THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The definitions and interpretations commencing on page 7 of this Circular apply throughout this Circular, including to this front cover.

ACTION REQUIRED

1. This entire Circular is important and should be read with particular attention to the section entitled "*Action required by Shareholders*", which commences on page 4.
2. If you are in any doubt as to what action you should take, you should consult your CSDP, Broker, banker, legal adviser, accountant or other professional adviser immediately.
3. If you have disposed of all of your Shares, please forward this Circular together with the attached Form of Proxy *(grey)*, to the purchaser to whom, or the CSDP, Broker or other agent, through whom, the acquisition was effected.
4. Clientèle does not accept responsibility, and will not be held liable, for any action of, or omission by, any Broker, CSDP or other agent including, without limitation, any failure on the part of any Broker, CSDP or other agent of any beneficial owner of Shares to notify such beneficial owner of the details set out in this Circular or otherwise.

Clientèle

CLIENTÈLE LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 2007/023806/06)
Share code: CLI
ISIN Number: ZAE000117438
("**Clientèle**" or "**the Company**")

CIRCULAR TO SHAREHOLDERS

Relating to:

– the approval of the 1Life Acquisition, which acquisition constitutes a Category 1 transaction in terms of the JSE Listings Requirements;

and incorporating:

– a Notice of General Meeting; and
– a Form of Proxy *(grey)* for purposes of the General Meeting (for use by Certificated Shareholders and Dematerialised Shareholders with Own-name Registration only).

Corporate Advisor and Transaction Sponsor

Valeo Capital

Legal advisor

CDH
CLIFFE DEKKER HOFMEYR

Independent Reporting Accountants

Deloitte.

Independent Expert

BDO

Date of issue: Monday, 26 February 2024

This Circular is available in English only. Copies of this Circular may be obtained during normal business hours from the registered office of Clientèle and from the offices of the Corporate Advisor and Transaction Sponsor, whose addresses are set out in the "Corporate Information and Advisors" section of this Circular from Monday, 26 February 2024, the date of issue of this Circular, until Wednesday, 27 March 2024, the date of the General Meeting (both days inclusive). A copy of this Circular will also be available on Clientèle's website (www.clientele.co.za).

FORWARD-LOOKING STATEMENTS

The definitions and interpretations commencing on page 7 of this Circular apply throughout this Circular, including to this forward-looking statements section.

FORWARD-LOOKING STATEMENTS

This Circular contains statements about Clientèle and/or the Clientèle Group that are or may be forward-looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. These forward-looking statements are not based on historical facts, but rather reflect current expectations concerning future results and events and generally may be identified by the use of forward-looking words or phrases such as "believe", "aim", "expect", "anticipate", "intend", "foresee", "forecast", "likely", "should", "planned", "may", "estimated", "potential" or similar words and phrases.

Examples of forward-looking statements include statements regarding future liquidity, future benefit, future synergies, future financial position or future profits, expected profit or growth margins, cash flows, corporate strategy, estimates of capital expenditures, acquisition strategy, or future capital expenditure levels, and other economic, fiscal and political factors.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Clientèle cautions that forward-looking statements are not guarantees of future performance. Actual results, financial and operating conditions, liquidity and the developments within the industry in which Clientèle operates may differ materially from those made in, or suggested by, the forward-looking statements contained in this Circular.

All these forward-looking statements are based on estimates and assumptions made by Clientèle and although Clientèle believes them to be reasonable, they are inherently uncertain. Such estimates, assumptions or statements may not eventuate. Factors which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied in those statements or assumptions include other matters not yet known to Clientèle or not currently considered material by Clientèle.

Shareholders should keep in mind that any forward-looking statement made in this Circular or elsewhere are applicable only at the date on which such forward-looking statement is made. New factors that could cause the business of Clientèle not to develop as expected may emerge from time to time and it is not possible to predict all of them. Further, the extent to which any factor or combination of factors may cause actual results to differ materially from those contained in any forward-looking statements is not known. Clientèle has no duty to, and does not intend to, update or revise the forward-looking statements contained in this Circular after the date of this Circular, except as may be required by law.

Any forward-looking statements made in this Circular have not been reviewed nor reported on by the external auditor of the Company or the reporting accountants to the Company.

DATE OF INFORMATION PROVIDED

Unless the context clearly indicates otherwise, all information provided in this Circular is provided as at the Last Practicable Date.

CORPORATE INFORMATION AND ADVISORS

The definitions and interpretations commencing on page 7 of this Circular apply throughout this Circular, including to this Corporate Information and Advisors section.

Directors

GQ Routledge*# *(Chairman)*
BW Reekie *(Group Managing Director)*
AD t'Hooft Enthoven*
BA Stott*#
RD Williams*#
GK Chadwick* *(Alternate)*
PG Nkadimeng*
H Louw
RDT Zwane
HP Mayers*#
TE Mashilwane*#

** Non-executive*
 # Independent

Date and place of incorporation of Clientèle
South Africa on 27 August 2007

Website
www.clientele.co.za

Registered Address

Clientèle House
Morningview Office Park
Corner Rivonia and Alon Roads
Morningside, 2196
South Africa
(PO Box 1316, Rivonia, 2128)

Company Secretary

Eben Smit
Building 7, Clientèle Office Park
Corner Rivonia and Alon Road
Morningside, 2196
(PO Box 1316, Rivonia, 2128)

Independent Expert

BDO Corporate Finance Proprietary Limited
(Registration number 1983/002903/07)
Wanderers Office Park, 52 Corlett Drive, Illovo
Johannesburg, 2196
South Africa
(Private Bag X60500, Houghton, 2041)

Corporate Advisor and Transaction Sponsor

Valeo Capital Proprietary Limited
(Registration number 2021/834806/07)
Unit 12 Paardevlei Specialist Medical Centre
Paardevlei
Somerset West
Western Cape
South Africa
7130
(PostNet Suite 272, Private Bag X29, Somerset West, Western Cape, 7129)

Legal Advisor

Cliffe Dekker Hofmeyr Incorporated
(Registration number 2008/018923/21)
1 Protea Place
Sandton
Johannesburg
2196
South Africa
(Private Bag X40, Benmore, 2010)

Transfer Secretaries

Computershare Investor Services Proprietary Limited
(Registration number 2004/003647/07)
Rosebank Towers
15 Biermann Avenue
Rosebank
Johannesburg, 2196
(Private Bag X9000, Saxonwold, 2132)

Independent Reporting Accountants

Deloitte & Touche (Practice number 902276)
5 Magwa Crescent
Waterfall City
Waterfall, 2090
(PO Box X6, Gallo Manor, 2050)

TABLE OF CONTENTS

The definitions and interpretations commencing on page 7 of this Circular apply throughout this Circular, including to this Table of Contents section.

ACTION REQUIRED BY SHAREHOLDERS

The definitions and interpretations commencing on page 7 of this Circular apply throughout this Circular, including to this Action required by Shareholders section.

Please take careful note of the following provisions regarding the action required by Shareholders. If you are in any doubt as to what action you should take, you should consult your CSDP, Broker, banker, legal adviser, accountant or other professional adviser immediately.

If you have disposed of all of your Shares, please forward this Circular together with the attached Form of Proxy *(grey)*, to the purchaser of such Shares or to the CSDP, Broker or other agent through whom the disposal was effected.

The General Meeting will be held at Clientèle's office on Wednesday, 27 March 2024 at 08h00, physically at Building 7, Clientèle Office Park, C/O Alon & Rivonia Roads, Morningside, Johannesburg, at which General Meeting Shareholders will be requested to consider and, if deemed fit, to pass, with or without modification, the Resolutions set out in the Notice of General Meeting attached to this Circular.

The Company does not accept responsibility, and will not be held liable, for any action of, or omission by, any Broker, CSDP or other agent including, without limitation, any failure on the part of any Broker, CSDP or other agent of any beneficial owner of Shares to notify such beneficial owner of the details set out in this Circular or otherwise.

1. **DEMATERIALISED SHAREHOLDERS WHO ARE NOT OWN-NAME REGISTRATION DEMATERIALISED SHAREHOLDERS**

1.1 **Voting at the General Meeting**

1.1.1 Your Broker or CSDP should contact you to ascertain how you wish to cast your vote at the General Meeting and should thereafter cast your vote in accordance with your instructions.

1.1.2 If your Broker or CSDP has not contacted you, it is advisable for you to contact your Broker or CSDP and furnish it with your voting instructions.

1.1.3 If your Broker or CSDP does not obtain voting instructions from you, it will be obliged to vote in accordance with the instructions contained in the Custody Agreement concluded between you and your Broker or CSDP.

1.1.4 **You must <u>not</u> complete the attached Form of Proxy *(grey)*.**

1.2 **Attendance and representation at the General Meeting**

1.2.1 In accordance with the Custody Agreement between you and your CSDP or Broker, you must advise your CSDP or Broker if you wish to –

1.2.1.1 participate and vote at the General Meeting; or

1.2.1.2 send a proxy to represent you at the General Meeting.

1.2.2 Your CSDP or Broker should then issue the necessary letter of representation to you for you or your proxy to attend, speak and vote at the General Meeting.

2. **CERTIFICATED SHAREHOLDERS AND DEMATERIALISED SHAREHOLDERS WHO ARE OWN-NAME REGISTRATION DEMATERIALISED SHAREHOLDERS**

2.1 **Voting and attendance at the General Meeting**

2.1.1 You may attend the General Meeting in person and may vote at the General Meeting.

2.1.2 Alternatively, you may appoint a proxy to represent you at the General Meeting by completing the attached Form of Proxy *(grey)* in accordance with the instructions contained therein and lodging, posting or e-mailing it to the Transfer Secretaries at the addresses set out below, to be received by them, for administrative purposes, by no later than 08h00 on Monday, 25 March 2024 or thereafter by handing such form to the chairperson of the General Meeting or the Transfer Secretaries at the General Meeting, at any time before the proxy exercises any rights of the Shareholder at such General Meeting.

Hand deliveries to:
The Transfer Secretaries
Rosebank Towers
15 Biermann Avenue
Rosebank
Johannesburg, 2196

Postal deliveries to:
Transfer Secretaries
Private Bag X9000, Saxonwold, 2132

Email deliveries to:
The Transfer Secretaries
proxy@computershare.co.za

3. **GENERAL MEETING**

The General Meeting, convened in terms of the Notice of General Meeting, will be held at Clientèle's offices on Wednesday, 27 March 2024 at 08h00, physically at Building 7, Clientèle Office Park, C/O Alon & Rivonia Roads, Morningside, Johannesburg.

In terms of section 63(1) of the Companies Act, before any person may attend or participate in the General Meeting, that person must present reasonably satisfactory identification and the person presiding at the General Meeting must be reasonably satisfied that the right of the person to participate and vote at the General Meeting, either as a Shareholder, or as a proxy or a representative for a Shareholder, has been reasonably verified. Acceptable forms of identification include a valid green bar-coded or smart card identification document issued by the South African Department of Home Affairs, a South African driver's licence or a valid passport.

SALIENT DATES AND TIMES

The definitions and interpretations commencing on page 7 of this Circular apply throughout this Circular, including to this Salient Dates and Times section.

	Date **2024**
Record Date to Receive Notice being the record date to be eligible to receive this Circular and the Notice of General Meeting	Friday, 16 February
Announcement of distribution of Circular and Notice of General Meeting on SENS on	Monday, 26 February
Circular, incorporating Notice of General Meeting and Form of Proxy *(grey)*, posted to Shareholders on	Monday, 26 February
Last day to trade Shares in order to be eligible to vote at the General Meeting	Monday, 18 March
Record Date to Vote being the record date to be eligible to attend, participate and vote at the General Meeting	Friday, 22 March
For administrative reasons, Forms of Proxy *(grey)* in respect of the General Meeting to be lodged at or received via hand, post or e-mail by the Transfer Secretaries by no later than 08h00 on	Monday, 25 March
Form of Proxy *(grey)* in respect of the General Meeting to be handed to the chairman of the General Meeting at the General Meeting, at any time before the proxy exercises any rights of the Shareholder at the General Meeting on	Wednesday, 27 March
General Meeting of Shareholders held at Floor 3, Building 7, Clientèle Office Park, C/O Alon & Rivonia Roads, Morningside, Johannesburg at 08h00 on	Wednesday, 27 March
Results of the General Meeting released on SENS on	Wednesday, 27 March

Notes

1. The above dates and times are subject to change. Any changes will be announced on SENS.
2. All times quoted in this Circular are local times in South Africa.
3. Shareholders should note that, as transactions in Shares are settled in the electronic settlement system used by Strate, settlement of trades takes place three Business Days after such trade. Therefore, persons who acquire Shares after the last day to trade, namely, Monday, 18 March 2024, will not be eligible to attend, participate in and vote at the General Meeting in respect of those Shares acquired after the last day to trade.
4. Forms of Proxy *(grey)* are to be lodged with Transfer Secretaries, for administrative purposes only, by no later than Monday, 25 March 2024. Alternatively, Forms of Proxy *(grey)* may be handed to the chairperson of the General Meeting or the Transfer Secretaries at the General Meeting at any time before the appointed proxy exercises any Shareholder rights at the General Meeting.
5. If the General Meeting is adjourned or postponed, Forms of Proxy *(grey)* submitted for the initial General Meeting will remain valid in respect of any adjournment or postponement of the General Meeting unless the contrary is stated on such Forms of Proxy.

DEFINITIONS AND INTERPRETATIONS

In this Circular and annexures hereto, unless the context indicates a contrary intention, a word or an expression which denotes any gender includes the other genders, a natural person includes a juristic person and *vice versa*, the singular includes the plural and *vice versa* and the following words and expressions bear the meanings assigned to them below:

"1Life"	1Life Insurance (RF) Limited (registration number 2005/027193/06), a limited liability public company duly incorporated in South Africa, a wholly owned Subsidiary of TIH;
"1Life Acquisition" or "Acquisition"	the proposed acquisition of the Exchange Shares by the Company from TIH in terms of the Share Exchange Agreement, the salient details which are set out in paragraph 4 of this Circular;
"Announcement"	the announcement released by Clientèle on SENS on 3 November 2023 related to the proposed 1Life Acquisition;
"Board" or "Directors"	the board of directors of Clientèle, whose names appear on page 1 of this Circular;
"Broker"	any person registered as a broking member (equities) in terms of the rules of the JSE and in accordance with the provisions of the Financial Markets Act;
"Business Day"	any day other than a Saturday, Sunday or any other public holiday in South Africa;
"Certificated Shareholders"	all registered holders of Certificated Shares;
"Certificated Shares"	Shares represented by share certificates or other written instruments, which have not been surrendered for dematerialisation in terms of the requirements of Strate;
"Circular"	this circular to Shareholders, dated Monday, 26 February 2024, including the Notice of General Meeting, the Form of Proxy *(grey)* and the annexures hereto;
"Clientèle" or "the Company"	Clientèle Limited (registration number 2007/023806/06), a limited liability public company duly incorporated in South Africa, the ordinary Shares of which are listed on the main board of the JSE;
"Clientèle Group" or "Group"	Clientèle and its Subsidiaries;
"Closing Date"	– in the event that the fulfilment or waiver, as the case may be, of the last Condition Precedent occurs on or before 30 June 2024, the closing date shall be 1 July 2024; or – in the event that fulfilment or waiver, as the case may be, of the last Condition Precedent occurs after 1 July 2024 and on the 1st (first) day of any calendar month but specifically excluding the month during which Clientèle's dividend record date occurs – the closing date shall be the 1st (first) day of such calendar month; or – in the event that fulfilment or waiver, as the case may be, of the last Condition Precedent occurs after 1 July 2024 and on any day other than the 1st (first) day of any calendar month but specifically excluding the period detailed in the bullet point below, the closing date shall be deemed to be the 1st (first) day of the following calendar month; or – in the event that fulfilment or waiver, as the case may be, of the last Condition Precedent occurs in the period between the 1st (first) day of the month during which Clientele's dividend record date occurs and the applicable record date, the closing date shall be deemed to be the Business Day immediately preceding Clientèle's dividend record date;

"Companies Act"	the Companies Act, No. 71 of 2008, as amended;
"Companies Regulations"	the Companies Regulations, 2011, as amended;
"Company Secretary"	the company secretary of Clientèle, as appointed from time to time;
"Conditions Precedent"	the conditions precedent that must be fulfilled or waived in order for the Acquisition to be implemented, as set out in paragraph 4.3 of this Circular;
"Consideration Shares"	117 815 756 (one hundred and seventeen million, eight hundred and fifteen thousand seven hundred and fifty-six) Shares to be issued to TIH as the Purchase Consideration for the Exchange Shares in terms of the Share Exchange Agreement, which will be approximately 26% (twenty-six percent) of the sum of all Clientèle's issued share capital plus the Consideration Shares as at the date of the Announcement;
"CSDP"	a "participant" as defined in the Financial Markets Act, being a person that holds in custody and administers securities or an interest in securities and that has been accepted by a central securities depository as a participant in terms of section 31 of the Financial Markets Act;
"Custody Agreement"	a custody agreement between a Shareholder and a CSDP or Broker, regulating their relationship in respect of Dematerialised Shares held on the sub-register of Dematerialised Shareholders maintained by a CSDP or Broker on behalf of that person;
"Dematerialise" or "Dematerialised" or "Dematerialisation"	the process by which Certificated Shares are converted into an electronic format as Dematerialised Shares and recorded in Clientèle's sub-register of Dematerialised Shareholders maintained by a CSDP or Broker on behalf of that person;
"Dematerialised Shareholders"	all registered holders of Dematerialised Shares;
"Dematerialised Shares"	Shares that have been dematerialised through a Broker or CSDP in terms of the requirements of Strate and which are recorded in the sub-register of Dematerialised Shareholders maintained by the relevant CSDPs;
"Documents of Title"	share certificates, certified transfer deeds, balance receipts or any other documents of title to shares acceptable to the Board;
"Embedded Value"	refers to the sum of the net asset value and present value of future profits of a life insurance company;
"Exchange Shares"	means 3 022 447 (three million, twenty-two thousand, four hundred and forty-seven) ordinary shares held by TIH in 1Life, constituting 100% of all of the issued ordinary shares of 1Life;
"Financial Markets Act" or "FMA"	the Financial Markets Act, No. 19 of 2012, as amended;
"Form of Proxy"	the form of proxy *(grey)* for use by Certificated Shareholders and Own-Name Registration Dematerialised Shareholders only, for purposes of appointing a proxy to represent such Shareholders at the General Meeting;
"Friedshelf"	Friedshelf 1577 (Pty) Limited (registration number 2014/162590/07), a limited liability private company duly incorporated in South Africa, and the holding company of Newshelf and River Lily;
"FSRA"	the Financial Sector Regulation Act, No. 9 of 2017, as amended;
"General Meeting"	the general meeting of Shareholders to be held at Clientèle's offices on Wednesday, 27 March 2024, physically at Building 7, Clientèle Office Park, C/O Alon & Rivonia Roads, Morningside, Johannesburg, convened in terms of the Notice of General Meeting enclosed and forming part of this Circular, together with any reconvened general meeting held as a result of any adjournment or postponement of that general meeting, for purposes of considering and, if deemed fit, passing, with or without modification, the Resolutions set out in the Notice of General Meeting and forming part of this Circular;

"Hollard Group"	The Hollard Insurance Company Limited (registration number 1952/003004/06), a limited liability public company duly incorporated in South Africa and the holder of a 10.3% interest in the Company, Hollard Life Assurance Company Limited (registration number 1993/001405/06), a limited liability public company duly incorporated in South Africa and the holder of a 8.4% interest in the Company and Hollard Portfolio Management (Pty) Limited (registration number 1984/004311/07), a limited liability private company duly incorporated in South Africa and the holder of a 0.8% interest in the Company;
"IFRS"	International Financial Reporting Standards, as issued by the International Accounting Standards Board;
"Income Tax Act"	the Income Tax Act, No. 58 of 1962, as amended;
"Insurance Act"	the Insurance Act, No. 18 of 2017, as amended;
"Independent Expert"	BDO Corporate Finance Proprietary Limited (registration number 1983/002903/07), a limited liability private company incorporated in South Africa and which has been appointed to prepare the Independent Expert opinion;
"Independent Reporting Accountants" or "Deloitte"	Deloitte & Touche (practice number: 902276), registered auditors and the Company's reporting accountants;
"JSE"	the exchange, licensed under the Financial Markets Act, operated by JSE Limited (registration number 2005/022939/06), a public company duly incorporated in South Africa;
"JSE Listings Requirements"	the Listings Requirements of the JSE in force as at the Last Practicable Date;
"Key Employees"	a select list of key 1Life employees detailed in the Share Exchange Agreement;
"Last Practicable Date"	the last practicable date prior to the finalisation of this Circular, being Friday, 16 February 2024;
"Material Contracts"	the reinsurance agreement entered into on 13 July 2006 between 1Life and Hannover Life Reassurance Africa Limited and the partner agreement entered into on 1 October 2014 between 1Life and Emerald Wealth Management CC;
"MOI"	the Memorandum of Incorporation of Clientèle;
"Newshelf"	Newshelf 702 (Pty) Limited (registration number 2002/027075/07), a limited liability private company duly incorporated in South Africa, and the holder of a 30.9% interest in the Company;
"Notice of General Meeting"	the notice convening the General Meeting, which is attached to and forms part of this Circular;
"Own-name Registration"	Dematerialised Shareholders who have instructed their CSDP to hold their Shares in such Shareholders' own name on the sub-register of Dematerialised Shareholders maintained by the CSDP;
"Purchase Consideration"	the purchase consideration payable by the Company to TIH is equivalent to the Embedded Value of 1Life as at 30 June 2023, adjusted to be calculated on a similar basis to that used by Clientèle in its Embedded Value calculation plus a control premium of 6.23% amounting to R1.915 billion and shall be settled through the allotment and issuance of the Consideration Shares;
"Record Date to Receive Notice"	the date on which a Shareholder must be registered in the Register in order to be eligible to receive the Circular and Notice of General Meeting, which date is Friday, 16 February 2024;

"Record Date to Vote"	the date on which a Shareholder must be registered in the Register in order to be eligible to attend, participate and vote at the General Meeting, which date is Friday, 22 March 2024;
"Rand" or "R"	South African Rand, the official currency of South Africa;
"Register"	Clientèle's securities register, including the register of Certificated Shareholders maintained by the Transfer Secretaries and the sub-register of Dematerialised Shareholders maintained by the relevant CSDPs;
"Resolutions"	the resolutions required to implement the 1Life Acquisition as set out in the Notice of General Meeting;
"River Lily"	River Lily Investments (Pty) Limited (registration number 2002/012991/07), a limited liability private company duly incorporated in South Africa, and the holder of a 30.3% interest in the Company;
"Share Exchange Agreement"	the exchange of shares agreement entered into between the Company and TIH on 2 November 2023 in terms of which the Company will acquire the Exchange Shares from TIH for the Purchase Consideration, the salient details of which are set out in paragraph 4 of the Circular, as amended by an addendum dated 19 February 2024;
"SENS"	the Stock Exchange News Service of the JSE;
"Shareholders"	registered holders of Shares, including all Certificated Shareholders and Dematerialised Shareholders;
"Shares"	ordinary shares with a par value of 2 cents per share in Clientèle's share capital;
"Signature Date"	the date of signature of the Share Exchange Agreement;
"South Africa"	the Republic of South Africa;
"Strate"	Strate Proprietary Limited (registration number 1998/022242/07), a private company duly incorporated in South Africa, a central securities depository licensed in terms of the Financial Markets Act responsible for the electronic clearing and settlement system provided to the JSE;
"Subsidiary"	a subsidiary as defined in the Companies Act;
"TIH"	Telesure Investment Holdings Proprietary Limited (registration number 1998/013847/07), a private company duly incorporated in South Africa, a wholly owned Subsidiary of BHL Holdings (SA) Limited (registration number 11701219), a company duly incorporated in the United Kingdom;
"TIH GroupCos"	the Subsidiaries of TIH, any holding company of TIH and/or any Subsidiaries of such holding company, but specifically excluding 1Life;
"Transfer Secretaries"	Computershare Investor Services Proprietary Limited (registration number 2004/003647/07), a limited liability private company duly incorporated in South Africa;
"Valeo Capital" or "Corporate Advisor and Transaction Sponsor"	Valeo Capital Proprietary Limited (registration number 2021/834806/07), a limited liability private company duly incorporated in South Africa and the corporate advisor and transaction sponsor to Clientèle; and
"VAT"	Value Added Taxation, levied in terms of the Value Added Tax Act (No. 89 of 1991), as amended.

CLIENTÈLE LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 2007/023806/06)
Share code: CLI
ISIN Number: ZAE000117438
("**Clientèle**" or "**the Company**")

Directors

GQ Routledge*# *(Chairman)*
BW Reekie *(Group Managing Director)*
AD t'Hooft Enthoven*
BA Stott*#
RD Williams*#
GK Chadwick* *(Alternate)*
PG Nkadimeng*
H Louw
RDT Zwane
HP Mayers*#
TE Mashilwane*#

** Non-executive*
 # Independent

CIRCULAR TO SHAREHOLDERS
PART A: 1LIFE ACQUISITION

1. INTRODUCTION AND PURPOSE OF THE CIRCULAR

1.1 Shareholders are referred to the Announcement released by the Company on SENS on Friday, 3 November 2023, relating to the 1Life Acquisition, wherein Shareholders were advised that Clientèle had entered into the Share Exchange Agreement with TIH, in terms of which Clientèle will acquire 100% of the issued share capital in 1Life from TIH for the Purchase Consideration.

1.2 The 1Life Acquisition constitutes a category 1 transaction in terms of paragraph 9.5(b) of the JSE Listings Requirements.

1.3 The purpose of this Circular is to –

1.3.1 provide Shareholders with the relevant information relating to the 1Life Acquisition, so as to enable Shareholders to make informed decisions in respect of the Resolutions set out in the Notice of the General Meeting enclosed with this Circular; and

1.3.2 convene the General Meeting of Shareholders in order to consider and, if deemed fit, approve the Resolutions.

2. BUSINESS AND PROSPECTS OF 1LIFE

2.1 1Life is a licensed life insurer that specialises in offering funeral and underwritten life insurance products to South African consumers via direct sales, intermediated sales and through online distribution platforms.

2.2 Since 1Life's inception 18 years ago, it has transitioned into a multi-distribution insurer utilising direct, intermediated, digital and tied-agency distribution channels to distribute a comprehensive range of life, funeral, dread, disability insurance and investment products to the mass and middle income market. During this time, 1Life has successfully used technology and data analytics to pave the way for more personalised and innovative insurance offerings for their customers and strengthening their customer centric culture within the organisation. 1Life boasts a track record of consistent growth and value creation and their future growth prospects lie in their ability to leverage technology to meet their customers' needs and expansion into the emerging markets.

3. RATIONALE FOR THE ACQUISITION

3.1 Clientèle is a diversified financial services group and is one of South Africa's leading direct distributors of financial services products. Over the past 30 years it has been successfully offering convenient and easy to understand financial services products to the entry level mass market.

3.2 1Life operates in the underwritten direct and intermediated life insurance market and the funeral mass market. When 1Life commenced operations in 2006, it was the first truly direct life insurer, having been the largest direct life insurer for over a decade. 1Life has evolved into a multi-distribution insurer in the entry level mass market and middle income market.

3.3 The merging of these two well-known insurance brands brings together two organisations that have expertise in the mass and middle income market segments and a strong focus on Treating Clients Well. The 1Life Acquisition is accretive, resulting in a combined Embedded Value of approximately R7.8 billion and almost 1.5 million contracts, which improves scale and will enhance future value creation for all customers, employees, shareholders and other stakeholders.

4. TERMS OF THE ACQUISITION

4.1 Overview

In terms of the Acquisition and subject to the fulfilment or waiver of the Conditions Precedent, the Company will acquire the entire issued share capital of 1Life from TIH for the Purchase Consideration.

4.2 Purchase Consideration

4.2.1 The purchase consideration payable by the Company to TIH is equivalent to the Embedded Value of 1Life as at 30 June 2023, adjusted to be calculated on a similar basis to that used by Clientèle in its Embedded Value calculation plus a control premium of 6.23%, amounting to R1.915 billion, and shall be settled through the allotment and issuance of the Consideration Shares.

4.2.2 The Purchase Consideration will be settled by the Company through the issue of the Consideration Shares to TIH.

4.2.3 The Consideration Shares will be issued at a price of R16.25 (sixteen Rand and twenty-five cents) per Consideration Share, which, although a substantial premium to the prevailing market price of Clientèle's Shares, is based on Clientèle's Embedded Value per Share as per its 30 June 2023 published financial results, adjusted for its dividend paid in September 2023, and 1Life's Embedded Value at 30 June 2023.

