate governance structures. Therefore, the Group Social and Ethics Committee monitors, measures and reports on the ethics in the Group. The Group Social and Ethics Committee also takes note of the ethical failures that have occurred in other businesses in recent times and it checks that it has solid governance procedures in place to ensure that it does not fall foul of those failures.

2. EMPLOYEES

The growth and diversification of the Group's offering to clients and communities has resulted in the growth in the headcount from 2,171 in June 2018 to 2,394 in June 2019. The continuous embedding of Fit and Proper requirements has been included in the recruitment process for sales consultants as well as the induction programme to ensure that the consultants are suitably qualified to commence in their sales role. The Debarment process has also been incorporated into the disciplinary code. Continued training is being provided to all employees, on product knowledge, soft skills and applicable regulatory requirements. The process includes competency assessments of all sales staff. The training spend for the year under review was around R10 million. Clientèle has also increased the training spend for the management categories as part of succession planning and as part of advancing EE transformation.

Staff turnover remains a challenge that the executive management team continue to focus on. Clientèle reviewed the remuneration structure for all staff in order to ensure that employees are treated well and are rewarded for the right behaviour.

Treating Employees Well is a focus area that forms part of the employee value proposition. This proposition has this year included, amongst other things, the following:

- The receipt of BRs by 338 staff members as part of rewarding and retaining talent on a medium to long-term basis;
- The promotion of thirty four employees into roles of management responsibility during the course of June 2019. This is encouraging as it shows that management develops and strengthens the pipeline of talent;
- The recognition of around 200 top achievers at the company's annual staff awards as part of the reward and recognition programme in November 2018;
- The Managing Director's December bonus is a discretionary benefit that is offered to staff to assist with the festive period and beginning of calendar year expenses. This year, 1,240 employees were recipients of this benefit;
- The executive team and the broader management team make use of staff surveys to gauge employee morale, engagement levels and views on initiatives introduced at the company. The feedback from these employee surveys has been used to build an open relationship between employees and the various levels of management, including executive management;
- The adoption of the Diversity and Inclusion policy to specifically address issues of diversity and inclusivity in the workplace are also testament to the Group's drive to create an inclusive culture where all people of every race, social background, religion, gender, age or disability feel welcomed and valued;
- The roll-out of the annual wellness initiatives focused on HIV/AIDS, Cancer and mental health, in collaboration with various wellness partners to staff, is also testament of the Group's interest in its employees' well-being.

Industrial action took place in the first half of the financial year, whereby employees mainly from the Telesales division, took part in a strike action. A memorandum setting out grievances was received. The Group is continuing its consultations with the trade union in question, which is seeking recognition. Management took steps to rebuild and restore the relationship with staff and has gone into granular detail in resolving the issues raised.

Group Social and Ethics Report continued

3. TRANSFORMATION

Clientèle was rated as a level 6 contributor after being discounted by one level due to the percentage economic interest of black participants for the net value calculation being marginally below the requirement. This was due to a dilution in the economic value to just below 10%. This has subsequently increased to above 10% at year-end. The Board is working on ways to increase this further. In addition, the Group has adopted a transformation strategy, which was ratified by both the Group Social and Ethics Committee and the Board. The Transformation strategy has formalised Clientéle's plan to make further strides towards achieving transformation as per the Financial Sector code and beyond, particularly in the areas of management and control, skills development and socio-economic development.

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 2019:

Total number of employees: Defined by Occupational Levels	June 2019											
	AM		AF		CM	CF	IM	IF	WM	WF		Total
EE Occupational Levels	SA	Foreign	SA	Foreign	SA	SA	SA	SA	SA	SA	Foreign	2019
Top Management	2	0	2	0	0	0	3	2	8	6	0	**23**
Senior Management	3	2	3	0	2	0	4	1	5	8	0	**28**
Managers	5	1	5	1	1	4	1	5	10	13	1	**47**
Assistant Managers	21	2	6	0	5	6	4	6	13	7	0	**70**
Supervisors	38	0	26	1	8	12	7	8	7	6	0	**113**
Skilled Employees	51	0	61	1	1	10	4	9	18	9	0	**164**
Semi-Skilled	683	1	1,121	2	30	34	13	11	3	15	0	**1,913**
Unskilled Employees	7	1	9	0	1	0	0	0	0	0	0	**18**
Learnership	1	0	8	0	0	0	0	0	0	1	0	**10**
Temporary Employees	1	0	7	0	0	0	0	0	0	0	0	**8**
Total	812	7	1,248	5	48	66	36	42	64	65	1	**2,394**
Actual %	**33.92**	**0.29**	**52.13**	**0.21**	**2.01**	**2.76**	**1.50**	**1.75**	**2.67**	**2.72**	**0.04**	**100**

The Group has two Employment Equity forums, for Clientèle Life and Clientèle General respectively, to monitor and evaluate the progress of employment equity implementation at Clientèle; with the Group Social and Ethics Committee having oversight and getting reports on the work of the two EE committees.

3.1 Transformation at Clientèle Board level

Over the last couple of years, Clientèle has improved 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 30% 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 30% 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.

4. CLIENTS

4.1 Client-centricity

Clientèle has put in place measures to ensure consistent, efficient and relevant communication with clients across the client life cycle, to ensure that it adheres to TCW and that the Group lives its Vision and Brand Purpose of "safeguarding your world with compassion". In terms of TCW, three critical items are measured:

- the ease of access to Clientèle,
- how well Clientèle treats its clients, and
- how complaints are handled.

This is achieved through regular customer feedback surveys such as the C4C and the Net Promoter Score, which are used to get to know clients and to measure client satisfaction in terms of their interaction with our employees when they are sold a product, dealing with policy queries and administration and also 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.

There is also a constant drive to infuse compassion in the resolution of queries and complaints, and Clientèle accordingly implemented a change management process to ensure that this happens on an ongoing basis. There is also a peer review mechanism to take the team on a journey of enlightenment about the continual increase in customer expectations and to train and coach them through this.

Service levels were well maintained at levels well above target and the NPS Score for Services and Clientèle Life claims is above industry average. All low ratings are escalated to supervisors and these are handled within 24-hours of escalation. The root causes of problems are analysed and addressed on a regular basis through the Group Services Committee.

Clientèle aims to pay every valid claim as quickly as possible and it has made improvements in this regard by improving the overall checking of various operational processes across the Group to identify issues earlier and take corrective action sooner. Some key successes include improving funeral claim fraud detection, resulting in a reinsurance risk premium reduction, which ultimately benefits the clients.

Improvements were also made to the self-service functionality offered to clients and the Group is comfortable that the enhancements will add value and will mitigate the influx of calls into the Services Centre and ensure the speedy resolution of queries.

There is still some work to be done on customer research to better understand the needs and behaviour of clients.

4.2 Clientèle Rewards

Clientèle Rewards is a Loyalty Benefit offered, at a small fee, to all Clientèle clients. It is aimed at rewarding loyal clients by using Clientèle's purchasing power to provide meaningful discounts on products of interest and value to clients, i.e. creating tangible value using relevant benefits.

5. STAKEHOLDERS AND REPUTATION MANAGEMENT

The Clientèle Group has a list of 20 groups of stakeholders that it interfaces with regularly and all of them have either a Group Excom or an Excom member who looks after that stakeholder, so that they all have an entry point into the Group. With respect to the regulatory authorities, where, for example issues have been are identified, over and above having them corrected and having further steps taken to mitigate against any future occurrences, the relevant authorities are immediately notified of such issues.

The Group Social and Ethics Committee is satisfied with the adequacy and effectiveness of the Group's engagement and interaction with its stakeholders.

6. CLIENTÈLE'S SOCIAL IMPACT

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

- empower, educate and safeguard people's lives in South Africa;
- solidify compassion so 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.

The Group is in the final stages of developing its flagship social input programme, which should speak to its Vision and Purpose. This started with a gap analysis that was conducted to determine the clients' financial health in order to guide the establishment of the flagship programme. The Flagship programme has resulted in the development of the Clientèle Funeral Guide.

The IFA/Clientèle Bursary Scheme is now in its 11th year and has sponsored 48 graduates from a wide range of disciplines over this time. A further 8 recipients were awarded Clientèle bursaries in January 2019 for the 2019 academic year. The mentorship programme that was introduced in 2018 is doing well and has yielded positive feedback from the bursary students.

Clientèle continues to support various organisations through donations and staff volunteerism. Some of the charities and organisations supported are Sithabile Children's Home, HOMAC, Ekupholeni Mental and Trauma Centre and Ditau Primary School in Soweto.

In conjunction with the Insurance SETA, Clientèle has, over the last three years, adopted an internship programme where young graduates are exposed to the working environment as trainees in various departments across the Group. This year, 44 interns were placed as part of the programme.

7. REGULATORY COMPLIANCE AND ETHICS

The PPR and amended Insurance Regulations were embedded within the Group. In terms of PPR, Complaints and Claims Management Frameworks, which are aligned with the requirements as set out in the PPR have been implemented across the Group. The Group Social and Ethics Committee is satisfied with the implementation.

There were no known incidences of Fraud or corruption during the period. The Group has a Fraud Policy in place.

While the final POPIA regulations have been finalised, the effective date for POPIA is yet to be confirmed, but it remains a focus for the Group.

While the FIC Amendment Act became effective as at 2 October 2017, the FIC, together with the PA allowed Accountable Institutions, until the 2nd of April 2019 to comply with its provisions. The Group is compliant in this respect.

The PA assessed the Group's level of compliance with the requirements of the FIC Act together with Anti-Money Laundering and Terrorist Financing Control Legislation during an on-site visit. Certain recommendations were made by the PA regarding the Risk Management Compliance Programme of the Group, Customer Due Diligence Procedures, record keeping and training of staff. These recommendations are being implemented.

The Group Social and Ethics Committee is satisfied with the level of assistance and cooperation received from management in rolling out and attaining regulatory coverage during the review period.

8. RISK REGISTER

The Group Social and Ethics Committee has 9 risks on its watchlist, and it is satisfied that they are reasonably mitigated.

9. MEDIA AND CONSUMER

Clientèle takes care that its communication with the general public is not harmful, but rather that it enhances their decision-making ability in respect of financial services products of their choice. The television commercials feature clients from various cultures who speak about their expectations for their funerals with the comfort of knowing that Clientèle is by their side.

New regulations were promulgated that seek to promote the protection of policyholder rights by ensuring that insurers are honest and transparent in their conduct, particularly relating to the promotion (advertising) of insurance product. The main implications on advertising include no puffery (vague promises/exaggerations etc.), no inducement and no unbranded content. The Group also needs to provide the clients with an option to opt-out (for free) from direct marketing messages (SMS's, AVMs, mailers etc.). Clientèle remains compliant in this regard.

10. CONCLUSION

Financial affordability remains the main reason why customers cancel their policies. Competition within our market has intensified, and this is expected to continue. However, TEW and TCW is a way of life at Clientèle. The Group Social and Ethics Committee is satisfied that the Group has a social conscience, and that it behaves as a responsible corporate citizen, as well as taking heed of national and international regulatory developments, and adhering to social and ethics management.

Policies and strategies are regularly reviewed in line with the Vision and Brand purpose of the Group to ensure growth in the business as well as the well-being of employees and clients. The Board and the Group Social and Ethics Committee monitor that management develops and implements programmes, guidelines and practices congruent with the Group's social and ethics policies and ensures that management has allocated adequate resources to comply with social and ethics policies, codes of best practice and regulatory requirements.

Pheladi Gwangwa
Group Social and Ethics Committee

16 September 2019

Report of the Group Audit Committee

for the year ended 30 June 2019

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 30 October 2018. Ms Molefe resigned as a member of this Committee on 30 November 2018 and Mr Routledge was appointed a member of this Committee on 1 December 2018. Further duties are delegated to the Group Audit Committee by the Boards of the Companies in the Group. This report covers these sets of duties and responsibilities.

The composition and responsibilities of this Committee are aligned to Prudential Standard GOI 2 – Governance of Insurers.

For the year under review, the PA 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. It meets at least four times a year as required by its Terms of Reference.

The 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 (appointed as member on 1 December 2018)		3 as invitee 3 as member
D Molefe (resigned as member on 30 November 2018)		3 of 3

The experience and qualifications of the members of the Group Audit Committee are set out on pages 70 to 71.

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, JSE Listing Requirements, Prudential Standards 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 IRBA. Requisite assurance was sought and provided by the

External Auditor that internal governance processes within the audit firm support and demonstrate its claim to independence.

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

The Group Audit Committee approved the Group engagement letter, and budgeted fees for the 2019 financial year and actual audit fees for the 2018 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 this report.

The Group Audit Committee has nominated, for election at the next AGM, PricewaterhouseCoopers Inc. as the External Audit firm and Mr Francois Johannes Kruger as the designated External Auditor responsible for performing the functions of External Auditor for the 2020 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 was 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 2018, the preliminary Group results for the year ended 30 June 2019 and the Group Annual Financial Statements for the year ended 30 June 2019 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.

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 34. The Board Report on the Effectiveness of Internal Controls is included on page 33.

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 2019 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 page 66.

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.

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 79 to 85.

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

16 September 2019

Statement of Group Embedded Value

for the year ended 30 June 2019

1. INTRODUCTION

The following is a summary of the EV results for the Group for the 12 months ended 30 June 2019, together with the comparative figures for the year ended 30 June 2018. The results in this statement pertaining to the year ended 30 June 2019 comply with the Actuarial Guidance Note APN107 version 8.

The calculations are performed by the Clientèle Internal Actuarial Department, reviewed by the Head of Actuarial Function and reviewed 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 Present Value of In-force (PVIF) business; less,
- the Cost of Required Capital (CoC).

The ANW of covered business 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 taken as the excess of assets over liabilities on the PRB, adjusted for any under/over-statement of assets and/or liabilities at that date. In addition, the value of subsidiaries was adjusted such that they are incorporated at their Net Asset Values. Other adjustments made were to remove the deferred tax asset on Single Premium business (IAS12 adjustment), the adjustment for non-controlling interests, reversal of the Switch2 intangible asset as well as to deduct the best estimate financial liability in respect of the staff SAR and BR Schemes. The SAR and BR Scheme adjustment recognises the future dilution in EV, on a mark to market basis, as a result of the SAR and BR Schemes.

The Free Surplus is the ANW less the Required Capital attributed to covered business.

The required Economic Capital is based on the Published Reporting Basis and has been set as one times the Economic Capital Requirement for the Life Company (R351.1 million) and for the General Company (R135.9 million) as at 30 June 2019.

The PVIF is the present value of future after-tax profits arising from covered in-force business as at 30 June 2019.

The CoC is the opportunity cost of having to hold assets to cover the Required Capital of R487.0 million as at 30 June 2019.

2. COVERED BUSINESS

All material business written by the Group has been covered by EV methodology as outlined in the APN107 of the 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 2019	Year ended 30 June 2018
Total equity and reserves per the SOFP	**1,125,899**	1,129,667
Adjusted for deferred profits and impact of compulsory margins on investment business	**100,728**	33,792
Adjusting subsidiaries to Net Asset Value	**34,628**	33,123
Reversal of Switch2 intangible asset	**(5,342)**	(9,193)
BR Scheme adjustment	**(7,577)**	(26,434)
Net of tax impact of adjusting Single Premium business to market value	**(16,048)**	
ANW	**1,232,288**	1,160,955

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

Clientèle Life's statutory SCR cover ratio as at 30 June 2019 was 1.43 (30 June 2018: 1.53) on the SAM method.

Clientèle General Insurance's statutory SCR cover ratio at 30 June 2019 was 1.64 (30 June 2018: 1.70) on the SAM method.

4. EV OF COVERED BUSINESS

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

(R'000)	Year ended 30 June 2019	Year ended 30 June 2018
Required economic capital	**487,009**	474,317
Free Surplus	**745,279**	686,638
ANW of covered business	**1,232,288**	1,160.955
CoC	**(92,821)**	(108,092)
PVIF	**5,496,862**	5,268,725
EV of covered business	**6,636,329**	6,321,588

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

(cents)	Year ended 30 June 2019	Year ended 30 June 2018
EV per share	**1,979.16**	1,888.69
Diluted EV per share	**1,976.65**	1,885.45

5. VALUE OF NEW BUSINESS

The VNB (excluding any allowance for the Management incentive schemes, which is shown as a separate component of EV Earnings), represents the present value of projected after-tax profits at the point of sale on new covered business commencing during the year ended 30 June 2019 on the Published Reporting Basis, less the CoC pertaining to the specific business lines. The assumptions used in the VNB calculations were consistent with the VIF assumptions as at 30 June 2019, and the actual cash flows in the year are per the Published Reporting basis.

The Present Value of New Business premiums has increased due to a major 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.

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 2019 (RDR: 11.70% p.a.), as well as the year ended 30 June 2018 (RDR: 12.40% p.a.) are as follows:

(R'000)	VNB	Present Value of New Business Premiums	New Business profit margins
30 June 2019			
Recurring premium business	**216,220**	**2,066,721**	**10.5%**
Single premium investment business	**84,302**	**4,286,379**	**2.0%**
Total	**300,522**	**6,353,100**	**4.7%**
30 June 2018			
Recurring premium business	420,840	2,297,356	18.3%
Single premium investment business	27,141	1,450,102	1.9%
Total	447,981	3,747,458	12.0%

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.

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.

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 is 3.5% (2018: 3.5%).

The beta pertaining to the Clientèle share price is relatively low, which is partially a consequence of the relatively small free float shares. After consideration, the Board decided to continue to use a more conservative beta of 1 as opposed to its actual beta of 0.281, in the calculation of the RDR. Please refer to section 9 below for the RDR sensitivity analysis, which allows for sensitivity comparisons using various alternative RDR's.

Based on the above, the RDR utilised as at 30 June 2019 was 11.70% (June 2018 RDR:12.40%) p.a.

Statement of Group Embedded Value continued

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

%	Year ended 30 June 2019	Year ended 30 June 2018
RDR	**11.7**	12.4
Non-unit investment return	**8.2**	8.9
Unit investment return	**9.2**	10.0
Expense inflation	**5.1**	6.1
Corporate tax	**28.0**	28.0
Gross of tax Equity return	**10.7**	11.4
Gross of tax Cash return	**6.2**	6.9
Gross of tax Bond return	**7.7**	8.4
Gross of tax Risk Free return	**8.2**	8.9

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 these investigations. Renewal expenses were increased by assumed inflation.

