Clientèle LIMITED

Major improvement in new business volumes and quality

Headline earnings increased by 21% from **R147,8 million to R179,4 million**

Net insurance premiums **increased by 11%** from R572,3 million to R636,9 million

Annualised return on average shareholders interest **of 71%**

Condensed Group results for the six months ended 31 December 2013

Comments

Introduction

The Clientèle Group ("the Group") has achieved good results for the reporting period. The strong production experienced in the second half of the 2013 financial year has continued during this six month reporting period and the quality of new business written has improved on the comparative period to 31 December 2012.

This has translated into a major increase in the Value of New Business ("VNB") of 128% from R142,3 million for the comparative period to R325,2 million this period, and an increase in Recurring Embedded Value Earnings of 29% from R312,9 million for the comparative period to R403,5 million this period.

Headline earnings for the Group of R179,4 million has been impacted by the release of a discretionary margin and the expensing of acquisition costs related to the strong VNB, as discussed below, and is 21% higher than the headline earnings of R147,8 million for the comparative period.

The Group achieved an annualised return on average shareholder's interests of 71% for the period compared to 72% for the comparative period.

Operating Results

Group Statement of Comprehensive Income

The Group increased its headline earnings per share for the period by 21% from 45,23 cents to 54,67 cents.

Investments achieved an annualised return of 20% for the period, compared to an annualised return of 26% for the comparative period.

Net insurance premium revenue, on the back of the increase in the production of good quality business, has increased by 11% from R572,3 million to R636,9 million.

Net insurance benefits and claims of R156,3 million have decreased by 9% from R172,1 million for the comparative period. The majority of the decrease is in respect of a reduction in policyholder cash-back payments becoming due compared to the comparative period as well as lower policyholder benefit payments in respect of unitised endowment policies for the current period.

Policyholder liabilities under insurance contracts decreased by R34,1 million (2012: increase of R17,9 million). Stripping out the release of the discretionary margin referred to above, reveals an increase of R15,8 million for the period.

The increase in marketing and other acquisition costs incurred to support the major VNB growth has resulted in operating expenses for the period increasing by 15% from R397,1 million for the comparative period to R455,2 million this period, which should be viewed in conjunction with the Group's conservative accounting practice of eliminating negative reserves (a discretionary margin) and thus expensing acquisition costs upfront and deferring profit release over the life of the policy. The total present value of discretionary margins amounts to R2,05 billion (June 2013: R1,9 billion).

The Group has now released the portion of the discretionary margin in the Life Company's Actuarial Liabilities, of R49,9 million (R35,9 million after tax), which was held in respect of policyholder unit-linked business as experience has shown that this discretionary margin is no longer required. This change in estimate has resulted in a once-off release of this discretionary margin which has increased the net profit after tax for the Group by R35,9 million (2012: Nil) for the period. Although the Group's net asset value per share increases as a result of releasing this discretionary margin, the Group's Capital Adequacy Requirement ("CAR") also increases by a similar amount and thus has little impact on dividend paying capacity.

Group Embedded Value

The sustained momentum in the production of good quality business has driven the 128% increase in the VNB to R325,2 million (2012: R142,3 million) referred to above.

The Recurring Embedded Value Earnings of R403,5 million translates into an annualised Recurring Return on Embedded Value ("ROEV") of 24% (2012: 21%) and the profit margin on new business has increased from 20% for the comparative period to 27% this period. Whilst withdrawal experience on new business has been better than expectation the withdrawal experience on existing business has been worse than assumption which has resulted in a change in withdrawal and unpaid premium assumptions on existing business of R64,3 million for the period. This is receiving management's attention.

The Risk Discount Rate ("RDR"), has been set at 10,7% (2012: 9,3%). The calculation is comprehensively explained in the Group EV results section of the results and a sensitivity analysis is also provided.

The release of this discretionary margin has had an immaterial impact on the Embedded Value ("EV").

Segment Results

Clientèle Life - Long-term insurance

Clientèle Life's Long-term insurance segment remains the major contributor to Group performance. It accounts for 86% (2012: 85%) or R280,9 million (2012: R120,9 million) of the Group's R325,2 million of VNB, and recorded Recurring EV Earnings of R328,1 million (2012: R252,9 million) for the period. The segment generated R157,0 million (2012: R131,9 million) net profit for the period, an increase of 19% which has been impacted by the release of the discretionary margin and the expensing of acquisition costs related to the strong VNB.

