Clientèle LIMITED

2009 Annual Report

Corporate Information

Company registration number

2007/023806/06

Registered office

Clientèle House
Clientèle 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)

Shareholders' Calendar

Financial year ended 30 June 2009

Dividend declaration	13 August 2009
Final results announcement	17 August 2009
Publication of financial statements	31 August 2009
Dividend payment	14 September 2009
Annual General Meeting	14 October 2009

Clientèle
LIMITED

Contents

Clientèle Limited – Group Structure

The Clientèle group comprises the following companies:

Clientèle LIMITED	% Holding	Country of incorporation	Nature of Business
Clientèle Life Assurance Company Ltd.	100	SA	Life Insurance
Clientèle Loans (Pty) Ltd.	100	SA	Lending
Clientèle General Insurance Ltd.	100	SA	General insurance
Clientèle Life (Netherlands) Coöperatieve U.A.	100	ND	Investment company
Clientèle Mobile (Pty) Ltd.	100	SA	Communication and related products

Clientèle Life, Clientèle Loans and Clientèle Life (Netherlands) Coöperatieve U.A. in turn have the following investments in subsidiaries and associates:

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

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

Clientèle Life (Netherlands) Coöperatieve U.A.	% Holding	Country of incorporation	Nature of Business
Subsidiary			
Independent Field Advertisers Ltd.	75	NG	Insurance broking in Nigeria

IFA Nigeria owns 100% of Vitta Insurance Brokers.
Clièntele General Insurance and Clientèle Mobile do not have subsidiaries.

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

Definitions and Interpretations

"ALM"	Asset Liability Matching
"ANW"	Adjusted Net Worth
"the Board"	The directors of Clientèle
"CAR"	Capital Adequacy Requirement (maximum of TCAR, OCAR and MCAR)
"Clientèle"	Clientèle Limited (Registration number 2007/023806/06), a public company incorporated in South Africa, the shares of which are listed on the JSE
"Clientèle group" or "the 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
"Clientèle Loans Direct"	Clientèle Loans Direct (Proprietary) Limited (Registration number 2007/030539/07), a private company incorporated in South Africa
"Clientèle Loans"	Clientèle Loans (Proprietary) Limited (Registration number 2007/026058/07), a private company incorporated in South Africa
"Clientèle Mobile"	Clientèle Mobile (Proprietary) Limited (Registration number 2008/029129/07), a private company incorporated in South Africa
"Clientèle Netherlands"	Clientèle Life (Netherlands) Coöperatieve U.A., a company incorporated in the Netherlands
"Clientèle Properties North"	Clientèle Properties North (Proprietary) Limited (Registration number 2001/029155/07), a private company incorporated in South Africa
"Clientèle Properties South"	Clientèle Properties South (Proprietary) Limited (Registration number 2005/030653//07), a private company incorporated in South Africa
"Clientèle General Insurance"	Clientèle General Insurance Limited (previously Clientèle Short-term Insurance Limited) (Registration number 2007/023821/06), a public company incorporated in South Africa
"CoC"	Cost of Required Capital
"Companies Act"	The Companies Act, 1973 (Act of 1973), as amended
"Direct Axis"	Direct Axis (SA) (Proprietary) Limited
"FCTR"	Foreign Currency Translation Reserve
"Goodwill Scheme"	A management incentive scheme based on the Scheme Goodwill created
"IBNR"	Incurred But Not Reported

Definitions and Interpretations

continued

"IFAs"	Independent Field Advertisers
"IFA Nigeria"	Independent Field Advertisers Limited, the insurance brokerage in Nigeria
"IFRS"	International Financial Reporting Standards
"IPF"	Individual Policyholder Fund
"Investment Contract Business"	Policies which provide, in consideration for a single premium, a series of regular benefit payments for a defined period or which provide benefits that are fixed contractually e.g. linked or fixed benefit policies
"JSE"	JSE Limited (Registration number 2005/022939/06), a South African incorporated public company and licensed as an exchange under the Securities Services Act
"Legal Sense"	Legal Sense (Proprietary) Limited (Registration number 2007/000116/07), a private company incorporated in South Africa
"Listings Requirements"	The JSE Listings Requirements
"Long-term Insurance Act"	Long-term Insurance Act, 1998 (Act 52 of 1998)
"MCAR"	Minimum Capital Adequacy Requirement
"OCAR"	Ordinary Capital Adequacy Requirement
"PVIF"	Present Value of In-force business
"RDR"	Risk Discount Rate
"SAR Scheme"	The Share Appreciation Rights Scheme as implemented by Clientèle during January 2007
"Scheme Goodwill"	The amount derived by applying a multiple to one year's Value of New Business at the end of each financial year (the first of which financial years shall commence on 1 July 2002 and end on 30 June 2003)
"Short-term Insurance Act"	Short-term Insurance Act, 1998 (Act 53 of 1998)
"SPE"	Special Purpose Entity
"Statutory Actuary"	An actuary appointed in terms of the Long-term Insurance Act
"STC"	Secondary Tax on Companies
"TCAR"	Termination Capital Adequacy Requirement

Chairman's Statement

I believe it is the role of a Chairman not only to comment on the results achieved by the group, but also to place these results in the context of the socio-economic environment in which the group operates and to say something about the position that the group seeks to hold in that environment.

Before writing this piece, I went back to read what I had written last year, after all, I thought, "The world has changed". I was certain that the environment over 2009 would appear far worse than 2008. However when I re-read my 2008 Statement I quickly realised that the tough environment we are facing had already shown its face in a not insignificant way last year. In fact I made what now appears to be quite a prophetic statement, which I quote here as it appears even more relevant today.

"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…………."

Who would have believed that in the last year the world would have witnessed the demise, or near demise of some of the household names in banking, investment banking and insurance around the world and the highly emotional response by consumers and governments to this disaster and the perceived excesses of many of the executives of these institutions. Yet such has been the volatility of the financial markets that certain of these investment banks, who had to be propped up with state funding, are now reporting record profits.

We are now told by many economists that the markets have turned, that the recession is technically over and that the only remaining question is whether we will have a v-shaped recovery, a u-shaped recovery, a w-shaped recovery or an l-shaped recovery. However, banks are still de-leveraging and it is difficult to obtain loan finance, consumers are still reeling in shock from the devastation of their wealth and are wondering if their pensions will allow them to survive in any dignified way when they retire, businesses are cutting costs, conserving cash and indeed often retrenching staff to prepare for an uncertain but almost certainly tough few years and unemployment is still rising as the delayed reaction of all of these forces becomes felt in the market places around the world.

In addition there is a strong feeling that there are extremely large losses still sitting, as yet unrecognised, on balance sheets around the world and certain respected fund managers have stated that world stock markets could easily see another 30% correction downwards, other economists, perhaps in the minority, are talking of the possibilities of a "double-dip recession".

South Africa was initially shielded from the worst of the impact of the global financial market meltdown as a result of prudent and conservative banking regulation and Exchange Control. However it now appears that we simply took longer to be affected but equally seem likely to take longer to recover and are now recovering perhaps slower than other emerging markets.

South Africa has also undergone additional volatility. The political landscape has changed significantly, the Mbeki era has gone and been replaced by the Zuma era, a split occurred in the ANC leading to the formation of COPE, which now itself seems destined to split, and a reshuffle of the Cabinet is taking place including the key appointments of Finance, Trade and Industry and also the Governor of the South African Reserve Bank. This has caused concern in various areas, however it must be said that the choice of the replacements has been met with approval and relief as the new appointees are universally accepted as having both ability and, almost more importantly, credibility.

Against this background the life insurance and financial services industries globally have been hard hit. There is not really much of a choice between feeding your family or paying the mortgage on your house on the one hand and on the other hand paying your insurance premiums. This has resulted in persistency worsening throughout the world at the same time that investment returns were falling and in most instances companies have suffered significant investment losses.

Where does Clientèle stand on this stage? We service a market which is trying hard to emerge and become economically stable and which has little savings to cushion the effect of all these factors. Our market is experiencing a tough time and our management, employees and IFA's are all working extremely hard to service the needs of our target market, to understand and deal with their concerns and pressures and to educate them in relation to the products and the business opportunity of Clientèle.

Tough times they are at present, but there are always bright lights in a dark and gloomy landscape.

For Clientèle these include the following:

- The legal insurance product introduced last year by the group has performed well and Clientèle General Insurance is now becoming a material business in its own right.
- Clientèle Life has introduced a Hospital Cash product which has rapidly found a niche in the market and is attracting a new segment of the market to the group.
- IFA Nigeria is now established and growing rapidly and, while still young, is showing promise.
- While one could imagine many better times to start a loan business, the joint venture with Direct Axis is developing well albeit at a deliberately slow rate of advance growth and this may prove to be an ideal time to learn the tough lessons necessary to prosper in this business.
- Our management team, led by Gavin Soll, proved resourceful and responsive in this environment and to further complement an already strong team, we were delighted during the year to appoint Haroon Moolla, our head of IT, to the Board of Clientèle Life, a well-deserved appointment and we wish him all the best.

Results

I am again extremely pleased with the results achieved this year, the highlights of which are:

- Return on average shareholders interest of 57%
- Return on Embedded Value of 62%
- Embedded Value earnings up 102% to R657 million
- Value of New Business up by 31% to R420 million
- Embedded Value up by 43% to R1.7 billion
- Recurring premiums up by 15%
- Diluted headline earnings per share up by 8% to 44.52 cents

Your company has responded quickly and effectively to the rapidly changing environment with the result that lapse rates are better than last year despite the tough environment described above. Prompt action taken in realigning the investment strategy and consequently the portfolios also meant that investment losses were limited to 2% as against the – 24.89% of the JSE All Share Index. Tight control has also been maintained over all costs including the costs of establishing the new ventures and these factors have allowed Clientèle to once again increase the dividend payable to ordinary shareholders.

In my opinion, given the recent results announced by other Life Assurers and Financial Services companies in South Africa and globally, these are exceptional results.

Future prospects

Given the present state of world markets it would take a brave Chairman to talk boldly and confidently about future prospects. The world has changed and is changing – what I will say is that I am confident that the management team is dynamic, alert and focussed and that it works extremely well with the Board of Directors who both challenge and counsel and that this team will deal with the challenges of the future and rise to the occasion as it has in the past.

It is very difficult to single out the exceptional performers in the group as there have been so many, but I believe that this year a special vote of thanks should go to the Reinstatements and the Billings teams who have done a fantastic job in very difficult circumstances.

I also wish to thank all of the employees, IFAs, the management team, the directors and their respective families for the hard work and the support this year. It has not gone unnoticed.

May we have learnt well the lessons of the past that they might help us understand the future challenges and prosper to the benefit of the group and all its stakeholders in the year ahead.

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, borrowers, 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 31 and 32 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.

Subject to the provisions of the statutes, a majority of directors may remove a director at a directors' meeting before the expiration of his period of office.

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;
- remuneration and incentivisation of the management team; 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 independent non-executive directors, one non-executive director and two executive directors; the group remuneration committee consists of two independent 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 2009 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

Three standing committees of the Board, to which certain of its functions have been delegated, were in place during 2009. The group audit committee, the group remuneration committee and the group investment committee operate according to the terms of reference stipulated by the Board. The group risk and compliance committee and the group actuarial committee operate as sub committees of the group audit committee. The group product committee and the group information technology steering committee operated as management committees of the group throughout the year.

Details of these committees follow.

Group audit committee

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

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

The Financial Services Board approved an exemption to appoint a joint audit committee for Clientèle Life as well as for Clientèle General Insurance. The group audit committee is responsible for overseeing the audit committee functions for these companies until the expiry date of the annual exemption, which is 30 June 2010.

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 (group managing director) and I. B. Hume (group financial director).

A.D.T. Enthoven (non-executive director) was appointed as a member of the group audit committee on 3 June 2009.

The Clientèle Life and Clientèle General Insurance boards have delegated the responsibility for appointing their audit committees to the Clientèle Board.

The report by the chairman of the group audit committee is set out on pages 18 and 19.

Principal objectives

The group audit committee's principal objectives are to:

- nominate for appointment as auditor of the company and group 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 tax 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 of Clientèle Life and the internal actuary for Clientèle General Insurance 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 operational 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;
- consider and satisfy itself of the appropriateness of the expertise and experience of the group financial director 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. In order to comply with King III from March 2010, the Chairman of the audit committee will chair 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 (group financial director), G. J. Soll (group managing director), B. W. Reekie (executive director), P. J. A. Cunningham (independent non-executive director) and members of senior management.

Members of the IFA Nigeria risk and compliance committee
P. J. McDonald (Chairman); G. J. Soll (group managing director), D. du Toit (managing director: IFA Nigeria).

Group actuarial committee
The group actuarial committee is a sub-committee of the group audit committee. The group actuarial committee assists the group audit committee in fulfilling its functions to the Board in overseeing matters related to Embedded Value and the Actuarial Valuations. The group actuarial committee meets at least six times a year 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 (group financial director), G. J. Soll (group managing 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, group financial director), G. J. Soll (group managing director), B. W. Reekie (executive director), G. Q. Routledge (independent non-executive director) and members of senior management.

Group remuneration committee

The Board is responsible for remuneration and incentivisation of the management team. To assist the Board in fulfilling its responsibilities, it has appointed and mandated a group remuneration committee consisting of two independent 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 31 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 managing the group. The operating subsidiaries have their own management and executive committees whose activities are overseen by the group executive committee. The group managing director chairs the committee which meets as and when necessary.

Meeting attendance (1 July 2008 to 30 June 2009)

Clientèle Limited

	Clientèle Board	Group audit committee	Group investment committee	Group remuneration committee	Group risk and compliance committee	Group actuarial committee
Number of meetings held	**4**	**4**	**4**	**1**	**4**	**8**
Directors:						
G. Q. Routledge	4/4	3/4	4/4	1/1	–	–
G. J. Soll	4/4	3/4	4/4	–	4/4	6/8
P. J. A. Cunningham	4/4	4/4	–	1/1	4/4	–
I. B. Hume	4/4	4/4	4/4	–	4/4	7/8
B. Frodsham	4/4	–	–	–	–	7/8
B. W. Reekie	4/4	–	4/4	–	4/4	8/8
A. D. T. Enthoven	4/4	–	–	–	–	–

Clientèle Subsidiaries

	Clientèle Life Board*	IFA Nigeria Board	Clientèle General Insurance Board	Clientèle Loans Direct Board
Number of meetings held	**4**	**2**	**1**	**2**
Directors:				
M. Adegun	–	2/2	–	–
P. J. A. Cunningham	4/4	–	–	–
C. Dozie	–	2/2	–	–
P. G. Dozie	–	2/2	–	–
D. du Toit	–	2/2	–	–
A. D. T. Enthoven (alternate to P. R. Enthoven*)	3/4	–	–	–
P. R. Enthoven	2/4	–	–	–
M. A. Finlayson	–	–	–	1/2
B. Frodsham	–	2/2	1/1	1/2
P. Georgeu	–	–	–	2/2
M. Y. Guttler	–	–	–	2/2
I. B. Hume	4/4	–	1/1	2/2
M. L. Japhet	–	–	1/1	–
F. Marais (appointed 30 July 2008)	4/4	–	–	–
H. Moolla (appointed 6 April 2009)	1/1	–	–	–
B. W. Reekie	4/4	–	1/1	–
G. Q. Routledge	4/4	–	1/1	2/2
G. J. Soll	4/4	2/2	1/1	2/2

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 quarterly 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, appointed Mr. F. J. Kruger of PricewaterhouseCoopers Inc. to perform an independent audit on the group's Annual Financial Statements for the 2010 financial year. This appointment will be subject to approval by a majority of shareholders at the Annual General Meeting on 14 October 2009. 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, the Short-term Insurance Act, the Listings Requirements 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.

Group financial statements

The directors are responsible for the preparation of the group and separate 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 auditor's remuneration for audit and other services are provided in note 30 on page 106 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 and the actuarial 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. Employment Equity targets are revised on an annual basis and a functional employee-elected employment equity committee monitors progress in this regard. 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. The entire staff complement has been trained on equity and non-discriminatory practices. In addition, targeted training and development programmes aimed at developing previously disadvantaged individuals into potential leadership roles are in place and continue to add value to the business strategy.

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 October 2008 the Company was awarded the Best Practice in Skills Development Award by the Department of Labour. This award acknowledges the professionalism of training providers in the large business sector who fully comply with Skills Development Legislation. 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.

Broad Based Black Economic Empowerment

Clientèle continues to make progress with the transformation of our society through Broad Based Black Economic Empowerment. Through the group's unique IFA Opportunity the group believes that it has taken Black Economic Empowerment to a very 'broad based' platform. Not only have we been successful in providing first time buyers with valuable insurance products but it has also provided an income generation opportunity to thousands of members of the previously disadvantaged black community in the LSM three to six groupings. Skills development and training is an integral part of the IFA opportunity (refer to page 17: Network marketing opportunity).

Significant progress has also been made in the empowerment of staff through skills development and training programmes which takes place both internally and externally. Specific areas of development being those of supervisory and management training for our Employment Equity designated staff.

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 six years. Located in Puttfontein, Benoni, Sithabile Child and Youth Care Centre is a haven for 85 children.

Ranging in age from two to 18, 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.

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

In addition, three Sithabile children who completed their Matric in 2008 have received bursaries from the group's Employee and IFA Bursary Scheme for the full duration of their tertiary studies.

IFA and Employee Bursary Scheme

A newly introduced Bursary Scheme was launched in September 2008. Bursaries had been granted to qualifying bursary recipients between the ages of 18 and 25 for tertiary studies. Bursaries were awarded to children of IFAs, children of permanent employees and children from the Sithabile Child and Youth Care Centre. Bursaries cover the full expenses of each bursary recipient, including class fees, books and residential costs and is for the full duration of the chosen tertiary programme.

It is the intention to enhance and build on this Scheme in future.

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 and AIDS.

In practising the central promise 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, an annual wellness testing campaign is conducted where employees can be voluntarily tested for sugar diabetes, blood pressure, cholesterol and HIV infection. This serves to increase awareness and highlights 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.

Through training initiatives an average of 20 000 Individuals receive training per month through the IFA Presenters network.

In addition, a further average of at least 100 individuals per month receive specialised training on issues such as basic financial life skills and business building skills.

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. Clientèle is very strongly focused on sourcing individuals with either learning or physical disabilities. Five learners have been appointed during the last financial year with four of these being disabled candidates.

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 a support programme to Schools used as IFA Presentation Venues.

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.

Report of the group audit committee

for the year ended 30 June 2009

The group audit committee has pleasure in submitting this report, on it's activities as required by sections 269A and 270A of the Companies Act.

Functions of the audit committee

The group audit committee has adopted formal terms of reference, delegated to it by the Board of directors, as its audit committee charter.

The group audit committee has discharged the functions in terms of its charter and ascribed to it in terms of the Companies Act as follows:

- reviewed the interim and year-end financial statements, culminating in a recommendation to the Board to adopt them. In the course of its review the committee:
  - takes appropriate steps to ensure that the financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies Act;
  - considers and, when appropriate, makes recommendations on internal financial controls;
  - deals with concerns relating to accounting policies, internal audit, the auditing or content of annual financial statements, and internal financial controls;
  - reviews legal matters that could have a significant impact on the organisation's financial statements; and
  - reviews the external audit reports on the annual financial statements;
- approved the internal audit charter and audit plan;
- reviewed the internal audit and risk management reports, and, where relevant, recommendations being made to the Board;
- evaluated the effectiveness of risk management, controls and the governance processes;
- verified the independence of the external auditors, nominated PricewaterhouseCoopers as the auditor for 2009 and noted the appointment of Mr Francois Johannes Kruger as the designated auditor;
- approved the audit fees and engagement terms of the external auditor;
- determined the nature and extent of allowable non-audit services and approved the contract terms for the provision of non-audit services by the external auditor; and
- reviewed the reports of the actuarial committee and the reports of the independent actuaries of Clientèle Life, Clientèle General Insurance and the group.

Members of the group audit committee and attendance at meetings

The group audit committee consists of the directors listed hereunder and meets at least four times per annum in accordance with the audit committee charter. During the year under review the following four meetings were held:

7 August 2008: P. J. A. Cunningham (Chairman), G. Q. Routledge, G. J. Soll and I. B. Hume attended.

12 November 2008: P. J. A. Cunningham (Chairman), G. Q. Routledge and I. B. Hume attended.

10 February 2009: P. J. A. Cunningham (Chairman), G. Q. Routledge, G. J. Soll and I. B. Hume attended.

6 May 2009: P. J. A. Cunningham (Chairman), G. J. Soll and I. B. Hume attended.

Report of the group audit committee
continued

Subsequent to the year-end at 30 June 2009, the following meeting was held:

6 August 2009: PJA Cunningham (chairman), GQ Routledge, GJ Soll, IB Hume and ADT Enthoven attended.

Group internal audit

The group audit committee fulfils an oversight role regarding the group's financial statements and the reporting process, including the system of internal financial control. It is responsible for ensuring that the group's internal audit function is independent and has the necessary resources, standing and authority within the organisation to enable it to discharge its duties. Furthermore, the audit committee oversees cooperation between the internal and external auditors, and serves as a link between the Board of directors and these functions.

