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

Highlights

- Return on average shareholders' interest of 57%
- Return on Embedded Value of 62%
- Embedded Value Earnings increased by 102% from R326 million to R657 million
- Value of New Business increased by 31% from R321 million to R420 million
- Embedded Value per share increased by 43%
- Improved lapse experience in South Africa
- Investment losses on insurance assets limited to 2%
- Diluted headline earnings per share increased by 8% from 41.21 cents to 44.52 cents
- Dividends per share increased by 8% from 39 cents to 42 cents

SUMMARISED GROUP RESULTS FOR THE YEAR ENDED 30 JUNE 2009

COMMENTS

Introduction

What a year it has been! Clientèle Limited ("Clientèle") and its subsidiaries ("the Group") have recorded results of which we are proud; reflecting a return on average shareholders' interest of 57%, a return on Embedded Value of 62% and an increase in the Value of New Business of 31%.

These results have been achieved in a year of turmoil for global financial markets, a recession in South Africa, a decline in investment returns from the JSE All Share Index of negative 25% and the first full year of operations for Clientèle's newly established businesses which include: Independent Field Advertisers Limited Nigeria, Clientèle Legal and Clientèle Loans Direct.

Operating Results

The Group has continued to create significant value this year. Although production volumes have been impacted by the state of the economy this has been countered by improved new business profit margins which have increased from 21% last year to 24% this year and enhanced premium collections management resulting in improved lapse experience this year in South Africa. The Value of New Business has increased from R320.6 million for last year to R420.0 million this year.

The Embedded Value ("EV") has increased from R1.06 billion (after adjusting for dividends and related STC) to R1.72 billion at 30

June 2009. This reflects EV earnings of R657.0 million and translates into a Return on EV of 62%. This return can be broken down into a return of 51% per annum before allowing for any economic assumption changes and 11% being the impact of once-off items (including economic assumption changes).
The increase in EV from R1.20 billion to R1.72 billion represents a 43% increase in EV per share.
The risk discount rate of 13.25% (2008: 15.00%) has been set in terms of current actuarial guidance and includes a conservative adjusted beta of 1, an equity risk premium of 3.5% and an additional risk margin of 1% to allow for some conservatism given the current economic climate. The calculation is comprehensively explained and a sensitivity analysis is provided under the Group Embedded Value section of the results.
Headline earnings for the Group of R144.0 million is 7% higher than the headline earnings of R134.0 million for last year despite the reduction in investment income related to insurance assets, start up costs as budgeted in respect of the newly established businesses and the higher STC charge in respect of the 30% increase in dividends paid during the year. Net profit before the results of newly established businesses has increased by 19% from R139.0 million last year to R165.4 million this year.
Diluted headline earnings per share has increased by 8% from 41.21 cents for the year ended 30 June 2008 to 44.52 cents for the year ended 30 June 2009.
The three new ventures, which, as budgeted, have incurred start up costs ahead of income, have together contributed a net loss after tax of R21.3 million after adjusting for minority interests.
The return on average shareholders' interests for the year has decreased from 70% for last year to 57% for this year. The decrease is due to the start-up costs for new ventures and the decrease in investment returns from last year.
Net recurring insurance premiums for the year are up by 15% from R784.0 million to R902.1 million and other recurring income which comprises mainly of annuity fees from Clientèle Life's Independent Field Advertisers, of R145.9 million is 23% up on last year's other income of R118.4 million.
Investment returns on insurance assets for the year, although negative, have been limited to negative 2% in comparison to the negative 25% return of the JSE All Share Index for the year. Prompt action in revising and adjusting the asset allocation for the year has sheltered the Group from the effects of the turbulent markets during the year.
* The fair value adjustment to financial assets at fair value through profit and loss of R88.5 million consist of a loss in

respect of insurance assets of R25.6 million and a gain in respect of investment contract assets (Single Premium Business) of R114.1 million which should be viewed in conjunction with the fair value adjustment to financial liabilities at fair value through profit and loss in respect of investment contracts of R112.0 million.

