Clientèle LIMITED

HIGHLIGHTS

- Embedded Value Earnings increased by 33% from R234.1 million to R312.4 million
- Return on Embedded Value of 34%
- Value of New Business increased by 14% from R189.8 million to R215.9 million
- Return on annualised average shareholders interest of 66%
- Headline earnings per share increased by 12% from 23.76 cents to 26.69 cents

SUMMARISED GROUP RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2010

Comments

Introduction

The six months to 31 December 2010 has been a period of strong production for Clientèle's traditional operations, which, together with a withdrawal experience relatively close to expectation, tight control of expenses and improved investment returns have resulted in Clientèle posting solid results.

Operating Results

Group Embedded Value

The Group has experienced pleasing growth during the period under review and Group Embedded Value (EV) has increased from R1 859,2 million (after adjusting for dividends and related Secondary Tax on Companies (STC)) to R2 171,5 million at 31 December 2010. This reflects EV earnings of R312,4 million (2009: R234,1 million), after taking into account once off economic and other adjustments (See EV Earnings analysis) and translates into an annualised Return on EV (ROEV) of 33.6% (2009: 29.8%). The Group's VNB has increased by 14%, on the back of good production volumes, from R189,8 million for the comparative six month period to R215,9 million this period and New Business profit margins have remained healthy at 23.8% (2009: 24.2%). Clientèle Life's strong increase in VNB this period was, to an extent, countered by the decrease in VNB for Clientèle Legal, as expanded on in the Segment results below.

The main component of the withdrawal experience variance (negative R17,6 million for the period) is a R11,8 million negative variance in respect of Clientèle Legal which has experienced withdrawals higher than assumptions for its older policies. This also resulted in a change in assumptions for the EV calculation. Refer to the comment under Segment results below.

The Group has experienced good investment returns for the six months from its conservative investment portfolios as evidenced by the R21,3 million positive investment return variance on Adjusted Net Worth (ANW). A major contributor to the positive experience variance was the improved investment performance across most asset classes during the six months.

The risk discount rate of 11.9% (2009: 13.25%) 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% to allow for some conservatism given the economic climate. The calculation is comprehensively explained and a sensitivity analysis is provided under the Group EV section of the results.

Group Statement of Comprehensive Income

Headline earnings for the Group of R86,3 million are 12% higher than the headline earnings of R76,9 million for the comparative period.

As a result, diluted headline earnings per share have increased by 12% to 26.54 cents, up from 23.71 cents and the annualised return on average shareholders' interests amounted to 66% compared to 62% for the same period last year.

Insurance premium revenue for the period is up by 8% from R502,8 million to R543,4 million and other income of R78,6 million, which mainly comprises annuity fees from Clientèle Life's Independent Field Advertisers (IFAs), is 7% down on the comparable six month figure of R84,3 million.

Operating expenses for the period have increased by 9% over the comparable six month period which compares reasonably to the 8% increase in insurance premium revenue for the period.

As referred to in the 2010 Annual Report, Clientèle adopts the conservative accounting practice of not recognising policies where the actuarial valuation results in an asset (negative reserve). This means that acquisition costs are expensed up front and profits in this regard are thus deferred over the life of the policy. The total value of negative reserves now amounts to R1,3 billion in comparison to R1,1 billion at 30 June 2010 .

Net insurance benefits and claims of R104,0 million have increased by 35% from R77,3 million for the same period last year. The majority of the increase is in respect of policyholders benefit payments in respect of unitised endowment contracts, many of which have now been held for 10 years or more.

The increase in policyholder liabilities under insurance contracts of R108,2 million (2009: R75,0 million) should be viewed in conjunction with the fair value adjustment to financial assets at fair value through profit and loss. A significant portion of the increase relates to the movement in the value of the policyholders' unitised market related investment portfolio which is correlated to investment returns for the period.

Segment results

SA Long term insurance – Clientèle Life

Clientèle Life's Long term insurance segment (The Life segment) remains the major contributor to overall Group performance. It accounts for 96% or R207,9 million of the Group's R215,9 million of VNB and generated R92,0 million net profit for the period which exceeds the Group's net profit for the period of R82,1 million.

The Life segment has experienced strong production for the period which together with withdrawal experience close to assumptions (R6,7 million negative experience variance) and good investment returns has resulted in its VNB increasing from R161,5 million to R207,9 million, an increase of 29%.

SA Investment contracts – Clientèle Life

In terms of International Financial Reporting Standards (IFRS), expenses in respect of the Group's Investment contracts (Single Premium business) are expensed as and when incurred. The related revenue is however amortised over the term of the contract (usually 60 months).

The result is that with a growing book this operating segment usually reports a net loss for the period. This should be viewed in conjunction with the R29,5 million (2009: R17,9 million) of deferred profits included in the Statement of Financial Position.

