Clientèle

CONDENSED PRELIMINARY GROUP RESULTS

FOR THE YEAR ENDED 30 JUNE 2020

Clientèle

Dividends declared decreased by 27% to

95 cents
per share

Net insurance premiums decreased by 2% to

R2.1 billion

Diluted headline earnings per share decreased by 17% to

98.88 cents

Return on average shareholders' interest of

31%

Embedded Value per share declined by 11.5% to

R17.52

COVID-19 reduced Embedded Value by

R1.1 billion
(ie: R3.14 per share)

Commentary

INTRODUCTION

The South African economic and investment environment was challenging prior to the onset of COVID-19 and the operating environment has experienced a major reset since South Africa went into Lockdown on 27 March 2020 which has introduced further challenges. In April 2020 Clientèle's distribution channels were virtually unable to operate, in May 2020 Clientèle began resuscitating them and by the end of June 2020 most of them were on track to return to full capacity with some of them in a different form to accommodate social distancing, whether on-line, virtual or via shift working. We are pleased to report that the distribution capabilities and demand for Clientèle's products are better than they were pre COVID-19, however there is the expected major pressure on our clients' payment ability due to the Lockdown, reduced disposable income, unemployment and the state of the economy. Clientèle is cognisant of the fact that this status quo will endure into the 2021 financial year and beyond.

The bedrock of Clientèle's business philosophy is to strive to provide simple essential financial services products to all who can afford them and we believe that our products offer both peace of mind and value to our clients. We are very cognisant of the importance of having insurance in place in times such as this. We always strive to ensure that all valid claims are paid timeously and, in responding to the COVID-19 pandemic, we have enhanced certain benefits on our policies. For instance, we were the first insurer in South Africa to waive waiting periods on existing and new funeral policies for COVID-19 claims. We are also making a great effort to conserve products in the interests of clients and Clientèle. We believe that it is very important for clients to have relevant cover at this time despite the mounting financial pressures and loss of income.

Profits were impacted by COVID-19 and the Lockdown due to a major impact on production in the last quarter of the financial year together with poor investment returns, an increase in withdrawals and the related impact on Net Insurance Premiums. Increased claims were incurred as expected due to COVID-19. In a prudent response we have created additional claims reserves of R55.7 million (R19.3 million net of reinsurance recoveries) at 30 June 2020 which negatively impacted profit for the year. Although certain fixed acquisition costs were still incurred Clientèle reduced its variable acquisition costs, including commission and advertising. The Group has continued to experience positive cashflows from operating activities and is in a sound solvency and liquidity position.

The Group has reviewed its solvency position on the prudential basis that will be used for Insurance Groups (as and when they are designated as such by the Prudential Authority) and is comfortable that the Solvency Capital Requirement ("SCR") ratio is well above our internal limits and hence the Group is in a sound Solvency position. The Life Company and the General Insurance Company both have SCR ratio's above 150% and are both in sound solvency positions.

The COVID-19 pandemic combined with the Lockdown and the declining economy have had a major impact on the operations, financial and actuarial results of Clientèle as follows:

- Major reductions in new business volumes during the fourth quarter of the financial year;
- Increased withdrawals towards the end of the financial year, and expected high withdrawals for the immediate future (due to affordability and a declining economy);
- Additional expenses and processes put in place (e.g. social distancing) as a consequence of COVID-19;
- As a consequence of the above, the policy book has reduced and consequently per policy expense assumptions have increased; and,
- Increased insurance claims towards the end of the financial year and expected high claims for the immediate future as a consequence of COVID-19.

The COVID-19 impact on the results, amounting to a R1.1 billion reduction in Embedded Value ("EV"), includes assumption changes in respect of a worsening in mortality and morbidity rates over the next year, an allowance for an expected worsening of premium collections and a worsening in future lapse experience, as well as higher per policy expenses into the future.

Investment returns for the year were poor and produced a slightly positive 3.3% (2019: 5.2 %) return from the Group's investment portfolios with a conservative equity content. The JSE Capped SWIX achieved a negative 10.8% return for the year.

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 CBC Rewards Proprietary Limited (previously Clientèle Benefits Company Proprietary Limited), a wholly owned subsidiary of Clientèle Limited. The relationship with the loyalty benefit providers is managed by Direct Rewards Proprietary Limited ("Direct Rewards"). The Rewards program is of strategic importance to Clientèle and Clientèle has exercised its option to buy a 26% stake in Direct Rewards.

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

OPERATING RESULTS

Condensed Group Statement of Comprehensive Income

Net insurance premiums for the year decreased by 2% to R2.10 billion (2019: R2.14 billion) on the back of adverse withdrawals and very little production in the final quarter, mainly attributable to the lockdown and lower production from our traditional Telesales and IFA channels which was partially offset by good production from the Agency distribution channel during the year.

Net insurance benefits and claims of R330.5 million were 4% lower than the R342.8 million in respect of last year.

Operating expenses of R1.4 billion (2019: R1.5 billion) were well controlled and were 8% lower than last year.

In terms of IAS12, R14.5 million of the individual policyholder fund deferred tax asset has been released (2019: R179.4 million was recognised). The corresponding release from liabilities at fair value through profit or loss in the Condensed Group Statement of Comprehensive Income amounts to R10.4 million (2019: transfer to liabilities of R157.1 million). The net after tax impact on headline earnings is a decrease of R2.9 million (2019: R16 million increase).

Headline earnings for the Group decreased by 17% to R331.9 million (2019: R402.1 million), generating a return on average shareholders' interests of 31% (2019: 38%).

Diluted headline earnings per share, which was majorly impacted by poor investment returns, an increase in withdrawals and the lockdown in the last quarter, countered by an 8% reduction in operating expenses resulted in the 2% reduction in net insurance premium income and decreased by 17% in comparison to last year.