4.3 Conditions Precedent

4.3.1 The 1Life Acquisition is subject to the fulfilment or waiver (if applicable), as the case may be, of the following remaining Conditions Precedent:

4.3.1.1 by no later than 17h00 on 31 March 2024, the shareholders of Clientèle have passed a resolution –

4.3.1.1.1 approving the 1Life Acquisition in terms of the relevant and applicable provisions of the JSE Listings Requirements;

4.3.1.1.2 electing two persons (nominated by TIH) to the Board of Clientèle, with effect from the Closing Date; and

4.3.1.1.3 approving the allotment and issue of the Consideration Shares pursuant to the Share Exchange Agreement;

4.3.1.2 by no later than 17h00 on 30 September 2024, the counterparties to the Material Contracts have been notified in writing or have consented in writing to the change in control of 1Life;

4.3.1.3 by no later than 17h00 on 31 March 2024, the signature of a written leads agreement between TIH, 1Life and Clientèle (or its Subsidiary, Clientèle Life Assurance Company Limited) which will include –

4.3.1.3.1 a royalty free intellectual property licence in respect of the use of TIH's owned brand trademarks which are used by 1Life as at the Signature Date of the Share Exchange Agreement in the conduct of the 1Life business for the purpose of (i) cross-selling to customers, 1Life's white labelled products; and (ii) servicing the existing clients of 1Life's white labelled products (this agreement will ensure that the existing arrangement between TIH and 1Life regarding 1Life's white labelling of TIH-branded life insurance products, continues to subsist post the implementation of the 1Life Acquisition. No additional fees/compensation will be payable by 1Life to TIH in terms of this agreement);

4.3.1.3.2 a royalty free right to information in terms of which TIH grants to 1Life, the right to receive certain information of the customers of TIH GroupCos (to the extent legally permissible), and which information has been generated from time to time by TIH's internal systems and processes, for purposes of 1Life marketing and selling its life insurance products to such customers through its direct call centres and TIH's tied agency force (this agreement will ensure that the existing arrangement between TIH and 1Life regarding 1Life's white labelling of TIH-branded life insurance products, continues to subsist post the implementation of the 1Life Acquisition. No additional fees/compensation will be payable by 1Life to TIH in terms of this agreement); and

4.3.1.3.3 an agreement in terms of which Clientèle and the TIH GroupCos provide each other with certain customer leads information of potential customers of insurance products or value-added services (to the extent legally permissible) in relation to which the respective referring parties do not hold a licence to underwrite, for the purposes of marketing and selling such products or services (under its own brands or as white-labelled product offerings) (this agreement is a standard lead agreement in terms whereof, to the extent legally permissible, Clientèle and the TIH GroupCos would share relevant customer leads in order to market their non-competing products to each other's customer base. The fees payable in terms of this agreement will be market related and similar in nature to agreements that Clientèle (or its Subsidiaries) has in place with other third party lead providers);

and such agreement having become unconditional, save for any condition precedent in such agreement requiring the Share Exchange Agreement to become unconditional;

4.3.1.4 by no later than 17h00 on 31 March 2024, TIH, 1Life and Clientèle (or its Subsidiary, Clientèle Life Assurance Company Limited) have concluded a written agreement in relation to a royalty free right to copy and/or extract all software code related to information technology systems exclusively utilised by 1Life and/or that are bespoke to 1Life or any of its products, and which are owned by TIH or any of the TIH GroupCos and hosted on its information technology main frame(s), for its own use at any time after the Closing Date, including any maintenance agreements attaching to such software as may be required by 1Life to secure access to the resources that it requires to continue to conduct the 1Life business on the same basis as before the 1Life Acquisition, and where such copy or extraction is not possible, a licensing arrangement to achieve the same outcome (this agreement aims to ensure that 1Life and/or Clientèle can, post the implementation of the 1Life Acquisition and without any additional fees being payable by Clientèle or 1Life, copy and/or extract all software code related to information technology systems exclusively utilised by 1Life and/or that are bespoke to 1Life or any of its products, and which are owned by TIH or any of the TIH GroupCos and hosted on its information technology main frame(s));

4.3.1.5 by no later than 17h00 on 31 March 2024, the signature of an amendment agreement to the written Outsource Agreement ("**TGS OA**") concluded between Telesure Group Services Proprietary Limited ("**TGS**") and 1Life on or about September 2019 in terms of which *inter alia* for a period of 5 (five) calendar years from the Closing Date, TGS will continue to render outsourced services to 1Life and such agreement having become unconditional, save for any condition precedent in such agreement requiring the Share Exchange Agreement to become unconditional (this agreement aims to ensure that TIH continues, as it does prior to the implementation of the 1Life Acquisition, to render several operational support services on behalf of 1Life (e.g. HR, customer service, etc.) for a set period of time post the 1Life Acquisition and until such support functions can be transferred to or rendered by Clientèle on behalf of 1Life. An outsource agreement is currently in place between TIH and 1Life and this addendum would merely extend the term thereof);

4.3.1.6 by no later than 17h00 on 31 March 2024, the signature of an agreement in terms of which Clientèle and/or 1Life will pay to TIH or TGS the reasonable cost allocations for TIH's tied agency force in relation to the sale of 1Life policies, and such agreement having become unconditional, save for any condition precedent in such agreement requiring the Share Exchange Agreement to become unconditional (this agreement is a standard intermediary/service level agreement, which is prevalent in the insurance industry, in terms whereof Clientèle will pay market related costs/fees to TIH for its tied agency force's distribution of 1Life policies to customers);

4.3.1.7 by no later than 17h00 on 31 March 2024, the signature of lock-in agreements with the Key Employees, and such agreements having become unconditional, save for any condition precedent in such agreement requiring the Share Exchange Agreement to become unconditional;

4.3.1.8 by no later than 17h00 on 30 September 2024, the 1Life Acquisition and all agreements and transactions contemplated in the Share Exchange Agreement (to the extent necessary) have been unconditionally approved by the relevant competition authorities in terms of the Competition Act, No. 71 of 2008, or conditionally approved on terms and conditions which each of Clientèle and TIH confirms in writing to the other to be acceptable to it;

4.3.1.9 by no later than 17h00 on 30 September 2024 the 1Life Acquisition and all agreements and transactions contemplated in the Share Exchange Agreement (to the extent necessary) have been unconditionally approved by the Prudential Authority in terms of section 51(1) of the Insurance Act read with sections 157 and 158 of the FSRA, or conditionally approved on terms and conditions which each of Clientèle and TIH confirms in writing to the other to be acceptable to it;

4.3.1.10 by no later than 17h00 on 30 September 2024, Clientèle and TIH have obtained all such approvals and/or waivers and/or exemptions for the 1Life Acquisition as may be required by the Takeover Regulation Panel; and

4.3.1.11 by no later than 17h00 on 30 September 2024, Clientèle has obtained all such approvals as may be required, if any, by the JSE for the allotment, issue and listing of the Consideration Shares on the JSE.

4.3.2 The Conditions Precedent in paragraphs 4.3.1.1, 4.3.1.8, 4.3.1.9, 4.3.1.10 and 4.3.1.11 can't be waived. Clientèle is entitled to waive all other remaining Conditions Precedent save for the Condition Precedent in paragraph 4.3.1.6, which can only be waived by TIH, and the Conditions Precedent in paragraphs 4.3.1.3.3 and 4.3.1.5, which can only be waived by both Clientèle and TIH. The time periods for fulfilment of the Conditions Precedent can be extended by Clientèle and TIH by written agreement.

4.3.3 The agreements referred to in clauses 4.3.1.3 to 4.3.1.6 are operational in nature and have no impact on the Purchase Consideration.

4.4 **Effective date**

The effective date of the 1Life Acquisition will be the Closing Date.

4.5 **Other significant terms**

4.5.1 Section 42 of the Income Tax Act

In terms of the Share Exchange Agreement, Clientèle and TIH acknowledge and agree that the provisions of section 42 of the Income Tax Act, dealing with corporate tax roll-over relief in the case where an asset is exchanged for the issue of shares, will automatically apply to the Share Exchange Agreement.

4.5.2 Distributions

4.5.2.1 In terms of the Share Exchange Agreement, 1Life may declare and pay dividends only as follows:

4.5.2.1.1 if the Closing Date is on or before 30 September 2024, 1Life may only pay dividends to shareholders up to the maximum value of dividends declared and paid by it to shareholders during the 2021 or 2022 calendar years; or

4.5.2.1.2 if the Closing Date is post 30 September 2024, 1Life may declare and pay dividends out of profits earned by 1Life post 1 July 2023 until the dividend declaration date, up to a maximum of the lower of –

4.5.2.1.2.1 50% (fifty percent) of IFRS17 profits after tax of 1Life for the aforementioned period; or

4.5.2.1.2.2 150% (one hundred and fifty percent) of the value of the new business of 1Life for the aforementioned period,

provided that the dividends are declared and paid prior to the actual Closing Date.

4.5.2.2 The Exchange Shares are sold ex any dividend(s) noted under paragraph 4.5.2.1.

4.5.2.3 Save for the dividends, if any, referred to in paragraph 4.5.2.1, no dividend or other distribution may be declared or paid by 1Life after the Signature Date.

4.5.2.4 Clientèle may not declare or pay any dividends prior to the Closing Date which are not in the ordinary course of the Clientèle business or which constitute a distribution *in specie* or a capitalisation issue.

4.5.2.5 The Consideration Shares are issued to TIH ex any dividends that may be declared by Clientèle with a record date prior to the Closing Date.

4.5.3 Restraint

In terms of the Share Exchange Agreement, TIH has undertaken (for itself and on behalf of each of the TIH GroupCos) that it will not, and will ensure that its related parties do not, for a period of 5 (five) calendar years from the Closing Date, directly or indirectly, offer, distribute and/or underwrite any insurance product(s) that compete with 1Life's insurance products, underwritten as at the Closing Date, without the prior written consent of Clientèle.

4.5.4 Warranties and indemnities

The Share Exchange Agreement contains warranties and indemnities appropriate for transactions of this nature.

4.5.5 Right to terminate

Clientèle and TIH each have the right to terminate the Share Exchange Agreement prior to the Closing Date in certain circumstances such as the occurrence of a material adverse change (as defined in the Share Exchange Agreement, a copy of which is available for inspection in terms of paragraph 21) breach of a material warranty, a relevant company going into liquidation or business rescue and the like.

5. VOLUNTARY INDEPENDENT EXPERT OPINION

5.1 As stated in the Announcement, the material Shareholders of Clientèle, namely Newshelf, River Lily and the Hollard Group, holding between them approximately 80% of the issued share capital of Clientèle, agreed that they will not vote on the resolution to approve the 1Life Acquisition at the General Meeting.

5.2 In order to assist minority Shareholders to make an informed decision on the 1Life Acquisition, the Board has voluntarily obtained a fairness opinion on the 1Life Acquisition from the Independent Expert, which fairness opinion is set out in **Annexure 1** to this Circular. Taking into consideration the terms and conditions of the 1Life Acquisition, the Independent Expert is of the opinion that the 1Life Acquisition is fair to Shareholders.

5.3 The statement of the Board as to whether the 1Life Acquisition is fair to Shareholders is included in paragraph 8.1 below.

6. CLIENTÈLE SHAREHOLDER SUPPORT

The Company has received irrevocable undertakings of support from the following Shareholders, to vote in favour of the Resolutions required to implement the 1Life Acquisition:

Shareholder	**Total number of shares held**	**Percentage of total issued share capital**
Yellowwoods Trust Investments (Pty) Limited	30 094 688	8.975%
G Soll	5 200 000	1.551%
Haven Sandown 1 (Pty) Limited	2 611 020	0.779%
G Carlin	999 500	0.298%
Iain Hume Family Trust	775 765	0.231%
G Routledge	300 000	0.089%
I Hume	181 266	0.054%
B Reekie	179 052	0.053%
C Hume	163 835	0.049%
H Louw	105 049	0.031%
M Mayers	69 943	0.021%
N Hoosen	52 120	0.016%
S Burmeister	50 000	0.015%
B White	37 076	0.011%
D Mostert	35 000	0.010%
L Botha	28 083	0.008%
B Stott	20 000	0.006%
K Hume	16 400	0.005%
C Kyparissis	13 481	0.004%
M Hume	12 000	0.004%
L Relihan	11 444	0.003%
C Patterson	7 609	0.002%
Total	**40 963 331**	**12.216%**

Note:

1. Calculated off 335 329 220 Shares in issue.
2. Excluding River Lily's, Newshelf's and the Hollard Group's Shares, the above Shareholders who have given irrevocable undertakings to vote in favour of the Resolutions required to implement the 1Life Acquisition collectively represent approximately 63% of the remaining Shares in issue.

7. APPROVALS REQUIRED

7.1 The following Resolutions will be put to Shareholders at the General Meeting in order to approve the 1Life Acquisition:

7.1.1 an ordinary resolution of Shareholders to approve the 1Life Acquisition in terms of the relevant and applicable provisions the JSE Listings Requirements;

7.1.2 an ordinary resolution of Shareholders electing two persons (nominated by TIH) to the Board of Clientèle, with effect from the Closing Date; and

7.1.3 a special resolution of Shareholders approving the allotment and issue of the Consideration Shares in terms of section 41(3) of the Companies Act.

8. OPINIONS AND RECOMMENDATIONS

8.1 The Board, having considered the terms and conditions of the 1Life Acquisition and the advice of the Independent Expert as contained in the Independent Expert's opinion, believes that the 1Life Acquisition is fair to Shareholders and that it is in the best interest of the Company to proceed with the 1Life Acquisition. Accordingly, the Board unanimously recommends that Shareholders vote in favour of the Resolutions at the General Meeting.

8.2 The Directors, in their personal capacities, intend to vote the Shares beneficially owned by them in favour of the 1Life Acquisition at the General Meeting.

9. GENERAL MEETING

The General Meeting will be held at Clientèle's offices on Wednesday, 27 March 2024 at 08h00, physically at Building 7, Clientèle Office Park, C/O Alon & Rivonia Roads, Morningside, Johannesburg, in order to consider and, if deemed fit, pass, with or without modification, the Resolutions set out in the Notice of General Meeting and forming part of this Circular.

The Notice of General Meeting is attached hereto and forms part of this Circular and contains the Resolutions to be considered at the General Meeting. Full details of the action required by Shareholders are set out on page 4.

PART B: FINANCIAL INFORMATION

10. **CONSOLIDATED *PRO FORMA* FINANCIAL INFORMATION**

10.1 The consolidated *pro forma* statement of financial position and the consolidated *pro forma* statement of profit or loss and other comprehensive income of the Clientèle Group, reflecting the *pro forma* effects of the 1Life Acquisition (collectively referred to as the "**Consolidated *Pro Forma* Financial Information**") on the Clientèle Group's audited consolidated financial statements for the financial year ended 30 June 2023 is set out in **Annexure 2** of the Circular.

10.2 The Consolidated *Pro Forma* Financial Information has been provided for illustrative purposes only, to provide information on how the 1Life Acquisition may have affected the results and financial position of the Clientèle Group, assuming it was implemented on 30 June 2023 for statement of financial position purposes and implemented on 1 July 2022 for statement of comprehensive income purposes. Due to its nature, the Consolidated *Pro Forma* Financial Information may not fairly present the Clientèle Group's financial position, changes in equity, comprehensive income or results of cash flows post the implementation of the 1Life Acquisition.

10.3 The Consolidated *Pro Forma* Financial Information, including the assumptions on which it is based and the financial information from which it has been prepared, as set out below, is the responsibility of the Board. The Consolidated *Pro Forma* Financial Information has been prepared in accordance with the JSE Listings Requirements, the Guide on *Pro Forma* Financial Information issued by SAICA and the Clientèle Group's accounting policies, which are compliant with IFRS.

10.4 The Consolidated *Pro Forma* Financial Information has been prepared on the assumption that the fixed number of Consideration Shares reflect fair value of the Purchase Consideration and equity interest in 1Life on the assumed effective dates of the Acquisition, which is 1 July 2022 for purposes of calculating the effect on Clientèle's basic earnings, diluted earnings, headline earnings and diluted headline earnings per share, and 30 June 2023 for purposes of calculating the effect on Clientèle's net asset value and tangible net asset value per share. The Consolidated *Pro Forma* Financial Information does not reflect any adjustments that may result from movements in the fair value of Clientèle or 1Life between the date of signing the Share Exchange Agreement and the effective date of the Acquisition. The final fair value determination will be done within 12 months from the Closing Date per IFRS 3.

10.5 The Consolidated *Pro Forma* Financial Information should be read in conjunction with the Independent Reporting Accountant's assurance report, as contained in **Annexure 3** of this Circular.

11. **HISTORICAL FINANCIAL INFORMATION OF 1LIFE**

11.1 The historical financial information of 1Life which includes the audited financial statements for the financial years ended 30 June 2023, 30 June 2022 and 30 June 2021 ("**Historical Financial Information**") are contained in **Annexure 4** of this Circular. Copies of the Historical Financial Information of 1Life will also be available for inspection by Shareholders during normal business hours at the registered office of Clientèle or at the office of the Corporate Advisor and Transaction Sponsor and/or through a secure electronic manner, from the date of publication of this Circular until the date of the General Meeting (both days inclusive). Shareholders who wish to view the Historical Financial Information of 1Life through the secure electronic manner should contact the Company Secretary of 1Life on riaanp@tihsa.co.za who will facilitate access to same.

11.2 The financial statements of 1Life for the years ending 30 June 2022 and 2023 have been audited by Deloitte, and the financial statements for the year ending 30 June 2021 have been reviewed by Deloitte. Deloitte's Independent Reporting Accountant's report on the Historical Financial Information of 1Life is contained in **Annexure 5** of this Circular.

12. **MATERIAL BORROWINGS**

Annexure 6 contains details of the material borrowings of the Clientèle Group.

PART C: GENERAL INFORMATION IN RELATION TO THE COMPANY

13. **BUSINESS AND PROSPECTS OF THE COMPANY**

13.1 Clientèle is the licensed controlling company of the Clientèle Group.

13.2 Clientèle is a diversified financial services group, listed on the securities exchange operated by the JSE, and is one of South Africa's leading direct distributors of financial services products. Over the past 30 years it has been successful in offering convenient and easy to understand financial services products to the public through various direct marketing and sales distribution channels.

13.3 Clientèle has cultivated an understanding of the need for financial protection and investment of South Africans from all walks of life. These needs are well provided for in Clientèle's comprehensive yet uncomplicated range of products which include: funeral insurance, life insurance, dread disease insurance, hospital insurance, legal expenses insurance, investment products and a rewards program. Simplicity, efficiency and convenience extends throughout Clientèle's product range and service offering.

13.4 At its core, Clientèle has always had a strong focus on people – its employees, the market it serves, the communities in which it operates, its Shareholders and other stakeholders. Management and employees live out the Clientèle ethos of "Safeguarding Your World... with Compassion" on a daily basis through responsible business practices and by adding value to Clientèle, its clients and other stakeholders. Over the past 30 years, Clientèle has positively contributed to the lives of both its employees and its clients through various "shared value" initiatives such as the IFA Business Opportunity, bursary schemes awarded to children of staff and clients, a suite of "Ultimate" products that not only pay out policy benefits but also return all policy premiums paid at the date of the claim event, the rewards & loyalty programs, various partnerships with funeral parlours and more recently the "December is on Us" campaign which rewards clients and staff for continued payment of their policies with Clientèle in that Clientèle pays December premiums on behalf of these clients and staff.

13.5 Post the Acquisition, the Board is of the view that the prospects of Clientèle are favourable for the following reasons –

13.5.1 the Acquisition will add an approximate further 600 thousand contracts to the existing contract base resulting in an estimated 1.5 million contracts for the combined entity which improves scale and will enhance future value creation for all customers, employees, Shareholders and other stakeholders;

13.5.2 the Acquisition is value accretive resulting in a combined Embedded Value of approximately R7.8 billion resulting in a stronger combined entity with more substantial scale. Improved channel/product diversification, positions the new combined entity well to offer increased competition in the existing entry level mass market ("**ELMM**");

13.5.3 the combined entity will benefit significantly from the expertise of the 1Life management team combining with the Clientèle management team; and

13.5.4 further brands would be added to the new combined entity, which would enhance the ambition of the new combined entity to be a strong challenger in the ELMM.

14. INFORMATION RELATING TO THE COMPANY AND 1LIFE

14.1 Share Capital and Premium

The authorised and issued stated capital and premium of Clientèle as at the Last Practicable Date is set out below.

	R'000
Authorised	
750 000 000 Shares	15 000
Issued	
335 329 220 Shares	6 706
Share premium	389 215

Assuming the 1Life Acquisition is successfully implemented and no additional Shares are issued prior to the Closing Date, the authorised and issued stated capital and premium of Clientèle on the Closing Date will be as follows.

	R'000
Authorised	
750 000 000 Shares	15 000
Issued	
453 144 976 Shares	9 062
Share premium	2 301 364

14.2 Major and controlling Shareholders

14.2.1 As far as Clientèle is aware, as at the Last Practicable Date the following persons are beneficially interested, directly or indirectly, in 5% or more of the Shares in issue:

Shareholder	Total number of shares	Percentage of total issued share capital
Friedshelf	205 229 190	61.20%
Hollard Group	65 330 502	19.48%
Yellowwoods Trust Investments (Pty) Ltd	30 094 688	8.97%
Total	**300 654 380**	**89.65%**

Note: Calculated off 335 329 220 Shares in issue.

14.2.2 Immediately following the implementation of the Acquisition, it is expected that the following persons will be beneficially interested, directly or indirectly, in 5% or more of the Shares in issue:

Shareholder	Total number of shares	Percentage of total issued share capital
Friedshelf	205 229 190	45.29%
TIH	117 815 756	26%
Hollard Group	65 330 502	14.42%
Yellowwoods Trust Investments (Pty) Ltd	30 094 688	6.64%
Total	**418 470 136**	**92.35%**

Note: Calculated off 453 144 976 Shares in issue.

14.2.3 As at the Last Practicable Date, there have been no change in the controlling Shareholder nor the trading objectives of the Company during the previous five years.

14.3 **Material changes relating to the Company and 1Life**

14.3.1 There have been no material changes in the financial or trading position of the Clientèle Group since the publication of the audited consolidated financial statements for the financial year ended 30 June 2023, until the Last Practicable Date.

14.3.2 There have been no material changes in the financial or trading position of 1Life since the date of their audited consolidated financial statements for the financial year ended 30 June 2023, until the Last Practicable Date.

14.4 **Material contracts relating to the Company and 1Life**

14.4.1 The salient features of the Share Exchange Agreement in respect of the 1Life Acquisition are set out in paragraph 4 of this Circular.

14.4.2 Save for the material contract disclosed above, Clientèle and its Subsidiaries have not entered into any other material contracts, either verbally or in writing, being a restrictive funding arrangement (as defined in the JSE Listings Requirements) and/or a contract entered into otherwise than in the ordinary course of business carried on, or proposed to be carried on, by Clientèle or any of its Subsidiaries and:

14.4.2.1 entered into within the two years prior to the Last Practicable Date; or

14.4.2.2 entered into at any time and containing an obligation or settlement that is material to Clientèle or its Subsidiaries at the Last Practicable Date.

14.4.3 Save for the material contract disclosed above, 1Life and its Subsidiaries have not entered into any other material contracts, either verbally or in writing, being a restrictive funding arrangement (as defined in the JSE Listings Requirements) and/or a contract entered into otherwise than in the ordinary course of business carried on, or proposed to be carried on, by 1Life or any of its Subsidiaries and:

14.4.3.1 entered into within the two years prior to the Last Practicable Date; or

14.4.3.2 entered into at any time and containing an obligation or settlement that is material to 1Life or its Subsidiaries at the Last Practicable Date.

15. INFORMATION RELATING TO THE DIRECTORS

15.1 **Existing and former Directors' interests in Shares**

15.1.1 As at the Last Practicable Date, the direct and indirect beneficial interests of Directors and their associates (as well as directors that have resigned in the 18 months preceding the Last Practicable Date) in the issued share capital of Clientèle, were as follows:

Director	Direct beneficial interest in shares	Indirect beneficial interest in shares	Total number of shares held	Percentage of total issued share capital
GQ Routledge	300 000	2 672 424	2 972 424	0.89%
BA Stott	20 000	77 000	97 000	0.03%
IB Hume	192 000	777 000	969 000	0.29%
H Louw	105 049	–	105 049	0.03%
RDT Zwane	4 994	–	4 994	0.001%
BW Reekie	179 052	1 293 906	1 472 958	0.44%
MG Cownie	13 334	5 203	18 537	0.006%
Total	**814 429**	**4 825 533**	**5 639 962**	**1.69%**

Notes:

1. Mr MG Cownie resigned as Group Executive Financial Director of the Company with effect from 10 November 2023.
2. Mr IB Hume retired as Group Executive Financial Director of the Company with effect from 31 December 2022.
3. Calculated off 335 329 220 Shares in issue.

15.1.2 There were no changes in Directors' interests between the end of the preceding financial year and the Last Practicable Date.

15.2 **Directors' interests in transactions**

None of the Directors (or directors who have resigned in the 18 months preceding the Last Practicable Date), have any material beneficial interests, whether direct or indirect, in the 1Life Acquisition or in any transactions effected in the current or immediately preceding financial year or during an earlier financial year and remain in any respect outstanding or unperformed.

15.3 **Directors' service contracts**

Each of the executive Directors have previously concluded service contracts with the Company, with terms and conditions that are appropriate for such appointments, which are available for inspection in terms of paragraph 21 below.

15.4 **Directors' remuneration**

15.4.1 The table below sets out Directors' remuneration for the financial year ended 30 June 2023.

Director	**Fees (director services)**	**Basic salary**	**Bonuses and performance related payments**	**Retirement, medical and other benefits**	**Total emoluments**
	R'000	**R'000**	**R'000**	**R'000**	**R'000**
Executive					
BW Reekie	–	7 543	8 843	822	17 208
MG Cownie	–	1 357	1 041	64	2 462
IB Hume	–	2 488	4 324	161	6 973
H Louw	–	4 676	5 357	343	10 376
RDT Tabane	–	2 448	2 608	184	5 240
Non-executive					
GQ Routledge	4 112	–	–	–	4 112
ADT Enthoven	–	–	–	–	–
BA Stott	2 406	–	–	–	2 406
PR Gwangwa	872	–	–	–	872
RD Williams	1 433	–	–	–	1 433
GK Chadwick	–	–	–	–	–
PG Nkadimeng	–	–	–	–	–
HP Mayers	197	–	–	–	197
D Hlatshwayo	336	–	–	–	336
Total emoluments	**9 356**	**18 512**	**22 173**	**1 574**	**51 615**

Notes:

1. Mr IB Hume retired as Executive Financial Director at the end of December 2022.
2. Mr D Hlatshwayo resigned as Non-Executive Director at the end of December 2022.
3. Mr MG Cownie resigned as Group Executive Financial Director of the Company with effect from 10 November 2023.
4. Ms PR Gwangwa resigned as a Non-Executive Director from the Board with effect from 2 August 2023.

15.4.2 Save as set out in paragraph 15.4.1 above, no Director of Clientèle received any emoluments for the last financial period, being the year ended 30 June 2023, in the form of:

15.4.2.1 fees for services as a director;

15.4.2.2 management, consulting, technical or other fees paid for services rendered as a director, directly or indirectly, including payments to management companies, a part of which is then paid to a director of the Company;

15.4.2.3 basic salaries;

15.4.2.4 bonuses and performance-related payments;

15.4.2.5 sums paid by way of expense allowance;

15.4.2.6 any other material benefits;

15.4.2.7 contributions paid under any pension scheme; or

15.4.2.8 any commission, gain or profit-sharing arrangements.

15.4.3 Apart from the Directors' emoluments outlined in 15.4.1 being paid, according to appropriate ratios, by the Company's main insurance Subsidiaries: Clientèle Life Assurance Company Limited and Clientèle General Insurance Limited, no Director receives any remuneration or benefit in any form from any holding company or Subsidiary of the Company (or from their associates), from any joint venture of the Company or any holding company or Subsidiary of the Company, or from any third-party management or advisor to the Company or to any holding company or Subsidiary of the Company.

15.4.4 As at the Last Practical Date, no variation to Directors' remuneration as a result of the 1Life Acquisition has been agreed by the Board. This may, however, be reassessed in future as part of Clientèle's standard annual Director remuneration and bonus evaluation.

16. SOLVENCY AND CAPITAL ADEQUACY STATEMENT

Clientèle is a licensed controlling company of the Clientèle Group and 1Life is a licensed life insurer, accordingly the solvency and capital adequacy of the Clientèle Group after implementation of the 1Life Acquisition will be regulated by the Prudential Authority.

17. LITIGATION

17.1 The Company's main insurance Subsidiaries: Clientèle Life Assurance Company Limited and Clientèle General Insurance Limited, launched a High Court application against the Payment Association of South Africa ("**PASA**") in terms whereof the applicants (Clientèle Life Assurance Company Limited and Clientèle General Insurance Limited) challenge the constitutionality and lawfulness of select debit order dispute/reversal rules promulgated by PASA. The application has been defended and the litigation remains ongoing and would likely only be set down for hearing towards the end of the 2024 calendar year.

17.2 Save for as set out in paragraph 17.1, the Company is not aware of any other legal or arbitration proceedings, including any proceedings that are pending or threatened, that may have or have had in the recent past, being the previous 12 months, a material effect on the financial position of the Clientèle Group.

