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

SUMMARISED GROUP RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2009

Highlights

- Headline earnings per share increased by 30% from 18.32 cents to 23.76 cents
- Annualised return on average shareholders interest of 62%
- Annualised return on Embedded Value of 30%
- Value of New Business for the six months of R190 million

COMMENTS

INTRODUCTION

Clientèle has again recorded pleasing results in circumstances which were challenging for most businesses across the world.
Although equity markets have improved, business and consumer activity in South Africa is still subdued; this has tempered production volumes and embedded value earnings for the period.
In spite of the effects of the challenging environment, net recurring insurance premiums have increased by 8% over the same period last year which together with favourable investment returns and rigorous control of expenses has resulted in profit before tax for the Group increasing by 30% in comparison to the same six month period last year.

OPERATING RESULTS

Group Statement of Comprehensive Income
Headline earnings for the Group of R76,9 million are 30% higher than the headline earnings of R59,3 million for the comparative period.
As a result, diluted headline earnings per share have increased by 29% to 23.71 cents, up from 18.32 cents for the comparative period.
The annualised return on average shareholders' interests has increased to 62% up from 55% for the same period last year.
Net recurring insurance premiums for the period are up by 8% from R445,7 million to R482,2 million and other income of R84.3 million, which mainly comprises annuity fees from Clientele Life's Independent Field Advertisers (IFA), is 3% up on the comparable six month figure of R81.4 million.
Operating expenses for the period have increased by 8% over the comparable six month period which is in line with the 8% increase in net recurring insurance premiums for the period.

The first six months of the financial year to 31 December 2009 evidenced a significant improvement in investment returns, during this period Clientèle achieved an 11% return from its conservative investment portfolios which is significantly up on the negative 6% returns for the comparative period.
The increase in policyholder liabilities under insurance contracts of R75,0 million should be viewed in conjunction with the fair value adjustment to financial assets at fair value through profit and loss. The majority 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.
The increase in taxation is mainly attributable to the reversal of the deferred tax asset of R7.4 million, previously raised in respect of IFA Nigeria’s net loss since inception as future profits, in the foreseeable future, are difficult to forecast with certainty.

Group Embedded Value
The Group has continued to grow satisfactorily during the period under review. Although production volumes have been impacted by the state of the economy, this has not negatively impacted business profit margins which have remained in line with the profit margin of 23,7% reported for the comparative period. The Value of New Business has decreased from R209 million for the comparative six month period to R190.3 million this period R12.6 million of this reduction was due to a 1% increase in the Risk Discount Rate from December 2008. In addition, we have adopted more conservative withdrawal assumptions for IFA Nigeria due to the infancy of this business. The production for IFA in South Africa was however lower than expected.
The Embedded Value (EV) has increased from R1 573,2 million (after adjusting for dividends and related STC) to R1 807,3 million at 31 December 2009. This reflects EV earnings of R234,1 million and translates into an annualised Return on EV of 29.8%.
The withdrawal experience for Clientele Life was only marginally higher than expected during the period. This is considered a pleasing result in the current environment.
The risk discount rate of 13.25% (2008 : 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% to allow for some conservatism given the current economic climate. The calculation is comprehensively explained and a sensitivity analysis is provided under the Group Embedded Value section of the results.

SEGMENT RESULTS

Clientèle General Insurance (Clientèle Legal)

The personal lines legal insurance business has recorded a R0,6 million profit after tax for the six months compared to the R2,9 million loss for the comparable six month period. Lapse experience has been better than expected and profit margins have, as a result, improved. The company now has an Embedded Value of R153,2 million (2008 : R33,0 million) and Value of New Business of R34,1 million (2008 : R15,9 million) was created during the six month period.

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 usually reports a net loss for the period. This should be viewed in conjunction with the R17,9 million of deferred profits included in the Statement of Financial Position.

IFA Nigeria

Clientèle launched IFA Nigeria, its Life Insurance Brokerage business of which the Group effectively owns 75%, in July 2008 and commenced policy sales from August 2008.

The consolidated loss before tax of R10,3 million is equivalent to 49% of the loss reported for the full year to 30 June 2009. 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 period. Clientèle believes that its proven IFA distribution model is well suited to Nigeria and the importance of premium collections remains paramount.

The reduction in the Group’s share of IFA Nigeria’s EV compared to the previous reporting period is mainly due to the more conservative withdrawal assumptions and the reversal of the deferred tax asset of R7,4 million.

