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

Condensed Preliminary Group Results

Net insurance premiums increased by 11% to R2.1 billion
Diluted headline earnings per share increased by 6% to 146.83 cents
Return on average shareholders' interest of 48%
Dividends declared increased by 8.7% to 125 cents per share
Value of New Business of R448 million
Recurring Embedded Value Earnings of R979 million
Recurring Return on Embedded Value of 18%
Diluted Embedded Value per share of 1 885 cents

Comments

Introduction

The results, when considered in the context of the continuing challenging economic environment and the performance of the market in general, are acceptable. The board, however is disappointed with the results when compared to past performance.

Withdrawals, particularly in respect of new business written have not met management's expectations which has affected insurance premium revenue, the Value of New Business ("VNB") and Embedded Value Earnings ("EVE"). This has been exacerbated by the ongoing increasing trend in debit order disputes across the entire banking payment system.

Overall new business production volumes are in line with expectations which has been assisted by the contributions from the new Agency and Broker distribution channels. These new channels were established over a year ago and are both growing in line with the business plan. In addition the IFA division performed well, however business from the Telesales channel was behind expectation.

The co-branded single premium products, referred to in previous results, have been well supported by customers and accounts for most of the increase in financial assets during the year.

Investment performance for the year was good and produced a 13% return from portfolios with a conservative equity content.

The increase in expenses above inflation is mostly attributable to the new business acquisition costs for the Agency and Broker channels as well as increased production from the IFA distribution network. It should be noted that R15.3 million in respect of the Goodwill incentive scheme was expensed in the current year and R36.8 million was released in the previous year. If the Goodwill incentive scheme and the Agency, Broker and other new venture expenses are excluded, then the operating expenses would have increased by 5%.

Operating Results

Group Statement of Comprehensive Income

Net insurance premiums increased by 11% to R2.1 billion (2017: R1.9 billion) on the back of good production over the last eighteen months and higher average premiums on new business. Diluted headline earnings per share, however, only increased by 6% over the comparative year due to new business acquisition costs in respect of the new distribution channels and the higher withdrawals referred to above.

Net insurance benefits and claims of R384.5 million (2017: R359.5 million) were 7% higher than the previous year.

Operating expenses of R1.3 billion (2017: R1.1 billion) were 18% higher than the comparative year for the reasons explained above.

Headline earnings for the Group increased by 6% to R492.3 million (2017: R466.3 million) which has resulted in a return on average shareholders' interests of 48% (2017: 53%).

Group Embedded Value and Value of New Business

The Group Embedded Value ("EV"), after the R384.3 million annual dividend payment during the year, increased from R5.8 billion at 30 June 2017 to R6.3 billion at 30 June 2018, an increase of 8.4%. Recurring Embedded Value Earnings ("REVE") of R979.0 million were recorded for the year (2017: R939.0 million), an increase of 4.3%.

The VNB was negatively impacted by lower quality new business and decreased by 15% from R527.2 million in the comparative year to R448.0 million this year.

New business profit margins (excluding single premium investment business) have decreased to 18.3% (2017: 23.2%) due to the factors 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 R3.2 billion (2017: R3.1 billion).

Segment Results

Clientèle Life - Long-term insurance

Clientèle Life's Long-term insurance segment remains the major contributor to the Group's performance and generated a 5% increase in net profit for the year to R423.7 million (2017: R404.4 million). Clientèle Life's VNB of R339.2 million (2017: R408.8 million) decreased by 17%, and it recorded an REVE of R734.9 million (2017: R760.2 million), a decrease of 3.3%.

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

Clientèle Legal generated a 9% increase in net profit for the year to R67.1 million (2017: R61.8 million). Clientèle Legal's VNB of R108.2 million (2017: R117.3 million) decreased by 7.8% and its REVE recovered to R230.1 million (2017: R141.6 million), an increase of 62.5%.

Outlook

Management's primary focus is to improve the quality of new business written and to reduce withdrawals, thereby improving margins.

Growth of the Agency and Broker channels are expected to create meaningful value for the group in future.