8. SEGMENT INFORMATION

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

(R'000)	ANW	PVIF	CoC	EV
30 June 2019				
Long-term insurance	**897,223**	**4,347,007**	**(72,062)**	**5,172,168**
Short-term insurance	**230,357**	**1,133,192**	**(20,759)**	**1,342,790**
Other	**104,708**	**16,663**		**121,371**
Total	**1,232,288**	**5,496,862**	**(92,821)**	**6,636,329**
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

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

(R'000)	Year ended 30 June 2019	Year ended 30 June 2018
Long-term insurance	**209,410**	339,162
Short-term insurance	**85,748**	108,203
Other	**5,364**	616
Total	**300,522**	447,981

9. SENSITIVITIES – EV

The table below illustrates the effect of the different assumptions on the EV (net of company tax) at a RDR of 11.70% p.a. (unless otherwise specified):

(R'000)	ANW	Value of in-force Business	Cost of Capital	EV	% of Main Basis
Main Basis (RDR of 11.7%)	1,232,288	5,496,862	(92,821)	6,636,329	100.0
RDR of 9.7%	1,232,288	6,439,560	(53,193)	7,618,655	114.8
RDR of 10.7%	1,232,288	5,924,824	(76,902)	7,080,210	106.7
RDR of 12.4% (June 2018 RDR)	1,232,288	5,236,254	(104,454)	6,364,088	95.9
RDR of 12.7%	1,232,288	5,134,471	(112,227)	6,254,532	94.2
RDR of 13.7%	1,232,288	4,824,231	(127,560)	5,928,959	89.3
RDR of 15.7%	1,232,288	4,320,751	(154,486)	5,398,553	81.3
Assuming a 10% decrease in the following:					
– Future expenses	1,232,288	5,541,526	(92,844)	6,680,970	100.7
– Policy discontinuance rate	1,232,288	6,111,944	(99,114)	7,245,118	109.2
5% decrease in Claims (and reinsurance rates) experience	1,232,288	5,558,568	(94,526)	6,696,331	100.9
Investment return less 1%	1,232,288	5,457,656	(92,802)	6,597,143	99.4
Inflation plus 1%	1,232,288	5,462,261	(92,490)	6,602,060	99.5
Assuming a once-off 10% reduction in the value of equity holdings	1,204,060	5,499,370	(91,928)	6,611,502	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 8) 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 11.70% p.a. (unless otherwise specified):

(R'000)	VNB	%
Main Basis (RDR of 11.7%)	300,522	100.0
Initial Expenses less 10%	350,655	116.7
Renewal Expenses less 10%	308,354	102.6
Inflation plus 1%	297,435	99.0
Investment return less 1%	299,080	99.5
Claims (and reinsurance rates) less 5%	304,092	101.2
Withdrawals less 10%	445,818	148.3
RDR of 9.7%	419,831	139.7
RDR of 10.7%	355,987	118.5
RDR of 12.4% (June 2018 RDR)	268,213	89.2
RDR of 12.7%	255,551	85.0
RDR of 13.7%	215,100	71.6
RDR of 15.7%	146,402	48.7
RDR of 16.7%	117,898	39.2

11. EV EARNINGS

EV earnings (per APN107) comprises the change in EV for the year after adjusting for capital movements and dividends paid as they pertain to Clientèle.

Statement of Group Embedded Value continued

The table below shows the EV earnings for the year ended:

	Year ended 30 June 2019				Year ended 30 June 2018
('000s)	**ANW**	**VIF**	**CoC**	**EV**	EV
Closing EV	1,232,288	5,496,862	(92,821)	**6,636,329**	6,321,588
Opening EV	1,160,955	5,268,725	(108,092)	**6,321,588**	5,831,561
Dividends	(418,670)			**(418,670)**	(381,261)
Adjusted opening EV	**742,285**	**5,268,725**	**(108,092)**	**5,902,918**	5,447,300
EV earnings	**490,003**	**228,137**	**15,271**	**733,411**	874,288
Impact of once-off economic assumption changes	7,944	(239,771)	(9,687)	**(241,514)**	67,978
Impact of once-off debit order submission failure*				**–**	19,320
Reversing impact of Switch2 purchase and costs				**–**	17,433
Recurring EV earnings	497,947	(11,634)	5,584	**491,897**	979,019
Recurring Return on EV				**8.3%**	**18.0%**
ROEV				**12.4%**	16.0%
Components of EV earnings					
VNB	(520,165)	831,691	(11,004)	**300,522**	447,981
Expected return on covered business		634,292	9,609	**643,901**	606,928
Expected profit transfer	982,969	(982,969)		**–**	–
Withdrawal and unpaid premium experience variance	(29,576)	(195,822)	(207)	**(225,605)**	(81,634)
Changes in non-economic assumptions and modelling	27,852	(317,398)	7,929	**(281,617)**	(43,949)
Claims and reinsurance experience variance	1,929			**1,929**	3,420
Sundry experience variance	(1,795)	(714)		**(2,509)**	(11,329)
Expected return on ANW	82,495			**82,495**	73,740
Set-up costs for new ventures	(14,704)			**(14,704)**	(6,087)
YTI guarantee costs	(3,213)			**(3,213)**	(4,461)
SAR and BR Schemes	24,322			**24,322**	3,460
Goodwill and Medium-term Incentive schemes	(33,257)	19,286		**(13,971)**	(5,956)
EV operating return	**516,857**	**(11,634)**	**6,327**	**511,550**	**(981,843)**
Investment return variances on ANW	(18,910)		(743)	**(19,653)**	(2,824)
Recurring EV earnings	**497,947**	**(11,634)**	**5,584**	**491,897**	**979,019**
Effect of economic assumption changes	(7,944)	239,771	9,687	**241,514**	(67,978)
Impact of once-off debit order submission failure*				**–**	(19,320)
Reversing impact of Switch2 purchase and costs				**–**	(17,433)
EV earnings	**490,003**	**228,137**	**15,271**	**733,411**	**874,288**

* *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 confirm the above EV results.

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

16 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 11 to 32.

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 2019, prepared in accordance with IFRS, were approved by the Board on 16 September 2019 and signed on its behalf by:

Mr GQ Routledge
Chairman

Mr BW Reekie
Managing Director

16 September 2019

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

16 September 2019

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 2019.

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.

Clientèle, through CBC, also offers rewards benefits to its clients from a number of retailers and service providers (Refer to the Group Managing Director's Report on pages 7 to 10).

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 86 to 160. An ordinary dividend of 131.00 cents per share (2018: 125.00 cents per share) was declared on 21 August 2019. The dividend will be paid on Monday, 23 September 2019.

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, 17 September 2019. The shares commences trading ex dividend on Wednesday, 18 September 2019 and the record date will be Friday, 20 September 2019.

Share certificates can not be dematerialised or rematerialised between Wednesday, 18 September 2019 and Friday, 20 September 2019, 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 2019	30 June 2018	% change
Financial position			
Total assets (R'm)	**9,252**	4,721	95.9
Net asset value per share (cents)	**335.78**	337.51	(0.5)
Return on shareholders interest (%)	**38**	48	
Operating results			
Insurance premium revenue (R'm)	**2,278**	2,199	3.6
Profit before tax (R'm)	**376**	679	(44.6)
Tax (R'm)	**(25)**	189	(113.2)
Net profit attributable to ordinary shareholders of the Group (R'm)	**401**	490	(18.2)
Diluted EPS (cents)	**119.50**	146.24	(18.3)
Diluted headline EPS (cents)	**119.85**	146.83	(18.4)
Dividend per share: Declared (cents)	**131.00**	125.00	4.8

The Holding Company's interest in the aggregate profits earned after tax, by the subsidiaries amounted to R401 million (2018: R490 million).

Report of the Directors *continued*

Headline earnings per share

Headline earnings per share decreased by 18% from 147.22 cents to 120.00 cents.

(R'000)	Group 2019	Group 2018
Reconciliation of earnings to headline earnings		
Net profit attributable to ordinary shareholders	**400,937**	490,302
Add: Impairment of intangible assets	**1,246**	2,177
Less: Profit on disposal of fixed assets	**(79)**	(175)
Headline earnings	**402,104**	492,304
Diluted weighted ordinary shares in issue		
Ordinary shares in issue (000's)	**335,310**	334,708
Weighted average ordinary shares in issue (000's)	**335,081**	334,392
Adjustment for dilution due to BR Scheme (000's)	**428**	890
Diluted average ordinary shares in issue (000's)	**335,509**	335,282
Diluted earnings per share (cents)	**119.50**	146.24
Diluted headline earnings per share (cents)	**119.85**	146.83

3. SHARE CAPITAL

602,031 shares were issued (2018: 704,368) at a nominal value of R12,040.62 (2018: R14,087.36) during the year as part of the SAR and BR Schemes. The share capital as at 30 June 2019 is as follows:

(R'000)	Group 2019	Group 2018
Authorised:		
750,000,000 (2018: 750,000,000) ordinary shares of 2 cents each	**15,000**	15,000
Issued:		
335,309,778 (2018: 334,707,747) ordinary shares of 2 cents each	**6,706**	6,694

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 78.24% (2018: 78.39%) of the issued share capital (refer to Note 11 on pages 138 to 139: 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 – 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) (resigned on 30 November 2018)	1 March 2016
Phethedi Gideon Nkadimeng – BSc (Statistics and Economics)	1 March 2017

Gavin Quentin Routledge, 63, *(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, 46, *(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, 50, *(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 47, *(Executive Director), BCom*
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.

Iain Bruce Hume, 52, *(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, 70, *(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 was the Chairman of Discovery Health Medical Scheme Audit and Risk Committees and a member of the Investment Committee. He also served on various audit committees within the MMI Group.

Pheladi Raesibe Gwangwa, 46, *(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 702, having been involved with Primedia Broadcasting from 2002 to 2016. She is now a Director at Chueu Attorneys.

Robert Donald Williams, 63, *(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, 45, *(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.

Report of the Directors continued

Dineo Molefe, 42, *(Independent Non-executive Director) CA(SA)*
Ms Dineo Molefe was 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. Ms Molefe resigned as Director on 30 November 2018.

Phethedi Gideon Nkadimeng, 47, *(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	
	Business Leadership South Africa	
	Citizens ZA Movement	
	Clientèle Life Assurance Company Limited	
	Hollard Holdings Proprietary Limited	
	Hollard Life Assurance Company Limited	
	Hollard Business Associates Proprietary Limited	
	Hollard International	
	The Hollard Insurance Company Limited	
	Hollard Fundco (RF)	
	Hollard Specialist Insurance	
	Hollard Specialist Life	
	Yellowwoods Ventures Investments SA Proprietary Limited	
	Youth Employment Service (RF)	
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	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	
	Clientèle Benefits Company Proprietary Limited	

Name	Other Directorships/Partnerships	Other Professional Commitments
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	
	Clientèle Benefits Company Proprietary Limited	
	Reekie Family Investments	
	The Social Project	
BA Stott	Babalingwe Trust	Chairman of the Audit Committee of Discovery Health Medical Scheme
	Boca Raton Owners Association	Chairman of the Risk Committee of the Discovery Health Medical Scheme
	Clientèle Life Assurance Company Limited	Member of the Investment Committee of Discovery Health Medical Scheme
	Clientèle General Insurance Limited	
	The Boery Family Trust	
PR Gwangwa	Clientèle Life Assurance Company Limited	Chueu INC Attorneys
	Chueu INC Attorneys	
	Foundation for Internet Development (Dormant)	
	ICT Sector Council	
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 Independent Trustee – QED Umbrella Provident Fund
BY Mkhondo	Clientèle Life Assurance Company Limited	Strategy Consultant Azanya Proprietary Limited
	Clientèle General Insurance Limited	
	Transpaco Limited	
PG Nkadimeng	Clientèle Life Assurance Company Limited	None
	Clientèle General Insurance Limited	
	Cyber Guard Proprietary Limited	
	LHM Advisors Proprietary Limited	
	Tafari Capital Proprietary Limited	
	Tafari Technology Proprietary Limited	

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

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 51 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 Mr FJ Kruger 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 2019.

8. DIRECTORS' EMOLUMENTS

Details of Directors' emoluments are set out in Note 30 on pages 153 to 154 to the Group Annual Financial Statements.

Details of Directors' employment contracts are set out in section 2.3 on page 18 of the Integrated Annual Report.

9. SPECIAL RESOLUTIONS: CLIENTÈLE

The following special resolutions were passed during the year:

1. Remuneration of Non-executive Directors

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

This resolution related to Directors where the remuneration payable to the Directors was amended during the year.

The fees of Mr GQ Routledge, Mr BA Stott, Ms D Molefe and Mrs BY Mkhondo, as approved at the 2017 AGM, was amended and approved.

2. Remuneration of Non-executive Directors

The remuneration of the Non-executive Directors for the period 1 July 2018 to 30 June 2019 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 2019 to 30 June 2020. 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 2019	June 2018
Assets		
SOFP assets	**8,705,381**	4,194,997
Reinsurance assets	**(2,868)**	(2,925)
Total assets net of reinsurance assets		
Less: Liabilities	**8,702,514**	4,192,072
Actuarial value of liabilities	**618,120**	620,674
Reduction in policy liabilities due to reinsurance	**(2,868)**	(2,925)
Other policyholder liabilities	**6,865,129**	2,464,295
Current liabilities	**295,748**	249,548
Deferred Profit	**139,900**	54,765
Total liabilities	**7,916,029**	3,386,356
Excess of assets over liabilities	**786,485**	805,715
Economic Capital	**351,064**	328,356
EC ratio	**2.24**	2.45

The estimated (quarterly QRT) excess of assets over liabilities on the Prudential Basis is shown in the table below:

(R'000)	June 2019	June 2018
Assets		
Total fair value of assets	**8,600,766**	4,282,086
Disallowed assets	**(7,524)**	(6,411)
Total assets net disallowed assets	**8,593,243**	4,275,675
Less: Liabilities		
Technical Provisions	**638,088**	(3,926,557)
Risk Margin	**1,567,338**	1,588,657
Current liabilities	**453,876**	339,563
Deferred tax liability	**1,472,585**	1,613,048
Management Incentive liability	**–**	28,996
Total liabilities	**4,131,887**	(356,294)
Excess of assets over liabilities (Own funds)	**4,461,356**	4,631,969
Adjustment to own funds	**(21,479)**	(14,746)
Own Funds eligible for SCR cover	**4,439,877**	4,617,223
SCR	**3,108,653**	3,023,051
SCR ratio	**1.43**	1.53

The SCR increased by around 10% due to the removal of the iterative process during the year, however the SCR has also dropped due to the changes in the lapse assumptions.

The management incentive liability is now included in the current liability to be in line with the latest FSI guidance notes.

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 2019	June 2018
Excess assets at the end of reporting period	**786,485**	805,715
Excess assets at the beginning of reporting period	**805,715**	728,800
Change in excess assets over the reporting period	**(19,230)**	76,915
The change in excess assets is due to the following factors:		
Investment income and growth on excess assets	**40,850**	29,275
Operating surplus (excluding changes in method or assumption)	**220,941**	513,251
Changes in Valuation method or assumptions	**24,490**	42,083
Revaluation of properties	**20,126**	(3,155)
Tax	**47,747**	(162,116)
Total earnings	**354,155**	419,339
Dividends paid	**(373,385)**	(342,424)
Total Change in Excess Assets	**(19,230)**	76,915

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 2019	June 2018
Net profit attributable to ordinary shareholders	**359,833**	422,558
Dividend paid	**(373,385)**	(342,424)
SAR and BR Schemes	**(5,679)**	(3,219)
Total Change in Excess Assets (Published Reporting Basis)	**(19,230)**	76,915

4. CHANGES IN PUBLISHED REPORTING BASIS ACTUARIAL LIABILITY VALUATION METHOD AND ASSUMPTIONS

The methodology and Actuarial Valuation assumptions used for the Actuarial Liability (IFRS 4) 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 decreased from the previous Actuarial Valuation as shown in the table below. This change was based on the economic data as it applied at the Actuarial Valuation date. The return was based on the risk-free yield curve over the appropriate term to maturity;
- The inflation gap was updated and based on the difference between the PA real and nominal yield curve.
- For the Savings products the modelling of future investment fees were revised to be best estimate and consistent with the prudential basis on the IFRS basis. This resulted in a move between liabilities and VIF.
- The lapse experience was updated to be in line with the latest withdrawal investigations as per the withdrawals report produced by the Actuarial department, and;
- The expense assumptions were changed to be in line with the latest expectations.

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

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

	June 2019	June 2018
Non-unit investment return	**8.20%**	8.90%
Unit investment return	**9.20%**	10.00%
Expense inflation rate	**5.10%**	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 an immaterial impact on the results.

5. PUBLISHED REPORTING VALUATION METHOD

The Actuarial 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 SAP104 (version 10). 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 liabilities and assets have been changed to be valued in accordance with IFRS 9, previously IAS 39.

For the majority (at least 95%) of liabilities, the liability has been based on cashflow projections on the assumptions contained in Note 6 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.

6. PUBLISHED REPORTING BASIS ACTUARIAL LIABILITY VALUATION 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 10) 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 8.2% (June 2018: 8.9%) was used for all classes of business;
- An unit interest rate of 9.2% (June 2018: 10%) 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 5.1% p.a. (June 2018: 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.

7. PUBLISHED REPORTING INVESTMENT CONTRACTS

All Investment contracts liabilities have been taken at SOFP values as described in the accounting policies. In addition, a Deferred Profit Liability is held, which defers the profit over the term of the policy. As at 30 June 2019, the Deferred Profit is R139 million (June 2018: R54 million).

8. PUBLISHED REPORTING ASSET VALUATION METHOD AND ASSUMPTIONS

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

9. PRUDENTIAL BASIS CAPITAL

The Prudential Standard Capital Requirements (SCR) is the additional amount required, over and above the actuarial liabilities on the Prudential Basis, to enable a Company to meet material deviations in the main parameters affecting the life assurer's business. The SCR was calculated according to the guidelines issued by the PA FSI.

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

The SCR for Clientèle Life, as at 30 June 2019 is equal to R3,109 million (June 2018: R3,023 million). The SCR ratio was 1.43 (June 2018: 1.53).

10. PUBLISHED BASIS ECONOMIC CAPITAL

The Economic Capital is the additional amount required, over and above the liabilities on the Published Reporting Basis, to enable a Company to meet material deviations in the main parameters affecting the life assurer's business. The EC was calculated according to the Company's Capital Policy.

The EC for Clientèle Life, as at 30 June 2019 is equal to R351 million (June 2018: R328 million). The EC ratio was 2.24 (June 2018: 2.45).

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.

11. REPORT BY HEAD OF ACTUARIAL FUNCTION

I hereby certify that:

- The Valuation on the Prudential Basis of Clientèle Life as at 39 June 2019, the results of which are summarised above, has been conducted in accordance with FSI as published by the PA, and this Head of Actuarial Function's Report has been produced in accordance with applicable Actuarial Society of South Africa APNs and SAPs.
- In terms of the Prudential Basis, Clientèle Life has assets exceeding the liabilities and SCR.
- Therefore, Clientèle Life is financially sound in terms of section 36 of the Insurance 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

16 September 2019

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 2019, 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 86 to 138 and 140 to 160 comprise:

- risk management;
- accounting policies;
- the consolidated and separate statements of financial position as at 30 June 2019;
- the consolidated and separate statements of comprehensive income for the year then ended;
- the group and company 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 annual 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.

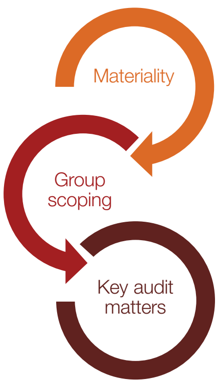
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively.

Our audit approach

Overview



Overall group materiality

- *Overall group materiality: R 28 million, which represents 5% of the three year average consolidated profit before tax.*

Group audit scope

- *Six operating subsidiaries were included in our group audit scope due to their financial significance.*

Key audit matters

- *Valuation of policyholder liabilities under insurance contracts of Clientèle Life Assurance Company Limited*
- *Valuation of the Goodwill and Embedded Value bonus schemes of Clientèle Life Assurance Company Limited and Clientèle General Insurance Limited*
- *Deferred Tax Asset on the assessed loss within the Individual Policyholder Fund ("IPF") of Clientèle Life Assurance Company 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	*R28 million*
How we determined it	*5% of the three year average consolidated 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.* *Due to fluctuations in profit before tax, it was considered appropriate to use a three year average consolidated profit before tax as a benchmark.* *We chose 5% which is within the range of acceptable quantitative materiality thresholds used for profit-oriented companies.*

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, comprising of the group's principal operating segments. Of these reporting components, we selected six for full scope audit procedures due to their financial significance. These audits were performed by the group engagement team.