The Investment Contracts operating segment reported a R3,3 million net profit for the period (2012: R2,9 million). "Financial liabilities - investment contracts" has shown a material reduction, this relates to five year insurance contracts that have matured. These contracts are matched by financial assets and consequently "Financial assets held at fair value through profit and loss" has shown a similar reduction.

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

Clientèle Legal accounts for 13% (2012: 14%) or R43,5 million (2012: R19,3 million) of the Group's VNB for the period, and recorded Recurring EV Earnings of R66,8 million (2012: R56,2 million) and generated R18,1 million net profit for the period, an 8% increase on the R16,7 million net profit for the comparative period. This has also been impacted primarily by the expensing of acquisition costs on new business as reflected in the 35% increase in operating expenses.

Other Segments

The personal loans business, Clientèle Loans Direct Proprietary Limited ("CLD"), as previously reported, no longer enters into new business contracts as reflected by the major decrease in both the "Loans and receivables including insurance receivables" and "Financial liabilities - loans at amortised cost" balances as reflected in the Condensed Group Statement of Financial Position. New business contracts are now being concluded in accordance with a Profit Sharing Arrangement ("PSA") in respect of unsecured personal loans with WesBank (a division of FirstRand Bank Limited) and Direct Axis (SA) Proprietary Limited. This business is funded and conducted by WesBank as a separate business unit and administered by Direct Axis.

Clientèle believes the PSA will result in a sustainable and value-adding business for the future. The existing personal loans business is being run down to closure, which results in a reduction in expenses, mostly related to acquisition costs, and the emergence of profits in respect of business previously written. The business, including impairments, is performing in line with expectations.

Prospects

The Board's focus for the future will be to continue the momentum that has been built in production and to maintain the quality of new business written together with initiatives to improve withdrawals in respect of older duration policies. The Board remains focused on providing products and services that are relevant to its policyholders' needs and thereby continue to build a sustainable Financial Services Group and create on-going value for all of its Stakeholders.

G Q Routledge
Chairman

B W Reekie
Managing Director

Johannesburg

17 February 2014

UNAUDITED

Condensed Group Statement of Comprehensive Income

(R'000's)	Six months ended 31 December 2013	2012	% Change	Audited Year ended 30 June 2013
Revenue				
Insurance premium revenue	**684 364**	608 853	12	1 224 459
Reinsurance premiums	**(47 432)**	(36 538)		(78 596)
Net insurance premiums	**636 932**	572 315	11	1 145 863
Other income	**88 277**	87 249	1	168 847
Interest income	**30 586**	35 787	(15)	76 320
Fair value adjustment to financial assets at fair value through profit or loss	**127 119**	165 050	(23)	249 881
Net income	**882 914**	860 401	3	1 640 911
Net insurance benefits and claims	**(156 326)**	(172 087)	(9)	(339 755)
Decrease/(increase) in policyholder liabilities under insurance contracts	**34 092**	(17 892)		44 074
Decrease in reinsurance assets	**(38)**	(100)		(508)
Fair value adjustment to financial liabilities at fair value through profit or loss – investment contracts	**(35 636)**	(50 258)	(29)	(71 222)
Interest expense	**(7 466)**	(9 212)	(19)	(19 139)
Impairment of advances	**(18 060)**	(16 480)	10	(38 194)
Operating expenses	**(455 183)**	(397 109)	15	(818 555)
Profit before tax	**244 297**	197 263	24	397 612
Tax	**(64 325)**	(50 226)		(104 206)
Profit for the period	**179 972**	147 037	22	293 406
Attributable to:				
Non-controlling interest – ordinary shareholders	**437**	(552)		311
Equity holders of the Group – ordinary shareholders	**179 535**	147 589	22	293 095
Net profit for the period	**179 972**	147 037	22	293 406
Other comprehensive income:				
Gains on property revaluation				10 599
Income tax relating to gains on property revaluation				(3 218)
Other comprehensive income for the period – net of tax	**–**	–		7 381
Total comprehensive income for the period	**179 972**	147 037	22	300 787
Total comprehensive income attributable to:				
Non-controlling interest – ordinary shareholders	**437**	(552)		311
Equity holders of the Group – ordinary shareholders	**179 535**	147 589	22	300 476

