Clientèle
LIMITED

2008

Annual Report

Corporate Information

Company registration number

2007/023806/06

Registered office

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

Telephone:	(011) 320-3333
Telefax:	(011) 884-9056
Website:	www.clientèle.co.za
E-mail:	services@clientèle.co.za

Transfer secretaries

Computershare Investor Services (Pty) Ltd
70 Marshall Street
Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)

Auditors

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

Sponsor

PricewaterhouseCoopers Corporate Finance (Pty) Ltd
2 Eglin Road
Sunninghill, 2157
(Private Bag X36, Sunninghill, 2157)

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Clientèle Limited – Group Structure

On 19 May 2008, the Scheme was finalised whereby the listing of the shares of Clientèle Life was terminated on the JSE and the shares of Clientèle Limited were listed on the JSE. The Clientèle group comprises the following companies:

Clientèle LIMITED	%	Country of incorporation	Nature of Business
Clientèle Life Assurance Company Ltd.	100	SA	Life Insurance
Clientèle Loans (Pty) Ltd.***	100	SA	Lending
Clientèle Short Term (Pty) Ltd.	100	SA	Short term insurance – personal lines legal policies
Clientèle Life (Netherlands) Coöperatieve U.A.***	100	ND	Investment company
Independent Field Advertisers Ltd.***	100/75**	NG	Insurance brokerage in Nigeria*
Legal Sense (Pty) Ltd.	49	SA	Commercial lines legal policies

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

Clientèle LIFE	%	Country of incorporation	Nature of Business
Clientèle Properties North (Pty) Ltd.	100	SA	Properties – Morningview Office Park
Clientèle Properties South (Pty) Ltd.	100	SA	Properties – Morningview Office Park
Independent Field Advertisers Financial Services (Pty) Ltd.	100	SA	Marketing material distributor
Clientèle USA LLC	33.3	USA	Broking

Clientèle LOANS	%	Country of incorporation	Nature of Business
Clientèle Loans Direct (Pty) Ltd.***	70	SA	Unsecured personal loans

IFA Nigeria owns 100% of Vitta Insurance Brokers.***

Legal Sense and Clièntele Short Term do not have subsidiaries.

* This is held through a 100% subsidiary, Clientèle Life (Netherlands) Coöperatieve U.A.
** On 1 July 2008 KC 2008, a Nigerian controlled company, subscribed for 25% of the issued share capital of IFA Nigeria.
*** These companies did not operate during the year

SA – South Africa
NG – Nigeria
USA – United States of America
ND – Netherlands

Definitions and Interpretations

"ADIC"	ADIC Life Assurance Limited, the insurance company selected by Clientèle to underwrite the life insurance business generated by IFA Nigeria
"ALM"	Asset Liability Mismatch
"the board"	the directors of Clientèle
"CAR"	Capital Adequacy Requirement (maximum of TCAR, OCAR and MCAR)
"Clientèle"	Clientèle Limited (formerly Newshelf 901 (Proprietary) Limited) (Registration number 2007/023806/06), a public company incorporated in South Africa, the shares of which listed on the JSE on 19 May 2008
"Clientèle group"	Clientèle and its subsidiaries and associated companies
"Clientèle Life"	Clientèle Life Assurance Company Limited (Registration number 1973/016606/06), a public company incorporated in South Africa, the shares of which delisted from the JSE on 19 May 2008
"Clientèle Loans Direct"	Clientèle Loans Direct (Proprietary) Limited (formerly Newshelf 932 (Proprietary) Limited) (Registration number 2007/030539/07), a private company incorporated in South Africa
"Clientèle Loans"	Clientèle Loans (Proprietary) Limited (formerly Newshelf 913 (Proprietary) Limited) (Registration number 2007/026058/07), a private company incorporated in South Africa
"Clientèle Properties North"	Clientèle Properties North (Proprietary) Limited (formerly Optimize IT (Proprietary) Limited) (Registration number 2001/029155/07), a private company incorporated in South Africa
"Clientèle Properties South"	Clientèle Properties South (Proprietary) Limited (formerly Newshelf 803 (Proprietary) Limited) (Registration number 2005/030653//07), a private company incorporated in South Africa
"Clientèle Short Term"	Clientèle Short Term (Proprietary) Limited (formerly Newshelf 905 (Proprietary) Limited) (Registration number 2007/023821/07), a private company incorporated in Souh Africa
"ClientèleSub"	Clientèle Life (Netherlands) Coöperatieve U.A.
"Companies Act"	the Companies Act, 1973 (Act of 1973), as amended
"the Corporate Laws Amendment Act"	The Corporate Laws Amendment Act of 2006
"Direct Axis"	Direct Axis (SA) (Proprietary) Limited
"IBNR"	Incurred But Not Reported
"IFAs"	Independent Field Advertisers

Definitions and Interpretations

"IFA Nigeria"	Independent Field Advertisers Limited, the insurance brokerage in Nigeria
"IFRS"	International Financial Reporting Standards
"IPF"	Individual Policyholder Fund
"IVM Intersurer"	IVM Intersurer BV, a 49.9% shareholder in KC 2008.
"JSE"	JSE Limited (Registration number 2005/022939/06), a South African incorporated public company and licensed as an exchange under the Securities Services Act
"KC 2008"	KC 2008 Limited, a 25% shareholder in IFA Nigeria
"Kunoch"	Kunoch Limited, a 50.1% shareholder in KC 2008
"Legal Sense"	Legal Sense (Proprietary) Limited (Registration number 2007/000116/07), a private company incorporated in South Africa
"Listings Requirements"	the Listings Requirements of JSE Limited
"MCAR"	Minimum Capital Adequacy Requirement
"OCAR"	Ordinary Capital Adequacy Requirement
"RDR"	Risk Discount Rate
"SAR Scheme"	The Share Appreciation Right Scheme as implemented by Clientèle during January 2007
"Scheme"	A Scheme of Arrangement in terms of section 311 of the Companies Act, proposed by Clientèle between Clientèle Life and its shareholders
"SPE"	Special Purpose Entity
"STC"	Secondary Tax on Companies
"TCAR"	Termination Capital Adequacy Requirement

Chairman's Statement

INTRODUCTION

This statement covers the tenth year since Clientèle Life's listing on the JSE over which period of time the Clientèle group achieved a 38% annual compound growth in its share price until its tenth anniversary date.

Last year I spoke about a challenging and ever-changing environment for the Life Insurance industry. This year has been no different and has been a challenging one for the world financial markets and the world financial services sector and a challenging one for South Africa as a country.

The world financial services sector was rocked by the sub-prime crisis, morale in the sector has taken a knock and banks are more wary of extending credit. This factor, combined with the effect of the National Credit Act, rising inflation rates and interest rates in South Africa has impacted our target market significantly.

Our target market, as an emerging market segment, by its very nature tests the boundaries of affordability on an ongoing basis. These are people who are working hard to improve their lot, to buy houses, cars and white goods, to send their children to better schools and to begin to accumulate wealth. Many of their purchases are by necessity made on credit and accordingly any increase in the borrowing rate hits them hard. They are also hard hit by rising fuel and food prices and I venture to suggest that the inflation rate that they experience is higher than the official CPIX figures.

Our target market is also impacted by increased crime, strike action, xenophobic violence, frustration with perceived non-delivery by government and uncertainty around the political playing field in South Africa. In addition there has been the unquantifiable effect of the meltdown of the Zimbabwe economy and the high levels of concern around and following the elections in Zimbabwe.

These factors combine to create a double negative as they affect both the policyholder base and the staff and IFAs. Our management team has accordingly spent much time and effort in developing strategies to respond efficiently to queries from policyholders and to educate policyholders on the costs and disadvantages of terminating or lapsing a policy and the alternative options available if they become financially stressed as well as on strategies to conserve existing policies and to collect premiums more efficiently.

The fact that despite the adverse conditions mentioned above Clientèle has achieved a healthy 28% increase in headline earnings for the year and a 37% Return on Embedded Value speaks volumes for the effectiveness of management's efforts.

Clientèle has also identified several new opportunities and has developed a strategy to take advantage of these levering off the efficient infrastructure, processes and distribution networks of Clientèle and the two highly regarded brands, namely Clientèle and IFA.

- The group is now selling a legal expenses product which has been well received and is expected to be an important contributor to group profits and Embedded Value in the future.
- Clientèle has entered into a joint venture with Direct Axis, an established and successful operator in the personal loans market, to distribute unsecured personal loans in the first instance to the Clientèle Life database. This business will be launched early in the 2009 financial year.
- Over the last 8 months Clientèle has researched the Nigerian market and based on the exciting potential identified we have negotiated a joint venture with the investment company of a well-known and respected Nigerian family and

have recently launched IFA Nigeria, an exciting new business based on the IFA business model which has been so successful in South Africa. As previously advised the Nigerian Joint Venture Company (which is part owned by Capricorn Ventures International Limited, indirectly a significant shareholder of Clientèle) will own a 25% interest in IFA Nigeria but will provide the lion's share of the funding required, Clientèle itself will provide US$1 million of capital as well as provide the necessary know how and show how. The initial indications are positive and we will keep shareholders advised of progress. In due course this venture may act as the model for further expansion into other parts of Africa.

ACHIEVEMENTS

Much has been achieved this past year! In a single year Clientèle Life was delisted and a new holding company Clientèle was listed, a legal expenses business was launched, all the development work was done and agreements concluded for the launch of an unsecured personal loans business, the acquisition of the remaining four buildings in the office park was completed, a significant portion of a major rewrite of the computer systems was completed and tested, the Nigerian market was researched, negotiations were commenced, advanced and concluded with a Nigerian partner and a new business was launched very shortly after the end of the financial year. During this busy period Basil Reekie, a highly qualified and respected actuary, was employed and joined the management team – after a very short time he has added meaningful value to Clientèle and has now been appointed as Managing Director of Clientèle Life, a position held for the last ten years by Gavin Soll who is now the group Managing Director of Clientèle.

Shortly after the year end, Francois Marais, the CEO of the IFA division of Clientèle Life, was appointed as a director of Clientèle Life. I am delighted to welcome him to this board and have no doubt that he will add significant value in future years.

Clientèle is also engaged in finalising discussions with the Achievers and Legends, the highest performers amongst the IFAs in terms of which they will acquire shares in Clientèle pursuant to a transaction where they will pay part cash and will receive part funding from Clientèle as more fully set out in the notice to members. I believe this is a very positive development where highly placed members of the IFA network, all of whom are previously disadvantaged individuals, have expressed their confidence in and commitment to, Clientèle and are prepared to take financial risk to acquire a shareholding in Clientèle.

I am also pleased to be able to report this year that the SAR Scheme implemented last year to as far as possible encourage the employees and IFAs to think and act like shareholders of Clientèle is continuing to have a positive effect.

I am however sorry to report that Dr David Molapo who was last year appointed as a non-executive director has resigned as he was offered an opportunity which he wished to take up and which was likely to place him in conflict with his responsibilities to Clientèle. I wish him all the best in the future.

THE ENVIRONMENT

The South African economy and the world economies have been volatile over the past year and I believe that it is prudent to now plan for volatility as part of the normal course of business for the foreseeable future which Clientèle is now doing. Private enterprise must, I believe play an increasingly important role in contributing to the education and upliftment of people in South Africa and, as with last year, 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.

Clientèle has for some years treated this as a priority and the IFA Opportunity, (which celebrated its 10th Birthday this year), has effectively delivered economic empowerment to a broad spectrum of South Africans, the vast majority of which were previously disadvantaged. In addition to this initiative, Clientèle has committed itself in particular to supporting the Sithabile Child and Youth Centre and focusing on Employee Wellness.

RESULTS

The results are set out fully in the Directors Report and I intend to focus only on certain highlights.

Net insurance premiums for the year of R784.0 million have increased by 26%. Other income which is comprised mainly of recurring income, prior to the allocation of related expenses, from its IFA distribution channel increased by 40%.

Policyholders benefit payments of R194.1 million have increased by 33%.

Profit before tax increased by 30% and diluted headline earnings per share has increased by 27%.

The above results have translated into an after-tax return on average shareholders' interests of 70%, a Return on Embedded Value of 37%, and the New Business profit margin increasing from 18% last year to 21% this year.

FUTURE PROSPECTS

We are confident that the new initiatives referred to above will add meaningful value to the Clientèle group into the future.

Clientèle is now a Financial Services group and this offers the opportunity for Clientèle to offer other appropriate financial services products to its existing customers through existing and possibly new distribution channels.

The expansion into Nigeria also offers exposure to an exciting market and once solidly established a foundation to look at other geographic markets in a controlled and focussed manner.

APPRECIATION

This year has again been one in which all members of the Clientèle team have made a tremendous contribution and I wish to thank all of the employees, IFAs, the management team, the directors and their respective families for the loyalty and commitment shown to Clientèle. Well done to all of you!

Gavin Routledge

Corporate Governance

Introduction

The board of the Clientèle group 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 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 reviews its corporate governance practices on an ongoing basis, including the identification and implementation of best practice where deemed appropriate. The board recognises the responsibility of Clientèle to conduct its affairs with prudence, transparency, accountability, fairness and social responsibility, thereby safeguarding the interests of all stakeholders, including shareholders, policyholders, IFAs, employees, industry regulators and government.

Board of directors

Composition of the board

The board of Clientèle has spent considerable time reviewing the size and composition of the various boards within the group and is of the opinion that the value of executive knowledge within the boards is very well balanced alongside the value of non-executive director knowledge and experience. Clientèle will continue to review the composition and effectiveness of the boards to ensure that they remain effective and relevant to the group.

Clientèle has a unitary board structure, which forms the focal point of the system of corporate governance of the group and consists of executive and non-executive directors who share the responsibility for both the direction and control of the group. The philosophy remains that a vigorous and diligent board is key to the group's corporate governance.

Clientèle has a board consisting of seven directors. The details of the directors are provided on pages 29 and 30 in the directors report. These directors bring a wide range of experience, insight and professional skills to the board.

In terms of the Articles 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.

Role and function of the board

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

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

The board is responsible for the corporate governance and the ultimate control of the businesses of Clientèle, 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's affairs.

The board 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's daily operations.

Board Mandate

The Clientèle board is responsible to shareholders and other stakeholders and is ultimately accountable for the performance and affairs of the group. In addition to defining Clientèle'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 group's affairs.

Independence of the board

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

- the Clientèle board has two independent non-executive directors, namely Mr G. Q. Routledge, the chairman of the board, and Mr P. J. A. Cunningham, the chairman of the audit committee. The board has considered their independence and has held discussions with both directors and is of the opinion that they are both independent in their actions, judgement and conduct;
- the roles of chairman and managing director are separate;
- three of the seven directors are non-executive, two of whom are independent;
- the group audit committee consists of two non-executive independent directors and three 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 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 during the 2008 financial year.

Share dealing by directors and senior personnel

Clientèle has implemented a code relating to share dealing by directors and all personnel who, by virtue of the key positions they hold, have comprehensive knowledge of the group's affairs. The code imposes closed periods to prohibit dealing in Clientèle securities before the announcement of mid-year and year-end financial results or in any other period considered price sensitive, in compliance with the requirements of the Insider Trading Act and the Listings Requirements 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 2008. 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. The group product committee operated as a committee of the board until 30 June 2008, thereafter it became a management committee of the group.

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 its objectives the group audit committee has set up two standing committees to assist it in its obligations to the board, namely:

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

Members of the group audit committee

P. J. A. Cunningham (chairman, independent non-executive director), G. Q. Routledge (independent non-executive director), G. J. Soll (executive director), I. B. Hume (executive director) and B. W. Reekie (executive director).

In order to comply with the Corporate Laws Amendment Act, the composition of the group audit committee was amended as at 1 July 2008 to only include independent non-executive directors as members of the group audit committee.

The audit commmittee has taken cognisance of the amendments to the Companies Act and the Corporate Laws Amendment Act and from 1 July will implement these changes accordingly.

Principal objectives

The group audit committee's principal objectives are to:

- nominate for appointment as auditor of the company under section 270 of the Companies' Act a registered auditor who, in the opinion of the audit committee, is independent of the company and the group;
- determine the fees to be paid to the auditor and the auditor's terms of engagement;
- ensure that the appointment of the auditor complies with the Companies' Act and any other legislation relating to the appointment of auditors;
- determine, the nature and extent of any non-audit services which the auditor may provide to the company and the group;
- pre-approve any proposed contract with the auditor for the provision of non-audit services to the company and the group;
- 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 with focus being placed on the actuarial assumptions, parameters, valuations and reporting guidelines and practices adopted by the statutory actuary as appropriate to Clientèle's 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;
- review significant accounting and reporting issues, including recent professional and regulatory pronouncements;

- review the 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's external auditors, statutory actuary (at least bi-annually), 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. The group risk and compliance committee meets at least four times per year.

Members of the group risk and compliance committee

P. J. McDonald (chairman, compliance officer), I. B. Hume (executive director), G. J. Soll (executive director), B. W. Reekie (executive director), 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 every two months and meetings are attended by the group's statutory actuary.

Members of the group actuarial committee

B. W. Reekie (chairman, executive director), 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. The group investment committee meetings are held at least four times per year.

Members of the group investment committee

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

Group product committee

The group product committee was a sub-committee of the board until 30 June 2008 and thereafter became a management committee. This committee was formed to assist the board with its responsibilities of overseeing an appropriate and compliant product offering to Clientèle's target market that is profitable and sustainable. The group product committee meetings are held at least three times per year.

Members of the group product committee

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

Group remuneration committee

The board is 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 of the group remuneration committee

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

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 27 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 the company performance;
- 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 managing of the group. The group managing director chairs the committee which meets as and when necessary.

Meeting attendance

	Clientèle board	Clientèle Life 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	1	3	4	4	9	5	3	1
G. Q. Routledge	1/1	3/3	4/4	–	–	5/5	–	1/1
G. J. Soll	1/1	3/3	4/4	3/4	8/9	5/5	3/3	1/1
P. J. A. Cunningham	1/1	3/3	4/4	3/4	–	–	–	1/1
I. B. Hume	1/1	3/3	4/4	4/4	9/9	5/5	–	–
P. R. Enthoven [1]	–	3/3	–	–	–	–	–	–
B. Frodsham	1/1	3/3	–	–	7/9	–	2/3	–
S. D. Molapo [2]	–	1/3	–	–	–	–	–	–
B. W. Reekie [3]	1/1	1/1	2/2	2/2	5/5	3/3	2/2	–
A. D. T. Enthoven [4]	1/1	–	–	–	–	–	–	–

1. Mr P. R. Enthoven resigned from Clientèle on 26 February 2008.
2. Dr S. D. Molapo resigned as a director of Clientèle Life and Clientèle on 31 March 2008.
3. Mr B. W. Reekie was appointed as director of Clientèle Life on 8 January 2008 and Clientèle on 31 January 2008.
4. Mr A. D. T. Enthoven was appointed as an alternate director of Clientèle Life on 5 March 2008 and as a director of Clientèle on 31 January 2008.

Internal, financial and operating controls

The board acknowledges its responsibility for ensuring that Clientèle 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 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 group internal audit function assists in providing the boards and executive management with monitoring mechanisms for identifying risks and assessing controls appropriate to managing such risks.

The boards have 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.

Internal audit

Clientèle's internal auditors perform a review 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 boards 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'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 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

The group audit committee, on behalf of the board, has appointed Mr F. J. Kruger of PricewaterhouseCoopers Inc. to perform an independent audit on the group's Annual Financial Statements for the 2009 financial year. This appointment will be subject to approval by a majority of shareholders at the Annual General Meeting on 16 October 2008. The financial statements are prepared in terms of IFRS.

Secretarial function

The company secretary, Mrs W. van Zyl, is required to provide the directors of the company and the group, 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 the group 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 Listings Requirements.

The 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 is also the responsibility of the company secretary.

Code of business ethics

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

Clientèle 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'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.

Compliance with the Listings Requirements

The board is confident that Clientèle complies with all provisions of the Listings Requirements.

