Clientèle
LIFE

Corporate Information

Company registration number
1973/016606/06

Authorised financial services provider
FSP Number: 15268

Registered office
Clientèle House
Morningview Office Park
Corner of Rivonia and Alon Roads
Morningside, 2196
Telephone: (011) 320-3333
Telefax: (011) 884-9056
Website: www.clientelelife.com
E-mail: services@clientelelife.com

Transfer secretaries
Computershare Investor Services 2004 (Pty) Limited
Ninth Floor, 70 Marshall Street
Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)

Auditors
PricewaterhouseCoopers Incorporated
2 Eglin Road
Sunninghill, 2157
(Private Bag X36, Sunninghill, 2157)

Sponsor
Nedbank Capital
135 Rivonia Road
Sandown 2196
(PO Box 1144, Johannesburg, 2000)

Contents

Chairman's Statement

Clientèle Life has had another good year, new business production levels are significantly up in all areas of the business. The fact that this has taken place in a challenging and ever-changing environment for the Life Insurance industry makes this even more remarkable and is thanks to the effort and commitment of all levels of Clientèle Life staff and the Independent Field Advertisers (IFAs).

It is my belief that a positive attitude attracts and encourages a positive response and indeed begins a process of change for the better in those exposed to it. Clientèle Life, its managers, employees and IFAs have a powerful positive attitude and this has resulted in a record number of new policyholders and a very impressive set of financial results.

Achievements

Clientèle Life seeks to always stay in touch with the requirements of its market and to provide appropriate and affordable products in the most convenient way. The under-serviced sector of the population, though accessing financial services products on a scale not previously experienced in South Africa, nevertheless do not yet have the same access to financial services products as the higher income groups. In the life insurance sector this is in no small way due to the fact that it is not attractive for brokers to service this market as the commissions earned on the typical policies taken out by the under-serviced community do not warrant the time necessarily taken by a traditional life insurance broker in making a policy sale and indeed many of the more traditional life insurance companies do not yet offer products which are affordable to this market.

Clientèle Life's innovative approach to marketing and distributing simple and easy to understand products, mainly through IFA and Telemarketing, has once again proven to be appropriate and significant to the market that it serves.

This year saw the introduction of a Share Appreciation Rights Scheme which enables not only the employees of Clientèle Life, but also the top performing IFAs, to benefit from the growth in value of the Clientèle Life share price over time. This scheme was implemented to, as far as possible, encourage the employees and IFAs to think and act like shareholders of Clientèle Life and when we view the results achieved this year I am confident that this is already having a positive effect.

Shareholders may recall that 5 years ago Clientèle Life introduced an incentive scheme for the senior management team. This incentive scheme comprised of a medium term incentive calculated each year as a percentage of the growth in embedded value in excess of a hurdle rate, which incentive was then paid out over 3 years at an element of risk to the participants, and a long term or goodwill element which was to be calculated every 5 years as a percentage of the growth in goodwill of Clientèle Life over that 5 year term and again was then to be paid out over 3 years. This incentive was designed to reward senior management for growth in the fundamental long term increase in the value of Clientèle Life. I am sure that shareholders will clearly recall the spectacular growth in both the embedded value of Clientèle Life and the aligned increase in its share price over the last 5 years and I am delighted to advise that the first calculation and initial payment of the long term element of the management incentive scheme took place at the end of this financial year. This was received with much appreciation by the participants and was paid with pleasure as an appropriate share of the very considerable gains made by shareholders over the period.

As this financial year closed, Clientèle Life also took transfer of the two buildings it occupies and has agreed to purchase the remaining four buildings in the same office park. This development will secure Clientèle Life's tenure in its favourable location for the foreseeable future.

A further highlight this year was the appointment of two new directors to the Board. The first of these is Brenda Frodsham, an executive director and the first female director in the history of Clientèle Life – I am delighted to have her on the Board. The second, Dr David Molapo, has been appointed as a non-executive director and brings with him a background in motivational speaking and pastoral care and a particular love and care for the community. David is also a welcome and positive addition to the Board.

The Environment

The South African economy has been stable over the past year, though the year has ended with a trend of increasing interest rates which have probably not yet run their course. There is no doubt that the competent and prudent management of the economy by the Government has produced a solid base and that there is both scope and a willingness to grow the economy into the future. There are, of course, obstacles as there are in every country in the world and in South Africa's case urgent attention must be given by both the Public and Private sectors to the issues of poverty, job creation, improvement of education, healthcare and crime prevention.

Much of the recent regulation in the Financial Services Sector has been driven by Government's attempts to protect consumers and this was furthered this year by the enactment of the National Credit Act which, amongst other intentions, seeks to ensure that banks, insurance companies and other providers of financial products do not overload a consumer with a burden of debt. A worthy goal, although I sometimes, perhaps cynically, wonder whether the amount spent on cell phones and airtime on a monthly basis by many consumers whom the legislators are trying to protect is not greater than what many of them spend on life insurance or interest on their loans – a social and educational challenge for Clientèle Life and all other businesses operating in this market segment.

Results

Operating results for the year ended 30 June 2007 continue to reflect solid new business growth, sustained profitability and strong cash flows.

Embedded Value of new business for the year of R302 million represents an increase of 67% over last year.

Total Embedded Value, after adjusting for the payment of dividends and STC, has increased from R576 million to R982 million at 30 June 2007, an increase of 70%. This translates into a Return on Opening Embedded Value of 61% for the year which is amongst the highest in the Life Insurance Industry.

Net recurring premium income for the year of R624 million represents an increase of 38% over last year. Other income which is comprised mainly of annuity fees from our IFA Distribution Channel, increased by R36 million to R85 million, an increase of 73%.

We are proud of the fact that whilst there has been a significant increase in the total acquisition costs of new business, from R249 million to R387 million, an increase of 55%, acquisition costs per policy have remained fairly static. In terms of Clientèle Life's conservative accounting policy these acquisition costs are all expensed up front, and are not deferred over the life of the policies, as is the alternative treatment allowed.

The effect of the conservative accounting treatment and the new business strain arising out of the tremendous growth in new business has impacted current earnings. Despite this we are pleased that headline earnings per share has increased by 14%, which translates into a return on shareholder funds of 83% for the year; a very solid performance. Dividends proposed have increased by 15% over the last year.

Appreciation

This year has, I feel, been a real team effort and it is not possible to single anyone out. The management team have done a great job – but where would they be without the employees? The IFAs have done an amazing job – but where would they be without the backup from the management team and the employees? The directors have more than played their part too.

I would, in fact, like to pay tribute and say a special thank you to those people who seldom if ever get mentioned – and they are the families of the directors, management, employees and IFAs who are supporting those people and making them happy and secure so that they in turn can produce the great performances that they do for Clientèle Life. Thank you for the amazing job that you do for Clientèle Life and with your positive attitudes for the future of South Africa.

Gavin Routledge

Introduction

The Board of the Clientèle Life Assurance Company Limited Group ("Clientèle Life") embraces the principles of corporate governance as enunciated in the King Committee's Code on Corporate Practice and Conduct, and has encouraged a culture within Clientèle Life that ensures that the enterprise is run on an ethical basis with the emphasis on integrity and acceptable business practices.

As governance structures are dynamic, Clientèle Life reviews its corporate governance practices on an ongoing basis, including the identification and implementation of best practice where deemed appropriate. Clientèle Life conducts its business activities with integrity in order to be responsive to the needs of all stakeholders, including shareholders, policyholders, Independent Field Advertisers ("IFAs"), employees, industry regulators and government.

Board of directors

Composition of the board of directors

Clientèle Life has a board consisting of seven directors. The details of the directors are provided on page 21 in the directors report. These directors bring a wide range of experience, insight and professional skills to the board.

In terms of the Memorandum of Association of the company, the directors shall have the power at any time and from time to time to appoint any person as a director, either to fill a casual vacancy or as an addition to the board, but so that the total number of directors shall not at any time exceed the maximum of eight.

Role and function of the board of directors

The board is responsible for the corporate governance and the ultimate control of the businesses of Clientèle Life, as well as ensuring that there is clear strategic direction and that appropriate management structures are in place. Some of these structures, which are described in this corporate governance review, are designed to provide a reasonable level of assurance as to the proper control and conduct of Clientèle Life's affairs.

The Board of Directors meets four times a year under the chairmanship of Mr. G. Q. Routledge. Additional meetings are arranged as and when necessary. Mr. G. J. Soll, the managing director, oversees and manages Clientèle Life's daily operations.

Board Mandate

The Clientèle Life Board is responsible to shareholders and other stakeholders and is ultimately accountable for the performance and affairs of the company. In addition to defining Clientèle Life's objectives, the board monitors the following:

- the progress of strategic direction and policy;
- approving and monitoring budgets
- operational performance;
- the approval of major capital expenditure;
- the consideration of significant financial and non-financial matters;
- risk management;
- compliance;
- succession planning;
- the executive management team's activities; and
- any other matters that may have a material impact on the company's affairs.

Independence of the board of directors

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

- The roles of chairman and managing director are separate;
- Four of the seven directors are non-executive, two of whom are independent;
- The group audit committee consists of two non-executive directors and two executive directors; the group remuneration committee consists of two non-executive directors;
- Non-executive directors remuneration is not tied to the group's financial performance; and
- All directors have access to the advice and services of the company secretary and are entitled, at the expense of Clientèle Life and after consultation with the group chairman, to seek independent professional advice on the affairs of the group. No director obtained independent professional advice on the affairs of Clientèle Life during the 2007 financial year.

Share dealing by directors and senior personnel

Clientèle Life 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 Life securities before the announcement of mid-year and year-end financial results or in any other period considered price sensitive, in compliance with the requirements of the Insider Trading Act and the JSE Limited ("JSE") in respect of dealings by directors. The company secretary undertakes the administration required to ensure compliance with this code under the direction of the chairman.

Board committees

Four standing committees of the board, to which certain of its functions have been delegated, were in place during 2007. The group audit committee, the group remuneration committee, the group product committee and the group investment committee operate according to the terms of reference stipulated by the board.

Details of these committees follow.

Group audit committee

The group audit committee's function includes discharging its duties relating to corporate accountability and the associated risks in terms of management, insurance and reporting in order to review and assess the integrity of the risk control systems of the group. In order to achieve it's objectives the group audit committee has set up two standing committees to assist it in it's obligations to the board, they are:

- the group risk and compliance committee and
- the group actuarial committee.

Members of the group audit committee

Messrs P. J. A. Cunningham (chairman, independent non-executive director) and G. Q. Routledge (independent non-executive director).

Messrs G. J. Soll and I. B. Hume, who are executive directors.

Principal objectives
The group audit committee's principal objectives are to:

- Act as an effective communication channel between the board on the one hand and the external auditors, the head of internal audit, the chairman of the actuarial committee, the chairman of the risk and compliance committee and the chairman of the investment committee (in relation to taxation matters) on the other;
- assist the board in ensuring that the external audit is conducted in a thorough, objective and cost effective manner;
- satisfy the board that adequate internal, financial and operating controls are being identified, addressed and monitored by management;
- provide the board with an assessment of the effectiveness of the external audit and the internal audit functions;
- enhance the quality, effectiveness, relevance and communication value of the published financial statements and other public documentation of a financial nature issued by Clientèle Life with focus being placed on the actuarial assumptions, parameters, valuations and reporting guidelines and practices adopted by the statutory actuary as appropriate to Clientèle Life's life insurance activities;
- provide the board with an independent point of reference in seeking a resolution of interpretative and controversial issues that impact on the published financial statements and other public announcements issued by Clientèle Life;
- review significant accounting and reporting issues, including recent professional and regulatory pronouncements;
- review effectiveness of the system for monitoring compliance with laws and regulations, and the results of management's investigation and follow-up (including disciplinary action) on any fraudulent acts or accounting irregularities;
- review the group's general insurance arrangements;
- review the group's risk philosophy, strategy and policies recommended by executive management;
- review compliance with risk policies and with the overall risk profile of the group;
- review and assess the integrity of the process and procedures for identifying, assessing, recording and monitoring risk;
- review the adequacy and effectiveness of the group's risk management function and its implementation by management; and
- ensure that material risks have been identified, assessed and have either received or are receiving attention.

The members of the audit committee review the audit plans, budgets and scope of the external and internal audit functions. The external auditors, head of internal audit, statutory actuary, compliance officer and group secretary all have unrestricted access to the chairman of the audit committee at all times.

Meetings
Audit committee meetings are held at least four times a year and are attended by Clientèle Life's external auditors and statutory actuary at least bi-annually and the head of internal audit, the compliance officer and appropriate members of the senior executive management team.

Group risk and compliance committee
The group risk and compliance committee is a sub-committee of the group audit committee. The group compliance officer chairs the group risk and compliance committee. The committee is tasked with integrating and monitoring the management of risk and compliance in respect of the activities of the group. The objectives of this function include facilitating the risk management and reporting processes on a corporate and business unit level. As risk management continues to evolve the group's processes and structure are constantly being reviewed.

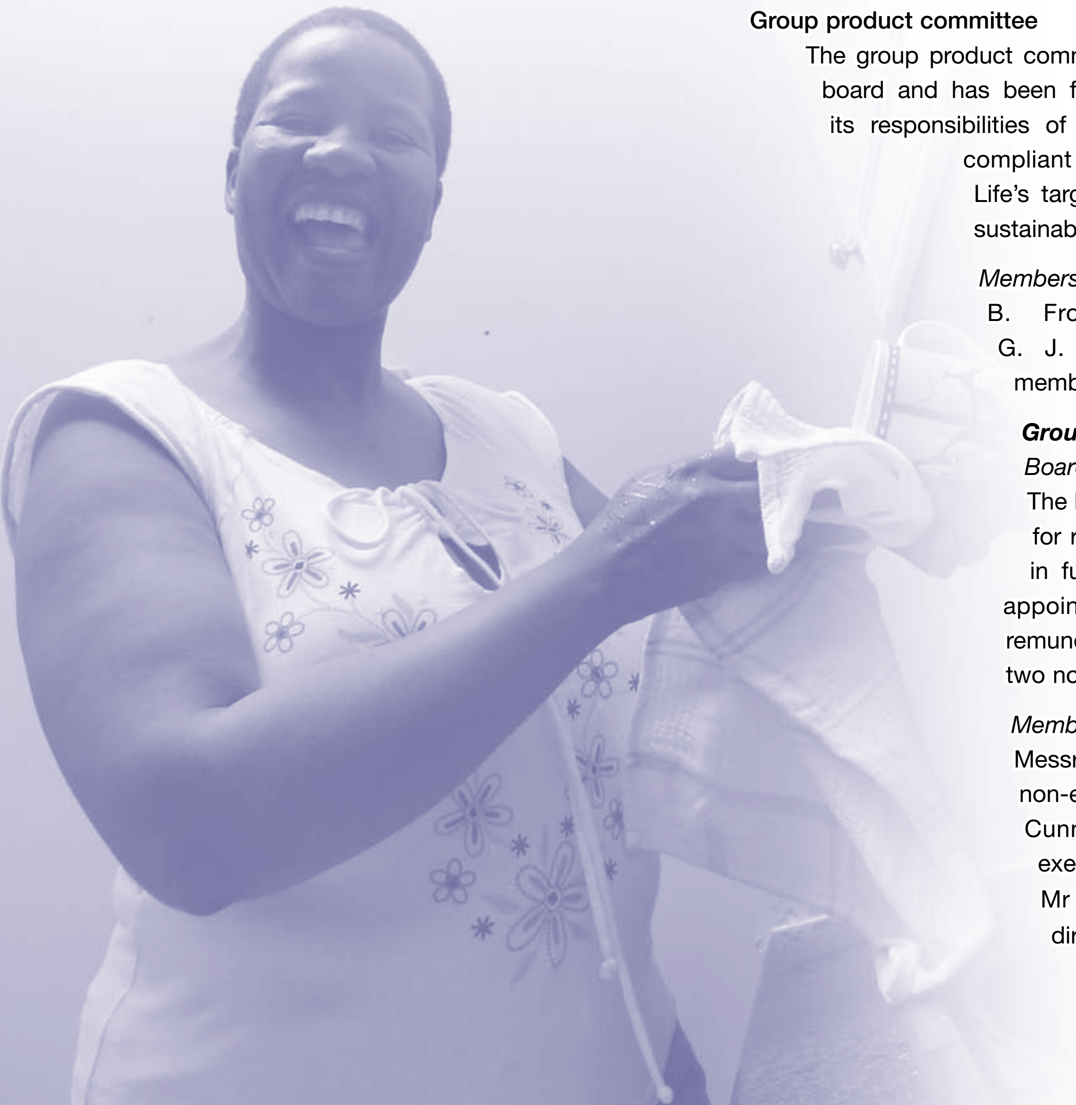
Members
I. B. Hume (executive director), G. J. Soll (executive director), P. J. McDonald (compliance officer), P. J. A. Cunningham (independent non-executive director) and members of senior management.

Group actuarial committee
The group actuarial committee is a sub-committee of the group audit committee. The group actuarial committee has been formed to assist the group audit committee in fulfilling its functions to the board in overseeing matters related to embedded value and the actuarial valuation. The group actuarial committee meets at least four times annually and is attended by the group's statutory actuary.

Members
I. B. Hume (executive director), G. J. Soll (executive director), B. Frodsham (executive director) and members of senior management.

Group investment committee
The group investment committee is a sub-committee of the board and has been formed to assist the board with its responsibilities regarding management of investment assets, balance sheet management and taxation.

Members
I. B. Hume (executive director), G. J. Soll (executive director), G. Q. Routledge (independent non-executive director) and members of senior management.