Attendance

The internal and external auditors, in their capacity as auditors to the group, attended and reported at all meetings of the audit committee. The group risk management and actuarial committees were also represented. The external statutory actuaries attended the interim and final audit committee meetings. Executive directors and relevant senior managers attended meetings by invitation.

Confidential meetings

The audit committee charter provides for confidential meetings between the chairman of the audit committee and the internal and external auditors.

Independence of the external auditor

During the year under review the group audit committee reviewed a representation by the external auditor and, after conducting its own review, confirmed the independence of the auditor.

Expertise and experience of the financial director

As required by JSE Listings Requirement 3.84(h), the group audit committee has satisfied itself that the group financial director, I. B. Hume, has the appropriate expertise and experience.

P. J. A. Cunningham
Chairman: Group Audit Committee Chairman

31 August 2009

Statement of Group Embedded Value

for the year ended 30 June 2009

1. **Introduction**

The following is a summary of the Embedded Value results for Clientèle (the group) for the year ended 30 June 2009, together with the comparative figures for the year ended 30 June 2008.

The methods and assumptions used in the determination of the present value of future profits from covered in force and new business as well as cost of required capital were derived by the group's independent actuaries, QED Actuaries and Consultants (Proprietary) Limited.

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

- The Free Surplus; plus,
- The Required Capital identified to support the in-force business; plus,
- The Present Value of In-force covered business; less,
- CoC.

The Free Surplus plus the Required Capital is the ANW of covered business. The ANW is defined as the excess value of all assets attributed to the covered business, but not required to back the liabilities of covered business. The ANW is essentially the Net Asset Value (Excess of Assets over Liabilities) of the group as at the valuation date. It is taken as the excess of assets over liabilities on the 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, removal of minority interests as well as to deduct the best estimate financial liability in respect of the staff SAR Scheme. The SAR Scheme adjustment recognises the future dilution in Embedded Value, on a mark to market basis, as a result of the SAR Scheme.

The Free surplus is the ANW less the Required Capital attributed to covered business. The Required Capital has been set at the greater of the Statutory TCAR and 1.5 times the Statutory OCAR of the Life Company and the greater of 15% of gross premium written and R5 million for the Short-term Company.

The PVIF is the present value of future after tax profits arising from covered business as at 30 June 2009.

The CoC is the opportunity cost of having to hold assets to cover the Required Capital of R91 million as at 30 June 2009.

2. **Covered Business**

All material business written by the group has been covered by Embedded Value methodology as outlined in Professional Guidance Note, PGN 107 of the Actuarial Society of South Africa, including:

- All long-term insurance business regulated in terms of the Long-term Insurance Act, 1998;
- Annuity income arising from non-insurance contracts where Embedded Value Methodology has been used to determine future shareholder entitlements;
- Legal insurance business where Embedded Value Methodology has been used to determine future shareholder entitlements;

- Loans business where Embedded Value Methodology has been used to determine future shareholder entitlements; and,
- Business conducted via IFA Nigeria where Embedded Value Methodology has been used to determine future shareholder entitlements.

3. Adjusted Net Worth

The table below shows the reconciliation of Total Equity to Adjusted Net Worth for the year ended 30 June 2009 and 30 June 2008.

(R'000s)	**2009**	2008
Total equity and reserves per balance sheet	**287 958**	217 789
Deferred Profits	**12 348**	4 011
Tax impact of Deferred Profits	**(3 457)**	(1 123)
Impact of margins on Investment Business	**(4 288)**	
Removing minority interests	**(8 658)**	
Adjusting subsidiaries to Net Asset Value	**(1 157)**	(1 397)
SAR Scheme adjustment	**(5 171)**	(11 214)
Adjusted Net Worth	**277 575**	**208 066**

The SAR Scheme adjustment recognises the future dilution in Embedded Value, on a mark to market basis, as a result of the SAR Scheme.

Clientèle Life's Statutory CAR cover ratio at 30 June 2009 was 2.98 (30 June 2008: 4.4) on the statutory valuation basis.

4. Embedded Value for Covered Business

The table below shows the Embedded Value for the year ended 30 June 2009 and 30 June 2008.

(R'000s)	**2009**	2008
Free Surplus	**186 554**	158 065
Required Capital	**91 021**	50 001
ANW of covered business	**277 575**	208 066
CoC	**(30 938)**	(15 761)
PVIF	**1 474 414**	1 009 836
Embedded Value of covered business	**1 721 051**	1 202 141

(Cents)		
Embedded Value per share	**532.01**	371.60
Diluted Embedded Value per share	**532.01**	369.71

5. Value of New Business

The Value of New Business represents the present value of the projected after tax profits at the point of sale on new covered business commencing during the year ended 30 June 2009 less the CoC pertaining to this business. The New Business profit margin is the Value of New Business expressed as a percentage of the present value of future premiums (and other annuity fee income) pertaining to the same business.

There has been no change in the definition of new business since the previous valuation. The definition used for new business is consistent with what has been used when preparing the accounts. The assumptions used for the calculation are the same as what has been used to determine the year-end Embedded Value results, including investment yields. Based on a previous Board decision, for classification purposes, the reinstatement of policies are incorporated as new business. This is consistent with prior year results and the practice of printing new policy documentation for reinstated policies.

The total Value of New Business for the group (excluding any allowance for the Management Incentive scheme and after adjustments for minority interests) for the year ended 30 June 2009, using a RDR of 13.25% (2008: RDR of 15%) is as follows:

(R'000s)	**2009**	2008
Total Value of New Business	**424 651**	323 238
CoC for new business	**(4 633)**	(2 636)
Total Value of New Business net of CoC	**420 018**	320 602
Present Value of New Business premiums and other annuity income	**1 728 887**	1 548 802
New Business profit margin %	**24.29%**	20.70%

6. Long-term Economic Assumptions – South Africa

In terms of the current actuarial guidance, the RDR has been set as the risk free rate plus a beta multiplied by the assumed equity risk premium. It has been assumed that the equity risk premium (i.e. the long term expected difference between equity returns and the risk free rate) is 3.5%. In the light of the current economic conditions and the global financial crisis, the Board considered it prudent to add some additional conservatism to the Embedded Value calculation as at 30 June 2009. This was achieved via the addition of an explicit 1% margin to the RDR. The beta pertaining to the Clientèle share price is relatively low, which is partially a consequence of the relatively small free float of shares. As a consequence, the Board has decided at this stage to use a more conservative beta of 1 in determining the RDR. For the reasons given above QED supports the use of a beta of 1.

The theoretical RDR, using this methodology (but excluding the additional risk margin of 1%), as at 30 June 2008, would have been 14.75% (a 25 basis points difference from the RDR that was actually used at the time). This difference combined with the other minor changes to Embedded Value Methodology required in terms of the latest version of the Actuarial Society of South Africa's Guidance Note (PGN107 – version 4), would have made an immaterial difference to the published Embedded Value results as at 30 June 2008 (less than 0.5% of Embedded Value). Thus the comparative results have not been restated.

The table below shows the long-term economic assumptions for business written in South Africa for the year ended 30 June 2009 and 30 June 2008.

(%)	**2009**	2008
RDR	**13.25**	15.00
Overall investment return	**8.75**	11.25
Expense inflation	**6.75**	8.00
Corporate tax	**28.00**	28.00

7. Long-term Economic Assumptions – Nigeria

The Economic Assumptions for Nigeria were set by IFA Nigeria's independent external actuary (H.R. Nigeria Limited) and reviewed by QED. The assumptions were set at a conservative level which was deemed to be appropriate as this is a new venture and, as such, is riskier than an established business.

The table below shows the long-term economic assumptions for business written in Nigeria for the year ended 30 June 2009.

(%)	**2009**	2008
RDR	**25.00**	n/a
Overall investment return	**13.00**	n/a
Expense inflation	**12.00**	n/a
Corporate tax	**33.00**	n/a

8. Other Business Assumptions – South Africa & Nigeria

Assumptions for mortality, withdrawal and expenses were derived from experience investigations based on the 12 months preceding the valuation date. Minor adjustments were made to the assumptions for withdrawals and mortality for the South African businesses, based on this investigation. Expenses were increased by more than assumed inflation.

9. Segment Information

The table below shows the Embedded Value split between the material segments for the year ended 30 June 2009 and the year ended 30 June 2008.

(R'000s)	**ANW**	**CoC**	**PVIF**	**Embedded Value**
30 June 2009				
SA – Long-term insurance*	248 270	(29 498)	1 375 204	1 593 976
SA – Short-term insurance**	2 224	(1 440)	72 781	73 565
SA – Investment Contracts***			1 440	1 440
SA – Loans	(5 543)		230	(5 313)
Nigeria – Long-term brokerage	36 624		24 759	57 383
Total	**277 575**	**(30 938)**	**1 474 414**	**1 721 051**

(R'000s)	**ANW**	**CoC**	**PVIF**	**Embedded Value**
30 June 2008				
SA – Long-term insurance*	208 066	(15 761)	994 813	1 187 118
SA – Short-term insurance**			13 600	13 600
SA – Investment Contracts***			1 423	1 423
Total	**208 066**	**(15 761)**	**1 009 836**	**1 202 141**

* SA Long-term Insurance comprises the majority of the Clientèle Life business.

** SA Short-term Insurance includes Clientèle General Insurance Limited and a Cell Captive arrangement (the Cell Captive arrangement only applied as at 30 June 2008).

*** SA Investment Contracts are the Single Premium business PVIF split out from SA Long-term insurance.

The table below shows the Value of New Business split between segments for the year ended 30 June 2009 and 30 June 2008.

(R'000s)	**30 June 2009 (at RDR of 13.25%)**	30 June 2008 (at RDR of 15.00%)
SA – Long-term insurance*	**383 799**	312 586
SA – Short-term insurance**	**31 275**	6 919
SA – Investment Contracts***	**5 621**	1 097
SA – Loans	**(364)**	
Nigeria – Long-term brokerage	**(313)**	
Total	**420 018**	320 602

* SA Long-term Insurance comprises the majority of the Clientèle Life business.

** SA Short-term Insurance includes Clientèle General Insurance Limited and a Cell Captive arrangement (the Cell Captive arrangement only applied as at 30 June 2008).

*** SA Investment Contracts are the Single Premium business PVIF split out from SA Long-term insurance.

10. 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 13.25% (unless otherwise specified):

(R'000s)	Adjusted Net Worth	Value of in-force Business	Cost of Capital	Embedded Value	% of Main
Main basis	277 575	1 474 414	(30 938)	1 721 051	
1% increase in RDR	277 575	1 414 950	(34 277)	1 658 248	96.4
1% decrease in RDR	277 575	1 537 574	(27 361)	1 787 788	103.9
Assuming a 10% increase in the following:					
– Future expenses	277 575	1 450 937	(30 939)	1 697 573	98.6
– Policy discontinuance rate	277 575	1 359 892	(26 626)	1 610 842	93.6
– Claims (and reinsurance rates) experience	277 575	1 447 419	(28 342)	1 696 652	98.6
Investment return less 1%	277 575	1 472 037	(34 158)	1 715 455	99.7
Inflation plus 1%	277 575	1 466 293	(30 748)	1 713 121	99.5
Assuming a once-off 10% reduction in equity holdings	249 743	1 472 137	(30 938)	1 690 942	98.3
Assuming no future indexations of premiums	277 575	1 040 987	(20 085)	1 298 477	75.4
Assuming a 1% decrease in investment returns, RDR and inflation	281 984	1 535 153	(29 625)	1 787 512	103.9

The sensitivity analysis has assumed that the reserving basis will remain static despite changes in experience except in the following two cases (where PGN107 (Version 4)) requires the change in reserving basis to be considered in conjunction with the change in assumption):

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

11. Sensitivities – Value of New Business

The table bellow 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 13.25% (unless otherwise specified).

(R'000s)	Value of New Business	% of Main Basis
Main Basis	420 018	
Expenses plus 10%	380 762	90.7
Inflation plus 1%	419 187	99.8
Investment return less 1%	418 358	99.6
Claims (and reinsurance rates) plus 10%	411 792	98.0
Withdrawals plus 10%	346 432	82.5
No increases	291 356	69.4
Investment return less 1%, inflation less 1% and RDR less 1%	435 561	103.7
RDR of 11.25%	467 529	111.3
RDR of 12.25%	442 486	105.3
RDR of 14.25%	399 429	95.1
RDR of 15.25	380 762	90.7

12. Embedded Value Earnings

Embedded Value earnings (per PGN 107) comprises the change in Embedded Value (after minority interests) for the year after adjusting for capital movements and dividends paid as they pertain to Clientèle. Embedded Value earnings explicitly include any changes in minority shareholder interests.

The table below shows the Embedded Value earnings for the year ended 30 June 2009.

Embedded Value earnings for the period

(R'000s)	**ANW**	**CoC**	**PVIF**	**Embedded Value**
A: Embedded Value at the end of the year	277 575	(30 938)	1 474 414	1 721 051
Embedded Value at the beginning of the year	208 066	(15 761)	1 009 836	1 202 141
Dividends and STC accrued or paid	(138 117)			(138 117)
B: Adjusted Embedded Value at the beginning of the year	**69 949**	**(15 761)**	**1 009 836**	**1 064 024**
Embedded Value earnings (A – B)	**207 626**	**(15 178)**	**464 578**	**657 026**
Impact of once-off economic assumption changes	1 946	(4 020)	74 377	72 303
Once-off equity impact of introducing a minority interest into IFA Nigeria	44 755			44 755
Embedded Value earnings before once-off items	**160 925**	**(11 158)**	**390 201**	**539 968**
As a percentage of Adjusted Embedded Value at the beginning of the year – Return on Embedded Value				50.7%
Return on Embedded Value including once-off items				61.7%

The Return on Embedded Value including once-off items for the year ended 30 June 2008 was 37.2%.

Statement of Group Embedded Value
continued

Components of Embedded Value earnings

	Year ended to 30 June 2009			
(R'000's)	**ANW**	**CoC**	**PVIF**	**Embedded Value**
Value of New Business at point of sale	(85 452)	(4 633)	510 103	420 018
Expected return on Covered Business (unwinding of RDR)		(2 365)	155 959	153 594
Expected profit transfer	280 986		(280 986)	
Withdrawal experience variance	(19 869)		13 789	(6 081)
Claims and reinsurance experience variance	16 238			16 238
Operating experience variances	(15 876)	(605)	1 346	(15 135)
Operating assumption and model changes	1 639	(3 555)	(485)	(2 401)
Expected return on ANW	21 581			21 581
SAR scheme dilution	6 043			6 043
Goodwill and medium-term incentive schemes	(38 685)		(3 494)	(42 179)
Embedded Value operating return	**166 605**	**(11 158)**	**396 232**	**551 678**
Investment return variances on ANW	(250)			(250)
Equity impact of introducing a minority interest into IFA Nigeria	44 755			44 755
Effect of foreign currency movements	(5 430)		(6 031)	(11 461)
Effect of economic assumption changes	1 946	(4 020)	74 377	72 304
Embedded Value earnings	**207 626**	**(15 178)**	**464 578**	**657 026**

13. Conclusion

Based on the methodology and assumptions used and the calculations performed as described, we hereby certify the above Embedded Value results.

R. D. Williams
STATUTORY ACTUARY
Fellow of the Institute of Actuaries
Fellow of the Actuarial Society of South Africa

31 August 2009

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 2009, prepared in accordance with IFRS, which are set out on pages 28 to 113 were approved by the Board on 31 August 2009 and signed on its behalf by:

G. Q. Routledge
Chairman

G. J. Soll
Managing Director

Johannesburg
31 August 2009

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 2009, 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
31 August 2009

Independent Auditors Report to the Members of Clientèle Limited

We have audited the group annual financial statements and annual financial statements of Clientèle Limited, which comprise the consolidated and separate balance sheets as at 30 June 2009, and the consolidated and separate income statements, the consolidated and separate statements of changes in equity and consolidated and separate cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 29 to 113.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal 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 consolidated and separate financial position of Clientèle Limited as at 30 June 2009, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: F. J. Kruger
Registered Auditor

Sunninghill
31 August 2009

Report of the Directors

The directors have pleasure in submitting their annual report, which forms part of the audited financial statements for the year ended 30 June 2009.

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. Its subsidiary Clientèle Life markets, distributes and underwrites insurance and investment products, mainly on a direct marketing basis and invests funds derived therefrom and accounts for the majority of the group's earnings and assets. Clientèle also underwrites personal lines legal insurance policies through Clientèle General Insurance, its short-term insurance subsidiary. Lending of secured personal loans, on a conservative and controlled basis, has started through its subsidiary Clientèle Loans Direct. Clientèle's insurance brokerage, IFA Nigeria, distributes life insurance products on a multi-level marketing basis in Nigeria. During March 2009, Clientèle, through its wholly-owned subsidiary Clientèle Mobile, launched a communication and related products service. Currently the main focus is the sale of cellular airtime contracts.

Group companies

Clientèle is the holding company of the Clientèle group which comprises the following companies:

Clientèle LIMITED	% Holding	Country of incorporation	Nature of Business
Clientèle Life Assurance Company Ltd.	100	SA	Life Insurance
Clientèle Loans (Pty) Ltd.	100	SA	Lending
Clientèle General Insurance Ltd.	100	SA	General insurance
Clientèle Life (Netherlands) Coöperatieve U.A.	100	ND	Investment company
Clientèle Mobile (Pty) Ltd.	100	SA	Communication and related products

Clientèle Life, Clientèle Loans and Clientèle Life (Netherlands) Coöperatieve U.A. in turn have the following investments in subsidiaries and associates:

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

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

Clientèle Life (Netherlands) Coöperatieve U.A.	**% Holding**	**Country of incorporation**	**Nature of Business**
Subsidiary			
Independent Field Advertisers Ltd.	75	NG	Insurance broking in Nigeria

IFA Nigeria owns 100% of Vitta Insurance Brokers.

Clièntele General Insurance and Clientèle Mobile do not have subsidiaries.

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

2. Financial results and dividend

Full details of the company's and the group's financial position and results are set out in the attached financial statements and notes thereto on pages 63 to 113. An ordinary dividend of 42 cents per share (2008: 39 cents per share) was declared on 13 August 2009. The dividend will be paid on Monday, 14 September 2009.

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, 4 September 2009. The shares will commence trading *ex* dividend on Monday, 7 September 2009 and the record date will be Friday, 11 September 2009.

Share certificates may not be dematerialised or rematerialised between Monday, 7 September 2009 and Friday, 11 September 2009, both days inclusive.

Key statistics relating to the financial position and profit of the group for the year are set out in the table below:

	30 June 2009	30 June 2008	% change
Financial position			
Total assets (R'm)	**1 819.5**	1 494.3	21.7
Net asset value per share (cents)	**89.01**	67.32	32.2
Return on shareholders interest (%)	**57**	70	
Operating results			
Net insurance premiums (R'm)	**902.1**	784.0	15.1
Profit before tax (R'm)	**203.0**	200.3	1.3
Tax (R'm)	**65.1**	66.1	(1.5)
Net profit attributable to ordinary shareholders of the group (R'm)	**144.3**	134.2	7.5
Diluted EPS (cents)	**44.60**	41.27	8.0
Diluted headline EPS (cents)	**44.52**	41.21	8.0
Dividend per share (cents)	**42.00**	39.00	7.7

The holding company's interest in the aggregate profits earned after tax (after adjusting for minority interests), by the subsidiaries amounted to R165.2 million (2008: R139.0 million).

The holding company's interest in the aggregate losses earned after tax (after adjusting for minority interests), by the subsidiaries amounted to R21.1 million (2008: R4.8 million).

The holding company's interest in the aggregate profits earned after tax (after adjusting for minority interests), by the associates amounted to R0.2 million (2008: R0.1 million).

Headline earnings per share

Headline EPS has been adjusted by the profit on disposal of equipment of R254 000 (2008: R202 000).

Headline earnings per share increased by 7.5% from 41.42 cents to 44.52 cents.

Group	2009	2008
Reconciliation of earnings to headline earnings		
Net profit attributable to ordinary shareholders	**144 287**	134 206
Less: profit on disposal of fixed assets	**(254)**	(202)
Headline earnings	**144 033**	134 004
Diluted weighted ordinary shares in issue		
Weighted ordinary shares (000's)	**323 500**	323 500
Adjustment for dilution due to SAR Scheme (000's)		2 157
Diluted weighted ordinary shares (000's)	**323 500**	325 157
Diluted earnings per share (cents)	**44.60**	41.27
Diluted headline earnings per share (cents)	**44.52**	41.21

3. Share capital

Clientèle's share capital was unchanged during the year and as at 30 June 2009 is as follows:

Authorised:

750 000 000 ordinary shares of 2 cents each R15 000 000

Issued:

323 500 000 ordinary shares of 2 cents each R6 470 000

4. Holding company

Clientèle is ultimately controlled by R Enthoven and Sons (Pty) Limited, which is incorporated in South Africa and in aggregate holds 81.91% (2008: 81.4%) of the issued share capital (refer to note 11: Share capital and premium).