During the year significant investment contract business was written which is evidenced by the increase in financial assets held at fair value through profit and loss increasing from R488.4 million last year to R721.8 million this year. This is also evidenced in the net acquisition of investments of R250.8 million, as reflected in the cash flow statement.

Net insurance benefits and claims of R153.1 million (2008: R161.5 million) have decreased by 5% over last year. The majority of the net insurance benefits and claims relate largely to payments in respect of linked endowment products whose unit price has decreased by 3% over the year.

The active ongoing management of expenses has continued to support the growth in New Business Profit margins and the strong growth in EV. Expenses for the year have increased by 24% due to the inclusion of expenses related to the new subsidiaries. The increase in expenses prior to the inclusion of the new ventures amounted to 8% from R512.7 million to R554.5 million, which is lower than the corresponding increase in net insurance premiums and other income from R899.1 million to R1 009.3 million, an increase of 12%.

Intangible assets of R31.4 million comprises mainly of software development costs for IFA Nigeria of R5.4 million and purchased software and television production costs for Clientèle Life of R25.1 million.

The increase in the deferred tax asset of R18.2 million is mainly attributable to deferred tax raised in respect of the IFA Nigeria net loss for the year.

The cash flows from financing activities comprises mainly of R15.5 million of loans at amortised cost from minority shareholders in IFA Nigeria and R62.8 million in respect of shareholder funds received from minority shareholders in IFA Nigeria.

The cash and cash equivalents of the Group has decreased to R112.6 million as a result of the acquisition of property, equipment and intangible assets, dividends and related STC, taxation payments and the acquisition of investments.

New Ventures

IFA Nigeria

Clientèle launched a new Life Insurance Brokerage business in Nigeria, IFA Nigeria, in July 2008 and commenced policy sales from August 2008.

The EV results for IFA Nigeria have been based on a risk discount rate of 25% per annum, a long-term investment return of 13% per annum and a long-term inflation rate of 12% per annum. The Present Value of In-force Business at 30 June 2009 amounts to R24.8 million and Value of New Business amounts to negative R0.4 million. The business has a total EV of R57.4 million. Production is in line with expectations and expenses have been more favourable than expected; however, collections are lower than expected. Management believes that controlling and improving the premium collection process will play an important role in the overall success of IFA Nigeria.

Clientèle Legal

The personal lines legal insurance business is performing as expected with a Value of In-force Business of R73.6 million and a Value of New Business of R31.3 million.

Clientèle Loans Direct

The unsecured personal loans business, of which Clientèle owns 70%, operated in co-operation with Direct Axis (SA) (Pty) Ltd., is progressing in line with its conservative credit assessment and lending approach. R20.2 million has been advanced in the first ten months of operation and experience from the loans book has been as expected. The advances book has been impaired by R1.8 million which is in line with expectations. Direct Axis is a fully integrated and centralised direct marketing business that offers selected financial products. Direct Axis has established joint ventures with other insurance and banking partners that utilise its risk management intellectual property, marketing tools, IT infrastructure, database and risk assessment expertise, customer management skills and distribution ability. Direct Axis prides itself on its extensive loan portfolio management skills acquired since inception in 1995.

Prospects

This year has seen the progress of the Group’s transformation from a life insurance company to a financial services group. At the same time its core traditional business continues to enjoy the success it has achieved in the past. This has paved the way for Clientèle to offer other financial services products to its existing customers and for it to use its existing direct distribution channels to market these additional products. Clientèle believes that its proven IFA distribution model is well suited to other African markets and the acceptance of IFA in Nigeria has been encouraging. The new group intends to leverage off its existing customers and distribution methods and to remain a highly focused organisation in order to further enhance the creation of value for shareholders.

