

# Highlights

- Value of New Business increased to R209 million
- Embedded Value Earnings of R458 million
- Annualised return on Embedded Value of 56%
- Net recurring insurance premiums up by 18%
- Annualised return on average shareholders interest of 55%
- Shareholders investment losses limited to 8%
- Policyholders investment losses limited to 6%
- Headline earnings per share decreased by 8% from 19.95 cents to 18.32 cents



# Clientèle LIMITED

## COMMENTS

### OPERATING RESULTS

Clientèle Limited ("Clientèle") and its subsidiaries ("the Clientèle Group") has recorded sound results for the six months to 31 December 2008, despite turbulent markets and economic uncertainty.

Net recurring insurance premiums for the six months are up by 18% from R378.9 million to R445.7 million, other recurring income is up by 34% from R60.9 million to R81.4 million and the progress from our newly established businesses namely Independent Field Advertisers Limited (Nigeria) ("IFA Nigeria"), Clientèle Legal and Clientèle Loans Direct (Proprietary) Limited ("Clientèle Loans Direct") has met our initial expectations.

The Group has continued to create value over the last six months. Although production volumes have been impacted by the state of the economy this has been countered by improving margins and enhanced premium collections management resulting in improved lapse experience over the comparable period. The Value of New Business has increased from R158.6 million for the first six months of last year to R209.1 million for the six months under review. The corresponding New Business profit margin increased from 20% to 24%.

The Embedded Value has increased from R1.1 billion (after adjusting for dividends and related STC) to R1.5 billion at 31 December 2008. This translates into an annualised Return on Embedded Value of 71%. This return can be broken down into an annualised return of 56% per annum before allowing for economic changes and 15% being the impact of once-off items (including economic assumption changes) which are expected to be a non recurring feature and thus have not been annualised.

The risk discount rate of 12.25% has been set in terms of current actuarial guidance and includes a conservative adjusted beta of 1, an equity risk premium of 3.5% and an additional risk margin of 1% for general market conditions for conservatism in the current economic climate. The calculation is comprehensively explained and a sensitivity analysis is provided under the Group Embedded Value section of the results.

Investment returns for the six months, although negative, have been limited to negative 8% for shareholders and negative 6% for policyholders in comparison to the negative 28% return of the JSE All Share Index for the same period. The asset allocations within the portfolios have provided the Group with a reasonable measure of protection during this period of declining market values and volatility.

This translates into fair value losses on financial assets for the period of R42.3 million which are R77.7 million lower than the comparative gains of R35.4 million in the 2007 six month period. These fair value losses include R5.3 million attributable to shareholders, which is R14.2 million lower than the gains of R8.9 million attributable to shareholders for the comparable six months.

Policyholder benefit payments of R97.7 million (2007 : R93.4 million), the majority of which relates to payments in respect of linked endowment products, have increased by 5% over the comparable six months.

Policyholder liabilities under insurance contracts have decreased by R9.1 million for the period. This is mainly due to the negative investment performance pertaining to policyholder funds as a consequence of negative market returns.

The active ongoing management of expenses has continued to support the return in New Business Profit margins and the strong growth in Embedded Value. Expenses for the six months have increased by 28% due to the inclusion of expenses related to the new subsidiaries. The increase in expenses prior to the inclusion of the new ventures amounted to an increase of 15% from R249.6 million to R287.3 million, which is in line with the increase in net insurance premiums and other income from R439.3 million to R505.9 million, an increase of 15%.

The effective tax rate for the six month period of 30% (excluding STC) has increased in comparison to the previous six month period of 28%. This is primarily due to the change in mix between operating income and investment income/losses which are taxed at lower rates. The proportion of operating income in the current period was higher than that of last year resulting in a higher effective tax rate. It should be noted that the permanent taxation difference in respect of the SAR scheme expense increases the effective rate of tax. This increase has been partially compensated for by the reduction in the corporate taxation rate from 29% to 28%.

Headline earnings for the Group of R59.3 million is 8% less than the headline earnings of R64.5 million for the corresponding six months. The decrease is primarily due to the reduction in investment income, start-up costs incurred within the new ventures and the higher STC charge in respect of the 30% increase in dividends paid.

Diluted headline earnings per share have decreased by 7% from 19.69 cents for the six months ended 31 December 2007 to 18.32 cents for the six months ended 31 December 2008.

The three new ventures, which, as budgeted, have incurred start up costs ahead of income, have together contributed a net loss after tax of R9.2 million after adjusting for minority interests.

The annualised return on average shareholders' interests for the six months has decreased from 85% for the corresponding six months to 55% for this period due to the impact of start-up costs for the new ventures and shareholder investment losses.

