

Clientele Limited

(Registration number 2007/023806/06)

Share code: CLI

ISIN: ZAE000117438

## SUMMARISED GROUP RESULTS FOR THE YEAR ENDED 30 JUNE 2010

### Highlights

- Embedded Value in excess of R2 billion for the first time
- Embedded Value Earnings of R478 million
- Return on Embedded Value of 31%
- Value of New Business of R353 million
- Insurance premium revenue over R1 billion for the first time
- Return on average shareholders interest of 54%
- Headline earnings per share increased by 11% from 44.52 cents to 49.31 cents
- Dividends declared per share increased by 12% from 42 cents to 47 cents

### COMMENTS

#### INTRODUCTION

The Clientèle Group ("the Group") has recorded results for the year which are pleasing given the tough external environment. Whilst production volumes and persistency of Clientele Life have been negatively affected, the Group has been successful in introducing higher premium products by leveraging off its various distribution channels and the strength of its brand. As a result, the Group has broadened and differentiated its target market and has a basis to further improve Value of New Business ("VNB") which now places the Group in an even stronger position moving forward.

The successes achieved, combined with the ongoing focus on our existing products and market, tight control over operating expenses and improved investment returns overall, have enabled the Group to report an increase in profit before tax of 22% from R203.0 million last year to R247.4 million this year. This translates into an increase in headline earnings of 11% (\*refer to comments on taxation below) from R144.0 million last year to R159.5 million this year and an increase of 12% in dividends declared per share from 42 cents last year to 47 cents this year. Embedded Value ("EV") earnings of R478.3 million for the year have resulted in a return on EV of 31%. Whilst this return was lower than expectations, mainly due to the lower production volumes, the Group's high rate of EV growth remains intact.

## OPERATING RESULTS

### Group Statement of Comprehensive Income

Diluted headline earnings per share has increased by 10% from 44.5 cents for last year to 49.1 cents this year which translates into a return on average shareholders' interests of 54% (June 2009: 57%). Insurance premium revenue is up by 7% on last year to over R1 billion for the first time.

Other income of R160.0 million is marginally lower than last year's other income of R161.4 million and mainly comprises annuity fees from Clientèle Life's Independent Field Advertisers ("IFA").

Operating expenses for the year have been well controlled resulting in an increase of 4% on last year which compares favourably with the 13% increase in total revenue for the year.

Investment returns on insurance assets have improved when compared to last year and the Group has achieved a 13.5% return (2009 : negative 2%) from its conservative investment portfolios.

The fair value adjustment to financial assets at fair value through profit and loss is partly attributable to the growth in new business in respect of investment contracts (56%) and partly to improved returns this year in respect of long-term insurance business (43%).

The increase in policyholder liabilities under insurance contracts of R109.7 million is R64.2 million higher than last year. The majority of the increase relates to the movement in the value of the policyholders' unitised market related investment portfolio which is correlated to investment returns for the year.

\* The increase in taxation is mainly attributable to the reversal of the deferred tax asset of R7.8 million, previously raised in respect of IFA Nigeria's net loss since inception. The deferred tax asset was reversed, as profits, in the foreseeable future, are difficult to forecast with certainty. In the prior year there was a R10.3 million deferred tax credit recognised in the statement of comprehensive income in respect of IFA Nigeria. The reversal of R7.8 million is R2.5 million lower than the R10.3 million raised in the prior year due to foreign exchange translation losses as a result of the depreciation of the Naira against the Rand. The effective tax rate for the Group (excluding STC) after reversing these effects amounts to 28% (2009: 27%), after permanent differences.

Cash generated from operations, after working capital changes, has increased by 25% from R237.6 million last year to R298.1 million this year.

## Group Embedded Value

The Group has continued to grow satisfactorily during the year under review although production volumes have been impacted by the state of the economy. The Group has nevertheless created VNB of R353.1 million for the year which contributed to the EV earnings of R478.3 million. EV has increased from R1 548.4 million (restated, in respect of IFA Nigeria, and after adjusting for dividends and related STC) to R2 026.8 million at 30 June 2010.

