Clientèle LIMITED

HIGHLIGHTS

- Value of New Business increased by 30% from R353,1 million to R457,6 million
- Recurring Embedded Value Earnings increased by 29% from R428,4 million to R552,9 million
- Return (recurring) on Embedded Value of 30%
- Return on average shareholders interest of 64%
- Headline earnings per share increased by 25% from 49.31 cents to 61.65 cents
- Dividends declared per share increased by 14% from 47.00 cents to 53.50 cents

REVIEWED SUMMARISED GROUP RESULTS FOR THE YEAR ENDED 30 JUNE 2011

Comments

Introduction

The Clientèle Group ("the Group") has recorded a good set of results for the year against the backdrop of an ongoing challenging economic environment.

Production volumes showed meaningful improvement, investment returns exceeded expectation and expenses were well controlled. Withdrawals continue to be an area of focus, and experience for the last six months was within assumptions.

This has enabled the Group to report an increase in Recurring Embedded Value Earnings from R428,4 million last year to R552,9 million this year resulting in a Return (recurring) on Embedded Value of 30%. This was supported by the Value of New Business which increased by 30% from R353,1 million to R457,6 million.

The return on average shareholders' interest for the year amounted to 64% and headline earnings per share increased by 25% from 49.31 cents to 61.65 cents.

On the strength of this performance the Board has declared a dividend per share of 53.50 cents, an increase of 14% over last year's dividend of 47.00 cents.

Nigeria – Long-term Brokerage (IFA Nigeria)

After year end, the Clientèle Limited Board, together with the Board of KC2008, our minority partner, decided to close the IFA Nigeria business and to place it into voluntary liquidation with effect from 29 July 2011. As has been previously communicated to shareholders, the biggest challenge and threat to the viability and sustainability of the IFA business in Nigeria has been the high level of unpaid premiums. Despite every effort to try and improve the level of collections, the level of unpaid premiums on existing business continued to exceed acceptable levels due to factors unique to the Nigerian market. The Board did not envisage that this situation would change significantly in the foreseeable future, and reluctantly made the decision to close IFA Nigeria.

Clientèle Life fully impaired its R17,5 million loan to IFA Nigeria as at 30 June 2011, as disclosed in the Segment Statements of Comprehensive Income.

Operating Results

Group Embedded Value

The Group has experienced good growth during the year under review and Group Embedded Value ("EV") has increased from R2 026,8 million (before the dividend payment) last year to R2 520,3 million at 30 June 2011. This reflects EV earnings of R661,2 million (2010: R478,3 million), including once-off economic and other adjustments and Recurring EV Earnings of R552,9 million (2010: R428,4 million) (refer to EV Earnings analysis) and translates into a Return on EV ("ROEV") of 36% (2010: 31%) and a Return (recurring) on EV of 30% (2010: 28%). The Group's Value of New Business ("VNB") has increased by 30%, on the back of good production volumes, from R353,1 million for the previous financial year to R457,6 million this year and New Business profit margins have improved to 25% (2010: 24%).

The challenging economic environment has had an effect on withdrawal experience which resulted in a negative variance of R29,5 million for the year. This resulted in a change in EV assumptions for certain durations of business at 31 December 2010, as previously reported. Experience in the second half of the year was in line with the revised assumptions.

The Group has experienced good investment returns for the year from its investment portfolios as evidenced by the R18,5 million positive investment return variance on Adjusted Net Worth ("ANW").

The Board has adopted current actuarial guidance in respect of the risk discount rate, now set at 11.3% (2010: 12.6%). The calculation is comprehensively explained in the Group EV section of the results and a sensitivity analysis is also provided showing an extended range in the light of the prevailing uncertainty in global economies.

Group Statements of Comprehensive Income

Headline earnings for the Group of R199,5 million are 25% higher than the headline earnings of R159,5 million achieved last year. As a result, diluted headline earnings per share have increased by 25% to 61.25 cents, up from 49.10 cents and the return on average shareholders' interests amounted to 64% (2010: 54%).

