

3Sixty Life Limited

Report for an investigation in terms of section 134(1) of the
Financial Sector Regulation Act of 2017

10 November 2020

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1. Introduction

1.1 Scope of the Investigation

The Prudential Authority appointed Deloitte & Touche (“Deloitte”, “us” or “we”) to perform an Investigation at 3Sixty Life Limited (“3Sixty Life”) in terms of section 134(1) of the Financial Sector Regulation Act of 2017.

The scope of the Investigation was set out in a letter from the Prudential Authority to the Chief Executive Officer of 3Sixty Life dated 5 May 2020 (refer Appendix A) as follows:

- **Objective 1:** inspect all intra-group transactions (on balance sheet and entered into during the last three financial years) and to report back on the nature, quantum, recoverability and purpose;
- **Objective 2:** inspect the governance processes followed by the board of directors of 3Sixty Life in considering and approving the intra-group transactions; and
- **Objective 3:** inspect the sources of funding and details (i.e. purchase price vs NAV etc.) of the acquisition of Salt Employee Benefits Limited and 3Sixty Pharmaceuticals Limited.

1.2 Information relied upon for the Investigation

On 26 May 2020 the Prudential Authority facilitated an introductory between management of 3Sixty Life and 3Sixty Global Solutions Group Proprietary Limited (collectively referred to as “3Sixty management”) and Deloitte.

During the period June 2020 to September 2020 Deloitte submitted written information requests to 3Sixty management and held follow-up discussions with 3Sixty management to understand the context of the information provided, or the non-availability of information requested. The information provided by 3Sixty management and considered by us include:

- a) An analysis of related party balances and transactions as reported by 3Sixty Life in the notes to the audited financial statements for the 2017-2019 financial years. The financial statements were prepared in terms of International Financial Reporting Standards. Refer Appendix B for an extract of the analysis provided in respect of the 2017 and 2018 financial years and Appendix C for an extract of the related party balances and transactions from the 3Sixty Life 2019 financial statements ;
- b) audited financial statements for 3Sixty Life for the 2017-2019 financial years;
- c) copies of written agreements in support of the related party transactions and balances disclosed in the financial statements (where available);
- d) meeting papers (packs) for 3Sixty Life audit committee and board of director meetings that took place in the 2017- 2019 financial years, as well as the first half of the 2020 financial year;
- e) copies of the board of director and audit committee charters;
- f) Numsa group structure (refer 2.1 for an extract of this group structure);
- g) audited financial statements of Doves Group Proprietary Limited and 3Sixty Health Proprietary Limited for the 2019 financial year;
- h) audited solo annual QRT return for 3Sixty Life for the 2019 financial year;
- i) an analysis of the sponsorships expense item included in the audited 2018 and 2019 3Sixty Life financial statements; and
- j) documents related to and including the purchase agreement for the acquisition by 3Sixty Group of shares in Salt Employee Benefits Limited and financial information on 3Sixty Biopharmaceuticals Proprietary Limited.

We held meetings with the following persons who provided background information to the related party transactions and balances, and related governance processes:

- Khandani Msibi (3Sixty Group CEO)
- Dr Osborn Mahanjana (3Sixty Group COO)
- Olu Luthaga (3Sixty Group CFO)
- Neo Bodibe (Chairperson of 3Sixty Life)
- Nicolette Jacobs (PwC external audit engagement partner for 3Sixty Life for the 2018 financial year)
- Peter Withey (Head of Actuarial Function)
- Gugulethu Ngcobo (Chairperson of 3Sixty Life audit committee)
- Tebogo Moshakga (3Sixty Group Executive: Governance, Legal, Risk and Compliance)

1.3 Distribution of the report

Our report is prepared by Deloitte solely for the use by the Prudential Authority for the Investigation and should not be used for any other purpose, nor distributed to third parties without our prior written consent.

1.4 Glossary and abbreviations

Companies Act	Companies Act 71 of 2008
Doves Group	Doves Group Proprietary Limited
FAIS Act	Financial Advisory and Intermediary Services Act 37 of 2002
FSP	Financial Services Provider
FSCA	Financial Sector Conduct Authority
FSRA	Financial Sector Regulation Act 9 of 2017
HAF	Head of Actuarial Function
IFRS	International Financial Reporting Standards
Investigation	The Prudential Authority appointed Deloitte to perform an Investigation at 3Sixty Life Limited in terms of section 134(1) of the Financial Sector Regulation Act of 2017
Insurance Act	Insurance Act 18 of 2017
Numsa or NUMSA	Numsa is the biggest metalworkers trade union in South Africa
Numsa Financial Services or NFS	Numsa Financial Services Proprietary Limited
Numsa Investment Company	Numsa Investment Company Proprietary Limited
Related parties	As defined in IAS 24: <i>Related Party Disclosures</i>
Salt	Salt Employee Benefits Proprietary Limited
3Sixty Biopharmaceuticals	3Sixty Biopharmaceuticals Proprietary Limited
3Sixty Client Solutions	3Sixty Client Solutions Proprietary Limited
3Sixty Group	3Sixty Global Solutions Group Proprietary Limited
3Sixty Health	3Sixty Health Proprietary Limited
3Sixty Life or the insurer	3Sixty Life Limited
SCR	Solvency Capital Requirement



1.5 Limitations

3Sixty Life experienced significant churn in its executive management in recent years. Often we found 3Sixty management's response to our questions were limited and/or qualified as the current team does not have detailed knowledge of past transactions. Some of these instances are specifically noted in our report.

In determining the transactions and balances that are in scope for the Investigation, we assumed the related party transactions and balances as disclosed in the audited 2017-2019 annual financial statements were complete. Through our review of the board and audit committee papers, we identified additional items that are related party transactions and balances that were not disclosed as such in the annual financial statements. Whilst we have considered these additional items identified as part of the Investigation, a risk remains we did not identify and therefore consider all such items.

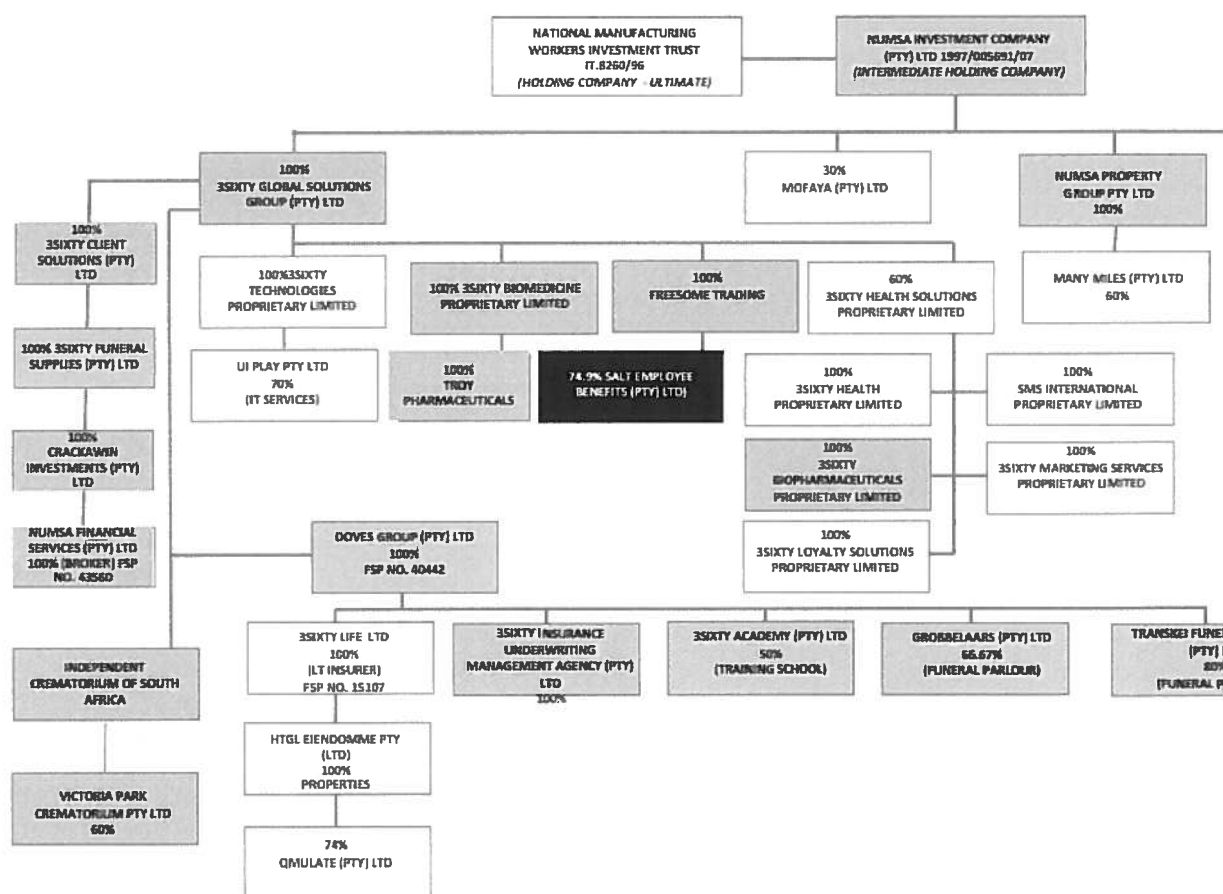
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2. Executive summary

