Clientèle LIMITED

Value of New Business increased by 111% from R302,1 million to a record level of R638,2 million

Recurring Return on Embedded Value of 24%

Recurring Embedded Value Earnings increased by 27% from R635,9 million to a record level of R805,3 million

Condensed Group Results for the year ended 30 June 2014

Comments

Introduction

The on-going focus on quality and the process of ingraining sustainability practices and principles is bearing fruit and the Board is pleased to announce that the Clientèle Group ("the Group") has achieved good operating results for the year, despite the tough economic environment. The strong production experienced in the second half of the 2013 financial year has continued throughout this year while the quality of new business written has improved on last year.

This has translated into a substantial increase in the Value of New Business ("VNB") of 111% from R302,1 million last year to a record level of R638,2 million this year, and an increase in Recurring Embedded Value Earnings of 27% from R635,9 million last year to a record level of R805,3 million this year. New Business profit margins have also improved from 20% last year to 27,5% this year as a result of good cost control, strong production of good quality new business and an increase in average premiums providing higher benefits to policyholders.

Headline earnings for the Group of R307,6 million are 5% higher than the headline earnings of R293,3 million achieved last year. Headline earnings have been impacted negatively by the expensing of acquisition costs relating to the substantial growth in VNB. This increase has also been negatively impacted by the fair value adjustment in respect of zero coupon fixed deposits in African Bank Limited ("ABL") and positively impacted by good investment returns and the release of a discretionary margin as more fully explained below.

The Group achieved a return on average shareholders' interests of 57% for the year compared to 65% for last year.

Operating Results

Group Statement of Comprehensive Income

The Group increased its diluted headline earnings per share for the year by 4% from 89,57 cents to 93,53 cents.

Net insurance premium revenue, on the back of the increase in the production of good quality business over the last eighteen months, has increased by 14% from R1,15 billion last year to R1,31 billion this year.

Net insurance benefits and claims of R311,1 million have decreased by 8% from R339,8 million in the prior financial year. The majority of the decrease is related to lower policyholder surrender rates in respect of unitised endowment policies for the current year.

Policyholder liabilities under insurance contracts decreased by R42,7 million (2013: decreased by R44,1 million). Stripping out the release of the discretionary margin referred to below, reveals an increase of R7,2 million for the year.

The increase in marketing and other acquisition costs incurred to support the substantial VNB growth has resulted in operating expenses for the year increasing by 13% from R818,6 million last year to R927,9 million this year. This should be viewed in conjunction with the Group's conservative accounting practice of eliminating negative reserves (a discretionary margin) and expensing acquisition costs upfront and deferring profit release over the life of the policy. The present value of discretionary margins amounts to R2,3 billion (2013: R1,9 billion).

As reported in the December 2013 results, the Group has now released the portion of the discretionary margin in the Clientèle Life's Actuarial Liabilities, of R49,9 million (R35,9 million after tax), which was held in respect of policyholder unit-linked business, as experience has shown that this discretionary margin is no longer required.

In view of ABL's deteriorating financial position during the current financial year, the Group reviewed its shareholders' exposure to ABL and consequently fair valued its zero coupon fixed deposits of R286,5 million in ABL at the year end. This has resulted in a charge to the Group Statement of Comprehensive Income of R32,5 million (after-tax effect of R23,5 million). This has been allowed for in the Embedded Value ("EV") results as at 30 June 2014, and gave rise to a corresponding reduction in the EV.

Group Embedded Value

The sustained momentum in the production of good quality business has driven the 111% increase in the VNB to a record level of R638,2 million (2013: R302,1 million). The Recurring Embedded Value Earnings of R805,3 million translates into a Recurring Return on Embedded Value ("ROEV") of 24% (2013: 21%) and the profit margin on new business has increased from 20% last year to 27,5% this year as a consequence of the high new business volumes combined with well controlled expenses. The Group EV has increased from R3,55 billion last year to R3,94 billion this year, an increase of 11%. Whilst withdrawal experience on new business has been better than expectation, the withdrawal experience on existing business has been worse than assumption, as a result of the tough economic environment for consumers, which has resulted in a change in withdrawal and unpaid premium assumptions on existing older duration business of R116,7 million for the year. This is receiving management's attention and withdrawals in respect of this segment of business have shown signs of improvement in the second half of the year.

