

CONDENSED UNAUDITED GROUP RESULTS

For the six months
ended 31 December

2019



Clientèle

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

clientèle

Net insurance
premiums remained
constant at

R1.08 billion

Diluted
headline
earnings per share
decreased by
9% to

52.62 cents

Annualised return
on average
shareholders'
interest of

36%

Value of New
Business of

R50.9 million

Recurring
Embedded Value
Earnings of

R282.0 million

Annualised Recurring
Return on Embedded
Value of

9.1%

Embedded Value per
share of

R18.94

INTRODUCTION

The challenging state of the South African economy has placed continued pressure on our clients' disposable income affecting their ability to pay insurance premiums and the investment returns of the Clientèle Group, the combination of which has resulted in a disappointing set of results for the six month period.

A major contributor to the results is the adverse withdrawal experience and ongoing occurrence of widespread debit order disputes which has affected all mass market insurers in South Africa. Withdrawals and disputes have been worse than management's expectations and this has affected insurance premium revenue, the Value of New Business ("VNB") and Recurring Embedded Value Earnings ("REVE"). The negative withdrawal and unpaid premium experience variance for the period amounts to R74.5 million. Long-term withdrawal and other non-economic assumptions were not changed as at 31 December 2019, however these will be reviewed for year-end results in June 2020. Withdrawals and disputes continue to be the subject of intense focus by management.

New business production volumes, although marginally higher than the same period last year, are again below expectation for the traditional Telesales and Independent Field Advertisers ("IFAs") channels. This was partially offset by increased production from the newer Agency and Mass Market Broker distribution channels.

The annualised investment return for the period of 5.5% (2018: 1.0 %) from the Group's investment portfolios was disappointingly below the actuarial assumption.

Clientèle's loyalty program, Clientèle Rewards, has been well subscribed to by clients and Rewards contracts have now been taken up by approximately 15% of Clientèle's client base.

The loyalty program is delivered by Clientèle Benefits Company (Pty) Ltd, a wholly owned subsidiary of Clientèle Limited. The relationship with the loyalty benefit providers is managed by Direct Rewards (Pty) Ltd. The Rewards program is of strategic importance to Clientèle and Clientèle has secured the option to buy a 25% stake in Direct Rewards (Pty) Ltd, at Clientèle's election, in the second half of the 2020 financial year.

Clientèle recently launched another differentiating offering, Clientèle Mobile, which offers airtime and data to the South African public and gives further discounts to Clientèle Rewards members in order to enhance our clients' experience with Clientèle.

The Clientèle Application ("the App") introduced in November 2018 has also been keenly adopted by our clients, employees and intermediaries and enables a more interactive relationship with our clients and serves as a platform for Clientèle Rewards and Clientèle Mobile as well as many future opportunities.

OPERATING RESULTS

Group Statement of Comprehensive Income

Net insurance premiums for the period increased marginally by 0.4% to R1.083 billion (2018: R1.078 billion), adversely affected by withdrawals, disputes and lower production from our traditional Telesales and IFA channels which was partially offset by good production from the Agency and Mass Market Broker distribution channels.

Net insurance benefits and claims of R171.2 million were slightly higher than the R170.6 million in respect of the comparative period.

Operating expenses of R764.7 million (2018: R751.2 million) were well controlled and were 2% higher than the comparative period.

In terms of IAS12, R7.3 million of the individual policyholder fund deferred tax asset has been released (2018: R97.4 million was recognised). The corresponding release from liabilities at fair value through profit or loss in the Group Statement of Comprehensive Income amounts to R5.2 million (2018: transfer to liabilities of R86.0 million). The net after tax impact on headline earnings is a decrease of R1.5 million (2018: R8.2 million increase).

Diluted headline earnings per share decreased by 9% in comparison to the comparative period, mostly due to the increase in withdrawals and disputes which resulted in relatively flat net insurance premium income against a modest increase in operating expenses.

Headline earnings for the Group decreased by 9% to R176.7 million (2018: R193.7 million), generating a return on average shareholders' interests of 36% (2018: 38%).

Group Embedded Value and Value of New Business

The Group Embedded Value (“EV”) decreased from R6.6 billion at 30 June 2019 to R6.4 billion at 31 December 2019, impacted by the payment of the annual dividend of R439.3 million in September 2019. Recurring Embedded Value Earnings (“REVE”) of R282.0 million were earned for the six months (2018: R345.7 million), a decrease of 18.4%.