17.3 1Life is not aware of any legal or arbitration proceedings, including any proceedings that are pending or threatened, that may have or have had in the recent past, being the previous 12 months, a material effect on the financial position of 1Life.

18. **PRELIMARY AND ESTIMATED EXPENSES**

18.1 The preliminary and estimated expenses relating to 1Life Acquisition (excluding VAT and disbursements) are set out below:

Description	**Payable to**	**Estimated fee**
		R'000
Corporate Advisor and Transaction Sponsor	Valeo Capital	600
Legal Advisor	CDH	3 200
Due diligence	PwC	575
Independent Reporting Accountant	Deloitte	2 270
Independent Expert	BDO	1 370
Prudential Authority filing fees	PA	300
Competition Authorities filing fees	Comp Comm	275
JSE documentation and listing fee	JSE	615
Printing and publication	Ince	100
Contingency		121
Total		**9 426**

18.2 Other than as set out above, Clientèle has incurred no preliminary and estimated expenses in relation to the 1Life Acquisition during the three years preceding this Circular.

19. **CONSENTS**

Each of the advisers whose names appear in the "*Corporate Information and Advisors*" section of this Circular, have consented in writing to act in the capacities stated and to the inclusion of their names and, where applicable, to the inclusion of their reports in this Circular in the form and context in which they appear and have not withdrawn their consents prior to the Last Practicable Date.

20. **DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors, whose names appear in the "*Corporate Information and Advisors*" section of this Circular, collectively and individually accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief, there are no other facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made, and that the Circular contains all information required by law and the JSE Listings Requirements.

21. **DOCUMENTS AVAILABLE FOR INSPECTION**

The following documents, or copies thereof, will be available for inspection by Shareholders during normal business hours at the registered office of Clientèle, at the offices of Valeo Capital and and/or through a secure electronic manner, from the date of publication of this Circular until the date of the General Meeting (both days inclusive) (Shareholders who wish to view the documents through the secure electronic manner should contact the Company Secretary on esmit@clientele.co.za who will facilitate access to same):

21.1 the MOI of Clientèle;

21.2 the Share Exchange Agreement;

21.3 the Directors' service contracts;

21.4 the Independent Reporting Accountant's report on the Consolidated *Pro Forma* Financial Information, as set out in **Annexure 3**;

21.5 the Independent Reporting Accountant's report on the Historical Financial Information of the 1Life as set out in **Annexure 4**;

21.6 the audited consolidated financial statements of Clientèle for the years ended 30 June 2021, 30 June 2022 and 30 June 2023;

21.7 the written consents of the Company's professional advisors; and

21.8 this Circular.

SIGNED AT JOHANNESBURG ON 22 FEBRUARY 2024 BY BASIL W. REEKIE ON BEHALF OF ALL THE DIRECTORS OF CLIENTÈLE, AS LISTED BELOW, IN TERMS OF POWERS OF ATTORNEY SIGNED BY SUCH DIRECTORS

BW Reekie
Clientèle Managing Director

GQ Routledge*# *(Chairman)*
BW Reekie *(Group Managing Director)*
AD t'Hooft Enthoven*
BA Stott*#
RD Williams*#
GK Chadwick* *(Alternate)*
PG Nkadimeng*
H Louw
RDT Zwane
HP Mayers*#
TE Mashilwane*#

* *Non-executive*
\# *Independent*

VOLUNTARY INDEPENDENT EXPERT OPINION ON THE 1LIFE ACQUISITION

The Directors
Clientèle Limited
Clientèle Office Park, PO Box 1316
Corner Rivonia and Alon Roads, Rivonia
Morningside, 2196

19 February 2024

Dear Sirs/Mesdames

VOLUNTARY INDEPENDENT EXPERT OPINION ON THE 1LIFE ACQUISITION

Introduction

As announced on the Stock Exchange News Service operated by the JSE Limited ("**JSE**") ("**SENS**") on Friday 3 November 2023, Clientèle Limited ("**Clientèle**" or the "**Company**") has entered into an exchange of shares agreement ("**Share Exchange Agreement**") with Telesure Investment Holdings Proprietary Limited ("**TIH**"), in terms of which the Company will acquire 100% of the issued share capital of 1Life Insurance (RF) Limited ("**1Life**") held by TIH ("**1Life Acquisition Shares**") for a consideration of R1.9 billion that will be settled through an issue of 117 815 756 ordinary shares in Clientèle ("**Consideration Shares**"), which Consideration Shares will constitute approximately 26% of the issued share capital of the Company post the issue of the Consideration Shares (the "**1Life Acquisition**"). The purchase consideration is equivalent to the Embedded Value ("**EV**") of 1Life as at 30 June 2023, adjusted to be calculated on a similar basis to that used by Clientèle in its EV calculation plus a control premium of 6.23%.

Full details of the 1Life Acquisition are set out in Paragraph 4 of the circular to Clientèle shareholders ("**Clientèle Shareholders**") in respect of the 1Life Acquisition (the "**Circular**") to be issued on Monday, 26 February 2024.

Fairness opinion

The board of directors of Clientèle (the "**Board**" and/or the "**Directors**") has requested a fairness opinion, be prepared on a voluntary basis in order to assist minority shareholders to make an informed decision on the 1Life Acquisition and that same be prepared in accordance with Schedule 5 of the JSE Listings Requirements ("**Listings Requirements**"), to be included in the Circular, confirming whether the 1Life Acquisition is fair insofar as Clientèle Shareholders are concerned (the "**Fairness Opinion**").

BDO Corporate Finance Proprietary Limited ("**BDO Corporate Finance**") has been appointed as the independent expert to provide the Fairness Opinion.

Explanation as to how the term "fair" applies in the context of the 1Life Acquisition

Schedule 5.7 of the Listings Requirements states that the "fairness" of a transaction is based on quantitative issues. A transaction will typically be considered fair to a company's shareholders if the benefits received by a company, as a result of a corporate action, are equal to or greater than the value ceded by a company.

The 1Life Acquisition would be considered fair to the shareholders if the fair value of the Consideration Shares is less than or equal to the fair value of the 1Life Acquisition Shares, or unfair if the fair value of the Consideration Shares is more than the fair value of the 1Life Acquisition Shares.

Details and sources of information

In arriving at our opinion, we have considered the following principal sources of information:

- The terms and conditions of the 1Life Acquisition as defined in the Circular and the Share Exchange Agreement;
- Annual and integrated reports of Clientèle for the years ended 30 June 2021, 2022 and 2023;

- Audited annual financial statements of 1Life for the year ended 30 June 2023;
- Report on Review of Embedded Value and Value of New Business of Clientèle prepared by QED South Africa (Pty) Ltd, dated 4 September 2023;
- A limited scope actuarial due diligence report prepared by PricewaterhouseCoopers Inc. ("**PwC**"), dated 15 September 2023, detailing a side-by-side comparison of the build-up and composition of EV and Value of New Business ("**VNB**") assumptions of both Clientèle and 1Life ("**Actuarial Due Diligence Report**");
- Discussions with management of the Company regarding the historical and forecast financial information of Clientèle and 1Life;
- Discussions with management and/or advisors of Clientèle on prevailing market, economic, legal and other conditions which may affect underlying value; and
- Publicly available information relating to Clientèle and 1Life as well as peer companies of Clientèle and 1Life and the Life Insurance sector in general.

The information relating to the 1Life Acquisition was secured from:

- Management and/or advisors of Clientèle; and
- Third party sources, including information related to publicly available economic, market and other data which we considered applicable to, or potentially influencing Clientèle.

Procedures and consideration

In arriving at our opinion, we have undertaken the following procedures and considered the following factors in evaluating the fairness of the 1Life Acquisition:

- Reviewed the terms and conditions of the 1Life Acquisition;
- Reviewed the audited and other financial information, as detailed above;
- Reviewed and obtained an understanding from management and/or advisors of Clientèle with respect to the historical and forecast financial information of Clientèle and 1Life;
- Reviewed and obtained an understanding from management of Clientèle as to the data used for the EV calculations and assessed the reasonableness thereof by considering historic information as well as market data;
- Reviewed the Actuarial Due Diligence Report and considered the methodologies and assumptions applied in determining the EV of Clientèle and 1Life on a like-for-like basis. Based on our review of the Actuarial Due Diligence Report we are satisfied that the approach adopted to determine the EV of Clientèle and 1Life, on a like-for-like basis, is consistent with standard practice in the industry and the assumptions to determine EV are consistent with market parameters. Consequently, we are satisfied with the EV calculations and we are placing reliance on the Actuarial Due Diligence Report;
- Held discussions with management of Clientèle regarding the past and current business operations, regulatory requirements, financial condition and future prospects of Clientèle and 1Life and such other matters as we have deemed relevant to our inquiry;
- Reviewed the methodologies available for performing valuations of life assurance businesses, which primarily center around the EV and appraisal value ("**AV**") approaches;
- Reviewed the internal EV calculations of Clientèle and 1Life as at 30 June 2023 and considered adjustments made by PwC in the Actuarial Due Diligence Report in order to align the EV on a similar basis;
- Considered any further material adjustments to the value of Clientèle and 1Life based on matters arising in the period from 30 June 2023 to the date of this opinion;
- Assessed the long-term potential of Clientèle and 1Life;
- Performed a sensitivity analysis on key assumptions included in the EV valuations;
- Evaluated the relative risks associated with Clientèle and 1Life and the Life Insurance sector;
- Reviewed certain publicly available information relating to Clientèle and 1Life and Life Insurance sector that we deemed to be relevant, including company announcements and media articles; and
- Where relevant, representations made by management and/or directors were corroborated to source documents or independent analytical procedures were performed by us, to examine and understand the industry in which Clientèle and 1Life operate, and to analyse external factors that could influence the business of Clientèle and 1Life.

Assumptions

We arrived at our opinion based on the following assumptions:

- That all agreements that are to be entered into in terms of the 1Life Acquisition will be legally enforceable; and
- That the 1Life Acquisition will have the legal, accounting and taxation consequences described in discussions with, and materials furnished to us by representatives and advisors of Clientèle.

Appropriateness and reasonableness of underlying information and assumptions

We satisfied ourselves as to the appropriateness and reasonableness of the information and assumptions employed in arriving at our opinion by determining the extent to which representations from management and/or advisors of Clientèle were confirmed by documentary evidence as well as our understanding of Clientèle and the economic environment in which the business operates.

Limiting conditions

This opinion is provided in connection with and for the purposes of the 1Life Acquisition. The opinion does not purport to cater for each individual Clientèle Shareholder's perspective, but rather that of the general body of Clientèle Shareholders. Should a Clientèle Shareholder be in doubt as to what action to take, he or she should consult an independent adviser.

Individual Clientèle Shareholder's decisions regarding the 1Life Acquisition may be influenced by such shareholder's particular circumstances and accordingly, individual shareholders should consult an independent advisor if in any doubt as to the merits or otherwise of the 1Life Acquisition.

We have also assumed that the 1Life Acquisition will have the legal consequences described in discussions with, and materials furnished to us by representatives and advisors of Clientèle and we express no opinion on such consequences.

The opinion is based on current economic, regulatory and market as well as other conditions. Subsequent developments may affect the opinion, and we are under no obligation to update, review or re-affirm our opinion based on such development.

We have been neither a party to the negotiations entered into in relation to the 1Life Acquisition nor have we been involved in the deliberations leading up to the decision on the part of Clientèle to enter into the 1Life Acquisition.

We do not, by this letter or otherwise, advise or form any judgement on the strategic, commercial or financial merits or risks of the 1Life Acquisition. All such evaluations, advice, judgements or comments remain the sole responsibility of the Board. We have however, drawn upon such evaluations, judgements and comments as we deem necessary and appropriate in arriving at our opinion.

The scope of our appointment does not require us to express, and nor do we express, a view on the future growth prospects, earnings potential or market price of Clientèle shares. We do not express any view as to the market price at which Clientèle shares may trade nor on the future value, financial performance, or condition of Clientèle.

It is also not within our terms of reference to compare the merits of the 1Life Acquisition to any alternative arrangements that were or may have been available to Clientèle. Such comparison and consideration remain the responsibility of the Board.

Independence

We confirm that we have no direct or indirect interest in Clientèle shares or in the 1Life Acquisition. We also confirm that we have the necessary qualifications and competence to provide the fairness opinion on the 1Life Acquisition.

Furthermore, we confirm that our professional fees, payable in cash, are not contingent upon the successful implementation of the 1Life Acquisition.

Fairness of the 1Life Acquisition

The EV of an insurance company represents an estimate of the value of the company exclusive of goodwill attributable to future new business. The embedded value compares:

- The value of excess assets attributable to shareholders, which comprises net asset values ("**NAV**"); plus
- VIF – being the present value of future after tax profits arising from business in force at the calculation date.

The EV does not account for any new business that may be generated after the valuation date. The calculated value of new business ("**VNB**") is the value attributed to the EV by new business sold during the year.

EV provides a reasonable indication of the fair value that could be payable for a company. This would generally be at the lower end of the range as it excludes the value which may be attributed to new business and thus future potential of the company.

BDO Corporate Finance performed a valuation of Clientèle and 1Life based on an adjusted EV approach (i.e. on a like-for-like basis) as a primary approach to determine whether the 1Life Acquisition is fair to Clientèle Shareholders. In addition we considered a market approach as a secondary approach to support the results of the adjusted EV approach.

The fair value of Clientèle and 1Life is impacted by a number of primary risks, the underlying performance of various investments made by the businesses, particularly equities, which are most volatile, inherent guarantees offered by the insurer to policyholders, regulatory and tax changes, and the expected profitability and embedded value of the insurance business. Cash flows in the reported EV calculation as at 30 June 2023 are discounted using company-specific risk discount rates ("**RDRs**") of 14.1% for Clientèle and 15.25% for 1Life. Key industry risk included regulatory risk, financial market volatility, growth below expectations and higher than expected claims.

Key internal value drivers to the valuation of Clientèle and 1Life included the RDR, new business growth, new business profitability and future administration expenses.

Key external value drivers to the valuation of Clientèle and 1Life included new business growth and new business profitability, which is a function of future mortality and morbidity withdrawals (i.e. severe illness diagnosis and death of a policyholder), lapses and surrenders experience (i.e. policy cancellations by either non-payment or intentional cancellation by policyholder) and investment performance which is a function of prevailing market conditions.

In performing our valuation of Clientèle and 1Life we considered a sensitivity analysis in respect of key value drivers and assumptions. We performed a sensitivity analysis on:

- increasing and decreasing the RDR by a maximum of 1.0%; and
- applying a premium/discount to adjusted EV of a maximum of 0.05x.

The sensitivity analyses did not indicate a sufficient effect on the valuations of Clientèle and 1Life to alter our opinion with respect to the 1Life Acquisition and the Consideration Shares.

Opinion

BDO Corporate Finance has considered the 1Life Acquisition and, based on and subject to the conditions set out herein, is of the opinion that the 1Life Acquisition is fair to Clientèle Shareholders.

Our views are based on market, economic, industry, monetary and other conditions (where applicable) prevailing on, and our analysis of the information made available to us up to Friday, 16 February 2024 (the "**Last Practicable Date**"). We assume no responsibility to update, revise or reaffirm our opinion, factors or assumptions in light of any subsequent development after the Last Practicable Date that may affect our opinion or factors, or assumptions contained herein.

Accordingly, it should be understood that subsequent developments may affect this opinion, which we are under no obligation to update, revise or re-affirm.

Yours faithfully

N Lazanakis
Director

BDO Corporate Finance Proprietary Limited

CONSOLIDATED *PRO FORMA* FINANCIAL INFORMATION OF THE COMPANY

BASIS OF PREPARATION

The definitions and interpretations commencing on page 7 of the Circular have been used throughout this Annexure. The *pro forma* financial information should be read in conjunction with paragraph 10 of the Circular.

The *pro forma* financial information has been prepared using the most recent financial period of Clientèle, in terms of the JSE Listings Requirements and guidelines issued by the South African Institute of Chartered Accountants.

Clientèle's published numbers have been extracted, without adjustment, from Clientèle's audited annual results for the twelve-month period ended 30 June 2023 as published on SENS on 29 September 2023, which can be accessed on Clientèle's website at www.clientele.co.za, and will be available for inspection at the registered office of Clientèle as set out in paragraph 21 of this Circular.

The consolidated *pro forma* financial information, including the assumptions on which it is based and the financial information from which it has been prepared, is the responsibility of the Board. The consolidated *pro forma* financial information has been prepared using accounting policies that comply with IFRS and that are consistent with those applied in the audited annual consolidated results of Clientèle for the twelve-month period ended 30 June 2023 (the "***Pro forma Financial Information***").

The *Pro forma* Financial Information has been prepared for illustrative purposes only to provide information on how the 1Life Acquisition may have affected the results and financial position of Clientèle, based on current information available to management of Clientèle. Due to its nature, the *Pro forma* Financial Information may not fairly present Clientèle's financial position, changes in equity and results of operations or cash flows after the impact of the 1Life Acquisition, and are based on the assumptions that:

i. the 1Life Acquisition date is assumed to be 1 July 2022 for the purposes of the statement of profit and loss and other comprehensive income and 30 June 2023 for the purposes of the statement of financial position;

ii. for the purpose of calculating basic earnings per share, diluted earnings per share, headline earnings per share and diluted headline earnings per share, the 1Life Acquisition date is assumed to be 1 July 2022; and

iii. for the purpose of calculating net asset value per share and net tangible asset value per share, the 1Life Acquisition date is assumed to be on 30 June 2023.

The accounting policies of Clientèle that were applied in the audited annual consolidated results for the twelve-month period ended 30 June 2023 have been used in calculating the *pro forma* financial effects. There are no identified accounting policy differences between 1Life and Clientèle. For purposes of the *Pro forma* Financial Information Clientèle after the acquisition of 1Life shall be referred to as the "Combined Group".

The independent reporting accountant's assurance report on the *Pro forma* Financial Information is set out in **Annexure 3** of this Circular.

Pro forma consolidated statement of financial position

As at 30 June 2023

R'000	Clientèle Limited Audited Note 1	Post balance sheet events *Pro forma* Note 2	Clientèle Limited *Pro forma*	1Life Insurance (RF) Limited Audited Note 3	Aggregated results *Pro forma* Note 4	PPA Adjustments *Pro forma* Note 5	Combined Group at PPA Values *Pro forma* Note 6	Transaction Costs *Pro forma* Note 7	Combined Group *Pro forma* Note 8
Assets									
Owner-occupied properties	422 667		422 667	–	422 667		422 667		422 667
Intangible assets	32 725		32 725	–	32 725	194 107	226 832		226 832
Property and equipment	44 871		44 871	–	44 871		44 871		44 871
Deferred tax	204 322		204 322	–	204 322		204 322		204 322
Goodwill	8 412		8 412	–	8 412		8 412		8 412
Reinsurance assets			–	98 708	98 708		98 708		98 708
Financial assets held at fair value through profit or loss	10 953 097	(419 151)	10 533 946	–	10 533 946		10 533 946		10 533 946
Financial assets at amortised cost	272		272	504 015	504 287		504 287		504 287
Policyholder assets arising from life insurance contracts	–		–	1 595 339	1 595 339		1 595 339		1 595 339
Reinsurers' share of policyholder asset arising from life insurance contracts	–		–	178 417	178 417		178 417		178 417
Financial assets backing investment contract liabilities	–		–	2 653 571	2 653 571		2 653 571		2 653 571
Value-in-force intangible assets	–		–	–	–	440 415	440 415		440 415
Deferred acquisition costs	164 930		164 930	–	164 930		164 930		164 930
Inventories	4 320		4 320	127	4 447		4 447		4 447
Trade receivables including insurance receivables	70 723		70 723	37 647	108 370		108 370		108 370
Current tax receivable	2 021		2 021	856	2 877		2 877		2 877
Cash and cash equivalents	249 540		249 540	189 877	439 417		439 417	(9 426)	429 991
Total assets	**12 157 900**	**(419 151)**	**11 738 749**	**5 258 557**	**16 997 306**	**634 522**	**17 631 828**	**(9 426)**	**17 622 402**
Equity									
Share capital	6 706		6 706	398 000	404 706	(395 644)	9 062		9 062
Share premium	389 135		389 135	–	389 135	1 912 150	2 301 285		2 301 285
Common control deficit	(220 273)		(220 273)	–	(220 273)		(220 273)		(220 273)
Retained earnings	906 426	(419 151)	487 275	1 307 425	1 794 700	(1 113 055)	681 645	(9 426)	672 219
BR Scheme Reserve	27 294		27 294	–	27 294		27 294		27 294
NCI: Direct Rewards	3 076		3 076	–	3 076		3 076		3 076
NDR: Revaluation	60 598		60 598	–	60 598		60 598		60 598
Total equity	**1 172 962**	**(419 151)**	**753 811**	**1 705 425**	**2 459 236**	**403 451**	**2 862 687**	**(9 426)**	**2 853 261**

R'000	Clientèle Limited Audited Note 1	Post balance sheet events *Pro forma* Note 2	Clientèle Limited *Pro forma*	1Life Insurance (RF) Limited Audited Note 3	Aggregated results *Pro forma* Note 4	PPA Adjustments *Pro forma* Note 5	Combined Group at PPA Values *Pro forma* Note 6	Transaction Costs *Pro forma* Note 7	Combined Group *Pro forma* Note 8
Liabilities									
Deferred tax	31 976		31 976	312 748	344 724	301 746	646 470		646 470
Financial liabilities held at amortised cost	150 742		150 742	–	150 742		150 742		150 742
Policyholder liabilities under insurance contracts	482 061		482 061	384 440	866 501		866 501		866 501
Financial liabilities held at fair value through profit or loss	9 613 919		9 613 919	–	9 613 919		9 613 919		9 613 919
Loans at amortised cost	100 000		100 000	–	100 000		100 000		100 000
Investment contract liabilities	–		–	2 654 766	2 654 766	(70 675)	2 584 091		2 584 091
Financial guarantee liability	2 000		2 000	–	2 000		2 000		2 000
Deferred revenue	359 862		359 862	–	359 862		359 862		359 862
Employee benefits	88 800		88 800	17 854	106 654		106 654		106 654
Accruals and payables including insurance payables	142 870		142 870	183 324	326 194		326 194		326 194
Current tax payable	12 708		12 708	–	12 708		12 708		12 708
Total liabilities	**10 984 938**	**–**	**10 984 938**	**3 553 132**	**14 538 070**	**231 071**	**14 769 141**	**–**	**14 769 141**
Total equity and liabilities	**12 157 900**	**(419 151)**	**11 738 749**	**5 258 557**	**16 997 306**	**634 522**	**17 631 828**	**(9 426)**	**17 622 402**
Number of shares (and weighted average number of shares) in issue ('000)	335 322					117 816			453 138
Diluted number of shares in issue ('000)	335 595					117 816			453 411
Net asset value per share	**3.50**								**6.30**
Tangible net asset value per share	**3.38**								**5.66**

Notes and assumptions

1. Presents the consolidated statement of financial position extracted, without adjustment, from the audited annual published results for the twelve months ended as at 30 June 2023. The audited annual published results can be viewed in full on Clientèle's website, SENS or at the registered office.
2. The Directors of Clientèle declared a final gross dividend of 125.00 cents per share, amounting to R419.2 million, on 31 August 2023 for the year ended 30 June 2023, paid on 26 September 2023. The Consideration Shares are being issued to TIH ex any dividend that may be declared by Clientèle with a record date prior to the Closing Date. No subsequent events, other than the declaration of the dividend by Clientèle, require adjustments to the *pro forma* financial statements.
3. Presents the statement of financial position extracted, without adjustment, from the historical financial information of 1Life for the year ended 30 June 2023, presented in Annexure 4 to this Circular. The acquisition of 1Life is treated as an investment in a subsidiary in terms of IAS 27: Separate Financial Statements. The proposed transaction meets the definition of a business combination under IFRS 3: Business Combinations. The adjustments listed below relate to reclassification of line items to align with similar line items included in the Clientèle financial statements:
    - Reinsurers' share of liabilities for insurance contracts (R99 million) have been reclassified to reinsurance assets;
    - Investments (R504 million) have been reclassified to financial assets at amortised cost;
    - Other receivables (R25 million) have been reclassified to Trade receivables including insurance receivables;
    - Liabilities for insurance contracts (R384 million) have been reclassified to policyholder liabilities under insurance contracts;
    - Provisions (R18 million) have been reclassified to employee benefits; and
    - Other payables (R183 million) have been reclassified to accruals and payables including insurance payables.
4. Presents the aggregated statement of financial position of Clientèle and 1Life as at 30 June 2023, which includes adjustments made for classification differences.
5. For *pro forma* purposes and in accordance with IFRS 3 "Business Combinations", the estimated fair values of assets acquired and liabilities assumed have been determined on a preliminary basis.

a. The table below reflects the Purchase Price Allocation ("**PPA**") adjustments in respect of the following identified intangible assets:

Intangible asset	Identifiable intangible asset	Amount recognised R'000	Valuation Methodology	Description	Useful life
Trademarks, trade names, brand names and intellectual property	1Life Insurance trade name	93 363	Income approach: Relief from royalty	The 1Life Insurance brand is separately identifiable and well known within the South African Market.	15 years
Customer-related	Distribution network	100 744	Income approach: Multi-period excess earnings method	Earnings attributable to new customers from existing distribution networks. The cash flows include the cash flows from the existing broker networks and the new business that is expected to be generated through the existing brokers as at the Valuation date.	15 years

b. The additional fair value adjustments arising from life insurance contracts and investment contract liabilities created are on a gross of tax basis based on the embedded value ("**EV**"). The difference in the tax on the EV basis and the IFRS basis as at 30 June 2023 creates an additional deferred tax liability of R249 million. The expanded presentation includes the fair value change to insurance related contracts as a separate intangible, which is measured on a consistent basis with IFRS 4.

c. Deferred tax of R25.2 million is recognised in respect of the trade name intangible asset and deferred tax of R27.2 million is recognised in respect of the distribution network intangible asset.

d. All other assets and liabilities have been considered and no additional fair value adjustments have been made on the basis the reported values are expected to approximate fair value.

e. The *pro forma* financial information has been prepared on the assumption that the issue price at the embedded value per share of R16.25 reflects the fair value of the purchase consideration on the assumed effective date of 30 June 2023 for the purposes of presenting the *pro forma* financial information. As the Board does not believe the Clientèle listed share price is fair value as the shares are thinly traded, the *pro forma* purchase consideration is determined utilising an assumed fair value. This fair value is based on Clientèle's Embedded Value at 30 June 2023, adjusted for the dividend paid in September 2023, plus 1Life's Embedded Value at 30 June 2023. The R16.25 is arrived at by applying a multiple to embedded value per share of 1.0x.

   The table below reflects various sensitivities applied to the fair value of the Consideration Shares and fair value of 1Life and the related financial effect on accounting purchase gain recognised as a result of the 1Life Acquisition:

R'000	**Scenario 1**	**Scenario 2**	**Scenario 3**	**Scenario 4**
Fair value of 1Life	2 108 876	2 108 876	1 897 988	2 319 764
Total Consideration	1 777 360	2 061 713	1 869 759	1 969 313
Accounting purchase gain	**(331 516)**	**(47 163)**	**(28 229)**	**(350 450)**

   The quantum of sensitivities reflected in the above purchase price and acquisition fair values were based on market data for listed peers selected as comparable as well as observed factors for comparable transactions. This analysis indicates an appropriate range for fair value to embedded value of 0.9x to 1.1x, thus implying a discount/premium of up to 10%:

   - Scenario 1: a decrease of the Clientèle fair value by 10%, results in a decrease in the fair value of the purchase consideration of R137.1 million. A total accounting purchase gain of R331.5 million would have been recognised;
   - Scenario 2: an increase of the Clientèle fair value by 10%, results in an increase in the fair value of the purchase consideration of R147.2 million. A total accounting purchase gain of R47.1 million would have been recognised;
   - Scenario 3: a decrease of the 1Life fair value of 10%, results in a decrease of the fair value of 1Life and the purchase consideration of R210.9 million and R44.7 million, respectively. A total accounting purchase gain of R28.2 million would have been recognised; and
   - Scenario 4: an increase of the 1Life fair value of 10%, results in an increase of the fair value of 1Life and the purchase consideration of R210.9 million and R54.8 million, respectively. A total accounting purchase gain of R350.5 million would have been recognised.

f. For *pro forma* purposes, the acquisition price of R1 915 million through the issue of 117.815 million Clientèle shares at R16.25 per share has been allocated across the identified assets to be acquired and liabilities to be assumed at their fair values, in accordance with IFRS 3: Business Combination, resulting in the following *pro forma* allocation of purchase price:

	R'million
Pro forma purchase consideration	1 915
Net identifiable assets and liabilities	2 109
Accounting purchase gain	**194**

Consolidation journals relating to the business combination, including the elimination of equity and reserves at the effective date, amounting to R1 705 million. A residual amount of R194 million has been attributed to equity as an accounting purchase gain. This gain arises as a result of the transaction being based on the respective Embedded Values of Clientèle and 1Life which, when adjusted for the intangible assets in the *pro forma* accounts for 1Life, gives rise to the accounting purchase gain.

