

30 YEARS *of Success!*



Clientèle



Clientèle

CONDENSED UNAUDITED **GROUP RESULTS**

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

KEY PERFORMANCE METRICS

Recurring
Embedded
Value Earnings of

**R366.1
million**

Headline earnings
per share increased
by 14% to

**77.18
cents**

Annualised Recurring
Return on Embedded
Value of

13.5%

Annualised Return on
average shareholders'
interest of

42%

Value of
New Business of

**R195.1
million**



Clientèle

Commentary

INTRODUCTION

The Clientèle Group (“the Group”), operating in a tough trading environment, particularly given the context of the difficult economic and operating environment characterised by a low economic growth rate, load-shedding and challenges in the collections environment, is pleased to report further growth in the business.

Higher than expected policyholder withdrawals were again experienced. These are a result of many factors, including: the depressed economy and the consequent affordability effects, coupled with ongoing challenges in the collections environment. Withdrawals showed an improvement towards the end of the period, however, should these withdrawal losses continue to year end, a change in the withdrawal assumptions can be expected.

The Group remains in a sound solvency and liquidity position and continues to generate strong positive cashflows.

Despite the volatile investment markets, the Group achieved an annualised investment return for the period of 12% (2021: 20%) from its investment portfolios.

Use of the Clientèle Application (“the Clientèle App”) continues to expand following its adoption by clients and agents alike. The Clientèle App serves as a platform for sales capture and basic policy administration as well as an access point for Clientèle Rewards and Clientèle Mobile.

OPERATING RESULTS

Group Statement of Comprehensive Income

Net insurance premiums for the period remained constant at R1.09 billion (2021: R1.09 billion), impacted by relatively poor collection experience negatively affected by the challenging operating environment, as referred to above, and higher than expected withdrawals.

Net insurance benefits and claims of R228.4 million were 3% higher than the R222.7 million in respect of the comparative period.

Operating expenses of R882.7 million (2021: R712.0 million) were 24% higher than the comparative period, driven by higher acquisition costs and a rebate of bank charges in the comparative period. Acquisition costs include a once-off upfronting of commission in respect of a funeral parlour business insurance transaction. The upfronting of commission and bank charges made up 14% of the 24% increase in expenses.

Due to a high client affinity within the funeral parlour industry, and corresponding lower withdrawal experience on this business, a portion of future funeral parlour business profits have been recognised during the period as a result of not eliminating negative reserves on this class of business. This resulted in an increase in profit after tax of R51.6 million (a corresponding reduction in Value of Inforce and a negligible impact on the Embedded Value).

The above translates into headline earnings for the Group increasing by 14% to R258.8 million (2021: R226.8 million) which results in an annualised return on average shareholders’ interests of 42% (2021: 39%). Headline earnings per share of 77.18 cents (2021: 67.64 cents) were 14% higher than the comparative period.

Group Embedded Value and Value of New Business

The Group Embedded Value (“EV”) at 31 December 2022 remained at R5.8 billion (30 June 2022: R5.8 billion), after the payment of the annual dividend of R402.4 million in September 2022. Recurring Embedded Value Earnings (“REVE”) of R366.1 million were earned for the period (2021: R437.3 million), a decrease of 16%.

The Value of New Business (“VNB”) for the period on a risk discount rate (“RDR”) of 13.7% p.a. amounted to R195.1 million (2021: R152.3 million on a RDR of 12.4% p.a.) an increase of 28% over the comparative period despite the higher RDR.

The EV and VNB sensitivities are illustrated in the Group Embedded Value results on page 17.

The Present Value of New Business premiums has increased due to an increase in single premium investment business written over the period. The relatively low profit margin on this block of business has resulted in a decrease (to 4.7%) in the overall New Business profit margin (June 2022: 7.4% and December 2021: 10.8%).

The Group follows a conservative accounting practice of eliminating negative reserves except for the funeral parlour business highlighted above. 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 R2.6 billion (2021: R2.7 billion).

Commentary *continued*

SEGMENT RESULTS

Clientèle Life – Long-term insurance

Clientèle Life's Long-term insurance segment remains the major contributor to the Group's performance and due to the contribution from the good quality funeral parlour intermediated business recorded a 16% increase in net profit for the period to R180.8 million (2021: R155.3 million) despite the impact of the difficult conditions referred to above. Clientèle Life's total VNB for the period of R136.0 million (2021: R119.8 million), which benefitted from the large volumes of single premium business, increased by 13.5% over the comparative period. Clientèle Life recorded REVE of R257.0 million (2021: R312.7 million), a decrease of 18%.

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

Clientèle Legal's net profit for the period of R45.1 million (2021: R61.0 million) decreased by 26% over the comparative period, as a result of increases in acquisition costs, lower investment returns during the period and the rebating of bank charges in the comparative period. Clientèle Legal's VNB of R48.6 million (2021: R29.7 million) increased by 64%. Clientèle Legal recorded REVE of R94.7 million (2021: R114.2 million), a decrease of 17%.

CBC Rewards, Clientèle Mobile and Direct Rewards

CBC Rewards, Clientèle Mobile and Direct Rewards reported a combined net loss of R1.5 million (2021: net loss of R0.4 million) for the period excluding the non-controlling interest in Direct Rewards and VNB of R8.4 million (2021: R1.0 million). Direct Rewards is accounted for as a subsidiary effective from 1 July 2022 with a minority interest in profits of R1.4 million as at December 2022.