The recurring premium business VNB was negatively impacted by lower production from our traditional channels and higher withdrawals and disputes on new business and decreased by 67.2% from R146.4 million to R48.0 million. The VNB contribution from single premium business written decreased, due to the planned curtailment of co-branded single premium business, to R2.9 million (2018: R57.6 million). This resulted in the total VNB reducing by 75.1% to R50.9 million for the period (2018: R204.1 million).

New business profit margins (excluding single premium investment business) have decreased to 4.9% (2018: 13.3%).

The Group follows a conservative accounting practice of eliminating negative reserves. As acquisition costs are expensed upfront, the recovery of these costs and the profits are deferred over the policy life. The present value of this discretionary margin amounts to R2.94 billion (2018: R3.21 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 recorded an 8.7% decrease in net profit for the period to R159.9 million (2018: R175.1 million). Clientèle Life’s recurring premium business VNB decreased by 78.4% to R22.1 million (2018: R102.4 million). Clientèle Life’s single premium VNB decreased, as expected, to R2.9 million (2018: R57.6 million). Clientèle Life’s total VNB of R25.0 million (2018: R160.0 million) decreased by 84.4%. Clientèle Life recorded REVE of R220.6 million (2018: R283.9 million), a decrease of 22.2%.

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

Clientèle Legal recorded net profit for the period of R24.2 million (2018: R21.6 million), a 12% increase. Clientèle Legal’s VNB of R22.6 million (2018: R43.4 million) decreased by 48.0%. Clientèle Legal recorded REVE of R64.4 million (2018: R46.4 million), an increase of 38.7%.

OUTLOOK

The economic environment has worsened over this period and remains challenging. The Board is concerned by the current state of the economy and by the continuing high level of disputes. The Board is not expecting any meaningful improvement in the economic environment for the remainder of the financial year and is making concerted efforts to understand and positively influence policyholder behaviour.

Management’s recent initiatives, which include Clientèle Rewards, the Clientèle App, Clientèle Mobile coupled with the widespread roll-out of DebiCheck are aimed at improving persistency and the quality of new business written. Clientèle will also continue to focus on increasing production levels, particularly in our traditional Telesales and IFA distribution channels.

Tight control will be kept on expenses and every effort will be made to maintain and improve business efficiencies.

Clientèle Rewards, the Clientèle App and Clientèle Mobile are important ingredients in offering our customers improved value, convenience and service which we believe will further enhance and differentiate the Clientèle business model in future.

Clientèle remains committed to providing products and services that are relevant and meet our customers’ needs and will continue to improve on the delivery of them to the market conveniently and efficiently.

The Board is disappointed by the results for the period, however it is encouraged by the new initiatives and their prospects for growth and value creation over time.

By order of the Board

GQ Routledge
Chairman

BW Reekie
Managing Director

Johannesburg

24 February 2020

Condensed Group Statement of Financial Position

(R'000's)	31 December		Audited 30 June
	2019	2018	2019
Assets			
Intangible assets	39,101	36,759	40,605
Property and equipment	49,080	44,169	46,263
Owner-occupied properties [^]	432,781	424,840	431,493
Deferred tax [‡]	241,307	162,011	270,193
Inventories	2,793	1,215	1,880
Reinsurance assets	2,888	2,999	2,868
Financial assets at fair value through profit or loss	7,745,883	1,161,390	8,049,441
Financial assets at amortised cost	125,698	5,116,731	112,077
Loans and receivables including insurance receivables	64,776	43,187	61,907
Current tax	–	4,890	1,048
Cash and cash equivalents	290,102	320,570	234,595
Total assets	8,994,409	7,318,761	9,252,370
Total equity and reserves	864,260	905,109	1,125,899
Liabilities			
Policyholder liabilities under insurance contracts	630,667	594,905	627,561
Financial liabilities held at fair value through profit or loss – investment contracts	6,714,844		6,655,554
Financial liabilities – investment contracts at amortised cost	219,223	5,279,932	209,575
Loans at amortised cost	113,038	113,046	113,043
Employee benefits	38,886	49,609	87,240
Deferred tax	97,415	73,021	112,906
Accruals and payables including insurance payables	312,327	301,025	317,756
Current tax	3,749	2,114	2,836
Total liabilities	8,130,149	6,413,652	8,126,471
Total equity and liabilities	8,994,409	7,318,761	9,252,370

[^] Owner-occupied properties are disclosed at level 3 in the fair value measurement hierarchy.

