Clientèle
LIMITED

Diluted headline earnings per share from continuing operations increased by 27% from 35,32 cents to

44,82 cents

Diluted headline earnings per share **increased by 31%** from 34,15 cents to 44,82 cents

Headline earnings per share from continuing operations increased by 11% after adjusting for STC in the comparative period

Annualised return on average shareholders interest **of 72%**

Summarised Group results for the six months ended 31 December 2012

Comments

Introduction

The Clientèle Group ("the Group") increased its diluted headline earnings per share for the period by 31% and its diluted headline earnings from continuing operations by 27%. On a comparative basis, after adjusting for Secondary Tax on Companies ("STC") last year, headline earnings per share from continuing operations increased by 11%.

The annualised return on average shareholders' interests for the period amounted to 72%.

As previously reported the Group has placed special focus on addressing the quality of business written and we are pleased to report that these initiatives are bearing fruit, as indicated in the positive withdrawal experience for the period of R21,1 million (2011: negative R68,9 million).

As anticipated this improvement in the quality of business written has impacted Production and the Value of New Business ("VNB") in the short-term but the foundation for creating long-term sustainable value for the Group has been established.

An annualised Recurring Return on Embedded Value ("Recurring ROEV") of 21% has been achieved on the back of Recurring Embedded Value Earnings of R312,9 million (2011: R260,3 million), which contributed to Group Embedded Value ("EV") increasing from R3,3 billion as at 30 June 2012 to R3,5 billion as at 31 December 2012.

Operating Results

Group Statement of Comprehensive Income

Headline earnings for the Group of R147,8 million are 32% higher than the headline earnings of R111,9 million for the comparative period. As a result, diluted headline earnings per share have increased by 31% to 44,82 cents, up from 34,15 cents and the annualised return on average shareholders' interests amounted to 72% compared to 64% for the same period last year.

Insurance premium revenue for the period has been tempered by the conscious reigning in of production, which was offset by the improvement in withdrawal experience as a result of the focus on quality production and is up by 2% from R598,5 million to R608,9 million. Other income of R87,2 million, which mainly comprises annuity fees from Clientèle Life's Independent Field Advertisers ("IFAs"), is 4% up on the comparable six month figure of R83,8 million.

Operating expenses for the period have been well controlled, increasing by 4% from R383,1 million last year to R397,1 million this period.

The Group adopts the conservative accounting practice of eliminating negative reserves (a discretionary margin) and thus expensing acquisition costs upfront and deferring profit release over the life of the policy. The total present value of discretionary margins amounts to R1,9 billion (June 2012: R1,8 billion).

Net insurance benefits and claims of R172,1 million have increased by 50% from R114,5 million for the same period last year. The majority of the increase is in respect of policyholder cash-back payments which have now become due as well as policyholders' benefit payments for unitised endowment policies, many of which have now been held for 10 years or more. Both these items have a contra impact on the increase in policyholder liabilities under insurance contracts.

The increase in policyholder liabilities under insurance contracts amounted to R17,9 million (2011: R22,7 million).

Over the reporting period investments achieved a return of 13%, compared to a return of 5% for the similar period last year. A substantial portion of investment returns are attributable to policyholders which has a direct impact on the increase in policyholder liabilities under insurance contracts.

Group Embedded Value

The increase in Group EV reflects EV Earnings of R417,8 million (2011: R469,9 million) for the period, including once-off economic and other adjustments (refer to the EV Earnings analysis) and translates into an annualised Return on Embedded Value ("ROEV") of 28% (2011: 35%). An annualised Recurring ROEV of 21% (2011: 22%) has been achieved on the back of Recurring EV Earnings of R312,9 million (2011: R260,3 million), which contributed to Group EV, after adjusting for the dividend payment, increasing from R3,0 billion at 30 June 2012 to R3,3 billion as at 31 December 2012.

The VNB has decreased by 37% over the corresponding period last year from R226,0 million to R142,3 million as a result of lower production, largely due to the initiatives with regards to quality, as mentioned above, as well as the difficult economic trading environment.

The Board has adopted current actuarial guidance in respect of the Risk Discount Rate, now set at 9,3% (2011: 10,5%). The calculation is comprehensively explained in the Group EV section of the results and a sensitivity analysis is also provided.