The Risk Discount Rate ("RDR"), has been set at 11,1% (2013: 10,4%). The calculation is comprehensively explained in the Group EV results section of the results, and a sensitivity analysis is also provided.

The release of the discretionary margin has had an immaterial impact on the EV as it was essentially a release from the Present Value of In-Force business ("PVIF") into the Net Asset Value ("NAV").

Segment Results

Clientèle Life - Long-term insurance

Clientèle Life's Long-term insurance segment remains the major contributor to Group performance. It accounts for 86% (2013: 75%) or R550,6 million (2013: R227,8 million) of the Group's R638,2 million of VNB, and recorded Recurring EV Earnings of R677,0 million (2013: R475,2 million) for the year. The segment generated R283,4 million (2013: R257,0 million) net profit for the year, an increase of 10%, which has been positively impacted by the release of the discretionary margin and negatively impacted by the expensing of acquisition costs related to the strong VNB and fair value adjustment of zero coupon fixed deposits in ABL.

The Investment Contracts operating segment reported a R13,9 million net loss for the year (2013: R5,1 million profit) impacted by the fair value adjustment of zero coupon fixed deposits in ABL. "Financial liabilities - investment contracts" has shown a material reduction, this mainly relates to five year insurance contracts that have matured. These contracts are matched by financial assets and consequently "Financial assets held at fair value through profit or loss" has shown a similar reduction.

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

Clientèle Legal accounts for R85,5 million (2013: R65,3 million) of the Group's VNB for the year, and recorded Recurring EV Earnings of R135,5 million (2013: R124,0 million) and generated R40,8 million net profit for the year, a 35% increase on the R30,1 million net profit reported for last year despite the negative impact of higher acquisition costs related to new business as reflected in the 22% increase in operating expenses.

Other Segments

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

Prospects

The Board's focus for the future will be on customer centricity and quality new business volumes building on the sustainability principles and practices, which have now been ingrained, in order to continue the momentum that has been built in production and to maintain the quality of new business written. Significant attention will also be given to initiatives to improve withdrawals in respect of older duration policies. The Board remains focused on providing products and services that are relevant to its policyholders' needs and thereby growing a sustainable Financial Services Group and creating on-going value for all its Stakeholders.

Dividend Declared

Notice is hereby given that the directors have declared a final gross dividend of 78,00 cents (2013: 74,00 cents) per share on 18 August 2014 for the year ended 30 June 2014.

The Board of Clientèle Limited confirms that the Group will satisfy the solvency and liquidity tests immediately after completion of the dividend distribution.

The dividend will be subject to dividends tax. In accordance with the JSE Listings Requirements, the following additional information is disclosed:

– The dividend has been declared out of income reserves;
– The local dividends tax rate is 15% (fifteen percent);
– The gross local dividend amount is 78,00 cents (2013: 74,00 cents) per ordinary share for shareholders exempt from the dividends tax;
– The net local dividend amount is 66,30 cents (2013: 62,90 cents) per ordinary share for shareholders liable to pay the dividends tax;
– The local dividends tax amount is 11,70 cents (2013: 11,10 cents) per ordinary share for shareholders liable to pay the dividend withholding tax;
– No STC credits are utilised;
– Clientèle Limited currently has 329 218 449 (2013: 328 007 083) ordinary shares in issue;
– Clientèle Limited's income tax reference number is 9465071166.

In compliance with the requirements of Strate Limited, the electronic settlement and custody system used by the JSE Limited, the following salient dates for the payment of the dividend are applicable:

Last day to trade	Friday, 12 September 2014
Shares commence trading "ex" dividend	Monday, 15 September 2014
Record date	Friday, 19 September 2014
Payment date	Monday, 22 September 2014

Share certificates may not be dematerialized or rematerialized between Monday, 15 September 2014 and Friday, 19 September 2014, both days inclusive.

