Clientèle LIMITED

HIGHLIGHTS

- Diluted headline earnings per share increased by 29% from 26,54 cents to 34,15 cents
- Diluted headline earnings per share from continuing operations increased by 18% from 29,98 cents to 35,32 cents
- Return on annualised average shareholders interest of 64%
- Annualised Recurring Return on Embedded Value of 22%
- Value of New Business of R226,0 million

SUMMARISED GROUP RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

Comments

Introduction

The Clientèle Group ("the Group") increased diluted headline earnings per share for the period by 29% and has increased its headline earnings from continuing operations by 19% for the period on the back of a 10% increase in net insurance premiums, a 6% increase in operating expenses and investment returns in line with expectations.

An annualised Recurring Return on Embedded Value ("EV") of 22% has been achieved on the back of Recurring EV earnings of R260,3 million and the Value of New Business ("VNB") has increased over the corresponding period last year by 5% from R215,9 million to R226,0 million. Production volumes increased by 6% over the same period last year; this fell short of the Group's initial expectations and was partly due to managements actions to address the quality of new business written. The Group experienced increased withdrawals during the period. Withdrawal assumptions have not been significantly amended at 31 December 2011, however, should withdrawal experience not improve in the second half of the financial year, an adjustment to the withdrawal assumptions will be necessary at year end.

The return on annualised average shareholders' interest for the period amounted to 64%.

Nigeria – Long-term Brokerage (IFA Nigeria) – discontinued operation

As reported at the 2011 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.

The closure of the business has proceeded as planned, is substantially complete and will be finalised before year end with further costs of closure being insignificant.

Operating Results

Group Embedded Value

Group Embedded Value ("EV") has increased from R2 171,5 million (before the dividend payment) for the comparative period last year to R2 800,2 million at 31 December 2011. This reflects EV earnings of R469,9 million (2010: R312,4 million) for the period, including once-off economic and other adjustments and Recurring EV Earnings of R260,3 million (2010: R272,8 million) (refer to the EV Earnings analysis) and translates into an annualised Return on EV ("ROEV") of 35% (2010: 34%) and an annualised ROEV (recurring) of 22% (2010: 29%). The reduction in the ROEV (recurring) is mainly due to the withdrawal experience mentioned above. The Group's Value of New Business ("VNB") has increased by 5% from R215,9 million for the comparative period last year to R226,0 million this period.

The higher than expected withdrawal experience has resulted in a negative experience variance of R68,9 million for the period (refer above).

The Board has adopted current actuarial guidance in respect of the risk discount rate, now set at 10.5% (2010: 11.9%). The calculation is comprehensively explained in the Group EV section of the results.

Group Statements of Comprehensive Income

Headline earnings for the Group of R111,9 million are 30% higher than the headline earnings of R86,3 million for the comparative period. As a result, diluted headline earnings per share have increased by 29% to 34.15 cents, up from 26.54 cents and the annualised return on average shareholders' interests amounted to 64% compared to 66% for the same period last year.

Insurance premium revenue for the period is up by 10% from R543,4 million to R598,5 million and other income of R83,8 million, which mainly comprises annuity fees from Clientèle Life's Independent Field Advertisers, is 13% up on the comparable six month figure of R74,2 million.

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. The total value of negative reserves eliminated now amounts to R1,64 billion in comparison to R1,61 billion at 30 June 2011.

Net insurance benefits and claims of R114,5 million have increased by 10% from R104,0 million for the same period last year. The majority of the increase is in respect of policyholders' benefit payments for unitised endowment contracts, many of which have now been held for 10 years or more.

The increase in policyholder liabilities under insurance contracts amounted to R22,7 million (2010: R108,2 million). It should be noted that the higher increase last year is mainly attributable to two factors, the increase in the value of policyholders' unitised market related investment portfolio which are correlated to investment returns for the period and the reserving and payment profile in respect of "cashback" policyholder liabilities which commenced payment in this period.

Segment Results

SA Long-term Insurance – Clientèle Life

Clientèle Life's long-term insurance segment (the Life segment) remains the major contributor to overall Group performance. It accounts for 86% or R194,5 million of the Group's R226,0 million of VNB and generated R105,4 million net operating profit for the period which accounts for 91% of the Group's profit for the period from continuing operations of R115,6 million. It should be noted that Clientèle Life fully impaired its R20,1 million loan to IFA Nigeria as at 31 December 2011, as disclosed in the Segment Statements of Comprehensive Income.