Group financial statements

The directors are responsible for the preparation of the group Annual Financial Statements of Clientèle, which have been prepared in accordance with IFRS. The group Annual Financial Statements have been prepared from the accounting records and the use of appropriate policies supported by reasonable and prudent judgements and estimates and fairly present the state of affairs of Clientèle. 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 and JSE sponsor services. (Details of the auditors remuneration for audit and other services are provided in note 26 to the group Annual 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. R. D. Williams of QED Actuaries and Consultants (Pty) Ltd, who is not in the employ of Clientèle, is responsible for assisting the board in all actuarial matters, conducting the actuarial valuation of the assets and liabilities of Clientèle Life and calculating the Embedded Value of the group. The statutory actuary attends at least the interim and year end audit committee meetings.

Employment Equity

A strong culture of Employment Equity exists within Clientèle and all statutory requirements in terms of the Employment Equity Act have been complied with. The group strives 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 group has been successful in creating a strong learning environment and each and every employee has 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 has 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, through its membership of the Life Offices Association, is a signatory to the Financial Services Charter and as such is committed to the transformation of our society through Broad Based Black Economic Empowerment. We believe it is imperative to place emphasis on the "Broad Based" aspect of Black Economic Empowerment in any initiatives the group follows.

With this in the forefront of our strategy the group firmly believes that our achievements to date through the IFA Opportunity clearly demonstrate our commitment to enhancing the lives of a greater section of South Africa's population. The group's achievement in providing insurance products to the LSM 3 to 6 groupings of individuals who were previously under-serviced are reflected in the Chairman's statement.

Corporate Social Responsibility

Clientèle strives to ensure ethical business practices in its interaction with its employees and the public. In addition to upholding the general principles of good corporate governance, Clientèle also aims to invest in social and community initiatives that would ultimately promote a better, healthier environment for individuals within a wide cross section of communities within South Africa.

The Sithabile Child and Youth Care Centre

Clientèle has been associated with the Sithabile Child and Youth Care Centre for more than 5 years. Located in Puttfontein, Benoni, Sithabile Child and Youth Care Centre is a haven for 85 children.

Ranging in age from two to fourteen, the children that are currently accommodated at Sithabile come from backgrounds of neglect, abandonment and exploitation. Over 50% of the children are orphans, many as a result of the HIV/AIDS pandemic and the resultant child-headed household phenomenon.

Sithabile Home is funded by Clientèle. These funds are used to ensure the continued successful maintenance of the home via food, clothing and other essentials.

The newly-established Corporate Social Responsibility department is dedicated to ensure an ongoing healthy relationship between Sithabile Home and Clientèle.

Other initiatives

Other national initiatives are supported throughout the year, including Casual Day, which raises funds for disabled individuals, hosting of blood donor clinics and the recent Million Man March.

Employee Wellness and HIV/AIDS

Clientèle's policy on HIV/AIDS shows a clear commitment to the maintenance of a healthy work environment, by protecting the physical and emotional health and well-being of all the employees. As such, the group does not discriminate against employees with chronic or life-threatening illnesses, including HIV or AIDS.

In practising the central premise of the policy, a formalised Employee Wellness programme is run in conjunction with an external Wellness provider, Careways. The role of the Wellness programme is to provide our staff with information, guidance and support in terms of their overall well being. All Clientèle's staff and members of their immediate families have access to a range of specialised services that include, but is not limited to psychological counseling, debt rehabilitation, legal assistance and medical advice.

In partnership with Lifesense Disease Management, employees that are HIV positive have access to free anti-retroviral medication, counseling, ongoing treatment, support and case management.

In addition to this, as an extended benefit, all employees and their immediate families have access to a programme that seeks to prevent HIV infection via accidental exposure either through trauma or any other circumstance.

As a service to all employees, a Wellness Testing campaign was conducted during August 2007. Employees could be voluntarily tested for sugar diabetes, blood pressure, cholesterol and HIV infection. This served to increase awareness and highlighted treatment options available to employees.

Furthermore, National AIDS week is actively promoted with a range of awareness-related activities that include poster competitions, industrial theatre and prayer facilities.

Network marketing opportunity

Through the IFA Division, Clientèle has enabled ordinary South Africans, to improve their lives and their lifestyles. Full support, training and administrative assistance is afforded to all members of the network.

The demographic composition of our network members is made up more than 95% of historically disenfranchised individuals from disadvantaged communities.

Learnerships

With a strong emphasis on the development of individuals from disadvantaged backgrounds, Clientèle actively pursues Learnerships. In just over two years, the group has taken on nine learners from the Hope School. In sourcing individuals for the Learnership Program, Clientèle is very strongly focused on sourcing individuals with either learning or physical disabilities.

In recognition of the excellence displayed in the development of the learners, Clientèle's Training Department received the 'Vision for Tomorrow' Award (2007) from the Direct Selling Association.

Environmental sustainability

Clientèle recognises that while meeting the needs of its clients it has an impact on the environment directly and indirectly.

Clientèle is committed to meeting the needs of its customers and employees in an environmentally sound and sustainable manner, which includes:

- reducing waste, conserving energy, optimising water usage and encouraging recycling;
- educating employees on good environmental practices;
- ensure compliance at local and national levels;
- avoid use of materials that may cause harm to the environment;
- promote internal awareness of environmental issues among staff; and
- support environmental initiatives by employees and relevant external groups.

Statement of Group Embedded Value

for the year ended 30 June 2008

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 group's independent actuaries, QED Actuaries and Consultants (Pty) Ltd. The Embedded Value calculations have been carried out by QED Actuaries and Consultants (Pty) Ltd. The risk discount rate was set by the board.

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

- The Adjusted Net Worth attributable to current shareholders; plus
- The Value of In-Force business; less
- The Cost of Capital.

The Adjusted Net Worth is essentially the Net Asset Value (Excess of Assets over Liabilities) of the group as at the calculation date. It is taken as the excess of assets over liabilities on the Statutory Valuation Method (SVM), adjusted for any under/over-statement of assets and/or liabilities at that date. In addition, the value of subsidiaries was adjusted such that they are incorporated at their Net Asset Values. Other adjustments made were to add back the deferred tax asset and prepaid expenses, which were disallowed, for statutory solvency purposes, as well as to deduct the best estimate financial liability in respect of the SAR Scheme.

	2008 R'000
Excess of assets over liabilities (Published Reporting Basis) per Actuarial Statement for Clientèle Life	231 001
Deferred tax on revaluation of land and buildings since inception	(7 350)
Net income after tax of associates	53
Net income after tax of subsidiaries	(5 915)
Total equity per group balance sheet	217 789
Disallowed assets	(8 473)
Deferred profits	4 011
Tax impact on deferred profits	(1 123)
Net Asset Value according to the Statement of Embedded Value	**212 204**

	Group	
	2008 R'000	**2007 R'000**
Net Asset Value	212 204	166 161
Plus: Disallowed Assets	8 473	3 384
Adjustment to Value of Subsidiaries and Associates	(1 397)	–
SAR Scheme (balance sheet reserve)	(6 744)	(2 099)
Mark-to-market adjustment for the SAR Scheme	(4 470)	–
Adjusted Net Worth	**208 066**	**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 holding assets to cover the CAR.

The calculation and presentation of results in this report pertaining to insurance (underwritten) business (including investment business) have been carried out in accordance with PGN107 (version 3) as issued by the Actuarial Society of South Africa. The principles applied to arrive at values for non-insurance business (non-underwritten including short term insurance underwritten in the Guardrisk SPE) business have also been based on the guidance found in this guidance note (bearing in mind that the guidance note pertains primarily to insurance business).

2. Embedded Value (Group)

The Embedded Value for the group as at 30 June 2008 using a Risk Discount Rate ("RDR") of 15% (2007: RDR of 14%) is as follows:

	Group	
	30 June 2008 R'000	**30 June 2007 R'000**
Adjusted Net Worth	208 066	167 446
Value of In-Force (Life – Underwritten)	865 622	599 882
Value of In-Force (Not underwritten)	163 105	254 472
Value of In-Force (Legal – Not Underwritten)	13 600	–
Value of In-Force reduction for Management Incentive	(32 491)	(25 647)
Cost of Capital	(15 761)	(13 683)
Embedded Value	**1 202 141**	**982 470**

3. Value of New Business

The Value of New Business for the group (excluding any allowance for the Management Incentive scheme) for the year to 30 June 2008 using a RDR of 15% (2007: RDR of 14%) is as follows:

	2008 R'000	**2007 R'000**
Value of New Business (Life – Underwritten)*	277 561	178 426
Value of New Business (Not underwritten)**	36 122	124 010
Value of New Business (Legal – Not underwritten)	6 919	–
Total	**320 602**	**302 436**

* Includes investment business and reinstatements.

** Includes the increase in monthly fees from IFAs. The Value of New Business (Not underwritten) reduced due to the modelling of expenses and bonuses pertaining to this business being shown as part of this line item, rather than the previous practice of modelling these expenses as part of the underwritten category. It is important to note that total remained unchanged as a result of this reallocation of costs.

Statement of Group Embedded Value

continued

Based on the present value of New Business premium of R1.55 billion the New Business profit margin is 20.7%.

The Value of New Business is calculated as at point of sale and, where relevant, is based on assumptions used for the year end calculation (30 June 2008).

As an incentive to grow the business, management incentive payments and provisions are being made. The impact of this on the Value of New Business can be determined by referring to the analysis of change in Embedded Value.

4. Analysis of Change in Embedded Value

The Analysis of the Change in Embedded Value for the year to 30 June 2008 is as follows:

	Adjusted Net Worth R'000	Value of in-force (net of cost of capital) R'000	Embedded Value R'000
Embedded Value earnings for the period 1 July 2007 to 30 June 2008			
Embedded Value at end of financial period	208 066	994 075	1 202 141
Plus: Dividends accrued or paid (including STC)	106 338	–	106 338
Less: Embedded Value at start of financial period	(167 446)	(815 024)	(982 470)
Embedded Value earnings	**146 958**	**179 051**	**326 009**
Components of Embedded Value earnings			
Value of New Business	(80 312)	400 914	320 602
Expected return	–	118 125	118 125
Expected net of tax profit transfer to Adjusted Net Worth	230 989	(230 989)	–
Operating experience variances	11 231	(44 339)	(33 108)
Operating assumption variances	19 144	(52 306)	(33 162)
Miscellaneous	3 160	6 929	10 089
Embedded Value earnings from operations	**184 212**	**198 334**	**382 546**
Provision for Medium and Long Term Incentive	(35 734)	(3 254)	(38 988)
SAR Scheme	(9 115)	–	(9 115)
Investment return on Net Worth (net of tax)	9 910	–	9 910
Economic assumption changes	(2 315)	(16 029)	(18 344)
Total Embedded Value Earnings	**146 958**	**179 051**	**326 009**

The above analysis has been completed net of corporate tax.

5. 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 RDR of 15% (unless otherwise specified):

	Value of In-Force Business R'000	Adjusted Net Worth R'000	Cost of Capital R'000	Embedded Value R'000	% of Main R'000
Main Basis	1 009 836	208 066	(15 761)	1 202 141	
1% increase in Risk Discount Rate	977 339	208 066	(17 459)	1 167 946	97.2%
1% decrease in Risk Discount Rate	1 045 282	208 066	(13 947)	1 239 401	103.1%
Assuming a 10% increase in the following:					
– Future expenses	990 915	208 066	(15 761)	1 183 220	98.4%
– Policy discontinuance rate	824 433	208 066	(14 380)	1 018 119	84.7%
– Claims (and reinsurance rates) experience	987 391	208 066	(15 761)	1 179 696	98.1%
Investment return less 1%	1 010 280	208 066	(17 237)	1 201 109	99.9%
Inflation plus 1%	1 004 221	208 066	(15 761)	1 196 526	99.5%
Assuming a once-off 10% reduction in equity holdings	1 010 564	206 741	(15 622)	1 201 683	99.9%
Assuming no future indexations of premiums	856 184	208 066	(15 761)	1 048 489	87.2%
Assuming a 1% decrease in investment returns, RDR & inflation	1 051 754	211 870	(15 667)	1 247 957	103.8%

Note: 1. When carrying out the calculations the Adjusted Net Worth was assumed to remain unchanged except in the following two cases (as per PGN107 (Version 3)).

- Assuming a once-off 10% reduction in equity holdings;
- Assuming a 1% decrease in investment returns, RDR & inflation.

2. 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 the corresponding mismatch of assets and liabilities.

6. Sensitivities: Value of New Business

The table below illustrates the effect of the different assumptions on the Value of New Business (including reinstatements and the increase in IFA subscriptions) at a RDR of 15% (unless otherwise specified):

	Value of New Business R'000	% of Main
Main Basis	320 602	
Expenses plus 10%	290 645	91%
Inflation plus 1%	320 065	100%
Investment return less 1%	322 194	100%
Claims (and reinsurance rates) plus 10%	283 859	89%
Withdrawals plus 10%	285 250	89%
No increases in premiums	211 467	66%
Investment return less 1%, Inflation less 1% and RDR less 1%	326 469	102%
RDR of 12%	348 046	109%
RDR of 13%	336 210	105%
RDR of 15%	305 424	95%
RDR of 16%	295 764	92%

7. Assumptions

The following are the long-term assumptions utilised:

	Group	
	2008	**2007**
RDR	15.0%	14.0%
Overall investment return	11.25%	9.0%
Expenses inflation rate	8.0%	6.5%

The RDR was set by the board, in consultation with the Statutory Actuary, after considering the current risk free rates of return and the risks associated with the business, consequently, the gap between the investment return and the RDR has been reduced (which is an implicit change in basis) to reflect the increased certainty of future profits as well as the expansion of the business leading to even more stability expected in terms of future profits. The RDR used was increased to 15%.

8. 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 and losses on the tax experience, withdrawals and commission.

R.D. Williams
Statutory Actuary
Fellow of the Actuarial Society of South Africa
Fellow of the Institute of Actuaries

4 September 2008

Approval of Annual Financial Statements

In accordance with the requirements of the Companies Act, the directors are responsible for the preparation of the Annual Financial Statements which conform with 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 company and 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 8 to 17.

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 2008, prepared in accordance with IFRS, which are set out on pages 25 to 101 were approved by the board on 4 September 2008 and signed on its behalf by:

G. Q. Routledge
Chairman

G. J. Soll
Managing Director

Johannesburg
4 September 2008

Certificate by the Company Secretary

Compliance with Companies Act 61 of 1973
In terms of Section 268g(d) of the Companies Act, and for the year ended 30 June 2008, I certify that Clientèle 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. van Zyl
Company secretary

Johannesburg
4 September 2008

Independent Auditors Report on the Annual Financial Statements

To the members of Clientèle Limited

We have audited the company Annual Financial Statements and group Annual Financial Statements of Clientèle Limited, which comprise the directors' report, the balance sheet and the consolidated balance sheet as at 30 June 2008, 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 25 to 101.

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. This responsibility includes: designing, implementing and maintaining internal controls 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 management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company and the group as of 30 June 2008, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

PricewaterhouseCoopers Inc.

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

Sunninghill
4 September 2008

The directors have pleasure in submitting their annual report, which forms part of the audited financial statements for the year ended 30 June 2008.

1. Nature of business

Clientèle, the holding company of the Clientèle group of companies, is incorporated in South Africa and is listed under the Life Insurance sector index on the JSE. Clientèle Life markets and distributes life insurance and related products through the Republic of South Africa, mainly on a direct basis and invests funds derived therefrom and accounts for the majority of the group's earnings and assets.

Group restructuring

The 2008 financial year has seen the transformation of the Clientèle group from a Life Insurance operation into a financial services group.

Clientèle Life conducts long-term insurance business and, as such, operates within clearly defined and regulated parameters. The board of Clientèle Life was keen to pursue opportunities other than those that fall strictly within the field of long-term insurance, particularly in the financial services arena, Clientèle Life did not have sufficient flexibility to do so. The board considered that it was an opportune time to lever off two highly regarded brands, namely, "Clientèle" and "IFA", and pursue such opportunities, thus being able to offer alternative but complementary products. Furthermore, combining the efficiencies and distribution know-how to new businesses should add value to the group and its stakeholders.

The board, together with its external advisers, embarked upon a careful and thorough analysis of the best mechanism to achieve these objectives. The board considered that these objectives would best be achieved by way of a restructuring by means of a Scheme which entailed the listing of a new limited liability public company, namely Clientèle, as the new JSE-listed holding company of Clientèle Life. There are a variety of benefits that are expected to flow from the group restructuring:

- it provides the group with flexibility to pursue opportunities that are not strictly related to long-term insurance and thus should not or cannot be pursued in a life company;
- it facilitates the establishment of a short-term insurance business on a selective basis, an objective that the board wishes to pursue. Due to regulatory and other constraints, a short-term insurance business cannot be undertaken within Clientèle Life;
- long-term insurance companies have limited ability to secure debt funding. Additionally, raising capital with Clientèle Life has an impact on capital adequacy requirements and the ability of the company to pay dividends.
- a long-term insurance company has certain asset spreading requirements that limit its ability to fully reflect the value of its subsidiaries.
- potential risks that may accompany new business iniatives outside the long-term insurance sector can now be ring-fenced and will not affect Clientèle Life and its policyholders.

The group restructuring essentially resulted in:

- Clientèle acquiring and holding the entire issued share capital of Clientèle Life and Clientèle Life shareholders receiving, in consideration for their Clientèle Life shares, ten new shares in Clientèle for each one share previously held in Clientèle Life;
- the listing of the shares of Clientèle Life on the JSE being terminated and the shares of Clientèle being listed on the JSE;
- establishing Clientèle as the group's new holding company and shareholder entry point on the JSE; and
- giving Clientèle the flexibility to pursue new business opportunities in existing or newly established subsidiaries.

The operative date of the Scheme to effect the delisting of Clientèle Life and the subsequent new listing of Clientèle on the JSE occurred on 19 May 2008. This transaction has been accounted for as a common control transaction, the consequences of which are dealt with under Accounting Policies.

Corporate initiatives which have taken place in line with the transformation to a financial services group during the financial year and during the period until the date of reporting include:

Establishment of Clientèle Legal
On 1 November 2007, Clientèle through its wholly-owned subsidiary, Clientèle Short Term, launched a personal legal expenses insurance product under a short-term operation. As Clientèle does not yet have a Short Term Insurance license, Clientèle has entered into a cell captive arrangement with Guardrisk Insurance Company Limited. The same distribution methods and know-how that are currently used in Clientèle Life and the IFA division have been adopted to market the legal product. The operations are conducted in a division named Clientèle Legal. An application has been submitted to the Financial Services Board to obtain a Short Term Insurance licence.

Establishment of Clientèle Loans Direct
On 18 December 2007, an agreement was signed with Direct Axis to establish a direct marketing unsecured personal loans business, Clientéle Loans Direct for the benefit of Clientèle Life customers. Direct Axis is a fully integrated and centralised direct marketing business that offers selected financial products. Direct Axis has established joint ventures with other insurance and banking partners that utilise its risk management intellectual property, marketing tools, IT infrastructure, database and risk assessment expertise, customer management skills and distribution ability. Direct Axis prides itself on its extensive loan portfolio management skills acquired since inception in 1995. Clientèle owns 70% of Clientèle Loans Direct and the business was launched during August 2008.

Launch of IFA Nigeria
In July 2008, Clientèle launched a new business in Nigeria, named IFA Nigeria. Further details regarding IFA Nigeria are provided in note 11 of the Report of the Directors, "Events subsequent to the balance sheet date".

Delisting and relisting

Following the group restructuring and implementation of new initiatives, Clientèle is the Holding Company of the Clientèle group which comprises the following companies:

Clientèle LIMITED	%	Country of incorporation	Nature of Business
Clientèle Life Assurance Company Ltd.	100	SA	Life Insurance
Clientèle Loans (Pty) Ltd.***	100	SA	Lending
Clientèle Short Term (Pty) Ltd.	100	SA	Short term insurance – personal lines legal policies
Clientèle Life (Netherlands) Coöperatieve U.A.***	100	ND	Investment company
Independent Field Advertisers Ltd.***	100/75**	NG	Insurance brokerage in Nigeria*
Legal Sense (Pty) Ltd.	49	SA	Commercial lines legal policies
Clientèle Life and Clientèle Loans in turn have the following investments in subsidiaries:			

Clientèle LIFE	%	Country of incorporation	Nature of Business
Clientèle Properties North (Pty) Ltd.	100	SA	Properties – Morningview Office Park
Clientèle Properties South (Pty) Ltd.	100	SA	Properties – Morningview Office Park
Independent Field Advertisers Financial Services (Pty) Ltd.	100	SA	Marketing material distributor
Clientèle USA LLC	33.3	USA	Broking

Clientèle LOANS	%	Country of incorporation	Nature of Business
Clientèle Loans Direct (Pty) Ltd.***	70	SA	Unsecured personal loans

IFA Nigeria owns 100% of Vitta Insurance Brokers.***

Legal Sense and Clièntele Short Term do not have subsidiaries.