OUTLOOK

With an ongoing focus on Treating its Clients Well ("TCW"), the Group continues to seek ways of enhancing its products, services and the delivery thereof in order to meet clients' needs. In our continuing efforts to treat clients well, we have launched the "December is on us" campaign where most clients have the opportunity to have their December 2023 premiums paid for them by Clientèle.

Management continues to successfully navigate the business through the prevailing challenges and take advantage of the opportunities which present themselves in this environment.

Clientèle Rewards, the Clientèle App, and Clientèle Mobile continue to add value to our clients. The Group exercised an option to secure a strategic controlling stake in Direct Rewards (Pty) Ltd during the period, and believes that this will contribute positively to the loyalty offerings provided by Clientèle Rewards.

The challenges within the collections environment together with pressure on disposable income for our customers continues to negatively impact withdrawals and remains one of managements key focus areas, together with increasing production of quality business across all of its distribution channels, including funeral parlours.

Despite the depressed economic environment and challenges within the operating environment, the Board remains encouraged by the prospects for growth and value creation over time.

By order of the Board

GQ Routledge
Chairman

BW Reekie
Managing Director

Johannesburg
27 February 2023

Condensed Group Statement of Financial Position

(R'000's)	31 December		Audited 30 June
	2022	2021	2022
Assets			
Owner-occupied properties ¹	414,220	419,688	412,318
Intangible assets	33,546	42,765	43,165
Property and equipment	44,290	42,871	43,689
Deferred tax ²	123,190	110,761	85,636
Goodwill ⁵	6,882		
Reinsurance assets	11,106	120,031	84,178
Financial assets at fair value through profit or loss ⁴	11,042,836	8,439,798	9,198,483
Financial assets at amortised cost			27,357
Inventories	5,285	7,424	5,038
Investment in associate ⁵		4,087	5,837
Trade receivables including insurance receivables	79,529	59,891	70,377
Current tax	1,442	614	
Cash and cash equivalents	275,836	311,322	502,000
Total assets	12,038,162	9,559,252	10,478,078
Total equity and reserves	995,922	933,679	1,142,144
Liabilities			
Deferred tax	39,266	22,224	16,962
Financial liabilities held at amortised cost	218,824	220,168	215,444
Policyholder liabilities under insurance contracts	565,494	928,176	801,924
Financial liabilities held at fair value through profit or loss ⁴	9,612,626	7,038,646	7,841,618
Loans at amortised cost	100,000	100,000	100,000
Financial Guarantee Liability ³	2,000	2,000	2,000
Employee benefits	47,203	53,622	77,708
Accruals and payables including insurance payables	442,288	244,116	257,354
Current tax	14,538	16,621	22,924
Total liabilities	11,042,240	8,625,573	9,335,934
Total equity and liabilities	12,038,162	9,559,252	10,478,078

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

2. Deferred tax includes R103.1 million (2021: R96.3 million) in respect of tax losses which are now expected to be utilised in the foreseeable future related to Clientèle Life's individual policyholder's tax fund ("IPF") as a result of single premium business. (Refer to estimates and judgements note on page 10 and the tax note on page 11).

3. The financial guarantee liability is in respect of guarantees issued. (Refer to the Capital and Other Commitments note on page 14).

4. The increases in "Financial liabilities held at fair value through profit or loss" and "Financial assets held at fair value through profit or loss" relate to the increase in single premium business underwritten during the period, particularly in respect of co-branded single premium policies.

5. Direct Rewards is now accounted for as a subsidiary with effect from 1 July 2022, with a goodwill value of R6.9 million. (Refer to estimates and judgements note on page 10). This investment was previously disclosed under "investment in associates".

Condensed Group Statement of Comprehensive Income

(R'000's)	Six months ended 31 December			Audited Year ended 30 June
	2022 Actual	2021 Actual	% Change	2022
Revenue				
Insurance premium revenue	1,197,061	1,159,808		2,357,703
Reinsurance premiums	(103,662)	(69,751)		(168,583)
Net insurance premiums	1,093,399	1,090,057		2,189,120
Revenue from contracts with customers	84,304	62,396		124,592
Cost of Sales	(18,039)	(6,301)		(13,222)
Other income	55,175	21,834		48,548
Share of associate's profit		159		
Interest income	8,345	3,208		7,636
Interest income on financial assets at amortised cost	453			453
Fair value adjustment to financial assets at fair value through profit or loss	276,804	339,874		282,384
Net income	1,500,442	1,511,227	(1)	2,639,511
Net insurance benefits and claims	(228,409)	(222,742)	3	(433,119)
Gross insurance benefits and claims	(327,131)	(303,364)		(627,592)
Insurance claims recovered from reinsurers	98,722	80,622		194,473
Decrease/(increase) in policyholder liabilities under insurance contracts	236,430	(77,712)		48,541
(Decrease)/Increase in reinsurance assets	(73,072)	28,904		(6,950)
Fair value adjustment to financial liabilities at fair value through profit or loss ¹	(222,464)	(180,486)		(171,807)
Movement in expected credit loss	1,554	(2,880)		(3,249)
Finance cost on financial liabilities at amortised cost	(8,345)	(8,193)		(16,300)
Interest expense	(4,128)	(3,226)		(6,512)
Operating expenses	(882,677)	(711,734)	24	(1,389,174)
Net Profit before tax	319,331	333,158		660,941
Tax ²	(64,637)	(112,143)		(225,472)
Net Profit for the period	254,694	221,015	15	435,469
Attributable to:				
Non-Controlling interest ³	1,366			
Equity holders of the Group - ordinary shareholders	253,328	221,015	15	435,469
Net Profit for the period	254,694	221,015	15	435,469
Other comprehensive income:				
Loss on property revaluation ⁴				(9,092)
Income tax relating to loss on property revaluation ⁴				2,338
Other comprehensive income for the period – net of tax	–	–		(6,754)
Total comprehensive income for the period	254,694	221,015		428,715
Attributable to:				
Non-Controlling interest ³	1,366			
Equity holders of the Group - ordinary shareholders	253,328	221,015		428,715
Earnings per share (cents)	75.55	65.91		129.87
Diluted Earnings per share (cents)	75.47	65.84		129.72