[‡] The deferred tax asset includes R172.8 million (June 2019: R179.4 million; December 2018: R97.4 million) in respect of tax losses which are expected to be utilised in the foreseeable future related to Clientèle Life's individual policyholders' tax fund ("IPF").

Condensed Group Statement of Comprehensive Income

(R'000's)	Six months ended 31 December		% Change	Audited Year ended 30 June
	2019 Actual	2018 Actual		2019
Revenue				
Insurance premium revenue	1,148,876	1,148,067	0	2,278,452
Reinsurance premiums	(65,697)	(69,589)		(137,867)
Net insurance premiums	1,083,179	1,078,478	0	2,140,585
Revenue from contracts with customers ¹	60,334			137,125
Other income	24,770	85,813		37,754
Interest income	6,797	12,995		13,551
Interest income on financial assets at amortised cost	4,660	158,670		10,371
Fair value adjustment to financial assets at fair value through profit or loss	252,004	(20,471)		743,444
Net income	1,431,744	1,315,485		3,082,830
Net insurance benefits and claims	(171,196)	(170,590)		(342,778)
Gross insurance benefits and claims	(232,438)	(224,341)		(452,848)
Insurance claims recovered from reinsurers	61,242	53,751		110,070
(Increase)/decrease in policyholder liabilities under insurance contracts	(3,106)	35,591		2,935
Increase/(decrease) in reinsurance assets	20	74		(57)
Fair value adjustment to financial liabilities at fair value through profit or loss [†]	(235,996)	(254,275)		(828,837)
Interest expense	(4,836)	(4,914)		(9,804)
Interest expense on financial liabilities at amortised cost				(18,918)
Operating expenses	(764,695)	(751,204)	2	(1,509,464)
Profit before tax	251,935	170,167		375,907
Tax	(75,264)	22,301		25,030
Profit for the period	176,671	192,468	(8)	400,937
Attributable to:				
– Equity holders of the group voting shareholders	176,671	192,468	(8)	400,937
Profit for the period	176,671	192,468	(8)	400,937
Other comprehensive income:				
Gains on property revaluation [#]				5,669
Income tax relating to gains on property revaluation [#]				(1,505)
Other comprehensive income for the period – net of tax	176,671	192,468		4,164
Total comprehensive income for the period	176,671	192,468	(8)	405,101
Attributable to:				
– Equity holders of the Group – ordinary shareholders	176,671	192,468	(8)	405,101

1. In terms of IFRS 15, revenue from contracts with customers of R60.3 million (2018: R70.9 million (included in other income)), must be separately disclosed.

[#] Items that cannot be recycled to profit or loss.

[†] Includes R5.2 million related to the IPF deferred tax asset of R172.8 million.

Condensed Group Statement of Changes in Equity

(R'000's)	Share capital	Share premium	Common control deficit	Sub-total
Balance as at 1 July 2018	6,694	377,757	(220,273)	164,178
Ordinary dividends				–
Total comprehensive income	–	–	–	–
– Net profit/(loss) for the period				
– Other comprehensive income/(expense)				
Share issued	10	9,794		9,804
SARs and Bonus scheme allocation				–
Transfer from shares issued				–
IFRS 9 transition adjustments				–
Balance as at 31 December 2018	6,704	387,551	(220,273)	173,982
Balance as at 1 January 2019	6,704	387,551	(220,273)	173,982
Ordinary dividends				–
Total comprehensive income	–	–	–	–
– Net profit/(loss) for the period				
– Other comprehensive income/(expense)				
Share issued	2	1,408		1,410
SARs and Bonus scheme allocation				–
Transfer from shares issued				–
IFRS 9 transition adjustments				–
Balance as at 30 June 2019	6,706	388,959	(220,273)	175,392
Balance as at 1 July 2019	6,706	388,959	(220,273)	175,392
Ordinary dividends				–
Total comprehensive income	–	–	–	–
– Net profit/(loss) for the period				
– Other comprehensive income/(expense)				
Share issued		106	–	106
SARs and Bonus scheme allocation				–
Transfer from shares issued				–
Balance as at 31 December 2019	6,706	389,065	(220,273)	175,498

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

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

† 0.006 million (2018: 0.5 million) shares were issued during the six month period in terms of the SAR and Bonus Rights Schemes.

