



# Clientèle LIFE

## Highlights

- Net insurance premiums up by 33%
- Headline earnings per share up by 27%
- Annualised return on Embedded Value of 40%
- Annualised return on average shareholders interest of 85%

## SUMMARISED GROUP RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2007

### COMMENTS

The six months to 31 December 2007 has been characterised by the introduction of the National Credit Act ("NCA"), changes in banking system collection mechanisms and a weakening of investment markets in November and December. These changes have affected net production, persistency and investment returns for the six month period.

This had an effect on Clientèle Life's results which nevertheless reflect a healthy increase in headline earnings.

Net recurring premium income for the period of R379 million (2006: R285 million) increased by 33%. The group earned R61 million (2006: R38 million) of other income which represents an increase of 58% and is comprised mainly of recurring income, prior to the allocation of related expenses, from its Independent Field Advertiser ("IFA") distribution channel.

Fair value gains on financial assets for the six months were significantly lower than that of the corresponding period last year and at R35 million is R45 million short of the comparative gains of R80 million. Within these fair value gains, R9 million is attributable to shareholders which is R19 million lower than last year. This is as a result of the weaker financial markets in November and December.

Policyholders benefits of R80 million (2006: R53 million) have increased by 52%.

Administration expenses per policy continue to be well controlled and the relatively low average annual administration cost per policy is in line with actuarial assumptions. Together, acquisition costs and administration expenses for the period have increased by 29% in comparison to the 33% increase in net recurring premium income.

The transfer to policyholder liabilities under insurance contracts has decreased significantly for the period mainly due to policyholder investment performance which has been affected by lower market returns.

The effective tax rate for the period has increased in comparison to the comparative period due to the change in mix of income with significantly less investment income this period.

Headline earnings per share has increased by 27% from 156,89 cents to 199,45 cents for the period under review.

The above results have translated into an annualised after-tax return on average shareholders interests of 85%.

Value of New Business for the six months amounted to R159 million (2006: R169 million) and has been affected by the introduction of the NCA and changes in banking collection mechanisms. These changes had the most impact in the first quarter of the financial year and good progress has been made in responding to these changes.

Embedded Value has increased from R876 million after adjusting for dividends and related STC at 30 June 2007 to R1 billion at 31 December 2007. This translates into an annualised return on Embedded Value of 40% which although lower than the same period last year is still pleasing off a significantly higher base.

The Share Appreciation Rights ("SAR") Scheme implemented in January 2007 has required that in accordance with IFRS, Clientèle Life recognises a cost of R2 million in the income statement for this period and has resulted in a cumulative R18 million adjustment to Embedded Value since inception of the scheme, in order to recognise the future possible dilution as a result of the Scheme. The SAR Scheme has already had a positive result on the participants and has encouraged behaviour and performance which has contributed to the results.

Clientèle Life remains committed to servicing, empowering and educating under serviced segments of the financial services market and will continue to consider opportunities in this arena of the lower and middle income markets.

### By order of the Board

G Q Routledge  
Chairman

G J Soll  
Managing Director

Johannesburg  
28 February 2008

### UNAUDITED

#### CONDENSED GROUP BALANCE SHEETS

(R'000's)	Six months ended		Year ended
	31 December 2007	2006	30 June 2007
<b>Assets</b>			
Property and equipment	81 288	14 981	82 512
Investment in associate	237	98	141
Loan to associate	450	-	450
Deferred taxation	2 823	4 980	3 384
Current taxation receivables	-	2 064	3 295
Inventories	1 711	1 604	1 459
Reinsurance assets	29 270	33 378	34 359
Financial assets held at fair value through profit and loss	1 069 005	992 527	1 042 059
Receivables including insurance receivables	26 741	15 272	16 333
Cash and cash equivalents	65 543	39 810	89 695
<b>Total assets</b>	<b>1 277 068</b>	<b>1 104 714</b>	<b>1 273 687</b>
<b>Equity</b>			
Share capital	4 853	4 853	4 853
Retained earnings	113 965	92 383	146 494
Non-Distributable Reserve: Revaluation	16 101	-	16 101
SAR Scheme Reserve	4 449	-	2 099
<b>Total equity</b>	<b>139 368</b>	<b>97 236</b>	<b>169 547</b>
<b>Liabilities</b>			
Policyholder liabilities under insurance contracts	512 571	446 648	498 020
Financial liabilities held at fair value through profit and loss	511 033	471 594	480 969
Employee benefits	37 244	25 760	32 760
Amounts due to reinsurers	-	1 215	1 191
Accruals and payables including insurance payables	65 074	59 808	79 781
Deferred taxation	11 381	2 453	11 419
Current taxation	397	-	-
<b>Total liabilities</b>	<b>1 137 700</b>	<b>1 007 478</b>	<b>1 104 140</b>
<b>Total equity and liabilities</b>	<b>1 277 068</b>	<b>1 104 714</b>	<b>1 273 687</b>

