



**Clientèle**

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

# CONDENSED PRELIMINARY GROUP RESULTS

For the year ended  
30 June 2017

Diluted headline  
earnings per share  
increased by 13% to  
139.06 cents

Net insurance  
premiums increased  
by 8% to  
R1.9 billion

Return on average  
shareholders'  
interest of 53%

Dividends declared  
per share increased  
by 15% to  
115.00 cents

Value of New  
Business of  
R527.18 million

Recurring  
Embedded Value  
Earnings of  
R939.01 million

Recurring Return  
on Embedded Value  
of 19.20%

Embedded  
Value per share  
of 1 746 cents

# Comments

## Introduction

The Board is pleased to report that Clientèle's operating results improved in the second half of the financial year with production in all traditional channels returning to expected levels. Withdrawals in the second half have improved, but as always remain a risk and thus a focus of attention.

The new agency distribution channel is growing in line with the business plan, which is very encouraging. The broker distribution channel, which was started in October 2016, has found traction but it is still in its infancy.

South Africa's economic environment remains very tough, particularly for Clientèle's customers, and this demands and gets much management time and energy.

## Operating Results

### Group Statement of Comprehensive Income

Net insurance premiums increased by 8% to R1.9 billion (2016: R1.7 billion), on the back of strong production in prior years and higher average premiums on new business, with a consequent diluted headline earnings per share increase of 13% over last year.

Net insurance benefits and claims of R359.5 million (2016: R325.8 million) were 10% higher than the previous year.

Investment returns of R86.5 million (2016: R65.1 million) were 33% higher than last year and include an amount of R18.4 million (2016: R nil) in respect of the fair value adjustment of African Bank (renamed Residual Debt Services) unsubordinated stub paper.

Headline earnings for the Group increased by 14% to R466.3 million (2016: R410.6 million) which has resulted in a return on average shareholders' interests of 53% (2016: 55%).

### Group Embedded Value and Value of New Business

Although Group Embedded Value was negatively impacted by higher withdrawals during the year, this increased from R5.2 billion to R5.8 billion. Recurring Embedded Value Earnings ("REVE") were also impacted and reduced by 6% to R939.0 million (2016: R1 billion).

The Value of New Business ("VNB") was negatively impacted by lower than expected production in the first half of the year and by the higher withdrawals referred to above. This has resulted in a decrease in VNB of 20% to R527.2 million (2016: R660.3 million).

New business profit margins have consequently declined to 21.4% (2016: 26.5%).

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 R3.1 billion (2016: R2.8 billion).

## Segment Results

### Clientèle Life – Long-term insurance

Clientèle Life's Long-term insurance segment remains the major contributor to the Group's performance. Clientèle Life's VNB of R408.8 million (2016: R519.6 million) decreased by 21% as a consequence of increased withdrawals (largely as a result of an increase in disputes). Nonetheless, Clientèle Life recorded REVE of R760.2 million (2016: R746.5 million) due to strong production in prior years and generated a 17% increase in net profit for the year to R404.4 million (2016: R344.2 million).

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

Clientèle Legal's VNB of R117.3 million (2016: R138.5 million) decreased by 15% and as a consequence of this and increased withdrawals (largely as a result of an increase in disputes) felt more acutely in the general insurance segment, Clientèle Legal recorded REVE of R141.6 million (2016: R232.4 million). Nonetheless, due to strong production in prior years, Clientèle Legal generated an 11% increase in net profit for the year to R61.8 million (2016: R55.6 million).

## Outlook

The discussions with the Payments Association of South Africa, the Association for Savings and Investment and individual Banks concerning the increase in withdrawals due to the increase in debit order disputes by policyholders are ongoing with the intention of achieving an outcome which is in the best interests of policyholders and Clientèle.

Management's focus is currently directed at continuing the recent momentum built up in production, encouraging the growth of the new distribution channels, introducing new products and further improving withdrawals.

