

# Highlights

- Embedded Value in excess of R2 billion for the first time
- Embedded Value Earnings of R478 million
- Return on Embedded Value of 31%
- Value of New Business of R353 million
- Insurance premium revenue over R1 billion for the first time
- Return on average shareholders interest of 54%
- Headline earnings per share increased by 11% from 44.52 cents to 49.31 cents
- Dividends declared per share increased by 12% from 42 cents to 47 cents



# Clientèle LIMITED

## COMMENTS

### INTRODUCTION

The Clientèle Group ("the Group") has recorded results for the year which are pleasing given the tough external environment. Whilst production volumes and persistency of Clientèle Life have been negatively affected, the Group has been successful in introducing higher premium products by leveraging off its various distribution channels and the strength of its brand. As a result, the Group has broadened and differentiated its target market and has a basis to further improve Value of New Business ("VNB") which now places the Group in an even stronger position moving forward.

The successes achieved, combined with the ongoing focus on our existing products and market, tight control over operating expenses and improved investment returns overall, have enabled the Group to report an increase in profit before tax of 22% from R203.0 million last year to R247.4 million this year. This translates into an increase in headline earnings of 11% (refer to comments on taxation below) from R144.0 million last year to R159.5 million this year and an increase of 12% in dividends declared per share from 42 cents last year to 47 cents this year. Embedded Value ("EV") earnings of R478.3 million for the year have resulted in a return on EV of 31%. Whilst this return was lower than expectations, mainly due to the lower production volumes, the Group's high rate of EV growth remains intact.

### OPERATING RESULTS

#### Group Statement of Comprehensive Income

Diluted headline earnings per share has increased by 10% from 44.5 cents for last year to 49.1 cents this year which translates into a return on average shareholders' interests of 54% (June 2009: 57%).

Insurance premium revenue is up by 7% on last year to over R1 billion for the first time.

Other income of R160.0 million is marginally lower than last year's other income of R161.4 million and mainly comprises annuity fees from Clientèle Life's Independent Field Advertisers ("IFA").

Operating expenses for the year have been well controlled resulting in an increase of 4% on last year which compares favourably with the 13% increase in total revenue for the year. Investment returns on insurance assets have improved when compared to last year and the Group has achieved a 13.5% return (2009: negative 2%) from its conservative investment portfolios.

The fair value adjustment to financial assets at fair value through profit and loss is partly attributable to the growth in new business in respect of investment contracts (56%) and partly to improved returns this year in respect of long-term insurance business (43%).

The increase in policyholder liabilities under insurance contracts of R109.7 million is R64.2 million higher than last year. The majority of the increase relates to the movement in the value of the policyholders' unsecured market related investment portfolio which is correlated to investment returns for the year.

\* The increase in taxation is mainly attributable to the reversal of the deferred tax asset of R7.8 million, previously raised in respect of IFA Nigeria's net loss since inception. The deferred tax asset was reversed, as profits, in the foreseeable future, are difficult to forecast with certainty. In the prior year there was a R10.3 million deferred tax credit recognised in the statement of comprehensive income in respect of IFA Nigeria. The reversal of R7.8 million is R2.5 million lower than the R10.3 million raised in the prior year due to foreign exchange translation losses as a result of the depreciation of the Naira against the Rand. The effective tax rate for the Group (excluding STC) after reversing these effects amounts to 28% (2009: 27%), after permanent differences.

Cash generated from operations, after working capital changes, has increased by 25% from R237.6 million last year to R298.1 million this year.

#### Group Embedded Value

The Group has continued to grow satisfactorily during the year under review although production volumes have been impacted by the state of the economy. The Group has nevertheless created VNB of R353.1 million for the year which contributed to the EV earnings of R478.3 million.

EV has increased from R1 548.4 million (restated, in respect of IFA Nigeria, and after adjusting for dividends and related STC) to R2 026.8 million at 30 June 2010.

EV results for Nigeria are no longer reflected in the Group EV results as it has become evident that the key assumptions underlying the actuarial calculations need to be proven and established over time. As a result, the EV for IFA Nigeria has been set equal to Net Asset Value and the prior year's figures have been restated on this basis.