1. Includes R38.4 million increase (2021: R22.6 million (decrease)) of the IPF deferred tax liability of R96.0 million (2021: R89.4 million).

2. Includes R41.7 million increase (2021: R26.3 million decrease) of the deferred tax asset in respect of the IPF.

3. As at 1 July 2022 Clientèle exercised its right to purchase 15.9% in Direct Rewards (Pty) Ltd, increasing its shareholding to 51% in Direct Rewards.

Non-controlling interest consists of the Direct Rewards' minority interest equity holders' shareholders' share of profit.

4. Items that cannot be recycled to profit and loss.

Condensed Group Statement of Changes in Equity

(R'000's)	Share capital	Share premium	Common control deficit	Sub- total
Balance as at 1 July 2021	6,706	389,135	(220,273)	175,568
Ordinary dividends				-
Total comprehensive income	-	-	-	-
- Net profit for the period				-
- Other comprehensive income/(expense)				-
Shares issued				-
Bonus Rights Scheme allocated				-
Balance as at 31 December 2021	6,706	389,135	(220,273)	175,568
Balance as at 1 January 2022	6,706	389,135	(220,273)	175,568
Ordinary dividends				-
Total comprehensive income	-	-	-	-
- Net profit for the period				-
- Other comprehensive income/(expense)				-
Shares issued				-
Bonus Rights Scheme allocated				-
Balance as at 30 June 2022	6,706	389,135	(220,273)	175,568
Balance as at 1 July 2022	6,706	389,135	(220,273)	175,568
Ordinary dividends				-
Total comprehensive income	-	-	-	-
- Net profit for the period				-
- Other comprehensive income/(expense)				-
Shares issued				-
Bonus Rights Scheme allocated				-
Non-controlling interest - Direct Rewards				-
Balance as at 31 December 2022	6,706	389,135	(220,273)	175,568

Condensed Group Statement of Changes in Equity *continued*

(R'000's)	Retained earnings	Bonus Rights Scheme Reserve ¹	Non-distributable reserves: Non-controlling interest	Non-distributable reserves: revaluation	Total
Balance as at 1 July 2021	819,177	23,740		62,176	1,080,661
Ordinary dividends	(368,854)				(368,854)
Total comprehensive income	221,015	–	–	–	221,015
– Net profit for the period	221,015				221,015
– Other comprehensive income					–
Shares issued					–
Bonus Rights Scheme allocated		856			856
Balance as at 31 December 2021	671,338	24,596	–	62,176	933,679
Balance as at 1 January 2022	671,338	24,596		62,176	933,679
Ordinary dividends	(368,854)				(368,854)
Total comprehensive income	214,454	–	–	(6,754)	207 700
– Net profit for the period	214,454				214,454
– Other comprehensive income/(expense)				(6,754)	(6,754)
Shares issued					–
Bonus Rights Scheme allocated		766			766
Balance as at 30 June 2022	885,792	25,362	–	55,422	1,142,144
Balance as at 1 July 2022	885,792	25,362	–	55,422	1,142,144
Ordinary dividends	(402,386)				(402,386)
Total comprehensive income	253,328	–	1,366	–	254,694
– Net profit for the period	253,328		1,366		254,694
– Other comprehensive income/(expense)					–
Shares issued ²					–
Bonus Right scheme allocated ²		832			832
Non- controlling interest - Direct Rewards	(1,343)		1,981		638
Balance as at 31 December 2022	735,391	26,148	3,347	55,422	995,922

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

2. No shares (2021: Nil) were issued during the period in terms of the Bonus Rights Scheme.

Condensed Group Statement of Cash Flows

	Six months ended 31 December	Audited Year ended 30 June
(R'000's)	2022	2021
Cash flows from operating activities	(205,345)	120,586
Profit from operations adjusted for non-cash items	506,936	635,019
Working capital changes	(262,360)	(64,831)
Separately disclosable items ¹	(54,610)	(92,703)
Increase/(decrease) in financial liabilities ^{2,4}	1,583,077	543,518
Acquisition of investments ^{3,4,5}	(4,041,060)	(1,438,028)
Disposal of investments ^{3,4,5}	2,499,806	968,954
Interest received	35,217	47,446
Dividends received	19,393	45,257
Dividends paid	(402,029)	(368,736)
Tax paid	(89,715)	(155,310)
Cash flows from investing activities^{4,5}	(16,691)	(65,261)
Acquisition of property and equipment & intangible assets	(11,572)	(35,437)
Acquisition of owner-occupied properties	(1,901)	(4,574)
Proceeds from disposal of property, plant and equipment and intangible assets		7,167
Increase in financial assets at amortised cost		(32,419)
Acquisition of 15.9% share in Direct Rewards	(3,218)	
Cash flows from financing activities⁵	(4,128)	(16,546)
Repayment of loans at amortised cost	(4,128)	(16,546)
Net decrease in cash and cash equivalents	(226,164)	38,779
Cash and cash equivalents at beginning of the period	502,000	463,221
Cash and cash equivalents at end of the period	275,836	502,000