Segment Results

SA Long-term Insurance – Clientèle Life

Clientèle Life's Long-term insurance segment remains the major contributor to overall Group performance. It accounts for 85% or R120,9 million of the Group's R142,3 million of VNB, and recorded Recurring EV Earnings of R252,9 million (2011: R210,8 million) for the period and generated, on a continuing basis, R131,9 million (2011: R105,4 million) net operating profit for the period, an increase of 25%.

SA Investment Contracts – Clientèle Life

This operating segment reported a R2,9 million net profit for the period (2011: R1,6 million). This should be viewed in conjunction with the R31,1 million (2011: R34,2 million) of deferred profits included in the Statement of Financial Position.

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

Clientèle Legal now accounts for 14% or R19,3 million of the Group's VNB for the period, and recorded Recurring EV Earnings of R56,2 million (2011: R41,3 million) and generated R16,7 million net profit for the period, a 90% increase on the R8,8 million net profit for the same period last year.

SA Loans – Clientèle Loans

The personal loans business, Clientèle Loans Direct Proprietary Limited, of which the Group owns 70%, has progressed in line with expectations and in accordance with its conservative credit assessment and lending approach and now has an advances book of R234,6 million (2011: R169,7 million).

SA Loans – New Development

Clientèle has entered into a Profit Sharing Agreement ("PSA") in respect of future unsecured personal loans with WesBank (a division of FirstRand Bank Limited) and Direct Axis (SA) Proprietary Limited. The business will be funded and conducted by Wesbank as a separate business unit and administered by Direct Axis.

Clientèle believes the PSA will result in a sustainable and value-adding business for the future.

The existing personal loans business, Clientèle Loans Direct Proprietary Limited, will be run down to closure which will result in a reduction in expenses, mostly related to acquisition costs, and the emergence of profits in respect of business previously written.

SA Mobile

The mobile business produced a net loss for the period of R2,6 million in comparison to the net profit of R0,3 million for the same period last year. This is mainly as a result of the development and operational costs associated with a digital application incorporating a communication platform which is being developed for use by IFAs and policyholders.

Prospects

It is pleasing that the process of ingraining sustainability principles and practices into the Group's operations, which includes a special focus on addressing the quality of business written, is yielding the desired results which will add long-term value to the Group and its stakeholders, including the Group's policyholders. This has created the foundation on which improvements in production can be built on a sustainable basis. The Board believes that trading conditions in South Africa will continue to be difficult this year and our planning for the year ahead does not rely on significantly improved conditions.

Mr. G Q Routledge
Chairman

Mr. G J Soll
Managing Director

Johannesburg

18 February 2013

UNAUDITED

Condensed Group Statement of Comprehensive Income

(R'000's)	Six months ended 31 December 2012	2011	% Change	Audited Year ended 30 June 2012
Revenue				
Insurance premium revenue	608 853	598 542	2	1 194 852
Reinsurance premiums	(36 538)	(33 253)		(68 916)
Net insurance premiums	572 315	565 289		1 125 936
Other income	87 249	83 774		164 222
Interest income	35 787	24 037	49	56 046
Fair value adjustment to financial assets at fair value through profit or loss	165 050	110 929	49	252 189
Net income	860 401	784 029	10	1 598 393
Net insurance benefits and claims	(172 087)	(114 513)	50	(291 024)
Increase in policyholder liabilities under insurance contracts	(17 892)	(22 662)	(21)	(13 746)
Decrease in reinsurance assets	(100)	(256)		(333)
Fair value adjustment to financial liabilities at fair value through profit or loss – investment contracts	(50 258)	(69 096)	(27)	(139 415)
Interest expense	(9 212)	(6 486)	42	(14 565)
Impairment of advances	(16 480)	(9 234)	78	(21 642)
Operating expenses	(397 109)	(383 066)	4	(739 165)
Profit before tax	197 263	178 716	10	378 503
Tax	(50 226)	(63 135)		(118 434)
Profit from continuing operations	147 037	115 581	27	260 069
Loss from discontinued operation	–	(9 937)		(21 694)
– Loss from discontinued operation		(9 937)		(9 916)
– Foreign currency translation reserve realised				(11 778)
Net profit for the period	147 037	105 644	39	238 375
Attributable to:				
Non-controlling interest – ordinary shareholders	(552)	1 370		(57)
Equity holders of the Group – ordinary shareholders	147 589	104 274	42	238 432
Net profit for the period	147 037	105 644	39	238 375
Other comprehensive income:				
Exchange differences on translating foreign operation		(744)	100	(796)
Gains on property revaluation				9 081
Income tax relating to gains on property revaluation				(2 056)
Other comprehensive income for the period – net of tax	–	(744)	100	6 229
Total comprehensive income for the period	147 037	104 900	40	244 604
Total comprehensive income attributable to:				
Non-controlling interest – ordinary shareholders	(552)	1 259		(173)
Equity holders of the Group – ordinary shareholders	147 589	103 641	42	244 777