R. Enthoven and Sons is also the ultimate holding company of the Hollard Group.

5. Directors and secretary

The following people acted as directors during the year:

Gavin Quentin Routledge *BA LLB*	*Chairman*	Non-executive, chairman of the group remuneration committee and member of the group audit and investment committees
Gavin John Soll *CA(SA)*	*Group Managing Director – Clientèle*	Executive, member of group audit, risk and compliance, investment 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
Adrian Domoniq t'Hooft Enthoven *BA, PhD (Political Science)*		Non-executive, member of the group audit committee
Brenda-Lee Frodsham *B.Com*		Executive, member of the actuarial committee
Iain Bruce Hume *CA(SA), ACMA*	*Group 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 committee, member of the group risk and compliance and investment committees

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, one third 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:

Building 1, Clientèle Office Park
Corner Rivonia and Alon Road
Morningside, 2196

Postal address:

P O Box 1316
Rivonia
2128

6. Directors' shareholdings

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

	Ordinary shares		
	Beneficial		
	Direct	**Indirect**	**Associate**
2009			
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**	**100 000**
B. Frodsham	**200 010**	**1 294 920**	
	5 700 010	**11 360 090**	**1 905 510**

	Ordinary shares		
	Beneficial		
	Direct	Indirect	Associate
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	11 360 090	1 805 510

7. Incentive Bonus Scheme (Refer to note 18)

The incentive bonus scheme is a formal documented scheme 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 Scheme Goodwill. The scheme comprises two elements, namely an Embedded Value element and a Goodwill Scheme 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 Scheme 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 Incentive Bonus Scheme has been amended, the more significant amendments include the extension of the payment periods for the Goodwill Scheme and the Embedded Value scheme as referred to below and amending the Goodwill Scheme to cater for instances where actual experience in respect of the unwinding of the Value of New Business differs from the estimates used in the year to the end of the cycle.

The Value of New Business in the year prior to the end of the cycle in the Goodwill Scheme is an estimate of the value this business adds to shareholders. Whether or not this estimate is actually realised can only be determined over time. During the payment period for this component of the Goodwill Scheme, the company's external actuaries will determine at each payment date whether or not the original estimate has proven accurate to that date. In the event that the original estimate differs by more than 10%, in either direction, from the best estimate at the payment date then the payment made under the Scheme will be adjusted to allow for this.

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 Scheme Goodwill component recognises the creation of value in excess of Embedded Value.

The Scheme 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 Scheme 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 30)

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. Auditors

In accordance with Section 270(2) of the Companies Act, the group audit committee, on behalf of the Board, 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 14 October 2009.

11. Directors emoluments

Details of directors' emoluments are set out in note 31 on page 107 to the Annual Financial Statements.

12. Special resolutions

No special resolutions were passed during the year.

13. Directors interests in contracts

During the financial year no contracts were entered into in which directors of the company had an interest and which significantly affect the business of the group.

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

Statement of Actuarial Values of Assets and Liabilities of Clientèle Life

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

1. Excess assets

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

(R'000's)	2009	2008
Assets		
Total assets per balance sheet	1 756 493	1 481 377
Reinsurance assets	(22 148)	(23 795)
Total assets net of reinsurance assets	**1 734 345**	**1 457 582**
Liabilities		
Actuarial value of liabilities	580 011	538 335
Reduction in policy liabilities due to reinsurance	(22 148)	(23 795)
Other policyholder liabilities	717 561	490 469
Current liabilities	168 737	217 561
Deferred Profit	12 348	4 011
Total liabilities	**1 456 509**	**1 226 580**
Excess of assets over liabilities	**277 836**	**231 001**

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

(R'000's)	2009	2008
Assets		
Total assets net of reinsurance assets	1 734 345	1 457 582
Disallowed assets	(25 984)	(8 473)
Total assets	**1 708 361**	**1 449 109**
Liabilities		
Actuarial liabilities	1 279 712	1 005 008
Current liabilities	168 737	217 561
Tax Impact of Deferred Profit *	3 457	1 123
Total liabilities	**1 451 906**	**1 223 692**
Excess of assets over liabilities	**256 454**	**225 416**
CAR	86 021	50 001
CAR ratio	298%	451%

* 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 Reporting Basis is shown below:

(R'000's)	**2009**	**2008**
Excess assets at the end of reporting period	277 836	231 001
Excess assets at the beginning of reporting period	231 001	174 498
Change in excess assets over the reporting period	**46 835**	**56 503**
The change in excess assets is due to the following factors:		
Investment income and growth on excess assets	4 089	13 764
Operating profit (loss)	257 792	232 498
Changes in valuation method or assumptions	(9 628)	(23 374)
Tax	(67 301)	(59 792)
Total earnings	**184 952**	**163 096**
Current and prior year adjustment to investment in associates		(255)
Dividends and STC paid	(138 117)	(106 338)
Total Change in Excess Assets	**46 835**	**56 503**

3. **Reconciliation of Excess Assets to Reported Earnings**
The change in the excess of assets over liabilities in this statement on the Published Reporting Basis reconciles to the net income of the life operations as follows:

Reconciliation to reported earnings	**R'000**	**R'000**
Net profit attributable to ordinary shareholders	167 534	140 740
Dividend paid (excluding STC)	(126 165)	(97 050)
SAR Scheme	5 371	4 645
Prior year profits from associates	95	
Revaluation of property		8 168
Total Change in Excess Assets (Published Reporting Basis)	**46 835**	**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:

	30 June 2009 R'000	**30 June 2008 R'000**
Excess assets on Published Reporting Basis	277 836	231 001
Disallowed assets	(25 984)	(8 473)
Deferred Profit	12 348	4 011
Tax Impact of Deferred Profit	(3 457)	(1 123)
Compulsory Margins on Investment Business	(4 288)	
Excess Assets on Statutory Basis	**256 454**	**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 2008, except for the following changes (before allowing for compulsory margins):

- The long-term investment return assumption was decreased from the previous valuation as shown in the table below. This change was based on the economic data as it applied at the valuation date. The return was based on the risk free yield curve over the appropriate term to maturity. The expense inflation assumption was decreased in line with the decrease in the investment return assumption. The gap between the investment return assumption and the expense inflation rate reduced from 3.25% (11.25%-8%) down to 2% (8.75%-6.75%);

  The table below shows the long-term economic assumptions for business written in South Africa for the year ended 30 June 2008 and 30 June 2009.

(%)	**2009**	**2008**
Overall investment return	8.75	11.25
Expense inflation	6.75	8.00
Corporate tax	28.00	28.00

  Other Assumptions:

  - The factor of 20% referred to in Note 7 below has reduced from 30% at the previous valuation;
  - The AIDS assumption was changed to use the latest table as issued by ASSA. The mortality assumption was lowered on some product classes to reflect recent experience – this had an immaterial impact on liabilities;
  - The expense assumption was increased by more than inflation, based on expense investigations;
  - Withdrawal rates were changed slightly based on the withdrawal investigations for recent experience; and
  - Several other refinements were made to the modelling of the business which collectively, as well as individually, had an immaterial impact on the results.

6. Published Reporting Valuation Method and Assumptions

The assets and liabilities of Clientèle Life have been calculated in accordance with the Actuarial Society of South Africa's guidelines and in particular PGN103 (Version 4) and PGN104 (Version 7). Assets and liabilities were valued on consistent bases. For insurance contracts, the valuation basis is a gross premium method of valuation. Where policy values are linked to the value of underlying units, the liability has been set equal to the sum of the value of the Investment Account and a Rand Reserve allowing for, inter alia, expenses, risk benefits, risk charges, management fees (as well as other expense charges) and reinsurance.

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

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

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

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

7. Published Reporting Liability Valuation Method and Assumptions

The valuation of the policy liabilities was conducted on a basis consistent with the valuation of the assets. Assumptions were based on analysis of past experience and expected future experience. The most recent experience investigations were for the 12 months ended 30 June 2009.

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

Compulsory margins in terms of PGN104 (version 7) 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 overall investment return rate of 8.75% p.a. (11.25% p.a.) was used for all classes of business;
- The expense allowance for the year after the valuation date was based on the latest expense investigation, inflated by 6.75% p.a (8.00% p.a);
- For assurances, mortality rates are based on recent experience investigations; and,
- Withdrawal rates are based on recent experience investigations.

The following additional discretionary margins were established:

- Where reserving cashflow projections resulted in negative reserves, these were eliminated per policy. As such, no policy was treated as an asset; and,
- A margin was set-up equal to 20% (2008: 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 20% factor will reduce linearly to 0% over the next two years. This margin amounted to R21.5 million (2008: R21.4 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 2009, the Deferred Profit is R12.3 million (2008: 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 CAR

The Statutory CAR is the additional amount required, over and above the actuarial liabilities on the Statutory Basis, to enable a company to meet material deviations in the main parameters affecting the life assurer's business. The CAR was calculated according to the guidelines issued by the Actuarial Society of South Africa (PGN104 (version 7)) and the FSB Board Notice 72 of 2005 "Prescribed requirements for the calculation of the value of the assets, liabilities and CAR of long-term insurers".

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

The TCAR exceeded the OCAR as well as the MCAR and thus the CAR has been based on the TCAR. Hence, the CAR for Clientèle Life, as at 30 June 2009 is TCAR which is equal to R86 million (2008: R50 million). The ratio of the statutory excess of assets over liabilities to the CAR was 298% (2008: 451%).

Statement of Actuarial Values of Assets and Liabilities of Clientèle Life

continued

11. PGN110 Disclosure

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

The results of our stochastic modelling applying PGN110 are given in the following table to derive at the liability:

(R'000's)	**2009**	2008
Stochastic Liability	**2 194**	2 628
CAR Stochastic Resilience Liability	**1 638**	1 254

A Monte Carlo simulation technique was used to quantify the liability and CAR requirement in respect of the embedded investment derivatives. Prices and implied volatilities on the following put options on FTSE/JSE TOP40 index, based on the index value of 19,820 are as follows:

Maturity	Strike Price	Option Price	Volatility
1 year	Spot	1 940	29.27%
1 year	0.8*Spot	532	29.27%
1 year	Forward	2 217	29.27%
5 years	Spot	2 032	26.56%
5 years	$(1.04)^5$*Spot	3 552	26.56%
5 years	Forward	3 803	26.56%
20 Years	Spot	819	26.56%
20 years	$(1.04)^{20}$*Spot	3 413	26.56%
20 years	Forward	4 046	26.56%

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

A 5-year put option with a strike price equal to $(1.04)^5$ of spot price, on an underlying index constructed as 60% FTSE/JSE TOP40 and 40% ALBI, with rebalancing of the underlying index back to these weights taking place annually was calculated as 6.00% of the index value.

A 20-year put option based on an interest rate with a strike equal to the present 5-year forward rate as at maturity of the put option (based on the zero coupon yield curve), which pays out if the 5-year interest rate at the time of maturity (in 20 years) is lower than this strike was calculated as 17.16%.

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

Zero Coupon Curve

Year	Rate
1	6.88%
2	7.17%
3	7.93%
4	8.50%
5	8.72%
10	9.16%
15	9.14%
20	8.72%
25	8.30%
30	8.00%

The date of calibration as well as the date of calculation was 30 June 2009.

12. Excess of Assets over Liabilities

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

13. Report by Statutory Actuary

I hereby certify that:

- The valuation on the Statutory basis of Clientèle Life as at 30 June 2009, 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

31 August 2009

Risk Management

1. **CAPITAL AND 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. These risk management processes cover, inter alia, life insurance and investment contract business, short-term insurance, lending, broking (IFA Nigeria) and other operational risks inherent in the group's business. 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 implemented 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, including asset and liability management; and
- 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 (which reports to the audit 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 (which reports to the audit committee) pertaining to risks are to:

- ensure that appropriate procedures, practices and policies are in place with regard to the preparation of the actuarial results and the Embedded Value report; and
- 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 financial and operational 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.

1.1 CAPITAL MANAGEMENT – CAR 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 Clientèle Life's financial instruments and insurance contract business.

The CAR is determined in accordance with FSB Board Notice 72 of 2005: "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
- the risk that long-term insurance and financial assumptions are not realised.

As at 30 June 2009 the CAR of Clientèle Life for insurance and the investment contract business amounted to R86.0 million (2008: R50.1 million) and was covered 3.0 times (2008: 4.4 times) by the excess of assets over liabilities.

The CAR coverage is monitored on a monthly basis to ensure compliance with the regulatory CAR.

1.1.2 Short-term insurance business

The short-term insurance business is managed to ensure that the regulatory capital requirements are maintained.

Contingency reserve

The group's short-term insurance operations in Clientèle General Insurance are subject to regulatory requirements that prescribe the level of assets to be maintained in local currency to meet insurance liabilities. Clientèle General Insurance provides for a contingency reserve at 10% of premiums received, which amounted to R1.2 million as at 30 June 2009.

Solvency ratio

Clientèle General Insurance is required to maintain a solvency ratio the greater of 15% (which is determined by assets in excess of liabilities as a percentage of net written premiums) or minimum capital held of R5 million as is required by the Registrar of Short-term Insurance.

1.2 RISKS ARISING FROM FINANCIAL INSTRUMENTS

The group considers market risk (i.e. equity risk, interest rate risk and currency risk), property risk, operational risk, credit risk and liquidity risk as the most significant risks arising from financial instruments. Details on how these risks are managed is provided below, with a distinction between financial instruments that affect long-term insurance, investment contracts, short-term insurance, the brokerage in Nigeria and the loans business.

RISK TYPES

	Long-term insurance	Long-term Investment contracts	Short-term insurance	Brokerage – Nigeria	Loans business
Equity risk	1.2.1.1	n/a	1.2.3.1	n/a	n/a
Interest rate risk	1.2.1.2	1.2.2.1	1.2.3.2	1.2.4.1	1.2.5.1
Currency risk	n/a	n/a	n/a	1.2.4.2	n/a
Property risk	1.2.1.3	n/a	n/a	n/a	n/a
Operational risk	1.2.1.4	1.2.2.2	1.2.3.3	1.2.4.3	1.2.5.2

1.2.1 Long-term insurance

1.2.1.1 Equity risk

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

Equity investments are made on behalf of policyholders and shareholders. 99% of equity investments are listed. 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.

1.2.1.2 Interest rate risk

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

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.

1.2.1.3 Property risk

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

The Clientèle group is exposed to property risk through its ownership of the two property subsidiaries of Clientèle Life which own Clientèle 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 areas 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.

1.2.1.4 Operational risk

The Clientèle group, which has close to a million policyholders or customers, experiences operational risk in all facets of its business.

Factors affecting this risk

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

Management of this risk

Clientèle has embedded a culture of risk management in each department and division within the group. Operational risks are identified, evaluated, recorded and managed by each manager. These processes and procedures are further evaluated and reviewed to ensure that they are adequate and appropriate at executive level and by the group risk and compliance committee on behalf of the group audit committee and the Board.

1.2.2 Long-term investment contracts

1.2.2.1 Interest rate risk

Investment contracts (in respect of Single Premium business) are classified as financial liabilities held at fair value through profit and loss.

Factors affecting this risk

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

Management of this risk

- Interest rate risk is minimised by matching the profile of liabilities with similar assets at the inception of the contracts.
- Policyholder contracts provide that in the event of an early withdrawal by the policyholder the interest rate risk is carried by the policyholder.
- The lower of market value or original cost is paid out to policyholders on early withdrawal. In addition surrender penalties and/or administration fees are charged.

1.2.2.2 Operational risk

Refer to 1.2.1.4

1.2.3 Short-term insurance

1.2.3.1 Equity risk

During the current year Clientèle General Insurance held no equity investments.

1.2.3.2 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.
- Fair values of fixed maturity investments will be affected by changes in prevailing market interest rates.

Management of this risk

- The investments held are conservatively invested, in cash or near cash facilities.
- The group investment committee will manage the investments and interest rate risks of this newly formed subsidiary.

1.2.3.3 Operational risk

Refer to 1.2.1.4

1.2.4 Brokerage – Nigeria

1.2.4.1 Interest rate risk

The funds on deposit in Nigeria are subject to interest rate risk should interest rates change.

Factors affecting this risk
Changes in interest rates.

Management of this risk
The management of IFA Nigeria monitors funds on deposits and the interest rates received and reports to the group investment committee in this regard.

1.2.4.2 Currency risk

Clientèle's exposure to currency risk is mainly in respect of foreign investments made in line with the group's long-term strategy, approved by the Board, for seeking appropriate international businesses to expand its income stream and Embedded Value. The company has an investment in a foreign subsidiary in Nigeria, IFA Nigeria, whose net assets are exposed to currency translation risk.

The year end rate used to translate the Nigerian operations to South African Rand was 1 ZAR: 18.86 Nigeria Naira. IFA Nigeria is exposed to balances held in US Dollars. As at 30 June 2009 IFA Nigeria had the following obligation denominated in US Dollars.

The minority shareholders loan amounts to USD 2 million. The year end exchange rate used was 1 US Dollar: 148.14 Nigeria Naira.

The average exchange rate used to convert US Dollar transactions during the year was 1 US Dollar: 135.25 Nigerian Naira.

1.2.4.3 Operational risk

IFA Nigeria, as for the group, experiences operational risks in all facets of its business.

Factors affecting this risk
Refer to 1.2.1.4.

Management of this risk
IFA Nigeria, from the outset, has implemented a risk based approach to management within the company.

A risk and compliance manager has been appointed and IFA Nigeria has its own risk and compliance committee, chaired by the chairman of the group risk and compliance committee. The risk and compliance committee of IFA Nigeria reports to the IFA Nigeria Board, however also gives feedback to the group risk and compliance committee.

1.2.5 Loans business

1.2.5.1 Interest rate risk

Factors affecting this risk
The group's loans business receives a fixed rate of interest on advances. Advances have a maximum repayment term of four years. A funding loan facility is provided by Clientèle Life and the first loan of R20 million is repayable by 31 March 2011. The funding facility bears interest of 10% p.a. and interest is compounded monthly. Further loans are currently advanced at an interest rate of 12% p.a.

Management of this risk
Since interest rate risk is considered as a significant risk much strategic planning is performed at a Board level. Short-term and long-term objectives are set in relation to the group's performance expectation. These are reviewed on a monthly basis by the executive committee and reported to the Board of Directors on a quarterly basis.

Advances to customers are provided at fixed interest rates for the duration of the loan agreement whilst loan agreements with providers of finance are provided at market related interest rates at the grant date.

1.2.5.2 Operational risk

The management of Clientèle Loans Direct is performed by Dirext Axis in terms of the shareholders agreement with Clientèle.

On 18 December 2007, an agreement was signed with Direct Axis to establish a direct marketing unsecured personal loans business, Clientèle 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 mangement skills acquired since inception in 1995. Clientèle owns 70% of Clientèle Loans Direct.

Management of this risk

The Board of Clientèle Loans Direct ensures through regular reports from Direct Axis at its Board meetings, that the operational risks are appropriately managed by Direct Axis.

1.3 CREDIT RISK

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

Balances where the group has exposure to credit risk includes financial assets (excluding equities), 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 2009 the group did not consider there to be a significant concentration of credit risk and no provision for credit risk has been made, except for a provision against advances to customers on the loans business, which is set out in note 1.3.4.

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.
- Customers that receive advances in the loans business may not be able to repay loans.

Management of this risk

- Spreading of assets in terms of the provisions of the Long-term Insurance Act and the Short-term Insurance Act for Clientèle Life and Clientèle General Insurance 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 (i.e. Single Premium investment contract business) are rated at least A1 by an International rating agency in respect of guaranteed single premium investment contract business.

Credit risk	Long-term insurance and investment contract business	Short-term insurance	Brokerage – Nigeria	Loans business
Credit and Concentration risk	1.3.1	1.3.2	1.3.3	1.3.4

1.3.1 Long-term insurance and investment contract business

The following table provides information regarding the aggregated credit risk exposure for the assets relating to the group's long-term insurance and investment contract business at 30 June:

(R'000)	A1+	A1	A1-	A2	Not rated	**Total carrying value**
2009						
Reinsurance assets	22 147					**22 147**
Financial assets at fair value through profit and loss (refer note 8)	940 296	67 958	42 562	63 740	5 265	**1 119 821**
Promissory notes and deposits (unquoted)						
– Assets backing guaranteed endowment investment contracts	547 576					**547 576**
– Assets backing linked endowment investment contracts		67 958	42 562	63 740		**174 260**
Funds on deposit	367 057					**367 057**
Fixed interest securities (quoted)	14 754					**14 754**
Government and public authority bonds (quoted)	10 909					**10 909**
Unlisted unit trusts (quoted)					5 265	**5 265**
Loans and receivables including insurance receivables					55 759	**55 759**
Cash and cash equivalents	58 505					**58 505**
Total assets bearing credit risk	**1 020 948**	**67 958**	**42 562**	**63 740**	**61 024**	**1 256 232**

(R'000)	A1+	Not rated	Total carrying value
2008			
Reinsurance assets	23 795		23 795
Financial assets at fair value through profit and loss (refer note 8)	590 651	80 174	670 825
Promissory notes and deposits (unquoted)			
– Assets backing guaranteed endowment investment contracts	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
Receivables including insurance receivables		40 678	40 678
Cash and cash equivalents	193 426	2 117	195 543
Total assets	**807 872**	**122 969**	**930 841**

1.3.2 Short-term insurance

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

(R'000)	A1+	Not rated	Total carrying value
2009			
Receivables including insurance receivables		429	429
Cash and cash equivalents	13 178		13 178
Total assets	**13 178**	**429**	**13 607**
2008			
Receivables including insurance receivables		4 436	**4 436**
Cash and cash equivalents	1 847		**1 847**
Total assets	1 847	4 436	**6 283**

1.3.3 Brokerage – Nigeria

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

(R'000)	A1+	A1	Not rated	Total carrying value
2009				
Receivables including insurance receivables			13 623	13 623
Cash and cash equivalents*	31 016	806	3	31 825
Total assets	**31 016**	**806**	**13 626**	**45 448**

*R25.25 million of the R31.83 million cash and cash equivalents held at 30 June 2009 was invested in Stanbic IBTC Bank.

