



# Clientèle LIFE

## SUMMARISED GROUP RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2006

### COMMENTS

Clientèle Life's new business growth and the resultant growth in Embedded Value for the reporting period has been spectacular, 323 566 policies were sold compared to 192 932 policies for the same period last year, an increase of 68%.

This performance gives Clientèle Life an estimated market share now in excess of 20% of new policies sold (excluding group schemes) and also confirms its position as the market leader in its chosen market in both direct marketing through television advertising and direct selling through referral marketing. We are proud of the growth Clientèle Life consistently achieves, its growing share of the previously disadvantaged sector of the recurring premium Insurance market and the positive contribution that Clientèle Life makes to the lives of that community through the success of the IFA opportunity.

This extremely strong activity coupled with improved relative persistency contributed to the material growth in the Embedded Value of new business for the six months which at R176 million represents an increase of 80% over the same period last year.

Ongoing improvements in the effectiveness of premium collections together with the strong new business results and significant reduction of acquisition costs per policy has translated into an increase in total Embedded Value, after adjusting for the payment of dividends and STC, from R576 million at 30 June 2006 to R804 million at 31 December 2006, an increase of 40%. This performance is in line with Clientèle Life's strategy of focusing on quality new business growth and the creation of value over the long term. It is very pleasing to note however that despite the

significant aggregate increase in acquisition costs of new business, which in terms of Clientèle Life's accounting policy are expensed up front, headline earnings per share has increased by 25% from 125,47 cents per share to 156,89 cents per share for the period under review.

Net recurring premium income for the period of R298,7 million (2005: R222,1 million) represents an increase of 35%. The group earned R38,5 million (2005: R23,0 million) of other income which represents an increase of 67% and is comprised mainly of recurring income, prior to the allocation of related expenses, from its Independent Field Advertiser ("IFA") distribution channel.

Policyholders benefits, which include claims paid and encashment benefits of R52,5 million (2005: R36,0 million), have increased by 46%.

Operating expenses continue to be well controlled and the average annual renewal cost per policy remains among the lowest in the industry.

The above results have translated into an annualized after-tax return on average shareholders' interests of 90%.

The number of Independent Field Advertisers ("IFAs") has continued to increase substantially adding to the thousands of successful entrepreneurs and business owners from historically disadvantaged backgrounds. Clientèle Life made payments of close to R137 million to previously disadvantaged individuals during the period, most of which was paid to IFAs.

On 23 January 2007 the shareholders, in a General Meeting, approved the Share Appreciation Rights ("SAR") Scheme in favour of participants comprising of Employees and ("IFAs"). The

SAR Scheme allows participants to share in the success of Clientèle Life by benefiting from any increase in the share price from the date of participation and is intended to be equity settled. The aggregate number of shares that may be allotted and issued to participants under the SAR Scheme may not exceed 10% of the issued share capital of the company from time to time. The initial allocations comprised of approximately 2,1 million SARs which represents 58,4% of available SARs, half of which were issued to employees and half of which were issued to IFAs. Two thirds of Clientèle Life's staff are from previously disadvantaged backgrounds and over 90% of IFAs are from previously disadvantaged backgrounds.

On 31 December 2006, Dr David Molapo a Management Consultant, Educationalist and renowned Motivational Speaker was appointed to the Board of Clientèle Life. We believe that Dr Molapo's experience and insights will add great value to the Board of Clientèle Life.

The group will continue to build on its unique distribution strengths and remains committed to servicing, empowering and educating previously disadvantaged and under serviced segments of the market.