On a continuing basis the net operating profit for the period of R105,4 million was up by 15% from R92,0 million last year.

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, recognised over the term of the contract (usually 60 months).

This operating segment reported a R1,6 million profit for the period. This should be viewed in conjunction with the R34,2 million (2010: R29,5 million) of deferred profits included in the Statements of Financial Position.

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

VNB for the period of R30,8 million has returned to expected levels when compared to the unusually low VNB for the same period last year (2010: R17,3 million).

Clientèle Legal now has an EV of R298,6 million (2010: R199,8 million) and has recorded R8,8 million net profit for the period compared to the R7,2 million net profit (which included a R4,6 million once off positive adjustment to the IBNR claims provision) for the comparable period last year.

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 net loss attributable to equity holders of the group improved from R1,8 million last period to R0,4 million for the six months to December. The gross advances book at 31 December 2011 amounted to R169,7 million (2010: R74,3 million) and impairment experience from the book is as expected.

Prospects

The Group has placed increased focus on sustainability during this period and has embarked on a process of ingraining sustainability principles and practices into the Groups operations. This is expected to add additional long term value to the Group and its stakeholders.

The Group will remain focused on creating sustainable value through its traditional business models and will continue to evaluate new opportunities on a conservative basis going forward.

By order of the Board

GQ Routledge
Chairman

GJ Soll
Managing Director

Johannesburg

20 February 2012

UNAUDITED

Condensed Group Statement of Comprehensive Income

(R'000's)	Six months ended 31 December 2011	2010#	% Change	Audited Year ended 30 June 2011#
Revenue				
Insurance premium revenue	**598 542**	543 409	10	1 114 995
Reinsurance premiums	**(33 253)**	(27 192)		(56 673)
Net insurance premiums	**565 289**	516 217	10	1 058 322
Other income	**83 774**	74 155	13	147 254
Interest income	**24 037**	9 828		25 334
Fair value adjustment to financial assets at fair value through profit or loss	**110 929**	170 598		224 686
Net income	**784 029**	770 798	2	1 455 596
Net insurance benefits and claims	**(114 513)**	(104 038)	10	(209 319)
Increase in policyholder liabilities under insurance contracts	**(22 662)**	(108 214)		(84 032)
(Decrease)/increase in reinsurance assets	**(256)**	22 321		(2 401)
Fair value adjustment to financial liabilities at fair value through profit or loss – investment contracts	**(69 096)**	(60 407)		(99 960)
Interest expense	**(6 486)**	(2 095)		(5 956)
Impairment of advances	**(9 234)**	(4 387)		(11 558)
Operating expenses	**(383 066)**	(359 849)	6	(728 779)
Profit from operations	**178 716**	154 129	16	313 591
Equity accounted earnings	**–**	(15)		(81)
Profit before tax	**178 716**	154 114	16	313 510
Tax	**(63 135)**	(57 108)	11	(96 417)
Profit for the period from continuing operations	**115 581**	97 006	19	217 093
Loss for the period related to discontinued operation	**(9 937)**	(14 921)		(26 867)
Net profit for the period	**105 644**	82 085	29	190 226
Attributable to:				
Non-controlling interest – ordinary shareholders	**1 370**	(4 490)		(4 731)
Equity holders of the Group – ordinary shareholders	**104 274**	86 575	20	194 957
Net profit for the period	**105 644**	82 085	29	190 226
Other comprehensive income:				
Exchange differences on translating foreign operation	**(744)**	1 105		261
Gains on property revaluation				5 937
Income tax relating to gains on property revaluation				(1 230)
Other comprehensive income for the period – net of tax	**(744)**	1 105		4 968
Total comprehensive income for the period	**104 900**	83 190		195 194
Total comprehensive income attributable to:				
Non-controlling interest – ordinary shareholders	**1 259**	(4 207)		(4 586)
Equity holders of the Group – ordinary shareholders	**103 641**	87 397	19	199 780