EV results for Nigeria are no longer reflected in the Group EV results as it has become evident that the key assumptions underlying the actuarial calculations need to be proven and established over time. As a result, the EV for IFA Nigeria has been set equal to Net Asset Value and the prior year's figures have been restated on this basis.

The risk discount rate of 12.60% (2009: 13.25%) 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 EV section of the results.

## SEGMENT RESULTS

### Clientèle Life - Long Term Insurance

Clientèle Life remains the major contributor to the Group's revenue and profits, contributing 85% of the Group's revenue and more than 100% of the Group's net profits. Clientèle Life's net profit for the year of R188.8 million has increased by 14% over last year's net profit of R165.1 million.

Premium collections have remained almost in line with assumptions, however the withdrawal experience of two tranches of business worsened during the first six months of the financial year. This was identified by mid-year and mitigating action was taken and the withdrawal assumptions were changed as reported on in our interim results. As the measurement of experience for reporting purposes at year end is done relative to the actuarial assumptions used as at the previous year end the withdrawal loss grew from R23.8 million at December 2009 to R56.2 million at 30 June 2010, as was to be expected. At this time, the mitigating actions taken appear to have worked and further withdrawal losses are not anticipated on these classes of business relative to the new assumptions.

Whilst persistency experience has been less favourable than assumption, positive claims and underwriting experience has resulted in EV profits.

Clientèle Life's share of the Group's VNB amounts to R300.7 million or 93% of the total VNB. Its share of Group EV amounts to R1 830.6 million which represents 90% of Group EV.

#### Clientèle General Insurance (Clientèle Legal)

The personal lines legal insurance business has recorded a R6.2 million net profit for the year after just two and a half years of operation which reflects a R10.4 million increase in comparison to the R4.2 million net loss for the previous year. Lapse and claims experience has been better than expected and profit margins have, as a result, improved. The company now has an EV of R204.5 million (2009: R73.6 million) and VNB of R72.4 million (2009: R31.3 million) was created during the year.

#### Clientèle Life - Investment Contracts

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

The result is that with our growing book this operating segment reported a net loss for the year. This should be viewed in conjunction with the R24.0 million (2009: R12.4 million) of deferred profits included in the Statement of Financial Position.

#### IFA Nigeria

The Group launched IFA Nigeria, its life insurance brokerage business, of which it effectively owns 75%, in July 2008 and commenced policy sales from August 2008.

The consolidated loss before tax of R23.3 million for the year has increased by R2.3 million in comparison to last year. In order to ensure that the business model is developed on a more sustainable basis, without placing undue strain on the Group's resources, both production and expenses were curtailed during the year. The Group still believes that its proven IFA distribution model is well suited to Nigeria based on experience gained to date, although local challenges, particularly in the area of premium collections, require ongoing focus.

#### Clientèle Loans Direct

The personal loans business, of which the Group owns 70%, operated in partnership with Direct Axis (SA) (Pty) Ltd., is progressing in accordance with its conservative credit assessment and lending approach. The gross advances book at 30 June 2010 amounted to R43.3 million and experience from the book is as expected.

Operating results are improving in line with forecasts and the net loss for the year of R3.6 million (after minorities' share of losses) has reduced by R0.3 million or 8% in comparison to last year.

## PROSPECTS

The Group has continued its successful transformation from a life insurance company to a financial services group over the last year and has been successful in broadening and differentiating its current life insurance market. The Group intends to continue to add value to its existing customers and further leverage its distribution strengths to extended local markets and new international markets on a very selective and controlled basis, whilst remaining a highly focused organisation.

## DIVIDEND DECLARATION

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

Ordinary dividend (cents per share) 47

Ordinary shares in issue at record date (000's) 323 527

The dividend will be paid on Monday, 13 September 2010.