The ratings 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:

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.

A2 Good certainty of timely payment. Liquidity factors and company fundamentals are sound. Although ongoing funding needs may enlarge total financing requirements, access to capital markets is good. Risk factors are 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.

1.3.4 Loans business

The principal financial assets of the loans business are advances receivable and cash and cash equivalents.

The credit risk in cash and cash equivalents is limited because the funds are held with financial institutions with high credit ratings assigned by credit rating agencies.

The company's credit risk is primarily attributable to advances receivable. Clientèle Loans Direct only grants advances to creditworthy individuals. It is Clientèle Loans Direct's policy to subject potential customers to credit verification procedures. In addition, balances of advances are monitored on a monthly basis.

The amounts represented in the balance sheet are net of allowances for impairment. An impairment is made where there is an identified loss event, based on previous experience or there is evidence of a reduction in the recoverability of the cash flows.

The directors do not consider there to be any material credit risk exposure for which is not adequately provided.

Concentration risk is the risk of losses associated with inadequately diversified asset portfolios. This may arise either from a lack of diversification in the asset portfolio or as a result of large exposure to a single client.

There is no significant concentration of credit risk as indicated by the broad spread of average loan values in the following tables:

Average loan value	Number of loans	Carrying value R'000
2009		
< R5 000	677	1 902
R5 000 – R10 000	1 565	10 658
R10 000 – R15 000	606	7 564
R15 000 – R20 000	2	40
Total	**2 850**	**20 164**

With respect to credit risk arising from the other financial assets, which comprise cash and cash equivalents and accounts receivable, the exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Cash transactions are limited to high-credit-quality financial institutions.

	2009 R'000
The maximum exposure to credit risk is as follows:	
Unsecured interest bearing loans receivable	20 164
Cash and cash equivalents (A1+ credit rating)	9 126
Total	**29 290**

Clientèle Loans Direct has provided specifically for all advances over 120 days based on historical experience which indicates that advances that are past due beyond 120 days are generally not recoverable. Advances between current and 120 days are provided for based on estimated irrecoverable amounts from advances, determined by reference to past default experience.

The following table details the advances of the Loans business:

	2009 R'000
Neither impaired nor past due – Unsecured interest bearing loans receivable	19 422
Past due but not impaired	540
Impaired advances	202
Total advances	**20 164**
Less: Impairments	(1 412)
Carrying amount at end of year	**18 752**

In determining the recoverability of an advance any change in the credit quality of the customer from the date credit was initially granted up to the reporting date is considered. The concentration of credit risk is limited due to the fact that the customer base is unrelated. All mailing offers are done on an individual basis to Clientèle's customers. Accordingly, the directors believe that there is no further credit provision required in excess of the impairment provisions.

Included in the impairment provision are individually impaired advances with a balance of R0.2 million which have been handed over for collection and R1.2 million as a portfolio impairment provision. The impairment recognised represents the difference between the carrying amount of these receivables and the present value of the expected recoveries. Collateral over these balances is not held.

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 and match the group's liabilities and it has sufficient liquid resources. The group also continues to experience strong positive net cash flows.
- Insurance business: The expected and contractual maturities of insurance liabilities are monitored on a monthly basis and the actuarial committee, a sub-committee of the audit committee ensures that the assets are appropriate to cover expected insurance obligations (both life insurance and short-term insurance) 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 guaranteed endowment investment product business is matched by purchasing appropriate assets of the same maturity profile. This ensures that cash is available on maturity of the policyholder obligations.
  The contractual maturities of single premium linked endowment investment business is also matched by purchasing assets of the same maturity profile.
- Loans business: The group is exposed to liquidity risk in the event that repayments from customers are not sufficient to meet the repayment schedules agreed with the providers of funding. Cash flows are monitored on a monthly basis to ensure that cash resources are adequate to meet the necessary requirements.

	Long-term insurance and investment contract business	**Short-term insurance**	**Brokerage – Nigeria**	**Loans business**
Liquidity risk	1.4.1	1.4.2	1.4.3	1.4.4

- **ALM risk**
  ALM risk is the risk that the group's assets are not adequately matched to back the group's insurance contract liabilities and financial liabilities.

  Factors affecting this risk
  - 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 and are monitored on a monthly basis to ensure appropriate asset-liabilities matching is achieved.
  - A CAR ratio in excess of regulatory requirements is maintained at all times.

1.4.1 Long-term insurance and investment contract business

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

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

(R'000)	Contractual cash flows for financial instruments and expected cash flows for insurance contracts (undiscounted) < 1 year	1 - 5 years	>5 years	Open ended	Dis-counting effect	Margins*	Undis-counted policyholder liabilities under insurance contracts	Total
2009								
Reinsurance assets	**(7 029)**	**(2 644)**			**15 691**		**16 129**	**22 147**
Financial assets at fair value through profit and loss:								
Debt securities (Refer Note 8)	**666 921**	**642 509**	**–**	**5 266**	**(194 875)**	**–**	**–**	**1 119 821**
Promissory notes and deposits (unquoted)								
– Assets backing guaranteed endowment investment contracts	280 498	325 961			(72 287)			534 172
– Assets backing linked endowment investment contracts		310 252			(122 588)			187 664
Funds on deposit	367 057							367 057
Fixed interest securities (quoted)	12 227	2 527						14 754
Government and public authority bonds (quoted)	7 139	3 769						10 908
Unlisted unit trusts (quoted)				5 266				5 266
Equity securities (Refer Note 8)	**–**	**–**	**–**	**284 728**	**–**	**–**		**284 728**
Listed on the JSE – at market value				281 378				281 378
Unlisted equities				3 350				3 350
Receivables including insurance receivables	**55 759**							**55 759**
Cash and cash equivalents	**58 504**							**58 504**
Assets	**774 155**	**639 865**	**–**	**289 994**	**(179 184)**	**–**	**16 129**	**1 540 959**
Policyholder liabilities under insurance contracts**	(409 074)	(543 670)	613 406		(214 104)	1 112 025	21 428	580 011
Financial liabilities at fair value through profit and loss	267 650	635 827			(185 916)			717 561
Accruals and payables including insurance payables	54 262	11 316						65 578
Liabilities	**(87 162)**	**103 473**	**613 406**	**–**	**(400 020)**	**1 112 025**	**21 428**	**1 363 150**
Excess/(shortfall) of assets over liabilities	**861 317**	**536 392**	**(613 406)**	**289 994**	**220 836**	**(1 112 025)**	**(5 299)**	**177 809**

* Including compulsory and discretionary margins.

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

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

	Contractual cash flows for financial instruments and expected cash flows for insurance contracts (undiscounted)							
(R'000)	< 1 year	1 - 5 years	>5 years	Open ended	Dis-counting effect	Margins*	Undis-counted policyholder liabilities under insurance contracts	Total
2008								
Reinsurance assets	6 760	8 886	8 149					23 795
Financial assets at fair value through profit and loss:								
Debt securities (Refer Note 8)	211 805	519 966	–	80 174	(141 120)	–	–	670 825
Promissory notes and deposits (unquoted) – Assets backing guaranteed endowment investment contracts	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 8)				395 172				395 172
Listed on the JSE – at market value				391 522				391 522
Unlisted equities				3 650				3 650
Receivables including insurance receivables	40 549	130						40 679
Cash and cash equivalents	194 515							194 515
Assets	**453 629**	**528 982**	**8 149**	**475 346**	**(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
Liabilities	**64 349**	**169 948**	**498 873**	**–**	**(248 913)**	**664 601**	**13 722**	**1 162 580**
Excess/(shortfall) of assets over liabilities	**389 280**	**359 034**	**(490 724)**	**475 346**	**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 shows the total surrender value which is the worst case contractual obligations compared to the carrying value of policyholders' liabilities:

	30 June 2009		30 June 2008	
(R'000)	Carrying value	Surrender value	Carrying value	Surrender value
Insurance business	580 011	548 583	538 335	475 657
Investment business	717 561	696 034	490 469	473 724
Total	**1 297 572**	**1 244 617**	**1 028 804**	**949 381**

1.4.2 Short-term insurance

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

	Contractual cash flows for financial instruments and expected cash flows for insurance contracts (undiscounted)						-
(R'000)	< 1 year	1 - 5 years	>5 years	Discounting effect	Margins	Undis-counted policyholder liabilities under insurance contracts	Total
2009							
Receivables including insurance receivables	**429**						**429**
Cash and cash equivalents	**13 178**						**13 178**
Total assets	**13 607**	**–**	**–**	**–**	**–**	**–**	**13 607**
Policyholder liabilities under insurance contracts*		**2 241**	**1 356**	**(1 109)**	**728**	**800**	**4 016**
Accruals and payables	**13 912**						**13 912**
Total liabilities	**13 912**	**2 241**	**1 356**	**(1 109)**	**728**	**800**	**17 928**
Excess/(shortfall) of assets over liabilities	**(305)**	**(2 241)**	**(1 356)**	**1 109**	**(728)**	**(800)**	**(4 321)**
2008							
Receivables including insurance receivables	4 436						4 436
Cash and cash equivalents	1 847						1 847
Total assets	6 283	–	–	–	–	–	6 283
Accruals and payables	8 342						8 342
Total liabilities	8 342	–	–	–	–	–	8 342
Shortfall of assets over liabilities	(2 059)	–	–	–	–	–	(2 059)

Subsequent to year end, further equity capital of R5 million has been injected by Clientèle.

* Brackets in respect of liabilities denotes positive cash flows.

1.4.3 Brokerage – Nigeria

The following table summarises the overall maturity profile of financial assets and liabilities of the group's brokerage business:

(R'000)	Contractual cash flows for financial instruments < 1 year	Contractual cash flows for financial instruments 1 - 5 years	Total
2009			
Receivables	**8 022**	**5 601**	13 623
Cash and cash equivalents	**31 825**		31 825
Assets	**39 847**	**5 601**	**45 448**
Loans at amortised costs	15 505		15 505
Finance lease	740	563	1 303
Accruals and payables	11 448		11 448
Liabilities	**27 693**	**563**	**28 256**
Excess of assets over liabilities	**12 154**	**5 038**	**17 192**
2008			
Receivables			–
Cash and cash equivalents			–
Assets	**–**	**–**	**–**
Accruals and payables		5 752	5 752
Liabilities	–	5 752	5 752
Shortfall of assets over liabilities	–	(5 752)	(5 752)

1.4.4 Loans business

The following table summarises the overall maturity profile of financial assets and liabilities of the group's loans business:

(R'000)	Contractual cash flows for financial instruments < 1 year	Contractual cash flows for financial instruments 1 - 5 years	Impair-ment	Total
2009				
Advances	**10 506**	**9 659**	**(1 412)**	18 753
Cash and cash equivalents	**9 126**			9 126
Assets	**19 632**	**9 659**	**(1 412)**	**27 879**
Loans at amortised cost*		34 871		34 871
Accruals and payables	706			706
Liabilities	**706**	**34 871**	**–**	**35 577**
Excess/(shortfall) of assets over liabilities	**18 926**	**(25 212)**	**(1 412)**	**(7 698)**

* Clientèle will provide financial assistance to the Loans business until such time that its assets fairly valued, exceeds its liabilities. From a group point of view, there is no asset liability mismatch as the intercompany loan is eliminated on consolidation.

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. The table below sets out the most significant components of insurance risk.

Insurance risk	Long-term insurance	Short-term insurance
Mortality and morbidity risk	1.5.1.1	n/a
Contract persistency risk	1.5.1.2	n/a
Expense risk	1.5.1.3	n/a
Assumption risk	1.5.1.4	n/a
Data risk	1.5.1.5	n/a
Frequency and severity of claims	n/a	1.5.2.1

1.5.1 Long-term insurance

1.5.1.1 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. 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 reinsured for between 70% and 90% of the claim.
  - Claims as a result of accidental death are not reinsured.
  - The actuarial committee meets at least six times a year 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
2009			
0 – 20 000	2 011 396	14 207	8 000
20 000 – 50 000	778 606	27 272	23 009
50 000 – 100 000	302 031	19 567	17 205
100 000 – 200 000	80 023	11 035	9 854
200 000 – 500 000	8 373	2 414	2 047
500 000+	3 961	1 510	1 365
Total	**3 184 390**	**76 005**	**61 480**
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**

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 reinsured. Where anti-selection or incidence is higher these policies are between 70% and 90% reinsured.

1.5.1.2 Contract persistency risk

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

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

- *Factors affecting this risk*
  - Economic conditions and/or consumer trends can influence persistency rates.
  - Changes in banking processes and procedures (for example the introduction of non authenticated early debit order systems).
  - Terminations can have the effect of increasing risk - e.g. policyholders whose health has deteriorated are less likely on average to terminate a contract providing death benefits.

- *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.

1.5.1.3 Expense risk

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

- *Factors affecting this risk*
  - Factors impacting this risk could include a stagnation or reduction in new business volumes (making it difficult to cover fixed expenses), or an unexpected sudden increase in expenses.
  - 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.

1.5.1.4 Assumption risk

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

- *Factors affecting this risk*
  - Adverse actual experience or the use of incorrect assumptions.
- *Management of this risk*
  - Independent external actuaries are used for the valuation of liabilities bi-annually.
  - Actual experience is closely monitored and compared to assumptions on a monthly basis.

1.5.1.5 Data risk

Data risk is the risk that data used in 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 monthly.
  - 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 six times a year.

1.5.2 Short-term insurance

Short-term insurance is in respect of personal lines legal insurance and is currently limited to a maximum of R110 000 of legal claims per policy per annum and R1.1 million per individual for life.

1.5.2.1 Frequency and severity of claims

- *Factors affecting this risk*
  - The rand value of 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 matters 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.

2. SENSITIVITY ANALYSIS

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

In order to interpret the table below 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, where applicable, and attributable profit after taxation.

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 2009.

Sensitivities 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.
Local currency against other currencies:	The group is exposed to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

2.1 Long-term insurance

Long-term insurance risk variables

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

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.

		30 June 2009		**30 June 2008**	
Sensitivity analysis	% change	**Impact on policyholders' liabilities R'000**	**Impact on profit after tax R'000**	Impact on policyholders' liabilities R'000	Impact on profit after tax R'000
Financial risk variables					
Equity price	+10	**17 000**	**5 541**	36 075	8 210
Equity price	-10	**(17 071)**	**(6 687)**	(36 297)	(8 050)
Interest rate	+1	**1 233**	**(887)**	960	(691)
Interest rate	-1	**(1 280)**	**922**	(904)	651
Property market value	+10		**9 674**		9 723
Property market value	-10		**(9 674)**		(9 723)
Local currency against other currencies	+1				(302)
Local currency against other currencies	-1				302
Long-term insurance risk variables					
Assurance mortality and morbidity	+10	**3 315**	**(2 387)**	3 082	(2 219)
Assurance mortality and morbidity	-10	**(3 104)**	**2 235**	(2 871)	2 067
Renewal expenses	+10	**4 743**	**(3 415)**	7 260	(5 227)
Renewal expenses	-10	**(4 610)**	**3 319**	(6 214)	4 474
Withdrawals	+10	**(7 284)**	**5 245**	(6 774)	4 877
Withdrawals	-10	**8 850**	**(6 372)**	8 177	(5 888)
Inflation	+1	**1 520**	**(1 094)**	1 578	(1 136)
Inflation	-1	**(1 418)**	**1 021**	(1 490)	1 073

2.2 Short-term insurance

Short-term insurance risk variables

Withdrawals: The possible change in expectation of policyholders withdrawing or lapsing benefits prior to the expiry of the contract or the assumed duration of the contract.

Sensitivity analysis	% change	30 June 2009 Impact on policyholder liabilities R'000	Impact on profit after tax R'000
Financial risk variables			
Interest rate	+1	88	(64)
Interest rate	-1	(112)	80
Short-term insurance risk variables			
Withdrawals	+10	(249)	180
Withdrawals	-10	274	(197)

Since the short-term insurance business commenced the setup of its operations in the 2008 financial year any sensitivity analysis performed was immaterial and consequently no comparatives are shown.

2.3 Brokerage – Nigeria

Brokerage risk variables

Currency risk: The group is exposed to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

Sensitivity analysis	% change	30 June 2009 Impact on liabilities R'000	Impact on profit after tax and equity R'000
Financial risk variables			
Interest rate	+1	–	157
Interest rate	-1	–	(157)
Local currency against other currencies	+1		(297)
Local currency against other currencies	-1		297
Currency (Rand/Dollar)	+10	–	2 919
Currency (Rand/Dollar)	-10	–	(2 919)

2.4 Loans business

The sensitivity analysis below has been determined based on the exposure to interest rates for financial instruments at the balance sheet date. For loan liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was similarly outstanding at the end of the year.

Sensitivity analysis	% change	30 June 2009 Impact on liabilities R'000	Impact on profit after tax R'000
Financial risk variables			
Interest rate	+1	(90)	90
Interest rate	– 1	90	(90)

1. Introduction

The group adopted the following policies in preparing its consolidated and separate financial statements.

2. Basis of preparation of the statements

The consolidated financial statements have been prepared in accordance with IFRS, the Listing Requirements 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 note 1 of the notes to the Annual Financial Statements.

The accounting policies set out below have been applied consistently to all years presented in these consolidated 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 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 relevant to the operations of the group.

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. The entity may operate the customer loyalty itself or participate in a programme operated by a third party. This interpretation currently has no impact on the group.

IAS 39 (revised) – Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures – Reclassification of Financial Assets

The amendments introduces the possibility of reclassifications for certain financial assets previously classified as "held for trading" or "available for sale" to another category under limited circumstances. Various disclosures are required where a reclassification has been made. Derivatives and assets designated as "at fair value through profit or loss`"a under the fair value option are not eligible for this reclassification. There was no impact on the group's results.

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.

IAS 1 – Presentation of Financial Statements (revised)

"Income statement for the period ended" should change to "Statement of Comprehensive income for the period ended". The Statement of Comprehensive income must include other comprehensive income which is all income earned net of related costs. Comprehensive income is also included in the Statement of changes in equity and will include transactions other than transactions directly with owners. "Balance Sheet" should change to "Statement of Financial Position". These changes are only expected to have an impact on the group's disclosure and not expected to have an impact on the group's results.

This amendment to the standard is effective for annual periods commencing on or after 1 January 2009.

IFRS 3 – Business Combinations (revised)

Business Combinations has been amended and requires all costs relating to a business combination to be expensed. The term "minority interest" will be replaced with "non-controlling interest". The amendments are expected to effect the groups accounting for business combinations that arise after the effective date. The amendment to IAS 27 requires that transactions with minorities be accounted for as equity, which is the current accounting policy of the group.

This amendment to the standard is effective for annual periods commencing on or after 1 July 2009 to business combinations entered into on or after the effective date.

IAS 27 – Consolidated and separate financial statements (revised)
Amendments primarily related to accounting for non-controlling interests and the loss of control of a subsidiary.

The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there are no changes in control and these transactions will no longer result in goodwill or gains or losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value and a gain or loss is recognised in profit or loss. Amendments to IAS 27 are not expected to have a significant impact on the consolidated financial statements.

This amendment to the standard is effective for annual periods commencing on or after 1 July 2009.

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 to the standard is effective for annual periods commencing on or after 1 January 2009.

Amendments to IFRS 7: Financial Instruments disclosures: Improving Disclosures about Financial Instruments
The amendment increases the disclosure requirements about fair value measurement and reinforces existing principles for disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosure and requires some specific quantitative disclosures for financial instruments in the lowest level in the hierarchy. In addition the amendment clarifies and enhances existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. These changes are only expected to have an impact on the group's disclosure and not expected to have an impact on the group's results.

This amendment to the standard is effective for annual periods commencing on or after 1 January 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 an 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 commencing 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 to the standard is effective for annual periods commencing 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 a qualifying asset. Previously, a reporting entity had the option of expensing borrowing costs or capitalising these to the qualifying asset cost. The effect of this amendment to IAS 23 has no impact on the group.

This amendment to the standard is effective for annual periods commencing on or after 1 January 2009.

IAS 39 – Eligible hedged items (amended)
The amendment clarifies that inflation may only be hedged in instances where changes in inflation are contractually specified portions of cash flows of a recognised financial instrument. It also clarifies that an entity is permitted to designate purchased or net purchased options as a hedging instrument in a hedge of a financial or non financial item and to improve effectiveness, an entity is allowed to exclude the time value of money from the hedging instrument. This amendment is not expected to have an impact on the group's results.

This amendment to the standard is effective for annual periods commencing on or after 1 July 2009.

