



2023

CONDENSED
**GROUP
RESULTS**

for the year ended 30 June 2023

KEY PERFORMANCE METRICS

Dividends
declared increased
by 4% to
125 cents
per share

Recurring
Embedded
Value Earnings of

**R663.1
million**

Diluted
headline earnings
per share increased
by 15% to

**145.32
cents**

Recurring Return
on Embedded
Value of

12%

Return on average
shareholders'
interest of

43%

Value of New
Business of

**R244.9
million***



Clientèle

* Embedded value Risk Discount Rate
14.1% (2022: 13.8%).

Commentary

INTRODUCTION

The Clientèle Group (“the Group”) has produced a reasonable set of results for the year against the backdrop of a continuing challenging trading environment, characterised by low economic growth, ongoing load-shedding and challenges in the premium collections environment.

The previously reported higher than expected policyholder withdrawals continued throughout the year. Instability in the collections environment and in the services provided by a third party service provider negatively impacted collection success, and consequently increased withdrawals.

The Group remains in a sound solvency and liquidity position.

The Group achieved an investment return of 10.5% (2022: 4.2%) from its investment portfolios.

Take up of the stand-alone Clientèle Rewards product has been extremely encouraging.

Increased use of the Clientèle Application (“the Clientèle App”) which serves as a platform for sales capture by a number of the distribution channels, and is utilised by our clients for basic policy administration as well as to access Clientèle Rewards and Clientèle Mobile is positive.

OPERATING RESULTS

Group Statement of Comprehensive Income

Net insurance premiums for the year of R2.02 billion decreased slightly (by 1.7%) in comparison to the prior year (2022 restated: R2.05 billion). Growth was impacted by the higher than expected withdrawals mentioned above.

Revenue from contracts with customers of R342.0 million was 59% higher than last year (2022 restated: R214.4 million), on the back of high production of co-branded single premium products, an increase in revenue from the stand-alone rewards product and the consolidation of revenue from Direct Rewards for the 2023 financial year.

The attrition rate on co-branded single premium business was reduced from 20% to 3% as there is now sufficient historical information in respect of the behaviour of this book of business to set an assumption based on experience. The net profit increase as a consequence of this change was R16.5 million.

Recurring premium savings policies sold through the Telesales channels that were previously accounted for under IFRS4 have now been accounted for under IFRS 9, which delays the emergence of profits for this block of business, and the comparative numbers have been restated, reducing the 2022 profit after tax by R15.1 million.

Net insurance benefits and claims of R387.7 million were 2% higher than the R380.8 million in respect of the prior year.

The full explicit COVID-19 risk reserve, net of reinsurance, of R26.2 million was released during the year.

Operating expenses (including acquisition expenses) of R1.7 billion (restated 2022: R1.4 billion), were 20% higher than last year. The main reason for this was an increase in acquisition costs which includes a once-off upfront of commission (R100 million) in respect of a funeral parlour insurance transaction in the current year and an increase of R19 million in acquisition costs in respect of the increased production of single premium policies.

Due to a high client affinity with certain funeral parlours, and corresponding lower withdrawal experience on this business, a portion of future funeral parlour profits have been recognised during the year as a result of not eliminating negative reserves on this class of business. This resulted in an increase in profit after tax of R213.6 million (and a corresponding reduction in Value of In-force and a negligible impact on the Embedded Value (“EV”).

The above translates into headline earnings for the Group increasing by 15% to R487.7 million (2022 restated: R425.7 million) resulting in a return on average shareholders’ interests of 43% (2022 restated: 40%). Diluted headline earnings per share of 145.32 cents (2022 restated: 126.8 cents) were 15% higher than last year.

Group Embedded Value and Value of New Business

The Group EV at 30 June 2023 increased by 1% from last year and was R5.9 billion (30 June 2022: R5.8 billion), after the payment of the annual dividend of R402.4 million in September 2022, despite the Risk Discount Rate (“RDR”) of 14.1% p.a. having increased from 13.8% p.a. at 30 June 2022. Recurring Embedded Value Earnings (“REVE”) of R663.1 million were negatively impacted by withdrawal losses of R245.4 million, resulting in a reduction of 9% in comparison to the prior year result of R724.9 million.

The Value of New Business (“VNB”) for the year of R244.9 million (RDR of 14,1% p.a.) (2022: R290.6 million (RDR of 13.8% p.a.)) decreased by 16% over last year. In order to be in line with the rest of the industry, reinstatements have been removed from new business and treated as “negative withdrawals”.

As a result, reinstatements are no longer included in the VNB but the impact of reinstatements is included as a negative decrement in the VIF. This methodology change also affected the withdrawal and expense assumptions for the in-force and new business calculations. Furthermore, a change was made (by one of the Reinsurers) to the shape of the reinsurance rates curve. These once-off changes had a negative EV impact of R158.3 million and a negative impact on VNB.

The EV and VNB sensitivities are illustrated in the Group EV results on page 22.

The Present Value of New Business premiums increased due to large volumes of Single Premium investment business written. The relatively low profit margin on this block of business has resulted in a marked decrease (to 4.8%) in the overall New Business profit margin.

Other than profit recognition on some of the funeral parlour business mentioned above, 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 R2.1 billion (2022: R2.5 billion).

SEGMENT RESULTS

Clientèle Life – Long-term insurance

Clientèle Life’s Long-term insurance segment remains the major contributor to the Group’s performance and aided by the good quality funeral parlour intermediated business recorded a 33% increase in net profit for the year to R413.7 million (2022 restated: R310.9 million) despite the impact of the challenging operating environment and policy withdrawals, as previously referred to.

Clientèle Life’s total VNB for the year of R157.5 million (2022: R233.2 million) has reduced by 32%. Clientèle Life recorded REVE of R466.9 million (2022: R531.7 million), a decrease of 12%. The Recurring Return on EV was 11.7% p.a (2022: 13.2% p.a).

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

Clientèle Legal’s net profit for the year of R85.4 million (2022: R94.9 million) decreased by 10% on last year, impacted by the challenging operating environment and policy withdrawals. Clientèle Legal’s VNB was R67.9 million (2022: R49.5 million) and it recorded REVE of R171.0 million (2022: R182.2 million) and a Recurring Return on EV of 13% (2022: 13.9%). Management is focusing on returning the business to its growth path through increasing quality production.