Retained earnings	SAR and Bonus Rights Schemes Reserves†	NDR: Revaluation	Sub-total	Non-controlling interest	Total
871,898	22,972	70,619	1,129,667		1,129,667
(418,670)			(418,670)		(418,670)
192,468	–		192,468	–	192,468
192,468			192,468		192,468
			9,804		9,804
	1,644		1,644		1,644
116	(9,920)		(9,804)		(9,804)
			–		–
645,812	14,696	70,619	905,109	–	905,109
645,812	14,696	70,619	905,109		905,109
					–
208,469	–	4,164	212,633	–	212,633
208,469			208,469		208,469
		4,164	4,164		4,164
			1,410		1,410
	3,820		3,820		3,820
(3,186)	1,776		(1,410)		(1,410)
4,337			4,337		4,337
855,432	20,292	74,783	1,125,899	–	1,125,899
855,432	20,292	74,783	1,125,899	–	1,125,899
(439,259)			(439,259)		(439,259)
176,671	–	–	176,671	–	176,671
176,671			176,671		176,671
			106		106
	940		940		940
386	(483)		(97)		(97)
593,230	20,749	74,783	864,260	–	864,260

Condensed Group Statement of Cash Flows

	Six months ended 31 December	Audited Year ended 30 June
(R'000's)	2019	2018
Cash flows from operating activities	80,483	(31,712)
Profit from operations adjusted for non-cash items	268,241	299,799
Working capital changes	(68,750)	(5,498)
Separately disclosable items ¹	(51,371)	(50,853)
(Decrease)/increase in financial liabilities ^{2,5}	(167,059)	2,561,363
Disposal/(net acquisition) of investments ^{3,5}	546,601	(2,389,234)
Interest received	39,440	38,729
Dividends received	11,931	12,123
Dividends paid	(438,642)	(418,123)
Tax paid	(59,908)	(80,018)
Cash flows from investing activities ⁴	(20,136)	(15,496)
Cash flows from financing activities	(4,840)	(4,878)
Net increase/(decrease) in cash and cash equivalents	55,507	(52,086)
Cash and cash equivalents at beginning of the period	234,595	372,656
Cash and cash equivalents at end of the period	290,102	320,570

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. The increase in financial liabilities and the acquisition of investments in the 2018 interim results and 2019 financial year includes co-branded single premium business written.

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 Benefits Company (Pty) Ltd). The vast majority of policies written are in respect of individuals.

SEGMENT ASSETS AND LIABILITIES

	31 December	Audited 30 June
(R'000's)	2019	2018
Long-term insurance	8,640,560	6,940,897
Short-term insurance	243,331	259,629
Other	117,200	133,681
Inter segment	(6,682)	(15,446)
Total Group Assets	8,994,409	7,318,761
Long-term insurance	8,076,940	6,360,102
Short-term insurance	47,091	60,671
Other	19,978	8,325
Inter segment	(13,860)	(15,446)
Total Group Liabilities	8,130,149	6,413,652

Segment Statements of Comprehensive Income

(R'000's)	Long-term insurance	Short-term insurance	Other	Inter segment	Total
31 December 2019					
Insurance premium revenue	909,608	238,474	794		1,148,876
Reinsurance premiums	(65,697)				(65,697)
Net insurance premiums	843,911	238,474	794	–	1,083,179
Revenue from contracts with customers	60,334				60,334
Other income	30,320	144	424,460	(430,154)	24,770
Interest income	4,005	801	1,991		6,797
Interest income on financial assets at amortised cost	4,660				4,660
Fair value adjustment to financial assets at fair value through profit and loss	247,677	3,880	447		252,004
Segment revenue	1,190,907	243,299	427,692	(430,154)	1,431,744
Segment expenses and claims	(961,872)	(209,936)	(17,777)	9,776	(1,179,809)
Net insurance benefits and claims (Increase)/decrease in policyholder liabilities under insurance contracts	(147,802)	(23,394)			(171,196)
Increase in reinsurance assets	(3,343)	237			(3,106)
Fair value adjustment to financial liabilities at fair value through profit and loss	20				20
Interest expense	(235,996)				(235,996)
Operating expenses	(4,836)				(4,836)
	(569,915)	(186,779)	(17,777)	9,776	(764,695)
Profit before tax	229,035	33,363	409,915	(420,378)	251,935
Tax	(69,164)	(9,115)	3,015		(75,264)
Net profit for the period	159,871	24,248	412,930	(420,378)	176,671
Attributable to:					
Equity holders of the Group – ordinary shareholders	159,871	24,248	412,930	(420,378)	176,671