Dividends paid in September 2008 of 39 cents per share increased from 30 cents per share in the previous year, an increase of 30%.

### NEW VENTURES

**IFA Nigeria**  
Clientèle launched a new business in Nigeria, IFA Nigeria, in July 2008 and commenced policy sales from August 2008. From 1 July 2008, IFA Nigeria was owned by Clientèle (75%) and by KC 2008 Limited, a Nigerian company ("KC 2008") (25%). KC 2008 has subscribed for 25% of the issued share capital of IFA Nigeria for a subscription price of US\$8 million (R63.0 million). A further minimum amount of US\$6.5 million (maximum: US\$7.5 million) is payable by KC 2008 on or before 31 December 2010. Should KC 2008 elect not to exercise their rights, their effective shareholding will reduce from 25% to 11%. Clientèle, via its 100% owned subsidiary, Clientèle Life (Netherlands) Coöperatieve U.A., has subscribed for its shares in the capital of IFA Nigeria for a subscription price of US\$1 million (R9.9 million). Clientèle provides ongoing management expertise, business systems and support to IFA Nigeria. In addition, KC 2008 has lent US\$2 million (R18.9 million) to IFA Nigeria.

The Embedded Value results for IFA Nigeria have been based on a risk discount rate of 25% per annum, a long-term investment return of 7% per annum and a long term inflation rate of 7% per annum. The Present Value of In-force Business at 31 December amounts to R22.6 million and Value of New Business amounts to R13.3 million. The business has a total Embedded Value of R70.7 million. Production is in line with expectations and expenses have been more favourable than expected; however, collections are lower than expected. Management believe that controlling and improving the premium collection process will play an important role in the overall success of IFA Nigeria.

### Clientèle Legal

The personal lines legal insurance business is performing as expected with a Value of In-force Business of R41.3 million and a Value of New Business of R15.9 million.

### Clientèle Loans Direct

The unsecured personal loans business of which Clientèle owns 70% operated in co-operation with Direct Axis (SA) (Pty) Ltd., is progressing in line with its conservative credit assessment and lending approach. R6 million has been advanced in the first four months of operation and experience from the loans book has been as expected. Direct Axis is a fully integrated and centralised direct marketing business that offers selected financial products. Direct Axis has established joint ventures with other insurance and banking partners that utilise its risk management intellectual property, marketing tools, IT infrastructure, database and risk assessment expertise, customer management skills and distribution ability. Direct Axis prides itself on its extensive loan portfolio management skills acquired since inception in 1995.

### PROSPECTS

The past six months has seen the progress of the Clientèle Group's transformation from a life insurance company to a financial services group. At the same time its core traditional business continues to enjoy the success it has achieved in the past. This has paved the way for Clientèle to offer other financial services products to its existing customers and for it to use its existing direct distribution channels to market these additional products. Clientèle believes that its proven IFA distribution model is well suited to other African markets and the acceptance of IFA in Nigeria has been encouraging. The new group intends to leverage off its existing customers and distribution methods and to remain a highly focused organisation in order to further enhance the creation of value for shareholders.

### By order of the Board

G Q Routledge  
Chairman  
G J Soll  
Managing Director

Johannesburg  
2 March 2009

## SUMMARISED GROUP RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2008

### UNAUDITED

#### CONDENSED GROUP INCOME STATEMENTS

| (R'000's)  | Six months ended |                | %           | Audited Year ended 30 June 2008 |
|--|------------------|----------------|-------------|---------------------------------|
|  | 31 December 2008 | 2007           |             |                                 |
| <b>Revenue</b>   |                  |                |             |                                 |
| Insurance premium revenue  | 461 560          | 394 376        | 17          | 815 232                         |
| - individual recurring Reinsurance premiums  | (15 900)         | (15 479)       |             | (31 195)                        |
| <b>Net insurance premiums</b>  | <b>445 660</b>   | <b>378 897</b> | <b>18</b>   | <b>784 037</b>                  |
| Other income   | 81 447           | 60 887         | 34          | 118 395                         |
| Fair value adjustment to financial assets at fair value through profit and loss      | (42 330)         | 35 372         | >(100)      | 63 999                          |
| <b>Total revenue</b>   | <b>484 777</b>   | <b>475 156</b> | <b>2</b>    | <b>966 431</b>                  |
| Net insurance benefits and claims  | (79 766)         | (80 046)       |             | (161 485)                       |
| Claims and policyholder benefits under insurance contracts                           | (97 656)         | (93 353)       | 5           | (194 073)                       |
| Insurance claims recovered from reinsurers   | 17 890           | 13 307         | 34          | 32 588                          |
| Decrease/(increase) in policyholder liabilities under insurance contracts            | 9 073            | (15 532)       |             | (40 315)                        |
| Decrease/(increase) for the year   | 9 073            | (14 065)       |             | (38 848)                        |
| Impact of Regulation 5   | -                | (1 467)        |             | (1 467)                         |
| Decrease in reinsurance assets   | (1 140)          | (4 108)        |             | (10 564)                        |
| Fair value adjustment to financial liabilities at fair value through profit and loss | 6 346            | (20 673)       |             | (31 770)                        |
| Expenses   | (321 528)        | (250 668)      | 28          | (522 029)                       |
| <b>Results from operating activities</b>   | <b>97 762</b>    | <b>104 129</b> | <b>(6)</b>  | <b>200 268</b>                  |
| Equity accounted earnings  | 18               | 95             |             | 74                              |
| <b>Profit before taxation</b>  | <b>97 780</b>    | <b>104 224</b> | <b>(6)</b>  | <b>200 342</b>                  |
| Taxation   | (41 044)         | (39 703)       | 3           | (66 136)                        |
| <b>Net profit for the period</b>   | <b>56 736</b>    | <b>64 521</b>  | <b>(12)</b> | <b>134 206</b>                  |
| Attributable to:   |                  |                |             |                                 |
| Minority interest - ordinary shares  | (2 619)          | -              |             | -                               |
| <b>Equity holders of the Group - ordinary shares</b>                                 | <b>59 355</b>    | <b>64 521</b>  | <b>(8)</b>  | <b>134 206</b>                  |

