INTEGRATED ANNUAL REPORT

2016

Clientèle

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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 of Clientèle Limited on page 72).

Our Vision, Purpose and Values

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.

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

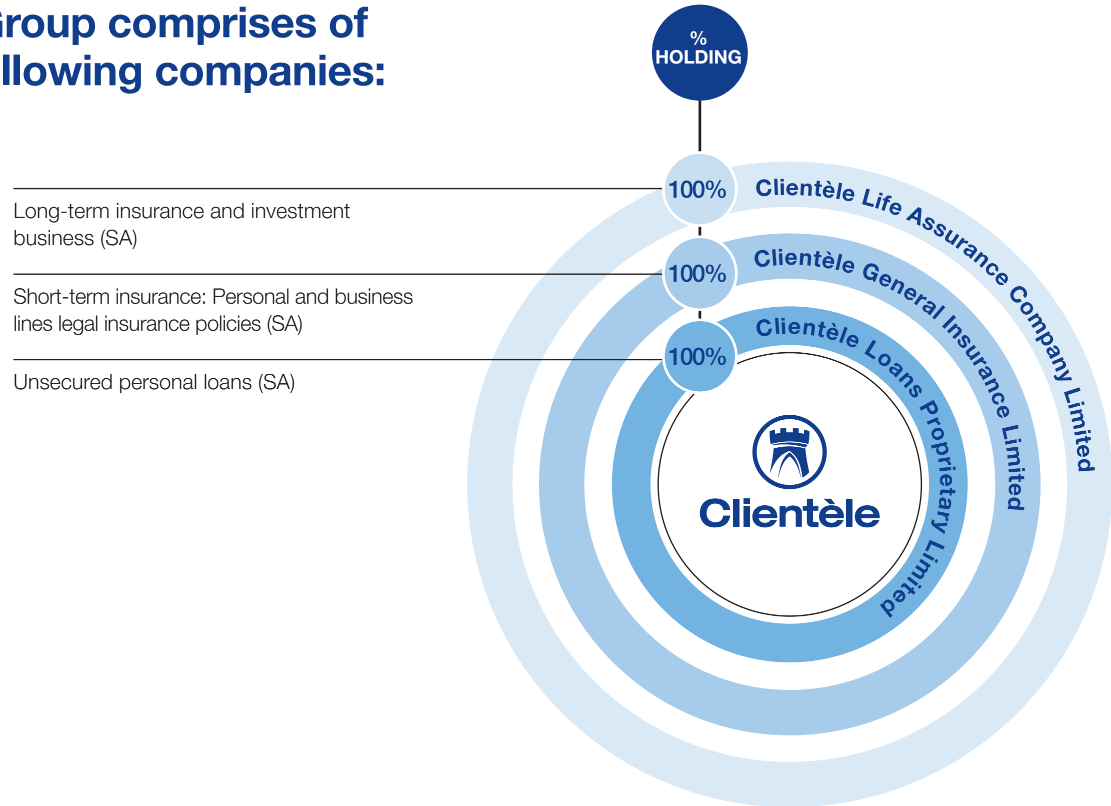
PASSION
Approaching every task with determination, energy and commitment.

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

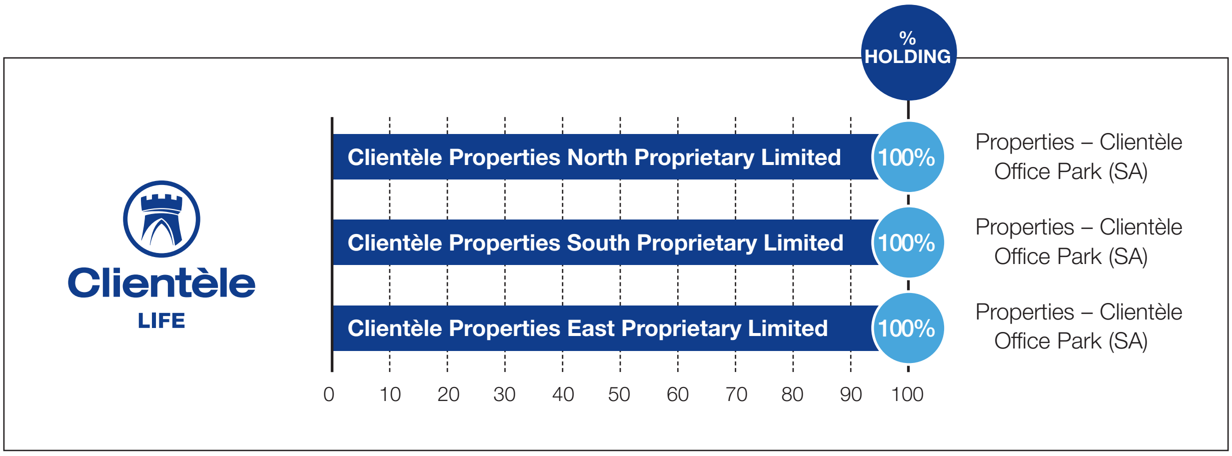
INTEGRITY
Adhering to high moral standards and being honest in all that we do.

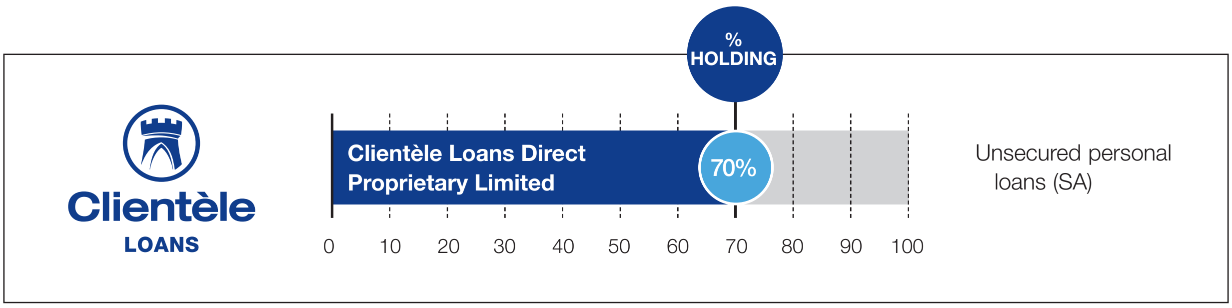
Group Structure

The Group comprises of the following companies:



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

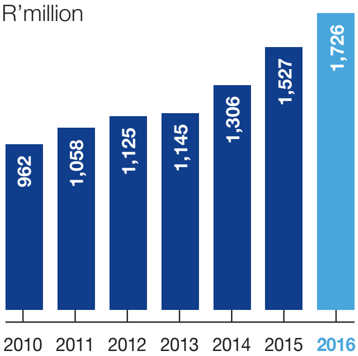




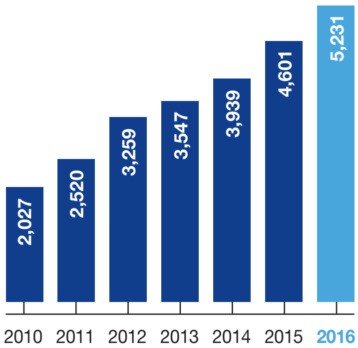
Clientèle General Insurance does not have subsidiaries.

Seven Year Statistics

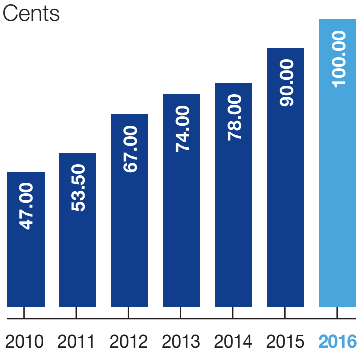
NET INSURANCE PREMIUMS
R'million



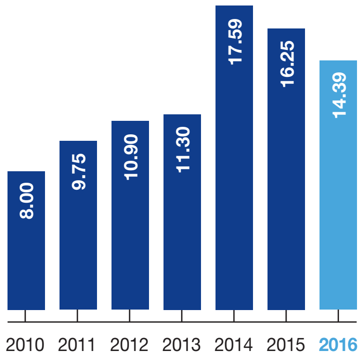
EMBEDDED VALUE
R'million



DIVIDENDS DECLARED PER SHARE
Cents



SHARE PRICE
Rands



30 June	2010	2011	2012	2013	2014	2015	2016
Net profit for the year (R'000)	148,459	217,093	260,069	293,406	306,516	364,391	**414,721**
Earnings per share (cents)	49.37	67.01	79.60	89.45	93.64	109.66	**123.98**
Headline earnings per share (cents)	49.31	61.65	78.89	89.62	93.58	109.33	**124.00**
EV per share (cents)	626.46	777.95	997.55	1,081.27	1,196.38	1,391.68	**1,576.42**
Return on average shareholders' interests	54%	59%	65%	65%	60%	56%	**55%**
Total distributions declared (R'million)	152	173	218	242	256	297	**332**
VNB (R'millions)	353	458	365	302	638	718	**660**
Recurring Return on EV (%)	26%	32%	26%	21%	24%	30%	**23%**
Recurring EV Earnings (R'million)	417	593	602	636	805	1,098	**1,002**

Chairman's Statement

There has been much written and spoken about "the new normal", a term I used myself last year in describing the challenges that Clientèle and most other companies are facing, not only in South Africa but around the world.

A year later I have changed my mind – the current situation is not a new normal but an extended transition from the world as we knew it to an, as yet, unclear and uncertain future world.

The world is in a dynamic and damaging struggle of reinvention or rebirth - parts of the world are attempting to move forward with globalisation and open borders while others are trying to back-pedal towards greater nationalism and autonomy. The "We vs They" debate is once again in full swing.

What has triggered this global phenomenon and what will be the outcome? Few brave, or even foolish people, wish to venture a response to these questions. The symptoms are apparent but the underlying condition or disease is not.

Terror attacks and civil unrest have caused fear across the globe combined with an upsurge in racism in areas as diverse as the USA, Europe, the UK and South Africa. This has resulted in the mass migration of people desperate to find safety from conflict, repression, investor alarm, falling business confidence and has contributed to a stagnant world economy. Against this backdrop, we have witnessed the seemingly senseless vote to Brexit, the Hobson's Choice for the next President of the USA and the poor performance of the ANC in the local government elections – what next?

The way ahead looks murky, to say the least, with many rocks and icebergs in the path, it also seems likely that nothing significant will happen in a hurry with much posturing and procrastination on all sides. It seems clear that South Africa is unable to influence global events in any meaningful way so we need to watch events transpire and adapt to the changing environment as quickly and positively as we are able.

On the local front, given the lethargic state of the economy and the shift in the political dynamic, we are unlikely to witness any dramatic changes in the status quo for the next year or so but that does not mean that it is business as usual.

Consumers in South Africa, particularly in Clientèle's target market, are under pressure and will remain so. Many are struggling with low incomes, which are both variable and volatile and when expenses exceed available income they are faced with some tough choices.

In the past, many consumers resorted to loans to manage these situations but following the collapse of African Bank, lending criteria have been tightened and the loss of the largest provider of unsecured loans has made access to credit by the lower to middle income groups more difficult. This means that increasingly consumers are defaulting on their obligations (often in respect of their repayment of existing unsecured

Chairman's Statement continued

loans and payment of premiums on their insurance policies, which they tend to treat as discretionary cash flow) in order to cover other expenses which they regard as non-discretionary such as food, travel costs to work, clothes for their children, education and even airtime.

One can hardly fault consumers on making some of these choices but the consequences of defaulting on insurance premiums is often not fully understood by consumers. Because the consequences of defaulting on payment of a DStv subscription or a retail store account are almost immediately felt, (when the subscription is suspended and the TV goes blank or the store account is closed and no further purchases are allowed, combined with the strong likelihood that the consumer will be blacklisted resulting in an impaired credit reference and even greater difficulty in borrowing or opening other retail store accounts in the future), these liabilities are often settled in preference to insurance premiums.

The consequences of non-payment of insurance premiums may not have such immediately visible consequences but the effect is that premiums paid up to that date are lost, waiting periods for cover start again and should a loss or death occur at that time the consumer has no valid cover. These consequences are significant and can be devastating to consumers and their families.

At present this situation is being compounded by certain banks who, in the probably well-meaning but misguided belief that they are serving the best interests of their clients, are making it extremely easy for their account holders to dispute debit orders on their accounts and to claim back historic debit order payments. While this offers a service to their clients who have been subjected to rogue debit order operators, it can be a great disservice to their clients who now find it easy to manage their monthly cash flow by disputing any debit orders (including legitimate debit orders).

In the case of insurance policies this often results in them terminating these policies which they have owned and paid regularly for some years. This is also detrimental to Clientèle, which is committed to treating its policyholders well but now has to try and contact the policyholder, explain the consequences of the action taken and, in essence, attempt to resell the policy to the consumer with new waiting periods and potentially higher premiums based on the current age of the consumer.

Clientèle is trying to educate its policyholders on this and other topics to make them more financially aware and empowered and also to engage with the banks to ensure that the banks are aware of the unintended consequences of their actions to their clients.

A further challenge facing the insurance industry today is that financial services consumers are changing their behaviour and are becoming more technology savvy, they are looking for new products which meet their needs, are simple to understand and to buy and insurance companies are having to re-examine the way that insurance has been sold in the past and consider and develop new products to meet the changing needs of consumers and new marketing and sales channels to sell these products. There is no doubt that the future of financial services will look quite different to what it does now – these are exciting and challenging times.

While the shape of the future financial services sector is not clear, Clientèle is convinced of one thing, and that is that exceptional knowledge of our policyholders and our market segment combined with great service and securing the trust and confidence of those people will be a winning formula.

I have spoken before, on many occasions, about sustainability and its importance to Clientèle. This is a fundamental value for us, we are building a Group which will grow and add value to all our stakeholders over the long-term. In our view, business is a marathon, not a sprint, and consistency and long-term performance is our goal. While the economy is tough at present, we are building a business which will be positioned to take full advantage of the following winds that a growing economy will give us when the tide turns.

Increasing regulation is a concern for most Financial Services CEO's across the world and it is no different in South Africa. At Clientèle we have taken a decision to not only take on board fully and completely all governance requirements, but to seek to get value out of every aspect of governance, to gain benefit and not simply to comply. I would like to encourage the leaders of Government to do the same, to adhere to their oaths of office and commit wholeheartedly to the letter and the spirit of the Constitution in the interests of all South Africans. Unfortunately it seems that even compliance with the Constitution seems not to be high on some agendas.

It remains, therefore, for me to urge all South Africans to do what they can to change the course of events in our country, to act with care and compassion in all that they do and to be a positive force for change wherever they can. Recent events have shown that there are people willing to stand up and be counted, to demand accountability. If we want South Africa to be great we each need to carry this forward in our own way in our communities, these trickles will become a river and then a flood, which will drive positive change and one day an inclusive and better future for all in South Africa.

During the early part of this financial year Clientèle concluded an initial BBBEE transaction in terms of which YTI, a company owned by a broad-based charitable trust, acquired an initial 3,9% interest in Clientèle. This constitutes the first step in a project started some years ago to evaluate the best and most sustainable way that Clientèle could extend its transformation and empowerment initiatives into the area of share ownership. YTI is associated with the Hollard Group and its objectives resonate with the intentions and objectives of Clientèle in terms of being an agent for change and sustainable benefit to a broad spectrum of previously disadvantaged people - in the most part, young people. Clientèle is supportive of YTI's intent to increase its shareholding in Clientèle over time and by the end of the financial year, YTI had acquired further shares in Clientèle by utilising bridging funding. Clientèle intends to support the refinancing of this bridging funding and details will be found in the Notice of the AGM contained in the Integrated Annual Report.

During the year the Group made further progress on our vision of being the most reliable and valued financial service provider to our target market with the intent of "Safeguarding your world… with compassion" so that our policyholders have peace of mind, no matter what.

NOTABLE EVENTS

- This year marks the eighteenth year that Clientèle has increased profits, by more than GDP growth, from the year before. It is my understanding that Clientèle is the only company listed on the JSE that can make this claim.
- Clientèle was ranked seventh in the Consumer Long-term Insurance brands in the 2016 Sunday Times brand report.
- Clientèle was ranked 4th in the Investment and Insurance Industry category of the 2015 Mail & Guardian's Top Company Reputation Index.

RESULTS

In the year ended 30 June 2016, Clientèle surpassed the results that it achieved in 2014 but, other than in respect of growth in profits and dividends, marginally underperformed the record results achieved in 2015. While the results did not meet our high expectations, we are nevertheless satisfied with the results given the tough economic conditions.

FUTURE PROSPECTS

The Group continues to evaluate new products and distribution channels to cater for the changing needs and demands of our target market and will implement developments at an appropriate time.

Clientèle General has come of age and has had a very good year, we see a growing contribution from this area of the Group into the future.

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

APPRECIATION

At the end of August 2016, Clientèle said farewell to Gavin Soll who retired from the Board having spent many years with Clientèle. He started as Financial Director before being appointed as Managing Director, which role he played for many years, adding enormous value to Clientèle before stepping down as an Executive Director and moving to the role of Deputy Chairman. I am personally very appreciative of the close working relationship I have had with Gavin over the years and applaud the huge contribution he has made to the Group over the years. We wish him well in his future endeavours.

During the year we welcomed Mrs Bonge Mkhondo to the Board of Clientèle and also the Boards of Clientèle Life and Clientèle General and we welcomed Ms Dineo Molefe to the Board and the Audit Committee of Clientèle as well as the Board of Clientèle Life; I have no doubt that both Bonge and Dineo will add great value in these roles for many years to come.

I once again thank all the members of the Board, the management team, the employees and the IFAs for their hard work in difficult circumstances this year, their resilience and determination are both commended and appreciated. Thank you all.

Gavin Routledge
14 September 2016

Group Managing Director's Report

On the back of record results in the previous financial year, the current financial year's results are pleasing given the on-going tough economic environment. Furthermore, the consolidation that has occurred provides a strong platform for the Group to grow from.

THE YEAR IN PERSPECTIVE

The current challenging economic environment, with flat GDP growth in 2016, continues to negatively affect Clientèle's target market. Marginally lower new business volumes for the year and higher withdrawals than expected in the second half of the year, have impacted the Group results for the year. At the same time investment markets have been, and continue to be, characterised by volatility and poor returns. The increase in RDR since June 2015 has also negatively impacted the Group EV results. Taking into account these factors, I am satisfied with the results that the Group has managed to achieve this year.

HIGHLIGHTS

FINANCIAL

Net insurance premiums increased by 13% to R1.7 billion, on the back of the production of good quality business in recent years and higher average premiums on new business, with a consequent diluted headline earnings per share increase of 14% on last year. Net insurance benefits and claims of R325.8 million (2015: R300.5 million) were 8% higher than the previous year.

Investment returns of R120.9 million (2015: R154.9 million) were 22% down on last year but were nevertheless better than the return on the ALSI.

Headline earnings for the Group increased by 14% to R410.6 million (2015: R360.6 million) which has resulted in a return on average shareholders' interest of 55% (2015: 56%).

The higher withdrawals and an increase in reinsurance rates, together with an increase in the RDR, negatively impacted our increase in Group EV, which nevertheless increased from R4.6 billion to R5.2 billion. REVE were also impacted and reduced by 9% to R1 billion (2015: R1.1 billion).

The VNB has been negatively impacted by the increase in the RDR to 12.1% (2015:11.8%) and this, together with the factors referred to above, have resulted in a decrease in VNB of 8% to R660.3 million (2015: a record R717.6 million).

New business profit margins have declined to 26.5% (2015: 28.9%).

The Group follows a conservative accounting practice of eliminating negative reserves. As acquisition costs are expensed upfront, the recovery of these costs and profits are deferred over the policy life. The present value of this discretionary margin amounts to R2.8 billion (2015: R2.5 billion).

The RDR calculation is comprehensively explained in the Statement of Group Embedded Value and a sensitivity analysis is also provided.

NON-FINANCIAL

Vision and brand purpose

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

The Group launched a new range of products during the year (the Ultimate range), which is made up of enhanced versions of most of the Group's key products (e.g. Funeral and Hospital). This is a range of products which we are exceptionally proud of and believe furthers our stated aim of Treating our Customers Well at all times. Under the Ultimate range of products, policyholders will receive all of their premiums back in the event of a valid insurance claim. This provides exceptional value to loyal policyholders who pay their premiums month in and month out.

Governance and King III

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

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

Since King III came into effect 6 years ago, the Group has endeavoured to apply the principles of King III in a practical manner, and in 2016 the Group continued to review its practices based on these principles. Where King III practices or principles are not applied in the business, this is explained in the Integrated Annual Report and, where necessary, other management actions and controls are put in place to ensure sound governance.

The introduction of the draft King IV code of governance in March 2016 reiterated the importance of embedding governance principles in the core business. A task team at Clientèle is assessing the impact of the requirements and putting plans in place to ensure timely compliance.

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

RISK MANAGEMENT

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

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

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

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

BBBEE

Following on the successful implementation of the BBBEE transaction concluded early in the 2016 financial year whereby YTI purchased 12,963,747 shares in Clientèle from Old Mutual, Clientèle is in the process of facilitating a further BBBEE transaction through the purchase by YTI of Clientèle shares in the open market. The mechanics of the deal are that YTI has, or will, borrow(ed) an amount of up to R223 million, including accrued interest, in order to fund the acquisition of R190 million worth of ordinary shares in the issued share capital of the Company.

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

Group Managing Director's Report continued

Employment Accelerator which is focussed on addressing youth unemployment, PILO and FUEL which focus on improving learning outcomes and feeding in public schools, and Kago Ya Bana and Smartstart which are driving large scale provisions of Early Childhood Development.

Nedbank is, once again, financing the transaction and, as security, will require a guarantee from Clientèle. This guarantee will be up for approval by Clientèle's shareholders in terms of section 44 of the Companies Act (granting of financial assistance) at the Clientèle AGM on 27 October 2016. The gross value of the guarantee required from Clientèle is R223 million. A back-to-back guarantee from HSBC has been arranged whereby Clientèle will be liable for claims by Nedbank in respect of any breach of the terms of the funding agreements by YTI up to an amount of R155 million, after which HSBC will cover the balance of any claim. Accordingly, the net guarantee from Clientèle relating to this second transaction is limited to R155 million. Clientèle will have the right to cancel the back-to-back agreement with HSBC, at its discretion, in the future. Details of the guarantee provided for the first transaction were contained in my report last year and approved at a Special General Meeting on 20 January 2016.

CORPORATE SOCIAL INVESTMENTS

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

- **Education:** Since the inception of the Clientèle Bursary Scheme in 2009, Clientèle has awarded 87 bursaries worth up to R60,000 per annum each to children of IFAs and staff. Clientèle funds and administers the bursary process which includes selection, interviews, payments, liaison with institutions and students. The process of establishing formal mentorship support to the bursary holders is underway.
- **Child and Youth Care Centres:** Clientèle supports a number of children's homes and charities that take care of the Youth. Charities that we support include:
  - Ekupholeni which is situated in Ekurhuleni. This charity provides psychological support to the youth;
  - The Starfish initiative which helps to develop youth in career and life skills;
  - The Sithabile Child and Youth centre situated in Ekurhuleni.
- **Community Development:** Clientèle continues to support and participate in various community development projects. These include:
  - Mandela Day activities;
  - Cancer Awareness campaigns; and
  - Blood donation campaigns.
- **Annual employee giving:** Every year, Clientèle staff donate monetary contributions through payroll. This year, the contributions from staff were used to donate 450 pairs of school shoes to various primary schools in Gauteng.
- The annual **Winter Warmer** campaign where staff donate blankets and clothes to charities supported by the Group continues to be a success.

BUSINESS SEGMENTS

CLIENTÈLE LIFE – LONG-TERM INSURANCE

Clientèle Life's long-term insurance segment remains the major contributor to the Group's performance. It accounts for 78% (2015: 84%) or R517.0 million (2015: R602.3 million) of the Group's R660.3 million (2015: R717.6 million) VNB and recorded REVE of R763.3 million (2015: R911.4 million) for the year. The segment generated R342.5 million (2015: R303.6 million) net profit for the year, an increase of 13%.

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

Clientèle Legal's VNB of R138.5 million (2015: R111.4 million) increased by 24% due to good quality new business volumes for most of the year. Clientèle Legal recorded REVE of R232.4 million (2015: R184.4 million), a commendable increase of 26%, and generated an 18% increase in net profit for the year to R55.6 million (2015: R47.0 million).

CLIENTÈLE LOANS DIRECT

The entire CLD book consisting of all advances written up to 15 February 2013 has been sold and has resulted in a reversal of previous impairments. Advances subsequent to 16 February 2013 were concluded by way of a PSA with WesBank and Direct Axis. These unsecured personal loans are on Wesbank's SOFP and Clientèle will share in profits when the PSA is in a cumulative net profit position.

NEW BUILDING

Due to the significant expansion of the Group during the last few years, the Group's wholly-owned property subsidiaries completed the development of a new office building, parking structure and front entrance within the existing Clientèle Office Park. The capitalised costs of the development amounted to R213.0 million. The building was occupied in the middle of the year and has provided significant room for expansion. It is pleasing to be able to report that the building was completed on time and in budget.

DIVIDENDS

The Board has declared a dividend per ordinary share of 100.00 cents, an increase of 11% over last year's dividend per ordinary share of 90.00 cents.

OUTLOOK

The main challenges facing an insurance company operating in our target market during tough economic times are:

- Writing sufficient good quality new business; and
- Managing premium collections and withdrawals.

Both of these are specific focus areas for the Group at present particularly given the external environment.

Management's immediate focus is on managing the recent increase in withdrawals with the aim of returning these to expected levels. The Board is solidly behind Management in this endeavour and will continue to focus on a deeper understanding of customer needs and behaviour, customer service and the production of quality and sustainable business.

The Group is committed to providing products that are relevant and meet policyholder's needs and delivering these to the market conveniently and efficiently as well as creating and nurturing mutually beneficial partnerships with all its stakeholders that add value on a sustainable basis. The Board remains convinced that there are attractive opportunities for growth and value creation in the Group's target market.

APPRECIATION AND BOARD COMPOSITION

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

We appointed two new Non-executive Directors to the Board during the period (Ms Dineo Molefe and Mrs Bonge Mkhondo) and we look forward to them adding considerable value to Clientèle over time. My predecessor as Group MD, who was also the Non-executive Vice Chairman of the Board for the last couple of years, Mr Gavin Soll, has retired from the Board with effect from 31 August 2016. I would like to express my personal thanks to Gavin for all that he has done for Clientèle over the years and the guidance that he has provided me in my current role as Group Managing Director. As a Board, we wish Gavin all the very best for his future endeavours.

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

BW Reekie

Mr BW Reekie
14 September 2016

Corporate Governance

1. INTRODUCTION

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

Clientèle continually keeps abreast of new governance and risk management requirements as legislation evolves. During March 2016 the Institute of Directors issued the draft of the King IV Corporate Governance Report. A task team at Clientèle was established to assess the potential impact of these principles of good governance and put in plans to address areas requiring attention in order to ensure compliance with King IV by the estimated effective date of 1 November 2016. 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 and sense of accountability, responsibility, independence, reporting, communication and transparency, both internally and with all key external stakeholders.

With King III still being effective at the year-end, the Group continually aims for King III compliance as far as is practical and appropriate in the context of the Group, despite the recommendations being aspirational and advisory and not mandatory.

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

The following report serves to provide information on the extent of compliance with the principles of sound governance, as provided by King III, during the 2016 financial year:

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

	Principle	Application or reason for non-compliance
5	The Board should ensure that the Group's ethics are managed effectively.	Refer to section A. The Board reviews the Group's code of ethics on an annual basis and satisfies itself that the Group is governed by these principles.
6	The Board should ensure that the Group has an effective and independent Audit Committee.	Refer to section C.
7	The Board should be responsible for the governance of risk.	Refer to section D.
8	The Board should be responsible for IT governance.	Refer to section E.
9	The Board should ensure that the Group complies with applicable laws and considers adherence to non-binding rules, codes and standards.	Refer to section F.
10	The Board should ensure that there is an effective risk-based internal audit.	Refer to section G.
11	The Board should appreciate that stakeholders' perceptions affect the Group's reputation.	Refer to section H.
12	The Board should ensure the integrity of the Group's Integrated Annual Report.	Refer to section I.
13	The Board should report on the effectiveness of the Group's system of internal controls.	Refer to section L.
14	The Board and its Directors should act in the best interest of the Group.	The Directors act in the best interest of the Group by, amongst other actions, disclosing conflicts where they exist, dealing in securities only as allowed by internal policies and by adhering to legal standards of conduct. Where required, they are permitted to take independent advice at the cost of the Group.
15	The Board should consider business rescue proceedings or other turnaround mechanisms as soon as the Group is financially distressed as defined in the Companies Act.	Refer to section J.
16	The Board should elect a Chairman of the Board who is an Independent Non-executive Director. The Managing Director of the Group should not also fulfil the role of Chairman of the Board.	The Board has elected an Independent Non-executive Chairman who has been assessed and declared as Independent. The Managing Director and the Chairman are two separate individuals.
17	The Board should appoint the Managing Director and establish a framework for the delegation of authority.	The Board formally confirms the appointment of the Managing Director on an annual basis and ensures that the role of the Managing Director is formalised and his performance evaluated against specified criteria. The Board has established Committees to which certain responsibilities and authorities are delegated. (refer to the Terms of Reference of the Board and its Committees and Sub-committees on pages 20 to 38).
18	The Board should comprise a balance of power, with a majority of Non-executive Directors. The majority of Non-executive Directors should be Independent.	There are presently seven Non-executive Directors (ten Directors in total) of which six have been assessed and declared as Independent.

Corporate Governance continued

	Principle	Application or reason for non-compliance
19	Directors should be appointed through a formal process.	Directors are formally appointed, and rotated for re-election by the shareholders at the AGM. The appointment of Directors is a function of the Board as a whole.
20	The induction of and on-going training and development of Directors should be conducted through formal processes.	New Directors are suitably trained through formal induction and mentorship programmes. Directors are kept up to date through regular briefings and continuing professional development initiatives.
21	The Board should be assisted by a competent, suitably qualified and experienced Group Secretary.	The Board is assisted by a competent, suitably qualified and experienced Group Secretary who complies with the requirements set out in the Companies Act.
22	The evaluation of the Board, its Committees and the individual Directors should be performed every year.	The required evaluations are conducted on an annual basis with the feedback being addressed at the appropriate level thereafter.
23	The Board should delegate certain functions to well-structured Committees but without abdicating its own responsibilities.	The appropriate Committees are duly constituted and each has formulated Terms of References that are reviewed annually. These Committees provide feedback to the Board throughout the year.
24	A governance framework should be agreed between the Group and its subsidiary Boards.	A governance framework is established between the Group and the subsidiary Boards. Subsidiaries and their activities are appropriately discussed at all Group Board Committee and sub-committee meetings.
25	Companies should remunerate Directors and Executives fairly and responsibly.	Refer to section N.
26	Companies should disclose the remuneration of each individual Director and certain Senior Executives.	Refer to section N.
27	Shareholders should approve the Group's remuneration policy.	Refer to section N.
SECTION C: GROUP AUDIT COMMITTEE		
28	The Board should ensure that the Group has an effective and Independent Group Audit Committee.	The Board evaluates the effectiveness and independence of the Group Audit Committee on an annual basis. The Group Audit Committee met six times in the 2016 financial year and also met with GIA and the External Auditors without management being present.
29	Group Audit Committee members should be suitably skilled and experienced Independent Non-executive Directors.	The Group Audit Committee members are suitably skilled and experienced Independent Non-executive Directors. Mr GQ Routledge (Independent, Chairman of the Board of Directors) is presently being retained as a Group Audit Committee member due to the value derived from his wealth of experience and knowledge of the business.
30	The Group Audit Committee should be chaired by an Independent Non-executive Director.	The Group Audit Committee is chaired by an Independent Non-executive Director, Mr BA Stott, whose independence has been both formally declared and assessed. The Chairman of the Group Audit Committee attends the AGM and any other shareholders meetings.
31	The Group Audit Committee should oversee integrated reporting.	The Group Audit Committee has established and delegated the responsibility to a sub-committee to review all contents of the Integrated Annual Report. The Group Audit Committee is ultimately responsible for the content and integrity of the Integrated Annual Report and recommending it to the Board for final approval.

	Principle	Application or reason for non-compliance
32	The Group Audit Committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities.	The Group Audit Committee monitors the relationship between the external assurance providers and the Group and ensures that combined assurance is given to address all the significant risks facing the Group.
33	The Group Audit Committee should satisfy itself of the expertise, resources and experience of the Group's finance function.	The finance function is reviewed and assessed on an annual basis. This is appropriately disclosed in the Integrated Annual Report, on page 63.
34	The Group Audit Committee should be responsible for overseeing the internal audit function.	The Group Audit Committee is responsible for the performance management of the CAE, approval of the GIA plan and ensuring the GIA audit function is subject to an independent quality review as and when the Group Audit Committee deems appropriate.
35	The Group Audit Committee should be an integral component of the risk management process.	The Group Risk Committee, Group ICC and Group IFCC formally report at the Group Audit Committee meetings on a quarterly basis.
36	The Group Audit Committee is responsible for recommending the appointment of the External Auditor and overseeing the external audit process.	The Group Audit Committee nominates the External Auditor for appointment at the AGM; approves the terms of engagement and fees for the external audit engagement; monitors and reports on the independence of the External Auditor; defines a policy for non-audit services provided by the External Auditor and approves the contracts for non-audit services; is informed of any reportable irregularities identified and reported by the External Auditor and reviews the quality and effectiveness of the external audit process.
37	The Group Audit Committee should report to the Board and shareholders on how it has discharged its duties.	The Group Audit Committee reports internally to the Board, externally to shareholders at the AGM and makes adequate disclosure in the Integrated Annual Report. Refer to pages 61 to 63.
SECTION D: THE GOVERNANCE OF RISK		
38	The Board should be responsible for the governance of risk.	The Board is aware of the responsibility and has established a Group Risk Committee to aid the governance thereof.
39	The Board should determine the levels of risk tolerance.	The Board has established the risk levels that it will tolerate versus the risk that it is not willing to take i.e. risk appetite.
40	The Group Risk Committee or the Group Audit Committee should assist the Board in carrying out its risk responsibilities.	The Group Audit and Group Risk Committees both assist the Board in its responsibility for the governance of risk.
41	The Board should delegate to management the responsibility to design, implement and monitor the risk management plan.	The Board has delegated to management the responsibility to design, implement and monitor the risk management plan.
42	The Board should ensure that risk assessments are performed on a continual basis.	The Group Risk Committee met four times during the 2016 financial year, which included discussions of the risk assessments and risk framework and methodology.
43	The Board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks.	The Group Risk Committee has ensured that the risk assessment framework and methodology increases the probability of anticipating unpredictable risks.
44	The Board should ensure that management considers and implements appropriate risk responses.	The Group Risk Committee reports to the Board on a quarterly basis at the Board meetings. The Group Risk Committee has ensured that management considers and implements the appropriate risk responses.

Corporate Governance continued

	Principle	Application or reason for non-compliance
45	The Board should ensure continuous risk monitoring by management.	The Group Risk Committee reports to the Board on a quarterly basis at the Board meetings and includes a review of the risk monitoring by management.
46	The Board should receive assurance regarding the effectiveness of the risk management process.	The Group Risk Committee provides the required assurance with regard to the risk management process to the Board on a quarterly basis at the Board meetings.
47	The Board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders.	Refer to the Risk management report on pages 88 to 114.
SECTION E: THE GOVERNANCE OF IT		
48	The Board should be responsible for IT governance.	The Board has an established Group IT Steering Committee to assist in its IT Governance responsibilities. The IT governance framework and IT Policy framework supports effective and efficient management and decision making around the utilisation of IT resources to facilitate the achievement of the Group's objectives and the management of IT-related risk. The Group IT Steering Committee has a Terms of Reference, policies, decision-making structures, accountability framework, IT reporting and an IT risk and controls framework.
49	IT should be aligned with the performance and sustainability objectives of the Group.	The Board ensures that the IT strategy is integrated into the Group's strategic and business processes and that IT adds value to the Group objectives. The Quarterly IT prioritisation committee ensures that each IT initiative aligns with Group Objectives.
50	The Board should delegate to management the responsibility for the implementation of an IT governance framework.	The Board has an established Group IT Steering Committee reporting to Group Excom. The IT governance framework is included in the Terms of Reference of this Committee.
51	The Board should monitor and evaluate significant IT investments and expenditure.	The Board ensures that the information and intellectual property contained in the information systems are protected. The Board is responsible for ensuring good governance principles are in place for the acquisition of IT goods and services and these principles are formally approved by the Board annually. IT management ensure good project portfolio management principles are applied.
52	IT should form an integral part of the Group's risk management.	IT risk management includes disaster recovery planning, participation in business continuity processes, IT legal risks, compliance with laws, rules, codes and standards which is an integral part of the Group's risk management.
53	The Board should ensure that information assets are managed effectively.	The Board, through the Group IT Steering Committee and the Data Governance sub-committee, ensures that processes have been established to ensure information assets are effectively managed.