Clientèle Loans Direct

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

Operating results are improving in line with forecasts and the net loss for the period of R1,7 million (after minorities’ share of losses) has reduced by R0,2 million or 11%.

PROSPECTS

The Group has continued to build positively on its transformation from a life insurance company to a financial services group over the last six months. 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. The Group intends to continue 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	G J Soll
Chairman	Managing Director

Johannesburg
15 February 2010

CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

(R'000's)	Six months ended 31 December 2009	2008	% Change	Audited Year ended 30 June 2009
Revenue				
Insurance premium revenue	502 807	461 560	9	938 226
Reinsurance premiums	(20 587)	(15 900)		(36 096)
Net insurance premiums	482 220	445 660	8	902 130
Other income	84 254	81 447		161 432
Interest income	6 813	7 790		14 283
Fair value adjustment to financial assets at fair value through profit and loss	118 294	(50 120)		88 465
Total revenue	691 581	484 777	43	1 166 310
Net insurance benefits and claims	(77 294)	(79 766)		(153 063)
(Increase)/decrease in policyholder liabilities under insurance contracts	(74 981)	9 073		(45 519)
Decrease in reinsurance assets	(13 387)	(1 140)		(1 648)
Fair value adjustment to financial liabilities at fair value through profit and loss – investment contracts	(48 602)	6 346		(112 010)
Impairment of advances	(2 299)	(260)		(1 830)
Operating expenses	(347 568)	(321 268)	8	(649 394)
Results from operating activities	127 450	97 762	30	202 846
Equity accounted earnings	32	18		165
Profit before tax	127 482	97 780	30	203 011
Tax	(56 416)	(41 044)	38	(65 051)
Net profit for the period/year	71 066	56 736	25	137 960
Attributable to:				
Minorities – ordinary shareholders	(5 999)	(2 619)		(6 327)
Equity holders of the Group – ordinary shareholders	77 065	59 355	30	144 287

Net profit for the period/year	71 066	56 736	137 960
Other comprehensive income:			
Exchange differences on translating foreign operation	(3 648)	1 514	(10 071)
Gains on property revaluation	-	-	50
Income tax relating to gains on property revaluation	-	-	70
Other comprehensive income for the period/year net of tax	(3 648)	1 514	(9 951)
Total comprehensive income for the period/year	67 418	58 250	128 009
Total other comprehensive income attributable to:			
Minorities - ordinary shareholders	(6 911)	(2 241)	(8 970)
Equity holders of the Group - ordinary shareholders	74 329	60 491	136 979

CONDENSED GROUP STATEMENT OF FINANCIAL POSITION

(R'000's)	Six months ended 31 December 2009	2008	Audited Year ended 30 June 2009
Assets			
Intangible assets	45 784	3 753	31 367
Property and equipment	37 277	45 106	41 452
Owner-occupied properties	129 510	126 579	129 600
Investment in associates	381	541	349
Deferred tax	16 167	15 127	24 201
Inventories	2 192	1 718	2 653
Reinsurance assets	8 760	28 168	22 147
Financial assets held at fair value through profit and loss	1 421 118	1 132 030	1 404 549
Loans and receivables including insurance receivables	53 673	81 931	50 559
Cash and cash equivalents	121 455	88 880	112 633
Total assets	1 836 317	1 523 833	1 819 510
Total equity and reserves	222 203	215 262	287 958
Liabilities			
Policyholder liabilities under insurance contracts	659 008	529 262	584 027
Financial liabilities held at fair value through profit and loss	741 225	614 020	717 561
Loan at amortised cost	14 342	18 866	15 505
Finance leases	964	–	1 303
Employee benefits	46 715	39 805	73 724
Accruals and payables including insurance payables	102 653	92 995	88 511
Deferred tax	11 688	12 797	11 682
Current tax	37 519	826	39 239
Total liabilities	1 614 114	1 308 571	1 531 552
Total equity and liabilities	1 836 317	1 523 833	1 819 510

TAX

(R'000's)	Six months ended 31 December 2009	2008	Audited Year ended 30 June 2009
Current tax	(37 395)	(38 825)	(73 453)
Deferred tax	(6 425)*	8 933	20 018
Secondary tax on companies ("STC")	(11 996)	(12 150)	(11 952)
Capital gains tax	-	-	(662)
(Under)/Overprovision in prior period/year	(600)	998	998
Tax	(56 416)	(41 044)	(65 051)

The Individual Policyholder Fund has an estimated tax loss of R1.2 billion (2008: R1.0 billion).