#### CONDENSED GROUP BALANCE SHEETS

| (R'000's)  | Six months ended |                  | Audited Year ended 30 June 2008 |
|--|------------------|------------------|---------------------------------|
|  | 31 December 2008 | 2007             |                                 |
| <b>Assets</b>  |                  |                  |                                 |
| Intangible assets  | 3 753            | -                | 3 849                           |
| Property and equipment   | 45 106           | 19 288           | 21 475                          |
| Owner-occupied properties  | 126 579          | 62 000           | 127 600                         |
| Equity accounted investments                                     | 541              | 237              | 626                             |
| Deferred taxation  | 15 127           | 2 823            | 5 966                           |
| Inventories  | 1 718            | 1 711            | 1 712                           |
| Reinsurance assets   | 28 168           | 29 270           | 23 795                          |
| Financial assets held at fair value through profit and loss      | 1 082 471        | 1 069 005        | 1 065 997                       |
| Loans and receivables including insurance receivables            | 131 490          | 27 191           | 45 113                          |
| Current taxation receivables                                     | -                | -                | 1 742                           |
| Cash and cash equivalents  | 88 880           | 65 543           | 197 390                         |
| <b>Total assets</b>  | <b>1 523 833</b> | <b>1 277 068</b> | <b>1 494 265</b>                |
| <b>Liabilities</b>   |                  |                  |                                 |
| Policyholder liabilities under insurance contracts               | 529 262          | 512 571          | 538 335                         |
| Financial liabilities held at fair value through profit and loss | 632 886          | 511 033          | 490 469                         |
| • amortised cost   | 583 327          | 511 033          | 490 469                         |
| • employee benefits  | 49 559           | -                | -                               |
| Employee benefits  | 39 805           | 37 244           | 65 941                          |
| Accruals and payables including insurance payables               | 92 995           | 65 074           | 137 036                         |
| Deferred taxation  | 12 797           | 11 381           | 13 168                          |
| Current taxation   | 826              | 397              | 31 527                          |
| <b>Total liabilities</b>   | <b>1 308 571</b> | <b>1 137 700</b> | <b>1 276 476</b>                |
| <b>Total equity and liabilities</b>                              | <b>1 523 833</b> | <b>1 277 068</b> | <b>1 494 265</b>                |

#### TAXATION

| (R'000's)                          | Six months ended |                 | Audited Year ended 30 June 2008 |
|------------------------------------|------------------|-----------------|---------------------------------|
|                                    | 31 December 2008 | 2007            |                                 |
| Current and deferred taxation      | (29 892)         | (30 089)        | (58 250)                        |
| Secondary tax on companies ("STC") | (12 150)         | (9 288)         | (9 288)                         |
| Capital gains tax                  | -                | (326)           | (340)                           |
| Overprovision in prior years       | 998              | -               | 1 742                           |
| <b>Taxation</b>                    | <b>(41 044)</b>  | <b>(39 703)</b> | <b>(66 136)</b>                 |

The Individual Policyholder Fund has an estimated tax loss of R1.048 billion.