### Dividend Declared

Notice is hereby given that the directors have declared a final gross dividend of 115.00 cents (2016: 100.00 cents) per share on 17 August 2017 for the year ended 30 June 2017.

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) (2016: 15% (fifteen percent));
- The gross local dividend amount is 115.00 cents (2016: 100.00 cents) per ordinary share for shareholders exempt from the dividends tax;
- The net local dividend amount is 92.00 cents (2016: 85.00 cents) per ordinary share for shareholders liable to pay the dividends tax;
- The local dividends tax amount is 23.00 cents (2016: 15.00 cents) per ordinary share for shareholders liable to pay the dividend withholding tax;
- Clientèle Limited currently has 334,003,379 (2016: 331,805,599) 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, 19 September 2017
Shares commence trading "ex" dividend	Wednesday, 20 September 2017
Record date	Friday, 22 September 2017
Payment date	Tuesday, 26 September 2017

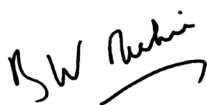
Share certificates may not be dematerialised or rematerialised between Wednesday, 20 September 2017 and Friday, 22 September 2017, both days inclusive.

By order of the Board



**G Q Routledge**  
Chairman

Johannesburg  
17 August 2017



**B W Reekie**  
Managing Director

# Condensed Group Statement of Financial Position

(R'000's) Reviewed	Year ended 30 June	
	2017	2016
<b>Assets</b>		
Intangible assets	35,751	36,435
Property and equipment	46,518	47,509
Owner-occupied properties <sup>^</sup>	422,013	408,651
Deferred tax	42,817	45,666
Inventories	1,894	1,148
Reinsurance assets	2,504	2,789
Financial assets at fair value through profit or loss <sup>~</sup>	2,196,020	1,854,928
Financial assets at amortised cost <sup>†</sup>	288,627	264,023
Loans and receivables including insurance receivables	34,891	44,396
Current tax	990	1,459
Cash and cash equivalents	221,047	209,848
<b>Total assets</b>	<b>3,293,072</b>	<b>2,916,852</b>
<b>Total equity and reserves</b>	<b>1,015,996</b>	<b>865,548</b>
<b>Liabilities</b>		
Policyholder liabilities under insurance contracts	652,614	690,102
Financial liabilities at fair value through profit or loss – investment contracts <sup>~</sup>	1,159,676	909,819
Financial liabilities – Loans at amortised cost <sup>*</sup>	113,043	98,932
Employee benefits <sup>#</sup>	97,339	139,586
Deferred tax	43,855	38,977
Accruals and payables including insurance payables	210,180	168,469
Current tax	369	5,419
<b>Total liabilities</b>	<b>2,277,076</b>	<b>2,051,304</b>
<b>Total equity and liabilities</b>	<b>3,293,072</b>	<b>2,916,852</b>

<sup>^</sup> Owner-occupied properties are disclosed at level 3 in the fair value measurement hierarchy. An earnings yield valuation method was applied with capitalisation rates of between 8.25% and 9.00% (2016: 8.25% and 9.50%).

<sup>†</sup> Zero coupon fixed deposits held in African Bank Limited have been classified as financial assets at amortised cost. The fair value approximates amortised cost.

<sup>\*</sup> The increase in loans at amortised cost relates to financing of owner-occupied properties.

<sup>~</sup> The increase in "financial assets at fair value through profit or loss" and "financial liabilities at fair value through profit and loss – investment contracts" relates to increased production of single premium business during the year.

<sup>#</sup> The reduction in "Employee benefits" relates to a reduction in benefits in respect of the "medium term" and "goodwill" staff incentive schemes.