The new initiatives, "Switch2", an innovative start-up providing niche credit life products to the South African consumer and the "Estate" product, which were launched in the second half of the financial year are in their infancy and management will monitor their progress closely.

In an exciting development, Clientèle has signed an evergreen agreement with the Shembe Foundation under which it will provide Clientèle products to Shembe Church members. Policy sales will commence in the next few months.

The Board is encouraged by the new initiatives and their prospects for growth and value creation in the Group's target market.
Dividend Declared

Notice is hereby given that the directors have declared a final gross dividend of 125.00 cents (2017: 115.0 cents) per share on 16 August 2018 for the year ended 30 June 2018.

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 20% (twenty percent) (2017: twenty percent);
- The gross local dividend amount is 125.00 cents (2017: 115.00 cents) per ordinary share for shareholders exempt from the dividends tax;
- The net local dividend amount is 100.00 cents (2017: 92.00 cents) per ordinary share for shareholders liable to pay the dividends tax;
- The local dividends tax amount is 25.00 cents (2017: 23.00 cents) per ordinary share for shareholders liable to pay the dividend withholding tax;
- Clientèle Limited currently has 334,707,747 (2017: 334,003,379) 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	Tuesday, 18 September 2018
Shares commence trading "ex" dividend	Wednesday, 19 September 2018
Record date	Friday, 21 September 2018
Payment date	Tuesday, 25 September 2018

Share certificates may not be dematerialised or rematerialised between Wednesday, 19 September 2018 and Friday, 21 September 2018, both days inclusive.

By order of the Board

GQ Routledge	BW Reekie
Chairman	Managing Director

Johannesburg
20 August 2018

Condensed Group Statement of Financial Position

(R'000's) Reviewed	Year ended 30 June 2018	2017
Assets		
Intangible assets	41,099	35,751
Property and equipment	45,877	46,518
Owner-occupied properties*	423,513	422,013
Deferred tax	46,309	42,817
Inventories	2,765	1,894
Reinsurance assets	2,925	2,504
Financial assets at fair value through profit or loss**	3,591,715	2,196,020
Financial assets at amortised cost***	153,185	288,627
Loans and receivables including insurance receivables	41,862	34,891
Current tax		990
Cash and cash equivalents	372,656	221,047
Total assets	4,721,906	3,293,072
Total equity and reserves	1,129,667	1,015,996
Liabilities		
Policyholder liabilities under insurance contracts	630,496	652,614
Financial liabilities at fair value through profit or loss - investment contracts**	2,464,295	1,159,676
Loans at amortised cost	113,009	113,043
Employee benefits	92,990	97,339
Deferred tax	50,061	43,855
Accruals and payables including insurance payables	234,585	210,180
Current tax	6,803	369
Total liabilities	3,592,239	2,277,076
Total equity and liabilities	4,721,906	3,293,072

* Owner-occupied properties are disclosed at level 3 in the fair value measurement hierarchy. A discounted future cashflow method was applied with a discount rate of between 8.13% and 8.34% (2017: 8.25% and 9%).

** The increase in "Financial liabilities at fair value through profit or loss" relates to the increase in single premium business underwritten during the year, particularly in respect of co-branded single premium policies. This corresponds with the increase in "Financial assets at fair value through profit or loss" during the year and matches the policyholder liabilities.

*** Zero coupon fixed deposits held in African Bank Limited have been classified as financial assets at amortised cost. The fair value approximates amortised cost. The reduction relates to the early surrender of fixed deposits.

