Clientèle

Diluted headline earnings per share **increased by 15%** to **108** cents

Return on average shareholders' interest of **56%**

Dividend declared per share **increased by 15%** to 90 cents

Net insurance premiums **increased by 17%** to R1.5 billion

Condensed Preliminary Group results for the year ended 30 June 2015

Comments

Introduction

The Board is pleased to announce that the Clientèle Group ("the Group") has achieved another year of good operating results despite the ongoing tough economic environment. The strong production achieved during the 2014 financial year has continued this year whilst the quality of new business written has been maintained. This is the result of the Group's continued focus on ingraining sustainability practices and principles and maintaining strict controls.

Profit before tax increased by 19% to R501.9 million (2014: R422.4 million) and headline earnings for the Group increased by 17% to R360.6 million (2014: R307.6 million). The profit before tax and headline earnings for last year were positively impacted by the once-off discretionary margin release of R49.9 million (R35.9 million after-tax) and negatively by the R32.5 million (R23.5 million after-tax) fair value adjustment to the zero coupon fixed deposits in African Bank Limited ("ABL").

Recurring Embedded Value Earnings has increased by 36% to R1.1 billion (2014: R805.3 million) and the Value of New Business ("VNB") has increased by 12% to R717.6 million (2014: R638.2 million) despite the negative impact of the increase in the Risk Discount rate ("RDR") referred to below. Had the RDR remained at the 30 June 2014 level, VNB would have increased by 21%. New Business profit margins have improved to 28.9% (2014: 27.5%) as a result of continued cost control, strong production of good quality new business and an increase in average premiums.

This performance resulted in the Group achieving a return on average shareholders' interests of 56%.

The dividend declared per share increased by 15% to 90.00 cents (2014: 78.00 cents).

Operating Results

Group Statement of Comprehensive Income

Diluted headline earnings per share for the year increased by 15% to 107.67 cents (2014: 93.53 cents).

Net insurance premium revenue increased by 17% to R1.5 billion (2014: R1.3 billion), on the back of the ongoing increase in the production of good quality business and good withdrawal experience.

Investment returns of R154.9 million, although being above the market's returns, are lower than last year's returns of R181.6 million.

Net insurance benefits and claims of R300.5 million (2014: R311.1 million) are 3.4% lower than last year due to lower encashments of unitised endowment policies.

Despite the increase in marketing and other acquisition costs incurred to support the VNB growth, the increase in operating expenses has been restricted to 7% in comparison to the 17% increase in net insurance premiums mentioned above.

The Group follows a conservative accounting practice of eliminating negative reserves. As acquisition costs are expensed upfront, the recovery of these costs and the profits are deferred over the policy life. The present value of this discretionary margin amounts to R2.5 billion (2014: R2.3 billion).

Group Embedded Value and Value of New Business

As mentioned above, the sustained momentum in the production of good quality business has driven the increase in the VNB to R717.6 million (2014: R638.2 million). The Recurring Embedded Value Earnings of R1.1 billion translates into a Recurring Return on Embedded Value ("ROEV") of 30% (2014: 24%). The Group Embedded Value ("EV") has increased by 17% to R4.6 billion (2014: R3.9 billion). Withdrawal experience on new business as well as most tranches of existing business was better than assumption and an improvement on the prior year resulting in a withdrawal profit of R19 million (2014: a loss of R17 million).

The RDR has been set at 11.8% (2014: 11.1%). The calculation is comprehensively explained in the Group EV results section of the results and a sensitivity analysis is also provided.

Segment Results

Clientèle Life – Long-term insurance

Clientèle Life's Long-term insurance segment remains the major contributor to Group performance. It accounts for 84% (2014: 86%) or R602.3 million (2014: R550.6 million) of the Group's R717.6 million (2014: R638.2 million) of VNB and recorded Recurring EV Earnings of R911.4 million (2014: R677.0 million) for the year. The segment generated R303.6 million (2014: R283.4 million) net profit for the year, an increase of 7%, a pleasing result given the once-off positive after-tax impact of R35.9 million in the comparative year resulting from the release of the discretionary margin.