# Condensed Group Statement of Comprehensive Income

(R'000's) Reviewed	Year ended 30 June		% Change
	2017	2016	
<b>Revenue</b>			
Insurance premium revenue	2,003,255	1,852,516	8
Reinsurance premiums	(130,690)	(126,525)	
<b>Net insurance premiums</b>	<b>1,872,565</b>	<b>1,725,991</b>	<b>8</b>
Other income	156,113	157,495	
Interest income	40,090	21,209	
Fair value adjustment to financial assets at fair value through profit or loss	136,881	120,916	
<b>Net income</b>	<b>2,205,649</b>	<b>2,025,611</b>	<b>9</b>
Net insurance benefits and claims	(359,470)	(325,777)	
Gross insurance benefits and claims	(460,145)	(425,313)	
Insurance claims recovered from reinsurers	100,675	99,536	
Decrease in policyholder liabilities under insurance contracts	37,488	8,780	
Decrease in reinsurance assets	(285)	(226)	
Fair value adjustment to financial liabilities at fair value through profit or loss	(99,346)	(90,401)	
Interest expense	(9,866)	(4,135)	
Reversal of impaired advances		12,349	
Operating expenses	(1,132,005)	(1,061,901)	7
<b>Profit before tax</b>	<b>642,165</b>	<b>564,300</b>	<b>14</b>
Tax	(175,468)	(149,579)	17
<b>Net profit for the year</b>	<b>466,697</b>	<b>414,721</b>	<b>13</b>
<b>Attributable to:</b>			
– Non-controlling interest – ordinary shareholders	199	4,235	
– Equity holders of the Group – ordinary shareholders	466,498	410,486	14
<b>Profit for the year</b>	<b>466,697</b>	<b>414,721</b>	<b>13</b>
<b>Other comprehensive income:</b>			
Gains on property revaluation <sup>#</sup>	8,475	8,727	
Income tax relating to gains on property revaluation <sup>#</sup>	(2,155)	(9,544)*	
<b>Other comprehensive income for the year net of tax</b>	<b>6,320</b>	<b>(817)</b>	
<b>Total comprehensive Income for the year</b>	<b>473,017</b>	<b>413,904</b>	<b>14</b>
<b>Attributable to:</b>			
– Non-controlling interest – ordinary shares	199	4,235	
– Equity holders of the Group	472,818	409,669	15

<sup>#</sup> Items that cannot be recycled to profit or loss.

\* The higher amount in 2016 was primarily in respect of the difference in accounting and tax treatment of the new office development.

## Condensed Group Statement of Changes in Equity

(R'000's) Reviewed	Share capital	Share premium	Common control deficit	Sub-total
<b>Balance as at 1 July 2015</b>	6,613	310,185	(220,273)	96,525
Ordinary dividends				-
Total comprehensive income	-	-	-	-
- Net profit for the year				-
- Other comprehensive income				-
Shares issued	23	18,690		18,713
SARs and Bonus Rights Schemes allocated				-
Transfer from shares issued				-
<b>Balance as at 30 June 2016</b>	<b>6,636</b>	<b>328,875</b>	<b>(220,273)</b>	<b>115,238</b>
<b>Balance as at 1 July 2016</b>	<b>6,636</b>	<b>328,875</b>	<b>(220,273)</b>	<b>115,238</b>
Ordinary dividends				-
Total comprehensive income	-	-	-	-
- Net profit for the year				-
- Other comprehensive income				-
Shares issued	44	37,013		37,057
SARs and Bonus Rights Schemes allocated				-
Transfer from shares issued				-
<b>Balance as at 30 June 2017</b>	<b>6,680</b>	<b>365,888</b>	<b>(220,273)</b>	<b>152,295</b>

† SAR Scheme – the Clientèle Limited Share Appreciation Rights Scheme.

† Bonus Rights Scheme – the Clientèle Limited Bonus Rights Scheme.

† 2.2 million (2016: 1.2 million) shares were issued in terms of the SAR and Bonus Rights Schemes.