CBC Rewards, Clientèle Mobile and Direct Rewards

CBC Rewards, Clientèle Mobile and Direct Rewards’ combined net loss for the year was R4.1 million (2022: R2.0 million net profit) on the back of large volumes of new business and associated acquisition costs. The segment produced VNB of R19.5 million (2022: R7.9 million). Direct Rewards is accounted for as a subsidiary effective from 1 July 2022.

OUTLOOK*

In this challenging environment, the Group remains focused on Treating its Clients Well (“TCW”) and providing products and services that meet their needs and will continue to improve on the delivery of them to the market conveniently and efficiently.

Management continues to be agile and responsive to challenges that arise and to take advantage of the opportunities that present themselves.

Investment of time and effort in the Clientèle Rewards, Clientèle App and Clientèle Mobile initiatives aligns with the Group’s focus on “shared value”.

With the ongoing challenges within the premium collections environment, management continue to implement initiatives to mitigate the impacts of high withdrawals. There are however encouraging signs of better stability in the collections environment.

* Any forward-looking information in this announcement has not been reviewed or reported on by the Group’s auditors and is the responsibility of the directors.

The Group will, as usual, continue to focus on increasing production of quality business across all of its distribution channels.

A tight control environment will continue to be maintained and improved, whilst every effort will be made to maintain and improve business efficiencies.

The Board remains optimistic that there are opportunities for growth and value creation over time in the Group's target market.

DIVIDEND DECLARED

Notice is hereby given that the Directors have declared a final gross dividend of 125.00 cents (2022: 120.00 cents) per share on 31 August 2023 for the year ended 30 June 2023.

The Board of Clientèle Limited confirms that Clientèle Limited will satisfy the solvency and liquidity tests immediately after completion of the dividend distribution. The dividend will be subject to dividends tax. In accordance with the JSE Listings Requirements, the following additional information is disclosed:

- The dividend has been declared out of income reserves;
- The local dividends tax rate is 20% (2022: 20%);
- The gross local dividend amount is 125.00 cents (2022: 120.00 cents) per ordinary share for shareholders exempt from the dividends tax;
- The net local dividend amount is 100.00 cents (2022: 96.00 cents) per ordinary share for shareholders liable to pay the dividends tax;
- The local dividends tax amount is 25.00 cents (2022: 24.00 cents) per ordinary share for shareholders liable to pay the dividend withholding tax; and
- Clientèle Limited currently has 335,321,768 (2022: 335,321,768) 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:

Declaration date	Thursday, 31 August 2023
Last day to trade	Tuesday, 19 September 2023
Shares commence trading "ex" dividend	Wednesday, 20 September 2023
Record date	Friday, 22 September 2023
Payment date	Tuesday, 26 September 2023

Share certificates may not be dematerialised or rematerialised between Wednesday, 20 September 2023 and Friday, 22 September 2023, both days inclusive.

By order of the Board

GQ Routledge
Chairman
Johannesburg
31 August 2023

BW Reekie
Managing Director

Independent auditors' review report on the condensed consolidated financial statements

To the shareholders of Clientèle Limited

We have reviewed the condensed consolidated financial statements of Clientèle Limited, contained in the accompanying report set out on pages 5 to 19, which comprise the condensed group statement of financial position as at 30 June 2023, the condensed group statement of comprehensive income, the condensed group statement of changes in equity and the condensed group statement of cash flows for the year ended, and selected explanatory notes.

Directors' Responsibility for the Condensed Consolidated Financial Statements

The directors are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with the requirements of the JSE Limited Listings Requirements for condensed financial statements, as set out in the Accounting Policies note to the 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 financial statements that are free from material misstatement, whether due to fraud or error.

The Listings Requirements require condensed financial statements to be prepared in accordance with the framework concepts and 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 contain the information required by International Accounting Standard (IAS) 34, Interim Financial Reporting.

Auditor's Responsibility

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

A review of financial statements in accordance with ISRE 2410 is a limited assurance engagement. We perform procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained.

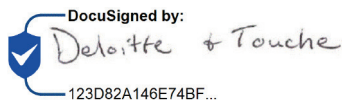
The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these financial statements.

Other matter

The condensed consolidated financial statements of the year ended 30 June 2022 were reviewed by another auditor who expressed an unmodified review conclusion on those statements on 31 August 2022.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements of Clientèle Limited for the year ended 30 June 2023 are not prepared, in all material respects, in accordance with the requirements of the JSE Limited Listings Requirements for condensed financial statements, as set out in the Accounting Policies note to the financial statements, and the requirements of the Companies Act of South Africa.

DocuSigned by:

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Deloitte & Touche

Per: John Kruger

Registered Auditor

Partner

31 August 2023

The Ridge, 6 Marina Road

Cape Town, 8001

Condensed Group Statement of Financial Position

(R'000's) Reviewed	Year ended 30 June	
	2023	Restated ⁶ 2022
Assets		
Owner-occupied properties ¹	422,667	412,318
Investment in associate ⁵		5,837
Intangible assets	32,725	43,165
Property and equipment	44,871	43,689
Deferred tax ^{2,6}	204,322	109,559
Goodwill ⁵	8,412	
Reinsurance assets ⁸		84,178
Financial assets held at fair value through profit or loss ³	10,953,097	9,198,483
Financial assets at amortised cost ⁹	272	27,357
Deferred acquisition costs ⁶	164,930	109,559
Inventories	4,320	5,037
Trade receivables including insurance receivables	70,723	70,377
Current tax receivables	2,021	
Cash and cash equivalents	249,540	502,000
Total assets	12,157,900	10,611,559
Total equity and reserves⁶	1,172,962	1,077,464
Liabilities		
Deferred tax	31,976	16,962
Financial liabilities held at amortised cost	150,742	215,443
Policyholder liabilities under insurance contracts ^{6,7}	482,061	773,662
Financial liabilities held at fair value through profit or loss ^{3,6}	9,613,919	7,962,867
Loans at amortised cost	100,000	100,000
Financial guarantee liability ⁴	2,000	2,000
Deferred revenue liability ⁶	359,862	210,491
Employee benefits	88,800	77,708
Accruals and payables including insurance payables ⁶	142,870	152,038
Current tax	12,708	22,924
Total liabilities	10,984,938	9,534,095
Total equity and liabilities	12,157,900	10,611,559

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

2. Deferred tax includes R181.5 million (2022: R61.3 million) in respect of tax losses which are expected to be utilised in the foreseeable future related to Clientèle Life's individual policyholder's tax fund ("IPF") as a result of increased single premium business and a change in attrition rate on the co-branded products from 20% to 3%. Refer to estimates and judgements note on page 13 and the tax note on page 14.