The risk discount rate of 12.60% (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 current economic climate. The calculation is comprehensively explained and a sensitivity analysis is provided under the Group EV section of the results.

### SEGMENT RESULTS

#### Clientèle Life - Long Term Insurance

Clientèle Life remains the major contributor to the Group's revenue and profits, contributing 85% of the Group's revenue and more than 100% of the Group's net profit. Clientèle Life's net profit for the year of R188.8 million has increased by 14% over last year's net profit of R165.1 million.

Premium collections have remained almost in line with assumptions, however the withdrawal experience of two tranches of business worsened during the first six months of the financial year. This was identified by mid-year and mitigating action was taken and the withdrawal assumptions were changed as reported on in our interim results. As the measurement of experience for reporting purposes at year end is done relative to the actuarial assumptions used as at the previous year end the withdrawal loss grew from R23.8 million at December 2009 to R56.2 million at 30 June 2010, as was to be expected. At this time, the mitigating actions taken appear to have worked and further withdrawal losses are not anticipated on these classes of business relative to the new assumptions.

Whilst persistency experience has been less favourable than assumption, positive claims and undervriting experience has resulted in EV profits.

Clientèle Life's share of the Group's VNB amounts to R300.7 million or 93% of the total VNB. Its share of Group EV amounts to R1 830.6 million which represents 90% of Group EV.

#### Clientèle General Insurance (Clientèle Legal)

The personal lines legal insurance business has recorded a R6.2 million net profit for the year after just two and a half years of operation which reflects a R10.4 million increase in comparison to the R4.2 million net loss for the previous year. Lapse and claims experience has been better than expected and profit margins have, as a result, improved. The company now has an EV of R204.5 million (2009: R73.6 million) and VNB of R72.4 million (2009: R31.3 million) was created during the year.

#### Clientèle Life - Investment Contracts

In terms of 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 our growing book this operating segment reported a net loss for the year. This should be viewed in conjunction with the R24.0 million (2009: R12.4 million) of deferred profits included in the Statement of Financial Position.

#### IFA Nigeria

The Group launched IFA Nigeria, its life insurance brokerage business, of which it effectively owns 75%, in July 2008 and commenced policy sales from August 2008.

The consolidated loss before tax of R23.3 million for the year has increased by R2.3 million in comparison to last year. In order to ensure that the business model is developed on a more sustainable basis, without placing undue strain on the Group's resources, both production and expenses were curtailed during the year. The Group still believes that its proven IFA distribution model is well suited to Nigeria based on experience gained to date, although local challenges, particularly in the area of premium collections, require ongoing focus.

#### Clientèle Loans Direct

The personal loans business, of which the Group owns 70%, operated in partnership with Direct Axis (SA) (Pty) Ltd., is progressing in accordance with its conservative credit assessment and lending approach. The gross advances book at 30 June 2010 amounted to R43.3 million and experience from the book is as expected.

Operating results are improving in line with forecasts and the net loss for the year of R3.6 million (after minorities' share of losses) has reduced by R0.3 million or 8% in comparison to last year.

### PROSPECTS

The Group has continued its successful transformation from a life insurance company to a financial services group over the last year and has been successful in broadening and differentiating its current life insurance market. The Group intends to continue to add value to its existing customers and further leverage its distribution strengths to extended local markets and new international markets on a very selective and controlled basis, whilst remaining a highly focused organisation.

## DIVIDEND DECLARATION

Notice is hereby given that the Board has declared the following dividend per ordinary share:

Ordinary dividend (cents per share) **47**  
Ordinary shares in issue at record date (000's) **323 527**  
The dividend will be paid on Monday, 13 September 2010.

To comply with the procedures of Strate Limited the last day to trade in the shares for purposes of entitlement to the dividend is Friday, 3 September 2010. The shares will commence trading ex dividend on Monday, 6 September 2010 and the record date will be Friday, 10 September 2010.

Share certificates may not be dematerialised or rematerialised between Monday, 6 September 2010 and Friday, 10 September 2010 both days inclusive.