By order of the Board

GQ Routledge
Chairman

BW Reekie
Managing Director

Johannesburg

18 August 2014

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Condensed Group Statement of Comprehensive Income

(R'000's)	Year ended 30 June 2014	2013	% Change
Revenue			
Insurance premium revenue	**1 406 175**	1 224 459	
Reinsurance premiums	**(100 005)**	(78 596)	
Net insurance premiums	**1 306 170**	1 145 863	14%
Other income	**171 194**	168 847	
Interest income	**53 169**	76 320	
Fair value adjustment to financial assets at fair value through profit or loss	**181 556**	249 881	
Net income	**1 712 089**	1 640 911	
Net insurance benefits and claims	**(311 102)**	(339 755)	
Decrease in policyholder liabilities under insurance contracts	**42 727**	44 074	
Decrease in reinsurance assets	**(95)**	(508)	
Fair value adjustment to financial liabilities at fair value through profit or loss – investment contracts	**(49 184)**	(71 222)	
Interest expense	**(12 393)**	(19 139)	
Impairment of advances	**(31 719)**	(38 194)	
Operating expenses	**(927 937)**	(818 555)	13%
Profit before tax	**422 386**	397 612	6%
Tax	**(115 870)**	(104 206)	11%
Net profit for the year	**306 516**	293 406	4%
Attributable to:			
– Non-controlling interest – ordinary shareholders	**(1 295)**	311	
Equity holders of the Group – ordinary shareholders	**307 811**	293 095	5%
Net profit for the year	**306 516**	293 406	4%
Other comprehensive income:			
Gains on property revaluation	**20 296**	10 599	
Income tax relating to gains on property revaluation	**(5 014)**	(3 218)	
Other comprehensive income for the year – net of tax	**15 282**	7 381	
Total comprehensive income for the year	**321 798**	300 787	7%
Attributable to:			
– Non-controlling interest – ordinary shareholders	**(1 295)**	311	
Equity holders of the Group – ordinary shareholders	**323 093**	300 476	8%

Condensed Group Statement of Financial Position

(R'000's)	Year ended 30 June 2014	2013
Assets		
Intangible assets	**23 461**	19 657
Property and equipment	**23 389**	25 962
Owner-occupied properties	**224 009**	188 240
Deferred tax	**25 744**	26 856
Inventories	**1 860**	1 123
Reinsurance assets	**3 242**	3 337
Financial assets at fair value through profit or loss	**2 043 394**	2 287 980
Loans and receivables including insurance receivables	**113 348**	223 304
Current tax	**6 317**	643
Cash and cash equivalents	**183 246**	180 011
Total assets	**2 648 010**	2 957 113
Total equity and reserves	**618 846**	529 420
Liabilities		
Policyholder liabilities under insurance contracts	**703 924**	746 651
Financial liabilities – investment contracts	**1 046 721**	1 326 415
– at fair value through profit or loss	**998 337**	1 283 311
– at amortised cost	**48 384**	43 104
Financial liabilities – loans at amortised cost	**10 000**	134 996
Employee benefits	**98 423**	66 383
Deferred tax	**33 727**	27 420
Accruals and payables including insurance payables	**134 909**	120 962
Current tax	**1 460**	4 866
Total liabilities	**2 029 164**	2 427 693
Total equity and liabilities	**2 648 010**	2 957 113

Tax

(R'000's)	Year ended 30 June 2014	2013
Current and deferred tax	**(114 734)**	(98 877)
Capital gains tax	**(714)**	(3 702)
Underprovision in prior years	**(422)**	(1 627)
Tax	**(115 870)**	(104 206)

The Individual Policyholder Fund has an estimated tax loss of R2,4 billion (2013: R2,1 billion)

Reconciliation of Net Profit to Headline Earnings

(R'000's)	Year ended 30 June 2014	2013	% Change
Net profit for the year attributable to equity holders of the Group	**307 811**	293 095	5%
Less: Profit on disposal of property and equipment	**(202)**	(46)	
Add: Investment in associate written off	**–**	291	
Headline earnings for the year	**307 609**	293 340	5%