3. 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.

4. The financial guarantee liability is in respect of guarantees issued (refer to the Capital and Other Commitments note on page 18).

5. Direct Rewards is now accounted for as a subsidiary with effect from 1 July 2022 at a shareholding of 51%, with a goodwill value of R8.4 million. (Refer to estimates and judgements note on page 13). This investment was previously disclosed under "investment in associate".

6. Please refer to note on restatements on page 19.

7. The balance as at 30 June 2023 includes the negative reserve held for Funeral parlour business of R286 million. 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.

8. The main reason for the release of the reinsurance asset from June 2022 is due to the full release of the Covid-19 risk reserve and the change in judgement to hold negative reserves for one of the funeral parlours.

9. The reduction is due to settlement of a loan.

Condensed Group Statement of Comprehensive Income

(R'000's) Reviewed	Year ended 30 June		% Change
	2023	Restated ⁴ 2022	
Revenue			
Insurance premium revenue ⁴	2,219,870	2,218,293	
Reinsurance premiums	(204,542)	(168,583)	
Net insurance premiums	2,015,328	2,049,710	(2%)
Revenue from contracts with customers ^{4,5}	341,977	214,406	
Cost of sales	(24,849)	(13,222)	
Other income ⁴	5,728	11,567	
Interest income	15,135	7,636	
Interest income on financial assets at amortised cost	440	453	
Fair value adjustment to financial assets at fair value through profit or loss	764,670	282,385	
Net Income	3,118,429	2,552,935	22%
Net insurance benefits and claims ⁴	(387,717)	(380,813)	2%
Gross insurance benefits and claims	(586,342)	(575,286)	
Insurance claims recovered from reinsurers	198,625	194,473	
Decrease in policyholder liabilities under insurance contracts ⁴	315,357	58,268	
Decrease in reinsurance assets	(84,178)	(6,950)	
Fair value adjustment to financial liabilities at fair value through profit or loss ^{1,4}	(632,644)	(114,814)	
Movement in expected credit loss	654	(3,249)	
Finance cost on financial liabilities at amortised cost	(15,107)	(16,300)	
Interest expense	(10,326)	(6,512)	
Operating expenses ⁴	(1,733,116)	(1,442,332)	20%
Net Profit before tax	571,352	640,233	
Tax ^{4,6}	(81,293)	(219,880)	
Net Profit for the year	490,059	420,353	17%
Attributable to:			
– Non-Controlling interest ³	2,359		
– Equityholders of the group voting shareholders	487,700	420,353	16%
Net Profit for the year	490,059	420,353	17%
Other comprehensive income/(expense):			
Profit/(loss) on property revaluation ²	6,746	(9,092)	
Income tax relating to property revaluation ²	(1,570)	2,338	
Other comprehensive income/(expense) for the year – net of tax	5,176	(6,754)	
Total comprehensive income for the year	495,235	413,599	
Attributable to:			
– Equityholders of the Group – voting shareholders	492,876	413,599	
Earnings per share (cents)	145.44	125.36	16%
Diluted Earnings per share (cents)	145.32	125.21	16%

1. Includes R97.5 million (2022: R54.5 million) related to the corresponding liability on the deferred tax asset.

2. Items that cannot be recycled to profit or loss.

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 Direct Rewards' minority interest shareholders' share of profit.

4. Refer to note on restatements on page 19.

5. The revenue from contracts with customers includes the following balances: IFA Business Fee (R89.2 million), Deferred Revenue (R170.7 million), CBC & Direct Rewards (R82.2 million).

6. Refer to tax note on page 14.

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 2021	6,706	389,135	(220,273)	175,568
Ordinary dividends				-
Total comprehensive income	-	-	-	-
- Net profit for the year				-
- Other comprehensive income				-
Shares issued ²				-
Bonus Rights Scheme allocated ²				-
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
Non-Controlling Interest – Direct Rewards				-
Ordinary dividends				-
Total comprehensive income	-	-	-	-
- Net profit for the year				-
- Other comprehensive income				-
Bonus Rights scheme allocated ²				-
Transfer to retained earnings				-
Balance as at 30 June 2023	6,706	389,135	(220,273)	175,568

Condensed Group Statement of Changes in Equity *continued*

(R'000's) Reviewed	Restated ³ Retained earnings	Bonus Rights Scheme reserve ¹	Non-controlling interest	NDR: revaluation	Total
Balance as at 1 July 2021	769,613	23,740		62,176	1,031,097
Ordinary dividends	(368,854)				(368,854)
Total comprehensive income	420,353	–	–	(6,754)	413,599
– Net profit for the year	420,353				420,353
– Other comprehensive expense				(6,754)	(6,754)
Shares issued ²					–
Bonus Rights Scheme allocated ²		1,622			1,622
Balance as at 30 June 2022	821,112	25,362	–	55,422	1,077,464
Balance as at 1 July 2022	821,112	25,362	–	55,422	1,077,464
Non-Controlling Interest – Direct Rewards			717		717
Ordinary dividends	(402,386)				(402,386)
Total comprehensive income	487,700	–	2,359	5,176	495,235
– Net profit for the year	487,700		2,359		490,059
– Other comprehensive income				5,176	5,176
Bonus Rights scheme allocated ²		1,932			1,932
Balance as at 30 June 2023	906,426	27,294	3,076	60,598	1,172,962