Clientèle Life – Investment contracts

The Investment contracts operating segment reported a R4.6 million net profit for the year (2014: R13.9 million net loss). This should be viewed in conjunction with the R19.9 million (2014: R21.7 million) of deferred profits included in the Statement of Financial Position. The prior year net profit for the year was impacted by the fair value adjustment of R22.5 million (after-tax) to zero coupon fixed deposits in ABL.

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

Clientèle Legal accounts for R111.4 million (2014: R85.5 million) of the Group's VNB for the year, and recorded Recurring EV Earnings of R184.4 million (2014: R135.5 million). The segment generated a 15% increase in net profit for the year to R47.0 million (2014: R40.8 million).

Prospects

The Board's focus for the future will remain on building on the positive momentum that has been achieved in the production of good quality business and on customer service. In addition, the Board is committed to providing products that are relevant and meet the individual policyholder's needs and delivering these to the market conveniently and efficiently as well as creating and nurturing mutually beneficial partnerships with all its stakeholders that add value on a sustainable basis. The Board remains convinced that there remain attractive opportunities for growth and value creation in Clientèle's target market.

Dividend Declared

Notice is hereby given that the directors have declared a final gross dividend of 90.00 cents (2014: 78.00 cents) per share on 13 August 2015 for the year ended 30 June 2015.

The Board of Clientèle Limited confirms that the Group will satisfy the solvency and liquidity tests immediately after completion of the dividend distribution.

The dividend will be subject to dividends tax. In accordance with the JSE Listings Requirements, the following additional information is disclosed:

- The dividend has been declared out of income reserves;
- The local dividends tax rate is 15% (fifteen percent);
- The gross local dividend amount is 90.00 cents (2014: 78.00 cents) per ordinary share for shareholders exempt from the dividends tax;
- The net local dividend amount is 76.50 cents (2014: 66.30 cents) per ordinary share for shareholders liable to pay the dividends tax;
- The local dividends tax amount is 13.50 cents (2014: 11.70 cents) per ordinary share for shareholders liable to pay the dividend withholding tax;
- No STC credits are utilised;
- Clientèle Limited currently has 330,629,599 (2014: 329,218,449) ordinary shares in issue;

Clientèle Limited's income tax reference number is 9465071166.

In compliance with the requirements of STRATE Limited, the electronic settlement and custody system used by the JSE Limited, the following salient dates for the payment of the dividend are applicable:

Last day to trade	Friday, 11 September 2015
Shares commence trading "ex" dividend	Monday, 14 September 2015
Record date	Friday, 18 September 2015
Payment date	Monday, 21 September 2015

Share certificates may not be dematerialized or rematerialized between Monday, 14 September 2015 and Friday, 18 September 2015, both days inclusive.

By order of the Board

G Q Routledge
Chairman

B W Reekie
Managing Director

Johannesburg
17 August 2015

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Condensed Group Statement of Comprehensive Income

(R'000's)	Year ended 30 June 2015	2014	% Change
Revenue			
Insurance premium revenue	1,641,189	1,406,175	17
Reinsurance premiums	(114,001)	(100,005)	
Net insurance premiums	1,527,188	1,306,170	17
Other income	170,652	171,194	
Interest income	22,759	53,169	
Fair value adjustment to financial assets at fair value through profit or loss	154,889	181,556	
Net income	1,875,488	1,712,089	
Net insurance benefits and claims	(300,499)	(311,102)	
Decrease in policyholder liabilities under insurance contracts	5,042	42,727	
Decrease in reinsurance assets	(227)	(95)	
Fair value adjustment to financial liabilities at fair value through profit or loss – investment contracts	(72,275)	(49,184)	
Interest expense	(2,752)	(12,393)	
Impairment of advances	(12,380)	(31,719)	
Operating expenses	(990,505)	(927,937)	7
Profit before tax	501,892	422,386	19
Tax	(137,501)	(115,870)	19
Net profit for the year	364,391	306,516	19
Attributable to:			
– Non-controlling interest – ordinary shareholders	2,748	(1,295)	
Equity holders of the Group – ordinary shareholders	361,643	307,811	17
Net profit for the year	364,391	306,516	19
Other comprehensive income:			
Gains on property revaluation#	6,711	20,296	
Income tax relating to gains on property revaluation#	(1,742)	(5,014)	
Other comprehensive income for the year – net of tax	4,969	15,282	
Total comprehensive income for the year	369,360	321,798	15
Attributable to:			
– Non-controlling interest – ordinary shareholders	2,748	(1,295)	
Equity holders of the Group – ordinary shareholders	366,612	323,093	13