Ratios per Share

(Cents)	Year ended 30 June 2014	2013	% Change
Headline earnings per share	**93,58**	89,62	4%
Diluted headline earnings per share	**93,53**	89,57	4%
Earnings per share	**93,64**	89,54	5%
Diluted earnings per share	**93,59**	89,49	5%
Net asset value per share	**187,97**	161,41	16%
Diluted net asset value per share	**188,16**	161,65	16%
Dividends per share – paid	**74,00**	67,00	10%
Dividends per share – declared	**78,00**	74,00	5%
Ordinary shares in issue ('000)	**329 218**	328 007	
Weighted average ordinary shares ('000)	**328 722**	327 325	
Diluted average ordinary shares ('000)	**328 901**	327 508	

Condensed Group Statement of Cash Flows

(R'000's)	Year ended 30 June 2014	2013
Cash flows from operating activities	**49 245**	28 235
Profit from operations adjusted for non-cash items	**418 720**	330 090
Working capital changes	**(95 884)**	(144 286)
Separately disclosable items[1]	**(49 005)**	(48 120)
Decrease in financial liabilities[2]	**(334 158)**	(100 815)
Net disposal of investments[3]	**426 142**	265 808
Interest received	**30 145**	31 606
Dividends received	**18 860**	16 514
Dividends paid	**(243 030)**	(219 012)
Tax paid	**(122 545)**	(103 550)
Cashflows from investing activities[4]	**(46 010)**	(16 737)
Net increase in cash and cash equivalents	**3 235**	11 498
Cash and cash equivalents at beginning of the year	**180 011**	168 513
Cash and cash equivalents at end of the year	**183 246**	180 011

1. Interest and dividends
2. Financial liabilities – investment contracts
3. Investments in respect of insurance operations and investment contracts
4. Mainly relates to the acquisition of intangible assets, property and equipment

Notes to the Results

The results have been reviewed by the Group's external auditors, PricewaterhouseCoopers Incorporated, in terms of International Standards on Review Engagements 2410. The scope of the review was to enable the external auditors to report that nothing came to their attention to cause them to believe that the accompanying condensed preliminary consolidated financial information is not presented in all material respects, in accordance with the South African Companies Act 71 of 2008, as amended and the JSE Limited Listings Requirements. A copy of the unqualified review opinion is available on request at the Company's registered offices.

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

Changes to the Board

Mr G J Soll's designation changed to Non-Executive Director on 30 June 2014. Mr M P Matlwa was appointed on 1 July 2014 as a Non-Executive Director.

Accounting Policies

Statement of compliance

The condensed consolidated preliminary Financial Statements are prepared in accordance with the JSE Limited Listings Requirements for preliminary reports and the requirements of the Companies Act of South Africa. The Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts, the measurement and recognition requirements of International Financial Reporting Standards ("IFRS"), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and 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 preliminary Financial Statements are in terms of IFRS and are consistent with those applied in the previous consolidated Annual Financial Statements.

The preparation of the condensed consolidated preliminary 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 contracts, employee benefits and unquoted financial instruments are affected by accounting estimates and judgements. The Group has now released the portion of the discretionary margin in the Life Company's Actuarial Liabilities, of R49,9 million (R35,9 million after tax), which was held in respect of policyholder unit-linked business as experience has shown that this discretionary margin is no longer required. This change in estimate has resulted in a once-off release of this discretionary margin.

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

Capital Commitments

The Group's wholly owned subsidiary, Clientèle Properties East, is in the process of developing a new office building within the Clientèle Office Park. The capitalised costs of this are estimated to be R203,0 million. It is the Group's intention that the building will be occupied by the Group in December 2015.

Related Party Transactions

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

Segment Information

The Group's results are analysed across South Africa ("SA") – geographical segment.

The Group's main operating segments are Long-term insurance, Investment contracts, Short-term insurance and Other (which is predominantly Clientèle Loans). The vast majority of policies are written in respect of individuals.