Group product committee
The group product committee is a sub-committee of the board and has been formed to assist the board with its responsibilities of overseeing an appropriate and compliant product offering to Clientèle Life's target market that is profitable and sustainable.

Members
B. Frodsham (executive director), G. J. Soll (executive director) and members of senior management.

Group remuneration committee
Board responsibility
The board of directors are responsible for remuneration. To assist the board in fulfilling its responsibilities, it has appointed and mandated a group remuneration committee consisting of two non-executive directors.

Members
Messrs G. Q. Routledge (independent non-executive director) and P. J. A. Cunningham (independent, non-executive director) and by invitation Mr G. J. Soll (group managing director).

Corporate Governance
continued

Group remuneration committee purpose

The overall purpose of the remuneration committee is to formulate remuneration strategy and policies for approval by the board, and to monitor the implementation of such policies and report thereon to the board, thereby enabling the board to discharge its responsibilities relating to the following:

- determining the policy for executive remuneration, and approving the individual remuneration packages for each of the executive directors and other senior executives, as appropriate. (Details of directors remuneration is included in note 14 to the annual financial statements);
- ensuring that competitive reward strategies and programmes are in place to facilitate the recruitment, motivation and retention of high performance staff at all levels in support of realising corporate objectives and safeguarding stakeholder interests;
- reviewing the design and management of salary structures and policies, incentive schemes and share schemes to ensure that they motivate sustained high performance linked to company performance;
- recommending the level of non-executive directors' fees, including the chairman's fee, to the board after receiving inputs from executive directors, for ultimate approval by shareholders; and
- ensuring compliance with applicable laws and codes of conduct.

Group Executive Committee

This committee comprises of the executive directors and senior executives of the group and is responsible for the day-to-day running of the group. The group managing director chairs the committee which meets as and when necessary.

Meeting attendance

	Board	Group audit committee	Group risk and compliance committee	Group actuarial committee	Group investment committee	Group product committee	Group remuneration committee
Number of meetings held	3	4	3	6	1	4	1
G. Q. Routledge	3/3	4/4	–	–	1/1	–	1/1
G. J. Soll	3/3	4/4	3/3	6/6	1/1	4/4	1/1
P. J. A. Cunningham	3/3	4/4	3/3	–	–	–	1/1
I. B. Hume	3/3	4/4	3/3	6/6	1/1	–	–
P. R. Enthoven	2/3	–	–	–	–	–	–
B. Frodsham	1/1	–	–	2/6	–	4/4	–
S. D. Molapo	1/1	–	–	–	–	–	–
P. Felton	1/1	2/2	–	–	–	–	–

Corporate Governance
continued

Internal, financial and operating controls

The board acknowledges its responsibility for ensuring that Clientèle Life 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 the group executive committee by the board. The group audit committee reviews these matters regularly on behalf of the board.

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

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

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

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

The internal audit function assists in providing the board and executive management with monitoring mechanisms for identifying risks and assessing controls appropriate to managing such risks.

The board has not been made aware of any issue that would constitute a material breakdown in the functioning of these controls up to the date of this report.

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.

Clientèle LIFE

Internal audit

Clientèle Life's internal auditors perform a review and appraisal of the group's operational activities and operate with the full authority of the board and have direct access to the chairman of the group audit committee.

The internal audit function assists in providing the board and executive management with monitoring mechanisms for identifying risks and assessing controls appropriate to managing such risks.

Internal audit is charged with examining and evaluating the effectiveness of Clientèle Life's operational activities, the attendant business risks and the systems of internal, financial and operating controls, with major weaknesses being brought to the attention of the group audit committee, the external auditors and members of senior executive management for their consideration and remedial action. The work of internal audit is focused on the areas of greatest risk within Clientèle Life as determined by a risk assessment process. The output from the process is summarised in a plan, which is approved by the group audit committee.

External audit

PricewaterhouseCoopers Inc. is Clientèle Life's appointed firm of external auditors.

Company secretarial function

The group company secretary, Miss W. Landman, is required to provide the directors of the company, collectively and individually, with guidance on their duties, responsibilities and powers. She is also required to ensure that the directors are aware of legislation relevant to, or affecting, the company and to report at any meetings of the shareholders of the company or of the company's directors any failure to comply with such legislation, including the JSE Listings Requirements.

The group company secretary is required to ensure that minutes of all shareholders' meetings, directors' meetings and the meetings of any committee of the directors are properly recorded and that all required returns are lodged in accordance with the requirements of the Companies Act, the Long-term Insurance Act and other relevant legislation. The administration of closed periods for dealing in listed securities of Clientèle Life is also the responsibility of the group company secretary.

Code of business ethics

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

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

Group financial statements

The directors are responsible for the preparation of the group financial statements of Clientèle Life, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The annual group financial statements have been prepared from the accounting records and the use of appropriate policies supported by reasonable and prudent judgements and estimates and fairly present the state of affairs of Clientèle Life. The independent auditors are responsible for auditing and reporting on these group financial statements. The group financial statements have been audited in accordance with International Standards on Auditing. The Group's auditors also provide taxation services and advice. (Details of the auditors remuneration for audit and other services are provided in note 22 to the annual group financial statements.)

The directors are of the opinion that the Group is financially sound and operates as a going concern. The group financial statements have accordingly been prepared on this basis.

Statutory Actuary

The independent statutory actuary, Mr. B. Reekie of QED Actuaries and Consultants (Proprietary) Limited, who is not in the employ of Clientèle Life, is responsible for assisting the board in all actuarial matters, conducting the actuarial valuation of the assets and liabilities of the company and calculating the embedded value of the company. The statutory actuary attends the interim and year end audit committee meetings.

Employment Equity

A strong culture of Employment Equity exists within Clientèle Life and all statutory requirements in terms of the Employment Equity Act have been complied with. We strive to ensure that all aspects of our work environment and employment practices mirror the society in which we operate and are non-discriminatory.

Training and development

The company has been successful in creating a strong learning environment and each and every employee received training during the year. In line with both the Employment Equity Act as well as the Skills Development Act additional focus has been placed on upskilling those members of staff who have been drawn from the previously disadvantaged groups. Management have also been exposed to management diversity training to ensure that they are able to effectively manage our very diverse staff complement.

Broad Based Black Economic Empowerment

Clientèle Life through its membership of the Life Offices Association is a signatory to the Financial Services Charter and as such is a committed to the transformation of our society through Broad Based Black Economic Empowerment. We believe it is imperative to include as wide a section of our previously disenfranchised as possible by placing emphasis on the "Broad Based" aspect of Black Economic Empowerment in any initiatives we follow.

With this in the forefront of our strategy we firmly believe that our achievements to date through the Independent Field Advertisers Opportunity ("IFA") clearly demonstrate our commitment to enhancing the lives of a greater section of our population. Our achievement in providing insurance products to the LSM 3 to 6 groupings of individuals who were previously under serviced are clearly reflected in our annual results.

Clientèle Life has again secured the services of an independent rating agency to verify our progress and earlier this year we submitted our BEE scorecard to the Financial Sector Charter council and are awaiting our final rating for the 2006 year.

Social responsibility

We continue to develop previously disenfranchised members of our community by providing IFAs with income generating opportunities and skills development programmes. Many of these IFAs have little or no formal education and through these initiatives are today playing an integral role in our economy.

We continue to support various charitable projects that support disabled and disadvantaged children. In addition this year we entered in to a partnering agreement that supports a curriculum based HIV/AIDS programme throughout our schools across the country. The programme is entitled You, Me & HIV (YMHIV) and is aimed to address the challenges educators face in addressing HIV/AIDS in the classrooms across the Nation. It is a programme that we will actively support over the next three years through to 2009.

Statement of Embedded Value

for the year ended 30 June 2007

The Embedded Value represents an estimate of the value of the group exclusive of goodwill attributable to future new business. The Embedded Value comprises:

- the value of excess assets attributable to shareholders; plus,
- the value of in-force business; less,
- the cost of capital.

The value of excess assets attributable to shareholders is based on the Statutory Valuation Method with the disallowed assets added back for consistency in the calculations. An adjustment is made for funds ear-marked for the share appreciation rights scheme. The Excess Assets attributable to shareholders is thus as follows:

	Group R'000
Excess assets on statutory basis	166 161
Plus: disallowed assets	3 384
Less: Share appreciation rights scheme	(2 099)
Excess assets attributable to shareholders	**167 446**

The value of in-force business is the present value of future after tax profits arising from business in force at the calculation date.

The cost of capital is the opportunity cost of having to hold assets to cover the capital adequacy requirement.

The calculation and presentation of results in this report pertaining to insurance (underwritten) business (including investment business) have been carried out in accordance with PGN 107 (version 3) as issued by the Actuarial Society of South Africa. The principles applied to arrive at values for non-insurance (non-underwritten) business have also been based on the guidance found in this guidance note (bearing in mind the fact that the guidance note pertains primarily to insurance business).

Embedded Value (Group)

The embedded value for the group as at 30 June 2007 is as follows:

	Year ending 30 June 2007 R'000	Year ending 30 June 2006 R'000
Excess assets attributable to shareholders	**167 446**	123 608
Value of in-force (underwritten)	**599 882**	379 354
Value of in-force (non underwritten)	**254 472**	174 138
Value of in-force reduction for management incentive*	**(25 647)**	–
Cost of capital	**(13 683)**	(6 651)
Embedded value as at the end of the year	**982 470**	670 449

Value of new business

The value of new business for the year to 30 June 2007 is as follows:

	30 June 2007 R'000	30 June 2006 R'000
Value of new business (underwritten*)	**178 426**	129 136
Statement of Intent adjustment	**–**	(24 753)
Value of new business (not underwritten**)	**124 010**	76 753
Total	**302 436**	181 136

* Includes investment business and reinstatements.
** Includes the increase in monthly fees from IFAs.

Statement of Embedded Value
continued

Analysis of change in embedded value

The analysis of the change in embedded value for the year to 30 June 2007 is as follows:

	Net worth	Value of in-force (net of cost of capital)	Embedded value
Embedded value earnings for the year 1 July 2006 to 30 June 2007			
Embedded value at end of financial year	167 446	815 024	982 470
Plus: Dividends accrued or paid (including STC)	94 338	–	94 338
Less: Embedded value at start of financial period (not restated)	(123 609)	(546 840)	(670 449)
Embedded value earnings	**138 175**	**268 184**	**406 359**
Components of embedded value earnings			
Value of new business	(52 745)	355 182	302 437
Expected return	–	97 967	97 967
Expected net of tax profit transfer to net worth	184 908	(184 908)	–
Operating experience variances	(7 672)	50 449	42 777
Operating assumption variances	2 731	(3 282)	(551)
Miscellaneous	569	(6 203)	(5 634)
Embedded value earnings from operations	**127 791**	**309 205**	**436 997**
Provision for medium and long term incentive	(28 809)	(25 647)	(54 456)
Share appreciation rights scheme	(2 099)	–	(2 099)
Proceeds from sale of treasury shares	7 011	–	7 011
Investment return on net worth (net of tax)	35 448	–	35 448
Economic assumption changes	(1 167)	(15 374)	(16 542)
Total embedded value earnings	**138 175**	**268 184**	**406 359**

The above analysis has been completed net of corporate tax.

Sensitivities: Embedded value

The table below illustrates the effect of the different assumptions on the embedded value (net of company tax and STC) at a risk discount rate (RDR) of 14% (unless otherwise specified).

	Value of in-force business (R'000)	Net worth (R'000)	Cost of capital (R'000)	Embedded value (R'000)
Main basis	828 707	167 446	(13 683)	982 470
1% increase in risk discount rate	804 502	167 446	(14 994)	956 954
1% decrease in risk discount rate	856 555	167 446	(12 284)	1 011 717
Assuming a 10% increase in the following:				
– Future expenses	818 795	167 446	(13 683)	972 558
– Policy discontinuance rate	761 810	167 446	(12 485)	916 771
– Claims (and reinsurance rates) experience	805 280	167 446	(13 683)	959 043
Investment return less 1%	833 575	167 446	(14 965)	986 056
Inflation plus 1%	826 358	167 446	(13 683)	980 121
Assuming a once-off 10% reduction in equity holdings	828 956	164 736	(13 563)	980 129
Assuming no future indexations of premiums	702 958	167 446	(13 683)	856 721
Assuming a 1% decrease in investment returns, risk discount rates and inflation	838 546	169 829	(13 602)	994 773

Note:

- When carrying out the calculations the net worth was assumed to remain unchanged except in the following two cases (as per PGN 107 (version 3)):
  - assuming a once-off 10% reduction in equity holdings;
  - assuming a 1% decrease in investment returns, risk discount rates and inflation.
- The change in the Value of In-force when investment returns decrease is counter-intuitive and is a result of negative non-unit liabilities backing unit liabilities on the same policies and mismatch of assets and liabilities.

Sensitivities: value of new business

The table below illustrates the effect of the different assumptions on the value of new business (net of company tax and STC) at a risk discount rate (RDR) of 14% (unless otherwise specified):

	Value of new business (R'000)	% change
Main basis	302 436	
Expenses plus 10%	286 331	(5,3)
Inflation plus 1%	302 283	0,0
Investment return less 1%	301 679	(0,3)
Claims (and reinsurance rates) plus 10%	287 809	(4,8)
Withdrawals plus 10%	254 667	(15,8)
No increases	220 487	(27,1)
Investment return less 1%, inflation less 1% and risk discount rate less 1%	309 109	2,2
Risk discount rate of 12%	333 508	10,3
Risk discount rate of 13%	317 256	4,9
Risk discount rate of 15%	288 858	(4,5)
Risk discount rate of 16%	276 374	(8,6)

Statement of Embedded Value
continued

Assumptions

The following are the long term assumptions utilised:

	30 June 2007 %	30 June 2006 %
Risk discount rate	**14,0**	14,0
Overall investment return	**9,0**	8,5
Expense inflation rate	**6,5**	6,0

The risk discount rate was set by the Board of Directors after considering the current risk free rates of return and the risks associated with the business.

Following discussions with management and the audit committee, the risk discount rate remained unchanged. This means that the gap between the investment return and the risk discount rate has been reduced (which is an implicit change in basis).

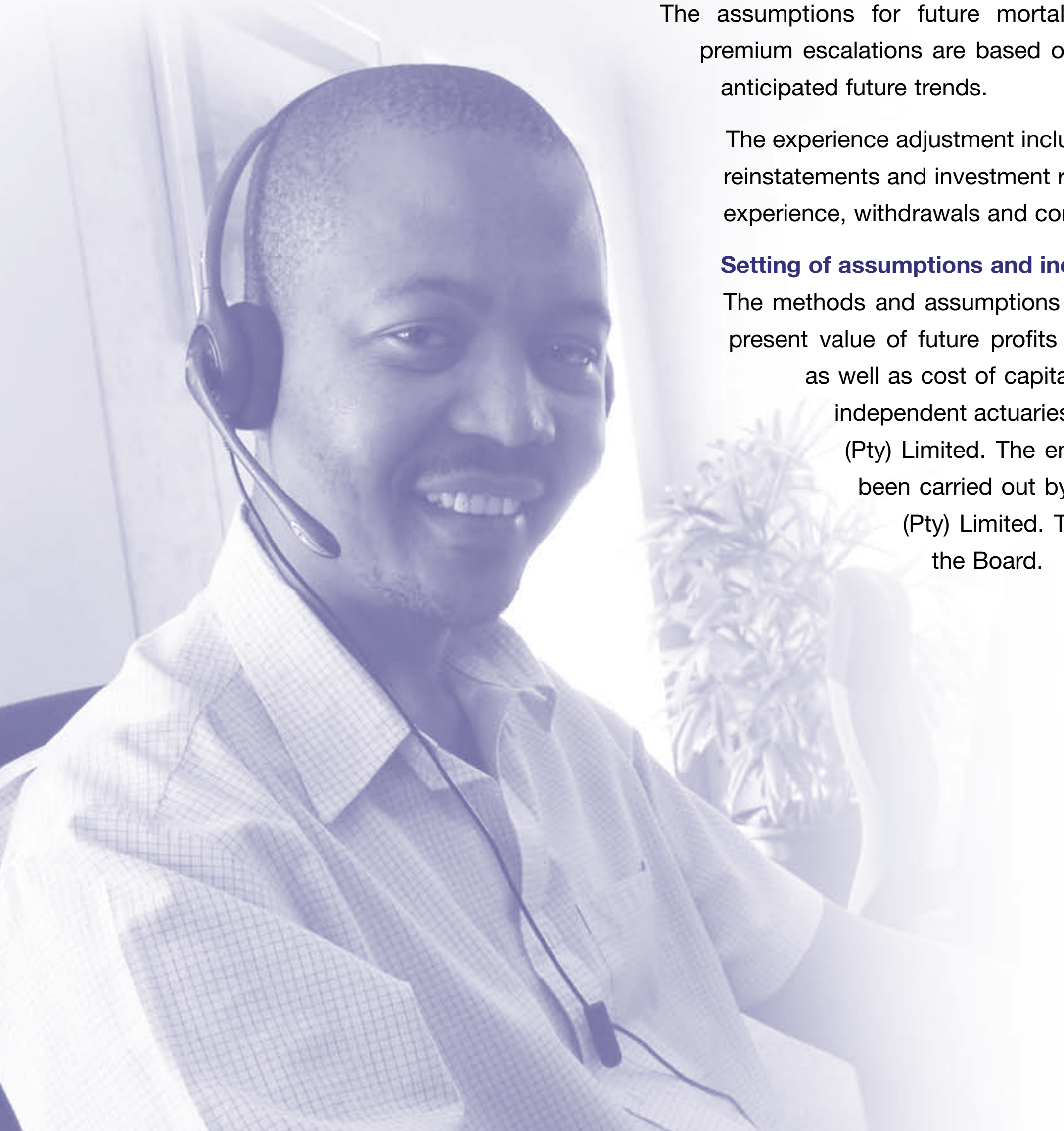
Other assumptions

The assumptions for future mortality, expenses, persistency and premium escalations are based on recent experience adjusted for anticipated future trends.