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 R2.7 billion (2019: R3.2 billion).

Group Embedded Value and Value of New Business

Allowance has been made in the actuarial assumptions for the worsening of withdrawals and premium collections. Furthermore, an explicit COVID-19 risk reserve has been created as disclosed above to allow for expected additional COVID-19 related policyholder claims.

Calculating the Value of New Business ("VNB") for the current financial year was difficult due to COVID-19 and its impact on the economy and financial performance of Clientèle. We encourage readers to use the published VNB with caution.

The Group EV, after allowing for the negative COVID-19 impact of R 1.1 billion, decreased from R6.6 billion at 30 June 2019 (Risk Discount Rate: 11.7%) to R5.9 billion at 30 June 2020 (Risk Discount Rate: 10.6%) after the payment of the annual dividend of R439.3 million in September 2019.

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 a 17% decrease in net profit for the year to R294.5 million (2019: R355.4 million).

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

Clientèle Legal recorded net profit for the year of R53.2 million (2019: R54.3 million), a 2% decrease.

OUTLOOK

Clientèle is more than ever aware of the demand for its products and the need to continue to treat its clients well. Management are successfully navigating the business through the COVID-19 Lockdown challenges and Clientèle remains well positioned to service new and existing clients into the future.

Management's recent initiatives, which include Clientèle Rewards, the Clientèle App, Clientèle Mobile and the adoption of DebiCheck are aimed at improving persistency and the quality of new business written over time. Clientèle will continue to focus on increasing production levels across all of its distribution channels, many of which have been successfully re-engineered for the new operating environment.

In light of the effects of COVID-19 even tighter control is being kept over expenses and there will be continuous focus on improving business efficiencies.

Clientèle Rewards, the Clientèle App and Clientèle Mobile are important ingredients in offering our clients 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 clients' needs and will continue to improve on the delivery of these to the market conveniently and efficiently.

While the Board is understandably disappointed by the results for the year; they are cognisant of the environment and comfortable that the recent challenges have been handled well. Furthermore the Board is encouraged by the prospects for growth and value creation over time.

DIVIDEND DECLARED

Notice is hereby given that the directors have declared a final gross dividend of 95.00 cents (2019: 131.00 cents) per share on 18 August 2020 for the year ended 30 June 2020.

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 current income reserves from an accounting perspective and has not been funded out of share capital or contributed share capital;
- The local dividends tax rate is 20% (twenty percent) (2019: twenty percent);
- The gross local dividend amount is 95.00 cents (2019: 131.00 cents) per ordinary share for shareholders exempt from the dividends tax;
- The net local dividend amount is 76.00 cents (2019: 104.80 cents) per ordinary share for shareholders liable to pay the dividends tax;
- The local dividends tax amount is 19.00 cents (2019: 26.20 cents) per ordinary share for shareholders liable to pay the dividend withholding tax;
- Clientèle Limited currently has 335,321,768 (2019: 335,309,778) 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, 15 September 2020
Shares commence trading "ex" dividend	Wednesday, 16 September 2020
Record date	Friday, 18 September 2020
Payment date	Monday, 21 September 2020

Share certificates may not be dematerialised or rematerialised between Wednesday, 16 September 2020 and Friday, 18 September 2020, both days inclusive.

By order of the Board

G Q Routledge
Chairman

B W Reekie
Managing Director

Johannesburg

19 August 2020

Independent Auditor's review report on Condensed Consolidated Financial Statements

To the Shareholders of Clientele Limited

We have reviewed the condensed consolidated financial statements of Clientele Limited, set out on pages 5 to 17 of the preliminary report, which comprise the condensed group statement of financial position as at 30 June 2020 and the related condensed group 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 Listing 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 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 in a review are substantially less than and differ in nature from 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements of Clientele Limited for the year ended 30 June 2020 are not prepared, in all material respects, in accordance with the requirements of the JSE Limited Listing 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.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: FJ Kruger
Registered Auditor
Johannesburg
19 August 2020

PricewaterhouseCoopers Inc., 4 Lisbon Lane, Waterfall City, Jukskei View, 2090
Private Bag X36, Sunninghill, 2157, South Africa
T: +27 (0) 11 797 4000, F: +27 (0) 11 209 5800, www.pwc.co.za

Chief Executive Officer: L S Machaba
The Company's principal place of business is at 4 Lisbon Lane, Waterfall City, Jukskei View, where a list of directors' names is available for inspection.
Reg. no. 1998/012055/21, VAT reg.no. 4950174682.

Condensed Group Statement of Financial Position

(R'000's) Reviewed	Year ended 30 June 2020	2019
Assets		
Intangible assets	**49,340**	40,605
Property and equipment	**43,149**	46,263
Owner-occupied properties[1]	**427,283**	431,493
Deferred tax[2]	**260,506**	270,193
Inventories	**3,892**	1,880
Reinsurance assets	**38,738**	2,868
Financial assets at fair value through profit or loss	**8,270,830**	8,049,441
Financial assets at amortised cost	**69,535**	112,077
Loans and receivables including insurance receivables	**47,448**	61,907
Current tax	**–**	1,048
Cash and cash equivalents	**484,905**	234,595
Total assets	**9,695,626**	9,252,370
Total equity and reserves	**1,013,710**	1,125,899
Liabilities		
Policyholder liabilities under insurance contracts[3]	**741,738**	627,561
Financial liabilities held at fair value through profit or loss	**7,222,354**	6,655,554
Financial liabilities held at amortised cost	**170,215**	209,575
Loans at amortised cost	**112,781**	113,043
Financial guarantee liability[4]	**20,000**	
Employee benefits	**67,908**	87,240
Deferred tax	**90,481**	112,906
Accruals and payables including insurance payables	**249,209**	317,756
Current tax	**7,230**	2,836
Total liabilities	**8,681,916**	8,126,471
Total equity and liabilities	**9,695,626**	9,252,370