It should be noted that headline earnings last year includes the reversal of the deferred tax asset of R7,8 million, in respect of IFA Nigeria.

Insurance premium revenue for the year is up by 11% from R1,0 billion to R1,1 billion and other income of R158,0 million, which mainly comprises annuity fees from Clientèle Life's Independent Field Advertisers, is 1% down in comparison to last year's figure of R160,0 million.

Operating expenses have increased by 14% over last year which should be viewed in the context of Clientèle's conservative accounting treatment of expensing acquisition costs up front and the 30% increase in VNB.

As referred to in the 2010 Annual Report, Clientèle adopts the conservative accounting practice of eliminating negative reserves and thus expensing acquisition costs upfront and deferring profit release over the life of the policy. This means that the higher profits reflected in Embedded Value Earnings are not replicated in the financial statements as a consequence of the strain of strong new business growth. The total value of negative reserves eliminated now amounts to R1,6 billion in comparison to R1,1 billion at 30 June 2010.

Net insurance benefits and claims of R209,3 million have increased by 24% from R169,4 million for last year. The majority of the increase is in respect of policyholders' benefit payments in respect of unitised endowment contracts, many of which have now been held for 10 years or more. During the year the average value per benefit payment has increased in line with improved investment returns and the ageing of the policy book.

The change in policyholder liabilities under insurance contracts amounted to R84,0 million (2010: R109,7 million) for the year. This reduction mainly relates to the refinement in modelling used to determine liabilities for cash-back benefits and the increase in policyholder benefit payments referred to above.

Segment Results

SA Long-term Insurance – Clientèle Life

Clientèle Life's long-term insurance segment (the Life segment) remains the major contributor to overall Group performance. It accounts for 95% or R433,2 million of the Group's R457,6 million of VNB and generated R186,6 million net profit for the year which accounts for 98% of the Group's net profit for the year of R190,2 million. It should be noted that Clientèle Life fully impaired its R17,5 million loan to IFA Nigeria as at 30 June 2011 as disclosed in the Segment Statements of Comprehensive Income. Ignoring this impairment, net profit increased by 8% despite the upfront expensing of acquisition costs in respect of the high VNB generated.

The Life segment has experienced strong production for the year which has resulted in the significant growth in VNB.

SA Investment Contracts – Clientèle Life

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

This operating segment reported a R0,9 million profit for the year. This should be viewed in conjunction with the R37,1 million (2010: R24.0 million) of deferred profits included in the Statements of Financial Position.

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

VNB for the year is down when compared to last year. Withdrawal assumption changes and lower production volumes, in the first half of the year, have had a negative effect on the VNB variance for the year.

Despite this, Clientèle Legal now has an EV of R241,0 million (2010: R204,5 million) and has recorded a R17,7 million net profit for the year compared to the R6,2 million net profit achieved last year.

Clientèle Legal is now an established business in its own right and is expected to continue to make an increasing contribution to the overall Group performance into the future.

SA Loans – Clientèle Loans

The personal loans business, of which Clientèle owns 70%, is progressing in line with expectations and in accordance with its conservative credit assessment and lending approach. The gross advances book at 30 June 2011 amounted to R122,1 million (2010: R43,3 million) and impairment experience from the book is as expected.

SA Mobile – Clientèle Mobile

Clientèle Mobile has made steady progress, recording net profit for the year of R0,5 million (2010: R0,1 million).

Prospects

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

This is further enhanced by the value creation and improving performance of the Group's new ventures in South Africa. In conclusion, the Group will remain focused on creating value through its traditional business models and will add new businesses and products on a conservative basis going forward. New initiatives will continue to be strictly managed and monitored to ensure that the overall Group results remain favourably intact.

By order of the Board

GQ Routledge
Chairman

GJ Soll
Managing Director

Johannesburg
22 August 2011

Dividend Declared

The Board has declared the following dividend per ordinary share:

Ordinary dividend (cents per share)	53.50
Ordinary shares in issue at record date (000's)	323 971

The dividend will be paid on Monday, 12 September 2011.