Condensed Group Statement of Financial Position

(R'000's)	Six months ended 31 December 2013	2012	Audited Year ended 30 June 2013
Assets			
Intangible assets	**22 232**	21 083	19 657
Property and equipment	**25 302**	31 523	25 962
Owner-occupied properties	**188 848**	176 994	188 240
Deferred tax	**25 463**	22 018	26 856
Inventories	**1 364**	644	1 123
Reinsurance assets	**3 299**	3 745	3 337
Financial assets held at fair value through profit or loss	**2 101 419**	2 246 094	2 287 980
Loans and receivables including insurance receivables	**161 653**	269 224	223 304
Current tax	**1 046**	4 271	643
Cash and cash equivalents	**165 536**	144 734	180 011
Total assets	**2 696 162**	2 920 330	2 957 113
Total equity and reserves	**471 028**	371 018	529 420
Liabilities			
Policyholder liabilities under insurance contracts	**712 559**	808 617	746 651
Financial liabilities – investment contracts	**1 191 522**	1 360 608	1 326 415
– At fair value through profit or loss	**1 145 832**	1 319 906	1 283 311
– At amortised cost	**45 690**	40 702	43 104
Financial liabilities – loans at amortised cost	**80 018**	183 908	134 996
Employee benefits	**52 970**	31 858	66 383
Deferred tax	**31 334**	27 299	27 420
Accruals and payables including insurance payables	**138 351**	136 785	120 962
Current tax	**18 380**	237	4 866
Total liabilities	**2 225 134**	2 549 312	2 427 693
Total equity and liabilities	**2 696 162**	2 920 330	2 957 113

Tax

(R'000's)	Six months ended 31 December 2013	2012	Audited Year ended 30 June 2013
Current and deferred tax	**(64 145)**	(46 678)	(98 877)
Capital gains tax	**(180)**	(3 548)	(3 702)
Underprovision in prior periods			(1 627)
Tax	**(64 325)**	(50 226)	(104 206)

The Individual Policyholder Fund has an estimated tax loss of R2,1 billion (2012: R2,0 billion).

Reconciliation of Net Profit to Headline Earnings

(R'000's)	Six months ended 31 December 2013	2012	% Change	Audited Year ended 30 June 2013
Net profit for the period attributable to equity holders of the Group	**179 535**	147 589	22	293 095
Less: Profit on disposal of property and equipment	**(93)**	(43)		(46)
Add: Investment in associate written off		291		291
Headline earnings for the period	**179 442**	147 837	21	293 340

Ratios per Share

(Cents)	Six months ended 31 December 2013	2012	% Change	Audited Year ended 30 June 2013
Headline earnings per share	**54,67**	45,23	21	89,62
Diluted headline earnings per share	**54,62**	44,82	22	89,57
Earnings per share	**54,70**	45,15	21	89,54
Diluted earnings per share	**54,65**	44,74	22	89,49
Net asset value per share	**143,50**	113,51	26	161,41
Diluted net asset value per share	**143,39**	112,48	27	161,65
Dividends per share – paid	**74,00**	67,00	10	67,00
Dividends per share – declared	**–**	–		74,00
Weighted average ordinary shares ('000)	**328 241**	326 850		327 325
Diluted average ordinary shares ('000)	**328 505**	329 848		327 508

Condensed Group Statement of Cash Flows

(R'000's)	Six months ended 31 December 2013	2012	Audited Year ended 30 June 2013
Cash flows from operating activities	**(87)**	(16 433)	28 235
Profit from operations adjusted for non-cash items	**199 928**	231 145	330 090
Working capital changes	**(51 644)**	(94 504)	(144 286)
Separately disclosable items[1]	**(23 589)**	(23 932)	(48 120)
Decrease in financial liabilities[2]	**(173 115)**	(43 256)	(100 815)
Net disposal of investments[3]	**313 680**	159 083	265 808
Interest received	**14 978**	15 522	31 606
Dividends received	**8 611**	8 410	16 514
Dividends paid	**(243 029)**	(219 009)	(219 012)
Tax paid	**(45 907)**	(49 892)	(103 550)
Cash flows from investing activities[4]	**(14 388)**	(7 346)	(16 737)
Net (decrease)/increase in cash and cash equivalents	**(14 475)**	(23 779)	11 498
Cash and cash equivalents at beginning of the period	**180 011**	168 513	168 513
Cash and cash equivalents at end of the period	**165 536**	144 734	180 011

1. Interest and dividends.
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.

Notes to the Results

The results have not been reviewed or audited by the Group's auditors, PricewaterhouseCoopers Incorporated. The change in policyholder liabilities has been based on best estimates after providing for compulsory and discretionary margins and has been actuarially certified by Aon Hewitt (Actuarial).