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

2. No shares (2022: Nil) were issued during the year in terms of the Bonus Rights Scheme.

3. Please refer to note on restatements on page 19.

Condensed Group Statement of Cash Flows

(R'000's) Reviewed	Group	
	2023	Restated ⁶ 2022
Profit from operations adjusted for non cashflow items ⁶	176,938	619,902
Working capital changes ⁶	142,156	(49,714)
Separately disclosed items ¹	(109,840)	(92,703)
Increase in liabilities ^{2,4}	3,570,396	1,347,351
Decrease in liabilities ^{2,4}	(2,532,711)	(803,833)
Acquisition of investment ^{3,4}	(3,538,799)	(1,438,028)
Disposal of investment ^{3,4}	2,548,577	968,954
Cash generated from operations	256,717	551,929
Interest received	74,933	47,446
Dividends received	34,907	45,257
Dividends paid	(404,208)	(368,736)
Taxation paid	(174,627)	(155,310)
Cash flows from operating activities	(212,278)	120,586
Acquisition of property and equipment & intangible assets	(25,159)	(35,437)
Acquisition of owner-occupied properties	(3,603)	(4,574)
Proceeds from disposal of property and equipment & intangible assets	13	7,167
Additions to financial assets at amortised cost ⁵	(300)	(45,975)
Repayment of financial assets at amortised cost ⁵		13,556
Net cash for the acquisition of 15.9% share in Direct Rewards	(807)	
Cash flows from investing activities^{4,5}	(29,857)	(65,263)
Repayment of loans at amortised cost	(10,326)	(16,546)
Cash flows from financing activities⁵	(10,326)	(16,546)
(Decrease)/increase in cash and cash equivalents	(252,461)	38,778
Cash and cash equivalents at beginning of year	502,000	463,221
Cash and cash equivalents at the end of the year	249,540	502,000

1. Interest and dividends received.

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

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, to comply with International Accounting Standards 7 – Statements of Cash Flows, we have provided more detail by separating additions and repayments of financial assets at amortised cost. The comparative for 2022 has been restated on a consistent basis and previously disclosed as a net increase of R32.4 million.

6. Refer to note on restatements on page 19.

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, Other (Clientèle Limited) and inter-segment (which is used for elimination purposes). The vast majority of policies written are in respect of individuals.

SEGMENT ASSETS AND LIABILITIES

(R'000's) Reviewed	Year ended 30 June	
	2023	Restated 2022 ¹
Long-term insurance	11,771,270	10,167,856
Short-term insurance	352,890	351,245
CBC Rewards, Clientèle Mobile & Direct Rewards	44,508	39,547
Other	44,180	102,131
Inter segment	(54,948)	(49,220)
Total Group Assets	12,157,900	10,611,559
Long-term insurance	10,935,095	9,468,084
Short-term insurance	65,624	56,037
CBC Rewards, Clientèle Mobile & Direct Rewards	70,526	56,878
Other	(31,359)	2,316
Inter segment	(54,948)	(49,220)
Total Group Liabilities	10,984,938	9,534,095

1. Refer to note on restatements on page 19.

Segment Statements of Comprehensive Income

June 2023 R'000's Reviewed	Long-term Insurance	Short-term Insurance	CBC Rewards, Mobile & Direct Rewards	Other [#]	Inter segment	Total Group
Revenue						
Insurance premium revenue	1,726,985	492,885				2,219,870
Reinsurance premiums	(204,542)					(204,542)
Net insurance premiums	1,522,443	492,885				2,015,328
Revenue from contracts with customers ¹	259,827		94,405		(12,255)	341,977
Cost of sales			(24,849)			(24,849)
Other income	13,243	73	318	1,089	(8,995)	5,728
Dividend revenue				402,386	(402,386)	
Interest income	11,997	2,649	92	397		15,135
Interest income on financial assets at amortised cost	440					440
Fair value adjustment to financial assets at fair value through profit or loss	728,179	28,117		8,374		764,670
Segment income	2,536,129	523,724	69,966	412,246	(423,636)	3,118,429
Net insurance benefits and claims	(334,507)	(53,210)				(387,717)
Decrease in policyholder liabilities under insurance contracts	313,551	1,806				315,357
Decrease in reinsurance assets	(84,178)					(84,178)
Fair value adjustment to financial liabilities at fair value through profit and loss	(632,644)					(632,644)
Movement in expected credit loss	654					654
Finance cost on financial liabilities at amortised cost	(15,107)					(15,107)
Interest expense	(10,319)		(7)			(10,326)
Operating expenses	(1,303,178)	(359,999)	(75,445)	(10,735)	16,241	(1,733,116)
Segment expenses and claims	(2,065,728)	(411,403)	(75,452)	(10,735)	16,241	(2,547,077)
Net profit/(loss) before tax for the year	470,401	112,321	(5,486)	401,511	(407,395)	571,352
Tax	(56,693)	(26,878)	1,358	920		(81,293)
Net profit/(loss) for the year	413,708	85,443	(4,128)	402,431	(407,395)	490,059
Net profit/(loss) for the year attributable to						
Non-controlling interest			(2,359)			(2,359)
Equity holder of the Group – voting shareholders	413,708	85,443	(6,487)	402,431	(407,395)	487,700

The "other" segment comprises of Clientèle Limited's dividend income, investment income, estimated credit loss and operating expenses.

1. Long-term segment revenue from contracts with customers consists of IFA business fees (R89.2 million) and deferred profit (R170.7 million). The CBC Rewards, Mobile and Direct rewards (R94.4 million) revenue from contracts with customers consists of rewards fees.

Segment Statements of Comprehensive Income *continued*

June 2022 (R'000's) Reviewed	Restated ² Long-term Insurance	Short-term Insurance	CBC Rewards, Mobile & Direct Rewards	Other [#]	Inter segment	Restated ² Total Group
Revenue						
Insurance premium revenue	1,727,156	491,137				2,218,293
Reinsurance premiums	(168,583)					(168,583)
Net insurance premiums	1,558,573	491,137	–	–	–	2,049,710
Revenue from contracts with customers ¹	179,939		45,398		(10,931)	214,406
Cost of sales			(13,222)			(13,222)
Other income	(1,669)	203	3,648	2,957	6,428	11,567
Dividend revenue				368,854	(368,854)	–
Interest income	6,012	1,438		186		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	267,171	10,362		4,852		282,385
Segment income	2,010,479	503,140	35,824	376,849	(373,357)	2,552,935
Net insurance benefits and claims (Decrease)/Increase in policyholder liabilities under insurance contracts	(364,096)	(16,717)				(380,813)
(Decrease)/Increase in reinsurance assets	58,947	(679)				58,268
Fair value adjustment to financial liabilities at fair value through profit or loss	(6,950)					(6,950)
Movement in expected credit loss	(114,814)					(114,814)
Finance cost on financial liabilities at amortised cost	(3,249)					(3,249)
Interest expense	(16,300)					(16,300)
Operating expenses	(6,512)					(6,512)
Segment expenses and claims	(1,068,961)	(353,523)	(33,097)	(3,338)	16,587	(1,442,332)
Profit before tax for the year	488,544	132,221	2,727	373,511	(356,770)	640,233
Tax	(177,667)	(37,359)	(727)	(4,127)		(219,880)
Net profit for the year	310,877	94,862	2,000	369,384	(356,770)	420,353
Attributable to:						
Equity holders of the Group – voting shareholders	310,877	94,862	2,000	369,384	(356,770)	420,353

The "other" segment comprises of Clientèle Limited's dividend income, investment income, estimated credit loss and operating expenses.