 # Items that cannot be recycled to profit or loss.

Condensed Group Statement of Financial Position

(R'000's)	Year ended 30 June 2015	2014
Assets		
Intangible assets	27,088	23,461
Property and equipment	26,487	23,389
Owner-occupied properties^	308,715	224,009
Deferred tax	31,395	25,744
Inventories	1,484	1,860
Reinsurance assets	3,015	3,242
Financial assets at fair value through profit or loss	2,051,487	2,043,394
Loans and receivables including insurance receivables	76,138	113,348
Current tax	5,258	6,317
Cash and cash equivalents	223,939	183,246
Total assets	2,755,006	2,648,010
Total equity and reserves	740,195	618,846
Liabilities		
Policyholder liabilities under insurance contracts	698,882	703,924
Financial liabilities – investment contracts	942,336	1,046,721
– at fair value through profit or loss	942,336	998,337
– at amortised cost		48,384
Financial liabilities – loans at amortised cost	35,177	10,000
Employee benefits	122,308	98,423
Deferred tax	30,071	33,727
Accruals and payables including insurance payables	181,620	134,909
Current tax	4,417	1,460
Total liabilities	2,014,811	2,029,164
Total equity and liabilities	2,755,006	2,648,010

^ Owner-occupied properties are disclosed at level 2 in the fair value measurement hierarchy.

Tax

(R'000's)	Year ended 30 June 2015	2014
Current and deferred tax	(129,301)	(114,734)
Capital gains tax	(5,811)	(714)
Underprovision in prior years	(2,389)	(422)
Tax	(137,501)	(115,870)

The Individual Policyholder Fund has an estimated tax loss of R2.7 billion (2014: R2.4 billion)

Reconciliation of Net Profit to Headline Earnings

(R'000's)	Year ended 30 June 2015	2014	% Change
Net profit for the year attributable to equity holders of the Group	361,643	307,811	17
Less: Profit on disposal of property and equipment	(282)	(202)	
Add: Impairment of intangible assets	1,234		
Less: Taxation effects on loan write-off	(2,037)		
Headline earnings for the year	360,558	307,609	17

Ratios per Share

(Cents)	Year ended 30 June 2015	2014	% Change
Headline earnings per share	109.33	93.58	17
Diluted headline earnings per share	107.67	93.53	15
Earnings per share	109.66	93.64	17
Diluted earnings per share	107.99	93.59	15
Net asset value per share	223.87	187.97	19
Diluted net asset value per share	221.04	188.16	17
Dividends per share – paid	78.00	74.00	5
Dividends per share – declared	90.00	78.00	15
Ordinary shares in issue ('000)	330,630	329,218	
Weighted average ordinary shares ('000)	329,799	328,722	
Diluted average ordinary shares ('000)	334,877	328,901	