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, 3 September 2010. The shares will commence trading ex dividend on Monday, 6 September 2010 and the record date will be Friday, 10 September 2010.

Share certificates may not be dematerialised or rematerialised between Monday, 6 September 2010 and Friday, 10 September 2010 both days inclusive.

By order of the Board

G Q Routledge G J Soll

Chairman Managing Director

Johannesburg

16 August 2010

CONDENSED GROUP STATEMENTS OF COMPREHENSIVE INCOME

Year ended 30 June

(R' 000's)	2010	2009	% Change
Revenue			
Insurance premium revenue	1 005 660	938 226	7
Reinsurance premiums	(42 755)	(36 096)	
Net insurance premiums	962 905	902 130	7
Other income	160 025	161 432	
Interest income	15 141	14 283	
Fair value adjustment to financial assets at fair value through profit and loss	185 064	88 465	
Total revenue	1 323 135	1 166 310	13
Net insurance benefits and claims	(169 434)	(153 063)	
Increase in policyholder liabilities under insurance contracts	(109 697)	(45 519)	
Decrease in reinsurance assets	(15 568)	(1 648)	
Fair value adjustment to financial liabilities at fair value through profit and loss - investment contracts	(98 705)	(112 010)	
Interest expense	(2 326)	(389)	
Impairment of advances	(5 608)	(1 830)	
Operating expenses	(674 438)	(649 005)	4
Results from operating activities	247 359	202 846	22
Equity accounted earnings	23	165	
Profit before tax	247 382	203 011	22
Tax *	(98 923)	(65 051)	
Net profit for the year	148 459	137 960	8
Attributable to:			
Minorities - ordinary shareholders	(11 280)	(6 327)	
Equity holders of the Group - ordinary shareholders	159 739	144 287	11
Net profit for the year	148 459	137 960	

Other comprehensive income:		
Exchange differences on		
translating foreign operation	(2 691)	(7 050)
Gains on property revaluation	5 509	50
Income tax relating to gains on		
property revaluation	(1 345)	70
Other comprehensive income for		
the year - net of tax	1 473	(6 930)
Total comprehensive income for		
the year	149 932	131 030
Total comprehensive income		
attributable to:		
Minorities - ordinary		
shareholders	(11 953)	(5 949)
Equity holders of the Group -		
ordinary shareholders	161 885	136 979

CONDENSED GROUP STATEMENTS OF FINANCIAL POSITION  
Year ended 30 June

(R'000's)	2010	2009
Assets		
Intangible assets	37 036	31 367
Property and equipment	50 893	41 452
Owner-occupied properties	134 300	129 600
Investment in associates	372	349
Deferred tax	22 367	24 201
Inventories	1 412	2 653
Reinsurance assets	6 579	22 147
Financial assets held at fair value through profit and loss	1 607 713	1 404 549
Loans and receivables including insurance receivables	65 814	50 559
Cash and cash equivalents	77 983	112 633
Total assets	2 004 469	1 819 510
Total equity and reserves	304 903	287 958
Liabilities		
Policyholder liabilities under insurance contracts	693 725	584 027
Financial liabilities	811 979	717 561
- At fair value through profit and loss	781 513	717 561
- At amortised cost	30 466	-
Loans at amortised cost	14 790	15 505
Finance leases	778	1 303
Employee benefits	64 676	73 724
Accruals and payables including insurance payables	92 429	88 511
Deferred tax	16 483	11 682
Current tax	4 706	39 239
Total liabilities	1 699 566	1 531 552
Total equity and liabilities	2 004 469	1 819 510



TAX \*

Year ended 30 June

(R'000's)	2010	2009
SA Operations:		
Current and deferred tax	(80 315)	(63 749)
Secondary tax on companies ("STC")	(11 996)	(11 952)
Capital gains tax	(76)	(662)
Overprovision in prior years	1 244	998
IFA Nigeria *	(7 780)	10 314
Tax	(98 923)	(65 051)

The Individual Policyholder Fund has an estimated tax loss of R1.42 billion (2009: R1.20 billion).