 # The comparatives are reclassified to disclose the results of the discontinued operation separately

Condensed Group Statement of Financial Position

(R'000's)	Six months ended 31 December 2011	2010	Audited Year ended 30 June 2011
Assets			
Intangible assets	**22 734**	33 802	24 762
Property and equipment	**41 425**	47 542	47 822
Owner-occupied properties	**167 787**	136 108	150 329
Investment in associate	**291**	357	291
Deferred tax	**31 899**	25 637	30 270
Inventories	**888**	905	839
Reinsurance assets	**3 922**	28 900	4 178
Financial assets held at fair value through profit or loss	**2 087 455**	1 769 489	1 940 210
Loans and receivables including insurance receivables	**185 680**	99 463	154 255
Cash and cash equivalents	**129 965**	106 389	145 681
Total assets	**2 672 046**	2 248 592	2 498 637
Total equity and reserves	**285 723**	238 832	353 220
Liabilities			
Policyholder liabilities under insurance contracts	**782 963**	802 060	776 979
Financial liabilities – investment contracts	**1 228 898**	951 866	1 049 988
– At fair value through profit or loss	**1 192 648**	919 572	1 015 790
– At amortised cost	**36 250**	32 294	34 198
Financial liabilities – loans at amortised cost	**138 283**	52 582	93 488
Finance leases	**–**	586	319
Employee benefits	**70 795**	52 574	86 293
Accruals and payables including insurance payables	**140 326**	128 371	113 456
Deferred tax	**23 643**	16 073	23 083
Current tax	**1 415**	5 648	1 811
Total liabilities	**2 386 323**	2 009 760	2 145 417
Total equity and liabilities	**2 672 046**	2 248 592	2 498 637

Tax

(R'000's)	Six months ended 31 December 2011	2010	Audited Year ended 30 June 2011
Continuing Operations:			
Current and deferred tax	**(46 055)**	(40 583)	(80 211)
Secondary tax on companies ("STC")	**(16 686)**	(15 538)	(15 538)
Capital gains tax	**(394)**	(987)	(1 108)
Overprovision in prior periods	**–**	–	440
	(63 135)	(57 108)	(96 417)
Discontinued operation	**–**	–	–
Tax	**(63 135)**	(57 108)	(96 417)

The Individual Policyholder Fund has an estimated tax loss of R1,80 billion (2010: R1,60 billion).

Reconciliation of Results from Continuing Operations and the Discontinued Operation

(R'000's)	Six months ended 31 December 2011	2010	% Change	Audited Year ended 30 June 2011
Continuing operations				
Net profit for the period attributable to equity holders of the Group	**104 274**	86 575	20	194 957
(Less)/add: Attributable (profit)/loss from the discontinued operation	**(8 647)**	11 191		6 454
Add: Loan written off – IFA Nigeria*	**20 110**	–		17 519
Net profit related to the continuing operation attributable to equity holders of the Group	**115 737**	97 766	18	218 930
Discontinued operation				
Net profit/(loss) for the period	**10 173**	(14 921)		(9 348)
Less: Loan written off by Clientèle Life*	**(20 110)**	–		(17 519)
Loss for the period related to the discontinued operation	**(9 937)**	(14 921)		(26 867)
(Less)/add: Net (profit)/loss attributable to non-controlling interest	**(1 526)**	3 730		2 894
Net loss related to the discontinued operation attributable to equity holders of the Group	**(11 463)**	(11 191)		(23 973)

Reconciliation of Net Profit to Headline Earnings

(R'000's)	Six months ended 31 December 2011	2010#	% Change	Audited Year ended 30 June 2011#
Continuing operations				
Net profit for the period attributable to equity holders of the Group	**115 737**	97 766	18	218 930
Less: Profit on disposal of property and equipment	**(41)**	(237)		(250)
Add: Impairment of intangible assets				4 790
Headline earnings from continuing operations	**115 696**	97 529	19	223 470
Discontinued operation				
Net loss for the period attributable to equity holders of the Group	**(11 463)**	(11 191)		(23 973)
Add: Impairment of property and equipment	**4 045**			
Add: Impairment of intangible assets	**3 596**			
Headline earnings from discontinued operation	**(3 822)**	(11 191)		(23 973)
Headline earnings for the period	**111 874**	86 338	30	199 497