The Condensed Group Results were prepared under the supervision of Mr I B Hume (CA(SA), ACMA), the Group Financial Director.

Changes to the Board

Mrs F F T De Buck resigned on 3 September 2013.

Segment Assets and Liabilities

(R'000's)	Six months ended 31 December 2013	2012	Audited Year ended 30 June 2013
Assets			
Long-term insurance	**1 307 089**	1 261 885	1 371 736
Investment contracts	**1 191 898**	1 360 818	1 328 452
Short-term insurance	**123 082**	115 289	129 408
Other	**160 492**	261 762	211 196
Inter segment	**(86 399)**	(79 424)	(83 679)
Total Group Assets	**2 696 162**	2 920 330	2 957 113
Liabilities			
Long-term insurance	**915 110**	960 935	933 280
Investment contracts	**1 191 522**	1 360 608	1 326 415
Short-term insurance	**31 674**	25 394	26 102
Other	**173 227**	281 799	225 575
Inter segment	**(86 399)**	(79 424)	(83 679)
Total Group Liabilities	**2 225 134**	2 549 312	2 427 693

Accounting Policies

Statement of Compliance

The condensed consolidated interim Financial Statements are prepared in accordance with the JSE Limited Listings Requirements for interim reports and the requirements of the Companies Act of South Africa. The Listings Requirements require interim 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 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 interim 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 interim 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. The Group has now released the portion of the discretionary margin in the Life Company's Actuarial Liabilities, of R49,9 million (R35,9 million after tax), which was held in respect of policyholder unit-linked business as experience has shown that this discretionary margin is no longer required. This change in estimate has resulted in a once-off release of this discretionary margin.

Apart from the discretionary margin referred to above, there was no major impact due to changes in previous assumptions and estimates used in deriving the amounts referred to above.

Related Party Transactions

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

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.

Segment Statements of Comprehensive Income

(R'000's)	Long-term insurance	Investment contracts	Short-term insurance	Other	Inter segment (revenue)/ expense	Group
31 December 2013						
Insurance premium revenue	**590 427**		**93 937**			**684 364**
Reinsurance premiums	**(47 217)**		**(215)**			**(47 432)**
Net insurance premiums	**543 210**		**93 722**			**636 932**
Other income	**77 276**	**6 875**	**48**	**6 685**	**(2 607)**	**88 277**
Interest income	**6 623**		**420**	**27 410**	**(3 867)**	**30 586**
Fair value adjustment to financial assets at fair value through profit or loss	**81 001**	**38 495**	**7 623**			**127 119**
Segment revenue	**708 110**	**45 370**	**101 813**	**34 095**	**(6 474)**	**882 914**
Segment expenses and claims	**(494 806)**	**(40 842)**	**(77 631)**	**(31 812)**	**6 474**	**(638 617)**
Net insurance benefits and claims	**(145 082)**		**(11 244)**			**(156 326)**
Increase in policyholder liabilities under insurance contracts	**33 893**		**199**			**34 092**
Decrease in reinsurance assets	**(38)**					**(38)**
Fair value adjustment to financial liabilities at fair value through profit or loss		**(35 636)**				**(35 636)**
Interest expense		**(2 586)**		**(8 747)**	**3 867**	**(7 466)**
Impairment of advances				**(18 060)**		**(18 060)**
Operating expenses	**(383 579)**	**(2 620)**	**(66 586)**	**(5 005)**	**2 607**	**(455 183)**
Profit before tax	**213 304**	**4 528**	**24 182**	**2 283**	**–**	**244 297**
Tax	**(56 338)**	**(1 268)**	**(6 080)**	**(639)**		**(64 325)**
Net profit for the period	**156 966**	**3 260**	**18 102**	**1 644**	**–**	**179 972**
Attributable to:						
Non-controlling interest – ordinary shareholders				**437**		**437**
Equity holders of the Group – ordinary shareholders	**156 966**	**3 260**	**18 102**	**1 207**	**–**	**179 535**
31 December 2012						
Insurance premium revenue	534 100		74 753			608 853
Reinsurance premiums	(36 373)		(165)			(36 538)
Net insurance premiums	497 727		74 588			572 315
Other income	74 740	6 114	3	8 796	(2 404)	87 249
Interest income	5 518		330	33 346	(3 407)	35 787
Fair value adjustment to financial assets at fair value through profit or loss	104 380	52 598	8 072			165 050
Segment revenue	682 365	58 712	82 993	42 142	(5 811)	860 401
Segment expenses and claims	(505 069)	(54 696)	(60 858)	(48 326)	5 811	(663 138)
Net insurance benefits and claims	(163 108)		(8 979)			(172 087)
Increase in policyholder liabilities under insurance contracts	(15 331)		(2 561)			(17 892)
Decrease in reinsurance assets	(100)					(100)
Fair value adjustment to financial liabilities at fair value through profit or loss		(50 258)				(50 258)
Interest expense		(2 303)		(10 316)	3 407	(9 212)
Impairment of advances				(16 480)		(16 480)
Operating expenses	(326 530)	(2 135)	(49 318)	(21 530)	2 404	(397 109)
Profit/(loss) before tax	177 296	4 016	22 135	(6 184)	–	197 263
Tax	(45 405)	(1 125)	(5 427)	1 731		(50 226)
Net profit/(loss) for the period	131 891	2 891	16 708	(4 453)	–	147 037
Attributable to:						
Non-controlling interest – ordinary shareholders				(552)		(552)
Equity holders of the Group – ordinary shareholders	131 891	2 891	16 708	(3 901)	–	147 589