Condensed Group Statement of Comprehensive Income

(R'000's) Reviewed	Year ended 30 June 2018	2017	% Change
Revenue			
Insurance premium revenue	2,199,439	2,003,255	
Reinsurance premiums	(123,112)	(130,690)	
Net insurance premiums	2,076,327	1,872,565	11
Other income	167,560	156,113	
Interest income	34,276	40,090	
Fair value adjustment to financial assets at fair value through profit or loss	280,311	136,881	
Net income	2,558,474	2,205,649	16
Net insurance benefits and claims	(384,490)	(359,470)	
Gross insurance benefits and claims	(486,195)	(460,145)	
Insurance claims recovered from reinsurers	101,705	100,675	
Decrease in policyholder liabilities under insurance contracts	22,118	37,488	
Increase/(decrease) in reinsurance assets	421	(285)	
Fair value adjustment to financial liabilities at fair value through profit or loss	(172,115)	(99,346)	
Interest expense	(9,819)	(9,866)	
Operating expenses	(1,335,172)	(1,132,005)	18
Profit before tax	679,417	642,165	6
Tax	(189,094)	(175,468)	8
Profit for the year	490,323	466,697	5
Attributable to:			
- Non-controlling interest - ordinary shares	21	199	
- Equity holders of the Group	490,302	466,498	5
Profit for the year	490,323	466,697	5
Other comprehensive income:			
(Losses)/gains on property revaluation#	(1,535)	8,475	
Income tax relating to losses/(gains) on property revaluation#	460	(2,155)	
Other comprehensive income for the year net of tax	(1,075)	6,320	
Total comprehensive income for the year	489,248	473,017	
Attributable to:			
- Non-controlling interest - ordinary shares	21	199	
- Equity holders of the Group	489,227	472,818	

Items that cannot be recycled to profit or loss.

Condensed Group Statement of Changes in Equity

(R'000's) Reviewed	Share capital	Share premium	Common control deficit	Sub-total	Retained earnings	SARs and* Bonus Rights Schemes reserves	NDR: revaluation	Sub-total	Non-controlling interest	Total
Balance as at 1 July 2016	6,636	328,875	(220,273)	115,238	655,279	28,524	65,374	864,415	1,133	865,548
Ordinary dividends				-	(331,897)			(331,897)	(1,050)	(332,947)
Total comprehensive income	-	-	-	-	466,498	-	6,320	472,818	199	473,017
- Net profit for the year				-	466,498			466,498	199	466,697
- Other comprehensive income				-			6,320	6,320		6,320
Shares issued	44	37,013		37,057				37,057		37,057
SARs and Bonus Rights Schemes allocated				-		10,378		10,378		10,378
Transfer from shares issued				-	(19,448)	(17,609)		(37,057)		(37,057)
Balance as at 30 June 2017	6,680	365,888	(220,273)	152,295	770,432	21,293	71,694	1,015,714	282	1,015,996
Balance as at 1 July 2017	6,680	365,888	(220,273)	152,295	770,432	21,293	71,694	1,015,714	282	1,015,996
Ordinary dividends				-	(384,261)			(384,261)	(303)	(384,564)
Total comprehensive income	-	-	-	-	490,302	-	(1,075)	489,227	21	489,248
- Net profit for the year				-	490,302			490,302	21	490,323
- Other comprehensive income				-			(1,075)	(1,075)		(1,075)
Shares issued	14	11,869		11,883				11,883		11,883
SARs and Bonus Rights Schemes allocated				-		8,987		8,987		8,987
Transfer from shares issued				-	(4,575)	(7,308)		(11,883)		(11,883)
Balance as at 30 June 2018	6,694	377,757	(220,273)	164,178	871,898	22,972	70,619	1,129,667	-	1,129,667

* SAR Scheme - the Clientèle Limited Share Appreciation Rights Scheme.

* Bonus Rights Scheme - the Clientèle Limited Bonus Rights Scheme.

* 0.7 million (2017: 2.2 million) shares were issued in terms of the SAR and Bonus Rights Schemes.

Condensed Group Statement of Cash Flows

(R'000's) Reviewed	Year ended 30 June 2018	2017
Cash flows from operating activities	200,483	41,503
Profit from operations adjusted for non-cash items	661,631	632,279
Working capital changes	(70,137)	(29,753)
Separately disclosable items(1)	(111,335)	(96,040)
Increase in financial liabilities(2)	1,132,504	150,511
Net acquisition of investments(3)	(960,431)	(204,210)
Interest received	88,568	80,023
Dividends received	22,767	16,017
Dividends paid	(384,588)	(332,846)
Tax paid	(178,496)	(174,478)
Cashflows from investing activities(4)	(35,126)	(34,549)
Cashflows from financing activities	(13,748)	4,245
Net increase in cash and cash equivalents	151,609	11,199
Cash and cash equivalents at the beginning of the year	221,047	209,848
Cash and cash equivalents at the end of the year	372,656	221,047

1. Interest and dividends received.
2. Financial liabilities - investment contracts in respect of single premium contracts.
3. Investment in respect of insurance operations and investment contracts (Single premium contracts).
4. Mainly relates to the acquisition of intangible assets, property and equipment.