Segment Statements of Comprehensive Income *continued*

(R'000's)	Long-term insurance	Short-term insurance	Other	Inter segment	Total
31 December 2018					
Insurance premium revenue	926,325	221,742			1,148,067
Reinsurance premiums	(69,589)				(69,589)
Net insurance premiums	856,736	221,742	–	–	1,078,478
Other income	93,495	35	422,591	(430,308)	85,813
Interest income	11,622	633	740		12,995
Interest income on financial assets at amortised cost	158,670				158,670
Fair value adjustment to financial assets at fair value through profit or loss	(16,795)	(2,617)	(1,059)		(20,471)
Segment income	1,103,728	219,793	422,272	(430,308)	1,315,485
Segment expenses and claims	(958,615)	(189,719)	(2,778)	5,794	(1,145,318)
Net insurance benefits and claims	(149,974)	(20,616)			(170,590)
Decrease/(increase) in policyholder liabilities under insurance contracts	35,913	(322)			35,591
Increase in reinsurance assets	74				74
Interest expense on financial liabilities at amortised cost	(254,275)				(254,275)
Interest expense	(4,914)				(4,914)
Operating expenses	(585,439)	(168,781)	(2,778)	5,794	(751,204)
Profit before tax	145,113	30,074	419,494	(424,514)	170,167
Tax	30,015	(8,449)	735		22,301
Net profit for the period	175,128	21,625	420,229	(424,514)	192,468
Attributable to:					
Equity holders of the Group – ordinary shareholders	175,128	21,625	420,229	(424,514)	192,468

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 reviewed by the Group's head of actuarial function.

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

Changes to the board

Mr Gavin Knighton Chadwick was appointed as an alternate director to Dr. Adrian Enthoven, effective 2 October 2019.

Mr Lemuel Edwin Dumisa Hlatshwayo has been appointed as a Non-Executive Director, effective 1 February 2020.

ACCOUNTING POLICIES

Statement of compliance

The condensed consolidated interim Financial Statements are prepared in accordance with the JSE Listings Requirements for interim reports and the requirements of the Companies Act, Act 71 of 2008, 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 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, other than indicated below.

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

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

Estimates and judgements

The calculation of the deferred tax asset in respect of the IPF of R172 million and future utilisation of the assessed loss together with the related policy holder liability amounting to R151 million is subject to estimates and judgements. The input with the largest effect on the calculation is the attrition of business. Management has used an attrition rate of 20% in respect of the co-branded single premium business as the behaviour of this book of business, which has been written in large tranches, is similar to group business. Management will monitor this assumption annually as currently there is insufficient statistical data or experience to inform another view. If the attrition rate decreased to 17.5%, the deferred tax asset will increase to R192 million, with an additional negative impact of R0.9 million on net profit after tax.

Besides the assumptions in respect of the deferred tax asset mentioned above, there were no other major impacts due to changes in previous assumptions and estimates used in deriving amounts referred to above. At the interim reporting date the IPF has an estimated tax loss of R2.6 billion (2018: R2.7 billion).

Adoption of new and amended standards

IFRS 16 Leases, is effective for Clientèle for the 2020 financial year. Clientèle has applied the standard retrospectively without any restatement of comparatives.

In terms of IFRS 16 a single lessee accounting model is introduced where all qualifying leases entered into will result in the recognition of a receivable: Net investment in lease. The receivable: Net investment in lease represents Clientèle's right to finance income from the underlying leased asset. The leased liability represents the expected future cash flows that Clientèle will be receiving in terms of the lease contract.

In assessing the impact of IFRS 16 on the group, management has performed an assessment of existing contracts entered into and it was concluded that leases of properties were the only major class of underlying assets that will be recognised as right-of-use assets. All other classes of underlying assets will be treated as leases of low value and be expensed on a monthly basis. The group will also apply the exemption for short-term leases.