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 consolidated 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 matte
Valuation of policyholder liabilities under insurance contracts of Clientèle Life Assurance Company Limited (Refer to Note 14 in the financial statements)	
The valuation of policyholder liabilities under insurance contracts as at 30 June 2019 was considered to be a matter of most significance to the audit due to the following reasons: • There are complex and subjective judgments involved in forecasting uncertain future events, policyholder behaviour and economic conditions, • Numerous assumptions, as disclosed in Note 14, are applied in determining the value of policyholder liabilities. Withdrawal assumptions, in particular, may result in a material adjustment to the valuation of policyholder liabilities, and • The magnitude of the policyholder liabilities balance (R 628 million) in relation to total liabilities (R 8,126 million).	We utilised our actuarial expertise in obtaining sufficient and appropriate audit evidence in relation to the valuation of policyholder liabilities under insurance contracts. Our procedures included, amongst others: • Considering Clientèle's actuarial control environment and governance including the functioning of the Actuarial Committee, which approves the methodology and assumption changes. We attended the Actuarial Committee meetings where valuation principles are agreed and corroborated that these were executed as approved, • Evaluating 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 and inspecting their independence declarations to the board of directors and noted no aspects requiring further consideration, • Evaluating the methodology applied in the valuation to the requirements of SAP 104 and industry practice. No material inconsistencies were noted. • Comparing a sample of the assumptions (such as withdrawal assumptions detailed below) applied by management that are of most significance against recent actual experience, industry trends and economic market trends noting no material inconsistencies, • Testing the control performed by management where management compares the internal valuation performed as at 30 June 2019 to the valuation performed independently by management's external actuarial experts, • Testing the underlying data used in the valuation. We performed the following procedures, amongst others: – Testing the controls performed by management to ensure the accuracy and completeness of the policyholder data, – Tracing the policyholder valuation input data, such as premiums and expense data used in the valuation model, back to information contained in the administration and accounting systems, and – Comparing, on a sample basis, policyholder information as recorded in the administration system to policyholder application forms and telesales calls. The testing of the underlying data identified no material exceptions. Withdrawal assumptions applied in the policyholder liability valuation have the most significant impact on the valuation. To test the appropriateness of management's withdrawal assumptions, we performed, amongst others, the following procedures: • Comparing management's accounting policy against the withdrawal experience investigations performed by management,and • Assessing the impact of an increase and decrease of the withdrawal assumptions on the policyholder liabilities and profit after tax as set out in the sensitivity analysis on page 106. Based on the above procedures performed we found that management's valuation of policyholder liabilities was within a reasonable range.

Key audit matter	How our audit addressed the key audit matter
Valuation of the Goodwill and Embedded Value bonus schemes (Refer to Note 17 in the financial statements)	
The valuation of the Goodwill and Embedded Value bonus schemes (together the bonus schemes) amounting to R 87 million as at 30 June 2019 year end was considered to be a matter of most significance to the audit due to the magnitude of the balance and the estimation uncertainty of the following inputs used in the bonus scheme calculations: • The estimated value of future new business in respect of the Goodwill bonus scheme; and • The growth in Embedded Value in respect of the Embedded Value bonus scheme.	We obtained the rules of the bonus schemes as approved by the board of directors and recalculated the bonus pools in terms of the scheme rules. No material exceptions were noted. We reviewed and assessed the accounting treatment of the bonus schemes in terms of the scheme rules and IAS 19, Employee benefits. No material exceptions were noted. In respect of the estimation uncertainty of the inputs used in the bonus schemes, we performed the following testing: • *In respect of the estimated value of future new business:* – We agreed the estimated value of future new business to the budgeted values approved by the board of directors, – We compared the estimated value of future new business applied by management in prior years to actual values to consider whether estimated value of future new business, with hindsight, had been appropriate, and – We performed a sensitivity analysis on the estimated future value of new business. • *In respect of the growth in Embedded Value:* – 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 and inspecting their independence declarations to the board of directors and noted no aspects requiring further consideration, and – We compared management's internal Embedded Value valuation as at 30 June 2019 to the valuation performed independently by management's external actuarial experts and our actuarial experts assessed the appropriateness of the methodology and a sample of assumptions used by management's experts against industry trends and economic market trends. Based on the above procedures performed we found that management's valuation of the bonus schemes was within a reasonable range.

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

Key audit matter	How our audit addressed the key audit matter
Deferred tax asset on the assessed loss within the Individual Policyholder Fund ("IPF") of Clientèle Life Assurance Company Limited (Refer to notes 1.3 and 18 in the financial statements)	
From 1 July 2016, risk policies (as defined in the Income Tax Act) are taxed in a new separate fifth tax fund called the Risk Policy Fund ("RPF"). At the transition date, Clientèle elected to move all existing risk policies from the IPF to the RPF under the "once off election" as provided for under the Income Tax Act. The election decision affected the composition and extent of expenses ("E") in the IPF and the timing of when the fund is expected to be in an excess income ("I") position. At year-end, the IPF estimated tax loss amounted to R2.62 billion and arose as a result of the excess of expenses (bolstered by commission expenses on risk policies) allocated to the IPF compared to taxable income (mostly interest) earned in the IPF in the past. During the current financial year Clientèle's single premiums from investment policies increased significantly to R4.2 billion. As a result, management has performed projections (based on a number of assumptions, including the attrition rate of 20%, etc.) that indicate that the recovery of some of the losses within the IPF is probable and recognised a deferred tax asset of R179 million in terms of IAS 12 Income taxes. The deferred tax on the assessed loss within the IPF was considered to be a matter of most significance to our current year audit as it is subject to significant management judgement and high estimation uncertainty.	We obtained management's calculation and forecast of the recovery of the assessed loss and the resultant deferred tax asset to be raised. We challenged the assumptions made by management in determining future levels of new investment business as well as the expected period over which the "I-E" assessed loss will be recovered. We assessed the probabilities applied for reasonableness by comparing this to past experience and management's forecasts. We noted that management's projections were reasonable. We made use of our tax specialists to evaluate the appropriateness of the tax principles applied in projecting the recovery of the assessed loss in terms of the relevant taxation laws. No exceptions were noted in the tax principles applied.

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 document titled "Clientèle Limited Integrated Annual Report 2019", which includes the Report of the Directors, the Report of the Group Audit Committee and the Certificate by the Company Secretary as required by the Companies Act of South Africa. The other information does not include the consolidated or the 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.

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

- 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 22 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.

Director: A. du Preez
Registered Auditor
Johannesburg

16 September 2019

Risk Management

for the year ended 30 June 2019

1. 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

- **Risk Strategy**

  More detailed Risk Appetite and Tolerance levels to ensure that this is monitored and measured appropriately.

- **Risk culture**

  Training to outline management's responsibility towards effective risk management is provided on an ongoing basis. A survey was conducted to measure the risk culture of the management team across the Group.

- **Enhancement of the risk frameworks**

  Risk is a standing agenda item for most Committee 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**

  Introducing, measuring and monitoring more KRIs across 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 (Prudential and Public Reporting basis);
- 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.
Operational	People	Staff risk	The risk relating to people within the business, including staff morale, turnover, succession, strikes, transformation and top management travel.
Insurance	Persistency	Persistency	Negative move in actual withdrawals against actuarial assumptions over a period of one year. This is further worsened by the risk of disputes and the economic environment.
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 and for Non-Executive 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 2020

- Identifying further KRI's and internal controls for business areas throughout the Group;
- Identifying ways to understand and strengthen the Group's risk culture;
- More comprehensive risk rating scale; and
- More extensive reporting of operational risk incidents throughout the Group.

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);
- The level of service rendered;
- Quality of sales;
- Disputes of valid debit orders;
- Competitor offerings; and
- Negative perception of the insurance industry.

Risk mitigation

- 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);
- Limiting the number of new sales per individual bank accounts;
- Clientèle Rewards; and
- Authenticated collection methods (DebiCheck/AEDO/GSD) are used where possible.

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. South African Police Service or fire brigade).

Risk mitigation

- 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;
  - 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

- 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

- 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

- 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

- Actuarial assumptions are set by the Actuarial Department and reviewed by the Head of the Actuarial Function;
- Reviewed by External Actuaries and External Auditors once a year; and
- The following are 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 – Unaudited

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 SCR, an allowance is made for various factors, including external borrowings and guarantees. The Group SCR ratio is maintained at a level greater than 1.

5.5.1 Group Insurance

Clientèle Group is required to maintain a capital balance equivalent to, at least, the SCR and targets an internal SCR cover ratio of no less than 1.1. This will ensure that the Clientèle Group will meet obligations in the event of substantial deviations from the main experience assumptions affecting Clientèle Group's financial instruments, insurance and investment contract business.

As at 30 June 2019, the estimated SCR (based on expected Group structure to be approved by the PA) of Clientèle Group amounted to R3.3 billion (2018: R3.2 billion) and was covered 1.42 times (2018: 1.51 times) by the excess of assets over liabilities.

Risk mitigation

- The SCR coverage is monitored on a quarterly basis to ensure compliance with the regulatory SCR and the Group's risk appetite;
- Head of Actuarial reviews all calculations;
- Quarterly and annual returns are signed off by two Directors; and
- External auditors reviews the solvency position on an annual basis.

5.5.2 Long-term Insurance

Clientèle Life is required to maintain a capital balance equivalent to, at least, the SCR and targets an internal SCR cover ratio of no less than 1.1. 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.

As at 30 June 2019, the SCR of Clientèle Life amounted to R3.11 billion (2018: R3.02 billion) and was covered 1.43 times (2018: 1.53 times) by the excess of assets over liabilities.

Risk mitigation

- The SCR coverage is monitored on a quarterly basis to ensure compliance with the regulatory SCR and the Group's risk appetite;
- Head of Actuarial reviews all calculations;
- Quarterly and annual returns are signed off by two Directors; and
- External auditors reviews the solvency position on an annual basis.

5.5.3 Short-term Insurance

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

Clientèle General Insurance is required to maintain a capital balance equivalent to, at least, the SCR and targets an internal SCR cover ratio of no less than 1.1.

As at 30 June 2019, the SCR for Clientèle General amounted to 136.4 million (2018: R122.2 million). This translated into a SCR cover ratio of 1.64 (2018: 1.70).

Risk mitigation

- The SCR coverage is monitored on a quarterly basis to ensure compliance with the regulatory SCR and the Group's risk appetite;
- Head of Actuarial reviews all calculations;
- Quarterly and annual returns are signed off by two Directors; and
- External auditors reviews the solvency position on an annual basis.

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 overall risk relating to new business production is a Significant risk. 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

- 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 and quality of new business;
- 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;
- Additional distribution channels are explored; and
- Various projects to better understand client needs.

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

- 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;
- Spreading of assets in terms of the provisions of the Long-term Insurance Act and the Short-term Insurance Act for Clientèle Life and Clientèle General Insurance respectively has the effect of limiting exposure to individual issuers due to the inadmissibility of assets for regulatory purposes if specified limits are breached; and
- The Group's exposure to the various banking institutions is reviewed on a quarterly basis, both in rand terms as well as by percentage concentration, giving focus to the SAM capital charge relating to investment concentration.

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;
- Third party defaults on obligations; and
- Depfin calls on financial guarantee (per note 37 on page 160).

Risk mitigation

- 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 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 pages 93 to 94.
- Financial Guarantee: A back-to-back HSBC on demand guarantee limits the guarantee to R200 million at 30 June 2019. The guarantee can be called upon at any time following the default of YTI in terms of its loan agreement with Depfin.

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	Discounting effect**	Margins*	Undiscounted policyholder liabilities under insurance contracts	Total
2019								
Reinsurance assets	2,863				(18)	23		2,868
Financial assets at fair value through profit or loss:								
Debt securities	1,156,551	8,482,681	159,432	47,043	(2,420,041)	–	–	7,425,666
Promissory notes and fixed deposits								
– Assets backing guaranteed endowment investment contracts	186,920	1,152,095			(392,688)			946,327
– Assets backing linked endowment investment contracts (includes ABL exposure – note 1 the table below)	170,366	7,284,844		15,832	(1,892,447)			5,578,595
Funds on deposit	789,817				(20,812)			769,005
Fixed interest securities (includes ABL exposure – note 2 and 3 in the table below)	2,048	13,570	3,183	31,211	(4,766)			45,246
Government and public authority bond	7,400	32,172	156,249		(109,328)			86,493
Equity securities				623,775				623,775
Listed equity securities				619,925				619,925
Unlisted equity securities				3,850				3,850
Financial assets at amortised cost (includes ABL exposure – note 4 in the table below)	50,413	72,696			(11,032)			112,077
Trade receivables including insurance receivables	61,907							61,907
Cash and cash equivalents	234,595							234,595
Total Assets	1,506,329	8,555,377	159,432	670,818	(2,431,091)	23	–	8,460,888
Policyholder liabilities under insurance contracts***	(976,417)	(2,041,995)	(1,407,241)		1,715,857	3,327,225	10,132	627,561
Financial liabilities at fair value through profit or loss	286,349	8,385,419			(2,016,214)			6,655,554
Financial liabilities at amortised cost	69,871	186,622			(46,918)			209,575
Loans at amortised cost	9,674	118,600			(15,231)			113,043
Accruals and payables including insurance payables	317,756							317,756
Total Liabilities	(292,767)	6,648,646	(1,407,241)	–	(362,506)	3,327,225	10,132	7,923,489
Excess/(shortfall) of assets over liabilities	1,799,096	1,906,731	1,566,673	670,818	(2,068,585)	(3,327,202)	(10,132)	537,399

* *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:

2019 (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	Discounting effect	Total
1) Linked policyholders	37,569						15,832	(701)	52,700
2) Other policyholders						2,483			2,483
3) Other shareholders						1,633	31,211		32,844
4) Financial assets at amortised cost	50,413	72,696						(11,032)	112,077
Total ABL assets	87,982	72,696	–	–	–	4,116	47,043	(11,733)	200,104

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
Trade 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

Risk Management continued

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

(R'000)	30 June 2019			30 June 2018		
	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	**98,182**	**519,938**	**869,507**	108,630	512,044	838,927
Investment business	**52,700**	**6,655,290**	**6,584,311**	132,092	2,332,203	2,280,627
Total	**150,882**	**7,175,228**	**7,453,818**	240,722	2,844,247	3,119,554

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

- 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;
- 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; and
- The Group's exposure to the various banking institutions is reviewed on a quarterly basis, both in rand terms as well as by percentage concentration, giving focus to the SAM capital charge relating to investment concentration.

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

- 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

- 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 as a result 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.

In terms of IFRS 9, an assessment of estimated credit losses is necessary for assets that are held at amortised cost.

S&P Global conducted a credit risk study whereby they determined the expected losses across varying time horizons in respect of counterparties with varying credit ratings within Emerging Market economies.

In terms of clause 9.22 of Prudential Standard FSI 4.1, the expected loss given default related to the Group's exposure to financial institutions should be adjusted based on the collateralisation of the asset. As banks are required to be solvent, and the fixed deposits would rank as senior paper in the case of a liquidation or curatorship, it is assumed that the assets are fully collateralised. The PA provided a table of factors which was applied in order to arrive at the Expected credit loss.

Expected credit losses were calculated on the following balances that are exposed to credit risk (excluding insurance receivables) and include:

- Financial assets at amortised cost;
- Trade receivables;
- Cash and cash equivalents; and
- Financial guarantees.

The Group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. The impact of the change in impairment (Expected credit loss) methodology on the Group's retained earnings is disclosed in the transition disclosure tables on pages 109 to 110.

The following methodology was applied in calculating the expected credit losses as follows:

(i) Financial assets at amortised cost

Linked exposure to African Bank assets

These assets comprise new fixed deposits in new ABL ("Good Bank") with extended maturity dates and have been placed in investment portfolios whose corresponding policyholder liabilities have similar maturity profiles. Any decrease in respect of linked assets would result in a corresponding decrease in the policyholder liabilities. The actual effect on the SOFP and SOCI would therefore be nil, however in terms of IFRS 9 an ECL on the assets is required to be created. Clientèle has elected not to apply "fair value through profit and loss" as the mismatch between assets and liabilities for this category of assets is not significant. The estimated credit loss allowance recognised during the period was limited to 12 months expected losses as the credit risk on the financial instruments has not significantly increased since the initial recognition, resulting in a credit loss of R1.3 million.

Expected credit losses are calculated on a bi-annual basis. "The Global Corporate Average Cumulative Default Rates by Rating Modifier" table as published by Standard and Poors was applied in calculating the ECL. A Standard and Poors Credit rating of B+/B over a 12 month period was used as there was no deterioration in the underlying instrument since initial recognition.

(ii) Trade receivables

The simplified approach is adopted for calculating a potential expected credit loss provision. The provision matrix is based on the entities' historical default rates over the expected life of the trade receivable. There have been no historical defaults on this category of assets. The identified expected credit loss was immaterial as the majority of receivables is in respect of prepayments for goods and services to be delivered over the course of the 2020 financial year. In addition, over 15% of receivables were received within 30 days of financial year end.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 120 days past due.

Trade receivables are presented net of expected credit losses. Subsequent recoveries of amounts previously written off are credited against the same line item.

(iii) Cash and cash equivalents

Cash and cash equivalents are also subject to the expected credit loss requirements of IFRS 9, however the identified expected credit loss was immaterial as the counterparties are considered to have good credit quality based on the external credit ratings of the counterparties, and the assets are liquid.

(iv) Financial Guarantees

A financial guarantee was granted in favour of Depfin. The maximum credit exposure to this guarantee as at 30 June 2019 is R200 million (2018: R200 million).

The financial guarantee is recognised at the higher of the ECL and the Fair value less cumulative amortisation.

A Monte Carlo simulation was conducted at the end of the 2019 financial year to determine the estimated credit loss in respect of the financial guarantee issued by Clientèle in favour of Depfin (a division of Nedbank Limited).

The following factors were taken into consideration in calculating the ECL:

- The future share price of Clientèle;
- The probability of default times the exposure at default times the loss given default; and
- The dates of default.

The estimated credit loss using the above methodology amounted to R1 million.

Expected credit loss for financial assets at amortised cost reconciliation:

(R'000)	Financial assets at amortised cost	Financial guarantees	Total
Credit loss allowance as at 1 July 2018 (calculated under IFRS 9)	–	–	–
Increase in allowance recognised in profit or loss	1,812	1,000	2,812
Credit loss allowance as at 30 June 2019	1,812	1,000	2,812

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

- 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 100);
- The Group places business with at least A1+ rated reinsurers (refer to the internal debt rating scale on page 100); and
- Financial assets at amortised cost are tested for estimated credit losses on a bi-annual basis or more regularly when indicators require.
- Credit ratings of debt instruments are monitored quarterly by the Group Investment Committee.

Risk Management continued

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
2019						
Reinsurance assets	**2,868**					**2,868**
Financial assets at fair value through profit or loss	**7,266,499**	**72,674**	**86,493**	**–**	**–**	**7,425,666**
Promissory notes and fixed deposits	**6,488,054**	**36,868**				**6,524,922**
Funds on deposit	**769,005**					**769,005**
Fixed interest instruments	**9,440**	**35,806**				**45,246**
Government and public authority bonds			**86,493**			**86,493**
Financial assets at amortised cost		**112,077**				**112,077**
Trade receivables including insurance receivables		**12,963**			**48,944**	**61,907**
Cash and cash equivalents	**234,595**					**234,595**
Total assets bearing credit risk	**7,503,962**	**197,714**	**86,493**	**–**	**48,944**	**7,837,113**
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
Trade 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

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.

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

Trade receivables that are due for settlement within 30 days are classified as A1 on our internal debt rating scale.

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 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 – UNAUDITED

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;
- Changes brought about by the industry, for example AEDO and DebiCheck, affecting the way in which we do business; and
- Media comment whether real or fake.

Risk mitigation

- 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;
- Actively involved in lobbying changes should a change potentially impact and limit the way in which we can do business;
- 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 the Group Risk Function 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.