* This is held through a 100% subsidiary, Clientèle Life (Netherlands) Coöperatieve U.A.
** On 1 July 2008 KC 2008, a Nigerian controlled company, subscribed for 25% of the issued share capital of IFA Nigeria.
*** These companies did not operate during the year.

SA – South Africa
NG – Nigeria
USA – United States of America
ND – Netherlands

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 25 to 100. An ordinary dividend of 39.00 cents per share (2007 (restated*): 30.00 cents per share) was declared on 14 August 2008. The dividend will be paid on Monday, 15 September 2008.

To comply with the procedures of Strate Limited, the last day to trade in the shares for purposes of entitlement to the dividend is Friday, 5 September 2008. The shares will commence trading *ex* dividend on Monday, 8 September 2008 and the record date will be Friday, 12 September 2008.

Share certificates may not be dematerialised or rematerialised between Monday, 8 September 2008 and Friday, 12 September 2008, 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 2008**	30 June 2007	% change
Total assets (R'm)	**1 494.3**	1 273.70	17.3
Net asset value per share (cents)*	**67.32**	52.41	28.4
Embedded value per share (cents)*	**371.60**	304.35	22.1
Return on shareholders interest (%)	**70**	83	(15.7)
Operating results			
Net insurance premiums (R'm)	**784.0**	623.5	25.7
Profit before taxation (R'm)	**200.3**	154.2	29.9
Taxation (R'm)	**66.1**	49.3	34.1
Net profit attributable to ordinary shareholders (Rm)	**134.2**	104.8	28.1
Earnings per share ("EPS") (cents)*	**41.49**	32.41	28.0
Headline EPS (cents)*	**41.42**	32.41	27.8

* The implementation of the Scheme resulted in a 10 for 1 share split and the number of shares has increased accordingly. The comparatives are stated based on the increased number of shares.

The holding company's interest in the aggregate profit and losses earned after tax by the subsidiaries amounted to R141.5 million (2007: R17.8 million).

The holding company's interest in the aggregate profit earned after tax by the associates amounted to R0.05 million (2007: R0.14 million).

Headline earnings per share

Headline EPS has been adjusted by the profit on disposal of equipment of R202 000 (2007: R5 000).

Headline earnings per share increased by 28% from 32.41 cents to 41.42 cents.

	30 June 2008		30 June 2007	
	Group R'000	**Company R'000**	Group R'000	Company R'000
Reconciliation of earnings to headline earnings				
Net profit attributable to ordinary shareholders	**134 206**	–	104 837	–
Less: profit on disposal of fixed assets	**(202)**	–	(5)	–
Headline earnings	**134 004**	–	104 832	–

Diluted weighted ordinary shares in issue	**2008**	2007
Weighted ordinary shares (000's)*	**323 500**	323 500
Adjustment for dilution due to SAR Scheme (000's)*	**2 157**	230
Diluted weighted ordinary shares (000's)*	**325 157**	323 730
Diluted earnings per share (cents)*	**41.27**	32.38
Diluted headline earnings per share (cents)*	**41.21**	32.38

* The implementation of the Scheme resulted in a 10 for 1 share split and the number of shares has increased accordingly. The comparatives are stated based on the increased number of shares.

3. Share capital

As a result of the Scheme, which was approved by a majority of the shareholders at a scheme meeting on 30 April 2008, Clientèle acquired the entire issued share capital of Clientèle Life. The listing of the shares of Clientèle Life on the JSE terminated on 19 May 2008 and the shares of Clientèle listed on the same day. Upon listing of the Clientèle shares, a 10 for one split was applied whereby shareholders obtained 10 Clientèle shares for every one Clientèle Life share held.

Clientèle Life

As at 30 June 2008, Clientèle Life's share capital, which has remained unchanged throughout the year, was as follows:

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

Clientèle

As at 30 June 2008, Clientèle's share capital was as follows:

Authorised:	
750 000 000 ordinary shares of 2 cents each	R15 000 000
Issued during the year:	
323 500 000 ordinary shares of 2 cents each	R6 470 000

4. Holding company

Clientèle is controlled by the Hollard Group of Companies, which are incorporated in South Africa and in aggregate hold 81.4% (2007: 81.2%) of the issued share capital.

5. Directors and secretary

The following people acted as directors during the year:

Gavin Quentin Routledge *BA LLB*	*(Chairman)*	Non-executive, member of group audit and investment committees and chairman of the group remuneration committee
Gavin John Soll *CA(SA)*	*(Managing Director – Clientèle)*	Executive, member of group audit, risk and compliance, investment, product and actuarial committees
Patrick Jocelyn Anthony Cunningham *CA(SA), CA(Z)*		Non-executive, chairman of group audit committee, member of group remuneration and risk and compliance committees
Patrick Robert Enthoven *B.A.*	*Resigned 26 February 2008*	Non-executive
Adrian Dominiq t'Hooft Enthoven *BA, PhD (Political Science)*	*Appointed 5 March 2008*	Non-executive

David Molapo *D.Ed (USA)*	*Resigned 31 March 2008*	Non-executive
Brenda-Lee Frodsham *B.Com*		Executive, member of group product and actuarial committees
Iain Bruce Hume *CA(SA), ACMA*	*(Financial Director)*	Executive, chairman of the group investment committee, member of group audit, actuarial and risk and compliance committees
Basil William Reekie *BSc(Hons), FIA*	*(Managing Director – Clientèle Life)*	Executive, chairman of group actuarial and product committees, member of the group audit, risk and compliance and investment committees.

All of the above mentioned directors, save for A. D. T. Enthoven, were appointed directors of Clientèle on 31 January 2008.

The appointment of new directors to the board is approved by the board as a whole, subject to ratification by shareholders at the next Annual General Meeting.

At each Annual General Meeting of Clientèle, two of the directors shall retire from office. The directors so to retire at each Annual General Meeting shall be the directors whom have been longest in office. The rotation of directors at regular intervals is accepted as good practice.

The secretary of the company is Wilna van Zyl whose addresses are:

Business address:	*Postal address:*
Building 1, Morningview Office Park Corner Rivonia and Alon Road Morningside, 2196	P O Box 1316 Rivonia 2128

6. Directors' shareholdings

The interests, direct and indirect, of the directors are as follows:

	Ordinary shares		
	Beneficial		Non-beneficial
	Direct	**Indirect**	**Indirect**
2008			
Non executive directors			
G. Q. Routledge	300 000	1 805 510	1 805 510
Executive directors			
G. J. Soll	5 200 000	–	5 631 640
I. B. Hume	–	–	2 628 020
B. Frodsham	200 010	1 294 920	–
	5 700 010	3 100 430	10 065 170

	Ordinary shares		
	Beneficial		Non-beneficial
	Direct	Indirect	Indirect
2007*			
Non executive directors			
G. Q. Routledge	300 000	1 805 510	1 805 510
Executive directors			
G. J. Soll	5 200 000	–	5 631 640
I. B. Hume	–	–	2 628 020
B. Frodsham	200 010	1 294 920	–
	5 700 010	3 100 430	10 065 170

* The implementation of the Scheme resulted in a 10 for 1 share split and the number of shares has increased accordingly. The comparatives are based on the increased number of shares.

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 group 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 the period ended 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 began on 1 July 2002 and ended 30 June 2007 and is payable over a three year period for the period ended 30 June 2007. Cycles thereafter are payable over a five year period and are subject to criteria included in the incentive bonus scheme document. The second cycle commenced on 1 July 2008. 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 of a cycle and by 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. **SAR Scheme (refer to note 12 and note 26)**

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 group 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 32 350 000 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.

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

On 19 May 2008, the scheme as described in note 1 of the Report of the Directors on page 25 was finalised and the listing of the shares of Clientèle Life was terminated on the JSE and the shares of Clientèle were listed on the JSE. Clientèle is the Holding Company of the Clientèle group. For a list of subsidiaries and associates refer to page 2.

11. Events subsequent to the balance sheet date

11.1 Background information

The board of Clientèle undertook a thorough investigation during the 2008 financial year into the establishment of a business in Nigeria. The board resolved to pursue the opportunity subject to:

- the completion by Clientèle's management of a comprehensive due diligence investigation into the establishment of such a business and the viability thereof taking into account all relevant factors, and the board being satisfied with the results thereof;
- the conclusion of satisfactory arrangements, necessary for the conduct of the business, with an insurance company registered and operating in Nigeria.

All of the criteria necessary for the pursuit of the business have been met.

In anticipation of a final decision on whether or not to proceed with the venture, Clientèle caused IFA Nigeria to be incorporated. Clientèle, through a wholly-owned subsidiary, namely ClientèleSub, owned the entire issued share capital of IFA Nigeria immediately prior to the subscription by KC 2008 referred to below.

KC 2008, a company incorporated and registered in Nigeria, has, in terms of an agreement formally executed on 11 August 2008:

- subscribed for 25% of the issued share capital of IFA Nigeria; and
- contributed share and loan capital to IFA Nigeria.

IFA Nigeria will utilise the expertise of Clientèle's IFA distribution channel to market and distribute life insurance policies specifically tailored for the Nigerian market. Clientèle's IFA distribution channel has been used as a very effective and appropriate means to distribute life insurance policies to the predominantly black middle to lower income sectors of the South African population over the last ten years. Clientèle believes that this distribution model is an African solution that could be used very effectively in selected countries in Africa and specifically in Nigeria. Clientèle will, through ClientèleSub, receive annual royalties from IFA Nigeria for the know-how imparted in relation to the IFA distribution channel.

The policies will be underwritten by ADIC, the insurance company selected by Clientèle to underwrite life insurance business generated by IFA Nigeria. IFA Nigeria is a licensed brokerage company that will develop and market products on behalf of ADIC. In addition, IFA Nigeria will perform certain administration functions for ADIC relating to the sale of such products.

11.2 KC 2008 shareholding

The shares in the capital of KC 2008 are owned as to 50.1% thereof by Kunoch and as to 49.9% thereof by IVM Intersurer or its nominee.

Kunoch is in turn a company incorporated and registered in Nigeria and is controlled by a private equity company which is effectively owned and controlled by a prominent Nigerian family.

IVM Intersurer is in turn a Netherlands registered company that has a significant interest in the Hollard insurance group. It was the influence of IVM Intersurer that secured Kunoch's agreement to invest in IFA Nigeria. Kunoch stipulated as a condition however that IVM Intersurer co-invest jointly with it through the vehicle of a corporate entity, KC 2008.

11.3 Salient terms of the transaction

The aggregate subscription price for 25% of the issued share capital of IFA Nigeria is effectively US$16.5 million (subject to adjustment if any portion of the Designated Loan referred to in paragraph 11.3.4 has been repaid) and will be settled in accordance with the provisions referred to in paragraph 11.3.1 to 11.3.5.

11.3.1 KC 2008 initially subscribed for 25% of the issued share capital of IFA Nigeria for a subscription price of US$6 million.

11.3.2 KC 2008 is obliged, on or before 31 December 2008, to subscribe for one additional share in the capital of IFA Nigeria for a subscription price of US$2 million. So as to maintain its shareholding ratio, ClientèleSub will simultaneously subscribe for three additional ordinary shares in the capital of IFA Nigeria at its par value.

11.3.3 ClientèleSub is obliged, on or prior to 31 December 2008, to subscribe for three additional ordinary shares in the capital of IFA Nigeria for a subscription price of US$1 million. Simultaneously therewith, one additional share will be allotted and issued to KC 2008 at its par value so as to maintain the 75:25 shareholding ratio as between ClientèleSub and KC 2008.

11.3.4 KC 2008 is obliged, on 31 December 2008, to lend US$2 million to IFA Nigeria ("Designated Loan"). The Designated Loan, which is subject to various permutations, must be repaid by not later than 31 December 2013. If the call option referred to in paragraph 11.3.5 is exercised by KC 2008, the balance of the Designated Loan will effectively be capitalised on the basis that the shareholding ratio as between ClientèleSub and KC 2008 of 75:25 will be maintained.

11.3.5 KC 2008 is entitled, at any time on or after 1 January 2009 until 31 December 2010, to call upon IFA Nigeria to allot and issue to it one additional ordinary share in the capital of IFA Nigeria for a subscription price of US$7.5 million less an amount equal to 50% of the then outstanding capital balance of the Designated Loan ("call option"). If the call option is exercised, IFA Nigeria will simultaneously allot and issue to ClientèleSub three new ordinary shares in the capital of IFA Nigeria at its par value so as to maintain the shareholding ratio of 75:25. If KC 2008 does not exercise the call option in its favour, it is obliged to offer to sell to ClientèleSub, for a nominal consideration, so many shares in the capital of IFA Nigeria as constitutes 10% of its entire issued share capital.

The relationship between CientèleSub and KC 2008 *inter se* as shareholders of IFA Nigeria is regulated on terms and conditions usual for transactions of such a nature. The salient features of their relationship are that:

- resolutions in relation to certain minority protected matters require unanimity;
- KC 2008 will, for so long as it holds 15% or more of the issued share capital of IFA Nigeria, be entitled to appoint two directors of the company provided that if its shareholding falls below 15% but is more than 5% it will be entitled to appoint only one director;
- there are standard pre-emptive rights as between ClientèleSub and KC 2008.

The transaction is effective from 1 July 2008.

The conversion rate at 30 June 2008 was ZAR7.96:US$1.

11.4 Small related party transaction

By virtue of IVM Intersurer's shareholding in KC 2008, the transaction was categorised as a small related party transaction. IVM Intersurer has a significant interest in the Hollard Insurance Group, which also controls Clientèle. However, being a small related party transaction, no action was required by Clientèle shareholders.

Clientèle was obliged to provide the JSE with written confirmation from an independent professional expert acceptable to the JSE that the terms of the transaction with the related party were fair as far as the shareholders of Clientèle were concerned.

11.5 Fairness opinion

In accordance with 10.7(b) of the Listings Requirements, the Clientèle board appointed KPMG Services (Proprietary) Limited to act as the independent professional expert to consider the terms and conditions of the small related party transaction and advise as to whether such terms and conditions were fair and reasonable to shareholders.

The independent professional expert advised that it considered the terms and conditions of the small related party transaction and was of the opinion that such terms and conditions were fair and reasonable to shareholders.

11.6 Financial effect

The *pro forma* financial effects of the transaction are presented for illustrative purposes only. Due to the nature of the transaction, they may not give a fair reflection of the effects of the transaction on Clientèle's financial position. No effects on earnings are given as the transaction essentially involves an issue of shares for cash in the capital of IFA Nigeria, the operations of which only commenced on 1 July 2008. The subscription proceeds will be applied in developing the business of IFA Nigeria but the return that will flow from that investment is uncertain at this early stage.

Set out below are the unaudited *pro forma* financial affects of the transaction of the net assets and net tangible assets per share of Clientèle, based on the audited results for the year ended 30 June 2008. The directors of Clientèle are responsible for the preparation of the financial information.

	Before the transaction	**After the transaction**	**% change**
Net asset value per share (cents)	67.32	89.47	32.9

Notes:

The net asset value per share and net tangible asset value per share figures in the "After the transaction" column have been calculated on the basis that the transaction was effected on 30 June 2008 and the subscription proceeds referred to in paragraphs 11.3.1, 11.3.2 and 11.3.3 (totalling US$9 million of the total US$16.5 million) had been received.

12. Auditors

In accordance with Section 270(2) of the Companies Act, the Audit Committee, on behalf of the board, has appointed Mr F. J. Kruger of PricewaterhouseCoopers Incorporated to act as external auditor. This appointment will be subject to approval by a majority of shareholders at the Annual General Meeting on 16 October 2008.

13. Directors emoluments

Details of directors emoluments are set out in note 27 to the Annual 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. Until the date of his resignation, Dr S. D. Molapo had a consulting agreement with the group. This is disclosed in note 27 to the Annual Financial Statements.

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

Statement of Actuarial Values of Assets and Liabilities of Clientèle Life

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

1. Excess assets

The Excess of Assets over liabilities on the Published Reporting Basis is shown in the table below:

	Clientèle Life	
	2008 R'000	**2007 R'000**
Assets		
Total assets per balance sheet	1 481 377	1 272 079
Less: Reinsurance assets	(23 795)	(34 359)
Total assets net of reinsurance assets	**1 457 582**	**1 237 720**
Liabilities		
Actuarial value of liabilities	538 335	498 020
Reduction in policy liabilities due to reinsurance	(23 795)	(34 359)
Other policyholder liabilities	490 469	480 969
Current liabilities	221 572	118 592
Total liabilities	**1 226 581**	**1 063 222**
Excess of assets over liabilities	**231 001**	**174 498**

The Excess of Assets over liabilities on the Statutory Reporting Basis is shown in the table below:

	2008 R'000	**2007 R'000**
Assets		
Total assets net of reinsurance assets	1 457 582	1 237 720
Less: Disallowed assets	(8 473)	(3 384)
Statutory assets	**1 449 109**	**1 234 336**
Actuarial liabilities	1 005 008	944 630
Current liabilities	221 572	118 592
Less: Deferred Profit after taxation *	(2 887)	–
Total liabilities	**1 223 693**	**1 063 222**
Excess of assets over liabilities	**225 416**	**171 114**
Capital Adequacy Requirement	50 001	47 060
CAR ratio	451%	364%

* The Deferred Profit defers Single Premium Profits emerging on the Published Reporting Basis and is removed from the liabilities for purposes of the Statutory Valuation Method.

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:

	Clientèle Life	
	2008 R'000	**2007 R'000**
Excess assets at the end of reporting period	231 001	174 498
Excess assets at the beginning of reporting period	174 498	122 188
Change in excess assets over the reporting period	**56 503**	**52 310**
The change in excess assets is due to the following factors:		
Investment income on excess assets	13 764	57 341
Operating profit	232 498	118 510
Changes in valuation method or assumptions	(23 374)	2 205
Capital gains tax	(340)	(2 953)
Deferred tax	1 283	(5 883)
Corporate tax paid	(60 735)	(29 583)
Total earnings	**163 096**	**139 637**
Current and prior year adjustment to investment in associates	(255)	–
IFRS and prior year adjustments	–	7 011
Dividends paid and STC	(106 338)	(94 338)
Total Change in Excess Assets	**56 503**	**52 310**

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:

Reconciliation to reported earnings	**R'000**
Net profit attributable to ordinary shareholders	140 740
Dividend paid (excluding STC)	(97 050)
SAR Scheme	4 645
Revaluation of property	8 168
Total Change in Excess Assets (Published Reporting Basis)	**56 503**

4. Reconciliation of Excess Assets between Published Reporting Basis and the Statutory Basis

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

	R'000
Excess assets on Published Reporting Basis	231 001
Less: disallowed assets	(8 473)
Deferred Profit	4 011
Tax Impact of Deferred Profit	(1 123)
Excess Assets on Statutory Basis	**225 416**

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 2007, except for the following changes (before allowing for compulsory margins):

- The withdrawal rates for some products were split between distribution channels to more accurately reflect the occurrence of withdrawals, based on experience;
- The long-term investment return assumption was increased from 9% p.a. to 11.25% p.a. This was based on the zero coupon risk free yield curve at 30 June 2008. In prior years the valuation interest rates were based on the weighted average yield of the underlying assets held;
- The assumed proportion of maximum possible amounts assumed to be paid by means of referral fees and bonuses was increased by 10% to mirror changes in bonus structures;
- The expense inflation assumption was increased from 6.5% p.a. to 8% p.a. (in line with the increase in the investment return assumption);
- The factor of 30% referred to in Note 7 below in respect of surrender values has reduced from 40% at the previous valuation; and
- Modelling of business was refined.