By order of the Board

G Q Routledge Chairman

G J Soll Managing Director

Johannesburg
13 August 2009

DIVIDEND DECLARATION

Notice is hereby given that the Board is declaring the following dividend per ordinary share:

Ordinary dividend (cents per share)	42
Ordinary shares in issue at record date (000's)	323 500

The dividend will be paid on Monday, 14 September 2009.
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, 4 September 2009. The shares will commence trading ex dividend on Monday, 7 September 2009 and the record date will be Friday, 11 September 2009.

Share certificates may not be dematerialised or rematerialised between Monday, 7 September 2009 and Friday, 11 September 2009 both days inclusive.

By order of the Board

G Q Routledge Chairman

G J Soll Managing Director

Johannesburg
13 August 2009

CONDENSED GROUP INCOME STATEMENTS

(R'000's)	Year ended 30 June 2009	2008	% Change
Revenue			
Insurance premium revenue	938 226	815 232	15
Reinsurance premiums	(36 096)	(31 195)	16
Net insurance premiums	902 130	784 037	15
Other income	145 949	118 395	23
Interest income	14 283	10 207	40
Income from brokerage (Nigeria)	15 483	-	
Fair value adjustment to financial assets at fair value through profit and loss*	88 465	53 792	64
Total revenue	1 166 310	966 431	21
Net insurance benefits and claims	(153 063)	(161 485)	(5)
Increase in policyholder liabilities under insurance contracts	(45 519)	(40 315)	13
Decrease in reinsurance assets	(1 648)	(10 564)	
Fair value adjustment to financial* liabilities at fair value through profit and loss - investment contracts	(112 010)	(31 770)	
Impairment of advances	(1 830)	-	
Operating expenses	(649 394)	(522 029)	24
Results from operating activities	202 846	200 268	1
Equity accounted earnings	165	74	
Profit before tax	203 011	200 342	1
Tax	(65 051)	(66 136)	(2)
Net profit for the year	137 960	134 206	3
Attributable to:			
Minorities - ordinary shareholders	(6 327)	-	
Equity holders of the Group - ordinary shareholders	144 287	134 206	8

CONDENSED GROUP BALANCE SHEETS

(R'000's)	Year ended 30 June 2009	2008
Assets		
Intangible assets	31 367	3 848
Property and equipment	41 452	21 476
Owner-occupied properties	129 600	127 600
Investment in associates	349	626
Deferred tax	24 201	5 966
Inventories	2 653	712
Reinsurance assets	22 147	23 795
Financial assets held at fair value through profit and loss*	1 404 549	1 065 997
Loans and receivables including insurance receivables	50 559	45 113
Current tax receivables	-	1 742
Cash and cash equivalents	112 633	197 390
Total assets	1 819 510	1 494 265
Total equity and reserves	287 958	217 789
Liabilities		
Policyholder liabilities under insurance contracts	584 027	538 335
Financial liabilities held at fair value through profit and loss	717 561	490 469
Loans at amortised cost	15 505	-
Finance leases	1 303	-
Employee benefits	73 724	65 941
Accruals and payables including insurance payables	88 511	137 036
Deferred tax	11 682	13 168
Current tax	39 239	31 527
Total liabilities	1 531 552	1 276 476
Total equity and liabilities	1 819 510	1 494 265

TAX

(R'000's)	Year ended 30 June 2009	2008
Current and deferred tax	(53 435)	(58 250)
Secondary tax on companies ("STC")	(11 952)	(9 288)
Capital gains tax	(662)	(340)
Overprovision in prior years	998	1 742
Tax	(65 051)	(66 136)

The Individual Policyholder Fund has an estimated tax loss of R1.20 billion (2008: R1.03 billion).