Retained earnings	SAR and <sup>†</sup> Bonus Right Schemes reserves	NDR: revaluation	Sub- total	Non- controlling interest	Total
552,882	27,699	66,191	743,297	(3,102)	740,195
(297,759)			(297,759)		(297,759)
410,486	–	(817)	409,669	4,235	413,904
410,486			410,486	4,235	414,721
		(817)	(817)		(817)
			18,713		18,713
	9,208		9,208		9,208
(10,330)	(8,383)		(18,713)		(18,713)
<b>655,279</b>	<b>28,524</b>	<b>65,374</b>	<b>864,415</b>	<b>1,133</b>	<b>865,548</b>
<b>655,279</b>	<b>28,524</b>	<b>65,374</b>	<b>864,415</b>	<b>1,133</b>	<b>865,548</b>
<b>(331,897)</b>			<b>(331,897)</b>	<b>(1,050)</b>	<b>(332,947)</b>
466,498	–	6,320	472,818	199	473,017
466,498			466,498	199	466,697
		6,320	6,320		6,320
			37,057		37,057
	10,378		10,378		10,378
(19,448)	(17,609)		(37,057)		(37,057)
<b>770,432</b>	<b>21,293</b>	<b>71,694</b>	<b>1,015,714</b>	<b>282</b>	<b>1,015,996</b>

# Condensed Group Statement of Cash Flows

(R'000's) Reviewed	Year ended 30 June	
	2017	2016
<b>Cash flows from operating activities</b>	<b>41,503</b>	73,061
Profit from operations adjusted for non-cash items	<b>632,279</b>	645,910
Working capital changes	<b>(29,753)</b>	(51,906)
Separately disclosable items <sup>1</sup>	<b>(96,040)</b>	(99,959)
Increase/(Decrease)in financial liabilities <sup>2</sup>	<b>150,511</b>	(122,918)
Net (acquisition)/disposal of investments <sup>3</sup>	<b>(204,210)</b>	59,375
Interest received	<b>80,023</b>	63,421
Dividends received	<b>16,017</b>	36,538
Dividends paid	<b>(332,846)</b>	(297,713)
Tax paid	<b>(174,478)</b>	(159,687)
Cashflows from investing activities <sup>4</sup>	<b>(34,549)</b>	(146,854)
Cashflows from financing activities <sup>5</sup>	<b>4,245</b>	59,702
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>11,199</b>	(14,091)
Cash and cash equivalents at beginning of the year	<b>209,848</b>	223,939
<b>Cash and cash equivalents at end of the year</b>	<b>221,047</b>	209,848

1. Interest and dividends received.

2. Financial liabilities – investment contracts.

3. Investment 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.

## Condensed segment Information

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

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

## Segment Assets and Liabilities

(R'000's) Reviewed (2016 Restated)	Year ended 30 June	
	2017	2016
Long-term Insurance	<b>2,932,597</b>	2,624,384
Short-term Insurance	<b>251,861</b>	216,278
Other	<b>121,292</b>	84,442
Inter segment	<b>(12,678)</b>	(8,252)
<b>Total Group Assets</b>	<b>3,293,072</b>	2,916,852
Long-term Insurance	<b>2,225,884</b>	1,993,868
Short-term Insurance	<b>61,617</b>	60,852
Other	<b>2,253</b>	4,836
Inter segment	<b>(12,678)</b>	(8,252)
<b>Total Group Liabilities</b>	<b>2,277,076</b>	2,051,304