Annual improvements project
As part of its first annual improvements projects, the IASB has issued its edition of annual improvements. The annual improvement project aims to clarify and improve the accounting standards. The improvements include those involving terminology or editorial changes with minimum effect on recognition and measurement. The changes required by the annual improvements project is not expected to have a significant impact on the group's results.

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

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.

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

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.

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

IFRIC 16 – Hedges of a Net Investment in a Foreign Operation
IFRIC 16 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 also 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.

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

IFRIC 17 – Distributions of Non-cash Assets to Owners
IFRIC 17 applies when the reporting entity distributes non-cash assets to owners or when the owner is given a choice of taking cash in lieu of the non-cash assets. This interpretation currently has no impact on the group.

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

IFRIC 18 – Transfers of Assets from Customers
IFRIC 18 clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant, and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). This interpretation currently has no impact on the group.

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

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

3. 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.

3.1 Investment in subsidiaries and SPEs

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date on which control ceases.

The group uses the purchase method of accounting to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

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

Minority shareholders are treated as equity participants and, therefore, all acquisitions of minority interest or disposals by the group of its minority interests in subsidiary companies where control is maintained subsequent to the disposal are accounted for as equity transactions with minorities. Consequently all profits and losses arising as a result of the disposal of interests in subsidiaries to minorities, where control is maintained subsequent to the disposal, are recognised as equity.

Interest in subsidiaries in the company's financial statements are valued at cost less any impairments.

3.2 Accounting for transactions under common control

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

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

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

4. Investment 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 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.

5. Foreign currencies

5.1 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.

5.2 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. Monetary 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 that date. Foreign exchange differences are recognised in profit or loss.

5.3 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 profit or loss 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 as a foreign currency translation reserve ("FCTR").

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the profit or loss 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 FCTR.

6. Intangible assets

Research costs – being the investigation undertaken with the prospect of gaining new knowledge and understanding, are recognised in profit or loss as they are incurred. Development costs – costs that are clearly associated with an identifiable system, which will be controlled by the group and has a probable benefit exceeding the cost beyond one year, are recognised as an asset. 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 intangible asset is applied to day-to-day business operations. As the software costs is proprietary and specific to the group operations, no residual value is estimated. The residual values and useful lives are assessed on an annual basis.

Computer software costs recognised as intangible assets are amortised over the useful lives, which does not exceed 5 years.

7. Property, plant 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. An asset's carrying amount is impaired to its recoverable amount if the asset's carrying amount is greater than its estimated receivable amount.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

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

Land and buildings held for use for administrative purposes are stated at fair value, determined from market-based evidence by appraisals undertaken by professional valuators, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed at least once every year such that the carrying amount does not differ materially from that which would be determined using fair values at the 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.

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.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in the income statement in other operating income or operating expenses. When revalued assets are sold, the amounts included in the revaluation surplus are transferred to retained earnings.

7.1 Depreciation

Depreciation is recognised in the income statement on a straight-line basis at rates appropriate to allocate their costs or revalued amounts to their residual values over their estimated expected useful lives. Depreciation is calculated on the cost less any impairment and taking into account expected residual value. The estimated useful lives applied are as follows:

• Buildings	2.50%
• Computer equipment and purchased computer software	20% – 33.33%
• Furniture and equipment	10% – 50%
• Motor vehicles	25%
• Leasehold improvements	The lease term or useful life, whichever is the shorter period

There has been a change to useful lives from those applied in the previous financial year (refer to note 1.5 of the Notes to the Annual Financial Statements). The residual values and useful lives are reassessed on an annual basis.

7.2 Impairment

Equipment which is subject to depreciation is 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.

8. 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.

9. Financial instruments

9.1 Financial assets

9.1.1 Classification

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

The financial assets at fair value through profit or loss has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short-term, if it forms part of a portfolio of financial assets in which there is evidence of short-term profit-taking or if so designated by management. 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 if it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring the asset or recognising the gains or losses on it on different bases; or a group of financial assets is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy and information about the group is provided internally on that basis to key management personnel. Under this criteria, the main classes of financial assets designated by the group are promissory notes (unquoted), 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.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market or those financial assets not designated at fair value through profit and loss.

9.1.2 Initial measurement

Purchases and sales of financial assets are recognised when the group becomes a party to the contractual provisions of the instrument. Financial assets are initially recognised as follows:

- Fair value through profit and loss (designated as held at fair value through profit and loss) – at fair value. Transaction costs are expensed.
- Loans and receivables – at fair value plus transaction costs that are directly attributable to their acquisition.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or where they have been transferred and the group has also transferred substantially all the risks and rewards of ownership.

9.1.3 Subsequent measurement

Financial assets designated as fair value through profit and loss

Financial assets which are designated at fair value through profit or loss are subsequently measured at fair value and the fair value adjustments are recognised in profit or loss.

Fair 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 estimated using the repurchase price for unit trusts or discounted cash flow techniques for other financial instruments.

Fair values for unquoted instruments are determined using the risk free rate from a relevant 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 adjusting for credit risk, in order to calculate the market value.

Loans and receivables including insurance receivables

Subsequent to initial recognition loans and receivables including insurance receivables are carried at amortised cost using the effective interest rate method less any required impairment.

9.1.4 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 a deterioration in credit ratings or failure to make payment on due dates. If any such indication exists, the assets' recoverable amounts are estimated and the carrying amount reduced to the recoverable amount and the impairment loss is recognised in profit or loss. The recoverable amount is the present value of expected cash flows discounted at the original effective interest rate of the financial asset.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improved credit rating), the previously recognised impairment loss is reversed. The amount of the reversal is recognised in profit or loss.

Loans and advances and provisions for impairment
Advances receivables are measured at each balance sheet date at amortised cost using the effective interest rate method, less any impairment losses, which in the opinion of the directors, is required.

Specific impairment provisions are raised in full for customers who are four or more instalments in arrears or who meet certain criteria that indicate that the recovery of the advances is uncertain.

Specific provisions raised during the year, less recoveries of amounts previously written off and the discounted value of estimated recoverable amounts are charged to the income statement.

Advances are assessed on an individual basis for indicators of impairment. Advances are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the advance, the estimated future cash flows have been impacted.

Advances that are assessed not to be impaired individually are assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of advances include the company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on advances.

The amount of the impairment is the difference between the advances' carrying amount and the present value of estimated future cash flows, discounted at the advances' original effective interest rates. Changes in the carrying amount of the portfolio provision account are charged to the income statement.

9.2 Financial liabilities

9.2.1 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"). The group also issues linked endowment contracts with terms of five years where the value at maturity is linked to the underlying investment performance. These contracts are recognised on initial recognition at fair value, which is the transaction price. Subsequently, these contracts are measured at fair value which is determined by discounting the maturity values. The maturity values are discounted at the risk free rate with an adjustment for credit risk where appropriate. Any profit on initial recognition is subsequently amortised over the life of the contract.

9.2.2 Loans at amortised cost
Loans at amortised cost are initially measured at fair value, net of transaction costs incurred. Loans are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the loan using the effective interest method.

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

9.3 Offsetting
Financial assets and financial 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.

10. 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 approximates fair value.

11. Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets to the holder. Incremental costs directly attributable to the issue of new shares or options are recognised in equity as a deduction, from the proceeds.

12. Treasury shares

When any group company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs is deducted from equity on consolidation attributable to the company's equity holders until the shares are cancelled, or disposed of. Where such shares are subsequently sold or disposed of, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is recognised 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 by treasury shares held during the period on a weighted average basis.

13. Dividend distribution

Dividend distributions to the company's shareholders are recognised in the statement of changes in equity when declared and, if not paid then, as a liability in the group's financial statements in the period in which the dividends are approved by the company's directors.

14. Insurance contracts and financial instruments classification

The group issues contracts that transfer insurance risk or financial risk or, in some cases, both.

An insurance contract is a contract under which the group (insurer) accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Such contracts may also transfer financial risk. The group defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are significantly more (at least 10%) than the benefits payable if the insured event did not occur. The group issues long-term and short-term insurance contracts.

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

14.1 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 or disability and include a return of either one year's or six months premiums every five years.
- *Hospital insurance products ("hospital products")* are whole life products with benefits payable on defined events, for example hospitalisation or accidental disability and include a return of six month'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, whole life cashback products and hospital products)
  The valuation of these products has been performed on a policy by policy basis by discounting future expected premiums, risk benefits, cashback benefits, risk charges, reinsurance costs and expenses at the actuarial discount rate. The projection of future expected experience is based on the group's best estimate assumptions for investment returns, expenses, death rates, disability rates and withdrawal rates plus compulsory margins.
- Undiscounted liabilities (market related products)
  A 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 are based on a percentage of net premiums payable.

Discretionary margins are added to the actuarial liability of the 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 1 of the Notes 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 1 of the Notes to the Annual Financial Statements.

Outstanding claims provision
Provision is made for the estimated cost of claims outstanding at the end of the year. Outstanding claims and benefit payments are stated gross of reinsurance. 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, which are insurance contracts, are contracts entered into by the group with reinsurers under which the group is compensated for a portion of losses arising on one or more of the insurance contracts issued by the group.

The expected benefits to which the group is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers (classified with receivables including insurance receivables) as well as longer-term receivables (classified as reinsurance assets) that are dependent on the present value of expected claims and benefits arising on insurance contracts net of expected premiums payable under the reinsurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract.

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

Reinsurance premiums
Reinsurance premiums are recognised when insurance premiums are due.

Claims and benefits paid
Claims on insurance contracts, which include death, disability, maturity and surrenders are charged 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 referral fees and bonus payments to IFAs, outbound call centre staff costs, commissions and a proportional allocation of costs in respect of those employees and activities which relate to the securing of new contracts and the 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.

14.2 Short-term insurance contracts

Circular 2/2007 – Recognition and measurement of short-term insurance contracts issued by the South African Institute of Chartered Accountants (“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 General Insurance’s main short-term insurance contracts
Clientèle General Insurance’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 recognised gross of commission payable to intermediaries and exclude Value Added Tax.

Claims and benefits paid
Claims and benefits paid consist of claims and claims handling expenses paid during the financial year and are determined by the 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 IBNR.

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.

An IBNR provision is raised for claims incurred but not yet reported based on historical experience. Where there is insufficient historical data available to determine the IBNR the company determines IBNR by applying a percentage to premiums written during the period. Outstanding claims and the IBNR provision are included in Policyholder liabilities under insurance contracts items in the 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.

14.3 Cash back benefits to policyholders
Clientèle through Clientèle Life and Clientèle General Insurance, issue policies which pay cash back benefits to policyholders if their policies persist for certain pre-determined periods. An actuarial liability (based on best estimate assumptions plus margins) is created, through profit and loss, to ensure that, based on actuarial assumptions, the liability is sufficient to meet the obligations to policyholders as and when they become due and payable.

15. Interest income and expenses
The group recognises interest income and expense in the income statement for instruments based on amortised cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortised cost of a financial asset and allocating the interest income over the average expected life of the financial instruments.

16. Other income
Other income includes monthly fees received from IFAs which are recognised on an accrual basis and dividends received from subsidiaries. These dividends are recognised when the right to receive payment is established.

17. Tax
Direct tax
Income tax on the profit or loss for the periods presented comprises current tax, capital gains tax, deferred tax and STC. Tax in respect of the South African life insurance operation is determined using the four fund method applicable to the insurance companies.

17.1 Current tax

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

17.2 Deferred tax

Deferred tax is provided in full using the liability method. Provision is made for deferred tax attributable to temporary differences in the accounting and tax treatment of items in the financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss then it is not recognised. Deferred tax is recognised for all temporary differences, at enacted or substantially enacted rates of tax at the balance sheet date. A deferred tax asset is recognised for the carry forward of unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which they can be utilised.

17.3 STC

STC is the expected tax 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 profit or loss when the related dividend is declared.

17.4 Indirect taxes

Indirect taxes include various other taxes paid to central and local governments, including Value Added Tax. Indirect taxes are recognised as part of operating expenditure for the long-term insurance business.

18. Provisions

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

19. Leases

19.1 Operating leases

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

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

19.2 Finance leases

Lease agreements where the group substantially accepts the risks and rewards of the ownership of the leased asset are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are allocated between the liability and finance charges so as to achieve a constant interest rate of the outstanding balance of the liability.

Finance lease obligations, net of finance charges, are included in liabilities. The interest element of the finance costs is charged to the profit or loss over the lease period according to the effective interest method. Where applicable, assets acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

20. Employee benefits

20.1 Incentive bonus schemes

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 provision 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 began on 1 July 2002 and ended 30 June 2007 and is payable over a three year period for the cycle ended 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 profit or loss as they arise each year.

Past-service costs are charged against profit or loss in the period it arises.

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

20.2 Retirement benefits

95% of the group's employees are members of the Clientèle Life Provident Fund.

The group operates a defined contribution provident fund for its employees, the assets of which are held in a separate trustee administered fund. The Clientèle Life Provident Fund is governed by the Pension Fund Act of 1956. The fund is funded by contributions by the group which are charged to profit or loss in the year to which they relate.

The group has no further payment obligations once the contributions have been paid. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

20.3 Share-based payments

The group operates an equity-settled share-based compensation plan in the form of 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 performance 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.

21. 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.

Assets, liabilities, revenue and expenses that are not directly attributed to a particular segment are allocated between segments where there is a reasonable base for doing so. The group assets for intersegment revenues and transfers as if the transactions were with third parties at current market prices.

Balance Sheets
at 30 June 2009

(R'000)	Notes	Group 2009	Group 2008	Company 2009	Company 2008
Assets					
Intangible assets	2	**31 367**	3 849		
Property, plant and equipment	3	**41 452**	21 475		
Owner-occupied properties	4	**129 600**	127 600		
Investment in subsidiaries	5			**264 762**	232 038
Investment in SPE					1 500
Investment in associates	6	**349**	626		400
Deferred tax	20	**24 201**	5 966	**796**	
Inventories		**2 653**	712		
Reinsurance assets	7	**22 147**	23 795		
Financial assets at fair value through profit and loss	8	**1 404 549**	1 065 997		
Loans and receivables including insurance receivables	9	**50 559**	45 113	**2 051**	50
Current tax receivables			1 742		
Cash and cash equivalents	10	**112 633**	197 390	**7 963**	
Total assets		**1 819 510**	1 494 265	**275 572**	233 988
Equity					
Share capital	11	**6 470**	6 470	**6 470**	6 470
Share premium	11	**218 656**	218 656	**218 656**	218 656
Common control deficit	11	**(220 273)**	(220 273)		
		4 853	4 853	**225 126**	225 126
Retained earnings		**200 615**	183 403	**8 686**	
SAR scheme reserve	12	**12 115**	6 744	**12 115**	6 744
Non-distributable reserve: Revaluation	13	**22 663**	22 543		
Non-distributable reserve: Contingency	13	**1 156**	246		
Non-distributable reserve: Change in ownership	13	**45 326**			
Non-distributable reserve: FCTR	13	**(7 428)**			
Minority interest		**8 658**			
Total equity		**287 958**	217 789	**245 927**	231 870
Liabilities					
Policyholder liabilities under insurance contracts	14	**584 027**	538 335		
Financial liabilities at fair value through profit and loss	15	**717 561**	490 469		
Loan at amortised cost	16	**15 505**			
Finance leases	17	**1 303**			
Employee benefits	18	**73 724**	65 941		
Accruals and payables including insurance payables	19	**88 511**	137 036	**29 518**	2 118
Deferred tax	20	**11 682**	13 168		
Current tax		**39 239**	31 527	**127**	
Total liabilities		**1 531 552**	1 276 476	**29 645**	2 118
Total equity and liabilities		**1 819 510**	1 494 265	**275 572**	233 988

Income Statements

for the year ended 30 June 2009

		Group		Company	
(R'000)	Notes	**2009**	2008	**2009**	2008
Revenue					
Insurance premium revenue	21	**938 226**	815 232		
Reinsurance premiums	22	**(36 096)**	(31 195)		
Net insurance premiums		**902 130**	784 037		
Other income	23	**145 949**	118 395	**136 066**	
Interest income	24	**14 283**	10 207	**27**	
Income from brokerage	25	**15 483**			
Fair value adjustment to financial assets at fair value through profit and loss	26	**88 465**	53 792		
		1 166 310	966 431	**136 093**	
Net insurance benefits and claims	27	**(153 063)**	(161 485)		
Increase in policyholder liabilities under insurance contracts	28	**(45 519)**	(40 315)		
Decrease in reinsurance assets	7	**(1 648)**	(10 564)		
Fair value adjustment to financial liabilities at fair value through profit and loss	15	**(112 010)**	(31 770)		
Impairments of advances	29	**(1 830)**			
Operating expenses	30	**(649 394)**	(522 029)	**(1 911)**	
Profit from operations		**202 846**	200 268	**134 182**	
Equity accounted earnings	32	**165**	74		
Profit before tax		**203 011**	200 342	**134 182**	
Tax	33	**(65 051)**	(66 136)	**669**	
Profit for the year		**137 960**	134 206	**134 851**	
Attributable to:					
Minorities – ordinary shares		**(6 327)**			
Equity holders of the group		**144 287**	134 206	**134 851**	
Earnings per share (cents)	34	**44.60**	41.49		
Diluted earnings per share (cents)	34	**44.60**	41.27		

Group Statement of Changes in Equity

for the year ended 30 June 2009

(R'000)	Share capital	Share premium	Common control deficit	Sub-total	Retained earnings	SAR Scheme reserve[1]	Non-distributable reserves: contingency[2]	FCTR	Non-distributable reserves: change in ownership	Non-distributable reserves: revaluation[3]	Capital and reserves atttributable to ordinary equity holders	Minorities interest	Total
Balance as at 1 July 2007	–	–	4 853	4 853	146 493	2 099	–	–	–	16 101	169 546	–	169 546
Issue of share capital	6 470	218 656	(225 126)	–							–		–
Ordinary dividend				–	(97 050)						(97 050)		(97 050)
Profit attributable to shareholders				–	134 206						134 206		134 206
Transfer to contingency reserve				–	(246)		246				–		–
SAR scheme allocated				–		4 645					4 645		4 645
Revaluation of owner occupied properties													
– Gross				–						8 524	8 524		8 524
– Deferred tax										(2 082)	(2 082)		(2 082)
Balance as at 30 June 2008	6 470	218 656	(220 273)	4 853	183 403	6 744	246	–	–	22 543	217 789	–	217 789
Balance as at 1 July 2008	**6 470**	**218 656**	**(220 273)**	**4 853**	**183 403**	**6 744**	**246**	**–**	**–**	**22 543**	**217 789**	**–**	**217 789**
Ordinary dividend				**–**	**(126 165)**						**(126 165)**		**(126 165)**
Profit attributable to shareholders				**–**	**144 287**						**144 287**	**(6 327)**	**137 960**
Transfer to contingency reserve				**–**	**(910)**		**910**				**–**		**–**
Currency translation differences				**–**				**(7 428)**			**(7 428)**	**378**	**(7 050)**
SAR scheme allocated				**–**		**5 371**					**5 371**		**5 371**
Shares issued by subsidiary				**–**					**45 326**		**45 326**	**14 607**	**59 933**
Revaluation of owner occupied properties													
– Gross				**–**						**50**	**50**		**50**
– Deferred tax				**–**						**70**	**70**		**70**
Balance as at 30 June 2009	**6 470**	**218 656**	**(220 273)**	**4 853**	**200 615**	**12 115**	**1 156**	**(7 428)**	**45 326**	**22 663**	**279 300**	**8 658**	**287 958**

Company Statement of Changes in Equity

for the year ended 30 June 2009

(R'000)	Share capital	Share premium	Retained earnings	SAR Scheme reserve[1]	Capital and reserves atttributable to ordinary equity holders
Balance as at 1 July 2007					
Shares issued	6 470	218 656	–	–	225 126
SARs allocated				6 744	6 744
Balance as at 30 June 2008	6 470	218 656	–	6 744	231 870
Balance as at 1 July 2008	**6 470**	**218 656**	**–**	**6 744**	**231 870**
Ordinary dividend			**(126 165)**		**(126 165)**
Profit attributable to shareholders			**134 851**		**134 851**
SARs allocated				**5 371**	**5 371**
Balance as at 30 June 2009	**6 470**	**218 656**	**8 686**	**12 115**	**245 927**

[1] The SAR scheme reserve held is in respect of the SARs granted to management (excluding directors), 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 and related tax.

Cash Flow Statements

for the year ended 30 June 2009

(R'000)	Notes	Group 2009	Group 2008	Company 2009	Company 2008
Cash generated by operations	35	**283 771**	252 229	**134 660**	6 462
Net (acquisition) / disposal of investments	8	**(250 087)**	40 061		
Interest received		**45 136**	10 084		
Dividends received		**23 747**	12 536		
Dividends paid	36	**(126 095)**	(97 116)	**(126 095)**	
Taxation paid	37	**(75 318)**	(35 276)		
Cash flows from operating activities		**(98 846)**	182 518	**8 565**	6 462
Investment in subsidiaries and SPE				**(32 724)**	(233 538)
Proceeds from disposal of investment in SPE				**1 500**	
Acquisition of intangible assets		**(30 504)**	(4 290)		
Acquisition of property, plant and equipment		**(29 703)**	(13 483)		
Acquisition of owner-occupied properties		**(5 192)**	(58 352)		
Proceeds from disposal of property, plant and equipment		**277**	1 302		
Cash flows from investing activities		**(65 122)**	(74 823)	**(31 224)**	(233 538)
Proceeds from issue of share capital					225 126
Proceeds from issue of share capital to minorities in subsidiary		**62 788**			
Proceeds from minority shareholders loan raised		**15 505**			
Net proceeds from finance leases raised		**918**			
Increase in amount due to subsidiary				**30 622**	1 950
Cash flows from financing activities		**79 211**	–	**30 622**	227 076
(Decrease)/increase in cash and cash equivalents		**(84 757)**	107 695	**7 963**	
Cash and cash equivalents at beginning of year		**197 390**	89 695		
Cash and cash equivalents at end of year	10	**112 633**	197 390	**7 963**	–

Segment information

Basis of segmentation

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

The group currently operates across two geographical segments, which are South Africa and Nigeria.