RECONCILIATION OF NET PROFIT TO HEADLINE EARNINGS

(R'000's)	Year ended 30 June 2009	2008
Net profit for the year attributable to equity holders of the Group	144 287	134 206
Less: Profit on disposal of fixed assets	(254)	(202)
Headline earnings	144 033	134 004

RATIOS PER SHARE

	Year ended 30 June 2009	2008
Headline earnings per share (cents)	44.52	41.42
Diluted headline earnings per share (cents)	44.52	41.21
Earnings per share (cents)	44.60	41.49
Diluted earnings per share (cents)	44.60	41.27
Net asset value per share (cents)	89.01	67.32
Diluted net asset value per share (cents)	89.01	66.98
Dividends per share (cents)	42.00	39.00
Weighted average ordinary shares ('000)	323 500	323 500
Diluted average ordinary shares ('000)	323 500	323 500

NOTES TO THE RESULTS

The results have been reviewed by the Group's auditors, PricewaterhouseCoopers Inc., in terms of International Standards on Review Engagements 2410. The scope of the review was to enable the auditors to report that nothing came to their attention that caused them to believe that the accompanying condensed preliminary consolidated financial information is not presented in all material respects, in accordance with the South African Companies Act 1973 (Act 61 of 1973), 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.

ACCOUNTING POLICIES

Statement of compliance

The accounting policies adopted for the purpose of the Group Financial statements comply with International Financial Reporting Standards ("IFRS"), the JSE Limited Listings Requirements and the Companies Act 1973 (Act 61 of 1973), as amended, and are consistent with those used in the Annual Financial statements for the year ended 30 June 2008. During the year the Group has transacted with minority shareholders and consequently accounted for these transactions based on the economic entity model method. 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 CASH FLOW STATEMENTS

(R'000's)	Year ended 30 June 2009	2008
Cash flows from operating activities	(98 846)	182 518
Cash generated by operations	283 771	252 229
Net (acquisition)/disposal of investments	(250 087)	40 061
Interest received	45 136	10 084
Dividends received	23 747	12 536
Dividends paid	(126 095)	(97 116)
Tax paid	(75 318)	(35 276)
Cash flows from investing activities	(65 122)	(74 823)
Cash flows from financing activities	79 211	-
Net (decrease)/increase in cash and cash equivalents	(84 757)	107 695
Cash and cash equivalents at beginning of the year	197 390	89 695
Cash and cash equivalents at end of the year	112 633	197 390

SEGMENT INFORMATION

The Group's results are analysed across two geographical segments which are South Africa ("SA") and Nigeria.
The Group's main business segments are Long term insurance, Short term insurance, Investment contracts, Loans business and Long term brokerage segments. Policies written are in respect of individuals.

SEGMENT ASSETS & LIABILITIES

(R'000's)	Year ended 30 June 2009	2008
Assets		
SA – Long term insurance	1 013 507	1 007 164
SA – Short term insurance	21 310	6 662
SA – Investment contracts	721 836	488 375
SA – Loans	30 034	–
Nigeria – Long term brokerage	70 827	2 898
Inter segment	(38 004)	(10 834)
Total Group Assets	1 819 510	1 494 265
Liabilities		
SA – Long term insurance	768 945	778 736
SA – Short term insurance	17 928	8 342
SA – Investment contracts	717 561	494 480
SA – Loans	35 577	–
Nigeria – Long term brokerage	29 545	5 752
Inter segment	(38 004)	(10 834)
Total Group Liabilities	1 531 55 2	1 276 476

SEGMENT INCOME STATEMENTS

(R'000's)	SA Long term insurance	SA Short term insurance	SA Investment contracts*	SA Loans
30 June 2009				
Net insurance premiums	866 232	35 898		
Other income	143 140	7		554
Interest income	9 135	1 303		2 391
Income from brokerage				
Fair value adjustment to financial assets at fair value through profit and loss	(25 160)		114 111	
Segment revenue	993 347	37 208	114 111	2 945
Segment expenses and claims	(750 618)	(41 934)	(113 596)	(10 644)
Net insurance benefits and claims	(152 781)	(282)		
Increase in policyholder liabilities under insurance contracts	(41 676)	(3 843)		
Decrease in reinsurance assets	(1 648)			