6. Published Reporting Valuation Method and Assumptions
The assets and liabilities of Clientèle Life insurance contracts have been calculated in accordance with the Actuarial Society of South Africa's guidelines and in particular PGN103 (Version 4) and PGN104 (Version 6). Assets and liabilities were valued on consistent bases. The valuation is a gross premium method of valuation. Where policy values are linked to the value of underlying units, the reserve has been set equal to the sum of the value of the Investment Account and a Rand Reserve allowing for, inter alia, expenses, risk benefits, risk charges, management fees (as well as other expense charges) and reinsurance.

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

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

The result of the valuation method and assumptions is that profits for insurance contracts and for investment 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 2008.

In reserving for the annual renewable term assurance business, an IBNR has been established. All other policy liabilities have been calculated on a prospective gross premium valuation basis, allowing for future income, benefits and expenses.

Compulsory margins in terms of PGN104 (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 11.25% p.a. (9% p.a.) was used for all classes of business;
- The expense allowance for the year after the valuation date was R80.00 (R77.50) per policy, inflating at 8% p.a. (6.5% 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 following additional discretionary margins were established:

- No policy was treated as an asset;
- A liability was set-up equal to 30% 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 30% factor will reduce linearly to 0% over the next three years. This liability amounted to R21.4 million (2007: R31.4 million).

8. Investment contracts without discretionary participation features

In the calculation of liabilities for investment contracts, the account balance has been held for these contracts. In addition, a Deferred Profit has been held as a liability, which defers the profit over the term of the policy. As at 30 June 2008, the Deferred Profit is R4 million.

9. Published Reporting Asset Valuation Method and Assumptions

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

10. Statutory Capital Adequacy Requirement

The Statutory CAR is the additional amount required, over and above the actuarial liabilities on the Statutory Basis, to enable a company to meet material deviations in the main parameters affecting the life assurer's business. The CAR was calculated according to the guidelines issued by the Actuarial Society of South Africa (PGN104 (version 6)).

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

The TCAR exceeded the OCAR as well as the MCAR and thus the CAR has been based on the TCAR.

Hence, the CAR for Clientèle Life, as at 30 June 2008 is TCAR which is equal to R50 million. The ratio of the statutory excess of assets over liabilities to the CAR was 451%.

11. 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 CAR.

12. Report by Statutory Actuary

I hereby certify that:

- The valuation on the Statutory basis of Clientèle Life as at 30 June 2008, 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.

R. D. Williams
Statutory Actuary
Fellow of the Actuarial Society of South Africa
Fellow of the Institute of Actuaries

4 September 2008

Accounting Policies

Basis of preparation of the statements

The consolidated financial statements have been prepared in accordance with IFRS and the Companies Act. 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

STANDARDS AND INTERPRETATIONS EFFECTIVE FOR THE YEAR ENDED 30 JUNE 2008

IFRS 7 – Financial instruments: Disclosures (new) and IAS 1: Presentation of financial statements: Capital disclosures (amended) and IFRS 4 – Insurance contracts (amended)

The adoption of IFRS 7 and the amendment to IAS 1 and IFRS 4 impacts the disclosures made in these financial statements, but had no impact on the reported profits or financial position of the group. In accordance with the transitional requirements of the standards, the group has provided full comparative information.

IFRIC 11 – IFRS 2: Group and Treasury Share Transactions

This interpretation clarifies the application of IFRS 2 to share-based payment arrangements in three circumstances:

- Share-based payments in which an entity receives goods or services as consideration for its own equity instruments are to be accounted for as an equity settled share-based payment, regardless of how the equity instruments are obtained.
- When a parent grants rights to its equity to employees of a subsidiary company and the transaction is accounted for as equity settled in the consolidated financial statements, the transaction is to be accounted for as an equity-settled share-based payment by the subsidiary.
- When a subsidiary grants equity instruments in its parent company to employees, the subsidiary accounts for the transaction as a cash-settled share-based payment and the group accounts for these as equity settled in the consolidated financial statements.

This interpretation affected the group as the parent grants rights to employees of Clientèle Life. These grants were accounted for as equity settled in the consolidated financial statements and by Clientèle Life, however, there is no impact on the comparative information as Clientèle was incorporated during the current year.

STANDARDS AND INTERPRETATIONS ISSUED NOT YET EFFECTIVE

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

Amendment to IFRS 2 - Amendment to IFRS 2 Share-Based Payment: Vesting Conditions and Cancellations

The amendment deals with two matters. It clarifies that vesting conditions include only service conditions and performance conditions. Other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The effect of this amendment currently has no impact on the group.

This amendment is effective for annual periods beginning on or after 1 January 2009.

IFRS 3 - Business Combinations - Revised

The new standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with some contingent payments subsequently re-measured at fair value through income. Goodwill may be calculated based on the parent's share of net assets or it may include goodwill related to the minority interest. All transaction costs will be expensed. The effect of this new standard currently has no impact on the group.

This standard is effective for annual periods beginning on or after 1 July 2009.

IFRS 8 – Operating segments

IFRS 8 requires an entity to adopt the 'management approach' to reporting on the financial performance of its operating segments. The Standard sets out requirements for disclosure of information about and entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers. IFRS 8 will supersede the current standard dealing with segmental reporting, IAS 14. This standard has no effect on the groups' current financial results, however, the group will assess the impact of this standard in the forthcoming financial year following its initiatives to transform the group into a financial services group and to invest in other suited African markets.

This standard is effective for annual periods beginning on or after 1 January 2009.

Amendment to IAS 32 and IAS 1 - Amendment to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of financial statements - Puttable Financial Instruments and Obligations Arising on Liquidation

The amendments require entities to classify the following types of financial instruments as equity, provided they have particular features and meet specific conditions:

- Puttable financial instruments (for example, some shares issued by co-operative entities).
- Instruments, or components of instruments, that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation (for example, some partnership interests and some shares issued by limited life entities).

Additional disclosures are required about the instruments affected by the amendments, however, it has no effect on the group.

This amendment is effective for annual periods beginning on or after 1 January 2009.

IAS 23 - Borrowing costs (amended)

The amendment to IAS 23 requires the capitalisation of borrowing costs as part of the cost of an asset. Previously, the option was given to either immediately expense borrowing costs or capitalise these to the asset cost. The effect of this amendment to IAS 23 has no impact on the group.

This standard is effective for annual periods beginning on or after 1 January 2009.

IAS 27 - Consolidated and Separate Financial Statements – Revised

IAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control. They will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss. The effect of this revised standard currently has no impact on the group.

This standard is effective for annual periods beginning on or after 1 July 2009.

IFRIC 12 - Service Concession Arrangements
IFRIC 12 addresses the accounting for private sector operations involved in the provision of public sector infrastructure and services, such as schools and roads. The effect of this interpretation is not considered relevant to the operations of the group.

IFRIC 12 is effective for annual periods beginning on or after 1 January 2008.

IFRIC 13 – Customer loyalty programs
IFRIC 13 is applicable to entities that grant loyalty award credits, such as points or travel miles, to customers who buy goods or services. The interpretation provides guidance on how an entity's obligation to provide free or discounted goods or services to customers who redeem these awards should be accounted for. This interpretation currently has no impact on the group.

IFRIC 13 is effective for annual periods beginning on or after 1 July 2008.

IFRIC 14 – The limit on a defined benefit asset and minimum funding requirements and their interaction
IFRIC 14 addresses the interaction between minimum funding requirements and the limits on the measurement of a defined benefit asset. When determining the limit, IFRIC14 requires the group to measure any economic benefits available to them through either refunds or reductions in future contributions. This interpretation currently has no impact on the group.

IFRIC 14 is effective for annual periods beginning on or after 1 January 2008.

IFRIC 15 – Agreements for the Construction of Real Estate
IFRIC 15 addresses diversity in accounting for real estate sales. Some entities recognise revenue in accordance with IAS 18 'Revenue' and others recognise revenue as the real estate is developed in accordance with IAS 11 'Construction Contracts'. Specifically, it clarifies whether sale agreements entered into before construction is completed should be regarded as construction contracts (IAS 11) or agreements for the sale of goods (IAS 18); and it revises guidance on applying IAS 18 to real estate sales. This interpretation currently has no impact on the group.

IFRIC 15 is effective for annual periods beginning on or after 1 January 2009.

IFRIC 16 – Hedges of a Net Investment in a Foreign Operation
IFRIC 16 firstly provides guidance on identifying the foreign currency risks that qualify as a hedged risk in the hedge of a net investment in a foreign operation. It secondly provides guidance on where, within a group, hedging instruments that are hedges of a net investment in a foreign operation can be held to qualify for hedge accounting. Thirdly, it provides guidance on how an entity should determine the amounts to be reclassified from equity to profit or loss for both the hedging instrument and the hedged item. This interpretation currently has no impact on the group.

IFRIC 16 is effective for annual periods beginning on or after 1 October 2008.

The adoption of these standards and interpretations will be implemented in accordance with their transitional provisions.

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

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

Interests in subsidiaries or SPE's
Subsidiaries are entities, including SPE's, 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 cost less any impairments.

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

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

The consolidated financial statements incorporate the combined companies' results as if the companies had always been combined. Consequently under predecessor accounting, the consolidated financial statements reflect both companies' full year results even though the business combination may have occurred part way through the year.

Under predecessor accounting, the corresponding amounts in the consolidated financial statements for the previous year reflect the results of the combined companies, even though the business combination did not occur until the current year.

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.

Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as the foreign entity's assets and liabilities and are translated at the closing rate.

Intangibles – computer software development costs

Costs associated with maintaining computer software programs are recognised as an expense as incurred. However, costs that are clearly associated with an identifiable system, which will be controlled by the group and has a probable benefit exceeding the cost beyond one year, are recognised as an asset. These costs comprise all directly attributable costs necessary to create, produce and prepare the asset for its intended use, such as costs of materials and employee services used or consumed in generating the intangible asset. Computer software development costs recognised as assets are amortised in the income statement on a straight-line basis at rates appropriate to the expected life of the asset. Amortisation commences from the date the software is applied to day-to-day business processing. As the software is proprietary and specific to the group operations, no residual value is estimated.

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 are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Inventories
Inventories represent marketing materials held for resale 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 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 at fair value through profit or loss, is reassessed on an annual basis.

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

A financial asset is designated as fair value through profit or loss because either it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring the asset or recognising the gains or losses on it on different bases; or a group of financial assets is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy and information about the group is provided internally on that basis to key management personnel. Under this criteria, the main classes of financial assets designated by the group are promissory notes (quoted), funds on deposit, fixed interest securities (quoted), fixed interest securities (unquoted), government and public authority bonds (quoted), unlisted unit trusts (quoted), equity securities (listed) and unlisted equity securities.

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. 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 the quoted ruling bid prices at the close of business on the last trading day on or before the balance sheet date. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. Fair value is defined in terms of a price agreed by a willing buyer and a willing seller in an arm's length transaction. 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. 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, deposits, cash on hand and highly liquid investments with original maturity profiles of 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 are 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. The group issues long term and short term insurance contracts.

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

Long term 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 long term 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

PGN 110: Maturity Guarantees

Where applicable, the PGNs are referred to in the accounting policies and notes to the Annual Financial Statements.

Features of Clientèle Life's main long term insurance contracts

Clientèle Life's main long term insurance contracts are as follows:

- *Market related savings products ("market related products") with risk benefits* for example accidental death or disability. These products have an investment account which is built up based on the allocated portion of premiums and market returns in the form of income and growth; benefits are paid upon defined events, such as death, on surrender or final encashment (maturity) of the product.
- *Whole life, final benefits products ("whole life products")* with benefits which are payable upon defined events, for example death or disability.
- *Whole life, cashback benefits products ("cashback products")* are whole life final benefits products with benefits which are payable upon defined events, for example death, disability or hospitalisation and include a return of one year's premiums every five years.

Measurement of long term 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 long term insurance contracts are measured on either a discounted or undiscounted basis depending on the features of the contracts described above.

- Discounted liabilities (market related products and whole life cashback products)
  The valuation of these products has been performed on a policy by policy basis by discounting future expected premiums, risk benefits, cashback benefits, risk charges, reinsurance costs 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)
  IBNR liabilities are calculated for these products, which is based on a percentage of net 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 to the Annual Financial Statements.

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 to the Annual Financial Statements.

Outstanding claims provision
Provision is made for the estimated cost of claims outstanding at the end of the year. Outstanding claims and benefit payments are stated gross of reinsurance. 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.

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.

These costs include introducer fees and payments to IFAs, outbound call centre staff costs, commissions and a proportional allocation of costs in respect of those employees and activities which relate to the securing of new contracts and the 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.

Short term insurance contracts
Circular 2/2007 – Recognition and measurement of short term insurance contracts issued by the South African Institute of Chartered Accountants ("Circular 2/2007")
In terms of IFRS 4 – Insurance contracts, insurance contracts are allowed to be measured under existing local practice. The group has adopted Circular 2/2007 to determine the measurement in respect of short term insurance contracts.

Features of Clientèle Short Term's main short term insurance contracts
Clientèle Short Term's short term insurance contracts are conducted through a cell captive arrangement. A cell captive arrangement is deemed to meet the definition of a SPE mainly as a result of the cell shareholder's rights to obtain the majority of the future economic benefits of the cell's insurance activities. The cell captive arrangement is created through a shareholders' agreement and the cell shareholder is accountable for any losses to the extent that funds are available to offset against the losses as well as any future profits that arise in the cell or recapitalisation will be required to offset losses in excess of the funds available. The impact of the application of this on the group's financial statements is that the underwriting and investment results of insurance contracts underwritten in the cell arrangement are consolidated within the group's financial statements.

Clientèle Short Term's short term insurance contracts are *Personal Lines Legal Policies* with risk benefits to cover individual persons for civil, criminal and labour related matters. These contracts are monthly renewable contracts.

Measurement of short term insurance contracts
Premium income
Insurance premium revenue comprise the premiums on contracts that become due and payable during the current reporting period irrespective of whether the contract was entered into during the current or a previous reporting period. Premiums are disclosed gross of commission payable to intermediaries and exclude Value Added Tax.

Claims and benefits paid
Claims and benefits paid consist of claims and claims handling expenses paid during the financial year and is determined by the compensation owed to the policyholder.

Outstanding claims provision
The provision for outstanding claims comprises the group's estimate of settling all claims reported (notified claims) but unpaid at the balance sheet date and claims incurred but not reported.

Each notified claim is assessed on a separate case by case basis with due regard to the specific circumstances, information available from the insured and/or loss adjuster and past experience with similar claims. Standardised policies and procedures are applied to claims assessments. The provision for each notified claim includes an estimate of the associated claims handling costs but excludes Value Added Tax.

The ultimate cost of incurred claims may vary as a result of future developments or better information becoming available about the current circumstances. Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made, and disclosed separately if material.

The IBNR provision is raised for claims incurred but not yet reported. Outstanding claims and the IBNR provision are included in Policyholder liabilities under insurance contracts items in the balance sheet.

Liability adequacy test
The net liability recognised for short term insurance contracts is tested for adequacy by assessing current estimates of all future contractual cash flows (i.e. expected claims and expenses of settling claims) and comparing this amount to the carrying value of the insurance contract liability. Where a shortfall is identified, an additional provision is made and the group recognises the deficiency in income for the year.

Acquisition costs
Acquisition costs comprise all direct (commission) and indirect costs arising from the securing of short term insurance contracts and are expensed when incurred.

Receivables and payables related to long and short term insurance contracts and financial instruments
Receivables and payables are recognised when due. Payables are initially recognised at fair value less transaction costs and are subsequently amortised. These include amounts due to and from IFAs and policyholders.

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.

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

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 STC.

- **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 differences and it is probable that the temporary differences will not reverse in the foreseeable future.

- **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 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.

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 is payable over a five year period for cycles thereafter. The second cycle commenced on 1 July 2008. 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 of a cycle and by 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.

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 as they arise each year.

Past-service costs are charged against income in the period it arises.

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.

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 group 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 SAR Scheme. The fair value of the employee services received in exchange for the grant of the 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.

A geographical segment is a distinguishable component of a group that is engaged in providing products or services within a particular economic environment and that is subject to risks and opportunities that are different from those components in other economic environments.

Balance Sheets
at 30 June 2008

		Group		Company	
R'000	Notes	**2008**	2007	**2008**	2007
Assets					
Intangible assets	3	**3 849**	260	**–**	–
Property and equipment	4	**21 475**	20 252	**–**	–
Owner-occupied properties	5	**127 600**	62 000	**–**	–
Investment in subsidiaries	6	**–**	–	**232 038**	–
Investment in SPE		**–**	–	**1 500**	–
Investments in associates	7	**626**	141	**400**	–
Deferred taxation	17	**5 966**	3 384	**–**	–
Inventories		**712**	1 459	**–**	–
Reinsurance assets	8	**23 795**	34 359	**–**	–
Financial assets at fair value through profit and loss	9	**1 065 997**	1 042 059	**–**	–
Receivables including insurance receivables	10	**45 113**	16 783	**50**	–
Current taxation receivables		**1 742**	3 295	**–**	–
Cash and cash equivalents	11	**197 390**	89 695	**–**	–
Total assets		**1 494 265**	1 273 687	**233 988**	–
Equity					
Share capital	12	**6 470**	–	**6 470**	–
Share premium	12	**218 656**	–	**218 656**	–
Common control (deficit)/surplus	12	**(220 273)**	4 853	**–**	–
		4 853	4 853	**225 126**	–
Retained earnings		**183 403**	146 493	**–**	–
SAR scheme reserve	12	**6 744**	2 099	**6 744**	–
Non-distributable reserve: Contingency	12	**246**	–	**–**	–
Non-distributable reserve: Revaluation	12	**22 543**	16 101	**–**	–
Total equity		**217 789**	169 546	**231 870**	–
Liabilities					
Policyholder liabilities under insurance contracts	13	**538 335**	498 020	**–**	–
Financial liabilities at fair value through profit and loss	14	**490 469**	480 969	**–**	–
Employee benefits	15	**65 941**	62 093	**–**	–
Amounts due to reinsurers		**–**	1 191	**–**	–
Accruals and payables including insurance payables	16	**137 036**	50 449	**2 118**	–
Deferred taxation	17	**13 168**	11 419	**–**	–
Current taxation		**31 527**	–	**–**	–
Total liabilities		**1 276 476**	1 104 141	**2 118**	–
Total equity and liabilities		**1 494 265**	1 273 687	**233 988**	–

Income Statements
for the year ended 30 June 2008

	Notes	Group 2008 R'000	Group 2007 R'000	Company 2008 R'000	Company 2007 R'000
Revenue					
Insurance premium revenue	19	**815 232**	651 267	**–**	–
Reinsurance premiums	20	**(31 195)**	(27 749)	**–**	–
Net insurance premiums		**784 037**	623 518	**–**	–
Other income	21	**118 395**	84 765	**–**	–
Fair value adjustment to financial assets at fair value through profit and loss	22	**63 999**	152 675	**–**	–
Total revenue		**966 431**	860 958	**–**	–
Net insurance benefits and claims		**(161 485)**	(125 450)	**–**	–
Claims and policyholder benefits under insurance contracts	24	**(194 073)**	(145 662)	**–**	–
Insurance claims recovered from reinsurers	24	**32 588**	20 212	**–**	–
Increase in policyholder liabilities under insurance contracts	25	**(40 315)**	(118 024)	**–**	–
(Decrease)/increase in reinsurance assets		**(10 564)**	5 539	**–**	–
Fair value adjustment to financial liabilities at fair value through profit and loss	14	**(31 770)**	(34 332)	**–**	–
Expenses	26	**(522 029)**	(434 673)	**–**	–
Results from operating activities		**200 268**	154 018	**–**	–
Equity accounted earnings	28	**74**	141	**–**	–
Profit before taxation		**200 342**	154 159	**–**	–
Taxation	29	**(66 136)**	(49 322)	**–**	–
Net profit attributable to ordinary shareholders		**134 206**	104 837	**–**	–
Earnings per share (cents)	30	**41.49**	32.41	**–**	–
Diluted earnings per share (cents)	30	**41.27**	32.38	**–**	–