By order of the Board

G Q Routledge  
Chairman

G J Soll  
Managing Director

Johannesburg  
27 February 2007

### UNAUDITED

#### SUMMARISED GROUP BALANCE SHEETS

(R'000's)	Six months ended		Year
	31 December	2005	ended
	2006		30 June
			2006
<b>Assets</b>			
Equipment	14 981	10 988	12 651
Investment in associate	98	827	-
Amounts due by group companies	-	3 671	-
Deferred taxation	4 980	-	5 150
Current taxation	2 064	-	-
Inventories	1 604	2 701	1 355
Reinsurance assets	33 378	26 413	28 820
Financial assets held at fair value through profit or loss	992 527	862 851	930 307
Receivables including insurance receivables	15 272	13 666	10 410
Cash and cash equivalents	39 810	9 091	52 544
<b>Total assets</b>	<b>1 104 714</b>	<b>930 208</b>	<b>1 041 237</b>
<b>Equity</b>			
Share capital	4 853	4 853	4 853
Retained earnings	92 383	78 939	120 344
Treasury share reserve	-	(1 589)	(1 589)
<b>Total equity</b>	<b>97 236</b>	<b>82 203</b>	<b>123 608</b>
<b>Liabilities</b>			
Insurance contracts	446 648	331 365	379 996
Financial liabilities held at fair value through profit or loss	471 594	469 890	458 245
Provisions	25 760	-	17 760
Amounts due to reinsurers	1 215	490	430
Accruals and payables including insurance payables	598 018	43 528	58 781
Deferred taxation	2 453	2 060	2 035
Current taxation	-	672	382
<b>Total liabilities</b>	<b>1 007 478</b>	<b>848 005</b>	<b>917 629</b>
<b>Total equity and liabilities</b>	<b>1 104 714</b>	<b>930 208</b>	<b>1 041 237</b>

#### SUMMARISED GROUP INCOME STATEMENTS

(R'000's)	Six months ended		% increase (decrease)	Year
	31 December	2005		ended
	2006			30 June
				2006
<b>Revenue</b>				
Insurance premium revenue	298 746	222 062	35	475 125
- individual recurring	(13 824)	(10 032)	38	(21 712)
Reinsurance premiums				
<b>Net insurance premiums</b>	<b>284 923</b>	<b>212 029</b>	<b>34</b>	<b>453 414</b>
Other income	38 480	22 962	68	48 612
Fair value gains on financial assets at fair value through profit and loss	80 229	84 726	(5)	121 309
<b>Total revenue</b>	<b>403 631</b>	<b>319 718</b>	<b>26</b>	<b>623 334</b>
Net insurance benefits and claims	(52 507)	(35 952)	46	(76 002)
Claims and policyholder benefits under insurance contracts	(61 846)	(43 324)	43	(92 453)
Insurance claims recovered from reinsurers	9 339	7 372	26	16 450
Increase in policyholder liabilities under insurance contracts	(66 652)	(65 313)	2	113 945
- Increase for the year	(66 652)	(65 313)	2	(86 192)
- Impact of Statement of Intent	-	-	-	(27 754)
Increase in reinsurance assets	4 558	2 809	62	5 217
Fair value adjustment to financial liabilities at fair value through profit and loss	(14 569)	(25 299)	(42)	(18 951)
Expenses	(194 269)	(125 535)	55	(281 103)
Acquisition costs associated with insurance contracts	(172 881)	(109 735)	58	(249 150)
Administration expenses	(21 388)	(15 800)	35	(31 953)
Impairment of USA associate	-	-	-	4 000
Equity accounted earnings from associate	98	(79)	224	52
Profit before taxation	80 291	70 348	14	134 601
Taxation*	(29 565)	(29 759)	(1)	(43 823)
<b>Net profit attributable to ordinary shareholders</b>	<b>50 726</b>	<b>40 589</b>	<b>25</b>	<b>90 778</b>
<b>*Taxation</b>				
Current and deferred taxation	(16 072)	(19 643)	(18)	(33 954)
Secondary tax on companies	(10 228)	(9 622)	6	(9 730)
Capital gains tax	(3 265)	(494)	560	(973)
Over provision for prior years	-	-	-	834
	(29 565)	(29 759)	(1)	(43 823)