1. Long-term segment revenue from contracts with customers consists of IFA business fees (R90.1 million) and deferred revenue (R90.4 million).
The CBC Rewards, Mobile and Direct rewards (R34.5 million) revenue from contracts with customers consists of rewards fees.

2. Please refer to note on restatements on page 19.

Notes to the Condensed Consolidated Financial Statements

NOTES TO THE RESULTS

These condensed consolidated financial statements for the year ended 30 June 2023 have been reviewed, in terms of International Standards on Review Engagements, (ISRE 2410), by Deloitte & Touche (South Africa), who expressed an unmodified review conclusion.

The condensed consolidated financial statements were prepared under the supervision of MG Cownie (CA(SA)), the Group Financial Director.

CHANGES TO THE BOARD

The following changes were effected by the Board in 2023:

- Mr. IB Hume retired as an Executive Director in December 2022;
- Mr. LED Hlatshwayo resigned as an Independent Non-executive Director in December 2022;
- Mr. MG Cownie was appointed as an Executive Director in January 2023; and
- Mr. HP Mayers was appointed as an Independent Non-executive Director in May 2023.

Furthermore, Mrs. W van Zyl resigned as Group Company Secretary in October 2022 and Mr. EJ Smit was appointed as Group Company Secretary in November 2022.

ACCOUNTING POLICIES

Statement of compliance

The condensed consolidated financial statements are prepared in accordance with the JSE Listings Requirements for condensed financial statements and the requirements of the Companies Act, Act 71 of 2008, of South Africa. The Listings Requirements require condensed financial statements 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 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 condensed consolidated annual 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 and other contracts, policyholder liabilities, employee benefits, intangible assets, deferred tax assets and related liabilities and unquoted financial instruments, guarantees and related estimated credit losses, are affected by accounting estimates and judgments.

Owner-occupied properties are disclosed at fair value, determined from market-based evidence, for material properties appraisals were undertaken by professional valuers. The main inputs to the valuation include gross market rentals of between R125 and R165 (2022: between R125 and R165) per square meter per month, which have been capitalised into perpetuity at a yield of between 8.75% and 9.50% (2022: between 8.75% and 9.50%).

The calculation of the deferred tax asset in respect of the IPF of R181.5 million (2022: R61.3 million) and future utilisation of the assessed loss together with the related policyholder liability amounting to R155.1 million (2022: R57.6 million) is subject to estimates and judgements. The input with the most effect on the calculation is the attrition of business. Management has reduced the attrition rate from 20% to 3% as there is now sufficient historical information in respect of the behaviour of this book of business. If the attrition rate decreased to 2% the deferred tax asset would increase to R185.5 million (2022: R66.4 million), with an additional positive impact of R0.5 million (2022: R0.4 million) on net profit after tax. If the attrition rate increased to 4%, the deferred tax asset would decrease to R177.5 million (2022: R56.9 million), with an additional negative impact of R0.5 million (2022: R0.4 million) on net profit after tax. At the reporting date the IPF has an estimated tax loss of R1.0 billion (2022: R1.5 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 R8.4 million. Goodwill will be reviewed for impairment yearly at each half-year reporting period. No impairment was required for the year. 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 mentioned above, allowing for worsening of withdrawal experience and the maintenance of the discretionary margin being released, thus resulting in negative reserves being held for the funeral parlour business (as noted in more detail on page 15) there were no other major impacts due to changes in previous assumptions and estimates used in the deriving amounts referred to above.

Notes to the Condensed Consolidated Financial Statements *continued*

Adoption of new and amended standards

New IFRS Standards and Amendments Effective for the year ended 30 June 2023

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

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 and disclosure.

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).

Please refer to the integrated annual report which will include more detailed disclosure.

Tax

(R'000's) Reviewed	Year ended 30 June	
	2023	Restated ¹ 2022
Current and deferred tax	(201,193)	(154,319)
Policyholder deferred tax recognised in terms of IAS 12*	120,111	(61,320)
Capital gains tax	(211)	(4,241)
Tax	(81,293)	(219,880)

* The Individual Policyholder Fund has an estimated tax loss of R1.0 billion (2022: R1.5 billion). Increase is due to the increase in deferred tax asset.
1. Refer to note on restatements on page 19.

Reconciliation of Net Profit to Headline Earnings

(R'000's) Reviewed	Year ended 30 June		
	2023	Restated 2022	% Change
Net profit for the year attributable to equity holders of the Group	487,700	420,353	16%
Impairment of intangible assets and PPE		7,920	
Profit on disposal of property and equipment	(8)	(531)	
Reversal of impairment in associate		(2,082)	
Headline earnings for the year	487,692	425,660	15%

Ratios per Share

(Cents) Reviewed	Year ended 30 June		
	2023	Restated 2022	% Change
Headline earnings per share	145.44	126.94	15%
Diluted headline earnings per share	145.32	125.21	16%
Earnings per share	145.44	125.36	16%
Diluted earnings per share	145.32	125.21	16%
Net asset value per share	349.80	340.61	3%
Diluted net asset value per share	349.52	340.22	3%
Dividends per share – paid	120.00	110.00	9%
Dividends per share – declared	125.00	120.00	4%
Ordinary shares in issue ('000)	335,322	335,322	
Weighted average ordinary shares ('000)	335,322	335,322	
Diluted weighted average ordinary shares ('000)	335,595	335,707	