6. Presents the *pro forma* consolidated statement of financial position of the Combined Group before transaction costs.

7. Directly attributable transaction costs have been taken into account in determining the *pro forma* financial effects and are assumed to be settled in cash. Transaction costs are expensed and are not tax deductible. Refer to page 24 of the Circular for a breakdown of transaction costs.

8. Presents the *pro forma* consolidated statement of financial position of the Combined Group after the 1Life Acquisition.

Pro forma consolidated statement of profit and loss and other comprehensive income

For the period ending 30 June 2023

R'000	Clientèle Limited Audited Note 1	1Life Insurance (RF) Limited Audited Note 2	Aggregated results *Pro forma*	PPA Adjustments *Pro forma* Note 3	Combined Group at PPA Values *Pro forma*	Transaction Costs *Pro forma* Note 4	Combined Group *Pro forma*
Revenue							
Insurance premium revenue	2 219 870	1 637 405	3 857 275		3 857 275		3 857 275
Reinsurance premiums	(204 542)	(166 868)	(371 410)		(371 410)		(371 410)
Net insurance premiums	**2 015 328**	**1 470 537**	**3 485 865**		**3 485 865**		**3 485 865**
Revenue from contracts with customers	341 977	–	341 977		341 977		341 977
Cost of sales	(24 849)	–	(24 849)		(24 849)		(24 849)
Other income	5 728	53 185	58 913		58 913		58 913
Interest income	15 135	96 929	112 064		112 064		112 064
Interest income on financial assets at amortised cost	440	–	440		440		440
Fair value adjustment to financial assets at fair value through profit or loss	764 670	–	764 670		764 670		764 670
Net Income	**3 118 429**	**1 620 651**	**4 739 080**		**4 739 080**		**4 739 080**
Net insurance benefits and claims	(387 717)	(469 549)	(857 266)		(857 266)		(857 266)
Gross insurance benefits and claims	(586 342)	(580 680)	(1 167 022)		(1 167 022)		(1 167 022)
Insurance claims recovered from reinsurers	198 625	111 131	309 756		309 756		309 756
Change in policyholder assets/liabilities under insurance contracts	315 357	156 447	471 804	(55 052)	416 752		416 752
Decrease in reinsurance assets	(84 178)	–	(84 178)		(84 178)		(84 178)
Fair value adjustment to financial liabilities at fair value through profit or loss	(632 644)	(3 742)	(636 386)	(23 558)	(659 944)		(659 944)
Movement in expected credit loss	654	–	654		654		654
Finance cost on financial liabilities at amortised cost	(15 107)	(50 079)	(65 186)		(65 186)		(65 186)
Interest expense	(10 326)	–	(10 326)		(10 326)		(10 326)
Accounting purchase gain on acquisition				194 370	194 370		194 370
Operating expenses	(1 733 116)	(1 033 883)	(2 766 999)	(12 941)	(2 779 940)	(9 426)	(2 789 366)
Profit before tax	**571 352**	**219 845**	**791 197**	**102 819**	**894 015**	**(9 426)**	**884 589**
Tax	(81 293)	(67 089)	(148 382)	24 719	(123 663)		(123 663)
Net profit for the year	**490 059**	**152 756**	**642 815**	**127 538**	**770 352**	**(9 426)**	**760 926**

R'000	Clientèle Limited Audited Note 1	1Life Insurance (RF) Limited Audited Note 2	Aggregated results *Pro forma*	PPA Adjustments *Pro forma* Note 3	Combined Group at PPA Values *Pro forma*	Transaction Costs *Pro forma* Note 4	Combined Group *Pro forma*
Attributable to:							
Non-Controlling interest	2 359	–	2 359	–	2 359	–	2 359
Equity holders of the Group – ordinary shareholders	487 700	152 756	640 456	127 538	767 993	(9 426)	758 567
Other comprehensive income/(expense):							
Profit/(loss) on property revaluation*	6 746	–	6 746	–	6 746	–	6 746
Income tax relating to property revaluation*	(1 570)	–	(1 570)	–	(1 570)	–	(1 570)
Other comprehensive income/(expense) for the year – net of tax	**5 176**	–	**5 176**	–	**5 176**	–	**5 176**
Total comprehensive income for the year	**495 235**	**152 756**	**647 991**	**127 538**	**775 528**	**(9 426)**	**766 102**
Attributable to:							
Non-Controlling interest	2 359	–	2 359	–	2 359	–	2 359
Equity holders of the Group – ordinary shareholders	492 876	152 756	645 632	127 538	773 169	(9 426)	763 743
Earnings per share (cents)	145.44						167.40
Diluted Earnings per share (cents)	145.32						167.30
Headline earning per share (cents)	145.44						124.51
Diluted headline earnings per share (cents)	145.32						124.43
Headline Earnings reconciliation							
Net profit for the year attributable to equity holders of the Group	487 700	152 756	640 456	127 538	767 993	(9 426)	758 567
Adjusted for:							
Profit on disposal of property and equipment	(8)		(8)		(8)		(8)
Accounting purchase gain				(194 370)	(194 370)		(194 370)
Headline earnings for headline earnings per share	**487 692**	**152 756**	**640 448**	**(66 832)**	**573 615**	**(9 426)**	**564 189**
Dilutive effect of potential ordinary shares	–	–	–	–	–	–	–
Headline earnings for diluted headline earnings per share	**487 692**	**152 756**	**640 448**	**(66 832)**	**573 615**	**(9 426)**	**564 189**

Notes and assumptions

All adjustments are of a recurring nature except where otherwise noted.

1. Presents the consolidated statement of comprehensive income extracted, without adjustment, from the audited annual published results for the twelve months ended 30 June 2023. The audited annual published results can be viewed in full on Clientèle's website, SENS or at the registered office.

2. Presents the statement of comprehensive income extracted, without adjustment, from the historical financial information of 1Life for the year ended 30 June 2023, presented in Annexure 4 to this Circular. The acquisition of 1Life is treated as an investment in a subsidiary in terms of IAS 27: Separate Financial Statements. The proposed transaction meets the definition of a business combination under IFRS 3: Business Combinations.

   The adjustments listed below relate to reclassification of line items to align with similar line items included in the Clientèle financial statements:

   - Administration and management fees (R143 million), advertising costs (R178 million), acquisition costs (R245 million) and employee costs (R350 million) have been reclassified to operating expenses.

3. The PPA adjustments which form part of the *pro forma* adjustments have been prepared using accounting policies in terms of IFRS principles and Clientèle's best estimates at time of presentation:

   - Fair value adjustment of the Policyholder assets arising from life insurance contracts and investment contract liabilities of R511 million are remeasured to nil evenly over the average outstanding policy duration. For insurance contracts this is estimated to be 8 years, for investment contracts this is estimated to be 3 years;
   - Additional amortisation expense of R6.2 million per annum relating to the identified 1Life trade name intangible asset. The useful life for the 1Life trade name intangible asset was determined to be 15 years based on the strong brand presence in the market and it being in existence for over 15 years. This is also consistent with observable transactions within the same industry with a useful life of between 5 and 15 years. Research on listed South African peer companies also indicate that the average useful lives of insurance brands are typically 15 to 20 years.
   - Additional amortisation expense of R6.7 million per annum relating to the identified 1Life distribution network intangible asset. The useful life for the distribution network intangible asset was determined to be 15 years based on limited churn in distribution networks and ongoing business with majority of the brokers since inception. This is also consistent with observable transactions within the same industry; and
   - Income tax expense has been adjusted to include taxation on the additional amortisation relating to the identified intangible assets (trademark and distribution network) and remeasurement of policyholder assets from insurance contracts and investment contract liabilities.

   A non-recurring accounting purchase gain of R194.3 million is recognised as a result of the transaction. Refer to note 5 to the *Pro Forma* Balance Sheet.

4. A non-recurring adjustment for directly attributable transaction costs has been taken into account in determining the *pro forma* financial effects and are assumed to be settled in cash. Transaction costs are expensed and have been assumed to not be tax deductible.

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE CONSOLIDATED *PRO FORMA* FINANCIAL INFORMATION OF THE COMPANY

To the Directors of Clientèle Limited
Clientèle House
Morningview Office Park
Corner Rivonia and Alon Roads
Morningside, 2196
South Africa

Dear Sirs/Mesdames

Report on the Assurance Engagement on the Compilation of the Consolidated *Pro Forma* Financial Information of the Clientèle Group

We have completed our assurance engagement to report on the compilation of the consolidated *pro forma* financial information of the Clientèle Group by the directors. The *pro forma* financial information, as set out in **Annexure 2** of the circular ("**the Circular**"), to be dated on or about Monday, 26 February 2024, consists of the consolidated *pro forma* statement of financial position as at 30 June 2023, the consolidated *pro forma* statement of profit or loss and other comprehensive income for the year ended 30 June 2023 and related notes. The *pro forma* financial information has been compiled on the basis of the applicable criteria specified in the Listings Requirements of the JSE Limited ("**JSE Listings Requirements**") and described in paragraph 10 and in **Annexure 2**.

The *pro forma* financial information has been compiled by the directors to illustrate the impact of the proposed 1Life Acquisition, described in paragraphs 2 to 4 of the Circular, on the consolidated statement of financial position as at 30 June 2023, the consolidated *pro forma* statement of profit or loss and other comprehensive income for the year ended 30 June 2023, as if the corporate action or event had taken place at 1 July 2022 and for the period then ended. As part of this process, information about the Clientèle Group's financial position and financial performance has been extracted by the directors from the Clientèle Group's financial statements for the period ended 30 June 2023, on which an auditor's report was issued on 22 September 2023.

Directors' Responsibility for the Pro Forma Financial Information

The directors are responsible for compiling the *pro forma* financial information on the basis of the applicable criteria specified in the JSE Listings Requirements and described in paragraph 10 and Annexure 2.

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the Code of Professional Conduct for Registered Auditors issued by the Independent Regulatory Board for Auditors ("**IRBA Code**"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards).

The firm applies the International Standard on Quality Management 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, which requires the firm to design, implement and operate a system of quality management, including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibility

Our responsibility is to express an opinion about whether the *pro forma* financial information has been compiled, in all material respects, by the directors on the basis specified in the JSE Listings Requirements based on our procedures performed.

We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* which is applicable to an engagement of this nature. This standard requires that we comply with ethical requirements and plan and perform our procedures to obtain reasonable assurance about whether the *pro forma* financial information has been compiled, in all material respects, on the basis specified in the JSE Listings Requirements.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the *pro forma* financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the *pro forma* financial information.

The purpose of *pro forma* financial information included in a prospectus (or a circular in this instance) is solely to illustrate the impact of a significant corporate action or event on unadjusted financial information of the entity as if the corporate action or event had occurred or had been undertaken at an earlier date selected for purposes of the illustration, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2023 would have been as presented.

A reasonable assurance engagement to report on whether the *pro forma* financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used in the compilation of the *pro forma* financial information provides a reasonable basis for presenting the significant effects directly attributable to the corporate action or event, and to obtain sufficient appropriate evidence about whether:

- The related *pro forma* adjustments give appropriate effect to those criteria; and
- The *pro forma* financial information reflects the proper application of those adjustments to the unadjusted financial information.

Our procedures selected depend on our judgment, having regard to our understanding of the nature of the company, the corporate action or event in respect of which the *pro forma* financial information has been compiled, and other relevant engagement circumstances.

Our engagement also involves evaluating the overall presentation of the *pro forma* financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the *pro forma* financial information has been compiled, in all material respects, on the basis of the applicable criteria specified by the JSE Listings Requirements and described in paragraph 10 and **Annexure 2**.

Deloitte & Touche
Registered Auditor
Per: John Kruger
Partner

The Ridge
6 Marina Road
V&A Waterfront
Cape Town, 8000

19 February 2024

HISTORICAL FINANCIAL INFORMATION OF 1LIFE

Basis of preparation

The statement of financial position as at 30 June 2021, 30 June 2022 and 30 June 2023, statement of comprehensive income, statement of changes in equity, statement of cash flow for the year ended 30 June 2021 and the years ended 30 June 2022 and 2023, and the related accounting policies and the notes of 1Life Insurance (RF) Limited ("**1Life**" or the "**Company**") ("**historical financial information**") have been extracted from the audited financial statements for the years ended 30 June 2022 and 2023 and the from the reviewed financial statements for the year ended 30 June 2021 ("**financial statements**"). The financial statements were prepared in accordance with IFRS and SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Pronouncements as issued by Financial Reporting Standards Council.

The statutory annual financial statements for the years ended 30 June 2022 and 2023 have been audited by Deloitte, who have issued an unqualified audit opinion thereon. The financial statements for the year ended 30 June 2021 has been reviewed by Deloitte, who have issued an unqualified review conclusion thereon. Deloitte is also the independent reporting accountant and has issued the reporting accountant's report on this report of historical financial information of the Company.

The directors of 1Life and Clientèle Limited are responsible for the report of historical financial information.

The independent reporting accountant's report on the historical financial information is presented in **Annexures 5** to this Circular**.**

No material change has occurred in the nature of the business of 1Life in respect of the financial year ended 30 June 2023 and since then to the date of this Circular. Furthermore, no material fact or circumstance has occurred between the end of the financial year of 30 June 2023 and the date of this Circular that has not been dealt with in this **Annexure 4** on the historical financial information on 1Life.

Directors' Responsibility Statement

The directors of the Company are responsible for the preparation of the historical financial information which conform with International Financial Reporting Standards ("**IFRS**"), and in accordance with IFRS fairly present the state of affairs of 1Life as at the end of 30 June 2023, and the net profit and cash flows for that period.

It is the responsibility of the independent auditors to report on the fair presentation of the historical financial information.

The directors of the Company are ultimately responsible for the internal controls. Management enables the directors to meet these responsibilities. Standards and systems of internal control are designed and implemented by management to provide reasonable assurance as to the integrity and reliability of the financial statements in terms of IFRS and to adequately safeguard, verify and maintain accountability for group assets. Accounting policies supported by judgements, estimates, and assumptions which comply with IFRS are applied on a consistent and going concern basis. Systems and controls include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties.

Systems and controls are monitored throughout the company. Based on the information and explanations given by management and the internal auditors, the directors are of the opinion that the accounting controls are adequate and that the financial records may be relied upon for preparing financial statements in accordance with IFRS and maintaining accountability for the company's assets and liabilities. Nothing has come to the attention of the directors to indicate that any breakdown in the functioning of these controls, resulting in material loss to the group, has occurred during the year and up to the date of this report.

The directors of the Company have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Synopsis on commentary in respect of each of the three financial years of 1Life for the years ended 30 June 2021, 30 June 2022 and 30 June 2023:

Financial Highlights for the year ended 30 June 2021:

- Net premium income at R1 339 million
- Result of underwriting operations at R324 million
- Loss for the year of R207 million as a result of increased COVID-19 claims and reserves.

Financial Highlights for the year ended 30 June 2022:

- Net premium income increased by 1% to R1 354 million
- Result of underwriting operations increased by 125% to R730 million
- Profit for the year improved to positive R75 million.

Financial Highlights for the year ended 30 June 2023:

- Net premium income increased by 9% to R1 471 million
- Result of underwriting operations increased by 25% to R912 million
- Profit for the year increased by 103% to R153 million.

Statement of financial position at 30 June 2023

	Notes	Audited 2023 R'000	Audited 2022 R'000	Reviewed 2021 R'000
Assets				
Policyholder assets arising from life insurance contracts	4	1 595 339	1 436 297	1 340 409
Reinsurers' share of policyholder asset arising from life insurance contracts	4	178 417	181 012	111 855
Financial assets backing investment contract liabilities	5	2 653 571	2 558 044	2 459 935
Reinsurers' share of liabilities for insurance contracts	6	98 708	176 136	188 207
Investments	7	504 015	414 295	624 755
Loan to group entity		–	–	556
Inventory	8	127	2 023	3 886
Current tax receivable	20	856	1 043	–
Insurance receivables	9	12 854	10 329	50 736
Other receivables	9	24 793	6 157	4 155
Cash and cash equivalents	10	189 877	215 252	123 147
Total assets		**5 258 557**	**5 000 588**	**4 907 641**
Equity and liabilities				
Equity				
Stated capital		398 000	398 000	398 000
Retained earnings		1 307 425	1 154 669	1 079 377
Total equity		**1 705 425**	**1 552 669**	**1 477 377**
Liabilities				
Deferred tax	11	312 748	258 519	284 271
Investment contract liabilities	5	2 654 766	2 556 817	2 447 601
Liabilities for insurance contracts	6	384 440	476 900	535 708
Provisions	12	17 854	8 498	8 891
Current tax payable		–	–	1 066
Insurance payables	13	91 346	89 393	93 456
Other payables	13	91 978	57 792	59 271
Total liabilities		**3 553 132**	**3 447 919**	**3 430 264**
Total equity and liabilities		**5 258 557**	**5 000 588**	**4 907 641**

Statement of profit or loss and other comprehensive income

	Notes	Audited 2023 R'000	Audited 2022 R'000	Reviewed 2021 R'000
Insurance income				
Gross premium written		1 637 405	1 514 612	1 498 061
Insurance premium ceded to reinsurers		(166 868)	(160 761)	(159 334)
Total net premium income earned		**1 470 537**	**1 353 851**	**1 338 727**
Gross insurance claims incurred		(580 680)	(801 281)	(1 004 398)
Reinsurers' share of claims incurred		111 131	216 380	278 471
Total net claims incurred	15	**(469 549)**	**(584 901)**	**(725 927)**
Acquisition costs		(245 172)	(203 847)	(183 313)
Change in net policyholder asset	4	156 447	165 045	(105 785)
Result of underwriting operations		**912 263**	**730 148**	**323 702**
Other income	14	53 185	18 305	11 467
Expenses				
Operating expenses		(117 744)	(93 843)	(87 330)
Fair value adjustments		(3 742)	(7 579)	–
Administration and management fees		(143 629)	(135 813)	(115 610)
Advertising costs		(177 717)	(201 103)	(193 465)
Employee costs		(349 621)	(280 201)	(251 042)
Operating profit		**172 995**	**29 914**	**(312 278)**
Finance expense	16	(50 079)	(44 689)	(47 563)
Finance income	16	96 929	70 106	91 256
Profit/(loss) before tax	17	**219 845**	**55 331**	**(268 585)**
Taxation	18	(67 089)	19 961	61 953
Profit/(loss) for the year		152 756	75 292	(206 632)
Other comprehensive income		–	–	–
Total comprehensive income for the year		**152 756**	**75 292**	**(206 632)**

Statement of changes in equity

	Number of shares Authorised 000	Number of shares Issued 000	Stated capital R'000	Retained earnings R'000	Total R'000
Balance at 01 July 2020	**10 000**	**3 022**	**398 000**	**1 286 009**	**1 684 009**
Total comprehensive income for the year	–	–	–	(206 632)	(206 632)
Balance at 30 June 2021	**10 000**	**3 022**	**398 000**	**1 079 377**	**1 477 377**
Total comprehensive income for the year	–	–	–	75 292	75 292
Balance at 30 June 2022	**10 000**	**3 022**	**398 000**	**1 154 669**	**1 552 669**
Total comprehensive income for the year	–	–	–	152 756	152 756
Balance at 30 June 2023	**10 000**	**3 022**	**398 000**	**1 307 425**	**1 705 425**

Statement of cash flows

	Notes	Audited 2023 R'000	Audited 2022 R'000	Reviewed 2021 R'000
Cash flows generated from/(utilised in) operating activities				
Cash generated from/(utilised in) operations	19	32 959	(139 956)	(63 134)
Interest income	16	25 795	13 322	6 140
Interest paid	16	(15)	(7)	–
Tax paid	20	(12 673)	(7 900)	(23 104)
Net cash generated from/(utilised in) operating activities		**46 066**	**(134 541)**	**(80 098)**
Cash flows (utilised in)/generated from investing activities				
Movement in loan to group entity		–	556	395
Additions to investments	7	(413 487)	(70 706)	(257 001)
Disposal of investments	7	342 046	296 796	235 782
Net cash (utilised in)/generated from investing activities		**(71 441)**	**226 646**	**(20 824)**
Total cash movement for the year		**(25 375)**	**92 105**	**(100 922)**
Cash and cash equivalents at the beginning of the year		215 252	123 147	224 069
Cash and cash equivalents at the end of the year	10	**189 877**	**215 252**	**123 147**

1. **Significant accounting policies**

A summary of the significant accounting policies are set out below. Detailed information of the elections and applications under these policies are set out under Appendix A – Significant accounting policies, and the full version of each policy is available on request.

Corporate information

Reporting entity

1Life Insurance (RF) Limited is a company domiciled in South Africa. The physical address of the company's registered office is Auto and General Park, 1 Telesure Lane, Riverglen, Dainfern.

Reporting period end

Financial year ended 30 June.

Basis of preparation

The financial statements have been prepared on the historical cost basis except where assets and liabilities have been presented at fair value, amortised cost or using best estimates with margins to allow for inherent uncertainties.

Materiality

International Financial Reporting Standards (IFRS) are only applicable to material items. Management applies judgement and considers both qualitative and quantitative factors in determining materiality applied in preparing these financial statements.

Prepared in accordance with

- IFRS – currently applicable; and
- The principle of going concern.

Functional – and presentation currency

South African Rand

Rounding policy

- All amounts are presented in Rand thousands (R'000); and
- The company has a policy of rounding in increments of R1 000. Amounts less than R500 will therefore be round down to R Nil and are presented as a dash.

Event after the reporting period

The transaction envisaged is the acquisition by Clientèle Limited ("**Clientèle**") of the entire shareholding held by Telesure Investment Holdings Proprietary Limited ("**Telesure**") in 1Life Insurance (RF) Limited ("**1Life**"). 1Life is wholly owned by Telesure and is a licensed long-term insurer in terms of the Insurance Act, No. 18 of 2017.

The consideration payable by Clientèle will be the issue of ordinary shares to Telesure such that Telesure will end up holding approximately 26% of the enlarged issued share capital of Clientèle. Clientèle has approximately 335 million ordinary shares in issue, and as consideration will have to issue over 100 million ordinary shares to Telesure in order to achieve a position where Telesure holds 26% of the enlarged issued share capital.

The directors are not aware of any other matter or circumstance arising since the end of the reporting period that would materially change the fairness of the presentation of the financial results for the year ended 30 June 2023.

Going concern

The company financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. The company was able to meet the solvency capital requirement ratio's during the year and were all above the regulatory minimum requirement of 1.

Approval of financial statements

The financial statements of 1Life Insurance (RF) Limited were approved by the board of directors on 04 October 2023.

Summary of significant accounting policies

Included below is a list of the significant accounting policies applicable to the company's financial statements. These accounting policies are the material accounting policies which may include the areas in IFRS where elections have been made or policy choices exercised (including the choice or election made) as well as measurement criteria applied. The accounting policies also include information where it will assist users in understanding how transactions, other events and conditions are reflected in the reported financial performance and position and was included based on the materiality as determined by management.

For detail on the below accounting policies please refer to Appendix A.

Summary of significant accounting policies

Insurance contracts		
Premiums Reinsurance Insurance receivables	Claims Policyholder asset Insurance payables	Incurred but not yet reported claims and outstanding claims Commission incurred

Financial instruments		
Financial assets Cash and cash equivalents Inventory	Impairment Other receivables Fixed deposits	Financial liabilities Investment contracts Other payables

Capital and reserves
Stated capital and equity

Other income, expenses and provisions		
Finance income Long-term and annual incentive Provisions	Other income Employee benefits	Finance expense Taxation

2. SIGNIFICANT JUDGEMENTS AND ESTIMATES

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts presented in the financial statements and related disclosures. Use of available information and the application of judgements are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Estimates and underlying assumptions are reviewed on an ongoing basis. Accounting estimates that change are recognised in the period in which they are revised and in any future periods affected.

Significant judgements include:

2.1 Fair value estimation of assets and liabilities

A number of the company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring the fair value of an asset or a liability, the company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: Quoted market price in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as priced) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant impact on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

2.2 Taxation

Significant estimation is required in determining the accrual for income taxes. There are many transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. This is particularly notable for the company which is taxed on the "five funds" tax basis. The company recognises liabilities for anticipated uncertain income tax positions based on best informed estimates of whether additional income taxes will be due. Where the final income tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred tax asset and liabilities in the period in which such determination is made. Details of taxation can be found in note 18.

2.3 Long-term and annual incentives

The executive director of the company participates in a long-term and annual incentivisation plan. The value of the incentives, which consist of an annual and exit amount, is a product of the value of the group, or components of the group as contractually determined. The calculation of the value does contain elements that are subject to judgement and estimation.

2.4 Valuation of insurance policy liabilities and assets

Policyholder assets arising from life insurance contracts

The determination of the liabilities and assets under insurance contracts is dependent on estimates and assumptions made by the company. In determining the value of the life insurance policy assets and liabilities assumptions regarding mortality, persistency, non-collection rates, investment returns, expense level, inflation and taxation have been made. These liabilities are derived from estimates of the net present value of future claims and benefits (and related maintenance cost) under existing contracts offset by future premiums to be received. The key assumptions have been detailed in note 4 to the financial statements.

Claims incurred but not yet reported (IBNR)

The company adds an incurred but not reported (IBNR) claims provision including compulsory margins to the total incurred claims expense. This is achieved by applying IBNR factors to paid and provided claims. The company's IBNR factors are based on the company's historical experience.

Outstanding claims provision (OCR)

The outstanding claims provision indicates the value of claims reported and not yet settled. The calculation allows for the ultimate expected claims after allowing for repudiation factors and IBNR provisions. The repudiation factors are based on the company's historic actual experience.

3. NEW STANDARDS AND INTERPRETATIONS

3.1 Amendments in issue but not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 July 2023, and have been applied in preparing these financial statements. Those which are relevant to the company are set out below. The company does not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated.

Standard/Interpretation	Effective date: Years beginning on or after	Impact on financial results
Amendments to IAS 1 and IFRS practice statement 2 – Disclosure of Accounting Policy	1 January 2023	This will not result in a change in disclosure.
Amendments to IAS 8 – Definition of accounting estimate	1 January 2023	This will not have a material impact.
Amendments to IAS 12 – Deferred tax relating to assets and liabilities arising from a single transaction	1 January 2023	This will not have a material impact.
IFRS 17 Insurance contracts Amendments to IFRS 17	1 January 2023	Impact assessment as disclosed in detail below.
Amendments to IAS 1 – Classification of liabilities as current or non-current	1 January 2024	No material impact expected as the results are disclosed using the liquidity basis

3.1.1 Amendments to IAS 1 and IFRS practice statement 2 – Disclosure of Accounting Policy

The International Accounting Standards Board (IASB) has recently issued amendments to IAS 1: Presentation of Financial Statements and an update to IFRS Practice Statement 2: Making Materiality Judgements to help companies provide useful accounting policy disclosure.

The key amendments to IAS 1 include:

- requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The amendments are consistent with the refined definition of material:

"Accounting policy information is material, if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements."

The amendments are effective from 1 January 2023 but may be applied earlier. The amendments will not have an impact on the disclosure of the company financial statements.

3.1.2 Amendments to IAS 8 – Definition of accounting estimate

The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in financial statements that are subject to measurement uncertainty.

The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

Developing an accounting estimate includes both:

- selecting a measurement technique; and
- choosing the inputs to be used when applying the chosen measurement technique.

The effects of changes in such inputs or measurement techniques are changes in accounting estimates.

The amendments are effective for periods beginning on or after 1 January 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments. The amendments will not have a material impact on the results of the company.

3.1.3 Amendments to IAS 12 – Deferred tax relating to assets and liabilities arising from a single transaction

The amendments clarify the accounting for deferred tax on certain transactions and narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision will need to be recognised.

The amendments are effective for periods beginning on or after 1 January 2023, with earlier application permitted. The amendments will not have a material impact on the results of the company.

3.1.4 **IFRS 17 Insurance contracts**

In May 2017, the International Accounting Standards Board (IASB) issued IFRS 17 and it was amended in June 2020 and December 2021. IFRS 17 establishes principles for the recognition, measurement presentation and disclosure of insurance contracts and supersedes IFRS 4 (Previous standard for measurement and presentation of insurance contracts). The effective date of IFRS 17 is for annual reporting periods beginning on or after 1 January 2023. The company will apply the standard retrospectively on 1 July 2023 and restate comparatives for the 2023 financial period in their June 2024 financial statements.

IFRS 17 provides comprehensive guidance on the accounting for insurance contracts issued, reinsurance contracts held, and investment contracts with discretionary participation features. It introduces 3 new measurement models, namely the General Measurement Model (GMM), Variable Fee Approach (VFA) and Premium Allocation Approach (PAA) reflecting a different extent of policyholder participation in investment performance or overall insurance entity performance.

The general measurement model is applicable to the majority of the life products where the contract boundary is aligned with the expected lifetime of the policyholder.

The GMM, also known as the building block approach, consists of the fulfilment cashflows and the contractual service margin (CSM). The fulfilment cashflows represent the risk adjusted present value of an entity's rights and obligations to the policyholder, comprising estimates of expected cashflows, discounting and the explicit risk adjustment for non-financial risk. The CSM represents the unearned profit from in-force contracts that an entity will recognise as it provides services over the coverage period.