Ratios per Share

Cents	Six months ended 31 December 2011	2010#	% Change	Audited Year ended 30 June 2011#
Headline earnings per share	**34.52**	26.69	29	61.65
– Continuing operations	**35.70**	30.15	18	69.05
– Discontinued operation	**(1.18)**	(3.46)		(7.40)
Diluted headline earnings per share	**34.15**	26.54	29	61.25
– Continuing operations	**35.32**	29.98	18	68.61
– Discontinued operation	**(1.17)**	(3.44)		(7.36)
Earnings per share	**32.18**	26.76	20	60.24
– Continuing operations	**35.72**	30.22	18	67.65
– Discontinued operation	**(3.54)**	(3.46)		(7.41)
Diluted earnings per share	**31.83**	26.62	20	59.86
– Continuing operations	**35.33**	30.06	18	67.22
– Discontinued operation	**(3.50)**	(3.44)		(7.36)
Net asset value per share	**88.17**	73.82	19	109.15
Diluted net asset value per share	**87.21**	73.43	19	108.45
Dividends per share – paid	**53.50**	47.00	14	47.00
Dividends per share – declared	**–**	–		53.50
Weighted average ordinary shares ('000)	**324 047**	323 527		323 616
Diluted average ordinary shares ('000)	**327 638**	325 261		325 698

Condensed Group Statement of Cash Flows

(R'000's)	Six months ended 31 December 2011	2010#	Audited Year ended 30 June 2011#
Profit from operations adjusted for non cash items	**218 013**	188 665	360 742
Working capital changes	**(15 446)**	(58 365)	(37 295)
Separately disclosable items[1]	**(22 298)**	(20 818)	(44 737)
Increase in financial liabilities[2]	**107 760**	77 653	134 317
Net (acquisition)/disposal of investments[3]	**(36 208)**	6 997	(107 811)
Interest received[1]	**15 627**	15 505	30 437
Dividends received[1]	**6 671**	5 314	14 300
Dividends paid	**(173 329)**	(152 071)	(152 009)
Tax paid	**(64 603)**	(59 845)	(100 614)
Cash flows from operating activities – Continuing operations	**36 187**	3 035	97 330
Cash flows from operating activities – Discontinued operation	**(12 122)**	(6 313)	(6 833)
Cash flows from operating activities	**24 065**	(3 278)	90 497
Cash flows from investing activities[4]			
Continuing operations	**(30 609)**	(7 801)	(34 320)
Discontinued operation	**–**	(37)	(810)
Cash flows from investing activities	**(30 609)**	(7 838)	(35 130)
Cash flows from financing activities			
Continuing operations	**–**	32 079	4 321
Discontinued operation	**(9 172)**	7 444	8 010
Cash flows from financing activities	**(9 172)**	39 523	12 331
Net (decrease)/increase in cash and cash equivalents	**(15 716)**	28 407	67 698
Cash and cash equivalents at beginning of the period	**145 681**	77 983	77 983
Cash and cash equivalents at end of the period	**129 965**	106 390	145 681

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

Segment Assets & Liabilities

(R'000's)	Six months ended 31 December 2011	2010	Audited Year ended 30 June 2011
Assets			
SA – Long-term insurance	**1 223 306**	1 198 507	1 297 286
SA – Investment contracts	**1 228 962**	954 846	1 050 131
SA – Short-term insurance	**82 214**	59 362	72 773
SA – Loans	**167 421**	79 574	123 494
SA – Mobile	**1 774**	1 505	1 369
Continuing operations	**2 703 677**	**2 293 794**	**2 545 053**
Discontinued operation			
Nigeria – Long-term brokerage	**3 972**	19 736	18 416
Inter segment	**(35 603)**	(64 938)	(64 832)
Total Group Assets	**2 672 046**	**2 248 592**	**2 498 637**
Liabilities			
SA – Long-term insurance	**982 249**	976 656	970 756
SA – Investment contracts	**1 228 898**	951 866	1 049 988
SA – Short-term insurance	**21 097**	18 213	20 453
SA – Loans	**184 790**	92 832	140 344
SA – Mobile	**955**	1 077	875
Continuing operations	**2 417 989**	**2 040 644**	**2 182 416**
Discontinued operation			
Nigeria – Long-term brokerage	**3 937**	34 054	27 833
Inter segment	**(35 603)**	(64 938)	(64 832)
Total Group Liabilities	**2 386 323**	**2 009 760**	**2 145 417**

Notes to the Results

The results have not been reviewed or audited by the Group's auditors, PricewaterhouseCoopers. The change in policyholder liabilities has been based on best estimates after providing for compulsory and discretionary margins and have been actuarially certified by QED Actuaries and Consultants Proprietary Limited.

