

CLI - Clientele Limited - Abridged pre-listing statement of Clientele  
Clientele Limited

(Formerly, Newshelf 901 (Proprietary) Limited)

(Incorporated in the Republic of South Africa)

(Registration number 2007/023806/06)

Share code: CLI

ISIN code: ZAE000117438

("Clientele" or "the Company" or "the group")

ABRIDGED PRE-LISTING STATEMENT OF CLIENTELE

The purpose of this abridged Pre-listing Statement is to provide relevant information to shareholders of Clientele Life Assurance Company Limited ("Clientele Life") in compliance with the Listings Requirements of the JSE Limited ("JSE") in connection with the listing of the shares of Clientele on the JSE.

This abridged Pre-listing Statement is not an invitation to the public to subscribe for shares nor an announcement directly soliciting subscription for or inviting purchases of Clientele shares by the public.

The document which includes the full Pre-listing Statement is available only in English and copies thereof may be obtained on request at the relevant addresses indicated in paragraph 8 below.

#### 1. INTRODUCTION AND PURPOSE OF THIS ABRIDGED PRE-LISTING STATEMENT

Further to the initial announcement of 17 March 2008 regarding the restructuring of Clientele Life ("the restructuring") and subsequent updating announcements, the scheme of arrangement in terms of section 311 of the Companies Act, 1973 (Act 61 of 1973), as amended, proposed by Clientele between Clientele Life and its shareholders ("the scheme"), has now been implemented. Accordingly, Clientele is the new holding company of Clientele Life.

The purpose of this abridged Pre-listing Statement is to provide relevant information to shareholders of Clientele Life and to the general public in compliance with the Listings Requirements of the JSE in connection with the listing of the shares of Clientele on the JSE under the Code "CLI" and ISIN: ZAE000117438 with effect from the commencement of trading on the JSE on Monday, 19 May 2008.

This abridged Pre-listing Statement is not an invitation to the public to subscribe for shares nor an announcement directly soliciting subscription for or inviting purchases of Clientele shares by the public.

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relevant addresses indicated in paragraph 8 below.

#### 2. IMPLICATIONS OF THE RESTRUCTURING

Clientele Life, presently the major part of the Clientele group, is a company that conducts long-term insurance business. Being a long-term insurance business and, as such, operating within clearly defined and regulated parameters, it does not have sufficient flexibility to pursue opportunities, other than those that fall strictly within the field of long-term insurance, particularly in the financial services arena. The restructuring now affords the Clientele group with the aforementioned opportunities and the ability to lever off two highly regarded brands namely, "Clientele" and "IFA" and thus the ability to offer alternative but complementary products. Furthermore, combining the efficiencies and distribution know-how to new businesses should add value to the group and its stakeholders.

In summary, the restructuring:

- provides the Clientele group with flexibility to pursue opportunities that

are not strictly related to long-term insurance and thus should not or cannot be pursued in a life insurance company;

- enhances the ability to facilitate the establishment of a short-term insurance business on a selective basis, an objective that the board of Clientele wishes to pursue. Due to regulatory and other constraints, a subsidiary of Clientele Life cannot hold a licence to conduct short-term insurance business;
- mitigates the limited ability that long-term insurance companies have to secure debt funding. Additionally, raising capital within Clientele Life has an impact on capital adequacy requirements and thus the ability of that company to pay dividends. The restructuring will assist in alleviating these constraints should the new initiatives require additional capital in due course;
- reduces the constraint factor that a long-term insurance company such as Clientele Life has in regard to certain asset spreading requirements that limit its ability to fully reflect the value of its subsidiaries;
- mitigates the potential risks that may accompany new business initiatives outside the long-term insurance sector which can now be ring-fenced so as not to affect Clientele Life and its policyholders.

### 3. HISTORY AND BUSINESS

Clientele was incorporated in Pretoria, South Africa under the name Newshelf 901 (Proprietary) Limited on 23 August 2007 with registration number 2007/023806/07. With effect from 25 January 2008, the name of the company changed to Clientele Limited and the company converted to a public limited liability company. Clientele is the holding company of Clientele Life and the Clientele group of companies.

Clientele Life, presently the major part of the Clientele group, is a company that conducts long-term insurance business. It has developed a comprehensive understanding of the wide ranging needs for financial protection of lower to middle income earning South Africans. Simplicity, efficiency and convenience extend to the Clientele Life range of products and services. These include the

Lasting Dignity Life Cash Back Plan, which is Clientele Life's flagship product offering affordable, easy-to-access cover to provide for final expenses on the death of a policyholder or family member and the Saver and Protector Plan, designed to provide efficient long-term savings and protection.

Clientele Life has grown to become a relatively low cost, high-tech life assurance company distributing its products via the medium of television and print advertising, referral marketing and other direct selling methods, thereby eliminating most intermediary commissions and costly infrastructure. Its market includes a wide spectrum of South Africans seeking the convenience and quick response to a broad range of easy to understand cost-effective financial protection products.