Segment Assets and Liabilities

(R'000's)	Year ended 30 June 2014	2013
Long-term insurance	**1 454 656**	1 371 736
Investment contracts	**1 047 977**	1 328 452
Short-term insurance	**150 153**	129 408
Other	**86 105**	211 196
Inter segment	**(90 881)**	(83 679)
Total Group Assets	**2 648 010**	2 957 113
Long-term insurance	**933 007**	933 280
Investment contracts	**1 046 721**	1 326 415
Short-term insurance	**36 085**	26 102
Other	**104 232**	225 575
Inter segment	**(90 881)**	(83 679)
Total Group Liabilities	**2 029 164**	2 427 693

Segment Statements of Comprehensive Income

(R'000's)	Long-term insurance	Investment contracts	Short-term insurance	Other	Inter segment (revenue)/ expense	Total
30 June 2014						
Insurance premium revenue	**1 211 029**		**195 146**			**1 406 175**
Reinsurance premiums	**(99 568)**		**(437)**			**(100 005)**
Net insurance premiums	**1 111 461**		**194 709**			**1 306 170**
Other income	**151 740**	**13 071**	**102**	**11 469**	**(5 188)**	**171 194**
Interest income	**14 478**		**916**	**45 636**	**(7 861)**	**53 169**
Fair value adjustment to financial assets at fair value through profit or loss	**140 741**	**26 726**	**14 089**			**181 556**
Segment revenue	**1 418 420**	**39 797**	**209 816**	**57 105**	**(13 049)**	**1 712 089**
Segment expenses and claims	**(1 033 869)**	**(59 132)**	**(154 897)**	**(54 854)**	**13 049**	**(1 289 703)**
Net insurance benefits and claims	**(287 212)**		**(23 890)**			**(311 102)**
Decrease in policyholder liabilities under insurance contracts	**41 396**		**1 331**			**42 727**
Decrease in reinsurance assets	**(95)**					**(95)**
Fair value adjustment to financial liabilities at fair value through profit or loss		**(49 184)**				**(49 184)**
Interest expense		**(5 280)**		**(14 974)**	**7 861**	**(12 393)**
Impairment of advances				**(31 719)**		**(31 719)**
Operating expenses	**(787 958)**	**(4 668)**	**(132 338)**	**(8 161)**	**5 188**	**(927 937)**
Profit/(loss) before tax	**384 551**	**(19 335)**	**54 919**	**2 251**	**–**	**422 386**
Tax	**(101 130)**	**5 414**	**(14 155)**	**(5 999)**		**(115 870)**
Net profit/(loss) for the year	**283 421**	**(13 921)**	**40 764**	**(3 748)**	**–**	**306 516**
Attributable to:						
Non-controlling interest – ordinary shareholders				**(1 295)**		**(1 295)**
Equity holders of the Group – ordinary shareholders	**283 421**	**(13 921)**	**40 764**	**(2 453)**	**–**	**307 811**
30 June 2013						
Insurance premium revenue	1 069 000		155 459			1 224 459
Reinsurance premiums	(78 240)		(356)			(78 596)
Net insurance premiums	990 760		155 103			1 145 863
Other income	143 461	12 482	3	22 573	(9 672)	168 847
Interest income	11 943		834	70 573	(7 030)	76 320
Fair value adjustment to financial assets at fair value through profit or loss	162 195	75 926	11 760			249 881
Segment revenue	1 308 359	88 408	167 700	93 146	(16 702)	1 640 911
Segment expenses and claims	(959 886)	(81 304)	(127 339)	(91 472)	16 702	(1 243 299)
Net insurance benefits and claims	(320 719)		(19 036)			(339 755)
Decrease in policyholder liabilities under insurance contracts	43 581		493			44 074
Decrease in reinsurance assets	(508)					(508)
Fair value adjustment to financial liabilities at fair value through profit or loss		(71 222)				(71 222)
Interest expense		(4 704)		(21 465)	7 030	(19 139)
Impairment of advances				(38 194)		(38 194)
Operating expenses	(682 240)	(5 378)	(108 796)	(31 813)	9 672	(818 555)
Profit before tax	348 473	7 104	40 361	1 674	–	397 612
Tax	(91 507)	(1 989)	(10 242)	(468)		(104 206)
Net profit for the year	256 966	5 115	30 119	1 206	–	293 406
Attributable to:						
Non-controlling interest – ordinary shareholders				311		311
Equity holders of the Group – ordinary shareholders	256 966	5 115	30 119	895	–	293 095

Sponsor:
PricewaterhouseCoopers
Corporate Finance Proprietary Limited

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

Transfer secretaries: Computershare Investor Services Proprietary Limited, 70 Marshall Street, Johannesburg 2001, South Africa
PO Box 61051, Marshalltown 2107, South Africa