RECONCILIATION OF NET PROFIT TO HEADLINE EARNINGS

Year ended 30 June

(R'000's)	2010	2009
Net profit for the year attributable to equity holders of the Group	159 739	144 287
Less: Profit on disposal of fixed assets	(234)	(254)
Headline earnings	159 505	144 033

## RATIOS PER SHARE

Year ended 30 June

	2010	2009
Headline earnings per share (cents)	49.31	44.52
Diluted headline earnings per share (cents)	49.10	44.52
Earnings per share (cents)	49.38	44.60
Diluted earnings per share (cents)	49.17	44.60
Net asset value per share (cents)	94.25	89.01
Diluted net asset value per share (cents)	93.86	89.01
Dividends per share (cents)	47.00	42.00
Weighted average ordinary shares ('000)	323 505	323 500
Diluted average ordinary shares ('000)	324 857	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 2009. The results have been prepared in terms of IAS 34 (Interim Financial Reporting).

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

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

CONDENSED GROUP STATEMENTS OF CASH FLOWS

Year ended 30 June	2010	2009
(R'000's)		
Cash flows from operating activities	4 060	(98 846)
Profit from operations adjusted for non cash items	346 689	337 814
Working capital changes	(48 562)	(100 240)
Cash generated from operations after working capital changes	298 127	237 574
Separately disclosable items 1 (Decrease)/Increase in financial liabilities 2	(43 263)	(68 883)
Net acquisition of investments 3	(5 916)	115 080
Interest received 1	(25 459)	(250 087)
Dividends received 1	32 992	45 136
Dividends paid	10 271	23 747
Tax paid 4	(135 870)	(126 095)
Cash flows from investing activities	(126 822)	(75 318)
Cash flows from financing activities	(37 427)	(65 122)
Net decrease in cash and cash equivalents	(1 283)	79 211
Cash and cash equivalents at beginning of the year	(34 650)	(84 757)
Cash and cash equivalents at end of the year	112 633	197 390

1. Interest and dividends
2. Investment contracts
3. Investments in respect of insurance operations and investment contracts
4. The increase relates to the timing of provisional tax payments

## SEGMENT INFORMATION

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

The Group's main operating segments are long term insurance, short term insurance, investment contracts, loans business, mobile business and long term brokerage segments. Policies written are in respect of individuals.

## SEGMENT ASSETS & LIABILITIES

Year ended 30 June (R'000's)	2010	2009
<b>Assets</b>		
SA - Long term insurance	1 119 300	1 013 149
SA - Short term insurance	54 166	21 310
SA - Investment contracts	817 627	721 836
SA - Loans	45 999	30 034
SA - Mobile	574	358
Nigeria - Long term brokerage	23 672	70 827
Inter segment	(56 869)	(38 004)
<b>Total Group Assets</b>	<b>2 004 469</b>	<b>1 819 510</b>
<b>Liabilities</b>		
SA - Long term insurance	843 590	768 454
SA - Short term insurance	19 584	17 928
SA - Investment contracts	811 979	717 561
SA - Loans	56 725	35 577
SA - Mobile	577	491
Nigeria - Long term brokerage	23 980	29 545
Inter segment	(56 869)	(38 004)
<b>Total Group Liabilities</b>	<b>1 699 566</b>	<b>1 531 552</b>

SEGMENT STATEMENTS OF COMPREHENSIVE INCOME

	SA	SA	SA	SA
(R'000's)	Long term insurance	Short term insurance	Investment contracts	Loans
30 June 2010				
Net insurance				
premiums	887 291	75 614		
Other income	145 723	-		2 852
Interest income	7 629	345		10 749
Fair value				
adjustment to				
financial				
assets at fair				
value through				
profit and loss	79 762	1 496	103 806	-
Segment revenue	1 120 405	77 455	103 806	13 601
Segment				
expenses and				
claims	(839 921)	(68 883)	(107 363)	(20 801)
Net insurance				
benefits and				
claims	(161 687)	(7 746)		-
Increase in				
policyholder				
liabilities				
under insurance				
contracts	(101 744)	(7 953)		-
Decrease in				
reinsurance				
assets	(15 568)	-		-