SA Short term insurance – Clientèle General Insurance (Clientèle Legal)

Clientèle Legal now has an EV of R199,8 million (2009: R152,8 million) and has recorded a R7,2 million net profit for the six months compared to the R0,6 million net profit for the comparable period last year.

VNB of R17,3 million for the period is down 50% from R34,4 million for the same period last year. Withdrawal assumption changes (refer below) have had a R7 million negative effect on the VNB variance for the period, when compared to last year, and lower production volumes relative to expenses have affected the VNB variance for the period by R9 million.

Withdrawal experience in respect of older policies, which is being closely monitored, has been worse than assumption resulting in a negative R11,8 million withdrawal experience variance for the period.

In Clientèle Legal's first years of operation it applied the Financial Services Board's (FSB's) general statutory percentage when determining its Incurred But Not Reported (IBNR) claims provision.

This provision has now been statistically determined by Clientèle Legal's independent actuaries and has been approved by the FSB.

The effect of this change in estimate of R3,3 million (net of tax) is reflected in the current year's Statement of Comprehensive Income and in the Statement of Financial Position.

Despite some setbacks during the reporting period, Clientèle Legal is now an established business in its own right and it is expected to make an important contribution to the overall Group performance into the future.

SA Loans – Clientèle Loans

The personal loans business, of which Clientèle owns 70%, operated in partnership with Direct Axis (SA) (Pty) Ltd., is progressing in line with expectations and in accordance with its conservative credit assessment and lending approach. The gross advances book at 31 December 2010 amounted to R74,3 million (2009: R27,2 million) and experience from the book is as expected.

Operating results are in line with forecasts and the attributable net loss for the period, after minorities share of losses, of R1,8 million (2009: R1,7 million loss) has increased by R0,1 million.

Impairments of advances of R4,4 million (2009: R2,3 million) are at expectation and are in line with the growing advances book.

During the period loan funding of R30 million was raised from an external party associated with Direct Axis (Pty) Ltd, as reflected in the increase in Loans at amortised cost in the Statement of Financial Position as well as the cash flows from financing activities.

SA Mobile – Clientèle Mobile

Clientèle Mobile recorded its maiden net profit for the period of R0,4 million (2009: R0,2 million loss).

Nigeria – Long term brokerage (IFA Nigeria)

The IFA Nigeria consolidated loss before tax for the period amounted to R14,9 million and was in line with expectations. Production was also in line with expectations and a number of new collection methods are in the process of being tested, although premium collections and persistency remain the biggest challenges.

By 31 December 2010, KC2008 Limited, Clientèle's Nigerian shareholder in IFA Nigeria, was required to exercise its option to retain its 25% shareholding. KC2008 has elected not to exercise its option and is therefore obliged to offer Clientèle Life (Netherlands) Cooperative U.A., a 100% subsidiary of Clientèle Limited, as many shares in the capital of IFA Nigeria as constitutes 10% of the entire issued share capital. Clientèle Netherlands provided written notice on 31 January 2011 to accept the offer and will own 85% of IFA Nigeria effective from 01 January 2011 for a nominal amount.

As we have limited experience in respect of our Nigerian operation, the underlying assumptions that would be used for the Value of In-force and VNB numbers are not yet reliable. The Board has, as a result, followed the approach, in determining the EV for IFA Nigeria, whereby the EV is equal to the Net Asset Value. This is the same approach as was used in 30 June 2010 results.

Prospects

We believe a firm foundation for future growth and value creation has been laid by improving production capacity and the further diversification of products in Clientèle's traditional Life Insurance business.

This is further enhanced by the value creation and improving performance of the Group's new ventures in South Africa (Clientèle Legal, Clientèle Loans Direct and Clientèle Mobile).

Whilst the Nigerian market offers considerable potential, it also has its challenges, particularly in the area of collections. Clientèle will continue to monitor IFA Nigeria very closely.

In conclusion, the Group will remain focused on creating value through its traditional business models and will add new businesses and products on a conservative basis going forward. New ventures will be strictly managed and monitored to ensure that the overall Group results remain favourably intact.