* The increase in tax is mainly attributable to the reversal of the deferred tax asset of R7.4 million, previously raised in respect of IFA Nigeria's net loss since inception as future profits, in the foreseeable future, are difficult to forecast with certainty.

RECONCILIATION OF NET PROFIT TO HEADLINE EARNINGS

(R'000's)	Six months ended 31 December 2009	2008	Audited Year ended 30 June 2009
Net profit for the period/year attributable to equity holders of the Group	77 065	59 355	144 287
Less: Profit on disposal of fixed assets	(211)	(82)	(254)
Headline earnings	76 854	59 273	144 033

RATIOS PER SHARE

	Six months ended 31 December 2009	Six months ended 31 December 2008	Audited Year ended 30 June 2009
Headline earnings per share (cents)	23.76	18.32	44.52
Diluted headline earnings per share (cents)	23.71	18.32	44.52
Earnings per share (cents)	23.82	18.35	44.60
Diluted earnings per share (cents)	23.77	18.35	44.60
Net asset value per share (cents)	68.69	66.54	89.01
Diluted net asset value per share (cents)	68.55	66.54	89.01
Dividends per share (cents)	42.00	39.00	39.00
Weighted average ordinary shares ('000)	323 500	323 500	323 500
Diluted average ordinary shares ('000)	324 169	323 500	323 500

NOTES TO THE RESULTS

The results have not been reviewed or audited by the Group's auditors PricewaterhouseCoopers Inc. The (increase)/decrease in policyholder liabilities has 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 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.

CONDENSED GROUP STATEMENT OF CASH FLOWS

(R'000's)	Six months ended 31 December 2009	Six months ended 31 December 2008	Audited Year ended 30 June 2009
Cash flows from operating activities	31 268	(128 200)	(98 846)
Profit from operations adjusted for non cash items	182 983	168 914	337 814
Separately disclosable items 1	(24 020)	(27 420)	(68 883)
Working capital changes	(43 939)	(134 563)	(100 240)
(Decrease)/increase in financial liabilities held at fair value through profit and loss 2	(23 533)	109 793	115 080
Net disposal/(acquisition) of investments 3	101 724	(69 653)	(250 087)
Interest received 1	20 177	9 710	45 136
Dividends received 1	3 843	17 710	23 747
Dividends paid	(135 870)	(126 165)	(126 095)
Tax paid	(50 097)	(76 526)	(75 318)
Cash flows from investing activities	(20 808)	19 690	(65 122)
Cash flows from financing activities	(1 638)	-	79 211
Net increase/(decrease) in cash and cash equivalents	8 822	(108 510)	(84 757)
Cash and cash equivalents at beginning of the period/year	112 633	197 390	197 390
Cash and cash equivalents at end of the period/year	121 455	88 880	112 633

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

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, Short term insurance, Investment contracts, Loans business and Long term brokerage segments. Policies written are in respect of individuals.

SEGMENT ASSETS & LIABILITIES

(R'000's)	Six months ended 31 December 2009	Six months ended 31 December 2008	Audited Year ended 30 June 2009
Assets			
SA – Long term insurance	1 022 129	793 380	1 013 507
SA – Short term insurance	40 489	29 883	21 310
SA – Investment contracts	741 232	620 284	721 836
SA – Loans	31 128	7 139	30 034
Nigeria – Long term brokerage	36 414	92 423	70 827
Inter segment	(35 075)	(19 276)	(38 004)
Total Group Assets	1 836 317	1 523 833	1 819 510
Liabilities			
SA – Long term insurance	832 437	633 494	768 945
SA – Short term insurance	16 556	35 190	17 928
SA – Investment contracts	741 225	621 028	717 561
SA – Loans	39 058	9 872	35 577
Nigeria – Long term brokerage	19 913	28 263	29 545
Inter segment	(35 075)	(19 276)	(38 004)
Total Group Liabilities	1 614 114	1 308 571	1 531 552