2.1 Group structure and how the inter-connectedness of group companies give rise to related party transactions

3Sixty Life (at incorporation known as HTG Life) was set-up to underwrite funeral insurance products marketed by Doves Group. When Numsa Investment Company acquired Doves Group it also became the controlling shareholder of 3Sixty Life.

In excess of 80% of the premiums currently underwritten by 3Sixty Life are introduced by entities in the Numsa group structure. The contributing entities are Doves Group, 3Sixty Client Solutions and Numsa Financial Services. In addition, 3Sixty Life acquires services and products from various other entities in the Numsa group structure. Refer below extract of the Numsa group structure for more context.



3Sixty Group management views the inter-connectedness of these entities as key to 3Sixty Life's commercial success. In our discussions with 3Sixty Group management (also confirmed in a written memo addressed to us) it was stated "it is clear that 3Sixty Life is umbilically connected to Doves Group, Numsa Financial Services and 3Sixty Client Solutions" and "3Sixty Life does not exist without its sister companies and what has carried all of them into success is the symbiosis that exist." A number of our findings reported below originate from this mindset where 3Sixty management viewed different legal entities often as one, with insufficient documentation and/or governance for the transactions between these parties.

With its access to liquid assets 3Sixty Life, at times, during the period that we reviewed acted as de facto treasurer for the 3Sixty Group. An example was when 3Sixty Life provided R10 million short-term funding for the 3Sixty Group's acquisition of shares in Salt (refer 3.3.1).

2.2 Relative significance of 3Sixty Life related party balances and transactions

	2019 R'000	2018 R'000	2017 R'000
Related party expenses in statement of comprehensive income (IFRS)			
Commission and brokerage paid to related parties	101 011	86 871	Note 2
Other related party expenses as disclosed in related party note	35 801	16 475	Note 2
Reclassification of "sponsorship" expenses to related parties (Note 1)	164	6 687	Note 2
Adjusted total related party expenses (a)	136 976	110 033	Note 2
Total operational expenses, employee costs and commission and brokerage incurred per statement of comprehensive income (b)	300 440	284 935	Note 2
Total related party expenses as a percentage of total operating expenses (a/b)	45.6%	38.6%	Note 2

Related party balances in statement of financial position (IFRS)			
Related party receivables (c)	58 577	43 376	22 588
Related party payables (d)	-5 075	-2 960	-658
Total assets (e)	553 660	521 205	514 585
Total liabilities (f)	-417 824	-375 425	-410 815
Related party receivables as percentage of total assets (c/e)	10.6%	8.3%	4.4%
Related party payables as a percentage of total liabilities (d/f)	1.2%	0.8%	0.2%

Loan receivable from Doves Group as a percentage of own funds (SAM)			
Loan receivable from Doves Group		32 021	35 014
Own funds eligible to meet the SCR (g)	Note 4	95 421	129 001
SCR (h)	Note 4	64 580	81 006
SCR Cover (g/h)	Note 4	1.48	1.59
Loan receivable from Doves Group as a percentage of eligible own funds		33.6%	27.1%
			Note 3

Notes

- Note 1 Costs included in a sponsorship expense category were erroneously not disclosed as paid to related parties in the IFRS financial statements. Amount of reclassification was calculated by Deloitte.
- Note 2 Information for 2017 not comparable following changes in classification adopted for 2018 and 2019.
- Note 3 Not applicable as prior to the adoption of SAM reporting.
- Note 4 Information obtained from the 2019 annual QRT return approved by the 3Sixty Life board.

2.3 Summary of findings

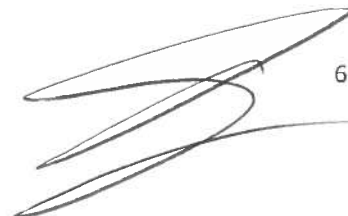
The Investigation raised findings in all three of its objectives. The findings include:

- Historic expense payments during 2018 and 2019 where the commercial benefits to 3Sixty Life are unclear. The beneficiaries of these payments were Numsa, its members and leadership. *Refer 3.1.1 and 3.1.2*
- Carrying value of a loan receivable from Doves Group in the financial statements and annual regulatory return (QRT) not presented on a basis consistent with the requirements of IFRS and the Insurance Act. *Refer 3.1.3*
- Related party transactions that have either no underlying agreement or the agreement is incomplete, or the agreement includes terms that are not enforceable. *Refer 3.1.4, 3.1.5 and 3.2.2*
- Loans advanced to related parties where the requirements of the Companies Act and the Insurance Act as it relates financial assistance were not complied with. Also, no evidence found that the loans were approved by 3Sixty Life board of directors prior to being advanced. *Refer 3.2.1*
- Matter raised at audit committee meeting not followed up timeously. *Refer 3.2.3*
- A loan from 3Sixty Life to 3Sixty Group partly funded the acquisition of shares in Salt. The loan was interest free and repaid five months later. *Refer 3.3.1*
- No evidence that 3Sixty Life funded 3Sixty Biopharmaceuticals directly, or indirectly. *Refer 3.3.2*

The detailed findings are grouped in section 3 according to the objectives of the Investigation.

Although our report was not shared with the 3Sixty management the findings were raised with them through virtual or telephonic meetings throughout the Investigation to confirm the accuracy of the facts.

Where relevant, we included in this report specific comments from 3Sixty management gathered from these discussions, or corroborating emails received.



3. Detailed findings

3.1 Objective 1: The nature, quantum, recoverability and purpose of related party transactions during 2017-2019

3.1.1 Ad hoc payments in respect of services and goods for Numsa, its members and leadership

Included in note 23 (operating expenses) of the audited 2018 financial statements of 3Sixty Life is an expense item for sponsorships of R20.1 million. Although not classified as related party expenses, we requested 3Sixty management to provide us with an analysis of this balance, including detailed information for two items named:

- "Numsa support" for R357 787; and
- "Numsa/Merryn Financial Services" for R1 062 600.

From the analysis received, we placed our focus on those payments where the commercial rationale was not apparent and we identified six items to discuss further with 3Sixty management. Those items are included in the table below with the supporting invoices included in Appendix D. 3Sixty management's comments on these expenses are included as notes 1-3. Some of management's comments originate from discussions with a previous CEO of 3Sixty Life who was in office at the time the payments were made, and was approached by current management to provide further background.

		Payment made to	Reference or description	Amount paid (incl. VAT where relevant)	Management comment on commercial rationale for payment	Reference in Appendix D
1	NUMSA General Secretary birthday fuction for 150 guests	Ivoire Eagle protection	Security	6 000.00	Note 1	D1
		Vashna Pithouse	Alcohol and other	15 185.78	Note 1	D2
		Operative Business Trust	Tent and other rentals	5 870.00	Note 1	D3
		Lutho Kitchenette	Catering	12 000.00	Note 1	D4
		Operative Business Trust	Breakage	1 374.75	Note 1	D5
				40 430.53		
2	Dell laptop and software	Uiplay	Irwin daughter	15 578.49	Note 2	D6
3	NUMSA transport	Mak Link Trading	Transport from Union Life office Ladysmith KZN including return	10 000.00	Note 1	D7
4	NUMSA event	NUMSA Wits region	Catering, transport and décor for 2 day event	48 300.00	Note 1	D8
5	NUMSA gala dinner	AMB Group	Food and refreshments	60 950.00	Note 1	D9
		AMB Group	Finger food	53 475.00	Note 1	D10
				114 425.00		
6	NUMSA consulting	Merryn Financial Services	NUMSA engagement	217 350.00	Note 3	D11
		Merryn Financial Services	NUMSA engagement	460 000.00	Note 3	D12
		Merryn Financial Services	NUMSA business development	184 000.00	Note 3	D13
		Merryn Financial Services	Monthly partner consulting fee agreement	201 250.00	Note 3	D14
				1 062 600.00		

Notes to the table above

Note 1: The payments were made as part of marketing initiatives and allowed 3Sixty Life access to Numsa events where it could further its brand and strengthen relationships.