Segment Information

The Group's results are analysed across the South African geographical segment.

The Group's main operating segments are Long-term Insurance, Short-term Insurance (legal insurance policies) and Other (Clientèle Limited and Switch2 Cover). The vast majority of policies written are in respect of individuals.

Segment Assets and Liabilities

(R'000's) Reviewed	Year ended 30 June 2018	2017
Assets		
Long-term Insurance	4,318,004	2,932,597
Short-term Insurance	291,898	251,861
Other	126,212	121,292
Inter segment	(14,208)	(12,678)
Total Group Assets	4,721,906	3,293,072
Liabilities		
Long-term Insurance	3,532,806	2,225,884
Short-term Insurance	69,238	61,617
Other	4,403	2,253
Inter segment	(14,208)	(12,678)
Total Group Liabilities	3,592,239	2,277,076

Segment Statements of Comprehensive Income

(R'000's) Reviewed	Long-term Insurance	Short-term Insurance	Other	Inter segment	Total
30 June 2018					
Insurance premium revenue	1,795,433	404,006			2,199,439
Reinsurance premiums	(123,112)				(123,112)
Net insurance premiums	1,672,321	404,006	-	-	2,076,327
Other income	180,150	717	385,032	(398,339)	167,560
Interest income	30,533	1,276	2,467		34,276
Fair value adjustment to financial assets at fair value through profit or loss	252,988	19,815	7,508		280,311
Segment revenue	2,135,992	425,814	395,007	(398,339)	2,558,474
Segment expenses and claims	(1,550,406)	(334,164)	(7,276)	12,789	(1,879,057)
Net insurance benefits and claims	(344,573)	(39,917)			(384,490)
Decrease/(increase) in policyholder liabilities under insurance contracts	22,558	(440)			22,118
Increase in reinsurance assets	421				421
Fair value adjustment to financial liabilities at fair value through profit or loss	(172,115)				(172,115)
Interest expense	(9,819)				(9,819)
Operating expenses	(1,046,878)	(293,807)	(7,276)	12,789	(1,335,172)
Profit before tax	585,586	91,650	387,731	(385,550)	679,417
Tax	(161,918)	(24,557)	(2,619)		(189,094)
Net profit for the year	423,668	67,093	385,112	(385,550)	490,323
Attributable to:					
Non-controlling interest - ordinary shareholders			21		21
Equity holder of the Group - ordinary shareholders	423,668	67,093	385,091	(385,550)	490,302

(R'000's) Reviewed	Long-term Insurance	Short-term Insurance	Other	Inter segment	Total
30 June 2017					
Insurance premium revenue	1,651,594	351,661			2,003,255
Reinsurance premiums	(130,690)				(130,690)
Net insurance premiums	1,520,904	351,661	-	-	1,872,565
Other income	164,253	564	360,343	(369,047)	156,113
Interest income	37,234	1,262	1,594		40,090
Fair value adjustment to financial assets at fair value through profit or loss	123,375	10,250	3,256		136,881
Segment revenue	1,845,766	363,737	365,193	(369,047)	2,205,649
Segment expenses and claims	(1,290,946)	(278,681)	(6,200)	12,343	(1,563,484)
Net insurance benefits and claims	(319,313)	(40,157)			(359,470)
Decrease in policyholder liabilities under insurance contracts	36,130	1,358			37,488
Decrease in reinsurance assets	(285)				(285)
Fair value adjustment to financial liabilities at fair value through profit or loss	(99,346)				(99,346)
Interest expense	(9,866)				(9,866)
Operating expenses	(898,266)	(239,882)	(6,200)	12,343	(1,132,005)
Profit before tax	554,820	85,056	358,993	(356,704)	642,165
Tax	(150,465)	(23,222)	(1,781)		(175,468)
Net profit for the year	404,355	61,834	357,212	(356,704)	466,697
Attributable to:					
Non-controlling interest - ordinary shareholders			199		199
Equity holders of the Group - ordinary shareholders	404,355	61,834	357,013	(356,704)	466,498