On transition to IFRS 16, the subsidiaries of the group, Clientèle Life and Clientèle General, will recognise right-of-use assets and lease liabilities for its property leases. Previously, they recognised operating lease expenses on a straight-line basis over the term of the lease.

The group has applied IFRS 16 on 1 July 2019, using the modified retrospective approach. Comparatives are not restated under this approach.

As the operating companies, Clientèle Life and Clientèle General, of the Clientèle group lease their buildings from the 100% owned property companies of the group, the effect of IFRS 16 eliminates on consolidation of the group.

Tax

(R'000's)	Six months ended 31 December		Audited Year ended 30 June
	2019	2018	2019
Current and deferred tax	(67,621)	(74,968)	(153,730)
Policyholder deferred tax recognised in terms of IAS 12*	(7,345)	97,420	179,427
Capital gains tax	(298)	(151)	(667)
Tax	(75,264)	22,301	25,030

The Individual Policyholder Fund has an estimated tax loss at December 2019: R2.63 billion (2018: R2.74 billion).

* It is currently probable that future taxable profits in the Clientèle Life Individual Policyholder Fund will be available against which the assessed loss can be utilised.

Reconciliation of Net Profit to Headline Earnings

(R'000's)	Six months ended 31 December		% Change	Audited Year ended 30 June
	2019	2018		2019
Net profit for the period attributable to equity holders of the Group	176,671	192,468	(8)	400,937
Add: Impairment of intangible asset		1,246		1,246
Less: Profit on disposal of property and equipment		(43)		(79)
Headline earnings for the period	176,671	193,671	(9)	402,104

Ratios per Share

(Cents)	Six months ended 31 December		% Change	Audited Year ended 30 June
	2019	2018		2019
Headline earnings per share	52.69	57.84	(9)	120.00
Diluted headline earnings per share	52.62	57.62	(9)	119.85
Earnings per share	52.69	57.49	(8)	119.65
Diluted earnings per share	52.62	57.26	(8)	119.50
Net asset value per share	257.74	270.00	(5)	335.78
Diluted net asset value per share	257.44	269.27	(4)	335.58
Dividends per share – paid	131.00	125.00	5	125.00
Dividends per share – declared	–	–		131.00
Ordinary shares in issue ('000)	335,316	335,222		335,310
Weighted average ordinary shares ('000)	335,311	334,811		335,081
Diluted average ordinary shares ('000)	335,717	336,138		335,507

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 31 December 2019:

(R'000's)	Level 1	Level 2	Level 3	Total
Assets				
Listed equity securities	617,442			617,442
Unlisted equity securities		3,850		3,850
Promissory notes and fixed deposits		6,570,507	14,422	6,584,929
Funds on deposit		416,526		416,526
Fixed interest securities		39,812		39,812
Government and public authority bonds		83,324		83,324
Total assets	617,442	7,114,019	14,422	7,745,883
Liabilities				
Financial liabilities at fair value through profit of loss		6,700,422	14,422	6,714,844
Total Liabilities		6,700,422	14,422	6,714,844

RECONCILIATION OF LEVEL 3 FINANCIAL INSTRUMENTS

The following table presents the changes in level 3 financial instruments for the six months ending at 31 December 2019.

(R'000)	31 December 2019		30 June 2019	
	Financial Assets at fair value through profit or loss	Financial Liabilities at fair value through profit or loss	Financial Assets at fair value through profit or loss	Financial Liabilities at fair value through profit or loss
Opening balances	52,700	52,700	134,712	132,092
Transfer to level 2 ¹			(2,675)	
Fair value adjustments recognised in profit or loss	1,425	1,425	10,623	10,568
Repayments	(39,703)	(39,703)	(89,960)	(89,960)
Closing balance	14,422	14,422	52,700	52,700

1. These financial assets have been transferred to level 2 on the fair value measurement hierarchy as there are now market observable inputs available to determine the value of the assets. This transfer was deemed to occur at financial year end.

CAPITAL AND OTHER COMMITMENTS

Clientèle Limited has in prior years provided financial assistance resulting in a net exposure through guarantees of R200 million for the purchase of approximately 6.98% of Clientèle's issued shares ("ordinary Shares") by Yellowwoods Trust Investments (Pty) Ltd ("YTI") a wholly owned subsidiary of the Hollard Foundation Trust, a B-BBEE Trust.