Note 2: Whilst the laptop was used by the Numsa General Secretary's daughter it was used for office work at 3Sixty Life' premises.

Note 3: These payments were made to Merryn Financial Services in lieu of commission that was payable to NFS.

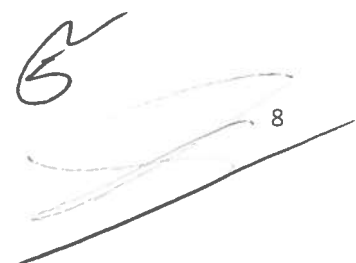
Deloitte conclusion

After a review of the supporting documentation and discussions with 3Sixty management our view on items 1-6 are as follows:

- Items 1-5 represent expenditure that could have been avoided and the commercial benefits for 3Sixty Life are unclear.
- Items 1-2 represent expenses that benefited specific individuals related to Numsa as opposed to 3Sixty Life.
- Item 6 represent expenses paid on behalf of NFS in lieu of commission. Even though management's representation is that these payments benefited 3Sixty Life, we regard it as unusual for an entity that is not a party to a transaction to settle the invoices for that transaction. In our view, such payments do not represent good business practice.

Other considerations

- The income tax treatment of the payments for items 1-5 needs to be evaluated by 3Sixty management. As a general rule only expenses incurred in the production of taxable income may be deducted in determining a taxpayer's taxable income. The risk is some of the above items did not meet the criteria to be deducted from taxable income. We enquired from 3Sixty management how these items were treated for income tax purposes but we did not receive a definitive reply. We have not considered this aspect further as it is not in the scope of the Investigation.
- We enquired from both the chairperson of the 3Sixty Life board of directors and the chairperson of the 3Sixty Life audit committee whether they had knowledge of these expenses. Both chairpersons confirmed they were not familiar with these payments.
- 3Sixty Life management currently in office represented to us they have a different philosophy to sponsorship expenses and payments than the management in place during the 2018 financial year. They point to the sponsorships expense item for the 2019 financial year was R13.3 million (2018: R20.1 million) and the amount for Numsa support was R8 000 (2018: R357 787), which are less than the similar amounts reported in the 2018 financial year.



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3.1.2 Monthly payments to NUMSA where the commercial rationale is not apparent and could be regarded as intermediary services

Included in the R20.1 million sponsorship expense reported by 3Sixty Life in its 2018 financial year (refer 3.1.1) are monthly payments of R200 000 recorded as paid to the Numsa Benevolent Fund. Our understanding is that it is not a separate entity (fund) but rather Numsa itself that is the recipient.

No contract exists that stipulate the basis of calculation of the monthly payments or how 3Sixty Life is able to measure the benefit it received. However, in an email titled "*Numsa Rebates: Benevolent Fund*" dated 23 March 2018 sent by a member of the 3Sixty Group management team it is noted that in exchange for the monthly payments "*The commitment is for Numsa to:*

- *Endorse NIC and subsidiaries products and services;*
- *Allow NIC and its subsidiaries access to Numsa structure;*
- *Allow NIC and its subsidiaries to companies that are organised; and*
- *Move financial services products including Group Life Assurance, Provident Fund and Medical Aid to NIC and its subsidiaries."*

3Sixty management believes the monthly payments during 2018 were justified as 3Sixty Life competed with other insurers for access to Numsa members. Reference was made to other insurers making similar payments to Numsa. That being said, 3Sixty management confirmed no such payments were made in the 2019 financial year. Our review of the 2019 sponsorship expense account also confirmed no such payments were made during the 2019 financial year.

Deloitte conclusion

In the absence of a contract that allows the company to measure the benefit that accrued to 3Sixty Life we find it difficult to conclude that the payments were just a regular business expense. Potentially, the nature was more that of a dividend i.e. a subsidiary received an instruction from its shareholder to make payments to its shareholder and should have been accounted for as such.

Other considerations

- The FAIS Act requires that a FSP is registered with the FSCA before they may legally conduct business. A FSP includes an intermediary. An intermediary for the purposes of the FAIS Act is someone who acts as a go-between, interposed between a client and product supplier, whose acts directly result in a financial transaction, for instance a policy, being entered into.

If management's view is correct that the payments were for services rendered the services delivered by Numsa, as described in the e-mail above, could have been that of an intermediary. We note Numsa is not registered as a FSP. We have not considered this aspect further as it is not in the scope of the Investigation. However, the FSCA may seek further clarity from 3Sixty Life and Numsa on this matter.

- Similar to 3.1.1 the tax treatment of these payments to Numsa is uncertain. We have not considered this aspect further as it is not in the scope of the Investigation.



3.1.3 Carrying value of loan receivable from Doves Group not consistent with the requirements of IFRS and the Insurance Act, 2017

At 31 December 2018 the loan receivable from Doves Group was reported as R35.0 million in 3Sixty Life's audited financial statements. A portion of the loan, R27.5 million, was administered in terms of a loan agreement dated 30 November 2018. That agreement specifies the loan is interest free and will be subject to monthly repayments of R600 000. Refer to Appendix E for the loan agreement.

In the financial statements of 3Sixty Life the loan receivable from Doves Group is recognised as a financial instrument valued according to the principles contained in IFRS 9: *Financial Instruments*. We agree with this classification.

This standard requires all financial instruments to be initially recognised at fair value. On initial recognition the fair value of loans to related parties can be estimated by discounting the future loan repayments using the rate the borrower would pay to an unrelated lender for a loan with otherwise similar conditions (for example amount, duration, currency, ranking and any security). Such a fair value calculation is also required when the terms of the loan is modified, for example, when the loan agreement dated 30 November 2018 was entered into.

If the original loan amount does not represent fair value, the below-market element needs to be accounted for separately. For illustration purposes, if it is assumed a 16% annual interest rate would have been charged by an unrelated lender the fair value of this portion of the loan would have been R20.8 million at 30 November 2018. The difference between the loan amount and the fair value, in this example, is R6.7 million.

We discussed the accounting of the loan receivable with PwC who were the external auditors of 3Sixty Life for the 2018 financial year. We followed up the discussion with specific questions and PwC responded in writing on 6 October 2020. Refer Appendix H for the response. Although that letter does refer to scenarios that could lead to the earlier repayment of the loan receivable by Doves Group, as opposed to the contractual repayment of R600 000 per month, we do not believe these scenarios apply as they are not under the control of 3Sixty Life and/or not contractually enforceable.

Deloitte conclusion

In our view the loan receivable from Doves Group was not treated in line with the requirements of IFRS. We believe an adjustment should have been made for the below-market element of the Doves Group loan receivable in both the 2018 and 2019 3Sixty Life financial statements. Put simply, our expectation is the carrying value of the loan receivable in the financial statements should have been lower to take account of the fact that no interest is earned on the loan receivable.

Similarly, in our view the treatment of the loan receivable in the 2018 and 2019 QRT returns was not consistent with the requirements of the Insurance Act. Prudential Standard FSI 1 requires that "in determining eligible own funds, both assets and liabilities must be valued on a basis consistent with market-based methodologies, unless otherwise specified". We therefore also expected a lower carrying value of the loan receivable in the 2018 and 2019 QRTs.

3.1.4 No intermediary agreement for Doves Group commission payments

The commission and brokerage paid to Doves Group per the audited 2019 Smart Life financial statements are

	2019	2018
	R'000	R'000
Commission	65 673	59 831
Broker fees	8 896	-
Total	74 569	59 831

Note 37 of these financial statements includes information on a restatement as it relates the commission paid (including to Doves Group) that resulted in a change to the 2018 comparative information. An extract from note 37 is included below which is presented in R' 000.