Policyholder Liabilities under insurance contracts

(R'000's) Reviewed	2023		Restated 2022	
	Gross of reinsurance	Net of reinsurance	Gross of reinsurance	Net of reinsurance
Discounted insurance liabilities as at the beginning of the year	637,012	637,398	692,463	692,444
Discretionary margins	(2,697,253)	(2,697,617)	(2,887,421)	(2,887,351)
Discounted insurance liabilities as at the beginning of the year prior to allowance for discretionary margins	(2,060,241)	(2,060,220)	(2,194,958)	(2,194,907)
Interest on insurance liabilities (and cashflows)	(297,628)	(297,628)	(253,779)	(253,779)
Expected premiums on insurance liabilities	1,210,146	1,097,758	1,510,037	1,373,627
Expected change in margins (existing business)	76,379	76,378	28,646	28,646
Expected claims, expiries and lapses	(556,809)	(466,483)	(559,871)	(454,766)
Expected expenses, commission and charges	(116,827)	(116,827)	(142,090)	(142,090)
Experience variations	74,363	96,418	1,735	33,002
Impact of excluding a portion of funeral parlour business from discounted liabilities	(288,825)	(285,019)		
Changes in valuation basis (renewal business only)	284,786	274,361	108,606	108,607
New business added during the year	(281,807)	(281,807)	(558,638)	(558,632)
Insurance liabilities as at closing prior to allowance for discretionary margins	(1,956,463)	(1,963,069)	(2,060,312)	(2,060,292)
Discretionary margins	2,379,108	2,391,078	2,725,586	2,725,951
Change in IFRS9 reserve / reclassification (restatement)	-	-	(28,262)	(28,262)
A: Discounted insurance liabilities as at the end of the year	422,645	428,009	637,012	637,398
COVID-19 risk reserve as at the beginning of the year	81,710	26,182	144,051	55,136
Change in COVID-19 risk reserve during the year	(81,710)	(26,182)	(62,341)	(28,954)
B: COVID-19 risk reserve	-	-	81,710	26,182
Undiscounted insurance liabilities as at the beginning of the year	45,758	16,722	5,447	3,253
Impact of excluding a portion of funeral parlour business from undiscounted liabilities	(33,285)	(11,179)		
Withdrawals and change in reinsurance during the year	(3,902)	(1,683)	(1,320)	(972)
Unearned premium reserve	18,178	18,178		
December on Us Reserves	10,658	10,658		
New business added during the year	1,535	882	41,632	14,442
C: Undiscounted insurance liabilities as at the end of the year	38,942	33,578	45,759	16,723
Total insurance liabilities as at the end of the year (A+B+C)	461,587	461,587	764,481	680,303
Reinsurance assets	-	-	-	84,178
Gross long-term insurance liabilities as at the end of the year	461,587	461,587	764,481	764,481
Short-term insurance	20,474	20,474	9,181	9,181
IBNR	183	183	304	304
Cash Back Bonus	1,741	1,741	2,351	2,351
Outstanding Claims	5,452	5,452	6,526	6,526
Unearned premium reserve	5,322	5,322		
December on Us Reserves	7,776	7,776		
	482,061	482,061	773,662	773,662

SENSITIVITIES – LONG-TERM INSURANCE

(R'000's) Reviewed	% Change	2023		2022	
		Impact on liabilities	Impact on total comprehensive income	Impact on liabilities	Impact on total comprehensive income
Financial risk variables					
Equity price*	10	36,829	24,620	30,977	24,907
Equity price*	(10)	(38,112)	(23,683)	(34,585)	(22,309)
Interest rate	1	(665)	485	(15,149)	10,907
Interest rate	(1)	1,638	(1,196)	14,055	(10,120)
Property equity value*	10		21,378	–	15,682
Property equity value*	(10)		(21,378)	–	(15,682)
Long-term insurance risk variables					
Assurance mortality and morbidity	10	15,287	(11,160)	8,109	(5,838)
Assurance mortality and morbidity	(10)	(15,365)	11,216	(8,932)	6,431
Renewal expenses	10	26,859	(19,607)	8,431	(6,071)
Renewal expenses	(10)	(26,291)	19,193	(10,589)	7,624
Withdrawals	10	28,688	(20,943)	7,687	(5,534)
Withdrawals	(10)	(33,239)	24,264	(10,869)	7,825
Inflation	1	11,426	(8,341)	1,128	(812)
Inflation	(1)	(10,216)	7,457	(3,595)	2,588
Financial instruments risk variable					
Default (non-linked financial assets)	5	(48,083)	(35,101)	(49,119)	(35,365)

* 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 2023:

(R'000's) Reviewed	Level 1	Level 2	Level 3	Total
Assets				
Listed equity securities	757,357			757,357
Foreign Listed equity securities	137,164			137,164
Unlisted equity securities		3,850	37,741	41,591
Promissory notes and fixed deposits		9,346,552		9,346,552
Funds on deposit		238,586		238,586
Fixed interest securities			1	1
Government and public authority bonds		383,111		383,111
Foreign listed bonds		48,735		48,735
Total Financial Assets	894,521	10,020,834	37,742	10,953,097
Liabilities				
Financial liabilities at fair value through profit or loss		9,613,919		9,613,919
Total Financial Liabilities	–	9,613,919	–	9,613,919

The following table presents the Group's financial assets and liabilities that are measured at fair value through profit or loss as at 30 June 2022:

(R'000's) Reviewed	Level 1	Level 2	Level 3	Total
Assets				
Listed equity securities	632,980			632,980
Foreign Listed equity securities	177,088			177,088
Unlisted equity securities		3,850	30,729	34,579
Promissory notes and fixed deposits		7,825,805		7,825,805
Funds on deposit		236,516		236,516
Fixed interest securities		3,484	28,632	32,116
Government and public authority bonds		259,399		259,399
Total Financial Assets	810,068	8,329,054	59,361	9,198,483
Liabilities				
Financial liabilities at fair value through profit or loss ¹		7,953,230	9,637	7,962,867
Total Financial Liabilities	–	7,953,230	9,637	7,962,867

1. Refer to note on restatements on page 19.

Level 2 instruments are measured by using a zero coupon risk-free rate curve, adjusted for the appropriate credit spread, over the remaining lifetime of the instruments.

Policyholders linked exposure to Residual Debt Services Limited through investments in Stub paper of R0 million as at 30 June 2023 (2022: R28.6 million) 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%. These instruments matured during the year and the linked liabilities were settled.

Level 3 unlisted equity securities 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.