Group Statement of Changes in Equity

for the year ended 30 June 2008

R'000	Share capital	Share premium	Common control deficit	Sub-total	Retained earnings	Treasury share reserve	SAR Scheme reserve [1]	Non-distributable reserves: contingency [2]	Non-distributable reserves: revaluation [3]	Total
Balance as at 1 July 2006	–	–	4 853	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	4 853	146 493	–	2 099	–	16 101	169 546
Balance as at 1 July 2007	–	–	4 853	4 853	146 493	–	2 099	–	16 101	169 546
Issue of share capital	6 470	218 656	(225 126)	–	–	–	–	–	–	–
Net profit attributable to shareholders	–	–	–	–	134 206	–	–	–	–	134 206
Transfer to contingency reserve	–	–	–	–	(246)	–	–	246	–	–
Ordinary dividend paid	–	–	–	–	(97 050)	–	–	–	–	(97 050)
SARs allocated	–	–	–	–	–	–	4 645	–	–	4 645
Revaluation of owner occupied property	–	–	–	–	–	–	–	–	6 442	6 442
Balance as at 30 June 2008	6 470	218 656	(220 273)	4 853	183 403	–	6 744	246	22 543	217 789

[1] *The SAR scheme reserve held is in respect of the SARs granted to management, IFAs and key employees in terms of the SAR scheme.*

[2] *A reserve in equity is made for the full amount of the contingency reserve as required by the provisions of the Short-term Insurance Act of 1998. The reserve is calculated at 10% of net premiums written for short-term insurance policies. The reserve may be utilised only with the written consent of the Registrar of Short Term Insurance. Transfers to and from this reserve are treated as appropriations of retained earnings.*

[3] *Comprises the accumulated owner-occupied properties fair value adjustment net of taxation.*

Company Statement of Changes in Equity

for the year ended 30 June 2008

R'000	Share capital	Share premium	Common control deficit	Sub-total	Retained earnings	Treasury share reserve	SAR Scheme reserve	Non-distributable reserves: contingency	Non-distributable reserves: revaluation	Total
Balance as at 1 July 2006	–	–	–	–	–	–	–	–	–	–
Balance as at 30 June 2007	–	–	–	–	–	–	–	–	–	–
Balance as at 1 July 2007										
Shares issued	6 470	218 656	–	225 126	–	–	–	–	–	225 126
SARs allocated				–			6 744	–	–	6 744
Balance as at 30 June 2008	6 470	218 656	–	225 126	–	–	6 744	–	–	231 870

Cash Flow Statements

for the year ended 30 June 2008

R'000	Notes	Group 2008	Group 2007	Company 2008	Company 2007
Cash flow generated by operating activities		**182 518**	53 445	**6 462**	–
Cash generated by operations	31	**252 229**	228 572	**6 462**	–
Net disposal/(acquisition) of investments		**40 061**	(72 746)	**–**	–
Interest received		**10 084**	14 993	**–**	–
Dividends received		**12 536**	10 330	**–**	–
Dividends paid	33	**(97 116)**	(84 089)	**–**	–
Taxation paid	34	**(35 276)**	(43 615)	**–**	–
Cash flow from investing activities		**(74 823)**	(16 294)	**(233 538)**	–
Acquisition of subsidiaries	32	**–**	–	**(232 038)**	–
Investment in SPE		**–**	–	**(1 500)**	–
Acquisition of intangible assets		**(4 290)**	–	**–**	–
Acquisition of property and equipment		**(13 483)**	(16 326)	**–**	–
Acquisition of owner-occupied properties		**(58 352)**	–	**–**	–
Proceeds of assets sold		**1 302**	32	**–**	–
Cash flow from financing activities		**–**	–	**227 076**	–
Proceeds from issue of share capital		**–**	–	**225 126**	–
Increase in amount due to subsidiary		**–**	–	**1 950**	–
Increase in cash and cash equivalents		**107 695**	37 151	**–**	–
Cash and cash equivalents at beginning of year		**89 695**	52 544	**–**	–
Cash and cash equivalents at end of year	11	**197 390**	89 695	**–**	–

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 and the group investment committee, being sub-committees of the Clientèle group board, are in place to assist the board in discharging its risk management obligations. The group audit committee has established the group risk and compliance committee and the group actuarial committee as sub-committees to assist it in fulfilling its risk management obligations to the board.

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

- act as an effective communication channel between the board and the external auditors, the external actuaries, the head of internal audit, the chairman of the group risk and compliance committee and the chairman of the actuarial committee;
- satisfy the board that adequate internal, financial and operating controls are identified, addressed and monitored by management and that material corporate risks have been identified and are contained and monitored through the group audit committee and the group risk and compliance committee; and
- 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 group actuarial committee assists the group audit committee in this regard.

The principal activities of the group investment committee pertaining to risks are to:

Review and evaluate the appropriate levels of market risk, credit risk and liquidity risk accepted by the group and to ensure that appropriate procedures, practices and policies are in place to manage and monitor these risks.

The principal objectives of the group 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.

The principal activities of the group actuarial committee pertaining to risks are to: ensure that appropriate procedures, practices and policies are in place to manage and monitor insurance risk, data risk, ALM risk and capital adequacy risks.

A significant part of the business involves the acceptance and management of risk. Primary responsibility for risk management at an operational level rests with 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

1.1 CAPITAL MANAGEMENT – CAPITAL ADEQUACY REQUIREMENT RISK

1.1.1 Long term insurance

Clientèle Life is required to maintain a capital balance equivalent to the CAR. This is available to meet obligations in the event of substantial deviations from the main experience assumptions affecting the group's financial instruments 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 CAR 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 ALM 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 2008 the CAR of Clientèle Life for insurance and investment contract business amounted to R50.1 million (2007: R47.1 million) and was covered 4.5 times (2007: 3.6 times) by the excess of assets over liabilities.

1.1.2 Short term insurance

Contingency reserve

The group's short-term insurance operations in the SPE are subject to regulatory requirements that prescribe the level of assets to be maintained in local currency to meet insurance liabilities. The SPE provides for a contingency reserve at 10% of annual gross premiums.

Short term insurance

Solvency ratio

The SPE maintains a solvency ratio as is required by the relevant authorities from time to time which according to current practices is recorded at the present time to be 25% of net written premium.

1.2 RISKS ARISING FROM FINANCIAL INSTRUMENTS

1.2.1 Long term insurance

The group considers market risk, credit risk and liquidity risk as the most significant risks arising from financial instruments. Details on how these risks are managed are provided below, with a distinction between financial instruments that affect long term and short term insurance business.

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.
  - 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.

Currency risk

The group's balance sheet has as yet no significant exposure to foreign currency and accordingly the related currency risk.

Property risk

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

The Clientèle group is exposed to the majority if its property risk through its ownership of the two property subsidiaries of Clientèle Life which own Morningview Office Park as reflected in the balance sheet. The majority of the Office Park is occupied by companies within the Clientèle group.

- *Factors affecting this risk*
  - Changes in interest rates.
  - Occupancy levels in the Sandton/Morningside/Rivonia area.
  - Occupancy levels in the office park.
- *Management of this risk*
  - Management has chosen to make the office park the home of the Clientèle group which continues to occupy a greater proportion of the office park over time.
  - The office park is being continually maintained and improved to enhance its value.
  - Management believes that the Sandton, Morningside and Rivonia nodes have an extremely attractive long term investment future for property which is continually reviewed and assessed by management over time.
  - Management ensures that appropriate insurance cover is in place to protect against property damage.

1.2.2 Short term insurance

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 investments in respect of the SPE with Guardrisk are conservatively invested, in cash or near cash facilities, in accordance with the investment mandate for the SPE.

1.3 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 2008 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 for Clientèle Life 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 companies. The credit rating of the company is assessed when placing the business and when there is a decrease in the status of the credit rating of the company. The counterparties for assets backing financial liabilities at fair value through profit and loss are rated at least AA by an International rating agency.

1.3.1 Long term insurance

The following table provides information regarding the aggregated credit risk exposure for the group's long term business at 30 June:

R'000	A1+	Not rated	Total carrying value
2008			
Financial assets at fair value through profit and loss (refer note 9)	590 651	80 174	670 825
Promissory notes and deposits (quoted)	501 520	–	501 520
Funds on deposit	31 998	–	31 998
Fixed interest securities (quoted)	15 213	–	15 213
Government and public authority bonds (quoted)	41 920	–	41 920
Unlisted unit trusts (quoted)	–	80 174	80 174
Reinsurance assets	23 795	–	23 795
Receivables including insurance receivables	–	40 678	40 678
Cash and cash equivalents	193 426	2 117	195 543
Total assets bearing credit risk	**807 872**	**122 969**	**930 841**

R'000	A1+	A1	Not rated	Total carrying value
2007				
Financial assets at fair value through profit and loss	590 669	–	37 469	**628 138**
Promissory notes and deposits (quoted)	480 793	–	–	**480 793**
Funds on deposit	36 144	–	–	**36 144**
Fixed interest securities (quoted)	25 332	–	–	**25 332**
Government and public authority bonds (quoted)	48 400	–	–	**48 400**
Unlisted unit trusts (quoted)	–	–	37 469	**37 469**
Reinsurance assets	–	34 359	–	**34 359**
Receivables including insurance receivables	–	–	16 783	**16 783**
Cash and cash equivalents	89 397	–	298	**89 695**
Total assets bearing credit risk	**680 066**	**34 359**	**54 550**	**768 975**

1.3.2 Short term insurance

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

R'000	A1+	A1-	Total carrying value
2008			
Receivables including insurance receivables	–	4 436	**4 436**
Cash and cash equivalents	1 847	–	**1 847**
Total assets bearing credit risk	1 847	4 436	**6 283**

The ratings above are based on the external credit ratings obtained from external rating agencies.

The rating scales are linked to long-term investment horizons as the group cannot accurately determine the maturity of these assets due to volatility of the markets and policyholder behaviour, and have the following broad definitions:

Short term and long term debt rating scale

High grade

A1+ Highest certainty of timely payment. Short-term liquidity, including internal operating factors and/or access to alternative sources of funds, is outstanding, and safety is just below that of risk-free treasury bills.

A1 Very high certainty of timely payment. Liquidity factors are excellent and supported by good fundamental protection factors. Risk factors are minor.

A1– High certainty of timely payment. Liquidity factors are strong and supported by good fundamental protection factors. Risk factors are very small.

Not rated

The group considers and reviews credit risk on all financial instrument exposures, however, in certain categories a formal investment grade is not available.

1.4 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.
  - Insurance business: The expected and contractual maturities of insurance liabilities are monitored on an ongoing basis and the actuarial committee, a sub-committee of the audit committee ensures that the assets are appropriate to cover expected insurance obligations as and when due. The Investment Committee ensures that the mix of investments is appropriate to ensure that sufficient cash will be available to meet insurance obligations as and when due.
  - Investment business: The contractual maturities of single premium investment business is matched by purchasing appropriate assets of the same maturity profile (AA credit quality). This ensures that cash is available on maturity of the policyholder obligations.

1.4.1. Long term insurance

The table below gives an indication of liquidity needs in respect of cash flows required to meet obligations arising under long term insurance contracts and investment contracts and compares these cash flows to expected cash flows from financial assets held at the balance sheet date. Contractual cash flows are provided in respect of financial liabilities at fair value through profit and loss.

The following table summarises the overall maturity profile of the group's long term business:

	Contractual cash flows for financial instruments and expected cash flows for insurance contracts (undiscounted)							
R'000	< 1 year	1 - 5 years	>5 years	Open ended	Dis-counting effect	Margins*	Undis-counted policyholder liabilities under insurance contracts	Total
2008								
Financial assets at fair value through profit and loss:								
Debt securities (Refer Note 9)	291 979	519 966	–	–	(141 120)	–	–	670 825
Promissory notes and deposits (quoted)	122 674	519 966	–	–	(141 120)	–	–	501 520
Funds on deposit	31 998	–	–	–	–	–	–	31 998
Fixed interest securities (quoted)	15 213	–	–	–	–	–	–	15 213
Government and public authority bonds (quoted)	41 920	–	–	–	–	–	–	41 920
Unlisted unit trusts (quoted)	80 174	–	–	–	–	–	–	80 174
Equity securities (Refer Note 9)	–	–	–	395 172	–	–	–	395 172
Listed on the JSE – at market value	–	–	–	391 522	–	–	–	391 522
Unlisted equities	–	–	–	3 650	–	–	–	3 650
Reinsurance assets	6 760	8 886	8 149	–	–	–	–	23 795
Receivables including insurance receivables	40 549	130	–	–	–	–	–	40 679
Cash and cash equivalents	194 515	–	–	–	–	–	–	194 515
Total assets	**533 803**	**528 982**	**8 149**	**395 172**	**(141 120)**	**–**	**–**	**1 324 986**
Policyholder liabilities under insurance contracts**	(202 362)	(315 888)	498 873	–	(120 611)	664 601	13 722	538 335
Financial liabilities at fair value through profit and loss**	136 946	481 825	–	–	(128 302)	–	–	490 469
Accruals and payables including insurance payables	129 765	4 011	–	–	–	–	–	133 776
Total liabilities	**64 349**	**169 948**	**498 873**	**–**	**(248 913)**	**664 601**	**13 722**	**1 162 580**
Excess/(shortfall) of assets over liabilities	**469 454**	**359 034**	**(490 724)**	**395 172**	**107 793**	**(664 601)**	**(13 722)**	**162 406**

* Including compulsory and discretionary margins.

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

The following table summarises the overall maturity profile of the group's long term business:

R'000	Contractual cash flows for financial instruments and expected cash flows for insurance contracts (undiscounted) < 1 year	1 - 5 years	>5 years	Open ended	Dis-counting effect	Margins*	Undis-counted policyholder liabilities under insurance contracts	Total
2007								
Financial assets at fair value through profit and loss:								
Debt securities (Refer Note 9)	254 296	473 986	–	–	(100 144)	–	–	628 138
Promissory notes and deposits (quoted)	106 951	473 986	–	–	(100 144)	–	–	480 793
Funds on deposit	36 144	–	–	–	–	–	–	36 144
Fixed interest securities (quoted)	25 332	–	–	–	–	–	–	25 332
Government and public authority bonds (quoted)	48 400	–	–	–	–	–	–	48 400
Unlisted unit trusts (quoted)	37 469	–	–	–	–	–	–	37 469
Equity securities (Refer Note 9)	–	–	–	413 921	–	–	–	413 921
Listed on the JSE – at market value	–	–	–	410 271	–	–	–	410 271
Unlisted equities	–	–	–	3 650	–	–	–	3 650
Reinsurance assets	10 100	15 283	8 976	–	–	–	–	34 359
Receivables including insurance receivables	14 430	2 353	–	–	–	–	–	16 783
Cash and cash equivalents	89 695	–	–	–	–	–	–	89 695
Total assets	**368 521**	**491 622**	**8 976**	**413 921**	**(100 144)**	**–**	**–**	**1 182 896**
Policyholder liabilities under insurance contracts	(194 649)	(149 612)	1 135 303	–	(627 837)	329 369	5 446	498 020
Financial liabilities at fair value through profit and loss**	107 128	473 985	–	–	(100 144)	–	–	480 969
Accruals and payables including insurance payables	49 542	907	–	–	–	–	–	50 449
Total liabilities	**(37 979)**	**325 280**	**1 135 303**	**–**	**(727 981)**	**329 369**	**5 446**	**1 029 438**
Excess (short fall) of assets over liabilities	**406 500**	**166 342**	**(1 126 327)**	**413 921**	**627 837**	**(329 369)**	**(5 446)**	**153 458**

* Including compulsory and discretionary margins.

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

The following table shows the total surrender value compared to total policyholders' liabilities:

	30 June 2008		30 June 2007	
R'000	Carrying value	Surrender value	Carrying value	Surrender value
Insurance business	514 540	475 657	463 661	450 254
Investment business	490 469	473 724	480 969	463 882
Total	**1 005 009**	**949 381**	**944 630**	**914 136**

- **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 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 at fair value through profit and loss.
  - Holding insufficient free assets in relation to actuarial liabilities.
- *Management of this risk*
  - 90% of deaths due to natural causes are reinsured.
  - Products with a savings component are unit linked products matched to the underlying net investment performance.
  - The assets backing financial liabilities at fair value through profit and loss are matched upfront.
  - A CAR ratio in excess of regulatory requirements is maintained at all times.

1.4.2 Short term insurance

There are no discounted liabilities.

All liabilities for short term insurance are IBNR liabilities and are matched by cash.

1.5 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.

1.5.1 Long term insurance

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 actuarial committee meets at least every two months and monitors the mortality and morbidity experience versus the assumptions at these meetings.

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

Sum insured per benefit	Number of benefits insured	Gross amount R'm	Net amount R'm
2008			
0 – 20 000	2 133 168	19 129	13 142
20 000 – 50 000	515 881	26 135	17 956
50 000 – 100 000	63 199	3 399	2 336
100 000 – 200 000	5 924	537	369
200 000 – 500 000	771	211	144
500 000+	251	308	211
Total	2 719 194	49 719	34 158
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

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 Cash back" 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. contractholders 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 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 at least on a monthly basis.

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 monthly basis.
  - Management review the valuation and calculations monthly.
  - Actuarial committee meetings are held at least once every two months.

1.5.2 Short term insurance

Frequency and severity of claims

- *Factors affecting this risk*
  - Claims in respect of short term insurance in respect of personal lines legal matters with individuals are higher than expected.
  - The frequency of claims per policyholder is expected to be high and the claim values are expected to be low, if claims values are high the risk will increase
  - The product is a new product and as a result does not have a past history of experience; actual experience may differ from expected experience.
  - Litigation costs in the future may increase faster than expected.
- *Management of this risk*
  - These contracts are signed-up individually and exclude pre-existing litigation conditions and certain specifically excluded matters.
  - Claim limits are set on the amount which can be claimed annually and in a policyholder's lifetime.
  - Most matters are dealt with through "in-house" legal advice and day to day management is exercised with regard to the expected versus actual claims ratios and statistics.
  - The panel of attorneys who provide legal advice is continually reviewed and assessed to ensure the appropriate level of advice and charges for legal advice.

1.6 SENSITIVITY ANALYSIS

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

In order to interpret this table users are encouraged to understand the basis on which the variables were set and combine this information with other components of the financial statements. The sensitivities provided, are not amounts that can be simply extrapolated to determine prospective earnings forecasts and caution is advised to any user doing this. They do, however, provide insight into the impact that changes in these risks can have on policyholders' liabilities and attributable profit after taxation.

1.6.1 Long term insurance

Sensitivity ranges

The sensitivity ranges, i.e. the upper and lower limits, are management's best judgement of the range of probable changes within a twelve month period from the reporting date of 30 June 2008.

Sensitivies provided are as follows:

Financial risk variables

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

Long-term insurance risk variables

Assurance mortaility:	Where actual death rates by age category vary to those assumed on measurement of policies that offer death benefits.
Renewal expenses:	Where actual expenses incured differ to those assumed for maintaining and servicing the in-force contracts.
Withdrawals:	The possible change in expectation of policyholders withdrawing or lapsing benefits prior to the expiry of the contract or the assumed duration of the contract.
Inflation:	A parallel shift in the prevailing inflation rate.

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

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

In each sensitivity calculation, all other assumptions remain unchanged except where directly affected by the revised economic conditions.

