



# Clientèle LIFE

## Highlights

- New business up by 63% to 727 000 policies
- Embedded value of new business up by 67% to R302 million
- Increase in total embedded value of 70% to R982 million
- Return on opening embedded value of 61%
- Net premium income up by 38%
- Headline earnings per share up by 14%
- Return on average shareholders' interests of 83%
- Payments made to historically underserved South Africans up by 47% to over R250 million

## REVIEWED GROUP RESULTS FOR THE YEAR ENDED 30 JUNE 2007

### COMMENTS

The year to 30 June 2007 has been Clientèle Life's most impressive year to date. 727 000 policies were sold compared to 446 000 policies last year, an increase of 63%. This has confirmed Clientèle Life's position as the market leader in its chosen market in both direct marketing through television and print advertising and direct selling through referral marketing and has resulted in strong growth in Embedded Value. Embedded Value of new business for the year of R302 million represents an increase of 67% over last year. Total Embedded Value, after adjusting for the payment of dividends and STC has increased from R576 million at 30 June 2006 to R982 million at 30 June 2007, an increase of 70%. This translates into a Return on Opening Embedded Value of 61% for the year which is amongst the highest in the Life Insurance Industry. Net recurring premium income for the year of R624 million (2006: R453 million) increased by 38%. The group earned R85 million (2006: R49 million) of other income which represents an increase of 73% and is comprised mainly of recurring income, prior to the allocation of related expenses, from its Independent Field Advertiser ("IFA") distribution channel. Policyholders benefits of R125 million (2006: R76 million) have increased by 66%. Operating expenses continue to be well controlled and the average annual renewal cost per policy remains amongst the lowest in the Life Insurance Industry.

This performance is in line with Clientèle Life's strategy of focusing on new business growth and the creation of value over the long term. We are proud of the fact that whilst there has been a significant increase in the total acquisition costs of new business, from R249 million to R387 million, an increase of 55%, acquisition costs per policy have remained fairly static. In terms of Clientèle Life's conservative accounting policy these acquisition costs are all expensed up front, and are not deferred over the life of the policies, as is the alternative treatment allowed.

The effect of the conservative accounting treatment and the new business strain arising out of the tremendous growth in new business has impacted current earnings. Despite this we are pleased that headline earnings per share has increased by 14% from 283,64 cents to 324,06 cents for the year under review.

The above results have translated into an after-tax return on average shareholders interests of 83%.

On 1 December 2006, the Long-term Insurance Act was amended to include the changes in minimum surrender values agreed in the Statement of Intent. Regulation 5 of Government Gazette No. 29446 introduced "more onerous" surrender values than the Statement of Intent. Clientèle Life has complied with Regulation 5 and these results incorporate the increased surrender values.

The number of IFAs has continued to increase substantially, adding to the thousands of successful entrepreneurs and business owners from historically underserved sectors of the South African population. Clientèle Life made payments of over R250 million to these individuals during the year.

The Share Appreciation Rights ("SAR") Scheme implemented in January 2007 has required that, in accordance with IFRS, Clientèle Life recognises a cost of R2,1 million in the income statement for this year.

Clientèle Life's unique distribution and reward formula has resulted in it providing appropriate and affordable Life Insurance Products to the underserved citizens of our country who can at the same time become owners of their own businesses. We are proud of the difference Clientèle Life has made to the lives of these individuals and their communities.

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

### By order of the Board

G Q Routledge  
Chairman

G J Soll  
Managing Director

Johannesburg  
15 August 2007

### REVIEWED

#### CONDENSED GROUP BALANCE SHEETS

(R'000's)	As at 30 June 2007	As at 30 June 2006
<b>Assets</b>		
Property and equipment	82 512	12 651
Investment in associates	141	-
Loan to associates	450	-
Deferred taxation	3 384	5 150
Current taxation receivables	3 295	-
Inventories	1 459	1 355
Reinsurance assets	34 359	28 820
Financial assets held at fair value through profit or loss	1 042 059	930 307
Receivables including insurance receivables	16 333	10 410
Cash and cash equivalents	89 695	52 544
<b>Total assets</b>	<b>1 273 687</b>	<b>1 041 237</b>
<b>Equity</b>		
Share capital	4 853	4 853
Retained earnings	146 494	120 344
Non-Distributable Reserve: Revaluation	16 101	-
SAR Scheme Reserve	2 099	-
Treasury Share Reserve	-	(1 589)
<b>Total equity</b>	<b>169 547</b>	<b>123 608</b>
<b>Liabilities</b>		
Policyholder liabilities under insurance contracts	498 020	379 996
Financial liabilities held at fair value through profit or loss	480 969	458 245
Employee benefits	32 760	17 760
Amounts due to reinsurers	1 191	430
Accruals and payables including insurance payables	79 781	58 781
Deferred taxation	11 419	2 035
Current taxation	-	382
<b>Total liabilities</b>	<b>1 104 140</b>	<b>917 629</b>
<b>Total equity and liabilities</b>	<b>1 273 687</b>	<b>1 041 237</b>

#### TAXATION

(R'000's)	Year ended 30 June	
	2007	2006
Current and deferred taxation	(33 524)	(33 954)
Secondary tax on companies ("STC")	(10 228)	(9 730)
Capital gains tax	(5 570)	(973)
Over provision for prior years	-	834
	<b>(49 322)</b>	<b>(43 823)</b>

The Individual Policyholder Fund has an estimated tax loss of R720 million.