Segment results

(R'000's)	SA Long term insurance	SA Short term insurance	SA Investment contracts	SA Loans
31 December 2009				
Net insurance premiums	448 934	33 286		
Other income	75 846			1 185
Interest income	3 495	196		2 721
Fair value adjustment to financial assets at fair value through profit and loss	67 080	653	50 561	
Segment revenue	595 355	34 135	50 561	3 906
Segment expenses and claims	(449 966)	(33 370)	(52 187)	(7 220)
Net insurance benefits and claims	(76 831)	(463)		
Increase in policyholder liabilities under insurance contracts	(69 908)	(5 073)		
Decrease in reinsurance assets	(13 387)			
Fair value adjustment to financial liabilities at fair value through profit and loss			(48 602)	
Impairment of advances				(2 299)
Operating expenses	(289 840)	(27 834)	(3 585)	(4 921)
Results from operating activities	145 389	765	(1 626)	(3 314)

Equity accounted earnings	32			
Profit/(loss) before tax	145 421	765	(1 626)	(3 314)
Tax	(50 216)	(214)	455	929
Net profit/(loss) for the period	95 205	551	(1 171)	(2 385)
Attributable to:				
Minorities – ordinary shareholders				(715)
Equity holders of the Group – ordinary shareholders	95 205	551	(1 171)	(1 670)

* The increase in tax is mainly attributable to the reversal of the deferred tax asset of R7.4 million, previously raised in respect of IFA Nigeria’s net loss since inception as future profits, in the foreseeable future, are difficult to forecast with certainty.

31 December 2008

Net insurance premiums	432 615	13 045		
Other income	73 222	552	836	49
Interest income	7 484			306
Fair value adjustment to financial assets at fair value through profit and loss	(43 774)		(6 346)	
Segment revenue	469 547	13 597	(5 510)	355
Segment expenses and claims	(353 030)	(17 298)	4 443	(4 151)
Net insurance benefits and claims	(79 723)	(43)		
Decrease in policyholder liabilities under insurance contracts	9 073			

Decrease in reinsurance assets	(1 140)			
Fair value adjustment to financial liabilities at fair value through profit and loss	1 903		4 443	
Impairment of advances				(260)
Operating expenses	(283 143)	(17 255)		(3 891)
Results from operating activities	116 517	(3 701)	(1 067)	(3 796)
Equity accounted earnings	18			
Profit/(loss) before tax	116 535	(3 701)	(1 067)	(3 796)
Tax	(47 237)	838	299	1 063
Net profit/(loss) for the period	69 298	(2 863)	(768)	(2 733)
Attributable to:				
Minorities – ordinary shareholders				(820)
Equity holders of the Group – ordinary shareholders	69 298	(2 863)	(768)	(1 913)

(R'000's)	Nigeria Long term brokerage	Inter segment (revenue)/expense	Total Group
31 December 2009			
Net insurance premiums			482 220
Other income	6 610	613	84 254
Interest income	401		6 813
Fair value adjustment to financial assets at fair value through profit and loss			118 294
Segment revenue	7 011	613	691 581
Segment expenses and claims	(20 775)	(613)	(564 131)
Net insurance benefits and claims			(77 294)
Increase in policyholder liabilities under insurance contracts			(74 981)
Decrease in reinsurance assets			(13 387)
Fair value adjustment to financial liabilities at fair value through profit and loss			(48 602)
Impairment of advances			(2 299)
Operating expenses	(20 775)	(613)	(347 568)
Results from operating activities	(13 764)		127 450
Equity accounted earnings			32
Profit/(loss) before tax	(13 764)		127 482
Tax	(7 370)*		(56 416)
Net profit/(loss) for the period	(21 134)		71 066
Attributable to:			
Minorities - ordinary shareholders	(5 284)		(5 999)

Equity holders of the Group – ordinary shareholders	(15 850)		77 065

* The increase in tax is mainly attributable to the reversal of the deferred tax asset of R7.4 million, previously raised in respect of IFA Nigeria’s net loss since inception as future profits, in the foreseeable future, are difficult to forecast with certainty.