Condensed Group Statement of Financial Position

(R'000's)	Six months ended 31 December 2012	2011	Audited Year ended 30 June 2012
Assets			
Intangible assets	21 083	22 734	20 865
Property and equipment	31 523	41 425	37 198
Owner-occupied properties	176 994	167 787	176 873
Investment in associate		291	291
Deferred tax	22 018	31 899	20 801
Inventories	644	888	1 371
Reinsurance assets	3 745	3 922	3 845
Financial assets held at fair value through profit or loss	2 246 094	2 087 455	2 303 907
Loans and receivables including insurance receivables	269 224	185 680	209 591
Current tax receivables	4 271		3 885
Cash and cash equivalents	144 734	129 965	168 513
Total assets	2 920 330	2 672 046	2 947 140
Total equity and reserves	371 018	285 723	440 004
Liabilities			
Policyholder liabilities under insurance contracts	808 617	782 963	790 725
Financial liabilities – investment contracts	1 360 608	1 228 898	1 351 303
– At fair value through profit or loss	1 319 906	1 192 648	1 312 904
– At amortised cost	40 702	36 250	38 399
Financial liabilities – loans at amortised cost	183 908	138 283	138 219
Employee benefits	31 858	70 795	60 178
Accruals and payables including insurance payables	136 785	140 326	141 112
Deferred tax	27 299	23 643	25 400
Current tax	237	1 415	199
Total liabilities	2 549 312	2 386 323	2 507 136
Total equity and liabilities	2 920 330	2 672 046	2 947 140

Tax

(R'000's)	Six months ended 31 December 2012	2011	Audited Year ended 30 June 2012
Continuing Operations:			
Current and deferred tax	(46 678)	(46 055)	(95 641)
Secondary tax on companies ("STC")		(16 686)	(16 686)
Capital gains tax	(3 548)	(394)	(1 594)
Underprovision in prior periods			(4 513)
Tax	(50 226)	(63 135)	(118 434)

The Individual Policyholder Fund has an estimated tax loss of R2,0 billion (2011: R1,8 billion).

Reconciliation of Results from Continuing Operations and the Discontinued Operation

(R'000's)	Six months ended 31 December 2012	2011	% Change	Audited Year ended 30 June 2012
Continuing operations				
Net profit for the period attributable to equity holders of the Group	147 589	104 274	42	238 432
(Less)/add: Attributable (profit)/loss from the discontinued operation		(8 647)		2 077
Add: Loan written off – IFA Nigeria		20 110		19 250
Net profit related to the continuing operation attributable to equity holders of the Group	147 589	115 737	28	259 759
Discontinued operation				
Net profit for the period	–	10 173		9 334
Foreign currency translation reserve realised				(11 778)
Less: Loan written off by Clientèle Life		(20 110)		(19 250)
Loss for the period related to the discontinued operation	–	(9 937)		(21 694)
(Less)/add: Net (profit)/loss attributable to non-controlling interest		(1 526)		367
Net loss related to the discontinued operation attributable to equity holders of the Group	–	(11 463)		(21 327)

Reconciliation of Net Profit to Headline Earnings

(R'000's)	Six months ended 31 December 2012	2011	% Change	Audited Year ended 30 June 2012
Continuing operations				
Net profit for the period attributable to equity holders of the Group	147 589	115 737	28	259 759
Less: Profit on disposal of property and equipment	(43)	(41)		(78)
Add: Investment in associate written off	291			
Headline earnings from continuing operations	147 837	115 696	28	259 681
Discontinued operation				
Net loss for the period attributable to equity holders of the Group	–	(11 463)		(21 327)
Add: Impairment of property and equipment		4 045		4 045
Add: Foreign currency translation reserve realised				10 010
Add: Impairment of intangible assets		3 596		3 596
Headline earnings from discontinued operation	–	(3 822)		(3 676)
Headline earnings for the period	147 837	111 874	32	256 005