Fair value adjustment to financial liabilities at fair value through profit and loss		-	-	(98 705)
Interest expense	-		(1 630)	(4 591)
Impairment of advances	-			(5 608)
Operating expenses	(560 922)	(53 184)	(7 028)	(10 602)
Results from operating activities	280 484	8 572	(3 557)	(7 200)
Equity accounted earnings	23	-		-
Profit/(loss) before tax	280 507	8 572	(3 557)	(7 200)
Tax	(91 734)	(2 371)	996	2 016
Net profit/(loss) for the year	188 773	6 201	(2 561)	(5 184)
Attributable to:				
Minorities - ordinary shareholders	-	-		(1 555)
Equity holders of the Group - ordinary shareholders	188 773	6 201	(2 561)	(3 629)
30 June 2009				
Net insurance premiums	866 232	35 898		
Other income	143 065	7		554
Interest income	9 134	1 303		2 391

Fair value adjustment to financial assets at fair value through profit and loss	(25 160)		114 111	
Segment revenue	993 271	37 208	114 111	2 945
Segment expenses and claims	(750 358)	(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)	

Interest expense				
Impairment of advances				(1 830)
Operating expenses	(554 253)	(37 809)	(1 586)	(8 814)
Results from operating activities	242 913	(4 726)	515	(7 699)
Equity accounted earnings	165			
Profit/(loss) before tax	243 078	(4 726)	515	(7 699)
Tax	(77 963)	534	(144)	2 156
Net profit/(loss) for the year	165 115	(4 192)	371	(5 543)
Attributable to:				
Minorities - ordinary shareholders				(1 663)
Equity holders of the Group - ordinary shareholders	165 115	(4 192)	371	(3 880)



SEGMENT STATEMENTS OF COMPREHENSIVE INCOME (CONTINUED)

(R'000's)	Nigeria		Inter	Total
	SA	Long term	segment	
	Mobile	brokerage	(revenue)/ expense	Group
30 June 2010				
Net insurance premiums				962 905
Other income	2 722	9 848	(1 120)	160 025
Interest income	97	460	(4 139)	15 141
Fair value adjustment to financial assets at fair value through profit and loss	-	-	-	185 064
Segment revenue	2 819	10 308	(5 259)	1 323 135
Segment expenses and claims	(2 640)	(41 427)	5 259	(1 075 776)
Net insurance benefits and claims	-	(1)		(169 434)
Increase in policyholder liabilities under insurance contracts	-	-		(109 697)

Decrease in reinsurance assets	-	-		(15 568)
Fair value adjustment to financial liabilities at fair value through profit and loss	-	-		(98 705)
Interest expense		(244)	4 139	(2 326)
Impairment of advances	-			(5 608)
Operating expenses	(2 640)	(41 182)	1 120	(674 438)
Results from operating activities	179	(31 119)	-	247 359
Equity accounted earnings	-	-		23
Profit/(loss) before tax	179	(31 119)	-	247 382
Tax	(50)	(7 780)		(98 923)
Net profit/(loss) for the year	129	(38 899)	-	148 459
Attributable to:				
Minorities - ordinary shareholders	-	(9 725)	-	(11 280)
Equity holders of the Group - ordinary shareholders	129	(29 174)	-	159 739
30 June 2009				
Net insurance premiums				902 130