Risk Management continued

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

- 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 the Group Risk Function 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

The Significant risk of Staff and the WatchList risk of Group Excom and Non-Exec travel forms part of this risk.

Factors with the potential to affect this risk

- Negative staff morale causing staff to not perform efficiently and at optimal levels;
- Increased staff turnover causing staff members to be overworked or certain positions to not be filled within an acceptable period of time and the Group's performance to decrease as a result;
- Succession risk where appropriate succession plans are not in place;
- Unplanned staff absenteeism negatively affecting the Group's overall performance for a specific period;
- Staff partaking in illegal strike action;
- Change management not being implemented correctly and resulting in unhappy staff members;
- No transparency in the transformation process; and
- Business processes not followed due to human error, either negligent or intentional.

Risk mitigation

- Succession planning is in place;
- Disciplinary and remedial processes are in place should any staff member act outside their Standard Operating Procedures;
- 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 the 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;
- A Group Excom Travel Risk Policy, regulating the way in which Excom members travel together, is in place; and
- Staff focus groups are in place; and
- Employment Equity Committee is in place to receive direct feedback from staff members.

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

- 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 the 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

- 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 the 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.

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

- 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;
- A regulatory compliance management software system is used to manage the top 20 identified acts and regulations facing the Group; and
- A close working relationship between the control functions exist to ensure that new legislation is properly understood and implemented across 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 and 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

- 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

- 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 regulatory 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

(R'000)	Group Level 1	Level 2	Level 3	Total
2019				
Financial assets at fair value through profit or loss				
Listed equity securities	**619,925**			**619,925**
Unlisted equity securities		**3,850**		**3,850**
Promissory notes and fixed deposits		**6,472,222**	**52,700**	**6,524,922**
Funds on deposit		**769,005**		**769,005**
Fixed interest securities		**45,246**		**45,246**
Government and public authority bonds		**86,493**		**86,493**
Assets subject to fair value hierarchy analysis	**619,925**	**7,376,816**	**52,700**	**8,049,441**
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

Policyholders' Linked exposure to ABL through investments in zero coupon fixed deposits of R52.7 million as at 30 June 2019 (30 June 2018:R132.1 million) are disclosed at level 3 on the fair value hierarchy as values are estimated indirectly using Valuation techniques of models.

Refer to Note 4 on pages 135 to 136 for the fair value hierarchy disclosure of owner-occupied properties and Note 8 on page 137 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 6.4% and 7.8% (2018: 7.4% and 7.6%) 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 6.4% and 7.8% (2018: between 7.4% and 7.6%) 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.

Risk Management continued

10.3 Liability Hierarchy

(R'000)	Group Level 1	Level 2	Level 3	Total
2019				
Financial liabilities at fair value through profit or loss		**6,602,854**	**52,700**	**6,655,554**
Liabilities subject to fair value hierarchy analysis	**–**	**6,602,854**	**52,700**	**6,655,554**
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

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 6.4% and 7.8% (2018: 7.4% and 7.6%) 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 6.4% and 7.8% (2018: between 7.4% and 7.6%) 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.

10.4 Reconciliation of Level 3 Financial Instruments

The following table presents the changes in level 3 financial instruments for the year ended 30 June 2019:

(R'000)	30 June 2019 Financial assets at fair value through profit or loss	30 June 2019 Financial liabilities at fair value through profit or loss	30 June 2018 Financial assets at fair value through profit or loss	30 June 2018 Financial liabilities at fair value through profit or loss
Opening balances	**134,712**	**132,092**	173,447	169,434
Transfer to level 2[1]	**(2,675)**			
Fair value adjustment recognised in profit or loss	**10,623**	**10,568**	17,056	18,449
Repayments	**(89,960)**	**(89,960)**	(55,791)	(55,791)
Closing balance	**52,700**	**52,700**	134,712	132,092

1 *These financial assets have been transferred to level 2 on the fair value measurement hierarchy as there are now market observable inputs available to determine the value of the assets. This transfer was deemed to occur at financial year end.*

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 106 to 107 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 2019. The sensitivity analysis below does not include the investment contract business as these liabilities have been exactly matched to assets and the impact of the maturities 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.

	30 June 2019			30 June 2018	
Sensitivity analysis (R'000)	**% change**	**Impact on policy-holders liabilities**	**Impact on profit after tax**	Impact on policy-holders' liabilities	Impact on profit after tax
Financial risk variables					
Equity price*	**10**	**28,959**	**13,323**	26,943	14,537
Equity price*	**(10)**	**(28,799)**	**(13,439)**	(26,904)	(14,565)
Interest rate	**1**	**(18,840)**	**13,565**	(16,558)	11,922
Interest rate	**(1)**	**22,442**	**(16,158)**	18,947	(13,642)
Property equity value*#	**10**	**–**	**–**	–	5,913
Property equity value*#	**(10)**	**–**	**–**	–	(5,913)
Long-term insurance risk variables					
Assurance mortality and morbidity	**10**	**10,055**	**(7,240)**	9,851	(7,093)
Assurance mortality and morbidity	**(10)**	**(7,885)**	**5,677**	(7,519)	5,414
Renewal expenses	**10**	**5,796**	**(4,173)**	6,427	(4,627)
Renewal expenses	**(10)**	**(5,701)**	**4,104**	(5,228)	3,764
Withdrawals	**10**	**5,822**	**(4,192)**	5,606	(4,036)
Withdrawals	**(10)**	**(6,205)**	**4,467**	(5,872)	4,228
Inflation	**1**	**1,577**	**(1,135)**	1,931	(1,390)
Inflation	**(1)**	**(1,450)**	**1,044**	(1,795)	1,293
Financial instruments risk variable					
Default (non-linked)	**5**	**(54,233)**	**(39,048)**	(68,308)	(49,182)

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

\# *In terms of SAM, Real Estate Investment Trust ("REIT") Investments are categorised as Equities. The REIT sensitivities have accordingly been included in the "Equity price" sensitivities at 30 June 2019.*

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 64 (unaudited).

Risk Management continued

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 2019			30 June 2018	
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**		**9,611**		8,285
Equity price	**(10)**		**(9,611)**		(8,285)
Interest rate	**1**	**(29)**	**21**	(40)	29
Interest rate	**(1)**	**29**	**(21)**	40	(29)
Short-term variables					
Withdrawals	**10**	**(28)**	**20**	(40)	29
Withdrawals	**(10)**	**28**	**(20)**	40	(29)
Value of claims	**1**	**1,621**	**(1,167)**	1,200	(864)
Value of claims	**(1)**	**(1,621)**	**1,167**	(1,200)	864
Duration of settlement	**10**	**1,109**	**(799)**	864	(622)
Duration of settlement	**(10)**	**(1,109)**	**799**	(864)	622

* *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 2019

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 the 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 2019

The following standards effective for the first time for the 30 June 2019 year-end, have been applied retrospectively without restating comparatives and did not have a material impact on the Group's results except for disclosures as presented in the transition disclosure note on pages 109 to 110.

IFRS 15 – Revenue from contracts with customers

The new standard 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 (IAS 17), insurance contracts (IFRS 4) and financial instruments (IFRS 9).

The following additional disclosures are also required:

- Revenue from contracts with customers to be separately presented on the face of the SOCI; and
- The disaggregation of revenue from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. Refer to the segment report on pages 129 to 132 for further detail.

IFRS 9 – Financial Instruments

Financial assets

In assessing how financial assets should be classified and measured, IFRS 9 requires the assessment of:

- the business model applied to manage the financial assets; and
- the nature of contractual cash flows relating to the specific instrument, whether they solely represent payments for principal and interest.

IFRS 9 introduced a consequential amendment to IAS 1 – Presentation of financial statements, requiring that interest income calculated using the effective interest method, to be separately presented on the face of the SOCI.

Financial liabilities

The requirements for the classification and measurement under IFRS 9 has not changed significantly from IAS 39. In terms of IFRS 9, any change in the fair value of the financial liability that is attributable to changes in the credit risk of an entity's own credit rating is presented in other comprehensive income.

In terms of IFRS 9, certain financial assets at fair value through profit or loss in respect of investment contracts were reclassified as financial assets at amortised cost as at July 2018. The business model assessment as at 1 July 2018 identified an unintended accounting mismatch between the financial assets and financial liabilities. Therefore, as allowed in paragraph 4.1.5 of IFRS 9 the financial assets were designated at fair value through profit or loss as this is more appropriate at year end. The corresponding financial liabilities have therefore been designated at fair value through profit or loss to eliminate an accounting mismatch.

Accounting Policies continued

IFRS 9 introduces a new impairment model which will result in earlier recognition of losses based on the expected credit loss ("ECL") method. An opening retained income adjustment of R4.3 million after tax (R6.0 million before tax) resulted from the transition to IFRS 9 as displayed in the financial liability note on page 144.

Financial instruments transition disclosure – Group

(R'000's)	Measurement category		Carrying amount (1 July 2018)		
	Original (IAS 39)	New (IFRS 9)	Original	New	Difference
Assets					
Financial assets					
– at fair value through profit or loss	Fair value through P and L	Fair value through P and L – designated	2,278,677	2,278,677	
– at fair value through profit or loss	Fair value through P and L	Fair value through P and L – mandatory	1,313,038	1,313,038	
– at amortised cost	Amortised cost	Amortised cost	153,185	153,185	
Trade receivables (excluding insurance receivables)	Amortised cost	Amortised cost	10,307	10,307	
Cash and cash equivalents	Amortised cost	Amortised cost	372,656	372,656	
Other assets (Not in scope of IFRS 9)			594,043	594,043	
Total assets as per the SOFP			**4,721,906**	**4,721,906**	**–**
Liabilities					
Financial liabilities					
– at fair value through profit or loss	Fair value through P and L	Fair value through P and L	2,464,295	2,253,467	210,828
– at amortised cost	Fair value through P & L	Amortised cost		204,806	(204,806)
Loans at amortised cost	Amortised cost	Amortised cost	113,009	113,009	
Other accruals and payables	Amortised cost	Amortised cost	137,717	137,717	
Other liabilities (Not in scope of IFRS 9)			877,218	877,218	
Total liabilities as per the SOFP			**3,592,239**	**3,586,217**	**6,022**
Retained earnings (after-tax)					
Opening balance					–
Transition adjustment					4,337
Closing balance					**4,337**

Financial instruments transition disclosure - Company

(R'000's)	Measurement category		Carrying amount (1 July 2018)		
	Original (IAS 39)	New (IFRS 9)	Original	New	Difference
Assets					
Financial assets					
– at fair value through profit or loss	Fair value through P and L	Fair value through P and L – mandatory	89,862	89,862	
Trade receivables	Amortised cost	Amortised cost	17,292	17,292	
Cash and cash equivalents	Amortised cost	Amortised cost	20,323	20,323	
Other assets (not in scope of IFRS 9)			299,665	299,665	
Total assets as per the SOFP			427,142	427,142	–
Liabilities					
Other accruals and payables	Amortised cost	Amortised cost	2,746	2,746	
Other liabilities (not in scope of IFRS 9)			857	857	
Total liabilities as per the SOFP			3,603	3,603	–

Reclassification disclosure – Group

(R'000's)	Balance as at 30 June 2018	Reclassification	Remeasure-ments	Balance as at 1 July 2018
Financial liabilities				
– at amortised cost	–	210,826	(6 022)	204,804
– at fair value through profit or loss	2,464,295	(210,826)	–	2,253,469

The ECL as assessed on 1 July 2018 was not material.

The following amendments and interpretations effective for the first time for the 30 June 2019 year-end did not have a material impact on the Group's results or disclosures:

- Amendment to IFRS 2 – Share-based payments
- Amendment to IFRS 4 – Insurance contracts
- Amendment to IAS 40 – Investment property
- IFRIC 22 – Foreign currency transactions and advance consideration.

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

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 represents 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 of low value.

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

Potential Impact to the Group

In assessing the impact of IFRS 16 on Clientèle, Management performed an assessment of existing contracts, the majority of which are "inter-group" leases and concluded that this has more of an impact on the lessee accounting for Clientèle Life and Clientèle General who have entered into lease agreements with the Property Companies. The leases agreements entered into with external parties are insignificant and the right of use asset and lease liability is considered to be of low value.

The majority of the lease transactions are "inter-group" and eliminate through consolidation. The resulting impact following the implementation of IFRS 16 will be immaterial.

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 are intended to 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 2022 (following due process).

Potential Impact to the Group

The new standard will have significant impacts on underlying valuation models, systems, processes, profit recognition and presentation. 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 2019 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 and liabilities acquired 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 re-measured 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 Rand (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 6 years. Video production costs recognised as intangible assets are amortised over the useful lives, which do not exceed 2 years.

Customer relationships that are purchased are calculated using a discounted cash flows model setting out the future anticipated cash flows in relation to the incepted business as at acquisition date.

Intellectual property (Brand and Trade name) Intangible Assets purchased are calculated using a discounted cash flows model to discount future anticipated cash flows over a five year period. The value is limited to the amount paid in excess of the net carrying value of the assets and liabilities at acquisition date and the related "existing customer relationships".

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 recoverable 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.

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 classification of financial assets depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

From 1 July 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through profit or loss; and
- those to be measured at amortised cost.

The Groups' business model is to hold financial assets to collect the contractual cash flows. The business model is further supported by the following factors:

- the assets include five year zero coupon fixed deposits, promissory notes or NCD's whereby the coupon rate is contracted at inception of the investment, and is fixed for the duration of the contract; and
- maturity cash flows of assets are matched to maturity cash flows of liabilities, and recorded and reported on that basis.

The only circumstances under which an asset will be early surrendered is if the policyholder contract that the asset is backing is early surrendered. Unlike IAS 39's "held to maturity" category, there are no "tainting" provisions (in IFRS 9) whereby sales out of a portfolio can automatically result in the entity losing the right to apply the amortised cost model.

Assets included in the Melville Douglas Portfolios include listed Equities, Exchange Traded Funds, Fixed Interest Instruments, Money Market Instruments and Mutual Funds. Neither the criteria for measurement at "amortised cost" ("business model" and "SPPI" tests) nor the criteria for "fair value measurement through other comprehensive income" have been met for the assets held within the Melville Douglas Portfolios backing the unitised Investment Policies. These assets within the Melville Douglas Portfolio is held for sale and are therefore measured at fair value through profit or loss.

(i) Classification of financial assets at fair value through profit or loss.

The Group classifies the following financial assets at fair value through profit or loss (FVPL):

- Debt investments that do not qualify for measurement at either amortised cost or Fair Value through Other Comprehensive Income (FVOCI);
- Equity investments;
- Assets designated at FVPL; and
- Debt instruments that are held for trading.

Under these criteria, the main classes of financial assets at FVPL are promissory notes and fixed deposits, funds on deposit, fixed interest securities, government and public authority bonds, listed equity securities and unlisted equity securities.

The business model assessment relating to promissory notes backing guaranteed and linked investment contracts identified an unintended accounting mismatch between the financial assets and the financial liabilities. Therefore in terms of paragraph 4.1.5 of IFRS 9; designation at fair value through profit or loss is more appropriate. The liability is also designated at fair value through profit and loss in order to match the asset.

(ii) Classification of financial assets at amortised cost:

The Group classifies its financial assets at amortised cost only if both of the following criteria are met:

- The asset is held within a business model whose objective is to collect the contractual cash flows; and
- The contractual terms give rise to cash flows that are solely payments of principal and interest.

Under the above criteria the assets that are held at amortised cost are African Bank fixed deposits and trade receivables. The African Bank assets comprise zero coupon fixed deposits with a fixed maturity date and give rise to cash flows of solely payments of principle and interest.

(iii) Classification of financial assets at fair value through other comprehensive income:

- Equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be relevant.
- Debt securities where the contractual cash flows are solely principal and interest and the objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets.

Under the above criteria there are no assets classified at fair value through other comprehensive income.

(iv) Classification of trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and are therefore classified as current. Trade receivables are initially recognised at the amount of consideration that is unconditional, unless they contain significant financing components, subject to which they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the Group's impairment policies and the calculation of the loss allowance are provided in the credit risk note on pages 97 to 100.

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 – at fair value. Transaction costs are expensed;
- Amortised cost – measured initially at its fair value, net of transaction cost incurred; and
- Trade 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 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 held at amortised cost

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

Trade receivables including insurance receivables

Subsequent to initial recognition trade receivables including insurance receivables are held with the objective to collect contractual cash flows and are therefore measured at amortised cost using the effective interest rate method. Details of the Group's impairment policies and the calculation of the loss allowance are provided in the credit risk note on pages 97 to 100.

7.1.4 Impairment model (Expected credit losses)

From 1 July 2018, the Group assesses the expected credit losses associated with its debt instruments carried at amortised cost and financial guarantees incorporating forward looking information. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires lifetime expected credit losses to be recognised from initial recognition of the receivables, see note 12(c) for further details.

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. In terms of IFRS 9, any change in the fair value of the financial liability that is attributable to changes in the credit risk of an entity's own credit rating is presented in other comprehensive income.

The business model assessment identified an unintended accounting mismatch between the financial assets and the financial liabilities. Therefore in terms of par 4.1.5 of IFRS 9; designation at fair value through profit or loss is more appropriate. The Group at initial recognition irrevocably chose to measure these liabilities at fair value through profit or loss as it significantly reduces the measurement and/or recognition inconsistency that would arise from measuring the financial assets on a different basis. The liability is now therefore also at fair value through profit and loss in order to match the asset.

7.2.2 Financial liabilities at amortised cost

Financial liabilities are carried at amortised cost using the effective interest rate method.

7.2.3 Loans at amortised cost

Loans at amortised cost are initially measured at fair value, net of transaction costs incurred. Loans are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the 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 Group 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 benefit*s, 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 2018 – 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 2018 – 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 trade 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 considering the historical run-off pattern of claims and the average claims cost.

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. REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue from contracts with customers includes:

- the monthly annuity fees received from IFA members in respect of services provided to them over time; and
- monthly fees in respect of the Group's rewards program in respect of which Clientèle policyholders pay a monthly fee in order to receive benefits such as discounts at various rewards partners for goods and services provided to them over time.

14. OTHER INCOME

Other income is measured based on the consideration specified in a contract and excludes amounts collected on behalf of third parties. The Group recognises other income when it transfers control over a product or service to a customer.

The following is a breakdown of the various incomes that make up the other income for the Group:

Product and or service	Nature, timing of satisfaction of performance obligations
Deferred profit release on single premium contracts	At inception of a single premium contract there is a profit that is calculated based on the difference between the amount required to be invested in order to provide a guaranteed return to a policyholder and the amount actually received from the policyholder. This profit is deferred over the lifetime of the policy.
Administration fees	Administration fees are earned in respect of the handling of accidental death claims. The payment of the policyholder benefit is net of this fee.
INSETA grants	There are two components to this revenue: **1) Amounts claimed related to payments in respect of training; and** **2) Bursaries provided to new employees.** **Amounts claimed related to payments in respect of training** The Group conducts training on an ongoing basis and deducts the necessary Skills Development Levy as required by SARS. These amounts are then claimed back in terms of the INSETA grants. **Bursaries provided to new employees** INSETA provides grants in respect of yearly bursaries provided to prospective new employees conditional upon certain requirements being met.

Accounting Policies continued

15. DIVIDEND REVENUE

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

16. TAXATION

The tax charge comprises current tax, deferred tax and DWT. The 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.

16.1 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.

16.2 Deferred Tax

Deferred tax is provided in full using the liability method. Provision is made for deferred tax attributable to temporary differences in the accounting and tax treatment of items in the 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.

16.3 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% (2018: 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.

16.4 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.