The Summarised 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 AC 500 Standards as issued by the Accounting Practices Board and the Companies Act 2008 (Act 71 of 2008), as amended, and are consistent with those used in the Annual Financial Statements for the year ended 30 June 2011 except for the treatment of discontinued operations. Where the Group has inter-company transactions and balances between continued and discontinued operations, those transactions are eliminated or disclosed as part of discontinued operations. The results have been prepared in terms of IAS 34 (Interim Financial Reporting).

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

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

Segment Information

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

The Group's main operating segments are Long-term insurance, Investment contracts, Short-term insurance, Loans business, Mobile business and IFA Nigeria – long-term brokerage (discontinued operation) segments. Policies written are in respect of individuals.

Segment Statements of Comprehensive Income

(R'000's)	SA – Long-term insurance	SA – Investment contracts	SA – Short-term insurance	SA – Loans	SA – Mobile	IFA Nigeria – discontinued operation*	Inter segment (revenue)/ expense	Group
31 December 2011								
Insurance premium revenue	**532 795**		**65 747**					**598 542**
Reinsurance premiums	**(33 253)**							**(33 253)**
Net insurance premiums	**499 542**		**65 747**					**565 289**
Other income	**71 774**	**5 255**		**5 872**	**2 057**	**301**	**(1 184)**	**84 075**
Interest income	**4 180**		**241**	**22 116**	**58**	**2**	**(2 558)**	**24 039**
Fair value adjustment to financial assets at fair value through profit or loss	**37 321**	**71 147**	**2 461**					**110 929**
Segment revenue	**612 817**	**76 402**	**68 449**	**27 988**	**2 115**	**303**	**(3 742)**	**784 332**
Segment expenses and claims	**(448 245)**	**(74 204)**	**(56 231)**	**(28 710)**	**(1 665)**	**(24 945)**	**3 742**	**(630 258)**
Net insurance benefits and claims	**(108 599)**		**(5 914)**					**(114 513)**
Increase in policyholder liabilities under insurance contracts	**(19 882)**		**(2 780)**					**(22 662)**
Decrease in reinsurance assets	**(256)**							**(256)**
Fair value adjustment to financial liabilities at fair value through profit or loss		**(69 096)**						**(69 096)**
Interest expense		**(2 051)**		**(6 993)**		**(23)**	**2 558**	**(6 509)**
Impairment of advances				**(9 234)**				**(9 234)**
Operating expenses	**(319 508)**	**(3 057)**	**(47 537)**	**(12 483)**	**(1 665)**	**(24 922)**	**1 184**	**(407 988)**
Profit/(loss) before tax	**164 572**	**2 198**	**12 218**	**(722)**	**450**	**(24 642)**		**154 074**
Tax	**(59 174)**	**(616)**	**(3 421)**	**202**	**(126)**			**(63 135)**
Net operating profit/(loss) for the period	**105 398**	**1 582**	**8 797**	**(520)**	**324**	**(24 642)**		**90 939**
Loans waived – Discontinued Operation*	**(20 110)**					**34 815**		**14 705**
Net profit/(loss) for the period	**85 288**	**1 582**	**8 797**	**(520)**	**324**	**10 173**		**105 644**
Attributable to:								
Non-controlling interest				**(156)**		**1 526**		**1 370**
Equity holders of the Group	**85 288**	**1 582**	**8 797**	**(364)**	**324**	**8 647**		**104 274**
31 December 2010								
Insurance premium revenue	491 849		51 560					543 409
Reinsurance premiums	(27 192)							(27 192)
Net insurance premiums	**464 657**		**51 560**					**516 217**
Other income	66 589	3 759	4	2 789	1 991	4 488	(977)	78 643
Interest Income	8 173			5 297	59	12	(3 701)	9 840
Fair value adjustment to financial assets at fair value through profit or loss	103 269	62 234	5 095					170 598
Segment revenue	**642 688**	**65 993**	**56 659**	**8 086**	**2 050**	**4 500**	**(4 678)**	**775 298**
Segment expenses and claims	**(495 514)**	**(66 061)**	**(46 720)**	**(11 602)**	**(1 450)**	**(19 421)**	**4 678**	**(636 090)**
Net insurance benefits and claims	(98 771)		(5 267)					(104 038)
(Increase)/decrease in policyholder liabilities under insurance contracts	(111 497)		3 283					(108 214)
Increase in reinsurance assets	22 321							22 321
Fair value adjustment to financial liabilities at fair value through profit or loss		(60 407)						(60 407)
Interest expense		(1 827)		(3 969)		(68)	3 701	(2 163)
Impairment of advances				(4 387)				(4 387)
Operating expenses	(307 567)	(3 827)	(44 736)	(3 246)	(1 450)	(19 353)	977	(379 202)
Results from operating activities	**147 174**	**(68)**	**9 939**	**(3 516)**	**600**	**(14 921)**		**139 208**
Equity accounted earnings	(15)							(15)
Profit/(loss) before tax	**147 159**	**(68)**	**9 939**	**(3 516)**	**600**	**(14 921)**		**139 193**
Tax	(55 161)	19	(2 783)	985	(168)			(57 108)
Net profit/(loss) for the period	**91 998**	**(49)**	**7 156**	**(2 531)**	**432**	**(14 921)**		**82 085**
Attributable to:								
Non-controlling interest				**(760)**		**(3 730)**		**(4 490)**
Equity holders of the Group	**91 998**	**(49)**	**7 156**	**(1 771)**	**432**	**(11 191)**		**86 575**