Notes to the Results

These condensed consolidated financial results for the year ended 30 June 2018 have been reviewed, in terms of International Standards on Review Engagements, (ISRE 2410), by PricewaterhouseCoopers Inc, who expressed an unmodified review conclusion. A copy of the auditor's review report is available for inspection at the company's registered office together with the financial results identified in the auditor's report.

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

Changes to the Board

There were no changes to the Board for the year under review.

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 report has been so prepared.

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, intangible assets and unquoted financial instruments are affected by accounting estimates and judgments.

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

Tax

	Year ended 30 June	
(R'000's) Reviewed	2018	2017
Current and deferred tax	(190,203)	(176,204)
Capital gains tax	(27)	1,065
Overprovision/(underprovision) in prior years	1,136	(329)
Tax	(189,094)	(175,468)

The Individual Policyholder Fund has an estimated tax loss of R2.79 billion (2017: R2.84 billion).

Reconciliation of Net Profit to Headline Earnings

	Year ended 30 June		%
(R'000's) Reviewed	2018	2017	Change
Net profit for the year attributable to equity holders of the Group	490,302	466,498	5
Add: Impairment of intangible assets	2,177		
Less: Profit on disposal of property and equipment	(175)	(207)	
Headline earnings for the year	492,304	466,291	6

Ratios per Share

(Cents) Reviewed	Year ended 30 June 2018	2017	% Change
Headline earnings per share	147.22	140.29	5
Diluted headline earnings per share	146.83	139.06	6
Earnings per share	146.62	140.35	4
Diluted earnings per share	146.24	139.12	5
Net asset value per share	337.51	304.19	11
Diluted net asset value per share	336.93	303.00	11
Dividends per share - paid	115.00	100.00	15
Dividends per share - declared	125.00	115.00	9
Ordinary shares in issue ('000)	334,708	334,003	
Weighted average ordinary shares ('000)	334,392	332,381	
Diluted weighted average ordinary shares ('000)	335,282	335,312	

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 2018:

(R'000's) Reviewed	Level 1	Level 2	Level 3	Total
Assets				
Listed equity securities	594,926			594,926
Unlisted equity securities		3,850		3,850
Promissory notes and fixed deposits		2,146,585	132,092	2,278,677
Funds on deposit		599,652		599,652
Fixed interest securities		39,424	2,620	42,044
Government and public authority bonds		72,566		72,566
Total assets	594,926	2,862,077	134,712	3,591,715
Liabilities				
Financial liabilities at fair value through profit of loss		2,332,203	132,092	2,464,295
Total Liabilities		2,332,203	132,092	2,464,295

Policyholders' linked exposure to African Bank Limited through investments in zero coupon fixed deposits of R132.1 million as at 30 June 2018 are disclosed at level 3 on the fair value hierarchy as values are estimated indirectly using valuation techniques and models. Key inputs include the zero coupon risk free yield curve.

Promissory notes and fixed deposits classified as level 3 reduced during the year as a result of fixed deposit maturities.

Capital and Other Commitments

During the 2016 financial year Clientèle Limited provided financial assistance resulting in a net exposure through guarantees of R45 million for the purchase of approximately 3.92% of Clientèle's issued shares ("Ordinary Shares") by Yellowwoods Trust Investments (Pty) Ltd ("YTI") a wholly owned subsidiary of the Hollard Foundation Trust, a BBBEE Trust.

During the 2017 financial year Clientèle Limited provided further financial assistance through the issuance of a guarantee in the amount of R223 million (with a net unhedged exposure of R155 million) in respect of additional Ordinary Shares which YTI purchased or will purchase, the majority of which have already been purchased.

As at 30 June 2018, both guarantees remained in place.