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, 2 September 2011. The shares will commence trading *ex* dividend on Monday, 5 September 2011 and the record date will be Friday, 9 September 2011.

Share certificates may not be dematerialised or rematerialised between Monday, 5 September 2011 and Friday, 9 September 2011 both days inclusive.

By order of the Board

GQ Routledge
Chairman

GJ Soll
Managing Director

Johannesburg
19 August 2011

REVIEWED

Condensed Group Statements of Comprehensive Income

(R'000's)	Year ended 30 June 2011	2010	% Change
Revenue			
Insurance premium revenue	**1 114 995**	1 005 660	11
Reinsurance premiums	**(56 673)**	(42 755)	
Net insurance premiums	**1 058 322**	962 905	10
Other income	**157 972**	160 025	
Interest income	**25 357**	15 141	
Fair value adjustment to financial assets at fair value through profit or loss	**224 686**	185 064	21
Net income	**1 466 337**	1 323 135	11
Net insurance benefits and claims	**(209 319)**	(169 434)	24
Change in policyholder liabilities under insurance contracts	**(84 032)**	(109 697)	(23)
Decrease in reinsurance assets	**(2 401)**	(15 568)	
Fair value adjustment to financial liabilities at fair value through profit or loss – investment contracts	**(99 960)**	(98 705)	
Interest expense	**(6 085)**	(2 326)	
Impairment of advances	**(11 558)**	(5 608)	
Operating expenses	**(766 258)**	(674 438)	14
Profit from operations	**286 724**	247 359	16
Equity accounted (loss)/earnings	**(81)**	23	
Profit before tax	**286 643**	247 382	16
Tax*	**(96 417)**	(98 923)	
Net profit for the year	**190 226**	148 459	28
Attributable to:			
– Non-controlling interest – ordinary shareholders	**(4 731)**	(11 280)	
– Equity holders of the Group – ordinary shareholders	**194 957**	**159 739**	**22**
Net profit for the year	**190 226**	148 459	28
Other comprehensive income:			
Exchange differences on translating foreign operation	**261**	(2 691)	
Gains on property revaluation	**5 937**	5 509	
Income tax relating to gains on property revaluation	**(1 230)**	(1 345)	
Other comprehensive income for the year – net of tax	**4 968**	1 473	
Total comprehensive income for the year	**195 194**	149 932	30
Total comprehensive income attributable to:			
– Non-controlling interest – ordinary shareholders	**(4 586)**	(11 953)	
– Equity holders of the Group – ordinary shareholders	**199 780**	161 885	23

Condensed Group Statements of Financial Position

(R'000's)	Year ended 30 June 2011	2010
Assets		
Intangible assets	**24 762**	37 036
Property and equipment	**47 822**	50 893
Owner-occupied properties	**150 329**	134 300
Investment in associates	**291**	372
Deferred tax	**30 270**	22 367
Inventories	**839**	1 412
Reinsurance assets	**4 178**	6 579
Financial assets held at fair value through profit or loss	**1 940 210**	1 607 713
Loans and receivables including insurance receivables	**154 255**	65 814
Cash and cash equivalents	**145 681**	77 983
Total assets	**2 498 637**	2 004 469
Total equity and reserves	**353 220**	304 903
Liabilities		
Policyholder liabilities under insurance contracts	**776 979**	693 725
Financial liabilities – investment contracts	**1 049 988**	811 979
– at fair value through profit or loss	**1 015 790**	781 513
– at amortised cost	**34 198**	30 466
Financial liabilities – loans at amortised cost	**93 488**	14 790
Finance leases	**319**	778
Employee benefits	**86 293**	64 676
Accruals and payables including insurance payables	**113 456**	92 429
Deferred tax	**23 083**	16 483
Current tax	**1 811**	4 706
Total liabilities	**2 145 417**	1 699 566
Total equity and liabilities	**2 498 637**	2 004 469

Tax*

(R'000's)	Year ended 30 June 2011	2010
SA Operations:		
Current and deferred tax	**(80 211)**	(80 315)
Secondary tax on companies ("STC")	**(15 538)**	(11 996)
Capital gains tax	**(1 108)**	(76)
Overprovision in prior years	**440**	1 244
IFA Nigeria†	**–**	(7 780)
Tax	**(96 417)**	(98 923)

The Individual Policyholder Fund has an estimated tax loss of R1.68 billion (2010: R1.42 billion).