31 December 2008

Net insurance premiums			445 660
Other income	7 128	(340)	81 447
Interest income			7 790
Fair value adjustment to financial assets at fair value through profit and loss			(50 120)
Segment revenue	7 128	(340)	484 777
Segment expenses and claims	(17 319)	340	(387 015)
Net insurance benefits and claims			(79 766)
Decrease in policyholder liabilities under insurance contracts			9 073
Decrease in reinsurance assets			(1 140)
Fair value adjustment to financial liabilities at fair value through profit and loss			6 346
Impairment of advances			(260)
Operating expenses	(17 319)	340	(321 268)
Results from operating activities	(10 191)		97 762
Equity accounted earnings			18
Profit/(loss) before tax	(10 191)		97 780

Tax	3 993	(41 044)
Net profit/(loss) for the period	(6 198)	56 736
Attributable to:		
Minorities - ordinary shareholders	(1 799)	(2 619)
Equity holders of the Group - ordinary shareholders	(4 399)	59 355

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

(R'000's)	Share capital	Share premium	Common control (deficit)	Sub-total	Retained earnings
Balance as at 1 July 2008	6 470	218 656	(220 273)	4 853	183 403
Ordinary dividend paid					(126 165)
Total comprehensive income					59 355
- Net profit/(loss) for the period					59 355
- Other comprehensive income/(expense)					
Transfer to contingency reserve					(1 336)
SAR scheme allocated					
Shares issued by subsidiary					
Balance as at 31 December 2008	6 470	218 656	(220 273)	4 853	115 257
Balance as at 1 January 2009	6 470	218 656	(220 273)	4 853	115 257

Total comprehensive income					84 932
- Net profit/(loss) for the period					84 932
- Other comprehensive income/(expense)					
Transfer to contingency reserve					426
SAR scheme allocated					
Balance as at 30 June 2009	6 470	218 656	(220 273)	4 853	200 615
Balance as at 1 July 2009	6 470	218 656	(220 273)	4 853	200 615
Ordinary dividend paid					(135 870)
Total comprehensive income					77 065
- Net profit/(loss) for the period					77 065
- Other comprehensive income/(expense)					
Transfer to contingency reserve					(3 399)
SAR scheme allocated					
Balance as at 31 December 2009	6 470	218 656	(220 273)	4 853	138 411

(R'000's)	SAR scheme reserve*	NDR: Contingency	NDR: Foreign currency translation reserve	NDR: Changes in ownership
Balance as at 1 July 2008	6 744	246		
Ordinary dividend paid				
Total comprehensive income			1 136	
- Net profit/(loss) for the period				
- Other comprehensive income/(expense)			1 136	
Transfer to contingency reserve		1 336		
SAR scheme allocated	2 433			
Shares issued by subsidiary				45 326
Balance as at 31 December 2008	9 177	1 582	1 136	45 326
Balance as at 1 January 2009	9 177	1 582	1 136	45 326
Total comprehensive income			(8 564)	
- Net profit/(loss) for the period				
- Other comprehensive income/(expense)			(8 564)	
Transfer to contingency reserve		(426)		
SAR scheme allocated	2 938			

Balance as at 30 June 2009	12 115	1 156	(7 428)	45 326
Balance as at 1 July 2009	12 115	1 156	(7 428)	45 326
Ordinary dividend paid				
Total comprehensive income			(2 736)	
– Net profit/(loss) for the period				
– Other comprehensive income/(expense)			(2 736)	
Transfer to contingency reserve		3 399		
SAR scheme allocated	2 697			
Balance as at 31 December 2009	14 812	4 555	(10 164)	45 326

(R'000's)	NDR: Revaluation	Sub-total	Non-controlling interest	Total
Balance as at 1 July 2008	22 543	217 789		217 789
Ordinary dividend paid		(126 165)		(126 165)
Total comprehensive income		60 491	(2 241)	58 250
– Net profit/(loss) for the period		59 355	(2 619)	56 736
– Other comprehensive income/(expense)		1 136	378	1 514
Transfer to contingency reserve		-		-
SAR scheme allocated		2 433		2 433

Shares issued by subsidiary		45 326	17 629	62 955
Balance as at 31 December 2008	22 543	199 874	15 388	215 262
Balance as at 1 January 2009	22 543	199 874	15 388	215 262
Total comprehensive income	120	76 488	(6 730)	69 758
– Net profit/(loss) for the period		84 932	(3 708)	81 224
– Other comprehensive income/(expense)	120	(8 444)	(3 022)	(11 466)
Transfer to contingency reserve				–
SAR scheme allocated		2 938		2 938
Balance as at 30 June 2009	22 663	279 300	8 658	287 958
Balance as at 1 July 2009	22 663	279 300	8 658	287 958
Ordinary dividend paid		(135 870)		(135 870)
Total comprehensive income		74 329	(6 911)	67 418
– Net profit/(loss) for the period		77 065	(5 999)	71 066
– Other comprehensive income/(expense)		(2 736)	(912)	(3 648)
Transfer to contingency reserve				–
SAR scheme allocated		2 697		2 697
Balance as at 31 December 2009	22 663	220 456	1 747	222 203

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

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 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 2009.