Ratios per Share

Cents	Six months ended 31 December 2012	2011	% Change	Audited Year ended 30 June 2012
Headline earnings per share	45,23	34,52	31	78,89
– Continuing operations	45,23	35,70	27	80,02
– Discontinued operation		(1,18)		(1,13)
Diluted headline earnings per share	44,82	34,15	31	77,76
– Continuing operations	44,82	35,32	27	78,88
– Discontinued operation		(1,17)		(1,12)
Earnings per share	45,15	32,18	40	73,47
– Continuing operations	45,15	35,72	26	80,04
– Discontinued operation		(3,54)		(6,57)
Diluted earnings per share	44,74	31,83	41	72,43
– Continuing operations	44,74	35,33	27	78,91
– Discontinued operation		(3,50)		(6,48)
Net asset value per share	113,51	88,17	29	135,58
Diluted net asset value per share	112,48	87,21	29	133,66
Dividends per share – paid	67,00	53,50	25	53,50
Dividends per share – declared	–	–		67,00
Weighted average ordinary shares ('000)	326 850	324 047		324 540
Diluted average ordinary shares ('000)	329 848	327 638		329 201

Condensed Group Statement of Cash Flows

(R'000's)	Six months ended 31 December 2012	2011	Audited Year ended 30 June 2012
Profit from operations adjusted for non-cash items	231 145	218 013	372 809
Working capital changes	(94 504)	(15 446)	(45 258)
Separately disclosable items[1]	(23 932)	(22 298)	(49 625)
(Decrease)/increase in financial liabilities[2]	(43 256)	107 760	157 699
Net disposal/(aquisition) of investments[3]	159 083	(36 208)	(111 508)
Interest received	15 522	15 627	32 579
Dividends received	8 410	6 671	17 046
Dividends paid	(219 009)	(173 329)	(173 261)
Tax paid	(49 892)	(64 603)	(114 201)
Cash flows from operating activities – Continuing operations	(16 433)	36 187	86 280
Cash flows from operating activities – Discontinued operation	–	(12 122)	(13 314)
Cash flows from operating activities	(16 433)	24 065	72 966
Cash flows from investing activities[4]			
Continuing operations	(7 346)	(30 609)	(40 944)
Cash flows from investing activities	(7 346)	(30 609)	(40 944)
Cash flows from financing activities			
Discontinued operation		(9 172)	(9 190)
Cash flows from financing activities	–	(9 172)	(9 190)
Net (decrease)/increase in cash and cash equivalents	(23 779)	(15 716)	22 832
Cash and cash equivalents at beginning of the period	168 513	145 681	145 681
Cash and cash equivalents at end of the period	144 734	129 965	168 513

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.

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 Aon Hewitt (Actuarial).

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

Changes to the Board

Mrs FFT De Buck was appointed on 1 November 2012. Mr RD Williams was appointed on 1 January 2013.

Segment Assets & Liabilities

(R'000's)	Six months ended 31 December 2012	2011	Audited Year ended 30 June 2012
Assets			
SA – Long-term insurance	1 261 885	1 223 306	1 367 002
SA – Investment contracts	1 360 818	1 228 962	1 351 741
SA – Short-term insurance	115 289	82 214	95 412
SA – Loans	259 076	167 421	197 668
SA – Mobile	2 686	1 774	1 282
Continuing operations	2 999 754	2 703 677	3 013 105
Discontinued operation			
IFA Nigeria – discontinued operation	–	3 972	–
Inter segment	(79 424)	(35 603)	(65 965)
Total Group Assets	2 920 330	2 672 046	2 947 140
Liabilities			
SA – Long-term insurance	960 935	982 249	985 037
SA – Investment contracts	1 360 608	1 228 898	1 351 303
SA – Short-term insurance	25 394	21 097	22 226
SA – Loans	276 732	184 790	213 485
SA – Mobile	5 067	955	1 050
Continuing operations	2 628 736	2 417 989	2 573 101
Discontinued operation			
IFA Nigeria – discontinued operation	–	3 937	–
Inter segment	(79 424)	(35 603)	(65 965)
Total Group Liabilities	2 549 312	2 386 323	2 507 136

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 2012. 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.

Related Party Transactions

Transactions between Clientèle Limited and its subsidiaries have been eliminated on consolidation. There were no significant related party transactions during the period.