37.1 The company made a reclassification between salaries and commission expense in the 2018 results. In 2018 commission expense amounting to R 65 872 was recognised as salaries. The correction had no effect on the statement of financial position or statement of changes in equity. The effect of the correction is as follows:

2018	Before reclassification	After reclassification
Salaries expense	105,153	39,281
Commission expense	72,260	138,132
	<u>177,413</u>	<u>177,413</u>

3Sixty Life management could not provide us with a written agreement between Doves Group (as the intermediary) and 3Sixty Life that stipulates how the commission expense above was calculated. We understand from management the commission was not calculated as a percentage of the premiums, but rather as a reimbursement of certain salary and other costs incurred by Doves Group.

Section 49 of the Long-term Insurance Act specifies "No consideration shall be offered or provided by or on behalf of a long-term insurer, a policyholder or any other person, or accepted by any independent intermediary or any other person, for rendering services referred to in the regulations, other than commission or remuneration contemplated in the regulations and otherwise than in accordance with the regulations."

Further, the Policyholder Protection Rules under this Act stipulate "An insurer may only enter into an intermediary agreement with an intermediary where in the case of an independent intermediary, that person has been licensed as a financial services provider and authorised to render financial services in respect of the policies offered by the insurer in accordance with section 8 of the FAIS Act, and the insurer has taken reasonable steps to satisfy itself that the independent intermediary and, where applicable, any persons rendering services as intermediary on the independent intermediary's behalf, meet the FAIS product knowledge competency requirements in respect of the policies offered by the insurer. An insurer must, where an intermediary agreement has been entered into, furnish the intermediary with a written copy of the intermediary agreement setting out the terms and conditions thereof."

Deloitte conclusion

The absence of a written agreement did not allow us to conclude on whether the payments are "commission or remuneration contemplated in the regulations and otherwise than in accordance with the regulations". Management represented to Deloitte that these are commissions paid to Doves Group and relate entirely to assistance policies on which no maximum commission limitations exist.

3Sixty Life and Doves Group should regularise the commission payments by entering into an intermediary agreement setting out the rights and obligations of both parties as required by the Insurance Act.



3.1.5 Related party transactions without underlying agreements

The table below includes related party expenses in the 2017 and 2018 financial years where no written agreements existed setting out the terms and conditions of the services rendered to 3Sixty Life. It is not necessarily a comprehensive list, but represent the more significant expenses extracted from Appendix B.

Related party	2018 R'000	2017 R'000	
Unlimited Internet Play Proprietary Limited - Consultation fees	575	1 210	No agreement
Unlimited Internet Play Proprietary Limited - Software purchase	4 997	3 531	No agreement
Doves Group Proprietary Limited - Admin fees	7 200	-	No agreement
3Sixty Client Solutions Proprietary Limited - Broker fees	2 282	2 191	No agreement
3Sixty Client Solutions Proprietary Limited - Call Centre costs	2 685	1 122	No agreement

Similar expenses were incurred in the 2019 financial year and the observation is therefore also relevant for that year. The 2019 financial year also includes additional expenses without agreements, such as the shared service costs of R2.2 million with Sechaba Medical Services Proprietary Limited.

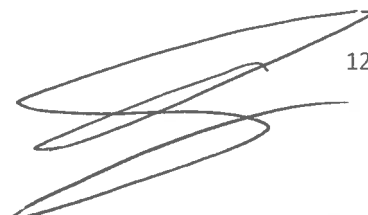
Deloitte conclusion

Although we have no specific reason to believe otherwise, the absence of written agreements did not allow us to conclude whether the expenses were valid, accurate and disclosed appropriately in the financial statements. The observation illustrates that 3Sixty's processes around related party transactions are not yet mature and needs to be made more formal.

We recommend that for all the items above, agreements are drafted and signed by both parties to confirm their acceptance of the terms and conditions. The insurer's internal audit function should schedule a follow-up review in the future to ensure all agreements have been put in place.

Other considerations

Whilst not in the scope of the Investigation some of the payments may relate to binder and outsourcing arrangements, which would require the services rendered to be regulated in terms of the Insurance Act. We recommend 3Sixty management reviews all related party services and submits a report to the Prudential Authority commenting on whether these services should be regarded as binder and/or outsourcing services, as defined.



3.2 Objective 2: Governance processes followed by the board of directors of 3Sixty Life in considering and approving related party transactions

3.2.1 Requirements of the Companies Act and Insurance Act as it relates loans advanced not met

As a protective measure, the Companies Act includes specific governance requirements when a company provides financial assistance to related parties. Financial assistance includes the lending of money such as the loans advanced to Doves Group (refer 3.1.3) and 3Sixty Group (refer 3.3.1).

Section 45 of the Companies Act contains several requirements that have to be met when the board grants financial assistance. These include:

- The financial assistance must comply with all of the conditions or restrictions contained in the Memorandum of Incorporation (MOI);
- It must be pursuant to an employee share scheme or provided in line with a shareholders' special resolution adopted in the previous two years which approved the assistance specifically or generally for a category of potential recipients;
- The board is required to apply a solvency and liquidity test and is required to ensure that the terms of the financial assistance are fair and reasonable (every board member voting on the resolution is required to comply with this condition); and
- The board is required to inform all shareholders and trade unions regarding the financial assistance and the terms thereof.

The board is required to perform the solvency and liquidity test before the financial assistance is approved and the transaction takes place. The board is also required to determine that the terms of the financial assistance are fair and reasonable to the company. The financial well-being of the company should be the most important factor in this consideration. More specifically, the board is required to give consideration to the company, and not to the group as a whole.

Our review of the board minutes did not show evidence that the solvency and liquidity tests were performed before the two instances of financial assistance noted above was provided. This view is supported by the external audit findings progress report included in the audit committee pack for its meeting on 21 June 2019. Refer Appendix F for the external auditors report item. Also refer to Appendix H for a letter from PwC that provides commentary on how the auditors evaluated the matter during the external audit of 3Sixty Life in the 2018 financial year.

We also enquired from 3Sixty management whether the solvency and liquidity tests have been performed since the matter has been reported by the external auditors in 2019. The 3Sixty Group CFO in an e-mail dated 13 July 2020 responded: "Unfortunately there does not appear to be any minutes approving the intercompany loans between 3Sixty Life and other subsidiaries. We found the below set of minutes indicating the board is aware of the Doves loan with 3Sixty Life as the recoverability of the loan was discussed. We cannot however find the minutes where the loans were approved by the board before they were advanced." Also, 3Sixty management confirmed verbally that they had in response to our enquiry also reviewed the records of recent shareholders meetings and could not find evidence of a shareholders special resolution adopted in the previous two years which approved the assistance specifically or generally for a category of potential recipients.

Deloitte conclusion

The board of directors did not approve the Doves Group and 3Sixty Group loan transactions before they were advanced and the requirements of section 45 of the Companies Act were not met.

Other considerations

Section 38(1)(e) of the Insurance Act states "An insurer or controlling company that is a profit company... may not, without the approval of the Prudential Authority conclude a transaction contemplated in section 45 (loans or other financial assistance to directors) of the Companies Act.". It follows if 3Sixty Life did not meet the requirements of the Companies Act for the Doves Group and 3Sixty Group loans, it also did not meet the requirements of the Insurance Act.



We recommend 3Sixty Life identifies all current instances of financial assistance provided and follow the requirements of the Companies Act. Thereafter, 3Sixty Life should use the same list to apply to the Prudential Authority for approval in terms of section 38(1)(e) of the Insurance Act.

3.2.2 Incomplete Doves Group inter-company loan agreements or agreements not complied with

The loan receivable from Doves Group is administered by two separate loan agreements. The first loan agreement is dated 5 September 2017 (amount advanced: R6.0 million) and the second loan agreement is dated 30 November 2018 (amount advanced: R27.5 million). The loan agreements administer separate parts of the loan receivable and are in-force concurrently.

Set out below are observations from our review of the agreements noting areas where the loan agreements are not complete, or not complied with.