## Segment Statements of Comprehensive Income

(R'000's) Reviewed	Long-term insurance	Short-term insurance	Other	Inter segment	Total
<b>30 June 2017</b>					
Insurance premium revenue	1,651,594	351,661			2,003,255
Reinsurance premiums	(130,690)				(130,690)
<b>Net insurance premiums</b>	<b>1,520,904</b>	<b>351,661</b>	<b>-</b>	<b>-</b>	<b>1,872,565</b>
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 and loss	123,375	10,250	3,256		136,881
<b>Segment revenue</b>	<b>1,845,766</b>	<b>363,737</b>	<b>365,193</b>	<b>(369,047)</b>	<b>2,205,649</b>
<b>Segment expenses and claims</b>	<b>(1,290,946)</b>	<b>(278,681)</b>	<b>(6,200)</b>	<b>12,343</b>	<b>(1,563,484)</b>
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 and loss	(99,346)				(99,346)
Interest expense	(9,866)				(9,866)
Operating Expenses	(898,266)	(239,882)	(6,200)	12,343	(1,132,005)
<b>Profit before tax</b>	<b>554,820</b>	<b>85,056</b>	<b>358,993</b>	<b>(356,704)</b>	<b>642,165</b>
Tax	(150,465)	(23,222)	(1,781)		(175,468)
<b>Net profit for the year</b>	<b>404,355</b>	<b>61,834</b>	<b>357,212</b>	<b>(356,704)</b>	<b>466,697</b>
Attributable to:					
Non-controlling interest – ordinary shareholders			199		199
<b>Equity holders of the Group – ordinary shareholders</b>	<b>404,355</b>	<b>61,834</b>	<b>357,013</b>	<b>(356,704)</b>	<b>466,498</b>

(R'000's) Reviewed	Long-term insurance	Short-term insurance	Other	Inter segment	Total
<b>30 June 2016 (Restated)</b>					
Insurance premium revenue	1,550,567	301,949			1,852,516
Reinsurance premiums	(126,525)				(126,525)
<b>Net insurance premiums</b>	<b>1,424,042</b>	<b>301,949</b>	–	–	<b>1,725,991</b>
Other income	156,196	498	315,034	(314,233)	157,495
Interest income	18,365	1,394	3,103	(1,653)	21,209
Fair value adjustment to financial assets at fair value through profit or loss	110,556	8,355	2,005		120,916
<b>Segment revenue</b>	<b>1,709,159</b>	<b>312,196</b>	<b>320,142</b>	<b>(315,886)</b>	<b>2,025,611</b>
<b>Segment expenses and claims</b>	<b>(1,238,701)</b>	<b>(235,300)</b>	<b>4,703</b>	<b>7,987</b>	<b>(1,461,311)</b>
Net insurance benefits and claims	(292,741)	(33,036)			(325,777)
Decrease/(increase) in policyholder liabilities under insurance contracts	10,314	(1,534)			8,780
Decrease in reinsurance assets	(226)				(226)
Fair value adjustment to financial liabilities at fair value through profit or loss	(90,401)				(90,401)
Interest expense	(4,052)		(1,736)	1,653	(4,135)
Reversal of impaired advances			12,349		12,349
Operating expenses	(861,595)	(200,730)	(5,910)	6,334	(1,061,901)
<b>Profit before tax</b>	<b>470,458</b>	<b>76,896</b>	<b>324,845</b>	<b>(307,899)</b>	<b>564,300</b>
Tax	(126,240)	(21,252)	(2,087)		(149,579)
<b>Net profit for the year</b>	<b>344,218</b>	<b>55,644</b>	<b>322,758</b>	<b>(307,899)</b>	<b>414,721</b>
Attributable to:					
Non-controlling interest – ordinary shareholders			4,235		4,235
<b>Equity holders of the Group – ordinary shareholders</b>	<b>344,218</b>	<b>55,644</b>	<b>318,523</b>	<b>(307,899)</b>	<b>410,486</b>

## Notes to the Results

These condensed consolidated financial results for the year ended 30 June 2017 have been reviewed, in terms of International Standards on Review Engagements, (ISRE 2410), by PricewaterhouseCoopers Inc..

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

Mr PG Nkadameng was appointed as a Director of Clientèle Limited on 1 March 2017.

## 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 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

(R'000's) Reviewed	Year ended 30 June	
	2017	2016
Current and deferred tax	(176,204)	(146,708)
Capital gains tax	1,065	(2,400)
Underprovision in prior years	(329)	(471)
<b>Tax</b>	<b>(175,468)</b>	<b>(149,579)</b>

The Individual Policyholder Fund has an estimated tax loss of R2.8 billion (2016: R2.8 billion).