	Principle	Application or reason for non-compliance
SECTION F: COMPLIANCE WITH LAWS, RULES, CODES AND STANDARDS		
54	The Board should ensure that the Group complies with applicable laws and regulations and considers adherence to non-binding rules, codes and standards.	Refer to the Corporate Governance Report in the Integrated Annual Report (pages 11 to 41). 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 to review complex regulatory matters.
55	The Board and each individual Director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the Group and its business.	Directors are suitably qualified and trained through formal induction and mentorship programmes. Directors are kept up to date through regular briefings and continuing professional development initiatives.
56	Compliance should form an integral part of the Group's risk management process.	A Compliance function is established within the Group and forms an integral part of the Group's risk management process. The Board receives reports on compliance at quarterly meetings.
57	The Board should delegate to management the implementation of an effective compliance framework and processes.	A suitably qualified Compliance Officer is appointed as well as the establishment of a Compliance Department. Compliance is achieved through integration with business/organisational processes, ethics and culture.
SECTION G: INTERNAL AUDIT		
58	The Board should ensure that there is an effective risk-based Internal Audit function.	An independent, effective, risk-based GIA function exists within the Group, which conforms with the International Standards for the Professional Practice of Internal Auditing.
59	Internal Audit should follow a risk-based approach to its plan.	GIA's planning is aligned to the strategy of the Group. The CAE attends the Group Audit Committee, Group Risk Committee, Group SAM Committee, Group ICC and Group IFCC meetings by invitation, and GIA follows a risk-based approach to its plan.
60	Internal Audit should provide a written assessment of the effectiveness of the Group's system of internal controls and risk management.	Refer to the Board Report on the Effectiveness of Internal Controls in the Integrated Annual Report (page 42).
61	The Group Audit Committee should be responsible for overseeing Internal Audit.	GIA is accountable to and reports to the Group Audit Committee on a quarterly basis. The CAE reports functionally to the Chairman of the Group Audit Committee.
62	Internal Audit should be strategically positioned to achieve its objectives.	GIA planning is aligned to the strategy of the Group. The CAE attends the Group Audit Committee, Group Risk Committee, Group SAM Committee, Group ICC and Group IFCC meetings by invitation. The CAE meets with members of management on an on-going basis.

Corporate Governance continued

Principle		Application or reason for non-compliance
SECTION H: GOVERNING STAKEHOLDER RELATIONSHIPS		
63	The Board should appreciate that stakeholders' perceptions affect a Group's reputation.	The Board appreciates that close relationships with stakeholders should be maintained and that stakeholder perceptions affect the Group's reputation. The Board has identified the stakeholders and has formalised the stakeholder relationships processes with management.
64	The Board should delegate to management to proactively deal with stakeholder relationships.	The Board has identified the stakeholders of the Group and has formalised the stakeholder relationships processes.
65	The Board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the Group.	The Board takes account of the legitimate interests and expectations of all of its stakeholders in decision-making in the best interests of the Group.
66	Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence.	The Board has adopted communication guidelines that support a responsible stakeholder communication programme.
SECTION I: INTEGRATED REPORTING AND DISCLOSURE		
67	The Board should ensure the integrity of the Group's Integrated Annual Report.	The Group has controls to enable it to verify and safeguard the integrity of its Integrated Annual Report and the Board has delegated the responsibilities to the Group Audit Committee to evaluate the disclosure. A sub-committee of suitably qualified Executives has been appointed to oversee the preparation of the Integrated Annual Report.
68	Sustainability reporting and disclosure should be integrated with the Group's financial reporting.	Refer to the Group Social and Ethics Report in the Integrated Annual Report on pages 58 to 60.
69	Sustainability reporting and disclosure should be independently assured.	The Group is committed to implement independent assurance of this function when it is practical to do so.
SECTION J: BUSINESS RESCUE		
70	The Board should consider business rescue proceedings or other turnaround mechanisms as soon as the Group is financially distressed as defined in the Companies Act.	Not applicable at present, however, the Board (on an annual basis) formally receives and reviews reports supporting the assertion that all companies in the Group are going concerns and where applicable comply with solvency levels approved by the Boards. The Statutory Actuary of each of the insurance companies confirms the financial soundness of the companies in writing.
SECTION K: ALTERNATE DISPUTE RESOLUTION		
71	The Board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible.	The Board adopts formal dispute resolution processes for internal and external disputes and would select the appropriate individuals to represent the Group in an alternate dispute resolution.

	Principle	Application or reason for non-compliance
SECTION L: INTERNAL FINANCIAL CONTROLS		
72	The Board should report on the effectiveness of the Group's system of internal controls.	Refer to section G and I.
73	The Group Audit Committee should be an integral component of the risk management process.	The Group Risk Committee, Group ICC and Group IFCC formally report at the Group Audit Committee meetings on a quarterly basis. The Group Audit Committee is an integral component of the risk management process.
74	The Group Audit Committee should report to the Board and shareholders on how it has discharged its duties.	The Group Audit Committee reports internally to the Board and makes adequate disclosure in the Integrated Annual Report to shareholders. Refer to the Report of the Group Audit Committee on pages 61 to 63.
75	The Board should be responsible for the governance of risk.	Refer to section D.
76	The Board should receive assurance regarding the effectiveness of the risk management process.	The Group Risk Committee reports on assurance on the risk management process to the Board on a quarterly basis at the Board meetings.
77	Internal Audit should provide a written assessment of the effectiveness of the Group's system of internal controls and risk management.	Refer to the Board Report on the Effectiveness of Internal Controls in the Integrated Annual Report (page 42).
SECTION M: SOLVENCY AND LIQUIDITY TESTS		
78	Solvency and Liquidity tests should be performed in accordance with section four of the Companies Act.	The requirements of section four of the Companies Act are duly complied with. Also refer to Section J.
SECTION N: REMUNERATION OF DIRECTORS AND SENIOR EXECUTIVES		
79	Companies should remunerate Directors and Executives fairly and responsibly.	The Board has established a Group Remuneration Committee, consisting solely of Non-executive Directors, who assist the Board in setting and administering a fair, equitable and responsible remuneration policy. (Refer to the Group Remuneration Report on pages 44 to 57).
80	Companies should disclose the remuneration of each individual Director and certain senior Executives.	Refer to note 29 on pages 159 to 160.
81	Shareholders should approve, by way of a non-binding endorsement, the Group's remuneration policy.	The Group's remuneration policy was approved at the 2015 AGM.

As governance structures are dynamic, the Group reviews its corporate governance practices on an on-going basis, including the identification and implementation of best practice where deemed appropriate. The Board recognises its responsibility to conduct 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, employees, customers, suppliers and industry associates.

1.1 CORPORATE GOVERNANCE ETHOS

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

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

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

1.2.1 Government and Regulators

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

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

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

1.2.2 Shareholders

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

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

1.2.3 Policyholders

Clientèle interacts with policyholders in various ways:

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

The Group subscribes to the principles of TCF, including:

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

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

2. BOARD OF DIRECTORS

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

2.1 ROLE

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

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

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

2.2 FUNCTION OF THE BOARD

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

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

The Board is responsible for ensuring that there is clear strategic direction and that appropriate management structures are in place. These structures, some of which are described in this corporate governance 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 continuously spends considerable time reviewing the size and composition of the various Boards within the Group and is of the opinion that the value of executive knowledge and experience within the Boards is well balanced alongside the value of Non-executive Director knowledge and experience. The Group will continue to review the composition and effectiveness of the Boards to ensure that they remain effective and relevant to the Group. The Board of Clientèle consists of a majority of Non-executive Directors, of which the majority of Non-executive Directors are Independent.

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

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

The Board members have been assessed and found to be fit and proper as required by Board Notice 158 of 2015.

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

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

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

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

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

2.4 SUBSIDIARY BOARDS AND BOARD COMMITTEES

Clientèle has three wholly-owned 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 FSB.

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

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

2.5 RESPONSIBILITIES INCLUDE:

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

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

2.6 INDEPENDENCE OF THE BOARD

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

- Subsequent to the retirement of Mr GJ Soll, the Board has ten Directors, seven of whom are Non-executive of which six are Independent Non-executive Directors. The Board has considered their independence and has held discussions with the Directors and is of the opinion that they are Independent in their actions, judgment and conduct;
- Clientèle has an Independent Non-executive Chairman;
- The roles of Chairman and Managing Director are separate; and
- Non-executive Directors' and Independent Non-executive Directors' remuneration is not tied to the Group's financial performance.

Dr ADT Enthoven, a Non-executive Director, is not independent due to his involvement with Friedshelf 1577 Proprietary Limited, the Parent Company of the Group.

The details of the Directors are provided on pages 75 to 78.

2.7 DEFINITION OF INDEPENDENCE

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

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

The Board is satisfied that these classifications do not conflict with those of sections 3.84(f) of the Listings Requirements and are in line with the King III definition.

2.8 GROUP COMPANY SECRETARY

Mrs W van Zyl was appointed Group Company Secretary on 1 July 2006 and is a qualified Chartered Accountant. The Group Company Secretary provides support and guidance to the Board 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 an annual basis, assess the competence, qualifications and experience of the Group Company Secretary, as required in terms of the Listings Requirements and has agreed that she is sufficiently qualified, competent and experienced to hold her position as Group Company Secretary. This assessment is done through a questionnaire completed by every Board member.

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

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

2.9 DIRECTORS' INTERESTS

The shareholding of Directors appear on page 79 in the Report of the Directors.

2.10 SHARE DEALING BY DIRECTORS AND SENIOR PERSONNEL

Clientèle has implemented a code relating to share dealing by Directors and all personnel who, by virtue of the key positions they hold, have comprehensive knowledge of the Group's affairs. The code imposes closed periods to prohibit dealing in Clientèle securities before the announcement of mid-year and year-end financial results or in any other period considered price sensitive, in compliance with the requirements of the Insider Trading Act, Act 135 of 1998, and the Listings Requirements in respect of dealings by Directors. The Group Company Secretary undertakes the administration required to ensure compliance with this code under the direction of the Chairman.

A pre-approval policy and process for all dealings in Clientèle shares by Directors and selected key employees is followed. This policy is reviewed annually and is more stringent than that required by legislation, as the policy extends the closed period for trading in shares.

2.11 POLITICAL PARTY SUPPORT

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

3. SHAREHOLDER AND BOARD COMMITTEES

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

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

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

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

All of the Board and Non-Board Committees:

- Have an independent role, operating as an overseer and maker of recommendations to the Board/Group Excom/ 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 or 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; and
- Have the right to obtain independent outside professional advice to assist with the execution of its duties, at the Group's cost, subject to a Board approved process.

Details of these Committees follow:

3.1 GROUP AUDIT COMMITTEE

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

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

3.1.1 Composition

Mr BA Stott (Chairman, Independent Non-executive Director), Mr GQ Routledge (Independent Non-executive Director, Chairman of the Board) and Mr RD Williams (Independent Non-executive Director). Ms D Molefe (Independent Non-executive Director) was appointed to this Committee on 1 March 2016.

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

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

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

The Report of the Group Audit Committee is set out on pages 61 to 63.

3.1.2 Purpose

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

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

3.1.3 Responsibilities include:

1. General

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

2. Risk Management

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

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

3. Group Financial and Integrated Annual Reporting

- Review the accounting policies adopted by the Group and any proposed changes thereto;
- Review the Annual Financial Statements of the Group for reasonability, compliance with accounting standards, regulatory requirements, completeness, accuracy and reasonability of significant estimates and judgments, prior to issue and approval by the Board;

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

4. Compliance

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

5. Internal Controls

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

6. Internal Audit Function

- Review and approval of the GIA Terms of Reference;
- Oversee the appointment, performance assessment and dismissal of the CAE;
- Annually appoint GIA to review the internal financial controls;
- Review any quality assurance reviews performed on the work of GIA;
- Oversee GIA's annual review of the design, implementation and effectiveness of the Group's systems of internal financial control;
- Assess the capacity of GIA to perform the formal documented review of the Group's systems of internal financial controls;
- Assess the objectives, activities, organisational structure and qualifications as well as the adequacy of performance and resources of GIA;
- Review and approve GIA's annual audit plan;
- Evaluate the GIA function;

- Obtain confirmation on the independence of GIA from the CAE;
- Regularly assess whether GIA maintains its independence;
- Monitor that GIA complies with the relevant rules and regulations;
- Assess any significant audit findings and review and approve the internal audit reports to management and management's response thereto;
- Evaluate whether senior management is communicating the importance of internal control and the management of risk; and
- Ensure that there is co-operation and co-ordination between GIA and External Audit.

7. External Audit

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

8. Group Actuarial Committee and Internal Group Actuary

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

9. Internal and External Actuaries

- Review the annual formal Actuarial Valuations and EV reports.

10. Reporting responsibilities

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

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- The Annual Financial Statements, accounting policies and internal control;
- Independence of the External Auditor;
- Experience and expertise of the finance function; and
- Experience and expertise of the Group Financial Director.

3.1.4 External Auditor independence

At the AGM held in October 2015, shareholders approved the Group Audit Committee's recommendation for the re-appointment of PricewaterhouseCoopers Incorporated as External Auditors of the Group until the next AGM. Mrs A du Preez was appointed as the individual registered External Auditor undertaking the Group's audit for the year under review.

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

At the Group Audit Committee meeting held on 12 May 2016 it was confirmed that PricewaterhouseCoopers Incorporated and Mrs A du Preez were on the list of JSE approved Auditors.

Details of fees paid to the External Auditors are disclosed in note 28 on page 158 of the Group Annual Financial Statements.

3.1.5 Meetings

Group Audit Committee meetings are held at least four times a year and are attended by the Group's External Auditors, the Group Actuary, the CAE, the Group Compliance Officer and members of Senior management. Details of attendance at meetings are set out on page 39.

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

3.2 GROUP ACTUARIAL COMMITTEE

The Group Actuarial Committee assists the Group Audit Committee in fulfilling its functions to the Board in overseeing matters related to EV and the Actuarial Valuations in so far as these are included in the financial reporting process. The Group Actuarial Committee meets at least four times a year and meetings are attended by the Group's External Actuaries. Mr BA Stott (Independent Non-executive Director and Chairman of the Group Audit Committee) and the External Auditors attend the interim and year-end Group Actuarial Committee meetings by invitation.

3.2.1 Composition

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

3.2.2 Responsibilities include:

- Highlight any policyholder reasonable benefit expectation issues, having specific regard to TCF;
- Review the asset liability matching position, cash flow management and capital requirements of the Group;
- Review the format of actuarial and EV reports;
- Liaise with External Actuaries as well as the External Auditor's Actuary to consider the results of year-end Valuations;
- Review and approve the monthly unit price calculation;
- Review and approve the quarterly actuarial liability and EV calculation;
- Consider and recommend to the Group Audit Committee and Board the approval of bi-annual formal Valuation and EV reports of the Group Actuary and External Actuaries;
- On an annual basis, review and discuss with the External Actuaries all significant relationships the External Actuaries have with the Group to address the External Actuaries' independence;
- Annually review the appropriateness of the experience, expertise and adequacy of the resources of the Actuarial function;
- Make use of appointed experts, specifically including the Independent Actuaries, to assist it in carrying out its responsibilities;
- Review the impacts of regulatory and industry changes on Clientèle's Valuation and EV;

- Review findings with regard to data accuracy and data integrity of all individual policy information on the central database, and make recommendations with regard to changes required in terms of data management in order for the Group Actuary and actuarial team to have sufficiently meaningful data available for the investigations they perform; and
- Oversee implementation of and compliance with the SAM project.

3.3 GROUP RISK COMMITTEE

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

3.3.1 Composition

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

Mr GJ Soll resigned as a member of the Group Risk Committee with effect from 21 July 2015.

3.3.2 Responsibilities include:

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

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

3.4 GROUP INVESTMENT COMMITTEE

The Group Investment Committee assists the Board with its responsibilities regarding the management of investment assets, SOFP management, compliance with legislation and tax. The Group Investment Committee meets at least four times per year.

3.4.1 Composition

Mr IB Hume (Chairman, Group Financial Director), Mr GQ Routledge (Independent Non-executive Director), Mr GJ Soll (Group Non-executive Vice Chairman), Mr BW Reekie (Group Managing Director), Dr ADT Enthoven (Non-executive Director), Mr BA Stott (Independent Non-executive Director), Mr LH Balcomb (Clientèle General Insurance Managing Director), and members of Senior management.

Mr GJ Soll resigned as a member of the Group Investment Committee with effect from 21 July 2015.

3.4.2 Responsibilities include:

1. Asset and Liability Management

Ensure that management in conjunction with the investment manager determine the mix of investment assets with due regard to statutory requirements, matching assets with liabilities and appropriate risk and returns. This is done in conjunction with the Group Actuarial Committee.

2. Investment decisions

Recommend to the Board investment managers to manage the Group's investment portfolios. Oversee investment decisions in respect of both policyholders' and shareholders' portfolios.

3. Policyholders' assets

With due regard to policyholders' reasonable expectations, illustrative values, mandates, risk and returns, oversee that investment decisions are made in the best interests of policyholders.

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4. **Shareholders' assets**

   Oversee that management and the investment manager determine the appropriate mix of investments on behalf of the Board.

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

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

5. **Management and reporting**

   Ensure that there are processes in place to:

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

6. **Tax**

   Ensure that there are provisions in place to manage the Group's tax affairs by:

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

7. **Credit Risk**

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

3.5 GROUP REMUNERATION COMMITTEE

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

3.5.1 Composition

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

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

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

3.5.2 Role

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

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

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

- The Group remunerates Directors and Executives fairly and responsibly;
- The levels of increases given to staff and management is appropriately reviewed; and
- The disclosure of Director and relevant senior Executive remuneration is accurate, complete and transparent.

3.5.3 Responsibilities include:

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

Refer to the Group Remuneration Report on pages 44 to 57 for the remuneration policy.

3.6 GROUP SOCIAL AND ETHICS COMMITTEE

3.6.1 Composition

Ms PR Gwangwa (Chairperson, Independent Non-executive Director), Mr BW Reekie (Group Managing Director), Ms Y Pistorius (Group Compliance Officer) and Ms RDT Tabane (Human Resources Executive).

Members of the Group Social and Ethics Committee and its Chairperson are appointed by the Board.

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

3.6.2 Role

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

3.6.3 Responsibilities include:

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

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

4. NON-BOARD COMMITTEES

4.1 GROUP EXCOM

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

4.1.1 Composition

Mr BW Reekie (Group Managing Director), Mr IB Hume (Group Financial Director), Ms B Frodsham (Executive Director), Mr H Louw (Executive), Mr JWF Pretorius (Executive), Ms RDT Tabane (Human Resources Executive), Mr ML Mbali (Executive), Mr MD Mac Donald (Executive), Mr LH Balcomb (Clientèle General Insurance Managing Director), Mrs LA Botha (Executive) and Mr JL Potgieter (Chief Risk Officer, Group Actuary and Executive).

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

Mr JL Potgieter and Mrs LA Botha were appointed with effect from 1 July 2016.

4.2 GROUP IT STEERING COMMITTEE

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

4.2.1 Composition

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

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

4.2.2 Role

The Role of the Group IT Steering Committee is to assist Group Excom and ultimately the Board in governing and overseeing the Group's IT-related matters. The IT Governance structures and objectives are based on guidance from COBIT5 (A widely used Industry framework for IT Audit and Governance).

4.2.3 Responsibilities include:

- Oversight (evaluating, directing and monitoring) of the IT Governance Framework setting and maintenance;
- Oversight of the delivery of IT benefits for the Group;
- Oversight of the IT resource optimisation strategies of management;
- Oversight of the transparency of IT in reporting costs, benefits and risk among all stakeholders; and
- Oversight of the management of other core IT objectives such as:
  - Alignment of IT and business strategy;
  - IT compliance and support for business compliance with external laws and regulations;
  - Commitment of designated Executives and Committees to make IT-related decisions;
  - Managing IT-related business risk;
  - Delivery of services in line with business requirements;
  - Adequate use of applications, information and technology solutions;
  - IT agility;
  - Security of information, processing infrastructure and applications;
  - Enablement and support of business processes by integrating applications and technology into business processes;
  - Delivery of programmes delivering benefits, on time, on budget, and meeting requirements and quality standards;
  - Availability of reliable and useful information for decision making;
  - IT compliance with internal policies;
  - Maintaining competent and motivated business and IT personnel; and
  - Maintaining and sourcing of knowledge and expertise, and implementing initiatives for business innovation.

4.3 GROUP PRODUCT COMMITTEE

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

4.3.1 Composition

Mr H Louw (Chairman, Executive), Ms Y Pistorius (Group Compliance Officer), Mr BW Reekie (Group Managing Director), Mr JWF Pretorius (Executive), Mr ML Mbali (Executive), Mrs LA Botha (Executive) and members of Senior management.

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

4.3.2 Purpose

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

4.3.3 Responsibilities include:

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

4.4 GROUP INTERNAL CONTROLS COMMITTEE

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

4.4.1 Composition

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

4.4.2 Purpose

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

- The safeguarding of assets against unauthorised use or dispossession;
- Compliance with applicable laws and regulations;

- The maintenance of proper accounting records and the adequacy and reliability of financial information; and
- The establishment and maintenance of best practice processes and procedures.

4.4.3 Responsibilities include:

The Group ICC's tasks include overseeing:

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

In overseeing the tasks listed above, the Group IFCC may:

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

4.5 GROUP INTERNAL FINANCIAL CONTROLS COMMITTEE

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

4.5.1 Composition

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

4.5.2 Purpose

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

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

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

4.5.3 Responsibilities include:

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

In overseeing the tasks listed above, the Group IFCC may:

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

4.6 GROUP NEGATIVE PRODUCTION COMMITTEE

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

4.6.1 Composition

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

4.6.2 Purpose

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

4.6.3 Responsibilities include:

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

4.7 GROUP CLIENT SERVICES COMMITTEE

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

4.7.1 Composition

Mr J Poulton (Chairman; Clientèle Life Executive), Mr JWF Pretorius (Executive), Ms Y Pistorius (Group Compliance Officer), Mr LH Balcomb (Clientèle General Insurance Managing Director), Mr H Louw (Executive), Mrs LA Botha (Executive) and members of Senior management.

Mr J Poulton has resigned with effect from 31 August 2016 and will be succeeded by Mr H Louw.

4.7.2 Purpose

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

4.7.3 Responsibilities include:

- Defining and implementing the customer services strategy;
- Monitoring and tracking service objectives for each stage of the customer life cycle and for each department;
- Creating and approving an on-going service communications plan;
- Monitoring adherence to industry related legislation, specifically TCF;
- Ensuring that service provided to clients at various touch points are consistent with the Group's philosophy of TCW; and
- Making recommendations to other Committees on improvements/changes required to improve service.

4.8 GROUP MARKETING COMMITTEE

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

4.8.1 Composition

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

4.8.2 Purpose

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

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

4.8.3 Responsibilities include:

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

4.9 GROUP EMPLOYMENT EQUITY COMMITTEE

The Group Employment Equity Committee reports to Group Excom.

4.9.1 Composition

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

4.9.2 Purpose

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

4.9.3 Responsibilities include:

- Ensure the promotion of equal opportunity and fair treatment in employment and ensuring that there is no unfair discrimination and stereotyping;
- Achieve, foster and maintain open communication throughout the Group, resulting in effective problem resolution; and
- Take the lead in informing and educating employees on the appreciation of diversity and enhancing collaboration in a multifaceted, multicultural work environment;
  - Ensure that the Employment Equity plan includes strategies to transform the current profile of managerial, professional and technical positions at all levels in the Company in order to reflect the regional and industry demographics, with realistic and agreed upon targets;
  - Review and recommend adjustments where necessary to the annual Employment Equity Report that is required to be submitted to the department of Labour;
  - Agree on a set consultative procedure that allows participation of employees and management to engage in collaborative employment conversations.

4.10 GROUP SAM COMMITTEE

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

4.10.1 Composition

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

4.10.2 Purpose

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

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

4.10.3 Responsibilities include:

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

4.11 GROUP DIGITAL COMMITTEE

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

4.11.1 Composition

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

4.11.2 Purpose

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

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

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

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

4.11.3 Responsibilities include:

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

4.12 GROUP COMMUNICATION COMMITTEE

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

4.12.1 Composition

Mrs LA Botha (Chairperson; Executive), Mr H Louw (Executive), and members of Senior management.

4.12.2 Purpose

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

4.12.3 Responsibilities include:

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

5. ATTENDANCE (1 JULY 2015 TO 30 JUNE 2016) OF SHAREHOLDER, BOARD AND BOARD COMMITTEE MEETINGS

5.1 CLIENTÈLE

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

5.2 CLIENTÈLE SUBSIDIARIES

	Clientèle Life Board	Clientèle General Insurance Board	Clientèle Loans Direct Board
Number of meetings held	4	4	4
Directors:			
GJ Soll[1]	4/4	4/4	
GQ Routledge	4/4	4/4	2/4
BW Reekie	4/4	4/4	3/4
IB Hume	4/4	4/4	4/4
B Frodsham	4/4*	4/4*	
ADT Enthoven	3/4		
PR Gwangwa	3/4		
JWF Pretorius	4/4	4/4*	
BA Stott	4/4	4/4	
RD Williams	4/4	4/4	
BY Mhkondo[2]	2/2	2/2	
D Molefe[3]	1/1		
H Louw[4]	4/4*	4/4*	
RDT Tabane[4]	4/4*	2/4*	
LH Balcomb[5]	4/4*	4/4	
MA Finlayson			4/4
PV Cox[6]			2/2
MJ Davis			3/4

* *by invitation.*
1 *Resigned as a Group Investment Committee and Group Risk Committee Member on 21 July 2015. Retired as a Non-executive Director of Clientèle General Insurance, Clientèle Life and Clientèle on 31 August 2016.*
2 *Appointed as a Non-executive Director of Clientèle General Insurance, Clientèle Life and Clientèle on 1 January 2016.*
3 *Appointed as a Non-executive Director of Clientèle Life and Clientèle and as a Group Audit Committee Member on 1 March 2016.*
4 *Appointed as an Executive Director of Clientèle Life on 1 July 2016.*
5 *Appointed as Managing Director of Clientèle General Insurance on 1 July 2015.*
6 *Resigned as an Executive Director of CLD on 1 January 2016.*

6. INTERNAL, FINANCIAL AND OPERATING CONTROLS

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

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

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

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

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

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

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

The GIA function assists in providing the Board and 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's Report on the Effectiveness of Internal Controls is set out on page 42.

7. COMPLIANCE

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

8. GROUP INTERNAL AUDIT

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

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

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

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

9. ETHICAL LEADERSHIP AND CORPORATE CITIZENSHIP

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

The Group places a high value on integrity, honesty and trust. Reference and criminal checks are carried out on all job applicants and their qualifications are verified before offers of employment are made. The principle of 'zero tolerance' of fraud and corruption will continue to be applied to employees, IFAs and professional presenters. All employees are required to report all incidences of suspected or actual fraudulent events or other financial irregularities for investigation. The induction training of new employees includes modules dealing with the code of ethics, compliance therewith and the Group's stance on internal fraud. Existing policies on the reporting of breaches of the code of ethics ensures confidentiality and protection to persons making reports, as outlined by the Protected Disclosure Act, Act 26 of 2000 and the Protection of Personal Information Act, Act 4 of 2013. Internal disciplinary procedures are fully compliant with the Labour Relations Act, Act 66 of 1995.

10. GROUP ANNUAL FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the Group and separate Annual Financial Statements of the Group, which have been prepared in accordance with IFRS. The Group Annual Financial Statements have been prepared from the accounting records and the use of appropriate policies supported by reasonable and prudent judgments and estimates and fairly present the state of affairs of the Group. The External Auditors are responsible for auditing and reporting on these Group Annual Financial Statements. The Group's Annual Financial Statements have been audited in accordance with International Standards on Auditing. The Group's External Auditors also provide tax and JSE sponsor services. (Details of the External Auditor's remuneration for audit and other services are provided in note 28 on page 158 to the Group Annual Financial Statements.) The Group believes that the External Auditors are independent.

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

11. INTERNAL AND EXTERNAL ACTUARIES

CLIENTÈLE LIFE

The Group Actuary, Mr JL Potgieter, is responsible for assisting the Board in actuarial matters and conducting the Actuarial Valuation of the assets and liabilities of Clientèle Life (refer to pages 82 to 87). Annual Actuarial Valuations are reviewed and certified externally by QED Actuaries and Consultants. Mr Potgieter attends all Clientèle Life Board meetings.

CLIENTÈLE GENERAL INSURANCE

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

CLIENTÈLE

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

Mr JL Potgieter attends the Group Audit Committee meetings, the Group Risk Committee meetings and the Group Actuarial Committee meetings.

12. THE GOVERNANCE OF INFORMATION TECHNOLOGY

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

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

A Group Executive, Mr MD Mac Donald, is responsible for the management of IT. Mr Mac Donald has suitable qualifications and experience and interacts regularly with the Board and Group Excom.

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

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

The Board provides appropriate leadership and direction to ensure that IT 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 Annual Financial Statements;
- Safeguarding of assets;
- Economic and efficient use of resources;
- Compliance with applicable legislation and regulations; and
- Detection and minimisation of fraud, potential liability, loss and material misstatement.

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

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

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

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

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

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

Mr GQ Routledge
Chairman of the Board

14 September 2016

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 2016.

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 2016 year and considering:

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

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

B.A. Stott.

Mr BA Stott
Chairman of the Group Audit Committee

14 September 2016

Group Remuneration Report

The Board is pleased to present the Group's Remuneration Report for the year ended 30 June 2016.

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

At the AGM, shareholders are being requested to consider and approve, as a non-binding advisory vote, the Group's remuneration philosophy and policy (Part 1 of this Group Remuneration Report).

The shareholder resolution and explanatory notes relating to the above matter are set out on pages 170 to 171 in the Notice of the AGM. Shareholders are requested to offer their support by voting in favour of these resolutions at the AGM.

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

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

Despite regulation, industry benchmarking and stakeholder engagement initiatives, finding a balance between attracting the right caliber leadership to evolve the business and appropriately incentivising them is very difficult.

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

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

Our remuneration philosophy is founded on enduring principles, which we seek to apply consistently each year. There has been no change to our core philosophy during 2016. In short, this philosophy aims to promote a culture that supports innovation, enterprise and the execution of Group strategy and that aligns the interests of the majority of staff with attaining profitable (and sustainable) long-term growth for the benefit of all stakeholders. Inherent to this philosophy is the linkage between pay and short-term and long-term performance (both at an individual and corporate level).

The Group Remuneration Report is a two-part report:

- Part 1 sets out the Group's remuneration philosophy and policy, on which the non-binding advisory vote will be sought at the AGM;
- Part 2 details the implementation of the policy in the 2016 financial year.

PART 1: 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, heads of controls functions and all other heads of 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 insurer and its stakeholders;
- Where remuneration includes both fixed and variable components, the mix of fixed and variable pay meets the Group's 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

3.1 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 its consideration and final approval. The Group Remuneration Committee Terms of Reference, which is approved by the Board, requires the Group Remuneration Committee to 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.

3.2 MEMBERS OF THE GROUP REMUNERATION COMMITTEE AND MEETING ATTENDANCE

Name	Meetings attended
BA Stott (Chairman, Independent Non-executive Director)	1/1
GQ Routledge (Independent Non-executive Director)	1/1
ADT Enthoven (Non-executive Director)	0/1

4. REMUNERATION MATRIX AS AT 30 JUNE 2016

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

Category	Number of employees	Basic Salary	Short-term Bonus Incentives	SAR Scheme	Bonus Rights Scheme	EV Scheme	Goodwill Scheme
Group Excom	9	X	X			X	X
Balance of Excom	12	X	X	X	X	X	
Management and specialists	199	X	X	X	X		
Staff	1,461	X	X	X	X		
Total	**1,681**						

5. CORE PRINCIPLES OF REMUNERATION

5.1 MONTHLY REMUNERATION (BASIC SALARY)

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

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

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

Clientèle does not make use of an external job-grading system, however job grading based on 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.

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

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

5.2.1 Staff

The main purpose of staff incentivisation is to relate a portion of employees' pay to their performance. Their performance incentive 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;
- This reward system provides base income and the opportunity to earn additional compensation if productivity exceeds a certain standard (this forms part of total cost-to-company package potential);
- It also links Group objectives with employee output;
- It is department specific and amounts are determined by pay-level, responsibility, work environment, job pressure, market trends, level of sophistication, Group targets and objectives and motivational impact;
- The minimum salary paid to staff who cannot earn significant extras via additional incentives is set at R6,000 per month;
- Incentives are not guaranteed;
- Incentives rely on the assumption that proper and consistent evaluation and measurements take place that are equitable and measurable;
- Incentives are intended to reward above average performance and work related achievements; and
- Staff participate in the SAR and Bonus Rights Schemes.

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 remuneration is ensuring that Clientèle's key staff are rewarded in the top quartile for equivalent manager positions. Bonuses paid to management and technical staff are highly attractive and lucrative. These are largely based on individual key performance criteria with a portion based on the achievement of Group Profit and Recurring EV Earnings targets.

Care is taken to ensure that added benefits are linked to the overall remuneration packages of senior staff; these include participation in the SAR and Bonus Rights Schemes, 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 SHARE APPRECIATION RIGHTS (SAR) SCHEME

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

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

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

Salient features:

- The aggregate number of shares that may be allotted and issued to participants under the SAR Scheme may not exceed 32,500,000 shares, which is 10% of the issued share capital of Clientèle before the issue of shares from any share scheme. This percentage may be increased by ordinary resolution of members of Clientèle. Of the shares reserved for the SAR Scheme, it is contemplated that approximately 50% thereof will be reserved for employees and 50% thereof for IFAs.
- At any time after:
  - 3 years from the Invitation Date, up to 20% of the SARs may be exercised by a participant;
  - 4 years from the Invitation Date, up to 50% of the SARs may be exercised by the participant; and,
  - 5 years from the Invitation Date, up to 100% of the SARs may be exercised by the participant, or on such earlier date or dates as may be agreed to or determined by the Board in its discretion, provided that SARs may not be exercised during a closed period or any period during which dealings in securities of Clientèle are prohibited.
- A SAR that has been allocated to an employee will lapse and accordingly may not be exercised after the 7th anniversary of the Invitation Date.
- A participant's rights in terms of the SAR Scheme will be adjusted to recognise the impact of any capitalisation issues, sub-division or consolidation of ordinary shares, any reduction of the ordinary share capital of Clientèle or special dividends or distributions.
- When SARs are due to be settled, the value of each SAR is the difference between the volume weighted average price that the ordinary shares in Clientèle traded on the JSE during the thirty trading days immediately preceding the invitation date and the volume weighted average price that the ordinary shares in Clientèle traded on the JSE during the thirty trading days immediately preceding the exercise date less one and a half cents ("the terminal price"), as determined by the rules of the Scheme.
- The Board in its discretion may settle SARs either:
  - By means of the allotment and issue of new shares to the participant;
  - By way of cash payment; or
  - By way of a combination of the aforegoing methods.

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

5.4 BONUS RIGHTS SCHEME

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

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

Salient features:

- The Bonus Rights Scheme is intended as an incentive to employees to promote the continued growth of Clientèle by giving them an opportunity to acquire shares in its capital, thereby aligning their interests with those of Clientèle and its shareholders whilst encouraging their retention and motivation. Below are some of the salient features of the Bonus Rights Scheme:
  - The aggregate number of ordinary shares that may be allotted and issued to Bonus Participants under the Bonus Rights Scheme will not exceed 32,350,000 ordinary shares less that number of ordinary shares issued or which may be issued to participants under the existing SAR Scheme. The allocation may be increased by ordinary resolution of the members of Clientèle;
  - The maximum aggregate number of Bonus Rights which may be allocated to any one participant under the Bonus Rights Scheme will be 647,000, namely 2% of the total number of Bonus Rights available under the Bonus Rights Scheme;

Group Remuneration Report continued

- Notwithstanding that a Bonus Participant has been invited to participate in the Bonus Rights Scheme, no rights will vest in the Bonus Participant until such time as Bonus Rights are exercised;
- No amount will be payable by a Bonus Participant in order to participate in the Bonus Rights Scheme.
- At any time after:
  - 3 years from the Invitation Date, up to 20% of the Bonus Rights may be exercised by a Bonus Participant;
  - 4 years from the Invitation Date, up to 50% of the Bonus Rights may be exercised by a Bonus Participant; and
  - 5 years from the Invitation Date, up to 100% of the Bonus Rights may be exercised by a Bonus Participant, or on such earlier date or dates as may be agreed to or determined by the Directors in their discretion, provided that Bonus Rights may not be exercised during a closed period or any other period during which dealings in securities of the Company are prohibited;
- A Bonus Right Participant will be entitled to sell shares which he has acquired pursuant to the Exercise of a Bonus Right only after the vesting date, which is after the implementation in full of the transaction arising from the Exercise of the Bonus Right. The Bonus Participant will first be obliged to offer his shares in terms of the pre-emptive rights provisions of the Bonus Rights Scheme and failing acceptance thereof, will be entitled to sell the relevant shares to a third party;
- The Board may amend the Bonus Rights Scheme, provided that no amendments affecting any of the following matters shall operate unless sanctioned by the shareholders in a general meeting:
  - the eligibility of Bonus Participants under the Bonus Rights Scheme;
  - the maximum number of Bonus Rights which may be acquired by a single participant under the Bonus Rights Scheme;
  - the total number of Bonus Rights which may be granted in terms of the Bonus Rights Scheme;
  - the total number of shares which may be allotted and issued by the Company in terms of the Bonus Rights Scheme;
  - the basis for determining the Initial Price;
  - the basis for determining the Terminal Price; and
  - any other matter as may be prescribed by the Listings Requirements;
- The Company ensures compliance with all applicable laws including, but without limitation, the Listings Requirements;
- When Bonus Rights are due to be settled the value of each Bonus Right is the difference between the price of a Clientèle share at the time of the issue of each Bonus Right and the 30 day closing volume weighted average price of a Clientèle share as at the date of exercise, as determined by the rules of the Scheme;
- The Board, in its discretion, may settle Bonus Rights either:
  - By means of the allotment and issue of new shares to the participant;
  - By way of a cash payment; or
  - By way of a combination of the aforegoing methods.
- It is not the intention that cash payments will be made. Only in exceptional circumstances, as considered by the Board in its discretion, will a cash payment be made to a Bonus Rights participant.

5.5 GROUP EXCOM AND EXCOM

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

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

This Incentive Scheme is a formally documented Scheme .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 Bonus Scheme is formulated and managed to encourage behaviour that fosters long-term sustainable growth for Clientèle and to discourage short-term behaviour and unnecessary risk-taking. Inappropriate risk taking results in the 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 management factors;
- A medium-term incentive (EV Scheme); and,
- A long-term incentive (Goodwill Scheme).

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

Group Remuneration Report continued

5.5.1 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).