** The loan written off by Clientèle Life was in respect of the discontinued operation (IFA Nigeria)*

Sponsor:

pwc

PricewaterhouseCoopers
Corporate Finance Proprietary Limited

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

Clientèle LIMITED

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Condensed Group Statement of Changes in Equity

(R'000's)	Share capital	Share premium	Common control deficit	Sub-total	Retained earnings	SAR scheme reserve‡	NDR: Contin-gency Short-term insurance	NDR: Foreign currency translation reserve	NDR: Changes in ownership	NDR: Revaluation	Sub-total	Non-controlling interest	Total
Balance as at 1 July 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					(152 071)						**(152 071)**		(152 071)
Total comprehensive income					86 575			829			**87 404**	(4 214)	83 190
– Net profit/(loss) for the period					86 575						**86 575**	(4 490)	82 085
– Other comprehensive income								829			**829**	276	1 105
Transfer to contingency reserve					(1 778)		1 778						
SAR scheme allocated						2 810					**2 810**		2 810
Balance as at 31 December 2010	6 471	218 857	(220 273)	**5 055**	150 756	17 606	9 388	(8 617)	45 326	26 827	**246 341**	(7 509)	238 832
Balance as at 1 January 2011	6 471	218 857	(220 273)	**5 055**	150 756	17 606	9 388	(8 617)	45 326	26 827	**246 341**	(7 509)	238 832
Total comprehensive income					108 395			(713)		4 707	**112 389**	(372)	112 017
– Net profit/(loss) for the period					108 395						**108 395**	(241)	108 154
– Other comprehensive income								(713)		4 707	**3 994**	(131)	3 863
Transfer to contingency reserve					(1 623)		1 623						
Shares issued	8	4 313		**4 321**							**4 321**		4 321
SAR scheme allocated						2 371					**2 371**		2 371
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**
Balance as at 1 July 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**
Ordinary dividends					**(173 329)**						**(173 329)**		**(173 329)**
Total comprehensive income					**104 274**			**(633)**			**103 641**	**1 259**	**104 900**
– Net profit for the period					**104 274**						**104 274**	**1 370**	**105 644**
– Other comprehensive income								**(633)**			**(633)**	**(111)**	**(744)**
Transfer to contingency reserve					**(1 419)**		**1 419**						
Shares issued	**11**	**5 528**		**5 539**							**5 539**		**5 539**
SAR scheme allocated						**932**					**932**		**932**
Transfer from shares issued						**(5 539)**					**(5 539)**		**(5 539)**
Balance as at 31 December 2011	**6 490**	**228 698**	**(220 273)**	**14 915**	**187 054**	**11 049**	**12 430**	**(9 963)**	**43 906**	**31 534**	**290 925**	**(5 202)**	**285 723**