† In 2010, the deferred tax asset of R7,8 million, previously raised in respect of IFA Nigeria's net loss since inception was reversed due to the uncertainty of foreseeable future taxable profits. As a result, no deferred tax has been raised in 2011.

Reconciliation of Net Profit to Headline Earnings

(R'000's)	Year ended 30 June 2011	2010	% Change
Net profit for the year attributable to equity holders of the Group	**194 957**	159 739	
Less: Profit on disposal of fixed assets	**(250)**	(234)	
Add: Impairment of intangible assets	**4 790**		
Headline earnings	**199 497**	159 505	25

Ratios per Share

	Year ended 30 June 2011	2010	% Change
Headline earnings per share (cents)	**61.65**	49.31	25
Diluted headline earnings per share (cents)	**61.25**	49.10	25
Earnings per share (cents)	**60.24**	49.38	22
Diluted earnings per share (cents)	**59.86**	49.17	22
Net asset value per share (cents)	**109.15**	94.25	16
Diluted net asset value per share (cents)	**108.45**	93.86	16
Dividends per share (cents) – paid	**47.00**	42.00	12
Dividends per share (cents) – declared	**53.50**	47.00	14
Weighted average ordinary shares ('000)	**323 616**	323 505	
Diluted average ordinary shares ('000)	**325 698**	324 857	

Notes to the Results

The results have been reviewed by the Group's external auditors, PricewaterhouseCoopers Incorporated, 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 71 of 2008, 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.

The Group Results were prepared under the supervision of Mr IB Hume (CA(SA), ACMA), the Group Financial Director.

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, the AC500 Standards as issued by the Accounting Practices Board and the Companies Act 71 of 2008, as amended, and are consistent with those used in the Annual Financial statements for the year ended 30 June 2010. The results have been prepared in terms of IAS 34 (Interim Financial Reporting).

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates and judgement. The reported amounts in respect of the Group's insurance contracts, employee benefits and unquoted financial instruments are affected by accounting estimates and judgement.

There was no significant impact due to changes in previous assumptions used in deriving the amounts referred to above.

Condensed Group Statements of Cash Flows

(R'000's)	Year ended 30 June 2011	2010
Cash flows from operating activities	**90 497**	4 060
Profit from operations adjusted for non cash items	**353 909**	346 689
Working capital changes	**(37 295)**	(48 562)
Separately disclosable items[1]	**(44 737)**	(43 263)
Increase/(decrease) in financial liabilities[2]	**134 317**	(5 916)
Net acquisition of investments[3]	**(107 811)**	(25 459)
Interest received[1]	**30 437**	32 992
Dividends received[1]	**14 300**	10 271
Dividends paid	**(152 009)**	(135 870)
Tax paid	**(100 614)**	(126 822)
Cash flows from investing activities[4]	**(35 130)**	(37 427)
Cash flows from financing activities	**12 331**	(1 283)
Net increase/(decrease) in cash and cash equivalents	**67 698**	(34 650)
Cash and cash equivalents at beginning of the year	**77 983**	112 633
Cash and cash equivalents at end of the year	**145 681**	77 983

1. Interest and dividends
2. Investment contracts
3. Investments in respect of insurance operations: investment contracts and shareholders
4. Mainly relates to the acquisition of intangible assets; property and equipment

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, Mobile business and Long-term brokerage segments. Policies written are in respect of individuals.