1. Interest and dividends received.

2. Financial liabilities – liabilities at fair value through profit or loss.

3. Investments in respect of insurance operations and assets at fair value through profit or loss.

4. Includes co-branded single premium business written.

5. As part of the Group's continued disclosure enhancement efforts, we have provided more detail by disclosing the nature and components of cash flows from financing and investment activities and separating acquisition and disposals of investments in operating activities. The comparative for years have also been adjusted to include these expanded disclosures.

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), CBC Rewards (loyalty benefits and Clientèle App), Clientèle Mobile & Direct Rewards, and Other (Clientèle Limited). The vast majority of policies written are in respect of individuals.

SEGMENT ASSETS AND LIABILITIES

	Six months ended 31 December	Audited Year ended 30 June
(R'000's)	2022	2021
Long-term Insurance	11,632,315	10,034,375
Short-term Insurance	298,540	351,245
CBC Rewards, Clientèle Mobile & Direct Rewards	39,142	39,547
Other	119,159	102,131
Inter segment	(50,995)	(49,220)
Total Group Assets	12,038,162	10,478,078
Long-term Insurance	10,973,677	9,196,996
Short-term Insurance	52,424	128,964
CBC Rewards, Clientèle Mobile & Direct Rewards	61,115	56,878
Other	6,019	2,316
Inter segment	(50,995)	(49,220)
Total Group Liabilities	11,042,240	9,335,934

Segment Statements of Comprehensive Income

(R'000's)	Long-term insurance	Short-term insurance	CBC Rewards, Mobile & Direct Rewards	Other	Inter segment	Total
31 December 2022						
Revenue						
Insurance premium revenue	949,790	247,271				1,197,061
Reinsurance premiums	(103,662)					(103,662)
Net insurance premiums	846,128	247,271	-	-	-	1,093,399
Revenue from contracts with customers	42,256		48,478		(6,430)	84,304
Cost of sales			(18,039)			(18,039)
Other income	53,121	27	3,123	36	(1,132)	55,175
Dividend income from subsidiaries				402,386	(402,386)	-
Interest income	6,840	1 168	48	289		8,345
Interest income on financial assets at amortised cost	453					453
Fair value adjustment to financial assets at fair value through profit or loss	256,310	15,049		5,445		276,804
Segment income	1,205,108	263,514	33,610	408,155	(409,948)	1,500,442
Net insurance benefits and claims	(201,906)	(26,503)				(228,409)
Decrease/(increase) in policyholder liabilities under insurance contracts	237,367	(937)				236,430
Decrease in reinsurance assets	(73,072)					(73,072)
Fair value adjustment to financial liabilities at fair value through profit or loss	(222,464)					(222,464)
Movement in expected credit loss	1,554					1,554
Finance cost on financial liabilities at amortised cost	(8,345)					(8,345)
Interest expense	(4,128)					(4,128)
Operating expenses	(701,245)	(177,657)	(33,763)	(2,862)	32,850	(882,677)
Segment expenses and claims	(972,239)	(205,097)	(33,763)	(2,862)	32,850	(1,181,111)
Net profit/(loss) before tax for the period	232,869	58,417	(153)	405,293	(377,098)	319,331
Tax	(52,025)	(13,356)	72	672		(64,637)
Net profit/(loss) for the period	180,844	45,061	(81)	405,965	(377,098)	254,694
Net profit/(loss) for the period attributable to:						
Non-controlling interest			1,366			1,366
Equity holders of the Group - ordinary shareholders	180,844	45,061	(1,447)	405,966	(377,098)	253,328

(R'000's)	Long-term insurance	Short-term insurance	CBC Rewards and Mobile	Other	Inter segment	Total
31 December 2021						
Revenue						
Insurance premium revenue	910,188	249,620				1,159,808
Reinsurance premiums	(69,751)					(69,751)
Net insurance premiums	840,437	249,620	–	–	–	1,090,057
Revenue from contracts with customers	45,594		22,168		(5,366)	62,396
Cost of sales			(6,301)			(6,301)
Other income*	34,736	49	969	67	(13,987)	21,834
Dividend income from subsidiaries*				368,854	(368,854)	–
Share of associate's profit				159		159
Interest income	2,558	559		91		3,208
Fair value adjustment to financial assets at fair value through profit or loss	308,332	23,434		8,108		339,874
Segment income	1,231,657	273,662	16,836	377,279	(388,207)	1,511,227
Net insurance benefits and claims	(199,504)	(23,238)				(222,742)
(Increase)/decrease in policyholder liabilities under insurance contracts	(77,917)	205				(77,712)
Increase in reinsurance assets	28,904					28,904
Fair value adjustment to financial liabilities at fair value through profit or loss	(180,486)					(180,486)
Movement in expected credit loss	(2,880)					(2,880)
Finance cost on financial liabilities at amortised cost	(8,193)					(8,193)
Interest expense	(3,226)					(3,226)
Operating Expenses	(544,204)	(168,360)	(16,295)	(2,222)	19,347	(711,734)
Segment expenses and claims	(987,506)	(191,393)	(16,295)	(2,222)	19,347	(1,178,069)
Net profit/(loss) before tax for the period	244,151	82,269	541	375,057	(368,860)	333,158
Tax	(88,885)	(21,270)	(150)	(1,838)		(112,143)
Net profit/(loss) for the period	155,266	60,999	391	373,219	(368,860)	221,015
Net profit/(loss) for the period attributable to:						
Equity holders of the Group – ordinary shareholders	155,266	60,999	391	373,219	(368,860)	221,015