#### RECONCILIATION OF NET PROFIT TO HEADLINE EARNINGS FOR THE PERIOD

| (R'000's)  | Six months ended |               | Audited Year ended 30 June 2008 |
|--|------------------|---------------|---------------------------------|
|  | 31 December 2008 | 2007          |                                 |
| Net profit for the period attributable to equity holders | 59 355           | 64 521        | 134 206                         |
| Less: Profit on disposal of fixed assets                 | (82)             | -             | (202)                           |
| <b>Headline earnings</b>                                 | <b>59 273</b>    | <b>64 521</b> | <b>134 004</b>                  |

#### RATIOS PER SHARE

|  | Six months ended |                | Audited Year ended 30 June 2008 |
|--|------------------|----------------|---------------------------------|
|  | 31 December 2008 | 2007           |                                 |
| <b>Headline earnings per share (cents)</b>         | <b>18.32</b>     | <b>19.95</b>   | <b>41.42</b>                    |
| <b>Diluted headline earnings per share (cents)</b> | <b>18.32</b>     | <b>19.69</b>   | <b>41.21</b>                    |
| <b>Earnings per share (cents)</b>                  | <b>18.35</b>     | <b>19.95</b>   | <b>41.49</b>                    |
| <b>Diluted earnings per share (cents)</b>          | <b>18.35</b>     | <b>19.69</b>   | <b>41.27</b>                    |
| <b>Net asset value per share (cents)</b>           | <b>66.54</b>     | <b>43.08</b>   | <b>67.32</b>                    |
| <b>Diluted net asset value per share (cents)</b>   | <b>66.54</b>     | <b>42.52</b>   | <b>66.98</b>                    |
| <b>Weighted average ordinary shares ('000)</b>     | <b>323 500</b>   | <b>323 500</b> | <b>323 500</b>                  |
| <b>Diluted average ordinary shares ('000)</b>      | <b>323 500</b>   | <b>327 750</b> | <b>325 157</b>                  |

\*On 19 May 2008 the shares of Clientèle Limited ("Clientèle") were subject to a de facto 10:1 share split. The shares, earnings per share and net asset value per share for 2007 have accordingly been restated.

#### NOTES TO THE RESULTS

The results have not been reviewed or audited by the Group's auditors PricewaterhouseCoopers. The decreases/(increases) in policyholder liabilities have been based on best estimates after providing for compulsory and discretionary margins and have been actuarially certified by QED Actuaries & Consultants (Pty) Ltd.

#### ACCOUNTING POLICIES

##### Statement of compliance

The accounting policies adopted for the purpose of the Group Financial statements comply with International Financial Reporting Standards ("IFRS"), the JSE Limited Listings Requirements and the Companies Act 1973 (Act 61 of 1973) as amended and are consistent with prior years. The results have been prepared in terms of IAS 34 (Interim Financial Reporting).

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.

##### Comparatives

As Clientèle was incorporated on 23 August 2007 and the restructuring only being effective from 19 May 2008, Clientèle had no former trading history and thus no comparative financial information. This transaction is accounted for as a common control transaction. The directors have included the comparative financial information comprising the balance sheet, income statement, statement of changes in equity and cash flow statement, which represents the comparative information of the financial position at 31 December 2007 of the pre-existing businesses of Clientèle Life Assurance Company Limited ("Clientèle Life").

The Group accounting policies adopted by Clientèle Life have been adopted by Clientèle and are consistent with those used in the Annual Financial statements for the year ended 30 June 2008. During the year the Group has transacted with minorities and consequently accounted for these transactions based on the economic entity model method.