5.5.2 Annual Short-term Incentive

Purpose	To encourage and reward delivery of the Group's strategic priorities and short-term goals.
Participants	Group Excom, Excom and members of management.
Operation	The short-term bonus potential is determined at the beginning of the year and the actual pay-out is based on Clientèle's performance in terms of profit, EV earnings and the individual key measurement factors tailored for the individual concerned which may include financial and non-financial elements.
Performance measures	The award for all participants is determined on the basis of Company performance as well as individual performance assessments measured against key measurements factors determined at the beginning of the year.
Maximum value of annual incentive earned and paid	7 Months Group Excom 4 Months Excom 8 Months Members of Management The amounts are expressed as multiples of the monthly salaries.
Changes for 2017	No significant changes are expected to this incentive during the next financial year.

5.5.3 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, Legal 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 on financial and non-financial elements.
Maximum value of annual incentive for 2016	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 2017	No significant changes are expected to this incentive during the next financial year.

5.5.4 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 Bonus Scheme. The cycle where payments are currently being made commenced on 1 July 2007, and ended on 30 June 2012. The next cycle commenced on 1 July 2012 and ends on 30 June 2017 with the first payment due in August 2017. The Goodwill Scheme results in a pool being created as a consequence of the growth in the Value of Future New Business. This pool is calculated at the end of each 5 year cycle, as 7.5% x the difference between the VNB x 5 at the end of the period and the VNB x 5 at the beginning of the period. Participants in this Scheme currently receive a percentage of this pool based on their average percentage allocation to the EV Scheme pool over the five year cycle. There is an adjustment made to future payments under this Scheme, positive or negative, if actual experience differs by more than 10% from the assumptions used in calculating the Scheme Goodwill value. The adjustment is made to non-vested amounts earned but not yet paid. The Group Remuneration Committee is entitled to allocate 100% of the pool to the participants; however, this has not been done to date with such lesser amount allocated based on circumstances. The Incentive Bonus Scheme was adopted as it was felt that a typical share or option scheme may not achieve the desired result given the tightly held nature of Clientèle's shareholding and also given the Board's conviction that the most important element of success of Clientèle in the long-term is growth in EV and VNB.
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).
Maximum value of annual incentive for 2016	There is no specific cap, however, the quantum of the bonus pool is approved by the Group Remuneration Committee. Approximately 70% of the pool is expected to be allocated when the current cycle comes to an end on 30 June 2017.
Changes for 2017	No significant changes are expected to this incentive during the next financial year.

5.6 EXCOM CONTRACTS OF SERVICE

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

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

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

6. NON-EXECUTIVE DIRECTORS

6.1 APPOINTMENT OF NON-EXECUTIVE DIRECTORS

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

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

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

6.2 NON-EXECUTIVE DIRECTOR FEES

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

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

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

6.3 NON-BINDING ADVISORY VOTE

Shareholders are requested to cast a non-binding advisory vote on part 1 of this Remuneration Report.

PART 2: IMPLEMENTATION OF POLICIES FOR THE FINANCIAL YEAR

1. GUARANTEED PAY ADJUSTMENTS FOR 2016

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 level of employees amounted to 6.30%.

2. EV SCHEME

The principle 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 the Group EV (refer to pages 64 to 69).

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

EV Scheme pool	2016	2015
Total pool (Rand)	**68,519,000**	109,382,000
Payment terms (years)	**4**	4
Hurdle rate (%)	**13.30**	12.60
Pool utilisation (%)*	**86.48**	79.63

* *including 4.75% ad-hoc allocation to select members of management (2015: 4.90%).*

3. GOODWILL SCHEME

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

Cycle 2 ended 30 June 2012	2016	2015
Projected In-force business (R'000)*	**465,161**	486,175
Actual In-force business (R'000)**	**323,542**	365,902
Adjustment %	**30.45**	24.85
Total Pool (R'000)	**29,320**	29,320
Original Pool Utilisation %	**67.55**	67.55
VNB multiple	**5**	5
Payment term (years)	**5**	5

* *based on in-force data of policies written during FY2012 and demographic assumptions as at 30 June 2012.*

** *based on data and demographic assumptions as at 30 June 2016 for policies written during FY2012 and still in force on 30 June 2016.*

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 2016 financial year.

EARNED 2016

(R'000) Category	Number of individuals	Base salary**	Short-term Incentive	EV Scheme	Goodwill Scheme	Total
Managing Director – BW Reekie*	1	2,724	1,297	11,481	–	15,502
Financial Director – IB Hume*	1	1,832	662	8,442	–	10,936
Balance of Group Excom	7	10,565	2,874	20,902	–	34,341
Balance of Excom	12	14,226	2,059	15,175	–	31,460
Total	**21**	**29,347**	**6,892**	**56,000**	**–**	**92,239**

VESTED 2016

(R'000) Category	Number of individuals	Base salary**	Short-term Incentive	EV Scheme	Goodwill Scheme	Total
Managing Director – BW Reekie*	1	2,724	1,297	12,467	474	16,962
Financial Director – IB Hume*	1	1,832	662	9,246	501	12,241
Director – B Frodsham*	1	1,607	557	6,123	489	8,776
Balance of Group Excom	6	8,958	2,317	14,730	53	26,058
Balance of Excom	12	14,226	2,059	11,093	–	27,378
Total	**21**	**29,347**	**6,892**	**53,659**	**1,517**	**91,415**

EARNED 2015

(R'000) Category	Number of individuals	Base salary**	Short-term Incentive	EV Scheme	Goodwill Scheme	Total
Managing Director – BW Reekie*	1	2,602	1,254	18,595	–	22,451
Financial Director – IB Hume*	1	1,750	605	13,126	–	15,481
Balance of Group Excom	8	9,766	2,593	33,498	–	45,857
Balance of Excom	12	12,212	2,323	16,517	–	31,052
Total	22	26,330	6,775	81,736	–	114,841

VESTED 2015

(R'000) Category	Number of individuals	Base salary**	Short-term Incentive	EV Scheme	Goodwill Scheme	Total
Managing Director – BW Reekie*	1	2,602	1,254	10,566	522	14,944
Financial Director – IB Hume*	1	1,750	605	8,182	552	11,089
Director – B Frodsham*	1	1,535	539	5,872	539	8,485
Balance of Group Excom	7	8,231	2,054	17,528	101	27,914
Balance of Excom	12	12,212	2,323	6,576	–	21,111
Total	22	26,330	6,775	48,724	1,714	83,543

* *months in office = 12.*
** *including retirement, medical and other benefits.*

Group Remuneration Report continued

5. REMUNERATION OF NON-EXECUTIVE DIRECTORS

EARNED AND PAID 2016

Name	Months in office	Directors fees R'000	Total emoluments R'000
PR Gwangwa	12	409	409
BY Mkhondo	6	204	204
D Molefe	4	136	136
GQ Routledge	12	2,472	2,472
GJ Soll	12	1,890	1,890
BA Stott	12	1,446	1,446
RD Williams	12	839	839
Total		**7,396**	**7,396**

EARNED AND PAID 2015

Name	Months in office	Directors fees R'000	Total emoluments R'000
PR Gwangwa	12	389	389
MP Matlwa	6	210	210
GQ Routledge	12	2,355	2,355
GJ Soll	12	1,800	1,800
BA Stott	12	1,378	1,378
RD Williams	12	799	799
Total		6,931	6,931

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 (pages 170 to 171).

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

2016

Name	Beneficial direct	Indirect	Associates	Total
GQ Routledge	300,000	3,540,185	104,622	3,944,807
BA Stott	20,000	45,000	32,000	97,000
GJ Soll	5,200,000	–	–	5,200,000
IB Hume	74,376	1,729,237	44,000	1,847,613
B Frodsham	–	776,951	–	776,951
BW Reekie	120,000	2,156,406	–	2,276,406
Total	**5,714,376**	**8,247,779**	**180,622**	**14,142,777**

2015

Name	Beneficial direct	Indirect	Associates	Total
GQ Routledge	300,000	3,540,185	104,622	3,944,807
BA Stott	20,000	30,000	32,000	82,000
GJ Soll	5,200,000	–	–	5,200,000
IB Hume	–	1,623,434	–	1,623,434
B Frodsham	–	776,951	–	776,951
BW Reekie	87,000	2,156,406	–	2,243,406
Total	5,607,000	8,126,976	136,622	13,870,598

Group Social and Ethics Report

1. INTRODUCTION

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

- Labour and employment, including its contribution towards the educational development of its employees;
- Social and economic development, including Employment Equity, and BBBEE;
- Good corporate citizenship, including the Group's promotion of equality, prevention of unfair discrimination, and elimination of any corruption;
- The environmental, health and public safety, including the impact of the Group's activities and of its products and services; and
- Consumer relationships, including the Group's advertising, public relations and compliance with consumer protection laws.

The Group Social and Ethics Committee ensures, not only, that the Group conducts its business in compliance with legislation and various codes of best practice as stated above, but also that it does so in conformance with its values of respect, customer excellence, passion, integrity and teamwork, as well as staying true to its purpose of "safeguarding your world… with compassion".

2. HUMAN RESOURCES, LABOUR RELATIONS AND EMPLOYMENT EQUITY

The Human Resources portfolio of the Group is monitored from a business sustainability point of view, it strives to ensure that the Group maintains a positive environment that is vital to keeping staff motivated and engaged, which assists in Treating Customers Well. The Group Social and Ethics Committee interrogates the appropriateness of the recruitment and training processes; the talent management strategy and the capacity of the training department. The Group Social and Ethics Committee probes the general quality of the new recruits and how they adapt to the high-pressured nature of the environment. Staff turnover in the insurance industry at large, and not just at Clientèle, is high (particularly in the call-centre space) and so the Committee pays attention to the stabilising measures that are put in place.

The Group Social and Ethics Committee checks that staff promotions are done on merit, and that employment equity is achieved. The fairness of disciplinary processes and the prospects of staff mobility is another area of interest for the Group Social and Ethics Committee. Together with the Group Remuneration Committee, the Group Social and Ethics Committee also oversees fairness in the remuneration of staff, including the policies in place as well as their practical implementation.

In the competitive environment such as the one in which the Group operates, there is temptation to measure staff only on production volumes. In order to achieve an appropriate balance, the Group Social and Ethics Committee supports and encourages management in their quest to equally promote the Group's values. To this end staff are being acculturated into Clientèle's C4C culture and they are encouraged to "walk in the client's shoes" in order to ensure that they provide great service and add value. Management principles are consolidated to ensure that this is done consistently, to drive discipline, to drive the Clientèle culture and to ensure that the values are lived every day. It is noteworthy that Clientèle was recognised as a Top Employer for people practices during this period.

3. BROAD-BASED BLACK ECONOMIC EMPOWERMENT

The Group's association with YTI, has placed the Group in a better position to enhance its level 5 BBBEE rating and to broaden the base of its existing and future corporate responsibility objectives, particularly in the area of Enterprise and Supplier Development. Discussions are underway to take this forward and align these objectives. Clientèle and YTI already co-operate on social dividend initiatives such as Harambee, and the Group looks forward to deepening that co-operation.

The Group's IFA division contributes to the empowerment of the communities within which it operates. Based on network-marketing principles, individuals can earn an additional income by building their businesses through introducing the IFA business opportunity to the public at large. Clientèle in turn provides them with support to ensure that they increase their pool of earnings. Since inception, IFAs have earned around R2 billion. It is envisaged that the synergy between IFA, because of its expertise in network marketing, and YTI's social programmes will unlock value which will lead to deeper social impact.

The Group continues to explore opportunities to improve the components of the scorecard.

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

Not only did the Group implement the FSB's TCF initiative, but it went further to embed it into all its relations with its clients, through an initiative known as Treating Customers Well. Clientèle is of the view that Treating Customers Fairly is basically doing what you have to do; whilst Treating Customers Well is going beyond what you have to do. This initiative is incorporated as a Key Measurement Factor for individual staff members and it is embedded into the DNA of the Group through campaigns such as the Engage, Act and Deliver (EAD) campaign. The Treating Customers Well approach has resulted in business productivity, which has, for example, resulted in positive changes such as a reduction in the number of policy cancellations. Various communications with clients and surveys have elicited great feedback that has ensured that clients continue to be better-serviced. Focus is placed on customer-centricity and not just on chasing financial targets.

The Group's suite of products, which include the Ultimate Dignity Plan and the Ultimate Hospital Plan contribute to its mission of "safeguarding your world… with compassion". The Ultimate products pay back all the client's premiums in addition to the payment of the insurance cover. This product line was initiated to reward clients for maintaining their policies through the current tough economic times because when people stop paying their premiums they themselves and their families are left vulnerable and without cover when the inevitable happens.

Other client-driven innovations such as paying funeral benefit claims within 24 hours, making payment of claims to a cell phone and paying R200 airtime to assist policyholders with funeral arrangements, are a source of pride and initiatives such as these are being monitored and encouraged by the Group Social and Ethics Committee because ultimately what is good for the client is good for business.

The Group's communication with its policyholders and the public at large also goes through the Group Social and Ethics Committee's scrutiny to ensure that it is truthful and ethical. Ethical selling is another area of focus as the Group has taken measures to ensure that insurance policies are only sold to those who can afford them and the various production areas have placed limitations on the number of insurance policies that can be sold to a client.

5. FRAUD AND ANTI-CORRUPTION

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

Sometimes acts of fraud are perpetrated by outsiders, using the Group's name in vain, extorting large sums of money from the general public. Where these acts have occurred, the Group initiated pro-active marketing campaigns to warn the general public against such scams. The campaigns consisted of both public relations and above the line advertising booked in several media spaces. The Group also co-operates with law enforcement agencies often going to great pains to follow up and ensure the arrest of those fraudsters, and also with the banks to ensure the closing down of the bank accounts used in the scams.

6. CSI

The Group encourages voluntary employee participation in socio-economic development initiatives. It does so by, amongst others, matching the rand value contributions made by employees as part of the annual Employee Giving programme. This year the initiatives include:

- the donation of 450 pairs of school shoes to 5 schools in Gauteng;
- the donation of clothing to the Soweto Kliptown Youth Centre through the Winter Warmers clothing campaign; and
- the donation of 21 computers and three printers to the Orange Farm Community Centre, which will also benefit learners from nearby schools;

The Group continues to support the Sithabile Home and other charities within its footprint.

The Group awards bursaries to deserving children of IFAs on an annual basis, to enable them to further their studies at tertiary institutions across South Africa. The total number of bursaries awarded to date amounts to 68. The Board recently expressed the need to widen this social impact through participation in partnerships for mentorship programmes to the bursary holders as well as to support academic programmes for learners at high school level. These initiatives will deepen the empowerment of South Africans as the surest way out of poverty is through education.

Ms PR Gwangwa
Chairperson of the Group Social and Ethics Committee

14 September 2016

Report of the Group Audit Committee

for the year ended 30 June 2016

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

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

1. GROUP AUDIT COMMITTEE TERMS OF REFERENCE

The Group Audit Committee has adopted its formal Terms of Reference that 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 currently consists of four 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, CAE, External Auditor, External Actuaries and other assurance providers attend meetings by invitation only.

During the year six meetings were held. The attendance of members of the Group Audit Committee at the meetings are set out on page 39.

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 an annual 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 and further responsibilities assigned to it by the Board.

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

External Auditor

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

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

The Group Audit Committee approved the Group engagement letter, Group management representation letter, audit plan and budget for the 2016 financial year and actual audit fees for the 2015 financial year. The Group Audit Committee received and considered the report of the External Auditors on the results of their annual audit. No significant matters were reported.

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

The Group Audit Committee has nominated, for election at the AGM, PricewaterhouseCoopers Incorporated as the External Audit firm and Mrs Alsue du Preez as the designated External Auditor responsible for performing the functions of External Auditor for the 2017 financial year. The Group Audit Committee has satisfied itself that the External Audit firm and designated Auditor are accredited as such on the JSE list of Auditors and their advisors.

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

Annual Financial Statements, Group preliminary results and accounting practices

The Group Audit Committee has reviewed the accounting policies, the condensed Group results for the six months to 31 December 2015, the preliminary Group results for the year ended 30 June 2016 and the Group Annual Financial Statements for the year to 30 June 2016 and is satisfied that they are appropriate and comply with IFRS. The dividend for the year was considered by the Group Audit Committee and recommended to the Board for approval. The Group Audit Committee did not receive any complaints from within or outside the Group relating to accounting practices, internal audit or the content or audit of the 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 43. The Board report on the Effectiveness of Internal Controls is included on page 42.

3.2 DUTIES ASSIGNED BY THE BOARD

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

Integrated reporting

The Group Audit Committee fulfils an oversight role regarding the Group's Integrated Annual Report. The Group's Integrated Annual Report for the year to 30 June 2016 has been reviewed and approved by a sub-committee appointed by the Group Audit Committee and recommended to the Board for approval.

Going concern

The Group Audit Committee has reviewed a documented assessment, including key assumptions, prepared by management on the going concern status of the companies within the Group and has made recommendations to the Board to enable the Board to report on the going concern status as set out on pages 41 and 70.

Governance of risk and compliance

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

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

GIA

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

Report of the Group Audit Committee continued

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

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

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

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

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

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

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

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

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

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

Mr BA Stott
Chairman: Group Audit Committee

14 September 2016

Statement of Group Embedded Value

for the year ended 30 June 2016

1. INTRODUCTION

The following is a summary of the EV results for the Group for the 12 months ended 30 June 2016, together with the comparative figures for the year ended 30 June 2015. The results in this statement pertaining to the year ended 30 June 2016 comply with the Actuarial Guidance Note APN107 version 7.

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

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

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

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

The Free Surplus is the ANW less the Required Capital attributed to covered business. The Required Capital has been set at the greater of the Statutory Termination CAR and 1.25 times the Statutory Ordinary CAR of the Life Company plus the Capital Requirement for the short-term insurance Company.

The PVIF is the present value of future after-tax profits arising from covered business as at 30 June 2016.

The CoC is the opportunity cost of having to hold assets to cover the Required Capital of R377.1 million as at 30 June 2016.

2. COVERED BUSINESS

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

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

Statement of Group Embedded Value continued

3. ADJUSTED NET WORTH

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

(R'000)	Year ended 30 June 2016	Year ended 30 June 2015
Total equity and reserves per SOFP	865,548	740,195
Adjusted for Deferred Profits and impact of Compulsory Margins on Investment Business (net impact after tax)	11,820	11,327
Adjusted for minority interests	(1,133)	3,102
Adjusting subsidiaries to Net Asset Value	31,427	21,884
SAR and Bonus Rights Schemes adjustment	(34,617)	(53,695)
ANW	873,045	722,813

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

Clientèle Life's statutory CAR cover ratio as at 30 June 2016 was 2.35 (30 June 2015: 2.32) on the SVM.

Clientèle General Insurance's statutory CAR cover ratio at 30 June 2016 was 1.35 (30 June 2015: 1.33) on the SVM.

4. EV OF COVERED BUSINESS

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

(R'000)	Year ended 30 June 2016	Year ended 30 June 2015
Required Capital	377,076	335,208
Free Surplus	495,969	387,605
ANW of covered business	873,045	722,813
CoC	(83,190)	(74,170)
PVIF	4,440,788	3,952,657
EV of covered business	5,230,643	4,601,300

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

(cents)	Year ended 30 June 2016	Year ended 30 June 2015
EV per share	1,576.42	1,391.68
Diluted EV per share	1,563.62	1,370.63

5. VALUE OF NEW BUSINESS

The VNB represents the present value of the projected after-tax profits at the point of sale on new covered business commencing during the 12 months ended 30 June 2016 less the CoC pertaining to this business. The New Business profit margin is the VNB expressed as a percentage of the present value of future premiums (and other annuity fee income) pertaining to the same business.

There has been no change in the definition of new business since the previous Valuation. The definition used for new business is consistent with what has been used when preparing the Annual Financial Statements. The assumptions used for the calculation are the same as what has been used to determine the EV results for the year, including investment yields.

Based on a previous Board decision, for classification purposes, restated 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 2016 (RDR: 12.10% p.a.), as well as the year ended 30 June 2015 (RDR: 11.80% p.a.) are as follows:

(R'000)	**Year ended 30 June 2016**	Year ended 30 June 2015
Total VNB	**672,124**	726,239
CoC for New Business	**(11,796)**	(8,665)
Total VNB net of Cost of Capital	**660,328**	717,574
Present Value of New Business premiums	**2,488,674**	2,482,780
New Business profit margin %	**26.5**	28.9

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

6. LONG-TERM ECONOMIC ASSUMPTIONS – SOUTH AFRICA

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

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

Based on the above, the RDR utilised for the South African business as at 30 June 2016 was 12.10% p.a.

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

(%)	**Year ended 30 June 2016**	Year ended 30 June 2015
RDR	**12.1**	11.8
Non-unit investment return	**8.6**	8.3
Unit investment return	**9.8**	9.3
Expense inflation	**7.1**	6.8
Corporate tax	**28**	28

7. OTHER BUSINESS ASSUMPTIONS – SOUTH AFRICA

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

Statement of Group Embedded Value *continued*

8. SEGMENT INFORMATION

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

(R'000)	ANW	PVIF	CoC	EV
30 June 2016				
SA – Long-term insurance*	**717,911**	**3,626,886**	**(54,990)**	**4,289,807**
SA – Short-term insurance**	**152,490**	**810,689**	**(28,200)**	**934,979**
SA – Investment contracts***	**–**	**3,213**	**–**	**3,213**
SA – Other****	**2,644**	**–**	**–**	**2,644**
Total	**873,045**	**4,440,788**	**(83,190)**	**5,230,643**
30 June 2015				
SA – Long-term insurance*	609,521	3,306,547	(53,314)	3,862,754
SA – Short-term insurance**	120,532	639,592	(20,856)	739,268
SA – Investment contracts***	–	2,629	–	2,629
SA – Other****	(7,240)	3,889	–	(3,351)
Total	722,813	3,952,657	(74,170)	4,601,300

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

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

(R'000)	**Year ended 30 June 2016**	Year ended 30 June 2015
SA – Long-term insurance*	**517,003**	602,313
SA – Short-term insurance**	**138,545**	111,360
SA – Investment contracts***	**3,090**	3,037
SA – Other****	**1,690**	864
Total	**660,328**	717,574

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

9. SENSITIVITIES – EV

The table below illustrates the effect of the different assumptions on the EV (net of company tax) at a RDR of 12.10% p.a. (unless otherwise specified):

(R'000)	ANW	Value of in-force Business	Cost of Capital	EV	% of Main Basis
Main Basis	873,045	4,440,788	(83,190)	5,230,643	
1% increase in RDR	873,045	4,162,120	(94,176)	4,940,989	94.5
2% increase in RDR	873,045	3,914,470	(104,240)	4,683,275	89.5
4% increase in RDR	873,045	3,513,518	(122,260)	4,264,303	81.5
1% decrease in RDR	873,045	4,794,808	(71,469)	5,596,384	107.0
2% decrease in RDR	873,045	5,206,581	(58,583)	6,021,044	115.1
Previous year RDR (11.8%)	873,045	4,548,481	(79,847)	5,341,679	102.1
Assuming a 10% decrease in the following:					
– Future expenses	873,045	4,473,221	(83,290)	5,262,977	100.6
– Policy discontinuance rate	873,045	4,841,232	(88,363)	5,625,914	107.6
5% decrease in Claims (and reinsurance rates) experience	873,045	4,503,917	(84,393)	5,292,569	101.2
Investment return less 1%	873,045	4,424,391	(72,015)	5,225,421	99.9
Inflation plus 1%	873,045	4,417,540	(83,084)	5,207,502	99.6
Assuming a once-off 10% reduction in equity holdings	824,581	4,441,789	(82,577)	5,183,793	99.1

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

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

10. SENSITIVITIES – VNB

The table below illustrates the effect of the different assumptions on the VNB (including reinstatements) at a RDR of 12.10% p.a. (unless otherwise specified):

(R'000)	VNB (after expense loss)	% of Main Basis
Main Basis	660,328	
Initial Expenses less 10%	692,199	104.8
Renewal Expenses less 10%	668,432	101.2
Inflation plus 1%	654,084	99.1
Investment return less 1%	652,945	98.9
Claims (and reinsurance rates) less 5%	668,334	101.2
Withdrawals less 10%	861,776	130.5
RDR of 10.10%	836,915	126.7
RDR of 11.10%	740,258	112.1
RDR of 11.80%	682,357	103.3
RDR of 13.10%	591,335	89.6
RDR of 14.10%	532,802	80.7
RDR of 16.10%	437,556	66.3
RDR of 17.10%	398,216	60.3

Statement of Group Embedded Value continued

11. EV EARNINGS

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

The table below shows the EV earnings for the year ended 30 June 2016:

(R'000)	ANW	PVIF	CoC	EV
A: EV at the end of the year	873,045	4,440,788	(83,190)	**5,230,643**
EV at the beginning of the year	722,813	3,952,657	(74,170)	**4,601,300**
Less: Dividends accrued or paid	297,759	–	–	**297,759**
B: Adjusted EV at the beginning of the year	425,054	3,952,657	(74,170)	**4,303,541**
EV earnings (A – B)	447,991	488,131	(9,020)	**927,102**
Less: Impact of once-off economic assumption changes	6,474	(77,208)	(4,650)	**(75,384)**
Recurring EV earnings	441,517	565,339	(4,370)	**1,002,486**
Recurring ROEV (%)				**23.3**
ROEV (%)				**21.5**
Components of EV earnings				
VNB	(290,897)	963,021	(11,796)	**660,328**
Expected return on covered business	–	489,057	9,076	**498,133**
Expected profit transfer	735,344	(735,344)	–	**–**
Withdrawal and unpaid premium experience variance	(2,604)	(46,038)	(1,751)	**(50,393)**
Claims and reinsurance experience variance	(5,499)	–	–	**(5,499)**
Sundry experience variance	5,699	(623)	–	**5,076**
Changes in modelling/basis and non-economic assumptions	1,768	(134,235)	101	**(132,366)**
Expected return on ANW	47,899	–	–	**47,899**
SAR and Bonus Rights Schemes	28,286	–	–	**28,286**
Goodwill and Medium-term incentive schemes	(50,231)	29,501	–	**(20,730)**
EV operating return	469,765	565,339	(4,370)	**1,030,734**
Investment return variances on ANW	(28,248)	–	–	**(28,248)**
Effect of economic assumption changes	6,474	(77,208)	(4,650)	**(75,384)**
EV Earnings	447,991	488,131	(9,020)	**927,102**

12. CONCLUSION

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

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

14 September 2016

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 41.

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 2016, prepared in accordance with IFRS, were approved by the Board on 14 September 2016 and signed on its behalf by:

Mr GQ Routledge
Chairman

Mr BW Reekie
Managing Director

14 September 2016

Certificate by the Company Secretary

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

Mrs W van Zyl
Company Secretary

14 September 2016

Independent Auditors' Report to the Shareholders

We have audited the consolidated and separate Financial Statements of Clientèle Limited set out on pages 88 to 167, which comprise the Statements of Financial Position as at 30 June 2016, and the Statements of Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flows for the year then ended, and the Notes, comprising a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

OPINION

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Clientèle Limited as at 30 June 2016, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with IFRS and the requirements of the Companies Act of South Africa.

OTHER REPORTS REQUIRED BY THE COMPANIES ACT

As part of our audit of the consolidated and separate Financial Statements for the year ended 30 June 2016 we have read the Directors' Report, the Group Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate Financial Statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate Financial Statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

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 Clientéle Limited for 9 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: Mrs A du Preez
Registered Auditor

Sunninghill
14 September 2016

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 2016.

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. Lending, by way of unsecured personal loans, on a conservative and controlled basis, took place through its subsidiary CLD. The CLD advances book was sold to MBD Legal Collections (Pty) Ltd during the year. This transaction included the outstanding loans advanced to clients up to February 2013. A PSA was entered into from 16 February 2013 with WesBank and Direct Axis in respect of unsecured personal loans. The business is funded and conducted by WesBank as a separate business unit on WesBank's SOFP and is administered by Direct Axis.

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 Annual Financial Statements and notes thereto on pages 131 to 167. An ordinary dividend of 100.00 cents per share (2015: 90.00 cents per share) was declared on 11 August 2016. The dividend will be paid on Monday, 19 September 2016.

To comply with the procedures of Strate Limited, the last day to trade in the shares for purposes of entitlement to the dividend was Tuesday, 13 September 2016. The shares commenced trading ex dividend on Wednesday, 14 September 2016 and the record date will be Friday, 16 September 2016.

Share certificates could not be dematerialised or rematerialised between Wednesday, 14 September 2016 and Friday, 16 September 2016, 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 2016	30 June 2015	% change
Financial position			
Total assets (R'm)	**2,917**	2,755	5.9
Net asset value per share (cents)	**260.86**	223.87	16.5
Return on shareholders interest (%)	**55**	56	
Operating results			
Insurance premium revenue (R'm)	**1,853**	1,641	12.9
Profit before tax (R'm)	**564**	502	12.4
Tax (R'm)	**150**	138	8.7
Net profit attributable to ordinary shareholders of the Group (R'm)	**411**	362	13.5
Diluted EPS (cents)	**122.97**	107.99	13.9
Diluted headline EPS (cents)	**122.99**	107.67	14.2
Dividend per share (cents)	**100.00**	90.00	11.1

The holding Company's interest in the aggregate profits earned after tax (after adjusting for non-controlling interests), by the subsidiaries amounted to R410.5 million (2015: R361.6 million).

HEADLINE EARNINGS PER SHARE

Headline earnings per share increased by 13% from 109.33 cents to 124.00 cents.

Group (R'000) **Reconciliation of earnings to headline earnings**	**2016**	2015
Net profit attributable to ordinary shareholders	**410,486**	361,643
Less: profit on disposal of fixed assets	**81**	(282)
Add: Impairment of intangible assets	**–**	1,234
Less: Tax effects on loan write-off	**–**	(2,037)
Headline earnings	**410,567**	360,558
Diluted weighted ordinary shares in issue		
Ordinary shares in issue (000's)	**331,806**	330,630
Weighted ordinary shares (000's)	**331,093**	329,799
Adjustment for dilution due to SAR and Bonus Rights Schemes (000's)	**2,716**	5,078
Diluted weighted ordinary shares (000's)	**333,809**	334,877
Diluted earnings per share (cents)	**122.97**	107.99
Diluted headline earnings per share (cents)	**122.99**	107.67

3. SHARE CAPITAL

1,176,400 shares were issued at a nominal value of R23,528 during the year as part of the SAR and Bonus Rights Schemes. The share capital as at 30 June 2016 is as follows:

Group (R'000)	**2016**	2015
Authorised:		
750,000,000 (2015: 750,000,000) ordinary shares of 2 cents each	**15,000**	15,000
Issued:		
331,805,999 (2015: 330,629,599) ordinary shares of 2 cents each	**6,636**	6,613

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 83.74% of the issued share capital (refer to note 11 on pages 145 to 146: Share capital and premium). Due to a formal change in the holding company structure, Friedshelf 1577 Proprietary Limited is now classified as the Parent Company of Clientèle, in comparison to the Parent Company as per the 2015 Integrated Annual Report reported as Pickent Investments Limited, who indirectly held 78.10% of the voting rights of the issued shares in the prior financial year.

Report of the Directors continued

5. DIRECTORS AND SECRETARY

The following people acted as Directors during the year:

Gavin Quentin Routledge BA, LLB	Group Chairman	Independent Non-executive Director, member of the Group Audit, Group Risk, Group Remuneration and Group Investment Committees
Gavin John Soll[1] CA(SA)	Group Vice Chairman Retired on 31 August 2016	Non-executive Director, member of Group Risk and Group Investment Committees
Adrian Domonic t'Hooft Enthoven BA, PhD (Political Science)		Non-executive Director, member of the Group Remuneration and Group Investment Committees
Brenda-Lee Frodsham B.Com		Executive Director, member of the Group Actuarial and Group Risk Committees
Iain Bruce Hume CA(SA), ACMA	Group Financial Director	Executive Director, Chairman of the Group Investment Committee, member of the Group Actuarial and Group Risk Committees
Basil William Reekie BSc(Hons), FASSA	Group Managing Director, Managing Director – Clientèle Life	Executive Director, Chairman of the Group Actuarial Committee, member of the Group Risk, Group Social and Ethics and Group Investment Committees
Barry Anthony Stott CA(SA)		Independent Non-executive Director, Chairman of the Group Audit, Group Risk and Group Remuneration Committees, member of the Group Investment Committee
Pheladi Raesibe Gwangwa B.Proc (LLM)		Independent Non-executive Director, Chairperson of the Group Social and Ethics Committee
Robert Donald Williams B. Bus Sc(Hons), FASSA		Independent Non-executive Director, member of the Group Audit, Group Risk and Group Actuarial Committees
Bonge Yandiswa Mkhondo B.Com, MBA	Appointed 1 January 2016	Independent Non-executive Director
Dineo Molefe[2] CA (SA)	Appointed 1 March 2016	Independent Non-executive Director, member of the Group Audit Committee

1 *Retired as a Non-executive Director and Vice Chairman on 31 August 2016 and member of the Group Risk and Group Investment Committees on 21 July 2015.*

2 *Appointed as an Independent Non-executive Director and member of the Group Audit Committee on 1 March 2016.*

Gavin Quentin Routledge, 60, (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.

Gavin John Soll, 54, (Group Non-executive Vice Chairman), CA(SA)
Prior to joining Clientèle Life, Mr Gavin Soll was employed by the Imperial Group, where he acted as a Director of a number of entities within that Group. Mr Gavin Soll joined Clientèle Life as Group Financial Director in February 1998 and in September of the same year was appointed Managing Director. Mr Gavin Soll was appointed Managing Director of Clientèle on its formation in May 2008. Mr Gavin Soll was succeeded by Mr Basil Reekie as the Group Managing Director of Clientèle effective 1 July 2013 and served on the Clientèle Board as Group Non-executive Vice Chairman from 30 June 2014 until his retirement on 31 August 2016.

Basil William Reekie, 43, (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, 47, (Non-executive Director), BA Hons in Politics, Philosophy and Economics, PhD in Political Science.
Dr Adrian Enthoven is the Executive Chair of Yellowwoods Ventures Investments (SA) Proprietary Limited, an international investment and insurance Group. He also serves on the Boards of a number of South African companies and non-government organisations. In the early nineties, he worked at the Metropolitan Chamber, a multi-party negotiating forum responsible for the democratisation of Greater Johannesburg. During 1995, he worked as an adviser to the Elections Task Group, a national body responsible for co-ordinating the first non-racial local government elections in South Africa. He has been involved in the investment business since completing his PhD in 2000. He is responsible for the Yellowwoods investments in South Africa.

Brenda-Lee Frodsham, 44, (Executive Director), B.Com
Ms Brenda-Lee Frodsham joined Clientèle Life in February 1994 and has managed and gained experience in several areas of the business including telesales, client services, administration, claims, direct mail, business development, product development, marketing, IT and IFA. Currently she assumes the portfolio of Strategic Operations Director for the Group.

Iain Bruce Hume, 49, (Group Financial Director), CA(SA), ACMA
Mr Iain Hume is a Chartered Accountant and an associate of the Chartered Institute of Management Accountants with over 17 years of experience in the banking and insurance industries. Mr Hume has been with the Group since 2000.

Barry Anthony Stott, 67, (Independent Non-executive Director), CA(SA)
Mr Barry Stott was previously a senior partner of PricewaterhouseCoopers and responsible for the financial services practice.

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

Pheladi Raesibe Gwangwa, 43, (Independent Non-executive Director), B Proc, LLM
Ms Pheladi Gwangwa is currently an independent consultant in the broadcasting industry and was the previous Station Manager of Talk Radio 702. She has been involved with Primedia Broadcasting from 2002 to 2016. She is a qualified lawyer who has previously worked for the State Attorney, IBA, ICASA and Cell C before joining Primedia Broadcasting.

Robert Donald Williams, 60, (Independent Non-executive Director), B. Bus Sc(Hons), FASSA
Mr Robert Williams has been appointed as an Independent Non-executive Director of Clientèle with effect from 1 January 2013. Mr Robert Williams is a Fellow of the 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 20 years experience acting as the appointed Statutory Actuary to various life insurance companies in Southern Africa.

Bonge Yandiswa Mkhondo, 42, (Independent Non-executive Director) BCom, MBA
Mrs Bonge Mkhondo has been appointed as an Independent Non-executive Director of Clientèle with effect 1 January 2016. Mrs Bonge Mkhondo holds a graduate Diploma in Marketing Management and was previously the Chief Marketing Officer of the Real People Group. She has in excess of 20 years of marketing experience as well as business experience.

Dineo Molefe, 39, (Independent Non-executive Director) CA(SA)
Ms Dineo Molefe has been appointed as an Independent Non-executive Director of Clientèle with effect 1 March 2016. 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.