#### By order of the Board

**G Q Routledge** **G J Soll**  
Chairman Managing Director

Johannesburg  
16 August 2010

**Registered office:** Clientèle Office Park,  
Cnr Rivonia and Alton 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)\*,  
B A Stott CA(SA), P R Gwangwa LLM, A D T Enthoven BA,  
PhD (Political Science), I B Hume CA(SA), ACMA\*,  
B Frodsham BCom\*, B W Reekie BSc(Hons), FASSA\*  
**Company secretary:** W Van Zyl CA(SA) \*Executive director

**Sponsor:**  
PRICED WATERHOUSE COOPERS  
PricewaterhouseCoopers  
Corporate Finance (Pty) Ltd  
(Registration Number 195000/31/07)

## SUMMARISED GROUP RESULTS FOR THE YEAR ENDED 30 JUNE 2010

REVIEWED

### CONDENSED GROUP STATEMENTS OF COMPREHENSIVE INCOME

| (R'000's)   | Year ended |              | % Change |
|---|------------|--------------|----------|
|   | 2010       | 30 June 2009 |          |
| <b>Revenue</b>  |            |              |          |
| Insurance premium revenue   | 1 005 660  | 938 226      | 7        |
| Reinsurance premiums  | (42 755)   | (36 096)     |          |
| <b>Net insurance premiums</b>   | 962 905    | 902 130      | 7        |
| Other income  | 160 025    | 161 432      |          |
| Interest income   | 15 141     | 14 283       |          |
| Fair value adjustment to financial assets at fair value through profit and loss                             | 185 064    | 88 465       |          |
| <b>Total revenue</b>  | 1 323 135  | 1 166 310    | 13       |
| Net insurance benefits and claims   | (169 434)  | (153 063)    |          |
| Increase in policyholder liabilities under insurance contracts  | (109 697)  | (45 519)     |          |
| Decrease in reinsurance assets  | (15 568)   | (1 648)      |          |
| Fair value adjustment to financial liabilities at fair value through profit and loss - investment contracts | (98 705)   | (112 010)    |          |
| Interest expense  | (2 326)    | (389)        |          |
| Impairment of advances  | (5 608)    | (1 830)      |          |
| Operating expenses  | (674 438)  | (649 005)    | 4        |
| <b>Results from operating activities</b>  | 247 359    | 202 846      | 22       |
| Equity accounted earnings   | 23         | 165          |          |
| <b>Profit before tax</b>  | 247 382    | 203 011      | 22       |
| Tax *   | (98 923)   | (65 051)     |          |
| <b>Net profit for the year</b>  | 148 459    | 137 960      | 8        |
| Attributable to:  |            |              |          |
| Minorities  |            |              |          |
| - ordinary shareholders   | (11 280)   | (6 327)      |          |
| Equity holders of the Group - ordinary shareholders   | 159 739    | 144 287      | 11       |
| <b>Net profit for the year</b>  | 148 459    | 137 960      |          |
| <b>Other comprehensive income:</b>  |            |              |          |
| Exchange differences on translating foreign operation   | (2 691)    | (7 050)      |          |
| Gains on property revaluation   | 5 509      | 50           |          |
| Income tax relating to gains on property revaluation  | (1 345)    | 70           |          |
| <b>Other comprehensive income for the year - net of tax</b>   | 1 473      | (6 930)      |          |
| <b>Total comprehensive income for the year</b>  | 149 932    | 131 030      |          |
| <b>Total comprehensive income attributable to:</b>  |            |              |          |
| Minorities  |            |              |          |
| - ordinary shareholders   | (11 953)   | (5 949)      |          |
| Equity holders of the Group - ordinary shareholders   | 161 885    | 136 979      |          |