1. *Owner-occupied properties are disclosed at level 3 in the fair value measurement hierarchy. A discounted future cashflow method was applied with a capitalisation rate of between 8.5% and 9% (2019: 8.5% and 9%). The buildings which are good quality buildings are owner occupied by Clientèle Life and Clientèle General, both essential services companies, and are rented in terms of long-term leases.*
2. *Deferred tax includes R164.9 million (June 2019: R179.4 million) in respect of tax losses which are now expected to be utilised in the foreseeable future related to Clientèle Life's individual policyholders' tax fund ("IPF") as a result of increased single premium business. (Refer to estimates and judgments note on page 12 and the tax note on page 13).*
3. *In light of COVID-19 and the current economic circumstances, additional disclosures have been included in respect of Policyholder liabilities under insurance contracts. (Refer to Policyholder liabilities under insurance contracts build up on page 15).*
4. *The financial guarantee liability is in respect of guarantees issued. (Refer to the Capital and Other Commitments note on page 17).*

Condensed Group Statement of Comprehensive Income

(R'000's) Reviewed	Year ended 30 June 2020	2019	% Change
Revenue			
Insurance premium revenue	**2,222,815**	2,278,452	(2)
Reinsurance premiums	**(128,564)**	(137,867)	
Net insurance premiums	**2,094,251**	2,140,585	(2)
Revenue from contracts with customers	**117,391**	137,125	
Other income	**42,049**	37,754	
Interest income	**9,637**	13,551	
Interest income on financial assets at amortised cost	**7,859**	10,371	
Fair value adjustment to financial assets at fair value through profit or loss	**858,445**	743,444	
Net Income	**3,129,632**	3,082,830	
Net insurance benefits and claims	**(330,499)**	(342,778)	(4)
Gross insurance benefits and claims	**(444,333)**	(452,848)	
Insurance claims recovered from reinsurers	**113,834**	110,070	
(Increase)/decrease in policyholder liabilities under insurance contracts	**(114,176)**	2,935	
Increase/(decrease) in reinsurance assets	**35,870**	(57)	
Fair value adjustment to financial liabilities at fair value through profit or loss†	**(832,393)**	(828,837)	
Finance cost on financial liabilities at amortised cost	**(18,841)**	(18,918)	
Movement in expected credit loss	**(19,000)**		
Interest expense	**(9,180)**	(9,804)	
Operating expenses	**(1,385,999)**	(1,509,464)	(8)
Net Profit before tax	**455,414**	375,907	
Tax	**(126,897)**	25,030	
Net Profit for the year	**328,517**	400,937	(18)
Attributable to:			
– Equity holders of the group voting shareholders	**328,517**	400,937	(18)
Net Profit for the year	**328,517**	400,937	(18)
Other comprehensive income:			
(Loss)/gains on property revaluation#	**(5,783)**	5,669	
Income tax relating to (loss)/gains on property revaluation#	**1,502**	(1,505)	
Other comprehensive income for the year – net of tax	**(4,281)**	4,164	
Total comprehensive income for the year	**324,236**	405,101	
Attributable to:			
– Equity holders of the group voting shareholders	**324,236**	405,101	
Earnings per share (cents)	**97.97**	119.65	
Diluted Earnings per share (cents)	**97.87**	119.50	

Items that cannot be recycled to profit or loss.

† *Includes R10.4 million (2019: R157.1 million) related to the IPF deferred tax liability of R146.7 million (2019:R179.4 million).*

Condensed Group Statement of Changes in Equity

(R'000's) Reviewed	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 for the year				–
– Other comprehensive income				–
Shares issued	12	11,202		11,214
Bonus Rights Scheme allocated				–
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 for the year				**–**
– Other comprehensive income/(expense)				**–**
Share issued		**176**		**176**
Bonus Right Scheme allocated				**–**
Transfer from shares issued				**–**
Balance as at 30 June 2020	**6,706**	**389,135**	**(220,273)**	**175,568**

Condensed Group Statement of Changes in Equity continued

(R'000's) Reviewed	Retained earnings	Bonus Rights Scheme reserve†	NDR: revaluation	Total
Balance as at 1 July 2018	871,898	22,972	70,619	1,129,667
Ordinary dividends	(418,670)			(418,670)
Total comprehensive income	400,937	–	4,164	405,101
– Net profit for the year	400,937			400,937
– Other comprehensive income			4,164	4,164
Shares issued				11,214
Bonus Rights Scheme allocated		5,464		5,464
Transfer from shares issued	(3,070)	(8,144)		(11,214)
IFRS 9 transition adjustments	4,337			4,337
Balance as at 30 June 2019	855,432	20,292	74,783	1,125,899
Balance as at 1 July 2019	**855,432**	**20,292**	**74,783**	**1,125,899**
Ordinary dividends	**(439,259)**			**(439,259)**
Total comprehensive income	**328,517**	**–**	**(4,281)**	**324,236**
– Net profit for the year	**328,517**			**328,517**
– Other comprehensive income			**(4,281)**	**(4,281)**
Share issued				**176**
Bonus Right Scheme allocated		**2,834**		**2,834**
Transfer from shares issued	**788**	**(964)**		**(176)**
Balance as at 30 June 2020	**745,478**	**22,162**	**70,502**	**1,013,710**

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

† *0.006 million (2019: 0.6 million) shares were issued during the year in terms of the Bonus Rights Schemes.*