Report of the Directors continued

OTHER DIRECTORSHIPS HELD BY THE DIRECTORS

Name	Current Directorships/Partnerships	Nature of Business
ADT Enthoven	And Beyond Holdings Proprietary Limited	Tourism
	Art Africa – S21	Arts
	Brozent Holdings Proprietary Limited	Investments
	Clientèle Limited	Financial Services
	Clientèle Life Assurance Company Limited	Life Insurance
	Dimpho Di Kopane – S21	Arts
	Double Flash Investments 209 Proprietary Limited	Property Investments
	Etana Holdings Proprietary Limited	Insurance
	First Ready Development 675	Property Investments
	Hollard Business Associates Proprietary Limited	Insurance
	Hollard Dealer Partners Proprietary Limited	Other business activities
	Hollard Holdings Proprietary Limited	Investments
	Hollard Life Assurance Company Limited	Long-term Insurance
	Lomhold Proprietary Limited	Manufacturing
	Lombard Insurance Company Limited	Insurance
	Spier Holdings Proprietary Limited	Leisure and Wine
	The Hollard Insurance Company Limited	Insurance
	Yellowwoods Ventures Investments (SA) Proprietary Limited	Investments
GQ Routledge	Clientèle Limited	Financial Services
	Clientèle Life Assurance Company Limited	Life Insurance
	Clientèle General Insurance Limited	Short-term Insurance
	Clientèle Loans Direct Proprietary Limited	Unsecured Personal Loans
	Genasys Group Holdings Proprietary Limited	IT
	Haven Sandown One Proprietary Limited	Private Equity
GJ Soll (retired 31 August 2016)	Clientèle Limited	Financial Services
	Clientèle Life Assurance Company Limited	Life Insurance
	Clientèle General Insurance Limited	Short-term Insurance
B Frodsham	Clientèle Limited	Financial Services
	Clientèle Properties North Proprietary Limited	Property Investments
	Clientèle Mobile Proprietary Limited	Mobile Services
	Clientèle Direct Proprietary Limited	Financial Services
IB Hume	Clientèle Limited	Financial Services
	Clientèle Life Assurance Company Limited	Life Insurance
	Clientèle General Insurance Limited	Short-term Insurance
	Clientèle Properties East Proprietary Limited	Property Investments

Name	Current Directorships/Partnerships	Nature of Business
IB Hume continued	Clientèle Properties North Proprietary Limited	Property Investments
	Clientèle Properties South Proprietary Limited	Property Investments
	Clientèle Loans Proprietary Limited	Unsecured Personal Loans
	Clientèle Loans Direct Proprietary Limited	Unsecured Personal Loans
BW Reekie	Clientèle Limited	Financial Services
	Clientèle Life Assurance Company Limited	Life Insurance
	Clientèle General Insurance Limited	Short-term Insurance
	Clientèle Properties East Proprietary Limited	Property Investments
	Clientèle Properties North Proprietary Limited	Property Investments
	Clientèle Properties South Proprietary Limited	Property Investments
	Clientèle Loans Proprietary Limited	Unsecured Personal Loans
	Clientèle Loans Direct Proprietary Limited	Unsecured Personal Loans
	The Social Project	Public Benefit Organisation
BA Stott	Boca Raton Owners Association	Property
	Clientèle Limited	Financial Services
	Clientèle Life Assurance Company Limited	Life Insurance
	Clientèle General Insurance Limited	Short-term Insurance
PR Gwangwa	Broadcast Research Council	Media Research
	Clientèle Limited	Financial Services
	Clientèle Life Assurance Company Limited	Life Insurance
RD Williams	Clientèle Limited	Financial Services
	Clientèle Life Assurance Company Limited	Life Insurance
	Clientèle General Insurance Limited	Short-term Insurance
	Grayston Nominees Proprietary Limited	Financial Services
	RD Williams Actuarial Consulting Services Proprietary Limited	Financial Services
BY Mkhondo	Clientèle Limited	Financial Services
	Clientèle Life Assurance Company Limited	Life Insurance
	Clientèle General Insurance Limited	Short-term Insurance
D Molefe	Clientèle Limited	Financial Services
	Clientèle Life Assurance Company Limited	Life Insurance
	Infovan Proprietary Limited	Networking activities
	T-Systems South Africa Holdings Proprietary Limited	Information and Communications Technology
	T-Systems South Africa Proprietary Limited	Information and Communications Technology
	T-Systems South Africa ICT Academy	Information and Communication Technology development

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

At each AGM of Clientèle, one-third of the 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 as follows:

	Ordinary shares		
	Beneficial Direct	Indirect	Associates
2016			
Non-executive Directors			
GQ Routledge	300,000	3,540,185	104,622
BA Stott	20,000	45,000	32,000
GJ Soll	5,200,000	–	–
Executive Directors			
IB Hume	74,376	1,729,237	44,000
B Frodsham	–	776,951	–
BW Reekie	120,000	2,156,406	–
	5,714,376	8,247,779	180,622

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

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

7. EQUIPMENT

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

8. EXTERNAL AUDITORS

In accordance with section 94(7)a of the Companies Act, the Group Audit Committee, on behalf of the Board, nominated Mrs A du Preez of PricewaterhouseCoopers Incorporated for appointment as External Auditor. This appointment will be subject to approval by a majority of shareholders at the AGM on 27 October 2016.

9. DIRECTORS' EMOLUMENTS

Details of Directors' emoluments are set out in note 29 on pages 159 to 160 to the Annual Financial Statements.

Details of Directors' employment contracts are set out in section 2.3 on page 20 to the Integrated Annual Report.

10. SPECIAL RESOLUTIONS: CLIENTÈLE

The following special resolutions were passed during the year:

1. REMUNERATION OF NON-EXECUTIVE DIRECTORS

The remuneration of the Non-executive Directors for the period 1 July 2015 to 30 June 2016 was approved.

An increase of between 5% and 10% was approved in terms of the remuneration of the Non-executive Directors for the period 1 July 2016 to 30 June 2017.

2. 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.

3. 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.

4. FINANCIAL ASSISTANCE (SECTION 44 OF THE COMPANIES ACT)

It was resolved at the Special General Meeting held on 20 January 2016 to revoke in its entirety special resolution number 4, passed at the meeting of shareholders held on 29 October 2015, which read:

"Resolved that, the Board may, subject to compliance with the Company's and the requirements of the Companies Act, authorise the Company to provide financial assistance in the form of a guarantee in favour of Depfin to facilitate the acquisition by YTI of 12,963,947 ordinary shares in the capital of the Company, subject to the Company's maximum liability thereunder being limited to R45 million".

The Board was authorised in accordance with section 44 of the Companies Act to authorise the Company to provide financial assistance by way of the issue of an on demand guarantee for an amount not exceeding R274.4 million in the aggregate to Depfin as security for the obligations of YTI to Depfin:

a. in respect of 120 cumulative redeemable non-participating preference shares issued by YTI to Depfin; and

b. under the related documents.

Reading the entire notice, the reasons for special resolution number 4 passed on 29 October 2015 and the integrated annual report, shareholders would have been aware that the guarantee was intended to be issued to Depfin for more than R45 million, namely for R274.4 million in the aggregate. It was always intended that the maximum aggregate liability of the Company to Depfin under the guarantee would have been R274.4 million. However, since the Company has obtained a back-to-back guarantee from HSBC for R229.4 million, the maximum overall exposure of the Company is limited to the R45 million referred to in the Existing Resolution. In other words, although the Company could have to pay Depfin up to R274.4 million in the aggregate, it would be able to recover up to R229.4 million from HSBC.

As the resolution which was passed was not sufficiently clear, a further special resolution is therefore to be passed providing expressly for the Board to be authorised by the shareholders to issue a guarantee of R274.4 million to Depfin ("the Full Guarantee"). That is the purpose of this special resolution. It follows that it is necessary for the authority given under the Existing Resolution to be revoked.

YTI had borrowed, as an interim measure, R223.6 million ("the Bridging Loan") from Nedbank. It was always intended that this Bridging Loan would be repaid by YTI from the issue of the 120 preference shares in YTI to Depfin, which is a wholly-owned subsidiary of Nedbank. YTI will be entering into a suite of agreements with Depfin in that regard including a subscription agreement and a pledge and cession in respect of the 12,963,947 shares in the Company ("the Designated Shares").

The reason for the proposed special resolution is therefore to provide authority to the Company as required in terms of section 44 of the Act, to issue the Full Guarantee to Depfin for a maximum aggregate liability thereunder of R274.4 million.

YTI is not a related party vis a vis the Company and accordingly no resolution is required in terms of section 45 of the Act.

As required by section 44, the Board cannot approve the resolution to authorise the granting of the Full Guarantee unless the Directors are 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 acquired the Designated Shares as a black economic empowerment initiative to boost the Company's empowerment credentials. That is why the Board of the Company thought it appropriate for the Company to guarantee YTI's obligations up to R274.4 million in the aggregate. On that basis the Board considers that the financial assistance is fair and reasonable to the Company.

11. SPECIAL RESOLUTIONS: SUBSIDIARIES

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

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

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

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

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

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

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

12. DIRECTOR'S INTERESTS IN CONTRACTS

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

The Directors had no interest in any third party or Company responsible 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 2016	June 2015
Assets		
SOFP assets	**2,524,117**	2,496,710
Reinsurance assets	**(2,789)**	(3,015)
Total assets net of reinsurance assets	**2,521,328**	2,493,694
Less: Liabilities		
Actuarial value of liabilities	**679,362**	689,676
Reduction in policy liabilities due to reinsurance	**(2,789)**	(3,015)
Other policyholder liabilities	**909,819**	942,336
Current liabilities	**260,402**	250,395
Deferred Profit	**21,713**	20,133
Total liabilities	**1,868,507**	1,899,525
Excess of assets over liabilities	**652,821**	594,169

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

(R'000)	June 2016	June 2015
Assets		
Total assets net of reinsurance assets	**2,521,328**	2,493,694
Disallowed assets	**(36,852)**	(33,858)
Total assets	**2,484,476**	2,459,836
Liabilities		
Actuarial liabilities	**1,591,689**	1,633,399
Current liabilities	**260,402**	250,395
Tax Impact of Deferred Profit and Compulsory Margins*	**4,596**	4,405
Total liabilities	**1,856,687**	1,888,198
Excess of assets over liabilities	**627,788**	571,638
CAR	**267,273**	246,566
CAR ratio (%)	**235**	232

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

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

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

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

(R'000)	June 2016	June 2015
Excess assets at the end of the year	**652,821**	594,169
Excess assets at the beginning of the year	**594,169**	517,401
Change in excess assets over the year	**58,652**	76,768
The change in excess assets is due to the following factors:		
Investment income and growth on excess assets	**22,569**	33,788
Operating surplus (excluding changes in method or assumption)	**438,495**	360,351
Changes in Valuation method or assumptions	**11,603**	17,594
Revaluation of properties	**(7,483)**	4,134
Tax	**(133,465)**	(119,438)
Total earnings	**331,719**	296,430
Dividends paid	**(273,067)**	(219,662)
Total Change in Excess Assets	**58,652**	76,768

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 2016	June 2015
Net profit attributable to ordinary shareholders	**342,029**	311,226
Dividend paid	**(273,067)**	(219,662)
SAR and Bonus Rights Schemes	**(10,310)**	(14,796)
Total Change in Excess Assets (Published Reporting Basis)	**58,652**	76,768

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

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

(R'000)	June 2016	June 2015
Excess assets on Published Reporting Basis	**652,821**	594,169
Disallowed assets	**(36,852)**	(33,858)
Removal of Deferred Profit	**21,713**	20,133
Compulsory Margins on Investment Business	**(5,297)**	(4,401)
Tax Impact of Deferred Profit and Compulsory Margins	**(4,596)**	(4,405)
Excess Assets on Statutory Basis	**627,788**	571,638

5. CHANGES IN PUBLISHED REPORTING VALUATION METHOD AND ASSUMPTIONS

The methodology and Actuarial Valuation assumptions used remained broadly the same as those applied as at 30 June 2015, except for the following changes (before allowing for compulsory margins):

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

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

(%)	June 2016	June 2015
Non-unit investment return	**8.60**	8.30
Unit investment return	**9.80**	9.30
Expense inflation rate	**7.10**	6.80
Corporate tax rate	**28.00**	28.00

Other Assumptions:

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

6. PUBLISHED REPORTING VALUATION METHOD AND ASSUMPTIONS

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

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

Investment contracts have been valued in accordance with IAS 39. The liability held for these products is equal to the asset value.

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

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

7. PUBLISHED REPORTING LIABILITY VALUATION METHOD AND ASSUMPTIONS

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

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

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

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

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

- A non-unit investment return rate of 8.6% (2015: 8.3%) was used for all classes of business;
- A unit interest rate of 9.8% (2015: 9.3%) 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 7.1% p.a. (2015: 6.8%);
- Mortality rates are based on recent experience investigations; and
- Withdrawal rates are based on recent experience investigations.

The following additional discretionary margin set previously was retained:

- Where reserving cash flow projections resulted in negative reserves, these were set to zero per policy. As such, no policy was treated as an asset.

8. INVESTMENT CONTRACTS WITHOUT DISCRETIONARY PARTICIPATION FEATURES

In the calculation of liabilities for investment contracts, the Investment Account balance has been held for these contracts. In addition, a Deferred Profit Liability is held, which defers the profit over the term of the policy. As at 30 June 2016, the Deferred Profit is R21.7 million (2015: R20.13 million).

9. PUBLISHED REPORTING ASSET VALUATION METHOD AND ASSUMPTIONS

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

10. STATUTORY CAR

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

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

The Credit Risk component inside of OCAR has an allowance for the credit risk of ABL of R47 million.

The TCAR exceeded the OCAR as well as the MCAR and thus the CAR has been based on the TCAR. Hence, the CAR for Clientèle Life, as at 30 June 2016, is TCAR which is equal to R267.3 million (2015: R246.6 million). The ratio of the statutory excess of assets over liabilities to the CAR was 235% (2015: 232%).

11. APN110 DISCLOSURE

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

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

(R'000)	**June 2016**	June 2015
Stochastic Liability	**2,022**	2,290
CAR Stochastic Resilience Liability	**291**	1,376

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

Maturity	Strike Price	Option Price %	Volatility %
1 year	Spot	6.8	23.40
1 year	0.8*Spot	2.3	29.00
1 year	Forward	9.1	23.40
5 years	Spot	8.8	25.00
5 years	(1.04^5)*Spot	17.6	27.10
5 years	Forward	20.6	27.10
20 years	Spot	1.9	26.00
20 years	(1.04^20)*Spot	9.4	26.00
20 years	Forward	24.7	26.00

Where:

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

A 5-year put option with a strike price equal to (1.04^5) of spot price, on an underlying index constructed as 60% FTSE/JSE TOP40 and 40% ALBI, with rebalancing of the underlying index back to these weights taking place annually was calculated as 4.9% of the index value.

A 20-year put option based on an interest rate with a strike equal to the present 5-year forward rate as at maturity of the put option (based on the zero coupon yield curve), which pays out if the 5-year interest rate at the time of maturity (in 20 years) is lower than this strike was calculated as 0.0%.

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

ZERO COUPON CURVE

Year	Rate %
1	7.91
2	7.63
3	8.02
4	8.22
5	8.35
10	8.97
15	9.62
20	10.03
25	11.13
30	10.32

The date of calibration as well as the date of calculation was 30 June 2016. This calculation is only performed annually due to the complexity involved and the negligible impact on OCAR.

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

12. EXCESS OF ASSETS OVER LIABILITIES

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

13. REPORT BY STATUTORY ACTUARY

I hereby certify that:

- The Valuation on the Statutory basis of Clientèle Life as at 30 June 2016, the results of which are summarised above, has been conducted in accordance with, and this Statutory Actuary's Report has been produced in accordance with applicable Actuarial Society of South Africa APNs and SAPs.
- In terms of the SVM, Clientèle Life has assets exceeding the liabilities and CAR.
- Clientèle Life currently satisfies the asset spreading requirements in terms of section 31 of the Long-term Insurance Act.
- Therefore, Clientèle Life is financially sound in terms of section 29 of the Act and, in my opinion, is likely to remain financially sound for the foreseeable future.

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

14 September 2016

Risk Management

for the year ended 30 June 2016

RISK MANAGEMENT FRAMEWORK AND OBJECTIVES

The risk management framework and policy is fully aligned to ensure compliance with Board Notice 158 of 2014 – Governance and risk management framework for Insurers. The risk management processes cover strategic, insurance, financial, compliance and other operational risks inherent to the Group's business.

RESPONSIBILITY FOR RISK MANAGEMENT

A significant part of the business involves the acceptance and management of risk. The overall responsibility for risk management resides with the Board. At an operational level, risk management resides with Group Excom.

The Group's risk management processes, of which the systems of financial and operational controls are an integral part, are designed to control and monitor risk throughout the Group by relying on the following three lines of defence:

- First line of defence – management of the Group via identified Committees and business functions;
- Second line of defence – Chief Risk Officer, Risk function, Compliance function and Group Actuary; and
- Third line of defence – GIA, External Audit and External Actuaries.

For effectiveness, these processes rely on regular communication, sound judgment and a thorough knowledge of the products and markets by the people closest to them.

The risk management function coordinates and challenges risk identification, analysis, assessment and monitoring, and has established appropriate risk reporting procedures.

KEY FOCUS AREAS DURING THE YEAR

- **Progress towards SAM**

  The SAM regime is expected to be fully implemented by 2017. All systems are in place to enable Clientèle to be fully compliant with the SAM regulations. Clientèle has embedded the principles of SAM in all its business processes. Two Group ORSAs have been completed as per the FSB's requirements and one of these has been submitted to the FSB in August 2015. Clientèle does not, at this stage, foresee any significant negative impact on operations as a result of the implementation of SAM, or any additional capital constraints.

- **Risk culture**

  Training and outlining of management's responsibility towards effective risk management has been provided. All departments are required to document any risk incidents within, or affecting their business units, and report emerging and existing risks and actions taken to mitigate risk.

- **Enhancement of the risk frameworks**

  Risk has been added as a standing agenda item for most Committee and other meetings across Clientèle.

  Additional focus and awareness has been placed on internal controls and the actions taken to mitigate risk.

  A review was conducted of the risk appetite and tolerance statements during the year. Improvements included the tolerance levels for new projects and operational, compliance and fraud risk.

- **Implementation of risk reporting templates**

  Great care has been taken to improve the risk reporting templates in order to make them more user friendly and practical.

- **Market Conduct Returns**

  The Group is in the process of completing the Market Conduct Returns, which will be completed by January 2017.

Risk Management continued

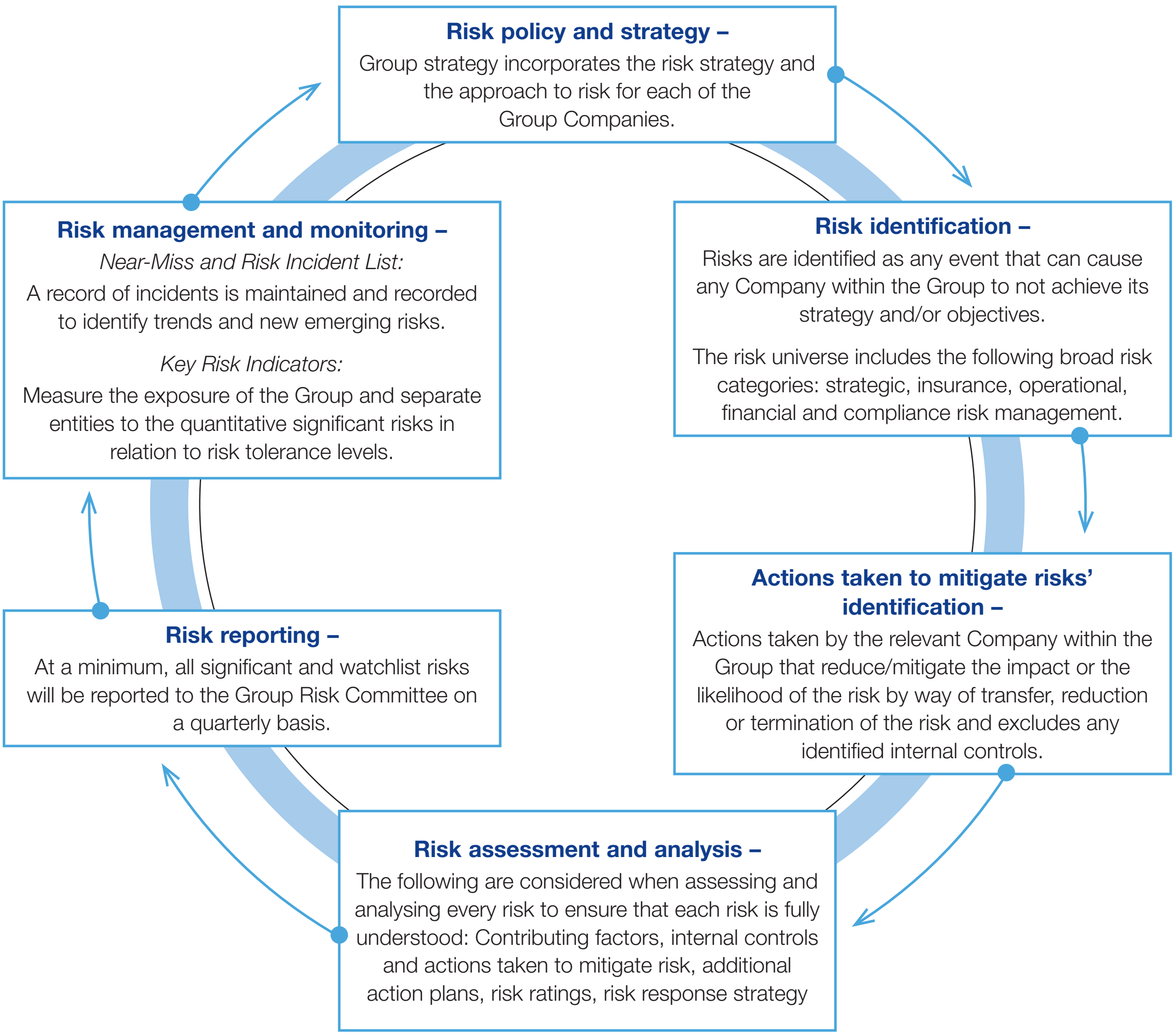
2. RISK APPETITE

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

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

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

The risk function will report to the Group Risk Committee on a quarterly basis on whether the Group and the separate entities are still operating within its risk appetite and on the historical performance based on the risk appetite metrics.



A Significant Risk is defined as a risk that was rated as a combined rating of 12 or higher in terms of Clientèle's internal risk rating scale, i.e., the impact is high and the likelihood is very real.

A Watchlist Risk is defined as a risk that was rated as a 4 or a 5 on the impact score but a 1 or 2 on the likelihood in terms of Clientèle's internal risk rating scale.

3. RISK TOLERANCE

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

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

- Insurance risk – Persistency (the tolerance levels are set based on an acceptable level of increase in lapses over a 12-month moving average);
- Strategic risk – Production of existing products (the tolerance levels are measured on actual versus budgeted production);
- Strategic risk – New projects (the tolerance levels depend on the size of the proposed project);
- Operational risk – Fraud (very low tolerance);
- Operational risk – Reputational risk (very low tolerance);
- Compliance risk (very low tolerance); and
- IT risk (very low tolerance).

There was no breach of the tolerance levels during the year.

4. SIGNIFICANT AND WATCHLIST RISKS

The following are the Significant risks that are monitored against the Group's business objectives:

RISK CATEGORY	RISK	RATIONALE
Operational/ Insurance	NAEDO/AC	NAEDO being removed without a suitable alternative and/or new AC not being appropriate for Telesales opportunities.
Insurance	Persistency	Negative move in actual withdrawals against actuarial assumptions over a period of one year.
Financial	New business production	The overall risk relating to new business production during the financial year.
Financial	Illiquidity of shares	Due to the illiquid nature of Clientèle shares on the JSE, the share price does not always reflect the true value of the shares.

The management and controls of significant risks are discussed in more detail in Section 7.

The following are the Watchlist risk that are monitored against the Group's business objectives:

Investment	Downgrade risk	Downgrade risk of SA bonds to junk status.
Operational	Lead source	Due to the nature of Clientèle's direct marketing business it is reliant on external parties for leads.
Operational	Legacy IT system change	Risk of system downtime or loss of data due to the change from the legacy IT system to the new system over the next couple of years.
Operational	Negative sentiment	Should IFA numbers decrease to such an extent that it affects the long-term viability of the IFA network.
Regulatory*	Retail Distribution Review	Potential requirements that are overly stringent, particularly for the low advice and no advice categories of policy.
Regulatory*	Demarcation	The possibility of cancelling the hospital in-force book.
Regulatory*	Cybercrimes and Cybersecurity Bill	Potential requirements that are overly stringent.
Regulatory*	Market Conduct Framework	The risk that the Regulator does not consider the unique constraints of the mass market when determining future legislation.
Compliance	Non-compliance with existing legislation	Reputational risk as a result of potential non-compliance with existing legislation, guidelines, standards, requirements and good practices.

* *Regulatory risk relates to future legislation that is not yet in-force or finalised.*

A list of business disaster risks is also maintained and includes all internal and external risks that are not fully covered by Clientèle's business continuity and disaster recovery plans.

5. FOCUS AREAS FOR 2017

- Embed the risk appetite and tolerance statements throughout the Group;
- Assist in the development of key risk indicators for all business areas within the Group;
- Enhance the risk culture by conducting risk training and awareness; and
- Integrate all final changes to the SAM framework by the effective date.

6. CAPITAL MANAGEMENT RISK

The Group's capital management process ensures that each entity within the Group maintains sufficient capital for legal and regulatory compliance purposes. The Group ensures that its actions do not compromise sound governance and appropriate business practices. When determining the Group CAR, an allowance is made for various factors, including external borrowings and guarantees. The Group CAR ratio is maintained at a level greater than 1.

6.1 LONG-TERM INSURANCE

Clientèle Life is required to maintain a capital balance equivalent to, at least, the CAR and targets an internal CAR cover ratio of no less than 1.25. This is available to meet obligations in the event of substantial deviations from the main experience assumptions affecting Clientèle Life's financial instruments, insurance and investment contract business.

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

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

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

As at 30 June 2016, the CAR of Clientèle Life for insurance and investment contract business amounted to R267.3 million (2015: R246.6 million) and was covered 2.35 times (2015: 2.32 times) by the excess of assets over liabilities.

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

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

6.2 SHORT-TERM INSURANCE

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

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

As at 30 June 2016, the CAR amounted to R109.8 million (2015: R88.6 million). This translated into a CAR cover ratio of 1.35 (2015: 1.33).

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

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

7. INSURANCE RISK

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

Insurance risk	Long-term insurance	Short-term insurance
Mortality and morbidity risk	7.1.1	
Frequency and severity of claims risk		7.2.1
Contract persistency risk	7.1.2	7.2.2
Expense risk	7.1.3	7.2.3
Assumption risk	7.1.4	7.2.4
Data risk	7.1.5	7.2.5

7.1 LONG-TERM INSURANCE

7.1.1 Mortality and morbidity risks

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 affecting these risks

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

Management of this risk

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

Risk Management continued

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

Sum insured per benefit (R'000)	Number of benefits insured	Gross amount R'm	Net amount R'm
2016			
0 – 20	**1,507,041**	**18,586**	**9,080**
20 – 50	**489,479**	**15,778**	**8,172**
50 – 100	**267,736**	**17,160**	**12,868**
100 – 200	**59,133**	**7,470**	**3,885**
200 – 500	**46,659**	**12,072**	**5,747**
500 +	**18,594**	**13,709**	**4,976**
Total	**2,388,642**	**84,775**	**44,728**

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

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

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

7.1.2 Contract persistency risk

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

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

Factors affecting this risk

- Economic conditions and/or consumer trends can influence persistency rates;
- Changes in banking processes and procedures (for e.g., the use of NAEDO, the introduction of AC and the debit order dispute process followed by banks);
- Terminations can have the effect of increasing risk (e.g. policyholders whose health has deteriorated are less likely, on average, to terminate a contract providing death benefits); and
- Negative perception of the industry.

Management of this risk

- Where withdrawal benefits are payable on termination, these can be adjusted to recover certain expenses. However, market and legislative forces restrict the extent to which this may be done;
- Persistency rates are measured on a monthly basis and resources are directed towards the sale of business with higher persistency, understanding our policyholders' payment abilities and improved methods of collecting premiums;
- Providing policy benefits which encourage persistency and reduce the financial impact (risk) of early withdrawal (e.g. cashback benefit and premium payback benefit on certain policies);
- Monitoring by the Group Actuarial Committee on a regular basis; and
- Discussion and participation in meetings of industry committees (e.g. ASISA, PASA, etc.).

7.1.3 Expense risk

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

Factors affecting this risk

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

Management of this risk

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

7.1.4 Assumption risk

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

Factors affecting this risk

- Adverse actual experience or the use of incorrect assumptions.

Management of this risk

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

7.1.5 Data risk

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

Factors affecting this risk

- Incorrect data or Valuation extracts 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.

Management of this risk

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

Risk Management continued

7.2 SHORT-TERM INSURANCE

Short-term insurance in respect of personal lines legal insurance is currently limited to a maximum of R375,000 (2015: R365,000) of legal claims per policy per annum and R3.8 million (2015: R3.7 million) per policy for the policyholder's lifetime.

Short-term insurance in respect of business lines legal insurance is currently limited to a maximum of R1,000,000 (2015: R1,000,000) of legal claims per policy per annum.

7.2.1 Frequency and severity of claims

Factors affecting this risk

- The rand-value of claims in respect of personal lines or business lines legal matters is higher than expected;
- The frequency of claims per policyholder is expected to be high and the claim values are expected to be low. As claims frequency is high, increases in average cost per claim will potentially have a large impact;
- Increase in litigation costs in the future may be higher than expected;
- Accidental death claims can be higher than expected;
- A higher proportion of claims than expected have to be covered as a result of misinterpretation at sales stage; and
- A higher proportion of claims than expected require external attorneys to manage.

Management of this risk

- These contracts are issued individually and exclude pre-existing litigation matters and certain specifically excluded matters;
- Limits are set on the amount which can be claimed annually and in a policyholder's lifetime;
- Most matters are dealt with through in-house legal advice and day-to-day management is exercised with regard to the efficiency of resolving legal matters;
- Management of sales consultants (quality assurance) and appropriate training of sales agents;
- Oversight of claims referrals to external attorneys;
- The panel of external attorneys who provide legal advice is continually reviewed and assessed to ensure the appropriate level of advice is given and charged for at an appropriate level. This panel of external attorneys must provide a valid fidelity fund certificate to ensure that they are registered with the requisite Law Society. This ensures that they enjoy professional indemnity cover; and
- Claims experience on the accidental death claims is monitored monthly.

7.2.2 Contract persistency risk

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

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

Factors affecting this risk

- Economic conditions and/or consumer trends can influence persistency rates;
- Changes in banking processes and procedures (for e.g., the use of NAEDO, the introduction of AC and the debit order dispute process followed by banks);
- Terminations can have the effect of increasing risk; and
- Negative perception of the industry.

Management of this risk

- Persistency rates are measured on a monthly basis and resources are directed towards the sale of business with higher persistency by adapting a policy offering to respond to the changing needs of policyholders, understanding policyholders' payment abilities and improved methods of collecting premiums;
- Monitoring by the Group Actuarial Committee on a regular basis, and
- Discussion and participation in meetings of industry committees (e.g. ASISA, PASA, etc.).

7.2.3 Expense risk

Refer to 7.1.3

7.2.4 Assumption risk

Refer to 7.1.4

7.2.5 Data risk

Refer to 7.1.5

8. OPERATIONAL RISK AND MARKET RISK ARISING FROM FINANCIAL INSTRUMENTS AND PROPERTIES

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

Risk Types	Long-term insurance	Long-term investment contracts*	Short-term insurance	Loans business*
Equity risk	8.1.1	n/a	8.3.1	n/a
Interest rate risk	8.1.2	8.2.1	8.3.2	8.4.1
Property risk	8.1.3	n/a	8.3.3	n/a
Operational risk	8.1.4	8.2.2	8.3.4	8.4.1

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

8.1 LONG-TERM INSURANCE

8.1.1 Equity risk

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

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

Factors affecting exposure to this risk

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

Management of this risk

- Asset allocations are reviewed on a quarterly basis by the Group Investment Committee;
- Limitations in terms of the Long-term and Short-term Insurance Acts on the types and amounts which may be invested in certain financial assets are monitored and adhered to;
- A conservative investment strategy with an appropriate mix of assets which avoids undue concentration in riskier asset classes is adopted;
- The general principal of consistency of returns being more important than the returns themselves is considered in the individual asset selections and asset mix;
- Asset selection and mix is aligned to the underlying policyholder obligations and policyholder reasonable expectations and is matched accordingly;
- Financial assets which are complex or "less transparent" are avoided. Complex assets or "less transparent" assets are only considered after receiving the consideration and approval of the Group Investment Committee;
- The "Prudent Person Principle" is adopted and only assets and instruments whose risks can be properly identified, assessed, monitored, managed, controlled and reported on are invested in, and assets are invested in a manner appropriate to the nature and duration of the corresponding liabilities and the best interests of policyholders and beneficiaries;
- Investment of all assets, specifically those assets covering the financial soundness requirements are invested in a manner that ensures the security, quality, liquidity and profitability of the whole portfolio of assets and the availability of assets;
- In the event of a conflict of interest, investments are made in the best interests of policyholders and beneficiaries;

- In respect of assets held in respect of long-term policies where the investment risk is borne by the policyholders, the liabilities are:
  - In the case of policy benefits that are directly linked to the value of units, represented as closely as possible by those units;
  - In the case of policy benefits that are directly linked to a share index or a reference value other than units, represented as closely as possible by the units deemed to represent the reference value or, in the case where units are not established, represented by assets of appropriate security and marketability which correspond as closely as possible with those on which the particular reference value is based;
  - The assets:

    (a) Take account of all marketing and policy literature; and

    (b) Are in line with policyholder reasonable expectations.
- The policyholder benefits referred to above that include a guarantee of investment performance or another guarantee benefit are backed by assets appropriate to cover the corresponding additional liabilities;
- Investments in assets which are not admitted to trading on a regulated financial market are kept to stated prudent levels;
- Assets are properly diversified in a manner that avoids excessive reliance on any particular asset, issuer, group of companies or geographical area and excessive concentration of risk in the portfolio as a whole thus avoiding the risk of contagion between concentrated exposures;
- Factors that may materially affect the sustainable long-term performance of assets or asset classes, including factors of an environmental, social and governance character are considered;
- Assets backing single premium guaranteed products are (as closely as possible) matched to the liabilities;
- The categories of equities invested in are monitored monthly by Melville Douglas, who report to the Group Investment Committee;
- The equities selection and investment analysis process is outsourced to Melville Douglas, who invest within the mandates set by the Group Investment Committee.
- Outsourcing agreements are in place to ensure that investment risks, returns and charges are appropriately managed;
- Portfolio statements are distributed to management monthly and are available electronically on a daily basis; and
- Movements on the unitised portfolio are monitored by management on a daily basis.

8.1.2 Interest rate risk

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

Factors affecting this risk

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

Management of this risk

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

8.1.3 Property risk

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

The Group is exposed to property risk through its ownership of the three property subsidiaries of Clientèle Life, which own Clientèle Office Park as reflected in the SOFP as well as to listed real estate exposure in the Melville Douglas portfolio. Clientèle Office Park is occupied by companies within the Group. Building activities on the new office building and parking structure were completed during the year and the associated construction risks are no longer applicable.

Factors affecting this risk

- Changes in interest rates;
- Occupancy levels in the Sandton, Morningside and Rivonia area and generally for 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.

Management of this risk

- Management has chosen to make the office park the home of the Group;
- The office park is being continually maintained and improved to enhance its value;
- Management believes that the Sandton, Morningside and Rivonia areas have an 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.

8.1.4 Operational risk

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

Factors affecting this risk

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

Management of this risk

- The Group has embedded a culture of risk management in each department and division within the Group and the Group has formalised its risk management processes to align with the principles outlined in King III, SAM and ORSA;
- Operational risks are identified, evaluated, recorded and managed by each Excom member;
- Processes and procedures are further evaluated and reviewed at Executive level and by the Group Risk Committee on behalf of the Board to ensure that they are adequate and appropriate;
- The Group is continuously improving its risk culture at a Group, division and departmental level;
- Operational risks are managed by various committees and departments, covering all operational areas.
- The ICC and IFCC oversees the identification and improvements of internal controls and internal financial controls respectively;
- Significant risks are escalated to the Group Risk Committee;
- The Group has a dedicated Internal Audit function and a dedicated Group Compliance function;
- Operational areas identified as high risk are reviewed at least annually by GIA and other areas on average at least every 3 years;
- All operational areas have detailed SOPs in place that limit risk;
- Appropriate succession planning is conducted annually; and
- All operational risk incidents are reported to the risk function by members of management on a monthly basis.

8.2 LONG-TERM INVESTMENT CONTRACTS

8.2.1 Interest rate risk

Financial liabilities held at fair value through profit or loss consist of non-linked investment contracts (Single Premium) (R738.7 million (2015: R770.9 million)) that are exposed to interest rate risk and linked investment contracts (R171.1 million (2015: R171.4 million)) that are not exposed to interest rate risk.

Factors affecting this risk

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

Management of this risk

- Interest rate risk is minimised by matching the profile of liabilities with similar assets at the inception of the contracts of financial assets (relates to financial liabilities of the long-term investment contract business);
- Policyholder contracts provide that in the event of an early withdrawal by the policyholder the interest rate risk is carried by the policyholder; and
- The lower of market value or original investment value plus accrued interest is paid out to policyholders after deducting a surrender fee on early withdrawal.

8.2.2 Operational risk

Refer to 8.1.4

8.3 SHORT-TERM INSURANCE

8.3.1 Equity risk

Refer to 8.1.1

8.3.2 Interest rate risk

Interest rate risk is the risk that the value of, or cash flows from, a financial instrument will fluctuate as a result of changes in interest rates. Clientèle General Insurance invests in fixed interest instruments within the shareholders and cashback investment portfolios. In addition, cashback policyholders' liabilities will be affected by changes in interest rates.

Refer to 8.1.2 for factors affecting and management of this risk.

8.3.3 Property risk

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

Refer to 8.1.3 for factors affecting and management of this risk.

8.3.4 Operational risk

Refer to 8.1.4

8.4 LOANS BUSINESS

8.4.1 Sale of advances book

The entire CLD book consisting of all advances written up to 15 February 2013 (prior to implementation of the PSA) has been sold and has resulted in a reversal of previous impairments. The Company has migrated its collections and operational processes to the purchaser and will wind down its operations. All new business contracts as of 16 February 2013 are being concluded in accordance with a PSA in respect of unsecured personal loans with WesBank and Direct Axis. This business is funded and conducted by WesBank on its SOFP as a separate business unit and administered by Direct Axis. Clientèle will share in cumulative profits when they arise (refer to note 9 on pages 144 and 145). The loans business is not considered to be material to the Group's risk management disclosure.

9. CREDIT RISK

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

Balances where the Group has exposure to credit risk include financial assets (excluding equities), amounts receivable from insurance policyholders, amounts due from reinsurers, loans from the loans business and cash and cash equivalents. At 30 June 2016, the Group has provided for credit risk by way of a fair value adjustment to financial assets at fair value through profit or loss as set out in note 7 on page 143.

Factors affecting this risk

- Fair values of investments may be affected by the creditworthiness of the issuer of securities. The Group is also exposed to credit risk for any reinsurance assets held. If a reinsurer fails to pay a claim, the Group remains liable for the payment to the policyholder.