Other income	75	18 211	(480)	161 432
Interest				
income	1	968	486	14 283
Fair value				
adjustment to				
financial				
assets at				
fair value				
through				
profit and				
loss			(486)	88 465
Segment				
revenue	76	19 179	(480)	1 166 310
Segment				
expenses and				
claims	(260)	(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)
Interest				
expense		(389)		(389)
Impairment of				
advances				(1 830)
Operating				
expenses	(260)	(46 763)	480	(649 005)
Results from	(184)	(27 973)	-	202 846

operating activities Equity accounted earnings				165
Profit/(loss) before tax	(184)	(27 973)	-	203 011
Tax	52	10 314		(65 051)
Net profit/(loss) for the year	(132)	(17 659)	-	137 960
Attributable to:				
Minorities - ordinary shareholders		(4 664)		(6 327)
Equity holders of the Group - ordinary shareholders	(132)	(12 995)		144 287

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

(R'000's)	Share capital	Share premium	Common control deficit	Sub-total
Balance as at 1 July 2008	6 470	218 656	(220 273)	4 853
Ordinary dividend paid				
Total comprehensive income				
Net profit/(loss) for the year				
Other comprehensive income/(expense)				
Transfer to contingency reserve				
Shares issued by subsidiary				

SAR scheme allocated				
Balance as at 30 June 2009	6 470	218 656	(220 273)	4 853
Balance as at 1 July 2009	6 470	218 656	(220 273)	4 853
Ordinary dividend paid				
Total comprehensive income				
Net profit/(loss) for the year				
Other comprehensive income/(expense)				
Transfer to contingency reserve				
Shares issued	1	201		202
SAR scheme allocated				
Transfer from shares issued				
Balance as at 30 June 2010	6 471	218 857	(220 273)	5 055
** SAR scheme - the Clientèle Limited Group Share Appreciation Rights Scheme				

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY (CONTINUED)

(R'000's)	Retained earnings	SAR scheme reserve**	NDR: Contingency Short term insurance	NDR: Foreign currency translation reserve
Balance as at 1				
July 2008	183 403	6 744	246	
Ordinary dividend paid	(126 165)			
Total comprehensive income	144 287			(7 428)
- Net profit/(loss) for the year	144 287			
- Other comprehensive income/(expense)				(7 428)
Transfer to contingency reserve	(910)		910	
Shares issued by subsidiary SAR scheme allocated		5 371		
Balance as at 30				
June 2009	200 615	12 115	1 156	(7 428)
Balance as at 1				
July 2009	200 615	12 115	1 156	(7 428)
Ordinary dividend paid	(135 870)			
Total comprehensive income	159 739			(2 018)
- Net profit/(loss) for the year	159 739			
- Other comprehensive income/ (expense)				(2 018)

Transfer to contingency reserve	(6 454)		6 454	
Shares issued SAR scheme allocated		2 883		
Transfer from shares issued		(202)		
Balance as at 30 June 2010	218 030	14 796	7 610	(9 446)

\*\* SAR scheme - the Clientèle Limited Group Share Appreciation Rights Scheme

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY (CONTINUED)

(R'000's)	NDR:		Sub-total	Non-	Total
	Changes in ownership	NDR: Revaluation		Control-ling interest	
Balance as at 1 July 2008		22 543	217 789		217 789
Ordinary dividend paid			(126 165)		(126 165)
Total comprehensive income - Net profit/ (loss) for the year		120	136 979	(5 949)	131 030
- Other comprehensive income/ (expense)		120	(7 308)	378	(6 930)
Transfer to contingency reserve			-		-
Shares issued by subsidiary SAR scheme allocated	45 326		45 326	14 607	59 933
Balance as at 30 June 2009	45 326	22 663	279 300	8 658	287 958
Balance as at 1 July 2009	45 326	22 663	279 300	8 658	287 958
Ordinary dividend paid			(135 870)		(135 870)
Total comprehensive income - Net		4 164	161 885	(11 953)	149 932
			159 739	(11 280)	148 459



profit/ (loss) for the year				
- Other compre- hensive income/ (expe nse)	4 164	2 146	(673)	1 473
Transfer to contingency reserve		-		-
Shares issued		202		202
SAR scheme allocated		2 883		2 883
Transfer from shares issued		(202)		(202)
Balance as at 30 June 2010	45 326	26 827	308 198	(3 295)
				304 903

\*\* SAR scheme - the Clientèle Limited Group Share Appreciation Rights Scheme

## GROUP EMBEDDED VALUE

### EMBEDDED VALUE

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 ("PVIF") 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 2010.