Segment Assets & Liabilities

(R'000's)	Year ended 30 June 2011	2010
Assets		
SA – Long-term insurance	**1 297 286**	1 119 300
SA – Investment contracts	**1 050 131**	817 627
SA – Short-term insurance	**72 773**	54 166
SA – Loans	**123 494**	45 999
SA – Mobile	**1 369**	574
Nigeria – Long-term brokerage	**18 416**	23 672
Inter segment	**(64 832)**	(56 869)
Total Group assets	**2 498 637**	2 004 469
Liabilities		
SA – Long-term insurance	**970 756**	843 590
SA – Investment contracts	**1 049 988**	811 979
SA – Short-term insurance	**20 453**	19 584
SA – Loans	**140 344**	56 725
SA – Mobile	**875**	577
Nigeria – Long-term brokerage	**27 833**	23 980
Inter segment	**(64 832)**	(56 869)
Total Group liabilities	**2 145 417**	1 699 566

Segment Statements of Comprehensive Income

(R'000's)	SA – Long term insurance	SA – Investment contracts	SA – Short term insurance	SA – Loans	SA – Mobile	Nigeria – Long-term brokerage	Inter segment (revenue)/ expense	Group
30 June 2011								
Insurance premium revenue	1 004 877		110 118					1 114 995
Reinsurance premiums	(56 673)							(56 673)
Net insurance premiums	948 204		110 118					1 058 322
Other income	130 622	8 234	5	6 911	3 498	10 718	(2 016)	157 972
Loan waived #						17 519	(17 519)	–
Interest income	16 929		260	14 753	137	23	(6 745)	25 357
Fair value adjustment to financial assets held at fair value through profit or loss	115 030	103 692	5 964					224 686
Segment revenue	1 210 785	111 926	116 347	21 664	3 635	28 260	(26 280)	1 466 337
Segment expenses and claims	(932 048)	(110 704)	(92 583)	(30 007)	(2 943)	(37 608)	26 280	(1 179 613)
Net insurance benefits and claims	(199 595)		(9 724)					(209 319)
Change in policyholder liabilities under insurance contracts	(86 347)		2 315					(84 032)
Decrease in reinsurance assets	(2 401)							(2 401)
Fair value adjustment to financial assets held at fair value through profit or loss		(99 960)						(99 960)
Interest expense		(3 732)		(8 969)		(129)	6 745	(6 085)
Impairment of advances				(11 558)				(11 558)
Loan write off #	(17 519)						17 519	–
Operating expenses	(626 186)	(7 012)	(85 174)	(9 480)	(2 943)	(37 479)	2 016	(766 258)
Results from operating activities	278 737	1 222	23 764	(8 343)	692	(9 348)	–	286 724
Equity accounted loss	(81)							(81)
Profit/(loss) before tax	278 656	1 222	23 764	(8 343)	692	(9 348)	–	286 643
Tax	(92 075)	(342)	(6 026)	2 220	(194)			(96 417)
Net profit/(loss) for the year	186 581	880	17 738	(6 123)	498	(9 348)	–	190 226
Attributable to:								
Non controlling interest – ordinary shareholders				(1 837)		(2 894)		(4 731)
Equity holders of the Group – ordinary shareholders	186 581	880	17 738	(4 286)	498	(6 454)		194 957

Loan to IFA Nigeria fully impaired at 30 June 2011

(R'000's)	SA – Long term insurance	SA – Investment contracts	SA – Short term insurance	SA – Loans	SA – Mobile	Nigeria – Long-term brokerage	Inter segment (revenue)/ expense	Group
30 June 2010								
Insurance premium revenue	930 046		75 614					1 005 660
Reinsurance premiums	(42 755)							(42 755)
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 held at fair value through profit or loss	79 762	103 806	1 496					185 064
Segment revenue	1 120 405	103 806	77 455	13 601	2 819	10 308	(5 259)	1 323 135
Segment expenses and claims	(839 921)	(107 363)	(68 883)	(20 801)	(2 640)	(41 427)	5 259	(1 075 776)
Net insurance benefits and claims	(161 688)		(7 746)					(169 434)
Change 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 held at fair value through profit or 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	(560 921)	(7 028)	(53 184)	(10 602)	(2 640)	(41 183)	1 120	(674 438)
Results from operating activities	280 484	(3 557)	8 572	(7 200)	179	(31 119)	–	247 359
Equity accounted earnings	23							23
Profit/(loss) before tax	280 507	(3 557)	8 572	(7 200)	179	(31 119)	–	247 382
Tax	(91 734)	996	(2 371)	2 016	(50)	(7 780)		(98 923)
Net profit/(loss) for the year	188 773	(2 561)	6 201	(5 184)	129	(38 899)	–	148 459
Attributable to:								
Non-controlling interest – ordinary shareholders				(1 555)		(9 725)		(11 280)
Equity holders of the Group – ordinary shareholders	188 773	(2 561)	6 201	(3 629)	129	(29 174)		159 739