Fair value adjustment to financial liabilities at fair value through profit and loss			(112 010)	
Impairment of advances				(1 830)
Operating expenses	(554 513)	(37 809)	(1 586)	(8 814)
Results from operating activities	242 729	(4 726)	515	(7 699)
Equity accounted earnings	165			
Profit/(loss) before tax	242 894	(4 726)	515	(7 699)
Tax	(77 911)	534	(144)	2 156
Net profit/(loss) for the year	164 983	(4 192)	371	(5 543)
30 June 2008				
Net insurance premiums	781 566	2 471		
Other income	117 565		830	
Interest income	10 067	140		
Fair value adjustment to financial assets at fair value through profit and loss	21 883		31 909	
Segment revenue	931 081	2 611	32 739	-
Segment expenses and claims	(725 095)	(5 335)	(31 770)	-
Net insurance benefits and claims	(161 484)	(1)		
Increase in policyholder liabilities under insurance contracts	(40 315)			
Decrease in reinsurance assets	(10 564)			
Fair value adjustment to financial liabilities at fair value through profit and loss			(31 770)	
Operating expenses	(512 732)	(5 334)		
Results from operating activities	205 986	(2 724)	969	-
Equity accounted earnings	74			
Profit/(loss) before tax	206 060	(2 724)	969	-
Tax	(67 737)	763	(271)	-
Net profit/(loss) for the year	138 323	(1 961)	698	-

(R'000's)	Nigeria Long term brokerage	Inter segment (revenue)/expense	Total Group
30 June 2009			
Net insurance premiums			902 130
Other income	2 728	(480)	145 949
Interest income	968	486	14 283
Income from brokerage	15 483		15 483
Fair value adjustment to financial assets at fair value through profit and loss		(486)	88 465
Segment revenue	19 179	(480)	1 166 310
Segment expenses and claims	(47 152)	480	(963 464)
Net insurance benefits and claims			(153 063)
Increase in policyholder liabilities under insurance contracts			(45 519)
Decrease in reinsurance assets			(1 648)
Fair value adjustment to financial liabilities at fair value through profit and loss			(112 010)
Impairment of advances			(1 830)
Operating expenses	(47 152)	480	(649 394)
Results from operating activities	(27 973)	–	202 846
Equity accounted earnings			165
Profit/(loss) before tax	(27 973)	–	203 011
Tax	10 314		(65 051)
Net profit/(loss) for the year	(17 659)	–	137 960
30 June 2008			
Net insurance premiums			784 037
Other income			118 395
Interest income			10 207
Fair value adjustment to financial assets at fair value through profit and loss			53 792
Segment revenue	–	–	966 431
Segment expenses and claims	(3 963)	–	(766 163)
Net insurance benefits and claims			(161 485)
Increase in policyholder liabilities under			(40 315)

insurance contracts

Decrease in reinsurance assets			(10 564)
Fair value adjustment to financial liabilities at fair value through profit and loss			(31 770)
Operating expenses	(3 963)		(522 029)
Results from operating activities	(3 963)	–	200 268
Equity accounted earnings			74
Profit/(loss) before tax	(3 963)	–	200 342
Tax	1 109	–	(66 136)
Net profit/(loss) for the year	(2 854)	–	134 206

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

(R'000's)	Share capital	Share premium	Common control surplus/ (deficit)	Sub- total	Retained earnings
Balance as at 1 July 2007			4 853	4 853	146 493
Issue of share capital	6 470	218 656	(225 126)	–	
Ordinary dividend paid					(97 050)
Net profit for the year					134 206
Transfer to contingency reserve					(246)
SAR scheme allocated					
Revaluation of owner occupied properties					
• Gross					
• Deferred tax					
Balance as at 30 June 2008	6 470	218 656	(220 273)	4 853	183 403
Balance as at 1 July 2008	6 470	218 656	(220 273)	4 853	183 403

Ordinary dividend paid					(126 165)
Net profit/(loss) for the year					144 287
Transfer to contingency reserve					(910)
SAR scheme allocated					
Currency translation differences					
Shares issued by subsidiary					
Revaluation of owner occupied properties					
• Gross					
• Deferred tax					
Balance as at 30 June 2009	6 470	218 656	(220 273)	4 853	200 615