The measurement for liability for incurred claims (LIC) is identical under the three measurement models, apart from the locked-in interest rates used for discounting.

The PAA is a simplified approach for the measurement of the liability of remaining coverage. This model is applicable to the group scheme individuals (GSI), group individual (GI) and credit life products. An entity may choose to use this when the coverage period of each contract in the group of insurance contracts is one year or less or the PAA provides a measurement which is not materially different from that under the GMM. The contracts related to the GSI and GI products create a contract boundary of less than 1 year and can be measured under PAA. Within this PAA model the company measures the carrying amount of the liability for remaining coverage (LRC) at the end of each reporting period as the:

- LRC at the beginning of the period;
- plus premiums received in the period;
- minus insurance acquisitions cashflows;
- minus the amount recognised as insurance revenue for the coverage period;
- plus any increase or minus and decrease in the loss component over the period.

In the statement of financial position, deferred acquisition costs and insurance related receivables will no longer be presented separately but as part of insurance liabilities/assets. Similarly, insurance payables will also form part of the insurance liabilities/assets. This change in presentation will lead to a reduction in total assets, offset by a reduction in total liabilities.

The amounts presented in the statement of profit or loss and other comprehensive income will be disaggregated into an insurance service result, consisting of insurance service revenue and insurance service expense. Income and expenses from reinsurance contracts held are presented separately on a gross basis from income and expenses from insurance contracts issued.

3.1.4 IFRS 17 Insurance contracts (continued)

Expected accounting policy application of IFRS 17

- Portfolios have been established comprising of contracts subject to similar risks that are managed together.
- Groups of contracts will be established according to profitability.
- The majority of the life products are measured within the GMM with GSI, GI and credit life products measured under the PAA.
- All reinsurance contracts will be measured under the GMM.
- All costs have been reviewed to identify the key changes from IFRS 4 to IFRS 17. No material changes have been identified in the classification of expenses between claims handling, administration and acquisition expenses. Further assessments have been performed to determine costs which are not fully attributable to the fulfilment of insurance contracts. This provides no material impact to the profit before tax as these non- attributable costs are included elsewhere in the statement of profit or loss and other comprehensive income however, it does reduce the cost included within the insurance service result and subsequent reduction in the deferral of acquisition costs, paid upfront.
- Insurance acquisition costs have been reviewed for costs which are incurred at the acquisition of a contract and will be expensed upfront for PAA contracts as per the election allowed for by the standard.
- Reinsurance/insurance contract assets and Reinsurance/insurance contract liabilities have both been presented under IFRS 17 to align with the requirement to recognise insurance liabilities or (assets) and reinsurance assets or (liabilities) respectively within liabilities or assets on the statement of financial position.
- IFRS 17 allows an entity to recognise the impact of changes in discount rates and other assumptions that relate to financial risks either in profit or loss or in other comprehensive income. This elective to separately present within other comprehensive income will not be elected from a group perspective.

A number of key judgements have been made for the application of IFRS 17:

- Whilst IFRS 17 does not prescribe a single estimation technique to derive discount rates, it sets out two possible approaches: a ‘top-down’ or ‘bottom-up’ approach. The ‘top-down’ approach determines the discount rate based on the yield on a reference portfolio of assets which is adjusted downwards to eliminate any factors that are not relevant to insurance contracts. The ‘bottom-up’ approach determines the discount rates based on liquid risk-free yield curve which is adjusted to eliminate differences between the liquidity characteristics of the financial instruments that underlie the chosen curve and those of the insurance contract. The ‘bottom-up’ approach can be used for cashflows that do not vary based on the return of the underlying items. This is the case for the company and the ‘bottom-up’ approach will be adopted.
- The risk adjustment is calculated using a confidence level (Value at Risk) approach on a distribution of possible cashflows set at the 75th percentile, using bootstrapping.
- For any applicable discounting the SAM (Solvency Asset Management prescribed by the Prudential Authority) monthly yield curves will be used.
- For PAA contracts, the claim settlement period is less than 1 year and therefore no discounting will be applied to the liability for incurred claims (LIC).
- For GMM contracts, coverage units will be based on the expected sum insured values over the expected contract boundary, which are then discounted to the relevant reporting periods.

At the point of transition, the company will apply a fair value approach to policies that exist prior to 2016 and will report on policies subsequent to 2016 using the fully retrospective approach for the LRC and LIC balances performing the year on year CSM roll forward using the historic fulfilment cashflows. An initial transitional balance sheet adjustment will be made on 1 July 2022 to transfer the previously reported income to insurance contract liabilities and assets. The company has made several attempts to produce results using the fully retrospective approach with the data sets available, however due to impracticability and data related matters were unable to produce reliable results. Therefore, the decision has been made to use the fair value approach for these policies and thereafter the fully retrospective approach for later policies which has more reliable data to get the opening CSM.

IFRS 17 must be applied retrospectively unless this is impracticable. Under the full retrospective approach fulfilment cashflows are determined retrospectively at every reporting date, including the date of initial application.

The company has performed parallel runs of data subsets of the financial results under IFRS 17 in line with the project to understand the impact of these changes. Although the IFRS 17 project has made significant progress, the size and complexity of the policyholder fulfilment cashflow data has caused significant delays in processing the financials through the various technology components. The annual cohort runs are continuing through the calculation environment and is expected to be completed with sufficient time to perform an audit on the transition balances.

Project governance and progress

In 2018, TIH Group instituted an implementation programme under the sponsorship of the Chief Financial Officer, who chairs a steering committee consisting of senior finance, actuarial, business, and information technology executives from the impacted business areas. Programme resources include a mix of dedicated and shared internal experts, as well as external consultants where appropriate. An update of the IFRS 17 project is presented at each of the Audit and Actuarial Committee meetings and other *ad hoc* meeting updates.

The financial statement impact is largely premised on a geographic and terminological shift to the financial statements and their respective notes, related to insurance activities. There is an initial financial impact at the transition date of 1 July 2022 that relates to the shift in insurance contract liabilities/assets based on the IFRS 17 requirements. This quantitative impact is isolated to the insurance service revenue due to the timing of premium cashflows. This will require an initial adjustment to retained earnings.

Additionally, there is a line item shift of certain insurance related elements as below:

- Only directly attributable expenses will be included in the insurance service result, with indirect expenses shifting to other operating expenses;
- Attribution of certain premium received to IFRS 15 as non-insurance income;
- Premiums receivable or paid in advance will be jointly included in the liability for remaining coverage.

There is a significant change in the financial statements related to the long-term contracts as they will be measured under the general measurement approach, this change includes both a quantitative as well as qualitative change. The quantitative change is significant due to the application of the fully retrospective transition approach, requiring the re-measurement of insurance contract liabilities from 2006 to current, this involves performing the initial recognition in the year of sale of each cohort and rolling the CSM forward year-on-year based on the historic annual modelling assumptions.

This is expected to result in a decrease of shareholder's equity which is as a result of the previously recognised profits to be derecognised and included in the contractual service margin as profits for future periods. Currently the impact on shareholder equity cannot be reliably determined and as a result the impact is not disclosed. There is also an expected change in the insurance service revenue either increasing or decreasing, depending on the ratio of profitable contracts sold within a given cohort. The source of profits under the GMM differs from the upfront profit recognition under IFRS 4, sourced from the release of the CSM and risk margin. It will additionally, be impacted by any variances experienced between the projections and cashflows in a given year.

The estimated transitional impact is still provisional as the transition assessment has not yet been finalised. The actual impact of adopting IFRS 17 may yet change due to:

- Changes in accounting policies, assumptions, judgements, and projections until the finalisation of the FY24 financial statements that include the date of initial application.
- The new systems and associated internal controls have not been fully operational for a full reporting cycle and may yet require more refinement.

Accounting policy papers, actuarial methodologies and disclosure requirements have been prepared to be implemented. The project team remains up to date, and closely monitors, all technical developments from the IASB and industry to evaluate the effects of such developments and, where applicable, aligns the policy and methodology papers accordingly.

The IFRS 17 project team will focus on the following key areas in the following period:

- Refine disclosures for transition in the following period and annual financial statements;
- Refine remaining internal financial controls to ensure accuracy of reporting;
- Finalise the management reporting format and key performance measures; and
- Engage external auditors for the sign-off of the opening transitional balances and comparatives under IFRS 17.

3.1.5 Amendments to IAS 1 – Classification of liabilities as current or non-current

To promote consistency in application and clarify the requirements on determining if a liability is current or non- current, the International Accounting Standards Board has amended IAS 1.

Under the existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments the IASB has removed the requirement for a right to be unconditional and now requires that a right to defer settlement must have substance and exist at the end of the reporting period.

There is limited guidance on how to determine whether a right has substance and the assessment may require management to exercise interpretive judgement. The existing requirement to ignore management's intentions or expectations for settling a liability when determining its classification, is unchanged.

The IASB has clarified that a right to defer exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date.

The amendments apply retrospectively for annual accounting periods beginning on or after 1 January 2024. The company discloses its liabilities in accordance with liquidity, based on management's own interpretation of what they consider current.

4. **POLICYHOLDERS ASSETS ARISING FROM LIFE INSURANCE CONTRACTS**

The value of insurance assets and liabilities is based on the prudent best estimate assumptions of future expectations plus/less any compulsory margins as required by the Standard of Actuarial Practice 104 (SAP104) issued by the Actuarial Society of South Africa (ASSA), plus/less any additional values from assumptions reviewed by the Head of the Actuarial Function as set out below:

4.1 **Lapses**

The company's lapse assumptions are based on the company's actual experience and have followed the agreed assumption setting methodology. The company has elected to use all experience since the start of the business to increase the volume and confidence levels of the data on which the analysis is based. Lapse rates at shorter durations, however, are based on more recent experience only. A compulsory margin of ± 25% (relative) is held in addition to these assumptions, as prescribed in SAP104. The assumptions have been updated to include all experience up to 31 March 2023. Also refer to note 4.8 for the COVID-19 related additional lapses previously applied.

4.2 **Mortality**

Mortality assumptions reflect the company's long-term expected experience plus additional compulsory margins, to add a degree of prudence and to allow for possible adverse deviation. These assumptions make an allowance for AIDS mortality in line with the model produced by the ASSA. The standard (non-loaded) assumptions used are unchanged from the 30 June 2020 basis, being 92.5% (net), 94.6% (gross) of the reinsurer's mortality tables and 68% (for Funeral business). The assumptions for non-standard (loaded) lives were increased by 20%, to align with a mortality review performed by the company's proportional reinsurer, Hannover Re.

The company calibrates the level of its own mortality experience against that of the reinsurers tables, due to the higher levels of statistically credible data on which the shape of the reinsurers mortality curves are based. A compulsory margin of 7.5% (relative) is held in addition to these assumptions, as prescribed in SAP104. Also refer to note 4.8 for the COVID-19 related additional mortality.

4.3 **Morbidity**

Morbidity assumptions reflect the company's long-term expected experience plus additional margins to add a degree of prudence and to allow for possible adverse deviation. The assumptions have been retained at the levels applied as at 30 June 2020, being 90% of the reinsurer's morbidity tables. The company calibrates its own morbidity experience against that of the reinsurers tables due to the higher levels of statistically credible data on which the shape of the reinsurers morbidity curves are based. A compulsory margin of 10% (relative) is held in addition to these assumptions, as prescribed in SAP104.

4.4 **Investment return**

The assumed future investment returns used as the discount rates, are based on the yield curve supplied by the Prudential Authority for use in solvency assessments per the Solvency Assessment and Management framework. A compulsory margin of ±0.25% (absolute) is held in addition to these assumptions, as prescribed in SAP104.

4.5 **Expense inflation**

Expense inflation rates are based on the differential between the nominal and real yield curves supplied by the Prudential Authority for use in solvency assessments per the Solvency Assessment and Management framework. A compulsory margin of 10% (relative) is held in addition to these assumptions, as prescribed in SAP104.

4.6 Maintenance expenses

Maintenance expense assumptions reflect the company's long-term expected experience plus additional margins for prudence and to allow for possible adverse deviation. The assumptions used for maintenance expenses per policy are R522.37 (2022: R481.50) for the life business, R472.82 (2022: R396.34) for the funeral business, and R174.04 (2022: R127.86) for the broker business. The actual expenses in the financial year were used as the best estimate of the future expense levels. This approach aligns with the approved method in setting the expense assumptions. A compulsory margin of 10% (relative) is held in addition to these assumptions, as prescribed in SAP104.

4.7 Premium collection rates

The premium collection rates reflect the company's long-term expectation of the level of premiums that will not be collected. The company has elected to use all experience since the start of the business to increase the volume and confidence levels of the data on which the analysis is based. Collection rates at shorter durations, however, are based on more recent experience only. A compulsory margin of 13.5% (relative), based on the 75th percentile confidence interval of the best estimate assumption, is held in addition to these assumptions. Also refer to note 4.8 for the COVID-19 related additional non-collections. The assumption were updated to include experience up to 31 March 2023.

4.8 COVID-19

Following the onset of the COVID-19 pandemic at the start of 2020 in South Africa, the potential future impact on the company's operations and financial results were estimated. Provisions were initially raised as at 30 June 2020. These were recalibrated at 30 June 2021 and again at 30 June 2022 to allow for the latest estimates of expected worsening to future claims, lapse and non-collections rates relative to the standard assumptions.

There is still uncertainty about what the long-term impact of COVID-19 will be on mortality rates. The recent Omicron-driven waves that have been experienced saw a significant reduction in excess mortality when compared against the earlier waves. Since 30 June 2022, population mortality levels, reported by the South African Medical Research Council appeared to be running at normalised levels for individuals younger than 60. Individuals older than 60 initially had mortality rates running in excess of normalised levels but these had subsequently reverted to be within the prediction bound. 4.8.1 below.

The economic downturn driven by COVID-19 also affected the company's lapse and premium collection rates. At 30 June 2020, a 24 month period of worse lapse and non-collection rates were assumed. This was recalibrated as at 30 June 2021 based on the economic forecasts at the time. The need for specific allowance for worse lapse and non- collection rates due to COVID-19 was removed at 30 June 2022 and has not subsequently been reconsidered.

4.8.1 Claims

To assess the expected impact of COVID-19 on future mortality as at 30 June 2022, expert opinions from health actuaries and consulting actuaries were sourced, competitor approaches were compared and the most recent virology research was considered. Further, the guidance issued by the ASSA titled COVID-19 Considerations for Life Insurance Actuaries were also considered.

The outcome of the above was that a model for excess claims due to COVID-19 was segmented into two parts i.e. a short-term reserve based on Omicron-driven excess mortality levels and a long-term reserve assuming that mortality rates will be higher than current levels for the entire projection period. Further detail on the approach is provided below:

- The short-term reserve was based on SAMRC research indicating that approximately 85% of excess mortality is as a result of COVID-19. An infection fatality rate (IFR) assumption of 0.5% was applied to the COVID-19 related excess deaths to determine an estimate of the immunity levels in the population and a population exposed to risk estimate of 8%. This was then multiplied into vaccinated and unvaccinated loading tables. The short-term reserve as at 30 June 2022 was calculated to be R71.6 million. The company's mortality experience during the financial year has been significantly below expected levels and this short-term reserve has been released as at 30 June 2023.
- The long-term reserve was aligned to advice provided by consulting actuaries and reinsurers and is in line with many competitors' approach in treating COVID-19 as endemic. A 2% addition (relative) was made to the long-term mortality assumption for this purpose. No. additional allowance was made for the possibility of more frequent future pandemics or for the potential impact from post-COVID syndrome (i.e."long COVID") as the research on these were inconclusive. This additional mortality loading has been retained and recalibrated to the in-force data as at 30 June 2023.

4.8.2 **Lapse and premium collection rates**

At 30 June 2022, the approach considered for the worsening lapse and non-collection during the COVID-19 period was to assume a prolonged worsening to experience i.e. no recovery to pre-pandemic levels were assumed. The mechanism to allow for this was to update the lapse and non-collection assumptions to include all data up to and including 31 March 2022, hence factoring in the worse experience during the pandemic into the assumptions. At 30 June 2023, the approach followed was retained and the lapse and non-collections assumptions were updated to 31 March 2023 and without removing the pandemic-affected experience.

4.9 **Existing business reviews**

During the financial year, a premium and benefit review for the life existing policies was carried out. The need for the review was due to a change in the best estimate of future assumptions. The revised best estimate of future lapse, non-collection and mortality assumptions (COVID-19 endemic mortality experience and additional loadings for non- standard mortality experience) compared against what was expected at outset of the products and cohorts of policies concerned were allowed for. The review was done in line with Actuarial Practice Note 114 (APN 114) issued by the Actuarial Society of South Africa (ASSA) and the Policyholder Protection Rules (PPR), revised and effective from 1 January 2018.

The best estimate of future economic assumptions, being interest and inflation rates, compared to what was expected at outset, were also assessed as part of the premium review process. The economic assumption impact was found to be insignificant and policies were not reviewed for changes in the forward looking interest and inflation assumptions. Changes to expense assumptions were not reviewed for.

Policies impacted by the review will be adjusted on their forthcoming policy anniversaries. As at 30 June 2023, three months of reviews were carried out, with a further nine months remaining.

The direct funeral and broker channel products did not form part of this premium review and will be reviewed in the forthcoming financial year.

	2023 R'000	2022 R'000	2021 R'000
Net assets at the beginning of the year	1 617 309	1 452 264	1 558 049
Movement for the year:			
Expected movement in policy assets	(215 635)	(215 579)	(148 998)
Unwinding of discount rate	95 584	78 788	54 033
New business written	385 698	347 201	320 325
	265 647	**210 410**	**225 360**
Experience variance	(83 081)	248 953	(43 162)

Changed in assumptions

	2023 R'000	2022 R'000	2021 R'000
Persistency	(15 532)	14 342	–
Economic	57.573	(108 376)	84 865
Expenses	(54 794)	(5 171)	(26 420)
Non-collection rates	(36 615)	(76 655)	–
Margin reset	(10 382)	(205)	(851)
Consumer Price Index change	116 489	–	–
Covid-19 Lapse and non collection	–	–	(71 934)
Covid19 – Mortality	–	(80 532)	(254 556)
	56 739	**(256 597)**	**(268 896)**
Changes in modelling and method	(82 858)	(37 721)	(19 087)
Total change	**156 447**	**165 045**	**(105 785)**
Net assets at the end of the year	**1 773 756**	**1 617 309**	**1 452 264**

	2023 R'000	2022 R'000	2021 R'000
Assets arising from long term insurance contracts – gross	1 595 339	1 436 297	1 340 409
Portion attributable to reinsurers	178 417	181 012	111 855
	1 773 756	**1 617 309**	**1 452 264**

5. INVESTMENT CONTRACTS

	2023 R'000	2022 R'000	2021 R'000
Financial assets backing investment contract liabilities	2 653 571	2 558 044	2 459 935
Investment contract liabilities	(2 654 766)	(2 556 817)	(2 447 601)
	(1 195)	**1 227**	**12 334**

The company offers a linked endowment policy with a fixed period to maturity of 5 years. This product contains three product offerings referred to as product 1, product 2 and product 3 below. Investment contracts also include a living annuity referred to in 5.5 below.

5.1 Investment contracts-product 1 at amortised cost

	2023 R'000	2022 R'000	2021 R'000
Policy assets	651 647	671 333	637 180
Policy liabilities	(641 521)	(662 527)	(624 846)
	10 126	**8 806**	**12 334**

The return that the policyholder will earn is linked to an underlying investment that the company holds with a third party. The liability balance for product 1 is reduced with an administration fee due to the company. This decrease in the liability results in a difference in the base used for calculating the interest between the asset and liability as disclosed in the values above. Product 1 is measured at amortised cost and is a reasonable approximation of fair value.

5.2 Investment contracts-product 1 at fair value

	2023 R'000	2022 R'000	2021 R'000
Policy assets	119 873	2 930	–
Policy liabilities	(119 873)	(2 930)	–
	–	**–**	**–**

The product is linked to an underlying fixed interest rate investment held with a third party. The third party provides the company with the market values as at the reporting date.

All products sold from 1 July 2021 onwards are designated at fair value through profit or loss to eliminate the possible accounting mismatch created due to the probability of future tax as presented in the deferred tax asset.

Level 2

The investment contracts in product 1 are categorised as level 2 instruments, as the valuation techniques are based on quoted prices in active markets.

5.3 Investment contracts-product 2

	2023 R'000	2022 R'000	2021 R'000
Policy assets	1 030 796	1 224 147	1 227 621
Policy liabilities	(1 042 117)	(1 231 726)	(1 227 621)
	(11 321)	**(7 579)**	**–**

This product comprises 50% fixed income returns and 50% equity based returns from the underlying investment that the company holds with a third party.

The fair value calculation at reporting date is performed by a third party. The third party provides the company with the bid price of the underlying assets at the reporting date. The fair value of the notes is calculated by taking the number of units multiplied by the unit price less transaction fees relating to redeeming and unwinding the notes. The unit price is determined with reference to bid prices for equity linked components, yield curves for fixed interest components as well as the fair value using various valuation methods for call options, that were placed by the third party.

The liability balance for product 2 is reduced with the deferred tax component of the discounted future expected cashflow projections for existing business. This decrease in the liability results in a difference between the asset and liability as disclosed in the values above.

Level 3

The endowment products in product 2 are categorised as level 3 instruments, as the valuation techniques use significant unobservable inputs when valuing the call options.

Sensitivity analysis:

The fair value of these investments is determined using the latest available bid prices at reporting date. The most significant assumption used in these valuations is the market approach of obtaining bid prices. Should the bid price be affected by changes in interest rates the cumulative change in the valuation would be R11 275 000 (2022: R12 259 000). As these products are linked, there would be no impact on profit or loss.

5.4 **Investment contracts-product 3**

	2023 R'000	2022 R'000	2021 R'000
Policy assets	26 225	24 680	25 462
Policy liabilities	(26 225)	(24 680)	(25 462)
	–	–	–

This product comprises a capped income return from the underlying investment that the company holds with a third party. The after tax return for the policyholder is capped at 9.5% per annum. The product is held in linked funds however the total exposure is limited to the balance invested and the balance is not subject to interest rate risk.

The fair value calculation at reporting date is performed by a third party. The third party provides the company with the unit price of the underlying assets at the reporting date. The fair value of the units are calculated by taking the number of units multiplied by the price of the Collective Investment Scheme (CIS) at the reporting date.

Level 2

The investment contracts in product 3 are categorised as level 2 instruments, as the valuation techniques are based on observable inputs, either directly (i.e. priced) or indirectly (i.e. derived from prices).

5.5 **Investment contracts-living annuity**

	2023 R'000	2022 R'000	2021 R'000
Policy assets	825 030	634 954	569 672
Policy liabilities	(825 030)	(634 954)	(569 672)
	–	–	–

The fair value calculation at reporting date is performed by a third party. The third party provides the company with the bid price of the underlying assets at the reporting date. The fair value of the notes is calculated by taking the number of units multiplied by the unit price less transaction fees relating to redeeming and unwinding the notes. The unit price is determined with reference to bid prices for equity linked components.

The living annuity balance is invested in linked products however the total exposure is limited to the balance invested and the balance is not subject to interest rate risk.

Level 2

Valuation techniques based on observable inputs, either directly (i.e. priced) or indirectly (i.e. derived from prices).

5.6 Reconciliation of assets and liabilities

	2023 R'000	2022 R'000	2021 R'000
Reconciliation of the financial assets backing investment contract liabilities			
Balance at the beginning of the year	2 558 044	2 459 935	2 108 490
Additions during the year	417 078	294 613	406 770
Investment returns during the year	69 533	58 812	65 896
Surrenders and annuity payments during the year	(514 015)	(269 002)	(263 708)
Margin income at surrender during the year	(1 477)	–	–
Fair value adjustment during the year	124 401	13 766	142 474
Expected credit loss adjustment during the year	7	(80)	13
Balance at the end of the year	**2 653 571**	**2 558 044**	**2 459 935**

	2023 R'000	2022 R'000	2021 R'000
Reconciliation of the investment contract liabilities			
Balance at the beginning of the year	(2 556 817)	(2 447 601)	(2 102 996)
Additions during the year	(417 078)	(294 613)	(406 770)
Investment returns during the year	(66 741)	(62 339)	(59 069)
Surrenders and annuity payments during the year	514 015	269 081	263 708
Fair value adjustment during the year	(128 145)	(21 345)	(142 474)
Balance at the end of the year	**(2 654 766)**	**(2 556 817)**	**(2 447 601)**

6. LIABILITIES FOR INSURANCE CONTRACTS

	Gross R'000	Reinsurance R'000	Net R'000
June 2023			
Claims outstanding	273 640	(68 653)	204 987
Claims incurred but not reported	110 800	(30 055)	80 744
Total	**384 440**	**(98 708)**	**285 731**

	Gross R'000	Reinsurance R'000	Net R'000
June 2022			
Outstanding claims	356 994	(138 743)	218 251
Claims incurred but not reported	119 906	(37 393)	82 513
Total	**476 900**	**(176 136)**	**300 764**
June 2021			
Outstanding claims	358 943	(131 714)	227 229
Claims incurred but not reported	176 765	(56 493)	120 272
Total	**535 708**	**(188 207)**	**347 501**

Liabilities for insurance contracts represent a value for claims reported to the company as well as incurred but not reported (IBNR) claims, reduced by a factor for expected repudiation in the current year. The calculation of the incurred claims required assumptions and judgement. Actual experience will differ from these estimates and will impact profit or loss in the post calculation period.

A sensitivity analysis on the repudiation factor used in valuing outstanding claims, shows that a reduction in the repudiation factor of 20% will result in an increase in the gross outstanding claims reserve of R7 134 146 (2022: R16 886 070). The net outstanding claims reserve will increase by R4 508 423 (2022: R10 052 071). See note 22.3.10 for further detail on the sensitivity analysis.

	2023 R'000	2022 R'000	2021 R'000
Analysis of movement in gross liabilities for insurance contracts			
Balance at the beginning of the year	476 900	535 708	285 442
Claims paid during the year	(673 140)	(860 090)	(754 132)
Claims incurred during the year	580 680	801 282	1 004 398
Balance at the end of the year	**384 440**	**476 900**	**535 708**

	2023 R'000	2022 R'000	2021 R'000
Analysis of movement in reinsurer's share of liabilities for insurance contracts			
Balance at the beginning of the year	176 136	188 207	97 501
Recovered during the year	(188 267)	(228 451)	(187 765)
Incurred during the year	110 839	216 380	278 471
Balance at the end of the year	**98 708**	**176 136**	**188 207**

Claims development tables:

The following tables illustrate the development of gross and net insurance cumulative claims for the past five financial periods, including the impact of re-estimation of claims at the end of each financial year. The first table shows actual gross cumulative claims and the second shows actual net cumulative claims.