Agreement date	Observation	Detail
First loan agreement dated 5 September 2017	Loan agreement not complete	<p>Extract of the loan agreement:</p> <p>5. <u>REPAYMENT AND CESSION OF PROCEEDS</u></p> <p>5.1 It is recorded that the Borrower is currently marketing the Properties with the purpose of selling same for the best possible market related price.</p> <p>5.2 The Borrower herewith ceded, transfer and makes over its rights, title and interest in the Proceeds, to the value of the Capital Amount</p> <p>5.3 The Lender hereby accept the cession as per 5.2 above on the terms and conditions contained in this Agreement</p> <p>5.4 The Conveyancers shall pay over the proceeds obtained from the sale of the Properties directly to the nominated bank account of the Lender until the Capital Amount have been settled in full. The balance obtained from the sale of the Properties, after the Proceeds have been paid to the Lender shall be paid by the Conveyancers to the Borrower.</p> <p>The extract deals with the disposal of Properties owned by Doves Group (as defined) that is integral to the repayment of the loan. The Properties are defined in the agreement as: "means the unbonded Properties listed and described in Annexure A hereto, of which the Borrower is the registered owner of."</p> <p>We could, however, not find Annexure A that is supposed to be attached to the agreement. The 3Sixty Group CFO in an e-mail dated 9 July 2020 to Deloitte stated: "Unfortunately, I can't find Annexure A from emails or from the server. I can confirm however that Doves does have sufficient unbonded assets as referenced to Annexure A on the contract. If you would like me to provide you with support for this, please let me know."</p>
Second loan agreement dated 30 November 2018 (Appendix E)	Loan agreement not complied with	<p>The agreement specifies "Doves agrees to pay a sum of R600 000.00 per month to reduce this loan. The effective date of the agreement is 1st November 2018, the date the first payment is due."</p> <p>On enquiry whether Doves Group adhered to these repayment terms during the 2019 financial year the 3Sixty Group CFO in a discussion on 28 July 2020 confirmed that these payments were not made. Also, Gugulethu Ngcobo in her role as 3Sixty life audit committee chairperson mentioned that discussions between the parties about the timing and way of settling the loan are ongoing currently.</p>

Deloitte conclusion

Incomplete loan agreements or agreements where the terms are not enforced expose 3Sixty Life to undue credit and operational risk. Inadequate supervision existed in the past to ensure that the loan terms were complete, and adhered to.

We recommend a thorough review of the legal and commercial aspects of all related party agreements are performed, and where required, the agreements are amended. The insurer's internal audit function should afterwards undertake an engagement to ensure all agreements have been put in place and submit its report to the Prudential Authority.




3.2.3 Matter raised at audit committee meeting not followed up timeously

In the minutes of the 3Sixty Life audit committee meeting that took place on 19 September 2019 it is recorded:

"The Committee expressed concerns about the amount of money that went towards both marketing expenses as well as consulting fees. The Committee also sought clarity about the nature of services provided by the following service providers: Summer Sunshine Consultant.

With regards to Summer Sunshine Consultants, Mr Mabunda advised the Committee that this company provides strategic relationship management services for 3Sixty Life and a further analysis could be done to establish the number of businesses obtained through Summer Sunshine. Moreover, Management was requested to circulate to Board members the list of shareholders(s) for the aforementioned Company."

The discussion at the audit committee originated from the finance report included in the audit committee pack shows monthly fees of R161 000 (VAT Inclusive) being paid to Summer Sunshine Consulting.

The reference to shareholding raised a question with us whether this is a related party transaction, and we followed up with the 3Sixty Group CFO whether the director's request was adhered to. She responded in an e-mail dated 6 July 2020: "With regards to query 3 (Summer Sunshine), a further analysis has not yet been performed and a list of shareholders have not yet been circulated to board members."

We also asked 3Sixty management for a copy of a recent invoice produced by Summer Sunshine so we could perform a desktop review of this service provider. Refer Appendix G. From the invoice, we noted the entity's full name is Summer Sunshine Trading 27 CC and the closed corporation has only one member in Petrus Mbula Nxumalo. He is also a director of seven other companies.

We also inspected a copy of the service agreement that was signed by the parties on 14 August 2012 and describes the services by Summer Sunshine Trading 27 CC as follows:

1. SERVICES:

Union Life appoints Summer Sunshine Trading as a business development partners. The services will include:

- Develop new business relationships, generate and negotiate new income.
- Present to potential clients through direct communication in face to face meetings, telephone calls and emails.
- Responsible for lead generation and appointment setting
- Actively and successfully manage the sales process: lead generation; credentials pitch; asking questions; solution.
- Managing and maintaining a sound sales pipeline.
- Ensuring Union Life remains proactive and responsive to prospective clients.

Deloitte conclusion

Whilst 3Sixty Life generally does follow the good practice of presenting at meetings a schedule of matters carried forward from previous meetings, in this case that process did not function as intended. The audit committee also did not identify this omission at its next meeting.



We regard the monthly payment of a consultant for the type of services, as described above, as unusual. What particular skillset Petrus Nxumalo has or is housed in Summer Sunshine Trading 27 CC remains unclear to us. As a general rule 3Sixty management throughout the Investigation was responsive to our requests for information. However, in this particular instance, we have not received a clear response that explains the background to and need for this expense.

We recommend the 3Sixty Life audit committee and/or board of directors analyses the history of this business relationship, consider the ownership structure of Summer Sunshine Trading 27 CC as well as an analysis of the benefits received from the business relationship. Thereafter 3Sixty Life should submit a report of its conclusions, approved by the board of directors, to the Prudential Authority.

Other considerations

The FAIS Act requires that a FSP is registered with the FSCA before they may legally conduct business. A FSP includes an intermediary. An intermediary for the purposes of the FAIS Act is someone who acts as a go-between, interposed between a client and product supplier, whose acts directly result in a financial transaction, for instance a policy, being entered into.

The services as described above could be regarded that of an intermediary. We note Summer Sunshine Trading 27 CC is not registered as a FSP. We have not considered this aspect further as it is not in the scope of the Investigation. However, the FSCA may seek further clarity from 3Sixty Life and Summer Sunshine Trading 27 CC on this matter.

Two handwritten signatures in black ink. The signature on the left is a stylized, cursive 'S'. The signature on the right is a more complex, flowing cursive signature.

3.3 Objective 3: Sources of funding and details of the acquisition of Salt Employee Benefits Limited and 3Sixty Pharmaceuticals Limited

3.3.1 3Sixty Life loan partially funded the acquisition of Salt

On 15 March 2019 3Sixty Group through its wholly owned subsidiary Freesome Trading (RF) Proprietary Limited ("the purchaser") entered into a sale of shares agreement to acquire 74.9% of the shareholding of Salt from Salt Investment Holdings Proprietary Limited ("the seller"). Salt is an employee benefit consultant and service provider.

The purchase price per the sale of shares agreement was R280 million. The bulk of the purchase price was settled through funding received by the purchaser from ABSA subscribing for preference shares issued (R150 million) and a vendor loan (R110 million).

For the remaining portion of the purchase price (R20 million) the sale of shares agreement states "the seller and 3Sixty entered into a bridge loan facility agreement in December 2019 (should have read 2018) in terms of which 3Sixty advanced a loan of R20 000 000 to the seller. 3Sixty has ceded its rights to the repayment of the loan to the purchaser." The R20 million loan owed by the seller was then offset against the remaining purchase price.

The funds needed by 3Sixty Group to advance the R20 million to the seller for the loan facility was obtained from 3Sixty Life (R10 million) and a fellow subsidiary in 3Sixty Health (R10 million). For purposes of this Investigation, we focussed only on the R10 million from 3Sixty Life as the R10 million from 3Sixty Health was regarded out of scope.

The R10 million advanced by 3Sixty Life to 3Sixty Group was disinvested from the insurer's Prescient Money Market portfolio on 17 January 2019. 3Sixty management regard the Prescient Money Market portfolio as assets that back shareholder funds (shareholder asset portfolio). In discussions with the 3Sixty Life HAF he also confirmed the Prescient Money Market portfolio are assets that are internally allocated to the shareholder, as opposed to the policyholders.