Condensed Group Statement of Cash Flows

(R'000's) Reviewed	Year ended 30 June 2020	2019
Cash flows from operating activities	**309,543**	(89,055)
Profit from operations adjusted for non-cash items	**652,298**	593,969
Working capital changes	**(134,204)**	(8,706)
Separately disclosable items[1]	**(90,138)**	(106,362)
(Decrease)/increase in financial liabilities[2,5]	**(323,793)**	3,553,080
Net disposal/(acquisition) of investments[3,5]	**687,458**	(3,664,616)
Interest received	**68,981**	81,026
Dividends received	**21,156**	25,336
Dividends paid	**(439,527)**	(418,567)
Tax paid	**(132,688)**	(144,215)
Cashflows from investing activities[4]	**(49,791)**	(39,236)
Cashflows from financing activities	**(9,442)**	(9,770)
Net increase/(decrease) in cash and cash equivalents	**250,310**	(138,061)
Cash and cash equivalents at the beginning of the year	**234,595**	372,656
Cash and cash equivalents at the end of the year	**484,905**	234,595

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 decrease (2019: increase) in financial liabilities and the disposal (2019: acquisition) of investments in the 2020 and 2019 financial years includes co-branded single premium business written.*

SEGMENT INFORMATION

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

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

SEGMENT ASSETS AND LIABILITIES

(R'000's) Reviewed	Year ended 30 June 2020	2019
Long-term insurance	**9,317,894**	8,828,441
Short-term insurance	**271,863**	289,524
Other	**107,079**	139,230
Inter segment	**(1,210)**	(4,825)
Total Group Assets	**9,695,626**	9,252,370
Long-term insurance	**8,616,053**	8,063,030
Short-term insurance	**46,569**	57,629
Other	**20,504**	10,637
Inter segment	**(1,210)**	(4,825)
Total Group Liabilities	**8,681,916**	8,126,471

Segment Statements of Comprehensive Income

(R'000's) Reviewed	Long-term Insurance	Short-term Insurance	Other	Inter segment	Total
30 June 2020					
Insurance premium revenue	1,757,666	465,149			2,222,815
Reinsurance premiums	(128,564)				(128,564)
Net insurance premiums	1,629,102	465,149	–	–	2,094,251
Revenue from contracts with customers	115,909		1,482		117,391
Other income	40,734	219	437,888	(436,792)	42,049
Interest income	9,233	1,434	(1,030)		9,637
Interest income on financial assets at amortised cost	7,859				7,859
Fair value adjustment to financial assets at fair value through profit or loss	855,880	(740)	1,549	1,756	858,445
Segment revenue	2,658,717	466,062	439,889	(435,036)	3,129,632
Segment expenses and claims	(2,248,401)	(392,574)	(60,385)	27,142	(2,674,218)
Net insurance benefits and claims	(283,893)	(46,606)			(330,499)
(Increase)/ decrease in policyholder liabilities under insurance contracts	(114,982)	806			(114,176)
Increase/(decrease) in reinsurance assets	35,870				35,870
Fair value adjustment to financial liabilities at fair value through profit or loss	(832,393)				(832,393)
Finance cost on financial liabilities at amortised cost	(18,841)				(18,841)
Movement in expected credit loss			(19,000)		(19,000)
Interest expense	(9,180)				(9,180)
Operating expenses	(1,024,981)	(346,774)	(41,386)	27,142	(1,385,999)
Profit before tax	410,315	73,489	379,503	(407,895)	455,414
Tax	(115,844)	(20,261)	9,208		(126,897)
Net profit for the year	294,472	53,227	388,711	(407,894)	328,517
Attributable to:					
Non-controlling interest					
Equity holder of the Group – ordinary shareholders	294,472	53,227	388,711	(407,894)	328,517

(R'000's) Reviewed	Long-term Insurance	Short-term Insurance	Other	Inter segment	Total
30 June 2019					
Insurance premium revenue	1,828,252	450,200			2,278,452
Reinsurance premiums	(137,867)				(137,867)
Net insurance premiums	1,690,385	450,200	–	–	2,140,585
Revenue from contracts with customers	137,125				137,125
Other income	48,186	78	424,447	(434,957)	37,754
Interest income	11,134	1,158	1,259		13,551
Interest income on financial assets at amortised cost	10,371				10,371
Fair value adjustment to financial assets at fair value through profit or loss	723,112	14,300	6,032		743,444
Segment revenue	2,620,313	465,736	431,738	(434,957)	3,082,830
Segment expenses and claims	(2,308,699)	(391,845)	(10,352)	3,973	(2,706,923)
Net insurance benefits and claims	(300,643)	(42,135)			(342,778)
Decrease in policyholder liabilities under insurance contracts	2,555	380			2,935
Decrease in reinsurance assets	(57)				(57)
Fair value adjustment to financial liabilities at fair value through profit or loss	(828,837)				(828,837)
Interest expense on financial liabilities at amortised costs	(18,918)				(18,918)
Interest expense	(9,804)				(9,804)
Operating expenses	(1,152,995)	(350,090)	(10,352)	3,973	(1,509,464)
Profit before tax	311,614	73,891	421,386	(430,984)	375,907
Tax	43,830	(19,567)	767		25,030
Net profit for the year	355,444	54,324	422,153	(430,984)	400,937
Attributable to:					
Equity holder of the Group – ordinary shareholders	355,444	54,324	422,153	(430,984)	400,937

Notes to the Condensed Consolidated Financial Statements

These condensed consolidated financial statements for the year ended 30 June 2020 have been reviewed, in terms of International Standards on Review Engagements, (ISRE 2410), by PricewaterhouseCoopers Incorporated, who expressed an unmodified review conclusion.