### CONDENSED GROUP STATEMENTS OF FINANCIAL POSITION

| (R'000's)   | Year ended |              |
|---|------------|--------------|
|   | 2010       | 30 June 2009 |
| <b>Assets</b>   |            |              |
| Intangible assets   | 37 036     | 31 367       |
| Property and equipment                                      | 50 893     | 41 452       |
| Owner-occupied properties                                   | 134 300    | 129 600      |
| Investment in associates                                    | 372        | 349          |
| Deferred tax  | 22 367     | 24 201       |
| Inventories   | 1 412      | 2 653        |
| Reinsurance assets  | 6 579      | 22 147       |
| Financial assets held at fair value through profit and loss | 1 607 713  | 1 404 549    |
| Loans and receivables including insurance receivables       | 65 814     | 50 559       |
| Cash and cash equivalents                                   | 77 983     | 112 633      |
| <b>Total assets</b>   | 2 004 469  | 1 819 510    |
| <b>Total equity and reserves</b>                            | 304 903    | 287 958      |
| <b>Liabilities</b>  |            |              |
| Policyholder liabilities under insurance contracts          | 693 725    | 584 027      |
| Financial liabilities                                       | 181 979    | 171 561      |
| - At fair value through profit and loss                     | 781 513    | 717 561      |
| - At amortised cost   | 30 466     | -            |
| Loans at amortised cost                                     | 14 790     | 15 505       |
| Finance leases  | 778        | 1 303        |
| Employee benefits   | 64 676     | 73 724       |
| Accruals and payables including insurance payables          | 92 429     | 88 511       |
| Deferred tax  | 16 483     | 11 682       |
| Current tax   | 4 706      | 39 239       |
| <b>Total liabilities</b>                                    | 1 699 566  | 1 531 552    |
| <b>Total equity and liabilities</b>                         | 2 004 469  | 1 819 510    |

### TAX \*

| (R'000's)                          | Year ended |              |
|------------------------------------|------------|--------------|
|                                    | 2010       | 30 June 2009 |
| <b>SA Operations:</b>              |            |              |
| Current and deferred tax           | (80 315)   | (63 749)     |
| Secondary tax on companies ("STC") | (11 996)   | (11 952)     |
| Capital gains tax                  | (76)       | (662)        |
| Overprovision in prior years       | 1 244      | 998          |
| IFA Nigeria *                      | (7 780)    | 10 314       |
| <b>Tax</b>                         | (98 923)   | (65 051)     |

The Individual Policyholder Fund has an estimated tax loss of R1.42 billion (2009: R1.20 billion).

### RECONCILIATION OF NET PROFIT TO HEADLINE EARNINGS

| (R'000's)   | Year ended |              |
|---|------------|--------------|
|   | 2010       | 30 June 2009 |
| Net profit for the year attributable to equity holders of the Group | 159 739    | 144 287      |
| Less: Profit on disposal of fixed assets                            | (234)      | (254)        |
| <b>Headline earnings</b>  | 159 505    | 144 033      |

### RATIOS PER SHARE

|  | Year ended |              |
|--|------------|--------------|
|  | 2010       | 30 June 2009 |
| <b>Headline earnings per share (cents)</b>         | 49.31      | 44.52        |
| <b>Diluted headline earnings per share (cents)</b> | 49.10      | 44.52        |
| <b>Earnings per share (cents)</b>                  | 49.38      | 44.60        |
| <b>Diluted earnings per share (cents)</b>          | 49.17      | 44.60        |
| <b>Net asset value per share (cents)</b>           | 94.25      | 89.01        |
| <b>Diluted net asset value per share (cents)</b>   | 93.86      | 89.01        |
| <b>Dividends per share (cents)</b>                 | 47.00      | 42.00        |
| <b>Weighted average ordinary shares ('000)</b>     | 323 505    | 323 500      |
| <b>Diluted average ordinary shares ('000)</b>      | 324 857    | 323 500      |

### NOTES TO THE RESULTS

The results have been reviewed by the Group's auditors, PricewaterhouseCoopers Inc., in terms of International Standards on Review Engagements 2410. The scope of the review was to enable the auditors to report that nothing came to their attention that caused them to believe that the accompanying condensed preliminary consolidated financial information is not presented in all material respects, in accordance with the South African Companies Act 1973 (Act 61 of 1973), as amended, and section 8.57 of the JSE Limited Listings Requirements. A copy of the review opinion is available on request at the Company's registered offices.