17. ACCRUALS AND PAYABLES

Accruals and payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accruals and payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Accruals and payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Insurance payables are obligations to pay for services that have been acquired in the ordinary course of business and include amounts due to agents, intermediaries and insurance contract holders.

Insurance payables are recognised initially at fair value and subsequently measured at amortised cost using the effective-interest method.

18. PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation of uncertain timing or amount, as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. When the effect of discounting is material, provisions are discounted using a pre-tax discount rate that reflects current market assessments of the time value of money. Provisions are reviewed at the end of each financial year and are adjusted to reflect current best estimates of expenditure required to settle the obligations.

19. LEASES

19.1 Operating Leases

Leases of assets under which the lessor effectively retains all the risks and rewards of ownership are classified as operating leases.

Rental income from and expenses for operating leases are recognised on a straight-line basis over the lease term.

19.2 Finance Leases

Lease agreements where the Group substantially accepts the risks and rewards of the ownership of the leased asset are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are allocated between the liability and finance charges 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.

20. EMPLOYEE BENEFITS (REFER TO THE GROUP REMUNERATION REPORT AND THE GROUP MANAGING DIRECTOR'S REPORT)

20.1 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.

Please refer to page 44 for changes expected to this EV Scheme for 2020.

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 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.

The Board has, based on a recommendation from the Group Remuneration Committee, allocated a special bonus pool for the 2019 financial year.

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.

Accounting Policies continued

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.

20.2 Retirement Benefits

The 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.

20.3 Share-Based Payments

The Group operates an equity-settled share based compensation plan in the form of SAR and BR Schemes.

The fair value of the employee services received in exchange for the grant of the SARs and BR are recognised as an expense and calculated at the grant date using the Black Scholes model.

The grant by the Company of SARs and BR 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 BR 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 BRs 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 BRs that are expected to become exercisable.

At each SOFP date, the entity revises its estimates of the number of SARs and BRs 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 BRs 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 BR 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 BRs exercised in that period, and the amount by which the recharge exceeds the cumulative grant date fair value in respect of the SARs and BRs 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.

21. SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker that makes strategic decisions and who is responsible for allocating resources and assessing performance of the operating segments has been identified as 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 (Clientèle Limited and CBC (Pty) Ltd) 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 on property and equipment and intangible assets has been allocated to the segments to which it relates.

Statements of Financial Position

as at 30 June 2019

		Group		Company	
(R'000)	Notes	2019	2018	2019	2018
Assets					
Intangible assets	2	**40,605**	41,099		
Property and equipment	3	**46,263**	45,877		
Owner-occupied properties	4	**431,493**	423,513		
Investment in subsidiaries	5			**296,318**	299,007
Deferred tax	18	**270,193**	46,309	**938**	658
Inventories		**1,880**	2,765		
Reinsurance assets	6	**2,868**	2,925		
Financial assets at fair value through profit or loss	7	**8,049,441**	3,591,715	**107,388**	89,862
Financial assets at amortised cost	8	**112,077**	153,185		
Trade receivables including insurance receivables	9	**61,907**	41,862	**2,200**	17,292
Loan to subsidiary*				**17,573**	
Current tax		**1,048**			
Cash and cash equivalents	10	**234,595**	372,656	**16,072**	20,323
Total assets		**9,252,370**	4,721,906	**440,489**	427,142
Equity					
Share capital	11	**6,706**	6,694	**6,706**	6,694
Share premium	11	**388,959**	377,757	**388,959**	377,757
Common control deficit	11	**(220,273)**	(220,273)		
		175,392	164,178	**395,665**	384,451
Retained earnings		**855,432**	871,898	**16,886**	16,116
BR Scheme reserve	12	**20,292**	22,972	**20,292**	22,972
NDR: Revaluation	13	**74,783**	70,619		
Total equity		**1,125,899**	1,129,667	**432,843**	423,539
Liabilities					
Policyholder liabilities under insurance contracts	14	**627,561**	630,496		
Financial liabilities at fair value through profit or loss	15	**6,655,554**	2,464,295		
Financial liabilities at amortised cost	16	**209,575**			
Loans at amortised cost	16	**113,043**	113,009		
Employee benefits	17	**87,240**	92,990		
Deferred tax	18	**112,906**	50,061	**802**	739
Accruals and payables including insurance payables	19	**317,756**	234,585	**6,731**	2,746
Current tax		**2,836**	6,803	**113**	118
Total liabilities		**8,126,471**	3,592,239	**7,646**	3,603
Total equity and liabilities		**9,252,370**	4,721,906	**440,489**	427,142

* *Included in the comparative for trade receivables is an amount of R11.4 million relating to a loan to CBC. In terms of IFRS 9, trade receivables in the current year excludes loans which are now separately disclosed on the Company SOFP.*

Statements of Comprehensive Income

for the year ended 30 June 2019

		Group		Company	
(R'000)	Notes	2019	2018	2019	2018
Revenue					
Insurance premium revenue	20	**2,278,452**	2,199,439		
Reinsurance premiums	21	**(137,867)**	(123,112)		
Net insurance premiums		**2,140,585**	2,076,327		
Revenue from contracts with customers[1]	22	**137,125**			
Dividend revenue	28			**418,385**	378,130
Other income	23	**37,754**	167,560	**5,125**	6,839
Interest income on financial assets at amortised cost	24	**23,922**	34,276	**1,055**	2,349
Fair value adjustment to financial assets at fair value through profit or loss	25	**743,444**	280,311	**6,032**	7,508
Net income		**3,082,830**	2,558,474	**430,597**	394,826
Net insurance benefits and claims	26	**(342,778)**	(384,490)		
Gross insurance benefits and claims	26	**(452,848)**	(486,195)		
Insurance claims recovered from reinsurers	26	**110,070**	101,705		
Decrease in policyholder liabilities under insurance contracts	27	**2,935**	22,118		
(Decrease)/increase in reinsurance assets	6	**(57)**	421		
Fair value adjustment to financial liabilities at fair value through profit or loss[2]	15	**(828,837)**	(172,115)		
Interest expense	16	**(28,722)**	(9,819)		(9)
Acquisition costs	29	**(1,123,499)**	(1,074,569)		
Administrative expenses	29	**(385,965)**	(260,603)	**(7,409)**	(5,550)
Profit before tax		**375,907**	679,417	**423,188**	389,267
Tax[3]	31	**25,030**	(189,094)	**(678)**	(2,619)
Net profit for the year		**400,937**	490,323	**422,510**	386,648
Attributable to:					
– Non-controlling interest – ordinary shareholders			21		
– Equity holders of the Group – ordinary shareholders		**400,937**	490,302	**422,510**	386,648
Net profit for the year		**400,937**	490,323	**422,510**	386,648
Other comprehensive income:					
Gains/(losses) on property revaluation[4]		**5,669**	(1,535)		
Income tax relating to (gains)/losses on property revaluation[4]		**(1,505)**	460		
Other comprehensive income for the year net of tax		**4,164**	(1,075)		
Total comprehensive income for the year		**405,101**	489,248	**422,510**	386,648
Attributable to:					
– Non-controlling interest – ordinary shareholders			21		
– Equity holders of the Group – ordinary shareholders		**405,101**	489,227	**422,510**	386,648
Earnings per share (cents)	32	**119.65**	146.62		
Diluted earnings per share (cents)	32	**119.50**	146.24		

1 *In terms of IFRS 15, revenue from contracts with customers must be separately disclosed. Included in the comparative for 2018 in other income is an amount of R142.8 million.*
2 *Includes R157.1 million related to the IPF deferred tax asset of R179.4 million. Refer to tax note on page 154.*
3 *Current and deferred tax amounts to R153.7 million (refer to the tax note on page 154) and should be compared to Profit before tax of R533.0 million after adding back the R157.1 million referred to in note 2 above.*
4 *Items that cannot be recycled to profit or loss.*

Group Statement of Changes in Equity

for the year ended 30 June 2019

(R'000)	Share capital	Share premium	Common control deficit	Sub-total	Retained earnings	BR Scheme Reserve[1]	NDR: revaluation[2]	Capital and reserves attributable to ordinary equity holders	Non-controlling interest	Total
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
BR Scheme 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
Balance as at 1 July 2018	**6,694**	**377,757**	**(220,273)**	**164,178**	**871,898**	**22,972**	**70,619**	**1,129,667**	**–**	**1,129,667**
IFRS 9 transition adjustments				**–**	**4,337**			**4,337**		**4,337**
Ordinary dividends				**–**	**(418,670)**			**(418,670)**		**(418,670)**
Total comprehensive income	**–**	**–**	**–**	**–**	**400,937**	**–**	**4,164**	**405,101**	**–**	**405,101**
– Net profit for the year				**–**	**400,937**			**400,937**		**400,937**
– Other comprehensive income				**–**			**4,164**	**4,164**		**4,164**
Shares issued	**12**	**11,202**		**11,214**				**11,214**		**11,214**
BR Scheme allocated				**–**		**5,464**		**5,464**		**5,464**
Transfer from shares issued#				**–**	**(3,070)**	**(8,144)**		**(11,214)**		**(11,214)**
Balance as at 30 June 2019	**6,706**	**388,959**	**(220,273)**	**175,392**	**855,432**	**20,292**	**74,783**	**1,125,899**	**–**	**1,125,899**

 # Refer to point 19.3 of the Accounting Policies.

Company Statement of Changes in Equity

for the year ended 30 June 2019

(R'000)	Share capital	Share premium	Retained earnings	BR Scheme Reserve[1]	Capital and reserves attributable to ordinary equity holders
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
BR Scheme 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
Balance as at 1 July 2018	**6,694**	**377,757**	**16,116**	**22,972**	**423,539**
Ordinary dividends			**(418,670)**		**(418,670)**
Net profit for the year			**422,510**		**422,510**
Shares issued	**12**	**11,202**			**11,214**
BR Scheme allocated				**5,464**	**5,464**
Transfer from shares issued			**(3,070)**	**(8,144)**	**(11,214)**
Balance as at 30 June 2019	**6,706**	**388,959**	**16,886**	**20,292**	**432,843**

1 The BR Scheme reserve held is in respect of BRs granted to management (excluding Directors), IFAs and key employees in terms of the BR Scheme. 0.6 million (2018: 0.7 million) shares were issued in terms of the BR Scheme.

2 Comprises the accumulated owner-occupied properties fair value adjustment and related tax.

Statements of Cash Flows

for the year ended 30 June 2019

(R'000)	Notes	Group 2019	Group 2018	Company 2019	Company 2018
Profit from operations		**375,907**	679,417	**423,188**	389,267
Adjusted for non-cash items		**218,062**	(17,786)	**(5,032)**	(7,508)
Separately disclosable items		**(106,362)**	(111,335)	**(7,692)**	(8,306)
Working capital changes		**(8,706)**	(70,137)	**17,983**	(12,922)
Increase in financial liabilities[1]		**3,553,080**	1,132,504		
Acquisition of financial assets[1]	7	**(4,619,153)**	(1,763,748)	**(11,494)**	(22,291)
Disposal of financial assets[1]	7, 8	**954,537**	803,317		3,608
Cash generated by operations	33	**367,365**	652,232	**416,953**	341,848
Interest received		**81,026**	88,568	**5,902**	6,952
Dividends received		**25,336**	22,767	**1,790**	1,354
Dividends paid	34	**(418,567)**	(384,588)	**(418,567)**	(384,285)
Tax paid	35	**(144,215)**	(178,496)	**(900)**	(2,019)
Cash flows from operating activities		**(89,055)**	200,483	**5,178**	(36,150)
Acquisition of intangible assets	2	**(22,050)**	(14,387)		
Acquisition of property and equipment	3	**(15,227)**	(14,730)		
Acquisition of owner-occupied properties	4	**(2,311)**	(3,035)		
Proceeds from disposal of property and equipment		**352**	427		
Acquisition of investment in subsidiary			(3,401)		(3,887)
Proceeds from issue of share capital[#]				**8,144**	7,308
Increase in loans to subsidiary				**(17,573)**	
Cash flows from investing activities		**(39,236)**	(35,126)	**(9,429)**	3,421
Repayment of loans at amortised cost	16	**(9,770)**	(13,748)		
Cash flows from financing activities		**(9,770)**	(13,748)	**–**	–
(Decrease)/increase in cash and cash equivalents		**(138,061)**	151,609	**(4,251)**	(32,729)
Cash and cash equivalents at beginning of year		**372,656**	221,047	**20,323**	53,052
Cash and cash equivalents at end of year	10	**234,595**	372,656	**16,072**	20,323

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

1 *The increase in financial liabilities should be read in conjunction with the net acquisition of investments. Net acquisition of investments includes investments in respect of insurance operations and investment contracts (single premium contracts), including cash from new business invested of R107.3 million (2018: R37.8 million) in respect of deferred profit earned on single premium business.*

Segment Information

as at 30 June 2019

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 (predominantly Clientèle and CBC).

The long-term insurance segment incorporates the sale and administration of long-term insurance risk policies (refer to Risk Management Note 11.1 on page 106) 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 Risk Management Note 11.2 on page 107).

Clientèle is the Holding Company of the Group. CBC incorporates activities in respect of Clientèle's Rewards program. The vast majority of policies are in respect of individuals.

Statement of Financial Position – Segment Information as at 30 June 2019

(R'000)	Long-term insurance	Short-term insurance	Other	Inter-segment	Total
Segment assets and liabilities					
Intangible assets	29,025	6,238	5,342		40,605
Property and equipment	44,150	2,088	25		46,263
Owner-occupied properties	431,493				431,493
Deferred tax	258,589	6,173	5,431		270,193
Inventories	1,880				1,880
Reinsurance assets	2,868				2,868
Financial assets at fair value through profit or loss	7,699,543	242,510	107,388		8,049,441
Financial assets at amortised cost	112,077				112,077
Trade receivables including insurance receivables	59,512	3,200	4,020	(4,825)	61,907
Current tax	78	970			1,048
Cash and cash equivalents	189,226	28,345	17,024		234,595
Total assets	8,828,441	289,524	139,230	(4,825)	9,252,370
Policyholder liabilities under insurance contracts	618,119	9,442			627,561
Financial liabilities	6,865,129	–	–	–	6,865,129
– At fair value through profit or loss	6,655,554				6,655,554
– At amortised cost	209,575				209,575
Loans at amortised cost	113,043				113,043
Employee benefits	73,364	13,876			87,240
Deferred tax	106,436	5,643	827		112,906
Accruals and payables including insurance payables	286,018	28,668	7,895	(4,825)	317,756
Current tax	921		1,915		2,836
Total liabilities	8,063,030	57,629	10,637	(4,825)	8,126,471
Segment items included in the SOFP: 2019					
Acquisition of intangible assets	18,051	3,999			22,050
Acquisition of property and equipment	14,187	993	47		15,227

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

Segment Information continued

Statement of Comprehensive Income – Segment Information for the year ended 30 June 2019

(R'000)	Long-term insurance	Short-term insurance	Other	Inter-segment	Total
Revenue					
Insurance premium revenue	1,828,252	450,200			2,278,452
Reinsurance premiums	(137,867)				(137,867)
Net insurance premiums	1,690,385	450,200	–	–	2,140,585
Revenue from contracts with customers	137,125				137,125
Other income	48,186	78	424,447	(434,957)	37,754
Dividend revenue					
Interest income	21,505	1,158	1,259		23,922
Fair value adjustment to financial assets at fair value through profit or loss	723,112	14,300	6,032		743,444
Segment income	2,620,313	465,736	431,738	(434,957)	3,082,830
Net insurance benefits and claims	(300,643)	(42,135)			(342,778)
Decrease in policyholder liabilities under insurance contracts	2,555	380			2,935
Decrease in reinsurance assets	(57)				(57)
Fair value adjustment to financial liabilities at fair value through profit or loss	(828,837)				(828,837)
Interest expense	(28,722)				(28,722)
Operating expenses	(1,152,995)	(350,090)	(10,352)	3,973	(1,509,464)
Segment expenses and claims	(2,308,699)	(391,845)	(10,352)	3,973	(2,706,923)
Profit before tax	311,614	73,891	421,386	(430,984)	375,907
Tax	43,830	(19,567)	767		25,030
Net profit for the year	355,444	54,324	422,153	(430,984)	400,937
Net profit for the year attributable to equity holders of the Group	355,444	54,324	422,153	(430,984)	400,937
Segment items included in the SOCI: 2019					
Amortisation and impairment of intangible assets	13,898	4,795		3,851	22,544
Depreciation	13,778	624	188		14,590

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

Notes to the Annual Financial Statements

for the year ended 30 June 2019

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, employee benefit obligations, intangible assets, deferred tax assets and related liabilities and unquoted financial instruments. 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 142 to 144 and to the sensitivity analysis in Risk Management Note 11 on pages 105 to 107.

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 146 to 147. 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 146 to 147.

1.3 Deferred tax assets

The calculation of the deferred tax asset is based on projections performed by management that indicate that the recovery of some of the losses within the IPF (as a result of the increased production of co-branded single premium products) is probable and therefore a deferred tax asset of R179 million is recognised in terms of IAS 12 was recognised. The future utilisation of the assessed loss together with the related policyholder liability amounting to R157 million are subject to estimates and judgments. The input with the largest effect on the calculations is the attrition of business. Management has used an attrition rate of 20% in respect of the co-branded single premium business as the behaviour of this book of business, which has been written in large tranches, is similar to Group business. Management will monitor this assumption annually as there is currently not sufficient statistical data or experience to inform another view. If the attrition rate decreases to 17.5%, the deferred tax asset would increase to R203.4 million, with an additional positive impact of R3.34 million on net profit after tax.

Besides the assumptions in respect of the deferred tax asset mentioned above, there were no other major impacts due to changes in previous assumptions and estimates used in deriving amounts referred to above. At year end the IPF has an estimated tax loss of R2.62 billion (2018: R2.79 billion) that arose as a result of the excess of expenses (bolstered by commission expenses on risk policies) allocated to the IPF compared to the taxable income (mostly interest) earned in the IPF in the past.

(R'000)	Group							
	2019				2018			
	Computer software and other	Intel-lectual property and customer relation-ships	Video production	Total	Computer software and other	Intellectual property and customer relationships	Video production	Total
2. INTANGIBLE ASSETS								
Cost at beginning of year	**46,894**	**10,829**	**18,549**	**76,272**	51,230		20,710	71,940
Additions	**12,311**		**9,739**	**22,050**	5,595	13,871	8,792	28,258
Assets written off*	**(589)**		**(4,056)**	**(4,645)**	(9,931)		(10,953)	(20,884)
Impairment		**(1,730)**		**(1,730)**		(3,042)		(3,042)
Cost at end of year	**58,616**	**9,099**	**24,232**	**91,947**	46,894	10,829	18,549	76,272
Accumulated amortisation at beginning of year	**(23,813)**	**(1,357)**	**(10,003)**	**(35,173)**	(24,304)		(11,885)	(36,189)
Amortisation charge for the year	**(9,915)**	**(2,400)**	**(8,499)**	**(20,814)**	(9,440)	(1,357)	(9,071)	(19,868)
Assets written off*	**589**		**4,056**	**4,645**	9,931		10,953	20,884
Accumulated amortisation at end of year	**(33,139)**	**(3,757)**	**(14,446)**	**(51,342)**	(23,813)	(1,357)	(10,003)	(35,173)
Net carrying amount at end of year	**25,477**	**5,342**	**9,786**	**40,605**	23,081	9,472	8,546	41,099

* *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 2019					
Cost at beginning of year	10,747	35,039	44,605	5,465	95,856
Additions	2,477	3,783	8,967		15,227
Assets written off	(149)	(1,556)	(763)		(2,468)
Disposals	(17)	(67)	(142)	(851)	(1,077)
Cost at end of year	13,058	37,199	52,667	4,614	107,538
Accumulated depreciation at beginning of year	(5,064)	(19,374)	(21,481)	(4,060)	(49,979)
Depreciation charge for the year	(1,253)	(4,355)	(8,468)	(514)	(14,590)
Assets written off	122	1,556	723		2,401
Disposals			60	833	893
Accumulated depreciation at end of year	(6,195)	(22,173)	(29,166)	(3,741)	(61,275)
Net carrying amount at end of year	6,863	15,026	23,501	873	46,263

Notes to the Annual Financial Statements continued

(R'000)	Leasehold improvements	Furniture and equipment	Computer equipment	Motor Vehicles	Total
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

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

	Group					
	2019			2018		
(R'000)	**Land**	**Buildings**	**Total**	Land	Buildings	Total
4. OWNER-OCCUPIED PROPERTIES						
Valuation at beginning of year	**84,447**	**339,066**	**423,513**	83,904	338,109	422,013
Additions: Buildings 1 to 7		**2,311**	**2,311**		3,035	3,035
Revaluation	**1,470**	**4,199**	**5,669**	543	(2,078)	(1,535)
Valuation at end of year	**85,917**	**345,576**	**431,493**	84,447	339,066	423,513

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 (2018: net rentals in terms of seven year leases) to the gross lettable area and then deducting normal landlord outgoings including a management fee to arrive at the annual income figure. A net rental of between R125 and R164 (2018: between R120 and R156) per square meter per month after deducting operating costs was applied. This has then been capitalised into perpetuity at a yield of between 8.5% (2018: 8.13%) (building 7) and 9.0% (2018: 8,34%) (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 103.