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

(R'000's)	Year ended 30 June	
	2007	2006
<b>Net profit attributable to ordinary shareholders</b>	<b>104 837</b>	<b>90 779</b>
Add: Impairment of investment in associate	-	958
Less/add: (Profit)/Loss on disposal of fixed assets	(5)	21
<b>Headline earnings (R'000's)</b>	<b>104 832</b>	<b>91 758</b>
<b>Headline earnings per share (cents)</b>	<b>324,06</b>	<b>283,64</b>
<b>Embedded value per share (cents)</b>	<b>3 037,00</b>	<b>2 072,49</b>
<b>Earnings per share (cents)</b>	<b>324,07</b>	<b>280,62</b>
<b>Diluted earnings per share (cents)</b>	<b>323,84</b>	<b>-</b>
<b>Net asset value per share (cents)</b>	<b>524,10</b>	<b>382,10</b>
<b>Diluted headline earnings per share (cents)</b>	<b>323,83</b>	<b>-</b>
<b>Weighted ordinary shares in issue ('000)</b>	<b>32 350</b>	<b>32 350</b>
<b>Diluted ordinary shares in issue ('000)</b>	<b>32 373</b>	<b>-</b>

#### CONDENSED STATEMENT OF CHANGES IN EQUITY

(R'000's)	Share capital	Retained earnings	Treasury shares reserve	SAR reserve	Non-distributable reserves	Total
<b>Balance as at 1 July 2005</b>	4 853	110 132	(1 589)	-	-	<b>113 396</b>
Net profit attributable to shareholders		90 779				<b>90 779</b>
Ordinary dividend paid		(80 567)				<b>(80 567)</b>
<b>Balance as at 30 June 2006</b>	<b>4 853</b>	<b>120 344</b>	<b>(1 589)</b>	<b>-</b>	<b>-</b>	<b>123 608</b>
<b>Balance as at 1 July 2006</b>	<b>4 853</b>	<b>120 344</b>	<b>(1 589)</b>	<b>-</b>	<b>-</b>	<b>123 608</b>
Sale of treasury shares		5 423	1 589			<b>7 012</b>
Net profit attributable to shareholders		104 837				<b>104 837</b>
Ordinary dividend paid		(84 110)				<b>(84 110)</b>
SAR scheme allocated				2 099		<b>2 099</b>
Revaluation of owner-occupied property					16 101	<b>16 101</b>
<b>Balance as at 30 June 2007</b>	<b>4 853</b>	<b>146 494</b>	<b>-</b>	<b>2 099</b>	<b>16 101</b>	<b>169 547</b>

#### CONDENSED GROUP CASH FLOW STATEMENTS

(R'000's)	Year ended 30 June	
	2007	2006
Cash generated by operations	228 551	239 057
Net acquisition of investments	(72 746)	(118 869)
Investment returns	25 321	59 075
Dividend paid	(84 089)	(80 489)
Taxation paid	(43 614)	(60 902)
<b>Cash flow from operating activities</b>	<b>53 423</b>	<b>37 892</b>
<b>Cash flow from investing activities</b>	<b>(16 272)</b>	<b>(9 226)</b>
<b>Increase in cash on hand</b>	<b>37 151</b>	<b>28 646</b>

#### SEGMENT INFORMATION

Clientèle Life's main business segments include Insurance and Investment contract segments. The financial effects of the Investment contract segment on revenue and profit for the year are insignificant.

	2007 R'000	2006 R'000
Segment assets & liabilities		
Insurance segment assets	792 894	586 256
Investment contract segment assets	480 793	454 981
<b>Total Group assets</b>	<b>1 273 687</b>	<b>1 041 237</b>
Insurance segment liabilities	623 171	459 384
Investment contract segment liabilities	480 969	458 245
<b>Total Group Liabilities</b>	<b>1 104 140</b>	<b>917 629</b>

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

#### PROPOSED DIVIDEND TO SHAREHOLDERS AFTER THE YEAR ENDED 30 JUNE 2007

	After year ended 30 June 2007	After year ended 30 June 2006
Ordinary dividend (R'000's)	97 050	84 110
Ordinary shares in issue at 30 June ('000's)	32 350	32 350

#### NOTES TO THE RESULTS:

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

The increase in policyholder liabilities has been based on best estimates after providing for compulsory and discretionary margins and has been actuarially certified by QED Actuaries & Consultants (Pty) Limited.