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

GROUP EMBEDDED VALUE RESULTS

Group Embedded Value

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

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

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:

(R'000's)	Six months ended 31 December **2011**	2010	Year ended 30 June 2011
Free surplus	**98 414**	90 724	199 505
Required capital	**148 334**	133 730	139 565
Adjusted Net Worth (ANW) of covered business	**246 748**	224 454	339 070
CoC	**(36 421)**	(39 705)	(36 747)
PVIF	**2 589 888**	1 986 753	2 218 010
EV of covered business	**2 800 215**	**2 171 502**	**2 520 332**

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

Reconciliation of Total Equity to ANW

(R'000's)	Six months ended 31 December **2011**	2010	Year ended 30 June 2011
Total equity and reserves per the Statement of Financial Position	**285 723**	238 832	353 220
Removal of Deferred Profits and impact of compulsory margins on investment business (net impact after tax)	**12 428**	15 816	17 095
Removing minority interests	**5 201**	7 526	6 462
Adjusting subsidiaries to Net Asset Value	**905**	(8 044)	2 422
SAR scheme adjustment	**(57 509)**	(29 677)	(40 129)
ANW	**246 748**	**224 454**	**339 070**

The CoC is the opportunity cost of having to hold the Required Capital of R148,3 million as at 31 December 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 31 December 2011 was 2.05 times (30 June 2011: 2.94 times) on the statutory valuation basis.

Value of New Business

(R'000's)	Six months ended 31 December **2011**	2010	Year ended 30 June 2011
Total VNB	**226 035**	215 947	457 587
Present Value of New Business premiums	**961 457**	906 849	1 859 123
New Business profit margin	**23.5%**	23.8%	24.6%

The VNB (excluding any allowance for the Management Incentive scheme) represents the present value of projected after tax profits at the point of sale on new covered business commencing during the period ended 31 December 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

	Six months ended 31 December **2011**	2010	Year ended 30 June 2011
Risk discount rate %	**10.50**	11.90	11.30
Overall investment return %	**7.00**	7.40	7.80
Expense inflation %	**5.00**	5.40	5.80
Corporate tax %	**28.00**	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%. Three 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 was 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 0.52, in the calculation of the RDR.

The resulting risk discount rate utilised for the South African business as at 31 December 2011 was 10.50%.

Prior period results include an allowance for STC on an assumed dividend policy. However, with the change to dividend tax, the EV and VNB for the current period are shown before any allowance for tax on dividend payments. This increased the EV by R132,5 million and the VNB by R14,1 million.

Risk Discount Rate Sensitivities

(R'000's)	**EV**	**VNB**
Risk discount rate 8.50%	3 139 489	272 607
Risk discount rate 9.50%	2 957 621	247 639
Risk discount rate 10.50%	2 800 215	226 035
Risk discount rate 11.30%	2 687 289	210 752
Risk discount rate 11.50%	2 660 401	207 373
Risk discount rate 12.50%	2 536 343	190 476
Risk discount rate 14.50%	2 325 636	162 555

EV per Share

	Six months ended 31 December **2011**	2010	Year ended 30 June 2011
EV per share (cents)	**864.14**	671.20	778.80
Diluted EV per share (cents)	**854.67**	667.62	773.82

Segment Information

The EV can be split between segments as follows:

(R'000's)	**ANW**	**PVIF**	**CoC**	**EV**
31 December 2011				
SA – Long-term insurance	212 789	2 326 662	(32 742)	**2 506 709**
SA – Short-term insurance	46 099	256 220	(3 679)	**298 639**
SA – Investment contracts	–	5 462	–	**5 462**
SA – Loans	(12 164)	1 544	–	**(10 620)**
Nigeria – Long-term brokerage	25	–	–	**25**
Total	**246 748**	**2 589 888**	**(36 421)**	**2 800 215**
31 December 2010				
SA – Long-term insurance	212 090	1 812 587	(35 685)	**1 988 991**
SA – Short-term insurance	32 350	171 499	(4 019)	**199 830**
SA – Investment contracts		4 554		**4 554**
SA – Loans	(9 295)	(1 888)		**(11 183)**
Nigeria – Long-term brokerage	(10 691)			**(10 691)**
Total	**224 454**	**1 986 753**	**(39 705)**	**2 171 502**
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**