The experience adjustment includes profits on renewal expenses, reinstatements and investment return as well as losses on the tax experience, withdrawals and commission.

Setting of assumptions and independent review

The methods and assumptions used in the determination of the present value of future profits from in-force and new business as well as cost of capital were derived by the company's independent actuaries, QED Actuaries and Consultants (Pty) Limited. The embedded value calculations have been carried out by QED Actuaries and Consultants (Pty) Limited. The risk discount rate was set by the Board.



Approval of Annual Financial Statements

In accordance with the South African Companies Act requirements, the directors are responsible for the preparation of the annual financial statements which conform with International Financial Reporting Standards ("IFRS"), and in accordance with IFRS fairly present the state of affairs of the company and the group as at the end of the financial year, and the net profit and cash flows for that period.

It is the responsibility of the independent auditors to report on the fair presentation of the group financial statements.

The directors are ultimately responsible for the internal controls. Management enables the directors to meet these responsibilities. Standards and systems of internal control are designed and implemented by management to provide reasonable assurance as to the integrity and reliability of the financial statements in terms of IFRS and to adequately safeguard, verify and maintain accountability for group assets. Accounting policies supported by judgements, estimates, and assumptions which comply with IFRS are applied on a consistent and going concern basis. Systems and controls include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties.

Systems and controls are monitored throughout the group. More detail, including the operation of the internal audit function, is provided in the corporate governance section of the report on pages 5 to 12.

Based on the information and explanations given by management and the internal auditors, the directors are of the opinion that the accounting controls are adequate and that the financial records may be relied upon for preparing financial statements in accordance with IFRS and maintaining accountability for the group's assets and liabilities. Nothing has come to the attention of the directors to indicate that any breakdown in the functioning of these controls, resulting in material loss to the group, has occurred during the year and up to the date of this report. The directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

The financial statements for the year ended 30 June 2007, prepared in accordance with IFRS, which are set out on pages 19 to 68 were approved by the board of directors on 11 September 2007 and signed on its behalf by:

G. Q. Routledge
Chairman

G. J. Soll
Managing Director

Certificate by the Group Company Secretary

Compliance with Companies Act 61 of 1973
In terms of Section 268g(d) of the Companies Act, 61 of 1973 ("the Act"), and for the year ended 30 June 2007, I certify that Clientèle Life Assurance Company Limited has lodged all returns required by the Act with the Registrar of Companies and that all such returns are true, correct and up to date.

W. Landman
Group company secretary

Johannesburg
11 September 2007

Independent Auditors Report on the Annual Financial Statements

To the members of Clientèle Life Assurance Company Limited

We have audited the company annual financial statements and group annual financial statements of Clientèle Life Assurance Company Limited, which comprise the directors' report, the balance sheet and the consolidated balance sheet as at 30 June 2007, the income statement and the consolidated income statement, the statement of changes in equity and the consolidated statement of changes in equity, the cash flow statement and the consolidated cash flow statement for the year then ended, and a summary of the significant accounting policies and other explanatory notes, as set out on pages 19 to 68.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risk 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 the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company and the group as of 30 June 2007, and their financial performance and their cash flows for the year then ended in accordance with International Financial Repporting Standards, and in the manner required by the Companies Act of South Africa.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: B. A. Stott
Registered Auditor

Sunninghill
11 September 2007

Report of the Directors

The directors have pleasure in submitting their annual report which forms part of the audited financial statements for the year ended 30 June 2007.

1. Nature of business

Clientèle Life Assurance Company Limited ("Clientèle Life"), the holding company of the Clientèle Life Assurance Group of Companies, is incorporated in South Africa, is listed under Life Insurance on the JSE and is a registered life insurer. It markets and distributes life insurance and related products throughout the Republic of South Africa, mainly on a direct basis, and invests funds derived therefrom.

Independent Field Advertisers Financial Services (Proprietary) Limited is incorporated in South Africa and distributes marketing materials.

Optimize IT (Proprietary) Limited is incorporated in South Africa and is dormant.

Newshelf 803 (Proprietary) Limited is incorporated in South Africa and is an investment property company.

2. Financial results and dividend

Full details of the company's and group's financial position and results are set out in the attached financial statements and notes thereto on pages 19 to 68. An ordinary dividend of 300.00 cents per share (2006: 260.00 cents per share) was proposed on 15 August 2007. The dividend will be declared on Tuesday, 2 October 2007 and be paid on Monday, 29 October 2007.

To comply with the procedures of Strate the last day to trade in the shares for purposes of entitlement to the dividend is Friday, 19 October 2007. The shares will commence trading *ex* dividend on Monday, 22 October 2007 and the record date will be Friday, 26 October 2007.

Share certificates may not be dematerialised or rematerialised between Monday, 22 October 2007 and Friday, 26 October 2007, 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:

Financial position	**30 June 2007**	30 June 2006	% change
Total assets (R'm)	**1 273,7**	1 041,2	22
Net asset value per share (cents)	**524,10**	382,10	37
Embedded value per share (cents)	**3 037,00**	2 072,49	47
Return on shareholders interest (%)	**83**	75	11
Operating results			
Net premium income (R'm)	**623,5**	453,4	38
Pre-tax profit (R'm)	**154,2**	134,6	15
Taxation (R'm)	**49,3**	43,8	13
Net profit attributable to ordinary shareholders (Rm)	**104,8**	90,8	15
Earnings per share (EPS)	**324,07**	280,62	15
Headline EPS (cents)	**324,06**	283,64	14

Headline earnings per share

Headline EPS has been adjusted by the profit/(loss) on disposal of equipment of R5 000 (2006: R21 000).

Headline earnings per share increased by 14% from 283,64 cents to 324,06 cents.

	30 June 2007		30 June 2006	
	Group R'000	**Company R'000**	Group R'000	Company R'000
Reconciliation of earnings to headline earnings				
Net profit attributable to ordinary shareholders	**104 837**	**127 310**	90 779	87 507
Add back: Impairment of investment in associate	**–**	**–**	958	–
(Profit)/loss on disposal of fixed assets	**(5)**	**(5)**	21	21
Headline earnings	**104 832**	**127 305**	91 758	87 528

Diluted weighted ordinary shares	**2007**	2006
Weighted ordinary shares (000's)	**32 350**	32 350
Adjustment for dilution due to SAR Scheme (000's)	**23**	–
Diluted weighted ordinary shares (000's)	**32 373**	–
Diluted earnings per share (cents)	**323,84**	–
Diluted headline earnings per share (cents)	**323,83**	–

3. Share capital

As at 30 June 2007, the company's authorised share capital, which has remained unchanged throughout the year, was as follows:

40 000 000 ordinary shares of 15 cents each	R6 000 000
10 variable rate redeemable cumulative preference shares of 100 cents each	R10
30 cumulative redeemable preference shares of 100 cents each	R30

As at 30 June 2007, the Company's issued share capital, which has remained unchanged throughout the year, was as follows:

32 350 000 ordinary shares of 15 cents each	R4 852 500

4. Holding company

The Company's ultimate holding company is Pickent Holdings (Proprietary) Limited (Registration number: 1948/029622/07) a holding company incorporated in South Africa in the Hollard Group of Companies.

5. Directors and secretary

The following people acted as directors during the year:

Gavin Quentin Routledge	*(Chairman)*	Non-executive, independent, member of group audit, risk and compliance and investment committees and chairman of the group remuneration committee
Gavin John Soll	*(Managing Director)*	Executive, member of group audit, risk and compliance, investment, product and actuarial committees
Patrick Jocelyn Anthony Cunningham		Non-executive, independent, chairman of group audit committee, member of group remuneration and risk and compliance committees
Patrick Robert Enthoven		Non-executive
David Molapo	*Appointed 31 December 2006*	Non-executive
Brenda-Lee Frodsham	*Appointed 11 October 2006*	Executive, chairman of the group product committee, member of the group actuarial committee
Iain Bruce Hume	*(Financial Director)*	Executive, chairman of the group actuarial and investment committees, member of group audit and risk and compliance committees
Patrick William Felton	*Resigned 14 December 2006*	Non-executive, member of group audit committee up to date of resignation.

The secretary of the company is Wilna Landman whose addresses are:

Business address:
Clientèle House, Morningview Office Park
Corner Rivonia and Alon Roads
Morningside, 2196

Postal address:
P O Box 1316
Rivonia 2128

6. Directors' shareholdings

The interests, direct and indirect, of the directors and officers in office at 30 June 2007 are as follows:

	Ordinary shares		
	Beneficial		Non-beneficial
	Direct	Indirect	Indirect
2007			
Non executive directors			
G. Q. Routledge	**30 000**	**180 551**	**180 551**
Executive directors			
G. J. Soll	**520 000**	**–**	**563 164**
I. B. Hume	**–**	**–**	**262 802**
B. Frodsham	**20 001**	**129 492**	**–**
	570 001	**310 043**	**1 006 517**
2006			
Non executive directors			
G. Q. Routledge	30 000	180 551	180 551
Executive directors			
G. J. Soll	500 000	–	–
I. B. Hume	–	–	19 650
	530 000	180 551	200 201

7. Incentive Bonus Scheme

The incentive bonus scheme is a formal documented scheme as advised to shareholders in the 2002 annual report and is based on individual performance linked to and dependent upon profitability and in particular growth in the group's embedded value and the creation of goodwill. The scheme comprises two elements, namely an embedded value element and a goodwill element. The embedded value element incentivises participants for performance over and above that for which they are remunerated and incentivised under the company's standard remuneration and short-term bonus policy and the goodwill element of the scheme incentivises participants, over the longer term, for performance that exceeds that for which they are incentivised under the embedded value element of the scheme. The incentive bonus scheme is designed to align the interests of senior management and shareholders by ensuring that incentivisation is linked directly to performance of the company and the creation of value and, within that context, the individual incentivisation is dependent upon the performance of each individual.

The embedded value scheme component (medium term) is based on growth in embedded value, as determined by the Group's Independent Actuaries and approved by the Remuneration Committee, in excess of predetermined criteria and is payable over a three year period for periods ending 30 June 2007 and over a four year period for periods thereafter.

The goodwill scheme component recognises the creation of value in excess of embedded value.

The goodwill created is measured in five year cycles, the first cycle beginning on 1 July 2002 and ending 30 June 2007 and is payable over a three year period for the period ending 30 June 2007 and over a five year period thereafter. The goodwill created is determined with reference to the embedded value of new business (as determined by the Group's Independent Actuaries) in the fifth year and applying a multiple, as approved by the board on recommendation of the Remuneration Committee having regard to criteria included in the Incentive Bonus Scheme document.

Short-term bonuses are paid to all levels of management and are determined on an individual basis based on performance above agreed upon criteria and are payable annually.

8. Share appreciation rights ("SAR") scheme

The board considers it important that the group has a long-term scheme in place to incentivise and retain staff and to ensure the on-going success of its IFA operation.

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

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

Salient features:

- The aggregate number of shares that may be allotted and issued to participants under the SAR scheme may not exceed 10% (ten percent) of the issued share capital of the company from time to time, currently 3 235 000 shares. This percentage may be increased by ordinary resolution of members of the company from time to time. Of the shares reserved for the SAR scheme, it is contemplated that approximately 50% thereof will be reserved for employees and 50% thereof for IFAs.
- The directors in their discretion may settle SARs either:
  - by means of the allotment and issue of new shares to the participant;
  - by way of cash payment; or
  - by way of a combination of the aforegoing methods
- At any time after:
  - 3 (three) years from the invitation date, up to 20% of the SARs may be exercised by a participant;
  - 4 (four) years from the invitation date, up to 50% of the SARs may be exercised by the participant; and

- 5 (five) years from the invitation date, up to 100% of the SARs may be exercised by the participant,

  or on such earlier date or dates as may be agreed to or determined by the directors in their discretion, provided that SARs may not be exercised during a closed period or any period during which dealings in securities of the company 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 the company or special dividends or distributions.

9. 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.

10. Subsidiaries and associate

Clientèle Life holds 33,3% of the equity in Clientèle USA LLC.

Clientèle Life holds 49,0% of the equity in Legal Sense (Proprietary) Limited.

Details of the holding company's interest in the subsidiaries are set out in note 4 to the financial statements.

The holding company's interest in the aggregate profit earned after tax by the subsidiaries amounted to R17,8 million (2006: R3,3 million).

The holding company's interest in the aggregate profit earned after tax by the associates amounted to R0,14 million (2006: R0,05 million).

11. Events subsequent to the balance sheet date

The directors are not aware of any event since the end of the financial year, not otherwise dealt with in the annual financial statements, that would affect the operations of the Group or the results of those operations.

12. Auditors

PricewaterhouseCoopers Incorporated will continue in office in accordance with Section 270(2) of the Companies Act subject to the approval by shareholders at the annual general meeting.

13. Directors emoluments

Details of directors emoluments are set out in note 14 to the financial statements.

14. Special resolutions

No special resolutions were passed during the year.

15. Directors interests in contracts

During the financial year no contracts were entered into in which directors of the company had an interest and which significantly affect the business of the Group. Consulting agreements between the company and Dr. S. D. Molapo and Mr P. W. Felton have been entered into as disclosed in note 14 to the financial statements.

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

16. Approval of the annual financial statements

The annual financial statements were approved by the board of directors on 11 September 2007 and are signed on its behalf by:

G. Q. Routledge
Chairman

G. J. Soll
Managing Director

Statement of Actuarial Values of Assets and Liabilities

1. Excess assets

The excess of assets over liabilities on the published reporting basis is shown in the table below:

	30 June 2007		30 June 2006	
	Group R'000	**Company R'000**	Group R'000	Company R'000
Balance sheet assets	**1 273 687**	**1 272 079**	1 041 237	1 038 560
Less: Reinsurance assets	**(34 359)**	**(34 359)**	(28 820)	(28 820)
Total assets net of reinsurance assets	**1 239 328**	**1 237 720**	1 012 417	1 009 740
Total liabilities	**1 069 782**	**1 063 222**	888 809	887 552
Actuarial value of insurance liabilities	**498 020**	**498 020**	379 996	379 996
Reduction in policy liabilities due to reinsurance	**(34 359)**	**(34 359)**	(28 820)	(28 820)
Other policyholder liabilities	**480 969**	**480 969**	458 245	458 245
Other liabilities	**125 152**	**118 592**	79 388	78 131
Excess of assets over liabilities	**169 546**	**174 498**	123 608	122 188

The excess of assets over liabilities on the statutory reporting basis (SVM) is shown in the table below:

	30 June 2007		30 June 2006	
	Group R'000	**Company R'000**	Group R'000	Company R'000
Balance sheet assets net of reinsurance assets	**1 239 328**	**1 237 720**	1 012 417	1 009 740
Less: Disallowed assets	**(3 384)**	**(3 384)**	(5 150)	(5 150)
Total statutory valuation method assets	**1 235 944**	**1 234 336**	1 007 267	1 004 590
Total liabilities	**1 069 782**	**1 063 222**	888 809	887 552
Actuarial liabilities	**944 630**	**944 630**	809 421	809 421
Other liabilities	**125 152**	**118 592**	79 388	78 131
Excess of assets over liabilities	**166 162**	**171 114**	118 458	117 038
CAR	**47 060**	**47 060**	26 187	26 187
CAR cover	**3,53**	**3,64**	4,52	4,47

Prior year comparative figures remain unchanged; prior year adjustments are separately reflected in the analysis and reconciliation of excess assets in notes 2 and 3 which follow.

2. Analysis of change in excess assets on the published reporting basis

The abbreviated analysis of the change from the previous reporting period in the excess assets on the published basis is shown below:

	30 June 2007 Group R'000	30 June 2007 Company R'000	30 June 2006 Group R'000	30 June 2006 Company R'000
Excess of assets at the end of reporting period	**169 546**	**174 498**	123 608	122 188
Excess of assets at the beginning of reporting period	**123 608**	**122 188**	125 191	127 015
Change in excess assets	**45 938**	**52 310**	(1 583)	(4 827)
The change in excess assets is due to the following factors:				
Total investment return on excess assets	**51 643**	**57 341**	23 682	19 417
Operating profit	**118 510**	**118 510**	120 095	120 095
Changes in assumptions	**2 205**	**2 205**	(8 341)	(8 341)
Capital gains tax	**(2 953)**	**(2 953)**	(2 730)	(2 730)
Corporate tax paid	**(30 258)**	**(29 583)**	(32 197)	(31 204)
STC	**(10 228)**	**(10 228)**	(9 730)	(9 730)
Total earnings	**128 919**	**135 292**	90 779	87 507
Deferred tax	**(5 882)**	**(5 883)**	–	–
Prior year adjustments	**7 011**	**7 011**	(11 795)	(11 767)
Dividends paid	**(84 110)**	**(84 110)**	(80 567)	(80 567)
Total change in excess assets	**45 938**	**52 310**	(1 583)	(4 827)

The 2007 prior year adjustments relates to the sale of the treasury shares. The 2006 prior year adjustments relates to the adoption of IFRS.