#### CONDENSED GROUP INCOME STATEMENTS

(R'000's)	Six months ended		%	Year ended
	31 December 2007	2006		Increase
<b>Revenue</b>				
Insurance premium revenue				
- individual recurring	394 376	298 746	32	651 267
Reinsurance premiums	(15 479)	(13 824)		(27 749)
<b>Net insurance premiums</b>	<b>378 897</b>	<b>284 922</b>	<b>33</b>	<b>623 518</b>
Other income	60 887	38 480	58	84 765
Fair value gains on financial assets held at fair value through profit and loss	35 372	80 229	(44)	152 675
<b>Total revenue</b>	<b>475 156</b>	<b>403 631</b>	<b>18</b>	<b>860 958</b>
Net insurance benefits and claims	(80 046)	(52 506)	52	(125 450)
Policyholder benefits under insurance contracts	(93 353)	(61 846)		(145 662)
Insurance claims recovered from reinsurers	13 307	9 340		20 212
Increase in policyholder liabilities under insurance contracts	(15 532)	(66 652)	(77)	(118 024)
- Increase for the year	(14 065)	(66 652)		(113 968)
- Impact of Statement of Intent and Regulation 5	(1 467)	-		(4 056)
(Decrease)/Increase in reinsurance assets	(4 108)	4 558		5 539
Fair value adjustment to financial liabilities held at fair value through profit and loss	(20 673)	(14 569)	42	(34 332)
Expenses	(250 668)	(194 269)	29	(434 673)
Acquisition costs associated with insurance contracts	(225 899)	(172 881)	29	(387 125)
Administration expenses	(27 769)	(21 388)	30	(47 548)
Equity accounted earnings from associates	95	98		141
<b>Profit before taxation</b>	<b>104 224</b>	<b>80 291</b>	<b>30</b>	<b>154 159</b>
Taxation	(39 703)	(29 565)		(49 322)
<b>Net profit attributable to ordinary shareholders</b>	<b>64 521</b>	<b>50 726</b>	<b>27</b>	<b>104 837</b>

#### TAXATION

(R'000's)	Six months ended		Year ended
	31 December 2007	2006	30 June 2007
Current and deferred taxation	(30 089)	(16 072)	(33 524)
Secondary tax on companies ("STC")	(9 288)	(10 228)	(10 228)
Capital gains tax	(326)	(3 265)	(5 570)
	(39 703)	(29 565)	(49 322)

The Individual Policyholder Fund has an estimated tax loss of R774 million.

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

(R'000's)	Six months ended		Year ended
	31 December 2007	2006	30 June 2007
<b>Net profit attributable to ordinary shareholders</b>	<b>64 521</b>	<b>50 726</b>	<b>104 837</b>
Less/add: (Profit)/Loss on disposal of fixed assets	-	29	(5)
<b>Headline earnings</b>	<b>64 521</b>	<b>50 755</b>	<b>104 832</b>

#### RATIOS PER SHARE

	2007	2006	2007
Headline earnings per share (cents)	199,45	156,89	324,06
Diluted headline earnings per share (cents)	198,52	156,84	323,83
Earnings per share (cents)	199,45	156,89	324,07
Diluted earnings per share (cents)	198,52	156,89	323,84
Net asset value per share (cents)	430,81	300,57	524,10
Diluted net asset value per share (cents)	428,81	300,55	523,73
Weighted ordinary shares in issue ('000)	32 350	32 350	32 350
Diluted ordinary shares in issue ('000)	32 501	32 350	32 373

#### CONDENSED STATEMENT OF CHANGES IN EQUITY

(R'000's)	Share capital	Retained earnings	Treasury shares	SAR scheme reserve	distributable reserves	Total
Balance as at 1 July 2006	4 853	120 344	(1 589)	-	-	123 608
Sale of treasury shares		5 423	1 589			7 012
Net profit attributable to shareholders		104 837				104 837
Ordinary dividend paid		(84 110)				(84 110)
SAR scheme allocated				2 099		2 099
Revaluation of owner-occupied property					16 101	16 101
<b>Balance as at 30 June 2007</b>	<b>4 853</b>	<b>146 494</b>	<b>-</b>	<b>2 099</b>	<b>16 101</b>	<b>169 547</b>
Balance as at 1 July 2007	4 853	146 494	-	2 099	16 101	169 547
Net profit attributable to shareholders		64 521				64 521
Ordinary dividend paid		(97 050)				(97 050)
SAR scheme allocated				2 350		2 350
<b>Balance as at 31 December 2007</b>	<b>4 853</b>	<b>113 965</b>	<b>-</b>	<b>4 449</b>	<b>16 101</b>	<b>139 368</b>