(R'000's)	SAR scheme reserve	NDR: Contingency	NDR: Foreign currency translation reserve	NDR: Changes in ownership
Balance as at 1 July 2007	2 099	–	–	
Issue of share capital				
Ordinary dividend paid				
Net profit for the year				
Transfer to contingency reserve		246		
SAR scheme allocated	4 645			
Revaluation of owner occupied properties				
• Gross				
• Deferred tax				
Balance as at 30 June 2008	6 744	246	–	–

Balance as at 1 July 2008	6 744	246		
Ordinary dividend paid				
Net profit/(loss) for the year				
Transfer to contingency reserve		910		
SAR scheme allocated	5 371			
Currency translation differences			(7 428)	
Shares issued by subsidiary				45 326
Revaluation of owner occupied properties				
• Gross				
• Deferred tax				
Balance as at 30 June 2009	12 115	1 156	(7 428)	45 326

(R'000's)	NDR: Revaluation	Sub-total	Non-controlling interest	Total
Balance as at 1 July 2007	16 101	169 546		169 546
Issue of share capital		–		–
Ordinary dividend paid		(97 050)		(97 050)
Net profit for the year		134 206		134 206
Transfer to contingency reserve		–		–
SAR scheme allocated		4 645		4 645
Revaluation of owner occupied properties				
• Gross	8 524	8 524		8 524
• Deferred tax	(2 082)	(2 082)		(2 082)
Balance as at 30 June 2008	22 543	217 789	–	217 789
Balance as at 1 July 2008	22 543	217 789		217 789

Ordinary dividend paid		(126 165)		(126 165)
Net profit/(loss) for the year		144 287	(6 327)	137 960
Transfer to contingency reserve		–		–
SAR scheme allocated		5 371		5 371
Currency translation differences		(7 428)	378	(7 050)
Shares issued by subsidiary		45 326	14 607	59 933
Revaluation of owner occupied properties				
• Gross	50	50		50
• Deferred tax	70	70		70
Balance as at 30 June 2009	22 663	279 300	8 658	287 958

GROUP EMBEDDED VALUE

EMBEDDED VALUE

The methodology and assumptions used to determine the Group Embedded Value (“EV”) have been adjusted to comply with the revised Embedded Value Guidance from the Actuarial Society of South Africa that applies for reporting periods ending on or after 31 December 2008.

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

- the Free Surplus plus
- the Required Capital identified to support the in-force business plus
- the Present Value of In-force business less
- the Cost of Required Capital (“CoC”)

The Present Value of In-force business is the present value of future after tax profits arising from covered business in force as at 30 June 2009.

All material business written by the Group has been covered by EV Methodology as outlined in Professional Guidance Note, PGN 107 of the Actuarial Society of South Africa, including:

- all long-term insurance business regulated in terms of the Long-Term Insurance Act, 1998;
- annuity income arising from non-insurance contracts where EV Methodology has been used to determine future shareholder entitlements;

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

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

	Year ended 30 June	
(R'000's)	2009	2008
Free Surplus	186 554	158 065
Required Capital	91 021	50 001
Adjusted Net Worth ("ANW") of covered business	277 575	208 066
Cost of Required Capital	(30 938)	(15 761)
Present Value of In-force business ("PVIF")	1 474 414	1 009 836
EV of covered business	1 721 051	1 202 141

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

Reconciliation of Total Equity to Adjusted Net Worth	Year ended 30 June	
(R'000's)	2009	2008
Total equity and reserves per balance sheet	287 958	217 789
Removal of Deferred Profits liability (net impact)	4 603	2 888
Removing minority interests	(8 658)	-
Adjusting subsidiaries to Net Asset Value	(1 157)	(1 397)
SAR Scheme adjustment	(5 171)	(11 214)
Adjusted Net Worth	277 575	208 066