Condensed Group Statement of Cash Flows

(R'000's)	Year ended 30 June 2015	2014
Cash flows from operating activities	128,721	49,245
Profit from operations adjusted for non-cash items	553,120	418,720
Working capital changes	9,350	(95,884)
Separately disclosable items[1]	(61,082)	(49,005)
Decrease in financial liabilities[2]	(178,930)	(334,158)
Net disposal of investments[3]	146,796	426,142
Interest received	44,435	30,145
Dividends received	16,647	18,860
Dividends paid	(257,081)	(243,030)
Tax paid	(144,534)	(122,545)
Cashflows from investing activities[4]	(113,205)	(46,010)
Cashflows from financing activities[5]	25,177	
Net increase in cash and cash equivalents	40,693	3,235
Cash and cash equivalents at beginning of the year	183,246	180,011
Cash and cash equivalents at end of the year	223,939	183,246

1. Interest and dividends received
2. Financial liabilities – investment contracts
3. Investments in respect of insurance operations and investment contracts
4. Mainly relates to the acquisition of intangible assets, property and equipment
5. External funding for new office building development

Segment Assets and Liabilities

(R'000's)	Year ended 30 June 2015	2014
Long-term insurance	1,653,027	1,454,656
Investment contracts	942,702	1,047,977
Short-term insurance	173,805	150,153
Other*	24,146	86,105
Inter segment	(38,674)	(90,881)
Total Group Assets	2,755,006	2,648,010
Long-term insurance	1,026,336	933,007
Investment contracts	942,336	1,046,721
Short-term insurance	50,328	36,085
Other*	34,485	104,232
Inter segment	(38,674)	(90,881)
Total Group Liabilities	2,014,811	2,029,164

** The decrease in other segment assets and liabilities relates to the decrease in advances of Clientèle Loans Direct*

Notes to the Results

The results have been reviewed by the Group's external auditors, PricewaterhouseCoopers Incorporated, in terms of International Standards on Review Engagements 2410. The scope of the review was to enable the external auditors to report that nothing came to their attention to cause them to believe that the accompanying condensed preliminary consolidated financial information is not presented, in all material respects, in accordance with the South African Companies Act 71 of 2008, as amended and the JSE Limited Listings Requirements. A copy of the unqualified review opinion is available on request at the Company's registered offices.

The condensed consolidated preliminary Financial Statements were prepared under the supervision of Mr I B Hume (CA(SA), ACMA), the Group Financial Director.

Accounting Policies

Statement of compliance

The condensed consolidated preliminary Financial Statements are prepared in accordance with the JSE Limited Listings Requirements for preliminary reports and the requirements of the Companies Act of South Africa. The Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts, the measurement and recognition requirements of International Financial Reporting Standards ("IFRS"), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and must also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting. The accounting policies applied in the preparation of the condensed consolidated preliminary Financial Statements are in terms of IFRS and are consistent with those applied in the previous consolidated Annual Financial Statements.

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

Related Party Transactions

Transactions between Clientèle Limited and its subsidiaries have been eliminated on consolidation. There were no material related party transactions during the year except for financial assistance provided to the Group's wholly-owned subsidiary, Clientèle Properties East in respect of the new office building development.

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 and Other (which is predominantly Clientèle Loans). The vast majority of policies written are in respect of individuals.

Capital Commitments

The Group's wholly owned subsidiaries, Clientèle Properties East and Clientèle Properties North, are in the process of developing a new office building and parking structure within the Clientèle Office Park. The capitalised costs of this are estimated to be R213.0 million, of which R108.8 million has been capitalised since inception. It is the Group's intention that the building will be occupied by the Group in November 2015.