3. Reconciliation of excess assets to reported earnings

The change in the excess of assets over liabilities in this statement on the published basis reconciles to the net income of the life operations as follows:

	30 June 2007 Group R'000	30 June 2007 Company R'000	30 June 2006 Group R'000	30 June 2006 Company R'000
Net profit attributable to ordinary shareholders	**104 837**	**127 310**	90 779	87 507
Prior year adjustments	**7 011**	**7 011**	(11 795)	(11 767)
Dividend paid	**(84 110)**	**(84 110)**	(80 567)	(80 567)
Share appreciation right scheme	**2 099**	**2 099**	–	–
Revaluation of owner occupied property	**16 101**	**–**	–	–
Change in excess assets per actuarial statement	**45 938**	**52 310**	(1 583)	(4 827)

4. Reconciliation of excess assets between published reporting basis and the statutory basis

The excess assets on the published reporting basis reconciles to the excess assets on the statutory basis as follows.

	30 June 2007 Group R'000	30 June 2007 Company R'000	30 June 2006 Group R'000	30 June 2006 Company R'000
Excess assets on published reporting basis	**169 546**	**174 498**	123 608	122 188
Less: disallowed assets	**(3 384)**	**(3 384)**	(5 150)	(5 150)
Excess assets on statutory basis	**166 162**	**171 114**	118 458	117 038

The 2007 prior year adjustments relates to the sale of the treasury shares which is accounted for directly in equity. The 2006 prior year adjustments relates to the adoption of IFRS.

Statement of Actuarial Values of Assets and Liabilities

5. Changes in published reporting valuation method and assumptions

The methodology and valuation assumptions used remained broadly the same as that applied as at 30 June 2006, except for the following changes (before allowing for compulsory margins):

- The withdrawal rates for the Classic Saver business were increased marginally based on experience;
- Regulation 5 to the Long Term Insurance Act (dealing with minimum surrender values) was implemented, where relevant;
- The renewal expense assumption was increased by slightly more than inflation;
- The long-term investment return assumption was increased from 8,5% p.a. to 9% p.a.;
- The expense inflation assumption was increased from 6% p.a. to 6,5% p.a. (in line with the increase in the investment return assumption);
- The policy fee assumed in future for paid-up policies was increased from R10 per month to R15 per month;
- The factor of 40% referred to in note 7 below has reduced from 50% at the previous valuation; and
- The modelling of the Funeral Comforter benefit has been carrried out more accurately. Modelling for other classes of business was also refined.

6. Published reporting valuation method and assumptions

The assets and liabilities of Clientèle Life Assurance Company Limited insurance contracts have been calculated in accordance with the Actuarial Society of South Africa's guidelines and in particular PGN 103 (version 4) and PGN 104 (version 6). Assets and liabilities were valued on a consistent bases. The valuation is a gross premium method of valuation. Where policy values are linked to the value of underlying units, the liability 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, withdrawals, 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.

For the majority (at least 95%) of liabilities, the liability has been based on cashflow projections on the assumptions contained in note 7 below. For the balance of the liability (mainly annually renewable risk business), an incurred but not reported reserve has been established.

The result of the valuation method and assumptions is that profits for insurance contracts are released appropriately over the term of each policy, to avoid the premature recognition of profits that may give rise to losses in later years.

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 12 months ending 30 June 2007.

In reserving for the annual renewable term assurance business, an incurred but not reported reserve has been established. All other reserves have been calculated on a prospective gross premium valuation basis allowing for future income, benefits and expenses.

Compulsory margins in terms of PGN 104 (version 6) were also allowed for in addition to the main assumptions. Specific allowance has been made for the expected deterioration in mortality experience due to AIDS and HIV infection.

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

- An interest rate of 9,0% p.a. (8,5% p.a.) was used for all classes of business;
- The expense allowance for the year after the valuation date was R77,50 (R70,00) per policy, inflating at 6,5% p.a. (6% p.a.);

- For assurances, mortality was allowed for at 80% of SA 1985-90 heavy (125% of SA 1956-62) with an additional AIDS mortality loading of 40% (40%) of the ASSA high risk AIDS model (2000); and,
- Withdrawal rates are based on recent experience.

The additional discretionary margins were as follows:

- No policy was treated as an asset;
- A liability was set-up equal to 40% of the liability needed to ensure that each policy liability would be equal to a minimum of the surrender value. It is intended that the 40% factor will reduce linearly to 0% over the next four years. This liability amounted to R31,4 million (R26,2 million as at the previous year end).

8. Published reporting asset valuation method and assumptions

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

9. Statutory capital adequacy requirement

The statutory capital adequacy requirement (CAR) is the additional amount required, over and above the actuarial liabilities on the statutory basis, to enable a company to meet material deviations in the main parameters affecting the life assurer's business. The CAR was calculated according to the guidelines issued by the Actuarial Society of South Africa (PGN 104 (version 6)).

The CAR can allow for management action; for the purpose of this valuation no management action has been allowed for:

The termination capital adequacy requirement (TCAR) exceeded the ordinary capital adequacy requirement (OCAR) as well as the minimum capital adequacy requirement (MCAR) and thus the CAR has been based on the TCAR.

Hence, the CAR for Clientèle Life Assurance Company Limited, as at 30 June 2007 is TCAR which is equal to R47,1 million. The ratio of the statutory excess of assets over liabilities to the CAR for the company was 3,64 (2006: 4,47).

10. Excess of assets over liabilities

The excess of assets over liabilities reflects the financial position of the company based on the methodology used and the assumptions assumed. In terms of current legislation the excess on the statutory basis must cover the capital adequacy requirement.

11. Report by Statutory Actuary

I hereby certify that:

- The valuation of the statutory basis of Clientèle Life Assurance Company Limited as at 30 June 2007, the results of which are summarised above, has been conducted in accordance with, and this Statutory Actuary's Report has been produced in accordance with, applicable Actuarial Society of South Africa Professional Guidance Notes.
- The company was financially sound on the statutory basis as at the valuation date, and in my opinion is likely to remain financially sound for the foreseeable future.

B. W. Reekie
QED Actuaries & Consultants (Pty) Limited
Statutory Actuary
Fellow of the Institute of Actuaries
Fellow of the Actuarial Society of South Africa

11 September 2007

Accounting Policies

Basis of preparation of the statements

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the Companies Act, No. 61 of 1973, as amended, in South Africa. These financial statements have been prepared on the historical cost basis, as modified by the revaluation of owner occupied properties, financial assets, financial liabilities and the valuation of insurance contracts valued on the financial soundness valuation basis, as set out in Professional Guidance Note ("PGN") 104 issued by the Actuarial Society of South Africa.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the group's accounting policies. There are areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements. These judgements, assumptions and estimates are disclosed in the notes to the annual financial statements.

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements unless otherwise stated.

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

Recent IFRS pronouncements

The group has not opted to early adopt any of the following standards and amendments to standards issued by the International Accounting Standards Board.

- IFRS 7 Financial Instruments: Disclosures (effective for all periods commencing after 1 January 2007).
- IFRS 7 supersedes IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions and the disclosure requirements in IAS 32 Financial Instruments: Disclosure and Presentation. IFRS 7 requires additional disclosure over and above that required by IAS 32 in respect of the following:
    - the significance of financial instruments for an entity's financial position and performance;
    - the nature and extent of risks arising from financial instruments; and
    - capital objectives and policies.

    The adoption of IFRS 7 will lead to extended disclosure in the financial statements, but will have no impact on the accounting policies for financial instruments.
- IAS 1 Additional disclosures about an entity's capital (effective for all periods commencing after 1 January 2007);

    A consequential amendment on capital disclosures has been made to IAS 1 as a result of the introduction of IFRS 7. The additional disclosures will be included in the financial statements as part of the implementation of IFRS 7.
- IFRS 4 Insurance Contracts (effective for all periods commencing after 1 January 2007). A consequential amendment has been made to disclosures as a result of the introduction of IFRS 7. The additional disclosures will be included in the financial statements as part of the implementation of IFRS 7.
- IFRS 8: Operating segments (effective for annual periods beginning on or after 1 January 2009) – IFRS 8 specifies how an entity should report information about its operating segments in the annual financial statements. The requirements of IFRS 8 are based on the information about the components of the entity that management uses to make operating decisions.

- IFRIC 10: Interim financial reporting and impairment (effective for annual periods beginning on or after 1 November 2006) – IFRIC 10 prohibits the reversal at a subsequent balance sheet date of the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost.
- IFRIC 11: IFRS 2 – Group and treasury share transactions (effective from annual period beginning on or after 1 March 2007) – IFRIC 11 provides guidance on applying IFRS 2 in three circumstances:
  - Share-based payments involving an entity's own equity instruments in which the entity chooses or is required to buy its own equity instruments (treasury shares) to settle the share-based payment obligation should always be accounted for as equity-settled share-based transactions under IFRS 2.
  - If a parent grants rights to its equity instruments to employees of its subsidiary and assuming the transaction is accounted for as equity-settled in the consolidated financial statements, the subsidiary must measure the services received using the requirements for equity-settled transactions in IFRS 2, and must recognise a corresponding increase in equity as a contribution from the parent.
  - If a subsidiary grants rights to equity instruments of its parent to its employees, the subsidiary accounts for the transaction as a cash-settled share-based payment transaction.

The adoption of these standards and interpretations will be implemented in accordance with their transitional provisions. The group is still investigating the impact of the adoption of the revised standards, but no effect on earnings is expected, however, additional disclosure will be required.

Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiaries.

The accounting policies for subsidiaries are consistent, in all material respects, with the policies adopted by the group. Inter-group transactions, balances and unrealised gains and losses are eliminated on consolidation.

Interests in subsidiaries

Subsidiaries are entities in which the group has the power to govern their financial and operating policies and generally in which the group has more than 50% of the voting rights or economic interest. The results of the subsidiaries are included from the date on which control is transferred to the group (effective date of acquisition) and are no longer included from the date that control ceases (effective date of disposal). Gains and losses on disposal of subsidiaries are included in the income statements as investment gains or losses.

Interests in subsidiaries in the company financial statements are valued at fair value and in accordance with the financial assets at fair value through profit and loss category. Previously interests in subsidiaries in the company's financial statements were valued at cost less any required impairment. The effect of the change in accounting policy is described in note 29.

Interests in associates

Associates are entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights or economic interest. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The group's share of post-acquisition profits or losses is recognised in the income statement. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment, less any required impairment.

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies for associates are consistent, in all material respects, with the policies adopted by the group.

The group discontinues equity accounting when the carrying amount of the investment in an associated company reaches zero, unless it has incurred obligations or guaranteed obligations in favour of the associated undertaking. The group increases the carrying amount of investments with its share of the associated company's income when equity accounting is resumed.

Foreign currencies

Foreign currency translation

The group's presentation currency is South African Rands (ZAR). The functional currency of the group's operations is the currency of the primary economic environment where each operation has its main activities.

Transactions and balances

Transactions in foreign currencies are translated into the functional currency at the foreign exchange rate ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies different to the functional currency at the balance sheet date are translated into the functional currency at the balance sheet date at the ruling rate at the date. Foreign exchange differences are recognised in the income statement.

Property and equipment

Equipment is stated at cost less accumulated depreciation and impairment losses. Maintenance and repairs, which neither materially add to the value of assets nor appreciably prolong their useful lives, are recognised in the income statement. Profits or losses on disposal of assets are included in the income statement and are determined by reference to their carrying amount at date of disposal. An asset's carrying amount is impaired to its recoverable amount if the asset's carrying amount is greater than its estimated receivable amount.

When significant components of equipment have different useful lives, those components are accounted for and depreciated as separate items.

Land and buildings held for use for administrative purposes are stated at fair value, determined from market-based evidence by appraisals undertaken by professional valuers, 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 balance sheet 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 income statement. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost, net of any related deferred income tax, is transferred from the revaluation surplus to retained earnings.

Land is not depreciated. Depreciation on revalued buildings to residual value is charged to profit and loss. Buildings are depreciated over a period of 40 years on a straight-line basis.

Depreciation

Depreciation is recognised in the income statement on a straight-line basis at rates appropriate to the expected useful lives of the assets. Depreciation is calculated on the cost less any impairment and taking into account expected residual value. The estimated useful lives applied are as follows:

• Buildings	2,50%
• Computer equipment and purchased computer software	20% – 33,33%
• Furniture and equipment	10% – 50%
• Motor vehicles	25%

There has been no change to useful lives from those applied in the previous financial year. The residual values and useful lives are reassessed on an annual basis.

Impairment
Buildings and equipment which is subject to depreciation is 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.

Inventories
Inventories represent marketing materials and are stated at the lower of cost or net realisable value. Cost is determined by the first-in-first-out method.

Net realisable value is the estimate of the selling price in the ordinary course of business, less selling expenses.

Financial assets
The group classifies its financial assets into categories, namely held at fair value through profit or loss or loans and receivables disclosed as "receivables including insurance receivables". The classification depends on the purpose when the asset is acquired and, with the exception of those held at fair value through profit or loss, is reassessed on an annual basis.

Initial measurement of financial assets
Purchases and sales of financial assets are recognised on trade date, which is the date on which the group assumes or transfers substantially all risks and rewards of ownership. Financial assets are initially recognised as follows:

- Fair value through profit and loss – at fair value on trade date and transaction costs are expensed in the income statement.
- Loans and receivables – at fair value on trade date 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 risks and rewards of ownership.

Subsequent measurement of financial assets
Financial assets classified as fair value through profit and loss:
Financial assets are designated as fair value through profit or loss at inception if they are held to match insurance liabilities and financial instrument liabilities held at fair value through profit or loss, or if they are managed and their performance is evaluated on a fair value basis. These assets are subsequently measured at fair value and the fair value adjustments are recognised in the income statement.

Fair values for quoted financial assets are based on regulated exchange quoted ruling bid prices at the close of business on the last trading day on or before the balance sheet date. If a quoted bid price is not available in an active market for dated instruments the fair value is esimated using pricing modules or discounted cash flow techniques.

Fair value for unquoted instruments are determined using the appropriate rate from the quoted money market yield curve, based on the term to maturity of the instrument. A discounted cash flow model is then applied, using the determined yield after allowing for credit risk, in order to calculate the market value.

Receivables including insurance receivables
Receivables are financial assets that are created by the entity for providing money, goods or services directly to a debtor, other than those that are originated with the intention of sale immediately or in the short term. Subsequent to initial recognition they are carried at amortised cost using the effective interest rate method less any required impairment.

Impairment: Financial assets carried at amortised cost
At each reporting date the group assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. These assets include receivables relating to insurance contracts and reinsurance contracts. Such assets are impaired and impairment losses are recognised only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset, and the event or events has an impact on the estimated future cash flows of these assets that can be reliably estimated.

The group first assesses whether objective evidence of impairment exists in respect of all financial assets that are individually significant. If the group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

Objective evidence includes 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 the income statement. The recoverable amount is the present value of expected cash flows discounted at the market rate of interest for similar borrowers.

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 by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

Cash and cash equivalents
Cash and cash equivalents comprise balances with bankers, short-term funds and deposits and cash on hand and highly liquid investments with original maturities with three months or less. Cash and cash equivalents are carried at cost which is deemed to be fair value.

Financial liabilities at fair value through profit and 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"). 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 at the risk free rate. The maturity values are discounted at the risk free rate with an adjustment for credit risk where appropriate. Any profit on initial recognition is subsequently amortised over the life of the contract.

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 shown in equity as a deduction, net of tax, from the proceeds.

Treasury shares

When any group company, purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is on consolidation deducted from equity attributable to the company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity.

Any net income in relation to treasury shares (both fair value movements and dividends) is eliminated from group profit for the year.

Dividends received on treasury shares are deducted from distributions paid in the statement of changes in equity.

The number of shares in the earnings per share calculation is reduced for treasury shares held during the period on a weighted average basis.

Dividend distribution

Dividend distributions to the company's shareholders is recognised against equity 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.

Insurance contract 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.

Those contracts that transfer financial risk with no significant insurance risk are accounted for as financial liabilities at fair value through profit and loss. 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

Professional Guidance Notes (PGNs) issued by the Actuarial Society of South Africa (ASSA)

In terms of IFRS 4 – Insurance contracts, defined insurance liabilities are allowed to be measured under existing local practice. The group has adopted the PGNs to determine the liability in respect of contracts classified as insurance contracts in terms of IFRS 4 – Insurance contracts. The following PGNs are of relevance to the determination of insurance contract liabilities:

PGN 102: Life Offices – HIV/AIDS

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

PGN 105: Recommended AIDS extra mortality bases

Where applicable, the PGNs are referred to in the accounting policies and notes to the annual financial statements.

Features of Clientèle Life's main insurance contracts

Clientèle Life's main 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; benefits are paid upon defined events, on surrender or final encashment of the product.

- *Whole life, final benefits products ("whole life products")* with benefits which are payable upon defined events for example, death or disability.
- *Whole life, cashback benefits products ("cashback products")* are whole life final benefits products with benefits which are payable upon defined events, for example, death or disability and include a return of one year's premiums every five years.

Measurement of insurance contracts
These contracts are valued in terms of the Financial Soundness Valuation ("FSV") basis as described in PGN 104 and the liability is reflected under insurance contracts in the balance sheet.

Clientèle Life's 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 and whole life cashback products)
  The valuation of the risk benefits offered under these products have been valued on a policy by policy basis by discounting future expected risk benefits, cashback benefits, risk charges and expenses at the discount rate. The projection of future expected experience is based on the group's best estimate assumptions for investment returns, expenses, death rates, disability rates and withdrawal rates plus compulsory margins.
- Undiscounted liabilities (market related products)
  A unit-linked insurance contract is an insurance contract with an embedded derivative linking payments on the contract to units of an internal investment fund set up by the group with the consideration received from the contract holders. This embedded derivative meets the definition of an insurance contract and is not therefore accounted for separately from the host insurance contract. The liability for the unit linked portion is determined on a policy by policy basis in relation to the fair value of the underlying assets.
- Undiscounted liabilities (whole life products)
  Incurred but not yet reported (IBNR) liabilities are calculated for these products, which is based on a percentage of premiums payable.