The Cost of Required Capital is the opportunity cost of having to hold assets to cover the Required Capital of R91 million as at 30 June 2009. The Required Capital has been set at the greater of the Statutory Termination Capital Adequacy Requirement and 1.5 times

the Statutory Ordinary Capital Adequacy Requirement for the Life company plus R5 million for the short term company.
The SAR scheme adjustment recognises the future dilution in Embedded Value, on a mark to market basis, as a result of the SAR scheme referred to above.
Clientèle Life's Statutory CAR cover ratio at 30 June 2009 was 2.98 times (30 June 2008: 4.4 times) on the statutory valuation basis.

	Year ended 30 June 2009	2008
EV per share (cents)	532.01	371.60
Diluted EV per share (cents)	532.01	369.71
VALUE OF NEW BUSINESS		
Total Value of New Business	420 018	320 602
Present Value of New Business premiums	1 728 887	1 548 802
New Business profit margin %	24.3%	20.7%

The Value of New Business (excluding any allowance for the Management Incentive scheme) represents the present value of projected after tax profits at the point of sale on new covered business commencing during the year ended 30 June 2009 less the Cost of Required Capital pertaining to this business.
The New Business profit margin is the Value of New Business expressed as a percentage of the present value of future premiums (and other annuity fee income) pertaining to the same business.

LONG-TERM ECONOMIC ASSUMPTIONS (SOUTH AFRICA)

	Year ended 30 June 2009	2008
Risk discount rate %	13.25	15.00
Overall investment return %	8.75	11.25
Expense inflation %	6.75	8.00
Corporate tax %	28.00	28.00

The risk discount rate has been determined using a top-down weighted average cost of capital approach, with the equity return calculated using Capital Asset Pricing Model ("CAPM") theory. In terms of current actuarial guidance, the risk discount rate has been set as the risk free rate plus a beta multiplied by the assumed equity risk premium. It has been assumed that the equity risk premium (i.e. the long term expected difference between equity returns and the risk free rate) is 3.5%. In addition, the Board decided it prudent, in light of the current economic conditions and the global financial crisis, to add some additional conservatism to the EV calculation as at 30 June 2009. This was achieved via the addition of an explicit 1% margin to the risk discount rate. The beta pertaining to the Clientele share price is relatively low, which is partially a consequence of the relatively small free-float of shares. After careful consideration, the Board has opted, at this stage, to use a more conservative beta of 1 in the calculation of the risk discount rate.

The resulting risk discount rate utilised for the South African business as at 30 June 2009 was 13.25%. The theoretical risk discount rate using this same methodology, as at 30 June 2008, would have been 14.75% (a 25 basis point difference from the risk discount rate that was actually used at that time). This difference combined with other minor changes to EV Methodology required in terms of the latest version of the Actuarial Society of South Africa's Guidance Note (PGN107 - version 4) would have made an immaterial difference to the published EV results as at 30 June 2008 (less than 0.5% of EV). As a consequence, comparative results have not been restated.

The Board is of the view that the risk margin used in calculating the risk discount rate is more conservative than the approach used by the rest of the market. Investors may want to consider this in conjunction with the impact of the change in methodology and form their own view on an appropriate allowance for the non-financial risks which have not been modelled explicitly. The sensitivity of the Embedded Value of covered business and the Value of New Business to changes in the risk discount rate are shown in the "Risk Discount Rate Sensitivities" section below.

RISK DISCOUNT RATE SENSITIVITIES

(R'000's)	EV	Value of New Business
Risk discount rate 11.25%	1 862 492	469 809
Risk discount rate 12.25%	1 787 788	443 563
Risk discount rate 13.25%	1 721 051	420 018
Risk discount rate 14.25%	1 658 248	398 458
Risk discount rate 15.25%	1 601 719	378 910

Long-term economic assumptions (Nigeria)

	Year ended 30 June 2009	2008
Risk discount rate %	25%	N/A
Overall investment return %	13%	N/A
Expense inflation %	12%	N/A
Corporate and other tax %	33%	N/A

The economic assumptions for Nigeria were set by IFA Nigeria's independent external actuary (H.R. Nigeria Limited) and reviewed by the Group's external actuaries, QED Actuaries & Consultants (Pty) Ltd. The assumptions were set at a conservative level which was deemed to be appropriate as this is a new venture and, as such, is more risky than an established business.