#### RECONCILIATION OF NET PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS TO HEADLINE EARNINGS

(R'000's)	Six months ended		Year
	31 December	2005	ended
	2006		30 June
			2006
<b>Net profit attributable to ordinary shareholders</b>	<b>50 726</b>	<b>40 589</b>	<b>90 778</b>
Impairment of investment in associate	-	-	958
Add: Profit on disposal of fixed assets	29	-	21
<b>Headline earnings</b>	<b>50 755</b>	<b>40 589</b>	<b>91 757</b>

#### STATEMENT OF CHANGES IN EQUITY

(R'000's)	Share capital	Retained earnings	Treasury share reserve	Year
				ended
				30 June
				2006
<b>Restated balance as at 1 July 2005</b>	<b>4 853</b>	<b>110 132</b>	<b>(1 589)</b>	<b>113 396</b>
Net profit attributable to shareholders		90 779		90 779
Ordinary dividend paid		(80 567)		(80 567)
<b>Balance as at 30 June 2006</b>	<b>4 853</b>	<b>120 344</b>	<b>(1 589)</b>	<b>123 608</b>
<b>Balance as at 1 July 2006</b>	<b>4 853</b>	<b>120 344</b>	<b>(1 589)</b>	<b>123 608</b>
Sale of treasury shares		5 423	1 589	7 012
Net profit attributable to shareholders		50 726		50 726
Ordinary dividend paid		(84 110)		(84 110)
<b>Balance as at 31 December 2006</b>	<b>4 853</b>	<b>92 383</b>	<b>-</b>	<b>97 236</b>

#### SUMMARISED GROUP CASH FLOW STATEMENTS

(R'000's)	Six months ended		Year
	31 December	2005	ended
	2006		30 June
			2006
Cash generated by operations	91 227	97 795	239 057
Net acquisition of investments	(39 404)	(40 488)	(118 869)
Investment returns	66 409	61 315	59 075
Dividend paid	(84 088)	(80 793)	(80 489)
Taxation paid	(41 110)	(46 521)	(60 902)
<b>Cash flow from operating activities</b>	<b>(6 966)</b>	<b>(8 692)</b>	<b>37 872</b>
<b>Cash flow from investing activities</b>	<b>(5 594)</b>	<b>(4 810)</b>	<b>(9 226)</b>
<b>(Decrease)/ increase in cash on hand</b>	<b>(12 560)</b>	<b>(13 502)</b>	<b>28 646</b>

Fair value gains on financial assets at fair value through profit and loss are treated as operating activities and are reversed from cash generated by operations.

#### RECONCILIATION OF NET PROFIT PER SHARE TO HEADLINE EARNINGS PER SHARE

(cents)	Six months ended		Year
	31 December	2005	ended
	2006		30 June
			2006
<b>Net profit attributable to ordinary shareholders</b>	<b>156,80</b>	<b>125,47</b>	<b>281,69</b>
Add: Profit on disposal of fixed assets	0,09	-	0,07
<b>Headline earnings</b>	<b>156,89</b>	<b>125,47</b>	<b>284,73</b>
Weighted ordinary shares in issue ('000)	32 350	32 350	32 227
Restated	32 350	32 350	32 350

#### DISTRIBUTIONS PAID TO SHAREHOLDERS DURING THE SIX MONTHS ENDED 31 DECEMBER 2006

	Six months ended		Six months
	31 December	2005	ended
	2006		31 December
			2005
Ordinary dividend (R'000's)	84 110		80 875
Ordinary shares in issue at 31 December ('000's)	32 350		32 350

#### SEGMENT INFORMATION

Clientèle Life's main business segments include Insurance and Financial Instruments segments.

The financial effects of the Financial Instrument segment on revenue and profit for the periods under review are insignificant.