By order of the Board

G Q Routledge
Chairman

G J Soll
Managing Director

Johannesburg

21 February 2011

UNAUDITED

Condensed Group Statement of Comprehensive Income

(R'000's)	Six months ended 31 December 2010	2009	% Change	Audited Year ended 30 June 2010
Revenue				
Insurance premium revenue	**543 409**	502 807	8	1 005 660
Reinsurance premiums	**(27 192)**	(20 587)		(42 755)
Net insurance premiums	**516 217**	482 220	7	962 905
Other income	**78 643**	84 254		160 025
Interest income	**9 840**	6 813		15 141
Fair value adjustment to financial assets at fair value through profit or loss	**170 598**	118 294	44	185 064
Net income	**775 298**	691 581	12	1 323 135
Net insurance benefits and claims	**(104 038)**	(77 294)	35	(169 434)
Increase in policyholder liabilities under insurance contracts	**(108 214)**	(74 981)		(109 697)
Increase/(decrease) in reinsurance assets	**22 321**	(13 387)		(15 568)
Fair value adjustment to financial liabilities at fair value through profit or loss – investment contracts	**(60 407)**	(48 602)	24	(98 705)
Interest expense	**(2 163)**	(824)		(2 326)
Impairment of advances	**(4 387)**	(2 299)		(5 608)
Operating expenses	**(379 202)**	(346 744)	9	(674 438)
Profit from operations	**139 208**	127 450	9	247 359
Equity accounted earnings	**(15)**	32		23
Profit before tax	**139 193**	127 482	9	247 382
Tax†	**(57 108)**	(56 416)		(98 923)
Net profit for the period	**82 085**	71 066	16	148 459
Attributable to:				
Non-controlling interest – ordinary shareholders	**(4 490)**	(5 999)		(11 280)
Equity holders of the Group – ordinary shareholders	**86 575**	77 065	12	159 739
Net profit for the period	**82 085**	71 066	16	148 459
Other comprehensive income:				
Exchange differences on translating foreign operations	**1 105**	(3 648)		(2 691)
Gains on property revaluation				5 509
Income tax relating to gains on property revaluation				(1 345)
Other comprehensive income for the period – net of tax	**1 105**	(3 648)		1 473
Total comprehensive income for the period	**83 190**	67 418	23	149 932
Total comprehensive income attributable to:				
Non-controlling interest – ordinary shareholders	**(4 207)**	(6 911)		(11 953)
Equity holders of the Group – ordinary shareholders	**87 397**	74 329	18	161 885

Condensed Group Statement of Financial Position

(R'000's)	Six months ended 31 December 2010	2009	Audited Year ended 30 June 2010
Assets			
Intangible assets	**33 802**	45 784	37 036
Property and equipment	**47 542**	37 277	50 893
Owner-occupied properties	**136 108**	129 510	134 300
Investment in associates	**357**	381	372
Deferred tax	**25 637**	16 167	22 367
Inventories	**905**	2 192	1 412
Reinsurance assets	**28 900**	8 760	6 579
Financial assets held at fair value through profit or loss	**1 769 489**	1 421 118	1 607 713
Loans and receivables including insurance receivables	**99 463**	53 673	65 814
Cash and cash equivalents	**106 389**	121 455	77 983
Total assets	**2 248 592**	1 836 317	2 004 469
Total equity and reserves	**238 832**	222 203	304 903
Liabilities			
Policyholder liabilities under insurance contracts	**802 060**	659 008	693 725
Financial liabilities – investment contracts	**951 866**	741 225	811 979
– At fair value through profit or loss	**919 572**	741 225	781 513
– At amortised cost	**32 294**		30 466
Financial liabilities – loans at amortised cost	**52 582**	14 342	14 790
Finance leases	**586**	964	778
Employee benefits	**52 574**	46 715	64 676
Accruals and payables including insurance payables	**128 371**	102 653	92 429
Deferred tax	**16 073**	11 688	16 483
Current tax	**5 648**	37 519	4 706
Total liabilities	**2 009 760**	1 614 114	1 699 566
Total equity and liabilities	**2 248 592**	1 836 317	2 004 469

Tax†

(R'000's)	Six months ended 31 December 2010	2009	Audited Year ended 30 June 2010
SA Operations:			
Current and deferred tax	**(40 583)**	(36 450)	(80 315)
Secondary tax on companies (STC)	**(15 538)**	(11 996)	(11 996)
Capital gains tax	**(987)**		(76)
(Under)/overprovision in prior periods		(600)	1 244
IFA Nigeria†		(7 370)	(7 780)
Tax	**(57 108)**	(56 416)	(98 923)

The Individual Policyholder Fund has an estimated tax loss of R1,60 billion (2009: R1,20 billion).

†In the six months to December 2009, the deferred tax asset of R7,4 million, previously raised in respect of IFA Nigeria's net loss since inception was reversed due to the uncertainty of foreseeable future taxable profits. As a result, no deferred tax asset has been raised for the six months ended 31 December 2010.