Directors: G Q Routledge BA LLB (Chairman); G J Soll CA(SA) (Vice Chairman); B W Reekie BSc(Hons), FASSA* (Managing Director); A D T Enthoven BA, PhD (Political Science); B Frodsham BCom*; P R Gwangwa BProc LLB, LLM; I B Hume CA(SA), ACMA*; M P Matlwa CA(SA), MBA, MCom (Tax); B A Stott CA(SA); R D Williams, BSc(Hons), FASSA

Company secretary: W van Zyl CA(SA) *Executive Director

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

Dividend declared per share
increased by 5% from 74,00 cents to 78,00 cents

Return on average shareholders' interest of 57%

Diluted headline earnings per share increased by 4% from 89,57 cents to 93,53 cents

Net insurance premiums increased by 14% from R1,15 billion to R1,31 billion

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Condensed Group Statement of Changes in Equity

(R'000's)	Share capital	Share premium	Common control deficit	Sub-total	Retained earnings	SAR and Bonus Rights Scheme reserve†	NDR: Revaluation	Sub-total	Non-controlling interest	Total
Balance as at 1 July 2012	6 534	253 678	(220 273)	39 939	356 415	9 957	38 559	444 870	(4 866)	440 004
Ordinary dividends					(219 060)			(219 060)		(219 060)
Total comprehensive income					293 095		7 381	300 476	311	300 787
– Net profit for the year					293 095			293 095	311	293 406
– Other comprehensive income							7 381	7 381		7 381
Transfer of contingency reserve	26	15 304		15 330				15 330		15 330
Shares issued						7 689		7 689		7 689
SAR and Bonus Rights Scheme allocated					(12 750)	(2 580)		(15 330)		(15 330)
Balance as at 30 June 2013	6 560	268 982	(220 273)	55 269	417 700	15 066	45 940	533 975	(4 555)	529 420
Balance as at 1 July 2013	**6 560**	**268 982**	**(220 273)**	**55 269**	**417 700**	**15 066**	**45 940**	**533 975**	**(4 555)**	**529 420**
Ordinary dividends					**(243 069)**			**(243 069)**		**(243 069)**
Total comprehensive income					**307 811**		**15 282**	**323 093**	**(1 295)**	**321 798**
– Net profit/(loss) for the year					**307 811**			**307 811**	**(1 295)**	**306 516**
– Other comprehensive income							**15 282**	**15 282**		**15 282**
Shares issued	**24**	**16 636**		**16 660**				**16 660**		**16 660**
SAR and Bonus Rights Scheme allocated						**10 697**		**10 697**		**10 697**
Transfer from shares issued					**(14 078)**	**(2 582)**		**(16 660)**		**(16 660)**
Balance as at 30 June 2014	**6 584**	**285 618**	**(220 273)**	**71 929**	**468 364**	**23 181**	**61 222**	**624 696**	**(5 850)**	**618 846**

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

UNAUDITED GROUP EMBEDDED VALUE RESULTS

Group Embedded Value

The Embedded Value ("EV") represents an estimate of the value of the Group, exclusive of goodwill attributable to future new business. The EV comprises:
– the Free Surplus; plus,
– the Required Capital identified to support the in-force business; plus,
– the Present Value of In-force ("PVIF") business; less,
– the Cost of Required Capital ("CoC").

The PVIF business is the present value of future after tax profits arising from covered business in force as at 30 June 2014.

All material business written by the Group has been covered by EV Methodology as outlined in Advisory Practice Notice, APN 107 of the Actuarial Society of South Africa, including:
– all long-term insurance business regulated in terms of the Long-Term Insurance Act, 1998;
– Legal insurance business where EV Methodology has been used to determine future shareholder entitlements;
– annuity income arising from non-insurance contracts where EV Methodology has been used to determine future shareholder entitlements; and
– Loans and Mobile business where EV Methodology has been used to determine future shareholder entitlements.