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;
- Loans business where EV Methodology has been used to determine future shareholder entitlements; and
- business conducted via IFA Nigeria (where EV Methodology has been used to determine future shareholder entitlements).

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

SUMMARISED AS FOLLOWS:

	Six months ended 31 December		Year ended 30 June
(R'000's)	2009	2008	2009
Free Surplus	108 988	121 879	186 554
Required Capital	102 579	75 995	91 021
Adjusted Net Worth ("ANW") of covered business	211 567	197 874	277 575
Cost of Required Capital	(33 069)	(25 557)	(30 938)
Present Value of In-force business ("PVIF")	1 628 791	1 349 209	1 474 414
EV of covered business	1 807 289	1 521 526	1 721 051

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

	Six months ended 31 December		Year ended 30 June
(R'000's)	2009	2008	2009
Total equity and reserves per balance sheet	222 202	215 262	287 958
Removal of deferred profits and impact of compulsory margins on investment business (net impact after tax)	8 849	5 045	4 603
Removing minority interests	(1 746)	(15 220)	(8 658)
Adjusting subsidiaries to Net Asset Value	(4 556)	(2 908)	(1 157)
SAR Scheme adjustment	(13 183)	(4 306)	(5 171)
Adjusted Net Worth	211 567	197 874	277 575

The Cost of Required Capital is the opportunity cost of having to hold assets to cover the Required Capital of R102.6 million as at 31 December 2009. 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 for the Life company plus the required capital needed for the short term company.

The SAR scheme adjustment recognises the future dilution in Embedded Value, on a mark to market basis, as a result of the SAR scheme.
Clientèle Life's Statutory CAR cover ratio at 31 December 2009 was 2.37 times (31 December 2008: 2.2 times) on the statutory valuation basis.

	Six months ended 31 December 2009	2008	Year ended 30 June 2009
EV per share (cents)	558.67	470.33	532.01
Diluted EV per share (cents)	558.67	470.33	532.01
VALUE OF NEW BUSINESS			
Total Value of New Business	190 308	209 133	420 018
Present Value of New Business premiums	803 267	883 112	1 728 887
New Business profit margin %	23.7%	23.7%	24.3%

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 2009 less the Cost of Required Capital pertaining to this business. 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.
Long-term economic assumptions (South Africa)

	Six months ended 31 December 2009	2008	Year ended 30 June 2009
Risk discount rate %	13.25	12.25	13.25
Overall investment return %	8.75	7.75	8.75
Expense inflation %	6.75	5.75	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, a year ago, the Board decided it prudent, in light of 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 31 December 2009. The beta pertaining to the Clientele 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 2009 was 13.25%.

RISK DISCOUNT RATE SENSITIVITIES

(R'000's)	EV	Value of New Business
Risk discount rate 11.25%	1 965 881	216 261
Risk discount rate 12.25%	1 882 428	202 961
Risk discount rate 13.25%	1 807 289	190 308
Risk discount rate 14.25%	1 738 265	178 897
Risk discount rate 15.25%	1 675 535	168 563

Long-term economic assumptions (Nigeria)

	Six months ended 31 December 2009	Six months ended 31 December 2008	Year ended 30 June 2009
Risk discount rate %	25%	25%	25%
Overall investment return %	12%	7%	13%
Expense inflation %	12%	7%	12%
Corporate and other tax %	33%	33%	33%

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 EV can be split between segments as follows:

(R'000's)

31 December 2009	ANW	CoC	PVIF	EV
SA – Long-term insurance	185 365	(31 137)	1 478 700	1 632 928
SA – Short-term insurance	19 377	(1 932)	135 335	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	(33 069)	1 628 791	1 807 289
31 December 2008				
SA – Long-term insurance	158 031	(25 557)	1 283 252	1 415 726
SA – Short-term insurance	(8 277)	-	41 308	33 031
SA – Investment contracts	-	-	2 038	2 038
Nigeria – Long-term brokerage	48 120	-	22 610	70 730
Total	197 874	(25 557)	1 349 209	1 521 526

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

(R'000's)	31 December 2009	31 December 2008
SA – Long-term insurance	161 526	190 932
SA – Short-term insurance	34 372	15 892
SA – Investment contracts	2 517	1 942
SA – Loans	(321)	-
Nigeria – Long-term brokerage	463	13 319
Nigeria costs incurred in South Africa	(8 248)	(12 951)
Total	190 308	209 133

EMBEDDED VALUE EARNINGS

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 Clientele Limited.