The VNB can be split between segments as follows:

(R'000's)	Six months ended 31 December **2011**	2010	Year ended 30 June 2011
SA – Long-term insurance	**194 492**	207 923	433 203
SA – Short-term insurance	**30 786**	17 250	43 084
SA – Investment contracts	**2 524**	3 637	6 777
SA – Loans	**(1 766)**	(2 091)	(3 293)
SA – New venture costs	**–**	(10 772)	(22 185)
Total	**226 035**	**215 947**	**457 587**

Embedded Value Earnings Analysis

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

(R'000's)	Six months ended 31 December 2011 **ANW**	**PVIF**	**CoC**	**Total**	**Six months ended 31 December 2010**	**Year ended 30 June 2011**
A: EV at the end of the period	**246 748**	**2 589 888**	**(36 421)**	**2 800 215**	2 171 502	2 520 332
EV at the beginning of the period	339 070	2 218 010	(36 747)	**2 520 332**	2 026 760	2 026 760
Dividends and STC paid	(190 015)	–	–	**(190 015)**	(167 609)	(167 596)
B: Adjusted EV at the beginning of the period	**149 055**	**2 218 010**	**(36 747)**	**2 330 317**	1 859 150	1 859 164
EV earnings (A – B)	97 693	371 878	326	**469 898**	312 352	661 168
Impact of once-off economic assumption changes	(2 408)	(223 882)	133	**(226 157)**	(67 857)	(136 532)
Impact of other once-off items	16 555	–	–	**16 555**	28 277	28 277
Recurring EV earnings (before once-off items)	**111 840**	**147 996**	**459**	**260 296**	272 772	552 912
Recurring Return on EV (before once-off items)				22.3%	29.3%	29.7%
Return on EV				**35.4%***	33.6%	35.6%
Components of EV earnings (R'000's)						
Value of New Business	(121 718)	350 725	(2 971)	**226 035**	215 947	457 587
Expected return on covered business (unwinding of risk discount rate)	–	126 097	(4 402)	**121 695**	103 667	211 957
Expected profit transfer	234 384	(234 384)	–	**–**	–	–
Withdrawal experience variance	13 356	(90 211)	7 964	**(68 891)**	(17 584)	(29 486)
Claims and reinsurance experience variance	1 335	–	–	**1 335**	(6 122)	317
Sundry experience variance	6 121	9 013	–	**15 134**	4 465	11 290
Operating assumption and model changes	240	(14 660)	(132)	**(14 552)**	(1 906)	(18 135)
Extraordinary non-recurring expenses/development costs	–	–	–	**–**	–	(4 790)
Expected return on ANW	9 066	–	–	**9 066**	7 541	19 865
SAR scheme dilution	(12 856)	–	–	**(12 856)**	(8 624)	(16 705)
Goodwill and Medium Term incentive schemes	(17 459)	1 415	–	**(16 044)**	(24 399)	(39 313)
Reduction in Net Asset Value on Nigerian operations	–	–	–	**–**	(10 406)	(22 659)
EV operating return	**112 469**	**147 995**	**459**	**260 923**	262 579	569 928
Investment return variances on ANW	(627)	–	–	**(627)**	21 295	18 540
Effect of economic assumption changes	2 408	223 882	(133)	**226 157**	56 755	103 642
Impact of other once-off items	(16 555)	–	–	**(16 555)**	(28 277)	(28 277)
Net impact of writing off a loan in respect of the Nigerian operations	–	–	–	**–**	–	(2 665)
EV earnings	**97 693**	**371 878**	**326**	**469 897**	312 352	661 168

* *Calculated as the sum of the annualised EV earnings excluding the impact of "other once-off items" and the STC change; plus, the impact of the "other once off items" and the STC change (which should not be annualised), divided by the Adjusted EV at the beginning of the period. In other words, [(469 898 - 132 500 + 16 555) x 2 + (132 500 - 16 555)] ÷ 2 330 317 = 35.4%*

Clientèle LIFE | Clientèle GENERAL INSURANCE LIMITED | Clientèle LOANS | IFA A division of Clientèle Life | Clientèle MOBILE | Clientèle LIFE INVESTMENTS

STUDIO 5