Estimate of cumulative claims gross of reinsurance – 2023

	2023 R'000	**2022 R'000**	**2021 R'000**	**2020 R'000**	**2019 R'000**	**2018 and prior R'000**	**Total R'000**
Financial period							
At end of year	590 435	893 904	953 820	527 818	521 833	1 574 836	5 062 646
One year later	–	853 467	910 121	506 720	496 298	1 756 061	4 522 667
Two years later	–	–	907 293	501 745	503 769	1 768 729	3 681 536
Three years later	–	–	–	491 054	501 734	1 773 722	2 766 510
Four years later	–	–	–	–	498 367	1 769 497	2 267 864
Five years later	–	–	–	–	–	1 766 372	1 766 372
Total	**590 435**	**853 467**	**907 293**	**491 054**	**498 367**	**1 766 372**	**5 106 988**
Cumulative payments	(388 941)	(785 764)	(867 250)	(476 966)	(490 026)	(1 713 601)	(4 722 548)
Estimated balance to pay	**201 494**	**67 703**	**40 043**	**14 088**	**8 341**	**52 771**	**384 440**

Estimate of cumulative claims net of reinsurance – 2023

	2023 R'000	**2022 R'000**	**2021 R'000**	**2020 R'000**	**2019 R'000**	**2018 and prior R'000**	**Total R'000**
Financial period							
At end of year	441 474	640 988	698 185	398 672	404 901	925 602	3 509 822
One year later	–	618 988	650 132	387 999	386 099	1 109 742	3 152 960
Two years later	–	–	649 353	385 961	391 227	1 116 028	2 542 569
Three years later	–	–	–	383 278	389 796	1 120 089	1 893 163
Four years later	–	–	–	–	389 043	1 117 783	1 506 826
Five years later	–	–	–	–	–	1 121 379	1 121 379
Total	**441 474**	**618 988**	**649 353**	**383 278**	**389 043**	**1 121 379**	**3 603 515**
Cumulative payments	(388 782)	(578 348)	(591 915)	(308 091)	(355 275)	(1 095 373)	(3 317 784)
Estimated balance to pay	**52 692**	**40 640**	**57 438**	**75 187**	**33 768**	**26 006**	**285 731**

Estimate of cumulative claims gross of reinsurance – 2022

	2022 R'000	2021 R'000	2020 R'000	2019 R'000	2018 R'000	2017 and prior R'000	Total R'000
Financial period							
At end of year	915 296	953 820	527 818	521 833	383 696	1 248 050	4 550 513
One year later	–	910 121	506 720	496 298	461 063	1 191 140	3 565 342
Two years later	–	–	501 745	503 769	466 630	1 294 997	2 767 141
Three years later	–	–	–	501 734	473 383	1 302 098	2 277 215
Four years later	–	–	–	–	471 000	1 300 339	1 771 339
Five years later	–	–	–	–	–	1 298 497	1 298 497
Total	**915 296**	**910 121**	**501 745**	**501 734**	**471 000**	**1 298 497**	**4 598 393**
Cumulative payments	(618 021)	(835 023)	(472 185)	(488 570)	(455 002)	(1 252 692)	(4 121 493)
Estimated balance to pay	**297 275**	**75 098**	**29 560**	**13 164**	**15 998**	**45 805**	**476 900**

Estimate of cumulative claims net of reinsurance – 2022

	2022 R'000	2021 R'000	2020 R'000	2019 R'000	2018* R'000	2017 and prior R'000	Total R'000
Financial period							
At end of year	662 380	698 185	398 672	404 901	280 561	668 876	3 113 575
One year later	–	650 132	387 999	386 099	362 354	645 041	2 431 625
Two years later	–	–	385 961	391 227	365 190	747 388	1 889 766
Three years later	–	–	–	389 796	369 436	750 838	1 510 070
Four years later	–	–	–	–	368 162	750 653	1 118 815
Five years later	–	–	–	–	–	749 621	749 621
Total	**662 380**	**650 132**	**385 961**	**389 796**	**368 162**	**749 621**	**3 206 052**
Cumulative payments	(555 884)	(591 150)	(307 917)	(355 099)	(408 761)	(686 477)	(2 905 288)
Estimated balance to pay	**106 496**	**58 982**	**78 044**	**34 697**	**(40 599)**	**63 144**	**300 764**

Estimate of cumulative claims gross of reinsurance – 2021

	2021 R'000	2020 R'000	2019 R'000	2018 R'000	2017 R'000	2016 and prior R'000	Total R'000
Financial period							
At end of year	1 011 085	529 342	523 927	385 966	357 884	909 867	3 718 071
One year later	–	508 244	498 392	463 333	328 947	890 166	2 689 082
Two years later	–	–	505 863	468 900	378 814	862 192	2 215 769
Three years later	–	–	–	475 653	382 716	916 184	1 774 553
Four years later	–	–	–	–	384 332	919 382	1 303 714
Five years later	–	–	–	–	–	916 007	916 007
Total	**1 011 085**	**508 244**	**505 863**	**475 653**	**384 332**	**916 007**	**3 801 184**
Cumulative payments	(613 935)	(463 378)	(484 183)	(454 254)	(374 318)	(875 409)	(3 265 477)
Estimated balance to pay	**397 150**	**44 867**	**21 680**	**21 399**	**10 014**	**40 598**	**535 708**

Estimate of cumulative claims net of reinsurance – 2021

	2021 R'000	2020 R'000	2019 R'000	2018 R'000	2017 R'000	2016 and prior R'000	Total R'000
Financial period							
At end of year	762 904	403 518	412 072	283 116	250 396	427 195	2 539 201
One year later	–	392 845	393 270	364 909	232 456	419 716	1 803 196
Two years later	–	–	398 398	367 745	285 051	413 821	1 465 015
Three years later	–	–	–	371 991	287 149	463 574	1 122 714
Four years later	–	–	–	–	288 033	464 925	752 958
Five years later	–	–	–	–	–	463 856	463 856
Total	**762 904**	**392 845**	**398 398**	**371 991**	**288 033**	**463 856**	**2 678 027**
Cumulative payments	(563 089)	(310 736)	(360 116)	(408 956)	(274 422)	(413 206)	(2 330 525)
Estimated balance to pay	**199 815**	**82 109**	**38 282**	**(36 966)**	**13 611**	**50 650**	**347 501**

* During the 2018 financial year, a full reinsurance review was undertaken including actual assessment of claims type, development and recovery amounts. This resulted in the refinement of the outstanding claims reserve provisioning calculation methodology and treatment, specifically the methodology in treatment of Ditcott claims (partial payments). The impact of the change in provisioning in the 2018 year resulted in a decrease in the net outstanding claims reserve and a decrease in the net incurred but not reported reserve which included estimates raised in 2017 and earlier.

7. INVESTMENTS

	2023 R'000	2022 R'000	2021 R'000
Investments at amortised cost	504 015	414 295	624 755

7.1 Investments at amortised cost

7.1.1 Fixed deposits

Fixed deposits held for more than 3 months from initial date of acquisition are classified as investments. Below is the maturity analysis of the fixed deposits maturing after 30 June 2023. Fixed deposits are held at amortised cost which approximates fair value.

The average and effective interest rates earned on the fixed deposits are as follows:

	2023	2022	2021
Average effective interest rate, %	3.98%	3.01%	5.13%
Reporting period effective interest rate, %	5.46%	3.88%	5.11%

Analysis of movement in fixed deposits	2023 R'000	2022 R'000	2021 R'000
Balance at the beginning of the year	414 295	624 755	572 823
Additions during the year	413 484	70 686	257 001
Disposals during the year	(342 046)	(296 796)	(235 782)
Interest accrued during the year	18 279	15 630	30 702
Expected credit loss movement for the year	3	20	11
Balance at the end of the year	**504 015**	**414 295**	**624 755**

Maturity of fixed deposits	2023 R'000	2022 R'000	2021 R'000
0 – 3 months	104 454	81 591	76 458
3 – 6 months	76 423	79 469	51 308
6 – 9 months	55 792	83 856	72 474
9 – 12 months	80 225	96 613	83 337
Greater than 12 months	187 357	72 766	341 178
	504 251	**414 295**	**624 755**

8. INVENTORY

	2023 R'000	2022 R'000	2021 R'000
Consumables	127	2 023	3 886

Reconciliation of inventory	2023 R'000	2022 R'000	2021 R'000
Balance at the beginning of the year	2 023	3 886	8 166
Items dispatched during the year	(1 896)	(1 863)	(4 280)
Balance at the end of the year	**127**	**2 023**	**3 886**

During the 2020 financial year, the company purchased devices in the form of smart watches to be dispatched to new clients who take up the 1Life Pulse product offering. The company has full control over the asset until the first premium has been collected from the client and the device has been dispatched and all rights are transferred to the client.

9. INSURANCE AND OTHER RECEIVABLES

	2023 R'000	2022 R'000	2021 R'000
Commission clawback receivables	14 162	12 430	13 550
Impairment of commission clawback receivables	(9 679)	(7 742)	(8 449)
Reinsurance receivables	–	–	40 481
Other insurance receivables	8 371	5 641	5 154
Insurance receivables	**12 854**	**10 329**	**50 736**
Trade receivables	4 003	2 163	2 171
Contract fee asset	17 669	–	–
Prepayments	3 121	3 994	1 984
Other receivables	**24 793**	**6 157**	**4 155**
Total insurance and other receivables	**37 647**	**16 486**	54 891
Reconciliation of movement in reinsurance receivables			
Balance at the beginning of the year	–	40 481	7 780
Recognised in profit and loss	–	259 001	179 334
Cash receipts	–	(299 482)	(146 633)
Balance at end of the year	**–**	**–**	**40 481**

	2023 R'000	2022 R'000	2021 R'000
Reconciliation of movement in other insurance receivables			
Balance at the beginning of the year	5 641	5 154	11 803
Recognised in profit or loss	72 435	73 030	20 926
Cash receipts	(69 705)	(72 543)	(27 575)
Balance at end of the year	**8 371**	**5 641**	**5 154**

	2023 R'000	2022 R'000	2021 R'000
Reconciliation of provision for impairment of commission clawback receivables			
Balance at the beginning of the year	7 742	8 449	6 378
Debt written off during the year	–	(5 911)	–
Increase in provision for impairment	1 937	5 204	2 071
Balance at end of the year	**9 679**	**7 742**	**8 449**

10. **CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of:

	2023 R'000	2022 R'000	2021 R'000
Bank balances	74 319	49 797	58 373
Short-term deposits	115 558	165 455	64 774
	189 877	**215 252**	**123 147**

Included in the short-term deposits balance is a cash equivalent balance of R115 157 901 (2022: R165 055 344) which is invested in the Nedgroup Investments Corporate Money Market Fund.

The money market funds are held in an actively managed portfolio by an independent asset manager. The asset manager invests in line with its best investment view, subject to the investment mandate which includes investment in interest bearing – money market and/or interest-bearing short-term collective investment scheme portfolios, subject to the Collective Investment Schemes Control Act 2002. The fund does not exceed the 3 months duration rule and offers T+0 liquidity, thus same day liquidity similar to that of a call account. The fund has capital preservation as one of its main goals, and targets a "constant NAV", and thus does not invest in government bonds etc, which requires mark-to- market and risks capital loss.

The total exposure is limited to the balance invested, and the balance is subject to interest rate risk as disclosed in note 22.2.2.2.

Cash and cash equivalents are measured at amortised cost and is a reasonable approximation of fair value.

11. DEFERRED TAX

Deferred tax liability:	2023 R'000	2022 R'000	2021 R'000
Net policyholder asset	379 513	329 874	290 142
Unrealised gains on policyholder funds	12 445	–	–
Prepayments	648	683	555
Transfer tax on assessed loss	12 545	9 118	–
Total deferred tax liability	**405 151**	**339 675**	**290 697**
Deferred tax asset			
Calculated loss – special transfers	(41 120)	(45 090)	(6 426)
Provisions	(4 820)	(2 295)	–
Assessed loss	(46 463)	(33 771)	–
Total deferred tax asset	**(92 403)**	**(81 156)**	**(6 426)**
Total net deferred tax liability	**312 748**	**258 519**	**284 271**

Reconciliation of net deferred tax liability	2023 R'000	2022 R'000	2021 R'000
At the beginning of the year	258 519	284 271	354 930
Current year charge through profit or loss	54 229	(14 736)	–
Movement in prepayments	–	–	555
Movement in net policyholder asset	–	–	(75 041)
Movement in calculated long term insurance loss and special transfers	–	–	3 827
Current year charge relating to prior periods	–	(114)	–
Tax rate change – 27%	–	(10 902)	–
	312 748	**258 519**	**284 271**

Unrecognised deferred tax:

A deferred tax asset has not been recognised in respect of the following items as it is not probable that future taxable profits will be available against which the company can utilise the benefits:

Fund

	Unused tax loss balance R'000	Potential tax benefit R'000
Individual policyholder fund (IPF)	1 515 971	454 791
Company policyholder fund (CPF)	160 689	43 386
	1 676 660	**498 177**

Recognition of deferred tax asset on unused tax losses:

A deferred tax asset of R46 462 740 (2022: R33 771 084) has been recognised on unused tax losses arising from losses suffered in the preceding periods in respect of the company's Individual policyholder fund (IPF). The utilisation of this deferred tax asset depends on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences.

Based on 5-year business projections, management has considered it probable that future taxable profits will be available against which such losses can be utilised.

12. **PROVISIONS**

	Management bonus R'000	Long-term and annual incentive R'000	Total R'000
Opening balance 2022	7 317	1 181	8 498
Utilised during the year	(12 190)	–	(12 190)
Under provided from the prior year	6 286	–	6 286
Provisions made during the year	12 288	2 972	15 260
Balance at 30 June 2023	**13 700**	**4 153**	**17 854**

	Management bonus R'000	Long-term and annual incentive R'000	Total R'000
Opening balance 2021	7 710	1 181	8 891
Utilised during the year	(6 023)	–	(6 023)
Over provided from the prior year	(1 116)	–	(1 116)
Provisions made during the year	6 746	–	6 746
Balance at 30 June 2022	**7 317**	**1 181**	**8 498**

	Management bonus R'000	Long-term and annual incentive R'000	Total R'000
Opening balance 2020	3 452	1 181	4 633
Utilised during the year	(640)	–	(640)
Over provided from the prior year	(2 811)	–	(2 811)
Provisions made during the year	7 709	–	7 709
Balance as 30 June 2021	**7 710**	**1 181**	**8 891**

13. INSURANCE PAYABLES

	2023 R'000	2022 R'000	2021 R'000
Reinsurance payables	14 115	13 063	12 778
Insurance commission payables	7 958	12 071	11 478
Premium received in advance	69 271	64 259	69 200
Total insurance payables	**91 346**	**89 393**	**93 456**
Other payables			
Trade payables	22 332	17 965	18 110
Amounts received in advance	111	111	120
Amounts received in advance relating to endowment policies	30 880	892	4 993
Accrued leave pay	14 002	13 029	10 673
Value added tax payable	79	63	45
Employee benefits payable	13 787	12 806	10 509
Accrued audit fees	2 052	2 187	1 736
Accrued endowment product fee	8 735	10 739	13 085
Total other payables	**91 978**	**57 792**	**59 271**
Total insurance and other payables	**183 324**	**147 185**	**152 727**

	2023 R'000	2022 R'000	2021 R'000
Reconciliation of movement in reinsurance payables			
Balance at the beginning of the year	13 063	12 778	12 454
Recognised in profit or loss	163 652	154 704	151 781
Cash payments	(162 600)	(154 419)	(151 457)
Balance at the end of the year	**14 115**	**13 063**	**12 778**

14. OTHER INCOME

	2023 R'000	2022 R'000	2021 R'000
Administration and management fees received	4 314	4 533	5 107
Profit share received	9 062	–	1 182
Other income	39 809	13 772	5 178
	53 185	**18 305**	**11 467**

15. INSURANCE CLAIMS

Gross	2023 R'000	2022 R'000	2021 R'000
Claims paid	(673 140)	(860 089)	(754 132)
Movement in claims incurred but not yet reported	9 106	56 859	(88 955)
Movement in outstanding claims	83 354	1 949	(161 311)
	(580 680)	**(801 281)**	**(1 004 398)**
Reinsurers' share			
Claims paid	188 558	228 451	187 765
Movement in claims incurred but not yet reported	(7 337)	(19 100)	30 924
Movement in outstanding claims	(70 090)	7 029	59 782
	111 131	**216 380**	**278 471**
Total net claims incurred	**(469 549)**	**(584 901)**	**(725 927)**

16. FINANCE INCOME AND EXPENSE

	2023 R'000	2022 R'000	2021 R'000
Interest received from banks	25 795	13 322	6 140
Interest received from investments	18 279	15 630	30 702
Interest accrued on endowment policy assets	52 855	41 154	54 414
Finance income	**96 929**	**70 106**	**91 256**
Interest paid to banks	15	7	–
Interest accrued on endowment policy liabilities	50 064	44 682	47 563
Finance expense	**50 079**	**44 689**	**47 563**

17. PROFIT BEFORE TAX

Profit before tax for the year is stated after accounting for the following disclosable items:

Operating lease charges	2023 R'000	2022 R'000	2021 R'000
Premises – rental expense	177	194	125
Equipment – rental expense	6 215	5 218	3 268
	6 393	**5 412**	**3 393**
Other charges			
Loss on foreign exchange differences	47	57	(8)
Consulting and professional fees	10 864	5 662	5 162

18. TAXATION

Major components of the tax expense

Current	2023 R'000	2022 R'000	2021 R'000
Income tax – current period	12 728	5 791	8 430
Income tax – recognised in current period for prior periods	132	–	276
	12 860	**5 791**	**8 706**
Deferred			
Originating and reversing temporary differences	54 229	(14 736)	(71 100)
Arising from prior period adjustments	–	(114)	441
Result from reduction in tax rate	–	(10 902)	–
	54 229	**(25 752)**	**(70 659)**
Total taxation	**67 089**	**(19 961)**	**(61 953)**
Reconciliation of the tax expense:			
Accounting profit before taxation	219 845	55 331	(268 585)
Tax payable at 27% (2022: 28%)	**59 358**	**15 493**	**(75 204)**
Non-taxable income			
Exempt income	–	–	(508)
Deferred capital gains tax on policyholder investments	12 445	–	–
	12 445	**–**	**508**
Non-deductible expenses			
Consulting fees	–	–	187
Donations	–	–	2 604
Other non deductible expenses	66	34	(138)
Current tax impact on policyholder tax allowed as deduction	(1 803)	–	–
Current tax on policyholder investments	6 677	–	–
Prior year adjustment	132	–	276
Adjustment to opening deferred tax	(75)	(114)	441
Partial recognition of assessed loss	(12 692)	(33 771)	
Deferred tax liability on special transfer	3 427	9 456	–
Tax rate difference on assessed loss	–	20	–
Tax rate change to 27%	–	(10 826)	–
	(4 268)	**(35 201)**	**3 370**
Special allowances			
Learnership allowance	(446)	(253)	–
Deferred tax asset not being raised	–	–	10 389
Taxation for the year	**67 089**	**(19 961)**	**(61 953)**

19. CASH FLOWS GENERATED FROM/(UTILISED IN) OPERATIONS

	2023 R'000	2022 R'000	2021 R'000
Profit/(loss) for the year before taxation	219 845	55 331	(268 585)
Adjustments for:			
Interest received	(96 929)	(70 106)	(91 256)
Interest paid	50 079	44 689	47 563
Fair value adjustment on investment contracts	3 742	7 579	–
Margin income at surrender	1 477	–	–
Movement in provisions	9 356	(393)	4 258
Movement in liabilities for insurance contracts	(92 460)	(58 808)	250 266
Movement in reinsurers' share of insurance contract liabilities	77 428	12 071	(90 706)
Movement in net policyholder asset arising from long-term insurance contracts	(156 447)	(165 045)	105 785
	16 091	**(174 682)**	**(42 675)**
Changes in working capital			
Movement in insurance receivables	(2 525)	40 407	(29 051)
Movement in other receivables	(18 636)	(2 002)	768
Movement in inventories	1 896	1 863	4 280
Movement in insurance payables	1 953	(4 063)	(8 970)
Movement in other payables	34 180	(1 479)	12 514
	16 868	**34 726**	**(20 459)**
Total cash generated from/(utilised in) operations	**32 959**	**(139 956)**	**(63 134)**

20. TAX PAID

	2023 R'000	2022 R'000	2021 R'000
Balance at the beginning of the year	1 043	(1 066)	(15 464)
Current tax for the year recognised in profit or loss	(12 860)	(5 791)	(8 706)
Balance at the end of the year	(856)	(1 043)	1 066
Total tax paid	**(12 673)**	**(7 900)**	**(23 104)**

21. **RELATED PARTIES**

Relationship	Country of incorporation	Entity name
Ultimate holding company	Guernsey	BHL Holdings Limited
Intermediate holding company	United Kingdom	BHL (SA) Holdings Limited
Holding company	South Africa	Telesure Investment Holdings Proprietary Limited
Fellow subsidiaries	South Africa	Auto and General Insurance Company (RF) Limited Auto Salvage Management Proprietary Limited Aqua Aqua Marin Agency Proprietary Limited Budget Insurance Company (RF) Limited Concourse Finance Proprietary Limited Concourse Holdings Proprietary Limited Concourse IT Proprietary Limited Concourse Properties Proprietary Limited Concourse Services Proprietary Limited Cotswold Reinsurance Services Proprietary Limited Dial Direct Insurance (RF) Limited First for Women Insurance Company (RF) Limited Hippo Comparative Services Proprietary Limited Hippo Advisory Services Proprietary Limited Linksave Proprietary Limited Meliorleaf Proprietary Limited Natgen Investment Holdings Proprietary Limited Natgen Risk Holdings Proprietary Limited National General Investment Holdings Proprietary Limited Oxford Claims and Legal Services Proprietary Limited Oxford Claims Investigations Proprietary Limited Oxford Claims Procurement Proprietary Limited Oxford Claims Support Services Proprietary Limited Oxford Loss Adjusters Proprietary Limited Pet Underwriting Management Agency Proprietary Limited Really Useful Investments 181 Proprietary Limited Renasa Garrun Portfolio Management Proprietary Limited Renasa Holdings Proprietary Limited Renasa Insurance Company Limited Renasa Insurance Training and Education NPC Rockport Capital Proprietary Limited Summit Risk Holdings Proprietary Limited Telesure Group Services Proprietary Limited Unity Financial Services Proprietary Limited Wealthport Nominees Proprietary Limited Wealthport Proprietary Limited

Relationship	Country of incorporation	Entity name
Other related parties	South Africa	BHL SA Investment Holdings Proprietary Limited Cross Country Insurance Consultants Proprietary Limited Die Virseker Trust Derek Pead & Associates Douw Steyn Properties Proprietary Limited and its subsidiaries Green Frog Property Proprietary Limited IBG Underwriting Managers Proprietary Limited Inception Value Protection Proprietary Limited K2012007030 (South Africa) Proprietary Limited Medi-Pet Animal Health Insurance Brokers Proprietary Limited The First For Women Foundation Trust Napier Gardens Proprietary Limited and its subsidiary Origin Financial Administration Proprietary Limited Origin Financial KZN Proprietary Limited Origin Financial Risk Solutions Proprietary Limited Phuma Commercial Cover Proprietary Limited Weelee Proprietary Limited
	Guernsey	Jacana Re Limited
	United Kingdom	BHL (UK) Holdings Limited and its subsidiaries
Directors		TJ Creamer, H Griffiths, S Klinkert, LA Hillman IR Leech (resigned), PN Kingston E Links, TF Maenetja, BTG Mageba, T Muranda, DH Pead, MA Raisbeck, AR Weilbach, RJ Pretorius

Related party balances

	2023 R'000	2022 R'000	2021 R'000
Amounts owing to/(from) related parties included in other receivables/(other payables)			
Auto and General Insurance Company (RF) Limited	542	549	469
Budget Insurance Company (RF) Limited	787	614	497
First for Women Insurance Company (RF) Limited	363	313	295
Dial Direct Insurance (RF) Limited	186	192	179
Telesure Group Services Proprietary Limited	401	86	221
1Life Trust	–	–	36
Auto and General Insurance Company (RF) Limited	(35)	(27)	(22)
Hippo Comparative Services Proprietary Limited	(679)	(436)	(712)
Telesure Group Services Proprietary Limited	(8 127)	(6 547)	(7 225)
Unity Financial Services Proprietary Limited	(55)	(43)	(30)
Wealthport Proprietary Limited	24	–	(30)
	(6 593)	**(5 299)**	**(6 322)**
Investment contract due to related parties			
Auto and General Insurance Company (RF) Limited	(1 000)	(1 000)	(1 026)
Napier Gardens Proprietary Limited	(1 000)	(1 000)	(1 000)
	(2 000)	**(2 000)**	**(2 026)**

	2023 R'000	2022 R'000	2021 R'000
Insurance premiums included in prepayments			
Auto and General Insurance Company (RF) Limited	–	38	–
Related party transactions			
Administration fees paid to related parties			
Telesure Group Services Proprietary Limited	101 805	91 975	88 438
1Life Trust	–	–	(379)
Unity Financial Services Proprietary Limited	545	410	246
	102 350	**92 385**	**88 305**
Advertising expenses paid to related parties			
Hippo Comparative Services Proprietary Limited	5 075	4 697	4 237
Telesure Group Services Proprietary Limited	102 836	115 332	111 206
	107 911	**120 029**	**115 443**

Interest on endowment policy paid to related parties	2023 R'000	2022 R'000	2021 R'000
Auto and General Insurance Company (RF) Limited	–	–	26

Commission fee paid to related parties	2023 R'000	2022 R'000	2021 R'000
Auto and General Insurance Company (RF) Limited	238	219	232
Budget Insurance Company (RF) Limited	3	–	–
First for Women Insurance Company (RF) Limited	1	1	–
	242	**220**	**232**
Rental of equipment paid to related party			
Telesure Group Services Proprietary Limited	4 155	2 739	1 484
Insurance paid to related party			
Auto and General Insurance Company (RF) Limited	89	87	80
Donations paid to related party			
1Life Trust	–	–	9 200

22. RISK MANAGEMENT

22.1 General

Effective risk management is fundamental to the business activities of the company and seeks to achieve an appropriate balance between risk and reward, and assists in delivering on its strategy and growth plans in a controlled environment. The Board of Directors ("**Board**") has overall responsibility for the company's system of internal control and is accountable for reviewing its effectiveness.

Risk is inherent in the business and the identification and management of risk is central to delivering on the strategic objectives set by the Board. By understanding and managing risk, the company provides greater certainty and confidence to the shareholders, employees, customers and suppliers, and to the communities in which it operates.

The company's risk appetite and capital management strategy are reviewed on a continuous basis. The risk appetite references financial and non-financial risk categories and indicates how much risk the company is willing to take in the pursuit of achieving its strategic and operational goals. Risks that have the potential to impact the reputation, regulatory, solvency, environment, community, operational and financial performance of the company and, thereby, the achievement of the strategic objectives are managed. As such, strategic business decisions are taken in accordance with a board approved risk appetite statement with the executive and risk committees closely monitoring risk profiles against this appetite.

Internal control systems are designed to manage risks within the business and inevitably, they can provide only reasonable and not absolute assurance against material misstatement or loss. The Board is conscious of the importance of the company's risk management process and system of internal controls and attaches a high priority to monitoring the effectiveness and continued developing of it in line with good practice.

The Board has delegated the oversight of the various control functions and processes to the various committees (Risk, Audit and Actuarial, Social and Ethics, Remuneration).

The Board's oversight of the risk management process and the systems of internal general control are delegated to the Risk Committee. The Risk Committee is responsible for providing reasonable assurance that adequate mechanisms and procedures are established, implemented and maintained to:

- identify the individual and aggregated risks (current and emerging) the company faces;
- assess, monitor and help manage identified risks effectively;
- review accounting and financial policies to ensure consistency, integrity and accuracy of accounting records;
- gain and maintain an aggregated view of the risk profile of the company; and
- establish a forward-looking assessment of the risk profile and financial position of the company, including the conducting of regular stress testing and scenario analyses as defined in GOI 3.1 (Own Risk and Solvency Assessment ('ORSA') for Insurers), against the risk appetite and risk limits of the insurer.

The risk management function:

- regularly provides written reports to senior management, other key persons in control functions and the Risk Committee on the company's risk profile and details on the risk exposures facing the company and related mitigation actions;
- documents and reports material changes affecting the company's risk management system to the Risk Committee to help ensure that the system is maintained and improved; and
- has access to and reports to the Board or appropriate sub-committees on the strategy of the risk management function and information on its resources, including an analysis on the appropriateness of those resources.

The Board has delegated the requirement for oversight, establishment and implementation of appropriate and effective systems of internal financial control to the Audit and Actuarial Committee. The internal financial control systems are continually enhanced and encompasses suitable policies, processes, tasks and behaviours.

The internal financial control system is monitored and supported by Internal Audit and the Compliance Function who report in terms of their mandates to the Audit and Actuarial Committee and Risk Committee respectively. Internal audit is an independent, objective assurance and consulting activity designed to add value and improve the company's operations.

The Audit and Actuarial Committee has reviewed and approved the Internal Audit Charter. Internal audit has responsibility for the following key activities in terms of the approved Internal Audit Charter:

- develop a risk based internal audit plan, on a three-year rolling basis. The internal audit plan is presented to the Audit and Actuarial Committee annually for approval;
- execution of the work in accordance with the approved plan;
- regular reporting to relevant stakeholders;
- review and evaluate the adequacy, effectiveness and compliance with the company's policies as well as documented processes and controls;
- evaluating controls and processes in place to ensure safeguarding of assets; and
- ensure that material areas of risk and obligations of the company are subject to an appropriate audit or review within a reasonable timeframe.

Group Compliance fulfils a critical function within the company's overall risk management framework. Group Compliance:

- monitors and reports on compliance with regulatory requirements;
- monitors that systems and controls are in place to ensure that the company's exposure to compliance risk is minimised;
- coordinates the company's relationship with its regulators;
- evaluates the impact of forthcoming regulatory changes and provides advice on potential process and control changes required; and
- assists management with the objective of embedding risk management within the business units.

The focus on risk management and a system of internal control enables the company to identify, evaluate, monitor, respond, mitigate and manage risks that could affect its ability to achieve the strategic objectives.

Management is accountable to the Board and the relevant committees for designing, implementing and monitoring the process of risk management and integrating it into the day-to-day activities. Management is responsible for the identification, assessment and control of all key risks facing the operations, functions and processes under their control and is required to monitor the status of risks, and report on any material changes to the risk profile, and risk materialisation/losses. Management is also expected to put in place appropriate controls for those risks, and to provide assurance that such controls perform as intended.

For the year ended 30 June 2023, management are committed to maintaining transparency and ensuring the utmost prudence in managing potential risks that may impact the group's operations, financial performance, and stakeholder interest.

22.2 **Financial risk management**

Financial risk is generally defined as the risk of financial loss to the company as a result of either a negative change in the value of assets or the deviation of financial results from those expected. The approach of the company towards financial risk management is to limit risk exposures within acceptable parameters while optimising returns through specifying allowable asset classes. The company's Financial Risk Policy defines its practices and procedures for managing financial risk. These activities provide reasonable, but not absolute, assurance that these risks are adequately managed.

The company is exposed to the following financial risks: liquidity risk, market risk and credit risk.