Discretionary margins are added to unit linked products and whole life 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 2.

The liability assumptions are reviewed bi-annually. Any changes in assumptions and/or other changes to the liability calculation are reflected in the income statement as they occur. The assumptions applicable to insurance contract liabilities are described in more detail in note 2.

Outstanding claims provision
Provision is made for the estimated cost of claims outstanding at the end of the year. Outstanding claims and benefit payments are stated gross of reinsurance. Outstanding claims are determined by making reference to the value of the sum assured in terms of the underlying policy when a claim is reported.

Liability adequacy test
At each balance sheet date, liability adequacy tests are performed to ensure the adequacy of the insurance contract liabilities. The liability is calculated in terms of the FSV basis as described in PGN 104. The FSV basis meets the minimum requirement of the liability adequacy test. For undiscounted liabilities these tests include current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities. Any deficiency is charged to the income statement in establishing a provision for losses arising from liability adequacy tests.

Reinsurance contracts held

Reinsurance 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.

Receivables and payables related to insurance contracts and financial instruments

Receivables and payables are recognised when due. These include amounts due to and from Independent Field Advertisers ("IFAs") and policyholders.

Premium income

Premiums on insurance contracts are recognised when due. Premium income on insurance contracts is shown gross of reinsurance. Premiums are shown before deduction of commission.

Reinsurance premiums

Reinsurance premiums are recognised when insurance premiums are due.

Claims and benefits paid

Claims on insurance contracts, which include, death, disability, maturity and surrenders are charged to income when notified of a claim based on the estimated liability for compensation owed to policyholders. They include claims that arise from death and disability events that have occurred up to the balance sheet date.

Reinsurance recoveries are accounted for in the same period as the related claim.

Acquisition costs

Acquisition costs for insurance contracts represent commission and other costs that relate to the securing of new contracts and the renewing or reinstatement of existing contracts. Commissions and other acquisition costs relating to insurance contracts and financial liabilities at fair value through profit and loss are expensed as incurred.

Other income

Other income includes monthly fees received from IFAs and is recognised on an accrual basis.

Offsetting

Assets and liabilities are offset and the net amount reported in the balance sheet 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.

Investment income

Investment income for the group comprises, interest and dividends. Dividends are recognised when the right to receive payment is established. Interest income is accounted for on the effective interest rate method.

Taxation

Income taxation on the profit or loss for the periods presented comprises current taxation, capital gains taxation, deferred taxation and Secondary Tax on Companies.

- **Current taxation**
  Current taxation and capital gains taxation is the expected taxation payable, using taxation rates enacted at the balance sheet date, including any prior year adjustments.

- **Deferred taxation**
  Deferred taxation is provided in full using the liability method. Provision is made for deferred taxation attributable to temporary differences in the accounting and taxation treatment of items in the financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business

combination that at the time of the transaction affects neither accounting nor taxable profit or loss then it is not accounted for. A deferred taxation liability is recognised for all temporary differences, at enacted rates of taxation at the balance sheet date. A deferred taxation asset is recognised for the carry forward of unused taxation losses, unused taxation credits and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which they can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the group controls the timing of the reversal of the temporary diferences and it is probable that the temporary differences will not reverse in the foreseeable future.

- **Secondary Tax on Companies ("STC")**
  STC is the expected taxation payable, using the enacted STC rate at balance sheet date on the amount by which dividends declared exceed dividends received. STC is recognised as part of the current tax charge in the income statement when the related dividend is declared.

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, and where appropriate, the risks specific to the liability.

Employee benefits

Incentive bonus scheme

The group provides an incentive bonus scheme for executive management, which is based on individual performance, linked to and dependent upon profitability and in particular growth in the group's embedded value and the creation of goodwill. The scheme comprises two elements, namely an embedded value element and a goodwill element.

The embedded value scheme component is based on growth in embedded value, as determined by the Group's Independent Actuaries and approved by the Remuneration Committee, in excess of predetermined criteria and is payable over a three year period for cycles ending 30 June 2007 and over a four year period for cycles ending thereafter.

The goodwill scheme component recognises the creation of value in excess of embedded value. The goodwill created is measured in five year cycles, the first cycle beginning on 1 July 2002 and ending on 30 June 2007 and is payable over a three year period. The next five year cycle will commence on 1 July 2007 and end on 30 June 2012, and will be payable over a five year period. The goodwill created is determined with reference to, the embedded value of new business (as determined by the Group's Independent Actuaries) in the fifth year and applying the multiple, as approved by the board on recommendation of the Remuneration Committee having regard to criteria included in the incentive bonus scheme document.

The group recognises a liability and an expense for the embedded value 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.

A provision is recognised in the balance sheet and an expense in the income statement in respect of the goodwill scheme component at the present value of the obligation at the balance sheet 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 income over the expected remaining period of the scheme.

Past-service costs are charged against income, unless the changes to the incentive bonus scheme are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

Retirement benefits

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 company which are charged to the income statement in the year to which they relate. 95% of the group's employees are members of the Clientèle Life Provident Fund.

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.

Share-based compensation

The group operates an equity-settled share-based compensation plan in the form of a share appreciation right scheme. The fair value of the employee services received in exchange for the grant of the share appreciation rights ("SARs") is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the SARs granted, excluding the impact of any non-market vesting conditions (for example, profitability and premium income growth targets). Non-market vesting conditions are included in assumptions about the number of SARs that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of SARs that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

Operating leases

Leases of assets under which the lessor effectively retains all the risks and benefits 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.

Segment information

The group's primary segments are business segments, with the secondary segment being geographic. A business segment is a distinguishable component group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. Costs in respect of business segments are allocated to the business segments.

Balance Sheets

at 30 June 2007

	Notes	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
Assets					
Property and equipment	3	**82 512**	12 651	**20 512**	12 651
Investments in subsidiaries	4	**–**	–	**24 270**	1
Investments in associates	5	**141**	–	**–**	–
Deferred taxation	11	**3 384**	5 150	**3 384**	5 150
Inventories		**1 459**	1 355	**606**	444
Reinsurance assets	6	**34 359**	28 820	**34 359**	28 820
Financial assets held at fair value through profit and loss	7	**1 042 059**	930 307	**1 082 461**	930 307
Receivables including insurance receivables	8	**16 783**	10 410	**15 941**	8 561
Current taxation receivables		**3 295**	–	**3 393**	329
Cash and cash equivalents	12	**89 695**	52 544	**87 153**	52 297
Total assets		**1 273 687**	1 041 237	**1 272 079**	1 038 560
Equity					
Share capital	17	**4 853**	4 853	**4 853**	4 853
Retained surplus		**146 493**	120 344	**167 546**	118 924
Share appreciation rights scheme reserve	17	**2 099**	–	**2 099**	–
Non-distributable reserve: Revaluation	17	**16 101**	–	**–**	–
Treasury share reserve		**–**	(1 589)	**–**	(1 589)
Total equity		**169 546**	123 608	**174 498**	122 188
Liabilities					
Policyholder liabilities under insurance contracts	9	**498 020**	379 996	**498 020**	379 996
Financial liabilities held at fair value through profit and loss	10	**480 969**	458 245	**480 969**	458 245
Employee benefits	15	**62 093**	34 560	**62 093**	34 560
Amounts due to reinsurers		**1 191**	430	**1 191**	430
Accruals and payables including insurance payables	16	**50 449**	41 981	**49 156**	41 106
Deferred taxation	11	**11 419**	2 035	**6 152**	2 035
Current taxation		**–**	382	**–**	–
Total liabilities		**1 104 141**	917 629	**1 097 581**	916 372
Total equity and liabilities		**1 273 687**	1 041 237	**1 272 079**	1 038 560

Income Statements

for the year ended 30 June 2007

	Notes	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
Revenue					
Insurance premium revenue – individual recurring		**651 267**	475 125	**651 267**	475 125
Reinsurance premiums		**(27 749)**	(21 712)	**(27 749)**	(21 712)
Net insurance premiums		**623 518**	453 413	**623 518**	453 413
Other income	19	**84 765**	48 612	**78 828**	44 084
Fair value gains on financial assets at fair value through profit and loss	18	**152 675**	121 309	**152 402**	121 293
Fair value gains on investments in subsidiaries	29	**–**	–	**24 269**	–
Total revenue		**860 958**	623 334	**879 017**	618 790
Net insurance benefits and claims		**(125 450)**	(76 002)	**(125 450)**	(76 002)
Claims and policyholder benefits under insurance contracts	21	**(145 662)**	(92 452)	**(145 662)**	(92 452)
Insurance claims recovered from reinsurers	21	**20 212**	16 450	**20 212**	16 450
Increase in policyholder liabilities under insurance contracts		**(118 024)**	(113 945)	**(118 024)**	(113 945)
– Increase for the year		**(113 968)**	(86 191)	**(113 968)**	(86 191)
– Impact of Statement of Intent and Regulation 5		**(4 056)**	(27 754)	**(4 056)**	(27 754)
Increase in reinsurance assets		**5 539**	5 217	**5 539**	5 217
Fair value adjustment to financial liabilities at fair value through profit and loss		**(34 332)**	(18 951)	**(34 332)**	(18 951)
Expenses	22	**(434 673)**	(281 103)	**(430 793)**	(280 771)
Acquisition costs associated with insurance contracts		**(387 125)**	(256 720)	**(387 125)**	(256 720)
Administration expenses		**(47 548)**	(24 383)	**(43 668)**	(24 051)
Impairment of USA associate		**–**	(4 000)	**–**	(4 000)
Results from operating activities		**154 018**	134 550	**175 957**	130 338
Equity accounted earnings from associates		**141**	52	**–**	–
Profit before taxation		**154 159**	134 602	**175 957**	130 338
Taxation	23	**(49 322)**	(43 823)	**(48 647)**	(42 831)
Net profit attributable to ordinary shareholders		**104 837**	90 779	**127 310**	87 507
Earnings per share	24	**324,07**	280,62	**393,54**	271,53
Diluted earnings per share	24	**323,84**	–	**393,26**	–

Group Statement of Changes in Equity

for the year ended 30 June 2007

	Share capital R'000	Retained earnings R'000	Treasury share reserve R'000	Share appreciation rights scheme reserve R'000	Non-distributable reserves: Revaluation R'000	**Total R'000**
Balance as at 1 July 2005	4 853	110 132	(1 589)			**113 396**
Net profit attributable to shareholders		90 779				**90 779**
Ordinary dividend paid		(80 567)				**(80 567)**
Balance as at 30 June 2006	4 853	120 344	(1 589)	–	–	**123 608**
Balance as at 1 July 2006	4 853	120 344	(1 589)			**123 608**
Sale of treasury shares		5 422	1 589			**7 011**
Net profit attributable to shareholders		104 837				**104 837**
Ordinary dividend paid		(84 110)				**(84 110)**
SARs scheme allocated				2 099		**2 099**
Revaluation of owner occupied property					16 101	**16 101**
Balance as at 30 June 2007	4 853	146 493	–	2 099	16 101	**169 546**

Company Statement of Changes in Equity

for the year ended 30 June 2007

	Share capital R'000	Retained earnings R'000	Treasury share reserve R'000	Share appreciation rights scheme reserve R'000	Non-distributable reserves: Revaluation R'000	**Total R'000**
Balance as at 1 July 2005	4 853	111 984	(1 589)			**115 248**
Net profit attributable to shareholders		87 507				**87 507**
Ordinary dividend paid		(80 567)				**(80 567)**
Balance as at 30 June 2006	4 853	118 924	(1 589)	–	–	**122 188**
Balance as at 1 July 2006	4 853	118 924	(1 589)			**122 188**
Sale of treasury shares		5 422	1 589			**7 011**
Net profit attributable to shareholders		127 310				**127 310**
Ordinary dividend paid		(84 110)				**(84 110)**
SARs scheme allocated				2 099		**2 099**
Balance as at 30 June 2007	4 853	167 546	–	2 099	–	**174 498**

Capital Adequacy requirement

The company is required to maintain a minimum capital adequacy requirement as required by the Long-term Insurance Act, which is not distributable and amounts to R47,1 million (2006: R26,2 million)

Cash Flow Statement

for the year ended 30 June 2007

		Group		Company	
		2007	2006	**2007**	2006
	Notes	**R'000**	R'000	**R'000**	R'000
Cash flow generated by operating activities		**53 445**	37 872	**51 150**	37 704
Cash generated by operations	25	**228 572**	239 057	**230 531**	234 190
Net acquisition of investments		**(72 746)**	(118 869)	**(72 746)**	(114 154)
Interest received		**14 993**	50 774	**14 718**	50 758
Dividends received		**10 330**	8 301	**10 330**	8 301
Dividend paid	26	**(84 089)**	(80 489)	**(84 089)**	(80 489)
Taxation paid	27	**(43 615)**	(60 902)	**(47 594)**	(60 902)
Cash flow from investing activities		**(16 294)**	(9 226)	**(16 294)**	(9 226)
Acquisition of property and equipment		**(16 326)**	(9 256)	**(16 326)**	(9 256)
Disposal of assets sold		**32**	30	**32**	30
Increase in cash and cash equivalents		**37 151**	28 646	**34 856**	28 478
Cash and cash equivalents at beginning of year		**52 544**	23 898	**52 297**	23 819
Cash and cash equivalents at end of year	12	**89 695**	52 544	**87 153**	52 297

Notes to the Annual Financial Statements

for the year ended 30 June 2007

1. Risk management

Risk management framework and objectives

The board acknowledges its responsibility for establishing and communicating appropriate risk and control policies and ensuring that adequate risk management processes are in place. Management deals with the various aspects regarding policies for accepting risks, including selection and approval of risks or risks to be insured, use of limits and avoiding undue concentration of risk and underwriting strategies to ensure the appropriate risk classification and premium levels.

Responsibility for risk management

The group audit committee, being a committee of the Clientèle Life Assurance Group board and the group risk and compliance committee, being a sub-commitee of the group audit committee, are in place to assist the board in discharging its risk management obligations.

The group audit committee's principal objectives are as follows:

- Act as an effective communication channel between the board on one hand and the external auditors, the external actuaries, the head of internal audit, the chairman of the group risk and compliance committee, the chairman of the actuarial committee and the chairman of the investment committee with regard to taxation matters on the other;
- Satisfy the board that adequate internal, financial and operating controls are being identified, addressed and monitored by management and that material corporate risks have been identified and are being contained and monitored through the group audit committees and the group risk and compliance committee;
- Enhance the quality, effectiveness, relevance and communication value of the published financial statements issued by the group with focus being placed on the actuarial assumptions, parameters, valuations and reporting guidelines and practices adopted by the statutory actuary as appropriate to the group's life insurance activities.

The actuarial committee assists the group audit committee in this regard.

The principal objectives of the group's risk and compliance committee pertaining to risks are to:

- Review the group's risk philosophy, strategy, policies and processes recommended by executive management;
- Review compliance with risk policies and with the overall risk profile of the group;
- Review and assess the integrity of the process and procedures for identifying, assessing, recording and monitoring of risk;
- Review the adequacy and effectiveness of the group's risk management function and its implementation by management; and
- Provide the group audit committee with an assessment of the state of risk management within the group.

A significant part of the business involves the acceptance and management of risk. Primary responsibility for risk management at an operational level rests with the executive committee. The group's risk management processes, of which the systems of internal, financial and operating controls are an integral part, are designed to control and monitor risk throughout the group. For effectiveness, these processes rely on regular communication, sound judgement and a thorough knowledge of the products and markets by the people closest to them. Management are tasked with integrating the management of risk into day-to-day activities of the group.

Types of risks

Capital adequacy requirement risk

The group is required to maintain a capital balance equivalent to the capital adequacy requirement (CAR). This is available to meet obligations in the event of substantial deviations from the main experience assumptions affecting the group's financial instrument and insurance contract business.

The CAR is determined in accordance with FSB Board Notice 38 of 2004: "Prescribed requirements for the calculation of the value of the assets, liabilities and Capital Adequacy Requirement of long-term insurers". It is a risk-based capital measure that is intended to provide a 95% confidence level that insurers will be able to meet their existing liabilities.

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

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

As at 30 June 2007 the group's CAR for insurance and investment contract business amounted to R47,1 million and was covered 3,6 times (2006: 4,5 times) by the excess of assets over liabilities.

INSURANCE RISK

Insurance risk is the risk that benefit payments and expenses exceed the carrying amount of the group insurance liabilities. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year.

Mortality and morbidity risks

Underwriting processes are in place to manage exposure to death and disability risks. The most significant measures are:

- Premium rates are required to be certified by the statutory actuary as being financially sound;
- Bi-annual experience investigations are conducted and used to set premium rates; and
- Reinsurance arrangements are negotiated in order to limit the risk on any individual contract.

Contracts provide benefits on death and disability to individuals.

- *Factors affecting these risks:*
  - The most significant factors that could substantially increase the frequency of claims are epidemics (such as AIDS) or widespread changes in lifestyle (smoking, exercise, eating, sexual practices), resulting in more or earlier claims.
  - Economic conditions can potentially affect morbidity claims where benefits are determined in terms of the ability to perform an occupation.
- *Management of this risk*
  - To reduce cross-subsidisation of risks, and the possibility of anti-selection, premium rates differentiate on the basis of age and gender. Bi-annual experience investigations have shown these are reliable indicators of the risk exposure.
  - To mitigate anti-selection, policies covering death by natural causes have a waiting period.
  - At claims stage undisclosed pre-existing adverse medical conditions are excluded.
  - An additional provision is held in respect of the potential deterioration of mortality experience as a result of AIDS risks using modern best practice models as advocated by the Actuarial Society of South Africa.
  - Reinsurance agreements are used to limit the risk on any single policy. Currently no catastrophe cover has been purchased.
  - Claims as a result of death due to natural causes are re-insured for 90% of the claim.
  - Claims as a result of accidental death are not reinsured.