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

CHANGES TO THE BOARD

There were no changes to the Board subsequent to the previous reporting period.

ACCOUNTING POLICIES

Statement of compliance

The condensed consolidated financial statements are prepared in accordance with the JSE Limited Listings Requirements for preliminary reports and the requirements of the Companies Act No.71 of 2008 of South Africa. The Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts, the measurement and recognition requirements of International Financial Reporting Standards ("IFRS"), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and must also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting.

The accounting policies applied in the preparation of the condensed consolidated financial statements are in terms of IFRS, and besides the change in accounting policy related to the implementation of IFRS 16 (refer to "Adoption of new and amended standards"), which is reversed on consolidation for the Group, in respect of Properties, which are owner occupied, are consistent with those applied in the previous condensed consolidated financial statements.

Estimates and judgments

The preparation of the condensed consolidated 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, policyholder liabilities, employee benefits, intangible assets, deferred tax assets and related liabilities and unquoted financial instruments are affected by accounting estimates and judgments.

The calculation of the deferred tax asset in respect of the Individual Policyholders' Tax Fund ("IPF") of R164.9 million (2019: R179 million) and future utilisation of the assessed loss together with the related policyholder liability amounting to R146.7 million (2019: R157 million) is subject to major estimates and judgments. The input with the most 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 would increase to R181 million (2019: R203.4 million), with an additional positive impact of R1.2 million (2019: R 3.3 million) on net profit after tax. If the attrition rate increased to 22.5%, the deferred tax asset would decrease to R149 million, with a negative impact of R4.6 million on net profit after tax. At the reporting date the IPF has an estimated tax loss of R2.2 billion (2019: R2.6 billion).

Changes to the COVID-19 related assumptions include explicit allowances on the Net Insurance benefits and claims, policyholder liabilities under insurance contracts, withdrawals and premium collections assumptions.

Besides the assumptions in respect of the deferred tax asset mentioned above, the COVID-19 related assumptions, and allowing for worsening of withdrawal experience, there were no other major impacts due to changes in previous assumptions and estimates used in deriving amounts referred to above.

Adoption of new and amended standards

IFRS 16 Leases, is effective for Clientèle for the 2020 financial year.

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.

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 Right of Use Asset. The Right of Use Asset represents the economic benefit to Clientèle which arises from the right of using the underlying leased asset. The Leased Liability represents the expected future cash outflows from Clientèle in terms of the lease contract.

On transition to IFRS 16, the subsidiaries of the Group, Clientèle Life and Clientèle General, have recognised 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.

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

	Year ended 30 June	
(R'000's) Reviewed	**2020**	2019
Current and deferred tax	**(112,047)**	(153,730)
Policyholder deferred tax recognised in terms of IAS 12*	**(14,481)**	179,427
Capital gains tax	**(369)**	(667)
Tax	**(126,897)**	25,030

* *The Individual Policyholder Fund has an estimated tax loss of R2.2 billion (2019: R2.6 billion).*

Reconciliation of Net Profit to Headline Earnings

(R'000's) Reviewed	Year ended 30 June 2020	2019	% Change
Net profit for the year attributable to equity holders of the Group	**328,517**	400,937	(18)
Add: Impairment of intangible assets	**3,297**	1,246	
Add: Loss/(profit) on disposal of property and equipment	**100**	(79)	
Headline earnings for the year	**331,914**	402,104	(17)

Ratios per Share

(Cents) Reviewed	Year ended 30 June 2020	2019	% Change
Headline earnings per share	**98.99**	120.00	(18)
Diluted headline earnings per share	**98.88**	119.85	(17)
Earnings per share	**97.97**	119.65	(18)
Diluted earnings per share	**97.87**	119.50	(18)
Net asset value per share	**302.31**	335.78	(10)
Diluted net asset value per share	**302.00**	335.58	(10)
Dividends per share – paid	**131.00**	125.00	5
Dividends per share – declared	**95.00**	131.00	(27)
Ordinary shares in issue ('000)	**335,322**	335,310	
Weighted average ordinary shares ('000)	**335,316**	335,081	
Diluted weighted average ordinary shares ('000)	**335,670**	335,507	

Policyholder Liabilities under insurance contracts

	2020		2019	
	Gross of reinsurance	Net of reinsurance	Gross of reinsurance	Net of reinsurance
Discounted insurance liabilities as at the beginning of the year	**611,146**	**611,092**	613,522	613,407
Discretionary margins	**(3,295,905)**	**(3,295,617)**	(3,217,847)	(3,217,245)
Discounted insurance liabilities as at the beginning of the year prior to allowance for discretionary margins	**(2,684,759)**	**(2,684,525)**	(2,604,325)	(2,603,838)
Expected interest on insurance liabilities (and cashflows)	**(239,486)**	**(239,486)**	(253,542)	(253,542)
Expected premiums on insurance liabilities	**1,445,666**	**1,314,138**	1,414,811	1,278,907
Expected change in margins (existing business)	**7,237**	**7,238**	11,775	11,776
Expected claims, expiries and lapses	**(430,747)**	**(329,476)**	(383,945)	(279,089)
Expected expenses, commission and charges	**(124,218)**	**(124,218)**	(162,455)	(162,455)
Experience variations	**(99,019)**	**(68,896)**	147,460	178,177
Changes in valuation basis (renewal business only)	**422,467**	**422,455**	(27,655)	(27,650)
New business added during the year	**(511,735)**	**(511,708)**	(826,883)	(826,811)
Insurance liabilities as at closing prior to allowance for discretionary margins	**(2,214,594)**	**(2,214,478)**	(2,684,759)	(2,684,525)
Discretionary margins	**2,886,118**	**2,885,962**	3,295,905	3,295,617
A: Discounted liabilities as at the end of the year	**671,524**	**671,484**	611,146	611,092
B: COVID-19 risk reserve	**55,680**	**19,315**		
Undiscounted insurance liabilities as at the beginning of the year	**6,973**	**4,159**	7,152	4,341
Withdrawals and change in reinsurance during the year	**(2,592)**	**(1,419)**	(2,096)	(1,729)
New business added during the year	**1,518**	**825**	1,917	1,547
C: Undiscounted insurance liabilities as at the end of the year	**5,899**	**3,565**	6,973	4,159
Total insurance liabilities as at the end of the year (A+B+C)	**733,103**	**694,365**	618,119	615,251
Reinsurance assets	**–**	**38,739**		2,868
Gross long-term insurance liabilities as at the end of the year	**733,103**	**733,103**	618,119	618,119
Short-term insurance	**8,635**	**8,635**	9,442	9,442
IBNR	**240**	**240**	256	256
Cash Back Bonus	**2,633**	**2,633**	3,469	3,469
Outstanding Claims	**5,762**	**5,762**	5,717	5,717
	741,738	**741,738**	627,561	627,561