#### SEGMENT INCOME STATEMENTS

| (R'000's)   | SA Long term insurance | SA Short term insurance | SA Investment contract | Nigeria Long term brokerage | Inter segment (revenue)/expense | Total Group      |
|---|------------------------|-------------------------|------------------------|-----------------------------|---------------------------------|------------------|
| <b>31 December 2008</b>   |                        |                         |                        |                             |                                 |                  |
| Net insurance premiums  | 432 615                | 13 045                  | -                      | -                           | -                               | 445 660          |
| Other income  | 73 271                 | 552                     | 836                    | 7 128                       | (340)                           | 81 447           |
| Fair value adjustment to financial assets at fair value through profit and loss       | (35 984)               | -                       | (6 346)                | -                           | -                               | (42 330)         |
| <b>Segment revenue</b>  | <b>469 902</b>         | <b>13 597</b>           | <b>(5 510)</b>         | <b>7 128</b>                | <b>(340)</b>                    | <b>484 777</b>   |
| <b>Segment expenses and claims</b>  | <b>(357 181)</b>       | <b>(17 298)</b>         | <b>4 443</b>           | <b>(17 319)</b>             | <b>340</b>                      | <b>(387 015)</b> |
| Net insurance benefits and claims   | (79 723)               | (43)                    | -                      | -                           | -                               | (79 766)         |
| Decrease in policyholder liabilities under insurance contracts                        | 9 073                  | -                       | -                      | -                           | -                               | 9 073            |
| Decrease in reinsurance assets  | (1 140)                | -                       | -                      | -                           | -                               | (1 140)          |
| Fair value adjustments to financial liabilities at fair value through profit and loss | 1 903                  | -                       | 4 443                  | -                           | -                               | 6 346            |
| Operating expenses  | (287 294)              | (17 255)                | -                      | (17 319)                    | 340                             | (321 528)        |
| <b>Results from operating activities</b>  | <b>112 721</b>         | <b>(3 701)</b>          | <b>(1 067)</b>         | <b>(10 191)</b>             | <b>-</b>                        | <b>97 762</b>    |
| Equity accounted earnings   | 18                     | -                       | -                      | -                           | -                               | 18               |
| <b>Profit/ (loss) before taxation</b>   | <b>112 739</b>         | <b>(3 701)</b>          | <b>(1 067)</b>         | <b>(10 191)</b>             | <b>-</b>                        | <b>97 780</b>    |
| Taxation  | (46 174)               | 838                     | 299                    | 3 993                       | -                               | (41 044)         |
| <b>Net profit/ (loss) for the period</b>  | <b>66 565</b>          | <b>(2 863)</b>          | <b>(768)</b>           | <b>(6 198)</b>              | <b>-</b>                        | <b>56 736</b>    |
| <b>31 December 2007</b>   |                        |                         |                        |                             |                                 |                  |
| Net insurance premiums  | 378 804                | 93                      | -                      | -                           | -                               | 378 897          |
| Other income  | 60 544                 | -                       | 343                    | -                           | -                               | 60 887           |
| Fair value adjustment to financial assets at fair value through profit and loss       | 14 699                 | -                       | 20 673                 | -                           | -                               | 35 372           |
| <b>Segment revenue</b>  | <b>454 047</b>         | <b>93</b>               | <b>21 016</b>          | <b>-</b>                    | <b>-</b>                        | <b>475 156</b>   |
| <b>Segment expenses and claims</b>  | <b>(347 955)</b>       | <b>(1 111)</b>          | <b>(21 961)</b>        | <b>-</b>                    | <b>-</b>                        | <b>(371 027)</b> |
| Net insurance benefits and claims   | (80 046)               | -                       | -                      | -                           | -                               | (80 046)         |
| Increase in policyholder liabilities under insurance contracts                        | (15 532)               | -                       | -                      | -                           | -                               | (15 532)         |
| Decrease in reinsurance assets  | (4 108)                | -                       | -                      | -                           | -                               | (4 108)          |
| Fair value adjustment to financial liabilities at fair value through profit and loss  | 1 288                  | -                       | (21 961)               | -                           | -                               | (20 673)         |
| Operating expenses  | (249 557)              | (1 111)                 | -                      | -                           | -                               | (250 668)        |
| <b>Results from operating activities</b>  | <b>106 092</b>         | <b>(1 018)</b>          | <b>(945)</b>           | <b>-</b>                    | <b>-</b>                        | <b>104 129</b>   |
| Equity accounted earnings   | 95                     | -                       | -                      | -                           | -                               | 95               |
| <b>Profit/ (loss) before taxation</b>   | <b>106 187</b>         | <b>(1 018)</b>          | <b>(945)</b>           | <b>-</b>                    | <b>-</b>                        | <b>104 224</b>   |
| Taxation  | (40 253)               | 285                     | 265                    | -                           | -                               | (39 703)         |
| <b>Net profit/ (loss) for the period</b>  | <b>65 934</b>          | <b>(733)</b>            | <b>(680)</b>           | <b>-</b>                    | <b>-</b>                        | <b>64 521</b>    |

The figures relating to the Clientèle Loans Direct business are not material and are included in the long term insurance segment for disclosure purposes.

#### CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

| (R'000's)                        | Share capital | Share premium | Common control surplus/ (deficit) | Sub-total | Retained earnings | SAR scheme reserve | NDR: Foreign currency translation reserve | NDR: Changes in ownership | NDR: Revaluation | Attributable to equity holders | Minority interest | Total |
|----------------------------------|---------------|---------------|-----------------------------------|-----------|-------------------|--------------------|---|---------------------------|------------------|--------------------------------|-------------------|-------|
| <b>Balance as at 1 July 2007</b> |               |               |                                   |           |                   |                    |   |                           |                  |                                |                   |       |



# Clientèle LIMITED

## GROUP EMBEDDED VALUE

### EMBEDDED VALUE

The methodology and assumptions used to determine the Group Embedded Value have been adjusted to comply with the revised Embedded Value Guidance from the Actuarial Society of South Africa that applies for reporting periods ending on or after 31 December 2008.