### 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 2009. 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 STATEMENTS OF COMPREHENSIVE INCOME

| (R'000's)  | SA Long term insurance | SA Short term insurance | SA Investment contracts | SA Loans | SA Mobile | Nigeria Long term brokerage | Inter segment (revenue)/expense | Total Group |
|--|------------------------|-------------------------|-------------------------|----------|-----------|-----------------------------|---------------------------------|-------------|
|  |                        |                         |                         |          |           |                             |                                 |             |
| <b>30 June 2010</b>  |                        |                         |                         |          |           |                             |                                 |             |
| Net insurance premiums   | 887 291                | 75 614                  | -                       | -        | -         | -                           | -                               | 962 905     |
| Other income   | 145 723                | -                       | -                       | 2 852    | 2 722     | 9 848                       | (1 120)                         | 160 025     |
| Interest income  | 7 629                  | 345                     | -                       | 10 749   | 97        | 460                         | (4 139)                         | 15 141      |
| Fair value adjustment to financial assets at fair value through profit and loss      | 79 762                 | 1 496                   | 103 806                 | -        | -         | -                           | -                               | 185 064     |
| <b>Segment revenue</b>   | 1 120 405              | 77 455                  | 103 806                 | 13 601   | 2 819     | 10 308                      | (5 259)                         | 1 323 135   |
| <b>Segment expenses and claims</b>   | (68 921)               | (68 883)                | (107 363)               | (20 801) | (2 640)   | (41 427)                    | 5 259                           | (1 075 776) |
| Net insurance benefits and claims  | (161 687)              | (7 746)                 | -                       | -        | -         | (1)                         | -                               | (169 434)   |
| Increase in policyholder liabilities under insurance contracts                       | (101 744)              | (7 953)                 | -                       | -        | -         | -                           | -                               | (109 697)   |
| Decrease in reinsurance assets   | (15 568)               | -                       | -                       | -        | -         | -                           | -                               | (15 568)    |
| Fair value adjustment to financial liabilities at fair value through profit and loss | -                      | -                       | (98 705)                | -        | -         | -                           | -                               | (98 705)    |
| Interest expense   | -                      | -                       | (1 630)                 | (4 591)  | -         | (244)                       | 4 139                           | (2 326)     |
| Impairment of advances   | -                      | -                       | (5 608)                 | -        | -         | -                           | -                               | (5 608)     |
| Operating expenses   | (560 922)              | (53 184)                | (7 028)                 | (10 602) | (2 640)   | (41 182)                    | 1 120                           | (674 438)   |
| <b>Results from operating activities</b>   | 280 484                | 8 572                   | (3 557)                 | (7 200)  | 179       | (31 119)                    | -                               | 247 359     |
| Equity accounted earnings  | 23                     | -                       | -                       | -        | -         | -                           | -                               | 23          |
| <b>Profit/(loss) before tax</b>  | 280 507                | 8 572                   | (3 557)                 | (7 200)  | 179       | (31 119)                    | -                               | 247 382     |
| Tax  | (91 734)               | (2 371)                 | 996                     | 2 016    | (50)      | (7 780)                     | -                               | (98 923)    |
| <b>Net profit/(loss) for the year</b>  | 188 773                | 6 201                   | (2 561)                 | (5 184)  | 129       | (38 899)                    | -                               | 148 459     |
| Attributable to:   |                        |                         |                         |          |           |                             |                                 |             |
| Minorities - ordinary shareholders   | -                      | -                       | -                       | (1 555)  | -         | (9 725)                     | -                               | (11 280)    |
| Equity holders of the Group - ordinary shareholders                                  | 188 773                | 6 201                   | (2 561)                 | (3 629)  | 129       | (29 174)                    | -                               | 159 739     |
| <b>30 June 2009</b>  |                        |                         |                         |          |           |                             |                                 |             |
| Net insurance premiums   | 866 232                | 35 898                  | -                       | -        | -         | -                           | -                               | 902 130     |
| Other income   | 143 065                | 7                       | -                       | 554      | 75        | 18 211                      | (480)                           | 161 432     |
| Interest income  | 9 134                  | 1 303                   | -                       | 2 391    | 1         | 968                         | 486                             | 14 283      |
| Fair value adjustment to financial assets at fair value through profit and loss      | (25 160)               | 114 111                 | -                       | -        | -         | -                           | -                               | 88 465      |
| <b>Segment revenue</b>   | 993 271                | 37 208                  | 114 111                 | 2 945    | 76        | 19 179                      | (480)                           | 1 166 310   |
| <b>Segment expenses and claims</b>   | (730 358)              | (41 934)                | (113 596)               | (10 644) | (260)     | (47 152)                    | 480                             | (963 464)   |
| Net insurance benefits and claims  | (152 781)              | (282)                   | -                       | -        | -         | -                           | -                               | (153 063)   |
| Increase in policyholder liabilities under insurance contracts                       | (41 676)               | (3 843)                 | -                       | -        | -         | -                           | -                               | (45 519)    |
| Decrease in reinsurance assets   | (1 648)                | -                       | -                       | -        | -         | -                           | -                               | (1 648)     |
| Fair value adjustment to financial liabilities at fair value through profit and loss | -                      | -                       | (112 010)               | -        | -         | -                           | -                               | (112 010)   |
| Interest expense   | -                      | -                       | (1 830)                 | (389)    | -         | -                           | -                               | (2 326)     |
| Impairment of advances   | -                      | -                       | (5 608)                 | (1 830)  | -         | -                           | -                               | (7 438)     |
| Operating expenses   | (554 253)              | (37 809)                | (1 586)                 | (8 814)  | (260)     | (46 763)                    | 480                             | (649 005)   |
| <b>Results from operating activities</b>   | 242 913                | 165                     | (4 726)                 | 515      | (7 699)   | (184)                       | (27 973)                        | 247 359     |
| Equity accounted earnings  | 23                     | -                       | -                       | -        | -         | -                           | -                               | 23          |
| <b>Profit/(loss) before tax</b>  | 243 078                | (4 726)                 | (4 726)                 | 515      | (7 699)   | (184)                       | (27 973)                        | 247 382     |
| Tax  | (77 963)               | 534                     | (144)                   | 2 156    | (52)      | 10 314                      | -                               | (65 051)    |
| <b>Net profit/(loss) for the year</b>  | 165 115                | (4 192)                 | (4 870)                 | 371      | (5 543)   | (132)                       | (17 659)                        | 137 9       |