SENSITIVITIES – LONG TERM INSURANCE

In order to interpret the table below users are encouraged to understand the basis on which the variables were set and combine this information with other components of the condensed consolidated financial statements. The sensitivities provided are not amounts that can be simply extrapolated to determine prospective earnings forecasts and caution is advised to any user doing this. They do, however, provide insight into the impact that changes in these risks can have on policyholders' liabilities, where applicable, and attributable profit after tax.

		2020		2019	
	% change	**Impact on liabilities**	**Impact on profit after tax**	Impact on liabilities	Impact on profit after tax
Financial risk variables					
Equity price*	10	**21,056**	**9,928**	28,959	13,323
Equity price*	(10)	**(21,242)**	**(9,794)**	(28,799)	(13,439)
Interest rate	1	**(18,201)**	**13,104**	(18,840)	13,565
Interest rate	(1)	**22,588**	**(16,263)**	22,442	(16,158)
Property equity value*	10	**–**	**15,138**	–	12,870
Property equity value*	(10)	**–**	**(15,138)**	–	(12,870)
Long-term insurance risk variables					
Assurance mortality and morbidity	10	**9,656**	**(6,952)**	10,055	(7,240)
Assurance mortality and morbidity	(10)	**(7,720)**	**5,558**	(7,885)	5,677
Renewal expenses	10	**9,636**	**(6,938)**	5,796	(4,173)
Renewal expenses	(10)	**(9,505)**	**6,843**	(5,701)	4,104
Withdrawals	10	**4,861**	**(3,500)**	5,822	(4,192)
Withdrawals	(10)	**(4,899)**	**3,527**	(6,205)	4,467
Inflation	1	**2,301**	**(1,656)**	1,577	(1,135)
Inflation	(1)	**(2,232)**	**1,607**	(1,450)	1,044
Financial instruments risk variable					
Default (non-linked financial assets)	5	**(56,877)**	**(40,952)**	(54,233)	(39,048)

* *The impact on profit after tax includes the impact of the movement in the Policyholder liabilities and the related movement in financial assets.*

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 2020:

(R'000's) Reviewed	Level 1	Level 2	Level 3	Total
Assets				
Listed equity securities	469,618			469,618
Foreign Listed equity securities	43,636			43,636
Unlisted equity securities		3,850		3,850
Promissory notes and fixed deposits		7,104,485		7,104,485
Funds on deposit		372,055		372,055
Fixed interest securities		4,949	39,483	44,432
Government and public authority bonds		232,754		232,754
Total assets	513,254	7,718,093	39,483	8,270,830
Liabilities				
Financial liabilities at fair value through profit of loss		7,209,066	13,288	7,222,354
Total Liabilities		7,209,066	13,288	7,222,354

Policyholders linked exposure to Residual Debt Services Limited through investments in Stub paper of R39.5 million as at 30 June 2020 is disclosed at level 3 on the fair value hierarchy as the value of the stub paper is estimated indirectly using valuation techniques and models. Key assumptions used in the valuation include a discounted future cash flow, applying a discount rate of 14%.

RECONCILIATION OF LEVEL 3 FINANCIAL INSTRUMENTS

The following table presents the changes in level 3 financial instruments for the year ended 30 June 2020:

	30 June 2020		30 June 2019	
(R'000)	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)	
Transfer to level 3[2]	26,195			
Interest raised during the year	3,651	3,651		
Fair value adjustment recognised in profit or (loss)	(1,581)	(1,581)	10,623	10,568
Repayments	(41,482)	(41,482)	(89,960)	(89,960)
Closing balance	39,483	13,288	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.*
2. *These financial assets have been transferred to level 3 on the fair value measurement hierarchy as the market observable inputs available to determine the value of these instruments are not being freely traded in the market. 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 7.23% 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.

As at 30 June 2020, the guarantees remained in place.

The previously reported and approved further guarantee of R89.5 million was not issued.

EVENTS AFTER THE REPORTING DATE

The Board declared a final gross dividend of 95.00 cents per share (2019: 131.00 cents per share) on 18 August 2020 for the year ended 30 June 2020. The dividend is subject to dividend withholding tax.

The option to acquire a 26% share in Direct Rewards (Pty) Limited for R4.2 million has been exercised, in August 2020.

RELATED PARTY TRANSACTIONS

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

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

The PVIF is the present value of future after-tax profits arising from covered business in force as at 30 June 2020.