Management of this risk

- Spreading of financial assets in terms of the provisions of the Long-term Insurance Act and the Short-term Insurance Act for Clientèle Life and Clientèle General Insurance 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 vs limits is evaluated on an on-going basis;
- Cash equivalents, financial assets and reinsurance are placed with reputable companies. The credit rating of the Company is assessed when placing the business and when there is a decrease in the status of the credit rating of the Company. The counterparties for assets backing financial liabilities at fair value, through profit or loss in respect of guaranteed single premium investment contract business are rated at least A1- by international rating agencies (Moody's and Fitch) as at investment date (refer to internal debt rating scale on page 102);
- The Group places business with at least A1+ rated reinsurers (refer to internal debt rating scale on page 102); and
- The credit risk in respect of advances granted in terms of the PSA is borne by WesBank as the advances are granted by WesBank and are reflected as assets on its SOFP. Clientèle indirectly shares in credit risk through sharing of profits when the PSA is in a net cumulative profit position.
- Financial assets at amortised cost are tested for impairment on a bi-annual basis.

Risk Management continued

9.1 LONG-TERM INSURANCE AND INVESTMENT CONTRACT BUSINESS

The following table provides information regarding the aggregated credit risk exposure for the assets relating to the Group's long-term insurance and investment contract business (includes all promissory notes and fixed deposits) at 30 June:

(R'000)	A1+	A1	A1-	B	Not rated#	Total carrying value
2016						
Reinsurance assets	**2,789**					**2,789**
Financial assets at fair value through profit or loss	**1,056,634**	**10,340**	**158,140**	**–**	**–**	**1,225,114**
Promissory notes and fixed deposits	**567,200**		**155,823***			**723,023**
Funds on deposit	**422,895**					**422,895**
Fixed interest instruments	**30,623**	**10,340**	**2,317**			**43,280**
Government and public authority bonds	**35,916**					**35,916**
Financial assets at amortised cost			**264,023***			**264,023**
Loans and receivables including insurance receivables					**50,129**	**50,129**
Cash and cash equivalents	**182,580**					**182,580**
Total assets bearing credit risk	**1,242,003**	**10,340**	**422,163**	**–**	**50,129**	**1,724,635**
2015						
Reinsurance assets	3,015					3,015
Financial assets at fair value through profit or loss	–	948,544	32,602	413,424	–	1,394,570
Promissory notes and fixed deposits		465,618	23,308	410,386*		899,312
Funds on deposit		416,318				416,318
Fixed interest securities		66,608	9,294	3,038		78,940
Loans and receivables including insurance receivables					89,866	89,866
Cash and cash equivalents		198,302				198,302
Total assets bearing credit risk	3,015	1,146,846	32,602	413,424	89,866	1,685,753

* *Zero coupon fixed deposits held in African Bank Limited ("Old Bank") of R258.1 million were exchanged for new fixed deposits in new ABL ("Good Bank") on 4 April 2016 (restructuring date). The new fixed deposits have been classified as financial assets at amortised cost.*

The Good Bank was given a credit rating by Standard and Poors of BB- /B after restructuring resulting in a classification of the new fixed deposits as A1- on the internal debt rating scale. The fixed deposits that were held in the Old Bank were classified as B on the Internal debt rating scale.

During May 2016, all the major South African banks credit ratings were recalibrated by Moody's from A to Aa resulting in a change of the credit rating category on the internal debt rating scale from A1 to A1+.

9.2 SHORT-TERM INSURANCE

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

(R'000)	A1+	A1	A1-	B	Not rated#	Total carrying value
2016						
Financial assets at fair value through profit or loss	**117,684**	**1,288**	**1,576**	**–**	**–**	**120,548**
Funds on deposit	**109,246**					**109,246**
Fixed interest securities	**5,005**	**1,288**	**1,576**			**7,869**
Government and public authority bonds	**3,433**					**3,433**
Receivables including insurance receivables					**553**	**553**
Cash and cash equivalents	**22,663**					**22,663**
Total assets bearing credit risk	**140,347**	**1,288**	**1,576**	**–**	**553**	**143,764**
2015						
Financial assets at fair value through profit or loss	–	76,586	1,186	1,910	–	79,682
Funds on deposit		68,146				68,146
Fixed interest securities		8,440	1,186	1,910		11,536
Receivables including insurance receivables					1,519	1,519
Cash and cash equivalents		25,011				25,011
Total assets bearing credit risk	–	101,597	1,186	1,910	1,519	106,212

During May 2016, all the major South African banks credit ratings were recalibrated by Moody's from A to Aa resulting in a change of the credit rating category on the internal debt rating scale from A1 to A1+.

Internal debt rating scale

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

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

Not rated

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

10. LIQUIDITY RISK

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

Management of this risk

- Cash flow management: Active liquidity and funding management is an integrated effort across a number of functional areas, which is monitored by management;
- Appropriate assets back and match the Group's liabilities and it has sufficient liquid resources. The Group also continues to experience strong positive net cash flows;
- Insurance business: The expected and contractual maturities of insurance liabilities are monitored on a monthly basis, 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, Cash flow statements and performance versus monthly budgets are tabled and reviewed at monthly management finance meetings;
- A risk register identifying potential liquidity risks is maintained, reviewed and updated by the Finance department. The Group Investment Committee reviews this register and the register is tabled at quarterly Investment Committee meetings;
- Risks are assessed for impact and likelihood and are then ranked and mitigating controls implemented where necessary;
- Investment business: The contractual maturities of single premium guaranteed endowment investment product liabilities are matched by purchasing appropriate assets of the same maturity profile. This ensures that cash is available on maturity of the policyholder obligations. Policyholders carry interest rate risk if there is an early surrender. Zero coupon fixed deposits held in African Bank Limited ("Old Bank") were exchanged for new fixed deposits in new ABL ("Good Bank") on 4 April 2016 (restructuring date). The new fixed deposits have extended maturity dates and are placed in investment portfolios whose corresponding policyholder liabilities have similar maturity profiles. The single premium liabilities are matched with appropriate A1- or above grade bank paper of appropriate maturities. The maturity profile of the shareholder and policyholder linked zero coupon fixed deposits are detailed in note 10.2 on pages 106 and 107; and
- Funding for the PSA is provided by WesBank.

	Long-term insurance and investment contract business	Short-term insurance business
Liquidity risk	**10.2**	**10.3**

10.1 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 affecting this risk

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

Management of this risk

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

10.2 LONG-TERM INSURANCE AND INVESTMENT CONTRACT BUSINESS

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

Risk Management continued

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

(R'000)	Contractual cash flows for financial instruments and expected cash flows for insurance contracts (undiscounted) < 1 year	1 – 5 years	> 5 years	Open ended	Discounting effect**	Margins*	Undiscounted policyholder liabilities under insurance contracts	Total
2016								
Reinsurance assets	2,816				(32)	5		2,789
Financial assets at fair value through profit or loss:								
Debt securities	716,059	869,266	2,317	45,013	(407,541)	–	–	1,225,114
Promissory notes and fixed deposits								
– Assets backing guaranteed endowment investment contracts	264,983	651,868			(364,960)			551,891
– Assets backing linked endowment investment contracts (note 1 in the table below)	23,375	178,686			(30,929)			171,132
Funds on deposit	403,769	28,642			(9,516)			422,895
Fixed interest securities (note 2 in the table below)	23,932	10,070	2,317	9,097	(2,136)			43,280
Government and public authority bond				35,916				35,916
Equity securities	–	–	–	452,727	–	–	–	452,727
Listed equity securities				448,877				448,877
Unlisted equity securities				3,850				3,850
Financial assets at amortised cost (note 3 in the table below)		355,228			(91,205)			264,023
Receivables including insurance receivables	50,129							50,129
Cash and cash equivalents	182,580							182,580
Total assets	951,584	1,224,494	2,317	497,740	(498,778)	5	–	2,177,362
Policyholder liabilities under insurance contracts***	(783,395)	(1,605,774)	(1,062,463)		1,351,910	2,775,914	3,170	679,362
Financial liabilities at fair value through profit or loss***	253,633	807,785			(151,599)			909,819
Loans at amortised cost	8,736	129,594			(39,398)			98,932
Accruals and payables including insurance payables	132,498	14,558						147,056
Total liabilities	(388,528)	(653,837)	(1,062,463)	–	1,160,913	2,775,914	3,170	1,835,169
Excess/(shortfall) of assets over liabilities	1,340,112	1,878,331	1,064,780	497,740	(1,659,691)	(2,775,909)	(3,170)	342,193

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

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

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

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

	Contractual cash flows for ABL financial instruments							
2016 (R'000)	**< 1 year**	**1 – 2 years**	**2 – 3 years**	**3 – 4 years**	**4 – 5 years**	**> 5 years**	**Dis-counting effect**	**Total**
1) Linked policyholders		**55,791**	**85,326**	**37,569**			**(30,791)**	**147,895**
2) Other policyholders						**2,317**		**2,317**
3) Financial assets at amortised cost			**177,556**	**104,976**	**72,696**		**(91,205)**	**264,023**
Total ABL assets	**–**	**55,791**	**262,882**	**142,545**	**72,696**	**2,317**	**(121,996)**	**414,235**

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

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

Risk Management continued

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

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

	Contractual cash flows for ABL financial instruments							
2015 (R'000)	< 1 year	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	> 5 years	Dis-counting effect	Total
1) Shareholders			54,363	190,875	131,068		(105,603)	270,703
2) Linked policyholders			120,319	67,348			(47,984)	139,683
3) Other policyholders						3,038		3,038
Total ABL assets	–	–	174,682	258,223	131,068	3,038	(153,587)	413,424

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

	30 June 2016			30 June 2015		
(R'000)	**Carrying value for policies with no surrender value**	**Carrying value for policies with a surrender value**	**Surrender value**	Carrying value for policies with no surrender value	Carrying value for policies with a surrender value	Surrender value
Insurance business	**129,762**	**549,600**	**809,440**	103,326	586,351	826,846
Investment business	**171,132**	**738,687**	**733,022**	171,430	770,906	767,511
Total	**300,894**	**1,288,287**	**1,542,462**	274,756	1,357,257	1,594,357

10.3 SHORT-TERM INSURANCE

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

	Contractual cash flows for financial instruments and expected cash flows for insurance contracts (undiscounted)							
(R'000)	< 1 year	1 – 5 years	> 5 years	Open ended	Discounting effect**	Margins*	Undiscounted policyholder liabilities under insurance contracts	Total
2016								
Financial assets at fair value through profit or loss:	117,353	3,878	289	60,842	(5,275)	–	–	177,087
Debt securities								
Funds on deposit	114,327				(5,081)			109,246
Fixed interest securities (note 1 below)	3,026	3,878	289	870	(194)			7,869
Government and public authority bonds				3,433				3,433
Equity securities								
Listed equity securities				56,539				56,539
Receivables including insurance receivables	553							553
Cash and cash equivalents	22,663							22,663
Total assets	140,569	3,878	289	60,842	(5,275)	–	–	200,303
Policyholder liabilities under insurance contracts	3,193	1,989			(334)	185	5,707	10,740
Accruals and payables	26,692							26,692
Total liabilities	29,885	1,989	–	–	(334)	185	5,707	37,432
Excess/(shortfall) of assets over liabilities	110,684	1,889	289	60,842	(4,941)	(185)	(5,707)	162,871

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

	Contractual cash flows for ABL financial instruments						
2016 (R'000)	< 1 year	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	> 5 years	Total
Total ABL assets	–	–	–	–	1,287	289	1,576

Risk Management continued

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

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

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

2015 (R'000)	Contractual cash flows for ABL financial instruments < 1 year	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	> 5 years	Total
Total ABL assets	–	–	–	–	–	1,910	1,910

11. FAIR VALUE HIERARCHY

11.1 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).

11.2 ASSET HIERARCHY

Group (R'000)	Level 1	Level 2	Level 3	Total
2016				
Financial assets at fair value through profit or loss				
Listed equity securities	**505,416**			**505,416**
Unlisted equity securities		**3,850**		**3,850**
Promissory notes and fixed deposits		**575,128**	**147,895#**	**723,023**
Funds on deposit		**532,141**		**532,141**
Fixed interest securities		**47,256**	**3,893**	**51,149**
Government and public authority bonds		**39,349**		**39,349**
Assets subject to fair value hierarchy analysis	**505,416**	**1,197,724**	**151,788**	**1,854,928**

Policyholders' linked exposure to ABL through investments in zero coupon fixed deposits of R147.9 million as at 30 June 2016 are disclosed at level 3 on the fair value hierarchy as values are estimated indirectly using Valuation techniques or models.

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

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

Refer to note 4 on page 141 for the fair value hierarchy disclosure of owner-occupied properties and note 8 on page 144 for the fair value hierarchy disclosure of financial assets at amortised cost.

Risk Management continued

Fair values for level 2 financial assets are determined using the rates from a relevant quoted money market yield curve, based on the term to maturity of the instrument. These interest rates range between 5.9% and 10.5% (2015: 5.8% and 10.8%) per annum. A discounted cash flow model is then applied, using the determined yield after adjusting for credit risk, in order to calculate the market value.

The most relevant inputs to the level 3 discounted cash flow fair value model applied to the ABL fixed deposits are the zero coupon risk free yield curve (interest rates range between 5.6% and 8.2%) (2015: risk premium (28.3% to the average zero coupon risk free yield curve)) and the extension of maturities as embodied in the exchange offer of 4 April 2016. 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.

11.3 LIABILITY HIERARCHY

Group (R'000)	Level 1	Level 2	Level 3	Total
2016				
Financial liabilities at fair value through profit or loss		**761,924**	**147,895**	**909,819**
Liabilities subject to fair value hierarchy analysis	**–**	**761,924**	**147,895**	**909,819**
2015				
Financial liabilities at fair value through profit or loss		802,653	139,683	942,336
Liabilities subject to fair value hierarchy analysis	–	802,653	139,683	942,336

Fair values for level 2 financial liabilities are determined using the rates from a relevant quoted money market yield curve, based on the term to maturity of the instrument. These interest rates range between 5.2% and 9.3% (2015: 5.2% and 9.5%) 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.

11.4 RECONCILIATION OF LEVEL 3 FINANCIAL INSTRUMENTS

The following table presents the changes in level 3 financial instruments for the year ended 30 June 2016:

(R'000)	Financial assets at fair value through profit or loss	Financial liabilities at fair value through profit or loss
Opening balances	415,334	139,683
Fair value adjustment recognised in profit or loss	43,641	25,037
Repayments	(49,087)	(16,825)
Disposals*	(392,702)	(134,602)
Additions	134,602	134,602
Closing balances	151,788	147,895

* *Included in the disposals were zero coupon fixed deposits held in African Bank Limited ("Old Bank") of R258.1 million which were exchanged for new fixed deposits in new ABL ("Good Bank") on 4 April 2016 (restructuring date). The new fixed deposits have been classified as financial assets at amortised cost.*

12. COMPLIANCE RISK

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

Management of this risk:

- The policy of the Group is zero tolerance to non-compliance with existing laws, regulations, rules, codes and standards;
- The Group has a qualified and experienced Compliance Officer;
- The Group's Compliance function ensures compliance with existing laws, regulations, rules, codes and standards;

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

13. FRAUD RISK

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

Management of this risk

- The Group has an overall low tolerance level for external fraud (as it is unrealistic to detect all fraudulent actions in the environment that we operate in);
- The Group has a fraud policy that addresses the following:
  - All fraud, corruption and theft will be investigated and followed up by the application of all remedies available within the full extent of the law, as well as the application of appropriate prevention and detection controls;
  - Employees who commit an act of fraud will be subject to disciplinary action, up to and including termination with cause; and
  - Where possible and practicable, the Group will pursue full recovery of all losses resulting from an act of fraud;
- A formal fraud reporting procedure is in place;
- The Group has an established whistle blowing policy which:
  - Encourages employees to raise serious concerns relating to specific matters (including fraud, corruption and theft) without fear of victimisation;
  - Prevents a person from suffering any penalty or retribution for good faith reporting of any suspected or actual incident of fraud or corruption; and
  - Discourages any individual from making allegations, which are false and/or made with malicious intentions;
- Fraud awareness training is provided during induction training and fraud awareness initiatives are conducted regularly; and
- The Group has highly experienced fraud investigators who assist the Group in the combat of claims fraud.

14. 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 113 to 114 users are encouraged to understand the basis on which the variables were set and combine this information with other components of the Annual Financial Statements. The sensitivities provided are not amounts that can be simply extrapolated to determine prospective earnings forecasts and caution is advised to any user doing this. They do, however, provide insight into the impact that changes in these risks can have on policyholders' liabilities, where applicable, and attributable profit after 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 2016. The sensitivity analysis below does not include the investment contract business as these liabilities have been matched to assets and the impact on profit is immaterial.

Risk Management continued

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.

14.1 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 2016			30 June 2015	
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	30,028	9,626	36,780	9,921
Equity price*	-10	(30,209)	(9,496)	(36,644)	(10,019)
Interest rate	+1	(10,857)	7,817	(10,444)	7,519
Interest rate	-1	13,166	(9,479)	12,579	(9,057)
Property equity value*	+10	3,361	1,201	5,682	1,532
Property equity value*	-10	(3,695)	(961)	(5,736)	(1,492)
Long-term insurance risk variables					
Assurance mortality and morbidity	+10	8,675	(6,246)	4,830	(3,478)
Assurance mortality and morbidity	-10	(6,098)	4,391	(3,184)	2,292
Renewal expenses	+10	3,398	(2,446)	3,599	(2,591)
Renewal expenses	-10	(3,498)	2,519	(3,607)	2,597
Withdrawals	+10	1,158	(834)	2,660	(1,915)
Withdrawals	-10	(886)	638	(2,423)	1,745
Inflation	+1	1,021	(735)	1,103	(794)
Inflation	-1	(1,103)	794	(1,087)	782
Financial instruments risk variable					
Default (non-linked)	-5		(29,373)		(26,204)

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

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 68.

14.2 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 2016			30 June 2015	
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**		**5,654**		4,079
Equity price*	**-10**		**(5,654)**		(4,079)
Interest rate	**+1**	**(52)**	**37**	(48)	35
Interest rate	**-1**	**52**	**(37)**	48	(35)
Short-term variables					
Withdrawals	**+10**	**(95)**	**68**	(76)	55
Withdrawals	**-10**	**95**	**(68)**	76	(55)
Value of claims	**+10**	**1,161**	**(836)**	780	(562)
Value of claims	**-10**	**(1,161)**	**836**	(780)	562
Duration of settlement	**+10**	**836**	**(602)**	534	(384)
Duration of settlement	**-10**	**(836)**	**602**	(534)	384

* *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 2016

1. INTRODUCTION

The Group adopted the following policies in preparing its consolidated and separate Annual Financial Statements.

2. BASIS OF PREPARATION OF THE STATEMENTS

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

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

The accounting policies set out below have been applied consistently to all years presented in these consolidated and separate Annual Financial Statements unless otherwise stated.

All amounts in the notes are shown in thousands of Rands, rounded to the nearest thousand, unless otherwise stated.

RECENT IFRS PRONOUNCEMENTS

Standards and Interpretations Effective for the year ended 30 June 2016

There are no amendments to Standards and Interpretations that have an impact on the Group for the year ended 30 June 2016.

Standards and Interpretations Issued not yet effective

The Group has not opted to early adopt any of the following standards and amendments to standards issued by the IASB. The Group does not currently believe that the adoption of the pronouncements in respect of IFRS 10, IFRS 11, IFRS 5, IFRS 7, IAS 1, IAS 7, IAS 12, IAS 16, IAS 19, IAS 34, IAS 38 and IAS 27, will have a material impact on the Group's results. The Group will continue to assess the impact that IFRS 9, IFRS 15 and IFRS 16 may have.

Amendments to IFRS 10 – Consolidated financial statements and IAS 28 – Investments in associates and joint ventures

The amendments affect how an entity should determine any gain or loss it recognises when assets are sold or contributed between the entity and an associate or joint venture in which it invests. The changes do not affect other aspects of how entities account for their investments in associates and joint ventures. The reason for making the decision to postpone the effective date is that the IASB is planning a broader review that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Amendment to IFRS 11 – Joint arrangements

This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business.

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

Amendment to IAS 1 – Presentation of financial statements

In December 2014 the IASB issued amendments to clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

These amendments are effective for years commencing on or after 1 January 2016.

Amendment to IAS 16 – Property, plant and equipment and IAS 38 – Intangible assets

In this amendment the IASB has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.

This amendment to these standards are effective for years commencing on or after 1 January 2016.

Amendment to IAS 27 – Separate financial statements

In this amendment the IASB has restored the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.

This amendment is effective for years commencing on or after 1 January 2016.

Amendment to IAS 12 – Income taxes

The amendments were issued to clarify the requirements for recognising deferred tax assets on unrealised losses. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. They also clarify certain other aspects of accounting for deferred tax assets.

The amendments clarify the existing guidance under IAS 12. They do not change the underlying principles for the recognition of deferred tax assets and is effective for years commencing on or after 1 January 2017.

Amendment to IAS 7 – Cash flow statements

The IASB issued an amendment to IAS 7 introducing additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

This amendment is effective for years commencing on or after 1 January 2017.

IFRS 15 – Revenue from contracts with customers

IFRS 15 is a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of goods or services transfers to a customer. IFRS 15 replaces the existing revenue standards and their related interpretations and applies to all contracts with customers except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments.

The new standard is effective for years commencing on or after 1 January 2018.

IFRS 9 – Financial Instruments

This IFRS is part of the IASB's project to replace IAS 39. IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value.

Accounting Policies continued

The IASB has updated IFRS 9, to include guidance on financial liabilities and derecognition of financial instruments. The accounting and presentation for financial liabilities and for derecognising financial instruments has been relocated from IAS 39, without change, except for financial liabilities that are designated at fair value through profit or loss.

The new standard is effective for years commencing on or after 1 January 2018.

IFRS 16 – Leases

IFRS 16 replaces the existing leases standard and the related interpretations. It introduces a single lessee accounting model and requires the lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Lessor accounting has not substantially changed.

The new standard is effective for years commencing on or after 1 January 2019.

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

This is an amendment to the changes in methods of disposal – Assets (or disposal groups) are generally disposed of either through sale or through distribution to owners.

The amendment to IFRS 5 clarifies that changing from one of these disposal methods to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in IFRS 5.

The amendment also clarifies that changing the disposal method does not change the date of classification.

This amendment is effective for years commencing on or after 1 January 2016.

Amendments to IFRS 7 – Financial Instruments: Disclosures

The amendments clarify that the IFRS 7 disclosures in respect of offsetting are not required in the condensed interim financial report. However, the IASB noted that IAS 34 requires an entity to disclose 'an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the entity since the end of the last annual reporting period'. Therefore, if the IFRS 7 disclosures provide a significant update to the information reported in the most recent Integrated Annual Report, the IASB would expect the disclosures to be included in the entity's condensed interim financial report.

The amendments clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must also assess the nature of the fee and arrangement against the guidance for continuing involvement in order to assess whether the disclosures are required.

These amendments are effective for years commencing on or after 1 January 2016.

Amendment to IAS 19 – Employee Benefits

The amendment to IAS 19 clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

This amendment is effective for years commencing on or after 1 January 2016.

Amendment to IAS 34 – Interim Financial Reporting

The amendment states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The IASB specified that the other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time.

This amendment is effective for years commencing on or after 1 January 2016.

3. BASIS OF CONSOLIDATION

The Group Annual Financial Statements consolidate the Annual Financial Statements of the Company and its subsidiaries.

Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

3.1 INVESTMENT IN SUBSIDIARIES

Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. The cost of an acquisition transferred includes the fair value of any asset or liability resulting from a contingent consideration agreement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as Goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the SOCI.

Intra-group transactions, balances and unrealised gains on intra-group transactions are eliminated. Unrealised losses are also eliminated.

Non-controlling interests are treated as equity participants and, therefore, all acquisitions of non-controlling interests or disposals by the Group of its non-controlling interests in subsidiary companies where control is maintained subsequent to the disposal are accounted for as equity transactions with non-controlling interests. Consequently all profits and losses arising as a result of the disposal of interests in subsidiaries to non-controlling interests, where control is maintained subsequent to the disposal, are recognised as equity.

Interest in subsidiaries in the Company's Annual Financial Statements are valued at cost less any impairments.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in Other Comprehensive Income are reclassified to profit or loss.

3.2 ACCOUNTING FOR TRANSACTIONS UNDER COMMON CONTROL

Common control transactions are business combinations in which all of the combining entities (subsidiaries) are ultimately controlled by the same party before and after the transaction, and the control is not transitory. These transactions are accounted for at predecessor values. Predecessor values are considered to be the book value of assets and liabilities acquired as accounted for in the consolidated financial statements of the highest entity under common control and the Group does not restate assets and liabilities to their fair values. Instead the Group incorporates the assets and liabilities at the amounts recorded in the books of the combined entities.

The cost of an acquisition of a subsidiary under common control is measured as the book value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Costs directly attributable to the acquisition are recognised in profit or loss. No goodwill arises in predecessor accounting. The difference between the cost of the acquisition and the predecessor value of the net assets acquired is taken to equity and disclosed as a common control reserve or deficit.

The consolidated financial statements incorporate the combined companies' results as if the companies had always been combined. Consequently under predecessor accounting, the consolidated financial statements reflect both companies' full year results even though the business combination may have occurred part way through the year.

Accounting Policies continued

4. FOREIGN CURRENCIES

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

Transactions in foreign currencies are translated into the functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies different to the functional currency at the SOFP date are translated into the functional currency at the SOFP date at the ruling rate at that date. Foreign exchange differences are recognised in profit or loss.

5. INTANGIBLE ASSETS

Research costs – being the investigation undertaken with the prospect of gaining new knowledge and understanding, are recognised in profit or loss as they are incurred. Development costs – costs that are clearly associated with an identifiable system, which will be controlled by the Group and has a probable benefit exceeding the cost beyond one year, are recognised as an asset. Development expenditure is capitalised only if the development costs can be measured reliably, completion of the development of the software is technically and commercially feasible, the Group intends to demonstrate that the intangible asset will be used to generate future economic benefits, the Group intends to and has sufficient resources to complete development and to use the asset and the Group can demonstrate the ability to use or sell the intangible asset. These costs comprise all directly attributable costs necessary to create, produce and prepare the asset for its intended use, such as costs of materials and employee services used or consumed in generating the intangible asset.

5.1 AMORTISATION

Computer software development and video production costs recognised as assets are amortised in the SOCI on a straight-line basis at rates appropriate to the expected life of the asset. Amortisation of computer software commences from the date the intangible asset becomes available for use. As the software costs are proprietary and specific to the Group operations, no residual value is estimated. The useful lives are assessed on an annual basis. Amortisation of video production commences when the video production is brought into use. Since existing video production is replaced by new video production, it has no residual value.

Computer software costs recognised as intangible assets are amortised over the useful lives, which do not exceed 5 years. Video production costs recognised as intangible assets are amortised over the useful lives, which do not exceed 2 years.

5.2 IMPAIRMENT

Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

6. PROPERTY AND EQUIPMENT

Equipment is stated at cost less accumulated depreciation and impairment losses. Repairs and maintenance, which neither materially adds to the value of assets nor appreciably prolong their useful lives, are recognised in the SOCI. An asset's carrying amount is impaired to its recoverable amount if the asset's carrying amount is greater than its estimated receivable amount.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the SOCI during the financial period in which they are incurred.

When significant components of equipment have different useful lives, those components are accounted for and depreciated as separate items.

Land and buildings held for use for administrative purposes are classified as owner-occupied properties and stated at fair value, determined from market-based evidence by appraisals undertaken by professional valuators, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed at least once every year such that the carrying amount does not differ materially from that which would be determined using fair values at the SOFP date. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

Increases in the carrying amount arising on revaluation of land and buildings are credited to the revaluation surplus in shareholders' equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the SOCI.

The office block (within Clientèle Properties East), the parking structure (within Clientèle Properties North) and main entrance upgrade (within Clientèle Properties North), all of which were completed during the 2016 financial year, constituted qualifying assets in terms of IAS 23.

General and specific borrowing costs directly attributable to the acquisition and construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Land is not depreciated. Depreciation on revalued buildings to residual value is charged to the SOCI. Buildings are depreciated over a period of 40 years on a straight-line basis.

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

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

6.2 IMPAIRMENT

Equipment which is subject to depreciation is assessed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

7. INVENTORIES

Inventories represent marketing materials held for resale and are stated at the lower of cost or net realisable value. Cost is determined applying the first-in-first-out method.

Net realisable value is the estimate of the selling price in the ordinary course of business, less selling expenses.

8. FINANCIAL INSTRUMENTS

8.1 FINANCIAL ASSETS

8.1.1 Classification

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

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

A financial asset is designated as fair value through profit or loss if it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring the asset or recognising the gains or losses on it on different bases; or a Group of financial assets is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy and information about the Group is provided internally on that basis to key management personnel. Under these criteria, the main classes of financial assets designated by the Group as at fair value through profit or loss are promissory notes and deposits, funds on deposit, fixed interest securities, government and public authority bonds, listed equity securities and unlisted equity securities.

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

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market or those financial assets not designated at fair value through profit or loss.

8.1.2 Initial measurement

Purchases and sales of financial assets are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets are initially recognised as follows:

- Fair value through profit or loss (designated as held at fair value through profit or loss) – at fair value. Transaction costs are expensed;
- Amortised cost – measured initially at its fair value, net of transaction cost incurred; and
- Loans and receivables – at fair value plus transaction costs that are directly attributable to their acquisition.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or where they have been transferred and the Group has also transferred substantially all the risks and rewards of ownership.

8.1.3 Subsequent measurement

Financial assets designated at fair value through profit or loss

Financial assets which are designated at fair value through profit or loss are subsequently measured at fair value and the fair value adjustments are recognised in profit or loss.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at measurement date. Fair values for quoted financial assets are based on the quoted closing prices at the close of business on the last trading day on or before the SOFP date. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions. If a quoted price is not available in an active market the fair value is estimated using the repurchase price for unit trusts or discounted cash flow techniques for other financial instruments.

Financial assets designated as held at amortised cost

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

Loans and receivables including insurance receivables

Subsequent to initial recognition loans and receivables including insurance receivables are carried at amortised cost using the effective interest rate method less any required impairment.

8.1.4 Impairment

Financial assets designated as held at amortised cost

At each reporting date the Group assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. These assets include receivables relating to insurance contracts and reinsurance contracts. Such assets are impaired and impairment losses are recognised only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset, and the event or events have an impact on the estimated future cash flows of these assets that can be reliably estimated.

The Group first assesses whether objective evidence of impairment exists in respect of all financial assets that are individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a Group with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

Objective evidence includes a deterioration in credit ratings or failure to make payment on due dates. If any such indication exists, the assets' recoverable amounts are estimated and the carrying amount reduced to the recoverable amount and the impairment loss is recognised in profit or loss. The recoverable amount is the present value of expected cash flows discounted at the original effective interest rate of the financial asset.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improved credit rating), the previously recognised impairment loss is reversed. The amount of the reversal is recognised in profit or loss.

Loans and advances

Loans and advances are measured at each SOFP date at amortised cost using the effective interest rate method, less any impairment losses, which in the opinion of the Directors, are required.

Specific impairment provisions are raised in full for customers who are four or more instalments in arrears or who meet certain criteria that indicate that the recovery of the advances is uncertain where identified loss events, based on previous experience, evidence a reduction in the recoverability of cash flows.

Specific provisions raised during the year, less recoveries of amounts previously written off and the discounted value of estimated recoverable amounts are charged to the SOCI.

Advances are assessed on an individual basis for indicators of impairment. Advances are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the advance, the estimated future cash flows have been impacted.

Advances that are assessed not to be impaired individually are assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of advances include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on advances.

The amount of the impairment is the difference between the advances' carrying amount and the present value of estimated future cash flows, discounted at the advances' original effective interest rates. Changes in the carrying amount of the portfolio provision account are charged to the SOCI.

The effective interest rate method is a method of calculating the amortised cost of a financial asset and allocating the interest income over the average expected life of the financial instruments.

8.2 FINANCIAL LIABILITIES

8.2.1 Financial liabilities at fair value through profit or loss

The Group issues contracts with guaranteed terms which include a guaranteed endowment policy with a term of five years with a guaranteed value at maturity ("Guaranteed Growth Plan") and a guaranteed annuity product with 60 equal monthly payments and a guaranteed value at maturity ("Income Plan"). The Group also issues linked endowment contracts with terms of five years where the value at maturity is linked to the underlying investment performance. These contracts are recognised on initial recognition at fair value, which is the transaction price. Subsequently, these contracts are measured at fair value which is determined by discounting the maturity values. The maturity values are discounted at the risk-free rate with an adjustment for credit risk where appropriate. Any initial profit on recognition is subsequently amortised over the life of the contract.

8.2.2 Financial liabilities at amortised cost

Financial liabilities at amortised cost are initially measured at fair value, net of transaction costs incurred. Financial liabilities are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the SOCI over the period of the financial liability using the effective interest method.

8.2.3 Loans at amortised cost

Loans at amortised cost are initially measured at fair value, net of transaction costs incurred. Loans are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the 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.

8.3 OFFSETTING

Financial assets and financial liabilities are offset and the net amount reported in the SOFP only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business in the event of default, insolvency and bankruptcy of the Company or counterparty.

9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise balances with bankers, short-term funds, deposits, cash on hand and highly liquid investments with original maturity profiles of three months or less. Cash and cash equivalents are carried at amortised cost in the SOFP.

10. SHARE CAPITAL

Shares are classified as equity when there is no obligation to transfer cash or other assets to the holder. Incremental costs directly attributable to the issue of new shares or options are recognised in equity as a deduction from the proceeds.

11. DIVIDEND DISTRIBUTION

Dividend distributions to the Company's shareholders are recognised in the Statement of Changes in Equity when declared and, if not paid then, as a liability in the Group's Financial Statements in the period in which the dividends are approved by the Company's Directors.

12. INSURANCE CONTRACTS AND FINANCIAL INSTRUMENTS CLASSIFICATION

The Group issues contracts that transfer insurance risk or financial risk or, in some cases, both.

An insurance contract is a contract under which the Group (insurer) accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Such contracts may also transfer financial risk. The Group defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are significantly more (at least 10%) than the benefits payable if the insured event did not occur. The Group issues long-term and short-term insurance contracts.

Those contracts that transfer financial risk with no significant insurance risk are accounted for as financial liabilities at fair value through profit or loss or at amortised cost. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable.

Amounts received under these contracts are recorded as deposits and amounts paid are recorded as withdrawals.

INSURANCE CONTRACTS

12.1 LONG-TERM INSURANCE CONTRACTS

In terms of IFRS 4 – Insurance contracts, defined insurance liabilities are allowed to be measured under existing local practice. The Group has adopted the SAPs and APNs issued by ASSA to determine the liability in respect of contracts classified as long-term insurance contracts in terms of IFRS 4 – Insurance contracts. The following SAPs/APNs are of relevance to the determination of insurance contract liabilities:

SAP 104: Calculation of the value of the assets, liabilities and CAR of Long-term Insurers
APN 105: Minimum requirements for deriving aids extra mortality rates
APN 106: Actuaries and long-term insurance in South Africa
APN 110: Allowance for embedded investment derivatives

Where applicable, the SAPs/APNs are referred to in the Accounting Policies and Notes to the Annual Financial Statements.

Features of Clientèle Life’s main Long-term insurance contracts

Clientèle Life’s main Long-term insurance contracts are as follows:

- *Market-related savings products (“market-related products”) with risk benefits*, for example accidental death or disability. These products have an investment account which is built up based on the allocated portion of premiums and market returns in the form of income and growth less expenses and 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
- *Hospital insurance products (“hospital products”)* with a “cash-back” element are whole life products with benefits payable on defined events, for example hospitalisation or accidental disability and include a return of six months premiums every five years.

Accounting Policies continued

Measurement of Long-term insurance contracts

These contracts are valued in terms of the FSV basis as described in SAP 104 and the liability is reflected under insurance contracts in the SOFP.

Clientèle Life's Long-term insurance contracts are measured on either a discounted or undiscounted basis depending on the features of the contracts described above.

- *Discounted liabilities (market-related products, cash-back products, funeral products and hospital products)*
  The Valuation of these products has been performed on a policy by policy basis by discounting future expected premiums, risk benefits, cash-back benefits, risk charges, reinsurance costs and expenses at the actuarial discount rate. The projection of future expected experience is based on the Group's best estimate assumptions for investment returns, expenses, death rates, disability rates and withdrawal rates plus compulsory margins;
- *Undiscounted liabilities (market related products)*
  A market related insurance contract is an insurance contract with an embedded derivative linking payment on the policy to units of an internal investment fund set up by the Group with the consideration received from the contract holders. This embedded derivative meets the definition of an insurance contract and is not therefore accounted for separately from the host insurance contract. The liability for the market related portion is determined on a policy by policy basis in relation to the fair value of the underlying assets; and
- *Undiscounted liabilities (whole life products)*
  IBNR liabilities are calculated for these products, which are based on a percentage of net premiums payable.

Discretionary margins are added to the actuarial liability of the market related products and cash-back products so that the shareholders' participation in profit emerges when it is probable that future economic benefits will flow to the entity. Effectively these margins are released to income on a policy by policy basis, over the policy term. Detail on compulsory and discretionary margins is provided in note 1 of the Notes to the Annual Financial Statements.

The liability assumptions are reviewed semi-annually. Any changes in assumptions and/or other changes to the liability calculation are reflected in the SOCI as they occur. The assumptions applicable to insurance contract liabilities are described in more detail in note 1 of the Notes to the Annual Financial Statements.

Outstanding claims provision

Provision is made for the estimated cost of claims outstanding at the end of the year. Outstanding claims and benefit payments are stated gross of reinsurance. The impact of reinsurance is shown separately. Outstanding claims are determined by making reference to the value of the sum assured in terms of the underlying policy when a claim is reported.