## Reconciliation of Net Profit to Headline Earnings

(R'000's) Reviewed	Year ended 30 June		% Change
	2017	2016	
Net profit for the year attributable to equity holders of the Group	466,498	410,486	14
(Less)/Add: (Profit)/loss of disposal of property and equipment	(207)	81	
<b>Headline earnings for the year</b>	<b>466,291</b>	<b>410,567</b>	<b>14</b>

## Ratios per Share

(Cents) Reviewed	Year ended 30 June		% Change
	2017	2016	
Headline earnings per share	140.29	124.00	13
Diluted headline earnings per share	139.06	122.99	13
Earnings per share	140.35	123.98	13
Diluted earnings per share	139.12	122.97	13
Net asset value per share	304.19	260.86	17
Diluted net asset value per share	303.00	259.29	17
Dividends per share – paid	100.00	90.00	11
Dividends per share – declared	115.00	100.00	15
Ordinary shares in issue ('000)	334,003	331,806	
Weighted average ordinary shares ('000)	332,381	331,093	
Diluted weighted average ordinary shares ('000)	335,312	333,809	

## 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 2017:

(R'000's) Reviewed	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Listed equity securities	491,916			491,916
Unlisted equity securities		3,850		3,850
Promissory notes and fixed deposits		793,220	169,434	962,654
Funds on deposit		618,226		618,226
Fixed interest securities		45,316	4,013	49,329
Government and public authority bonds		70,045		70,045
<b>Total assets</b>	<b>491,916</b>	<b>1,530,657</b>	<b>173,447</b>	<b>2,196,020</b>
<b>Liabilities</b>				
Financial liabilities at fair value through profit of loss		990,242	169,434	1,159,676
<b>Total Liabilities</b>	<b>–</b>	<b>990,242</b>	<b>169,434</b>	<b>1,159,676</b>

Policyholders' linked exposure to African Bank Limited through investments in zero coupon fixed deposits of R169.4 million as at 30 June 2017 are disclosed at level 3 on the hierarchy as values are estimated indirectly using techniques and models. Key inputs include the zero coupon risk free yield curve.

## 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 current financial year Clientèle Limited provided further financial assistance through the issuance of a guarantee in the amount of R223 million (with an exposure of R155 million) in respect of additional Ordinary Shares which YTI purchased.

## Restatement of comparative segments results

The Group has incorporated the "Investment Contracts" segment into the "Long-term Insurance" segment and Clientèle Limited into the "other" segment to align with internal reporting practices.

The corresponding amounts have been restated accordingly.

## Events after the Reporting Date

No material items to report after the reporting date.

## 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 2017.

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) Unaudited	Year ended 30 June	
	2017	2016
Required capital	425,232	377,076
Free surplus	632,484	495,969
Adjusted Net Worth ("ANW") of covered business	1,057,716	873,045
CoC	(84,267)	(83,190)
PVIF	4,858,112	4,440,788
<b>EV of covered business</b>	<b>5,831,561</b>	<b>5,230,643</b>

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) Unaudited	Year ended 30 June	
	2017	2016
Total equity and reserves per the Statement of Financial Position	1,015,996	865,548
Adjusted for deferred profits and impact of compulsory margins on investment business	29,326	11,820
Adjusted for minority interests	(282)	(1,133)
Adjusting subsidiaries to Net Asset Value	33,583	31,427
SAR and Bonus Rights Schemes adjustment	(20,907)	(34,617)
<b>ANW</b>	<b>1,057,716</b>	<b>873,045</b>

The CoC is the opportunity cost of having to hold the Required Capital of R425.2 million as at 30 June 2017 (30 June 2016: R377.1 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 2017 was 2.43 times (30 June 2016: 2.35 times) on the statutory valuation basis.