Sensitivity analysis	% change	30 June 2008 Impact on policyholders' liabilities R'000	30 June 2008 Impact on ordinary shareholders' equity and attributable profit after taxation R'000	30 June 2007 Impact on policyholders' liabilities R'000	30 June 2007 Impact on ordinary shareholders' equity and attributable profit after taxation R'000
Financial risk variables					
Equity price	+10	**36 075**	**8 210**	39 410	1 947
Equity price	-10	**(36 297)**	**(8 050)**	(39 404)	(1 951)
Interest rate	+1	**960**	**(691)**	1 493	(1 075)
Interest rate	-1	**(904)**	**651**	(1 406)	372
Property market value	+10	**–**	**9 723**	–	4 724
Property market value	-10	**–**	**(9 723)**	–	(4 724)
Local currency against other currencies	+1	**–**	**(302)**	–	(348)
Local currency against other currencies	-1	**–**	**302**	–	348
Long term insurance risk variables					
Assurance mortality	+10	**3 082**	**(2 219)**	3 839	(2 764)
Assurance mortality	-10	**(2 871)**	**2 067**	(3 576)	1 487
Renewal Expenses	+10	**7 260**	**(5 227)**	6 824	(4 913)
Renewal Expenses	-10	**(6 214)**	**4 474**	(5 840)	4 205
Withdrawals	+10	**(6 774)**	**4 877**	(6 367)	4 584
Withdrawals	-10	**8 177**	**(5 888)**	7 686	(5 534)
Inflation	+1	**1 578**	**(1 136)**	1 483	(1 068)
Inflation	-1	**(1 490)**	**1 073**	(1 401)	1 008

1.6.2 Short term insurance

No sensitivity analysis has been performed on the short term insurance business as the business commenced during this financial year and hence the results of any sensitivity analysis performed is immaterial.

2. CRITICAL 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-annually, 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

2.1 Long term insurance

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

The compulsory margins were as follows:

Assumption	**2008 Margin**	2007 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
Assets under insurance contracts ("negative liabilities") amounting to R493.5 million (2007: R235.4 million) have been eliminated. In addition a liability has been set up equal to 30% (2007: 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 30% factor will reduce linearly to 0% over the next three years. This liability amounted to R21.4 million (2007: R31.4 million).

The elimination of negative liabilities has increased significantly from June 2007. This is due to the large volumes of profitable new business written which results in 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.

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 of Clientèle Life on page 38 to the Annual Financial Statements.

Once the best estimate is determined compulsory margins (per PGN104) are incorporated as described above.

Demographic Assumptions
Mortality
A detailed mortality investigation was undertaken for homogenous groupings of business for the year ending 30 June 2008 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 38 to the Annual Financial Statements.

Withdrawals
A detailed withdrawal investigation was carried out for the year ending 30 June 2008 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 based on:

- the current zero coupon yield curve (assuming an appropriate duration); less,
- a compulsory margin (prescribed as being 0.25%)

In prior years the valuation interest rate was based on the weighted average yield of the actual underlying assets held. For June 2008, the valuation rate has been set with reference to the current zero coupon yield curve (an effective rate of 11.22% at a term of 5 years) as at 30 June 2008.

Based on the above assumptions, an investment return of 11.25% (2007: 9%) p.a. (before compulsory margins) was assumed for the majority of the business.

(b) Inflation

The current assumed level of future expense inflation is 8% (2007: 6.5%) per annum. This was set with reference to the revised level of the valuation interest rate.

(c) Taxation

Future taxation and taxation relief are allowed for at the rates and on the basis applicable to Section 29A of the Income Tax Act at the 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 the previous 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; and
- refinement of modelling.

The effect of the changes is disclosed in note 13 to the Annual Financial Statements.

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.

2.2 Short term insurance

IBNR – Undiscounted Liabilities

IBNR liabilities are calculated based on a percentage of the premiums payable and have been established at a level which is appropriate based on the limited claims data available. The percentage will in future be reviewed annually against actual experience and expected future trends.

2.3 Other

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.

Owner occupied properties

In April 2008 the group, through its property investment subsidiary, Clientèle Properties North, purchased the remainder of Morningside Office Park for R58 million.

The valuation of R127.6 million (2007: 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 R16.2 million (2007: R6.0 million) based on market related rental income per square meter.
- Capitalised at a remunerative rate of 10.4% (2007: 8%) on the net annual income.

	Group 2008 R'000	Group 2007 R'000	Company 2008 R'000	Company 2007 R'000
3. Intangible assets				
Cost at beginning of year	**371**	–	**–**	–
Additions*	**4 291**	371	**–**	–
Cost at end of year	**4 662**	371	**–**	–
Accumulated amortisation at beginning of year	**(111)**	–	**–**	–
Amortisation	**(702)**	(111)	**–**	
Accumulated amortisation at end of year	**(813)**	(111)	**–**	–
Net carrying amount at end of year	**3 849**	260	**–**	–

*Included in intangibles software additions, amounting to R371 000 relating to the previous year has been reclassified from property and equipment.

Group	Furniture and equipment R'000	Computer software R'000	Computer equipment R'000	Motor vehicles R'000	**Total R'000**
4. Property and equipment					
Year ended 30 June 2008					
Cost at beginning of year	25 771	5 524	20 688	3 793	**55 776**
Additions	3 956	5 693	3 067	765	**13 481**
Disposals	–	–	–	(1 100)	**(1 100)**
Cost at end of year	29 727	11 217	23 755	3 458	**68 157**
Accumulated depreciation at beginning of year	(16 228)	(2 021)	(15 676)	(1 599)	**(35 524)**
Depreciation	(4 537)	(3 741)	(2 592)	(815)	**(11 685)**
Disposals	–	–	–	527	**527**
Accumulated depreciation at end of year	(20 765)	(5 762)	(18 268)	(1 887)	**(46 682)**
Net carrying amount at end of year	8 962	5 455	5 487	1 571	**21 475**

Group	Furniture and equipment R'000	Computer software R'000	Computer equipment R'000	Motor vehicles R'000	Total R'000
Year ended 30 June 2007					
Cost at beginning of year	19 946	1 666	16 391	1 839	39 842
Additions	5 825	3 858	4 317	1 954	15 954
Disposals	–	–	(20)	–	(20)
Cost at end of year	25 771	5 524	20 668	3 793	55 776
Accumulated depreciation at beginning of year	(12 610)	(589)	(13 155)	(837)	(27 191)
Depreciation	(3 618)	(1 432)	(2 521)	(762)	(8 333)
Accumulated depreciation at end of year	(16 228)	(2 021)	(15 676)	(1 599)	(35 524)
Net carrying amount at end of year	9 543	3 503	5 012	2 194	20 252

	Group 2008 R'000	Group 2007 R'000	Company 2008 R'000	Company 2007 R'000
5. Owner-occupied properties				
Cost/fair value at beginning of year	**62 000**	–	**–**	–
Additions	**58 352**	40 632	**–**	–
Revaluation	**8 524**	21 368	**–**	–
Cost/fair value at end of year	**128 876**	62 000	**–**	–
Accumulated depreciation at beginning of year	**–**	–	**–**	–
Depreciation	**(1 276)**	–	**–**	–
Accumulated depreciation at end of year	**(1 276)**	–	**–**	–
Net carrying amount at end of year	**127 600**	62 000	**–**	–

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 property consists of six contiguous office buildings situated on Erven 1501, 1502 and 1506, Morningside Extension 71, Sandton, Gauteng and Erf 1726, Morningside Extension 42, Sandton, Gauteng. The majority of office buildings are leased to group companies. The remaining offices are leased to external tenants with varying lease terms and tenure.

Register of owner-occupied properties

A register containing details of all owner-occupied properties is available for inspection at the registered office of Clientèle.

6. Investment in subsidiaries
Summary

Company	Amount of issued share capital 2008 R	2007 R	Percentage of issued share capital 2008 %	2007 %	Shares held at cost 2008 R'000	2007 R'000	Directors valuation 2008 R'000	2007 R'000
Direct holding								
– Unlisted subsidiaries								
Clientèle Life [1]	**4 853 000**	–	**100**	–	**231 870**	–	**3 293 466**	–
Clientèle Short Term [2]	**1**	–	**100**	–	*****	–	**69 190**	–
Clientèle Loans	**1**	–	**70**	–	*****	–	**1**	–
IFA Nigeria** [3]	**–**	–	**100**	–	**168**	–	**477 600**	–
				–	**232 038**	**–**	**3 840 256**	**–**

* Less than R1 000
** At an exchange rate of ZAR7.96:US$1.

1. The value of Clientèle Life has been taken as the Appraisal Value which is equal to the Embedded Value (as published) plus the Value of Future New Business. The Value of Future New Business is a subjective value and has been calculated as the Value of New Business for the year ended 30 June 2008 times a multiplier. The multiplier used takes cognizance of the following:

   - The fact that there is more risk associated with future New Business than business that is already on the books. A conservative assumption has thus been used – the assumption is that the Value of New Business will remain level into the future;
   - The fact that Clientèle Life is a going concern operation and is expected to continue to write business indefinitely.

   The multiplier was calculated assuming that all future Values of New Business are level and that the RDR is 15%. This results in a multiplier of 6.667.

   The Value of Future New Business allowing for this multiplier is R2 091 325 000 (calculated as R313 683 000 x 6.667).

   Assuming that the full Embedded Value (R1.2 billion) pertains to Clientèle Life, this results in an Appraisal Value of R3 293 466 000.

2. Similarly, an Appraisal Value calculation has been utilised to place a value on Clientèle Short Term. It has been assumed that there is no Embedded Value as at 30 June 2008 (i.e. all the current business has been attributed to Clientèle Life). In calculating the Value of Future New Business for the Short Term business, we followed the same approach as for Clientèle Life, however, the following additional points have been considered:

   - The Value of New Business for the year ending 30 June 2008 is based on increasing volumes of business, almost all of which commenced on or after 1 January 2008. As a consequence, the Value of New Business to which the multiplier has been applied has been doubled from that which was actually achieved for the year.
   - The Short Term Insurance operation is a new operation and as a consequence may be deemed to be more risky. Thus a RDR of 20% has been utilised to calculate the New Business Multiplier.

   The rest of the assumptions are as for the Life Company. This results in a multiplier of 5.

   The above results in a Value of Future New Business of R69 190 000 (6 919 000 X 2 X 5) for Clientèle Short Term and an Appraisal Value of the same amount.

3. The fair value paid by outside shareholders has been used to place a value on IFA Nigeria. This is based on $9 million which would contractually be received by 31 December 2008 for 15% of IFA Nigeria, calculated at an exchange rate of ZAR 7.96:US$1.

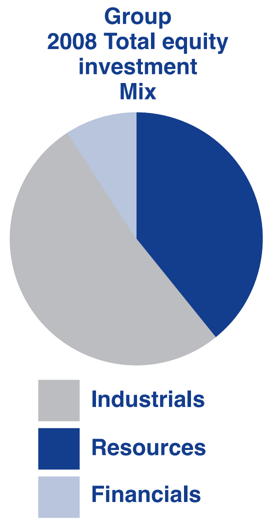
   Details of subsidiaries directly and indirectly held by the group are contained in note 1 of the Directors' Report.

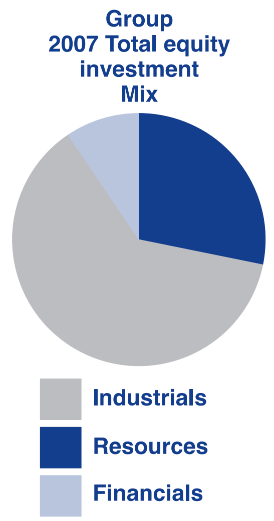
		Group		Company	
		2008	2007	**2008**	2007
		R'000	R'000	**R'000**	R'000
7.	**Investments in associates**				
	Investment at the beginning of the year	**141**	–	**–**	–
	Capitalisation of loan	**400**	–	**400**	–
	Share of profit	**85**	141	**–**	–
	Investment at end of year	**626**	141	**400**	–
	Key financial information of associates				
	Direct holding				
	Legal Sense:				
	Revenue	**3 151**	526	**3 151**	526
	Net profit attributable to ordinary shareholders	**(77)**	(94)	**(77)**	(94)
	Current assets	**533**	287	**533**	287
	Current liabilities	**(354)**	(341)	**(354)**	(341)
	Indirect holding				
	Clientèle USA LLC				
	Revenue	**1 344**	1 380	**–**	–
	Net profit attributable to ordinary shareholders	**341**	424		
	Investments	**–**	578	**–**	–
	Current assets	**771**	318	**–**	–
	Current liabilities	**(1 622)**	(4 224)	**–**	–

The investments are accounted for by the equity method of accounting. The unlisted associate, Legal Sense, of which Clientèle (2007: Clientèle Life) holds 49% (2007: 49%), is incorporated in the Republic of South Africa. Its business is the distribution of corporate legal policies and it has a June year end. The unlisted associate, Clientèle USA LLC, of which Clientèle Life holds 33.3% (2007: 33.3%), is incorporated in the United States of America. Its business is the distribution of life insurance policies and it has a December year end. The investment was fully impaired at 30 June 2006 and no new business is being written. The directors value approximates the carrying value.

		Group 2008 R'000	Group 2007 R'000	Company 2008 R'000	Company 2007 R'000
8.	**Reinsurance assets**				
	Reinsurance share of insurance liabilities				
	Balance at beginning of the year	**34 359**	28 820	**–**	–
	Movement in reinsurers' share of insurance liabilities	**(10 564)**	5 539	**–**	–
	Balance at end of the year	**23 795**	34 359	**–**	–
	Maturity analysis of reinsurance assets				
	Due within one year	**6 760**	10 100	**–**	–
	Due within two to five years	**8 886**	15 283	**–**	–
	Due after more than five years	**8 149**	8 976	**–**	–
	Total reinsurance assets	**23 795**	34 359	**–**	–

	Group		Company	
	2008	2007	**2008**	2007
	R'000	R'000	**R'000**	R'000
9. Financial assets at fair value through profit and loss				
Balance at beginning of the year	**1 042 059**	930 307	**–**	–
Movements for the year				
– Fair value adjustments	**63 999**	39 006	**–**	–
– Net (disposals)/additions	**(40 061)**	72 746	**–**	–
Balance at end of year	**1 065 997**	1 042 059	**–**	–
Debt securities				
Promissory notes and deposits (quoted)	**501 520**	480 793	**–**	–
Funds on deposit	**31 998**	36 144	**–**	–
Fixed interest securities (quoted)	**15 213**	25 332	**–**	–
Government and public authority bonds (quoted)	**41 920**	48 400	**–**	–
Unlisted unit trusts (quoted)	**80 174**	37 469	**–**	–
Total debt securities	**670 825**	628 138	**–**	–
Equity securities				
Listed on the JSE	**391 522**	410 271	**–**	–
Unlisted equities	**3 650**	3 650	**–**	–
Total equity securities	**395 172**	413 921	**–**	–
Total instruments	**1 065 997**	1 042 059	**–**	–





	Group		Company	
	2008	2007	**2008**	2007
	%	%	**%**	%
Spread of equities listed on the JSE by sector (1)				
Industrials	**51.6**	60.6	**–**	–
Resources	**39.2**	27.4	**–**	–
Financials	**9.2**	12.0	**–**	–
	100.0	100.0	**–**	–

(1) Includes the appropriate underlying investments of listed entities

Use of valuation techniques to determine fair value

The group establishes fair value by using a valuation technique if the market for a financial instrument is not active. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the group uses that technique. Fair value is estimated on the basis of the results of a valuation technique that makes maximum use of market inputs, and relies as little as possible on entity-specific inputs.

The value for the unlisted equities represents shares in a share block company which is valued with reference to a written valuation by management of the administration company for the shareblock company, which is based on recent arms-length prices between willing buyers and sellers.

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 at fair value through profit and loss amounting to R53.0 million (2007: R114.0 million), which match financial liabilities at fair value through profit and loss, have been ceded to Sanlam Limited.

	Group		Company	
	2008	2007	**2008**	2007
	R'000	R'000	**R'000**	R'000
10. Receivables including insurance receivables				
Receivables	**13 156**	7 118	**–**	–
Premiums receivable	**20 743**	–	**–**	–
Reinsurance receivable	**5 849**	4 098	**–**	–
Prepayments	**5 235**	5 117	**–**	–
Due from associate	**130**	450	**50**	–
	45 113	16 783	**50**	–

2008 - Maturity analysis	Less than 1 month or on demand R'000	More than 1 month but not exceeding 3 months R'000	More than 3 months but not exceeding 9 months R'000	More than 9 months but not exceeding 1 year R'000	More than 1 year R'000	**Total R'000**
Receivables	12 462	694	–	–	–	**13 156**
Premiums receivable	20 743	–	–	–	–	**20 743**
Reinsurance receivable	5 849	–	–	–	–	**5 849**
Prepayments	572	90	4 371	202	–	**5 235**
Due from associate (Legal Sense)	–	–	–	–	130	**130**
	39 626	784	4 371	202	130	**45 113**

2007 - Maturity analysis	Less than 1 month or on demand R'000	More than 1 month but not exceeding 3 months R'000	More than 3 months but not exceeding 9 months R'000	More than 9 months but not exceeding 1 year R'000	More than 1 year R'000	**Total R'000**
Receivables	5 215				1 903	**7 118**
Reinsurance receivable	4 098					**4 098**
Prepayments	35	59	1 257	3 766		**5 117**
Due from associate (Legal Sense)					450	**450**
	9 348	59	1 257	3 766	2 353	**16 783**

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

The maturity analysis above reflects balances due, which is within the agreed terms. There are, therefore, no balances that are past due which require impairment.

	Group		**Company**	
	2008 R'000	2007 R'000	**2008 R'000**	2007 R'000
11. Cash and cash equivalents				
Cash in bank and at hand	**197 390**	89 695	**–**	–
12. Equity				
Share capital and premium				
Authorised share capital				
750 000 000 ordinary shares of 2 cents each (2007: Nil)	**15 000**	–	**15 000**	–
Issued share capital				
323 500 000 ordinary shares of 2 cents each issued during the year (2007: Nil*)	**6 470**	–	**6 470**	–
Share premium	**218 656**	–	**218 656**	–
Common control (deficit)/reserve	**(220 273)**	4 853	–	–
	4 853	4 853	**225 126**	–

	Group		Company	
	2008	2007	**2008**	2007
	R'000	R'000	**R'000**	R'000
SAR scheme reserve	**6 744**	2 099	**6 744**	–

* As Clientèle only came into effect on 23 August 2007, the company has no comparative financial information.

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 exercisable starting three years from the invitation/announcement date. All SARs not vested on the seventh anniversary of the invitation/announcement date will lapse.

	2008		2007*	
	Volume weighted average price on grant	**Number of SARs granted**	Volume weighted average price on grant	Number of SARs granted
At beginning of year		**19 707 500**		–
Allotment		**–**	6.41	20 180 000
Allotment		**–**	6.65	230 000
Allotment	**8.03**	**508 950**		–
Allotment	**8.67**	**1 342 410**		–
Allotment	**8.46**	**263 040**		–
Allotment	**7.60**	**158 000**		–
Terminated	**6.41**	**(1 355 000)**	6.41	(702 500)
Terminated	**8.03**	**(33 870)**		–
Terminated	**8.67**	**(150 000)**		–
Exercised		**–**		–
At end of year		**20 441 030**		19 707 500

None of the 20.4 million (2007: 19.7 million) outstanding SARs, were exercisable. SARs outstanding at the end of the year have the following expiry dates.

Number of SARs	
24 January 2014	18 122 500
1 March 2014	230 000
2 July 2014	475 080
1 February 2015	1 192 410
1 March 2015	263 040
1 May 2015	158 000
	20 441 030

*The implementation of the Scheme resulted in a 10 for 1 share split and the number of shares has increased accordingly. The comparatives are stated based on the increased number of shares

The income statement charge was determined using the Black Scholes model. The IFRS2 costs relating to the SAR scheme amounted to R4.6 million (2007: 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	
	2008	2007	**2008**	2007
	R'000	R'000	**R'000**	R'000
Non-distributable reserves				
Non-distributable reserve: Revaluation	**22 543**	16 101	**–**	–

The revaluation reserve relates to owner occupied land and buildings owned by the subsidiaries, Clientèle Properties North and Clientèle Properties South referred to in note 3 to the Annual Financial Statements. 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 R2.1 million (2007: R5.3 million).

Non-distributable reserve: Contingency	**246**	–	**–**	–

The full amount of the contingency reserve as required by the provisions of the Short-term Insurance Act of 1998. The reserve is calculated at 10% of net premiums written for short-term insurance policies. The reserve may be utilised only with the written consent of the Registrar of Short-term Insurance. Transfers to and from this reserve are treated as appropriations of retained earnings.