22.2.1 **Liquidity risk**

Liquidity risk is the risk that the company will not be able to meet current and/or future cash-flow requirements in respect of its business obligations as they fall due, resulting in assets being sold at inappropriate times and at excessive cost. The risk arises from potential mismatches in timing of cash inflows from revenue and of operational outflows, as well as from inflows out of investment portfolio transactions. The company's approach to managing liquidity risks is to ensure, as far as possible, that it will always have sufficient liquid assets to meet its liabilities when they are expected to fall due under normal and under stressed conditions, without incurring unacceptable losses or risking damage to its reputation.

The table disclosed below analyses the company's financial and insurance assets and liabilities into maturity groupings based on the remaining period from the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within 1 month R'000	1-3 months R'000	3-6 months R'000	6-12 months R'000	Greater than 12 months R'000	Total R'000
At June 2023						
Assets						
Policyholder assets arising from insurance contracts[1]	31 907	47 860	63 814	31 907	1 419 851	1 595 339
Reinsurers' share of policyholder assets arising from insurance contracts[1]	3 568	5 353	7 137	3 568	158 791	178 417
Financial assets backing investment contract liabilities[2]	45 609	57 992	159 683	301 546	2 902 596	3 467 426
Reinsurers' share of liabilities for insurance contracts[2]	10 791	14 620	21 930	29 711	24 617	101 669
Investments	104 454	76 423	55 792	80 225	187 121	504 015
Insurance receivables	12 854	–	–	–	–	12 854
Other receivables	5 062	1 554	2 815	1 876	10 365	21 672
Cash and cash equivalents	189 877	–	–	–	–	189 877
Total assets	**404 122**	**203 802**	**311 171**	**448 833**	**4 703 341**	**6 071 269**
Liabilities						
Investment contract liabilities[2]	45 609	57 992	159 683	301 546	2 902 596	3 467 426
Liabilities for insurance contracts[2]	73 777	49 808	74 712	112 371	85 304	395 972
Insurance payables	22 075	–	–	–	–	22 075
Other payables	22 332	–	–	–	–	22 332
Total liabilities	**163 793**	**107 800**	**234 395**	**413 917**	**2 987 900**	**3 907 805**

1 Cash flows for policyholder assets are calculated using discounted expected cash flows.

2 Amounts have been adjusted to reflect undiscounted cash flows.

	Within 1 month R'000	1-3 months R'000	3-6 months R'000	6-12 months R'000	Greater than 12 months R'000	Total R'000
At June 2022						
Assets						
Policyholder assets arising from insurance contracts[1]	28 726	43 089	57 452	28 726	1 278 304	1 436 297
Reinsurers' share of policyholder assets arising from insurance contracts[1]	3 620	5 430	7 240	3 620	161 102	181 012
Financial assets backing investment contract liabilities[2]	18 697	64 955	49 251	161 765	2 630 336	2 925 004
Reinsurers' share of liabilities for insurance contracts[2]	19 357	26 226	39 340	53 297	44 160	182 380
Investments	27 297	54 294	79 469	180 469	72 766	414 295
Insurance receivables	10 329	–	–	–	–	10 329
Other receivables	2 163	–	–	–	–	2 163
Cash and cash equivalents	215 252	–	–	–	–	215 252
Total assets	**325 441**	**193 994**	**232 752**	**427 877**	**4 186 668**	**5 366 732**
Liabilities						
Investment contract liabilities[2]	18 697	64 955	49 251	161 765	2 630 336	2 925 004
Liabilities for insurance contracts[2]	91 669	61 887	92 830	139 622	105 991	491 999
Insurance payables	25 134	–	–	–	–	25 134
Other payables	17 965	–	–	–	–	17 965
Total liabilities	**153 465**	**126 842**	**142 081**	**301 387**	**2 736 327**	**3 460 102**

1 Cash flows for policyholder assets are calculated using discounted expected cash flows.

2 Amounts have been adjusted to reflect undiscounted cash flows.

	Within 1 month R'000	1-3 months R'000	3-6 months R'000	6-12 months R'000	Greater than 12 months R'000	Total R'000
At June 2021						
Assets						
Policyholder assets arising from insurance contracts[1]	26 808	40 212	53 616	26 808	1 192 965	1 340 409
Reinsurers' share of policyholder assets arising from insurance contracts[1]	2 237	3 356	4 474	2 237	99 551	111 855
Financial assets backing investment contract liabilities[2]	2 488	4 979	7 467	15 073	2 758 987	2 788 994
Reinsurers' share of liabilities for insurance contracts[2]	5 690	3 358	43 839	115 605	25 405	193 897
Investments	41 949	34 509	51 308	155 811	341 178	624 755
Loan to group entity	556	–	–	–	–	556
Insurance receivables	50 736	–	–	–	–	50 736
Other receivables	2 171	–	–	–	–	2 171
Cash and cash equivalents	123 147	–	–	–	–	123 147
Total assets	**255 782**	**86 414**	**160 704**	**315 534**	**4 418 086**	**5 236 520**
Liabilities						
Investment contract liabilities[2]	2 488	4 979	7 467	15 073	2 758 987	2 788 994
Liabilities for insurance contracts[2]	97 948	49 805	74 707	255 120	71 184	548 764
Insurance payables	93 456	–	–	–	–	93 456
Other payables	23 223	–	–	–	–	23 223
Total liabilities	**217 115**	**54 784**	**82 174**	**270 193**	**2 830 171**	**3 454 437**

1 Cash flows for policyholder assets are calculated using discounted expected cash flows.

2 Amounts have been adjusted to reflect undiscounted cash flows.

22.2.2 Market risk

Market risk refers to the sensitivity of an asset or portfolio of financial instruments to overall market price movements such as interest rates, inflation, equity prices and foreign exchange rates during the time required to liquidate or offset positions. The impact of market movements on both assets and liabilities exposes the company to the potential of adverse financial impact. In the context of the company, these risks are regarded as Asset Liability Matching 'ALM' Risks (in a broad sense) or 'mismatch risks', i.e. risks arising from differences in the sensitivity of investments and other assets as well as insurance liabilities, to changes in the return on investments. The company's approach to market risk management is to limit risk exposures within acceptable parameters while optimising returns through specifying allowable asset classes. Currently the company does not follow a hedging strategy to manage market risks.

22.2.2.1 **Equity risk**

Equity risk arises when the market value of assets and liabilities are sensitive to changes in the market prices for equities or their volatilities. The company limits exposure to equity risk by specifying the allowable investments (as per the Investment Policy) and setting upper limits for the percentage of assets investible in equity. The risk attached to investing in equities is further managed by monitoring the performance of the entities and any underlying investments of that company. The company is also exposed to equity risk through the investment contracts held, however the risk is born by the relevant policyholder and are therefore not material to the company.

22.2.2.2 **Interest rate risk**

Interest rate risk arises when the market value of assets and liabilities are sensitive to change in market yield curves or interest rate volatilities. The company is exposed to interest rate risk to the extent that it holds variable and fixed interest rate instruments in the form of cash and cash equivalents and fixed deposits. Investment contracts are not included in the sensitivity stresses as there is no net impact.

Fluctuations in interest rates impact on the value of these investments and the interest income earned on them. Sensitivity analysis for interest rate risk is performed to determine how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Management also monitors interest rate assumptions used during the budgeting process against actual interest rates prevailing at respective reporting dates. The company does not use hedging instruments to manage interest rate risk but provides for duration limits in the Financial Risk Policy.

The average and year-end effective interest rates for cash and cash equivalents and fixed deposits were as follows:

	2023	**2022**	**2021**
Average effective interest rate, %	6.66	4.20	4.77
Reporting period effective interest rate, %	8.14	5.07	4.75

Sensitivity analysis – Interest rate risk

The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date.

100 basis points change in the interest yields, effect on profit or loss R6 619 912 (2022: R6 894 978).

The above sensitivity analysis excludes any effect that a change in interest rates would have on the policyholder assets arising from insurance contracts. These are included in note 22.3.1

22.2.2.3 **Currency risk**

Currency risk arises when the market value of assets and liabilities are sensitive to changes in currency exchange rates. Indirect exposure may result from assets, liabilities or expenses denominated in foreign currencies. The company has limited direct dealings in foreign currency and had limited foreign currency exposure at year-end.

The currency risk exposure relevant to the endowment product 2 is carried by the relevant policyholder.

22.2.3 Credit risk

The company has exposure to credit risk, which is the risk of loss or of adverse impact on the company's financial position due to the inability or limited willingness of a counterparty, to meet its financial obligations to the company.

Key areas where the company is exposed to credit risk are:

- amounts due from insurance policyholders;
- trade and other receivables;
- amounts due from insurance contract intermediaries and third party recoveries and salvages;
- investments, endowment policy assets, living annuity assets and cash and cash equivalents;
- reinsurers' share of insurance contract liabilities; and
- amounts due from other third parties.

Credit risk is managed on a company basis. The company limits the levels of credit risk that it accepts by placing limits on its exposure to a single counterparty or groups of counterparties. The levels are subject to at least annual reviews. Reputable financial institutions are used for investing and cash handling purposes and credit and concentration risk limits are strictly enforced.

The company enters into reinsurance agreements to spread the insurance risk and minimise the effect of underwriting losses. Agreements are entered into with reinsurers who meet the minimum Financial Strength rating stated in the Reinsurance Policy. Under the terms of reinsurance agreements, reinsurers agree to pay a portion of claims paid to policyholders, by the company. Consequently the company is exposed to credit risk. When selecting a reinsurer the company considers its security.

Credit exposure

The company assets subject to credit risk comprise the balances below which are rated as follows:

	P-1* or equivalent %	**P-2* or equivalent %**	**NP %**	**Carrying value R'000**
2023				
Financial instrument and insurance assets				
Policyholders assets arising from long-term insurance contracts	–	–	100	1 595 339
Reinsurers' share of policyholders assets arising from long-term insurance contracts	100	–	–	178 417
Financial assets backing investment contract liabilities	64	5	31	2 653 571
Reinsurers' share of insurance contract liabilities[1]	100	–	–	98 708
Investments	100	–	–	504 015
Insurance receivables[1]	–	–	100	12 854
Other receivables	58	–	42	21 672
Cash and cash equivalents	100	–	–	189 877

	P-1* or equivalent %	P-2* or equivalent %	NP %	Carrying value R'000
2022				
Financial instrument and insurance assets				
Policyholders assets arising from long-term insurance contracts	–	–	100	1 436 297
Reinsurers' share of policyholders assets arising from long-term insurance contracts	100	–	–	181 012
Financial assets backing investment contract liabilities	70	5	25	2 558 044
Reinsurers' share of insurance contract liabilities[1]	100	–	–	176 136
Investments	100	–	–	414 295
Insurance receivables[1]	75	–	25	10 329
Other receivables	9	–	91	2 163
Cash and cash equivalents	100	–	–	215 252

* Moody's national short-term ratings

	P-1* or equivalent %	P-2* or equivalent %	NP %	Carrying value R'000
2021				
Financial instrument and insurance assets				
Policyholders assets arising from long-term insurance contracts	–	–	100	1 340 409
Reinsurers' share of policyholders assets arising from long-term insurance contracts	100	–	–	111 855
Financial assets backing investment contract liabilities	73	4	23	2 459 935
Reinsurers' share of insurance contract liabilities[1]	100	–	–	188 207
Investments	100	–	–	624 755
Loan to group entity	–	–	100	556
Insurance receivables[1]	80	–	20	50 736
Other receivables	19	–	81	2 171
Cash and cash equivalents	100	–	–	123 147

* Moody's national short-term ratings

The credit risk ratings used above are national short-term Moody's ratings. Where national ratings (".za") are not applicable, international ratings are applied. Where short-term ratings are not available, the financial instrument is categorised according to long-term ratings. The ratings are defined as follows:

Moody's rating

P-1 – Highest credit quality: The rating demonstrates a superior ability to repay short-term debt obligations.

P-2 – Very high credit quality: The rating demonstrates a strong ability to repay short-term debt obligations.

P-3 – High credit quality: The rating demonstrates an acceptable ability to repay short-term debt obligations.

NP – Credit quality: The rating does not fall within any of the prime rating categories.

[1] Hannover Re is rated by Standard and Poor's at AA- (2022:AA-): Stable outlook

22.3 Insurance risk management

The company issues contracts that transfer significant insurance risk. The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. As such the company is exposed to uncertainty surrounding the timing and severity of claims under insurance contracts. By the very nature of an insurance contract, the risk is random and therefore unpredictable.

The company also underwrites life insurance risks that natural persons, corporate entities and other entities wish to transfer to an insurer.

Life insurance risks include mortality and the most significant factors that could increase the overall frequency of claims are epidemics (such as AIDS and COVID-19), economic conditions or wide spread changes in lifestyle, such as eating, smoking and exercise habits, resulting in higher morbidity risk and earlier or more claims than expected. The company has a claims assessing process where all claims received are assessed. Large claims are investigated further before being paid.

22.3.1 Exposure to insurance risk

The product features of insurance contracts that have a material effect on the amount, timing and uncertainty of future cash are set out below:

Individual life

This product pays out a lump sum in the event of policyholder's deaths. Cover can be taken out on a Whole of Life or term assurance basis. In addition to annual premium increases, premium rates are reviewed every five years across all policies, and if necessary, premium rates are increased. The first five yearly increase is guaranteed not to exceed 15%.

Group life

Group funeral business comprise policies that pay a lump sum in the event of the death of the life assured. The policies included in a group of policies under these schemes are associated to each other by a common aspect for example they may all be sold by a specific funeral parlour. Premiums are payable monthly and are usually not guaranteed for a period exceeding 6 months. The contract term is therefore not more than one month, allowing pricing adjustments to be made readily.

Disability insurance

Disability insurance pays out a lump sum in the event of the disablement of the life assured. There are two types of disability insurance available, namely occupation-based disablement which pays out when the life assured is permanently and totally disabled and can no longer work and event-based disablement which pays out a percentage of the cover amount depending on the cause of disablement. Once 100% of the total assured benefit has been paid out, cover will cease. Premiums are fixed for the first 24 months and thereafter will increase by a stated percentage per annum.

Credit life

This product is designed to pay off the borrower's debt in the event that the borrower dies. The face value of the credit life insurance policy decreases proportionately with an outstanding loan amount as the loan is paid off over time until both reach zero value.

Funeral

This product pays out in the event of the death of the insured persons, providing the beneficiaries of the policy with the funds they need to pay the funeral expenses of the deceased. Immediate and extended family members can be included on the same policy. Premiums are fixed for the first twelve months and thereafter may increase up to a maximum total of 15%.

Dread disease

This product pays out a percentage of cover as a lump sum in the event of the insured person suffering a serious illness as listed in the policy document. This pay-out can be used to cover medical expenses not covered by a medical aid, especially out of hospital expenses, or to pay basic living expenses while the insured recuperates. Premiums are fixed for the first 24 months and thereafter will increase by a stated percentage per annum.

Expense protector

Expense protector is a form of income protection that will pay out a monthly income if the insured person becomes temporarily disabled through illness or injury. The benefit will continue until the insured person is able to return to work or reaches retirement age.

22.3.2 **Limiting exposure to insurance risk**

The company limits its exposure to insurance risk through setting a clearly defined underwriting strategy and limits, adopting appropriate risk assessment techniques and the reinsurance of risks that exceed its risk appetite. The company's underwriting strategy seeks diversity to ensure a balanced portfolio of insurance risk. The strategy also aims to establish a sufficiently large portfolio of risks to reduce the variability of the outcome.

Each of these risk management aspects is dealt with below in more detail.

Underwriting strategy

Underwriting risk in terms of life insurance is the risk that the actual mortality, morbidity and medical claims will exceed prudent exposure and timing calculations. The risk is controlled by underwriting principles and managed through:

- its product development process where all new or product additions and alterations are required to pass through an approval framework;
- the requirement for the Head of Actuarial Control to approve policy conditions and premium rates of new and revised products;
- underwriting policy to prevent anti-selection and ensure appropriate premium rates (loadings) for substandard risks e.g. specific testing for HIV/Aids is carried out in all cases where the application for risk cover exceed a set limit and product pricing and reserving policies include specific allowance for the risk of HIV/AIDS;
- review of policy applications by experienced underwriters and implementing of retention limits per individual life as well as using the experience of reinsurers to review substandard risks;
- adequate reinsurance arrangements to limit exposure per individual and to manage concentration of risks;
- its claims handling policy; and
- testing the adequacy of pricing and reserving against past experience and adjusting the risk premiums for the in-force individual risk business should claims experience deteriorate, and for individual life business premiums can be re-rated after a period of five years following an insurance contract being issued.

Half yearly actuarial valuations are also performed to assist in the timely identification of experience variances using appropriate base tables of standard mortality and morbidity rates for individual life policies. An investigation into the actual experience of the company over the last year is carried out to produce a best estimate of the expected mortality and morbidity for the future. The best estimate of future mortality is standardised based on the reinsurers' tables and statistical methods used to determine appropriate termination rates. An allowance is made for any trends in the best estimate of future termination rates.

On an annual basis, the company prepares an underwriting budget that is based on the underwriting strategy to be followed in the next three years. The underwriting strategy is updated for changes in the underwriting results of the company and the industry, the company's available risk capital and available reinsurance capacity as well as existing concentration of insurance risk.

Risk assessment

The company follows an underwriting process before accepting any proposed insurance risk. Comprehensive risk assessments are conducted at regular intervals to identify vulnerabilities and opportunities for improvement.

Reinsurance strategy

The company has an extensive proportional and non-proportional reinsurance program in place to limit the company's liability. There is a Board approved reinsurance policy in place which is regularly reviewed for its ongoing appropriateness. The company reinsures a portion of the risk it underwrites in order to control its exposures to losses within its risk appetite and to protect capital resources.

The reinsurance program through a combination of treaty and facultative contracts limits the company's exposure in each of its classes of business.

Credit ratings of all existing or new reinsurers are monitored in order to manage the credit risk.

Exposure to catastrophe events

The company purchases catastrophe reinsurance to protect itself from extraordinary losses. The level of catastrophe reinsurance purchased is based on the company's estimation of its expected losses from low frequency high severity events.

The aggregate catastrophe exposure position is reviewed annually. The company uses a number of modelling tools to monitor aggregation and to simulate catastrophe losses in order to measure the effectiveness of the reinsurance programs and the net exposure of the company.

Liability adequacy test

At each reporting date, a liability adequacy test is required to ensure the adequacy of the insurance contract liabilities. In performing this test, current best estimates of future premiums, claims and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is charged to profit or loss by establishing a provision for unexpired risks.

Since the life insurance policy liabilities are calculated in terms of the financial soundness valuation basis as prescribed in SAP 104, which meets the minimum requirements of the liability adequacy test, it is not necessary to perform an additional liability adequacy test.

22.3.3 Claims development risk

The principal risk that the company faces under its insurance contracts is that the actual claims payments exceed the expected claims. This could occur because the frequency or severity of claims is greater than estimated. Insurance events are random and the actual number and amounts of claims will vary from year to year and from the estimate.

The development of claims liabilities provides a measure of the company's ability to estimate the ultimate value of claims incurred but not yet settled. The majority of the company's insurance contracts are classified as short-tailed, meaning that claims are settled within a year after the loss date. The company underwrites a limited portion of long- tail risks and consequently the uncertainty about the amount and timing of claims payments a year after the loss event is limited. Regular estimates of claims development are performed in reviewing the adequacy of the claims provisions and corrective action is taken where necessary.

22.3.4 **Fraudulent claims risk**

Training of staff takes place to ensure that fraudulent claims are identified and investigated timeously. The legitimacy of claims is verified by internal, financial and operating controls that are designed to contain and monitor claims risks. The forensic investigation team also advises on improvements to internal control systems and performs forensic investigations on suspected fraudulent claims.

22.3.5 **Product and pricing risk**

A key aspect of insurance risk is that products and risk pricing could be unsuitable or inaccurate resulting in insufficient premiums being charged for the amount of claims experienced.

Some of the mitigating measures in place to address the risk include:

- ongoing analysis of risk experience;
- use of reinsurance – this protects the insurer in that some of the risks of insufficient rates is passed onto a reinsurer;
- margins in the premium rates – generally additional margins are included in the setting of premium rates to arrive at a more prudent set of rates to protect against experience being worse than anticipated; and
- the thorough upfront testing of proposed products, including testing expected expenses and volumes of business, provides an understanding of the expected parameters within which the product pricing will remain appropriate. If expenses or volumes are significantly different from the business plan then the overall offering and position will be revisited and consideration given to making appropriate changes to remedy worsening positions.

22.3.6 **Expense risk**

There is a risk that the company may suffer a loss when actual expenses are higher than those assumed when pricing or valuing contracts. This may be caused by factors increasing the expense charge in running the business, higher than expected expense inflation, or by an in force policy book smaller than expected. Alternatively, lower than expected volumes of new business or higher than expected contract terminations may result in higher than expected expenses or unit costs per policy.

Expense investigations are performed regularly, taking cognisance of the budgeted expenses per policy for the next financial year.

Actual expenses are compared to budgeted expenses on a monthly basis.

22.3.7 **Business volume risk**

Business volume risk relates to expense risk in the context of higher expenses per policy results from smaller in force policy volumes arising from lower than expected volumes of new business or higher than expected contract terminations. Expenses at unit level are monitored as explained above.

22.3.8 **Lapse risk**

Lapse risk relates to the risk of financial loss due to negative lapse experience. Lapse experience is monitored to ensure that negative experience is identified on a timely basis and corrective action is taken. The company's reserving policy for individual life policies is based on actual experience to ensure that adequate provision is made for lapses.

22.3.9 Sensitivity to life insurance liabilities

The five key assumptions that impact the life insurance contract liabilities are:

(1) lapse rates;

(2) mortality and morbidity;

(3) expenses;

(4) interest rates; and

(5) non-collection rates.

The sensitivity of the surplus from life insurance contracts to changes in these assumptions is presented below:

- a 20% increase in lapse rates would reduce profit before tax by R262.4 million (2022: R226.1 million);
- a worsening in mortality and morbidity assumptions by 20% results in profit before tax reducing by R517.1 million (2022: R447.4 million);
- a 20% increase in renewal expense per policy per annum would reduce profit before tax by R190.9 million (2022: R195.0 million);
- a 20% increase in interest rate together with an equivalent increase in inflation would reduce profit before tax by R173.5 million (2022: R182.1 million); and
- a 20% increase in non-collection rates would reduce profit before tax by R86.8 million (2022: R87.2 million).

22.4 Capital management

For internal risk management purposes the company maintains a minimum solvency cover ratio of 1.35 (2022: 1.35) and measured its risk exposures against this level.

The company submits quarterly and annual returns to the Prudential Authority in terms of the insurance legislation. The company is required to at all times maintain a minimum statutory solvency capital requirement of 1. For the year under review the company's actual solvency capital ratio exceeded the minimum requirement.

23. CLASSES AND CATEGORIES OF ASSETS AND LIABILITIES

	Notes	Financial assets and liabilities at fair value through profit or loss R'000	Financial assets and liabilities at amortised cost R'000	Other non-financial assets and liabilities R'000	Total carrying amount R'000	Non-current R'000
Categories of assets and liabilities – 2023						
Assets						
Policyholders assets arising from long-term insurance contracts	4	–	–	1 595 339	1 595 339	1 419 851
Reinsurers' share of policyholder asset arising from long-term insurance	4	–	–	178 417	178 417	158 791
Financial assets backing investment contract liabilities	5	2 001 924	651 647	–	2 653 571	2 088 741
Reinsurers' share of insurance contract liabilities	6	–	–	98 708	98 708	24 617
Investments	7	–	504 015	–	504 015	187 121
Inventory	8	–	–	127	127	–
Current tax receivables	20	–	–	856	856	–
Insurance receivables	9	–	–	12 854	12 854	–
Other receivables	9	–	4 003	20 790	24 793	10 365
Cash and cash equivalents	10	–	189 877	–	189 877	–
Total assets		**2 001 924**	**1 349 542**	**1 907 091**	**5 258 557**	**3 889 486**
Liabilities						
Deferred tax	11	–	–	312 748	312 748	312 748
Investment contract liabilities	5	2 013 245	641 521	–	2 654 766	2 089 936
Liabilities for insurance contracts	6	–	–	384 440	384 440	85 304
Provisions	12	–	–	17 854	17 854	2 016
Insurance payables	13	–	–	91 346	91 346	–
Other payables	13	–	22 332	69 646	91 978	–
Total liabilities		**2 013 245**	**663 853**	**876 034**	**3 553 132**	**2 490 004**

The carrying amount of financial instruments not held at fair value approximates their fair value, except as disclosed in note 5.

	Notes	Financial assets and liabilities at fair value through profit or loss R'000	Financial assets and liabilities at amortised cost R'000	Other non-financial assets and liabilities R'000	Total carrying amount R'000	Non-current R'000
Categories of assets and liabilities – 2022						
Assets						
Policyholders assets arising from long-term insurance contracts	4	–	–	1 436 297	1 436 297	1 278 304
Reinsurers' share of policyholder asset arising from long-term insurance	4	–	–	181 012	181 012	161 102
Financial assets backing investment contract liabilities	5	1 886 711	671 333	–	2 558 044	2 263 376
Reinsurers' share of insurance contract liabilities	6	–	–	176 136	176 136	44 160
Investments	7	–	414 295	–	414 295	72 766
Inventory	8	–	–	2 023	2 023	–
Current tax receivables	20	–	–	1 043	1 043	–
Insurance receivables	9	–	–	10 329	10 329	–
Other receivables	9	–	2 163	3 994	6 157	–
Cash and cash equivalents	10	–	215 252	–	215 252	–
Total assets		**1 886 711**	**1 303 043**	**1 810 834**	**5 000 588**	**3 819 708**
Liabilities						
Deferred tax	11	–	–	258 519	258 519	258 519
Investment contract liabilities	5	1 894 290	662 527	–	2 556 817	2 262 149
Liabilities for insurance contracts	6	–	–	476 900	476 900	105 991
Provisions	12	–	–	8 498	8 498	1 929
Insurance payables	13	–	–	89 393	89 393	–
Other payables	13	–	18 968	39 827	57 792	–
Total liabilities		**1 894 290**	**681 495**	**873 137**	**3 447 919**	**2 628 588**

The carrying amount of financial instruments not held at fair value approximates their fair value.

	Notes	Financial assets and liabilities at fair value through profit or loss R'000	Financial assets and liabilities at amortised cost R'000	Other non-financial assets and liabilities R'000	Total carrying amount R'000	Non-current R'000
Categories of assets and liabilities – 2021						
Assets						
Policyholders assets arising from long-term insurance contracts	4	–	–	1 340 409	1 340 409	1 192 965
Reinsurers' share of policyholder asset arising from long-term insurance	4	–	–	111 855	111 855	99 551
Financial assets backing investment contract liabilities	5	1 822 755	637 180	–	2 459 935	2 429 929
Reinsurers' share of insurance contract liabilities	6	–	–	188 207	188 207	25 405
Investments	7	–	624 755	–	624 755	341 178
Loan to group entity	8	–	556	–	556	–
Inventory	9	–	–	3 886	3 886	–
Insurance receivables	10	–	–	50 736	50 736	–
Other receivables	10	–	2 171	1 984	4 155	–
Cash and cash equivalents	11	–	123 147	–	123 147	–
Total assets		**1 822 755**	**1 387 809**	**1 697 077**	**4 907 641**	**4 089 028**
Liabilities						
Deferred tax	12	–	–	284 271	284 271	284 271
Investment contract liabilities	5	1 822 755	624 846	–	2 447 601	2 417 595
Liabilities for insurance contracts	6	–	–	535 708	535 708	71 184
Provisions	13	–	–	8 891	8 891	1 878
Current tax payable	21	–	–	1 066	1 066	
Insurance payables	14	–	–	93 456	93 456	–
Other payables	14	–	23 223	36 048	59 271	–
Total liabilities		**1 822 755**	**648 069**	**959 440**	**3 430 264**	**2 774 928**

The carrying amount of financial instruments not held at fair value approximates their fair value

24. LONG-TERM AND ANNUAL INCENTIVES

An incentive structure exists under which an executive director are entitled to future payments that are calculated annually based on the growth in the estimated value of the company.

The liability of R4 153 495 (2022: R1 180 534) is included in note 12.

APPENDIX A – SIGNIFICANT ACCOUNTING POLICIES

1. **ACCOUNTING POLICIES**

These accounting policies represent a summary of the significant accounting policy elections of 1Life Insurance (RF) Limited (the company). They are not intended to be a complete list of all policies. A list of the full detailed accounting policies of the company is available at the registered office of the company.

2. **INSURANCE CONTRACTS**

Classification of insurance contracts

An insurance contract is a contract under which the insurer accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Insurance risk is risk other than financial risk, transferred from the holder of the contract to the issuer. Such contracts may also transfer financial risk. The company defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are more than the benefits payable if the insured event did not occur. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided that in the case of a non-financial variable that the variable is not specific to a party to the contract.

Reinsurance contracts

Contracts entered into by the company with reinsurers under which the company is compensated for losses on insurance contracts issued by the company and that meet the classification requirements for insurance contracts, are accounted for as reinsurance contracts held. Insurance contracts entered into by the company under which the contract holder is another insurer (inwards reinsurance) are accounted for as inwards reinsurance business.