# Clientèle LIMITED

## GROUP EMBEDDED VALUE

### EMBEDDED VALUE

The 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 Present Value of In-force business is the present value of future after tax profits arising from covered business in force as at 30 June 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 our Nigerian operation is relatively new and we have limited experience investigations, 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 has decided to follow a conservative approach by setting the EV for the Nigerian operation equal to the Net Asset Value. The 30 June 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)                                      | Year ended 30 June |                   |                  |
|--|--------------------|-------------------|------------------|
|  | 2010               | 2009<br>Restated* | 2009<br>Reported |
| Free surplus                                   | 179 637            | 186 554           | 186 554          |
| Required capital                               | 116 429            | 91 021            | 91 021           |
| Adjusted Net Worth ("ANW") of covered business | 296 066            | 277 575           | 277 575          |
| Cost of Required Capital                       | (38 166)           | (30 938)          | (30 938)         |
| PVIF   | 1 768 859          | 1 449 656         | 1 474 414        |
| <b>EV of covered business</b>                  | <b>2 026 760</b>   | <b>1 696 293</b>  | <b>1 721 051</b> |

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)  | Year ended 30 June |                   |                  |
|--|--------------------|-------------------|------------------|
|  | 2010               | 2009<br>Restated* | 2009<br>Reported |
| Total equity and reserves per balance sheet  | 304 903            | 287 958           | 287 958          |
| Removal of Deferred Profits and impact of compulsory margins on investment business (net impact after tax) | 12 377             | 4 603             | 4 603            |
| Removing minority interests  | 3 295              | (8 658)           | (8 658)          |
| Adjusting subsidiaries to Net Asset Value  | (6 266)            | (1 157)           | (1 157)          |
| SAR Scheme adjustment  | (18 243)           | (5 171)           | (5 171)          |
| <b>ANW</b>   | <b>296 066</b>     | <b>277 575</b>    | <b>277 575</b>   |