The user-friendly client-centred products and service of Clientele Life are well-known to policyholders, many of whom feel more comfortable dealing directly with Clientele Life as a result of application procedures which are both brief and courteous due to well-trained and closely monitored systems and procedures.

Clientele Life is a direct marketer and direct seller of long-term insurance products. Its products are distributed through four distribution channels, one

of which is a network of Independent Field Advertisers ("IFAs") who refer people to and invite people to attend IFA presentations presented by duly registered presenters. By referring people to presentations, IFAs become

eligible, based on certain criteria, to earn referral fees from policies taken out by such persons. The products marketed under the IFA brand include the IFA Life Cash Back Plan and the IFA Saver and Protector Plan.

#### 4. RECENT RESULTS AND PROSPECTS FOR THE GROUP

The group's main operating subsidiary, Clientele Life, presently accounts for the entire profit of the group. Accordingly, in the shorter to medium term and

until such time as the group's initiatives in complementary financial services

businesses come to fruition and become profitable, the prospects of the group will be driven by Clientele Life.

The most recent reported results of Clientele Life for the six months of Clientele Life to 31 December 2007 was influenced by the introduction of the National Credit Act ("NCA"), changes in banking system collection mechanisms and a weakening of investment markets in November and December 2007. These changes affected net production, persistency and investment returns for the six-month period.

This had an effect on Clientele Life's results which nevertheless reflected a healthy increase in headline earnings. Net recurring premium income for the period of R379 million (2006: R285 million) increased by 33%. The group earned

R61 million (2006: R38 million) of other income which represented an increase of 58% and was comprised mainly of recurring income, prior to the allocation of related expenses, from its IFA distribution channel. Fair value gains on financial assets for the six months were significantly lower than that of the corresponding period in 2006 and at R35 million was R45 million short of the comparative gains of R80 million. Within these fair value gains, R9 million was attributable to shareholders which was R19 million lower than previous year. This was as a result of the weaker financial markets in November and December 2006. Policyholders' benefits of R80 million (2006: R53 million) increased by 52%. Administration expenses per policy continued to be well-controlled and the relatively low average annual administration cost per policy was in line with actuarial assumptions. Together, acquisition costs and

administration expenses for the period increased by 29% in comparison to the 33% increase in net recurring premium income. The transfer to policyholder liabilities under insurance contracts decreased significantly for the period mainly due to policyholder investment performance which had been affected by lower market returns. The effective tax rate for the period increased in comparison to the comparative period due to the change in mix of income with significantly less investment income this period. Headline earnings per share increased by 27% from 156,89 cents to 199,45 cents for the period under review. The results translated into an annualised after-tax return on average shareholders' interests of 85%.

Value of New Business for the six months amounted to R159 million (2006: R169 million) and had been affected by the introduction of the NCA and changes in banking collection mechanisms. These changes had the most impact in the first quarter of the financial year and good progress has been made in responding to

these changes. Embedded Value increased from R876 million after adjusting for dividends and related Secondary Taxation of Companies at 30 June 2007 to R1 billion at 31 December 2007. This translated into an annualised return on Embedded Value of 40% which, although lower than the same period last year, was still pleasing off a significantly higher base.

## Recent initiatives

Whilst at this stage not financially material to the group, the following represent some potentially exciting new ventures:

### Clientele Legal

On 1 November 2007, Clientele Life through its newly formed wholly-owned subsidiary, Clientele Short Term (Proprietary) Limited, launched a personal legal expense insurance product by means of a cell captive arrangement. The same distribution methods and know-how that are currently utilised in Clientele Life and IFA division will be adopted to market the product. The operations are conducted in a division of Clientele Short Term (Proprietary) Limited, named Clientele Legal.

### Clientele Loans Direct

On 19 December 2007, an agreement was signed with Direct Axis (SA) Proprietary Limited to establish a direct personal loans business for the benefit of Clientele Life customers. Clientele will own 70% of Clientele Loans Direct and it is expected that the business will be launched during July 2008.

## 5. FINANCIAL INFORMATION

Being recently incorporated, Clientele has no trading history. Historical financial information of Clientele and the report thereon of PricewaterhouseCoopers Inc, the auditors and reporting accountants, are contained, respectively, in Appendix 2 and Appendix 3 to the full Pre-listing Statement of Clientele referred to in paragraph 8 below.

As Clientele Life is the main operating subsidiary of the Clientele group accounting for the major part of group profit, the following unaudited pro forma financial effects, which have been prepared by and are the responsibility of the directors of Clientele, are presented for illustrative purposes only to show the effects of the restructuring and, because of their nature, may not give a fair reflection of the Company's financial position or the effect of future earnings.

The report of PricewaterhouseCoopers Inc, the reporting accountants, on the unaudited pro forma financial effects is provided in Appendix 5 to the full Pre-listing Statement of Clientele referred to in paragraph 8 below.