Net policyholder asset

Life insurance contract assets and liabilities are valued according to the requirements of the professional guidance notes ("**SAPs**") issued by the Actuarial Society of South Africa ("**ASSA**"). Of particular relevance to the insurance assets and insurance liabilities calculations, are the following actuarial guidance notes:

- SAP 104: Life offices – calculation of the value of assets, liabilities and capital adequacy requirements of long-term insurers; and
- APN 105: Recommended AIDS extra mortality bases.

The insurance contracts are valued in terms of the financial soundness valuation ("**FSV**") basis contained in SAP104 issued by the ASSA. An asset or liability for contractual benefits that are expected to be realised or incurred in the future is recorded in respect of the existing policy book when the premiums are recognised. The asset and liability are determined as the sum of the expected discounted value of the benefit payments and the future administration expenses that are directly related to the contract, less the expected discounted value of the premiums to be paid in terms of the policy contract. The asset or liability is based on best-estimate assumptions as to mortality, persistency, maintenance expenses and investment income that are established at the time the contract is issued and updated on an annual basis at reporting date to reflect current expectations.

Compulsory margins to adverse deviations are included in the assumptions as required in terms of SAP104. Allowance can be made for future margins at the discretion of the Head of Actuarial Function. Negative reserves have not been eliminated.

Measurement

Premiums

Net premium income is the gross written premiums for the period, net of the reinsurance premiums ceded.

Gross premiums written are recognised in profit or loss and comprise premiums on insurance contracts entered into during the year at the undiscounted amounts payable in terms of the contracts, irrespective of whether they relate in whole or in part to a later accounting period. Gross premiums written are disclosed before deductions of expenses for the acquisition of insurance contracts, commission, reinsurance premiums and exclude value added taxation (where applicable). Gross premiums written include adjustments to premiums written in prior accounting periods. Reinsurance premiums ceded are recognised as an expense in profit or loss, in the same period as the gross written premium they relate to, at the undiscounted amounts payable in terms of the contracts.

Claims

Net claims incurred are the gross insurance claims incurred, net of any reinsurers' share of claims incurred. Gross insurance claims are recorded as an expense at a discounted amount when they are incurred, and consist of claims paid during the financial year together with the movement in provisions for outstanding claims and IBNR.

Claims handling expenses are included in the gross claims. Reinsurers' share of claims incurred are recognised in profit or loss in the same period as the related claim at the discounted amount receivable in terms of the contracts.

*Incurred but not yet reported claims ("**IBNR**") and outstanding claims provision ("**OCR**")*

The IBNR provision is a best estimate of claims incurred that have not yet been reported. IBNR is calculated using a consistent methodology taking into account compulsory margins to the total incurred claims experience. The profile of claims run-off (over time) is modelled on a statistical basis by using historic data of the company. The profile is then applied to actual claims data of recent periods for which the run-off is not complete. The IBNR provision is included in the liabilities for insurance contracts. Anticipated reinsurance recoveries are disclosed separately as assets. The outstanding claims provision indicates the outstanding value of claims reported and not yet settled and is adjusted for repudiations. The discount rate applied by the life insurer on IBNR and OCR is obtained from the risk-free rates that is received from the Prudential Authority.

Commission incurred

These consist of commission on marketing management costs paid by the company upon the acquisition of new and additional insurance business, and are recognised in the same period as the premium to which it relates.

Broker commission clawback receivable

Commission is paid to brokers based on each policy sold before the first premium for a policy is collected. In the event that the first premium is not collected, the commission paid on the policy sold is clawed back from the broker. This amount is recognised as a receivable in the statement of financial position and is tested annually for impairment.

Impairment

Reinsurance assets as well as insurance receivables are assessed for impairment at each reporting date. Impairment losses on these assets are recognised in profit or loss for the period.

Receivables and payables related to insurance contracts

Insurance receivables and insurance payables are treated in terms of IFRS 4. Insurance receivables comprise premium receivables and reinsurance receivables. Insurance payables comprise reinsurance payables and commission payable.

3. **FINANCIAL INSTRUMENTS**

Measurement

Initial recognition and measurement

The company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual agreement.

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. A financial instrument is recognised in the financial statements when the entity becomes a party to the financial instrument contract.

Financial assets are classified, at initial recognition, as measured at amortised cost, fair value through other comprehensive income ("**FVTOCI**"), or fair value through profit or loss ("**FVTPL**").

Financial liabilities are classified, at initial recognition, as measured at amortised cost or fair value through profit or loss.

Financial assets and financial liabilities are initially measured at fair value plus transaction costs directly attributable to its acquisition or issue, except for financial assets held at fair value through profit or loss. Financial assets held at fair value through profit or loss are initially recognised at fair value and directly attributable transaction costs are recognised in profit or loss as they are incurred.

Fair value gains and losses have been offset in profit or loss only to the extent that the gain and loss offset occurred on investment contract liabilities.

Subsequent measurement

	Classification under IFRS 9
Financial assets	
Cash and cash equivalents	Amortised cost
Investments – Underlying items	
Fixed deposits	Amortised cost
Investment contracts – underlying products	
Endowment policy – product 1	Amortised cost
Endowment policy – product 1	Fair value through profit or loss
Endowment policy – product 2	Fair value through profit or loss
Endowment policy – product 3	Fair value through profit or loss
Living Annuity	Fair value through profit or loss
Receivables	Amortised cost
Financial liabilities	
Investment contracts – underlying products	
Endowment policy – product 1	Fair value through profit or loss
Endowment policy – product 1	Fair value through profit or loss
Endowment policy – product 2	Fair value through profit or loss
Endowment policy – product 3	Fair value through profit or loss
Living Annuity	Fair value through profit or loss
Payables	Amortised cost

Investment contracts asset and liabilities held at fair value through profit or loss

Subsequent to initial recognition, investment contract assets and investment contract liabilities are measured at fair value, and any gains or losses therein are offset.

Impairment of financial assets

The company assesses at each end of the reporting period an allowance for expected credit losses ("**ECLs**") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Offsetting, derecognition and reclassification of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The company derecognises an asset:

- when the contractual rights to the cash flows from the asset expire; or
- where there is a transfer of contractual rights to receive cash flows on the asset in a transaction in which substantially all the risk and rewards of ownership of the asset are transferred; or
- where the company retains the contractual right to the cash flows from the asset but assumes a corresponding liability to transfer the contractual rights to another party and consequently transfers substantially all of the risk and benefits associated with the asset.

The company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire. The gains and losses on the living annuity products are offset through profit or loss on the statement of profit or loss and other comprehensive income.

4. INVENTORY

Measurement

Initial recognition and subsequent measurement

Inventories are carried at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the first-in-first-out basis. Net realisable value is the estimated selling price in the ordinary course of business, less the applicable variable selling expenses. The cost of inventory comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

Inventory is reduced for estimated losses arising from excess, obsolescence, and decline in value. This reduction is determined by estimating market value based on future customer demand. The write down to net realisable value of inventory is recorded as an expense.

Inventory are expensed once the item has been dispatched to the client and the cost is then allocated to acquisition cost in the statement of profit or loss.

5. STATED CAPITAL AND EQUITY

Stated capital

Stated capital is the aggregate par value of all shares issued.

Retained earnings

This comprises profits generated by the company that is available for distribution.

Dividends

This is a distribution of earnings to the company's shareholder.

6. OTHER INCOME, EXPENSES AND PROVISIONS

Other income

Other income represents the amounts receivable for services provided in the normal course of business, net of trade discounts, volume rebates and value added taxation that is not classified as insurance premiums in terms of IFRS 4. Other income is measured at fair value of the consideration received or receivable.

Finance income

Finance income is measured using the effective interest method and is recognised in profit or loss.

Expenses

Finance expense

Finance expense is measured using the effective interest method and is recognised in profit or loss.

Long-term and annual incentive

The company's net obligation in respect of long-term and short-term employee benefits other than pension plans is the amount of future benefits that employees and directors have earned in return for their service in the current and prior periods.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognised as an expense with a corresponding increase in liabilities, over the period that the employees become unconditionally entitled to payment. The liability is re-measured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as an employee cost or directors' emoluments in profit or loss.

Employee benefits

- *Short term employee benefits:*

  The cost of short-term employee benefits is recognised in the period in which the service is rendered and is not discounted. A liability is recognised for the amount expected to be paid if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

- *Termination benefits:*

  Termination benefits are recognised as an expense in the statement of profit or loss and other comprehensive income and a liability in the statement of financial position when the company has a present obligation relating to termination.

- *Leave pay accrual:*

  The expected cost of compensated absence is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absence, when the absence occurs.

- *Management bonus:*

  The expected cost of profit sharing and bonus payments are recognised as an expense when there is a legal or constructive obligation to make payments as a result of past performance.

Taxation

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects the uncertainty related to income taxes, if any. Current tax is measured using tax rates enacted or substantively enacted at the reporting date. Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period.

Provisions

Provisions comprise the present value of the expenditure expected to be required to settle the obligation.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. The unwinding of discount is recognised as a finance cost.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

ANNEXURE 5

The Directors
Clientèle Limited ("**Clientèle**")
Clientèle Office Park
corner Rivonia and Alon Road
Morningside
2196

Dear Sirs/Madams

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF 1LIFE

Introduction

We have:

- audited the historical financial information of 1Life Insurance (RF) Limited ("**1Life**" or "**the Company**") in respect of the years ended 30 June 2022 and 30 June 2023 as presented in Annexure 4 to the Circular to be issued on Monday, 26 February 2024 ("**the Circular**") in compliance with the Listings Requirements of the JSE Limited ("**JSE Listings Requirements**"); and
- reviewed the historical financial information of the Company in respect of the year ended 30 June 2021 as presented in Annexure 4 to the Circular.

Historical Financial Information for the years ended 30 June 2022 and 30 June 2023

Opinion

The historical financial information in respect of the years ended 30 June 2022 and 30 June 2023 as presented in Annexure 4 to the Circular comprises the statements of financial position as at 30 June 2022 and 30 June 2023, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the historical financial information, including a summary of significant accounting policies.

In our opinion, the historical financial information presents fairly, in all material respects, the statements of financial position of the Company as at 30 June 2022 and 30 June 2023, and its statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended in accordance with International Financial Reporting Standards and the JSE Listings Requirements.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("**ISAs**"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Historical Financial Information for the years ended 30 June 2022 and 30 June 2023. We are independent of the Company in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors ("**IRBA Code**") and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Directors' Responsibility for the Historical Financial Information

The Company's and Clientèle's directors are responsible for the preparation and fair presentation of the historical financial information for the years ended 30 June 2022 and 30 June 2023 in accordance with International Financial Reporting Standards and the JSE Listings Requirements and the Company's directors are responsible for such internal control as the directors determine is necessary to enable the preparation of historical financial information that is free from material misstatement, whether due to fraud or error.

In preparing the historical financial information, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Historical Financial Information for the years ended 30 June 2022 and 30 June 2023

Our objectives are to obtain reasonable assurance about whether the historical financial information for the years ended 30 June 2022 and 30 June 2023 as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the historical financial information.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the historical financial information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the historical financial information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the historical financial information, including the disclosures, and whether the historical financial information represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors of the Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Historical Financial Information for the year ended 30 June 2021

We have reviewed the historical financial information of the Company in respect of the year ended 30 June 2021 set out in Annexure 4 to the Circular, comprising the statement of financial position, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows, including a summary of significant accounting policies and selected explanatory notes.

Directors' Responsibility for the Historical Financial Information

The directors of the Company and Clientèle are responsible for the preparation and fair presentation of the historical financial information in accordance with International Financial Reporting Standards and the JSE Listings Requirements and the Company's directors are responsible for such internal control as the directors determine is necessary to enable the preparation of historical financial information that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Reviews of the Historical Financial Information for the year ended 30 June 2021

Our responsibility is to express conclusions on the historical financial information for the year ended 30 June 2021. We conducted our review in accordance with International Standard on Review Engagements ("**ISRE**") 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity ("**ISRE 2410**"), which applies to a review of historical financial information performed by the independent auditor of the entity. ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the historical financial information is not prepared, in all material respects, in accordance with International Financial Reporting Standards and the JSE Listings Requirements. This standard also requires us to comply with relevant ethical requirements.

A review of the historical financial information in accordance with ISRE 2410 is a limited assurance engagement. We perform procedures, primarily consisting of making inquiries of the directors 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 and differ in nature from those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on the historical financial information.

Conclusion on the Historical Financial Information

Based on our review, nothing has come to our attention that causes us to believe that the historical financial information of the Company for the year ended 30 June 2021 do not present fairly, in all material respects, the financial position of the Company as at 30 June 2021 and its financial performance and cash flows for the year then ended, in accordance with the International Financial Reporting Standards and the JSE Listings Requirements.

Purpose of the report

The purpose of our report is for a Circular to the shareholders of Clientèle Limited and is not to be used for any other purpose.

Deloitte & Touche
Registered Auditor
Per: Gerdus Dixon
Partner
19 February 2024
The Ridge
6 Marina Road
Portswood District
V&A Waterfront
Cape Town
8000

ANNEXURE 6

MATERIAL BORROWINGS

The material borrowings of the Clientèle Group as at 30 June 2023 are as set out below. The table below sets out details of the type of facility, origination, loan amount, interest rate, maturity date, terms and conditions of repayment or renewal and details of security provided for the material loans.

No.	Type of facility	Origination	Loan amount (R)	Interest rate	Maturity date	Terms and conditions of repayment and renewal	Details of security provided
1	Medium term credit facility	December 2020	100 000 000	3-month JIBAR plus 250 basis points	December 2023	The loan is fully repayable in December 2023	Guarantee issued in favour of Nedbank from Clientèle

Notes:

1. The table represents the Group's interest bearing debt as at 30 June 2023.
2. The loan was converted into a R100 million revolving credit facility with Nedbank in December 2023.
3. None of the material borrowings set out above have any conversion or redemption rights attaching to them.

CLIENTÈLE LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 2007/023806/06)
Share code: CLI
ISIN Number: ZAE000117438
("**Clientèle**" or "**the Company**")

NOTICE OF GENERAL MEETING

The definitions and interpretations commencing on page 7 of this Circular apply throughout this Circular, including this Notice of General Meeting.

NOTICE IS HEREBY GIVEN that a general meeting of Shareholders will be held at Clientèle's offices on Wednesday, 27 March 2024 at 08h00, physically at Building 7, Clientèle Office Park, C/O Alon & Rivonia Roads, Morningside, Johannesburg, for purposes of considering and, if deemed fit, passing, with or without modification, the Resolutions set out hereunder.

Note:

- For a special resolution to be approved by Shareholders, it must be supported by at least 75% of the voting rights exercised on such resolution.
- For an ordinary resolution to be approved by Shareholders, it must be supported by more than 50% of the voting rights exercised on such resolution.
- For Ordinary Resolution Number 1, Newshelf, River Lily and the Hollard Group will be taken into account in determining a quorum, but their votes will not be taken into account in determining the results of Ordinary Resolution Number 1.

SPECIAL RESOLUTION NUMBER 1 – AUTHORITY TO ALLOT AND ISSUE THE CONSIDERATION SHARES IN TERMS OF THE COMPANIES ACT

"**RESOLVED AS A SPECIAL RESOLUTION** that, subject to the approval of Ordinary Resolution Number 1, Ordinary Resolution Number 2 and Ordinary Resolution Number 3, the Company be and is hereby authorised to allot and issue the Consideration Shares, in terms of section 41(3) of the Companies Act and on the terms more fully set out in the Share Exchange Agreement, the salient details of which are set out in the Circular to which this Notice of General Meeting is attached and a copy of which has been made available for inspection by Shareholders."

Reason and effect of Special Resolution Number 1

The reason for Special Resolution Number 1 is to obtain the approval of the Shareholders to allot and issue the Consideration Shares in terms of section 41(3) of the Companies Act, as the voting power attaching to the Consideration Shares will equal or exceed 30% (thirty percent) of the voting power of all of the Shares held by Shareholders of the Company immediately before the issue of such shares. The effect of Special Resolution Number 1, is that the Company will be authorised to allot and issue the Consideration Shares in terms of section 41(3) of the Companies Act.

ORDINARY RESOLUTION NUMBER 1 – APPROVAL OF THE 1LIFE ACQUISITION IN TERMS OF JSE LISTINGS REQUIREMENTS

"**RESOLVED AS AN ORDINARY RESOLUTION** that, subject to the approval of Special Resolution Number 1, Ordinary Resolution Number 2 and Ordinary Resolution Number 3, the 1Life Acquisition be and is hereby approved by Shareholders in accordance with the relevant and applicable provisions of the JSE Listings Requirements and that the Company be and is hereby authorised to implement the 1Life Acquisition on the terms more fully set out in the Share Exchange Agreement, the salient details of which are set out in the Circular to which this Notice of General Meeting is attached and a copy of which has been made available for inspection by Shareholders."

Reason and effect of Ordinary Resolution Number 1

The reason for Ordinary Resolution Number 1 is to obtain the approval of the Shareholders to implement the 1Life Acquisition in accordance with the relevant and applicable provisions of the JSE Listings Requirements. The effect of Ordinary Resolution Number 1 is that the Company will be authorised to implement the 1Life Acquisition in accordance with the JSE Listings Requirements.

ORDINARY RESOLUTION NUMBER 2 – ELECTION OF MURRAY RAISBECK AS A DIRECTOR

"**RESOLVED AS AN ORDINARY RESOLUTION** that, subject to the approval of Special Resolution Number 1, Ordinary Resolution Number 1 and Ordinary Resolution Number 3, Murray Raisbeck (nominated by TIH) be and is hereby elected as a director of Clientèle, with effect from the Closing Date."

Summary *curriculum vitae* of Murray Raisbeck

Murray joined BHL Holdings in May 2022 as its CFO. BHL Holdings is the parent company of a number of predominantly insurance related business, including TIH. Murray was previously a partner at KPMG having worked in the UK and has 20 years' experience in financial services. An auditor by background, Murray joined KMPG in 1999 and became a partner in 2011. Murray's role included him leading KPMG's global Fintech team, a digital team in the UK as well as leading key financial sector accounts.

Reason and effect of Ordinary Resolution Number 2

The reason for Ordinary Resolution Number 2 is to obtain the approval of the Shareholders to appoint Murray Raisbeck (nominated by TIH) to the board of directors of Clientèle, with effect from the Closing Date and in accordance with the Share Exchange Agreement. The effect of Ordinary Resolution Number 2 is that Murray Raisbeck (nominated by TIH) will be appointed to the board of directors of Clientèle, with effect from the Closing Date.

ORDINARY RESOLUTION NUMBER 3 – ELECTION OF THOMAS JOHN CREAMER AS A DIRECTOR

"**RESOLVED AS AN ORDINARY RESOLUTION** that, subject to the approval of Special Resolution Number 1, Ordinary Resolution Number 1 and Ordinary Resolution Number 2, Thomas John Creamer (nominated by TIH) be and is hereby elected as a director of Clientèle, with effect from the Closing Date."

Summary *curriculum vitae* of Thomas John Creamer

Thomas is the CEO of TIH having joined the company in 1988. Thomas is a seasoned executive leader with extensive experience in all facets of the insurance industry including marketing, sales, product development, customer experience, rating, pricing and underwriting. He is recognised as an innovator who helped revolutionise and disrupt the South African insurance landscape by conceptualising, launching and building several of South Africa's leading insurance brands.

Reason and effect of Ordinary Resolution Number 3

The reason for Ordinary Resolution Number 3 is to obtain the approval of the Shareholders to appoint Thomas John Creamer (nominated by TIH) to the board of directors of Clientèle, with effect from the Closing Date and in accordance with the Share Exchange Agreement. The effect of Ordinary Resolution Number 3 is that Thomas John Creamer (nominated by TIH) will be appointed to the board of directors of Clientèle, with effect from the Closing Date.

RECORD DATES

The date on which Shareholders must have been recorded as such in the Register for purposes of being entitled to receive the Circular and the Notice of General Meeting, was Friday, 16 February 2024.

The date on which Shareholders must be recorded in the Register for purposes of being entitled to attend, participate and vote at the General Meeting is Friday, 22 March 2024, with the last day to trade being Monday, 18 March 2024.

IDENTIFICATION, VOTING AND PROXIES

In terms of the Companies Act, any Shareholder or proxy who intends to attend or participate at the General Meeting ("**Meeting Participants**") must be able to present reasonably satisfactory identification at the meeting for such Shareholder or proxy to attend and participate at the General Meeting. An identification document issued by the South African Department of Home Affairs, a driver's licence or a valid passport will be accepted at the General Meeting as sufficient identification. If in doubt as to whether any document will be regarded as satisfactory proof of identification, Meeting Participants should contact the Transfer Secretaries for guidance.

Voting at the General Meeting will be conducted by way of a poll.

Dematerialised Shareholders who are not Own-name Registration Dematerialised Shareholders

Dematerialised Shareholders, other than Own-name Registration Dematerialised Shareholders, who wish to attend the General Meeting in person or for their proxy to represent them at the General Meeting, will need to request their CSDP or Broker to provide them with the necessary letter of representation in terms of the Custody Agreement entered into between such Shareholders and their CSDP or Broker.

Dematerialised Shareholders, other than Own-name Registration Dematerialised Shareholders, who are unable to attend the General Meeting and who wish to be represented thereat, must provide their CSDP or Broker with their voting instructions in terms of the Custody Agreement entered into between themselves and their CSDP or Broker in the manner and time stipulated therein.

Certificated Shareholders and Dematerialised Shareholders who are Own-name Registration Dematerialised Shareholders

Certificated Shareholders and Own-name Registration Dematerialised Shareholders are entitled to attend, speak and vote at the General Meeting and may appoint one or more proxies to attend, speak and vote thereat in their stead. A proxy need not be a Shareholder. A Form of Proxy *(grey)*, which sets out the relevant instructions for its completion, is enclosed for use by Certificated Shareholders and Own-name Registration Dematerialised Shareholders who wish to be represented at the General Meeting.

Completion of a Form of Proxy will not preclude such Shareholder from attending and voting (in preference to that Shareholder's proxy) at the General Meeting.

The Form of Proxy and the authority (if any) under which it is signed must be lodged, posted or e-mailed to the Transfer Secretaries at the addresses set out below, to be received by them, for administrative purposes, by no later than 08h00 on Monday, 25 March 2024 or thereafter handed to the chairperson of the General Meeting or the Transfer Secretaries at the General Meeting, at any time before the proxy exercises any rights of the Shareholder at such General Meeting.

Hand deliveries to:
The Transfer Secretaries
Rosebank Towers
15 Biermann Avenue
Rosebank
Johannesburg, 2196

Postal deliveries to:
Transfer Secretaries
Private Bag X9000, Saxonwold, 2132

Email deliveries to:
The Transfer Secretaries
proxy@computershare.co.za

By order of the Board

Eben Smit
Clientèle Group Company Secretary

Monday, 26 February 2024

Clientèle

CLIENTÈLE LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 2007/023806/06)
Share code: CLI
ISIN Number: ZAE000117438
("**Clientèle**" or "**the Company**")

FORM OF PROXY

The definitions and interpretations commencing on page 7 of this Circular apply throughout this Circular, including to this Form of Proxy.

This Form of Proxy is for use at the General Meeting be held at Clientèle's offices on Wednesday, 27 March 2024 at 08h00, physically at Building 7, Clientèle Office Park, C/O Alon & Rivonia Roads, Morningside, Johannesburg.

This Form of Proxy is for use by Certificated Shareholders and Own-name Registration Dematerialised Shareholders only who are unable to attend the General Meeting physically.

Dematerialised Shareholders who are not Own-name Registration Dematerialised Shareholders must not complete this Form of Proxy and must provide their CSDP or Broker with their voting instructions. Dematerialised Shareholders who are not Own-name Registration Dematerialised Shareholders wishing to physically attend the General Meeting in person or for their proxy to represent them at the General Meeting, must inform their CSDP or Broker of such intention and request their CSDP or Broker to issue them with the necessary letter of representation to attend.

I/We (Full name in print)

of (address)

Telephone: (work) area code (   ) Telephone: (home) area code (   )

Cell phone number: E-mail address:

being the holder of [   ] Shares in Clientèle, hereby appoint:

1. or failing him/her

2. or failing him/her

3. the chairman of the General Meeting,

as my/our proxy to attend, speak and vote for me/us at the General Meeting for purposes of considering and, if deemed fit, passing, with or without modification, the Resolutions to be proposed thereat and at any adjournment thereof and to vote for and/or against the Resolutions and/or abstain from voting in respect of the Shares registered in my/our name(s), in accordance with the following instruction (see notes):

	Number of Shares		
	In favour of	**Against**	**Abstain**
SPECIAL RESOLUTION NUMBER 1 – AUTHORITY TO ALLOT AND ISSUE THE CONSIDERATION SHARES IN TERMS OF THE COMPANIES ACT			
ORDINARY RESOLUTION NUMBER 1 – APPROVAL OF THE 1LIFE ACQUISITION IN TERMS OF JSE LISTINGS REQUIREMENTS			
ORDINARY RESOLUTION NUMBER 2 – ELECTION OF MURRAY RAISBECK AS A DIRECTOR			
ORDINARY RESOLUTION NUMBER 3 – ELECTION OF THOMAS JOHN CREAMER AS A DIRECTOR			

Please **indicate** your voting instruction by way of inserting the number of Shares or by a cross in the space provided should you wish all your Shares to be voted.

Signed at on this day of

Signature(s)

Assisted by *(where applicable) (state capacity and full name)*

Each Shareholder is entitled to appoint one or more proxy(ies) (who need not be Shareholder(s) of Clientèle to attend, speak and vote in his/her stead at the General Meeting.

Please read the notes on the reverse side hereof.

Notes to Form of Proxy

1. A Shareholder entitled to attend and vote at the General Meeting is entitled to appoint one or more proxies to attend, speak and vote in his/her stead. A proxy need not be a registered Shareholder of Clientèle.

2. Every Shareholder present in person or by proxy and entitled to vote at the General Meeting shall, on a show of hands, have one vote only, irrespective of the number of Shares such Shareholder holds. In the event of a poll, every Shareholder shall be entitled to one vote for each Share held and that is eligible to vote at the General Meeting.

3. A Shareholder may insert the name of a proxy or the names of two alternative proxies of the Shareholder's choice in the space/s provided, with or without deleting "the chairman of the General Meeting", but any such deletion must be initialled by the Shareholder. Should this space/s be left blank, the proxy will be exercised by the chairman of the General Meeting. The person whose name appears first on the Form of Proxy and who is present at the General Meeting will be entitled to act as proxy to the exclusion of those whose names follow.

4. A Shareholder's voting instructions to the proxy must be indicated by inserting the number of Shares that Shareholder wishes the proxy exercise or a cross should the Shareholder wish the proxy to exercise all exercisable votes, in the appropriate spaces provided overleaf. Failure to do so will be deemed to authorise the proxy to vote or to abstain from voting at the General Meeting as he/she thinks fit in respect of all the Shareholder's exercisable votes. A Shareholder or his/her proxy is not obliged to use all the votes exercisable by him/her or by his/her proxy, but the total number of votes cast, or those in respect of which abstention is recorded, may not exceed the total number of votes exercisable by the Shareholder or by his/her proxy.

5. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the Transfer Secretaries or Company Secretary.

6. To be valid, the completed Form of Proxy must be lodged with, posted to or e-mailed to the Transfer Secretaries, at the addresses set out below, to be received by them, for administrative purposes, by no later than 08h00 on Monday, 25 March 2024 or thereafter by handing such form to the chairperson of the General Meeting or the Transfer Secretaries at the General Meeting, at any time before the proxy exercises any rights of the Shareholder at such General Meeting.

   Hand deliveries to:
   The Transfer Secretaries
   Rosebank Towers
   15 Biermann Avenue
   Rosebank
   Johannesburg, 2196

   Postal deliveries to:
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   Private Bag X9000, Saxonwold, 2132

   Email deliveries to:
   The Transfer Secretaries
   proxy@computershare.co.za

7. Documentary evidence establishing the authority of a person signing this Form of Proxy in a representative capacity must be attached to this Form of Proxy unless previously recorded by the Transfer Secretaries, the Company Secretary or waived by the chairperson of the General Meeting.

8. The completion and lodging of this Form of Proxy will not preclude the relevant Shareholder from attending the General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such Shareholder wish to do so.

9. The appointment of a proxy in terms of this Form of Proxy is revocable in terms of the provisions of section 58(4)(c) read with section 58(5) of the Companies Act, and accordingly a Shareholder may revoke the proxy appointment by cancelling it in writing, or making a later inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and to Clientèle.

10. The completion of any blank spaces overleaf need not be initialled. Any alterations or corrections to this Form of Proxy must be initialled by the signatory/ies.

11. The chairman of the General Meeting may accept any Form of Proxy which is completed other than in accordance with these instructions provided that he/she is satisfied as to the manner in which a Shareholder wishes to vote.

ADDITIONAL FORMS OF PROXY ARE AVAILABLE FROM THE TRANSFER SECRETARIES ON REQUEST.

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