Events After the Reporting Date

The Board declared a final gross dividend of 125.00 cents per share on 16 August 2018 for the year ended 30 June 2018. The dividend is subject to dividend withholding tax that was introduced with effect from 1 April 2012.

Related Party Transactions

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

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 2018.

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; and
- Annuity income arising from non-insurance contracts 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) Unaudited	2018	2017
Required capital	474,317	425,232
Free surplus	686,638	632,484
Adjusted Net Worth ("ANW") of covered business	1,160,955	1,057,716
CoC	(108,092)	(84,267)
PVIF	5,268,725	4,858,112
EV of covered business	6,321,588	5,831,561

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	
(R'000's) Unaudited	2018	2017
Total equity and reserves per the Statement of Financial Position	1,129,667	1,015,996
Adjusted for deferred profits and impact of compulsory margins on investment business	33,792	29,326
Adjusted for minority interests		(282)
Adjusting subsidiaries to Net Asset Value	33,123	33,583
Bonus Rights Scheme adjustment	(26,434)	(20,907)
Reversal of Switch2 intangible asset	(9,193)	
ANW	1,160,955	1,057,716

The CoC is the opportunity cost of having to hold the Required Capital of R474.3 million as at 30 June 2018 (30 June 2017: R425.2 million). The Required Capital has been set at the greater of the Statutory Termination Capital Adequacy Requirement and 1.25 times the Statutory Ordinary Capital Adequacy Requirement for the Life company plus the Required Statutory Capital for the Short-term company.

The SAR 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.

Clientèle Life's Statutory CAR cover ratio at 30 June 2018 was 2.44 times (30 June 2017: 2.43 times) on the statutory valuation basis. Clientèle General Insurance's Statutory CAR cover ratio at 30 June 2018 was 1.47 times (30 June 2017: 1.44 times) on the statutory valuation basis.

Value of New Business ("VNB")

(R'000's) Unaudited	Year ended 30 June 2018	2017
Total VNB	447,981	527,184
Present Value of New Business premiums	3,747,458	2,466,148
New Business profit margin	12.0%	21.4%
New Business profit Margin (excluding single premium investment business)	18.3%	23.2%

The Present Value of New Business premiums has increased due to a considerable increase in single premium investment business written over the period. The relatively low profit margin on this block of business has resulted in a marked decrease in the overall New Business profit margin.

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 2018, 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

(%) Unaudited	Year ended 30 June 2018	2017
Risk discount rate	12.4	12.2
Non-unit investment return	8.9	8.7
Unit investment return	10.0	9.7
Expense inflation	6.1	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% (2017: 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 0.2674 in the calculation of the RDR. The Board draws the reader's attention to the RDR sensitivity analysis in the next table, which allows for sensitivity comparisons using various alternative RDR's.
The resulting RDR utilised for the South African business as at 30 June 2018 was 12.4% (30 June 2017: 12.2%).

RDR Sensitivities

(R'000's) Unaudited	EV	VNB
RDR 10.4%	7,215,465	585,162
RDR 11.4%	6,705,893	511,244
RDR 12.2% (as at June 2017)	6,396,401	459,721
RDR 12.4% (as at June 2018)	6,321,588	447,981
RDR 13.4%	5,977,652	394,216
RDR 14.4%	5,669,513	349,291

EV per Share

	Year ended 30 June	
(Cents) Unaudited	2018	2017
EV per share	1,888.69	1,745.96
Diluted EV per share	1,885.45	1,739.15

Segment Information

The EV can be split between segments as follows:

(R'000's) Unaudited	ANW	PVIF	CoC	EV
30 June 2018				
Long-term Insurance	850,823	4,220,656	(78,395)	4,993,084
Short-term Insurance	218,497	1,042,067	(29,697)	1,230,867
Other	91,635	6,002		97,637
Total	1,160,955	5,268,725	(108,092)	6,321,588
30 June 2017				
Long-term Insurance	774,375	3,963,841	(57,575)	4,680,641
Short-term Insurance	187,134	887,721	(26,692)	1,048,163
Other	96,207	6,550		102,757
Total	1,057,716	4,858,112	(84,267)	5,831,561