Reconciliation of Net Profit to Headline Earnings

(R'000's)	Six months ended 31 December 2010	2009	% Change	Audited Year ended 30 June 2010
Net profit for the period attributable to equity holders of the Group	**86 575**	77 065	12	159 739
Less: Profit on disposal of fixed assets	**(237)**	(211)		(234)
Headline earnings	**86 338**	76 854	12	159 505

Ratios per Share

	Six months ended 31 December 2010	2009	% Change	Audited Year ended 30 June 2010
Headline earnings per share (cents)	**26.69**	23.76	12	49.31
Diluted headline earnings per share (cents)	**26.54**	23.71	12	49.10
Earnings per share (cents)	**26.76**	23.82	12	49.38
Diluted earnings per share (cents)	**26.62**	23.77	12	49.17
Net asset value per share (cents)	**73.82**	68.69	7	94.25
Diluted net asset value per share (cents)	**73.43**	68.55	7	93.86
Dividends per share (cents)	**47.00**	42.00	12	47.00
Weighted average ordinary shares ('000)	**323 527**	323 500		323 505
Diluted average ordinary shares ('000)	**325 261**	324 169		324 857

Notes to the Results

The results have not been reviewed or audited by the Group's auditors, PricewaterhouseCoopers. The increase in policyholder liabilities has been based on best estimates after providing for compulsory and discretionary margins and have been actuarially certified by QED Actuaries and 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 those used in the Annual Financial statements for the year ended 30 June 2010. 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.

Segment Information

The Group's results are analysed across two geographical segments which are South Africa (SA) and Nigeria.

The Group's main operating segments are Long term insurance, Investment contracts, Short term insurance, Loans business, Mobile business and Long term brokerage segments. Policies written are in respect of individuals.

Condensed Group Statement of Cash Flows

(R'000's)	Six months ended 31 December 2010	2009	Audited Year ended 30 June 2010
Cash flows from operating activities	**(3 278)**	31 268	4 060
Profit from operations adjusted for non cash items	**182 352**	182 983	346 689
Working capital changes	**(58 365)**	(43 939)	(48 562)
Cash generated from operations after working capital changes	**123 987**	139 044	298 127
Separately disclosable items[1]	**(20 818)**	(24 020)	(43 263)
Increase/(decrease) in financial liabilities[2]	**77 653**	(23 533)	(5 916)
Net disposal/(acquisition) of investments[3]	**6 997**	101 724	(25 459)
Interest received[1]	**15 505**	20 177	32 992
Dividends received[1]	**5 314**	3 843	10 271
Dividends paid	**(152 071)**	(135 870)	(135 870)
Tax paid	**(59 845)**	(50 097)	(126 822)
Cash flows from investing activities	**(7 838)**	(20 808)	(37 427)
Cash flows from financing activities	**39 523**	(1 638)	(1 283)
Net increase/(decrease) in cash and cash equivalents	**28 407**	8 822	(34 650)
Cash and cash equivalents at beginning of the period	**77 983**	112 633	112 633
Cash and cash equivalents at end of the period	**106 390**	121 455	77 983

1. Interest and dividends.
2. Investment contracts.
3. Investments in respect of insurance operations and investment contracts.

Segment Assets & Liabilities

(R'000's)	Six months ended 31 December 2010	2009	Audited Year ended 30 June 2010
Assets			
SA – Long term insurance	**1 198 507**	1 021 100	1 119 300
SA – Investment contracts	**954 846**	741 232	817 627
SA – Short term insurance	**59 362**	40 489	54 166
SA – Loans	**79 574**	31 128	45 999
SA – Mobile	**1 505**	1 029	574
Nigeria – Long term brokerage	**19 736**	36 414	23 672
Inter segment	**(64 938)**	(35 075)	(56 869)
Total Group Assets	**2 248 592**	1 836 317	2 004 469
Liabilities			
SA – Long term insurance	**976 656**	831 123	843 590
SA – Investment contracts	**951 866**	741 225	811 979
SA – Short term insurance	**18 213**	16 556	19 584
SA – Loans	**92 832**	39 058	56 725
SA – Mobile	**1 077**	1 314	577
Nigeria – Long term brokerage	**34 054**	19 913	23 980
Inter segment	**(64 938)**	(35 075)	(56 869)
Total Group Liabilities	**2 009 760**	1 614 114	1 699 566