Sponsor: pwc PricewaterhouseCoopers Corporate Finance Proprietary Limited

Registered office: Clientèle Office Park, Cnr Rivonia and Alon Roads, Morningside, 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)* (Executive 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

Value of New Business increased by 128% from **R142,3 million to a record level of R325,2 million**

New Business profit margin increased from **20% to 27%**

Recurring Embedded Value Earnings **increased by 29% from** R312,9 million to R403,5 million

Annualised Recurring Return on Embedded Value of 24%

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 Scheme Reserve†	NDR: Revaluation	**Sub-total**	Non-controlling interest	Total
Balance as at 1 July 2012	6 534	253 678	(220 273)	39 939	356 415	9 957	38 559	444 870	(4 866)	440 004
Ordinary dividends					(219 060)			(219 060)		(219 060)
Total comprehensive income					147 589			147 589	(552)	147 037
– Net profit/(loss) for the period					147 589			147 589	(552)	147 037
Shares issued	13	7 085		7 098				7 098		7 098
SAR and Bonus Rights Scheme allocated						3 034		3 034		3 034
Transfer from shares issued					(5 863)	(1 232)		(7 095)		(7 095)
Balance as at 31 December 2012	6 547	260 763	(220 273)	47 037	279 081	11 759	38 559	376 436	(5 418)	371 018
Balance as at 1 January 2012	6 547	260 763	(220 273)	47 037	279 081	11 759	38 559	376 436	(5 418)	371 018
Total comprehensive income					145 506		7 381	152 887	863	153 750
– Net profit/(loss) for the period					145 506			145 506	863	146 369
– Other comprehensive income							7 381	7 381		7 381
Transfer to contingency reserve										
Shares issued	13	8 219		8 232				8 232		8 232
SAR and Bonus Rights Scheme allocated						4 655		4 655		4 655
Transfer from shares issued					(6 887)	(1 348)		(8 235)		(8 235)
Balance as at 30 June 2013	6 560	268 982	(220 273)	55 269	417 700	15 066	45 940	533 975	(4 555)	529 420
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					**179 535**			**179 535**	**437**	**179 972**
– Net profit/(loss) for the period					**179 535**			**179 535**	**437**	**179 972**
Shares issued	**15**	**10 060**		**10 075**				**10 075**		**10 075**
SAR and Bonus Rights Scheme allocated						**4 705**		**4 705**		**4 705**
Transfer from Shares issued					**(8 789)**	**(1 286)**		**(10 075)**		**(10 075)**
Balance as at 31 December 2013	**6 575**	**279 042**	**(220 273)**	**65 344**	**345 377**	**18 485**	**45 940**	**475 146**	**(4 118)**	**471 028**

†*SAR scheme – the Clientèle Limited Share Appreciation Rights Scheme, Bonus Rights Scheme – the Clientèle Limited Bonus Rights Scheme.*

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 31 December 2013.