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	**2019 R'000**	2018 R'000
Gross annual rental	+5	**21,868**	20,875
Gross annual rental	-5	**(21,868)**	(20,875)
Yield	+0.25	**(12,855)**	(12,294)
Yield	-0.25	**13,659**	13,064

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 R322.1 million as at 30 June 2019 (2018: R319.7 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
2019			
Direct holdings			
Unlisted subsidiaries			
Clientèle Life	**4,853,000**	**100**	**246,240#**
Clientèle General Insurance	**42,500,000**	**100**	**46,191#**
Clientèle Loans	**1**	**100**	*****
CBC	**1**	**100**	**3,887**
			296,318
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	1	100	3,887
			299,007

* *Less than R1,000.*
\# *The movement relates to the recharge arrangement described in accounting policy 19.3.*

(R'000)	Group 2019	Group 2018	Company 2019	Company 2018
6. REINSURANCE ASSETS				
Reinsurers' share of insurance liabilities				
Balance at beginning of year	**2,925**	2,504		
Movement in reinsurers' share of insurance liabilities	**(57)**	421		
Balance at end of year	**2,868**	2,925	**–**	–

Notes to the Annual Financial Statements continued

(R'000)	Group 2019	Group 2018	Company 2019	Company 2018
7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS				
Balance at beginning of year – mandatory	**1,313,038**	2,196,020	**89,862**	63,671
Balance at beginning of year – designated	**2,278,677**			
Movements for year				
– Fair value adjustments – mandatory	**68,764**		**6,032**	7,508
– Fair value adjustments – designated	**674,680**	280,311		
– Additions – mandatory	**355,629**	1,763,748	**11,494**	22,291
– Additions – designated	**4,263,524**			
– Disposals – mandatory	**(212,912)**	(648,364)		(3,608)
– Disposals – designated	**(691,959)**			(3,608)
Balance at end of year – mandatory	**1,524,519**	3,591,715	**107,388**	89,862
Balance at end of year – designated	**6,524,922**			
Total debt securities	**7,425,666**	2,992,939	**66,114**	56,192
Promissory notes and fixed deposits†	**6,524,922**	2,278,677		
Funds on deposit	**769,005**	599,652	**59,115**	51,185
Fixed interest securities	**45,246**	42,044	**653**	351
Government and public authority bonds	**86,493**	72,566	**6,346**	4,656
Total equity securities	**623,775**	598,776	**41,274**	33,670
Listed equity securities	**619,925**	594,926	**41,274**	33,670
Unlisted equity securities	**3,850**	3,850		
Total instruments	**8,049,441**	3,591,715	**107,388**	89,862

%	Group 2019	Group 2018	Company 2019	Company 2018
Spread of equities listed on the JSE by sector				
Industrials	**48.7**	55.2	**44.8**	51.5
Resources	**22.2**	19.4	**24.0**	23.7
Financials	**23.3**	20.1	**25.5**	21.9
Real estate	**5.8**	5.3	**5.7**	2.9
	100.0	100.0	**100.0**	100.0

† Includes zero coupon fixed deposits held in ABL ("Good Bank") of R52.7 million (2018: R132.1 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 2019	Group 2018	Company 2019	Company 2018
8. FINANCIAL ASSETS AT AMORTISED COST				
Balance at beginning of year	**153,185**	288,627		
Movements for year				
– Interest income	**10,370**	19,511		
– Disposals	**(49,666)**	(154,953)		
– Less: Expected credit loss	**(1,812)**			
Balance at end of year	**112,077**	153,185	**–**	–

** Refer to the credit risk note on pages 97 to 100 for the impairment assessment performed on financial assets at amortised cost.*

(R'000)	Group 2019	Group 2018	Company 2019	Company 2018
9. TRADE RECEIVABLES INCLUDING INSURANCE RECEIVABLES				
Receivables	**12,963**	10,307	**2,139**	3,726
Premiums receivable under insurance contracts	**10,997**	5,993		
Due from subsidiaries				11,351
Reinsurance receivables under reinsurance contracts	**9,260**	15,232		
Prepayments	**28,687**	10,330	**61**	2,215
	61,907	41,862	**2,200**	17,292
Current	**61,907**	41,862	**2,200**	6,092
Non-current				11,200
	61,907	41,862	**2,200**	17,292
The carrying value amounts approximate the fair value of these amounts.				
Maturity analysis				
Due within one year	**61,907**	41,862	**2,200**	6,092
Due within two to five years				11,200
	61,907	41,862	**2,200**	17,292

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 2019	Group 2018	Company 2019	Company 2018
10. CASH AND CASH EQUIVALENTS				
Cash in bank and at hand	**234,595**	372,656	**16,072**	20,323

* *Refer to Risk Management note 7.4 on pages 97 to 100 for the ECL assessment.*

(R'000)	Group 2019	Group 2018	Company 2019	Company 2018
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				
2019: 335,309,778 (2018: 334,707,747) ordinary shares of 2 cents each	**6,706**	6,694	**6,706**	6,694
Share premium	**388,959**	377,757	**388,959**	377,757
Common control deficit*	**(220,273)**	(220,273)		
	175,392	164,178	**395,665**	384,451

* *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.*

0.6 million (2018: 0.7 million) shares were issued in terms of the SAR and BR 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

11. SHARE CAPITAL AND PREMIUM (CONTINUED)

Ordinary shareholders analysis as at 30 June 2019 – Unaudited

Shareholder spread	Number of shareholdings	%	Number of Shares	%
1 – 1,000 shares	935	52.91	175,738	0.05
1,001 – 10,000 shares	564	31.92	2,244,344	0.67
10,001 – 100,000 shares	216	12.22	6,419,207	1.91
100,001 – 1,000,000 shares	35	1.98	10,083,374	3.01
1,000,001 shares and over	17	0.97	316,387,115	94.36
Totals	1,767	100.00	335,309,778	100.00

Analysis of shareholders by classification as at 30 June 2019 – Unaudited

Distribution of shareholders	Number of shareholdings	%	Number of shares	%
Banks/Brokers	21	1.19	1,928,029	0.57
Close Corporations	12	0.68	1,252,482	0.37
Endowment Funds	2	0.11	3,499	0.01
Individuals	1,495	84.61	14,945,046	4.46
Insurance Companies	8	0.45	63,064,400	18.81
Mutual Funds	32	1.81	13,666,264	4.08
Other Corporations	7	0.40	41,125	0.01
Private Companies	52	2.94	236,172,226	70.43
Public Companies	2	0.11	81,550	0.02
Retirement Funds	4	0.23	985,203	0.29
Trusts	132	7.47	3,169,954	0.95
Totals	1,767	100.00	335,309,778	100.00

Public/non-public shareholders at 30 June 2019 – Unaudited

Shareholder spread	Number of shareholdings	%	Number of shares	%
Non-Public shareholders	31	1.75	299,364,350	90.41
Directors and Associates	22	1.25	8,306,181	2.48
Strategic Holdings	9	0.50	291,058,169	87.93
Public shareholders	1,736	98.25	35,945,428	9.59
Totals	1,767	100.00	335,309,778	100.00

Beneficial shareholders of 5% or more	Number of shares	%
Friedshelf 1577 (Pty) Limited	262,360,878	78.24
Yellowwoods Trust Investments (Pty) Ltd	28,697,291	8.56
Totals	291,058,169	86.80

(R'000)	Group 2019	Group 2018	Company 2019	Company 2018
12. SAR AND BR SCHEMES RESERVE				
SAR and BR Schemes reserve	**20,292**	22,972	**20,292**	22,972

BRs are granted to qualifying employees, excluding Group Directors.

The initial price of the BR 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. BRs are conditional on the employee staying in the employ of the Group for the vesting period. The BRs are exercisable starting three years from the invitation date. All BRs not exercised on the seventh anniversary of the invitation date will lapse.

	2019		2018	
	Volume weighted average price on grant date (Rands)	Number of BRs granted	Volume weighted average price on grant date (Rands)	Number BRs granted
At beginning of year		**14,395,331**		14,898,704
Allotment			14.94	19,000
Allotment			16.36	2,691,005
Allotment	**16.51**	**1,260,175**		
Allotment	**16.93**	**730,500**		
Allotment	**17.00**	**14,719**		
Allotment			17.24	1,417,944
Allotment	**19.71**	**40,000**	19.71	1,189,250
Allotment	**19.96**	**1,097,297**		
Allotment	**20.01**	**100,000**		
Forfeited			11.20	(7,159)
Forfeited			11.89	(35,064)
Forfeited	**13.14**	**(265,095)**	13.14	(306,164)
Forfeited	**14.78**	**(500)**		
Forfeited	**14.94**	**(147,901)**	14.94	(215,954)
Forfeited	**16.01**	**(371,342)**	16.01	(355,594)
Forfeited	**16.36**	**(733,384)**	16.36	(906,610)
Forfeited	**16.51**	**(258,000)**		
Forfeited	**16.93**	**(223,500)**		
Forfeited	**17.00**	**(143,499)**	17.00	(103,666)
Forfeited	**17.24**	**(499,694)**	17.24	(117,500)
Forfeited	**17.27**	**(154,043)**	17.27	(65,878)
Forfeited	**17.47**	**(733,893)**	17.47	(866,579)
Forfeited	**18.21**	**(262,722)**	18.21	(294,327)
Forfeited	**19.71**	**(523,000)**	19.71	(23,500)
Forfeited	**19.96**	**(472,000)**		
Exercised		**(2,051,881)**		(2,522,577)
At end of year		**10,797,568**		14,395,331

2.1 million (2018: 1.8 million) of the 10.8 million (2018: 14.4 million) outstanding SARs and BRs were exercisable.

Notes to the Annual Financial Statements continued

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

	Average grant price (Rands)	Number of BRs
02 January 2020	11.89	18,881
1 November 2020	13.14	1,096,698
3 January 2021	14.78	27,149
18 February 2021	14.36	110,000
01 September 2021	17.00	514,448
30 March 2022	17.27	658,828
30 September 2022	18.21	748,628
31 March 2023	14.94	960,802
30 September 2023	16.01	740,770
31 March 2024	17.47	1,152,382
30 September 2024	16.36	1,051,010
01 April 2025	17.24	800,750
30 June 2025	19.71	642,750
1 July 2025	19.71	40,000
27 August 2025	20.01	100,000
1 October 2025	19.96	625,297
1 December 2025	16.93	507,000
1 March 2026	16.51	1,002,175
Total		**10,797,568**

The SOCI charge was determined using the Black Scholes model. The IFRS 2: Share based payments costs relating to the SAR and BRs Schemes amounted to R5.5 million (2018: R9.0 million). Significant inputs into the model include the grant prices of SARs and BRs, 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 (2018: ranging between 14.0% and 16.0%), contractual life of 1 to 7 years (2018: 1 to 7 years) and potential share price growth.

	Group		Company	
(R'000)	2019	2018	2019	2018
13. NDR				
NDR: Revaluation	**74,783**	70,619	**–**	–

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 pages 135 to 136. The land and buildings have been revalued to market value through equity. Deferred tax (refer to Note 31 on page 154) has been provided at rates appropriate to the land and buildings and resulted in a net increase of R1.5 million to the deferred tax liability (2018: R0.5 million decrease).

(R'000)	Group 2019	Group 2018	Company 2019	Company 2018
14. POLICYHOLDER LIABILITIES UNDER INSURANCE CONTRACTS				
Balance at beginning of year	**630,496**	652,614		
Decrease in policyholder liabilities under insurance contracts	**(2,935)**	(22,118)		
Balance at end of year	**627,561**	630,496	**–**	–

(R'000)	Group 2019 Gross of reinsurance	Group 2019 Net of reinsurance	Group 2018 Gross of reinsurance	Group 2018 Net of reinsurance
Long-term insurance				
Changes in insurance liabilities and reinsurance				
Discounted insurance liabilities as at the beginning of the year	**613,522**	**613,407**	637,926	637,868
Discretionary margins	**(3,217,847)**	**(3,217,245)**	(3,056,146)	(3,055,867)
Discounted insurance liabilities as at the beginning of the year prior to allowance for discretionary margins	**(2,604,325)**	**(2,603,838)**	(2,418,220)	(2,417,999)
Expected interest on insurance liabilities (and cash flows)	**(253,542)**	**(253,542)**	(179,713)	(179,713)
Expected premiums on insurance liabilities	**1,414,811**	**1,278,907**	1,319,247	1,201,135
Expected change in margins (existing business)	**11,775**	**11,776**	(7)	(9)
Expected claims, expiries and lapses	**(383,945)**	**(279,089)**	(401,749)	(310,277)
Expected expenses, commission and charges	**(162,455)**	**(162,455)**	(137,018)	(137,018)
Experience variations	**147,460**	**178,177**	82,342	109,091
Changes in Valuation basis (renewal business only)	**(27,655)**	**(27,650)**	(46,642)	(46,637)
New business added during the year	**(826,883)**	**(826,811)**	(822,565)	(822,411)
Discounted insurance liabilities as at the end of the year prior to allowance for discretionary margins	**(2,684,759)**	**(2,684,525)**	(2,604,325)	(2,603,838)
Discretionary margins	**3,295,905**	**3,295,617**	3,217,847	3,217,245
A: Discounted insurance liabilities as at the end of the year	**611,146**	**611,092**	613,522	613,407
Undiscounted insurance liabilities as at the beginning of the year	**7,152**	**4,341**	5,306	2,860
Withdrawals and change in reinsurance during the year	**(2,096)**	**(1,729)**	(250)	(248)
New business added during the year	**1,917**	**1,547**	2,096	1,729
B: Undiscounted insurance liabilities as at the end of the year	**6,973**	**4,159**	7,152	4,341
Total insurance liabilities as at the end of the year (A+B)	**618,119**	**615,251**	620,674	617,748
Reinsurance effect		**2,868**		2,925
Gross long-term insurance liabilities as at the end of the year	**618,119**	**618,119**	620,674	620,673
Short-term insurance liabilities	**9,442**	**9,442**	9,822	9,822
IBNR	**256**	**256**	3,926	3,926
Cash back bonus	**3,469**	**3,469**	3,357	3,357
Outstanding claims	**5,717**	**5,717**	2,539	2,539
	627,561	**627,561**	630,496	630,495

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	2019 Margin	2018 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 2018. Increases are due to the high volumes of profitable new business written.

The total value of discretionary margins amounted to R3,223.7 million (2018: R3,217,2 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 2019 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 12 month period ending 30 June 2019 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 2019, the Valuation rate has been set with reference to the current zero coupon yield curve (an effective rate of 8.2% (2018: 8.9%) at a term of 6.5 years (2018: 6.75 years)).

Based on the above, a non-unit investment return of 8.9% p.a. (2018: 8.9% p.a.) before compulsory margins was assumed for the majority of the business.

The unit investment return assumption was set based on the expected performance of the underlying assets, and thus a return of 9.2% p.a. (2018: 10.0%) (before compulsory margins) was assumed.

(b) Inflation

The current assumed level of future expense inflation is 6.1% (2018: 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 3.1% (2018: 2.8%) 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 – 2019

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

- Economic assumptions were reviewed to reflect the current environment resulting in an increase in liabilities of R11.2 million;
- The renewal expense assumption was updated, which led to a reserve decrease of R1.2 million;
- 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 R5.2 million; and
- Modelling refinements, mainly pertaining to charges on unit-linked business as well as extended family members on Funeral business, resulted in a decrease in liabilities of R35.4 million.

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; and
  - 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.

Undiscounted Liabilities

IBNR liabilities on short-term insurance of R0.3 million (2018: R3.9 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.

	Group		Company	
(R'000)	2019	2018	2019	2018
15. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS				
Balance at beginning of year	**2,464,295**	1,159,676		
– Transfers to amortised cost	**(204,804)**			
Movements for the year				
– Fair value adjustments	**828,837**	172,115		
– Deposits	**4,277,378**	1,477,213		
– Withdrawals and maturities	**(710,152)**	(344,709)		
Balance at end of year	**6,655,554**	2,464,295	**–**	–

The amount payable on maturity (including annuity payments) is R8,671.8 million (2018: 3,148,3 million).

Notes to the Annual Financial Statements continued

The Group issues contracts that are designated 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.

	Group		Company	
(R'000)	2019	2018	2019	2018
16. FINANCIAL LIABILITIES AT AMORTISED COST				
Balance at beginning of the year (adjusted for IFRS 9 transition)	204,804			
– Interest	18,918			
– Additions	28,000			
– Maturities	(42,147)			
Balance at end of the year	209,575	–	–	–

Financial liabilities at amortised cost comprise of single premium endowment investment product liabilities. These liabilities have not been designated at fair value through profit or loss as the corresponding assets relate to inter-company balances that eliminate on consolidation.