* As part of the Group's continued disclosure enhancement efforts, the dividends from subsidiaries received by the holding company have been separated from other income for the current period. The comparatives have been adjusted to reflect the same separation. This is consistent with information considered by the chief operating decision maker.

Notes to the results

The results have not been reviewed or audited by the Group's auditors, Deloitte & Touche (South Africa).

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 the actuarial function.

The Condensed Group Results were prepared under the supervision of Mr. Michael George Cownie (CA(SA)), the Group Financial Director.

Changes to the board

The following changes to the Board occurred subsequent to the previous reporting period:

Mr. Iain Bruce Hume retired as Group Financial Director effective 31 December 2022, Mr. Michael George Cownie was appointed as Group Financial Director effective 01 January 2023 and Mr. Lemuel Edwin Dumisa Hlatshwayo resigned as Non-Executive Director effective 30 December 2022.

Changes to company secretary

The following change in company secretary occurred subsequent to the previous reporting period:

Mrs. Wilna van Zyl resigned as Group Company Secretary effective 31 October 2022 and Mr. Eben Johan Smit was appointed as Group Company Secretary effective 01 November 2022.

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 accounting policies applied in the preparation of the condensed consolidated financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements.

ESTIMATES AND JUDGEMENTS

The preparation of the condensed consolidated interim financial statements in accordance with IFRS requires the use of certain critical accounting estimates and judgements. The reported amounts in respect of the Group's insurance and other contracts, policyholder liabilities, employee benefits, intangible assets, deferred tax assets and related liabilities and unquoted financial instruments, guarantees and estimated credit losses, are affected by accounting estimates and judgements.

Owner-occupied properties are disclosed at fair value, determined from market-based evidence by appraisals undertaken by professional valuers at the end of each financial year. At 31 December 2022 management reviewed year end valuations to ensure that they were applicable and reasonable. The main inputs to the valuation include gross market rentals of between R125 and R165 (2021: between R125 and R160) per square meter per month, which have been capitalised into perpetuity at a yield of between 8.75% and 9.50% (2021: between 8.75% and 9.50%).

The calculation of the deferred tax asset in respect of the IPF of R103.1 million (2021: R96.3 million) and future utilisation of the assessed loss together with the related policyholder liability amounting to R96.0 million (2021: R89.4 million) is subject to estimates and judgements. 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 will increase to R116.3 million (2021: R102.6 million), with an additional positive impact of R1.0 million (2021: R0.3 million) on net profit after tax. If the attrition rate increased to 22.5%, the deferred tax asset would decrease to R94.4 million (2021: R90.2 million), with an additional negative impact of R0.4 million (2021: R0.3 million) on net profit after tax. At the reporting date the IPF has an estimated tax loss of R1.2 billion (2021: R1.7 billion).

Clientèle Limited acquired a 15.9% additional share in Direct Rewards (Pty) Ltd effective from 01 July 2022, increasing its shareholding to 51%. This transaction is seen as a "step acquisition". The goodwill that arose from this transaction was calculated to be R6.9 million. Goodwill will be reviewed for impairment at each half-year reporting period. No impairment was required for the period. The results of Direct Rewards have been included in the segment report with CBC Rewards and Mobile, consistent with the information considered by the Chief Operating decision maker.

Besides the assumptions in respect of the deferred tax asset, goodwill mentioned above, allowing for changes in the withdrawal assumptions and the recognition of a portion of the future funeral parlour profits during the period as a result of not eliminating negative reserves on this class of business (please refer to page 15 for the Embedded Value section), there were no other impacts due to changes in previous assumptions and estimates used in deriving amounts referred to above.

ADOPTION OF NEW AND AMENDED STANDARDS

New IFRS Standards and Amendments Effective for the period ended 31 December 2022

New or amended standards effective for the year have no impact on the results for the period.

New standards not yet effective that may significantly impact the Group's results or disclosures:

IFRS 17 - Insurance Contracts

The new standard will have major impacts on underlying valuation models, systems, processes, profit recognition and presentation.

An IFRS 17 Steering Committee has been established to identify and implement systems and process changes in anticipation of the implementation of the standard.

Clientèle's preparation for the IFRS 17 implementation date is progressing as planned, with ongoing focus from the internal IFRS 17 Steering Committee as well as from QED (an Actuarial consulting firm).