Income Statement – segment information for the year ended 30 June 2009

	SA Long-term insurance R'000	SA Investment contracts R'000	SA Short-term insurance R'000	SA Loans R'000	Nigerian brokerage R'000	Inter-segment R'000	**Total R'000**
Revenue							
Insurance premium revenue	**902 328**		**35 898**				**938 226**
Reinsurance premiums	**(36 096)**						**(36 096)**
Net insurance premiums	**866 232**		**35 898**				**902 130**
Other income	**143 140**		**7**	**554**	**2 728**	**(480)**	**145 949**
Interest income	**9 135**		**1 303**	**2 391**	**968**	**486**	**14 283**
Income from brokerage					**15 483**		**15 483**
Fair value adjustment to financial assets at fair value through profit and loss	**(25 160)**	**114 111**				**(486)**	**88 465**
Segment revenue	**993 347**	**114 111**	**37 208**	**2 945**	**19 179**	**(480)**	**1 166 310**
Net insurance benefits and claims	**(152 781)**		**(282)**				**(153 063)**
Increase in policyholder liabilities under insurance contracts	**(41 676)**		**(3 843)**				**(45 519)**
Decrease in reinsurance assets	**(1 648)**						**(1 648)**
Fair value adjustment to financial liabilities at fair value through profit and loss		**(112 010)**					**(112 010)**
Impairment of advances				**(1 830)**			**(1 830)**
Operating expenses	**(554 513)**	**(1 586)**	**(37 809)**	**(8 814)**	**(47 152)**	**480**	**(649 394)**
Segment expenses and claims	**(750 618)**	**(113 596)**	**(41 934)**	**(10 644)**	**(47 152)**	**480**	**(963 464)**
Segment result	**242 729**	**515**	**(4 726)**	**(7 699)**	**(27 973)**		**202 846**
Equity accounted earnings	**165**						**165**
Profit before tax	**242 894**	**515**	**(4 726)**	**(7 699)**	**(27 973)**		**203 011**
Tax	**(77 911)**	**(144)**	**534**	**2 156**	**10 314**		**(65 051)**
Net profit/(loss) for the year	**164 983**	**371**	**(4 192)**	**(5 543)**	**(17 659)**		**137 960**
Net profit/(loss) for the year attributable to equity holders of the group	**164 983**	**371**	**(4 192)**	**(3 880)**	**(12 995)**		**144 287**
Minorities – share of loss				**(1 663)**	**(4 664)**		**(6 327)**
Segment items included in the income statement: 2009							
Amortisation of intangible assets	**1 549**		**87**		**1 702**		**3 337**
Depreciation	**9 034**		**141**		**3 390**		**12 565**

Segment Information

continued

Income Statement – segment information for the year ended 30 June 2008

	SA Long-term insurance R'000	SA Investment contracts R'000	SA Short-term insurance R'000	SA Loans R'000	Nigerian brokerage R'000	Inter-segment R'000	Total R'000
Revenue							
Insurance premium revenue	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	830	140				118 395
Interest income	10 207						10 207
Fair value adjustment to financial assets at fair value through profit and loss	21 883	31 909					53 792
Segment revenue	931 081	32 739	2 611	–	–	–	966 431
Net insurance benefits and claims	(161 484)		(1)				(161 485)
Increase in policyholder liabilities under insurance contracts	(40 315)						(40 315)
Decrease in reinsurance assets	(10 564)						(10 564)
Fair value adjustment to financial liabilities at fair value through profit and loss		(31 770)					(31 770)
Operating expenses	(512 732)		(5 334)		(3 963)		(522 029)
Segment expenses and claims	(725 095)	(31 770)	(5 335)	–	(3 963)	–	(766 163)
Segment result	205 986	969	(2 724)		(3 963)		200 268
Equity accounted earnings	74						74
Profit before tax	206 060	969	(2 724)		(3 963)		200 342
Tax	(67 737)	(271)	763		1 109		(66 136)
Net profit/(loss) for the year	138 323	698	(1 961)	–	(2 854)	–	134 206
Segment items included in the income statement:							
2008							
Amortisation of intangible assets	702						702
Depreciation	12 941		21				12 962

Segment information
continued

Balance Sheet – segment information as at 30 June 2009

	SA Long-term insurance R'000	SA Investment contracts R'000	SA Short-term insurance R'000	SA Loans R'000	Nigerian brokerage R'000	Inter-segment R'000	Total R'000
Segment assets and liabilities							
Intangible assets	**25 195**		**750**		**5 422**		**31 367**
Property, plant and equipment	**29 815**		**1 211**		**10 426**		**41 452**
Owner-occupied properties	**129 600**						**129 600**
Investment in associates	**224**				**125**		**349**
Deferred tax	**8 233**		**5 490**	**2 156**	**8 322**		**24 201**
Inventories	**1 317**		**252**		**1 084**		**2 653**
Reinsurance assets	**22 147**						**22 147**
Financial assets at fair value through profit and loss	**682 713**	**721 836**					**1 404 549**
Loans and receivables including insurance receivables	**55 759**		**429**	**18 752**	**13 623**	**(38 004)**	**50 559**
Cash and cash equivalents	**58 504**		**13 178**	**9 126**	**31 825**		**112 633**
Total assets	**1 013 507**	**721 836**	**21 310**	**30 034**	**70 827**	**(38 004)**	**1 819 510**
Policyholder liabilities under insurance contracts	**580 011**		**4 016**				**584 027**
Financial liabilities at fair value through profit and loss		**717 561**					**717 561**
Loans at amortised cost					**15 505**		**15 505**
Finance leases					**1 303**		**1 303**
Employee benefits	**72 435**				**1 289**		**73 724**
Accruals and payables including insurance payables	**65 578**		**13 912**	**35 577**	**11 448**	**(38 004)**	**88 511**
Deferred tax	**11 682**						**11 682**
Current tax	**39 239**						**39 239**
Total liabilities	**768 945**	**717 561**	**17 928**	**35 577**	**29 545**	**(38 004)**	**1 531 552**
Segment items included in the balance sheet:							
2009							
Acquisition of intangible assets	**23 739**		**836**		**5 930**		**30 505**
Acquisition of property, plant and equipment	**21 678**		**973**		**12 242**		**34 893**

Segment information
continued

Balance Sheet – segment information as at 30 June 2008

	SA Long-term insurance R'000	SA Investment contracts R'000	SA Short-term insurance R'000	SA Loans R'000	Nigerian brokerage R'000	Inter-segment R'000	Total R'000
Segment assets and liabilities							
Intangible assets	3 849						3 849
Property, plant and equipment	19 307		379		1 789		21 475
Owner-occupied properties	127 600						127 600
Investment in associates	626						626
Deferred tax	4 857				1 109		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
Loans and receivables including insurance receivables	51 511		4 436			(10 834)	45 113
Current tax receivables	1 742						1 742
Cash and cash equivalents	195 543		1 847				197 390
Total assets	1 007 164	488 375	6 662	–	2 898	(10 834)	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	4 011	8 342		5 752	(10 834)	137 036
Deferred tax	13 168						13 168
Current tax	31 527						31 527
Total liabilities	778 736	494 480	8 342	–	5 752	(10 834)	1 276 476
Segment items included in the balance sheet:							
2008							
Acquisition of intangible assets	3 421				869		4 290
Acquisition of property, plant and equipment	12 482				1 001		13 483

1. 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.

1.1 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	**2009 Margin**	2008 Margin
Investment return	0.25% increase/decrease*	0.25% increase/decrease*
Mortality	7.5% increase	7.5% increase
Expenses	10.0% increase	10.0% increase
Expense inflation	10.0% increase	10.0% increase
Lapses	25.0% increase/decrease*	25.0% increase/decrease*
Surrenders	10.0% increase/decrease*	10.0% increase/decrease*

* Depending on which change increases the liability.

Discretionary margins

Assets under insurance contracts ("negative liabilities") amounting to R900.9 million (2008: R493.5 million) have been eliminated against policyholder liabilities under insurance contracts. In addition, a liability has been set up equal to 20% (2008: 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 20% factor will reduce linearly to 0% over the next two years. This liability amounted to R21.5 million (2008: R21.4 million).

The elimination of negative liabilities has increased significantly from June 2008. This is due to the large volumes of new business written at improved margins 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 36 of the Annual Financial Statements.

Once the best estimate is determined, compulsory margins (as set out in PGN104) are incorporated as described above.

Demographic Assumptions

Mortality

A detailed mortality investigation was undertaken for homogenous groupings of business for the year ended 30 June 2009 based on the in-force data file, movements data and claims during the year. These results were used to set the mortality and AIDS assumptions relative to the latest published local assured lives and AIDS tables.

Withdrawals
A detailed withdrawal investigation was carried out for the year ended 30 June 2009 based on homogenous groupings of business. Based on this investigation, the withdrawal assumptions of some of the classes of business were amended marginally to reflect the recent and expected future experience.

Expenses
The renewal expense assumption was increased by more than inflation, based on an expense investigation.

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%)

For June 2009, the valuation rate has been set with reference to the current zero coupon yield curve (an effective rate of 8.7% (2008: 11.22%) at a term of 4 years) as at 30 June 2009.

Based on the above, an investment return of 8.75% p.a. (2008: 11.25% p.a.) before compulsory margins was assumed for the majority of the business.

(b) Inflation
The current assumed level of future expense inflation is 6.75% (2008: 8%) per annum. This was set with reference to the revised level of the valuation interest rate. The gap between the investment return assumption and the inflation rate therefore reduced from 3.25% (11.25% – 8%) down to 2% (8.75% – 6.75%).

(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 resulting in a decrease in liabilities of R2.8 million;
- the renewal expense assumption was increased resulting in an increase in liabilities of R6.8 million;
- the percentage of the additional liability that is kept to maintain a reserve equal to the surrender value was reduced resulting in a decrease in liabilities of R9.4 million;
- withdrawal and mortality rates were reviewed and adjusted where necessary in the light of recent experience resulting in a decrease in liabilities of R4.9 million; and
- refinement of modelling resulted in a decrease in liabilities of R0.6 million.

Undiscounted Liabilities
IBNR liabilities 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.

1.2 Short-term insurance
IBNR – Undiscounted Liabilities
The company has recently commenced insurance activities and have limited historical data availalble to determine the IBNR. Management have therefore applied the regulatory requirement of 7% of written premiums to detmine the current year's IBNR provision, which amounted to R0.80 million as at 30 June 2009.

Cash back liabilities
Discounted liabilities for the cash back benefits are calculated by projecting expected cash back payments and discounting the cash flows to the valuation date.

1.3 Loans Business

1.3.1 Credit impairment losses on loans and advances

The company makes estimates and assumptions that impact the valuation of advances with respect to the impairment of advances made to customers. The impairments are determined by taking into account the customers extent of amounts due but in arrears as well as the likelihood of customers becoming doubtful based on experience. The estimates are evaluated annually based on experience and are adjusted where necessary. The current estimate, based on current information is assessed to be reasonable under the circumstances.

1.4 Other

1.4.1 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 of money, 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.

1.4.2 Employee benefits liabilities

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 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 and the actual results in the fifth year of any particular cycle of the scheme.

1.4.3 Owner occupied properties

The valuation of R129.6 million (2008: R127.6 million) is arrived at using the capitalisation of net income method using the following underlying assumptions:

- Projected net annual rental income of R13.4 million (2008: R13.3 million) based on market related rental income per square metre.
- Capitalised at a remunerative rate of 10.0% (2008: 10.4%) on the net annual income.

1.4.4 Deferred tax assets

The group considers that it is appropriate to recognise the deferred tax asset based on the following:

- Letters of guarantee are in place from Clientèle as described in note 39 regarding financial support for those companies.
- The directors are fully aware of the basis of recognising the deferred tax asset and approved this basis.
- These companies are in the starting phase and business plans, budgets and its strategies support management's view that it is probable that sufficient future taxable profit will be earned by the companies.
- A significant component of these companies expenses are fixed costs and profitability will increase as business volumes increase.

1.5 Change in estimate

1.5.1 Property, plant and equipment

The remaining useful life expectations of some asset items differed from previous estimates. This resulted in a revision of some of the previous estimates which was accounted for as a change in accounting estimate. The effect of this revision has decreased the depreciation charges for the current period by R3.7 million.

Notes to the Annual Financial Statements

continued

	Group 2009 R'000	Group 2008 R'000	Company 2009 R'000	Company 2008 R'000
2. Intangible assets				
Cost at beginning of year	**4 662**	371		
Additions	**30 504**	4 291		
Cost at end of year	**35 166**	4 662	**–**	–
Accumulated amortisation at beginning of year	**(813)**	(111)		
Amortisation charge for the year	**(3 337)**	(702)		
Foreign currency adjustments on translations	**351**	**–**		
Accumulated amortisation at end of year	**(3 799)**	(813)	**–**	–
Net carrying amount at end of year	**31 367**	3 849	**–**	–

Group	Leasehold improvements R'000	Furniture and equipment R'000	Computer software R'000	Computer equipment R'000	Motor vehicles R'000	**Total R'000**
3. Property, plant and equipment						
Year ended 30 June 2009						
Cost at beginning of year		**29 727**	**11 217**	**23 755**	**3 458**	**68 157**
Additions	**849**	**9 657**		**15 631**	**3 566**	**29 703**
Disposals		**(27)**		**(73)**	**(583)**	**(683)**
Cost at end of year	**849**	**39 357**	**11 217**	**39 313**	**6 441**	**97 177**
Accumulated depreciation at beginning of year		**(20 765)**	**(5 762)**	**(18 268)**	**(1 887)**	**(46 682)**
Depreciation charge for the year	**(203)**	**(2 970)**	**(1 697)**	**(4 233)**	**(1 228)**	**(10 331)**
Foreign currency adjustments on translations		**145**		**400**	**83**	**628**
Disposals		**27**		**50**	**583**	**660**
Accumulated depreciation at end of year	**(203)**	**(23 563)**	**(7 459)**	**(22 051)**	**(2 449)**	**(55 725)**
Net carrying amount at end of year	**646**	**15 794**	**3 758**	**17 262**	**3 992**	**41 452**

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 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 charge for the year	(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

		2009			**2008**	
Group	**Land R'000**	**Buildings R'000**	**Total R'000**	Land R'000	Buildings R'000	Total R'000
4. Owner-occupied properties						
At valuation at beginning of year	**38 280**	**89 320**	**127 600**	18 600	43 400	62 000
Additions at cost		**4 183**	**4 183**	17 506	40 846	58 352
Depreciation		**(2 233)**	**(2 233)**		(1 276)	(1 276)
Revaluation	**600**	**(550)**	**50**	2 174	6 350	8 524
At valuation at end of year	**38 880**	**90 720**	**129 600**	38 280	89 320	127 600

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 open market value of the properties. The original cost amounted to R98.0 million.

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.

Register of owner-occupied properties

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

Notes to the Annual Financial Statements
continued

5. Investment in subsidiaries

	Amount of issued share capital R	Percentage of issued share capital %	Shares held at cost R'000	Directors valuation R'000
2008				
Direct holdings				
Unlisted subsidiaries				
Clientèle Life	4 853 000	100	231 870	3 293 466
Clientèle General Insurance	1	100	*	69 190
Clientèle Loans	1	70	*	1
Clientèle Mobile				
Indirect holdings				
Unlisted subsidiaries				
IFA Nigeria		100	168	477 600
			232 038	**3 840 257**

* Less than R1 000

	Amount of issued share capital R	Percentage of issued share capital %	Shares held at cost R'000	Directors valuation prior to consolidation R'000	Consolidation [4]	Directors valuation after consolidation R'000
2009						
Direct holdings						
Unlisted subsidiaries						
Clientèle Life [1]	4 853 000	100	237 241	4 126 646	(150 693)	3 975 953
Clientèle General Insurance [2]	17 500 000	100	17 500	276 853	(10 110)	266 743
Clientèle Loans	1	70	*	1		1
Clientèle Mobile	1	100	*	1		1
Indirect holdings						
Unlisted subsidiaries						
IFA Nigeria [3]	218 969	75	10 021	124 314	(4 540)	119 774
			264 762	**4 527 814**	**(165 343)**	**4 362 472**

Directors valuation of subsidiaries

1 The value of Clientele Life has been based on an Appraisal Value calculation. The Appraisal Value is an actuarial calculation which incorporates certain assumptions. The Appraisal Value is the sum of the Embedded Value (as published) and 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 (as published) for the year ending 30 June 2009 times a multiplier. The actuarial assumptions used to calculate the multiplier have been set on a conservative basis. In particular, the multiplier takes cognizance of the following:

- Due to the fact that there is more risk associated with Future New Business than business already on the books, a RDR of 15% p.a. has been used (i.e. higher than the underlying RDR); and,
- A conservative assumption has been made in terms of growth in new business volumes. In particular, it has been assumed that the Value of New Business will remain level into the future.

The above assumptions result in a multiplier of 6.667. The directors have used a more conservative multiplier of 6.5 for purposes of the directors' valuation. The Value of Future New Business allowing for this multiplier is R2.5 billion (calculated as R389.4 million x 6.5). The Embedded Value of Clientele Life as at 30 June 2009 is R1.6 billion. Combined with the Value of Future New Business, this results in an Appraisal Value of R4.1 billion before consolidation adjustments (see note 4).

2 Similarly, an Appraisal Value calculation has been utilized to place a value on Clientele General Insurance. Despite the fact that Clientele General Insurance is currently a fast growing new venture, the directors have conservatively assumed that the Value of New Business will remain level into the future and used the same multiplier as was used when calculating the Value of Future New Business for Clientele Life (see note 1 above). This results in a Value of Future New Business of R203.3 million (calculated as R31.3 million x 6.5) for Clientele General Insurance, which together with the Embedded Value of R73.6 million results in an Appraisal Value of R276.9 million before consolidation adjustments (see note 4).

3 An Appraisal Value calculation has been utilized to place a value on IFA Nigeria. The Embedded Value of IFA Nigeria (utilizing a RDR of 25% p.a.) as at 30 June 2009 is R57.4 million. The same approach was used in calculating the Value of Future New Business for IFA Nigeria as that followed for Clientele Life and Clientele General Insurance; however, the following additional points have been considered :

- The IFA Nigeria operation is fairly new operation and as a consequence future cash-flows are less certain. Thus a conservative RDR of 30% p.a. (i.e. higher than that assumed for existing business) has been utilized to calculate the New Business multiplier.
- The Value of New Business used for the calculation of the Value of Future New Business excludes new venture expenses (incurred in South Africa) allocated to this operation (these are dealt with on consolidation – see note 4 below). The published Value of New Business for IFA Nigeria can be split as follows :

	(R'000)
Nigeria – Value of New Business	20 282
Expenses allocated to new ventures	(20 595)
Total Value of New Business reported	**(313)**

This results in a Value of Future New Business of R66.9 million (calculated as R20.3 million x 3.3) for IFA Nigeria, which together with the Embedded Value of R57.4 million results in an Appraisal Value of R124.3 million before consolidation adjustments (see note 4).

It should be noted that the multiplier used and thus the Value of Future New Business will be significantly higher should the budgeted volumes of business and related actuarial assumptions over the next few years be achieved. If these budgeted volumes and the underlying actuarial assumptions are achieved, then the value of IFA Nigeria, on an Appraisal Value basis, will be similar to the value implied by the purchase of shares by the minority interest (i.e. R477.6 million).

4 On consolidation, two items which have an impact on the Value of Future New Business are incorporated. These are :

- Expenses in respect of new ventures (see also note 3); and,
- Expected costs in terms of the management incentive scheme (Embedded Value and Goodwill Schemes).

The Value of Future New Business (negative consolidation adjustment) for the above two items was set such that it correlates to the projected growth in Embedded Value implied by the multipliers used in the valuations outlined in notes 1 to 3 above.

Hence, the consolidating entry for the Value of Future New Business is negative R165.3 million.

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

		Group		Company	
		2009	2008	**2009**	2008
		R'000	R'000	**R'000**	R'000
6.	**Investment in associates**				
	Investment at the beginning of year	**626**	141	**400**	
	Disposal of investments*	**(442)**		**(400)**	
	Capitalisation of loan		400		400
	Share of profit	**165**	85		
	Investment at end of year	**349**	626	**–**	400
	Key financial information of associates				
	Indirect holding – Unlisted				
	Clientèle USA LLC:				
	Revenue	**1 074**	1 344		
	Net profit attributable to ordinary shareholders	**240**	341		
	Current assets	**1 714**	771		
	Current liabilities	**(1 628)**	(1 622)		
	Legal Sense:				
	Revenue	**4 042**	3 151		
	Net profit/(loss) attributable to ordinary shareholders	**104**	(77)		
	Current assets	**–**	533		
	Current liabilities	**–**	(354)		

The investments are accounted for by the equity method of accounting.