Clientèle General Insurance's Statutory CAR cover ratio at 30 June 2017 was 1.44 times (30 June 2016: 1.35 times) on the statutory valuation basis.

### Value of New Business ("VNB")

(R'000's) Unaudited	Year ended 30 June	
	2017	2016
Total VNB	527,184	660,328
Present Value of New Business premiums	2,466,148	2,488,674
New Business profit margin	21.4%	26.5%

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 2017 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	
	2017	2016
Risk discount rate	12.2	12.1
Non-unit investment return	8.7	8.6
Unit investment return	9.7	9.8
Expense inflation	6.1	7.1
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% (2016: 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 0.1333 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 2017 was 12.2% (30 June 2016: 12.1%).

## RDR Sensitivities

(R'000's) Unaudited	EV	VNB
RDR 10.2%	6,673,123	666,784
RDR 11.2%	6,212,644	589,983
RDR 12.1% (as at June 2016)	5,861,327	534,179
<b>RDR 12.2% (as at June 2017)</b>	<b>5,831,561</b>	<b>527,184</b>
RDR 13.2%	5,503,661	465,022
RDR 14.2%	5,222,306	415,064

## EV per Share

(Cents) Unaudited	Year ended 30 June	
	2017	2016
EV per share	<b>1,745.96</b>	1,576.42
Diluted EV per share	<b>1,739.15</b>	1,563.62

## Segment Information

The EV can be split between segments as follows:

(R'000's) Unaudited	ANW	PVIF	CoC	EV
<b>30 June 2017</b>				
Long-term insurance	774,375	3,963,841	(57,575)	<b>4,680,641</b>
Short-term insurance	187,134	887,721	(26,692)	<b>1,048,163</b>
Other	96,207	6,550	–	<b>102,757</b>
<b>Total</b>	<b>1,057,716</b>	<b>4,858,112</b>	<b>(84,267)</b>	<b>5,831,561</b>
<b>30 June 2016 (Restated)</b>				
Long-term insurance	664,848	3,623,279	(54,990)	4,233,137
Short-term insurance	152,490	810,689	(28,200)	934,979
Other	55,707	6,820	–	62,527
<b>Total</b>	<b>873,045</b>	<b>4,440,788</b>	<b>(83,190)</b>	<b>5,230,643</b>



The VNB can be split between segments as follows:

(R'000's) Unaudited (2016 Restated)	Year ended 30 June	
	2017	2016
Long-term insurance	408,763	519,649
Short-term insurance	117,321	138,545
Other	1,100	2,134
<b>Total</b>	<b>527,184</b>	<b>660,328</b>

## 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 2017			Year ended 30 June 2016	
	ANW	PVIF	CoC	EV	EV
Closing EV	1,057,716	4,858,112	(84,267)	5,831,561	5,230,643
Opening EV	873,045	4,440,788	(83,190)	5,230,643	4,601,300
Dividends	(331,897)			(331,897)	(297,759)
<b>Adjusted EV at the beginning of the year</b>	<b>541,148</b>	<b>4,440,788</b>	<b>(83 190)</b>	<b>4,898,746</b>	<b>4,303,541</b>
<b>EV earnings</b>	<b>516,568</b>	<b>417,324</b>	<b>(1,077)</b>	<b>932,815</b>	<b>927,102</b>
Impact of once-off economic assumption changes	(1,340)	6,703	833	6,196	75,384
Recurring EV earnings	515,228	424,027	(244)	939,011	1,002,486
Recurring Return on EV				19.2%	23.3%
<b>Return on EV</b>				<b>19.0%</b>	<b>21.5%</b>
<b>Components of EV earnings</b>					
VNB	(371,368)	910,991	(12,439)	527,184	660,328
Expected return on covered business	–	543,786	9,824	553,610	498,133
Expected profit transfer	838,432	(838,432)	–	–	–
Withdrawal and unpaid premium experience variance	(12,477)	(83,317)	(3,664)	(99,458)	(50,393)
Changes in withdrawals & other decrement assumptions	10,498	(120,114)	(13,110)	(122,726)	–*
Other changes in non-economic assumptions and modelling	1,040	16,987	19,289	37,316	(132,366)
Claims and reinsurance experience variance	2,920	–	–	2,920	(5,499)
Sundry experience variance	(1,177)	982	–	(195)	5,076
Expected return on ANW	59,945	–	–	59,945	47,899
SAR and Bonus Rights Schemes	24,087	–	–	24,087	28,286
Goodwill and Medium-term incentive schemes	(13,251)	466	–	(12,785)	(20,730)
Benefit enhancements	(156)	(7,322)	(144)	(7,622)	–
<b>EV operating return</b>	<b>538,493</b>	<b>424,027</b>	<b>(244)</b>	<b>962,276</b>	<b>1,030,734</b>
Investment return variances on ANW	(23,265)	–	–	(23,265)	(28,248)
<b>Recurring EV earnings</b>	<b>515,228</b>	<b>424,027</b>	<b>(244)</b>	<b>939,011</b>	<b>1,002,486</b>
Effect of economic assumption changes	1,340	(6,703)	(833)	(6,196)	(75,384)
<b>EV earnings</b>	<b>516,568</b>	<b>417,324</b>	<b>(1,077)</b>	<b>932,815</b>	<b>927,102</b>