Segment Statements of Comprehensive Income

(R'000's)	Long-term insurance	Investment contracts	Short-term insurance	Other	Inter segment (revenue)/ expense	Total
30 June 2015						
Insurance premium revenue	1,397,393		243,796			1,641,189
Reinsurance premiums	(114,001)					(114,001)
Net insurance premiums	1,283,392	–	243,796	–	–	1,527,188
Other income	145,170	12,750	363	17,647	(5,278)	170,652
Interest income	13,777		1,018	14,088	(6,124)	22,759
Fair value adjustment to financial assets at fair value through profit or loss	71,428	73,497	9,964			154,889
Segment revenue	1,513,767	86,247	255,141	31,735	(11,402)	1,875,488
Segment expenses and claims	(1,091,975)	(79,774)	(190,799)	(22,450)	11,402	(1,373,596)
Net insurance benefits and claims	(275,677)		(24,822)			(300,499)
Decrease/(increase) in policyholder liabilities under insurance contracts	5,877		(835)			5,042
Decrease in reinsurance assets	(227)					(227)
Fair value adjustment to financial liabilities at fair value through profit or loss		(72,275)				(72,275)
Interest expense		(2,270)		(6,606)	6,124	(2,752)
Impairment of advances				(12,380)		(12,380)
Operating expenses	(821,948)	(5,229)	(165,142)	(3,464)	5,278	(990,505)
Profit before tax	421,792	6,473	64,342	9,285	–	501,892
Tax	(118,172)	(1,812)	(17,367)	(150)		(137,501)
Net profit for the year	303,620	4,661	46,975	9,135	–	364,391
Attributable to:						
Non-controlling interest – ordinary shareholders				2,748		2,748
Equity holders of the Group – ordinary shareholders	303,620	4,661	46,975	6,387	–	361,643
30 June 2014						
Insurance premium revenue	1,211,029		195,146			1,406,175
Reinsurance premiums	(99,568)		(437)			(100,005)
Net insurance premiums	1,111,461	–	194,709	–	–	1,306,170
Other income	151,740	13,071	102	11,469	(5,188)	171,194
Interest income	14,478		916	45,636	(7,861)	53,169
Fair value adjustment to financial assets at fair value through profit or loss	140,741	26,726	14,089			181,556
Segment revenue	1,418,420	39,797	209,816	57,105	(13,049)	1,712,089
Segment expenses and claims	(1,033,869)	(59,132)	(154,897)	(54,854)	13,049	(1,289,703)
Net insurance benefits and claims	(287,212)		(23,890)			(311,102)
Decrease in policyholder liabilities under insurance contracts	41,396		1,331			42,727
Decrease in reinsurance assets	(95)					(95)
Fair value adjustment to financial liabilities at fair value through profit or loss		(49,184)				(49,184)
Interest expense		(5,280)		(14,974)	7,861	(12,393)
Impairment of advances				(31,719)		(31,719)
Operating expenses	(787,958)	(4,668)	(132,338)	(8,161)	5,188	(927,937)
Profit/(loss) before tax	384,551	(19,335)	54,919	2,251	–	422,386
Tax	(101,130)	5,414	(14,155)	(5,999)		(115,870)
Net profit/(loss) for the year	283,421	(13,921)	40,764	(3,748)	–	306,516
Attributable to:						
Non-controlling interest – ordinary shareholders				(1,295)		(1,295)
Equity holders of the Group – ordinary shareholders	283,421	(13,921)	40,764	(2,453)	–	307,811

Commitments and events after the reporting date

The Group intends to provide financial assistance by means of a net exposure through guarantees of R45 million for the purchase of 3.92% of Clientèle's issued shares by Yellowwoods Trust Investments (Pty) Ltd ("YTI") a wholly owned subsidiary of the Hollard Foundation Trust, a BBBEE Trust. This will be voted on by shareholders' at the AGM on 29 October 2015. Full details will be provided in the Integrated Annual Report.

Financial Assets and Liabilities held at Fair Value through profit or loss – Fair Value Hierarchy Disclosure

The following table presents the Group's financial assets and liabilities that are measured at fair value through profit or loss at 30 June 2015.