The unlisted associate, Clientèle USA LLC, of which Clientèle Life holds 33.3% (2008: 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.

* The 49% investment of R0.4 million in Legal Sense was disposed of for R1 during the year to the two founding shareholders.

		Group		Company	
7.	**Reinsurance assets**				
	Reinsurance share of insurance liabilities				
	Balance at beginning of year	**23 795**	34 359		
	Movement in reinsurers' share of insurance liabilities	**(1 648)**	(10 564)		
	Balance at end of year	**22 147**	23 795	**–**	–

		Group		Company	
		2009	2008	**2009**	2008
		R'000	R'000	**R'000**	R'000
8.	**Financial assets at fair value through profit and loss**				
	Designated				
	Balance at beginning of year	**1 065 997**	1 042 059		
	Movements for year				
	Fair value adjustments	**88 465**	53 793		
	Net additions/(disposals)	**250 087**	(29 854)		
	– Additions	**428 558**	246 519		
	– Disposals	**(178 471)**	(276 373)		
	Balance at end of year	**1 404 549**	1 065 997	**–**	–
	Total debt securities	**1 119 821**	670 825		
	Promissory notes and deposits (unquoted)	**721 836**	501 520		
	Funds on deposit	**367 057**	31 998		
	Fixed interest securities (quoted)	**14 754**	15 213		
	Government and public authority bonds (quoted)	**10 909**	41 920		
	Unlisted unit trusts (quoted)	**5 265**	80 174		
	Total equity securities	**284 728**	395 172		
	Listed on the JSE	**281 378**	391 522		
	Unlisted equities	**3 350**	3 650		
	Total instruments	**1 404 549**	1 065 997	**–**	–
		%	%	**%**	%
	Spread of equities listed on the JSE by sector				
	Industrials	**12.3**	9.7		
	Resources	**48.7**	60.7		
	Financials	**16.6**	16.4		
	Real estate	**9.5**	5.1		
	Telecommunications	**12.9**	8.1		
		100.0	100.0	**–**	–

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 R13.4 million (2008: R53.0 million), which match financial liabilities at fair value through profit and loss, have been ceded to Sanlam Limited.

		Group		Company	
		2009	2008	**2009**	2008
		R'000	R'000	**R'000**	R'000
9.	**Loans and receivables including insurance receivables**				
	Receivables	**4 987**	13 156	**54**	
	Net advances (refer Note 9.1)	**18 752**			
	Premiums receivable under insurance contracts	**5 199**	20 743		
	Reinsurance receivable under insurance contracts	**5 932**	5 849		
	Prepayments	**7 032**	5 235		
	Due from subsidiaries			**1 997**	
	Due from associate		130		50
	Prepaid lease payments*	**8 657**			
		50 559	45 113	**2 051**	50

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

* The prepaid lease payments relates to rentals for IFA Nigeria which have been paid in advance, as is customary in Nigeria.

	Group 2009 R'000	Group 2008 R'000	Company 2009 R'000	Company 2008 R'000
Maturity analysis				
Due within one year	**36 711**	44 983	**2 051**	
Due within two to five years	**15 260**	130		50
Due after five years				
	51 971	45 113	**2 051**	50
Provisions for impairments	**(1 412)**			
	50 559	45 113	**2 051**	50

The maturity analysis above reflects balances due, which are within the agreed terms. There are, therefore, no balances that are past due which require impairment, except for advances which are reflected below.

		Group		Company	
		2009	2008	**2009**	2008
		R'000	R'000	**R'000**	R'000
9.1	**Net advances of Clientèle Loans Direct**				
	Unsecured personal loans (South Africa)				
	Gross loans and advances	**20 164**			
	Provision for impairments created	**(1 412)**			
	– Specific provision	**(202)**			
	– Portfolio provision	**(1 210)**			
	Balance at end of year	**18 752**	–	**–**	–

All advances are unsecured and have a maximum repayment term of four years with interest ranging from between 35.5% to 46.0%. Advances together with interest thereon, are payable in equal monthly instalments.

	Group 2009 R'000	Group 2008 R'000	Company 2009 R'000	Company 2008 R'000
Movement in impairments provision				
Balance at beginning of year	**–**			
Current year movement	**1 412**			
Balance at end of year	**1 412**	**–**	**–**	**–**

	Group		Company	
	2009	2008	**2009**	2008
	R'000	R'000	**R'000**	R'000
10. Cash and cash equivalents				
Cash in bank and at hand	**112 633**	197 390	**7 963**	
11. Share capital and premium				
Authorised share capital				
750 000 000 ordinary shares of 2 cents each	**15 000**	15 000	**15 000**	15 000
Issued share capital				
323 500 000 ordinary shares of 2 cents each	**6 470**	6 470	**6 470**	6 470
Share premium	**218 656**	218 656	**218 656**	218 656
Common control deficit	**(220 273)**	(220 273)		
	4 853	4 853	**225 126**	225 126

All issued shares are fully paid. The unissued ordinary shares have been placed under the control of the directors of the company until the forthcoming Annual General Meeting of shareholdders.

Ordinary shareholders analysis as at 30 June 2009

Shareholder spread	Number of shareholdings	%	Number of shares	%
1 – 1 000 shares	56	11.81	38 770	0.01
1 001 – 10 000 shares	196	41.35	1 021 296	0.31
10 001 – 100 000 shares	169	35.65	5 883 895	1.82
100 001 – 1 000 000 shares	37	7.81	12 343 092	3.82
1 000 001 shares and over	16	3.38	304 212 947	94.04
Totals	474	100.00	323 500 000	100.00

Analysis of shareholders by classification as at 30 June 2009

Banks	5	1.05	3 602 375	1.11
Close Corporations	7	1.48	1 054 350	0.33
Endowment Funds	5	1.05	36 963	0.01
Individuals	316	66.67	14 759 840	4.56
Insurance Companies	10	2.11	71 488 449	22.10
Investment Companies	1	0.21	162 671	0.05
Mutual Funds	19	4.01	21 931 466	6.78
Nominees & Trusts	71	14.98	4 830 216	1.49
Other Corporations	8	1.69	136 000	0.04
Private Companies	20	4.22	205 156 684	63.42
Retirement Funds	12	2.53	340 986	0.11
Totals	474	100.00	323 500 000	100.00

Public/non-public shareholders

Non-public shareholders	**12**	**2.53**	**274 832 434**	**84.96**
Directors and associates	7	1.48	9 844 210	3.05
Strategic holdings (more than 10% shareholding)	5	1.05	264 988 224	81.91
Public shareholders	**462**	**97.47**	**48 667 566**	**15.04**

Beneficial shareholders holding 3% or more

	Number of shares	%
R Enthoven and Sons (Pty) Limited group companies		
River Lily Investments (Pty) Ltd*	101 562 500	31.39
Newshelf 702 (Pty) Ltd	98 196 694	30.35
Hollard Insurance Company Ltd	36 930 750	11.42
Hollard Life Assurance Company Ltd	28 298 280	8.75
Totals	**264 988 224**	**81.91**

* 9 191 400 shares are held by three executive directors through River Lily Investments (Pty) Limited.

	Group		Company	
	2009 R'000	2008 R'000	**2009 R'000**	2008 R'000
12. SAR scheme reserve				
SAR scheme reserve	**12 115**	6 744	**12 115**	6 744

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 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 exercised on the seventh anniversary of the invitation/announcement date will lapse.

	2009		2008	
	Volume weighted average price on grant	**Number of SARs granted**	Volume weighted average price on grant	Number of SARs granted
At beginning of year		**20 441 030**		19 707 500
Allotment	**7.89**	**1 293 100**	8.03	508 950
Allotment	**6.59**	**223 857**	8.67	1 342 410
Allotment	**5.35**	**275 742**	8.46	263 040
Allotment	**5.88**	**1 474 567**	7.60	158 000
Terminated	**6.41**	**(1 017 500)**	6.41	(1 355 000)
Terminated	**8.03**	**(31 940)**	8.03	(33 870)
Terminated	**8.67**	**(22 000)**	8.67	(150 000)
Terminated	**7.89**	**(48 777)**		
Terminated	**5.88**	**(7 546)**		
Exercised	**–**	**–**	–	–
At end of year		**22 580 533**		20 441 030

None of the 22.6 million (2008: 20.4 million) outstanding SARs were exercisable.

SARs outstanding at the end of the year have the following expiry dates:

	Average grant price	Number of SARs
24 January 2014	6.41	17 105 000
1 March 2014	6.65	230 000
2 July 2014	8.03	443 140
1 February 2015	8.67	1 170 410
1 March 2015	8.46	263 040
1 May 2015	7.60	158 000
3 July 2015	7.89	1 244 323
1 September 2015	6.59	223 857
19 January 2016	5.35	275 742
16 February 2016	5.88	1 467 021
		22 580 533

The income statement charge was determined using the Black Scholes model. The IFRS 2: Share based payments costs relating to the SAR scheme amounted to R5.4 million (2008: R4.6 million). Significant inputs into the model include the initial grant prices of SARs (R6.41), the dividend yield (6% p.a.), risk-free interest rate (7.88% p.a.), employee turnover (17.78% p.a.), contractual life (1 to 7 years) and potential share price growth.

	Group		Company	
	2009 R'000	2008 R'000	**2009 R'000**	2008 R'000
13. Non-distributable reserves				
Non-distributable reserve: Revaluation	**22 663**	22 543		
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 4 of the Notes to the Annual Financial Statements. The land and buildings have been revalued to market value through equity. Deferred taxation (refer to note 19) has been provided at rates appropriate to the land and buildings and resulted in a net decrease of R0.07 million to the deferred tax liability (2008: R2.1 million net increase).				
Non-distributable reserve: Contingency	**1 156**	246		

Notes to the Annual Financial Statements

continued

	Group		Company	
	2009	2008	**2009**	2008
	R'000	R'000	**R'000**	R'000
The full amount of the contingency reserve is the 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.				
Non-Distributable Reserve: Change in ownership	**45 326**			
This reserve relates to an equity transaction, being Clientèle's share of premium on the introduction of additional share capital by outside shareholders.				
Non-Distributable Reserve: FCTR reserve	**(7 428)**			
This reserve arises due to exchange differences when accounting for a foreign entity. Asset and liabilities of the foreign entity are translated at the closing rate whilst income statement items are translated at an average rate of exchange for the period.				

	Group	
	2009	2008
	R'000	R'000
14. Policyholders' liabilities under insurance contracts		
Balance at beginning of year	**538 335**	498 020
Reclassification from accounts payable	**173**	
Increase	**45 519**	40 315
Balance at end of year	**584 027**	538 335

Group	2009 Gross of reinsurance R'000	2009 Net of reinsurance R'000	2008 Gross of reinsurance R'000	2008 Net of reinsurance R'000
Long-term insurance				
Changes in insurance liabilities and reinsurance				
Discounted insurance liabilities as at the beginning of the year	**506 986**	**500 819**	472 719	458 216
Discretionary margins	**(514 939)**	**(514 939)**	(266 728)	(266 728)
Discounted insurance liabilities as at the beginning of the year prior to allowance for discretionary margins	**(7 953)**	**(14 120)**	205 991	191 488
Expected interest on insurance liabilities (and cash flows)	**(31 928)**	**(31 539)**	13 066	11 838
Expected premiums on insurance liabilities	**593 985**	**558 228**	518 339	518 339
Expected unwinding of margins (existing business)	**(82 055)**	**(81 008)**	(33 737)	(26 864)
Expected claims, expiries and lapses	**(290 482)**	**(252 118)**	(189 641)	(185 860)
Expected expenses, commission and charges	**(151 962)**	**(151 962)**	(127 729)	(127 729)
Experience variations	**(34 899)**	**(43 155)**	(86 801)	(83 783)
Changes in valuation basis (renewal business only)	**(9 747)**	**(9 628)**	(25 496)	(23 374)
New business added during the year	**(348 751)**	**(344 508)**	(281 945)	(288 175)
Discounted insurance liabilities as at the end of the year prior to allowance for discretionary margins	**(363 792)**	**(369 810)**	(7 953)	(14 120)
Plus: Discretionary margins	**922 375**	**922 375**	514 939	514 939
A: Discounted insurance liabilities as at the end of the year	**558 583**	**552 565**	506 986	500 819
Undiscounted insurance liabilities as at the beginning of the year	**31 349**	**13 721**	25 302	5 446
Withdrawals during the year	**(2 042)**	**(227)**	(4 380)	(1 822)
Change in method on existing business	**(8 444)**	**(8 444)**	8 995	8 776
New business added during the year	**565**	**249**	1 432	1 321
B: Undiscounted insurance liabilities as at the end of the year	**21 428**	**5 299**	31 349	13 721
Total insurance liabilities as at the end of the year (A+B)	**580 011**	**557 864**	538 335	514 540
Reinsurance assets		**22 147**		23 795
Gross insurance liabilities as at the end of the year	**580 011**	**580 011**	538 335	538 335
Short-term insurance	**4 016**	**4 016**		
IBNR	**800**	**800**		
Cash back bonus	**3 216**	**3 216**		
	584 027	**584 027**	**538 335**	538 335

	Group		Company	
	2009	2008	**2009**	2008
	R'000	R'000	**R'000**	R'000
15. Financial liabilities at fair value through profit and loss				
Balance at beginning of year	**490 469**	480 969		
Movements for the year				
– Fair value adjustments	**112 010**	31 770		
– Deposits	**256 047**	106 440		
– Withdrawals and maturities	**(140 965)**	(128 710)		
Balance at end of year	**717 561**	490 469	**–**	–

The unrecognised profit in respect of financial liabilities at fair value through profit and loss amounts to R12.4 million (2008: R4.1 million).

The change in fair value attributable to changes in credit risk is R nil (2008: R nil). The amount payable on maturity is R903.5 million (2008: R618.8 million).

	Group		Company	
	2009	2008	**2009**	2008
	R'000	R'000	**R'000**	R'000
16. Loan at amortised cost				
Unsecured loan from KC 2008 Limited	**15 505**			
Current	**15 505**	–	**–**	–

The loan is unsecured, has no interest and is repayable on demand. There were no loan breaches or defaults during the year.

	Group		Company	
	2009	2008	**2009**	2008
	R'000	R'000	**R'000**	R'000
17. Finance leases				
Not later than one year	**1 016**			
Later than one year and not later than five years	**774**			
Later than five years	**–**			
Total finance lease liabilities	**1 790**			
Future finance charges on finance leases	**(487)**			
Present value of finance lease liability	**1 303**	–	**–**	–
Current	**740**			
Non-current	**563**			
	1 303	–	**–**	–

The finance lease liability is secured over certain equipment utilised in the brokerage business (IFA Nigeria). Repayments are based on interest rates of 18% and 27% and are payable one month in arrears.

	Group		Company	
	2009	2008	**2009**	2008
	R'000	R'000	**R'000**	R'000
18. Employee benefits				
Goodwill scheme (refer to 18.1)	**28 943**	31 594		
Embedded Value scheme (refer to 18.2)	**33 161**	28 190		
Short-term bonuses (refer to 18.3)	**11 620**	6 157		
	73 724	65 941	**–**	–
Current	**68 146**	57 714		
Non-current	**5 578**	8 227		
	73 724	65 941	**–**	–

	Group		Company	
	2009	2008	**2009**	2008
	R'000	R'000	**R'000**	R'000
18.1 Goodwill scheme				
Balance at beginning of year	**31 594**	32 760		
Payments during the year	**(23 366)**	(23 366)		
Provision raised (refer to note 30)	**20 715**	22 200		
Interest cost	**1 525**	2 014		
Service cost	**14 247**	14 187		
Net actuarial loss	**4 943**	5 999		
Balance at end of year	**28 943**	31 594	**–**	–

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 for estimating the obligation that relates to the goodwill scheme are as follows:

	Cycle 1		Cycle 2	
	2009	2008	**2009**	2008
Value of New Business at end of cycle (R million)	**302**	302	**440**	430
Goodwill Scheme multiple	**4.75**	4.75	**5.00**	5.00
Risk free rate (%)	**9.50**	9.50	**8.86**	11.14
In force participants (%)	**72.00**	76.86	**87.00**	90.00
Payment term (years)	**3**	3	**5**	5

Goodwill sensitivities	Cycle 1 R'000	Cycle 2 R'000	**Total R'000**
Actual value of liability	21 710	7 233	**28 943**
Value of New Business at end of Cycle			
R500 million	21 710	10 079	**31 789**
R600 million	21 710	14 822	**36 532**
Risk free rate			
+ 1%	21 710	6 916	**28 626**
– 1%	21 170	7 570	**29 280**
Multiple			
6	21 710	11 407	**33 117**
7	21 710	15 581	**37 291**
Proportion of in-force participants (Cycle 2)			
100%	21 710	8 316	**30 026**

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.

18.2 Embedded Value scheme

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

	Group		Company	
	2009	2008	**2009**	2008
	R'000	R'000	**R'000**	R'000
Balance at beginning of year	**28 191**	25 000		
Provision raised (refer to note 30)	**33 160**	27 430		
Prior year (over)/under provision	**(1 309)**	761		
Payment during the year	**(26 882)**	(25 000)		
Balance at end of year	**33 160**	28 191	**–**	–

18.3 Short-term bonuses

The build-up of the liability in respect of short-term bonuses is as follows:				
Balance at beginning of year	**6 157**	4 333		
Provision raised (refer to note 30)	**11 620**	6 157		
Payments during the year	**(6 157)**	(4 333)		
Balance at end of year	**11 620**	6 157	**–**	–

19. Accruals and payables including insurance payables

IFA referral fees and bonuses payable	**11 071**	21 828		
Premiums received in advance	**4 655**	6 328		
Deferred income	**12 922**	4 066		
Due from subsidiaries			**29 198**	1 950
Financial liabilities in respect of investment contracts		67 681		
Other accruals and payables	**59 863**	37 133	**320**	168
	88 511	137 036	**29 518**	2 118

The carrying value amounts approximates fair value amounts.

Maturity analysis

Due within one year	**77 195**	128 959	**29 518**	2 118
Due within two to five years	**11 316**	8 077		
	88 511	137 036	**29 518**	2 118

	Group		Company	
	2009	2008	**2009**	2008
	R'000	R'000	**R'000**	R'000
20. Deferred tax				
Assets – non current				
Balance at beginning of year	**5 966**	3 384		
Charge to the income statement				
– Tax losses	**14 234**	2 958		
– STC	**796**		**796**	
– Long-term employee benefits	**(252)**	(376)		
– Deferred profits on financial liabilities held at fair value through profit and loss	**3 457**			
Balance at end of year	**24 201**	5 966	**796**	–
Liability – non current				
Balance at beginning of year	**13 168**	11 419		
Charge to the income statement				
– Unrealised gains on investments and prepayments	**(2 601)**	(333)		
– Property, plant and equipment	**1 185**			
Deferred tax on revaluation of land	**84**	304		
Deferred tax on revaluation of buildings	**(154)**	1 778		
Balance at end of year	**11 682**	13 168	**–**	–
Analysis of deferred tax balances:				
Assets – non current				
Tax losses	**17 192**	2 958		
STC credits	**796**		**796**	
Long-term employee benefits	**2 756**	3 008		
Deferred profits on financial liabilities held at fair value through profit and loss	**3 457**			
Deferred tax asset at end of year	**24 201**	5 966	**796**	–
Liability – non current				
Unrealised gains on investments and prepayments	**3 217**	5 818		
Property, plant and equipment	**1 185**			
Revaluation of land	**1 318**	1 234		
Revaluation of buildings	**5 962**	6 116		
Deferred tax liability at end of year	**11 682**	13 168	**–**	–
Total deferred tax asset	**24 201**	5 966	**796**	
Total deferred tax liability	**(11 682)**	(13 168)		
Net deferred tax asset/(liability) at end of year	**12 519**	(7 202)	**796**	–

The assessable tax loss of the IPF amounts to R1.20 billion (2008: R1.03 billion). No deferred tax asset has been raised in respect of the assessable tax loss as it is unlikely that the assessed loss in the IPF will be utilised in the foreseeable future.