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

As our Nigerian operation is relatively new and we have limited experience investigations, the underlying assumptions that would be used for the Value of In-force and Value of New Business ("VNB") numbers are not yet reliable. The Board has decided to follow a conservative approach by setting the EV for the Nigerian operation equal to the Net Asset Value. The 30 June 2009 numbers have been re-stated(\*) to follow a similar approach.

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	2010	2009	2009
(R'000's)		Restated*	Reported
Free surplus	179 637	186 554	186 554
Required capital	116 429	91 021	91 021
Adjusted Net Worth ("ANW")			
of covered business	296 066	277 575	277 575
Cost of Required Capital	(38 166)	(30 938)	(30 938)
PVIF	1 768 859	1 449 656	1 474 414
EV of covered business	2 026 760	1 696 293	1 721 051

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

Reconciliation of Total Equity to ANW

Year ended 30 June	2010	2009	2009
(R'000's)		Restated*	Reported
Total equity and reserves per balance sheet	304 903	287 958	287 958
Removal of Deferred Profits and impact of compulsory margins on investment business (net impact after tax)	12 377	4 603	4 603
Removing minority interests	3 295	(8 658)	(8 658)
Adjusting subsidiaries to Net Asset Value	(6 266)	(1 157)	(1 157)
SAR Scheme adjustment	(18 243)	(5 171)	(5 171)
ANW	296 066	277 575	277 575

The CoC is the opportunity cost of having to hold the Required Capital of R116.4 million as at 30 June 2010. 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 Capital for the short term company.

The SAR scheme adjustment recognises the future dilution in EV, on a mark to market basis, as a result of the SAR scheme.

Clientèle Life's Statutory CAR cover ratio at 30 June 2010 was 3.03 times (30 June 2009: 2.98 times) on the statutory valuation basis.

Year ended 30 June	2010	2009	2009
(R'000's)		Restated*	Reported
EV per share (cents)	626,46	524,36	532,01
Diluted EV per share (cents)	623,91	524,36	532,01

#### VALUE OF NEW BUSINESS

Year ended 30 June	2010	2009	2009
(R'000's)		Restated*	Reported
Total VNB	353 127	399 736	420 018
Present Value of New Business premiums	1 503 558	1 569 570	1 728 887
New Business profit margin	23,5%	25,5%	24,3%

The VNB (excluding any allowance for the Management Incentive scheme) represents the present value of projected after tax profits at the point of sale on new covered business commencing during the year ended 30 June 2010 less the CoC pertaining to this business.

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

LONG-TERM ECONOMIC ASSUMPTIONS (SOUTH AFRICA)

Year ended 30 June	2010	2009	2009
		Restated*	Reported
Risk discount rate %	12.60	13.25	13.25
Overall investment return %	8.10	8.75	8.75
Expense inflation %	6.10	6.75	6.75
Corporate tax %	28.00	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, 18 months ago, 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. This was achieved via the addition of an explicit 1% margin to the risk discount rate. This margin has been retained at this stage. 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 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 2010 was 12.60%.