RECONCILIATION OF LEVEL 3 FINANCIAL INSTRUMENTS

The following table presents the changes in level 3 financial instruments for the year ended 30 June 2023:

(R'000's) Reviewed	30 June 2023			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	1,139	4,128	607	2,059	3,005	692
Additions						
Fair value adjustments recognised in profit or (loss)		6,000	(510)	29	8,200	12
Repayments	(29,771)	(3,116)	(9,734)	(6,872)	(1,640)	(2,312)
Closing balance	1	37,741	-	28,633	30,729	9,637

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. The financial guarantee is recognized at the higher of the ECL and fair value less cumulative amortization. A Monte Carlo simulation was conducted at the end of the 2023 financial year to determine the ECL in respect of the financial guarantee and the ECL remained at R2 million.

A preference share funding arrangement was entered into in the 2021 financial year and the guarantee covenant was formally renegotiated with Depfin Investments (Pty) Ltd (a subsidiary of Nedbank Limited) to include an Embedded Value per share covenant in addition to the Market Value per share covenant.

EVENTS AFTER THE REPORTING DATE

Dividend

The Board declared a final gross dividend of 125 cents per share on 31 August 2023 for the year ended 30 June 2023. The dividend is subject to dividend withholding tax.

Changes to the Board

Ms. PR Gwangwa resigned as Independent Non-executive Director in August 2023.

There are no other 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 year.

RESTATEMENT INFORMATION

During the financial year the following errors have been identified and were restated.

Statement of financial position

	2022	Adjustments		2022
(R'000) Reviewed	Before Restatement	Recurring premium savings policies ¹	Deferred profit ²	Restated
Total equity and reserves	1,142,144	(64,680)		1,077,464
Deferred Acquisition Costs	–	4,384	105,175	109,559
Deferred tax asset	85,636	23,923		109,559
Policyholder liabilities under insurance contracts	801,924	(28,262)		773,662
Financial liabilities held at fair value through profit or loss	7,841,618	121,249		7,962,867
Deferred Revenue Liability	–		210,491	210,491
Accruals and payables including insurance payables	257,354		(105 316)	152,038

Statement of comprehensive Income impact

Insurance premium revenue	2,357,704	(139,411)		2,218,293
Revenue from contracts with customers	124,592		89,814	214,406
Other income	48,548		(36,981)	11,567
Fair value adjustment to financial liabilities at fair value through profit or loss	(171,807)	56,993		(114,814)
Net insurance benefits and claims	(433,119)	52,306		(380,813)
Increase/(Decrease) in policyholder liabilities under insurance contracts	48,542	9,726		58,268
Operating expenses	(1,389,176)	(323)	(52,833)	(1,442,332)
Current & deferred tax	(225,472)	5,592		(219,880)

Impact on ratios per share

Headline earnings per share	131,45	(4,5)		126,94
Diluted headline earnings per share	131,3	(4,5)		126,80
Earnings per share	129,87	(4,5)		125,36

Impact on cashflow

Profit from operations adjusted for non-cash items	635 019	(15 117)		619 902
Working capital changes	(64 831)	15 117		(49 714)

1. A reassessment of the product features of certain recurring premium savings policies resulted in a classification and measurement correction from IFRS 4 to IFRS 9. The Deferred acquisition costs ("DAC") is calculated using Telesales commission paid on the recurring premium savings policies. It is amortised over a 3 year period.

2. The accounting policy for Clientèle single premium policies is to defer the initial profit (revenue less expenses) on initial recognition and to amortise it over the life of the contract. The deferred revenue release is disclosed on the statement of comprehensive income within revenue from contracts with customers in line with IFRS 15 and the related deferred expenses release in operating expenses.

Group Embedded Value Results

GROUP EMBEDDED VALUE

The Embedded Value (“EV”) calculation has been reviewed by the Group’s independent actuaries, QED Actuaries & Consultants (Pty) Ltd.

Deloitte & Touche (South Africa) has not reviewed the Group EV Results.

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 30 June 2023.

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 Risk Discount Rate (“RDR”) remained stable at 14.1% (June 2022: 13.8%). RDR sensitivities are provided on page 22 of the report.

During the second quarter of the financial year, 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 increased the EV by R54 million and is 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 Adjusted Net Worth (ANW) and Value of In-force (VIF) and CoC with a net impact on the EV of less than R1 million.

In order to be in line with the rest of the industry, reinstatements have been removed from new business and treated as “negative withdrawals”. As a result, reinstatements are no longer included in the VNB but the impact of reinstatements is included as a negative decrement in the VIF. This methodology change also affected the withdrawal and expense assumptions for the in-force and new business books. Furthermore, a correction was made (by one of the Reinsurers) to the shape of the reinsurance rates curve. The impact of these once-off changes on existing business were excluded for the Recurring EV earnings.

The COVID-19 risk reserve of R26,2 million (net of re-insurance) was released over the financial year. Clientèle no longer holds an explicit COVID-19 risk reserve.

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

(R'000's)	Year ended 30 June	
	2023	Restated 2022
Required economic capital	499,245	429,722
Free surplus	835,938	781,350
Adjusted Net Worth (“ANW”) of covered business	1,335,183	1,211,072
CoC	(121,410)	(89,138)
VIF	4,673,703	4,685,133
EV of covered business	5,887,476	5,807,067
RDR % p.a.	14.1	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 business is the present value of future after-tax profits arising from covered business in force as at 30 June 2023 on the Published Reporting Basis. The Published Reporting Basis is based on IFRS.

RECONCILIATION OF TOTAL EQUITY TO ANW

(R'000's)	Year ended 30 June	
	2023	Restated 2022
Total equity and reserves per the Statement of Financial Position	1,172,962	1,077,464
Adjusted for deferred profits on investment business	75,639	53,965
Adjusting assets to fair value	42,564	31,383
Reversal of investment in Direct Rewards	(11,331)	(4,543)
Bonus Rights Scheme adjustment	(11,310)	(9,152)
Net of tax impact of adjusting Single Premium business to market value	(18,602)	(2,725)
Adjusting IFRS9 recurring premium savings policies liability to allow negative rand reserves	85,261	64,680
ANW	1,335,183	1,211,072

The CoC is the opportunity cost of having to hold the Required Capital of R499.2 million as at 30 June 2023 (30 June 2022: R429.7 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 (R324.7 million) and for the General Company (R174.5 million) as at 30 June 2023.

VALUE OF NEW BUSINESS

The New Business profit margin is the VNB expressed as a percentage of the present value of future premiums (and other annuity fee income) pertaining to the same business.