Condensed Group Statements of Changes in Equity

(R'000's)	Share capital	Share premium	Common control deficit	**Sub-total**	Retained earnings	SAR scheme reserve[≠]	NDR: Contin-gency Short-term insurance	NDR: Foreign currency translation reserve	NDR: Changes in ownership	NDR: Reva-luation	**Sub-total**	Non-controlling interest	Total
Balance as at 1 July 2009	6 470	218 656	(220 273)	**4 853**	200 615	12 115	1 156	(7 428)	45 326	22 663	**279 300**	8 658	287 958
Ordinary dividends					(135 870)						**(135 870)**		(135 870)
Total comprehensive income				–	159 739	–	–	(2 018)	–	4 164	**161 885**	(11 953)	149 932
– Net profit/(loss) for the year				–	159 739						**159 739**	(11 280)	148 459
– Other comprehensive income/(expense)								(2 018)		4 164	**2 146**	(673)	1 473
Transfer to contingency reserve				–	(6 454)		6 454				**–**		–
Shares issued	1	201		**202**					–		**202**	–	202
SAR scheme allocated				–		2 883					**2 883**		2 883
Transfer from shares issued						(202)					**(202)**		(202)
Balance as at 30 June 2010	6 471	218 857	(220 273)	**5 055**	218 030	14 796	7 610	(9 446)	45 326	26 827	**308 198**	(3 295)	304 903
Balance as at 1 July 2010	**6 471**	**218 857**	**(220 273)**	**5 055**	**218 030**	**14 796**	**7 610**	**(9 446)**	**45 326**	**26 827**	**308 198**	**(3 295)**	**304 903**
Ordinary dividends					**(152 058)**						**(152 058)**		**(152 058)**
Total comprehensive income	**–**	**–**	**–**	**–**	**194 957**	**–**	**–**	**116**	**–**	**4 707**	**199 780**	**(4 586)**	**195 194**
– Net profit/(loss) for the year				**–**	**194 957**						**194 957**	**(4 731)**	**190 226**
– Other comprehensive income				**–**				**116**		**4 707**	**4 823**	**145**	**4 968**
Transfer to contingency reserve				**–**	**(3 401)**		**3 401**				**–**		**–**
Shares issued	**8**	**4 313**		**4 321**							**4 321**		**4 321**
SAR scheme allocated				**–**		**5 181**					**5 181**		**5 181**
Transfer from shares issued				**–**		**(4 321)**					**(4 321)**		**(4 321)**
Shares issued by subsidiary				**–**					**(1 420)**		**(1 420)**	**1 420**	**–**
Balance as at 30 June 2011	**6 479**	**223 170**	**(220 273)**	**9 376**	**257 528**	**15 656**	**11 011**	**(9 330)**	**43 906**	**31 534**	**359 681**	**(6 461)**	**353 220**

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

Sponsor:

pwc
PricewaterhouseCoopers
Corporate Finance Proprietary Limited

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

Transfer secretaries: Computershare Investor Services Proprietary 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)*, A D T Enthoven BA, PhD (Political Science), P R Gwangwa BProc LLB, LLM, B A Stott CA(SA), I B Hume CA(SA), ACMA*, B Frodsham BCom*, B W Reekie BSc(Hons), FASSA*

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

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

Clientèle
LIMITED

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

Embedded Value

The Embedded Value ("EV") represents an estimate of the value of the Group, exclusive of goodwill attributable to future new business. The EV comprises:

- the Free Surplus; plus,
- the Required Capital identified to support the in-force business; plus,
- the Present Value of In-force business ("PVIF"); less,
- the Cost of Required Capital ("CoC").