(R'000's)	Level 1	Level 2	Level 3	Total
Assets				
Listed equity securities	573,385			573,385
Unlisted equity securities		3,850		3,850
Promissory notes and fixed deposits		488,926	410,386	899,312
Funds on deposit		484,464		484,464
Fixed interest securities		85,528	4,948	90,476
Total assets	573,385	1,062,768	415,334	2,051,487
Liabilities				
Financial liabilities at fair value through profit or loss		802,653	139,683	942,336
Total liabilities		802,653	139,683	942,336

Shareholders' and policyholders' linked exposure to ABL through investments in zero coupon fixed deposits of R275.7 million and R139.7 million respectively as at 30 June 2015 have been reclassified to level 3 (from level 2) on the fair value hierarchy as values are estimated indirectly using valuation techniques or models. The most relevant inputs to the level 3 discounted cash flow fair value model applied to the ABL fixed deposits are the risk premium (28.3% to the average zero coupon risk free yield curve) and the extension of maturities as announced by the ABL curator in the SENS Announcement dated 28 May 2015. The model yields a value of approximately 90% of the face value of these fixed deposits. If the key inputs are adjusted in the valuation models, to illustrate sensitivities, between an upper and lower range this would illustrate an adjusted face value of between 95% and 75% respectively. The net profit before taxation would, as a result of the sensitivity illustrations, then change in a range of R15 million higher to R45 million lower, depending on the inputs used.

Sponsor:
pwc
PricewaterhouseCoopers
Corporate Finance Proprietary Limited

Registered office: Clientèle Office Park, Cnr Rivonia and Alon Roads, Morningside 2196, South Africa
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) (Vice Chairman); B W Reekie BSc(Hons), FASSA* (Managing Director); A D T Enthoven BA, PhD (Political Science); B Frodsham BCom*; P R Gwangwa BProc LLB, LLM; I B Hume CA(SA), ACMA*; 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 Return on Embedded Value of 30%

Recurring Embedded Value Earnings increased by 36% to R1.1 billion

Value of New Business increased by 12% to R717.6 million

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Condensed Group Statement of Changes in Equity

(R'000's)	Share capital	Share premium	Common control deficit	Sub-total	Retained earnings	SAR and Bonus Rights Schemes reserve†	NDR: Revaluation	Sub-total	Non-controlling interest	Total
Balance as at 1 July 2013	6,560	268,982	(220,273)	55,269	417,700	15,066	45,940	533,975	(4,555)	529,420
Ordinary dividends					(243,069)			(243,069)		(243,069)
Total comprehensive income					307,811		15,282	323,093	(1,295)	321,798
– Net profit/(loss) for the year					307,811			307,811	(1,295)	306,516
– Other comprehensive income							15,282	15,282		15,282
Shares issued	24	16,636		16,660				16,660		16,660
SAR and Bonus Rights Schemes allocated						10,697		10,697		10,697
Transfer from shares issued					(14,078)	(2,582)		(16,660)		(16,660)
Balance as at 30 June 2014	6,584	285,618	(220,273)	71,929	468,364	23,181	61,222	624,696	(5,850)	618,846
Balance as at 1 July 2014	**6,584**	**285,618**	**(220,273)**	**71,929**	**468,364**	**23,181**	**61,222**	**624,696**	**(5,850)**	**618,846**
Ordinary dividends					**(257,031)**			**(257,031)**		**(257,031)**
Total comprehensive income					**361,643**		**4,969**	**366,612**	**2,748**	**369,360**
– Net profit for the year					**361,643**			**361,643**	**2,748**	**364,391**
– Other comprehensive income							**4,969**	**4,969**		**4,969**
Shares issued	**29**	**24,567**		**24,596**				**24,596**		**24,596**
SAR and Bonus Rights Schemes allocated						**9,020**		**9,020**		**9,020**
Transfer from shares issued					**(20,094)**	**(4,502)**		**(24,596)**		**(24,596)**
Balance as at 30 June 2015	**6,613**	**310,185**	**(220,273)**	**96,525**	**552,882**	**27,699**	**66,191**	**743,297**	**(3,102)**	**740,195**

† SAR Scheme – the Clientèle Limited Share Appreciation Rights Scheme
† Bonus Rights Scheme – the Clientèle Limited Bonus Rights Scheme
† 1.4 million (2014: 1.2 million) shares were issued in terms of the SAR and Bonus Rights Schemes

UNAUDITED 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 ("PVIF") business; less,
- the Cost of Required Capital ("CoC").