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 COVID-19 pandemic combined with the Lockdown and the declining economy have had a major impact on the operations, financial and actuarial results of Clientèle. The items specifically impacted include the following:

- Major reductions in new business volumes during the fourth quarter of the financial year;
- Increased withdrawals towards the end of the financial year, and expected high withdrawals for the immediate future (due to affordability and a declining economy);
- Additional expenses as a consequence of COVID-19 and various processes put in place (e.g. social distancing);
- As a consequence of the above including the Lockdown and the resultant smaller policy book, per policy expense assumptions have increased; and,
- Increased insurance claims towards the end of the financial year, and expected high claims for the immediate future as a consequence of COVID-19.

The impact of COVID-19 and the Lockdown on the economy has been major. This has had a knock-on impact on most businesses including Clientèle, and we anticipate withdrawals worsening as a consequence. The extent to which this worsening will actually occur is uncertain at present. An allowance has been made in the assumptions for the worsening of withdrawals and premium collections. This has been based on observed data such as the worsening of debit order collection success across the industry, increasing unemployment, the reduction in real disposable income as well as the projected reduction in South Africa's GDP. The actual adjustments to withdrawal and premium collection assumptions is major and has been based on these observable facts, as well as actuarial judgement as to what is expected in the future. Furthermore, an explicit COVID-19 risk reserve has been set up to allow for expected additional COVID-19 related policyholder claims. This additional claims reserve amounted to R55.7 million (R19.3 million net of reinsurance recoveries) at 30 June 2020.

Calculating the Value of New Business ("VNB") for the current financial year was difficult due to the fact that fixed expenses continued in the final quarter despite new business volumes being extremely low. This resulted in uncovered initial expenses for the final quarter (i.e. expenses were incurred without the consequent new business being created – much of this was in order to maintain the distribution structures such that new business could re-commence once Lockdown was over). This resulted in Clientèle also assisting staff and business partners with ongoing income.

We encourage readers to use the published VNB with caution. The VNB has been calculated as the sum of the following two components (which have been disclosed separately):

- The VNB for the first three quarters (prior to the Lockdown); and
- A small positive VNB for the final quarter equating to the marginal VNB for those policies which were written during this quarter ignoring the excess initial expenses in the quarter, with the actual impact of initial expenses (not covered by the requisite new business) being included in the COVID-19 impact.

The above approach was used in calculating the reported VNB included in this report.

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

	Year ended 30 June	
(R'000's) Unaudited	**2020**	2019
Required economic capital	**447,945**	487,009
Free surplus	**658,512**	745,279
Adjusted Net Worth ("ANW") of covered business	**1,106,457**	1,232,288
CoC	**(70,586)**	(92,821)
VIF	**4,838,615**	5,496,862
EV of covered business	**5,874,486**	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 is the present value of future after-tax profits arising from covered business in force as at 30 June 2020 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

	Year ended 30 June	
(R'000's) Unaudited	**2020**	2019
Total equity and reserves per the Statement of Financial Position	**1,013,710**	1,125,899
Adjusted for deferred profits and impact of compulsory margins on investment business	**76,982**	100,728
Adjusting subsidiaries to Net Asset Value	**35,170**	34,628
Reversal of Switch2 intangible assets		(5,342)
Bonus Rights Scheme adjustment	**(6,282)**	(7,577)
Net of tax impact of adjusting Single Premium business to market value	**(13,123)**	(16,048)
ANW	**1,106,457**	1,232,288

The CoC is the opportunity cost of having to hold the Required Capital of R448 million as at 30 June 2020 (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 (R317 million) and for the General Company (R131 million) as at 30 June 2020.

Value of New Business

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 2020 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 30 June 2020, and the actual cash flows in the year are from the Published Reporting Basis. Given the uncertainty and volatility associated with COVID-19, a variety of ways were considered to calculate the VNB. The approach that was ultimately adopted was to ignore the excess initial expenses in the final quarter of the year. A small positive VNB for the final quarter equating to the marginal VNB for those policies which were written during this quarter would then be allowed for. The actual impact of initial expenses (not covered by the requisite new business) has been included in the COVID-19 impact.

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.

(R'000's) Unaudited	VNB	Present Value of New Business Premiums	New Business profit margin
30 June 2020			
Recurring premium business	**65,579**	**1,437,819**	**4.6%**
Single premium business	**3,289**	**188,044**	**1.7%**
VNB excluding uncovered expenses in the last quarter	**68,868**	**1,625,863**	**4.2%**
COVID-19 impact: once-off impact on new business*	**(159,417)**		
VNB including COVID-19 impact in the last quarter	**(90,549)**		
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%

* *Uncovered expenses in the last quarter as a consequence of new business being minimal due to COVID-19 Lockdown restrictions.*

Long-term Economic Assumptions

(%) Unaudited	Year ended 30 June 2020	2019
Risk Discount Rate	**10.6**	11.7
Non-unit investment return	**7.1**	8.2
Unit Investment return	**7.8**	9.2
Expense inflation	**3.1**	5.1
Corporate tax	**28.0**	28.0
Gross of tax Equity return	**9.6**	10.7
Gross of tax Cash return	**5.1**	6.2
Gross of tax Bond return	**7.1**	7.7
Gross of tax risk free return	**7.1**	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 0.17, 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 30 June 2020 was 10.6% p.a. (30 June 2019: 11.7% p.a.).