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

(R'000's)	Year ended 30 June **2014**	2013
Free surplus	**287 353**	311 614
Required capital	**312 387**	231 817
Adjusted Net Worth ("ANW") of covered business	**599 740**	543 431
CoC	**(58 308)**	(44 959)
PVIF	**3 397 262**	3 048 168
EV of covered business	**3 938 694**	3 546 640

The ANW of covered business is defined as the excess value of all assets attributed to the covered business, but not required to back the liabilities of covered business. Free Surplus is the ANW less the Required Capital attributed to covered business.

Reconciliation of Total Equity to ANW

(R'000's)	Year ended 30 June **2014**	2013
Total equity and reserves per the Statement of Financial Position	**618 846**	529 420
Removal of Deferred Profits and impact of compulsory margins on investment business (net impact after tax)	**12 793**	16 449
Removing minority interests	**5 850**	4 555
Adjusting subsidiaries to Net Asset Value	**20 148**	15 129
SAR and Bonus Rights Scheme adjustment	**(57 897)**	(22 122)
ANW	**599 740**	543 431

The CoC is the opportunity cost of having to hold the Required Capital of R312,4 million as at 30 June 2014. The Required Capital has been set at the greater of the Statutory Termination Capital Adequacy Requirement and 1,25 times the Statutory Ordinary Capital Adequacy Requirement for the Life company plus the Required Statutory Capital for the Short-term company.

The SAR and Bonus Rights Scheme adjustment recognises the future dilution in EV, on a mark to market basis, as a result of the SAR and Bonus Rights Schemes. Clientèle Life's Statutory Capital Adequacy Requirement cover ratio at 30 June 2014 was 2,03 times (30 June 2013: 2,44 times) on the statutory valuation basis.

Clientèle General Insurance's Statutory Capital Adequacy Requirement cover ratio at 30 June 2014 was 1,57 times (30 June 2013: 1,83 times) on the statutory valuation basis.

Value of New Business ("VNB")

(R'000's)	Year ended 30 June **2014**	2013
Total VNB	**638 154**	302 140
Present Value of New Business premiums	**2 319 368**	1 509 582
New Business profit margin	**27,5%**	20,0%

The VNB (excluding any allowance for the Management incentive scheme) represents the present value of projected after tax profits at the point of sale on new covered business commencing during the year ended 30 June 2014 less the CoC pertaining to this business.

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

Long-term Economic Assumptions

(%)	Year ended 30 June **2014**	2013
Risk discount rate	**11,1**	10,4
Non-unit investment return	**7,6**	6,9
Unit investment return	**9,0**	6,9
Expense inflation	**6,1**	5,4
Corporate tax	**28,0**	28,0

The risk discount rate ("RDR") has been determined using a top-down weighted average cost of capital approach, with the equity return calculated using Capital Asset Pricing Model ("CAPM") theory. In terms of current actuarial guidance, the RDR has been set as the risk free rate plus a beta multiplied by the assumed equity risk premium. It has been assumed that the equity risk premium (i.e. the long-term expected difference between equity returns and the risk free rate) is 3,5%. The beta pertaining to the Clientèle share price is relatively low, which is partially a consequence of the relatively small free-float of shares. After consideration, the Board has decided to continue to use a more conservative beta of 1, as opposed to its actual beta of 0,13 in the calculation of the RDR. The Board draws the reader's attention to the RDR sensitivity analysis in the table below which allows for sensitivity comparisons using various alternative RDR's.

The resulting RDR utilised for the South African business as at 30 June 2014 was 11,1% (30 June 2013: 10,4%).

RDR Sensitivities

(R'000's)	EV	VNB
RDR 9,1%	4 578 085	820 295
RDR 10,1%	4 229 276	720 117
RDR 10,4% (as at June 2013)	4 129 857	693 777
RDR 11,1%	3 938 694	638 154
RDR 12,1%	3 693 281	569 272
RDR 13,1%	3 483 463	511 310

Demographic and other changes

A withdrawal and unpaid premium loss was experienced during the year. This is the net impact of a loss on existing business and a profit on new business. The assumptions were adjusted to allow for the actual experience, resulting in a decrease in the EV of R116,7 million. The impact of the assumption changes made for new business is allowed for in the VNB and is an increase of R65,5 million.

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

The majority of the item *"Impact of other once-off items"* in the "EV earnings Analysis" below relates to the once-off EV impact of the release in the discretionary margin as outlined above and the once-off fair value adjustment relating to zero coupon fixed deposits in ABL.