The purchase of the two buildings in Morningview Office Park, referred to in prior periods, has been concluded for R40,6 million. These buildings have been revalued by an independent valuer at R62 million which revaluation is reflected in the Balance Sheet.

The group has entered into negotiations to purchase the remaining four buildings in Morningview Office Park in Rivonia Road, Sandton for R56 million.

The nature of the group's business remains unchanged.

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 and section 8.57 of the JSE 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"), and with the listing requirements of the JSE Limited and the Companies Act of South Africa and are consistent with prior years save for the introduction of the revaluation of investment property and the valuation of subsidiary companies at fair value.

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 at the amounts referred to above.

#### GROUP EMBEDDED VALUE

The embedded value represents an estimate of the value of the group exclusive of goodwill attributable to future new business. The embedded value comprises:

- the value of excess assets attributable to shareholders plus
- the value of in force business less
- the cost of capital.

The value of in force business is the present value of future after tax profits arising from business in force at 30 June 2007.

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

(R'000's)	Year ended 30 June	
	2007	2006
<b>Embedded value</b>		
Value of excess assets attributable to shareholders	167 446	123 608
Cost of capital	(13 683)	(6 651)
Value of in force business	828 707	553 492
<b>Embedded value</b>	<b>982 470</b>	<b>670 449</b>
Value of new business	302 436	181 136

The value of new business represents the present value of projected after tax profits at the point of sale on new policies sold and annuity fee income during the year ended 30 June 2007.

The cost of capital is the opportunity cost of having to hold assets to cover the capital adequacy requirement (CAR) of R47 million.

Clientèle Life's CAR cover ratio at year end was 3,6 times (2006: 4,5 times).

Analysis of change in embedded value	30 June 2007
<b>Embedded value at beginning of year</b>	<b>670 449</b>
Dividend paid	(84 110)
Secondary tax paid	(10 228)
Embedded value after adjusting for dividends and STC	576 111
Unwinding of discount rate	97 966
SAR Scheme	(2 099)
Proceeds on sale of treasury shares	7 012
Embedded value - Goodwill and medium-term incentive schemes	(54 457)
	<b>624 533</b>

Value added by Management	377 590
Value of new business	302 436
Profit from associates	103
Investment experience	35 448
Withdrawal experience	24 485
Sundry adjustments	15 118

Change in basis	(17 092)
Value of in-force and excess assets	(17 092)
Change in cost of capital	(2 561)
<b>Embedded value at end of period</b>	<b>982 470</b>

Embedded value earnings	406 359
Embedded value at the end of the year	982 470
Embedded value at the beginning of the year	670 449
Change in embedded value for the year	312 021
Add: Dividends paid	84 110
Add: STC on dividends paid	10 228
Embedded value earnings for the year	406 359
As a percentage of embedded value at the beginning of the year	61%

Main assumptions:	% p.a. 2007	% p.a. 2006
<b>Long-term economic assumptions</b>		
Risk discount rate	14,0	14,0
Overall investment return	9,0	8,5
Expense inflation	6,5	6,0

#### Other assumptions

The assumptions for future mortality, persistency and premium escalations were based on recent experience adjusted for anticipated future trends. Allowance has been made for future taxation and STC in the embedded value calculations.

#### DIVIDEND PROPOSAL

Notice is hereby given that the Board is proposing the following dividend per ordinary share which declaration will take place on 2 October 2007.

Ordinary dividend (cents per share)	300
Ordinary shares in issue at record date (000's)	32 350

The dividend will be paid on Monday, 29 October 2007.

To comply with the procedures of Strate the last day to trade in the shares for purposes of entitlement to the dividend is Friday, 19 October 2007. The shares will commence trading ex dividend on Monday, 22 October 2007 and the record date will be Friday, 26 October 2007.

Share certificates may not be dematerialised or rematerialised between Monday, 22 October 2007 and Friday, 26 October 2007 both days inclusive.

#### By order of the board

G Q Routledge  
Chairman

G J Soll  
Managing Director

Johannesburg  
15 August 2007



Investment Bank and sponsor



Registered office: Clientèle House, Morningview Office Park, Cnr Rivonia and Alon Roads, Morningside, PO Box 1316, Rivonia 2128  
Transfer secretaries: Computershare Investor Services 2004 (Pty) Limited, 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),  
P J A Cunningham CA(SA), CAZ, P R Enthoven BA,  
I B Hume CA(SA), ACMA\*, B Frodsham BCom\*,  
Dr S D Molapo JSTC (SA), BSC (USA), M.Ed (USA), D.Ed (USA)  
Company secretary: W Landman CA(SA). \*Executive director

Clientèle Life Assurance Company Limited

(Registration number 1973/016606/06)  
Share code: CLE ISIN: ZAE00013397  
FSP number: 15268