	Group	
	2008	2007
	R'000	R'000
13. Policyholders' liabilities under insurance contracts		
Balance at beginning of the year	**498 020**	379 996
Increase	**40 315**	118 024
Balance at end of the year	**538 335**	498 020

2008	Group Gross of reinsurance R'000	Group Net of reinsurance R'000
Changes in insurance liabilities and reinsurance		
Discounted insurance liabilities as at the beginning of the year	472 719	458 216
Less: Discretionary margins	(266 728)	(266 728)
Discounted insurance liabilities as at the beginning of the year prior to allowance for discretionary margins	205 991	191 488
Expected interest on insurance liabilities (and cash flows)	13 066	11 838
Expected premiums on insurance liabilities	518 339	518 339
Expected unwinding of margins (existing business)	(33 737)	(26 864)
Expected claims, expiries and lapses	(189 641)	(185 860)
Expected expenses, commission and charges	(127 729)	(127 729)
Experience variations	(86 801)	(83 783)
Changes in valuation basis (renewal business only)	(25 496)	(23 374)
New business added during the year	(281 945)	(288 175)
Discounted insurance liabilities as at the end of the year prior to allowance for discretionary margins	(7 953)	(14 120)
Plus: Discretionary margins	514 939	514 939
Discounted insurance liabilities as at the end of the year (A)	506 986	500 819
Undiscounted insurance liabilities as at the beginning of the year	25 302	5 446
Withdrawals during the year	(4 380)	(1 822)
Change in method on existing business	8 995	8 776
New business added during the year	1 432	1 321
Undiscounted insurance liabilities as at the end of the year (B)	31 349	13 721
Total insurance liabilities as at the end of the year (A+B)	538 335	514 540
Reinsurance assets	–	23 795
Gross insurance liabilities as at the end of the year	538 335	538 335

2007	Group Gross of reinsurance R'000	Group Net of reinsurance R'000
Discounted insurance liabilities as at the beginning of the year	353 700	343 254
Less: Discretionary margins	(111 350)	(111 350)
Discounted 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 cash flows)	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)
Discounted 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
Discounted insurance liabilities as at the end of the year (A)	472 719	458 216
Undiscounted 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
Undiscounted insurance liabilities as at the end of the year (B)	25 301	5 445
Total insurance liabilities as at the end of the year (A+B)	498 020	463 661
Reinsurance assets	–	34 359
Gross insurance liabilities as at the end of the year	498 020	498 020

Notes to the Annual Financial Statements
continued

	Group		Company	
	2008	2007	**2008**	2007
	R'000	R'000	**R'000**	R'000
14. Financial liabilities at fair value through profit and loss				
Balance at beginning of the year	**480 969**	458 245	**–**	–
Movements for the year				
– Fair value adjustments	**31 770**	34 332	**–**	–
– Deposits	**106 440**	24 876	**–**	–
– Withdrawals	**(128 710)**	(36 484)	**–**	–
Balance at end of the year	**490 469**	480 969	**–**	–

The unrecognised profit in respect of financial liabilities at fair value through profit and loss amounts to R4 011 000 (2007: R907 000).

	Group		Company	
	2008	2007	**2008**	2007
	R'000	R'000	**R'000**	R'000
15. Employee benefits				
Goodwill scheme	**31 594**	32 760	**–**	–
Embedded value scheme	**28 190**	25 000	**–**	–
Short-term bonuses	**6 157**	4 333	**–**	–
Total employee benefits	**65 941**	62 093	**–**	–
Current	**57 714**	50 262	**–**	–
Non-current	**8 227**	11 831	**–**	–
	65 941	62 093	**–**	–
Goodwill scheme				
Opening balance	**32 760**	17 760	**–**	–
Payment during the year	**(23 366)**	–	**–**	–
Provision raised (refer to note 26)	**22 200**	15 000	**–**	–
Interest cost	**2 014**	1 320	**–**	–
Service cost	**14 187**	8 630	**–**	–
Net actuarial loss	**5 999**	5 050	**–**	–
Closing balance	**31 594**	32 760	**–**	–

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.

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

	Cycle 1		Cycle 2	
	2008	2007	**2008**	2007
Value of New Business at end of cycle (R million)	**302**	302	**430**	–
Value of New Business multiple	**4.75**	4.75	**5**	–
Risk free rate (%)	**9.5**	9.5	**11.14**	–
In force participants (%)	**76.86**	75	**90**	–
Payment term (years)	**3**	3	**5**	–

	Cycle 1 R'm	Cycle 2 R'm	**Total R'm**
Goodwill sensitivites			
Actual value of liability	28.708	2.886	**31.594**
Value of New Business at end of Cycle (R'm)			
500	28.708	4.260	**32.968**
600	28.708	6.223	**34.930**
Risk free rate			
+ 1%	28.708	2.744	**31.452**
– 1%	28.708	3.039	**31.747**
Multiple			
6	28.708	4.574	**33.282**
7	28.708	6.262	**34.970**
Number of participants (Cycle 2)			
100%	28.708	3.198	**31.906**

The variables used in calculating and estimating the liability in respect of the Goodwill Scheme are subject to approval by the Remuneration committee. Those variables, which are subjective in nature, have, in cycle 1 of the Goodwill Scheme, been set at levels which the Remuneration Committee deem to be fair and equitable to both shareholders and the participants and are fixed for cycle 1 which ended on 30 June 2007, after taking into account all relevant circumstances at the time in accordance with the rules of the Goodwill Scheme. The variables used for cycle 2 will change over time as circumstances, group performance and the economic environment change. The effect on the liability when using difference assumptions is set out above. These variables will be fixed by the Remuneration Committee when cycle 2 ends on 30 June 2012.

The build-up of the Embedded Value scheme is as follows:

	Group		**Company**	
	2008 R'000	2007 R'000	**2008 R'000**	2007 R'000
Embedded Value scheme				
Balance at beginning of year	**25 000**	14 500	**–**	–
Provision raised (refer to note 26)	**27 430**	25 000	**–**	–
Prior year under provision	**761**	–	**–**	–
Payment during the year	**(25 000)**	(14 500)	**–**	–
Balance end of year	**28 191**	25 000	**–**	–

The build-up of the liability in terms of short-term bonuses are as follows:

	Group		**Company**	
	2008 R'000	2007 R'000	**2008 R'000**	2007 R'000
Short-term bonuses				
Balance beginning of year	**4 333**	2 300	**–**	–
Provision raised (refer to note 26)	**6 157**	4 333	**–**	–
Payments during the year	**(4 333)**	(2 300)	**–**	–
Balance end of year	**6 157**	4 333	**–**	–

Notes to the Annual Financial Statements

continued

	Group 2008 R'000	Group 2007 R'000	Company 2008 R'000	Company 2007 R'000
16. Accruals and payables including insurance payables				
Referral fees and bonuses payable	**21 828**	18 275	**–**	–
Premiums received in advance	**6 328**	23 858	**–**	–
Due from subsidiaries	**–**	–	**1 950**	–
Financial liabilities in respect of investment contracts	**67 681**	–	**–**	–
Other accruals and payables	**41 199**	8 316	**168**	–
	137 036	50 449	**2 118**	–

Group Maturity analysis	Less than 1 month or on demand R'000	More than 1 month but not exceeding 3 months R'000	More than 3 months but not exceeding 9 months R'000	More than 9 months but not exceeding 1 year R'000	More than 1 year R'000	**Total R'000**
2008						
Referral fees and bonuses payable	21 828	–	–	–	–	**21 828**
Premiums received in advance	6 328	–	–	–	–	**6 328**
Financial liabilities in respect of investment contracts	67 681	–	–	–	–	**67 681**
Other accruals and payables	28 315	293	–	8 580	4 011	**41 199**
	124 152	293	–	8 580	4 011	**137 036**
2007						
Referral fees and bonuses payable	18 275	–	–	–	–	**18 275**
Premiums received in advance	23 858	–	–	–	–	**23 858**
Other accruals and payables	7 409	–	–	–	907	**8 316**
	49 542	–	–	–	907	**50 449**

Company Maturity analysis	Less than 1 month or on demand R'000	More than 1 month but not exceeding 3 months R'000	More than 3 months but not exceeding 9 months R'000	More than 9 months but not exceeding 1 year R'000	More than 1 year R'000	**Total R'000**
2008						
Due from subsidiaries	–	–	–	–	1 950	**1 950**
Other accruals and payables	–	–	–	–	168	**168**
	–	–	–	–	2 118	**2 118**

	Group 2008 R'000	Group 2007 R'000	Company 2008 R'000	Company 2007 R'000
17. Deferred taxation				
Assets - non current				
Balance at beginning of the year	**3 384**	5 150	**–**	–
Increase/(decrease) during the year	**2 582**	(1 766)	**–**	–
Deferred taxation asset at the end of the year	**5 966**	3 384	**–**	–
Liability - non current				
Balance at beginning of the year	**11 419**	2 035	**–**	–
(Decrease)/increase during the year	**(333)**	4 116	**–**	–
Deferred taxation on revaluation of land	**304**	930	**–**	–
Deferred taxation on revaluation of building	**1 778**	4 338	**–**	–
Deferred taxation liability at the end of the year	**13 168**	11 419	**–**	–
Analysis of deferred tax balances:				
Assets - non current				
Long term employee benefits	**5 966**	3 384	**–**	–
Deferred tax balance as at end of the year	**5 966**	3 384	**–**	–
Liability - non current				
Accruals and provisions	**5 818**	6 151	**–**	–
Deferred taxation on revaluations of land	**1 234**	930	**–**	–
Deferred taxation on revaluation of buildings	**6 116**	4 338	**–**	–
Deferred tax balance as at end of the year	**13 168**	11 419	**–**	–
Total deferred tax asset	**5 966**	3 384	**–**	–
Total deferred tax liability	**(13 168)**	(11 419)	**–**	–
Total net deferred tax	**(7 202)**	(8 035)	**–**	–

The assessable tax loss of the IPF amounts to R1.03 billion (2007: R720 million). No deferred tax asset has been raised in respect of the assessable tax loss as it is unlikely that the assessed loss in the IFP will be utilised in the foreseeable future.

18. Related parties disclosure

The Clientèle group defines related parties as:

– The parent company:

– Subsidiaries and fellow subsidiaries

– Associates

– Key management personnel

18.1 The parent company

The Hollard Insurance Group ultimately controls 81.4% (2007: 81.2%) of the issued ordinary shares.

	2008 R'000	2007 R'000
18.2 Subsidiaries and fellow subsidiaries		
Details of interest in subsidiaries are disclosed on page 2.		
Transactions between the Clientèle group and its subsidiaries have been eliminated on consolidation and are disclosed in this note as required by IFRS.		
Balance sheet information		
The following are the transactions and balances in respect of subsidiaries:		
– Loan to Clientèle by Clientèle Life*		
Opening balance	**–**	–
Advances	**1 950**	–
Closing balance	**1 950**	–
The following are the transactions and balances in respect of fellow subsidiaries:		
– Loan to Independent Field Advertisers Financial Services (Pty) Limited by Clientèle Life*		
Opening balance	**1 016**	353
Advances	**2 458**	3 434
Repayments	**(3 471)**	(2 771)
Closing balance	**3**	1 016
– Investment by Clientèle Life in corporate bond issued by Clientèle Properties South**		
Opening balance	**40 402**	–
Interest on corporate bonds	**4 355**	–
Advances	**–**	40 402
Repayment	**(4 355)**	–
Closing balance	**40 402**	40 402
– Investment by Clientèle Life in corporate bond issued by Clientèle Properties North**		
Opening balance	**–**	–
Interest expense – Bonds	**1 318**	–
Advances	**29 564**	–
Repayments	**(1 318)**	–
Closing balance	**29 564**	–
– Loan to IFA Nigeria by Clientèle Life*		
Opening balance	**–**	–
Advances	**4 653**	–
Closing balance	**4 653**	–
– Loan to Clientèle Short Term by Clientèle Life*		
Opening balance	**–**	–
Advances	**5 082**	–
Closing balance	**5 082**	–

* The loan does not bear interest and has no fixed term of repayment.
** The investment bears market-related interest and is repayable over a 5 year period.

	2008 R'000	2007 R'000
Income statement information		
The group has related-party transactions between its subsidiaries which were concluded at an arms length. Details of material transactions with related parties not disclosed elsewhere in the financial statements are as follows:		
Interest		
– Interest expense paid by Clientèle Properties South to Clientèle Life	**4 355**	–
– Interest expense paid by Clientèle Properties North to Clientèle Life	**1 309**	–
Rentals		
– Rental expense paid by Clientèle Life to Clientèle Properties South	**5 999**	–
– Rental expense paid by Clientèle Life to Clientèle Properties North	**104**	–
– Rental expense paid by Clientèle Short Term to Clientèle Properties North	**36**	–
18.3 Associates		
Loan to Legal Sense by Clientèle:		
Opening balance	**–**	–
Advances	**50**	–
Closing balance	**50**	–

The above loan bears interest at market related rates and has no fixed terms of repayment.

	2008 R'000	2007 R'000
The following are the transactions and balances in respect of fellow subsidiaries:		
Loan to Legal Sense by Clientèle Short Term:		
Opening balance		
Consulting fees	**(34)**	–
Advances	**287**	–
Closing balance	**253**	–

The above loan does not bear interest and has no fixed terms of repayment.

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

For the purposes of IAS 24 'related party disclosures', key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the group, directly or indirectly, including any director (whether executive or otherwise) of the group. Details of directors' remuneration are disclosed in note 27 to the Annual Financial Statements and their shareholdings in the company are disclosed in the Directors Report on page 30 under 'Directors' shareholdings'. No director had a material interest in any contract of significance with the company or any of its subsidiaries during 2008.

	Group 2008 R'000	Group 2007 R'000	Company 2008 R'000	Company 2007 R'000
19. Insurance premium revenue				
Long term insurance - individual recurring	**812 755**	651 267	**–**	–
Short term insurance	**2 477**	–	**–**	–
Total insurance premium revenue	**815 232**	651 267	**–**	–
20. Reinsurance premiums				
Long term insurance	**31 195**	27 749	**–**	–
Total reinsurance premiums	**31 195**	27 749	**–**	–
21. Other income				
IFA annuity fee income	**115 257**	78 535	**–**	–
Marketing materials sales	**1 486**	5 839	**–**	–
Supplier discounts received	**600**	391	**–**	–
Properties - Rental income	**1 052**	–	**–**	–
	118 395	84 765	**–**	–
22. Fair value adjustments on financial assets at fair value through profit and loss				
Fair value adjustments	**63 999**	152 675	**–**	–
The above fair value adjustments include gains arising from:				
Interest (unlisted)	**75 067**	51 931	**–**	–
Dividends (listed)	**12 591**	10 330	**–**	–

23. Segment information

Basis of segmentation

The group's operations are analysed across three primary segments. This is consistent with the way the group manages the business. The three primary segments, based on the three principal lines of business from which the group generates revenue are long term insurance, short term insurance and investment contracts.

The income statement information that follows is based on the group's structure with revenue and expenses allocated to the lines of business. This follows the same format as the Consolidated Income Statement and is reconciled to adjusted operating profit which is one of the key measures reported to the group's chief operating decision makers for their consideration in the allocation of resources to and the review of performance of the segments. The group utilises additional measures to assess the performance of each of the segments.

In May 2008, the group restructured from a life insurance business to a diversified financial services group. The short term business specifically legal insurance policies and direct selling of life insurance products in Nigeria are at an early stage and as yet do not have a material impact on operations and assets.

23.1 Income Statement - segment information for the year ended 30 June 2008

	Long term insurance R'000	Short term insurance R'000	Investment contracts R'000	Inter-segment (revenue)/ expense R'000	**Total R'000**
Revenue					
Financial services income	812 761	2 471	–	–	**815 232**
Reinsurance premiums	(31 195)	–	–	–	**(31 195)**
Net insurance premiums	781 566	2 471	–	–	**784 037**
Other income	117 425	140	830	–	**118 395**
Investment income	32 090	–	31 909	–	**63 999**
Segment revenue	931 081	2 611	32 739	–	**966 431**
Net insurance benefits and claims	(161 484)	(1)	–	–	**(161 485)**
Claims and policyholder benefits under insurance contracts	(194 072)	(1)	–	–	**(194 073)**
Insurance claims recovered from reinsurers	32 588	–	–	–	**32 588**
Increase in policyholder liabilities under insurance contracts	(40 315)	–	–	–	**(40 315)**
– Increase for the year	(38 848)	–	–	–	**(38 848)**
– Impact of Statement of Intent and Regulation 5	(1 467)	–	–	–	**(1 467)**
Increase in reinsurance assets	(10 564)	–	–	–	**(10 564)**
Fair value adjustment to financial liabilities at fair value through profit and loss	–	–	(31 770)	–	**(31 770)**
Expenses	(516 695)	(5 334)	–	–	**(522 029)**
Segment expenses and claims	(729 058)	(5 335)	(31 770)	–	**(766 163)**
Segment result	202 023	(2 724)	969	–	**200 268**

23.1 Income Statement - segment information for the year ended 30 June 2007

	Long term insurance R'000	Short term insurance R'000	Investment contracts R'000	Inter-segment (revenue)/ expense R'000	**Total R'000**
Revenue					
Financial services income	651 267	–	–	–	**651 267**
Reinsurance premiums	(27 749)	–	–	–	**(27 749)**
Net insurance premiums	623 518	–	–	–	**623 518**
Other income	84 470	–	295	–	**84 765**
Investment income	118 417	–	34 258	–	**152 675**
Segment revenue	826 405	–	34 553	–	**860 958**
Net insurance benefits and claims	(125 450)	–	–	–	**(125 450)**
Claims and policyholder benefits under insurance contracts	(145 662)	–	–	–	**(145 662)**
Insurance claims recovered from reinsurers	20 212	–	–	–	**20 112**
Increase in policyholder liabilities under insurance contracts	(118 024)	–	–	–	**(118 024)**
– Increase for the year	(113 968)	–	–	–	**(113 966)**
– Impact of Statement of Intent and Regulation 5	(4 056)	–	–	–	**(4 056)**
Increase in reinsurance assets	5 539	–	–	–	**5 539**
Fair value adjustment to financial liabilities at fair value through profit and loss	–	–	(34 332)	–	**(34 332)**
Expenses	(434 673)	–	–	–	**(434 673)**
Segment expenses and claims	(672 608)	–	(34 332)	–	**(706 940)**
Segment result	153 797	–	221	–	**154 018**

	Long term insurance R'000	Short term insurance R'000	Investment contracts R'000	Inter-segment (assets)/ liabilities R'000	**Total R'000**
23.2 Balance Sheet - segment information as at 30 June 2008					
Segment assets and liabilities					
Intangible assets	3 849	–	–	–	**3 849**
Property and equipment	21 097	379	–	–	**21 476**
Owner-occupied properties	127 600	–	–	–	**127 600**
Equity accounted Investments	626	–	–	–	**626**
Deferred taxation	5 966	–	–	–	**5 966**
Inventories	712	–	–	–	**712**
Reinsurance assets	23 795	–	–	–	**23 795**
Financial assets at fair value through profit and loss	577 622	–	488 375	–	**1 065 997**
Receivables including insurance receivables	45 760	4 436	–	(5 082)	**45 114**
Current taxation receivables	1 742	–	–	–	**1 742**
Cash and cash equivalents	195 543	1 847	–	–	**197 390**
Total assets	1 004 310	6 662	488 375	(5 082)	**1 494 265**
Policyholder liabilities under insurance contracts	538 335	–	–	–	**538 335**
Financial liabilities at fair value through profit and loss	–	–	490 469	–	**490 469**
Employee benefits	65 941	–	–	–	**65 941**
Accruals and payables including insurance payables	129 765	8 342	4 011	(5 082)	**137 036**
Deferred taxation	13 168	–	–	–	**13 168**
Current taxation	31 527	–	–	–	**31 527**
Total liabilities	778 736	8 342	494 480	(5 082)	**1 276 476**