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 business *less*
- the Cost of Required Capital ("CoC")

The Present Value of In-force business is the present value of future after tax profits arising from covered business in force as at 31 December 2008.

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 business written through a cell arrangement, 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).

The Embedded Value calculations have been certified by the Group's independent actuaries, QED Actuaries & Consultants (Pty) Ltd. The Embedded Value can be summarised as follows:

| (R'000's)   | Six months ended |           | Year ended 30 June 2008 |
|---|------------------|-----------|-------------------------|
|   | 31 December 2008 | 2007      |                         |
| Free Surplus  | 126 185          | 91 532    | 169 279                 |
| Required Capital  | 75 995           | 47 060    | 50 001                  |
| Adjusted Net Worth ("ANW") of covered business                  | 202 180          | 138 592   | 219 280                 |
| Cost of Required Capital  | (25 557)         | (16 681)  | (15 761)                |
| Present Value of In-force business ("PVIF")                     | 1 349 209        | 933 410   | 1 009 836               |
| Embedded Value of covered business before SAR scheme adjustment | 1 525 831        | 1 055 321 | 1 213 355               |
| SAR scheme adjustment   | (4 306)          | (18 284)  | (11 214)                |
| Embedded Value of covered business                              | 1 521 526        | 1 037 037 | 1 202 141               |

### VALUE OF NEW BUSINESS

|  | 2009    | 2008    | 2007      |
|--|---------|---------|-----------|
| Total Value of New Business            | 209 133 | 158 550 | 320 602   |
| Present Value of New Business premiums | 883 112 | 792 935 | 1 548 802 |
| New Business profit margin %           | 23.7    | 20.0    | 20.7      |

The Adjusted Net Worth of covered business is defined as the excess value of all assets attributed to the covered business, but not required to back the liabilities of covered business. Free Surplus is the Adjusted Net Worth less the Required Capital attributed to covered business.

| Reconciliation of Total Equity to Adjusted Net Worth (R'000's) | Six months ended |         | Year ended 30 June 2008 |
|--|------------------|---------|-------------------------|
|  | 31 December 2008 | 2007    |                         |
| Total equity and reserves per balance sheet                    | 215 262          | 139 368 | 217 789                 |
| Removal of Deferred Profits liability (net impact)             | 5 045            | -       | 2 888                   |
| Removing minority interests                                    | (15 220)         | -       | -                       |
| Adjusting subsidiaries to Net Asset Value                      | (2 908)          | (776)   | (1 397)                 |
| Adjusted Net Worth   | 202 180          | 138 592 | 219 280                 |

The Cost of Required Capital is the opportunity cost of having to hold assets to cover the Required Capital of R76 million as at 31 December 2008. The Required Capital has been set at the greater of the Statutory Termination Capital Adequacy Requirement and 1.5 times the Statutory Ordinary Capital Adequacy Requirement.

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

The Value of New Business (excluding any allowance for the Management Incentive scheme) represents the present value of projected after tax profits at the point of sale on new covered business commencing during the six months ended 31 December 2008 less the Cost of Required Capital pertaining to this business.

Clientèle Life's Statutory CAR cover ratio at 31 December 2008 was 2.2 times (31 December 2007: 2.7 times and 30 June 2008: 4.4 times) on the statutory valuation basis.

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.

|  | Six months ended |        | Year ended 30 June 2008 |
|--|------------------|--------|-------------------------|
|  | 31 December 2008 | 2007   |                         |
| Embedded Value per share (cents)         | 470.33           | 320.57 | 371.60                  |
| Diluted Embedded Value per share (cents) | 470.33           | 316.41 | 369.71                  |

### LONG-TERM ECONOMIC ASSUMPTIONS (SOUTH AFRICA)

|                             | Six months ended |       | Year ended 30 June 2008 |
|-----------------------------|------------------|-------|-------------------------|
|                             | 31 December 2008 | 2007  |                         |
| Risk discount rate %        | 12.25            | 14.00 | 15.00                   |
| Overall investment return % | 7.75             | 9.00  | 11.25                   |
| Expense inflation %         | 5.75             | 6.50  | 8.00                    |
| Corporate tax %             | 28.00            | 29.00 | 28.00                   |

In terms of current actuarial guidance, the risk discount rate 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 5.5%. In addition the Board decided it prudent, in light of the current economic conditions and the global financial crisis, to add some additional conservatism to the Embedded Value calculation as at 31 December 2008. This was achieved via the addition of an explicit 1% margin to the risk discount rate. The beta pertaining to the Clientèle share price is relatively low, which is partially a consequence of the relatively small free-float of the company shares. After careful consideration, the Board has opted at this stage to use a more conservative beta of 1 in the calculation of the risk discount rate.