On 13 June 2019 the R10 million was repaid to 3Sixty Life by a fellow group company Crackawin Investments Proprietary Limited and thereafter reinvested in the Prescient Money Market portfolio on 19 June 2019. We enquired from the 3Sixty Group CFO why Crackawin Investments Proprietary Limited settled the loan (as opposed to 3Sixty Group) and she responded: "Crackawin is an investment company that is 100% held by 3Sixty Global Solutions Group. The R 10m that was supposed to be used to acquire SALT was held up in the Crackawin investments. The funds in Crackawin were not released on time and that is why 3Sixty Life ended up making the R 10m payment. When the Crackawin funds were available, the money was transferred back to 3Sixty Life."

We obtained the shareholder's loan agreement between 3Sixty Group ("the Borrower") and 3Sixty Life ("the Lender"). The salient features of this agreement are:

- Capital amount: R10 million
- Interest: Nil
- Term: Indefinite

The loan agreement was only dated on 4 June 2020 which is after the date that Deloitte had asked for supporting information for the loan. The 3Sixty Group CFO in an e-mail dated 9 July 2020 to Deloitte stated: "The agreement between 3Sixty Life and GSG for R 10 million was not yet signed when the loan was advanced. It was still draft. The agreement was only signed on 1 June 2020."

Also, the loan agreement references that the "Borrower is marketing the Properties with the purpose of selling same for the best possible market related price. The Borrower herewith ceded, transfers and makes over its rights, title and interest in the Proceeds, to the value of the Capital account." This clause is not relevant as 3Sixty Group has no properties that are listed as security and/or being sold. It is likely the clause was incorrectly copied from the loan agreement between 3Sixty Life and Doves Group (loan 1).



During our discussion with Neo Bodibe in her role as director of 3Sixty Life she confirmed the board was initially not aware of the R10 million loan advanced to 3Sixty Group. Only during an investment committee meeting that took place after the loan was repaid, did this matter get raised.

Deloitte conclusion

The purchase price for Salt was partly settled by a R10 million loan from 3Sixty Life to 3Sixty Group. The assets liquidated by 3Sixty Life to facilitate the R10 million loan was located in its shareholder portfolio, rather than the policyholder portfolio. Although 3Sixty Life earned no interest from the loan it was settled in full after a loan period of five months.

The board of directors of 3Sixty Life did not have knowledge of, or approve, the R10 million loan to 3Sixty Group before it was advanced. Also, no loan agreement was concluded before the funds were advanced.

3.3.2 No evidence that 3Sixty Life funded 3Sixty Biopharmaceuticals directly or indirectly

The letter of appointment as included in Appendix A asks the Investigator to “inspect the sources of funding and details (i.e. purchase price vs NAV etc.) of the acquisition of Salt Employee Benefits Limited and 3Sixty Pharmaceuticals Limited”. We could not locate a company by that name within the 3Sixty Group structure, but accepted that this was a naming error only, and our procedures should be directed at 3Sixty Biopharmaceuticals.

3Sixty Biopharmaceuticals was incorporated in 2018 with 3Sixty Health Solutions Proprietary Limited as its immediate holding company. Deloitte obtained from 3Sixty management draft financial statements for 3Sixty Biopharmaceuticals for the year ended 31 December 2019. An extract is included below:

3Sixty Biopharmaceuticals Proprietary Limited

(Registration number 2018/432238/07)

Annual Financial Statements for the year ended 31 December 2019

Statement of Financial Position as at 31 December 2019

		2019	2018
	Note(s)	R	R
Assets			
Non-Current Assets			
Property, plant and equipment	3	234,530	-
Right-of-use assets	5	230,100	-
Intangible assets	4	12,658	-
		<u>477,288</u>	<u>-</u>
Current Assets			
Inventories	9	1,009,900	-
Loans to group companies	7	3,831,714	100
Trade and other receivables	10	94,354	-
Prepayments		32,802	-
Cash and cash equivalents	11	157,075	-
		<u>5,106,871</u>	<u>100</u>
Total Assets		<u>5,664,159</u>	<u>100</u>
Equity and Liabilities			
Equity			
Share capital	12	100	100
Accumulated loss		(8,330,803)	(887,190)
		<u>(8,330,503)</u>	<u>(687,090)</u>
Liabilities			
Non-Current Liabilities			
Lease liabilities	5&6	253,357	-
Current Liabilities			
Trade and other payables	13	510,720	-
Loans from group company	8	13,230,579	887,190
		<u>13,741,305</u>	<u>887,190</u>
Total Liabilities		<u>13,994,662</u>	<u>887,190</u>
Total Equity and Liabilities		<u>5,664,159</u>	<u>100</u>

The statement of financial position shows 3Sixty Biopharmaceuticals was primarily funded through inter-group loans as opposed to share capital. Per the draft financial statements the loan funding was provided by 3Sixty Health, is unsecured and has no fixed terms of repayment. To ensure 3Sixty Biopharmaceuticals is able to adopt the going concern basis of accounting note 8 of the draft financial statements confirms that 3Sixty Health



subordinated its loan in favour of third party creditors to the extent that 3Sixty Biopharmaceuticals' liabilities exceed its assets.

Deloitte was provided with audited 3Sixty Health financial statements for the year ended 31 December 2019. 3Sixty Health reported a net asset value of R49.7 million at 31 December 2019 and reflected only a R44 000 receivable from 3Sixty Life. 3Sixty management also provided us with a written representation dated 5 June 2020 that "3Sixty Life has not transacted with Biopharma".

Deloitte conclusion

3Sixty Life did not directly or indirectly provide funding to 3Sixty Biopharmaceuticals at 31 December 2019. Also no evidence could be found that 3Sixty Life provided funding to 3Sixty Biopharmaceuticals at any other time since its incorporation in 2018.

A handwritten signature in black ink, consisting of a stylized 'S' followed by a large, sweeping loop.

4. Conclusion and recommendations

The Investigation raised findings in all three of its objectives. Additional focus is needed from 3Sixty Life management and its governance structure as it relates the accounting and governance of related party transactions and balances.

Recommendations the Prudential Authority may choose to put to the management and governance structure of 3Sixty Life include:

Recommendation 1: A commercial and legal review should be performed of all current related party balances and transactions. The review led by 3Sixty management should have the following objectives:

- Ensure all related party transactions and/or balances have an underlying agreement approved by the respective parties that adequately specifies the agreed terms and conditions. Existing agreements where the terms are found to be out of date should be updated.
- Consider whether the related party transactions have specific regulatory requirements. Some of the related party transactions may meet the criteria of intermediary, outsourcing and/or binder functions as defined in legislation applicable to insurers. For these transactions, management should ensure the terms of the underlying agreements are consistent with the regulatory requirements.

The insurer's internal audit function should afterwards undertake an engagement to ensure all agreements have been put in place and submit its report to the Prudential Authority.

Recommendation 2: A register of "financial assistance", as defined in the Companies Act, should be prepared and maintained thereafter. For all entries in this register, the requirements of section 45 of the Companies Act should be met through seeking approvals from the shareholder and board of directors with adequate recordkeeping. Also, for all entries in the register 3Sixty Life should submit an application to the Prudential Authority as required by Section 38(1)(e) of the Insurance Act.

Recommendation 3: The 3Sixty Life board of directors should re-evaluate the "framework for the delegation of authority to management" per section 5.1 of the board charter to ensure it appropriately limits management's ability to enter into related party transactions and/or balances without first referring to the board of directors for approval.

Recommendation 4: The 3Sixty Life board of directors should consider whether the carrying value of the loan receivable from Doves Group reported in terms of IFRS and/or the Insurance Act should be reduced to take account of the fact that no interest is earned on the loan.

Recommendation 5: For historic payments in respect of services and goods for Numsa, its members and leadership the board of directors of 3Sixty Life should evaluate whether any of such payments should be recouped from the recipients.

Recommendation 6: The 3Sixty Life audit committee and/or board of directors should analyse the history of the Sunshine Trading 27 CC business relationship, consider the ownership structure of Summer Sunshine Trading 27 CC, as well as an analysis of the benefits received from the business relationship. Thereafter 3Sixty Life should submit a report of its conclusions, approved by the board of directors, to the Prudential Authority.

A handwritten signature in black ink, consisting of a stylized 'S' followed by a large, sweeping loop and a final horizontal stroke.