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

Sum insured per benefit	Number of benefits insured	Amount (gross) Rm	Amount (net) Rm
2007			
0 – 20 000	1 752 415	12 362	6 714
20 000 – 50 000	629 170	23 889	12 321
50 000 – 100 000	15 371	1 041	772
100 000 – 200 000	1 591	233	118
200 000 – 500 000	194	55	51
Total	**2 398 741**	**37 580**	**19 976**
2006			
0 – 20 000	414 683	5 275	3 949
20 000 – 50 000	624 296	20 772	20 345
50 000 – 100 000	12 530	840	757
100 000 – 200 000	1 225	156	113
200 000 – 500 000	175	56	53
Total	**1 052 909**	**27 099**	**25 217**

The above table demonstrates that there is limited concentration risk as risk is spread over numerous beneficiaries with the highest volume in respect of the smaller sums insured.

The number and value of benefits include a large number of benefits with a low incidence of claims (e.g. accidental death and where anti-selection is not probable), which are not re-insured. Where anti-selection or incidence is higher these policies are 90% reinsured.

During the current year a significant number of "Life Cashback" policies were sold which include a number of benefits in respect of each policy sold hence the increase in the number of benefits insured.

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

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

- *Factors affecting this risk*
  - Economic conditions and/or consumer trends can influence persistency rates.
  - Changes in banking processes and procedures (for example the introduction of non authenticated early debit order systems).
  - Terminations can have the effect of increasing risk – e.g. contract holders whose health has deteriorated are less likely on average to terminate a contract providing death benefits.
- *Management of this risk*
  - Where withdrawal benefits are payable on termination, these can be adjusted to recover certain expenses. However, market and legislative forces restrict the extent to which this may be done.
  - Persistency rates are measured on a monthly basis by a variety of factors and resources are directed towards the sale of business with higher persistency, understanding our policyholders' payment abilities and improved methods of collecting premiums.

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.
  - 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 unit together with strong new business flows.

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 external actuaries are used for the valuation of liabilities.
  - Actual experience is closely monitored and compared to assumptions bi-annually.

Data risk

Data risk is the risk that data used in the embedded value calculations or the policyholders liability valuation calculations are inaccurate or incomplete.

- *Factors affecting this risk*
  - Incorrect data or valuation extracts between the policy administration system and the actuarial valuation model.
  - Incorrect capturing of data on the policy administration system.

- *Management of this risk*
  - Data integrity testing and the investigation of exceptions reported takes place continuously.
  - Policyholders liability valuation calculations are done on a monthly basis.
  - Embedded value calculations are done on a bi-annual basis.

FINANCIAL RISK

The group is exposed to financial risk through its financial assets, financial liabilities, reinsurance assets, reinsurance liabilities and insurance liabilities. Financial risk includes credit risk, equity risk, interest rate risk, liquidity risk and asset/liability mismatch (“ALM”) risk.

The main financial risks to which the group is exposed are described below under various contract categories. Each category represents distinct financial risks.

Credit risk

Credit risk is the risk that a counter party will fail to discharge an obligation on an asset held and cause the group to incur a financial loss.

Balances where the group has exposure to credit risk includes all financial instruments, amounts receivable from insurance policyholders, amounts due from reinsurers and cash and cash equivalents.

The carrying amounts of financial assets and reinsurance assets included in the balance sheet represent the group’s exposure to credit risk in relation to these assets. At 30 June 2007 the group did not consider there to be a significant concentration of credit risk and no provision for credit risk has been made.

- *Factors affecting this risk*
  - Fair values of investments may be affected by the creditworthiness of the issuer of securities. The group is 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 assets in terms of the provisions of the Long Term Insurance Act has the effect of limiting exposure to individual issuers due to the inadmissibility of assets for regulatory purposes if specified limits are breached.
  - Cash equivalents, financial assets and reinsurance are placed with reputable international companies. The credit rating of the company is assessed when placing the business and when there is a change in the status of the company. The counterparties for assets backing financial liabilities held at fair value through profit and loss are rated at least AA by an International rating agency.

Equity risk
Equity risk is the risk that the 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. Equities are reflected at market values which are susceptible to fluctuations.

- *Factors affecting this risk*
  - The equity content in investment portfolios.
  - The categories of equities invested in (sectoral spread).
  - Performance of equities in general.
- *Management of this risk*
  - Asset allocations are reviewed on a quarterly basis by the investment committee, which is a sub-committee of the Board.
  - The categories of equities invested in are monitored monthly by Melville Douglas of Standard Private Bank who report to the investment committee.
  - The equities selection and investment analysis process is outsourced to Melville Douglas, who invest within the mandates set by the investment committee.

Interest rate risk
Interest rate risk is the risk that the value of a financial instrument will fluctuate as a result of changes in interest rates.

- *Factors affecting this risk*
  - Changes in market interest rates have a direct effect on the contractually determined cash flows associated with floating rate financial assets and financial liabilities, and on the fair value of other investments.
  - Fair values of fixed maturity investments included in the group's investment portfolios are subject to changes in prevailing market interest rates.
- *Management of this risk*
  - The ongoing assessment by Melville Douglas of market expectations within the South African interest rate environment in conjunction with consultation with the investment committee, drives the process of asset allocation in this category.

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

- *Management of this risk*
  - Liquidity requirements and cash resources are monitored by management.
  - Appropriate assets back the group's liabilities and it has sufficient liquid resources. The group also continues to experience strong positive net cash flows.

The maturity profile of financial assets is disclosed in note 7 to the annual financial statements, financial assets held at fair value through profit and loss.

The expected cash flows of net policyholder liabilities under insurance contracts and financial liabilities held at fair value through profit and loss are listed below:

	0 to 1 year R'000	1 – 5 years R'000	>5 years R'000	Open ended R'000	Total R'000
30 June 2007					
Policyholder liabilities under insurance contracts	–	–	–	498 020	498 020
Financial liabilities held at fair value through profit and loss	22 271	458 698	–	–	480 969
	22 271	458 698	–	498 020	944 630
30 June 2006					
Policyholder liabilities under insurance contracts	–	–	–	379 996	379 996
Financial liabilities held at fair value through profit and loss	–	458 245	–	–	458 245
	–	458 245	–	379 996	838 241

- **Asset/liability mismatch ("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 held at fair value through profit and loss.
- *Factors affecting this risk*
  - Claims, including encashments, at higher rates than assumed.
  - A mismatch in the investment performance of financial assets relating to the underlying insurance contract liabilities or financial liabilities held at fair value through profit and loss.
  - Holding insufficient free assets in relation to actuarial liabilities.
- *Management of this risk*
  - 90% of death due to natural causes is reinsured.
  - Products with a savings component are unit linked products matched to the underlying net investment performance.
  - The assets backing financial liabilities held at fair value through profit and loss are matched upfront.
  - A CAR ratio in excess of regulatory requirements is maintained at all times.

2. Crictical accounting estimates and judgements used in applying accounting policies

The group makes estimates and assumptions that affect the reported amounts of its insurance liabilities and assets, financial liabilities at fair value and employee benefit obligations. Save for employee benefit obligations which are evaluated bi-annnually, estimates and judgements are evaluated monthly and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

INSURANCE CONTRACTS

Other than where an Incurred But Not Reported (IBNR) liability has been established and for unit linked savings products, the insurance liabilities are calculated by projecting liability outgo and expected future premiums and discounting the cashflows to the valuation date based on the valuation discount rate. These are referred to as discounted liabilities.

Discounted Liabilites
These liabilities are established on a policy by policy basis. The basis of the projections is on a "best estimate" assumption basis. Compulsory margins are added to allow for risk and uncertainty based on the relevant local Actuarial Guidance Note (PGN104). In addition discretionary margins are included.

The compulsory margins were as follows:

Compulsory margins

Assumption	**2007 Margin**	2006 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 (where relevant)	**25,0% increase/decrease***	25,0% increase/decrease*
Surrenders (where relevant)	**10,0% increase/decrease***	10,0% increase/decrease*

* Depending on which charge increases the liability.

Discretionary margins
Negative liabilities amounting to R235,4 million (2006: R85,2 million) have been eliminated. Further to this a liability has been set up equal to 40% (2006: 50%) of the liability needed to ensure that each policy liability would be equal to a minimum of the Surrender Value. It is intended that the 40% factor will reduce linearly to 0% over the next four years. This liability amounted to R31,4 million (2006: R26,2 million).

The elimination of negative liabilities has increased significantly from June 2006. This is due to the large volumes of profitable new business written with negative liabilities.

Significant assumptions and other sources of estimation uncertainty

Discounted liabilities assumptions
The key assumptions used in the calculation of the insurance liabilities are based on recent experience investigations of the group's business. Every year each assumption is reviewed based on the results of the most recent experience investigations. The intention is to arrive at a best estimate of the group's experience. Once the best estimate is determined compulsory margins (per PGN104) are incorporated as described above. Where data is not credible, more prudent assumptions are used based on industry data where available. However, for the bulk of the group's business, internal data was used. To allow for the expected deterioration in claims due to AIDS, the AIDS tables produced by the Actuarial Society of South Africa were used. The results of the internal mortality investigations were used to establish current levels relative to these tables as referred to in the Statement of Actuarial Values of Assets and Liabilities on page 24 to the Annual Financial Statements.

Demographic Assumptions
Mortality
A detailed mortality investigation was undertaken for homogenous groupings of business for the year ending 30 June 2007 based on the in force data file, movements and claims in the year. These results were used to set the mortality and AIDS assumptions relative to the latest published local assured lives and AIDS tables used in the Statement of Actuarial Values of Assets and Liabilities on page 26 to the annual financial statements.

Withdrawals
A detailed withdrawal investigation was carried out for the year ending 30 June 2007 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.

Economic Assumptions

(a) Investment Return

The investment return assumption for all classes of business, except those where the liability has a specific asset backing it, was determined as:

- The expected return on the underlying assets backing the liabilities of the group; less,
- An allowance for investment expenses; less,
- An allowance for credit risk; less,
- A compulsory margin (prescribed as being 0,25%)

Future investment returns for the main asset classes were determined as follows:

- Bonds – 9% (2006: 8,5%)
- Equities – 10% (2006: 10,5%)
- Property – 9% (2006: 9,5%)
- Cash – 7% (2006: 6,5%)

Based on the asset portfolio allocated to policyholders liabilities and the above assumptions, an investment return of 9% (2006: 8,5%) p.a. (before compulsory margins) was assumed for the majority of the business.

(b) Inflation

The current assumed level of future expense inflation is 6,5% (2006: 6%) per annum. This level of inflation is supported by the Reserve Bank's long term inflation target of between 3% and 6% and the assumption that life companies typically suffer expense increases slightly above general inflation.

(c) Taxation

Future taxation and taxation relief are allowed for at the rates and on the bases applicable to Section 29A of the Income Tax Act at the balance sheet date. The company'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 last year's basis:

- Economic assumptions were reviewed to reflect the current environment;
- Withdrawal and mortality rates were reviewed and adjusted where necessary in the light of recent experience.

In addition to the above the minimum surrender values as introduced by regulation 5 of Government Gazette No. 29446 of 1 December 2006 were introduced.

Undiscounted Liabilities
IBNR liabilities are calculated for undiscounted liabilities, and 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.

Sensitivity Analysis

The sensitivity of the insurance liabilities to the main assumptions was tested by calculating the effect of certain assumptions not being met. The following sensitivities were tested:

- Increasing renewal expenses by 10% (2006: 10%);
- Increasing withdrawal by 10% (2006: 10%);
- Increasing inflation by 1% (absolute change in rate) (2006: 1%);
- Reducing the assumed rate of investment return by 1% (2006: 1%); and
- Increasing mortality and other risk experience by 10% (2006: 10%).

The results of the sensitivity analysis on the net insurance liabilities, can be summarised as follows:

Sensitivity analysis	Actuarial liability R'000	Percentage change relative to main basis
2007		
Main Basis	463 661	
Renewal expenses plus 10%	468 972	1,1
Withdrawals plus 10%	459 673	(0,9)
Inflation plus 1%	466 257	0,6
Investment return less 1%	463 145	(0,1)
Mortality (and other claims) plus 10%	467 501	0,8
2006		
Main Basis	351 176	
Renewal expenses plus 10%	354 627	1,0
Withdrawals plus 10%	348 154	(0,9)
Inflation plus 1%	352 590	0,4
Investment return less 1%	348 953	(0,6)
Mortality (and other claims) plus 10%	352 779	0,5

The above figures combine discounted and undiscounted liabilities. The latter are not sensitive to the assumptions as they are valued retrospectively.

FINANCIAL LIABILITIES AT FAIR VALUE

The group issues a significant number of 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, credit risk (both own and counterparty), and activity in similar instruments.

Changes in assumptions about these factors could affect the reported fair value of these financial statements. The extent that actual surrenders are different from the group's estimates is the most 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.

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 embedded value of new business generated in the fifth year of the five year cycle of the scheme, the multiple used in the formula and the expected number of employees participating in the scheme. The group bases these estimates on budgets and forecasts based on the group's business plans or the actual results in the fifth year of the scheme.

Group	Buildings R'000	Land R'000	Furniture and equipment R'000	Computer software R'000	Computer equipment R'000	Motor vehicles R'000	Total R'000
3.1 Property and equipment							
Year ended 30 June 2006							
Cost at beginning of year	–	–	14 589	649	13 791	1 567	30 596
Additions	–	–	5 357	1 017	2 610	272	9 256
Disposals	–	–	–	–	(10)	–	(10)
Cost at end of year	–	–	19 946	1 666	16 391	1 839	39 842
Accumulated depreciation at beginning of year	–	–	(9 950)	(231)	(10 815)	(406)	(21 402)
Depreciation	–	–	(2 660)	(358)	(2 340)	(431)	(5 789)
Accumulated depreciation at end of year	–	–	(12 610)	(589)	(13 155)	(837)	(27 191)
Net carrying amount at end of year	**–**	**–**	7 336	1 077	3 236	1 002	12 651
Year ended 30 June 2007							
Cost at beginning of year	–	–	19 946	1 666	16 391	1 839	**39 842**
Additions	28 442	12 190	5 825	4 229	4 317	1 954	**56 957**
Revaluation	14 958	6 410	–	–	–	–	**21 368**
Disposals	–	–	–	–	(20)	–	**(20)**
Cost/fair value at end of year	43 400	18 600	25 771	5 895	20 688	3 793	**118 147**
Accumulated depreciation at beginning of year	–	–	(12 610)	(589)	(13 155)	(837)	**(27 191)**
Depreciation	–	–	(3 618)	(1 543)	(2 521)	(762)	**(8 444)**
Accumulated depreciation at end of year	–	–	(16 228)	(2 132)	(15 676)	(1 599)	**(35 635)**
Net carrying amount at end of year	43 400	18 600	9 543	3 763	5 012	2 194	**82 512**

The land and buildings are valued annually on 30 June at fair value by an independent valuator, CB Richard Ellis (Pty) Ltd., reflecting the actual market state and circumstances. The valuation of R62 million is based on a discounted cash flow calculation (capitalisation of earnings method) using the following underlying assumptions:

- Projected net annual rental income of R6,0 million based on market related rental income per square meter.
- Capitalised at a remunerative rate of 8% on the net annual income.

The investment property consists of two contiguous office buildings situated on Erfs 1501, 1502 and 1506, Morningside Extension 7, Sandton, Gauteng. The office buildings are leased to group companies.

Company	Furniture and equipment R'000	Computer software R'000	Computer equipment R'000	Motor vehicles R'000	Total R'000
3.2 Property and equipment					
Year ended 30 June 2006					
Cost at beginning of year	14 589	649	13 791	1 567	30 596
Additions	5 357	1 017	2 610	272	9 256
Disposals	–	–	(10)	–	(10)
Cost at end of year	19 946	1 666	16 391	1 839	39 842
Accumulated depreciation at beginning of year	(9 950)	(231)	(10 815)	(406)	(21 402)
Depreciation	(2 660)	(358)	(2 340)	(431)	(5 789)
Accumulated depreciation at end of year	(12 610)	(589)	(13 155)	(837)	(27 191)
Net carrying amount at end of year	7 336	1 077	3 236	1 002	12 651
Year ended 30 June 2007					
Cost at beginning of year	19 946	1 666	16 391	1 839	**39 842**
Additions	5 825	4 229	4 317	1 954	**16 325**
Disposals	–	–	(20)	–	**(20)**
Cost/fair value at end of year	25 771	5 895	20 688	3 793	**56 147**
Accumulated depreciation at beginning of year	12 610	589	13 155	837	**27 191**
Depreciation	3 618	1 543	2 521	762	**8 444**
Accumulated depreciation at end of year	16 228	2 132	15 676	1 599	**35 635**
Net carrying amount at end of year	9 543	3 763	5 012	2 194	**20 512**

4. Investment in subsidiaries

Summary

Company	Amount of issued share capital 2007 R	2006 R	Percentage of issued share capital 2007 %	2006 %	Shares held at cost 2007 R	2006 R	Directors valuation of shares 2007 R'000	2006 R'000
Unlisted subsidiaries								
Independent Field Advertisers Financial Services (Pty) Ltd	**1 000**	1 000	**100**	100	**1 000**	1 000	**2 902**	1
Optimize IT (Pty) Ltd *(dormant)*	**1**	1	**100**	100	**1**	1	**–**	–
Newshelf 803 (Pty) Ltd	**1**	–	**100**	–	**1**	–	**21 368**	–
	1 002	1 001			**1 002**	1 001	**24 270**	1

	2007 R'000	2006 R'000
Amounts owing by subsidiaries		
Independent Field Advertisers Financial Services (Pty) Ltd (refer note 8)	**1 016**	351
Newshelf 803 (Pty) Ltd (refer note 7)	**40 400**	–

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
5. Investments in associates				
Investment at the beginning of the year	**–**	907	**–**	907
Impairment of investment in associate	**–**	(959)	**–**	(907)
Share of profit/(loss)	**141**	52	**–**	–
Investment at end of year	**141**	–	**–**	–
Key financial information of associates				
Clientèle USA LLC:				
Investments	**578**	620	**578**	620
Current assets	**318**	1 317	**318**	1 317
Current liabilities	**(4 224)**	(5 816)	**(4 224)**	(5 816)
Legal Sense (Pty) Ltd:				
Investments	**–**	–	**–**	–
Current assets	**321**	–	**321**	–
Current liabilities	**(341)**	–	**(341)**	–

The unlisted associate, Clientèle USA LLC, of which Clientèle Life holds 33,3% (2006: 33,3%), is incorporated in the United States of America. Their business is the distribution of life insurance policies and they have a December year-end. The unlisted associate, Legal Sense (Pty) Limited of which Clientèle Life holds 49% (2006: nil), is incorporated in the Republic of South Africa. Their business is the distribution of corporate legal policies and they have a June year-end. The investments are accounted for by the equity method of accounting.