This means that the risk discount rate utilised for the South African business as at 31 December 2008 was 12.25%. The theoretical risk discount rate using this methodology, as at 30 June 2008, would have been 14.75% (a 25 basis point difference from the risk discount rate that was actually used at that time). This difference combined with 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 these comparative results have not been restated at this stage. Similarly, the 31 December 2007 results have not been restated.

### LONG-TERM ECONOMIC ASSUMPTIONS (NIGERIA)

|                             | Six months ended |      | Year ended 30 June 2008 |
|-----------------------------|------------------|------|-------------------------|
|                             | 31 December 2008 | 2007 |                         |
| Risk discount rate %        | 25.00            | N/A  | N/A                     |
| Overall investment return % | 7.00             | -    | -                       |
| Expense inflation %         | 7.00             | -    | -                       |
| Corporate and other tax %   | 33.00            | -    | -                       |

The economic assumptions for Nigeria were set by IFA Nigeria's independent external actuary (H.R. Nigeria Limited) and reviewed by the Group's external actuaries, QED Actuaries & Consultants (Pty) Ltd. The assumptions were set at a conservative level which was deemed to be appropriate as this is a new venture and, as such, is more risky than an established business.

### SEGMENT INFORMATION

The Embedded Value can be split between segments as follows:

| (R'000's)                     | Six months ended |                 |                  | Embedded Value   |
|-------------------------------|------------------|-----------------|------------------|------------------|
| 31 December 2008              | ANW              | CoC             | PVIF             |                  |
| SA - Long term insurance      | 207 192          | (25 557)        | 1 320 762        | 1 502 397        |
| SA - Short term insurance     | (8 277)          | -               | 41 308           | 33 031           |
| SA - Investment contract      | -                | -               | 2 038            | 2 038            |
| Nigeria - Long term brokerage | 48 120           | -               | 22 610           | 70 730           |
| Inter segment                 | (49 161)         | -               | (37 510)         | (86 671)         |
| <b>Total</b>                  | <b>197 874</b>   | <b>(25 557)</b> | <b>1 349 209</b> | <b>1 521 526</b> |
| <b>31 December 2007</b>       |                  |                 |                  |                  |
| SA - Long term insurance      | 138 592          | (16 681)        | 965 005          | 1 086 916        |
| SA - Short term insurance     | -                | -               | 3 210            | 3 210            |
| SA - Investment contract      | -                | -               | 1 346            | 1 346            |
| Nigeria - Long term brokerage | -                | -               | -                | -                |
| Inter segment                 | (18 284)         | -               | (36 152)         | (54 436)         |
| <b>Total</b>                  | <b>120 308</b>   | <b>(16 681)</b> | <b>933 410</b>   | <b>1 037 037</b> |

The Value of New Business can be split between segments as follows:

| (R'000's)  | 31 December 2008 |                | 31 December 2007 |
|--|------------------|----------------|------------------|
| SA - Long term insurance                         | 190 932          | -              | 157 125          |
| SA - Short term insurance                        | 15 892           | -              | 2 059            |
| SA - Investment contract                         | 1 942            | -              | (634)            |
| Nigeria - Long term brokerage                    | 13 319           | -              | -                |
| Nigeria - Once off set up costs (incurred in SA) | (12 951)         | -              | -                |
| <b>Total</b>                                     | <b>209 133</b>   | <b>158 550</b> |                  |

### IMPACT OF CHANGES TO PROFESSIONAL GUIDANCE

The Embedded Value of Clientèle has been calculated in accordance with the Actuarial Society of South Africa's updated Professional Guidance Note PGN 107: Embedded Value Reporting (Version 4). The prior period results for Clientèle have not been restated as the impact of such a restatement would have been immaterial. This has resulted in a number of changes to the calculation methodology. In particular,

- The risk discount rate has been determined using a top-down weighted average cost of capital approach, with the required equity return calculated using Capital Asset Pricing Model ("CAPM") theory. This change in methodology has resulted in a reduction in the risk margin (risk discount rate less risk free rate) from 3.75% previously to 3.5% at 31 December 2008 (prior to the explicit allowance made for risks in the global markets as a consequence of the global financial crisis (an additional 1% was added to the risk discount rate for this - see above)). The Board is of the view that the risk margin used in calculating the risk discount rate (4.5% = 3.5% + 1% for general market risk) is significantly more conservative than the approach used by the rest of the market. Investors may want to consider this in conjunction with the impact of the change in methodology and form their own view on an appropriate allowance for the non-financial risks which have not been modelled explicitly. The sensitivities of the Value of In-force covered business and the Value of New Business to changes in the risk discount rate are shown below.
- The Cost of Required Capital has been based on the greater of 1.5 times the Ordinary Capital Adequacy Requirement and 1 times the Termination Capital Adequacy Requirement.