The VNB can be split between segments as follows:

	Year ended 30 June	
(R'000's) Unaudited	2018	2017
Long-term Insurance	339,162	408,763
Short-term Insurance	108,203	117,321
Other	616	1,100
Total	447,981	527,184

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) Unaudited	Year ended 30 June 2018 ANW	PVIF	CoC	EV	Year ended 30 June 2017 EV
Closing EV	1,160,955	5,268,725	(108,092)	6,321,588	5,831,561
Opening EV	1,057,716	4,858,112	(84,267)	5,831,561	5,230,643
Dividends	(384,261)			(384,261)	(331,897)
Adjusted EV at the beginning of the year	673,455	4,858,112	(84,267)	5,447,300	4,898,746
EV earnings	487,500	410,613	(23,825)	874,288	932,815
Impact of once-off economic assumption changes	(3,806)	63,779	8,005	67,978	6,196
Impact of once-off debit order submission failure*	4,320	15,000		19,320	-
Reversing impact of Switch2 purchase & costs	17,544	(111)		17,433	-
Recurring EV earnings	505,558	489,281	(15,820)	979,019	939,011
Recurring Return on EV				18.0%	19.2%
Return on EV				16.0%	19.0%
Components of EV earnings					
VNB	(452,000)	915,299	(15,318)	447,981	527,184
Expected return on covered business		594,001	12,927	606,928	553,610
Expected profit transfer	922,667	(922,667)		-	-
Withdrawal and unpaid premium experience variance	(12,425)	(66,802)	(2,407)	(81,634)	(99,458)
Other changes in non-economic assumptions and modelling	29,773	(62,915)	(10,807)	(43,949)	(85,410)
Claims and reinsurance experience variance	3,420			3,420	2,920
Sundry experience variance	(7,735)	(3,594)		(11,329)	(195)
Expected return on ANW	73,470			73,740	59,945
Set-up costs for new ventures	(6,087)			(6,087)	-
YTI guarantee costs	(4,461)			(4,461)	-
SAR and Bonus Rights Schemes	3,460			3,460	24,087
Goodwill and Medium-term incentive schemes	(41,915)	35,959		(5,956)	(12,785)
Benefit enhancements				-	(7,622)
EV operating return	508,167	489,281	(15,605)	981,843	962,276
Investment return variances on ANW	(2,609)		(215)	(2,824)	(23,265)
Recurring EV earnings	505,558	489,281	(15,820)	979,019	939,011
Effect of economic assumption changes	3,806	(63,779)	(8,005)	(67,978)	(6,196)
Impact of once-off debit order submission failure*	(4,320)	(15,000)		(19,320)	-
Reversing impact of Switch2 purchase and costs	(17,544)	111		(17,433)	-
EV earnings	487,500	410,613	(23,825)	874,288	932,815

* Impact of an operational breakdown at a service provider responsible for the monthly processing of policyholder premiums.

Registered office: Clientèle Office Park, Cnr Rivonia and Alon Roads, Morningside,
Johannesburg 2196, South Africa
PO Box 1316, Rivonia 2128, South Africa

Transfer secretaries: Computershare Investor Services Proprietary Limited,
First Floor, Rosebank Towers, 15 Biermann Avenue, Rosebank 2196, South Africa
PO Box 61051, Marshalltown 2107, South Africa

Sponsor: PricewaterhouseCoopers Corporate Finance Proprietary Limited

Directors: GQ Routledge BA LLB (Chairman); BW Reekie BSc(Hons), FASSA* (Managing Director);
B Du Toit (Nee Frodsham) BCom*; ADT Enthoven BA, PhD (Political Science); PR Gwangwa BProc LLB, LLM;
IB Hume CA(SA), ACMA*; BY Mkhondo BCom, MBA; D Molefe MCom, CA(SA); PG Nkadimeng BSc Statistics and Economics; BA Stott CA(SA); RD Williams BSc(Hons), FASSA. (* Executive Director)
Company secretary: W van Zyl CA(SA)

Johannesburg

Monday 20 August 2018