Segment Information

The Group's results are analysed across South Africa ("SA") – geographical segment.

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 2012								
Insurance premium revenue	534 100		74 753					608 853
Reinsurance premiums	(36 373)		(165)					(36 538)
Net insurance premiums	497 727		74 588					572 315
Other income	74 740	6 114	3	7 220	1 576		(2 404)	87 249
Interest income	5 518		330	33 332	14		(3 407)	35 787
Fair value adjustment to financial assets at fair value through profit or loss	104 380	52 598	8 072					165 050
Segment revenue	682 365	58 712	82 993	40 552	1 590	–	(5 811)	860 401
Segment expenses and claims	(505 069)	(54 696)	(60 858)	(43 106)	(5 220)	–	5 811	(663 138)
Net insurance benefits and claims	(163 108)		(8 979)					(172 087)
Increase in policyholder liabilities under insurance contracts	(15 331)		(2 561)					(17 892)
Decrease in reinsurance assets	(100)							(100)
Fair value adjustment to financial liabilities at fair value through profit or loss		(50 258)						(50 258)
Interest expense		(2 303)		(10 316)			3 407	(9 212)
Impairment of advances				(16 480)				(16 480)
Operating expenses	(326 530)	(2 135)	(49 318)	(16 310)	(5 220)		2 404	(397 109)
Profit/(loss) before tax	177 296	4 016	22 135	(2 554)	(3 630)	–	–	197 263
Tax	(45 405)	(1 125)	(5 427)	715	1 016			(50 226)
Net profit/(loss) for the period	131 891	2 891	16 708	(1 839)	(2 614)	–	–	147 037
Attributable to:								
Non-controlling interest				(552)				(552)
Equity holders of the Group	131 891	2 891	16 708	(1 287)	(2 614)	–	–	147 589
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

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

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)*; F F T De Buck FCCA (UK); A D T Enthoven BA, PhD (Political Science); B Frodsham BCom*; P R Gwangwa BProc LLB, LLM; I B Hume CA(SA), ACMA*; B W Reekie BSc(Hons), FASSA*; B A Stott CA(SA); R D Williams, BSc(Hons), FASSA

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

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

Recurring Embedded Value Earnings **increased from** R260,3 million to R312,9 million

Annualised Recurring Return on Embedded Value of 21%

Value of New Business of **R142,3 million**

Focus on sustainability including quality has resulted in a positive withdrawal experience for the period

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 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
Balance as at 1 January 2012	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
Total comprehensive income					134 158			(47)		7 025	141 136	(1 432)	139 704
– Net profit/(loss) for the period					134 158						134 158	(1 427)	132 731
– Other comprehensive income								(47)		7 025	6 978	(5)	6 973
Transfer to contingency reserve					12 430		(12 430)						
Shares issued	44	24 980		25 024							25 024		25 024
SAR scheme allocated						2 799					2 799		2 799
Transfer from shares issued					(21 133)	(3 891)					(25 024)		(25 024)
Transfer to statement of comprehensive income								10 010			10 010	1 768	11 778
Transfer of NDR to retained earnings					43 906				(43 906)				
Balance as at 30 June 2012	6 534	253 678	(220 273)	39 939	356 415	9 957	–	–	–	38 559	444 870	(4 866)	440 004
Balance as at 1 July 2012	**6 534**	**253 678**	**(220 273)**	**39 939**	**356 415**	**9 957**	**–**	**–**	**–**	**38 559**	**444 870**	**(4 866)**	**440 004**
Ordinary dividends					**(219 057)**						**(219 057)**		**(219 057)**
Total comprehensive income					**147 589**						**147 589**	**(552)**	**147 037**
– Net profit/(loss) for the period					**147 589**						**147 589**	**(552)**	**147 037**
Shares issued	**13**	**7 085**		**7 098**							**7 098**		**7 098**
SAR scheme allocated						**3 034**					**3 034**		**3 034**
Transfer from shares issued					**(5 866)**	**(1 232)**					**(7 098)**		**(7 098)**
Balance as at 31 December 2012	**6 547**	**260 763**	**(220 273)**	**47 037**	**279 081**	**11 759**	**–**	**–**	**–**	**38 559**	**376 436**	**(5 418)**	**371 018**

‡*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 2012.