Segment assets & liabilities	Six months ended		Year
	31 December	2005	ended
	2006		30 June
	R'000	R'000	R'000
Insurance segment assets	635 898	463 375	586 256
Financial Instruments segment assets	468 816	466 833	454 981
<b>Total Group assets</b>	<b>1 104 714</b>	<b>930 208</b>	<b>1 041 237</b>
Insurance segment liabilities	535 884	378 115	459 384
Financial Instruments segment liabilities	471 594	469 890	458 245
<b>Total Group Liabilities</b>	<b>1 007 478</b>	<b>848 005</b>	<b>917 629</b>

Clientèle Life operates in South Africa. Policies written are in respect of individuals.

#### NOTES TO THE RESULTS:

The investment in the associate represents a 33.3% investment in Clientèle USA LLC.

The investment in the associate and the loan to the associate were fully impaired at 30 June 2006.

The increase in policyholder liabilities has been based on best estimates after providing for compulsory and discretionary margins and has been actuarially certified by QED Actuaries & Consultants (Pty) Limited.

The group has entered into an agreement to purchase two contiguous office buildings for approximately R38 million.

The nature of the group's business remains unchanged.

## Highlights

- New policies sold increased by 68%
- Embedded Value of new business up by 80% to R176 million
- Increase in total Embedded Value of 40% to R804 million
- Headline earnings per share increased by 25%
- Annualised return on average shareholders' interests of 90%

#### ACCOUNTING POLICIES

##### Statement of compliance

The accounting policies adopted for the purpose of the group financial statements comply with International Financial Reporting Standards (IFRS), and with the listing requirements of the JSE Limited and the Companies Act of South Africa.

##### GROUP EMBEDDED VALUE

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

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

The value of in force business is the present value of future after tax profits arising from business in force at 31 December 2006.

The embedded value calculations have been certified by the company's independent actuaries, QED Actuaries & Consultants (Pty) Limited.

	Six months ended		Year
	31 December	2005	ended
	2006	R'000	30 June
			2006
<b>Embedded value</b>	<b>803 549</b>	<b>592 467</b>	<b>670 449</b>
Value of excess assets attributable to shareholders	97 235	81 217	123 608
Cost of capital	(9 451)	(4 330)	(6 651)
Value of in force business	<b>715 764</b>	<b>515 580</b>	<b>553 492</b>
Embedded value	<b>803 549</b>	<b>592 467</b>	<b>670 449</b>
Value of new business	<b>176 263</b>	<b>98 058</b>	<b>181 136</b>

The value of new business represents the present value of projected after tax profits at the point of sale on new policies sold and annuity fee income during the period ended 31 December 2006.

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

Clientèle's CAR cover ratio at 31 December 2006 was 2,37 times (30 June 2006: 4,5 times).

##### Analysis of change in embedded value

	31 December	
	2006	2006
<b>Embedded value at beginning of period</b>		<b>670 449</b>
Dividend		(84 110)
Secondary tax		(10 228)
Unwinding of discount rate		43 202
Embedded value - Goodwill and medium term incentive bonus scheme		(11 111)
Sale of treasury shares		7 012
<b>Total</b>		<b>(55 235)</b>
<b>Value added by management</b>		<b>204 756</b>
Value of new business		176 263
Profit from associate		67
Experience and sundry adjustments		28 426
Change in basis		
Value of in-force and excess assets		(13 621)
Cost of capital		(2 800)
<b>Embedded value at end of period</b>		<b>803 549</b>

##### Main assumptions: Long-term economic assumptions

	% p.a. 2006	% p.a. 2005
Risk discount rate	14	14
Overall investment return	8,5	8,5
Expense inflation	6	6

##### Other assumptions

The assumptions for future mortality, persistency and premium escalations were based on recent experience adjusted for anticipated future trends. Allowance has been made for future taxation and STC in the embedded value calculations.

No future benefit has been anticipated in the embedded value calculation for the estimated tax loss of R630 million in the individual policyholder fund.

##### By order of the board

G Q Routledge  
Chairman

G J Soll  
Managing Director