RDR Sensitivities

(R'000's) Unaudited	EV	VNB
RDR 8.6%	6,712,346	106,575
RDR 9.6%	6,257,129	75,997
RDR 10.6% (as at June 2020)	**5,874,486**	**68,868**
RDR 11.6%	5,549,005	60,295
RDR 11.7% (as at June 2019)	5,518,618	59,290
RDR 12.6%	5,267,939	54,190

EV per Share

(Cents) Unaudited	Year ended 30 June 2020	2019
EV per share	**1,751.90**	1,979.16
Diluted EV per share	**1,750.05**	1,976.65

Segment Information

The EV can be split between segments as follows:

(R'000's) Unaudited	ANW	PVIF	CoC	EV
30 June 2020				
Long-term insurance	824,187	3,748,951	(53,150)	**4,519,988**
Short-term insurance	222,940	1,058,493	(17,436)	**1,263,997**
Other (Limited and Consolidation)	59,330	31,171		**90,501**
Total	**1,106,457**	4,838,615	(70,586)	**5,874,486**
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) Unaudited	Year ended 30 June 2020	2019
Long-term insurance	**35,329**	209,410
Short-term insurance	**27,678**	85,748
Other	**5,861**	5,364
VNB excluding uncovered expenses in the last quarter	**68,868**	300,522
COVID-19 impact: once-off impact on new business*	**(159,417)**	
VNB including COVID-19 impact in the last quarter	**(90,549)**	

* *Uncovered expenses in the last quarter as a consequence of new business being minimal due to COVID-19 Lockdown restrictions.*

Other includes Clientèle Limited, CBC and Clientèle Mobile.

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 2020 ANW	PVIF	CoC	EV	Year ended 30 June 2019 EV
Closing EV	1,106,457	4,838,615	(70,586)	5,874,486	6,636,329
Opening EV	1,232,288	5,496,862	(92,821)	6,636,329	6,321,588
Dividends	(439,259)			(439,259)	(418,670)
Adjusted EV at the beginning of the year	**793,029**	**5,496,862**	**(92,821)**	**6,197,070**	**5,902,918**
EV earnings*	**313,428**	**(658,247)**	**22,235**	**(322,584)**	**733,411**
Return on EV*				(5.2%)	12.4%
Components of EV earnings					
VNB excluding uncovered expenses in the last quarter	(471,312)	548,443	(8,263)	68,868	300,522
COVID-19 impact: once-off impact on new business**	(159,417)			(159,417)	
VNB including COVID-19 impact in the last quarter	(630,729)	548,443	(8,263)	(90,549)	
Expected return on covered business		607,960	16,936	624,896	643,901
Expected profit transfer	1,000,103	(1 000,103)		–	–
Withdrawal and unpaid premium experience variance	5,802	(141,133)	(5,187)	(140,518)	(225,605)
Changes in non-economic assumptions and modelling (mainly withdrawal assumptions)	3,509	(166,264)	9,799	(152,956)	(281,617)
Claims and reinsurance experience variance	5,655			5,655	1,929
Sundry experience variance	(2,503)	(134)		(2,637)	(2,509)
Expected return on ANW	80,676			80,676	82,495
Set-up costs for new and discontinued ventures	(20,926)			(20,926)	(14,704)
YTI guarantee costs	(4,514)			(4,514)	(3,213)
Bonus Rights Scheme	4,129			4,129	24,322
Goodwill and Medium-term incentive schemes	(5,599)	18,804		13,205	(13,971)
EV operating return	**435,603**	**(132,427)**	**13,285**	**316,461**	**511,550**
Investment return variances on ANW	(66,044)		(2,374)	(68,418)	(19,653)
COVID-19 Impact on existing business***	(44,388)	(867,177)	19,322	(892,243)	
Effect of Economic assumption changes	(11,743)	341,357	(7,998)	321,616	241,514
EV earnings	**313,428**	**(658,247)**	**22,235**	**(322,584)**	**733,411**

* *Clientèle normally publishes a "Recurring EV earnings" figure. As a consequence of COVID-19 and Lockdown, the change in EV was negative and any split between recurring and once-off items would be spurious due to the inter-relationship of various factors following the shutdown of much of the new business operations for a few months.*

** *Uncovered expenses in the last quarter as a consequence of new business being minimal due to COVID-19 Lockdown restrictions.*

*** *The COVID-19 impact includes the worsening in mortality and morbidity over the next year, allowance for an expected worsening of premium collections and a worsening in future lapse experience, as well as higher per policy expenses into the future, and can be split as follow:*

Expense assumption changes (primarily as a consequence of the smaller insurance book following 3 months of minimal new business during COVID-19 Lockdown)	*(157,210)*
COVID risk reserve (net of tax and net of reinsurance recoveries)	*(13,907)*
Withdrawal assumption change due to COVID-19 and Lockdown impact on the economy	*(721,126)*
COVID-19 impact: Existing business	***(892,243)***
*COVID-19 impact: Once-off impact on new business***	*(159,417)*
COVID-19 impact	***(1,051,660)***

Sponsor:

PricewaterhouseCoopers
Corporate Finance Proprietary Limited

Clientèle Limited

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

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

Transfer secretaries: Computershare Investor Services Proprietary Limited, First floor, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2106, 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); GK Chadwick MAgric, MBA (Alternate); B du Toit BCom*; PR Gwangwa BProc LLB, LLM; LED Hlatshwayo CA(SA), MBA; IB Hume CA(SA), ACMA*; BY Mkhondo BCom, MBA; PG Nkadimeng BSC Statistics and Economics, BA Stott CA(SA); RD Williams BSc(Hons), FASSA
(**Executive Director*)

Company secretary: W van Zyl CA(SA)

Clientèle LIFE

Clientèle GENERAL

Clientèle INVESTMENTS

IFA A division of Clientele Life

website: www.clientele.co.za • **e-mail:** results@clientele.co.za

STUDIO 5

Clientèle Head Office
+27 (0)11 320 3000

Fax:
+27 (0)11 320 3133

E-mail:
services@clientele.co.za

Physical Address
Clientèle Office Park
Cnr Rivonia and Alon Road
Morningside, 2196