The CoC is the opportunity cost of having to hold the Required Capital of R116.4 million as at 30 June 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 CAR cover ratio at 30 June 2010 was 3.03 times (30 June 2009: 2.98 times) on the statutory valuation basis.

| (R'000's)                    | Year ended 30 June |                   |                  |
|------------------------------|--------------------|-------------------|------------------|
|                              | 2010               | 2009<br>Restated* | 2009<br>Reported |
| EV per share (cents)         | 626,46             | 524,36            | 532,01           |
| Diluted EV per share (cents) | 623,91             | 524,36            | 532,01           |

### VALUE OF NEW BUSINESS

| (R'000's)                              | Year ended 30 June |                   |                  |
|--|--------------------|-------------------|------------------|
|  | 2010               | 2009<br>Restated* | 2009<br>Reported |
| Total VNB                              | 353 127            | 399 736           | 420 018          |
| Present Value of New Business premiums | 1 503 558          | 1 569 570         | 1 728 887        |
| New Business profit margin             | 23,5%              | 25,5%             | 24,3%            |

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 year ended 30 June 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.

### EMBEDDED VALUE EARNINGS

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

|   | Year ended to 30 June 2010 |                  |                 |                  |
|---|----------------------------|------------------|-----------------|------------------|
|   | ANW                        | PVIF             | CoC             | Total            |
| <b>A : EV at the end of the year (R'000's)</b>                        | 296 066                    | 1 768 859        | (38 166)        | 2 026 760        |
| Restated* EV at the beginning of the year                             | 277 575                    | 1 449 656        | (30 938)        | 1 696 293        |
| Dividends and STC accrued or paid                                     | (147 866)                  | -                | -               | (147 866)        |
| <b>A : Adjusted EV at the beginning of the year</b>                   | <b>129 709</b>             | <b>1 449 656</b> | <b>(30 938)</b> | <b>1 548 426</b> |
| EV earnings (A - B)   | 166 358                    | 319 204          | (7 228)         | 478 333          |
| Impact of once-off economic assumption changes                        | 1 310                      | 49 415           | (786)           | 49 939           |
| <b>EV earnings before once-off items</b>                              | <b>165 048</b>             | <b>269 789</b>   | <b>(6 443)</b>  | <b>428 394</b>   |
| Return on EV excluding once-off items                                 |                            |                  |                 | 27,7%            |
| Return on EV  |                            |                  |                 | 30,9%            |
| <b>Components of EV earnings (R'000's)</b>                            |                            |                  |                 |                  |
| Value of New Business   | (110 412)                  | 466 690          | (3 151)         | 353 127          |
| Expected return on covered business (unwinding of risk discount rate) | -                          | 186 006          | (4 099)         | 181 907          |
| Expected profit transfer  | 334 728                    | (334 728)        | -               | -                |
| Withdrawal experience variance  | (3 334)                    | (54 515)         | 1 623           | (56 227)         |
| Claims and reinsurance experience variance                            | 8 558                      | -                | -               | 8 558            |
| Sundry experience variance  | (5 570)                    | 1 091            | 1 343           | (3 136)          |
| Operating assumption and model changes                                | (6 844)                    | (5 869)          | (2 157)         | (14 869)         |
| Expected return on ANW  | 16 994                     | -                | -               | 16 994           |
| SAR Scheme dilution   | (13 072)                   | -                | -               | (13 072)         |
| Goodwill and Medium Term incentive schemes                            | (31 064)                   | 25 351           | -               | (5 713)          |
| Increase/(reduction) in Net Asset Value on Nigerian operation         | (31 248)                   | -                | -               | (31 248)         |
| <b>EV operating return</b>  | <b>158 735</b>             | <b>284 027</b>   | <b>(6 442)</b>  | <b>436 320</b>   |
| Investment return variances on ANW                                    | 6 158                      | -                | -               | 6 158            |
| Effect of foreign currency movements                                  | -                          | -                | -               | -                |
| Effect of economic assumption changes                                 | 1 464                      | 35 177           | (786)           | 35 855           |
| <b>EV earnings</b>  | <b>166 357</b>             | <b>319 204</b>   | <b>(7 228)</b>  | <b>478 333</b>   |