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

The EV calculations have been certified by the Group's independent actuaries, Aon Hewitt (Actuarial). The EV can be summarised as follows:

(R'000's)	Six months ended 31 December **2013**	2012	Year ended 30 June 2013
Free surplus	**191 861**	187 794	311 614
Required capital	**282 090**	193 680	231 817
Adjusted Net Worth ("ANW") of covered business	**473 950**	381 474	543 431
CoC	**(51 211)**	(45 840)	(44 959)
PVIF	**3 216 414**	3 122 162	3 048 168
EV of covered business	**3 639 153**	**3 457 796**	**3 546 640**

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)	Six months ended 31 December **2013**	2012	Year ended 30 June 2013
Total equity and reserves per the Statement of Financial Position	**471 028**	371 018	529 420
Removal of Deferred Profits and impact of compulsory margins on investment business (net impact after tax)	**14 667**	17 022	16 449
Removing minority interests	**4 118**	5 418	4 555
Adjusting subsidiaries to Net Asset Value	**15 129**	11 911	15 129
Share Appreciation Rights ("SAR") and Bonus Rights scheme adjustment	**(30 991)**	(23 896)	(22 122)
ANW	**473 950**	**381 474**	**543 431**

The CoC is the opportunity cost of having to hold the Required Capital of R282,1 million as at 31 December 2013. 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 Scheme.

Clientèle Life's Statutory Capital Adequacy Requirement ("CAR") cover ratio at 31 December 2013 was 1,67 times (30 June 2013: 2,44 times) on the statutory valuation basis.

Clientèle General Insurance's Statutory ("CAR") cover ratio at 31 December 2013 was 1,42 times (30 June 2013: 1,83 times) on the statutory valuation basis.

Value of New Business ("VNB")

(R'000's)	Six months ended 31 December **2013**	2012	Year ended 30 June 2013
Total VNB	**325 218**	142 340	302 140
Present Value of New Business premiums	**1 194 892**	719 913	1 509 582
New Business profit margin	**27,2%**	19,8%	20,0%

The VNB (excluding any allowance for the Management Incentive scheme) represents the present value of projected after tax profits at the point of sale on new covered business commencing during the period ended 31 December 2013 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

(%)	Six months ended 31 December **2013**	2012	Year ended 30 June 2013
Risk discount rate	**10,7**	9,3	10,4
Overall investment return	**7,2**	5,8	6,9
Expense inflation	**5,7**	4,3	5,4
Corporate tax	**28,0**	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 the 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 careful consideration, the Board has decided to continue to use a more conservative beta of 1, as opposed to its actual beta of 0,12, 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 RDRs.

The resulting RDR utilised for the South African business as at 31 December 2013 was 10,7% (30 June 2013: 10,4%).

RDR Sensitivities

(R'000's)	EV	VNB
RDR 8,7%	4 285 444	418 266
RDR 9,3% (RDR as at December 2012)	4 066 619	386 328
RDR 9,7%	3 934 216	367 097
RDR 10,4% (RDR as at June 2013)	3 724 784	336 830
RDR 10,7% (RDR as at December 2013)	3 639 153	325 218
RDR 11,7%	3 397 285	289 897
RDR 12,7%	3 188 006	260 175

Demographic assumptions and other changes

A small withdrawal and unpaid premium profit was experienced during the year. This number consists of two main items: a loss on existing business and a profit on new business, which roughly offset each other. The assumptions were adjusted to allow for the adverse experience on existing business, resulting in a decrease in the EV of R64,3 million. The impact of the assumption changes made for new business is allowed for in the VNB.

A discretionary margin in respect of unit-linked policies has been released. This discretionary margin of R49,9 million before tax was released during the current financial year. The release of this margin has an immaterial impact on EV, but has resulted in a move between the components of the EV, i.e. between ANW, PVIF and COC.

The once-off item of R6,6 million in the 'EV earnings Analysis' section below relates to the once-off EV impact of the release in the discretionary margin as mentioned above, as well as small modeling refinements.