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
6. Reinsurance assets				
Reinsurance share of insurance liabilities				
Current	**34 359**	28 820	**34 359**	28 820

	Group		Company	
	2007	2006	**2007**	2006
	R'000	R'000	**R'000**	R'000
7. Financial assets held at fair value through profit and loss				
Balance at beginning of the year	**930 307**	811 438	**930 307**	811 438
Fair value adjustments	**39 006**	23 176	**79 408**	23 176
Net additions and disposals	**72 746**	95 693	**72 746**	95 693
Balance at end of year	**1 042 059**	930 307	**1 082 461**	930 307
Debt securities:				
Promissory notes and deposits (quoted)	**480 793**	454 981	**480 793**	454 981
Funds on deposit	**36 144**	73 187	**36 144**	73 187
Fixed interest securities (quoted)	**25 332**	19 429	**25 332**	19 429
Fixed interest securities (unquoted) (refer note 4)	**–**	–	**40 402**	–
Government and public authority bonds (quoted)	**48 400**	67 562	**48 400**	67 562
Total debt securities	**590 669**	615 159	**631 071**	615 159
Equity securities:				
Listed equities	**410 271**	279 032	**410 271**	279 032
Unlisted unit trusts (quoted)	**37 469**	33 576	**37 469**	33 576
Unlisted equities	**3 650**	2 540	**3 650**	2 540
	451 390	315 148	**451 390**	315 148
Total instruments	**1 042 059**	930 307	**1 082 461**	930 307

Equity securities are held for long-term investment purposes and are not expected to be realised within five years.

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

With the approval of the Financial Services Board financial assets held at fair value through profit and loss amounting to R114,0 million (2006: R104,1 million) which match financial liabilities held at fair value through profit and loss have been ceded to Sanlam Limited.

Maturity profile of government and public authority stocks and bonds and fixed interest deposits:

Due in 1 year or less	**73 732**	81 680	**73 732**	81 680
Due in 1 to 5 years	**480 793**	460 292	**480 793**	460 292
Due in 5 to 10 years	**–**	–	**40 402**	–
Maturity profile of funds on deposit:				
Due in 1 year or less	**36 144**	73 187	**36 144**	73 187
	590 669	615 159	**631 071**	615 159

	Group		Company	
	2007	2006	**2007**	2006
	R'000	R'000	**R'000**	R'000
8. Receivables including insurance receivables				
Receivables	**7 118**	5 420	**5 260**	3 220
Reinsurance receivable	**4 098**	1 069	**4 098**	1 069
Prepayments	**5 117**	3 921	**5 117**	3 921
Due from subsidiaries	**–**	–	**1 016**	351
Due from associate (Legal Sense)	**450**	–	**450**	–
	16 783	10 410	**15 941**	8 561
Current	**16 333**	10 410	**15 491**	8 561
Non-current	**450**	–	**450**	–
	16 783	10 410	**15 941**	8 561

The loan due from the subsidiaries is interest free and has no fixed terms of repayment.
The receivables are current receivables.
The loan due from the associate is at market related interest rates and has no fixed terms of repayment.

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
9. Policyholders' liabilities under insurance contracts				
Balance at beginning of the year	**379 996**	266 051	**379 996**	266 051
Increase	**118 024**	113 945	**118 024**	113 945
Balance at end of the year	**498 020**	379 996	**498 020**	379 996

9. Policyholders' liabilities under insurance contracts (continued)

Changes in insurance liabilities and reinsurance

2007	Group and Company Gross of reinsurance R'000	Net of reinsurance R'000
Discounted liabilities (including units linked liabilities)		
Insurance liabilities as at the beginning of the year	353 700	343 254
Less: Discretionary margins	(111 350)	(111 350)
Insurance liabilities as at the beginning of the year prior to allowance for discretionary margins	242 350	231 904
Expected interest on insurance liabilities (and cashflows)	20 611	19 748
Expected premiums on insurance liabilities	358 404	358 404
Expected unwinding of margins (existing business)	(22 233)	(22 016)
Expected claims, expiries and lapses	(113 245)	(110 676)
Expected expenses, commission and charges	(82 404)	(82 404)
Additional market related claims (policyholders)	(20 964)	(20 964)
Experience variations	7 305	9 844
Changes in valuation basis (renewal business only)	7 752	5 683
New business added during the year	(191 586)	(198 036)
Insurance liabilities as at the end of the year prior to allowance for discretionary margins	205 990	191 487
Plus: Discretionary margins	266 729	266 729
Insurance liabilities as at the end of the year	472 719	458 216
Undiscounted liabilities		
Insurance liabilities as at the beginning of the year	26 296	7 922
Withdrawals during the year	(2 335)	(2 146)
Change in method on existing business	(2 576)	(2 576)
New business added during the year	3 916	2 245
Insurance liabilities as at the end of the year	25 301	5 445
Insurance liabilities as at the end of the year	498 020	463 661
Reinsurance assets	–	34 359

9. Policyholders' liabilities under insurance contracts (continued)

2006	Group and Company Gross of reinsurance R'000	 Net of reinsurance R'000
Discounted liabilities (including unit linked liabilities and discretionary margins)		
Insurance liabilities as at the beginning of the year	242 301	236 359
Unwind of discount rate	20 598	20 091
Expected premiums on insurance liabilities	264 457	264 457
Additional unit linked returns (policyholders)	47 162	47 162
Expected claims, expiries and lapses	(84 304)	(82 769)
Expected expenses, commission and charges	(77 070)	(77 070)
Release of discretionary margins	(65 008)	(65 008)
Experience variations	(12 786)	(17 404)
Changes in assumptions	8 206	8 341
New business added during the year	10 144	9 095
Insurance liabilities as at the end of the year	353 700	343 254
Undiscounted liabilities		
Insurance liabilities as at the beginning of the year	23 750	6 089
Withdrawals during the year	(8 405)	(2 155)
Change in method on existing business	433	111
New business added during the year	10 518	3 877
Insurance liabilities as at the end of the year	26 296	7 922
Insurance liabilities as at the end of the year	379 996	351 176
Reinsurance assets	–	28 820

Notes to the Annual Financial Statements
continued

	Group		Company	
	2007	2006	**2007**	2006
	R'000	R'000	**R'000**	R'000
10. Financial liabilities held at fair value through profit and loss				
Balance at beginning of the year	**458 245**	439 735	**458 245**	439 735
Movements for the year				
– Fair value adjustments	**34 332**	18 951	**34 332**	18 951
– Deposits	**24 876**	27 011	**24 876**	27 011
– Withdrawals	**(36 484)**	(27 452)	**(36 484)**	(27 452)
Balance at end of the year	**480 969**	458 245	**480 969**	458 245
The above liabilities are expected to mature within 1 to 5 years.				
11. Deferred taxation				
Assets – non current				
Long term employee benefits (IAS 19)				
Deferred taxation asset at the end of the year	**3 384**	5 150	**3 384**	5 150
Balance at beginning of the year	**5 150**	3 300	**5 150**	3 300
(Decrease)/Increase during the year	**(1 766)**	1 850	**(1 766)**	1 850
Liability – non current				
Capital gains taxation				
Deferred taxation liability at the end of the year	**11 419**	2 035	**6 152**	2 035
Balance at beginning of the year	**2 035**	1 757	**2 035**	2 038
Increase/(decrease) during the year	**4 116**	278	**4 117**	(3)
Deferred taxation on revaluation of land	**930**	–	**–**	–
Deferred taxation on revaluation of building	**4 338**	–	**–**	–
The assessable tax loss of the individual policyholder fund amounts to R720 million (2006: R644 million). No deferred tax asset has been raised in respect of the assessable tax loss.				
12. Cash and cash equivalents				
Cash in bank and at hand	**89 695**	52 544	**87 153**	52 297

	Group		Company	
	2007	2006	**2007**	2006
	R'000	R'000	**R'000**	R'000
13. Related parties disclosure				
Parents				
Direct holding company				
Pickent Holdings (Proprietary) Limited ultimately controls 81,26% of the issued ordinary shares.				
Subsidiaries				
Directly owned				
– Newshelf 803 (Proprietary) Limited				
– Optimize IT (Proprietary) Limited (dormant)				
– Independent Field Advertisers Financial Services (Proprietary) Limited				
The following are the transactions and balances in respect of subsidiaries:				
Loan to Independent Field Advertisers Financial Services (Proprietary) Limited				
Opening balance	**–**	**–**	**353**	5 068
Net advances/(repayment)	**–**	**–**	**663**	(4 715)
Closing balance	**–**	**–**	**1 016**	353
Investment in corporate bond issued by Newshelf 803 (Proprietary) Limited				
Opening balance			**–**	–
Investment			**40 402**	–
Closing balance			**40 402**	–
Total balances at year end			**41 418**	353
Associate				
Receivables from associated companies:				
Clientèle USA LLC				
The Clientele USA LLC loan is rand denominated, bears interest at market related rates and has no fixed terms of repayment.				
The following are the transactions and balances in respect of the associates:				
Clientèle USA LLC:				
Opening balance	**–**	3 671	**–**	3 671
Impairment	**–**	(3 671)	**–**	(3 671)
Closing balance	**–**	–	**–**	–
Legal Sense (Pty) Limited:				
Opening balance	**–**	–	**–**	–
Net advance	**450**	–	**450**	–
Closing balance	**450**	–	**450**	–

Notes to the Annual Financial Statements
continued

14. Directors' emoluments

Year ended 30 June 2006

Non-executive directors **Paid by the company**	Months in office	Directors' fees R'000	Consultancy fees R'000	**Total emoluments R'000**
P. W. Felton	4	310	–	**310**
P. J. A. Cunningham	12	210	–	**210**
G. Q. Routledge	12	420	–	**420**
Total emoluments		940	–	**940**

Executive directors **Paid by the company**	Months in office	Basic salary R'000	Bonuses and performance related payments R'000	Retirement, medical and other benefits R'000	**Total emoluments R'000**
G. J. Soll	12	1 215	6 001	25	**7 241**
P. W. Felton	8	590	3 000	40	**3 630**
I. B. Hume	12	860	3 050	60	**3 970**
Total emoluments		2 665	12 051	125	**14 841**

Bonuses and performance related payments include the incentive bonus scheme payments. No share appreciation rights have been issued to directors.

Year ended 30 June 2007

Non-executive directors **Paid by the company**	Months in office	Directors' fees R'000	Consulting fees R'000	**Total emoluments R'000**
S. D. Molapo	6	150	150	**300**
P. J. A. Cunningham	12	310	–	**310**
G. Q. Routledge	12	620	–	**620**
P. W. Felton	6	–	500	**500**
Total emoluments		**1 080**	**650**	**1 730**

Executive directors **Paid by the company**	Months in office	Basic salary R'000	Bonuses and performance related payments R'000	Retirement, medical and other benefits R'000	**Total emoluments R'000**
G. J. Soll	12	1 273	17 009	27	**18 309**
B. Frodsham	12	718	7 869	34	**8 621**
I. B. Hume	12	911	8 738	63	**9 712**
Total emoluments		2 902	33 616	124	**36 642**

Bonuses and performance related payments include incentive bonus scheme payments and amounts payable. No share appreciation rights have been issued to directors.

	Group		**Company**	
	2007 R'000	2006 R'000	**2007 R'000**	2006 R'000
The following bonuses are payable to key management excluding directors. Key management are part of the executive committee	**16 495**	8 866	**16 495**	8 866

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
15. Employee benefits				
Goodwill scheme	**32 760**	17 760	**32 760**	17 760
Embedded value scheme	**25 000**	14 500	**25 000**	14 500
Short-term bonuses	**4 333**	2 300	**4 333**	2 300
Total employee benefits	**62 093**	34 560	**62 093**	34 560
Current	**50 262**	16 800	**50 262**	16 800
Non-current	**11 831**	17 760	**11 831**	17 760
	62 093	34 560	**62 093**	34 560
Goodwill scheme				
Opening balance	**17 760**	11 380	**17 760**	11 380
Provision raised (refer to note 22)	**15 000**	6 380	**15 000**	6 380
Interest cost	**1 320**	900	**1 320**	900
Service cost	**8 630**	5 480	**8 630**	5 480
Net actuarial loss	**5 050**	–	**5 050**	–
Closing balance	**32 760**	17 760	**32 760**	17 760

The above relates to the goodwill element of the incentive bonus scheme referred to in the directors report and the accounting policies to the annual financial statements.

At 30 June 2007 there was an unrecognised actuarial loss of R10,1 million (2006: R0) which in terms of the group's accounting policy is being spread over the remaining payment term to 2010.

The principal actuarial assumptions used are as follows:

Cycle 1	**2007**	2006
Embedded value of new business (R million)	**302**	215
Embedded value multiple	**4,5**	5
Risk free rate (%)	**9,5**	7,5
In force participants (%)	**75**	70
Payment term (years)	**3**	3

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
Embedded value scheme				
Balance at beginning of year	**14 500**	14 363	**14 500**	14 363
Provision raised (refer to note 22)	**25 000**	14 500	**25 000**	14 500
Payments	**(14 500)**	(14 363)	**(14 500)**	(14 363)
Balance end of year	**25 000**	14 500	**25 000**	14 500
Short-term bonuses				
Balance beginning of year	**2 300**	2 900	**2 300**	2 900
Provision raised (refer to note 22)	**4 333**	2 300	**4 333**	2 300
Payments	**(2 300)**	(2 900)	**(2 300)**	(2 900)
Balance end of year	**4 333**	2 300	**4 333**	2 300

Notes to the Annual Financial Statements

continued

	Group		Company	
	2007	2006	**2007**	2006
	R'000	R'000	**R'000**	R'000
16. Accruals and payables including insurance payables				
Commission payable	**18 275**	9 322	**18 275**	9 322
Premiums received in advance	**23 858**	21 964	**23 858**	21 964
Other accruals and payables	**8 316**	10 695	**7 023**	9 820
	50 449	41 981	**49 156**	41 106
17. Equity				
Share capital and share premium				
Authorised share capital				
40 000 000 ordinary shares of 15 cents each	**6 000**	6 000	**6 000**	6 000
10 variable rate redeemable cumulative preference shares of 100 cents each				
30 cumulative redeemable preference shares of 100 cents each				
Issued share capital				
32 350 000 (2006: 32 350 000) ordinary shares of 15 cents each	**4 853**	4 853	**4 853**	4 853
Share appreciation rights ("SAR") scheme				
SAR scheme reserve	**2 099**	–	**2 099**	–

SARs are granted to qualifying IFAs and employees, excluding directors, with more than one year of service. The initial price of the SAR is the volume weighted average price that the ordinary share traded on the JSE during the 30 (thirty) trading days immediately preceding the invitation date in the case of employees and the announcement date in the case of IFAs. SARs are conditional on the employee staying in the employ of Clientèle Life for the vesting period and the IFA remaining an IFA. The SARs are exerciseable starting three years from the invitation/announcement date. All SARs not vested on the seventh anniversary of the invitation/announcement date will lapse.

Year ended 30 June 2007	**Volume weighted average price on grant**	**Number of SARs granted**
At beginning of year	–	–
Allotment	64,14	2 018 000
Allotment	66,47	23 000
Terminated	64,14	(70 250)
Exercised	–	–
At end of year	–	1 970 750

Out of the 1,971 million outstanding SARs, none were exercisable. SARs outstanding at the end of the year have the following expiry dates.

17. Equity (continued)

	Number of SARs
24 January 2014	1 947 750
1 March 2014	23 000
	1 970 750

The income statement charge was determined using the Black Scholes model. The IFRS2 costs relating to the SAR scheme amounted to R2,1 million. Significant inputs into the model include the initial grant prices of SARs the dividend yield, risk-free interest rate, employee turnover, contractual life and potential share price growth.

	Group		Company	
	2007 R'000	2006 R'000	**2007 R'000**	2006 R'000
Non-distributable reserve: Revaluation	**16 101**	–	**–**	–

The revaluation reserve relates to owner occupied land and buildings owned by the subsidiary Newshelf 803 (Proprietary) Limited as referred to in note 3.1. The land and buildings have been revalued to market value through equity. Deferred taxation has been provided at rates appropriate to the land and buildings and amounts to R5,3 million (2006: R0).