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

|                             | Year ended 30 June |                   |                  |
|-----------------------------|--------------------|-------------------|------------------|
|                             | 2010               | 2009<br>Restated* | 2009<br>Reported |
| Risk discount rate %        | 12.60              | 13.25             | 13.25            |
| Overall investment return % | 8.10               | 8.75              | 8.75             |
| Expense inflation %         | 6.10               | 6.75              | 6.75             |
| 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, 18 months ago, the Board decided it prudent, in light of the current 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 30 June 2010 was 12.60%.

### RISK DISCOUNT RATE SENSITIVITIES

| (R'000's)                 | EV        | VNB     |
|---------------------------|-----------|---------|
| Risk discount rate 10.60% | 2 211 220 | 406 527 |
| Risk discount rate 11.60% | 2 113 098 | 379 148 |
| Risk discount rate 12.60% | 2 026 760 | 353 127 |
| Risk discount rate 13.60% | 1 945 937 | 333 646 |
| Risk discount rate 14.60% | 1 874 285 | 313 215 |

### SEGMENT INFORMATION

The EV can be split between segments as follows:

| (R'000's)                     | ANW            | PVIF             | CoC             | EV               |
|-------------------------------|----------------|------------------|-----------------|------------------|
| <b>30 June 2010</b>           |                |                  |                 |                  |
| 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)            |
| <b>Total</b>                  | <b>296 066</b> | <b>1 768 859</b> | <b>(38 166)</b> | <b>2 026 760</b> |
| <b>Reported 30 June 2009</b>  |                |                  |                 |                  |
| SA - Long term insurance      | 249 933        | 1 375 204        | (29 498)        | 1 595 639        |
| SA - Short term insurance     | 2 224          | 72 781           | (1 440)         | 73 565           |
| SA - Investment contracts     | -              | 1 440            | -               | 1 440            |
| SA - Loans                    | (5 543)        | 230              | -               | (5 313)          |
| Nigeria - Long-term brokerage | 30 961         | 24 759           | -               | 55 720           |
| <b>Total</b>                  | <b>277 575</b> | <b>1 474 414</b> | <b>(30 938)</b> | <b>1 721 051</b> |
| <b>Restated* 30 June 2009</b> |                |                  |                 |                  |
| SA - Long term insurance      | 249 933        | 1 375 204        | (29 498)        | 1 595 639        |
| SA - Short term insurance     | 2 224          | 72 781           | (1 440)         | 73 565           |
| SA - Investment contracts     | -              | 1 440            | -               | 1 440            |
| SA - Loans                    | (5 543)        | 230              | -               | (5 313)          |
| Nigeria - Long-term brokerage | 30 961         | 24 759           | -               | 55 720           |
| <b>Total</b>                  | <b>277 575</b> | <b>1 449 656</b> | <b>(30 938)</b> | <b>1 696 293</b> |

The VNB can be split between segments as follows:

| (R'000's)                     | Year ended 30 June |                   |                  |
|-------------------------------|--------------------|-------------------|------------------|
|                               | 2010               | 2009<br>Restated* | 2009<br>Reported |
| <b>Reported 30 June 2009</b>  |                    |                   |                  |
| SA - Long term insurance      | 295 349            | 383 799           | 383 799          |
| SA - Short term insurance     | 72 408             | 31 275            | 31 275           |
| SA - Investment contracts     | 5 381              | 5 621             | 5 621            |
| SA - Loans                    | (1 247)            | (364)             | (364)            |
| Nigeria - Long-term brokerage | -                  | -                 | 20 282           |
| SA - New venture costs        | (18 764)           | (20 595)          | (20 595)         |
| <b>Total</b>                  | <b>353 127</b>     | <b>399 736</b>    | <b>420 018</b>   |