	Group		Company	
(R'000)	2019	2018	2019	2018
LOANS AT AMORTISED COST				
Nedbank Limited				
Balance at beginning of the year	113,009	113,043		
Movements for the year				
– Interest	9,804	9,819		
– Repayments	(9,770)	(9,853)		
	113,043	113,009	–	–
Current				
Non-current	113,043	113,009		
	113,043	113,009	–	–
Maturity analysis				
Due within one year	9,674	9,634		
Due within two to five years	118,600	128,269		
Less: discounting	(15,231)	(24,894)		
	113,043	113,009	–	–

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 is 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 2019	Group 2018	Company 2019	Company 2108
17. EMPLOYEE BENEFITS				
Goodwill Scheme (refer to 17.1)	**31,420**	25,960		
EV Scheme (refer to 17.2)	**29,897**	49,430		
Special bonus (refer to 17.2)	**6,250**			
Short-term bonuses (refer to 17.3)	**19,673**	17,600		
	87,240	92,990	**–**	–
Current	**65,854**	73,114		
Non-current	**21,386**	19,876		
	87,240	92,990	**–**	–
17.1 Goodwill Scheme				
Balance at beginning of year	**25,960**	16,902		
Payments made during the year	**(6,085)**	(6,254)	**–**	–
Existing Executives	**(6,085)**	(6,254)		
Provision raised (refer to Note 29)	**11,545**	15,312	**–**	–
Interest cost	**1,719**	749		
Service cost	**15,673**	16,973		
Remeasurements	**(5,847)**	(2,410)		
Balance at end of year	**31,420**	25,960	**–**	–

The above relates to the Goodwill element of the Incentive Scheme as discussed in the Group Remuneration Report (pages 35 to 51) and the accounting policies (policy 20 on pages 122 to 123) 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 2019	Cycle 3 2018
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**	50.18
Payment term (years)	**5**	5

	Cycle 4 2019	Cycle 4 2018
Expected VNB at end of cycle in 2022 (R million)	**1,100**	1,250
VNB Multiple	**5.00**	5.00
Risk-free rate (%)	**8.16**	8.52
Expected pool utilisation (%)	**80.00**	75.00
Payment term (years)	**5**	5

The variables used in calculating and estimating the liability in respect of the Goodwill Scheme are subject to approval by the Group Remuneration Committee. Those variables, which are subjective in nature, have been set at levels which the Group Remuneration Committee deems to be fair and equitable to both shareholders and the participants. The variables used for cycle 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:

	Group		Company	
(R'000)	2019	2018	2019	2018
Balance at beginning of year	**49,430**	60,898		
Provision raised – EV Scheme (refer to Note 29)	**28,397**	42,902		
Provision raised – Special bonus	**6,250**			
Payments during the year	**(47,930)**	(54,370)	**–**	–
Existing Executives	**(45,400)**	(51,994)		
Management	**(2,530)**	(2,376)		
Balance at end of year	**36,147**	49,430	**–**	–

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

	Group 2019	Group 2018	Company 2019	Company 2018
Payment terms (years)	**4**	4		
Hurdle rate (%)	**13.9**	13.7		
Expected pool utilisation (%)	**83.00**	89.45		

EV Earnings are based on the EV assumptions and calculations as outlined in the Statement of the Group EV (pages 60 to 65). Refer also to the Group Remuneration Report (pages 35 to 51).

17.3 Short-term bonuses

	Group 2019	Group 2018	Company 2019	Company 2018
The build-up of the liability in respect of short-term bonuses is as follows:				
Balance at beginning of year	**17,600**	19,539		
Provision raised (refer to Note 29)	**20,249**	21,154		
Payments during the year	**(18,176)**	(23,093)		
Balance at end of year	**19,673**	17,600	**–**	–

Refer also to the Group Remuneration Report (pages 35 to 51).

(R'000)	Group 2019	Group 2018	Company 2019	Company 2018
18. DEFERRED TAX				
Assets				
Balance at beginning of year	**52,823**	48,965	**658**	349
Charge to/(release from) the SOCI				
– Tax losses/capital allowances	**6,492**	1,493	**280**	309
– Tax losses in respect of IPF assessed loss	**179,427**			
– IPF and UPF return tax credits	**51,814**			
– Income received in advance	**(1,706)**	190		
– Property and equipment	**(1,714)**			
– SAR and BR Schemes	**(536)**	367		
– Goodwill/EV Schemes	**(1,073)**	(301)		
– Deferred profits on financial liabilities held at fair value through profit or loss	**(15,334)**	2,109		
Balance at end of year	**270,193**	52,823	**938**	658
Liability				
Balance at beginning of year	**56,575**	50,003	**739**	
Charge to/(release from) the SOCI				
– Prepayments		(270)	**1**	
– Property and equipment	**(208)**	360		
– Unrealised gains on investments	**(367)**	6,942	**62**	739
Disregarded assets for tax purposes	**54,109**			
IAS 17 – Lease receivables	**1,291**			
Deferred tax on revaluation of land	**330**	122		
Deferred tax on revaluation of buildings	**1,176**	(582)		
Balance at end of year	**112,906**	56,575	**802**	739
Analysis of deferred tax balances:				
Assets				
Tax losses/capital allowances	**21,937**	15,445	**938**	658
Tax losses in respect of IPF assessed loss	**179,427**			
IPF and UPF return tax credits	**51,814**			
Income received in advance		1,706		
Property and equipment		1,714		
SAR and BR Schemes	**4,181**	4,717		
Goodwill/EV Schemes	**12,834**	13,907		
Deferred profits on financial liabilities held at fair value through profit or loss		15,334		
Deferred tax asset at end of the year	**270,193**	52,823	**938**	658
Liability				
Prepayments	**1,159**	1,159	**1**	
Property and equipment	**510**	718		
Unrealised gains on investments	**21,208**	21,575	**801**	739
Disregarded assets for tax purposes (S29A (16))	**54,109**			
IAS 17 – lease receivables	**1,291**			
Deferred tax on revaluation of land	**9,247**	8,917		
Deferred tax on revaluation of buildings	**25,382**	24,206		
Deferred tax liability at end of the year	**112,906**	56,575	**802**	739
Offsetting of deferred tax assets and liabilities in terms of accounting policy 16.2:				
Total deferred tax asset	**270,193**	46,309	**938**	658
Current	**134,690**	1,696	**938**	658
Non-current	**135,503**	44,613		
Total deferred tax liability	**(112,906)**	(50,061)	**(802)**	(739)
Current	**(23,037)**	(1,152)	**(802)**	(739)
Non-current	**(89,869)**	(48,909)		
Net deferred tax asset/(liability) at end of year	**157,287**	(3,752)	**136**	(81)

The assessable tax loss of the IPF amounts to R2.62 billion (2018: R2.79 billion). The calculation of the deferred tax asset in respect of the assessed loss in the IPF of R179 million and future utilisation of the assessed loss together with the related policyholder liability amounting to R157 million are subject to estimates and judgments. The input with the largest effect on the calculations is the attrition of business. Management has used an attrition rate of 20% in respect of the co-branded single premium business as the behaviour of this book of business, which has been written in large tranches, is similar to Group business. Management will monitor this assumption annually as there is currently not sufficient statistical data or experience to inform another view. If the attrition rate decreases to 17.5%, the deferred tax asset would increase to R203.4 million, with an additional positive impact, net of changes in the policyholder liabilities, of R3.34 million on net profit after tax.

Notes to the Annual Financial Statements continued

(R'000)	Group 2019	Group 2018	Company 2019	Company 2018
19. ACCRUALS AND PAYABLES INCLUDING INSURANCE PAYABLES				
IFA referral fees and bonuses payable	**6,240**	9,054		
Premiums received in advance	**19,365**	33,049		
Deferred profit	**139,900**	54,765		
Other accruals and payables	**152,251**	137,717	**6,731**	2,746
	317,756	234,585	**6,731**	2,746
The carrying value amounts approximate fair value amounts.				
Maturity analysis				
Due within one year	**213,320**	198,796	**6,731**	2,746
Due within two to five years	**104,436**	40,789		
	317,756	234,585	**6,731**	2,746

(R'000)	Group 2019	Group 2018	Company 2019	Company 2018
20. INSURANCE PREMIUM REVENUE				
Long-term insurance – individual recurring	**1,828,252**	1,795,433		
Short-term insurance – individuals and SMME	**450,200**	404,006		
	2,278,452	2,199,439	**–**	–

(R'000)	Group 2019	Group 2018	Company 2019	Company 2018
21. REINSURANCE PREMIUMS				
Long-term insurance – individual recurring	**137,867**	123,112		
	137,867	123,112	**–**	–

(R'000)	Group 2019	Group 2018	Company 2019	Company 2018
22. REVENUE FROM CONTRACTS WITH CUSTOMERS				
IFA annuity fee income and rewards	**137,125**			
	137,125	–	**–**	–

In terms of IFRS15, revenue from contracts with customers must be separately disclosed. Included in the comparative for 2018 in other income is an amount of R142.8 million.

(R'000)	Group 2019	Group 2018	Company 2019	Company 2018
23. OTHER INCOME				
IFA annuity fee income		142,755		
Leads and brand fee		502		502
Marketing materials gross (loss)/profit		350		
Supplier discounts received	**194**	170		
Fee income	**1,464**		**2,046**	1,641
INSETA grants	**963**	2,139		
Deferred profit release	**32,146**	6,874		
Other income	**1,685**	8,322		121
Profit on disposal of fixed assets	**101**			
Administration fees	**1,201**	6,448		
Recharge from Clientèle Life and Clientèle General Insurance in excess of capital contribution			**3,079**	4,575
	37,754	167,560	**5,125**	6,839

(R'000)	Group 2019	Group 2018	Company 2019	Company 2018
24. INTEREST INCOME				
Interest received – financial assets at amortised cost	**10,370**	19,511		
Cash and cash equivalents	**13,552**	14,745	**1,055**	2,349
Other		20		
	23,922	34,276	**1,055**	2,349

(R'000)	Group 2019	Group 2018	Company 2019	Company 2018
25. FAIR VALUE ADJUSTMENT TO FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS				
Fair value adjustments – mandatory (refer to note 7 on page 137)	**68,764**		**6,032**	7,508
Fair value adjustments – designated	**674,680**	280,311		
The above fair value adjustments include gains arising from:				
Interest (unlisted)	**471,340**	177,966	**4,847**	4,602
Dividends (listed)	**27,139**	24,290	**1,790**	1,354

Notes to the Annual Financial Statements continued

(R'000)	Group 2109	Group 2018	Company 2019	Company 2018
26. NET INSURANCE BENEFITS AND CLAIMS				
Long-term insurance				
Claims and policyholders' benefits under insurance contracts	378,247	394,386	–	–
Death and disability claims	193,534	202,713		
Policy surrender claims	184,713	191,673		
Insurance claims recovered from reinsurers	(110,070)	(101,705)		
Cash-back payments	32,466	51,892		
	300,643	344,573	–	–
Short-term insurance	42,135	39,917	–	–
Legal claims	40,428	37,280		
Cash-back payments	1,707	2,637		
	342,778	384,490	–	–

(R'000)	Group 2019	Group 2018	Company 2019	Company 2018
27. CHANGE IN POLICYHOLDER LIABILITIES UNDER INSURANCE CONTRACTS				
Long-term insurance	(2,555)	(22,558)		
Short-term insurance	(380)	440	–	–
IBNR	(3,670)	809		
Cash-back bonus	112	(270)		
Outstanding claims	3,178	(99)		
	(2,935)	(22,118)	–	–

(R'000)	Group 2019	Group 2018	Company 2019	Company 2018
28. DIVIDEND REVENUE				
Dividends received (unlisted)			418,385	378,130
	–	–	418,385	378,130

(R'000)	Group 2019	Group 2018	Company 2019	Company 2018
29. OPERATING EXPENSES				
Acquisition and administration expenses by nature are as follows:				
Total auditors' remuneration	**5,995**	5,831	**1,304**	602
Audit fees	**5,182**	5,188	**1,069**	370
Other services	**813**	643	**235**	232
Actuarial fees	**1,444**	1,425		
Computer expenses	**29,665**	25,552		
Consultancy fees	**6,219**	12,356		
Employee benefits	**490,696**	506,237	**–**	–
Salaries and other short-term benefits*	**403,903**	404,295		
Defined contribution provident fund – current service costs	**14,888**	13,587		
Goodwill Scheme expense	**11,545**	15,312		
EV Scheme expense	**28,397**	42,902		
Short-term bonuses	**20,249**	21,154		
Special bonus	**6,250**			
SAR and BR Schemes expense	**5,464**	8,987		
Amortisation and impairments of intangible assets	**22,544**	22,910		
Depreciation	**14,590**	15,159	**–**	–
Computer equipment	**8,468**	8,061		
Furniture and equipment	**4,355**	4,646		
Leasehold improvements	**1,253**	1,318		
Motor vehicles	**514**	1,134		
Local travel costs	**1,665**	1,739		
Administration and marketing*	**558,682**	563,529	**198**	163
Agency, Broker and Outsourced channels	**253,113**			
IFA referral fees and bonuses paid	**88,835**	103,877		
Property expenses	**14,515**	17,146		
Profit on disposal of fixed assets		(215)		
Reward expenses	**6,478**		**4,745**	
Expected credit loss	**1,000**		**1,000**	
Foreign exchange (profits)/losses	**(2)**	54		
BBBEE guarantee fees	**4,461**	4,461		4,689
Other*	**9,564**	55,112	**162**	96
	1,509,464	1,335,172	**7,409**	5,550
Comprising:				
Acquisition costs associated with insurance contracts	**1,123,499**	1,074,569		
Administrative expenses	**385,965**	260,603	**7,409**	5,550
	1,509,464	1,335,172	**7,409**	5,550
Staff count	**2,394**	2,171	**–**	–

* *Included in the comparative figures are the following expenses, inter alia, for the Agency, Broker and Outsourced channels:*
Salaries and other short-term benefits R15.0 million
Administration and marketing R13.7 million

Notes to the Annual Financial Statements continued

30. DIRECTORS' AND KEY MANAGEMENT REMUNERATION

The Companies Act requires the remuneration of Prescribed Officers to be disclosed in the Integrated Annual Report. It is the opinion of the Board that Clientèle's Prescribed Officers are the Directors of Clientèle, whose remuneration is disclosed below. Refer also to the Group Remuneration Report (pages 35 to 51).

Year ended 30 June 2019

Non-executive Directors Group Remuneration	Months in office	Directors' fees R'000	Total emoluments R'000
GQ Routledge*	12	3,335	3,335
BA Stott*	12	1,951	1,951
PR Gwangwa	12	502	502
RD Williams	12	984	984
BY Mkhondo	12	603	603
D Molefe*	5	277	277
Total		**7,652**	**7,652**

* *Inclusive of VAT for the whole year.*

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	12	1,645	4,492	233	6,370
IB Hume	12	1,976	7,206	165	9,347
BW Reekie	12	2,916	10,240	268	13,424
Total		**6,537**	**21,938**	**666**	**29,141**

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

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	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 BRs have been issued to Group Directors.

	Group		Company	
(R'000)	2019	2018	2019	2018
30. 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.	**52,202**	57,721	**–**	–
Salaries and other benefits	**28,303**	29,178		
Short-term bonuses	**5,119**	5,395		
EV Scheme	**17,617**	21,608		
Goodwill Scheme	**1,163**	1,540		

	Group		Company	
(R'000)	2019	2018	2019	2018
31. TAX				
South African normal tax	**(25,697)**	189,067	**678**	2,619
Current year tax	**157,323**	187,030	**896**	2,189
Deferred tax	**(3,593)**	3,173	**(218)**	430
Policyholder deferred tax asset on assessed losses in the IPF recognised in terms of IAS 12*	**(179,427)**			
Overprovision in prior years		(1,136)		
South African capital gains tax	**667**	27	**–**	–
Current year tax	**667**	27		
Total tax (credit)/expense	**(25,030)**	189,094	**678**	2,619
Tax rate reconciliation				
Profit before tax	**375,906**	679,417	**423,188**	389,267
Tax	**25,030**	(189,094)	**(678)**	(2,619)

	%	%	%	%
Effective tax rate	**(6.66)**	27.83	**0.16**	0.67
Adjustments due to:				
Under-provision in respect of prior year	**0.02**	(0.31)		
Capital gains tax	**2.29**	(0.01)	**(0.03)**	0.03
Exempt income	**(1.52)**	0.16	**27.87**	27.30
Deductible temporary differences not recognised	**0.54**	0.33		
Policyholder deferred tax asset raised in respect of IPF assessed loss	**47.73**			
Deferred tax due on assets disregarded in terms of S29A (16)	**(14.40)**			
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 separate funds applicable to Clientèle Life, defined as untaxed, individual and risk. The IPF has an estimated tax loss of R2.62 billion (2018: R2.79 billion). It is currently probable that future taxable profits in the Clientèle Life Policyholder fund will be available against which the assessed loss can be utilised. Refer to note 1.3 on page 133.

Notes to the Annual Financial Statements continued

(R'000)	Group 2019	Group 2018
32. EARNINGS PER SHARE		
Net profit for the year attributable to equity holders of the Group	**400,937**	490,302
Impairment of intangible assets	**1,246**	2,177
Profit on disposal of property and equipment (after tax)	**(79)**	(175)
Headline earnings for the year	**402,104**	492,304
Ordinary shares in issue ('000)	**335,310**	334,708
Weighted average ordinary shares in issue ('000)	**335,081**	334,392
Diluted average ordinary shares in issue ('000)	**335,507**	335,282

	Cents	Cents
Earnings per share	**119.65**	146.62
Headline earnings per share	**120.00**	147.22
Diluted earnings per share	**119.50**	146.24
Diluted headline earnings per share	**119.85**	146.83

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 BR 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 BR and the strike price at grant date. This difference gives the value per share of the benefit accruing to the BR participant. The value is multiplied by the number of BRs and divided by the average Clientèle share price to quantify this value as a number of notional shares.

(R'000)	Group 2019	Group 2018	Company 2019	Company 2018
33. CASH GENERATED BY OPERATIONS				
Profit from operations	**375,907**	679,417	**423,188**	389,267
Adjusted for non-cash items:	**218,062**	(17,786)	**(5,032)**	(7,508)
Fair value adjustment to financial assets at fair value through profit or loss	**(743,444)**	(280,311)	**(6,032)**	(7,508)
IFRS 9 transition adjustment	**6,022**			
Decrease in policyholder liabilities under insurance contracts	**(2,935)**	(22,118)		
Fair value adjustment to financial liabilities at fair value through profit or loss	**828,837**	172,115		
Interest received on financial assets at amortised cost	**(10,370)**	(19,511)		
Interest expense on financial liabilities at armortised cost	**18,918**			
Interest expense	**9,804**	9,819		
Estimated credit loss/allowance	**2,812**		**1,000**	
Decrease/(increase) in reinsurance assets	**57**	(421)		
Impairment of intangible assets	**1,730**			
Amortisation of intangible assets	**20,814**	22,910		
Depreciation	**14,590**	15,159		
SAR and BR Schemes expense	**5,464**	8,987		
Profit on disposal of fixed assets	**(101)**	(215)		
Employee benefits	**65,864**	75,800		
	593,969	661,631	**418,156**	381,759
Items disclosed separately:	**(106,362)**	(111,335)	**(7,692)**	(8,306)
Interest received	**(81,026)**	(88,568)	**(5,902)**	(6,952)
Dividends received	**(25,336)**	(22,767)	**(1,790)**	(1,354)
Working capital changes:	**(8,706)**	(70,137)	**17,983**	(12,922)
Decrease/(increase) in inventories	**885**	(871)		
(Increase)/decrease in receivables including insurance receivables	**(20,046)**	(13,534)	**15,092**	(14,501)
(Decrease)/increase in provisions, accruals and payables	**(106,826)**	(63,263)	**2,891**	1,579
Increase in deferred profits	**117,281**	7,531		
Increase in financial liabilities at fair value through profit and loss	**3,553,080**	1,132,504		
Acquisition of financial assets at fair value through profit or loss	**(4,619,153)**	(1,763,748)	**(11,494)**	(22,291)
Disposal of financial assets at fair value through profit or loss	**904,871**	803,317		3,608
Disposal of financial assets at amortised cost	**49,666**			
	367,365	652,232	**416,953**	341,848

Notes to the Annual Financial Statements continued

(R'000)	Group 2019	Group 2018	Company 2019	Company 2018
34. DIVIDENDS PAID				
Balance owing at the beginning of the year	**445**	469	**445**	469
Amount declared for the year	**418,670**	384,564	**418,670**	384,261
	419,115	385,033	**419,115**	384,730
Balance owing at the end of the year	**(548)**	(445)	**(548)**	(445)
Amount paid during the year	**418,567**	384,588	**418,567**	384,285

(R'000)	Group 2019	Group 2018	Company 2019	Company 2018
35. TAX PAID				
Balance owing at the beginning of the year	**10,555**	417	**199**	(401)
Amount provided for the year	**(23,525)**	188,634	**678**	2,619
	(12,970)	189,051	**877**	2,218
Balance owing at the end of the year	**157,185**	(10,555)	**23**	(199)
Amount paid during the year	**144,215**	178,496	**900**	2,019

36. RELATED PARTIES DISCLOSURE

The Group defines related parties as:

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

36.1 The Parent Company

Friedshelf 1577 Proprietary Limited is the Parent Company of Clientèle and controls 78.24% (2018: 78.4%) of the issued ordinary shares via its Group companies (refer to Note 11 on pages 138 to 139).