All material business written by the Group has been covered by EV Methodology as outlined in Advisory Practice Note, APN 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 EV calculations have been certified by the Group's independent actuaries, Aon Hewitt (Actuarial). The EV can be summarised as follows:

(R'000's)	Six months ended 31 December **2012**	2011	Year ended 30 June 2012
Free surplus	**187 794**	98 414	271 252
Required capital	**193 680**	148 334	182 633
Adjusted Net Worth ("ANW") of covered business	**381 474**	246 748	453 885
CoC	**(45 840)**	(36 421)	(42 391)
PVIF	**3 122 162**	2 589 888	2 847 550
EV of covered business	**3 457 796**	**2 800 215**	**3 259 044**

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 **2012**	2011	Year ended 30 June 2012
Total equity and reserves per the Statement of Financial Position	**371 018**	285 723	440 004
Removal of Deferred Profits and impact of compulsory margins on investment business (net impact after tax)	**17 022**	12 428	18 647
Removing minority interests	**5 418**	5 201	4 868
Adjusting subsidiaries to Net Asset Value	**11 911**	905	11 911
SAR scheme adjustment	**(23 896)**	(57 509)	(21 545)
ANW	**381 474**	**246 748**	**453 885**

The CoC is the opportunity cost of having to hold the Required Capital of R193,7 million as at 31 December 2012. 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 Capital Adequacy Requirement ("CAR") cover ratio at 31 December 2012 was 2,10 times (30 June 2012: 2,95 times) on the statutory valuation basis.

Value of New Business

(R'000's)	Six months ended 31 December **2012**	2011	Year ended 30 June 2012
Total Value of New Business ("VNB")	**142 340**	226 035	365 496
Present Value of New Business premiums	**719 913**	961 457	1 749 447
New Business profit margin	**19,8%**	23,5%	20,9%

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 2012 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 **2012**	2011	Year ended 30 June 2012
Risk discount rate	**9,30**	10,50	9,80
Overall investment return	**5,80**	7,00	6,30
Expense inflation	**4,30**	5,00	4,30
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 the 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 3,50%. The Board draws the reader's attention to the RDR 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 0,41, in the calculation of the RDR.

The resulting RDR utilised for the South African business as at 31 December 2012 was 9,30% (30 June 2012: 9,80%).

With effect from the reporting date the gap between the investment return and the inflation assumption was reduced from 2,00% to 1,50% as consequence of the continuing downward trend of the risk free rate.

Risk Discount Rate Sensitivities

(R'000's)	**EV**	**VNB**
Risk discount rate 7,30%	4 103 158	199 427
Risk discount rate 8,30%	3 747 863	168 171
Risk discount rate 9,30%	3 457 796	142 340
Risk discount rate 9,80%	3 332 016	132 121
Risk discount rate 10,30%	3 216 873	122 233
Risk discount rate 10,50%	3 173 564	118 518
Risk discount rate 11,30%	3 013 610	104 865

Demographic Assumptions

A withdrawal profit was experienced over the period under review; however, no changes were made to the underlying long-term withdrawal assumptions at this stage. If the assumptions are adjusted at year end, it should be noted that the new business portion of the withdrawal profit will move into the VNB number, which will result in a lower withdrawal profit number and a higher VNB.

Embedded Value per Share

(cents)	Six months ended 31 December **2012**	2011	Year ended 30 June 2012
EV per share	**1 056,38**	864,14	1 004,20
Diluted EV per share	**1 048,30**	854,67	989,99

Segment Information

The EV can be split between segments as follows:

(R'000's)	**ANW**	**PVIF**	**CoC**	**EV**
31 December 2012				
SA – Long-term insurance	306 326	2 726 873	(33 388)	**2 999 810**
SA – Short-term insurance	89 895	384 388	(12 451)	**461 832**
SA – Investment contracts	–	4 715	–	**4 715**
SA – Loans	(12 366)	5 353	–	**(7 013)**
SA – Mobile	(2 381)	833	–	**(1 549)**
Total	**381 474**	**3 122 162**	**(45 840)**	**3 457 796**
31 December 2011				
SA – Long-term insurance	211 970	2 325 266	(32 742)	**2 504 494**
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)**
SA – Mobile	819	1 396	–	**2 215**
Nigeria – Long-term brokerage	25	–	–	**25**
Total	**246 748**	**2 589 888**	**(36 421)**	**2 800 215**
30 June 2012				
SA – Long-term insurance	392 274	2 506 381	(31 126)	**2 867 528**
SA – Short-term insurance	73 187	332 587	(11 265)	**394 508**
SA – Investment contracts	–	5 383	–	**5 383**
SA – Loans	(11 078)	2 105	–	**(8 973)**
SA – Mobile	232	1 094	–	**1 326**
Nigeria – Long-term brokerage	(729)	–	–	**(729)**
Total	**453 885**	**2 847 550**	**(42 391)**	**3 259 044**