Tax

(R'000's)	Six months ended 31 December		Audited Year ended 30 June
	2022	2021	2022
Current and deferred tax	(105,924)	(84,540)	(159,911)
Policyholder deferred tax raised/(recognised) in terms of IAS12*	41,645	(26,349)	(61,320)
Capital gains tax	(358)	(1,254)	(4,241)
Tax	(64,637)	(112,143)	(225,472)

* The Individual Policyholder Fund has an estimated tax loss of R1.2 billion (2021: R1.7 billion).

Reconciliation of Net Profit to Headline Earnings

(R'000's)	Six months ended 31 December		% Change	Audited Year ended 30 June
	2022	2021		2022
Net profit for the period attributable to equity holders of the Group	253,328	221,015	15	435,469
Impairment of intangible assets	5,502	7,913		7,920
Profit on disposal of property and equipment	(21)	(522)		(531)
Reversal of impairment in associate		(1,610)		(2,082)
Headline earnings for the period	258,809	226,796	14	440,776

Ratios per Share

(Cents)	Six months ended 31 December		% Change	Audited Year ended 30 June
	2022	2021		2022
Headline earnings per share	77.18	67.64	14	131.45
Diluted headline earnings per share	77.10	67.56	14	131.30
Earnings per share	75.55	65.91	15	129.87
Diluted earnings per share	75.47	65.84	15	129.72
Net asset value per share	297.01	278.44	7	340.61
Diluted net asset value per share	296.69	278.12	7	340.22
Dividends per share – paid	120.00	110.00	9	110.00
Dividends per share – declared				120.00
Ordinary shares in issue ('000)	335,322	335,322		335,322
Weighted average ordinary shares ('000)	335,322	335,322		335,322
Diluted average ordinary shares ('000)	335,674	335,707		335,707

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 2022:

(R'000's)	Level 1	Level 2	Level 3	Total
Assets				
Listed equity securities	743,363			743,363
Foreign Listed equity securities	136,211			136,211
Unlisted equity securities		3,850	32,971	36,821
Promissory notes and fixed deposits		9,595,634		9,595,634
Funds on deposit		101,246		101,246
Fixed interest securities		1,318	1	1,319
Government and public authority bonds		428,243		428,243
Total assets	879,574	10,130,290	32,972	11,042,836
Liabilities				
Financial liabilities at fair value through profit or loss		9,612,612	14	9,612,626
Total Liabilities	–	9,612,612	14	9,612,626

The following table presents the Group's financial assets and liabilities that are measured at fair value through profit or loss at 31 December 2021:

(R'000's)	Level 1	Level 2	Level 3	Total
Assets				
Listed equity securities	751,919			751,919
Foreign Listed equity securities	220,977			220,977
Unlisted equity securities		3,850	24,414	28,264
Promissory notes and fixed deposits		7,002,178		7,002,178
Funds on deposit		124,892		124,892
Fixed interest securities		1,343	30,772	32,115
Government and public authority bonds		279,453		279,453
Total assets	972,896	7,411,716	55,186	8,439,798
Liabilities				
Financial liabilities at fair value through profit or loss		7,028,290	10,356	7,038,646
Total Liabilities	–	7,028,290	10,356	7,038,646

Level 2 instruments are measured by using a zero coupon risk-free rate curve over the remaining life time of the instruments. Policyholders linked exposure to Residual Debt Services Limited through investments in stub paper was fully repaid in December 2022 (2021: R30.8 million). The investments were disclosed as level 3 on the fair value hierarchy as the value of the stub paper was estimated using unobservable inputs. Key models and assumptions used in the valuation include a discounted future cash flow, applying a discount rate of 14%.

Level 3 unlisted equity securities of R33.0 million as at 31 December 2022 (2021: R24.4 million) consist of preference shares, valued using a Monte Carlo simulation with primary inputs consisting of the Clientèle Limited share price, the dividend yield and 77% of the prime interest rate.

Financial Assets and Liabilities held at Fair Value through Profit or Loss – Fair Value Hierarchy Disclosure - *continued*

RECONCILIATION OF LEVEL 3 FINANCIAL INSTRUMENTS

The following table presents the changes in level 3 financial instruments:

(R'000)	Six months ended 31 December 2022			Audited 30 June 2022		
	Financial Assets at fair value through profit or loss: fixed interest securities	Financial Assets at fair value through profit or loss: unlisted equity securities*	Financial Liability at fair value through profit or loss	Financial Assets at fair value through profit or loss: fixed interest securities	Financial Assets at fair value through profit or loss: unlisted equity securities*	Financial Liability at fair value through profit or loss
Opening balances	28,633	30,729	9,637	33,417	21,164	11,245
Interest raised during the year	1,805	1,931	607	2,059	3,005	692
Fair value adjustments recognised in profit or (loss)	(1,510)	3,000	(497)	29	8,200	12
Repayments	(28,927)	(2,689)	(9 734)	(6,872)	(1,640)	(2,312)
Closing balance	1	32,971	14	28,633	30,729	9,637

* The group purchased preference shares in the 2021 financial year as part of a B-BBEE transaction, which are deemed to be level 3 as they are not listed on the JSE and the determination of the fair value makes use of inputs that are not observable by the market.

Capital and Other Commitments

Clientèle Limited has in prior years provided financial assistance resulting in a net exposure via guarantees of R200 million for the purchase of approximately 9.0% 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.