The PVIF business is the present value of future after tax profits arising from covered business in force as at 30 June 2011.

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 and Mobile business where EV Methodology has been used to determine future shareholder entitlements.

Subsequent to year end, the IFA Nigeria Board of Directors, the Clientèle Limited Board of Directors and the KC2008 Directors resolved to terminate the IFA Nigeria operations with effect from 29 July 2011. The Board has continued to set the EV of the Nigerian operation at its Net Asset Value.

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

	Year ended 30 June	
(R'000's)	**2011**	2010
Free surplus	**199 505**	179 637
Required capital	**139 565**	116 429
Adjusted Net Worth ("ANW") of covered business	**339 070**	296 066
CoC	**(36 747)**	(38 166)
PVIF	**2 218 010**	1 768 859
EV of covered business	**2 520 332**	**2 026 760**

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

Reconciliation of Total Equity to ANW

	Year ended 30 June	
(R'000's)	**2011**	2010
Total equity and reserves per the Statements of Financial Position	**353 220**	304 903
Adjustment for Deferred Profits and impact of compulsory margins on investment business (net impact after tax)	**17 095**	12 377
Adjustment for minority interests	**6 462**	3 295
Adjusting subsidiaries to Net Asset Value	**2 422**	(6 266)
SAR Scheme adjustment	**(40 129)**	(18 243)
ANW	**339 070**	**296 066**

The CoC is the opportunity cost of having to hold the Required Capital of R139.6 million as at 30 June 2011. 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 Statutory 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 2011 was 2.94 times (30 June 2010: 3.03 times) on the statutory valuation basis.

Value of New Business

	Year ended 30 June	
(R'000's)	**2011**	2010
Total Value of New Business ("VNB")	**457 587**	353 127
Present Value of New Business premiums	**1 859 123**	1 503 558
New Business profit margin	**24.6%**	23.5%

The VNB (excluding any allowance for the Management Incentive scheme) represents the present value of projected after tax profits at the point of sale on new covered business commencing during the year ended 30 June 2011 less the CoC pertaining to this business.

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

Long-term Economic Assumptions (South Africa)

	Year ended 30 June	
	2011	2010
Risk discount rate %	**11.30**	12.60
Overall investment return %	**7.80**	8.10
Expense inflation %	**5.80**	6.10
Corporate tax %	**28.00**	28.00

The risk discount rate ("RDR") 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 RDR 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%. Two and a half years ago PGN107 was revised and the approach to setting the risk discount rate was defined via a formula based on the risk free rate plus a margin. At this time Clientèle added an additional explicit margin of 1% to the RDR used in the EV calculation. Despite the current market conditions the Board believe it more appropriate to align its determination of the RDR with the basic formula outlined in PGN107 so as to be consistent with the industry and produce comparable results. This explicit additional margin has thus been removed effective 30 June 2011. The Board draws the reader's attention to the risk discount rate sensitivity analysis in the table below which allows for sensitivity comparisons using various alternative RDR's. 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 decided to continue to use a more conservative beta of 1, as opposed to its actual beta of 0.49, in the calculation of the RDR.

The resulting risk discount rate utilised for the South African business as at 30 June 2011 was 11.30%.

Risk Discount Rate Sensitivities

(R'000's)	**EV**	**VNB**
Risk discount rate 9.30%	2 783 644	535 972
Risk discount rate 10.30%	2 626 091	494 384
Risk discount rate 11.30%	2 520 332	457 587
Risk discount rate 12.30%	2 401 147	422 944
Risk discount rate 12.60%	2 371 525	413 997
Risk discount rate 13.30%	2 298 606	393 520
Risk discount rate 15.30%	2 125 179	342 829

EV Per Share

	Year ended 30 June	
	2011	2010
EV per share (cents)	**778.80**	626.46
Diluted EV per share (cents)	**773.82**	623.91