18. Fair value gains on financial assets at fair value through profit and loss

	Group 2007	Group 2006	Company 2007	Company 2006
Fair value gains	**152 675**	121 309	**176 671**	121 293
The above fair value gains include gains arising from:				
Interest (unlisted)	**51 931**	50 774	**51 657**	60 758
Dividends (listed)	**10 330**	8 301	**10 330**	8 301

19. Other income

	Group 2007	Group 2006	Company 2007	Company 2006
IFA annuity fee income	**78 535**	44 055	**78 535**	44 055
Marketing materials sales	**5 839**	4 318	**–**	–
Supplier discounts received	**391**	239	**293**	29
	84 765	48 612	**78 828**	44 084

Notes to the Annual Financial Statements
continued

	Group		Company	
	2007	2006	**2007**	2006
	R'000	R'000	**R'000**	R'000
20. Segment information – for the year ended 30 June 2007				
The financial effects of the investment contract segment on revenue and profit for the year are insignificant.				
Segment assets and liabilities				
Insurance segment assets	**792 894**	586 256	**791 286**	583 579
Investment contract segment assets	**480 793**	454 981	**480 793**	454 981
Total assets	**1 273 687**	1 041 237	**1 272 079**	1 038 560
Insurance segment liabilities	**623 171**	459 384	**616 612**	458 127
Investment contract segment liabilities	**480 969**	458 245	**480 969**	458 245
Total liabilities	**1 104 140**	917 629	**1 097 581**	916 372
Clientèle Life operates in South Africa. Policies written are in respect of recurring premium policies issued to individuals.				
21. Claims and policyholders' benefits				
Claims and policyholders' benefits under insurance contracts	**145 662**	92 452	**145 662**	92 452
Insurance claims recovered from reinsurers	**(20 212)**	(16 450)	**(20 212)**	(16 450)
Net claims and policyholders' benefits	**125 450**	76 002	**125 450**	76 002
Comprising:				
Individual	**145 662**	92 452	**145 662**	92 452
Death and disability claims	**36 349**	24 372	**36 349**	24 372
Policy surrender claims	**109 313**	68 080	**109 313**	68 080

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
22. Acquisition costs and administrative expenses				
Acquisition and administration expenses by nature are as follows:				
Auditors remuneration	**1 799**	768	**1 799**	768
Audit fees – current year	**329**	251	**329**	251
Audit fees – prior year	**1 289**	292	**1 289**	292
Taxation advice	**127**	112	**127**	112
Accounting advice	**54**	113	**54**	113
Actuarial fees	**1 459**	1 005	**1 459**	1 005
Consulting fees	**1 199**	1 466	**1 199**	1 466
Staff costs	**107 873**	75 556	**107 873**	75 556
Defined contribution provident fund – current service costs	**3 183**	2 465	**3 183**	2 465
Salaries	**58 258**	47 911	**58 258**	47 911
Goodwill scheme expense	**15 000**	6 380	**15 000**	6 380
Embedded value scheme expense	**25 000**	14 500	**25 000**	14 500
Short term bonuses	**4 333**	2 300	**4 333**	2 300
Share appreciation right scheme expense	**2 099**	–	**2 099**	–
Asset management fees	**2 415**	2 937	**2 415**	2 937
Operating lease rentals	**8 688**	7 828	**8 688**	7 828
Depreciation	**8 444**	5 789	**8 444**	5 789
Computer equipment	**2 521**	2 340	**2 521**	2 340
Computer software	**1 543**	358	**1 543**	358
Furniture and equipment	**3 618**	2 660	**3 618**	2 660
Motor vehicles	**762**	431	**762**	431
Regional services council levies	**–**	337	**–**	337
Local travel costs	**330**	1 243	**330**	1 243
Administration and marketing	**88 684**	63 523	**84 744**	63 242
Commission paid	**158 169**	97 710	**158 169**	97 710
(Profit)/loss on disposal of fixed assets	**(5)**	21	**(5)**	21
Other	**55 618**	22 920	**55 678**	22 869
	434 673	281 103	**430 793**	280 771
Staff count	**460**	402	**460**	402

Notes to the Annual Financial Statements
continued

	Group		Company	
	2007	2006	**2007**	2006
	R'000	R'000	**R'000**	R'000
23. Taxation				
South African normal taxation	**32 024**	33 120	**31 349**	32 403
Current year taxation	**30 258**	35 804	**29 583**	35 087
Deferred taxation	**1 766**	(1 850)	**1 766**	(1 850)
Prior year over provision	**–**	(834)	**–**	(834)
South African capital gains taxation	**7 070**	973	**7 070**	698
Current year taxation	**2 954**	695	**2 953**	695
Deferred taxation	**4 116**	278	**4 117**	3
Secondary tax on companies	**10 228**	9 730	**10 228**	9 730
Total taxation	**49 322**	43 823	**48 647**	42 831
Taxation rate reconciliation				
Profit before taxation	**154 159**	134 602	**175 957**	130 338
Taxation	**(49 322)**	(43 823)	**(48 647)**	(42 831)
	%	%	**%**	%
Effective tax rate	**32,00**	32,56	**27,65**	32,86
Adjustments due to:				
Over provisions in respect of prior year	**–**	0,62	**–**	0,64
Secondary tax on companies	**(5,81)**	(7,47)	**(5,81)**	(7,47)
Utilisation of deferred capital gains tax asset not previously recognised	**5,12**	0,68	**5,12**	0,68
Capital gains tax	**(0,89)**	(0,46)	**(0,89)**	(0,46)
Exempt income	**(0,98)**	5,39	**3,37**	5,09
Non-tax deductible items	**(0,44)**	(2,32)	**(0,44)**	(2,34)
Statutory tax rate	**29,00**	29,00	**29,00**	29,00

Policyholder taxation funds are separate taxation persons which have differing taxation rules applied in the South African taxation legislation. There are two separate funds applicable to the company, 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 rates by fund.

	Group		Company	
	2007	2006	**2007**	2006
	R'000	R'000	**R'000**	R'000
24. Earnings per share				
Reconciliation of earnings to headline earnings				
Net profit attributable to ordinary shareholders	**104 837**	90 779	**127 310**	87 507
Add: Impairment of investment in associate	**–**	958	**–**	958
Less/add: (profit)/loss on disposal of fixed assets	**(5)**	21	**(5)**	21
Headline earnings	104 832	91 758	127 305	88 486
Earnings is equal to net profit attributable to ordinary shareholders				
Weighted ordinary shares in issue ('000)	**32 350**	32 350	32 350	32 350
	Cents	Cents	**Cents**	Cents
Earnings per share	**324,07**	280,62	**393,54**	271,53
Headline earnings per share	**324,06**	283,64	**393,53**	273,53
Diluted earnings per share	**323,84**	–	**393,26**	–

Diluted earnings per share

Diluted basic earnings per share is calculated on the same basis as earnings per share, except that the weighted average number of ordinary shares in issue during the year is adjusted for the dilutive effect of the SAR scheme. This potential dilutive effect is calculated using the average Clientèle Life share price less the sum of the estimated fair value of goods and services to be rendered by employees per SAR and the strike price at grant date. This difference gives the value per share of the benefit accruing to the SAR participant. The value is multiplied by the number of SARs and divided by the average Clientèle Life share price to measure the value as the notional number of shares.

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
25. Cash generated by operations				
Net profit from operations	**154 159**	138 655	**175 957**	134 338
Adjusted for:				
Increase in policyholder liabilities under insurance contracts	**112 485**	108 728	**112 485**	108 728
Fair value adjustment to financial liabilities at fair value through profit and loss	**22 798**	18 510	**22 798**	18 510
Fair value gains on subsidiaries and on financial assets at fair value through profit and loss	**(104 845)**	(59 075)	**(128 842)**	(59 059)
Equity accounted earnings from associate	**(141)**	(52)	**–**	–
Depreciation	**8 444**	5 789	**8 444**	5 789
Profit on disposal of fixed assets	**(5)**	(21)	**(5)**	(21)
Decrease/(increase) in receivables including insurance receivables	**(3 056)**	983	**(3 396)**	1 745
(Increase)/decrease in reinsurance receivables	**(4 098)**	(1 069)	**(4 098)**	(1 069)
Increase in provisions, accruals and payables including insurance payables	**39 513**	28 883	**43 870**	27 503
Decrease in loan due from associate	**–**	3 671	**–**	3 671
(Impairment) of investment in associate	**–**	(4 000)	**–**	(4 000)
(Decrease)/increase in amounts due to reinsurers	**762**	(1 945)	**762**	(1 945)
Increase in investment in associate	**(450)**	–	**(450)**	–
Increase in deferred profits not recognised	**907**	–	**907**	–
SAR scheme expense	**2 099**	–	**2 099**	–
	228 572	239 057	**230 531**	234 190

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
26. Dividends paid				
Balance owing at the beginning of the year	**143**	65	**143**	65
Amount declared for the year	**84 110**	80 567	**84 110**	80 567
	84 253	80 632	**84 253**	80 632
Balance owing at the end of the year	**(164)**	(143)	**(164)**	(143)
Amount paid during the year	**84 089**	80 489	**84 089**	80 489
27. Taxation paid				
Balance owing at the beginning of the year	**2 417**	19 496	**1 706**	19 777
Amount provided for the year	**49 322**	43 823	**48 647**	42 831
	51 739	63 319	**50 353**	62 608
Balance owing at the end of the year	**(8 124)**	(2 417)	**(2 759)**	(1 706)
Amount paid during the year	**43 615**	60 902	**47 594**	60 902

28. Commitments

Capital commitments

The group has entered into negotiations to purchase the remaining four buildings in Morningview Office Park in Rivonia Road, Sandton for R56 million.

29. Investments in subsidiaries at fair value

Clientèle Life changed its accounting policy to value investments in subsidiaries at fair value in order to reflect the underlying values of subsidiaries. The fair value adjustment is recognised in the income statement. Investments in subsidiaries are valued at fair value.

Previously investments in subsidiaries were carried at cost less provision for impairment. The financial implications of the change in accounting policy resulted in an increase in the carrying value of the subsiaries and increase in net profit attributable to shareholders as follows:

	Company 2007 R'000	Company 2006 R'000
Independent Field Advertisers Financial Services (Proprietary) Limited	**2 901**	–
Newshelf 803 (Proprietary) Limited	**21 368**	–
	24 269	–

The effect of fair valuing Independent Field Advertisers Financial Services (Pty) Limited is not material and any adjustments to restate prior year comparatives were not made in respect of Independent Field Advertisers Financial Services (Pty) Limited. There is no prior year effect for Newshelf 803 (Pty) Limited as the company was acquired during the current year.

No deferred tax asset has been provided for in Clientèle Life's accounts as the group controls the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Notice to Members

Notice is hereby given that the thirty-first Annual General Meeting of members of the company will be held in the boardroom, Clientèle House, Morningview Office Park, Corner Rivonia and Alon Roads, Morningside on 16 October 2007 at 12:00 for the following purposes:

To consider and if deemed fit, to pass with or without modification, the following ordinary resolutions:

1. To receive and consider the annual financial statements for the year ended 30 June 2007.
2. To re-elect the following director who is required to retire in terms of the company's articles of association and, being eligible, offers himself for re-election.

   Patrick Robert Enthoven – BA (UCT) (63) Non-executive director

   Patrick Enthoven is a co-founder and former Chief Executive Officer of Hollard Insurance. He is based in California and is non-executive chairman of Hollard Insurance.
3. To re-elect the following director who is required to retire in terms of the company's articles of association and, being eligible, offers himself for re-election.

   Gavin John Soll – CA(SA) (45) Executive director

   Prior to joining Clientèle Life, Gavin Soll was employed by the Imperial Group, where he acted as a director of a number of entities within that group. Gavin Soll joined Clientèle Life as financial director in February 1998. In September of the same year he was appointed as managing director, a position he still holds.
4. To re-elect the following director, who was appointed as a non-executive director since the last annual general meeting on 11 October 2006, retires in terms of the company's articles of association and being eligible, offers himself for re-election.

   Sebo David Molapo – JSTC(SA), BSc(USA), M.Ed(USA), D.Ed(USA) (44) Non-executive director

   Dr David Molapo is no stranger to Corporate South Africa. He held various directorships with listed companies. He is foremost a management consultant, educationalist and renowned motivational speaker.
5. To determine the remuneration of the directors.
6. To determine the remuneration of the auditors and to elect auditors to hold office until the conclusion of the next Annual General Meeting.
7. To resolve that the authorised but unissued shares of the Company be placed under the control of the directors of the Company until the next annual general meeting with the authority to allot and issue shares in the capital of the Company to such persons and upon such terms and conditions as the directors in their sole discretion deem fit, subject to sections 221(2) and 222 of the Companies Act, 61 of 1973, as amended ("the Act"), and the JSE Limited Listings Requirements.

Notice to Members
continued

Voting and Proxies

A member entitled to attend and vote at this meeting is entitled to appoint a proxy or proxies to attend, speak and vote in his stead. A proxy need not be a member of the company.

Proxy forms must be returned to the company's transfer secretaries, Computershare Investor Services 2004 (Pty) Ltd, 70 Marshall Street, Johannesburg 2001 (P O Box 61051, Marshalltown 2107) to reach them not later than 12:00 on Friday, 12 October 2007.

The form of proxy is to be completed only by those shareholders who are:
– holding shares in certificated form; or
– recorded on sub-register electronic form in "own name".

Beneficial owners of dematerialised shares who wish to attend the Annual General Meeting, or to be represented thereat, must contact their Central Securities Depositary Participant ("CSDP") or broker who will furnish them with the necessary authority to attend the Annual General Meeting or to be represented thereat by proxy. This must be done by cut-off time in terms of the agreement entered into between the member and the CSDP or broker.

By order of the board.

W Landman
Company Secretary

11 September 2007

Shareholder Information

Ordinary shareholders analysis as at 30 June 2007

Shareholder spread	Number of shareholdings	%	Number of shares	%
1 – 1 000 shares	316	55,05	143 200	0,44
1 001 – 10 000 shares	197	34,32	657 331	2,04
10 001 – 100 000 shares	47	8,19	1 578 146	4,88
100 001 – 1 000 000 shares	10	1,74	3 397 655	10,50
1 000 001 shares and over	4	0,70	26 573 668	82,14
Total	**574**	**100,00**	**32 350 000**	**100,00**

Analysis of shareholders by classification as at 30 June 2007

Banks	5	0,87	44 400	0,14
Close corporations	8	1,39	110 900	0,34
Endowment funds	2	0,35	3 372	0,01
Individuals	383	66,72	1 167 881	3,61
Insurance companies	9	1,57	7 293 618	22,55
Investment companies	8	1,39	39 436	0,12
Medical aid schemes	1	0,17	12 500	0,04
Mutual funds	25	4,36	2 120 508	6,55
Nominees and trusts	88	15,33	523 881	1,62
Other corporations	7	1,22	34 368	0,11
Pension funds	16	2,79	563 114	1,74
Private companies	22	3,83	20 436 022	63,17
	574	**100,00**	**32 350 000**	**100,00**

Beneficial shareholders holding directly or indirectly, in excess of 2% of the total issued share capital

River Lily Investments (Pty) Ltd*	10 156 250	31,39
Newshelf 702 (Pty) Ltd*	8 730 860	26,99
Hollard Group*	6 464 918	19,98
Old Mutual Group	938 138	2,90

** Part of the Hollard Group of Companies*

Shareholders' Calendar

Financial year ended 30 June 2007

Dividend proposal	15 August 2007
Final results announcement	20 August 2007
Publication of financial statements	12 September 2007
Dividend declaration	2 October 2007
Annual General Meeting	16 October 2007
Dividend payment	29 October 2007

IFA

A division of Clientèle Life

Form of Proxy

(For use only by certificated and own name dematerialised shareholders)

Please use block letters

I/We

of

being a member/s of the company and the registered owner/s

ordinary shares in the company hereby appoint

or failing him

the chairman of the meeting to vote for me/us and on my/our behalf at the annual general meeting of the company to be held at 12:00 on 16 October 2007 and at any adjournment thereof and to speak and act for me/us and on a poll, vote on my/our behalf. My/Our proxy shall vote as follows:

(One vote per ordinary share)

Resolutions:	In favour of	Against	Abstain
Adoption of the annual financial statements			
Re-election of Patrick Robert Enthoven as a director			
Re-election of Gavin John Soll as a director			
Re-election of Sebo David Molapo as a director			
Determining the remuneration of the directors			
Re-appointment of auditors			
To place the unissued shares under the director's control			

Indicate with a cross how you wish your votes to be cast. If you do not do so, the proxy may vote or abstain at his discretion.

Dated this day of 2007

Signature

Notes to the Form of Proxy

1. *A form of proxy is only to be completed by those shareholders who are:*

   – holding shares in certificated form; or

   – recorded on sub-register electronic form in "own name".

   All other beneficial owners who have dematerialised their shares through a CSDP or broker and wish to attend the Annual General Meeting, 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 Annual General Meeting, must provide the CSDP or broker by 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 shareholder entitled to attend and vote may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space provided, with or without deleting "the Chairman of the general meeting". A proxy need not be a shareholder 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 shareholder is entitled to one vote on a show of hands and, on a poll, one vote in respect of each ordinary share held. A shareholder'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 shareholder'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, unless an intimation in writing of such death, revocation or transfer is received by the transfer secretaries not later than 12:00 on Friday, 12 October 2007.

4. *If a shareholder 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 shareholder from attending the meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder 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 general meeting.*

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 shares:*

   – 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 shareholder(s).

10. *Forms of proxy should be lodged with or posted to the company's transfer secretaries, Computershare Investor Services 2004 (Pty) Ltd:*

    Hand deliveries:
    Ninth Floor
    70 Marshall Street
    Johannesburg

    Postal deliveries:
    PO Box 61051
    Marshalltown
    2107