A preference share funding arrangement was entered into in the 2021 financial year with Depfin Investment (Pty) Ltd (a subsidiary of Nedbank Limited) which includes an Embedded Value per share covenant and a Market Value per share covenant. There were no breaches in either covenant during the period.

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 changes to the related party transactions during the period.

Group Embedded Value results

GROUP EMBEDDED VALUE

The Embedded Value ("EV") calculation has been reviewed by the Group's Head of Actuarial Function. The 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 2022.

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:

- Life insurance policies regulated in terms of the Long-term Insurance Act, 1998 and the Insurance Act 18, 2017;
- Legal insurance business where EV Methodology has been used to determine future shareholder entitlements; and,
- Annuity income arising from non-insurance contracts (including IFA business fees, Clientèle Rewards, Clientèle Mobile, Direct Rewards and App fees) where EV Methodology has been used to determine future shareholder entitlements.

The impact of COVID-19, national lockdowns as well as the riots and civil unrest over the last couple of years has had a major impact on the economy. This has had a knock-on impact on most businesses including Clientèle.

The Risk Discount Rate ("RDR") remained stable at 13.7% (June 2022: 13.8%). RDR sensitivities are provided on page 17 of the report.

During the last quarter, Clientèle entered into a transaction where a portion of funeral parlour business on-going commission was paid as an upfront payment. The balance of the on-going commission (paid as a percentage of premiums received) was consequently reduced. The net impact on the EV was R28 million. This amount was included in the Value of New Business.

Due to the better persistency on the funeral parlour business, the judgement to maintain a discretionary margin (on reserves) was reviewed, and subsequently released resulting in a negative reserve being held for the funeral parlour business. This increased the Economic Capital held for this business (set equal to 40% of the negative reserve held), which in turn also increased the Cost of Capital. The change in the reserving basis used moved numbers between ANW, VIF and CoC with a net impact on after on the EV of less than R1 million.

No other material modelling or assumption changes were made over the reporting period apart from those described above.

The EV can be summarised as follows:

(R'000's)	Six months ended 31 December		Year ended 30 June
	2022	2021	2022
Required economic capital	607,171	556,738	518,325
Free surplus	492,383	438,282	692,747
Adjusted Net Worth ("ANW") of covered business	1,099,554	995,020	1,211,072
CoC	(101,441)	(92,112)	(89,138)
PVIF	4,839,533	4,896,647	4,685,133
EV of covered business	5,837,646	5,799,555	5,807,067
Risk Discount Rate ("RDR") % p.a.	13.7	12.4	13.8

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 31 December 2022 on the Published Reporting Basis. The Published Reporting Basis is based on IFRS.

RECONCILIATION OF TOTAL EQUITY TO ANW

(R'000's)	Six months ended 31 December		Year ended 30 June
	2022	2021	2022
Total equity and reserves per the Statement of Financial Position	995,922	933,679	1,142,144
Adjusted for deferred profits on investment business	93,542	41,358	53,965
Adjusting subsidiaries to Net Asset Value	24,341	32,468	26,840
Bonus Rights Scheme adjustment	(9,125)	(7,904)	(9,152)
Net of tax impact of adjusting Single Premium business to market value	(5,126)	(4,581)	(2,725)
ANW	1,099,554	995,020	1,211,072

The CoC is the opportunity cost of having to hold the Required Capital of R607.2 million as at 31 December 2022 (31 December 2021: R556.7 million).

Group Embedded Value results *continued*

RECONCILIATION OF TOTAL EQUITY TO ANW *continued*

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 (R433.9 million) and for the General Company (R173.2 million) as at 31 December 2022.

VALUE OF NEW BUSINESS (“VNB”)

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)	VNB	Present Value of New Business Premiums	New Business profit margin
For the 6 month period ending 31 December 2022			
Recurring premium business	126,635	1,077,604	11.8%
Single premium business	68,472	3,080,204	2.2%
Total	195,107	4,157,808	4.7%
For the 6 month period ending 31 December 2021			
Recurring premium business	150,818	1,331,902	11.3%
Single premium business	1,484	82,893	1.8%
Total	152,302	1,414,795	10.8%
For the 12 month period ending 30 June 2022			
Recurring premium business	260,633	2,562,828	10.2%
Single premium business	29,942	1,343,481	2.2%
Total	290,575	3,906,309	7.4%

LONG-TERM ECONOMIC ASSUMPTIONS

(%)	Six months ended 31 December		Year ended 30 June
	2022	2021	2022
Risk Discount Rate	13.7	12.4	13.8
Non-unit investment return	10.2	8.9	10.3
Unit Investment return	11.7	10.4	11.7
Expense inflation	6.1	5.9	7.3
Corporate tax	27.0	28.0	27.0
Gross of tax Equity return	12.7	11.4	12.8
Gross of tax Cash return	8.2	6.9	8.3
Gross of tax Bond return	10.2	8.9	10.3
Gross of tax Risk Free return	10.2	8.9	10.3

The 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% (31 December 2021: 3.5%). The beta pertaining to the Clientèle share price is normally 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 Clientèle’s actual beta of 0.44, 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 2022 was 13.7% p.a. (31 December 2021: 12.4% p.a. ; 30 June 2022: 13.8% p.a.).