Segment Statements of Comprehensive Income

(R'000's)	SA – Long term insurance	SA – Investment contracts	SA – Short term insurance	SA – Loans	SA – Mobile	Nigeria – Long term brokerage	Inter segment (revenue)/ expense	Group
31 December 2010								
Insurance premium revenue	**491 849**		**51 560**					**543 409**
Reinsurance premiums	**(27 192)**							**(27 192)**
Net insurance premiums	**464 657**		**51 560**					**516 217**
Other income	**66 589**	**3 759**	**4**	**2 789**	**1 991**	**4 488**	**(977)**	**78 643**
Interest Income	**8 173**			**5 297**	**59**	**12**	**(3 701)**	**9 840**
Fair value adjustment to financial assets through profit or loss	**103 269**	**62 234**	**5 095**					**170 598**
Segment revenue	**642 688**	**65 993**	**56 659**	**8 086**	**2 050**	**4 500**	**(4 678)**	**775 298**
Segment expenses and claims	**(495 514)**	**(66 061)**	**(46 720)**	**(11 602)**	**(1 450)**	**(19 421)**	**4 678**	**(636 090)**
Net insurance benefits and claims	**(98 771)**		**(5 267)**					**(104 038)**
(Increase)/decrease in policyholder liabilities under insurance contracts	**(111 497)**		**3 283**					**(108 214)**
Increase in reinsurance assets	**22 321**							**22 321**
Fair value adjustment to financial liabilities at fair value through profit or loss		**(60 407)**						**(60 407)**
Interest expense		**(1 827)**		**(3 969)**		**(68)**	**3 701**	**(2 163)**
Impairment of advances				**(4 387)**				**(4 387)**
Operating expenses	**(307 567)**	**(3 827)**	**(44 736)**	**(3 246)**	**(1 450)**	**(19 353)**	**977**	**(379 202)**
Results from operating activities	**147 174**	**(68)**	**9 939**	**(3 516)**	**600**	**(14 921)**		**139 208**
Equity accounted earnings	**(15)**							**(15)**
Profit/(loss) before tax	**147 159**	**(68)**	**9 939**	**(3 516)**	**600**	**(14 921)**		**139 193**
Tax	**(55 161)**	**19**	**(2 783)**	**985**	**(168)**			**(57 108)**
Net profit/(loss) for the period	**91 998**	**(49)**	**7 156**	**(2 531)**	**432**	**(14 921)**		**82 085**
Attributable to:								
Non-controlling interest				**(760)**		**(3 730)**		**(4 490)**
Equity holders of the Group	**91 998**	**(49)**	**7 156**	**(1 771)**	**432**	**(11 191)**		**86 575**
31 December 2009								
Insurance premium revenue	469 521		33 286					502 807
Reinsurance premiums	(20 587)							(20 587)
Net insurance premiums	**448 934**		**33 286**					**482 220**
Other income	75 086			1 185	760	6 610	613	84 254
Interest Income	4 994		196	2 721	20	401	(1 519)	6 813
Fair value adjustment to financial assets held at fair value through profit or loss	67 080	50 561	653					118 294
Segment revenue	**596 094**	**50 561**	**34 135**	**3 906**	**780**	**7 011**	**(906)**	**691 581**
Segment expenses and claims	**(450 494)**	**(52 187)**	**(33 370)**	**(7 220)**	**(991)**	**(20 775)**	**906**	**(564 131)**
Net insurance benefits and claims	(76 831)		(463)◊					(77 294)
Increase in policyholder liabilities under insurance contracts	(69 908)		(5 073)					(74 981)
Decrease in reinsurance assets	(13 387)							(13 387)
Fair value adjustment to financial liabilities at fair value through profit or loss		(48 602)						(48 602)
Interest expense				(2 207)		(136)	1 519	(824)
Impairment of advances				(2 299)				(2 299)
Operating expenses	(290 368)	(3 585)	(27 834)◊	(2 714)	(991)	(20 639)	(613)	(346 744)
Results from operating activities	**145 600**	**(1 626)**	**765**	**(3 314)**	**(211)**	**(13 764)**		**127 450**
Equity accounted earnings	32							32
Profit/(loss) before tax	**145 632**	**(1 626)**	**765**	**(3 314)**	**(211)**	**(13 764)**		**127 482**
Tax	(50 275)	455	(214)	929	59	(7 370)		(56 416)
Net profit/(loss) for the period	**95 357**	**(1 171)**	**551**	**(2 385)**	**(152)**	**(21 134)**		**71 066**
Attributable to:								
Non-controlling interest				**(715)**		**(5 284)**		**(5 999)**
Equity holders of the Group	**95 357**	**(1 171)**	**551**	**(1 670)**	**(152)**	**(15 850)**		**77 065**

◊*It should be noted that in December 2009, indirect claim expenses amounting to R2,8 million were included in operating expenses. In December 2010, indirect claim expenses are now included in net insurance benefits and claims.*