#### CONDENSED GROUP CASH FLOW STATEMENTS

(R'000's)	Six months ended		Year ended
	31 December 2007	2006	30 June 2007
Cash generated by operations	117 734	91 227	228 551
Net acquisition of investments	(24 904)	(39 404)	(72 746)
Investment returns	19 394	66 409	25 321
Dividend paid	(96 936)	(84 089)	(84 089)
Taxation paid	(34 994)	(41 110)	(43 614)
<b>Cash flow from operating activities</b>	<b>(19 706)</b>	<b>(6 967)</b>	<b>53 423</b>
<b>Cash flow from investing activities</b>	<b>(4 446)</b>	<b>(5 594)</b>	<b>(16 272)</b>
<b>(Decrease)/ Increase in cash on hand</b>	<b>(24 152)</b>	<b>(12 561)</b>	<b>37 151</b>

#### SEGMENT INFORMATION

Clientèle Life's main business segments include Insurance and Investment contract segments.

The financial effects of the Investment contract segment on revenue and profit for the period are insignificant.

	Six months ended		Year ended
	31 December 2007	2006	30 June 2007
Segment assets & liabilities			
Insurance segment assets	768 178	635 898	792 894
Investment contract segment assets	508 890	468 816	480 793
<b>Total Group assets</b>	<b>1 277 068</b>	<b>1 104 714</b>	<b>1 273 687</b>
Insurance segment liabilities	626 667	535 884	623 171
Investment contract segment liabilities	511 033	471 594	480 969
<b>Total Group Liabilities</b>	<b>1 137 700</b>	<b>1 007 478</b>	<b>1 104 140</b>

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

#### NOTES TO THE RESULTS:

The investment in associates represents a 33.3% investment in Clientèle USA and a 49% share in Legal Sense (Pty) Ltd.

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 is awaiting transfer of the remaining four buildings in Morningview Office Park in Rivonia Road, Sandton which have been purchased for R56 million.

The nature of the group's business remains unchanged.

The group is however pursuing opportunities to expand its offerings within the financial services arena.

#### 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 and are consistent with prior years.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates and judgement. The reported amounts in respect of the Group's insurance contracts, employee benefits and unquoted financial instruments are affected by accounting estimates and judgement.

There was no significant impact due to changes in previous assumptions used in deriving the amounts referred to above.

#### 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 2007.

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

(R'000's)	Six months ended		Year ended
	31 December 2007	2006	30 June 2007
<b>Embedded Value</b>			
Value of excess assets attributable to shareholders	138 592	97 236	169 545
Cost of capital	(16 681)	(9 451)	(13 683)
Value of in force business	933 410	693 377	828 707

Embedded Value before SAR Scheme adjustment

SAR Scheme adjustment	(18 284)	-	(2 099)
<b>Embedded Value</b>	<b>1 037 036</b>	<b>781 162</b>	<b>984 569</b>

Value of New Business

	158 550	168 684	302 436
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The Value of New Business for the six months ended 31 December 2006 of R169 million has been restated from R160 million as the annual increase in subscription fees is now amortised evenly over the year.

The value of excess assets attributable to shareholders represents total equity after adjusting for the value of subsidiaries to net asset value.

The value of New Business represents the present value of projected after tax profits at the point of sale on new policies sold and new annuity fee income commencing during the six months ended 31 December 2007.

The SAR Scheme adjustment recognises the future dilution in Embedded Value as a result of the introduction of the SAR Scheme referred to above.

The Cost of Capital is the opportunity cost of having to hold assets to cover the Capital Adequacy Requirement (CAR) of R53 million.

Clientèle Life's CAR cover ratio at 31 December 2007 was 2,6 times (30 June 2007: 3,6 times).

Analysis of change in Embedded Value	31 December 2007
<b>Embedded Value at the beginning of the period</b>	<b>982 470</b>
Dividend paid	(97 050)
Secondary tax paid	(9 288)
Embedded Value after adjusting for dividends and STC	876 132
Unwinding of discount rate	61 321
SAR Scheme dilution	(16 185)
Goodwill and medium-term incentive schemes	(28 281)
	892 987

Value added by Management	169 725
Value of New Business	158 550
Profit from associates	68
Investment experience	10 426
Withdrawal experience	(8 771)
Expected secondary tax	4 622
Claims and reinsurance experience	2 021
Sundry experience	2 809

Change in basis (24 678)

Change in cost of capital (existing business) (998)

**Embedded Value at the end of the period** **1 037 036**

**Embedded Value earnings**

Embedded Value at the end of the period 1 037 036

Embedded Value at the beginning of the period (after adjusting for dividends and STC) 876 132

Embedded Value earnings for the period 160 904

As a percentage of Embedded Value (adjusted) at the beginning of the period 18,4%

Annualised return on Embedded Value 40,1%

	Six months ended		Year ended
	31 December 2007	2006	30 June 2007
Embedded Value per share (cents)	3 262,2		