Six months ended 31 December 2009

EV earnings for the period

(R'000's)	ANW	PVIF	CoC
A: EV at the end of the period	211 567	1 628 791	(33 069)
Embedded Value at the beginning of the period	277 575	1 474 414	(30 938)
Dividends and STC accrued or paid	(147 866)	-	-
B: Adjusted EV at the beginning of the period	129 708	1 474 414	(30 938)
EV earnings (A – B)	81 858	154 377	(2 131)
Impact of once-off economic assumption changes	-	-	-
EV earnings	81 858	154 377	(2 131)
Annualised Embedded Value earnings	163 713	308 754	(4 262)
As a percentage of Adjusted EV at the beginning of the period – Return on EV			

Six months ended 31 December 2009

EV earnings for the period (R'000's)	Total	South Africa	Nigeria
A: EV at the end of the period	1 807 289	1 782 011	25 278
Embedded Value at the beginning of the period	1 721 051	1 665 331	55 720
Dividends and STC accrued or paid	(147 866)	(147 886)	-
B: Adjusted EV at the beginning of the period	1 573 185	1 517 465	55 720
EV earnings (A - B)	234 104	264 546	(30 442)
Impact of once-off economic assumption changes	-	-	-
EV earnings	234 104	264 546	(30 442)
Annualised Embedded Value earnings	468 208	529 092	(60 884)
As a percentage of Adjusted EV at the beginning of the period - Return on EV	29.8%		

Six months ended 31 December 2009

Components of EV earnings (R'000's)	ANW	PVIF	CoC
Value of New Business at point of sale	(73 881)	264 754	(564)
Expected return on Covered Business (unwinding of risk discount rate)	-	96 940	(1 986)
Expected profit transfer	180 133	(180 133)	-
Withdrawal experience variance	(9 150)	(30 795)	-
Claims and reinsurance experience variance	8 096	-	-
Sundry experience variance	(4 445)	(7 761)	402
Operating assumption and model changes	(1 005)	1 289	18
Expected return on ANW	10 819	-	-
SAR scheme dilution	(8 012)	-	-
Goodwill and medium term incentive schemes	(19 676)	11 874	-
Embedded Value operating return	86 285	156 168	(2 131)
Investment return variances on ANW	7 136	-	-
Effect of foreign currency movements	(2 629)	(1 792)	-
Effect of economic assumption changes	-	-	-
Effect of changing treatment of deferred taxation	(5 527)	-	-
Embedded Value Earnings	81 858	154 376	(2 131)

Six months ended 31 December 2009

Components of EV earnings (R'000's)	Total	South Africa	Nigeria
Value of New Business at point of sale	190 308	189 845	463
Expected return on Covered Business (unwinding of risk discount rate)	94 954	91 248	3 706
Expected profit transfer	-	-	-
Withdrawal experience variance	(39 946)	(23 799)	(16 146)
Claims and reinsurance experience variance	8 096	8 096	-
Sundry experience variance	(11 804)	(8 193)	(3 611)
Operating assumption and model changes	303	5 313	(5 011)
Expected return on ANW	10 819	9 877	942
SAR scheme dilution	(8 012)	(8 012)	-
Goodwill and medium term incentive schemes	(7 802)	(7 802)	-
Embedded Value operating return	240 323	256 573	(16 250)
Investment return variances on ANW	7 136	7 975	(839)
Effect of foreign currency movements	(4 421)	-	(4 421)
Effect of economic assumption changes	-	-	-
Effect of changing treatment of deferred taxation	(5 527)	-	(5 527)
Embedded Value Earnings	234 104	264 546	(30 442)

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B W Reekie BSc(Hons), Fia*

Company secretary:
W Van Zyl CA(SA)   *Executive director
Appointed 4 January 2010

Sponsor: PWC