The VNB can be split between segments as follows:

(R'000's)	Six months ended 31 December **2012**	2011	Year ended 30 June 2012
SA – Long-term insurance	**120 888**	194 540	305 878
SA – Short-term insurance	**19 330**	30 786	58 190
SA – Investment contracts	**988**	2 524	4 110
SA – Loans	**1 273**	(1 766)	(2 154)
SA – Mobile	**(141)**	(48)	(528)
Total	**142 340**	**226 035**	**365 496**

Embedded Value Earnings Analysis

EV earnings (per APN 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 2012 **ANW**	**PVIF**	**CoC**	**Total**	**Six months ended 31 December 2011**	**Year ended 30 June 2012**
A: EV at the end of the period	**381 474**	**3 122 161**	**(45 840)**	**3 457 796**	**2 800 215**	**3 259 044**
EV at the beginning of the period	453 885	2 847 550	(42 391)	**3 259 044**	2 520 332	2 520 332
Dividends and STC paid	(219 060)	–	–	**(219 060)**	(190 015)	(190 015)
B: Adjusted EV at the beginning of the period	**234 826**	**2 847 551**	**(42 391)**	**3 039 985**	**2 330 317**	**2 330 318**
EV earnings (A – B)	**146 648**	**274 611**	**(3 449)**	**417 811**	**469 898**	**928 726**
Impact of once-off economic assumption changes (excluding STC)	(585)	(101 223)	(3 116)	**(104 925)**	(93 705)	(215 694)
Impact of once-off STC tax change	–	–	–	**–**	(132 452)	(129 981)
Impact of other once-off items	–	–	–	**–**	16 555	19 318
Recurring EV earnings (before once-off items)	146 063	173 388	(6 565)	**312 886**	260 296	602 369
Recurring Return on EV (before once-off items)				**20,6%**	22,3%	25,8%
Return on EV				**27,5%**	**35,4%**	**39,9%**
Components of EV earnings (R'000's)						
VNB	(138 875)	284 594	(3 379)	**142 340**	226 035	365 496
Expected return on covered business (unwinding of RDR)	–	137 043	(2 029)	**135 014**	121 695	253 438
Expected profit transfer	259 817	(259 816)	–	**–**	–	–
Withdrawal experience variance	11 671	9 408	(20)	**21 059**	(68 891)	(115 042)
Claims and reinsurance experience variance	(1 347)	–	–	**(1 347)**	1 335	(4 148)
Sundry experience variance	7 425	1 973	–	**9 398**	15 134	45 767
Change in withdrawals and unpaid premium assumptions	–	–	–	**–**	–	(62 650)
Change in Short-term and annuity income from non-insurance business modelling term	–	–	–	**–**	–	81 934
Change in Short-term business reserving and capital requirements basis	–	–	–	**–**	–	(2 869)
Other Changes in modelling/basis	2 531	(265)	(1 138)	**1 129**	(14 552)	(10 808)
Development costs	(4 328)	–	–	**(4 328)**	–	–
Expected return on ANW	9 456	–	–	**9 456**	9 066	23 465
SAR scheme dilution	(2 351)	–	–	**(2 351)**	(12 856)	23 108
Goodwill and Medium-term incentive schemes	(11 747)	452	–	**(11 294)**	(16 044)	(6 150)
EV operating return	**132 252**	**173 388**	**(6 565)**	**299 075**	**260 923**	**591 540**
Investment return variances on ANW	13 811	–	–	**13 811**	(627)	10 829
Effect of economic assumption changes (excluding STC)	585	101 223	3 116	**104 925**	93 705	215 694
Impact of once-off STC change	–	–	–	**–**	132 452	129 981
Impact of other once-off items	–	–	–	**–**	(16 555)	(19 318)
EV Earnings	**146 648**	**274 611**	**(3 449)**	**417 811**	**469 897**	**928 726**

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