Notes to the Annual Financial Statements
continued

	Group 2009 R'000	Group 2008 R'000	Company 2009 R'000	Company 2008 R'000
21. Insurance premium revenue				
Long-term insurance – individual recurring	**900 049**	812 755		
Short-term insurance – individuals	**38 177**	2 477		
	938 226	815 232	**–**	–
22. Reinsurance premiums				
Long-term insurance – individual recurring	**36 096**	31 195		
	36 096	31 195	**–**	–
23. Other income				
IFA annuity fee income	**140 816**	115 257		
Marketing materials' sales	**1 848**	1 486		
Supplier discounts received	**310**	600		
Fee income			**1 939**	
Properties – rental income	**1 987**	1 052		
Fee income from advances	**554**			
Other income	**434**			
Dividends received (unlisted)			**134 127**	
	145 949	118 395	**136 066**	–
24. Interest income				
Interest income from loan business	**3 255**			
Cash and cash equivalents	**11 028**	10 207	**27**	
	14 283	10 207	**27**	–
25. Income from brokerage (IFA Nigeria)				
Administration fees	**6 189**			
Commission received	**8 262**			
Intellectual capital fee	**1 032**			
	15 483	–	**–**	–
26. Fair value adjustment on financial assets at fair value through profit and loss				
Fair value adjustments	**88 465**	53 792	**–**	–
The above fair value adjustments include gains arising from:				
Interest	**141 355**	75 067		
Dividends (listed)	**23 747**	12 591		

	Group 2009 R'000	Group 2008 R'000	Company 2009 R'000	Company 2008 R'000
27. Net insurance benefits and claims				
Long-term insurance				
Claims and policyholders' benefits under insurance contracts	**191 654**	194 073	**–**	–
Death and disability claims	**65 516**	57 633		
Policy surrender claims	**126 138**	136 440		
Insurance claims recovered from reinsurers	**(38 873)**	(32 588)		
	152 781	161 485	**–**	–
Short-term insurance	**282**			
	153 063	161 485	**–**	–
28. Increase in policyholder liabilities under insurance contracts				
Long-term insurance	**41 676**	40 315	**–**	–
Increase for the year	**41 676**	38 848		
Impact of Statement of Intent and Regulation 5		1 467		
Short-term insurance	**3 843**	–	**–**	–
IBNR	**627**			
Cash back bonus	**3 216**			
	45 519	40 315	–	–
29. Impairment of advances				
Specific	**202**			
Portfolio	**1 210**			
Bad debts written off	**418**			
	1 830	–	**–**	–

	Group		Company	
	2009	2008	**2009**	2008
	R'000	R'000	**R'000**	R'000
30. Operating expenses				
Acquisition and administration expenses by nature are as follows:				
Total auditors' remuneration	**2 798**	3 836	**569**	–
Audit fees	**2 432**	1 602	**569**	
Other services – taxation	**300**	422		
Other services – corporate finance	**66**	1 812		
Actuarial fees	**1 382**	2 154		
Consultancy fees	**13 890**	1 439		
Employee benefits	**225 462**	162 912	**–**	–
Salaries and other short-term benefits	**150 077**	99 331		
Defined contribution provident fund				
– current service costs	**4 519**	3 149		
Goodwill scheme expense	**20 715**	22 200		
Embedded Value scheme expense	**33 160**	27 430		
Short-term bonuses	**11 620**	6 157		
SAR scheme expense	**5 371**	4 645		
Asset management fees	**1 867**	1 846		
Operating lease rentals	**2 468**	2 870		
Amortisation of intangible assets	**3 337**	702		
Depreciation	**12 565**	12 961	**–**	–
Computer equipment	**4 233**	2 592		
Computer software	**1 697**	3 741		
Furniture and equipment	**3 173**	4 537		
Motor vehicles	**1 228**	815		
Owner–occupied properties	**2 234**	1 276		
Local travel costs	**2 959**	888		
Administration and marketing	**182 308**	120 455	**785**	
IFA referral fees and bonuses paid	**182 372**	195 550		
Group restructure costs		3 294		
Foreign exchange (gain)/loss	**(3 814)**		**107**	
Profit on disposal of fixed assets	**(254)**	(202)		
Other	**22 054**	13 324	**450**	
	649 394	522 029	**1 911**	–
Comprising:				
Acquisition costs associated with insurance contracts	**529 409**	431 312		
Administrative expenses	**119 985**	90 717	**1 911**	
	649 394	522 029	**1 911**	–
Staff count	**723**	532	**–**	–

31. Directors' and key management remuneration

Year ended 30 June 2009

Non-executive directors **Paid by the group**	**Months in office**	**Directors' fees R'000**	**Consulting fees R'000**	**Total emoluments R'000**
P. J. A. Cunningham	**12**	**500**		**500**
G. Q. Routledge	**12**	**1 250**		**1 250**
Total emoluments		**1 750**	**–**	**1 750**

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**	**1 461**	**19 134**	**36**	**20 631**
B. Frodsham	**12**	**844**	**9 437**	**47**	**10 328**
I. B. Hume	**12**	**1 094**	**10 098**	**73**	**11 265**
B. W. Reekie	**12**	**1 863**	**3 112**	**57**	**5 032**
Total emoluments		**5 262**	**41 781**	**213**	**47 256**

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

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.

	Group		**Company**	
Key management	**2009 R'000**	2008 R'000	**2009 R'000**	2008 R'000
The following bonuses are payable to key management excluding group directors	**19 531**	18 794	**–**	–
Key management are part of the executive committee				

	Group 2009 R'000	Group 2008 R'000	Company 2009 R'000	Company 2008 R'000
32. Equity accounted earnings				
Clientèle USA LLC	**94**	114		
Legal Sense	**71**	(40)		
	165	74	**–**	–
33. Tax				
South African normal tax	**62 751**	56 508	**127**	
Current year tax	**73 418**	60 470	**127**	
Deferred tax	**(10 667)**	(2 220)		
Prior year over provision		(1 742)		
South African capital gains tax	**662**	340		
Current year tax	**662**	340		
STC	**11 952**	9 288	**(796)**	
Nigerian tax	**(10 314)**			
Current year tax	**35**			
Deferred tax	**(9 351)**			
Prior year over provision	**(998)**			
Total tax expense	**65 051**	66 136	**(669)**	
Tax rate reconciliation				
Profit before tax	**203 011**	200 342	**134 182**	
Tax	**(65 051)**	(66 136)	**669**	
	%	%	%	%
Effective tax rate	**32.04**	33.01	**(0.50)**	
Adjustments due to:				
Over provisions in respect of prior year	**0.49**	0.87		
STC	**(5.89)**	(4.64)	**0.59**	
Capital gains tax	**(0.33)**	(0.17)		
Effect of tax rate change		0.14		
Exempt income	**0.79**	0.03	**27.99**	
Other items	**0.89**	(1.24)	**(0.08)**	
Statutory tax rate	**28.00**	28.00	**28.00**	

Policyholder taxation funds are separate tax entities which have differing tax rules as applied in the South African taxation legislation for life insurance companies. There are two separate funds applicable to the Clientèle Life, defined as untaxed and individual. As these funds and related taxes are in essence direct taxes against investments held on behalf of policyholders (not shareholders), it is not considered necessary to reconcile effective rates by fund.

Notes to the Annual Financial Statements

continued

	Group 2009 R'000	Group 2008 R'000	Company 2009 R'000	Company 2008 R'000
34. Earnings per share				
Reconciliation of earnings to headline earnings				
Profit attributable to ordinary shareholders	**144 287**	134 206	**134 851**	
Less: Profit on disposal of fixed assets	**(254)**	(202)		
Headline earnings	**144 033**	134 004	**134 851**	–
Weighted ordinary shares in issue ('000)	**323 500**	323 500		
	Cents	Cents		
Earnings per share	**44.60**	41.49		
Headline earnings per share	**44.52**	41.42		
Diluted earnings per share	**44.60**	41.27		
Diluted headline earnings per share	**44.52**	41.21		

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 2009 R'000	Group 2008 R'000	Company 2009 R'000	Company 2008 R'000
35. Cash generated by operations				
Profit from operations	**203 011**	200 342	**134 182**	
Adjusted for non cash items:				
Fair value adjustment to financial assets at fair value through profit and loss	**(88 465)**	(65 079)		
Increase in policyholder liabilities under insurance contracts	**45 519**	40 315		
Decrease in reinsurance assets	**1 648**	10 564		
Fair value adjustment to financial liabilities at fair value through profit and loss	**112 010**	32 270		
Amortisation of intangible assets	**3 337**	702		
Depreciation	**12 565**	12 961		
Loss on disposal of investment in associate	**422**		**400**	
Impairment of advances	**1 412**			
SAR scheme expense	**5 371**	4 645		6 744
Equity accounted earnings	**(165)**	(74)		
Profit on disposal of fixed assets	**(254)**	(202)		
FCTR	**(9 904)**			
Items disclosed separately:				
Interest received	**(45 136)**	(10 084)		
Dividends received	**(23 747)**	(12 536)		
Working capital changes:				
Increase in investment in associate		(485)		(450)
Increase in receivables including insurance receivables and inventories	**(6 740)**	(29 522)	**(4)**	
(Increase)/decrease in inventories	**(1 941)**	747		
Increase/(decrease) in financial liabilities at fair value through profit and loss	**115 467**	(22 770)		
(Decrease)/increase in accruals and payables	**(49 668)**	90 435	**82**	168
Increase in policyholder liabilities under insurance contracts	**173**			
Increase in deferred profits	**8 856**			
	283 771	252 229	**134 660**	6 462

Notes to the Annual Financial Statements
continued

	Group		Company	
	2009	2008	**2009**	2008
	R'000	R'000	**R'000**	R'000
36. Dividends paid				
Balance owing at the beginning of the year	**98**	164		
Amount declared for the year	**126 165**	97 050	**126 165**	
	126 263	97 214	**126 165**	
Balance owing at the end of the year	**(168)**	(98)	**(70)**	
Amount paid during the year	**126 095**	97 116	**126 095**	–
37. Tax paid				
Balance owing at the beginning of the year	**36 987**	6 127		
Amount provided for the year	**65 051**	66 136		
	102 038	72 263		
Balance owing at the end of the year	**(26 720)**	(36 987)		
Amount paid during the year	**75 318**	35 276	**–**	–

38. Related parties disclosure

The Clientèle group defines related parties as:

– The parent company:
– Subsidiaries and fellow subsidiaries
– Associates
– Key management personnel

38.1 The parent company

R Enthoven and Sons (Pty) Limited ultimately controls 81.9% (2008: 81.4%) of the issued ordinary shares via it's group companies (refer to note 11).

38.2 Subsidiaries and fellow subsidiaries

Details of interests in subsidiaries are disclosed on page 2. Transactions between Clientèle and its subsidiaries have been eliminated on consolidation and are disclosed in this note as required by IFRS.

	Group	
	2009	2008
	R'000	R'000
Balance sheet information		
The following are the transactions and balances in respect of fellow subsidiaries:		
– Inter company loan to Clientèle Life by Independent Field Advertisers Financial Services (Pty) Limited		
Balance at beginning of year	**(3)**	(1 016)
Advances	**8 290**	3 471
Repayments	**(5 747)**	(2 458)
Balance at end of year	**2 540**	(3)
– Investment by Clientèle Life in corporate bond issued by Clientèle Properties South**		
Balance at beginning of year	**40 402**	40 402
Interest expense	**4 061**	4 355
Repayments	**(4 050)**	(4 355)
Balance at end of year	**40 413**	40 402

	Group	
	2009	2008
	R'000	R'000
– Inter company loan to Clientèle Properties South by Clientèle Life*		
Movements during the year		
Management and support services charge	**144**	
Advances	**6 226**	
Repayments	**(4 390)**	
Balance at end of year	**1 980**	–
– Investment by Clientèle Life in corporate bond issued by Clientèle Properties North**		
Balance at beginning of year	**58 641**	
Interest expense	**6 445**	1 318
Advances		58 641
Repayments	**(3 324)**	(1 318)
Balance at end of year	**61 762**	58 641
– Inter company loan to Clientèle Properties North by Clientèle Life*		
Balance at beginning of year	**49**	
Management and support services charge	**144**	
Advances	**5 171**	49
Repayments	**(5 147)**	
Balance at end of year	**217**	49
– Inter company loan to IFA Nigeria by Clientèle Life***		
Balance at beginning of year	**4 653**	
Interest	**516**	
Royalty income	**82**	
Advances	**8 138**	4 653
Repayments	**(12 113)**	
Balance at end of year	**1 276**	4 653
– Inter company loan to Clientèle General Insurance by Clientèle Life*		
Balance at beginning of year	**5 082**	
Management and support services charge	**7 416**	
Advances	**22 098**	5 082
Repayments	**(31 680)**	
Balance at end of year	**2 916**	5 082
– Inter company loan to Clientèle General Insurance by Clientèle*		
Advances during the year	**1 997**	
Balance at end of year	**1 997**	–
– Inter company loan to Clientèle by Clientèle Life*		
Balance at beginning of year	**1 950**	
Advances	**27 248**	1 950
Balance at end of year	**29 198**	1 950

	Group 2009 R'000	2008 R'000
– Inter company loan to Clientèle Mobile by Clientèle Life*		
Advances during the year	**343**	
Balance at end of year	**343**	–
– Inter company loan to Clientèle Loans Direct by Clientèle Life******		
Advances during the year	**31 815**	
Balance at end of year	**31 815**	–

* These intercompany loans do not bear interest and has no fixed terms of repayment.

** The investment bears interest at fixed interest rates (between 10% and 10.89%) and is repayable over a 5 year period.

*** The investment bears interest at the prime rate of interest (ABSA) and has no fixed terms of repayment.

**** The loan bears interest at 10% per annum on the first R20 million which is repayable by 31 March 2011. The remainder of the loan bears interest at 12% per annum and has no fixed terms of repayment.

	2009 R'000	2008 R'000
38.3 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	**4 051**	4 355
– Interest expense paid by Clientèle Properties North to Clientèle Life	**6 445**	1 309
– Interest expense paid by IFA Nigeria to Clientèle Life	**516**	
Rentals		
– Rental expense paid by Clientèle Life to Clientèle Properties South	**8 646**	5 999
– Rental expense paid by Clientèle Life to Clientèle Properties North	**4 512**	104
– Rental expense paid by Clientèle General Insurance to Clientèle Properties North	**367**	36
Royalties		
– Royalty expense paid by IFA Nigeria to Clientèle Life	**82**	
Management and support services charge		
– Expenses paid by Clientèle Properties South to Clientèle Life	**144**	
– Expenses paid by Clientèle Properties North to Clientèle Life	**144**	
– Expenses paid by Clientèle General Insurance to Clientèle Life	**7 416**	

38.4 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 31 to the Annual Financial Statements and their shareholdings in the company are disclosed in the Directors Report on page 32 under 'Directors' shareholdings'. No director had a material interest in any contract of significance with the company or any of its subsidiaries during 2009.

38.5 Fellow subsidiaries

Affiliated companies of the Hollard Group

Adampol (Pty) Limited
Colin Cooper & Associates (Pty) Limited
BSG Short Term (Pty) Limited
Cycle Lab (Pty) Limited
De Zalze Development (Pty) Limited
Eikos Risk Applications (Pty) Limited
Hollard Life Assurance Company Limited
Lombard Insurance (Pty) Limited
Spier Estate (Pty) Limited
Multi Risk Fund Managers (Pty) Limited
Newshelf 702 (Pty) Limited
Risk Benefit Solutions (Pty) Limited
Riverlily (Pty) Limited
Tuttle Insurance Brokers (Pty) Limited
Erf 1193 Plett (Pty) Limited

Subsidiaries of the Hollard Group

Artinsure Underwriting Managers (Pty) Limited
404 Ben Eden (Pty) Limited
AFS (Pty) Limited (incorporated and operational in Australia)
Bikesure (Pty) Limited
Casa Luigi Properties (Pty) Limited
Cordobeau Investments (Pty) Limited
Community Development Loans (Pty) Limited
Doublem Properties (Pty) Limited
Elkos Holdings (Pty) Limited
Electrical Plumbing Care Underwriting Managers (Pty) Limited
Electronic Risk Underwriting Managers (Pty) Limited
Elandshoek Syndicate (Pty) Limited
Erf 234 Hyde Park (Pty) Limited
Equimed (Pty) Limited A
Firebush Investments (Pty) Limited
Ground Lily Investments (Pty) Limited
Haven Development (Pty) Limited
HCV Underwriting Managers (Pty) Limited
Hollard and Connolly Investments (Pty) Limited
Hollard Asset Management (Pty) Limited
Etana Insurance Company (Pty) Limited
Hollard Insurance Company of Botswana (Pty) Limited
Hollard Insurance Company of Namibia Limited
Hollard Investment Holdings (Pty) Limited
Hollard Mozambique Compania de Seguros
Hollard Portfolio Management (Pty) Limited
JJKM (Insureplus) (Pty) Limited
Lombard Insurance Company Limited
Micawber 98 (Pty) Limited
Newshelf 33 (Pty) Limited
Newshelf 758 (Pty) Limited
Petsure (Pty) Limited
Practical Financial Compliance Solution
Precept Supply Chain Management (Pty) Limited
Small Area Repair Technology Underwriting Managers (Pty) Limited
Syringa Tree Investments (Pty) Limited
Zimisele Underwriting Management Company (Pty) Limited
Zenith Products (Pty) Limited

Associates of the Hollard Group

Advanced Motor Plan (Pty) Limited
Awkward Investments (Pty) Limited
Astra Marine (Pty) Limited
Beqfin (Pty) Limited
BSG Corporate Assets (Pty) Limited
BSG Distribution (Pty) Limited
BSG Short Term (Pty) Limited
BSG Short Term Assets (Pty) Limited
BSG Interplay Trading 128 (Pty) Limited
BSG Fire Ring Trading 50 (Pty) Limited
Cast Arena (Pty) Limited
Clarendon Transport Underwriters (Pty) Limited
Colin Cooper & Associates (Pty) Limited
Commercial Risk Insurance Brokers (Pty) Limited
Compendium Insurance Group (Pty) Limited
Eikos Holdings (Pty) Limited
Factory and Industrial Risk Managers (Pty) Limited
Fidelity Guarantee Acceptance (Pty) Limited
Flexible Accident And Sickness (Pty) Limited
Katz Breskal (Pty) Limited
Leungo Investments (Pty) Limited
Legal Expenses Group Africa Limited
Meyer Nel (Pty) Limited
Multifund (Pty) Limited
Multi Risk Managers (Pty) Limited
Petsure (Pty) Limited
PWV Insurance Brokers (Pty) Limited
Risk Benefit Solutions (Pty) Limited
Rowlin National Brokers (Pty) Limited
Scintilla ERU Managers (Pty) Limited
Shaheen Insurance Company Limited
Sky/TIV (Pty) Limited
South African Underwriting Management (Pty) Limited
Tenrisk Underwriting Managers (Pty) Limited
Tuttle Insurance Brokers (Pty) Limited
Utz Consulting (Pty) Limited

39. Commitments

The group's operating leases related mainly to property rental of the Nigerian operation. The rentals were negotiated upfront, with a percentage contribution of the monthly operating costs. The lease is non-cancellable.

Letters of guarantee: Clientèle has agreed to provide financial assistance to Clientèle Properties North, Clientèle Mobile and Clientèle Loans Direct for the foreseeable future, until such time as the assets fairly valued exceeds their liabilities.

Notice to Members

Notice is hereby given that the second Annual General Meeting of members of Clientèle will be held in the boardroom, Building 3, Clientèle Office Park, Corner Rivonia and Alon Roads, Morningside on 14 October 2009 at 12:00 for the following purposes:

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

1. To receive, consider and adopt the Annual Financial Statements of the Company and the group for the year ended 30 June 2009.
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 Life, 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 a member of the Executive Committee of the African Insurance Organisation (AIO) for a number of years and chaired the Life Committee of the AIO for seven years.

   The Board recommends the re-election of this director.

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 in May 2008.

   The Board recommends the re-election of this director.

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

   Gavin Quentin Routledge (Non executive chairman), (BA, LLB (Wits))

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

   The Board recommends the re-election of this director.

5. To consider and approve the remuneration of the non-executive directors.
6. To authorise the directors to determine the remuneration of the auditors.
7. To elect auditors to hold office until the conclusion of the next Annual General Meeting.

   The group audit committee of the Board recommends the re-appointment of Mr. Francois Johannes Kruger, being the individual registered auditor who has undertaken the group's audit.

8. 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.

9. To consider and if approved, to pass, with or without modification, the following Ordinary resolution number 8:

RESOLVED THAT:
The allotment and issue, pursuant to the provisions of the Clientèle SAR Scheme rules approved by the shareholders of the group on 23 January 2007, to the Directors of Clientèle of such allowable maximum number of ordinary shares as provided thereunder (10% of the issued share capital) and subject to the terms and conditions included in the scheme allocation limits as set out in the Scheme rules.

REASON AND EFFECT:
The approval will allow the Board to issue new shares to meet the obligations under the Scheme up to the allowable maximum provided for in the Scheme rules. Approval is necessary to implement the Scheme effectively. Shareholders are protected by the conditions included in the scheme allocation limit as set out on the Scheme rules.

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 Monday, 12 October 2009.

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

31 August 2009

Form of Proxy

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

Please use block letters

I/We

of

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

ordinary shares in the company hereby appoint

or failing him

the chairman of the meeting to vote for me/us and on my/our behalf at the Annual General Meeting of the company to be held at 12:00 on 14 October 2009 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. To adopt the Annual Financial Statements			
2. To re-elect Basil William Reekie as a director			
3. To re-elect Gavin John Soll as a director			
4. To re-elect Gavin Quentin Routledge as a director			
5. To approve the remuneration of non-executive directors			
6. To authorise the directors to determine the remuneration of the auditors			
7. To elect the auditors to hold office until the conclusion of the next Annual General Meeting			
8. To place the unissued shares under the director's control			
9. To authorise the issue of shares under the SAR Scheme			

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 2009

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 Monday, 12 October 2009.

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