Condensed Group Statement of Changes in Equity

(R'000's)	Share capital	Share premium	Common control deficit	**Sub-total**	Retained earnings	SAR scheme reserve‡	NDR: Contingency Short term insurance	NDR: Foreign currency translation reserve	NDR: Changes in ownership	NDR: Revaluation	**Sub-total**	Non-controlling interest	Total
Balance as at 1 July 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
Ordinary dividend					(135 870)						**(135 870)**		(135 870)
Total comprehensive income					77 065			(2 736)			**74 329**	(6 911)	67 418
– Net profit/(loss) for the period					77 065						**77 065**	(5 999)	71 066
– Other comprehensive expense								(2 736)			**(2 736)**	(912)	(3 648)
Transfer to contingency reserve					(3 399)		3 399						
Shares issued													
SAR scheme allocated						2 697					**2 697**		2 697
Balance as at 31 December 2009	6 470	218 656	(220 273)	**4 853**	138 411	14 812	4 555	(10 164)	45 326	22 663	**220 456**	1 747	222 203
Balance as at 1 January 2010	6 470	218 656	(220 273)	**4 853**	138 411	14 812	4 555	(10 164)	45 326	22 663	**220 456**	1 747	222 203
Ordinary dividend													
Total comprehensive income					82 674			718		4 164	**87 556**	(5 042)	82 514
– Net profit/(loss) for the period					82 674						**82 674**	(5 281)	77 393
– Other comprehensive income								718		4 164	**4 882**	239	5 121
Transfer to contingency reserve					(3 055)		3 055						
Shares issued	1	201		**202**							**202**		202
SAR scheme allocated						186					**186**		186
Transfer from shares issued						(202)					**(202)**		(202)
Balance as at 30 June 2010	**6 471**	**218 857**	**(220 273)**	**5 055**	**218 030**	**14 796**	**7 610**	**(9 446)**	**45 326**	**26 827**	**308 198**	**(3 295)**	**304 903**
Balance as at 1 July 2010	**6 471**	**218 857**	**(220 273)**	**5 055**	**218 030**	**14 796**	**7 610**	**(9 446)**	**45 326**	**26 827**	**308 198**	**(3 295)**	**304 903**
Ordinary dividend					**(152 071)**						**(152 071)**		**(152 071)**
Total comprehensive income					**86 575**			**829**			**87 404**	**(4 214)**	**83 190**
– Net profit/(loss) for the period					**86 575**						**86 575**	**(4 490)**	**82 085**
– Other comprehensive income								**829**			**829**	**276**	**1 105**
Transfer to contingency reserve					**(1 778)**		**1 778**						
SAR scheme allocated						**2 810**					**2 810**		**2 810**
Balance as at 31 December 2010	**6 471**	**218 857**	**(220 273)**	**5 055**	**150 756**	**17 606**	**9 388**	**(8 617)**	**45 326**	**26 827**	**246 341**	**(7 509)**	**238 832**

‡*SAR scheme – the Clientèle Limited Group Share Appreciation Rights Scheme.*

Sponsor:

PricewaterhouseCoopers Corporate Finance (Proprietary) Limited

Registered office: Clientèle Office Park, Cnr Rivonia and Alon Roads, Morningside, PO Box 1316, Rivonia 2128, South Africa

Transfer secretaries: Computershare Investor Services (Pty) Ltd, 70 Marshall Street, Johannesburg 2001, South Africa PO Box 61051, Marshalltown 2107, South Africa

Directors: G Q Routledge BA LLB (Chairman), G J Soll CA(SA) (Managing Director)*, A D T Enthoven BA, PhD (Political Science), P R Gwangwa BProc LLB, LLM, B A Stott CA(SA), I B Hume CA(SA), ACMA*, B Frodsham BCom*, B W Reekie BSc(Hons), FASSA*

Company secretary: W van Zyl CA(SA) *Executive director

Clientèle Limited
(Registration number 2007/023806/06)
Share code: CLI ISIN: ZAE000117438

Clientèle LIMITED

website: www.clientele.co.za e-mail: services@clientele.co.za

Group Embedded Value

The Embedded Value (EV) represents an estimate of the value of the Group, exclusive of goodwill attributable to future new business. The EV comprises:
- the Free Surplus; plus,
- the Required Capital identified to support the in-force business; plus,
- the Present Value of In-force business (PVIF); less,
- the Cost of Required Capital (CoC).

The PVIF business is the present value of future after tax profits arising from covered business in force as at 31 December 2010.

All material business written by the Group has been covered by EV 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 EV Methodology has been used to determine future shareholder entitlements;
- Legal insurance business where EV Methodology has been used to determine future shareholder entitlements; and
- Loans business where EV Methodology has been used to determine future shareholder entitlements.

As we have limited experience investigations in respect of our Nigerian operation, the underlying assumptions that would be used for the Value of In-force and Value of New Business (VNB) numbers are not yet reliable. The Board, in June 2010, decided to follow the approach of setting the EV for the Nigerian operation equal to the Net Asset Value. The 31 December 2009 numbers have been re-stated(*) to follow a similar approach.