EV per Share

(Cents)	Year ended 30 June **2014**	2013
EV per share	**1 196,38**	1 081,27
Diluted EV per share	**1 195,73**	1 080,67

Segment Information

The EV can be split between segments as follows:

(R'000's)	ANW	PVIF	CoC	EV
30 June 2014				
SA – Long-term insurance	500 170	2 868 411	(41 066)	**3 327 515**
SA – Short-term insurance	111 976	518 714	(17 242)	**613 448**
SA – Investment contracts	–	3 051	–	**3 051**
Other	(12 406)	7 086	–	**(5 320)**
Total	**599 740**	**3 397 262**	**(58 308)**	**3 938 694**
30 June 2013				
SA – Long-term insurance	450 078	2 592 886	(31 249)	**3 011 714**
SA – Short-term insurance	103 306	439 375	(13 709)	**528 972**
SA – Investment contracts	–	4 080	–	**4 080**
Other	(9 953)	11 827	–	**1 874**
Total	**543 431**	**3 048 168**	**(44 959)**	**3 546 640**

The VNB can be split between segments as follows:

(R'000's)	Year ended 30 June **2014**	2013
SA – Long-term insurance	**550 551**	227 788
SA – Short-term insurance	**85 507**	65 309
SA – Investment contracts	**745**	2 479
Other	**1 351**	6 564
Total	**638 154**	302 140

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 as they pertain to the Group.

(R'000's)	Year ended 30 June 2014 ANW	PVIF	CoC	Year ended 30 June 2014 EV	Year ended 30 June 2013 EV
A: EV at the end of the year	**599 740**	**3 397 262**	**(58 308)**	**3 938 694**	**3 546 640**
EV at the beginning of the year	543 431	3 048 168	(44 959)	3 546 640	3 259 044
Dividends paid	(243 069)	–	–	(243 069)	(219 060)
B: Adjusted EV at the beginning of the year	**300 362**	**3 048 168**	**(44 959)**	**3 303 572**	**3 039 985**
EV earnings (A – B)	**299 378**	**349 093**	**(13 349)**	**635 122**	**506 655**
Less: Impact of once-off economic assumption changes	(688)	(139 580)	832	(139 436)	(129 294)
Less: Impact of other once-off items	11 046	(35 028)	(6 736)	(30 718)	–
Recurring EV earnings	289 020	523 701	(7 445)	805 276	635 949
Recurring Return on EV				24,4%	20,9%
Return on EV				**19,2%**	**16,7%**
Components of EV earnings					
VNB	(248 208)	892 647	(6 285)	638 154	302 140
Expected return on covered business (unwinding of RDR)	–	341 121	3 112	344 233	276 146
Expected profit transfer	518 989	(518 989)	–	–	–
Withdrawal and unpaid premium experience variance	1 721	(17 931)	(765)	(16 975)	14 770
Claims experience variance	(1 451)	(808)	–	(2 259)	(9 656)
Sundry experience variance	3 805	1 406	1	5 212	(730)
Change in withdrawals and unpaid premium assumptions	13 291	(128 508)	(1 495)	(116 712)	44 592
Other Changes in modelling/basis	3 416	(29 004)	(2 013)	(27 601)	(28 431)
Once-off costs	–	–	–	–	(9 057)
Expected return on ANW	29 385	–	–	29 385	24 510
SAR and Bonus Rights Scheme dilution	(25 078)	–	–	(25 078)	7 909
Goodwill and Medium-term incentive schemes	(47 594)	(16 233)	–	(63 827)	(27 322)
EV operating return	**248 276**	**523 701**	**(7 445)**	**764 532**	**594 871**
Investment return variances on ANW	40 744	–	–	40 744	41 078
Recurring EV earnings	**289 020**	**523 701**	**(7 445)**	**805 276**	**635 949**
Effect of economic assumption changes	(688)	(139 580)	832	(139 436)	(129 294)
Impact of other once-off items	11 046	(35 028)	(6 736)	(30 718)	–
EV earnings	**299 378**	**349 093**	**(13 349)**	**635 122**	**506 655**