Segment Information

The EV can be split between segments as follows:

(R'000's)	**ANW**	**PVIF**	**CoC**	**EV**
30 June 2011				
SA – Long-term insurance	314 681	2 011 667	(32 582)	**2 293 766**
SA – Short-term insurance	44 252	200 875	(4 166)	**240 962**
SA – Investment contracts		4 663		**4 663**
SA – Loans	(11 809)	805		**(11 004)**
Nigeria – Long-term brokerage	(8 054)			**(8 054)**
Total	**339 070**	**2 218 010**	**(36 747)**	**2 520 332**
30 June 2010				
SA – Long-term insurance	276 907	1 584 474	(34 892)	1 826 489
SA – Short-term insurance	26 973	180 816	(3 274)	204 513
SA – Investment contracts		4 133		4 133
SA – Loans	(7 527)	(564)		(8 091)
Nigeria – Long-term brokerage	(286)			(286)
Total	**296 066**	**1 768 859**	**(38 166)**	**2 026 760**

The VNB can be split between segments as follows:

	Year ended 30 June	
(R'000's)	**2011**	2010
SA – Long-term insurance	**433 203**	295 349
SA – Short-term insurance	**43 084**	72 408
SA – Investment contracts	**6 777**	5 381
SA – Loans	**(3 293)**	(1 247)
SA – New venture costs	**(22 185)**	(18 764)
Total	**457 587**	**353 127**

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 30 June 2011			
(R'000's)	**ANW**	**PVIF**	**CoC**	**Total**
A: EV at the end of the year	339 070	2 218 010	(36 747)	**2 520 332**
EV at the beginning of the year	296 066	1 768 859	(38 166)	**2 026 760**
Dividends and STC accrued or paid	(167 596)			(167 596)
A: Adjusted EV at the beginning of the year	**128 470**	**1 768 859**	**(38 166)**	**1 859 164**
EV earnings (A – B)	210 599	449 150	1 419	**661 168**
Impact of once-off economic assumption and other changes	7 281	(139 045)	(4 768)	**(136 532)**
SA – Short-term insurance: Impact of fraud*		10 009		**10 009**
SA – Long-term insurance: Impact of fraud*		6 101		**6 101**
SA – Short-term insurance: Impact of an isolated system error*		12 167		**12 167**
EV earnings before once-off items	217 880	338 382	(3 349)	**552 912**
Return on EV excluding once-off items				**29.7%**
Return on EV				**35.6%**
Components of EV earnings (R'000's)				
Value of New Business	(159 817)	622 385	(4 981)	**457 587**
Expected return on covered business (unwinding of risk discount rate)		216 766	(4 809)	**211 957**
Expected profit transfer	382 157	(382 157)		**–**
Withdrawal experience variance	9 430	(45 966)	7 049	**(29 486)**
Claims and reinsurance experience variance	317			**317**
Sundry experience variance	16 829	(5 540)		**11 290**
Operating assumption and model changes	6 569	(24 751)	46	**(18 135)**
Extraordinary non-recurring expenses/development cost	(4 790)			**(4 790)**
Expected return on ANW	19 865			**19 865**
SAR Scheme dilution	(16 705)			**(16 705)**
Goodwill and Medium Term incentive schemes	(37 095)	(2 217)		**(39 313)**
Reduction in Net Asset Value on Nigerian operation	(22 659)			**(22 659)**
EV operating return	**194 103**	**378 520**	**(2 694)**	569 928
Investment return variances on ANW	18 540			**18 540**
SA – Short-term insurance: Impact of fraud*		(10 009)		**(10 009)**
SA – Long-term insurance: Impact of fraud*		(6 101)		**(6 101)**
SA – Short-term insurance: Impact of an isolated system error*		(12 167)		**(12 167)**
Net effect of writing off a loan in respect of the Nigerian operations	(2 665)			**(2 665)**
Effect of economic assumption changes	621	98 907	4 113	**103 642**
EV earnings	**210 599**	**449 150**	**1 419**	661 168

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

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