At the Annual General Meeting held on 30 October 2019, financial assistance through the issuance of a further guarantee in the amount of R89.5 million in respect of approximately 5.5 million additional Ordinary Shares purchased by YTI was approved.

As at 31 December 2019, the guarantees remained in place.

EVENTS AFTER THE REPORTING DATE

There are 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 material related party transactions during the period.

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 2019.

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 calculation has been reviewed by the Group's Head of Actuarial Function. The EV can be summarised as follows:

(R'000's) Unaudited	31 December		30 June
	2019	2018	2019
Required economic capital	502,712	479,338	487,009
Free surplus	458,738	523,199	745,279
Adjusted Net Worth ("ANW") of covered business	961,450	1,002,537	1,232,288
CoC	(101,901)	(108,370)	(92,821)
PVIF	5,492,805	5,324,944	5,496,862
EV of covered business	6,352,354	6,219,111	6,636,329

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.

The PVIF business is the present value of future after-tax profits arising from covered business in force as at 31 December 2019 on the Published Reporting Basis. The Published Reporting Basis is based on IFRS, as published in the Financial Statements above.

Reconciliation of Total Equity to ANW

(R'000's)	31 December		30 June
	2019	2018	2019
Total equity and reserves per the Statement of Financial Position	864,260	905,109	1,125,899
Adjusted for deferred profits and impact of compulsory margins on investment business	89,387	89,906	100,728
Adjusting subsidiaries to Net Asset Value	34,628	33,123	34,628
Reversal of Clientèle Benefits Company (Pty) Ltd intangible asset	(4,579)	(6,106)	(5,342)
Bonus Rights Scheme adjustment	(7,745)	(11,306)	(7,577)
Net of tax impact of adjusting Single Premium business to market value	(14,501)	(8,189)	(16,048)
ANW	961,450	1,002,537	1,232,288

The CoC is the opportunity cost of having to hold the Required Capital of R502.7 million as at 31 December 2019 (30 June 2019: R487 million).

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

The Required Economic Capital is based on the Published Reporting Basis and has been set as one times the Economic Capital Requirement for the Life Company (R359.9 million) and for the General Company (R142.8 million) as at 31 December 2019.

Value of New Business (“VNB”)

(R'000's) Unaudited	VNB	Present Value of New Business Premiums	New Business profit margin
31 December 2019			
Recurring premium business	47,972	974,634	4.9%
Single premium investment business	2,941	140,290	2.1%
Total	50,913	1,114,924	4.6%
31 December 2018			
Recurring premium business	146,435	1,105,060	13.3%
Single premium investment business	57,637	2,944,403	2.0%
Total	204,072	4,049,463	5.0%
30 June 2019			
Recurring premium business	216,220	2,066,721	10.5%
Single premium investment business	84,302	4,286,379	2.0%
Total	300,522	6,353,100	4.7%

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 six months ended 31 December 2019 on the Published Reporting Basis, less the CoC pertaining to the specific business lines. The assumptions used in the VNB calculations were consistent with the VIF assumptions as at 31 December 2019, and the actual cash flows in the period are from the Published Reporting Basis.

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

(%)	31 December		30 June
	2019	2018	2019
Risk Discount rate	12.0	12.5	11.7
Non-unit investment return	8.5	9.0	8.2
Unit investment return	9.5	9.9	9.2
Expense inflation	4.8	5.8	5.1
Corporate tax	28.0	28.0	28.0
Gross of tax Equity Return	11.0	11.5	10.7
Gross of tax Cash Return	6.5	7.0	6.2
Gross of tax Bond Return	8.0	8.5	7.7
Gross of tax Risk Free Return	8.5	9.0	8.2

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 is 3.5% (June 2019: 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 0.18, 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 RDRs.

The resulting RDR utilised as at 31 December 2019 was 12.0% p.a. (30 June 2019: 11.7% p.a.).