Notes to the Annual Financial Statements
continued

	Long term insurance R'000	Short term insurance R'000	Investment contracts R'000	Inter-segment (assets)/ liabilities R'000	**Total R'000**
23.2 Balance Sheet – segment information as at 30 June 2007					
Segment assets and liabilities					
Intangible assets	260	–	–	–	**260**
Property and equipment	20 252	–	–	–	**20 252**
Owner-occupied properties	62 000	–	–	–	**62 000**
Equity accounted Investments	141	–	–	–	**141**
Deferred taxation	3 384	–	–	–	**3 384**
Inventories	1 459	–	–	–	**1 459**
Reinsurance assets	34 359	–	–	–	**34 359**
Financial assets at fair value through profit and loss	561 266	–	480 793	–	**1 042 059**
Receivables including insurance receivables	16 783	–	–	–	**16 783**
Current taxation receivables	3 295	–	–	–	**3 295**
Cash and cash equivalents	89 695	–	–	–	**89 695**
Total assets	792 894	–	480 793	–	**1 273 687**
Policyholder liabilities under insurance contracts	498 020	–	–	–	**498 020**
Financial liabilities at fair value through profit and loss	–	–	480 969	–	**480 969**
Employee benefits	62 093	–	–	–	**62 093**
Amounts due to reinsurers	1 191	–	–	–	**1 191**
Accruals and payables including insurance payables	49 542	–	907	–	**50 449**
Deferred taxation	11 419	–	–	–	**11 419**
Total liabilities	622 265	–	481 876	–	**1 104 141**
23.3 Segment items included (in the income statement): 2008					
Amortisation of intangible assets	702	–	–	–	**702**
Depreciation	12 941	21	–	–	**12 961**
2007					
Amortisation of intangible assets	111	–	–	–	**111**
Depreciation	8 333	–	–	–	**8 333**

	Group		Company	
	2008	2007	**2008**	2007
	R'000	R'000	**R'000**	R'000
24. Claims and policyholders' benefits				
Claims and policyholders' benefits under insurance contracts	**194 073**	145 662	–	–
Death and disability claims	**57 633**	36 349	–	–
Policy surrender claims	**136 440**	109 313	–	–
Insurance claims recovered from reinsurers	**(32 588)**	(20 212)	–	–
	161 485	125 450	–	–
25. Increase in policyholder liabilities under insurance contracts				
Increase for the year	**38 848**	113 968	–	–
Impact of Statement of Intent and Regulation 5	**1 467**	4 056	–	–
	40 315	118 024	–	–
26. Expenses				
Acquisition and administration expenses by nature are as follows:				
Total auditors' remuneration	**3 836**	1 799	**–**	–
Audit fees	**1 602**	1 618	**–**	–
Other services – taxation advice	**422**	127	**–**	–
Other services – accounting advice	**–**	54	**–**	–
Other services – corporate finance advice	**1 812**	–	**–**	–
Actuarial fees	**2 154**	1 459	**–**	–
Consultancy fees	**1 439**	1 199	**–**	–
Employee benefits	**162 912**	107 873	**–**	–
Salaries and other short term benefits	**99 331**	58 258	**–**	–
Defined contribution provident fund – current service costs	**3 149**	3 183	**–**	–
Goodwill scheme expense	**22 200**	15 000	**–**	–
Embedded Value scheme expense	**27 430**	25 000	**–**	–
Short term bonuses	**6 157**	4 333	**–**	–
SAR scheme expense	**4 645**	2 099	**–**	–
Asset management fees	**1 846**	2 415	**–**	–
Operating lease rentals	**2 870**	8 688	**–**	–
Amortisation of intangible assets	**702**	111	**–**	–
Depreciation	**12 961**	8 333	**–**	–
Computer equipment	**2 592**	2 410	**–**	–
Computer software	**3 741**	1 543	**–**	–
Furniture and equipment	**4 537**	3 618	**–**	–
Motor vehicles	**815**	762	**–**	–
Owner–occupied properties	**1 276**	–	**–**	–
Local travel costs	**888**	330	**–**	–
Administration and marketing	**120 455**	88 684	**–**	–
Referral fees and bonuses paid	**195 550**	203 142	**–**	–
Group restructure costs	**3 294**	–		
Profit on disposal of fixed assets	**(202)**	(5)	**–**	–
Other	**13 324**	10 645	**–**	–
	522 029	434 673	**–**	–
Comprising:				
Acquisition costs associated with insurance contracts	**431 312**	387 125	–	–
Administrative expenses	**90 717**	47 548	–	–
	522 029	434 673	–	–
Staff count	**532**	460	–	

27. Directors' emoluments

Year ended 30 June 2008

Non-executive directors

Paid by the group	**Months in office**	**Directors' fees R'000**	**Consulting fees R'000**	**Total emoluments R'000**
S. D. Molapo	9	225	172	**397**
P. J. A. Cunningham	12	450	–	**450**
G. Q. Routledge	12	1 000	–	**1 000**
Total emoluments		1 675	172	**1 847**

Executive directors

Paid by the group	**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	1 335	17 605	30	**18 970**
B. Frodsham	12	754	8 370	36	**9 159**
I. B. Hume	12	955	9 107	67	**10 130**
B. W. Reekie	6	873	748	27	**1 648**
Total emoluments		3 917	35 830	160	**39 907**

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

Year ended 30 June 2007

Non-executive directors

Paid by the group	Months in office	Directors' fees R'000	Consultancy 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 group	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	1 270	17 009	30	18 309
B. Frodsham	12	718	7 869	34	8 621
I. B. Hume	12	911	8 738	63	9 712
Total emoluments		2 899	33 616	127	36 642

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

	Group		**Company**	
	2008 R'000	2007 R'000	**2008 R'000**	2007 R'000
The following bonuses are payable to key management excluding directors	**18 794**	16 495	**–**	–
Key management are part of the executive committee				

	Group 2008 R'000	Group 2007 R'000	Company 2008 R'000	Company 2007 R'000
28. Equity accounted earnings				
Clientèle USA LLC	**114**	141	**–**	–
Legal Sense	**(40)**	–	**–**	–
	74	141	**–**	–
29. Taxation				
South African normal taxation	**56 508**	32 024	**–**	–
Current year taxation	**60 470**	30 258	**–**	–
Deferred taxation	**(2 220)**	1 766	**–**	–
Prior year over provision	**(1 742)**	–	**–**	–
South African capital gains taxation	**340**	7 070	**–**	–
Current year taxation	**340**	2 954	**–**	–
Deferred taxation	**–**	4 116	**–**	–
Secondary tax on companies	**9 288**	10 228	**–**	–
Total taxation expense	**66 136**	49 322	**–**	–
Taxation rate reconciliation				
Profit before taxation	**200 342**	154 159	**–**	–
Taxation	**(66 136)**	(49 322)	**–**	–
	%	%		
Effective tax rate	**33.01**	31.99	**–**	–
Adjustments due to:				
Over provisions in respect of prior year	**0.87**	–	**–**	–
STC	**(4.64)**	(5.81)	**–**	–
Utilisation of deferred capital gains tax asset not previously recognised	**–**	5.12	**–**	–
Capital gains tax	**(0.17)**	(0.89)	**–**	–
Effect of tax rate change	**0.14**	–	**–**	–
Exempt income	**0.03**	(0.98)	**–**	–
Non-tax deductible items	**(1.24)**	(0.44)	**–**	–
Statutory tax rate	**28.00**	29.00	**–**	–

Policyholder taxation funds are separate taxation persons which have differing taxation rules as applied in the South African taxation legislation for life insurance companies. 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.

Notes to the Annual Financial Statements

continued

	Group		Company	
	2008	2007	**2008**	2007
	R'000	R'000	**R'000**	R'000
30. Earnings per share*				
Reconciliation of earnings to headline earnings				
Net profit attributable to ordinary shareholders	**134 206**	104 837	**–**	–
Less: profit on disposal of fixed assets	**(202)**	(5)	**–**	–
Headline earnings	**134 004**	104 832	**–**	–
Earnings is equal to net profit attributable to ordinary shareholders				
Weighted ordinary shares in issue ('000)	**323 500**	323 500		

* The implementation of the Scheme resulted in a 10 for 1 share split and the number of shares has increased accordingly. The comparatives are based on the increased number of shares.

	Cents	Cents
Earnings per share	**41.49**	32.41
Headline earnings per share	**41.42**	32.41
Diluted earnings per share	**41.27**	32.38

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 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 share price to measure the value as the notional number of shares.

	Group		Company	
	2008	2007	**2008**	2007
	R'000	R'000	**R'000**	R'000
31. Cash generated by operations				
Net profit from operations	**200 342**	154 159	**–**	–
Adjusted for:			**–**	–
Increase in policyholder liabilities under insurance contracts	**40 315**	112 485	**–**	–
Fair value adjustment to financial liabilities at fair value through profit and loss	**32 270**	34 406	**–**	–
Increase in financial liabilities at fair value through profit and loss	**(22 770)**	(11 608)	**–**	–
Fair value gains on investments in subsidiaries and on financial assets at fair value through profit and loss	**(87 699)**	(104 845)	**–**	–
Equity accounted earnings from associate	**(74)**	(141)	**–**	–
Amortisation of intangible assets	**702**	111	**–**	–
Depreciation	**12 961**	8 333	**–**	–
Profit on disposal of fixed assets	**(202)**	(5)	**–**	–
Increase in receivables and inventory	**(27 584)**	(3 056)	**–**	–
Decrease/(increase) in reinsurance assets	**10 564**	(4 098)	**–**	–
Increase in provisions, accruals, payables and employee benefits	**90 435**	39 513	**168**	–
(Decrease)/increase in amounts due to reinsurers	**(1 191)**	762	**–**	–
Increase in investment in associate	**(485)**	(450)	**(450)**	
Increase in deferred profits not recognised	**–**	907	**–**	–
SAR scheme allocated	**4 645**	2 099	**6 744**	–
	252 229	228 572	**6 462**	–

32. Acquisition of subsidiaries

The transaction was accounted for as a business combination involving entities under common control. The carrying amount of assets and liabilities recognised are those book values as applied on consolidation by the holding company being Clientéle. No other assets and liabilities are recognised as a result of the combination. The excess purchase price over the holding company's consolidated net asset value was set off directly against shareholders reserves in the 2008 financial year.

	Group		Company	
	2008 R'000	2007 R'000	**2008 R'000**	2007 R'000
33. Dividends paid				
Balance owing at the beginning of the year	**164**	143	**–**	–
Amount declared for the year	**97 050**	84 110	**–**	–
	97 214	84 253	**–**	–
Balance owing at the end of the year	**(98)**	(164)	**–**	–
Amount paid during the year	**97 116**	84 089	**–**	–
34. Taxation paid				
Balance owing at the beginning of the year	**(3 295)**	(9 002)	**–**	–
Amount provided for the year	**68 356**	49 322	**–**	–
	65 061	40 320	**–**	–
Balance owing at the end of the year	**(29 785)**	3 295	**–**	–
Amount paid during the year	**35 276**	43 615	**–**	–

35. Capital commitment

Clientéle, through its wholly owned subsidiary, ClientèleSub, is obliged on or prior to 31 December 2008 to subscribe for three additional ordinary shares in the capital of IFA Nigeria for a subscription price of US$1 million. Refer to note 11 of the Directors Report for more details on the transactions.

Notice to Members

Notice is hereby given that the first Annual General Meeting of members of Clientèle will be held in the boardroom, Building 3, Morningview Office Park, Corner Rivonia and Alon Roads, Morningside on 16 October 2008 at 08:00 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 2008.
2. To re-elect the following director who is required to retire and, being eligible, offers himself for re-election.

   Basil William Reekie (Executive director), (BSc(Hons),FIA)

   Mr Basil Reekie is a qualified actuary who, prior to joining Clientèle, was the managing executive of QED Actuaries and Consultants where he was responsible for the day-to-day operations of QED and consulted to numerous life insurance companies in South Africa and across the African continent. As a consultant, he acted in the capacity of Statutory Actuary for many of these companies. Basil was also a member of the Executive Committee of the African Insurance Organisation (AIO) for 3 years and has chaired the Life Committee of the AIO for the past six years. Basil was appointed managing director of Clientèle Life in May 2008.

3. To re-elect the following director who is required to retire and, being eligible, offers himself for re-election.

   Gavin John Soll (Executive managing director), (CA(SA)).

   Prior to joining Clientèle Life, Mr Gavin Soll was employed by the Imperial Group, where he acted as a director for a number of entities within the group. Gavin joined Clientèle Life as financial director in February 1998 and in September of the same year was appointed managing director of Clientèle Life. Gavin was appointed managing director of Clientèle Limited in May 2008.

4. To re-elect the following director who is required to retire and, being eligible, offers himself for re-election.

   Patrick Jocelyn Anthony Cunningham (Independent non-executive director) (CA(SA), CA(Z)).

   Mr Paddy Cunningham was previously chairman and senior partner of the Southern African firm of Price Waterhouse. Since his retirement in 1993 he has practiced as a consultant and is a director of a number of companies.

5. To re-elect the following director who is required to retire and, being eligible, offers himself for re-election.

   Adrian Dominic T'hooft Enthoven (non-executive director) (BA Hons Politics, Philosophy, and Economics; PhD in Political Science).

   Mr Adrian Enthoven is Executive Chair of Capricorn Ventures International, an international investment and insurance group. He also serves on the boards of a number of South African companies and NGO's. In the early nineties, he worked as a facilitator in the Metropolitan Chamber, a multi-party negotiating forum responsible for the democratization of Greater Johannesburg. During 1995, he worked as an adviser to the Elections Task Group, a national body responsible for co-ordinating the first non-racial local government election in South Africa. He has been involved in the investment business since completing his PhD in 2000. He is responsible for the group investment and philanthropic strategy in Africa, and manages South African based tourism, property and wine assets.

6. To re-elect the following director who is required to retire and, being eligible, offes herself for re-election.

   Brenda-Lee Frodsham (Executive director), (B.Comm (Wits)).

   Mrs Brenda-Lee Frodsham joined Clientèle Life in February 1994 and has gained experience in several areas of the business including telesales, client services, administration, claims, direct mail, business development and IFA. Currently she assumes the portfolio of strategic operations of the Clientèle group.

7. To re-elect the following director who is required to retire and, being eligible, offers himself for re-election.

   Iain Bruce Hume (Executive director), (CA(SA), ACMA)

   Mr Iain Hume is a Chartered Accountant and an associate of the Chartered Institute of Management Accountants with 15 years' experience in the banking and life insurance industry. Iain joined the Clientèle group in 2000 as Chief Financial Officer and was appointed as Financial Director on 13 August 2002, a position he still holds.

8. To re-elect the following director who is required to retire and, being eligible, offers himself for re-election.

   Gavin Quentin Routledge (Independent non-executive chairman), (BA LLB (Wits)).

   Mr Gavin Routledge is based in Stellenbosch and is engaged in private equity for his own account and also advises companies and executives on strategy and deal making. When required, he attends to Clientèle business in his capacity as Chairman of the board. Previously he was responsible for many of Hollard Group's private equity investments in Southern Africa and prior to that he was chief executive of a niche investment banking company, A&R Corporate Finance, concentrating on international financial transactions and Investment banking.

9. To determine the remuneration of the directors.

10. To determine the remuneration of the auditors and to elect auditors to hold office until the conclusion of the next Annual General Meeting.

    PricewaterhouseCoopers is proposed as the External Auditors with Mr Francois Johannes Kruger the responsible partner.

11. 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 and the Listings Requirements.

12. To resolve that, in terms of section 38(2A) of the Companies Act, the company be and is authorised to give financial assistance in the form of loans, up to a maximum aggregate amount of R48 525 000, to IFAs as selected by the board in its descretion so as to enable such IFAs to subscribe for new ordinary shares in the capital of the company on the basis that each loan:

    12.1 will bear interest at 85% (eighty five percent) of the prime lending rate of The Standard Bank of South Africa Limited from time to time;

    12.2 will be applied by the IFA concerned in subscribing, for cash, for new ordinary shares in the capital of Clientèle to be allotted and issued at a price per share not less than the weighted average traded price of the Clientèle's shares measured over the 30 (thirty) business days prior to the date of issue of such share,

    12.3 will be repayable within 7 (seven) years from the date of advance;

12.4 will be on such other terms and conditions as are usual for loans of such a nature as determined by the board;

12.5 will be subject to the general issue of shares for cash rules and requirements of the JSE,

subject to the passing of Resolution No. 11 and subject further to the directors of Clientèle being satisfied that:-

- Clientèle will be able to pay its debts as they become due in the ordinary course of the business subsequent to the provision of the financial assistance referred to above and for the duration of the loans; and
- subsequent to the provision of the financial assistance referred to above, the consolidated assets of Clientèle, fairly valued, will be in excess of the consolidated liabilities of Clientèle. For this purpose the assets and liabilities have been recognised and measured in accordance with the accounting polices used in Clientèle's latest audited consolidated Annual Financial Statements. Furthermore, for this purpose, contingent liabilities have been accounted for as required in terms of section 38(2B) of the Act.

The reason for Special Resolution No. 12, is to grant financial assistance to selected IFAs identified by the board to enable them to acquire shares in the company thus motivating and incentivising them.

The effect of Special Resolution No. 12, if passed and duly registered, will be the provision of such financial assistance to the IFAs concerned followed by the allotment and issue of new shares for cash.

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 (Pty) Ltd, 70 Marshall Street, Johannesburg 2001 (P O Box 61051, Marshalltown 2107) to reach them not later than 12:00 on Tuesday, 14 October 2008.

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 van Zyl
Company Secretary

4 September 2008

Shareholder Information

Ordinary shareholders analysis as at 30 June 2008

Shareholder spread	Number of shareholdings	%	Number of shares	%
1 – 1 000 shares	54	11.23	38 797	0.01
1 001 – 10 000 shares	193	40.12	1 045 401	0.32
10 001 – 100 000 shares	172	35.76	5 739 009	1.77
100 001 – 1 000 000 shares	47	9.77	15 238 626	4.71
1 000 001 shares and over	15	3.12	301 438 167	93.18
Total				

Analysis of shareholders by classification as at 30 June 2008

Banks	4	0.83	1 056 740	0.33
Close corporations	8	1.66	1 099 000	0.34
Endowment funds	13	2.70	543 620	0.17
Individuals	314	65.28	15 565 043	4.81
Insurance companies	7	1.46	69 845 729	21.59
Investment companies	1	0.21	324 180	0.10
Medical aid schemes	1	0.21	125 000	0.04
Mutual funds	23	4.78	24 222 783	7.49
Nominees and trusts	69	14.35	4 489 594	1.39
Other corporations	11	2.29	193 000	0.06
Retirement funds	12	2.49	2 056 471	0.64
Private companies	18	3.74	203 978 840	63.05

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

	Number of shares	%
River Lily Investments (Pty) Ltd*	101 562 500	31.39
Newshelf 702 (Pty) Ltd*	96 500 000	29.83
Hollard Insurance Company Limited*	36 350 900	11.24
Hollard Life Assurance Company Limited*	28 298 280	8.75
Old Mutual Group (on behalf of clients)	29 835 834	9.22

** Part of the Hollard Group of Companies*

Shareholders' Calendar

Financial year ended 30 June 2008

Dividend declaration	14 August 2008
Final results announcement	18 August 2008
Publication of financial statements	27 August 2008
Dividend payment	15 September 2008
Annual General Meeting	16 October 2008

Clientèle LIMITED

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 08:00 on 16 October 2008 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
1. Adoption of the Annual Financial Statements			
2. Re-election of Basil William Reekie as a director			
3. Re-election of Gavin John Soll as a director			
4. Re-election of Patrick Jocelyn Anthony Cunningham as a director			
5. Re-election of Adrian Dominiq t'Hooft Enthoven as a director			
6. Re-election of Brenda-Lee Frodsham as a director			
7. Re-election of Iain Bruce Hume as a director			
8. Re-election of Gavin Quentin Routledge as a director			
9. Determining the remuneration of the directors			
10. Re-appointment of auditors			
11. To place the unissued shares under the director's control			
Special Resolution			
12. To authorise the company to issue shares for cash			

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 2008

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 the cut-off time with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.

2. A 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 Tuesday, 14 October 2008.

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 (Pty) Ltd:

    Hand deliveries:
    Ninth Floor
    70 Marshall Street
    Johannesburg

    Postal deliveries:
    PO Box 61051
    Marshalltown
    2107