\* This item was not split out in the 2016 results.



Directors  
Clientèle Limited  
Building 7  
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Cnr. Rivonia and Alon Road  
Morningside

## **INDEPENDENT AUDITOR'S REPORT ON CONDENSED CONSOLIDATED PRELIMINARY FINANCIAL STATEMENTS**

*To the Shareholders of Clientèle Limited*

We have reviewed the condensed consolidated financial statements of Clientèle Limited, set out on pages 3 to 12 of the Condensed Preliminary Group Results, which comprise the condensed consolidated statement of financial position as at 30 June 2017 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and selected explanatory notes.

### *Directors Responsibility for the Condensed Consolidated Financial Statements*

The directors are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, as set out in the Accounting Policies note to the condensed consolidated financial statements, and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express a conclusion on these financial statements. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410, which applies to a review of historical financial information performed by the independent auditor of the entity. ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements are not prepared in all material respects in accordance with the applicable financial reporting framework. This standard also requires us to comply with relevant ethical requirements.

A review of financial statements in accordance with ISRE 2410 is a limited assurance engagement. We perform procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these financial statements.

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T: +27 (11) 797 4000, F: +27 (11) 797 5800, www.pwc.co.za*

Chief Executive Officer: T D Shango  
Management Committee: T P Blandin de Chalaïn, S N Madikane, P J Mothibe, C Richardson, F Tonelli, C Volschenk  
The Company's principal place of business is at 2 Eglin Road, Sunninghill where a list of directors' names is available for inspection.  
Reg. no. 1998/012055/21, VAT reg.no. 4950174682



*Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements of Clientèle Limited for the year ended 30 June 2017 are not prepared, in all material respects, in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, as set out in the Accounting Policies note to the financial statements, and the requirements of the Companies Act of South Africa.

*PricewaterhouseCoopers Inc.*

PricewaterhouseCoopers Inc.  
Director: A. du Preez  
Registered Auditor  
Sunninghill  
21 August 2017





## Clientèle Limited

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

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**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

**Directors:** GQ Routledge BA LLB (Chairman); BW Reekie BSc(Hons), FASSA\* (Managing Director);  
ADT Enthoven BA, PhD (Political Science); B Frodsham BCom\*; PR Gwangwa BProc LLB, LLM;  
IB Hume CA(SA), ACMA\*; BY Mkhondo BCom, MBA; D Molefe MCom, CA(SA); BA Stott CA(SA);  
RD Williams BSc(Hons), FASSA, PG Nkadameng BSc Comp Scie & E Eng. (\* *Executive Director*)

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



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