RDR Sensitivities

(R'000's)	EV	VNB
RDR 10.0%	7,313,888	104,403
RDR 11.0%	6,791,717	75,503
RDR 11.7% (as at June 2019)	6,476,800	57,901
RDR 12.0% (as at December 2019)	6,352,354	50,913
RDR 12.5% (as at December 2018)	6,158,008	39,941
RDR 13.0%	5,978,539	29,715
RDR 14.0%	5,700,256	14,382

EV per Share

(Cents)	31 December		30 June
	2019	2018	2019
EV per share	1,894.44	1,855.22	1,979.16
Diluted EV per share	1,892.14	1,850.17	1,976.65

Segment Information

The EV can be split between segments as follows:

(R'000's)	ANW	PVIF	CoC	EV
31 December 2019				
Long-term insurance	691,632	4,316,287	(77,894)	4,930,025
Short-term insurance	194,917	1,152,680	(24,007)	1,323,590
Other	74,901	23,838		98,739
Total	961,450	5,492,805	(101,901)	6,352,354
31 December 2018				
Long-term insurance	698,296	4,261,356	(81,872)	4,877,780
Short-term insurance	196,415	1,058,650	(26,498)	1,228,567
Other	107,826	4,938		112,764
Total	1,002,537	5,324,944	(108,370)	6,219,111
30 June 2019				
Long-term insurance	897,223	4,347,007	(72,062)	5,172,168
Short-term insurance	230,357	1,133,192	(20,759)	1,342,790
Other	104,708	16,663		121,371
Total	1,232,288	5,496,862	(92,821)	6,636,329

The VNB can be split between segments as follows:

(R'000's)	Six months ended		Year ended
	31 December	2018	30 June
	2019		2019
Long-term insurance	25,012	160,044	209,410
Short-term insurance	22,573	43,418	85,748
Other	3,328	610	5,364
Total	50,913	204,072	300,522

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.

(R'000's)	Six months ended 31 December 2019				Six months ended 31 December 2018	Year ended 30 June 2019
	ANW	VIF	CoC	EV		
Closing EV	961,450	5,492,805	(101,901)	6,352,354	6,219,111	6,636,329
Opening EV	1,232,288	5,496,862	(92,821)	6,636,329	6,321,588	6,321,588
Dividends	(439,259)			(439,259)	(418,670)	(418,670)
Adjusted EV at the beginning of the year	793,029	5,496,862	(92,821)	6,197,070	5,902,918	5,902,918
EV Earnings	168,421	(4,057)	(9,080)	155,284	316,193	733,411
Impact of economic assumption changes	(4,165)	100,177	9,434	105,446	29,548	(241,514)
Impact of once-off incentive scheme changes	3,869	18,277	(871)	21,275	–	–
Recurring EV Earnings	168,125	114,397	(517)	282,005	345,741	491,897
Annualised Recurring Return on EV				9.1%	11.7%	8.3%
Annualised Return on EV				5.0%	10.7%	12.4%
Components of EV earnings						
VNB	(360,249)	416,847	(5,685)	50,913	204,072	300,522
Expected return on covered business		308,676	9,683	318,359	320,173	643,901
Expected profit transfer	538,908	(538,908)		–	–	–
Withdrawal and unpaid premium experience variance	(10,466)	(61,105)	(2,896)	(74,467)	(82,557)	(225,605)
Other changes in non-economic assumptions and modelling	339	(81)	(81)	177	(113,621)	(281,617)
Claims and reinsurance experience variance	2,826			2,826	1,117	1,929
Sundry experience variance	(2,311)	(886)		(3,197)	1,024	(2,509)
Expected return on ANW	39,544			39,544	40,688	82,495
Set-up costs for new and discontinued ventures	(12,403)			(12,403)	(2,333)	(14,704)
YTI guarantee costs	(2,089)			(2,089)	(1,606)	(3,213)
Bonus Rights Scheme	773			773	15,831	24,322
Goodwill and Medium-term incentive schemes	(230)	(10,146)		(10,376)	(966)	(13,971)
EV operating return	194,642	114,397	1,021	310,060	381,822	511,550
Investment return variances on ANW	(26,517)		(1,538)	(28,055)	(36,081)	(19,653)
Recurring EV earnings	168,125	114,397	(517)	282,005	345,741	491,897
Impact of economic assumption changes	4,165	(100,177)	(9,434)	(105,446)	(29,548)	241,514
Impact of once-off incentive scheme changes	(3,869)	(18,277)	871	(21,275)	–	–
EV earnings	168,421	(4,057)	(9,080)	155,284	316,193	733,411



Clientèle Limited

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Long-term insurance policies are underwritten and administered by Clientèle Life Assurance Company Limited, an authorised financial services provider and registered insurer: FSP 15268.

Short-term insurance policies are underwritten and administered by Clientèle General Insurance Limited, an authorised financial services provider and registered insurer: FSP 34655.