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

(R'000's)	Six months ended 31 December 2010	2009 Re-stated*	2009 Reported	Year ended 30 June 2010
Free surplus	**90 724**	108 988	108 988	179 637
Required capital	**133 730**	102 579	102 579	116 429
Adjusted Net Worth (ANW) of covered business	**224 454**	211 567	211 567	296 066
CoC	**(39 705)**	(33 069)	(33 069)	(38 166)
PVIF	**1 986 753**	1 615 889	1 628 791	1 768 859
EV of covered business	**2 171 502**	1 794 387	1 807 289	2 026 760

The ANW 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 ANW less the Required Capital attributed to covered business.

Reconciliation of Total Equity to ANW

(R'000's)	Six months ended 31 December 2010	2009	Year ended 30 June 2010
Total equity and reserves per the Statement of Financial Position	**238 832**	222 203	304 903
Removal of Deferred Profits and impact of compulsory margins on investment business (net impact after tax)	**15 816**	8 849	12 377
Removing minority interests	**7 526**	(1 746)	3 295
Adjusting subsidiaries to Net Asset Value	**(8 044)**	(4 556)	(6 266)
SAR scheme adjustment	**(29 677)**	(13 183)	(18 243)
ANW	**224 454**	211 567	296 066

The CoC is the opportunity cost of having to hold the Required Capital of R133,7 million as at 31 December 2010. The Required Capital has been set at the greater of the Statutory Termination Capital Adequacy Requirement and 1.25 times the Statutory Ordinary Capital Adequacy Requirement for the Life company plus the Required Capital for the Short Term company.

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

Clientèle Life's Statutory Capital Adequacy Requirement (CAR) cover ratio at 31 December 2010 was 2.20 times (30 June 2010: 3.03 times) on the statutory valuation basis.

EV per Share

	Six months ended 31 December 2010	2009 Re-stated*	2009 Reported	Year ended 30 June 2010
EV per share (cents)	**671.20**	554.68	558.67	626.46
Diluted EV per share (cents)	**667.62**	553.53	558.67	623.91

Value of New Business

(R'000's)	Six months ended 31 December 2010	2009 Re-stated*	2009 Reported	Year ended 30 June 2010
Total VNB	**215 947**	189 845	190 308	353 127
Present VNB premiums	**906 849**	786 035	803 267	1 503 558
New Business profit margin	**23.8%**	24.2%	23.7%	23.5%

The VNB (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 period ended 31 December 2010 less the CoC pertaining to this business.

The New Business profit margin is the VNB expressed as a percentage of the present value of future premiums (and other annuity fee income) pertaining to the same business.

Long Term Economic Assumptions (South Africa)

	Six months ended 31 December 2010	2009	Year ended 30 June 2010
Risk discount rate %	**11.90**	13.25	12.60
Overall investment return %	**7.40**	8.75	8.10
Expense inflation %	**5.40**	6.75	6.10
Corporate tax %	**28.00**	28.00	28.00

The risk discount rate has been determined using a top-down weighted average cost of capital approach, with the equity return calculated using Capital Asset Pricing Model (CAPM) theory. 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 3.5%. In addition, 24 months ago, the Board decided it prudent, in light of the prevailing economic conditions and the global financial crisis, to add some additional conservatism to the EV calculation. This was achieved via the addition of an explicit 1% margin to the risk discount rate. This margin has been retained at this stage. The beta pertaining to the Clientèle share price is relatively low, which is partially a consequence of the relatively small free-float of 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.

The resulting risk discount rate utilised for the South African business as at 31 December 2010 was 11.90%.

Risk Discount Rate Sensitivities

(R'000's)	EV	VNB
Risk discount rate 9.90%	2 405 781	254 515
Risk discount rate 10.90%	2 281 138	234 679
Risk discount rate 11.90%	2 171 502	215 947
Risk discount rate 12.60%	2 102 478	205 968
Risk discount rate 12.90%	2 072 897	201 691
Risk discount rate 13.25%	2 042 093	196 841
Risk discount rate 13.90%	1 984 887	187 833

Segment Information

The EV can be split between segments as follows:

(R'000's)	ANW	PVIF	CoC	EV
31 December 2010				
SA – Long term insurance	212 090	1 812 587	(35 685)	1 988 991
SA – Short term insurance	32 350	171 499	(4 019)	199 830
SA – Investment contracts		4 554		4 554
SA – Loans	(9 295)	(1 888)		(11 183)
Nigeria – Long term brokerage	(10 691)			(10 691)
Total	**224 454**	**1 986 753**	**(39 705)**	**2 171 502**
Restated 31 December 2009*				
SA – Long term insurance	185 365	1 478 700	(31 137)	1 632 928
SA – Short term insurance	19 377	135 335	(1 932)	152 780
SA – Investment contracts		1 819		1 819
SA – Loans	(5 551)	35		(5 516)
Nigeria – Long term brokerage	12 375			12 375
Total	**211 567**	**1 615 889**	**(33 069)**	**1 794 387**
Reported 31 December 2009				
SA – Long term insurance	185 365	1 478 700	(31 137)	1 632 928
SA – Short term insurance	19 377	135 335	(1 932)	152 780
SA – Investment contracts		1 819		1 819
SA – Loans	(5 551)	35		(5 516)
Nigeria – Long term brokerage	12 375	12 902		25 278
Total	**211 567**	**1 628 791**	**(33 069)**	**1 807 289**
30 June 2010				
SA – Long term insurance	276 907	1 584 474	(34 892)	1 826 489
SA – Short term insurance	26 973	180 816	(3 274)	204 513
SA – Investment contracts		4 133		4 133
SA – Loans	(7 527)	(564)		(8 091)
Nigeria – Long term brokerage	(286)			(286)
Total	**296 066**	**1 768 859**	**(38 166)**	**2 026 760**

The VNB can be split between segments as follows:

(R'000's)	Six months ended 31 December 2010	2009 Re-stated*	2009 Reported	Year ended 30 June 2010
SA – Long term insurance	**207 923**	161 526	161 526	295 349
SA – Short term insurance	**17 250**	34 372	34 372	72 408
SA – Investment contracts	**3 637**	2 517	2 517	5 381
SA – Loans	**(2 091)**	(321)	(321)	(1 247)
Nigeria – Long term brokerage	**–**		463	
SA – New venture costs	**(10 772)**	(8 248)	(8 248)	(18 764)
Total	**215 947**	**189 845**	**190 308**	**353 127**

Embedded Value Earnings Analysis

EV earnings (per PGN 107) comprises the change in EV for the period after adjusting for capital movements and dividends paid as they pertain to Clientèle Limited.

(R'000's)	Six months ended 31 December 2010 ANW	PVIF	CoC	Total
A: EV at the end of the period	**224 454**	**1 986 753**	**(39 705)**	**2 171 502**
EV at the beginning of the period	296 066	1 768 859	(38 166)	**2 026 760**
Dividends and STC accrued or paid	(167 609)			**(167 609)**
B: Adjusted EV at the beginning of the period	**128 458**	**1 768 859**	**(38 166)**	**1 859 150**
EV earnings (A – B)	95 996	217 893	(1 538)	**312 352**
Impact of once-off economic assumption changes	(1 768)	(66 862)	773	**(67 857)**
SA – Short term insurance: Impact of fraud		10 009		**10 009**
SA – Long term insurance: Impact of fraud		6 101		**6 101**
SA – Short term insurance: Impact of once-off system error		12 167		**12 167**
EV earnings before once-off items	**94 228**	**179 309**	**(765)**	**272 772**
Return on EV excluding once-off items (%)				29.3%
Return on EV (%)				**33.6%**
Components of EV earnings				
VNB	(99 564)	318 301	(2 791)	**215 947**
Expected return on covered business (unwinding of risk discount rate)	–	106 000	(2 333)	**103 667**
Expected profit transfer	204 190	(204 190)	–	**–**
Withdrawal experience variance	1 658	(21 301)	2 059	**(17 584)**
Claims and reinsurance experience variance	(4 281)	(1 841)	–	**(6 122)**
Sundry experience variance	(3 404)	5 609	2 261	**4 465**
Operating assumption and model changes	2 182	(4 096)	8	**(1 906)**
Expected return on ANW	7 541	–	–	**7 541**
SAR scheme dilution	(8 624)	–	–	**(8 624)**
Goodwill and Medium Term incentive schemes	(16 395)	(8 004)	–	**(24 399)**
Increase/(reduction) in Net Asset Value on Nigerian operation	(10 406)	–	–	**(10 406)**
EV operating return	**72 897**	**190 478**	**(796)**	**262 579**
Investment return variances on ANW	21 295	–	–	**21 295**
SA – Short term insurance: Impact of fraud#		(10 009)		**(10 009)**
SA – Long term insurance: Impact of fraud#		(6 101)		**(6 101)**
SA – Short term insurance: Impact of once-off system error#		(12 167)		**(12 167)**
Effect of economic assumption changes	1 804	55 692	(742)	**56 755**
EV earnings	**95 996**	**217 893**	**(1 538)**	**312 352**

#Fraud was detected during the reporting period relating to policy sales in the last quarter of the 2010 financial year. Whilst the cash loss and impact on IFRS earnings to the Group was negligible, it did result in a reduction of Group EV earnings for the period of R16,1 million. The related internal controls to prevent and detect sales related fraud will continue to be enhanced to mitigate the possibility of future fraud of this nature.

In addition, a batch of Legal policies was erroneously reflected as active at 30 June 2010 due to a once-off system error which also resulted in a reduction of EV earnings for the period of R12,2 million.