RISK DISCOUNT RATE SENSITIVITIES

(R'000's)	EV	VNB
Risk discount rate 10.60%	2 211 220	406 527
Risk discount rate 11.60%	2 113 098	379 148
Risk discount rate 12.60%	2 026 760	353 127
Risk discount rate 13.60%	1 945 937	333 646
Risk discount rate 14.60%	1 874 285	313 215

SEGMENT INFORMATION

The EV can be split between segments as follows:

(R'000's)	ANW	PVIF	CoC	EV
30 June 2010				
SA - Long term insurance	276 907	1 584 474	(34 892)	1 826 489
SA - Short term insurance	26 973	180 816	(3 274)	204 513
SA - Investment contracts	-	4 133	-	4 133
SA - Loans	(7 527)	(564)	-	(8 091)
Nigeria - Long-term brokerage	(286)	-	-	(286)
Total	296 066	1 768 859	(38 166)	2 026 760
Reported 30 June 2009				
SA - Long term insurance	249 933	1 375 204	(29 498)	1 595 639
SA - Short term insurance	2 224	72 781	(1 440)	73 565
SA - Investment contracts	-	1 440	-	1 440
SA - Loans	(5 543)	230	-	(5 313)
Nigeria - Long-term brokerage	30 961	24 759	-	55 720
Total	277 575	1 474 414	(30 938)	1 721 051
Restated* 30 June 2009				
SA - Long term insurance	249 933	1 375 204	(29 498)	1 595 639
SA - Short term insurance	2 224	72 781	(1 440)	73 565
SA - Investment contracts	-	1 440	-	1 440

Investment contracts				
SA - Loans	(5 543)	230	-	(5 313)
Nigeria - Long-term brokerage	30 961			30 961
Total	277 575	1 449 656	(30 938)	1 696 293

The VNB can be split between segments as follows:

	Year ended 30 June		
	2010	2009	2009
(R'000's)		Restated*	Reported
Reported 30 June 2009			
SA - Long term insurance	295 349	383 799	383 799
SA - Short term insurance	72 408	31 275	31 275
SA - Investment contracts	5 381	5 621	5 621
SA - Loans	(1 247)	(364)	(364)
Nigeria - Long-term brokerage			20 282
SA - New venture costs	(18 764)	(20 595)	(20 595)
Total	353 127	399 736	420 018

#### EMBEDDED VALUE EARNINGS

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

	Year ended to 30 June 2010			
	ANW	PVIF	CoC	Total
A : EV at the end of the year (R'000's)	296 066	1 768 859	(38 166)	2 026 760
Restated* EV at the beginning of the year	277 575	1 449 656	(30 938)	1 696 293
Dividends and STC accrued or paid	(147 866)	-	-	(147 866)
A : Adjusted EV at the beginning of the year	129 709	1 449 656	(30 938)	1 548 426

EV earnings (A - B)	166 358	319 204	(7 228)	478 333
Impact of once-off economic assumption changes	1 310	49 415	(786)	49 939
EV earnings before once-off items	165 048	269 789	(6 443)	428 394
Return on EV excluding once-off items				27,7%
Return on EV				30,9%
Components of EV earnings (R'000's)				
Value of New Business	(110 412)	466 690	(3 151)	353 127
Expected return on covered business (unwinding of risk discount rate)	-	186 006	(4 099)	181 907
Expected profit transfer	334 728	(334 728)	-	-
Withdrawal experience variance	(3 334)	(54 515)	1 623	(56 227)
Claims and reinsurance experience variance	8 558	-	-	8 558
Sundry experience variance	(5 570)	1 091	1 343	(3 136)
Operating assumption and model changes	(6 844)	(5 869)	(2 157)	(14 869)
Expected return on ANW	16 994	-	-	16 994
SAR Scheme dilution	(13 072)	-	-	(13 072)
Goodwill and Medium Term incentive schemes	(31 064)	25 351	-	(5 713)
Increase/(reduction) in Net Asset Value on Nigerian operation	(31 248)			(31 248)
EV operating return	158 735	284 027	(6 442)	436 320
Investment return variances on ANW	6 158	-	-	6 158
Effect of foreign	-	-	-	-



currency movements				
Effect of economic assumption changes	1 464	35 177	(786)	35 855
EV earnings	166 357	319 204	(7 228)	478 333

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