Liability adequacy test

At each SOFP date, liability adequacy tests are performed to ensure the adequacy of the insurance contract liabilities. The liability is calculated in terms of the FSV basis as described in SAP 104. The FSV basis meets the minimum requirement of the liability adequacy test. For undiscounted liabilities these tests include current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities. Any deficiency is charged to the SOCI in establishing a provision for losses arising from liability adequacy tests.

Reinsurance contracts held

Reinsurance contracts, which are insurance contracts, are contracts entered into by the Group with reinsurers under which the Group is compensated for a portion of losses arising on one or more of the insurance contracts issued by the Group.

The expected benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers (classified with receivables including insurance receivables) as well as longer-term receivables (classified as reinsurance assets) that are dependent on the present value of expected claims and benefits arising on insurance contracts net of expected premiums payable under the reinsurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract.

Premium income

Premiums on insurance contracts are recognised when due. Premium income on insurance contracts is shown gross of reinsurance. Premiums are shown before deduction of commission.

Reinsurance premiums

Reinsurance premiums are recognised when insurance premiums are due.

Claims and benefits paid

Claims on insurance contracts, which include death, disability, maturity and surrenders are charged against income when notified of a claim based on the estimated liability for compensation owed to policyholders. They include claims that arise from death and disability events that have occurred up to the SOFP date.

Reinsurance recoveries are accounted for in the same period as the related claim.

Acquisition costs

Acquisition costs for insurance contracts represent commission, advertising and other costs that relate to the securing of new contracts and the reinstatement of existing contracts.

These costs include referral fees and bonus payments to IFAs, outbound call centre staff costs, commissions and a proportional allocation of costs in respect of those employees and activities which relate to the securing of new contracts and the reinstatement of existing contracts. Commissions and other acquisition costs relating to insurance contracts and financial liabilities designated at fair value through profit or loss are expensed as incurred.

12.2 SHORT-TERM INSURANCE CONTRACTS

Circular 2/2007 – Recognition and measurement of short-term insurance contracts issued by the South African Institute of Chartered Accountants

In terms of IFRS 4 – Insurance contracts, insurance contracts are allowed to be measured under existing local practice. The Group has adopted Circular 2/2007 to determine the measurement in respect of short-term insurance contracts.

Features of Clientèle General Insurance's short-term insurance contracts

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

Measurement of short-term insurance contracts

Premium income

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

Claims and benefits paid

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

Outstanding claims provision

The provision for outstanding claims comprises the Group's estimate of settling all claims reported (notified claims) but unpaid at the SOFP date and claims IBNR.

Each notified claim is assessed on a case by case basis with due regard to the specific circumstances, information available from the insured and/or loss adjuster and past experience with similar claims. Standardised policies and procedures are applied to claims assessments. The provision for each notified claim includes an estimate of the associated claims handling costs but excludes Value Added Tax.

The ultimate cost of incurred claims may vary as a result of future developments or better information becoming available about the current circumstances. Adjustments to the quantum of claims provisions established in prior years are reflected in the annual financial statements for the period in which the adjustments are made, and disclosed separately if material.

An IBNR provision is raised for claims incurred but not yet reported based on historical experience. The Group determines the IBNR by applying a percentage to premiums written during the period. Outstanding claims and the IBNR provision are included in policyholder liabilities under insurance contracts items in the SOFP.

Liability adequacy test

The net liability recognised for short-term insurance contracts is tested for adequacy by assessing current estimates of all future contractual cash flows (i.e. expected claims and expenses of settling claims) and comparing this amount to the carrying value of the insurance contract liability. Where a shortfall is identified, an additional provision is made and the Group recognises the deficiency in income for the year.

Acquisition costs

Acquisition costs comprise all commission, advertising and other costs arising from the securing of short-term insurance contracts and are expensed when incurred. The impact of reinsurance is shown separately. Short-term insurance contracts are monthly renewable contracts, and accordingly costs are expensed when incurred and are not deferred.

12.3 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.

13. 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.

14. OTHER INCOME

Other income includes monthly fees received from IFAs, legal services rendered internally to fellow subsidiaries, administration fees charged on the handling of accidental death claims, fees charged on the administering of SMME policies, interest income, rental income and fee income from advances. Monthly fees received from IFA's are recognised on an accrual basis, dividends are recognised when the right to receive payment is established and all other income is recognised on an accrual basis.

15. TAXATION

The tax charge comprises current tax, deferred tax and DWT. Income tax expense is recognised in the profit and loss component of the SOCI, except to the extent that it relates to items recognised directly in Other Comprehensive Income, in which case it is recognised in Other Comprehensive Income. Tax in respect of the South African life insurance operation is determined using the four fund method applicable to insurance companies.

15.1 CURRENT TAX

Current tax and capital gains tax is the expected tax payable, using tax rates enacted at the SOFP date, including any prior year over- or under-provision. The Group periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

15.2 DEFERRED TAX

Deferred tax is provided in full using the liability method. Provision is made for deferred tax attributable to temporary differences in the accounting and tax treatment of items in the Annual Financial Statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss then it is not recognised. Deferred tax is recognised for all temporary differences, at enacted or substantially enacted rates of tax at the SOFP date. A deferred tax asset is recognised for the carry forward of unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which it can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same tax authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

15.3 DWT

Shareholders are subject to DWT on dividends received, unless they are exempt in terms of the amended tax law. DWT is levied at 15% of the dividend received. The DWT is categorised as a withholding tax, as the tax is withheld and paid to tax authorities by the company paying the dividend or by a regulated intermediary and not the beneficial owner of the dividend.

Other indirect taxes

Other indirect taxes include various other taxes paid to central and local governments, including Value Added Tax. Indirect taxes are recognised as part of operating expenditure for the long-term insurance business.

16. ACCRUALS AND PAYABLES

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

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

17. PROVISIONS

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

18. LEASES

18.1 OPERATING LEASES

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

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

18.2 FINANCE LEASES

Lease agreements where the Group substantially accepts the risks and rewards of the ownership of the leased asset are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are allocated between the liability and finance charges in order to achieve a constant interest rate of the outstanding balance of the liability.

Finance lease obligations, net of finance charges, are included in liabilities. The interest element of the finance costs is charged to the SOCI over the lease period according to the effective interest method. Where applicable, assets acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

19. EMPLOYEE BENEFITS

19.1 INCENTIVE BONUS SCHEMES

The Group provides an Incentive Bonus Scheme for Excom, which is based on individual performance, linked to and dependent upon profitability and in particular growth in the Group's EV and the creation of Goodwill. The Scheme comprises two elements, namely an EV element and a Goodwill element.

The EV Scheme component is based on growth in EV, as confirmed by the Group's External Actuaries and approved by the Group Remuneration Committee, in excess of predetermined criteria and is payable over a four year period. A "clawback" applies in instances where the growth in EV is less than predetermined growth criteria.

The Group recognises a provision and an expense for the EV Scheme component based on a formula that takes into consideration the conditions of the Bonus Scheme. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

The Goodwill Scheme component recognises the creation of value in excess of EV.

The Goodwill created is measured in five year cycles. The second cycle commenced on 1 July 2007 and ended 30 June 2012. The third cycle commenced 1 July 2012 and ends 30 June 2017. The Goodwill created is determined with reference to the VNB (as determined by the Group's External Actuaries) in the fifth year of a cycle and by applying a multiple, as approved by the Board on recommendation of the Group Remuneration Committee having regard to criteria included in the Incentive Bonus Scheme document. An adjustment is made, positive or negative, if actual experience differs by a pre-determined percentage compared to the assumptions used in calculating Goodwill.

A provision is recognised in the SOFP and an expense in the SOCI in respect of the Goodwill Scheme component at the present value of the obligation at the SOFP date together with adjustments for unrecognised actuarial gains or losses and past service costs. The Goodwill Scheme component obligation is calculated annually using the projected unit credit method. The present value of the Goodwill Scheme component obligation is determined by discounting the estimated future cash outflows using a risk-free interest rate.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to profit or loss as they arise each year.

Past-service costs are charged against profit or loss in the period in which they arise.

Short-term bonuses are paid to all levels of management, based on performance relative to agreed upon criteria, payable annually and are charged to the SOCI in the period in which they arise.

19.2 RETIREMENT BENEFITS

The vast majority of the Group's employees are members of the Clientèle Life Provident Fund.

The Group operates a defined contribution provident fund for its employees, the assets of which are held in a separate trustee administered fund. The Clientèle Life Provident Fund is governed by the Pension Fund Act of 1956. The fund is funded by contributions by the Group which are charged to profit or loss in the year to which they relate.

The Group has no further payment obligations once the contributions have been paid. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

19.3 SHARE-BASED PAYMENTS

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

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

The grant by the Company of SARs and Bonus Rights to the employees of the subsidiaries in the Group is treated as a capital contribution to the subsidiary. The fair value of the employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to the investment in the subsidiaries, with a corresponding credit to equity (SAR and Bonus Rights Scheme Reserve) in the Company annual financial statements.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the SARs and Bonus Rights granted, excluding the impact of any non-market vesting conditions. Non-market performance vesting conditions are included in assumptions about the number of SARs and Bonus Rights that are expected to become exercisable.

At each SOFP date, the entity revises its estimates of the number of SARs and Bonus Rights that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the SOCI, and a corresponding adjustment to equity over the remaining vesting period.

When the SARs and Bonus Rights vest and are exercised, the Company issues new shares. The fair value of the shares issued at exercise date is credited to share capital (nominal value) and share premium, with a debit to the SAR and Bonus Rights Scheme Reserve (equity) for the grant date fair value. Any difference between the grant date fair value and the exercise date fair value is debited/credited to retained earnings.

The exercising by employees of their rights results in a realisation of the investment for which there is a recharge to the subsidiaries. The recharge is a repayment arrangement which requires the subsidiaries to repay the Company for the provision of the equity settled share-based payments to the suppliers of goods and services (being the employees of the subsidiaries). The recharge is determined by reference to the fair value at exercise date.

The investment in the subsidiary is accordingly reduced by the corresponding cumulative grant date fair value in respect of the SARs and Bonus Rights exercised in that period, and the amount by which the recharge exceeds the cumulative grant date fair value in respect of the SARs and Bonus Rights exercised is considered a capital contribution and credited to the Statement of the Comprehensive Income 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 exceed the cumulative grant date fair value is included under cash generated by operations.

The transaction is eliminated in the statement of cash flows on consolidation.

20. SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker that makes strategic decisions and who is responsible for allocating resources and assessing performance of the operating segments has been identified as Excom.

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

Segment information is prepared in conformity with the measure that is reported to Excom. These values have been reconciled to the consolidated Annual Financial Statements. The measure reported by the Group is in accordance with the accounting policies adopted for preparing and presenting the consolidated Annual Financial Statements.

The segment assets, liabilities, revenue and expenses comprise of all assets, liabilities, revenue and expenses which are directly attributable to the segment, or can be allocated to the segment on a reasonable basis. The Group accounts for inter-segment revenues and transfers as if the transactions were with third parties at current market prices.

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

Statements of Financial Position

as at 30 June 2016

(R'000)	Notes	Group 2016	Group 2015	Company 2016	Company 2015
Assets					
Intangible assets	2	**36,435**	27,088		
Property and equipment	3	**47,509**	26,487		
Owner-occupied properties	4	**408,651**	308,715		
Investment in subsidiaries	5			**300,674**	299,848
Deferred tax	18	**45,666**	31,395	**408**	
Inventories		**1,148**	1,484		
Reinsurance assets	6	**2,789**	3,015		
Financial assets at fair value through profit or loss	7	**1,854,928**	2,051,487	**60,415**	38,410
Financial assets at amortised cost	8	**264,023**			
Loans and receivables including insurance receivables	9	**44,396**	76,138	**2,060**	440
Current tax		**1,459**	5,258	**147**	19
Cash and cash equivalents	10	**209,848**	223,939	**14,650**	19,349
Total assets		**2,916,852**	2,755,006	**378,354**	358,066
Equity					
Share capital	11	**6,636**	6,613	**6,636**	6,613
Share premium	11	**328,875**	310,185	**328,875**	310,185
Common control deficit	11	**(220,273)**	(220,273)		
		115,238	96,525	**335,511**	316,798
Retained earnings		**655,279**	552,882	**13,099**	12,548
SAR and Bonus Rights Schemes reserve	12	**28,524**	27,699	**28,524**	27,699
NDR: Revaluation	13	**65,374**	66,191		
		864,415	743,297	**377,134**	357,045
Non-controlling interest		**1,133**	(3,102)		
Total equity		**865,548**	740,195	**377,134**	357,045
Liabilities					
Policyholder liabilities under insurance contracts	14	**690,102**	698,882		
Financial liabilities at fair value through profit or loss	15	**909,819**	942,336		
Loans at amortised cost	16	**98,932**	35,177		
Employee benefits	17	**139,586**	122,308		
Deferred tax	18	**38,977**	30,071	**150**	110
Accruals and payables including insurance payables	19	**168,469**	181,620	**1,070**	911
Current tax		**5,419**	4,417		
Total liabilities		**2,051,304**	2,014,811	**1,220**	1,021
Total equity and liabilities		**2,916,852**	2,755,006	**378,354**	358,066

Statements of Comprehensive Income

for the year ended 30 June 2016

(R'000)	Notes	Group 2016	Group 2015	Company 2016	Company 2015
Revenue					
Insurance premium revenue	20	**1,852,516**	1,641,189		
Reinsurance premiums	21	**(126,525)**	(114,001)		
Net insurance premiums		**1,725,991**	1,527,188		
Other income	22	**157,495**	170,652	**311,067**	281,745
Interest income	23	**21,209**	22,759	**919**	1,608
Fair value adjustment to financial assets at fair value through profit or loss	24	**120,916**	154,889	**2,005**	1,210
Net income		**2,025,611**	1,875,488	**313,991**	284,563
Net insurance benefits and claims	25	**(325,777)**	(300,499)		
Gross insurance benefits and claims	25	**(425,313)**	(417,749)		
Insurance claims recovered from reinsurers	25	**99,536**	117,250		
Decrease in policyholder liabilities under insurance contracts	26	**8,780**	5,042		
Decrease in reinsurance assets	6	**(226)**	(227)		
Fair value adjustment to financial liabilities at fair value through profit or loss	15	**(90,401)**	(72,275)		
Interest expense		**(4,135)**	(2,752)	**(17)**	(107)
Reversal of impairment/(impairment of advances)	27	**12,349**	(12,380)		
Acquisition costs	28	**(840,787)**	(781,794)		
Administrative expenses	28	**(221,114)**	(208,711)	**(4,684)**	(2,022)
Profit before tax		**564,300**	501,892	**309,290**	282,434
Tax	30	**(149,579)**	(137,501)	**(650)**	(1,181)
Net profit for the year		**414,721**	364,391	**308,640**	281,253
Attributable to:					
– Non-controlling interest – ordinary shareholders		**4,235**	2,748		
– Equity holders of the Group – ordinary shareholders		**410,486**	361,643	**308,640**	281,253
Net profit for the year		**414,721**	364,391	**308,640**	281,253
Other comprehensive income:					
Gains on property revaluation[1]		**8,727**	6,711		
Income tax relating to gains on property revaluation[1]		**(9,544)***	(1,742)		
Other comprehensive income for the year net of tax		**(817)**	4,969	**–**	–
Total comprehensive income for the year		**413,904**	369,360	**308,640**	281,253
Attributable to:					
– Non-controlling interest – ordinary shareholders		**4,235**	2,748	**–**	–
– Equity holders of the Group – ordinary shareholders		**409,669**	366,612	**308,640**	281,253
Earnings per share (cents)	31	**123.98**	109.66		
Diluted earnings per share (cents)	31	**122.97**	107.99		

1 Items that cannot be recycled to profit or loss.

** The increase is primarily in respect of the difference in accounting and tax treatment of the new office development.*

Group Statement of Changes in Equity

for the year ended 30 June 2016

(R'000)	Share capital	Share premium	Common control deficit	Sub-total	Retained earnings	SAR and Bonus Rights Schemes Reserve[1]	NDR: revaluation[2]	Capital and reserves attributable to ordinary equity holders	Non-controlling interest	Total
Balance as at 1 July 2014	6,584	285,618	(220,273)	71,929	468,364	23,181	61,222	624,696	(5,850)	618,846
Ordinary dividends					(257,031)			(257,031)		(257,031)
Total comprehensive income					361,643		4,969	366,612	2,748	369,360
– Net profit for the year					361,643			361,643	2,748	364,391
– Other comprehensive income							4,969	4,969		4,969
Shares issued	29	24,567		24,596				24,596		24,596
SAR and Bonus Rights Schemes allocated						9,020		9,020		9,020
Transfer from shares issued					(20,094)	(4,502)		(24,596)		(24,596)
Balance as at 30 June 2015	6,613	310,185	(220,273)	96,525	552,882	27,699	66,191	743,297	(3,102)	740,195
Balance as at 1 July 2015	**6,613**	**310,185**	**(220,273)**	**96,525**	**552,882**	**27,699**	**66,191**	**743,297**	**(3,102)**	**740,195**
Ordinary dividends					**(297,759)**			**(297,759)**		**(297,759)**
Total comprehensive income					**410,486**		**(817)**	**409,669**	**4,235**	**413,904**
– Net profit for the year					**410,486**			**410,486**	**4,235**	**414,721**
– Other comprehensive income							**(817)**	**(817)**		**(817)**
Shares issued	**23**	**18,690**		**18,713**				**18,713**		**18,713**
SAR and Bonus Rights Schemes allocated						**9,208**		**9,208**		**9,208**
Transfer from shares issued					**(10,330)**	**(8,383)**		**(18,713)**		**(18,713)**
Balance as at 30 June 2016	**6,636**	**328,875**	**(220,273)**	**115,238**	**655,279**	**28,524**	**65,374**	**864,415**	**1,133**	**865,548**

Company Statement of Changes in Equity

for the year ended 30 June 2016

(R'000)	Share capital	Share premium	Retained earnings	SAR and Bonus Rights Schemes Reserve[1]	Capital and reserves attributable to ordinary equity holders
Balance as at 1 July 2014	6,584	285,618	8,420	23,181	323,803
Ordinary dividends			(257,031)		(257,031)
Net profit for the year			281,253		281,253
Shares issued	29	24,567			24,596
SAR and Bonus Rights Schemes allocated				9,020	9,020
Transfer from shares issued			(20,094)	(4,502)	(24,596)
Balance as at 30 June 2015	6,613	310,185	12,548	27,699	357,045
Balance as at 1 July 2015	**6,613**	**310,185**	**12,548**	**27,699**	**357,045**
Ordinary dividends			**(297,759)**		**(297,759)**
Net profit for the year			**308,640**		**308,640**
Shares issued	**23**	**18,690**			**18,713**
SAR and Bonus Rights Schemes allocated				**9,208**	**9,208**
Transfer from shares issued			**(10,330)**	**(8,383)**	**(18,713)**
Balance as at 30 June 2016	**6,636**	**328,875**	**13,099**	**28,524**	**377,134**

1 *The SAR and Bonus Rights Schemes reserve held is in respect of the SARs and Bonus Rights granted to management (excluding Directors), IFAs and key employees in terms of the SAR and Bonus Rights Schemes.*

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

Statements of Cash Flows

for the year ended 30 June 2016

		Group		Company	
(R'000)	Notes	2016	2015	2016	2015
Profit from operations		564,300	501,892	309,290	282,434
Adjusted for non-cash items		81,610	51,228	(2,005)	(1,103)
Separately disclosable items		(99,959)	(61,082)	(4,933)	(2,957)
Working capital changes		(51,906)	9,350	(1,508)	(70)
Decrease in financial liabilities		(122,918)	(178,930)		
Cash generated by operations	32	371,127	322,458	300,844	278,304
Acquisition of financial assets	7,8	(489,264)	(562,884)	(20,000)	(37,200)
Disposal of financial assets	7	548,639	709,680		
Interest received		63,421	44,435	3,479	2,718
Dividends received		36,538	16,647	1,454	239
Dividends paid	33	(297,713)	(257,081)	(297,713)	(257,081)
Tax paid	34	(159,687)	(144,534)	(1,146)	(1,002)
Cash flows from operating activities		73,061	128,721	(13,082)	(14,022)
Acquisition of intangible assets	2	(22,001)	(19,587)		
Acquisition of property and equipment	3	(33,757)	(15,982)		
Acquisition of owner-occupied properties	4	(91,209)	(77,995)		
Proceeds from disposal of property and equipment		113	359		
Proceeds from issue of share capital				8,383	4,502
Cash flows from investing activities		(146,854)	(113,205)	8,383	4,502
Repayment of loans at amortised cost			(10,000)		
Advances of loans at amortised cost		59,702	35,177		
Repayment of financial liabilities at amortised cost					(48,491)
(Increase)/decrease in amount due from subsidiary					8,952
Cash flows from financing activities		59,702	25,177	–	(39,539)
(Decrease)/increase in cash and cash equivalents		(14,091)	40,693	(4,699)	(49,059)
Cash and cash equivalents at beginning of year		223,939	183,246	19,349	68,408
Cash and cash equivalents at end of year	10	209,848	223,939	14,650	19,349

Segment Information

as at 30 June 2016

BASIS OF SEGMENTATION

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

The long-term insurance segment incorporates the sale and administration of long-term insurance risk policies (refer to note 12.1 on pages 124 to 126).

The investment contracts segment incorporates the sale and administration of guaranteed income and endowment policies under the long-term insurance license (refer to note 8.2.1 on page 123).

The short-term insurance segment incorporates the sale and administration of legal advice policies concluded under the short-term insurance license (refer to note 12.2 on pages 126 and 127).

The loans segment incorporates the sales and administration of unsecured personal loans.

STATEMENT OF FINANCIAL POSITION – SEGMENT INFORMATION AS AT 30 JUNE 2016

(R'000)	Long-term insurance	Investment contracts	Short-term insurance	Loans	Inter-segment	Total
Segment assets and liabilities						
Intangible assets	30,596		5,839			36,435
Property and equipment	45,951		1,558			47,509
Owner-occupied properties	408,651					408,651
Deferred tax	38,327		7,339			45,666
Inventories	1,042		106			1,148
Reinsurance assets	2,789					2,789
Financial assets at fair value through profit or loss	767,194	910,647	177,087			1,854,928
Financial assets at amortised cost	264,023					264,023
Loans and receivables including insurance receivables	50,129		553	1,966	(8,252)	44,396
Current tax	148		1,133	178		1,459
Cash and cash equivalents	182,580		22,663	4,605		209,848
Total assets	1,791,430	910,647	216,278	6,749	(8,252)	2,916,852
Policyholder liabilities under insurance contracts	679,362		10,740			690,102
Financial liabilities at fair value through profit or loss		909,819				909,819
Loans at amortised cost	98,932					98,932
Employee benefits	121,206		18,380			139,586
Deferred tax	33,937		5,040			38,977
Accruals and payables including insurance payables	147,056		26,692	2,973	(8,252)	168,469
Current tax	5,419					5,419
Total liabilities	1,085,912	909,819	60,852	2,973	(8,252)	2,051,304
Segment items included in the SOFP: 2016						
Acquisition of intangible assets	17,970		4,031			22,001
Acquisition of property and equipment	32,917		840			33,757

STATEMENT OF FINANCIAL POSITION – SEGMENT INFORMATION AS AT 30 JUNE 2015

(R'000)	Long-term insurance	Investment contracts	Short-term insurance	Loans	Inter-segment	Total
Segment assets and liabilities						
Intangible assets	23,667		3,421			27,088
Property and equipment	25,280		1,207			26,487
Owner-occupied properties	308,715					308,715
Deferred tax	25,971		5,424			31,395
Inventories	1,340		144			1,484
Reinsurance assets	3,015					3,015
Financial assets at fair value through profit or loss	972,453	942,702	136,332			2,051,487
Loans and receivables including insurance receivables	89,866		1,519	23,427	(38,674)	76,138
Current tax	4,418		747	93		5,258
Cash and cash equivalents	198,302		25,011	626		223,939
Total assets	1,653,027	942,702	173,805	24,146	(38,674)	2,755,006
Policyholder liabilities under insurance contracts	689,677		9,205			698,882
Financial liabilities at fair value through profit or loss		942,336				942,336
Loans at amortised cost	35,177			31,525	(31,525)	35,177
Employee benefits	107,875		14,433			122,308
Deferred tax	25,755		4,316			30,071
Accruals and payables including insurance payables	163,435		22,374	2,960	(7,149)	181,620
Current tax	4,417					4,417
Total liabilities	1,026,336	942,336	50,328	34,485	(38,674)	2,014,811
Segment items included in the SOFP: 2015						
Acquisition of intangible assets	16,402		3,185			19,587
Acquisition of property and equipment	15,513		469			15,982

Segment Information continued

STATEMENT OF COMPREHENSIVE INCOME – SEGMENT INFORMATION FOR THE YEAR ENDED 30 JUNE 2016

(R'000)	Long-term insurance	Investment contracts	Short-term insurance	Loans	Inter-segment	Total
Revenue						
Insurance premium revenue	1,550,567		301,949			1,852,516
Reinsurance premiums	(126,525)					(126,525)
Net insurance premiums	1,424,042	–	301,949	–	–	1,725,991
Other income	150,012	9,351	498	3,968	(6,334)	157,495
Interest income	19,284		1,394	2,184	(1,653)	21,209
Fair value adjustment to financial assets at fair value through profit or loss	22,160	90,401	8,355			120,916
Segment revenue	1,615,498	99,752	312,196	6,152	(7,987)	2,025,611
Net insurance benefits and claims	(292,741)		(33,036)			(325,777)
Decrease/(increase) in policyholder liabilities under insurance contracts	10,314		(1,534)			8,780
Decrease in reinsurance assets	(226)					(226)
Fair value adjustment to financial liabilities at fair value through profit or loss		(90,401)				(90,401)
Interest expense	(4,052)			(1,736)	1,653	(4,135)
Reversal of impairment of advances				12,349		12,349
Operating expenses	(860,362)	(5,934)	(200,730)	(1,209)	6,334	(1,061,901)
Segment expenses and claims	(1,147,067)	(96,335)	(235,300)	9,404	7,987	(1,461,311)
Profit before tax	468,431	3,417	76,896	15,556	–	564,300
Tax	(125,933)	(957)	(21,252)	(1,437)		(149,579)
Net profit for the year	342,498	2,460	55,644	14,119	–	414,721
Net profit for the year attributable to equity holders of the Group	342,498	2,460	55,644	9,884	–	410,486
Non-controlling interest – share of profit				4,235		4,235
Segment items included in the SOCI: 2016						
Amortisation of intangible assets	11,040		1,614			12,654
Depreciation	12,029		489			12,518

STATEMENT OF COMPREHENSIVE INCOME – SEGMENT INFORMATION FOR THE YEAR ENDED 30 JUNE 2015

(R'000)	Long-term insurance	Investment contracts	Short-term insurance	Loans	Inter-segment	Total
Revenue						
Insurance premium revenue	1,397,393		243,796			1,641,189
Reinsurance premiums	(114,001)					(114,001)
Net insurance premiums	1,283,392		243,796			1,527,188
Other income	145,170	12,750	363	17,647	(5,278)	170,652
Interest income	13,777		1,018	14,088	(6,124)	22,759
Fair value adjustment to financial assets at fair value through profit or loss	71,428	73,497	9,964			154,889
Segment revenue	1,513,767	86,247	255,141	31,735	(11,402)	1,875,488
Net insurance benefits and claims	(275,677)		(24,822)			(300,499)
Decrease/(increase) in policyholder liabilities under insurance contracts	5,877		(835)			5,042
Decrease in reinsurance assets	(227)					(227)
Fair value adjustment to financial liabilities at fair value through profit or loss		(72,275)				(72,275)
Interest expense		(2,270)		(6,606)	6,124	(2,752)
Impairment of advances				(12,380)		(12,380)
Operating expenses	(821,948)	(5,229)	(165,142)	(3,464)	5,278	(990,505)
Segment expenses and claims	(1,091,975)	(79,774)	(190,799)	(22,450)	11,402	(1,373,596)
Profit before tax	421,792	6,473	64,342	9,285	–	501,892
Tax	(118,172)	(1,812)	(17,367)	(150)		(137,501)
Net profit for the year	303,620	4,661	46,975	9,135	–	364,391
Net profit for the year attributable to equity holders of the Group	303,620	4,661	46,975	6,387		361,643
Non-controlling interest – share of profit				2,748		2,748
Segment items included in the SOCI: 2015						
Amortisation of intangible assets	11,867		2,745			14,612
Depreciation	12,222		648			12,870

Notes to the Annual Financial Statements

for the year ended 30 June 2016

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

The Group makes estimates and assumptions that affect the reported amounts of its insurance liabilities and assets, financial liabilities and financial assets at fair value and employee benefit obligations. Save for employee benefit obligations which are evaluated semi-annually, estimates and judgments are evaluated monthly and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

1.1 LONG-TERM INSURANCE

Other than where an IBNR liability has been established, the insurance liabilities are calculated by projecting liability outgo and expected future premiums and discounting the cash flows to the Valuation date based on the Valuation discount rate. These are referred to as discounted liabilities. Refer to note 14 on pages 149 to 151 and to the sensitivity analysis in note 14.1 on page 113.

1.2 FINANCIAL LIABILITIES AT FAIR VALUE

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

Changes in assumptions relating to these factors could affect the reported fair value of these financial liabilities. The extent that actual surrenders are different from the Group's estimates is a critical factor in the fair Valuation process, as additional fair value gains or losses would have been recognised in the fair value of liabilities associated with these contracts. These financial liabilities are, however, matched with assets with similar features, removing the risk of significant mismatches when surrenders are earlier than expected. Also refer to note 15 on page 152.

1.3 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 the current five year cycle of the Scheme, the multiple used in the formula and the expected number of participants in the Scheme. The Group bases these estimates on budgets and forecasts based on the Group's business plans. Refer to note 17 on pages 153 and 154.

1.4 OWNER-OCCUPIED PROPERTIES

The Valuation of R408.7 million (2015: R308.7 million) is arrived at using the capitalisation of net income method.

Refer to note 4 on pages 141 and 142.

(R'000)	Group 2016 Computer software	Video production	Total	2015 Computer software	Video production	Total
2. INTANGIBLE ASSETS						
Cost at beginning of year	78,006	43,211	121,217	68,706	32,924	101,630
Additions	15,902	6,099	22,001	9,300	10,287	19,587
Assets written off*	(50,815)	(11,356)	(62,171)			
Cost at end of year	43,093	37,954	81,047	78,006	43,211	121,217
Accumulated amortisation at beginning of year	(59,682)	(34,447)	(94,129)	(51,389)	(26,780)	(78,169)
Amortisation charge for the year	(6,641)	(6,013)	(12,654)	(6,945)	(7,667)	(14,612)
Assets written off*	50,815	11,356	62,171			
Impairment of intangible assets				(1,348)		(1,348)
Accumulated amortisation at end of year	(15,508)	(29,104)	(44,612)	(59,682)	(34,447)	(94,129)
Net carrying amount at end of year	27,585	8,850	36,435	18,324	8,764	27,088

(R'000)	Group Leasehold improvements	Furniture and equipment	Computer equipment	Motor vehicles	Total
3. PROPERTY AND EQUIPMENT					
Year ended 30 June 2016					
Cost at beginning of year	16,293	49,253	81,892	8,953	156,391
Additions	6,562	14,782	12,163	250	33,757
Assets written off*	(10,456)	(25,907)	(36,123)	(1,706)	(74,192)
Disposals			(5)	(878)	(883)
Cost at end of year	12,399	38,128	57,927	6,619	115,073
Accumulated depreciation at beginning of year	(14,310)	(44,915)	(65,360)	(5,319)	(129,904)
Depreciation charge for the year	(2,501)	(3,001)	(5,685)	(1,331)	(12,518)
Assets written off*	10,456	25,907	36,123	1,706	74,192
Disposals			5	661	666
Accumulated depreciation at end of year	(6,355)	(22,009)	(34,917)	(4,283)	(67,564)
Net carrying amount at end of year	6,044	16,119	23,010	2,336	47,509

* *In the current year, fully amortised/depreciated assets that were not in use were written off by the Group.*

Notes to the Annual Financial Statements continued

(R'000)	Group Leasehold improvements	Furniture and equipment	Computer equipment	Motor Vehicles	Total
3. PROPERTY AND EQUIPMENT (CONTINUED)					
Year ended 30 June 2015					
Cost at beginning of year	14,372	47,972	71,262	7,521	141,127
Additions	1,921	1,289	10,649	2,123	15,982
Disposals		(8)	(19)	(691)	(718)
Cost at end of year	16,293	49,253	81,892	8,953	156,391
Accumulated depreciation at beginning of year	(12,897)	(41,143)	(58,974)	(4,724)	(117,738)
Depreciation charge for the year	(1,413)	(3,777)	(6,396)	(1,286)	(12,872)
Disposals		5	10	691	706
Accumulated depreciation at end of year	(14,310)	(44,915)	(65,360)	(5,319)	(129,904)
Net carrying amount at end of year	1,983	4,338	16,532	3,634	26,487

(R'000)	Group 2016 Land	2016 Buildings	2016 Total	2015 Land	2015 Buildings	2015 Total
4. OWNER-OCCUPIED PROPERTIES						
At Valuation at beginning of year	**74,364**	**234,351**	**308,715**	72,900	151,109	224,009
Additions: Buildings 1 to 6		**8,606**	**8,606**		2,682	2,682
Additions: Building 7*		**82,603**	**82,603**		75,313	75,313
Revaluation	**5,640**	**3,087**	**8,727**	1,464	5,247	6,711
At Valuation at end of year	**80,004**	**328,647**	**408,651**	74,364	234,351	308,715

* *Additions include capitalised borrowing costs of R1.8 million (2015: R1.7 million).*

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

In arriving at the open market value of the lettable properties, the capitalisation of income approach was adopted by applying the gross open market rentals to the gross lettable area and then deducting normal landlord outgoings including a management fee to arrive at the annual net income figure. A net rental figure of between R113 and R149 (2015: R130) per square meter per month after deducting operating costs was applied. This has then been capitalised into perpetuity at a yield of between 8.25% (building 7) and 9.5% (2015: 9.5%) (buildings 1 to 6) which is appropriate given the current state of the property market and the quality of the property investments.

Given current market conditions the owner-occupied properties were transferred from level 2 in the fair value measurement hierarchy to level 3 as market observable inputs are not readily available. Refer to the level 3 definition on page 110.

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	2016 R'000	2015 R'000
Gross annual rental	+5	**20,139**	10,422
Gross annual rental	-5	**(20,139)**	(10,422)
Yield	+0.25	**(11,053)**	(4,911)
Yield	-0.25	**11,699**	5,176

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 capitalised costs of the new building and parking structure since inception amounted to R213 million. The buildings and parking structure are 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 R311.8 million as at 30 June 2016 (2015: R220.6 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
2016			
Direct holdings			
Unlisted subsidiaries			
Clientèle Life	**4,853,000**	**100**	**255,755**
Clientèle General Insurance	**42,500,000**	**100**	**44,919**
Clientèle Mobile	**1**	**100**	*
Clientèle Loans	**1**	**100**	*
Indirect holdings			
Unlisted subsidiaries			
CLD	**100**	**70**	*
			300,674
2015			
Direct holdings			
Unlisted subsidiaries			
Clientèle Life	4,853,000	100	255,828
Clientèle General Insurance	42,500,000	100	44,020
Clientèle Mobile	1	100	*
Clientèle Loans	1	100	*
Indirect holdings			
Unlisted subsidiaries			
CLD	100	70	*
			299,848

* *Less than R1,000.*
\# *The increase relates to shares issued in terms of the SAR and Bonus Rights Schemes.*

Notes to the Annual Financial Statements continued

(R'000)	Group 2016	Group 2015	Company 2016	Company 2015
6. REINSURANCE ASSETS				
Reinsurers' share of insurance liabilities				
Balance at beginning of year	**3,015**	3,242		
Movement in reinsurers' share of insurance liabilities	**(226)**	(227)		
Balance at end of year	**2,789**	3,015	**–**	–

(R'000)	Group 2016	Group 2015	Company 2016	Company 2015
7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS				
Designated				
Balance at beginning of year	**2,051,487**	2,043,394	**38,410**	
Movements for year				
– Fair value adjustments	**120,916**	154,889	**2,005**	1,210
– Additions	**623,866**	562,884	**20,000**	37,200
– Disposals†	**(941,341)**	(709,680)		
Balance at end of year	**1,854,928**	2,051,487	**60,415**	38,410
Total debt securities	**1,345,662**	1,474,252	**45,517**	27,268
Promissory notes and fixed deposits	**723,023**	899,312		
Funds on deposit	**532,141**	484,464	**42,501**	24,296
Fixed interest securities	**51,149**	90,476	**610**	2,972
Government and public authority bonds	**39,349**		**2,406**	
Total equity securities	**509,266**	577,235	**14,898**	11,142
Listed equity securities	**505,416**	573,385	**14,898**	11,142
Unlisted equity securities	**3,850**	3,850		
Total instruments	**1,854,928**	2,051,487	**60,415**	38,410
	%	%	**%**	%
Spread of equities listed on the JSE by sector				
Industrials	**62.3**	53.3	**55.1**	47.3
Resources	**10.0**	15.0	**14.5**	26.8
Financials	**12.7**	9.3	**16.4**	13.2
Real estate	**11.4**	15.1	**8.9**	5.3
Telecommunications	**3.6**	7.3	**5.1**	7.4
	100.0	100.0	**100.0**	100.0

† *Zero coupon fixed deposits held in African Bank Limited ("Old Bank") of R258.1 million were exchanged for new fixed deposits in new ABL ("Good Bank") on 4 April 2016 (restructuring date). The new fixed deposits have been classified as financial assets at amortised cost. In the prior year the ABL zero coupon fixed deposits held at fair value though profit or loss were disclosed at level 3 in the fair value measurement hierarchy.*

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 2016	Group 2015	Company 2016	Company 2015
8. FINANCIAL ASSETS AT AMORTISED COST				
Designated				
Balance at beginning of year	**–**			
Movements for year				
– Interest received	**5,923**			
– Additions	**258,100**			
Balance at end of year	**264,023**	–	**–**	–

Additions consist of new assets in new ABL ("Good Bank") received by way of the ABL exchange offer as part of the restructuring process that brought the curatorship process to a close on 4 April 2016.