Appendix A – Letter of appointment



Confidential

Ref.: 10/10/11127

Mr L Makgamathe
Chief Executive Officer
3Sixty Life Limited
P O Box 787352
Sandton
2148

Dear Mr Makgamathe

3Sixty Life Limited: Appointment of an independent person to perform an investigation in terms of section 134(1) of the Financial Sector Regulation Act of 2017 ("FSRA")

1. Background

1.1. The Prudential Authority (PA), as previously mentioned, wanted to further investigate aspects around intragroup transactions entered into by 3Sixty Life Limited (3Sixty Life) and the governance framework supporting these intragroup transactions.

2. Section 134(1) of the Financial Sector Regulation Act of 2017 (FSRA)

2.1. Section 134(1) of FSRA allows the PA to appoint an investigator at 3Sixty Life at the cost of PA.

2.2. The PA will agree the detailed scope with the investigator and will include the matters highlighted under paragraph 4 below.

3. Selection of audit firm

3.1. In terms of section 134(1) of the FSRA, the audit firm, Deloitte & Touche (Deloitte), is hereby selected for rendering the above-mentioned investigation and the investigator will be Mr Gerdus Dixon. The PA will facilitate the initial engagement between 3Sixty Life and Mr Dixon of Deloitte.

4. Objective of the investigation

4.1. The overall objective of the investigation is to:

4.1.1. review all intra-group transactions (on balance sheet and entered into during the last 3 financial year-ends) and to report back on the nature, quantum,

recoverability and purpose. This will need to be supported by documentary evidence;

- 4.1.2. review of the governance processes followed by the board of directors of 3Sixty Life in considering and approving the intra-group transactions referred to in paragraph 4.1.1. above; and
- 4.1.3. review the sources of funding and details (i.e. purchase price vs NAV etc.) of the acquisition of Salt Employee Benefits Limited and 3Sixty Pharmaceuticals Limited.

5. Procedures that should be performed

- 5.1. Please note that once the PA and Deloitte have agreed on the scope of work, which will cover matters listed in paragraph 4 above, including an expected timeline and associated costs for the completion of the investigation, the PA will arrange the introductory meeting as mentioned above.

Should you require any further information, you are welcome to contact Mr Mvelase Peter of the PA at telephone number 012 313 4104 or email mvelase.peter@resbank.co.za.

Yours sincerely,



Ms Suzette Vogelsang
Head: Banking, Insurance and FMI Supervision Department

Date: 5 May 2020

Cc Mr Gerdus Dixon
Audit Partner
Deloitte
gdixon@deloitte.co.za

Appendix B – Analysis of 2017 and 2018 related party balances and transactions as provided by 3Sixty management

3SIXTY LIFE - RELATED PARTY TRANSACTIONS 31 DECEMBER

RELATED PARTY BALANCES

	2018 - '000	2017 - '000	Reference to support
1 3Sixty Client Solutions Proprietary Limited - Other	2 720	1 781	No agreement
2 3Sixty Client Solutions Proprietary Limited - Call Centre costs payable	- 44	31	No agreement
3 Doves Group Proprietary Limited - Loan Receivable	35 015	19 092	Support - 1 and Support
4 Doves Group Proprietary Limited - Intermediary fee payable	- 780	121	No agreement
5 HTGL Etendomme Proprietary Limited - Loan Receivable	4	310	No agreement
6 NUMSA Financial Services Proprietary Limited - Loan	947	976	Support - 5
7 NUMSA Financial Services Proprietary Limited - NUMSA Base Scheme Commission Payable -	477	477	Support - 8
8 NUMSA Investment Company Proprietary Limited - Loan	5	5	No agreement
9 Unlimited Internet Play Proprietary Limited - Other payable	- 24	1	No agreement
10 Sechaba Medical Services Proprietary Limited - Other receivable travel invoices and salary re	34	-	No agreement
11 Unlimited Internet Play Proprietary Limited - Other receivables/payables	191	425	No agreement
12 Sechaba Medical Services Proprietary Limited - Other payable (marketing fees)	- 1 635	29	Support - 7
	35 956	21 930	

RELATED PARTY TRANSACTIONS

	2018 - '000	2017 - '000	Reference to support
1 Doves Group Proprietary Limited - Dividends Paid	-	5 200	Support - 3
2 HTGL Etendomme Proprietary Limited - Rent paid	1 569	1 539	Support - 2 and Support
3 Doves Group Proprietary Limited - Intermediary Fees	1 499	1 582	No agreement
4 3Sixty Client Solutions Proprietary Limited - Intermediary fees	118	-	No agreement
5 NUMSA Financial Services Proprietary Limited - NUMSA Base Scheme commission	5 727	5 727	Support - 8
6 Unlimited Internet Play Proprietary Limited - Consultation fees	575	1 210	No agreement
7 Unlimited Internet Play Proprietary Limited - Software purchase	4 997	3 531	No agreement
8 Unlimited Internet Play Proprietary Limited - Marketing fees	-	8	No agreement
9 Doves Group Proprietary Limited - Franchise branch commission	- 10 922	2 926	Support - 6
10 Doves Group Proprietary Limited - Admin fees	7 200	-	No agreement
11 3Sixty Client Solutions Proprietary Limited - Consultation fees	-	74	No agreement
12 3Sixty Client Solutions Proprietary Limited - Broker fees	2 282	2 191	No agreement
13 3Sixty Client Solutions Proprietary Limited - Call Centre costs	2 685	1 122	No agreement
14 NUMSA Financial Services Proprietary Limited - Admin fees	6 000	6 000	Support - 4
16 Sechaba Medical Services Proprietary Limited - Marketing fees	15	342	No agreement
	21 745	25 600	

General note

The references to "Support" is where an agreement was provided to Deloitte.

Appendix C – Related party balances and transactions as included in the 2019 audited financial statements

3SIXTY LIFE LIMITED

(Registration number 1935/007508/06)

Separate Annual Financial Statements for the year ended 31 December 2019

Notes to the Separate Annual Financial Statements

	2019 R '000	2018 R '000
Amounts included in trade receivables / (trade payables) regarding related parties		
3Sixty Client Solutions Proprietary Limited - loan receivable	3,057	2,720
3Sixty Client Solutions Proprietary Limited - call centre seat rentals	(49)	(44)
Doves Group Proprietary Limited - loan receivable	32,021	35,014
Doves Group Proprietary Limited - other payable (Intermediary fee and NBM incentive)	(1,027)	(780)
HTGL Properties Proprietary Limited - loan receivable	1	4
Numsa Financial Services Proprietary Limited - loan receivable	-	947
Numsa Financial Services Proprietary Limited - Numsa base scheme commission and administration fee	(477)	(477)
Numsa Investment Company Proprietary Limited - loan receivable	5	5
Sechaba Medical Services Proprietary Limited - shared service costs	(2,297)	34
Sechaba Medical Services Proprietary Limited - other payable (marketing fees)	(592)	(1,635)
Unlimited Internet Play (Pty) Ltd - other payable	(633)	(24)
Unlimited Internet Play (Pty) Ltd - other receivable (SAFPA exhibition stand)	60	191
3Sixty Global Solutions (Pty) Ltd - loan receivable	4,461	-
NUMSA - trade and other receivables and Insurance receivable	11,151	4,461
SALT - receivable	7,821	-
Related party transactions		
Rent paid to (received from) related parties		
HTGL Properties Proprietary Limited	915	1,569
Commission to related parties		
Doves Group Proprietary Limited - intermediary fees	1,448	1,499
3Sixty Client Solutions Proprietary Limited - intermediary fees	113	118
Numsa Financial Services Proprietary Limited - Numsa Base Scheme commission	5,727	5,727
Other purchases/(income)		
Unlimited Internet Play Proprietary Limited - consultation fees	2,825	575
Unlimited Internet Play Proprietary Limited - software purchased	9,483	4,997
Unlimited Internet Play Proprietary Limited - policy administration fees	4,230	-
Doves Group Proprietary Limited - rental expense	133	-
Doves Group Proprietary Limited - service fees	279	-
Doves Group Proprietary Limited - commission	65,673	59,381
Doves Group Proprietary Limited - brokerage fees	8,896	-
Doves Group Proprietary Limited - administration fees	7,632	7,200
Doves Group Proprietary Limited - Policynet receipts	610	-
3Sixty Client Solutions Proprietary Limited - brokerage fees	1,734	2,282
3Sixty Client Solutions Proprietary Limited - call centre costs (seat rentals)	2,852	2,685
Numsa Financial Services Proprietary Limited - administration fee	6,000	6,000
Numsa Financial Services Proprietary Limited - petrol expense for agents	2,154	-
Numsa Financial Services Proprietary Limited - brokerage fee	17,420	17,414
Sechaba Medical Services Proprietary Limited - marketing fees	-	15
Sechaba Medical Services Proprietary Limited - shared service costs	2,222	-
3Sixty Global Solutions Group - shared service costs	2,446	-
SALT - administration fees	4,090	-
3Sixty Academy Proprietary Limited - training expenses	315	-
Independent Crematoriums of South Africa Proprietary Limited - equipment rental	13	-
Compensation to directors and other key management		
Salaries and other short-term employee benefits	7,564	11,289
Bonus	-	251
Post-employment benefits and other	1,263	1,069
	8,827	12,609