36.2 Subsidiaries and fellow subsidiaries

Transactions between Clientèle and its subsidiaries have been eliminated on consolidation and are disclosed in this Note.

(R'000)	Group 2019	Group 2018
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	**10**	
Advances	**350**	818
Repayments	**(360)**	(808)
Balance at end of year	**–**	10
– Investments by Clientèle Life in corporate bonds issued by Clientèle Properties East**		
Balance at beginning of year	**117,995**	126,137
Interest	**12,624**	11,858
Repayments	**(16,848)**	(20,000)
Balance at end of year	**113,771**	117,995

(R'000)	Group 2019	Group 2018
– Inter-company loan to CBC by Clientèle Life		
Balance at beginning of year	**–**	
Advances	**152**	
Balance at end of year	**152**	–
– Inter-company loan to Clientèle Properties East by Clientèle Life		
Balance at beginning of year	**–**	
Management and support service charges	**110**	
Repayments	**(109)**	
Balance at end of year	**1**	–
– Investment by Clientèle Life in corporate bonds issued by Clientèle Properties South**		
Balance at beginning of year	**46,944**	42,986
Interest expense	**4,323**	3,958
Balance at end of year	**51,267**	46,944
– Investment by Clientèle Life in corporate bonds issued by Clientèle Properties North**		
Balance at beginning of year	**79,159**	85,670
Interest expense	**7,107**	6,489
Repayment		(13,000)
Balance at end of year	**86,266**	79,159
– Inter-company loan to Clientèle Properties North by Clientèle Properties South**		
Balance at beginning of year	**1,375**	8,991
Interest		384
Repayments	**(1,375)**	(8,000)
Balance at end of year	**–**	1,375
– Inter-company loan to Clientèle General Insurance by Clientèle Life*		
Balance at beginning of year	**14,194**	12,539
Management and support services charges	**87,829**	68,424
Advances	**123,726**	65,004
Repayments	**(225,174)**	(131,773)
Balance at end of year	**575**	14,194
– Inter-company loan to Clientèle General Insurance by Clientèle*		
Balance at beginning of year	**147**	137
Advances	**1,203**	1,755
Repayments	**(1,349)**	(1,745)
Balance at end of year	**–**	147
– Inter-company loan to Clientèle Properties South by Clientèle Life*		
Balance at beginning of year	**32**	23
Management and support services charges	**2,302**	1,713
Repayments	**(2,330)**	(1,704)
Balance at end of year	**4**	32

Notes to the Annual Financial Statements continued

(R'000)	Group 2019	Group 2018
– Inter-company loan to Clientèle Properties North by Clientèle Life*		
Balance at beginning of year	**879**	21
Management and support services charges	**2,125**	1,794
Repayments	**(2,998)**	(936)
Balance at end of year	**6**	879
– Inter-company loan to CBC by Clientèle*		
Balance at beginning of year	**11,200**	
Advances	**6,373**	11,200
Balance at end of year	**17,573**	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.*

(R'000)	Group 2019	Group 2018
36.3 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	**4,323**	3,958
– Interest expense paid by Clientèle Properties North to Clientèle Life	**7,107**	6,489
– Interest expense paid by Clientèle Properties North to Clientèle Properties South	**–**	384
– Interest expense paid by Clientèle Properties East to Clientèle Life	**12,624**	11,858
Rentals		
– Rental expense paid by Clientèle Life to Clientèle Properties South	**14,951**	11,986
– Rental expense paid by Clientèle Life to Clientèle Properties North	**8,060**	6,268
– Rental expense paid by Clientèle Life to Clientèle Properties East	**23,859**	20,700
– Rental expense paid by Clientèle General Insurance to Clientèle Properties South	**4,167**	2,091
– Rental expense paid by Clientèle General Insurance to Clientèle Properties North	**5,349**	4,206
– Rental expense paid by Clientèle General Insurance to Clientèle Properties East	**8,147**	6,192
– 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	**2,302**	1,713
– Expenses paid by Clientèle Properties North to Clientèle Life	**2,125**	1,794
– Expenses paid by Clientèle Properties East to Clientèle Life	**110**	129
– Expenses paid by Clientèle General Insurance to Clientèle Life	**87,829**	68,424

36.4 Transactions with key management personnel, remuneration and other compensation:

For the purposes of IAS 24 'related party disclosures', key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any Director (whether Executive or otherwise) of the Group. Details of Directors' remuneration are disclosed in Note 30 on pages 153 and 154 to the Group Annual Financial Statements and their shareholdings in the Company are disclosed in the Group Remuneration Report on page 51 under "Interests of Directors". No Director had a material interest in any contract of significance with the Company or any of its subsidiaries during 2019.

Refer also to the Group Remuneration Report (pages 35 to 51).

37. COMMITMENTS

Letters of guarantees:

Letter of support: Clientèle has agreed to provide financial assistance to CBC for the foreseeable future, until such time as CBCs 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 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 2018 financial year Clientèle 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 2019, both guarantees remained in place.

38. EVENTS AFTER THE REPORTING DATE

Dividend

The Board declared a final gross dividend of 131.00 cents per share on 21 August 2019 for the year ended 30 June 2019.

The dividend is subject to DWT.

At the Clientèle Board meeting held on 21 August 2019, the Board approved the provision of further financial assistance through the issuance of a guarantee in the amount of R76 million in respect of an additional 4.1 million Clientèle Ordinary Shares which YTI had purchased. Subsequent to the Board meeting held on 21 August 2019, YTI purchased a further 1.4 million Clientèle Ordinary Shares. The Board has agreed to provide financial assistance through the issuance of a R13.5 million guarantee, resulting in the proposed guarantee of R76 million increasing to R89.5 million. The Board will seek ratification of the decision at the AGM to be held on 30 October 2019, following which, if approved, the guarantee in the amount of R89.5 million will be issued.

Notice of Annual General Meeting

for the year ended 30 June 2019

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 11th AGM of Clientèle, the Record Date is hereby set as close of business on 18 October 2019 with the last day to trade in the shares of Clientèle on the JSE being on Tuesday, 15 October 2019.

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 11th AGM of Clientèle will be held in the Boardroom, Building 7, Clientèle Office Park, corner Rivonia and Alon Roads, Morningside on 30 October 2019 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 2019 as per the attached pages 86 to 160. 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 – BY MKHONDO

"**RESOLVED** that Mrs Bonge Yandiswa Mkhondo be and is hereby re-elected as a Director of the Company with effect from 30 October 2019."

Mrs Mkhondo, who retired in terms of the provisions of the MOI, is eligible and offers herself for re-election.

Bonge Yandiswa Mkhondo, 45, Independent 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.

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 – PR GWANGWA

"**RESOLVED** that Ms Pheladi Raesibe Gwangwa be and is hereby re-elected as a Director of the Company with effect from 30 October 2019."

Ms Gwangwa, who retired in terms of the provisions of the MOI, is eligible and offers herself for re-election.

Pheladi Raesibe Gwangwa, 46, Independent Non-executive Director, B Proc, 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 702, having been involved with Primedia Broadcasting from 2002 to 2016. She is now a Director at Chueu Attorneys.

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 – IB HUME

"**RESOLVED** that Mr Iain Bruce Hume be and is hereby re-elected as a Director of the Company with effect from 30 October 2019."

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

Iain Bruce Hume, 52, (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.

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 – PG NKADIMENG

"**RESOLVED** that Mr Phethedi Gideon Nkadimeng be and is hereby re-elected as a Director of the Company with effect from 30 October 2019."

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

Phethedi Gideon Nkadimeng 47, (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.

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 2020 and their concomitant remuneration. The Designated Auditor for the year ending 30 June 2020 will be Mr Francois Johannes Kruger, who meets the requirements of section 90(2) of the Companies Act. Mr Kruger replaces Mrs du Preez who is required to rotate off the Clientèle audit in compliance with Section 92 of the Companies Act. The Group Audit Committee has evaluated the independence, experience and effectiveness of both PricewaterhouseCoopers Inc. and Mr Kruger 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., for re-appointment as well as Mr Kruger, for 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 2019 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 2019 until the conclusion of the next AGM."

ORDINARY RESOLUTION 9 – ELECTION TO THE GROUP AUDIT COMMITTEE

"**RESOLVED** that Mr Gavin Routledge, who is an Independent Non-executive Director of Clientèle and also the Chairman of the Board of Clientèle, be and is hereby re-elected as a member of the Group Audit Committee effective 30 October 2019 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 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 70 to 71 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 ordinary shares of the Company under the control of the Board, in compliance with the requirements of the MOI and the Listings Requirements.

Ordinary resolution number 11 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 – BONUS RIGHTS SCHEME SHARE ISSUE

"**RESOLVED** that, the Board is authorised to allot and issue, pursuant to the provisions of the Clientèle Bonus Rights Scheme rules (as approved by the shareholders of the Group on 30 October 2012), the allowable maximum number of ordinary shares as provided thereunder and subject to the terms and conditions included in the scheme allocation limits as set out in the Scheme rules is placed under the control of the Board."

Reason for and effect of Ordinary Resolution Number 11

In order to comply with the Bonus Rights Scheme Rules, which require ordinary shares to be issued to participants of the Bonus Rights Scheme.

NON-BINDING ADVISORY ENDORSEMENT 1 – ADVISORY 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 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 sough 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 35 to 51 of the Integrated Annual Report.

SPECIAL RESOLUTION NUMBER 1 – REMUNERATION OF NON-EXECUTIVE DIRECTORS FOR THE YEAR 1 JULY 2019 TO 30 JUNE 2020 AND 30 JUNE 2021

"**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 2019 to 30 June 2020, on the basis set out hereunder, be approved."

Non-executive Directors' Fees (R)	VAT exclusive	VAT@ 15%	**Year ending 30 June 2020**
GQ Routledge*	3,045,224	456,784	**3,502,008**
BA Stott*	1,781,667	267,250	**2,048,917**
PR Gwangwa	527,512	–	**527,512**
RD Williams*	1,032,919	154,938	**1,187,857**
PG Nkadimeng	NIL	–	**NIL**
BY Mkhondo	633,014	–	**633,014**
ADT Enthoven	NIL	–	**NIL**
	7,020,336	878,972	**7,899,308**

* *Directors are registered for VAT.*

This represents an increase of 5% on the June 2019 salaries.

The remuneration of the Non-executive Directors, for their services as Directors, for the period 1 July 2020 to 30 June 2021 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 2019 to 30 June 2020 would be determined by the Group Remuneration Committee and ratified at the next AGM.

Reason for and effect of Special Resolution Number 1

In terms of section 66(8) and (9) of the Companies Act, which took effect on 1 May 2011, remuneration may only be paid to Directors for their services as Directors in accordance with a special resolution approved by the holders within the previous two years and if not prohibited in terms of the Company's MOI. Therefore the reason and effect of this special resolution is to approve the payment of remuneration of the Non-executive Directors for their services as Directors for the year ending 30 June 2021, in accordance with the requirements of section 66(9) of the Companies Act.

SPECIAL RESOLUTION NUMBER 2 – FINANCIAL ASSISTANCE IN TERMS OF SECTION 45 OF THE COMPANIES ACT

"**RESOLVED** that, to the extent required in terms of, and subject to the provisions of, section 45 of the Companies Act, the Board (or any person/s authorised by the Board to do so) is authorised from time to time during the period of 2 (two) years commencing on the date of this special resolution, to provide any direct or indirect financial assistance as contemplated in such section of the Companies Act to any 1 (one) or more related or inter-related companies of the Company and/or to any 1 (one) or more members of any such related or inter-related company and/or to any 1 (one) or more persons related to any such company, on such terms and conditions as the Board, or any one or more persons authorised by the Board from time to time for such purpose, deems fit, subject to the following:

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

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

- immediately after providing the financial assistance, the Company will satisfy the solvency and liquidity tests in the Companies Act; and
- the terms under which the financial assistance is proposed to be given are fair and reasonable to the Company."

Reason for and effect of Special Resolution Number 2

Reason for and effect of this special resolution is to grant the Board the authority to provide, at any time and from time to time during the period of 2 (two) years commencing on the date on which special resolution number 2 is adopted, any direct or indirect financial assistance as contemplated in section 45 of the Act to any one or more related or inter-related companies of the Company and/or to any one 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 tests as referred to in section 45(3)(b)(i) of the Companies Act, and

(ii) the terms under which such financial assistance is to be given are fair and reasonable to the Company as referred to in section 45(3)(b)(ii) of the Companies Act.

SPECIAL RESOLUTION NUMBER 3 – GENERAL AUTHORITY TO REPURCHASE SECURITIES ("GENERAL AUTHORITY")

"**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 AGM is required for the general authority to become effective.

Reason and effect for special resolution number 3

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 tests were 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 139;
- Share capital of the Company on page 138.

SPECIAL RESOLUTION NUMBER 4 – AUTHORITY TO PROVIDE FINANCIAL ASSISTANCE FOR THE SUBSCRIPTION OF SHARES IN TERMS OF SECTION 44 OF THE COMPANIES ACT (TO BE READ IN CONJUNCTION WITH THE GROUP SOCIAL AND ETHICS REPORT ON PAGES 52 TO 55 AND NOTE 38 TO THE ANNUAL FINANCIAL STATEMENTS ON PAGE 160.

Whereas

1. YTI, the investment company of the Hollard Foundation Trust, has or will borrow an amount of up to R89.5 million, including accrued interest, in order to fund the acquisition by YTI of ordinary shares in the issued share capital of the Company ("Ordinary Shares").
2. The Loan will be repaid by YTI out of the subscription proceeds from the issue of cumulative redeemable non-participating preference shares ("Preference Shares") in YTI to Depfin, which is a wholly-owned subsidiary of Nedbank.
3. YTI already holds an interest in the Company's ordinary shares and has been supported in respect of the acquisition of those shares by the Company through the issue of guarantees. YTI has again requested the Company's support in respect of its acquisition of the ordinary shares referred to above and the financing thereof, which the Company is willing to provide as it considers the BBBEE credentials of YTI to be valuable to the Company's empowerment strategy.
4. YTI will be entering into a suite of agreements and related documents with Depfin in relation to the issue of the Preference Shares including but not limited to a subscription agreement and a pledge and cession in respect of the Ordinary Shares (collectively the "Related Documents");
5. YTI is not a related party vis a vis the Company.

Resolved that the Company be and is hereby authorised, subject to compliance with the requirements of section 44 of the Companies Act and the Company's MOI, to

(i) enter into the Related Documents; and

(ii) authorise the Company to provide financial assistance by way of the issue of an on demand guarantee for an amount not exceeding R89.5 million in aggregate to Depfin as security for the obligations of YTI to Depfin:

a. in respect of the Preference Shares; and

b. under the Related Documents.

("Guarantee")

Notice of Annual General Meeting continued

REASON AND EFFECT FOR SPECIAL RESOLUTION NUMBER 4

The reason for and effect of the proposed special resolution is to provide authority to the Company as required by section 44 of the Companies Act, to issue the Guarantee to Depfin.

The maximum aggregate liability of the Company under the Guarantee would be R89.5 million, therefore the maximum overall net exposure of the Company to Depfin that could result from a breach of the Depfin covenant, is limited to R89.5 million.

As required by section 44 of the Companies Act, the Board cannot approve the resolution to authorise the granting of the Guarantee unless the Board of the Company is satisfied that:

- immediately after providing such financial assistance, the Company will satisfy the solvency and liquidity tests as contemplated by the Act. In this regard the Board previously considered the position and was satisfied as required by section 44 that the Company, when issuing the full Guarantee will be solvent and liquid; and
- the terms under which such financial assistance is proposed to be given in terms of section 44 are fair and reasonable to the Company. In this regard shareholders are reminded that **YTI will be acquiring the shares in the Company as a BBBEE initiative to boost the Company's empowerment credentials.** The Board considers that the financial assistance is fair and reasonable to the Company.

The percentage of voting rights which will be required for that resolution to be adopted is 75% of those present and voting.

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 resolutions 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

16 September 2019

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.
"AEDO"	Authenticated Early Debit Order
"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
"BR Scheme"	The Clientèle Limited Bonus Rights Scheme, approved by shareholders at the AGM on 30 October 2012.
"BR"	Bonus Right
"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.
"CBC"	Clientèle Benefits Company Proprietary Limited (Registration number 2016/195907/07), a private company incorporated in South Africa, previously known as Switch2 Cover Proprietary Limited
"Clientèle" or "the Company"	Clientèle Limited (Registration number 2007/023806/06), a public company incorporated in South Africa
"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

Definitions and Interpretations continued

"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
"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
"FIC"	Financial Intelligence Centre
"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
"GSD"	Government Salary Deduction
"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
"IBNR"	Incurred But Not Reported
"ICC"	The Internal Controls Committee of the Group
"IFA/IFAs"	Independent Field Advertisers, independent contractors of Clientèle Life
"IFCC"	The Internal Financial Controls Committee of the Group
"IFRS"	International Financial Reporting Standards
"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
"IRBA"	The Independent Regulatory Board for Auditors
"IT"	Information Technology
"JSE"	JSE Limited (Registration number 2005/022939/06), a South African incorporated public company and licensed as an exchange under the Financial Markets Act, Act 19 of 2012
"Life Excom"	The Executive Committee of Clientèle Life
"King 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
"PPR"	Policyholder Protection Rules, prescribed under section 62 of the Long-term Insurance Act and Section 55 of the Short-term Insurance Act.
"PVIF"	Present Value of In-force business
"RDR"	Risk Discount Rate

Definitions and Interpretations continued

“REVE”	Recurring Embedded Value Earnings
“ROEV”	Return on EV
“SAM”	Solvency Assessment and Management
“SAP”	Standards of Actuarial Practice, issued by the Actuarial Society of South Africa
“SARS”	The South African Revenue Service
“SARs”	Share Appreciation Rights, as defined in the SAR Scheme
“SAR Scheme”	The Clientèle Limited Share Appreciation Rights Scheme, approved by shareholders at the AGM during January 2007. The last exercise on the Scheme was done in February 2019.
“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
“Switch2”	Switch2 Cover, a division of Clientèle Life
“TCAR”	Termination Capital Adequacy Requirement
“TCF”	Treating Customers Fairly
“TCW”	Treating Clients Well
“TEW”	Treating Employees Well
“Valuations”	see ‘Actuarial Valuations’
“VNB”	Value of New Business
“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 2019 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: Bonge Yandiswa Mkhondo			
3. Rotation of a Director: Pheladi Raesibe Gwanga			
4. Rotation of a Director: Iain Bruce Hume			
5. Rotation of a Director: Phethedi Gideon Nkadimeng			
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: Gavin Quentin Routledge			
10. General approval for the issue of authorised but unissued shares			
11. 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 2020 and 30 June 2021			
2. Approval of section 45 related or inter-related company financial assistance			
3. Approval of general authority to repurchase securities			
4. Approval of section 44 financial assistance for the subscription of shares			

Dated this day of ______________________________ 2019

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 the holder's or his/her 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/she 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:
    Rosebank Towers
    15 Biermann Ave
    Rosebank
    Johannesburg
    2196

    Postal deliveries:
    PO Box 61051
    Marshalltown
    2107

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 2019
Dividend declaration	21 August 2019
Final results announcement	26 August 2019
Dividend payment	23 September 2019
Publication of Integrated Annual Report	27 September 2019
AGM	30 October 2019

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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COMPANY SECRETARY

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