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

(R'000)	Group 2016	Group 2015	Company 2016	Company 2015
9. LOANS AND RECEIVABLES INCLUDING INSURANCE RECEIVABLES				
Receivables	**6,408**	10,704	**296**	341
Net advances (refer to note 9.1)		22,243		
Premiums receivable under insurance contracts	**4,515**	5,660		
Due from subsidiaries			**133**	48
Reinsurance receivables under reinsurance contracts	**26,862**	32,063		
Prepayments	**6,611**	5,468	**1,631**	51
	44,396	76,138	**2,060**	440
Current	**44,396**	68,543	**2,060**	440
Non-current		7,595		
	44,396	76,138	**2,060**	440
The carrying value amounts approximate the fair value of these amounts.				
Maturity analysis				
Due within one year	**44,396**	77,419	**2,060**	440
Due within two to five years		12,198		
	44,396	89,617	**2,060**	440
Provisions for impairments		(13,479)		
	44,396	76,138	**2,060**	440

The maturity analysis above reflects balances due, which are within the agreed terms. There are, therefore, no balances that are past due which require impairment, except for advances which are reflected below.

Notes to the Annual Financial Statements continued

(R'000)	Group 2016	Group 2015	Company 2016	Company 2015
9.1 NET ADVANCES OF CLIENTÈLE LOANS DIRECT†				
Unsecured personal loans				
Gross loans and advances		35,722		
Provision for impairments	**–**	(13,479)	**–**	–
– Specific provision		(1,731)		
– Portfolio provision		(11,748)		
Net advances	**–**	22,243	**–**	–

† *The entire CLD book consisting of all advances written up to 15 February 2013 was sold as at 22 October 2015 and has resulted in a reversal of previous impairments.*

(R'000)	Group 2016	Group 2015	Company 2016	Company 2015
Movement in impairments provision				
Balance at beginning of year	**13,479**	20,155		
Current year movement	**(13,479)**	(6,676)	**–**	–
Bad debts written off	**(3,612)**	(25,838)		
Amount raised during the current year	**1,675**	19,162		
Reversal of impairments on sale of advances book	**(11,542)**			
Balance at end of year	**–**	13,479	**–**	–

The advances portfolio and the collections bank account amounting to R Nil (2015: R0.6 million) of CLD has been ceded as security in terms of the external funding facility agreement.

(R'000)	Group 2016	Group 2015	Company 2016	Company 2015
10. CASH AND CASH EQUIVALENTS				
Cash in bank and at hand	**209,848**	223,939	**14,650**	19,349

(R'000)	Group 2016	Group 2015	Company 2016	Company 2015
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				
2016: 331,805,999 (2015: 330,629,599) ordinary shares of 2 cents each	**6,636**	6,613	**6,636**	6,613
Share premium	**328,875**	310,185	**328,875**	310,185
Common control deficit*	**(220,273)**	(220,273)		
	115,238	96,525	**335,511**	316,798

* *Clientèle acquired the shares in Clientèle Life and its subsidiaries with effect from 19 May 2008. As there was no change in the beneficial shareholders, this transaction was treated as a common control transaction. This treatment resulted in a common control deficit of R220.3 million, which was the difference between the net asset value of Clientèle Life at the date of transfer and the par value of the shares issued.*

1.2 million (2015: 1.4 million) shares were issued in terms of the SAR and Bonus Rights Schemes.

All issued shares are fully paid. The unissued ordinary shares have been placed under the control of the Directors of the Company until the forthcoming AGM of shareholders.

ORDINARY SHAREHOLDERS ANALYSIS AS AT 30 JUNE 2016

Shareholder spread	Number of shareholdings	%	Number of Shares	%
1 – 1,000 shares	416	34.47	157,885	0.05
1,001 – 10,000 shares	499	41.34	2,116,885	0.64
10,001 – 100,000 shares	230	19.06	7,120,215	2.15
100,001 – 1,000,000 shares	45	3.73	13,052,313	3.93
1,000,001 shares and over	17	1.40	309,358,701	93.23
Totals	1,207	100.00	331,805,999	100.00

ANALYSIS OF SHAREHOLDERS BY CLASSIFICATION AS AT 30 JUNE 2016

Distribution of shareholders	Number of shareholdings	%	Number of shares	%
Banks/Brokers	14	1.16	2,780,246	0.84
Close Corporations	12	0.99	1,247,182	0.38
Endowment Funds	3	0.25	118,712	0.04
Individuals	960	79.54	16,581,348	5.00
Insurance Companies	11	0.91	63,826,180	19.24
Investment Companies	3	0.25	333,754	0.10
Mutual Funds	21	1.74	12,374,970	3.73
Other Corporations	12	0.99	57,926	0.02
Private Companies	44	3.64	225,438,752	67.94
Public Companies	2	0.17	81,550	0.02
Retirement Funds	7	0.58	5,018,369	1.50
Trusts	118	9.78	3,947,010	1.19
Totals	1,207	100.00	331,805,999	100.00

PUBLIC/NON-PUBLIC SHAREHOLDERS AS AT 30 JUNE 2016

Shareholder spread	Number of shareholdings	%	Number of shares	%
Non-public shareholders	26	2.15	292,009,067	88.00
Directors and Associates	18	1.49	14,142,777	4.26
Strategic Holdings (more than 10%)	8	0.66	277,866,290	83.74
Public shareholders	1,181	97.85	39,796,932	12.00
Totals	1,207	100.00	331,805,999	100.00

Shareholder spread	Number of shares	%
Beneficial shareholders holding 5% or more		
Friedshelf 1577 Proprietary Limited*	277,866,290	83.74
Totals	277,866,290	83.74

* *Includes 17,144,916 shares held by YTI.*

Notes to the Annual Financial Statements continued

(R'000)	Group 2016	Group 2015	Company 2016	Company 2015
12. SAR AND BONUS RIGHTS SCHEMES RESERVE				
SAR and Bonus Rights Schemes reserve	**28,524**	27,699	**28,524**	27,699

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

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

	2016		2015	
	Volume weighted average price on grant date (Rands)	**Number of SARs and Bonus Rights granted**	Volume weighted average price on grant date (Rands)	Number of SARs and Bonus Rights Granted
At beginning of year	**11.51**	**25,599,248**		11,648,787
Removal of Non-Qualifying Khula Nathi allotment		**(3,632,500)**	11.45	
Allotment			11.51	15,406,937
Allotment			17.00	2,233,993
Allotment			17.27	1,506,116
Allotment	**18.21**	**2,078,527**		
Allotment	**14.94**	**2,048,109**		
Forfeited	**6.41**	**(10,000)**	6.41	(7,500)
Forfeited	**5.47**	**(1,992)**	5.47	(3,750)
Forfeited	**7.48**	**(5,145)**	7.48	(9,646)
Forfeited			7.63	(53,800)
Forfeited			9.85	(72,441)
Forfeited	**9.79**	**(57,375)**	9.79	(24,897)
Forfeited			9.44	(25,664)
Forfeited	**11.20**	**(34,361)**	11.20	(61,564)
Forfeited	**11.28**	**(15,922)**	11.28	(36,391)
Forfeited			11.45	(61,619)
Reversal of Non-Qualifying Khula Nathi allotment/(forfeited)	**11.51**	**30,000**	11.51	(30,000)
Forfeited	**11.89**	**(29,670)**	11.89	(9,364)
Forfeited	**13.14**	**(933,423)**	13.14	(1,194,809)
Forfeited	**14.78**	**(3,749)**	14.78	(4,598)
Forfeited	**17.00**	**(466,831)**	17.00	(564,620)
Forfeited	**17.27**	**(400,107)**		
Forfeited	**18.21**	**(447,266)**		
Forfeited	**14.94**	**(80,967)**		
Exercised		**(3,922,212)**		(3,035,922)
At end of year		**19,714,364**		25,599,248

2.5 million (2015: 2.6 million) of the 19.7 million (2015: 25.6 million) outstanding SARs and Bonus Rights were exercisable.

No Bonus Rights were issued (2015: 15.4 million) to IFAs during the year as the Khula Nathi allocations came to an end in the 2015 financial year.

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

	Average grant price (Rands)	Number of SARs and Bonus Rights
16 February 2016	5.88	8,181
2 November 2016	6.29	127,186
5 February 2017	7.48	25,722
2 July 2017	7.63	75,228
25 February 2018	9.85	279,816
1 July 2018	9.79	230,321
3 January 2019	11.28	275,638
1 April 2019	11.51	7,375,533
30 October 2019	11.20	334,977
2 January 2020	11.89	168,850
1 March 2020	12.25	97,959
30 September 2020	18.21	1,631,261
1 November 2020	13.14	4,622,905
3 January 2021	14.78	40,609
18 February 2021	14.36	110,000
31 March 2021	14.94	1,967,140
26 May 2021	14.27	34,485
1 September 2021	17.00	1,202,543
30 March 2022	17.27	1,106,010
At end of year		19,714,364

The SOCI charge was determined using the Black Scholes model. The IFRS 2: Share based payments costs relating to the SAR and Bonus Rights Schemes amounted to R9.2 million (2015: R9.0 million). Significant inputs into the model include the grant prices of SARs and Bonus Rights, the dividend yield of 6% p.a. for rights granted up to 30 June 2010 and 5% p.a. for rights issued thereafter, risk-free interest rate of 7.9% p.a. for rights granted prior to July 2007, and the risk-free yield depending on term until exercised for rights granted thereafter (unchanged from 2014), employee turnover ranging between 10.8% and 17.8% depending on the date of granting the rights (2015: ranging between 10.8% and 17.8%), contractual life of 1 to 7 years (2015: 1 to 7 years) and potential share price growth. The SOCI charge includes R2.8 million (2015: R3.7 million) which relates to Bonus Rights which could be allocated to IFAs in future based on meeting certain qualifying criteria.

	Group		Company	
(R'000)	**2016**	2015	**2016**	2015
13. NDR				
NDR: Revaluation	**65,374**	66,191	**–**	–
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 141 to 142. The land and buildings have been revalued to market value through equity. Deferred tax (refer to note 18 on page 155) has been provided at rates appropriate to the land and buildings and resulted in a net increase of R9.5 million to the deferred tax liability (2015: R1.7 million).				

Notes to the Annual Financial Statements continued

(R'000)	Group 2016	Group 2015
14. POLICYHOLDER LIABILITIES UNDER INSURANCE CONTRACTS		
Balance at beginning of year	**698,882**	703,924
Decrease in policyholder liabilities under insurance contracts	**(8,780)**	(5,042)
Balance at end of year	**690,102**	698,882

	Group			
	2016		2015	
(R'000)	Gross of reinsurance	Net of reinsurance	Gross of reinsurance	Net of reinsurance
Long-term insurance				
Changes in insurance liabilities and reinsurance				
Discounted insurance liabilities as at the beginning of the year	**682,940**	**682,868**	688,017	687,854
Discretionary margins	**(2,479,001)**	**(2,478,740)**	(2,293,024)	(2,292,481)
Discounted insurance liabilities as at the beginning of the year prior to allowance for discretionary margins	**(1,796,061)**	**(1,795,872)**	(1,605,007)	(1,604,627)
Expected interest on insurance liabilities (and cash flows)	**(160,157)**	**(160,157)**	(109,642)	(109,642)
Expected premiums on insurance liabilities	**1,103,597**	**1,008,450**	1,076,557	981,724
Expected change in margins (existing business)	**(2,722)**	**(2,721)**	(7,736)	(7,739)
Expected claims, expiries and lapses	**(346,395)**	**(266,391)**	(319,413)	(234,594)
Expected expenses, commission and charges	**(135,085)**	**(135,085)**	(127,346)	(127,346)
Experience variations	**28,695**	**43,764**	(35,898)	(26,135)
Changes in Valuation basis (renewal business only)	**106,158**	**106,147**	59,762	59,748
New business added during the year	**(879,718)**	**(879,641)**	(727,338)	(727,261)
Discounted insurance liabilities as at the end of the year prior to allowance for discretionary margins	**(2,081,688)**	**(2,081,506)**	(1,796,061)	(1,795,872)
Discretionary margins	**2,755,150**	**2,754,909**	2,479,001	2,478,740
A: Discounted insurance liabilities as at the end of the year	**673,462**	**673,403**	682,940	682,868
Undiscounted insurance liabilities as at the beginning of the year	**6,737**	**3,794**	7,537	4,458
Withdrawals and change in reinsurance during the year	**(926)**	**(712)**	(924)	(786)
New business added during the year	**89**	**88**	124	122
B: Undiscounted insurance liabilities as at the end of the year	**5,900**	**3,170**	6,737	3,794
Total insurance liabilities as at the end of the year (A+B)	**679,362**	**676,573**	689,677	686,662
Reinsurance assets		**2,789**		3,015
Gross long-term insurance liabilities as at the end of the year	**679,362**	**679,362**	689,677	689,677
Short-term insurance	**10,740**	**10,740**	9,205	9,205
IBNR	**2,450**	**2,450**	1,702	1,702
Cash back bonus	**5,033**	**5,033**	4,628	4,628
Outstanding claims	**3,257**	**3,257**	2,875	2,875
	690,102	**690,102**	698,882	698,882

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	2016 Margin	2015 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 2015. Increases are due to the high volumes of profitable new business written.

The total value of discretionary margins amounted to R2,754.9 million (2015: R2,478.7 million).

Significant assumptions and other sources of estimation uncertainty

Discounted liabilities' assumptions

The key assumptions used in the calculation of the insurance liabilities are based on recent experience investigations of the Group's business. Each assumption is reviewed annually based on the results of the most recent experience investigations. The intention is to arrive at a best estimate of the Group's experience.

Where data is not credible, more prudent assumptions are used based on industry data where available. However, for the bulk of the Group's business, internal data was used. To allow for the expected deterioration (underwritten lives) in claims due to AIDS, the AIDS tables produced by the Actuarial Society of South Africa were used. The results of the internal mortality investigations were used to establish current assumption levels.

Once the best estimate is determined, compulsory margins (as set out in SAP104) are incorporated as described above.

Demographic Assumptions

Mortality

A detailed mortality investigation was undertaken for homogenous groupings of business for the year ended 30 June 2016 based on the in-force data file, movements data and claims during the year. These results were used to set the mortality and AIDS assumptions relative to the latest published local assured lives and AIDS tables.

Withdrawals

A detailed withdrawal investigation was carried out for the year ended 30 June 2016 based on homogenous groupings of business. Based on this investigation, the withdrawal assumptions of some of the classes of business were amended to reflect the recent and expected future experience. The impact of the amended withdrawal assumption resulted in a release of liabilities of R3.4 million.

Expenses

The renewal expense assumption was increased by inflation, based on an expense investigation.

Economic Assumptions

(a) *Investment Return*

The non-unit investment return assumption for all classes of business, except those where the liability has a specific asset backing it, was determined based on:

The current zero coupon yield curve (assuming an appropriate duration); less,

A compulsory margin (prescribed as being 0.25%).

For June 2016, the Valuation rate has been set with reference to the current zero coupon yield curve (an effective rate of 8.6% (2015: 8.3%) at a term of 7.0 years (2015: 6.5 years)).

Notes to the Annual Financial Statements continued

Based on the above, a non-unit investment return of 8.6% p.a. (2015: 8.3% 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 9.8% p.a. (2015: 9.3%) (before compulsory margins) was assumed.

(b) *Inflation*
The current assumed level of future expense inflation is 7.1% (2015: 6.8%) per annum. This was set with reference to the revised level of the Valuation interest rate. The gap between the non-unit investment return assumption and the inflation rate remain unchanged at 1.5% (2015: 1.5%). The gap between interest rate and inflation rate is based on the gap between the real and nominal government bond yield curves based on the Discounted Mean Term of the policies. The gap is then also adjusted if necessary based on the budgeted expenses and internal 5 year forecasts to ensure that the inflation assumption is appropriate for Clientèle.

(c) *Taxation*
Future taxation and taxation relief are allowed for at the rates and on the basis applicable to section 29A of the Income Tax Act at the SOFP date. Clientèle Life's current tax position is taken into account, and taxation rates, consistent with that position and the likely future changes in that position, are allowed for.

Effect of changes in assumptions

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

- Economic assumptions were reviewed to reflect the current environment resulting in a decrease in liabilities of R8.8 million;
- The renewal expense assumption was increased by inflation and had no impact on the liabilities; and
- Withdrawal, reinsurance, other decrements and refinement of modelling were reviewed and adjusted where necessary in the light of recent experience resulting in a decrease in liabilities of R2.8 million, detailed as follows:
  - The withdrawal assumptions were reviewed and adjusted where necessary in light of recent experience and resulted in a decrease in liabilities of R3.4 million.
  - The reinsurance and other decrements assumptions were reviewed and adjusted where necessary in light of recent experience and resulted in a increase in liabilities of R0.6 million.
  - Other modelling refinements resulted in no change in the liabilities.

Undiscounted Liabilities

IBNR liabilities of R3.2 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.

(R'000)	Group 2016	Group 2015	Company 2016	Company 2015
15. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS				
Balance at beginning of year	**942,336**	998,337		
Movements for the year				
– Fair value adjustments	**90,401**	72,275		
– Deposits	**150,323**	140,032		
– Withdrawals and maturities	**(273,241)**	(268,308)		
Balance at end of year	**909,819**	942,336	**–**	–

The unrecognised initial profit in respect of financial liabilities at fair value through profit or loss amounts to R21.7 million (2015: R20.1 million).

The change in fair value attributable to changes in the Group's credit risk is R Nil (2015: R Nil).

The amount payable on maturity (including annuity payments) is R1,061.4 million (2015: R1,064.2 million).

(R'000)	Group 2016	Group 2015	Company 2016	Company 2015
16. LOANS AT AMORTISED COST				
Nedbank Limited				
Balance at beginning of the year	**35,177**	–		
Movements for the year				
– Advances	**62,000**	33,500		
– Interest	**4,053**			
– Interest capitalised	**1,822**	1,677		
– Repayments	**(4,120)**			
	98,932	35,177	**–**	–
Current	**10,211**	1,475		
Non-current	**88,721**	33,702		
	98,932	35,177	**–**	–
Maturity analysis				
Due within one year	**8,736**	1,475		
Due within two to five years	**129,594**	11,430		
Due after five years		37,855		
Less: discounting	**(39,398)**	(15,583)		
	98,932	35,177	**–**	–

The loan is in terms of a medium-term credit facility granted for the construction of Building 7 in Clientèle Properties East and is secured by a guarantee issued in favour of Nedbank from Clientèle.

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

Notes to the Annual Financial Statements continued

(R'000)	Group 2016	Group 2015	Company 2016	Company 2015
17. EMPLOYEE BENEFITS				
Goodwill Scheme (refer to 17.1)	**56,190**	48,293		
EV Scheme (refer to 17.2)	**67,217**	59,129		
Short-term bonuses (refer to 17.3)	**16,179**	14,886		
	139,586	122,308	**–**	–
Current	**79,617**	64,738		
Non-current	**59,969**	57,570		
	139,586	122,308	**–**	–
17.1 GOODWILL SCHEME				
Balance at beginning of year	**48,293**	33,505		
Payments made during the year	**(2,610)**	(2,468)	**–**	–
Existing Executives	**(1,714)**	(1,695)		
Retired Executives	**(896)**	(773)		
Provision raised (refer to note 28)	**10,507**	17,256	**–**	–
Interest cost	**3,592**	2,377		
Service cost	**15,314**	16,465		
Remeasurements	**(8,399)**	(1,586)		
Balance at end of year	**56,190**	48,293	**–**	–

The above relates to the Goodwill element of the Incentive Scheme as discussed in the Group Remuneration Report (pages 44 to 57) and the accounting policies (policy 19 on pages 129 to 130) to the Annual Financial Statements.

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

	Cycle 2 2016	Cycle 2 2015
VNB at end of cycle in 2012 (R million)	**365**	365
VNB Multiple	**5.00**	5.00
Risk-free rate (%)	**5.72**	5.72
Expected pool utilisation (%)	**59.25**	63.11
Payment term (years)	**5**	5

	Cycle 3 2016	Cycle 3 2015
Assumed VNB at end of cycle in 2017 (R million)	**950**	1,050
VNB Multiple	**5.00**	5.00
Risk-free rate (%)	**8.35**	8.07
Expected pool utilisation (%)	**70.00**	70.00
Payment term (years)	**5**	5

The variables used in calculating and estimating the liability in respect of the Goodwill Scheme are subject to approval by the Group Remuneration Committee. Those variables, which are subjective in nature, have been set at levels which the Group Remuneration Committee deems to be fair and equitable to both shareholders and the participants. The variables used for cycle 2 and 3 changes over time as circumstances, Group performance and the economic environment change.

17.2 EV SCHEME

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

	Group		Company	
(R'000)	2016	2015	2016	2015
Balance at beginning of year	59,129	49,789		
Provision raised (refer to note 28)	59,257	49,287		
Payments during the year	(51,169)	(39,947)	–	–
Existing Executives	(44,371)	(32,090)		
Non-Executive staff and retired Executives	(6,798)	(7,857)		
Balance at end of year	67,217	59,129	–	–

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

	Group 2016	Group 2015	Company 2016	Company 2015
Payment terms (years)	4	4		
Hurdle rate (%)	13.3	12.60		
Expected pool utilisation (%)	86.48	82.00		

EV Earnings are based on the EV assumptions and calculations as outlined in the Statement of the Group EV (pages 64 to 69). Refer also to the Group Remuneration Report (pages 44 to 57).

17.3 SHORT-TERM BONUSES

The build-up of the liability in respect of short-term bonuses is as follows:

	Group 2016	Group 2015	Company 2016	Company 2015
Balance at beginning of year	14,886	15,129		
Provision raised (refer to note 28)	15,417	13,238		
Payments during the year	(14,124)	(13,481)		
Balance at end of year	16,179	14,886	–	–

Refer also to the Group Remuneration Report (pages 44 to 57).

Notes to the Annual Financial Statements continued

(R'000)	Group 2016	Group 2015	Company 2016	Company 2015
18. DEFERRED TAX				
Assets				
Balance at beginning of year	**38,154**	31,785	**–**	88
Charge to the Statements of Comprehensive Income				
– Tax losses/capital allowances	**9,792**	(123)	**408**	(88)
– Income received in advance	**141**	182		
– Property and equipment	**(158)**	203		
– SAR and Bonus Rights Schemes	**719**	553		
– Long-term employee benefits	**3,554**	6,281		
– Deferred profits on financial liabilities held at fair value through profit or loss	**343**	(727)		
– Return transfer credit	**654**			
Balance at end of year	**53,199**	38,154	**408**	–
Liability				
Balance at beginning of year	**36,830**	39,768	**110**	
Charge to the SOCI				
– Prepayments	**(405)**	(217)	**(14)**	14
– Unrealised gains/(losses) on investments	**541**	(4,463)	**54**	96
Deferred tax on revaluation of land	**2,375**	273		
Deferred tax on revaluation of buildings	**7,169**	1,469		
Balance at end of year	**46,510**	36,830	**150**	110
Analysis of deferred tax balances:				
Assets				
Tax losses/capital allowances	**12,424**	2,632	**408**	
Income received in advance	**1,138**	997		
Property and equipment	**1,942**	2,100		
SAR and Bonus Rights Schemes	**5,704**	4,985		
Long-term employee benefits	**25,258**	21,704		
Deferred profits on financial liabilities held at fair value through profit and loss	**6,079**	5,736		
Return transfer credit	**654**			
Deferred tax asset at end of the year	**53,199**	38,154	**408**	–
Liability				
Prepayments	**752**	1,157		14
Unrealised gains on investments	**14,330**	13,789	**150**	96
Revaluation of land	**7,921**	5,546		
Revaluation of buildings	**23,507**	16,338		
Deferred tax liability at end of the year	**46,510**	36,830	**150**	110
Total deferred tax asset	**45,666**	31,395	**408**	–
Current	**1,138**	2,149	**408**	
Non-current	**44,528**	29,246		
Total deferred tax liability	**(38,977)**	(30,071)	**(150)**	(110)
Current	**(752)**	(2,308)	**(150)**	(14)
Non-current	**(38,225)**	(27,763)		(96)
Net deferred tax liability at end of year	**6,689**	1,324	**258**	(110)

The assessable tax loss of the IPF amounts to R2.8 billion (2015: R2.7 billion). No deferred tax asset has been raised in respect of the assessable tax loss as it is unlikely that the assessed loss in the IPF will be utilised in the foreseeable future.

The Group has noted the pending implementation of a fifth risk policyholder fund as part of the Taxation Laws Amendment Act (Section 29A of the Income Tax Act) affecting the taxation of Clientèle Life. Clientèle Life has confirmed its intention to transfer its existing risk business to the fifth fund. No material adverse taxation affects are anticipated.

(R'000)	Group 2016	Group 2015	Company 2016	Company 2015
19. ACCRUALS AND PAYABLES INCLUDING INSURANCE PAYABLES				
IFA referral fees and bonuses payable	**8,498**	9,239		
Premiums received in advance	**20,139**	18,397		
Deferred income	**21,713**	20,484		
Due to subsidiaries			**153**	101
Other accruals and payables	**118,119**	133,500	**917**	810
	168,469	181,620	**1,070**	911
Current	**153,911**	169,102	**1,070**	911
Non-current	**14,558**	12,518		
	168,469	181,620	**1,070**	911
The carrying value amounts approximate fair value amounts.				
Maturity analysis				
Due within one year	**153,911**	169,102	**1,070**	911
Due within two to five years	**14,558**	12,518		
	168,469	181,620	**1,070**	911

(R'000)	Group 2016	Group 2015	Company 2016	Company 2015
20. INSURANCE PREMIUM REVENUE				
Long-term insurance – individual recurring	**1,550,567**	1,397,393		
Short-term insurance – individuals and SMME	**301,949**	243,796		
	1,852,516	1,641,189	**–**	–

(R'000)	Group 2016	Group 2015	Company 2016	Company 2015
21. REINSURANCE PREMIUMS				
Long-term insurance – individual recurring	**126,525**	114,001		
	126,525	114,001	**–**	–

(R'000)	Group 2016	Group 2015	Company 2016	Company 2015
22. OTHER INCOME				
IFA annuity fee income	**136,807**	142,454		
Leads and brand fee	**721**	904	**721**	904
Marketing materials' gross (loss)/profit	**(130)**	529		
Supplier discounts received	**118**	184		
Fee income			**2,449**	2,368
Fee income from advances	**681**	3,416		
Inseta grants	**2,312**	1,743		
Income from Mobile business		1,396		
Deferred profit release	**9,231**	12,598		
Other income	**2,619**	1,264		
Administration fees	**3,550**	2,371		
Loan waived		3,793		
Profit on sale of advances book	**1,586**			
Recharge from Clientèle Life and Clientèle General Insurance in excess of capital contribution			**10,330**	20,093
Dividends received (unlisted)			**297,567**	258,380
	157,495	170,652	**311,067**	281,745

Notes to the Annual Financial Statements continued

(R'000)	Group 2016	Group 2015	Company 2016	Company 2015
23. INTEREST INCOME				
Loans business	**1,759**	14,012		
Interest received – financial assets at amortised cost	**5,923**			
Cash and cash equivalents	**13,527**	8,747	**919**	1,608
	21,209	22,759	**919**	1,608

(R'000)	Group 2016	Group 2015	Company 2016	Company 2015
24. FAIR VALUE ADJUSTMENT TO FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS				
Designated – fair value adjustments	**120,916**	154,889	**2,005**	1,210
The above fair value adjustments include gains arising from:				
Interest (unlisted)	**113,753**	111,893	**2,560**	1,110
Dividends (listed)	**36,538**	16,647	**1,454**	239

(R'000)	Group 2016	Group 2015	Company 2016	Company 2015
25. NET INSURANCE BENEFITS AND CLAIMS				
Long-term insurance				
Claims and policyholders' benefits under insurance contracts	**370,228**	374,307	**–**	–
Death and disability claims	**181,183**	188,043		
Policy surrender claims	**189,045**	186,264		
Insurance claims recovered from reinsurers	**(99,536)**	(117,250)		
Cash-back payments	**22,049**	18,620		
	292,741	275,677		
Short-term insurance	**33,036**	24,822	**–**	–
Legal claims	**30,631**	22,220		
Cash-back payments	**2,405**	2,602		
	325,777	300,499	**–**	–

(R'000)	Group 2016	Group 2015	Company 2016	Company 2015
26. CHANGE IN POLICYHOLDER LIABILITIES UNDER INSURANCE CONTRACTS				
Long-term insurance	**(10,314)**	(5,877)		
Short-term insurance	**1,534**	835	**–**	–
IBNR	**748**	460		
Cash-back bonus	**405**	(479)		
Outstanding claims	**381**	854		
	(8,780)	(5,042)	**–**	–

(R'000)	Group 2016	Group 2015	Company 2016	Company 2015
27. (REVERSAL)/IMPAIRMENT OF ADVANCES				
Specific	**(357)**	(439)		
Portfolio	**(1,580)**	(6,237)		
Reversal of impairments on sale at advances book	**(11,542)**			
Bad debts written off	**3,612**	25,838		
Bad debts recovered	**(2,482)**	(6,782)		
	(12,349)	12,380	**–**	–

(R'000)	Group 2016	Group 2015	Company 2016	Company 2015
28. OPERATING EXPENSES				
Acquisition and administration expenses by nature are as follows:				
Total Auditors' remuneration	**5,529**	5,883	**1,116**	974
Audit fees	**5,073**	5,442	**1,096**	955
Other services	**456**	441	**20**	19
Actuarial fees	**1,725**	2,460		
Computer expenses	**20,196**	19,048		
Consultancy fees	**9,324**	8,844		
Employee benefits	**406,004**	375,254	**–**	–
Salaries and other short-term benefits	**300,771**	276,714		
Defined contribution provident fund – current service costs	**10,844**	9,739		
Goodwill Scheme expense	**10,507**	17,256		
EV Scheme expense	**59,257**	49,287		
Short-term bonuses	**15,417**	13,238		
SAR and Bonus Rights Schemes expense	**9,208**	9,020		
Amortisation of intangible assets	**12,654**	14,612		
Impairment of intangible assets		1,348		
Depreciation	**12,518**	12,872	**–**	–
Computer equipment	**5,685**	6,396		
Furniture and equipment	**3,001**	3,777		
Leasehold improvements	**2,501**	1,413		
Motor vehicles	**1,331**	1,286		
Local travel costs	**1,180**	899		
Administration and marketing	**464,715**	409,010	**193**	421
IFA referral fees and bonuses paid	**98,457**	118,730		
Property expenses	**12,715**	9,104		
Loss/(profit) on disposal of fixed assets	**104**	(346)		
Foreign exchange gains	**(30)**	(10)		
BBBEE guarantee fees	**2,794**		**2,794**	
Other	**14,016**	12,797	**581**	627
	1,061,901	990,505	**4,684**	2,022
Comprising:				
Acquisition costs associated with insurance contracts	**840,787**	781,794		
Administrative expenses	**221,114**	208,711	**4,684**	2,022
	1,061,901	990,505	**4,684**	2,022
Staff count	**1,681**	1,373	**–**	–

29. DIRECTORS' AND KEY MANAGEMENT REMUNERATION

The Companies Act requires the remuneration of Prescribed Officers to be disclosed in the Integrated Annual Report. It is the opinion of the Board that Clientèle's Prescribed Officers are the Directors of Clientèle, whose remuneration is disclosed below. Refer also to the Group Remuneration Report (pages 44 to 57).

YEAR ENDED 30 JUNE 2016

Non-executive Directors Group Remuneration	Months in office	Directors' fees R'000	Total emoluments R'000
GQ Routledge	12	2,472	2,472
GJ Soll	12	1,890	5,645*
BA Stott	12	1,446	1,446
PR Gwangwa	12	409	409
RD Williams	12	839	839
BY Mkhondo	6	204	204
D Molefe	4	136	136
Total		**7,396**	**11,151**

* *The remuneration in respect of Mr GJ Soll includes bonuses of R3.8 million which accrued in 2014 on his retirement as an Executive Director and was paid in 2016.*

Executive Directors Group Remuneration	Months in office	Basic salary R'000	Bonuses and performance related payments R'000	Retirement, medical and other benefits R'000	Total emoluments R'000
B Frodsham	12	1,504	7,169	103	8,776
IB Hume	12	1,697	10,409	135	12,241
BW Reekie	12	2,521	14,238	203	16,962
Total		**5,722**	**31,816**	**441**	**37,979**

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

YEAR ENDED 30 JUNE 2015

Non-executive Directors Group Remuneration	Months in office	Directors' fees R'000	Total emoluments R'000
GQ Routledge	12	2,355	2,355
GJ Soll	12	1,800	6,951*
BA Stott	12	1,378	1,378
PR Gwangwa	12	389	389
RD Williams	12	799	799
MP Matlwa#	6	210	210
Total		6,931	12,082

* *The remuneration in respect of Mr GJ Soll includes bonuses of R5.2 million which accrued in 2014 on his retirement as an Executive Director and was paid in 2015.*

\# *Mr MP Matlwa was appointed as Non-executive Director on 1 July 2014 and resigned on 5 January 2015.*

Executive Directors Group Remuneration	Months in office	Basic salary R'000	Bonuses and performance related payments R'000	Retirement, medical and other benefits R'000	Total emoluments R'000
B Frodsham	12	1,438	6,950	97	8,485
IB Hume	12	1,624	9,339	126	11,089
BW Reekie	12	2,422	12,341	181	14,944
Total		5,484	28,630	404	34,518

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

(R'000)	Group 2016	Group 2015	Company 2016	Company 2015
29. DIRECTORS' AND KEY MANAGEMENT REMUNERATION (CONTINUED)				
Key management				
The following salaries are paid and bonuses are payable to key management excluding Group Directors. Key management are part of Excom.	**53,436**	39,145	**–**	–
Salaries and other benefits	**23,184**	18,595		
Short-term bonuses	**4,376**	4,021		
EV Scheme	**25,823**	16,486		
Goodwill Scheme	**53**	43		

(R'000)	Group 2016	Group 2015	Company 2016	Company 2015
30. TAX				
South African normal tax	**147,179**	131,690	**650**	1,181
Current year tax	**161,618**	140,350	**1,018**	983
Deferred tax	**(14,910)**	(11,049)	**(368)**	198
Prior year under-provision	**471**	2,389		
South African capital gains tax	**2,400**	5,811	**–**	–
Current year tax	**2,400**	5,811		
Total tax expense	**149,579**	137,501	**650**	1,181
Tax rate reconciliation				
Profit before tax	**564,300**	501,892	**309,290**	282,434
Tax	**(149,579)**	(137,501)	**(650)**	(1,181)
	%	%	**%**	%
Effective tax rate	**26.51**	27.40	**0.21**	0.42
Adjustments due to:				
Under-provision in respect of prior year	**(0.61)**	(0.80)		
Capital gains tax	**(0.79)**	0.30	**(0.05)**	
Exempt income	**1.26**	0.61	**27.84**	27.58
Tax losses not recognised	**0.06**	0.15		
Deductible temporary differences not recognised	**1.57**	0.34		
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 two separate funds applicable to Clientèle Life, defined as untaxed and individual. As these funds and related taxes are in essence direct taxes against investments held on behalf of policyholders (not shareholders), it is not considered necessary to reconcile effective tax rates by fund.

Notes to the Annual Financial Statements continued

(R'000)	Group 2016	Group 2015	Company 2016	Company 2015
31. EARNINGS PER SHARE				
Net profit for the year attributable to equity holders of the Group	**410,486**	361,643	**308,640**	281,253
Loss/(profit) on disposal of property and equipment (after tax)	**81**	(282)		
Impairment of intangible assets (after tax)		1,234		
Tax effects on loan write-off*		(2,037)		
Headline earnings for the year	**410,567**	360,558	**308,640**	281,253
Ordinary shares in issue ('000)	**331,806**	330,630		
Weighted average ordinary shares in issue ('000)	**331,093**	329,799		
Diluted average ordinary shares in issue ('000)	**333,809**	334,877		

* *The write-off of an intercompany loan from Clientèle Life to CLD resulted in a positive tax effect for the Group as CLD had, in the 2014 financial year, reversed the deferred tax asset of R 4.3 million. The deferred tax liability associated with the loan write-off in the 2015 financial year was as a result not raised by CLD.*

	Cents	Cents
Earnings per share	**123.98**	109.66
Headline earnings per share	**124.00**	109.33
Diluted earnings per share	**122.97**	107.99
Diluted headline earnings per share	**122.99**	107.67

DILUTED EARNINGS PER SHARE

Diluted earnings per share is calculated on the same basis as earnings per share, except that the weighted average number of ordinary shares in issue during the year is adjusted for the dilutive effect of the SAR and Bonus Rights Schemes. This potential dilutive effect is calculated using the average Clientèle share price less the sum of the estimated fair value of goods and services to be rendered by employees per SAR and Bonus Right and the strike price at grant date. This difference gives the value per share of the benefit accruing to the SAR and Bonus Rights participant. The value is multiplied by the number of SARs and Bonus Rights and divided by the average Clientèle share price to quantify this value as a number of notional shares.