The PVIF business is the present value of future after tax profits arising from covered business in force as at 30 June 2015.

All material business written by the Group has been covered by EV Methodology as outlined in Advisory Practice Notice, 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;
- Legal insurance business where EV Methodology has been used to determine future shareholder entitlements;
- annuity income arising from non-insurance contracts 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.

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

(R'000's)	Year ended 30 June 2015	2014
Required capital	**335,208**	312,387
Free surplus	**387,605**	287,353
Adjusted Net Worth ("ANW") of covered business	**722,813**	599,740
PVIF	**3,952,657**	3,397,262
CoC	**(74,170)**	(58,308)
EV of covered business	**4,601,300**	3,938,694

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)	Year ended 30 June 2015	2014
Total equity and reserves per the Statement of Financial Position	**740,195**	618,846
Adjusted for deferred profits and impact of compulsory margins on investment business	**11,327**	12,793
Adjusted for minority interests	**3,102**	5,850
Adjusting subsidiaries to Net Asset Value	**21,884**	20,148
SAR and Bonus Rights Schemes adjustment	**(53,695)**	(57,897)
ANW	**722,813**	599,740

The CoC is the opportunity cost of having to hold the Required Capital of R335.2 million as at 30 June 2015 (30 June 2014: R312.4 million). The Required Capital has been set at the greater of the Statutory Termination Capital Adequacy Requirement (TCAR) and 1.25 times the Statutory Ordinary Capital Adequacy Requirement (OCAR) for the Life company plus the Statutory Capital Requirement for the Short-term company.

The SAR and Bonus Rights Scheme adjustment recognises the future dilution in EV, on a mark to market basis, as a result of the SAR and Bonus Rights Schemes.

Clientèle Life's Statutory Capital Adequacy Requirement (CAR) was calculated as the maximum of TCAR, OCAR and MCAR, with TCAR being the highest of the three. The credit risk component of OCAR includes an amount of R90 million specifically pertaining to the credit risk on ABL assets backing Policyholder liabilities.

Clientèle Life's Statutory CAR cover ratio at 30 June 2015 was 2.32 times (30 June 2014: 2.03 times) on the statutory valuation basis.

Clientèle General Insurance's Statutory Capital Adequacy Requirement cover ratio at 30 June 2015 was 1.33 times (30 June 2014: 1.57 times) on the statutory valuation basis.

Value of New Business ("VNB")

(R'000's)	Year ended 30 June 2015	2014
Total VNB	**717,574**	638,154
Present Value of New Business premiums	**2,482,780**	2,319,368
New Business profit margin	**28.9%**	27.5%

The VNB (excluding any allowance for the Management incentive schemes which is shown as a separate component of EV Earnings) 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 2015 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

(%)	Year ended 30 June 2015	2014
Risk discount rate	**11.8**	11.1
Non-unit investment return	**8.3**	7.6
Unit investment return	**9.3**	9.0
Expense inflation	**6.8**	6.1
Corporate tax	**28.0**	28.0

The risk discount rate ("RDR") has been determined using a top-down weighted average cost of capital approach, with the equity return calculated using Capital Asset Pricing Model ("CAPM") theory. In terms of current actuarial guidance, the RDR has been set as the risk free rate plus a beta multiplied by the assumed equity risk premium. It has been assumed that the equity risk premium (i.e. the long-term expected difference between equity returns and the risk free rate) is 3.5%. 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 consideration, the Board has decided to continue to use a more conservative beta of 1, as opposed to its actual beta of 0.013 in the calculation of the RDR. 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 resulting RDR utilised for the South African business as at 30 June 2015 was 11.8% (30 June 2014: 11.1%).