	Before (before restructuring and de facto sub division) (5)	After (after restructuring and de facto sub division) (5)	Percentage change
Market value per share (cents)	7 500 (2)	750 (3)	N/A
Embedded value per share (cents)	3 262,20 (1)	324,67 (4)	(0,5)
Headline earnings per share (cents)	199,45 (1)	18,40 (4)	(7,7)
Earnings per share (cents)	199,45 (1)	18,40 (4)	(7,7)
Net asset value per share (cents)	430,81 (1)	41,54 (4)	(3,6)
Net tangible asset value per share (cents)	430,81 (1)	41,54 (4)	(3,6)

### Notes:

1. Extracted from the published summarised unaudited group results of Clientele Life for the six months ended 31 December 2007.
2. The price of the shares of Clientele Life on the JSE at the close of trading on the JSE on the last practicable date prior to the finalisation of this abridged Pre-listing Statement, namely, 14 May 2008.
3. Taking account of the de facto sub division referred to in note 5 below and the price of Clientele Life shares at the close of trading on the JSE on the last practicable date prior to the finalisation of this abridged Pre-listing

Statement, namely, 14 May 2008, the illustrative share price (all other things being equal) at which the shares of Clientele could be expected to commence trading on the JSE assuming that the listing of the shares of Clientele was also to take place on 14 May 2008.

4. Following the illustrative de facto sub division of Clientele Life shares referred to in note 5 below and expensing of estimated restructuring costs.

5. In terms of the restructuring, shareholders of Clientele Life have effectively `exchanged` their shares in Clientele Life for new shares in Clientele in the ratio of ten new Clientele shares for every one Clientele Life share previously held. Thus, their shares in Clientele Life will have been subjected to a de facto sub division. Clientele Life shareholders thus retain proportionately the same percentage interest in Clientele as they did in Clientele Life.

#### 6. DIRECTORS

The names, ages, nationalities, business addresses and capacities of the directors of Clientele are as follows:

Name, age and nationality	Business address	Capacity
Gavin Quentin Routledge (52) South African	Heroncrest Winery Road Firgrove, 7130	Chairman of the board and independent non-executive member of group audit and investment committees and chairman of the group remuneration committee
Gavin John Soll (45) South African	Clientele House Morningview Office Park Corner Rivonia and Alon Roads Morningside, 2196	Executive, member of risk and compliance, investment, product and actuarial committees
Patrick Jocelyn Anthony Cunningham (71) South African	14 Fife Avenue Clynton Sandton, 2196	Non-executive, independent, chairman of group audit committee, member of group remuneration and risk and compliance committees
Adrian Dominic `T hooft Enthoven (38) South African	Hollard Office Park 22 Oxford Road Parktown Ridge Parktown, 2193	Non-executive
Brenda-Lee Frodsham (35) South African	Clientele House Morningview Office Park Corner Rivonia and Alon Roads Morningside, 2196	Executive, member of the group actuarial and product committees
Iain Bruce Hume (41) South African	Clientele House Morningview Office Park Corner Rivonia	Executive, chairman of investment committee, member of group actuarial and risk compliance committees

and Alon Roads  
Morningside, 2196

Basil William Reekie Clientele House Executive, chairman of the group  
(35) British Morningview product and actuarial committees,  
Office Park member of risk and compliance  
Corner Rivonia and investment committees  
and Alon Roads  
Morningside, 2196

Further details pertaining to the directors and senior management of Clientele, are set out in the full Pre-listing Statement which is available as detailed in paragraph 8 below.

#### 7. SHARE CAPITAL

The authorised share capital of Clientele is R15 million, comprising 750 000 000 ordinary shares of a nominal value of 2 cents each. Pursuant to the restructuring, the JSE has granted a listing under the Code "CLI" and the ISIN: ZAE000117438 by way of an introduction of 323 500 000 ordinary shares of a nominal value of 2 cents each in Clientele in the "Life Insurance" sector of the JSE lists under the abbreviated name "Clientele", with effect from the commencement of trading on the JSE on Monday, 19 May 2008.

Clientele does not have any share premium on its books and there are presently no treasury shares.

The shares of Clientele will only be traded on the JSE as dematerialised shares.

#### 8. Availability of full Pre-listing Statement

The document which includes the full Pre-listing Statement is available only in English and copies thereof may be obtained at the respective addresses of the following entities during normal business hours on business days from:

- the registered office of Clientele  
Clientele House  
Morningview Office Park  
Corner Rivonia and Alon Roads  
Morningside, 2196;
- PricewaterhouseCoopers Corporate Finance (Pty) Limited  
3rd Floor, East Wing  
2 Eglin Road  
Sunninghill, 2157; and
- Computershare Investor Services (Proprietary) Limited  
Ground Floor  
70 Marshall Street  
Johannesburg, 2001.  
Johannesburg  
15 May 2008  
Corporate adviser and sponsor  
PricewaterhouseCoopers  
Corporate Finance (Pty) Ltd  
(Registration number 1970/003711/07)  
Attorneys  
Edward Nathan Sonnenbergs Inc.  
Registration number 2006/018200/21  
Auditors and reporting accountants  
PricewaterhouseCoopers  
Chartered Accountants (SA)

Registered Accountants and Auditors  
(Registration number 1998/012055/21)  
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