### SENSITIVITIES

| (R'000's)                         | Embedded Value |         | Value of New Business |
|-----------------------------------|----------------|---------|-----------------------|
|                                   |                |         |                       |
| Risk discount rate of 10.25%      | 1 632 139      | 228 405 |                       |
| Risk discount rate of 11.25%      | 1 578 120      | 218 691 |                       |
| Main risk discount rate of 12.25% | 1 521 526      | 209 133 |                       |
| Risk discount rate of 13.25%      | 1 463 708      | 199 513 |                       |
| Risk discount rate of 14.25%      | 1 406 697      | 190 406 |                       |

### EMBEDDED VALUE EARNINGS

| Embedded Value earnings for the period (R'000's)   | Six months ended 31 December 2008 |                 |                  | Embedded Value         |
|--|-----------------------------------|-----------------|------------------|------------------------|
|  | ANW                               | CoC             | PVIF             |                        |
| <b>A: Embedded Value at the end of the period</b>  | <b>197 874</b>                    | <b>(25 557)</b> | <b>1 349 209</b> | <b>1 521 526</b>       |
| Embedded Value at the beginning of the period less: Dividends and STC accrued or paid                | 208 066<br>(138 315)              | (15 761)        | 1 009 836        | 1 202 141<br>(138 315) |
| <b>B: Adjusted Embedded Value at the beginning of the period</b>                                     | <b>69 751</b>                     | <b>(15 761)</b> | <b>1 009 836</b> | <b>1 063 826</b>       |
| <b>Embedded Value earnings (A - B)</b>   | <b>128 123</b>                    | <b>(9 796)</b>  | <b>339 373</b>   | <b>457 700</b>         |
| Impact of once-off economic assumption changes   | (3 587)                           | 1 241           | (112 047)        | (114 393)              |
| Impact of once-off attributable capital injection by minority interests in Nigeria                   | (44 754)                          | -               | -                | (44 754)               |
| <b>Embedded Value earnings before once-off items</b>   | <b>79 782</b>                     | <b>(8 555)</b>  | <b>227 325</b>   | <b>298 552</b>         |
| <b>Annualised Embedded Value earnings before once-off items</b>                                      | <b>159 564</b>                    | <b>(17 109)</b> | <b>454 650</b>   | <b>597 105</b>         |
| As a percentage of Adjusted Embedded Value at the beginning of the period - Return on Embedded Value |                                   |                 |                  | 56.1% p.a.             |
| Return on Embedded Value including once-off items  |                                   |                 |                  | 71.1% p.a.             |

| Components of Embedded Value earnings (R'000's)                       | Six months ended 31 December 2008 |                |                | Embedded Value |
|---|-----------------------------------|----------------|----------------|----------------|
|   | ANW                               | CoC            | PVIF           |                |
| Value of New Business at point of sale                                | (75 276)                          | (1 415)        | 285 824        | 209 133        |
| Expected return on Covered Business (unwinding of risk discount rate) | -                                 | (1 141)        | 75 271         | 74 131         |
| Expected profit transfer  | 148 646                           | -              | (148 646)      | -              |
| Withdrawal experience variance  | (10 748)                          | -              | 7 720          | (3 028)        |
| Claims and reinsurance experience variance                            | 11 639                            | -              | -              | 11 639         |
| Sundry experience variances   | 9 702                             | (3 368)        | (2 580)        | 3 753          |
| Operating assumption and model changes                                | 3 215                             | (2 630)        | 14 323         | 14 908         |
| Extraordinary non-recurring expenses/development costs                | (3 751)                           | -              | -              | (3 751)        |
| Expected return on ANW  | 7 959                             | -              | -              | 7 959          |
| SAR scheme dilution   | 6 908                             | -              | -              | 6 908          |
| Goodwill and medium term incentive schemes                            | (18 937)                          | -              | (3 086)        | (22 023)       |
| <b>Embedded Value operating return</b>                                | <b>79 358</b>                     | <b>(8 555)</b> | <b>228 826</b> | <b>299 629</b> |
| Investment return variances on ANW                                    | (1 722)                           | -              | -              | (1 722)        |
| Attributable capital injection by minority interest in Nigeria        | 44 754                            | -              | -              | 44 754         |
| Effect of foreign currency movements                                  | 2 147                             | -              | (1 501)        | 646            |
| Effect of economic assumption changes                                 | 3 587                             | (1 241)        | 112 047        | 114 393        |
| <b>Embedded Value earnings</b>  | <b>128 123</b>                    | <b>(9 796)</b> | <b>339 373</b> | <b>457 700</b> |