(R'000's)	VNB	Present Value of New Business Premiums	New Business profit margin
30 June 2023			
Recurring premium business	159,473	1,705,807	9.3%
Single premium business	85,400	3,379,850	2.5%
Total	244,873	5,085,657	4.8%
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%

The Present Value of New Business premiums has increased due to a major increase in single premium investment business written over the year. The relatively low profit margin on this block of business has resulted in a marked decrease (to 4.8%) in the overall New Business profit margin.

The VNB for the current year is not directly comparable to the VNB for the prior year as a consequence of Reinstatements having been removed from the VNB calculation.

Group Embedded Value Results *continued*

LONG-TERM ECONOMIC ASSUMPTIONS

(%)	Year ended 30 June	
	2023	2022
RDR	14.1	13.8
Non-unit investment return	10.6	10.3
Unit Investment return	12.1	11.7
Expense inflation	6.1	7.3
Corporate tax	27.0	27.0
Gross of tax Equity return	13.1	12.8
Gross of tax Cash return	8.6	8.3
Gross of tax Bond return	10.6	10.3
Gross of tax Risk Free return	10.6	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% (30 June 2022: 3.5%). The beta pertaining to the Clientèle share price is relatively low, which is largely a consequence of the relatively small free-float of shares. After consideration, the Board has decided to continue to use a more conservative beta of 1, as opposed to Clientèle's actual beta of 0.40, 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 2023 was 14.1% p.a. (30 June 2022: 13.8% p.a.).

RDR SENSITIVITIES

(R'000's)	EV	VNB
RDR 12.1%	6,549,835	317,749
RDR 13.1%	6,193,310	279,276
RDR 13.8% (as at June 2022)	5,974,067	255,272
RDR 14.1% (as at June 2023)	5,887,511	244,873
RDR 15.1%	5,614,625	215,767
RDR 16.1%	5,375,616	191,876

EV PER SHARE

(Cents)	Year ended 30 June	
	2023	2022
EV per share	1,755.77	1,731.79
Diluted EV per share	1,754.34	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
30 June 2023				
Long-term insurance	1,020,729	3,374,698	(92,021)	4,303,406
Short-term insurance	271,346	1,208,970	(29,389)	1,450,927
CBC Rewards, Clientèle Mobile & Direct Rewards	(64,500)	90,035		25,535
Other	107,608			107,608
Total	1,335,183	4,673,703	(121,410)	5,887,476
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)	Year ended 30 June	
	2023	2022
Long-term insurance	157,485	233,171
Short-term insurance	67,854	49,503
CBC Rewards, Clientèle Mobile & Direct Rewards	19,534	7,901
Other		
Total	244,873	290,575

Group Embedded Value Results *continued*

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)	Note	Year ended 30 June 2023				30 June 2022
		ANW	VIF	CoC	EV	EV
Closing EV		1,335,183	4,673,703	(121,410)	5,887,476	5,807,067
Opening EV		1,211,072	4,685,133	(89,138)	5,807,067	5,806,456
Dividends		(402,386)			(402,386)	(368,854)
Adjusted EV at the beginning of the year		808,686	4,685,133	(89,138)	5,404,681	5,437,602
EV earnings		526,497	(11,430)	(32,272)	482,795	369,465
Reversal of impact of economic assumption changes		(14,946)	32,858	4,037	21,949	355,448
Reversal of change in treatment of reinstatements and other once off impacts	2	18,393	139,954	–	158,347	–
Recurring EV Earnings		529,944	161,382	(28,235)	663,091	724,913
Recurring Return on EV					12.3%	13.3%
Return on EV					8.9%	6.8%
Components of EV earnings						
VNB		(348,083)	636,979	(44,022)	244,873	290,575
Expected return on covered business			605,574	(4,765)	600,809	595,907
Expected profit transfer		937,001	(937,001)		–	–
Expected return on ANW		58,818			58,818	52,063
Withdrawal and unpaid premium experience variance		(72,763)	(190,467)	17,861	(245,369)	(217,331)
Impact of instability and errors within the collections environment	1	(8,577)	(49,166)		(57,743)	–
Changes in non-economic assumptions and modelling (mainly mortality and Funeral Parlour withdrawal assumptions)		21,315	69,715	4,975	96,005	63,259
Impact of change in treatment of reinstatements and other once-off impacts	2	(18,393)	(139,954)		(158,347)	–
Claims and reinsurance experience variance		2,854			2,854	126
Once-off project costs		(12,410)			(12,410)	–
YTI guarantee cost in respect of B-BBEE share financing		(1,149)			(1,149)	(1,330)
Fair value adjustment on non-financial assets		11,180			11,180	(9,179)
Bonus Rights Scheme		(226)			(226)	23
Goodwill and Medium-term Incentive schemes		(39,545)	26,063		(13,482)	(14,957)
Sundry experience variance		(21,474)	(315)		(21,789)	(3,917)
EV operating return		508,548	21,428	(25,951)	504,025	755,239
Investment return variances on ANW		8,505		(2,284)	6,221	(21,024)
Impact of economic assumption changes		14,946	(32,858)	(4,037)	(21,949)	(355,449)
Intangible assets and inventory write-off		(5,502)			(5,502)	(9,301)
EV earnings		526,497	(11,430)	(32,272)	482,795	369,465

NOTES

Note 1

The challenges in the collections environment, particularly when it comes to stability have persisted over the course of the financial year, albeit the banking environment stability has improved, stability issues worsened at certain third party service providers. Furthermore, Clientèle is now experiencing major volumes of (multiple) disputes on RMS. It is expected that these challenges will be resolved in the short to medium term and thus long-term expected premium collection and withdrawal assumptions were not changed in this regard.

Note 2

In line with the rest of the industry, reinstatements have been moved from new business and treated as “negative withdrawals”. As a result, reinstatements are no longer included in the VNB but the impact of reinstatements is included as a negative decrement in the VIF. This methodology change also affected the withdrawal and expense assumptions for the in-force and new business books. Furthermore, a correction was made (by one of the Reinsurers) to the shape of the reinsurance rates curve. The impact of these once-off changes on existing business were excluded from the Recurring EV earnings.

Sponsor:



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Corporate Finance Proprietary Limited

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Clientèle Condensed Group Results for the year ended 30 June 2023

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