RDR Sensitivities

(R'000's)	EV	VNB
RDR 9.8%	5,332,103	902,672
RDR 10.8%	4,932,427	800,815
RDR 11.1% (as at June 2014)	4,826,710	774,042
RDR 11.8%	4,601,300	717,574
RDR 12.8%	4,322,874	647,370
RDR 13.8%	4,085,615	588,226

EV per Share

(Cents)	Year ended 30 June 2015	2014
EV per share	**1,391.68**	1,196.38
Diluted EV per share	**1,370.63**	1,195.73

Segment Information

The EV can be split between segments as follows:

(R'000's)	ANW	PVIF	CoC	EV
30 June 2015				
SA – Long-term insurance	609,521	3,306,547	(53,314)	**3,862,754**
SA – Short-term insurance	120,532	639,592	(20,856)	**739,268**
SA – Investment contracts	–	2,629	–	**2,629**
Other	(7,240)	3,889	–	**(3,351)**
Total	**722,813**	**3,952,657**	**(74,170)**	**4,601,300**
30 June 2014				
SA – Long-term insurance	500,170	2,868,411	(41,066)	**3,327,515**
SA – Short-term insurance	111,976	518,714	(17,242)	**613,448**
SA – Investment contracts	–	3,051	–	**3,051**
Other	(12,406)	7,086	–	**(5,320)**
Total	**599,740**	**3,397,262**	**(58,308)**	**3,938,694**

The VNB can be split between segments as follows:

(R'000's)	Year ended 30 June 2015	2014
SA – Long-term insurance	**602,313**	550,551
SA – Short-term insurance	**111,360**	85,507
SA – Investment contracts	**3,037**	745
Other	**864**	1,351
Total	**717,574**	638,154

Embedded Value Earnings Analysis

EV earnings (per APN 107) comprises the change in EV for the year after adjusting for capital movements and dividends paid.

(R'000's)	Year ended 30 June 2015 ANW	PVIF	CoC	EV	Year ended 30 June 2014 EV
A: EV at the end of the year	**722,813**	**3,952,657**	**(74,170)**	**4,601,300**	**3,938,694**
EV at the beginning of the year	599,740	3,397,262	(58,308)	3,938,694	3,546,640
Ordinary dividends	(257,031)	–	–	(257,031)	(243,069)
B: Adjusted EV at the beginning of the year	**342,709**	**3,397,262**	**(58,308)**	**3,681,663**	**3,303,572**
EV earnings (A – B)	**380,104**	**555,395**	**(15,862)**	**919,637**	**635,122**
Impact of once-off economic assumption changes	(1,628)	171,997	7,636	178,005	139,436
Impact of other once-off items	–	–	–	–	30,718
Recurring EV earnings	**378,476**	**727,392**	**(8,226)**	**1,097,642**	**805,276**
Recurring Return on EV				29.8%	24.4%
Return on EV				**25.0%**	**19.2%**
Components of EV earnings					
VNB	(250,093)	976,333	(8,665)	717,574	638,154
Expected return on covered business	–	404,319	6,973	411,292	344,233
Expected profit transfer	617,648	(617,648)	–	–	–
Withdrawal and unpaid premium experience variance	(2,452)	23,312	(1,843)	19,017	(16,975)
Claims and reinsurance experience variance	(3,416)	–	–	(3,416)	(2,259)
Sundry experience variance	4,233	(66)	–	4,167	5,212
Changes in modelling/basis and non-economic assumptions	11,012	(38,272)	(4,691)	(31,951)	(144,313)
Expected return on ANW	34,987	–	–	34,987	29,385
SAR and Bonus Rights Scheme	13,221	–	–	13,221	(25,078)
Goodwill and Medium-term incentive schemes	(47,912)	(20,586)	–	(68,498)	(63,827)
EV operating return	**377,228**	**727,392**	**(8,226)**	**1,096,394**	**764,532**
Investment return variances on ANW	1,248	–	–	1,248	40,744
Recurring EV earnings	**378,476**	**727,392**	**(8,226)**	**1,097,642**	**805,276**
Effect of economic assumption changes	1,628	(171,997)	(7,636)	(178,005)	(139,436)
Impact of other once-off items	–	–	–	–	(30,718)
EV earnings	**380,104**	**555,395**	**(15,862)**	**919,637**	**635,122**

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