EV per Share

(cents)	Six months ended 31 December **2013**	2012	Year ended 30 June 2013
EV per share	**1 106,90**	1 056,38	1 081,27
Diluted EV per share	**1 106,01**	1 048,30	1 080,67

Segment Information

The EV can be split between segments as follows:

(R'000's)	ANW	PVIF	CoC	EV
31 December 2013				
SA – Long-term insurance	391 288	2 723 115	(36 086)	**3 078 317**
SA – Short-term insurance	91 408	479 133	(15 125)	**555 415**
SA – Investment contracts	–	3 618	–	**3 618**
Other	(8 746)	10 549	–	**1 803**
Total	**473 950**	**3 216 414**	**(51 211)**	**3 639 153**
31 December 2012				
SA – Long-term insurance	306 326	2 726 873	(33 388)	**2 999 810**
SA – Short-term insurance	89 895	384 388	(12 451)	**461 832**
SA – Investment contracts	–	4 715	–	**4 715**
Other	(14 747)	6 186	–	**(8 561)**
Total	**381 474**	**3 122 162**	**(45 840)**	**3 457 796**
30 June 2013				
SA – Long-term insurance	450 078	2 592 886	(31 249)	**3 011 714**
SA – Short-term insurance	103 306	439 375	(13 709)	**528 972**
SA – Investment contracts	–	4 080	–	**4 080**
Other	(9 953)	11 827	–	**1 874**
Total	**543 431**	**3 048 168**	**(44 959)**	**3 546 640**

The VNB can be split between segments as follows:

(R'000's)	Six months ended 31 December **2013**	2012	Year ended 30 June 2013
SA – Long-term insurance	**280 904**	120 888	227 788
SA – Short-term insurance	**43 511**	19 330	65 309
SA – Investment contracts	**383**	988	2 479
Other	**420**	1 132	6 564
Total	**325 218**	**142 340**	**302 140**

Embedded Value Earnings Analysis

EV earnings (per APN 107) comprises the change in EV for the period after adjusting for capital movements and dividends paid as they pertain to the Group.

(R'000's)	Six months ended 31 December 2013: ANW	PVIF	CoC	Total	Six months ended 31 December 2012	Year ended 30 June 2013
A: EV at the end of the period	**473 950**	**3 216 414**	**(51 211)**	**3 639 153**	**3 457 796**	**3 546 640**
EV at the beginning of the period	543 431	3 048 168	(44 959)	**3 546 640**	3 259 044	3 259 044
Dividends paid	(243 069)	–	–	**(243 069)**	(219 060)	(219 060)
B: Adjusted EV at the beginning of the period	**300 362**	**3 048 168**	**(44 959)**	**3 303 572**	**3 039 985**	**3 039 985**
EV earnings (A – B)	**173 588**	**168 246**	**(6 252)**	**335 582**	**417 811**	**506 655**
Impact of once-off economic assumption changes	107	62 699	(1 480)	**61 326**	(104 925)	129 294
Impact of other once-off items	(35 872)	35 882	6 597	**6 607**	–	–
Recurring EV earnings (before once-off items)	137 823	266 827	(1 135)	**403 514**	312 886	635 949
Recurring Return on EV (before once-off items)				**24.4%**	20,6%	20,9%
Return on EV				**20.3%**	**27,5%**	**16,7%**
Components of EV earnings						
VNB	(146 517)	474 687	(2 953)	**325 218**	142 340	302 140
Expected return on covered business (unwinding of RDR)	–	159 848	1 706	**161 554**	135 014	276 146
Expected profit transfer	275 876	(275 876)	–	**–**	–	–
Withdrawal and unpaid premium experience variance	(891)	5 840	(1 138)	**3 811**	21 059	14 770
Claims and reinsurance experience variance	(486)	197	–	**(289)**	(1 347)	(9 656)
Sundry experience variance	(589)	1 116	1	**528**	9 398	(730)
Change in withdrawals and unpaid premium assumptions	4 303	(69 823)	1 248	**(64 271)**	–	44 592
Other Changes in modelling/basis	(1 427)	(12 570)	1	**(13 996)**	1 129	(28 431)
Once-off costs	–	–	–	**–**	(4 328)	(9 057)
Expected return on ANW	12 338	–	–	**12 338**	9 456	24 510
SAR and Bonus Rights Scheme dilution	(4 304)	–	–	**(4 304)**	(2 351)	7 909
Goodwill and Medium-term incentive schemes	(20 715)	(16 592)	–	**(37 307)**	(11 294)	(27 322)
EV operating return	**117 590**	**266 827**	**(1 135)**	**383 281**	**299 075**	**594 871**
Investment return variances on ANW	20 233	–	–	**20 233**	13 811	41 078
Effect of economic assumption changes	(107)	(62 699)	1 480	**(61 326)**	104 925	(129 294)
Impact of other once-off items	35 872	(35 882)	(6 597)	**(6 607)**	–	–
EV earnings	**173 588**	**168 246**	**(6 252)**	**335 582**	**417 811**	**506 655**

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