RDR SENSITIVITIES

(R'000's)	EV	VNB
RDR 11.7%	6,482,281	239,311
RDR 12.4% (as at December 2021)	6,235,976	222,411
RDR 12.7%	6,137,561	215,621
RDR 13.7% (as at December 2022)	5,837,646	195,107
RDR 13.8% (as at June 2022)	5,809,173	192,746
RDR 14.7%	5,571,398	176,070
RDR 15.7%	5,335,855	159,336

EV PER SHARE

(Cents)	Six months ended 31 December		Year ended 30 June
	2022	2021	2022
EV per share	1,740.91	1,729.55	1,731.79
Diluted EV per share	1,739.08	1,727.58	1,729.80

SEGMENT INFORMATION

As part of the Group's continued disclosure enhancement efforts, changes in reporting for subsidiaries were made for the current period. The comparatives have been adjusted to reflect the same separation. This is consistent with information considered by the chief operating decision maker. The EV can be split between segments as follows:

(R'000's)	ANW	PVIF	CoC	EV
31 December 2022				
Long-term insurance	816,429	3,542,256	(72,510)	4,286,175
Short-term insurance	232,022	1,223,568	(28,931)	1,426,659
CBC Rewards, Clientèle Mobile & Direct Rewards	(55,020)	73,709		18,689
Other	106,123	–		106,123
Total	1,099,554	4,839,533	(101,441)	5,837,646
31 December 2021				
Long-term insurance	680,796	3,662,206	(61,468)	4,281,534
Short-term insurance	250,589	1,187,774	(30,644)	1,407,719
CBC Rewards, Clientèle Mobile & Direct Rewards	(41,637)	46,667		5,030
Other	105,272	–		105,272
Total	995,020	4 896 647	(92,112)	5,799,555
30 June 2022				
Long-term insurance	869,792	3,480,447	(62,416)	4,287,823
Short-term insurance	281,891	1,154,087	(26,722)	1,409,256
CBC Rewards, Clientèle Mobile & Direct Rewards	(50,424)	50,599		175
Other	109,813	–		109,813
Total	1,211,072	4,685,133	(89,138)	5,807,067

The VNB can be split between segments as follows:

(R'000's)	Six months ended 31 December		Year ended 30 June
	2022	2021	2022
Long-term insurance	135,965	119,773	233,171
Short-term insurance	48,564	29,667	49,503
CBC Rewards, Clientèle Mobile & Direct Rewards	10,578	2,862	7,901
Other	–	–	–
Total	195,107	152,302	290,575

Group Embedded Value results *continued*

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)	Note	Six months ended December 2022				Six months ended 31 December 2021 EV	Year ended 30 June 2022 EV
		ANW	VIF	CoC	EV		
Closing EV		1,099,554	4,839,533	(101,441)	5,837,646	5,799,555	5,807,067
Opening EV		1,211,072	4,685,133	(89,138)	5,807,067	5,806,456	5,806,456
Dividends		(402,386)			(402,386)	(368,854)	(368,854)
Adjusted EV at the beginning of the period		808,686	4,685,133	(89,138)	5,404,681	5,437,602	5,437,602
EV earnings		290,868	154,400	(12,303)	432,965	361,953	369,465
Reversal of impact of economic assumption changes		(3,365)	(56,267)	(7,202)	(66,834)	75,358	355,448
Recurring EV Earnings		287,503	98,133	(19,505)	366,131	437,311	724,913
Annualised Recurring Return on EV					13.5%	16.1%	13.3%
Annualised Return on EV					16.0%	13.3%	6.8%
Components of EV earnings							
VNB		(272,170)	472,662	(5,385)	195,107	152,302	290,575
Expected return on covered business			308,028	64	308,092	288,507	595,907
Expected profit transfer		536,966	(536,966)		-	-	-
Expected return on ANW		28,803			28,803	25,494	52,063
Withdrawal and unpaid premium experience variance	1	(55,468)	(113,372)	5,310	(163,530)	(27,786)	(217,331)
Changes in non-economic assumptions and modelling (mainly accidental death and withdrawal assumptions)		52,933	(34,098)	(16,574)	2,261	15,026	63,259
Claims and reinsurance experience variance (including COVID-19)		(1,177)			(1,177)	(2,594)	126
YTI guarantee cost in respect of B-BBEE share financing		(635)			(635)	(689)	(1,330)
Change in property fair value					-	-	(9,179)
Bonus Rights Scheme		813			813	505	23
Goodwill and Medium-term Incentive scheme		(17,590)	1,658		(15,932)	(21,303)	(14,957)
Sundry experience variance		7,832	221		8,053	(6,773)	(3,917)
EV operating return		280,307	98,133	(16,585)	361,855	422,689	755,239
Investment return variances on ANW		12,698		(2,920)	9,778	22,542	(21,024)
Impact of economic assumption changes		3,365	56,267	7,202	66,834	(75,358)	(355,449)
Intangible assets and inventory write-off		(5,502)			(5,502)	(7,920)	(9,301)
EV earnings		290,868	154,400	(12,303)	432,965	361,953	369,465

NOTES

Note 1

The challenges in the collections environment, particularly when it comes to the stability thereof, have persisted over the course of the period. We also continue to operate in an extremely tough environment. Although we have seen an improvement in the withdrawal experience towards the end of the period, experience is still above assumption. Withdrawal assumptions were not changed for the results reported as at 31 December 2022.



Clientèle Limited

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

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

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