SEGMENT INFORMATION

The EV can be split between segments as follows:

(R'000's)

30 June 2009	ANW	CoC	PVIF	EV
SA – Long-term insurance	248 270	(29 498)	1 375 204	1 593 976
SA – Short-term insurance	2 224	(1 440)	72 781	73 565
SA – Investment contracts	–	–	1 440	1 440
SA – Loans	(5 543)	–	230	(5 313)
Nigeria – Long-term brokerage	32 624	–	24 759	57 383
Total	277 575	(30 938)	1 474 414	1 721 051
30 June 2008				
SA – Long-term insurance	208 066	(15 761)	994 813	1 187 118
SA – Short-term insurance	–	–	13 600	13 600
SA – Investment contracts	–	–	1 423	1 423
Total	208 066	(15 761)	1 009 836	1 202 141

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

(R'000's)	30 June 2009	30 June 2008
SA – Long-term insurance	383 799	312 586
SA – Short-term insurance	31 275	6 919
SA – Investment contracts	5 621	1 097
SA – Loans	(364)	
Nigeria – Long-term brokerage	(313)	
Total	420 018	320 602

EMBEDDED VALUE EARNINGS

EV earnings (per PGN 107) comprises the change in EV (after minority interests) for the year after adjusting for capital movements and dividends paid as they pertain to Clientele Limited. EV earnings explicitly include the impact of changes in minority shareholder interests.

	Year ended to 30 June 2009			
EV earnings for the year (R'000's)	ANW	CoC	PVIF	EV
A: EV at the end of the year	277 575	(30 938)	1 474 414	1 721 051
Embedded Value at the beginning of the year	208 066	(15 761)	1 009 836	1 202 141
Dividends and STC accrued or paid	(138 117)	–	–	(138 117)
B: Adjusted EV at the beginning of the year	69 949	(15 761)	1 009 836	1 064 024
EV earnings (A – B)	207 626	(15 178)	464 578	657 026
Impact of once-off economic assumption changes	1 946	(4 020)	74 377	72 303
Once-off equity impact of introducing a minority interest into IFA Nigeria	44 755	–	–	44 755
EV earnings before once-off items	160 925	(11 158)	390 201	539 968
As a percentage of Adjusted EV at the beginning of the year – Return on EV				50.7%
Return on EV including once-off items				61.7%

Components of EV earnings (R’000’s)	Year ended to 30 June 2009			
	ANW	CoC	PVIF	EV
Value of New Business at point of sale	(85 452)	(4 633)	510 103	420 018
Expected return on Covered Business (unwinding of risk discount rate)	–	(2 365)	155 959	153 594
Expected profit transfer	280 986	–	(280 986)	–
Withdrawal experience variance	(19 869)	–	13 789	(6 081)
Claims and reinsurance experience variance	16 238	–	–	16 238
Sundry experience variances	(15 876)	(605)	1 346	(15 135)
Operating assumption and model changes	1 639	(3 555)	(485)	(2 401)
Expected return on ANW	21 581	–	–	21 581
SAR scheme dilution	6 043	–	–	6 043
Goodwill and medium term incentive schemes	(38 685)	–	(3 494)	(42 179)
EV operating return	166 605	(11 158)	396 232	551 678
Investment return variances on ANW	(250)			(250)
Equity impact of introducing a minority interest into IFA Nigeria	44 755	–	–	44 755
Effect of foreign currency movements	(5 430)	–	(6 031)	(11 461)
Effect of economic assumption changes	1 946	(4 020)	74 377	72 304
EV earnings	207 626	(15 178)	464 578	657 026

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