(R'000)	Group 2016	Group 2015	Company 2016	Company 2015
32. CASH GENERATED BY OPERATIONS				
Profit from operations	**564,300**	501,892	**309,290**	282,434
Adjusted for non-cash items:	**81,610**	51,228	**(2,005)**	(1,103)
Fair value adjustment to financial assets at fair value through profit or loss	**(120,916)**	(154,889)	**(2,005)**	(1,210)
Decrease in policyholder liabilities under insurance contracts	**(8,780)**	(5,042)		
Fair value adjustment to financial liabilities at fair value through profit or loss	**90,401**	72,275		
Interest received on financial assets at amortised cost	**(5,923)**			
Accrued interest expense	**4,135**	2,752		107
Decrease in reinsurance assets	**226**	227		
Impairment of advances	**3,626**	20,762		
Loan waived		(3,793)		
Profit on sale of advances book	**(1,586)**			
Amortisation of intangible assets	**12,654**	14,612		
Depreciation	**12,518**	12,872		
Impairment of intangible assets		1,348		
SAR and Bonus Rights Schemes expense	**9,208**	9,020		
Loss/(profit) on disposal of fixed assets	**104**	(346)		
Employee benefits	**85,943**	81,430		
	645,910	553,120	**307,285**	281,331
Items disclosed separately:	**(99,959)**	(61,082)	**(4,933)**	(2,957)
Interest received	**(63,421)**	(44,435)	**(3,479)**	(2,718)
Dividends received	**(36,538)**	(16,647)	**(1,454)**	(239)
Working capital changes:	**(51,906)**	9,350	**(1,508)**	(70)
Decrease in inventories	**336**	376		
Decrease/(increase) in receivables including insurance receivables	**29,701**	16,450	**(1,620)**	(172)
Decrease in financial liabilities at amortised cost		(10,105)		
(Decrease)/increase in provisions, accruals and payables	**(83,172)**	6,615	**112**	102
Increase/(decrease) in deferred profits	**1,229**	(3,986)		
Decrease in financial liabilities at fair value through profit and loss	**(122,918)**	(178,930)		
	371,127	322,458	**300,844**	278,304

A non-cash transaction relating to the acquisition and disposal of African Bank zero coupon fixed deposits of R392.7 million occurred during the year.

Notes to the Annual Financial Statements continued

(R'000)	Group 2016	Group 2015	Company 2016	Company 2015
33. DIVIDENDS PAID				
Balance owing at the beginning of the year	**322**	372	**322**	372
Amount declared for the year	**297,759**	257,031	**297,759**	257,031
	298,081	257,403	**298,081**	257,403
Balance owing at the end of the year	**(368)**	(322)	**(368)**	(322)
Amount paid during the year	**297,713**	257,081	**297,713**	257,081

(R'000)	Group 2016	Group 2015	Company 2016	Company 2015
34. TAX PAID				
Balance owing at the beginning of the year	**(2,165)**	3,126	**91**	(88)
Amount provided for the year	**159,123**	139,243	**650**	1,181
	156,958	142,369	**741**	1,093
Balance owing at the end of the year	**2,729**	2,165	**405**	(91)
Amount paid during the year	**159,687**	144,534	**1,146**	1,002

(R'000)	Group 2016	Group 2015	Company 2016	Company 2015

35. RELATED PARTIES DISCLOSURE

The Group defines related parties as:

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

35.1 THE PARENT COMPANY

Friedshelf 1577 Proprietary Limited (2015: Pickent Investments Limited) is the Parent Company of Clientèle and controls 83.74% (2015: 79.10%) of the issued ordinary shares via its Group companies (refer to note 11 on pages 145 and 146).

35.2 SUBSIDIARIES AND FELLOW SUBSIDIARIES

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

(R'000)	Group 2016	Group 2015
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	**102**	(1,021)
Advances	**1,103**	3,208
Repayments	**(1,052)**	(2,085)
Balance at end of year	**153**	102
– Investments by Clientèle Life in corporate bonds issued by Clientèle Properties East**		
Balance at beginning of year	**89,170**	32,564
Interest	**10,278**	3,847
Advances	**35,000**	52,759
Repayments	**(19,272)**	
Balance at end of year	**115,176**	89,170

(R'000)	Group 2016	Group 2015
– Investment by Clientèle Life in corporate bonds issued by Clientèle Properties South**		
Balance at beginning of year	32,983	40,402
Advances	6,000	
Interest expense	3,379	3,170
Repayment	(3,001)	(10,589)
Balance at end of year	39,361	32,983
– Investment by Clientèle Life in corporate bonds issued by Clientèle Properties North**		
Balance at beginning of year	81,452	75,010
Advances	4,000	
Interest expense	7,186	6,442
Balance at end of year	92,638	81,452
– Investment by Clientèle Life in corporate bond issued by Clientèle**		
Balance at beginning of year	–	48,384
Interest expense		107
Repayments		(48,491)
Balance at end of year	–	–
– Inter-company loan to Clientèle General Insurance by Clientèle Life*		
Balance at beginning of year	7,101	5,456
Management and support services charges	46,797	36,016
Advances	55,408	40,474
Repayments	(101,332)	(74,845)
Balance at end of year	7,974	7,101
– Inter-company loan to Clientèle General Insurance by Clientèle*		
Balance at beginning of year	48	62
Advances	1,641	644
Repayments	(1,556)	(658)
Balance at end of year	133	48

Notes to the Annual Financial Statements continued

(R'000)	Group 2016	Group 2015
– Inter-company loan to Clientèle Properties South by Clientèle Life*		
Balance at beginning of year	**78**	(53)
Management and support services charges	**1,016**	1,101
Repayments	**(1,085)**	(970)
Balance at end of year	**9**	78
– Inter-company loan to Clientèle Properties North by Clientèle Life*		
Balance at beginning of year	**9**	(8)
Management and support services charges	**1,314**	1,191
Repayments	**(1,320)**	(1,174)
Balance at end of year	**3**	9
– Inter-company loan to Clientèle Properties North by Clientèle Properties South**		
Balance at beginning of year	**10,390**	–
Advances		9,800
Interest	**832**	590
Balance at end of year	**11,222**	10,390
– Inter-company loan to Clientèle Properties South by Clientèle******		
Balance at beginning of year	**–**	7,815
Interest		244
Repayments		(8,059)
Balance at end of year	**–**	–
– Inter-company loan to Clientèle Mobile by Clientèle Life*		
Balance at beginning of year	**–**	1
Management and support services charges		304
Repayments		(305)
Balance at end of year	**–**	–
– Loan to CLD by Clientèle Life***		
Balance at beginning of year	**31,525**	85,362
Interest	**1,641**	6,136
Credit life income		5,772
Loan written off		(8,973)
Repayments	**(33,166)**	(56,772)
Balance at end of year	**–**	31,525

* *These inter-company loans do not bear interest and have no fixed terms of repayment.*
** *The investment bears interest at fixed interest rates (between 8% and 12.25% per annum) and is repayable over a 5 year period.*
*** *The loan bears interest at 10% per annum on the first R20 million which is repayable upon demand. The remainder of the loan bears interest at fixed interest rates (between 10% and 12.25% per annum) and has no fixed terms of repayment.*
**** *The loan was subject to interest at fixed interest rates (between 10% and 12.5% per annum) with no fixed terms of repayment.*

(R'000)	Group 2016	Group 2015
35.3 SOCI INFORMATION		
The Group has related-party transactions between its subsidiaries which were concluded at market related prices. Details of material transactions with related parties not disclosed elsewhere in the financial statements are as follows:		
Interest		
– Interest expense paid by Clientèle Properties South to Clientèle Life	**3,379**	3,170
– Interest expense paid by Clientèle Properties North to Clientèle Life	**7,186**	6,442
– Interest expense paid by Clientèle Properties North to Clientèle Properties South	**832**	590
– Interest expense paid by Clientèle Properties East to Clientèle Life	**10,278**	3,847
– Interest expense paid by CLD to Clientèle Life	**1,641**	6,136
– Interest expense paid by Clientèle Properties South to Clientèle		244
– Interest expense paid by Clientèle to Clientèle Life		107
Rentals		
– Rental expense paid by Clientèle Life to Clientèle Properties South	**12,639**	11,091
– Rental expense paid by Clientèle Life to Clientèle Properties North	**7,344**	9,101
– Rental expense paid by Clientèle Life to Clientèle Properties East	**10,582**	
– Rental expense paid by Clientèle General Insurance to Clientèle Properties North	**2,951**	2,611
– Rental expense paid by Clientèle General Insurance to Clientèle Properties South	**2,118**	2,666
– Rental expense paid by Clientèle General Insurance to Clientèle Properties East	**1,264**	
– Rental expense paid by Clientèle Properties East to Clientèle Properties North	**26**	74
Management and support services charge		
– Expenses paid by Clientèle Properties South to Clientèle Life	**1,016**	1,101
– Expenses paid by Clientèle Properties North to Clientèle Life	**1,314**	1,191
– Expenses paid by Clientèle Properties East to Clientèle Life	**2,690**	
– Expenses paid by Clientèle General Insurance to Clientèle Life	**46,797**	36,016
– Expenses paid by Clientèle Mobile to Clientèle Life		304
Other		
– Reinsurance premiums paid by Clientèle Life to Hollard Life Assurance Company Limited	**10,500**	10,210
– Service fees paid by Clientèle to Hollard Life Assurance Company Limited	**33**	62

35.4 TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL, REMUNERATION AND OTHER COMPENSATION:

For the purposes of IAS 24 'related party disclosures', key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any Director (whether Executive or otherwise) of the Group. Details of Directors' remuneration are disclosed in note 29 on pages 159 and 160 to the Annual Financial Statements and their shareholdings in the Company are disclosed in the Report of the Directors on page 79 under 'Directors' shareholdings'. No Director had a material interest in any contract of significance with the Company or any of its subsidiaries during 2016.

Refer also to the Group Remuneration Report (pages 44 to 57).

Notes to the Annual Financial Statements continued

36. COMMITMENTS

LETTERS OF GUARANTEES:

Letter of support: Clientèle has agreed to provide financial assistance to Clientèle Properties East for the foreseeable future, until such time as the 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 facilitated a BBBEE transaction through the sale by Old Mutual to YTI of 12,963,747 shares in Clientèle. YTI is the investment company of The Hollard Foundation Trust. The Hollard Foundation Trust is a catalyst for positive change in South Africa, with a focus on promoting inclusive and equitable economic and social development. Its core large scale social initiatives include the Harambee Youth Employment Accelerator which is focussed on addressing youth unemployment, PILO and FUEL which focus on improving learning outcomes and feeding in public schools, and Kago Ya Bana and Smartstart which are driving large scale provision of Early Childhood Development.

37. EVENTS AFTER THE REPORTING DATE

DIVIDEND

The Board declared a final gross dividend of 100.00 cents per share on 11 August 2016 for the year ended 30 June 2016.

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

GUARANTEE

Clientèle is in the process of facilitating a further BBBEE transaction involving the purchase by YTI of further Clientèle shares. YTI has, or will, borrow(ed) an amount of up to R223 million, including accrued interest, ("Bridging Loan") in order to fund the acquisition by YTI of ordinary shares in the issued share capital of the Company, purchased or to be purchased in the open market. It is proposed that the Bridging Loan will be repaid by YTI out of the subscription proceeds from the issue of cumulative redeemable non-participating preference shares ("Preference Shares") to the combined value of R190 million in YTI to Depfin, which is a wholly-owned subsidiary of Nedbank. The preference share transaction will happen subsequent to the Clientèle AGM on 27 October 2016 at which approval from shareholders will be sought in terms of section 44 of the Companies Act (granting of financial assistance) in respect of a guarantee to be issued by Clientèle in favour of Depfin in support of the transaction.

YTI, as previously disclosed in note 36, 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 a guarantee. YTI has again requested the Company's support in respect of this second transaction. The Company is willing to provide this support as it considers the BBBEE credentials of YTI to be valuable to the Company's empowerment strategy.

The maximum aggregate liability of the Company to Depfin under the second proposed Guarantee would be R223 million, however the Company will obtain a back-to- back guarantee from HSBC for R68 million which will reduce the Company's maximum net exposure to R155 million in respect of the second transaction. The Company's guarantee provides that the Company may have to pay Depfin up to R223 million in aggregate in the event of a breach by YTI of its agreement with Depfin however, it would be able to recover, on demand, up to R68 million from HSBC. Clientèle has the right to cancel the HSBC guarantee, at its discretion, in the future.

Notice of Annual General Meeting

for the year ended 30 June 2016

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 9th AGM of Clientèle, the Record Date is hereby set as close of business on 21 October 2016 with the last day to trade in the shares of Clientèle on the JSE being on Friday, 14 October 2016.

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/proxies, 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 9th AGM of Clientèle will be held in the Boardroom, Building 7, Clientèle Office Park, corner Rivonia and Alon Roads, Morningside on 27 October 2016 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 2016 as per the attached pages 88 to 167. A copy of the Annual Financial Statements of the Company relating to the preceding financial year can be obtained from the Group Company Secretary.

ORDINARY RESOLUTION 2 – ROTATION OF A DIRECTOR

To re-elect the following Director who is required to retire and, being eligible, in terms of Clientèle's MOI, offers herself for re-election.

Bonge Yandiswa Mkhondo, 42, (Independent Non-executive Director), B Com, MBA

Mrs Bonge Mkhondo has been appointed as an Independent Non-executive Director of Clientèle with effect 1 January 2016. Mrs Bonge Mkhondo also holds a graduate Diploma in Marketing Management and was previously the Chief Marketing Officer of the Real People Group. She has in excess of 15 years of marketing experience as well as business experience.

Having reviewed the composition of the Board against corporate governance requirements, the Board recommends the re-election of this Director. It is the view of the Board that the re-election of this candidate would enable the Company to effectively maintain a diversity of academic qualifications, technical expertise, industry knowledge and business skills relevant to the Company and balance the requirements of continuity and succession planning.

ORDINARY RESOLUTION 3 – ROTATION OF A DIRECTOR

To re-elect the following Director who is required to retire and, being eligible, in terms of Clientèle's MOI, offers herself for re-election.

Dineo Molefe, 39 (Independent Non-executive Director), CA (SA)

Ms Dineo Molefe has been appointed as an Independent Non-executive Director of Clientèle with effect 1 March 2016. 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.

Having reviewed the composition of the Board against corporate governance requirements, the Board recommends the re-election of this Director. It is the view of the Board that the re-election of this candidate would enable the Company to effectively maintain a diversity of academic qualifications, technical expertise, industry knowledge and business skills relevant to the Company and balance the requirements of continuity and succession planning.

Notice of Annual General Meeting continued

ORDINARY RESOLUTION 4 – ROTATION OF A DIRECTOR

To re-elect the following Director who is required to retire and, being eligible, in terms of Clientèle's MOI, offers herself for re-election.

Pheladi Raesibe Gwangwa, 43, (Independent Non-executive Director), B Proc, LLM

Ms Pheladi Gwangwa is currently an independent consultant in the broadcasting industry and was the previous Station Manager of Talk Radio 702. She has been involved with Primedia Broadcasting from 2002 to 2016. She is a qualified lawyer who has previously worked for the State Attorney, IBA, ICASA and Cell C before joining Primedia Broadcasting.

Having reviewed the composition of the Board against corporate governance requirements, the Board recommends the re-election of this Director. It is the view of the Board that the re-election of this candidate would enable the Company to effectively maintain a diversity of academic qualifications, technical expertise, industry knowledge and business skills relevant to the Company and balance the requirements of continuity and succession planning.

ORDINARY RESOLUTION 5 – ROTATION OF A DIRECTOR

To re-elect the following Director who is required to retire and, being eligible, in terms of Clientèle's MOI, offers herself for re-election.

Brenda-Lee Frodsham, 44, (Executive Director), B Com

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

Having reviewed the composition of the Board against corporate governance requirements, the Board recommends the re-election of this Director. It is the view of the Board that the re-election of this candidate would enable the Company to effectively maintain a diversity of academic qualifications, technical expertise, industry knowledge and business skills relevant to the Company and balance the requirements of continuity and succession planning.

ORDINARY RESOLUTION 6 – RE-APPOINTMENT OF THE EXTERNAL AUDITORS

To re-appoint the External Auditors, PricewaterhouseCoopers Incorporated, (as nominated by the Clientèle's Group Audit Committee, which has concluded that the re-appointment of PricewaterhouseCoopers Incorporated will comply with the requirements of the Companies Act), as Independent Auditors for the current financial year ending 30 June 2017 and their concomitant remuneration. The designated audit partner for the year ending 30 June 2017 will be Mrs Alsue du Preez, who meets the requirements of section 90(2) of the Companies Act.

ORDINARY RESOLUTION 7 – ELECTION TO THE GROUP AUDIT COMMITTEE

Resolved that the election of Mr Gavin Routledge, an Independent Non-executive Director of Clientèle, as a member of Clientèle's Group Audit Committee until the conclusion of the next AGM, be and is hereby approved.

ORDINARY RESOLUTION 8 – ELECTION TO THE GROUP AUDIT COMMITTEE

Resolved that, the election of Mr Robert Williams, an Independent Non-executive Director of Clientèle, as a member of the Group Audit Committee until the conclusion of the next AGM, be and is hereby approved.

ORDINARY RESOLUTION 9 – ELECTION TO THE GROUP AUDIT COMMITTEE

Resolved that, the election of Mr Barry Stott, an Independent Non-executive Director of Clientèle, as a member of the Group Audit Committee until the conclusion of the next AGM, be and is hereby approved.

ORDINARY RESOLUTION 10 – ELECTION TO THE GROUP AUDIT COMMITTEE

Resolved that, subject to the passing of Ordinary Resolution Number 3, the election of Ms Dineo Molefe, an Independent Non-executive Director of Clientèle, as a member of the Group Audit Committee until the conclusion of the next AGM, be and is hereby approved.

Reason for and effect of Ordinary Resolutions Numbers 7 to 10

In terms of the Companies Act, the Group Audit Committee is no longer a Committee of the Board but a Committee elected by the shareholders and those entitled to exercise votes at the meeting when the election takes place at each AGM. In terms of the Companies Regulations, 2011, for the purposes contemplated in section 94 (5) of the Companies Act, at least one-third of the members of a Company's Audit Committee at any particular time must have academic qualifications or experience in economics, law, corporate governance, finance, accounting, commerce, industry, public affairs or human resource management.

As can be seen from the condensed curriculum vitae of the proposed members (refer to pages 75 to 76 in the Report of the Directors), the proposed members all have relevant experience in audit, accounting and the insurance industry, amongst others.

ORDINARY RESOLUTION 11 – 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 11

Section 38 of the Companies Act provides that the Board has the authority to issue authorised shares of the Company except in certain circumstances and save to the extent that a Company's MOI provides otherwise. In this regard, the Company's MOI provides that the prior approval of shareholders at an AGM and the JSE is required.

This resolution is proposed in order to place the authorised but unissued share of the Company under the control of the Board, in compliance with the requirements of the MOI and the Listings Requirements.

Ordinary resolution number 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 12 – SAR SCHEME SHARE ISSUE

Resolved that the Board is authorised to allot and issue, pursuant to the provisions of the Clientèle SAR Scheme rules (as approved by the shareholders of the Group on 23 January 2007), the allowable maximum number of ordinary shares as provided thereunder and subject to the terms and conditions included in the Scheme allocation limits as set out in the Scheme rules.

Reason for and effect of Ordinary Resolution Number 12

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

ORDINARY RESOLUTION 13 – 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.

Reason for and effect of Ordinary Resolution Number 13

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

ORDINARY RESOLUTION 14 – DIRECTOR AUTHORITY TO GIVE EFFECT TO SPECIAL RESOLUTION 4

The Directors of Clientèle are hereby authorised and empowered to do all things, sign all such documents and procure the doing of all such things as may be necessary or desirable to give effect to Special resolution number 4 and/ or under the transaction contemplated thereunder.

NON-BINDING ADVISORY ENDORSEMENT 1 – ADVISORY OF THE REMUNERATION POLICY

To endorse on a non-binding advisory basis the Company's remuneration policy as set out on pages 45 to 54 of the Integrated Annual Report.

Explanatory note on Advisory endorsement

In terms of King III, the Company's remuneration policy should be tabled annually at the AGM, for a non-binding advisory vote, to allow the shareholders an opportunity to express their opinion on and to endorse the remuneration policies adopted by the Company.

SPECIAL RESOLUTION NUMBER 1 – REMUNERATION OF NON-EXECUTIVE DIRECTORS

Resolved that, in accordance with sections 65(11)(h) of the Companies Act, read with sections 66(8) and 66(9) of the Companies Act, the remuneration payable to the Non-executive Directors for their services as Directors for the period 1 July 2016 to 30 June 2017, on the basis set out hereunder, be ratified.

Non-executive Directors' Fees (R)	Year ending 30 June 2017
GQ Routledge	2,628,068
BA Stott	1,537,608
PR Gwangwa	434,559
RD Williams	891,415
GJ Soll (2 months)	334,845
D Molefe	434,559
BY Mkhondo	434,559
ADT Enthoven	NIL

This represents an average increase of 6.3% of the 2016 remuneration, as approved by shareholders at the AGM on 29 October 2015.

Resolved that the remuneration of the Non-executive Directors for their services as Directors for the period 1 July 2017 to 30 June 2018 be increased in line with the average increase in remuneration of the members of Group Excom for the related period (limited to a percentage increase of between 5% and 10%).

Resolved that the remuneration of any Non-executive Director/s to be appointed during the period 1 July 2016 to 30 June 2017 be determined by the Group Remuneration Committee and ratified at the next AGM.

Reason for and effect of Special Resolution Number 1

In terms of section 66(8) and (9) of the Companies Act, which took effect on 1 May 2011, remuneration may only be paid to Directors for their services as Directors in accordance with a special resolution approved by the holders within the previous two years and if not prohibited in terms of the Company's MOI. Therefore the reason and effect of this special resolution is to ratify the payment of remuneration of the Non-executive Directors for their services as Directors for the year ending 30 June 2017 and to approve the payment of remuneration of the Non-executive Directors for their services as Directors for the year ending 30 June 2018, in accordance with the requirements of section 66(9) of the Companies Act.

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

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

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

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

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

Reason for and effect of Special Resolution Number 2

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

The section 45 Resolution will be effective only if and to the extent that:

(i) immediately after providing such financial assistance, the Company will satisfy the solvency and liquidity test as referred to in section 45(3)(b)(i) of the Companies Act, and

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

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

So as to comply with the Companies Act and the Listings Requirements the approval of Shareholders by way of a special resolution at this AGM is required for the general authority to become effective.

Resolved in terms of clause 4 of the Company's MOI that the Company be and it is hereby authorised, by way of a general authority, to repurchase up to 20% of the shares in the capital of the Company as contemplated by and in accordance with Section 48 of the Companies Act and subject to the Listings Requirements.

Reason and effect for special resolution number 3

The reason for Special Resolution Number 3 is to facilitate the repurchase, by the Company, of shares in its capital, thus allowing the Directors to effect repurchases from time to time if they believe such to be in the best interests of the Company. The effect of the special resolution is to authorise the Board to act accordingly subject to compliance with the Listings Requirements and the Companies Act.

The Listings Requirements provide inter alia that:

a) any such share repurchase of the Company will be effected through the order book operated by the JSE trading system and done without prior understanding or arrangement between the Company and the counterparty (reported trades are prohibited);

b) this general authority will only be valid until the Company's next AGM, provided that it does not extend beyond 15 months from the date of passing this special resolution;

c) the repurchases may not be made at a price greater than 10% above the weighted average of the market value for the securities for the five business days immediately preceding the date on which the transaction is effected;

d) the general repurchase by the Company shall not, in the aggregate in any one financial year exceed 20% of the issued share capital of that class in that financial year;

e) at any point, the Company may only appoint one agent to effect any repurchase/s on its behalf;

f) a resolution by the Board of Directors that it has authorised the repurchase, that the Company and its subsidiary/ies have passed the solvency and liquidity test and that, since the test was performed, there have been no material changes to the financial position of the Group;

g) the Company may not repurchase its own shares during a prohibited period as defined in the Listings Requirements unless it has a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and full details of the programme have been disclosed in an announcement over SENS prior to the start of the prohibited period; and

h) an announcement will be published as soon as the Company has acquired shares constituting, cumulatively, 3% of the number of Company shares in issue at the time the authority is granted and for each subsequent 3% purchased, containing full details of such acquisition.

Clientèle has considered the impact that a repurchase of 20% of the Company's shares (being the maximum number of Company shares that may be repurchased in terms of this special resolution) would have on the Company and the Group is of the opinion that:

i. the Company and the Group will be able, in the ordinary course of business, to pay its debts for a period of 12 months after the date of this Integrated Annual Report;

ii. the assets of the Company and the Group exceed the liabilities of the Company and the Group for a period of 12 months after the date of this notice of AGM. For this purpose, assets and liabilities will be recognised and measured in line with accounting policies used in the latest audited Group annual financial statements;

iii. the working capital, share capital and reserves of the Company and the Group will be adequate for a period of 12 months after the date of this notice of AGM; and

iv. working capital of the Company and the Group will be adequate for ordinary business purposes for a period of 12 months after the date of the notice of the AGM/general meeting.

Other than the facts and developments noted in this Integrated Annual Report, there have been no material changes in the financial or trading position of the Company and its subsidiaries since the date of signing the audit report and up to the date of this notice of AGM.

The Listings Requirements require the following disclosures, which appear elsewhere in this Integrated Annual Report:

- Major shareholders on page 146; and
- Share capital of the Company on page 145

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 58 TO 60 AND NOTES 36 AND 37 TO THE ANNUAL FINANCIAL STATEMENTS ON PAGE 167.

Whereas

1. YTI, the investment company of the Hollard Foundation Trust, has or will borrow an amount of up to R223 million, including accrued interest, ("**Bridging Loan**") in order to fund the acquisition by YTI of ordinary shares in the issued share capital of the Company ("**Ordinary Shares**"). It is recorded that the majority of such Ordinary Shares have already been acquired by YTI.
2. The Bridging 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 a guarantee. 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 R223 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 R223 million, however the Company has obtained a back-to-back guarantee from HSBC for R68 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 R155 million.

Although the Company may have to pay Depfin up to R223 million in aggregate, it would be able to recover on demand up to R68 million from HSBC.

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 broad based black economic empowerment 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, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107).

The form of proxy is to be completed only by those holders who are:

- Holding shares in certificated form; or
- Recorded on sub-register electronic form in "own name".

Before any person may attend or participate in the AGM, the person must, in terms of section 63(1) of the Companies Act present reasonably satisfactory identification. Without limiting the generality thereof, the Company will accept the following as satisfactory means of identification:

- South African Identification document;
- Passport; or
- 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 or CSDP with your voting instructions.

If you have disposed of all of your securities, this document should be handed to the purchaser of such securities or to the broker, CSDP, banker, attorney, accountant or other person through whom the disposal was effected.

By order of the Board.

Mrs W van Zyl
Group Company Secretary

14 September 2016

Definitions and Interpretations

"ABL"	African Bank "Good Bank", which was formed as part of the restructuring process and started operation on 4 April 2016 (the restructuring date).
"AC"	Authenticated Collections
"Actuarial Valuation"	An Actuarial Valuation is an appraisal which requires making economic and demographic assumptions in order to estimate the present value of future policyholder liabilities. The assumptions are typically based on statistical analysis
"AGM"	Annual General Meeting
"ALM"	Asset and Liability Matching
"ALSI"	All Share Index
"ANW"	Adjusted Net Worth
"APN"	Advisory Practice Notes of the Actuarial Society of South Africa
"ASISA"	The Association for Savings and Investment South Africa
"ASSA"	The Actuarial Society of South Africa
"BBBEE"	Broad-based Black Economic Empowerment
"the Board"	The Directors of Clientèle
"Bonus Rights Scheme"	The Clientèle Limited Bonus Rights Scheme, approved by shareholders at the AGM on 30 October 2012
"CAE"	The Chief Audit Executive, the head of GIA
"CAR"	Capital Adequacy Requirement (maximum of TCAR, OCAR and MCAR)
"CAR Ratio"	The ratio of excess assets to the Statutory Capital Adequacy Requirement where excess assets is calculated as Statutory Assets less Statutory Liabilities
"Clientèle" or "the Company"	Clientèle Limited (Registration number 2007/023806/06), a public company incorporated in South Africa
"Clientèle Direct"	Clientèle Direct Proprietary Limited (Registration number 2007/023887/07), a private company incorporated in South Africa
"Clientèle General Insurance Excom/Executive"	The Executive Committee of Clientèle General Insurance Limited
"Clientèle General Insurance"	Clientèle General Insurance Limited (Registration number 2007/023821/06), a public company incorporated in South Africa
"Clientèle Group" or "the Group"	Clientèle and its subsidiaries and associated companies
"Clientèle Legal"	A division of Clientèle General Insurance Limited
"Clientèle Life"	Clientèle Life Assurance Company Limited (Registration number 1973/016606/06), a public company incorporated in South Africa
"Clientèle Life Excom/ Executive"	The Executive Committee of Clientèle Life Assurance Company Limited
"Clientèle Loans Direct" or "CLD"	Clientèle Loans Direct Proprietary Limited (Registration number 2007/030539/07), a private company incorporated in South Africa
"Clientèle Loans"	Clientèle Loans Proprietary Limited (Registration number 2007/026058/07), a private company incorporated in South Africa
"Clientèle Properties East"	Clientèle Properties East Proprietary Limited (Registration number 1992/001651/07), a private company incorporated in South Africa

Definitions and Interpretations continued

"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
"Depfin"	Depfin Proprietary Limited, a wholly-owned subsidiary of Nedbank Limited
"Direct Axis"	Direct Axis (SA) Proprietary Limited (Registration number 1995/06077/07), a private company incorporated in South Africa
"DSA"	Direct Selling Association of South Africa
"DWT"	Dividend Withholding Tax
"EV"	Embedded Value
"Excom"	The Executive Committee of the Clientèle Group, including Life Excom and General Excom
"Executive"	Member of the Executive Committee
"FAIS"	Financial Advisory and Intermediary Services Act, Act 37 of 2002
"FASB"	Financial Accounting Standards Board
"FSB"	Financial Services Board
"FSV"	Financial Soundness Valuation
"General Excom"	The Executive Committee of Clientèle General Insurance
"GIA"	Group Internal Audit department
"Group Actuary"	The Internal Actuary who reviews all the Group actuarial calculations and also acts as the Statutory Actuary of Clientèle Life
"Group Excom"	The Group Executive Committee of Clientèle
"Goodwill Scheme"	A management incentive scheme based on the Scheme Goodwill created
"HSBC"	HSBC Private Bank (Suisse) S.A., Geneva
"IAS"	International Accounting Standards
"IASB"	International Accounting Standards Board
"IBNR"	Incurred But Not Reported
"ICC"	The Internal Controls Committee of the Group
"IFA/IFAs"	Independent Field Advertisers, independent contractors of Clientèle Life
"IFCC"	The Internal Financial Controls Committee of the Group
"IFRS"	International Financial Reporting Standards
"Investment contract business"	Policies which provide, in consideration for a single premium, a series of benefit payments for a defined period or which provide benefits that are fixed contractually e.g. linked or fixed benefit policies
"IPF"	Individual Policyholder Fund
"IT"	Information Technology
"JSE"	JSE Limited (Registration number 2005/022939/06), a South African incorporated public company and licensed as an exchange under the Financial Markets Act, Act 19 of 2012
"Life Excom"	The Executive Committee of Clientèle Life
"Khula Nathi"	A competition for IFAs where the outcome lead to the allocation of SARs and Bonus Rights to participants. The last allocation under this competition was done on 1 April 2015

Definitions and Interpretations continued

"King III"	The King Committee's Code on Corporate Governance and Conduct
"Listings Requirements"	The Listings Requirements of JSE Limited
"Long-term Insurance Act"	Long-term Insurance Act, Act 52 of 1998
"MCAR"	Minimum Capital Adequacy Requirement
"Melville Douglas"	Melville Douglas Investment Management Proprietary Limited, a subsidiary of the Standard Bank Group Limited
"MOI"	Memorandum of Incorporation
"NAEDO"	Non-authenticated early debit-order
"NDR"	Non-distributable Reserves
"OCAR"	Ordinary Capital Adequacy Requirement
"OECD"	Organisation for Economic Co-operation and Development
"ORSA"	Own Risk and Solvency Assessment of the Group
"PASA"	Payments Association of South Africa
"PSA"	Profit Sharing Agreement between Clientèle Limited, Direct Axis and WesBank
"PVIF"	Present Value of In-force business
"RDR"	Risk Discount Rate
"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 Share Appreciation Rights Scheme as implemented by Clientèle during January 2007
"Scheme Goodwill"	The amount derived by applying a multiple to one year's VNB at the end of each financial year
"SENS"	Securities Exchange News Service
"Short-term Insurance Act"	Short-term Insurance Act, Act 53 of 1998
"SMME"	Small, medium and micro-sized enterprises
"SOFP"	Statement of Financial Position
"Statutory Actuary"	An Actuary appointed in terms of the Long-term and Short-term Insurance Acts
"SVM"	Statutory Valuation Method/Basis
"TCAR"	Termination Capital Adequacy Requirement
"TCF"	Treating Customers Fairly
"TCW"	Treating Customers Well
"VNB"	Value of New Business
"WesBank"	A division of FirstRand Bank Limited
"YTI"	Yellowwoods Trust Investments an investment company of the Hollard Foundation Trust

Corporate Information

COMPANY REGISTRATION NUMBER

2007/023806/06

REGISTERED OFFICE

Clientèle Office Park
Corner Rivonia and Alon Roads
Morningside, 2196
Telephone: (011) 320-3333
Telefax: (011) 884-9056
Website: www.clientele.co.za
E-mail: info@clientele.co.za

TRANSFER SECRETARIES

Computershare Investor Services Proprietary Limited
70 Marshall Street
Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)

AUDITORS

PricewaterhouseCoopers Incorporated
2 Eglin Road
Sunninghill, 2157
(Private Bag X36, Sunninghill, 2157)

SPONSORS

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

SHAREHOLDERS' CALENDAR

Financial year-end	30 June 2016
Dividend declaration	11 August 2016
Final results announcement	15 August 2016
Dividend payment	19 September 2016
Publication of Integrated Annual Report	30 September 2016
AGM	27 October 2016

CLIENTÈLE HEAD OFFICE

Telephone: +27 (0)11 320 3000
Fax: +27 (0)11 320 3133
E-mail: services@clientele.co.za

Physical Address
Clientèle Office Park
Corner Rivonia and Alon Roads
Morningside, 2196

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 27 October 2016 and at any adjournment thereof and to speak and act for me/us and on a poll, vote on my/our behalf. My/Our proxy shall vote as follows:

Indicate with a cross how you wish your votes to be cast. If you do not do so, the proxy may vote or abstain at his/her discretion.

(One vote per ordinary share)

Ordinary resolutions:		In favour of	Against	Abstain
1.	Presentation of the Annual Financial Statements			
2.	Rotation of a Director: Bonge Yandiswa Mkhondo			
3.	Rotation of a Director: Dineo Molefe			
4.	Rotation of a Director: Pheladi Raesibe Gwangwa			
5.	Rotation of a Director: Brenda-Lee Frodsham			
6.	Re-appointment of the External Auditors			
7.	Election to the Group Audit Committee: Gavin Quentin Routledge			
8.	Election to the Group Audit Committee: Robert Donald Williams			
9.	Election to the Group Audit Committee: Barry Anthony Stott			
10.	Election to the Group Audit Committee: Dineo Molefe			
11.	General approval for the issue of authorised but unissued shares			
12.	Approval of the SAR Scheme share issue			
13.	Approval of the Bonus Rights Scheme share issue			
14.	Director authority to give effect to Special resolution 4			
Endorsements:				
1.	Endorsement of the remuneration policy			
Special resolutions:				
1.	Approval of the remuneration of Non-executive Directors			
2.	Approval of section 45 related or inter-related company financial assistance			
3.	Approval of general authority to repurchase securities			
4.	Approval of section 44 financial assistance for the subscription of shares			

Dated this ___ day of ___ 2016

Signature ___

Notes to the Form of proxy

Please refer to section 58 of the Companies Act

1. A form of proxy is only to be completed by those shareholders who are:

   - Holding securities in certificated form; or
   - Recorded on subregister electronic form in "own name".

   All other beneficial owners who have dematerialised their shares through a CSDP or broker and wish to attend the AGM, must instruct their CSDP or broker to provide them with the required Letter of Representation.

   Beneficial owners who have dematerialised their shares through a CSDP or broker who do not wish to attend the AGM, must provide the CSDP or broker by the cut-off time with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.

2. A holder entitled to attend and vote may insert the name of a proxy or the names of two alternative proxies of the holder's choice in the space provided, with or without deleting "the Chairman of the AGM".

   A proxy need not be a holder of the Company. The person whose name stands first on the form of proxy and who is present at the meeting will be entitled to act as proxy to the exclusion of those whose names follow.

3. A holder is entitled to one vote on a show of hands and, on a poll, one vote in respect of each ordinary share held in terms of section 58 of the Companies Act. A holder's instructions to the proxy must be indicated by inserting a cross in the appropriate box(es). Failure to comply with this will be deemed to authorise the proxy to vote or to abstain from voting at the general meeting as he deems fit in respect of all the holder's votes.

   A vote given in terms of an instrument of proxy shall be valid in relation to the general meeting notwithstanding the death of the person granting it, or the revocation of the proxy, or the transfer of the ordinary shares in respect of which the vote is given.

4. If a holder does not indicate on this form that his proxy is to vote in favour or against any resolution or to abstain from voting, or gives contradictory instructions, or should any further resolution(s) or any amendment(s) which may be properly put before the general meeting be proposed, the proxy shall be entitled to vote as he thinks fit.

5. The Chairman of the general meeting may reject or accept any form of proxy which is completed and/or received other than in compliance with these notes.

6. The completion and lodging of this form of proxy will not preclude the relevant holder from attending the meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such holder wish to do so.

7. Documentary evidence establishing the authority of a person signing the proxy form in a representative capacity must be attached to this form of proxy, unless previously recorded by the Company or unless this requirement is waived by the Chairman of the AGM.

8. A minor or any other person under legal incapacity must be assisted by his/her parent or guardian, as applicable, unless the relevant documents establishing his/her capacity are produced or have been registered by the Company.

9. Where there are joint holders of ordinary securities:

   - Any one holder may sign the form of proxy;
   - The vote(s) of the most senior (for that purpose seniority will be determined by the order in which the names of shareholders appear in the Company's register of shareholders) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint holder(s).

10. Forms of proxy should be lodged with or posted to the Company's transfer secretaries, Computershare Investor Services Proprietary Limited:

Hand deliveries:
Ninth Floor
70 Marshall Street
Johannesburg
2001

Postal deliveries:
PO Box 61051
Marshalltown
2107

Clientèle Head Office
Telephone: +27 (0)11 320 3000
Fax: +27 (0)11 320 3133
E-mail: services@clientele.co.za

Physical Address
Clientèle Office Park
Corner Rivonia and Alon Road
Morningside
2196