Appendix D – Analysis of the Sponsorship expense item included in the 2018 financial statements

Reference	Document
D1	<p>To,</p> <p>Union Life (Pty) Ltd 19 Oxford Street Durbanville Cape Town 7551 Tel: 021 975 1010 Not VAT Registered</p> <p>Payment to Ivoire Eagle protection for GS birthday backup securities invoice for the amount of R6000</p> <p>Bank details:</p> <p>Standard Bank Account name: Ivoire Eagle protection Account: 402 498 836 Account type: cheque</p> <p>Thank you</p>
D2	<p>Reimbursement Irvin Jim's birthday costs</p> <p>To,</p> <p>Union Life (Pty) Ltd 19 Oxford Street Durbanville Cape Town 7551 Tel: 021 975 1010 Not VAT Registered</p> <p>Payment to Vashna Pithouse of the sum of <u>R15 185.75</u> for costs incurred during the organisation of Irvin Jim's birthday in Port Elizabeth.</p> <p>Please find invoices of payments attached.</p> <p>My Bank account:</p> <p>Bank: First National Bank Account Name: Vashna Pithouse Account Number: 62650256897 Account Type: Cheque Branch Code: 250655</p>

D3

[illegible]

D4

LUTHO KITCHENETTE

INVOICE FOR CATERING: 150 People: Celebration of Iveta Jan Birthday

58 Howden Street
 New Brighton
 Port Elizabeth
 Eastern Cape
 6300
 Cell No.: 082 502 1086
 084 951 4387
vermahob2@icloud.com

Invoice

27/03/2018

ATTENTION :
Jason Life Pty Ltd
19 Oxford Street
Durbanville
Cape Town
7151
Tel: 021 975 1070
Not VAT Registered

Invoice - Catering for 150 People - 31 March 2018

Description	Qty	Unit Price	Total
Snack			
Variation of sandwiches, Biting , Chilli Peanuts & Dry Fruit with	75	R 200.00	R 12 000.00
Fruit Juice			
Lunch			
Braai meat, worts, chicken, drinks, 7 bone steak and pork			
Pys, variation with cream and 3 x Salads			
Steamed Bread and Fencille			
Variation of soft drinks (Cans)			
			R 12 000.00
GRAND TOTAL			

M N France

LUTHO KITCHENETTE cc
 Reg No : 2008/070818/23
 Supplier No: ECSC02141
 58 Howden Street, New Brighton
 Port Elizabeth, 6300
 Tel 082 502 1086

Banking Details

Bank	Standard Bank
Acc Holder	Lutho Kitchenette
Acc Number	0800 16561
Branch Code	050017

D5

TAX INVOICE / CASH HIRE
 Phone: 041 585 5776 / 041 585 5649 / 041 585 6490
 Email: operativehirepe@gmail.com
 181 Hough Road, Wainmer
 (between 4th & 5th Avenue)
 Port Elizabeth, 6001

OPERATIVE BUSINESS TRUST
 Vat No: 4720148622 Cust. Vat No: 49663

WE HIRE Marquees, Chairs and Tables, Crockery and Cutlery and all you require.

To: *Union Life (Pty)*
Lead 19 Oxford Street
Durbanville Cape Town 7537
 Date: *03-04-18*
 Order No. *Washing*
 Booking From *Japan*

QTY	DESCRIPTION	UNIT PRICE	TOTAL
1	Shakespeare on Ziroke 49602	100	100
1	Black Ball Chair Cover	15	15
7	Chiller Ranges	105	735
12	Chiller Forks	150	1800
27	Chiller Plates	1350	36450
9	Shake Plates	315	2835
		268	268
		34	34
		2374	2374
		1682	1682

BANKING DETAILS: Standard Bank Pickering Str - 052017, A/C No: 080018447

Signature: *Washing*

D6

UIPLAY
 COMPUTER GENERATED COPY

TAX INVOICE

FROM: **UNLIMITED INTERNET PLAY (PTY) LTD** TO: **UNION LIFE LTD**

VAT NO: 4900180815 POSTAL ADDRESS: 24 Waterfront Drive, Kynsna, 6570, Tel: +27 11 359-4219, Fax: +27 11 358-1631

CUSTOMER VAT NO: PENDING POSTAL ADDRESS: 19 Oxford Street, Durbanville, 7551

DETAILS: 021 975 1010, tanika.das@unionlife.co.za

Description	Quantity	Excl. Price	Disc %	VAT %	Excl. Total	Incl. Total
HW070 - Hardware DELL VOGT790 3509, 15.5 inch HD (1366 x 768) Anti-Glare LED Backlit Display, 7th Generation Intel(R) Core(TM) i5-7200U processor (3M cache, up to 3.1 GHz), 4GB, 128GB SSD, 1TB 5400 rpm SATA Hard Drive, Tray Loading Dual Layer DVD Burner, Windows 10 Pro (64bit) English, 802.11ac + Bluetooth, Dual Band 2.4/5.8 GHz, No Fingerprint Reader, Internal US International QWERTY Keyboard, Integrated Webcam with Dual digital microphone array, VGA, Intel(R) HD Graphics G20, Cannot be downgraded, No Bag, No Additional software, 3 Year Basic Warranty Next Business Day, NO 3G/4G/LTE, No Modem, Primary 4cell 40WHr Battery, 45 Watt AC Adaptor	1.00	R 9,327.50	0.00%	15.00%	R 9,327.50	R 11,416.63
HW001 - Notebook Bag Targus Classic 15-16" Camouflage Case Black	1.00	R 324.50	0.00%	15.00%	R 324.50	R 373.18
SW021 - Microsoft Office Microsoft Home and Business 2010 User: Michael new user in my daughter Approved By: Michael Ugalde	1.00	R 3,294.50	0.00%	15.00%	R 3,294.50	R 3,788.68

*Limited Stock Available
 *Prices are valid for 24 Hours due to the Rand/Dollar Exchange
 Terms and Conditions:
 - Prices are subject to supplier price and exchange rate fluctuations.
 - Unless stated all prices are Exclusive of VAT.
 - Stock and availability are subject to the normal importation delays, however every effort will be made to deliver the stock within the shortest possible time frame.
 - Ownership of the goods purchased from Uplay (Pty) Ltd, remain the property of Uplay (Pty) Ltd until fully paid for.
 - Error and Omission accepted.
 - Unless otherwise stated all prices Exclude installations and set-ups.

Thank you!

Payment Terms: COD
 Unlimited Internet Play (Pty) Ltd
 Bank: FNB
 Account: Cheque
 Account nr: 62122494610
 Branch Code: 250655

Total Discount: R 0.00
 Total Exclusive: R 13,546.50
 Total VAT: R 2,031.39
 Sub Total: R 15,578.49
 Grand Total: R 15,578.49

BALANCE DUE
R 15,578.49

Reference Document

D7

Numsa Transport

MAKLINK TRADING

MAK LINK TRADING (PTY) LTD
PO BOX 209
KWA XURAA
1868
maklinktrading@gmail.com
0849925883/0119320593



reg no: 2016/271626/D7


Bill To:

Union life
91 central street
Houghton
2000

Date	Invoice #	Description	Amount
04/05/2018 to 04/06/2018	173/2018	Transport services from 2300 to 2300 KZN (KZN) (KZN)	R10000.00
		TOTAL	R10000.00

Banking Detail

Account holder: Mak link trading
Bank: Nedbank
Account number: 1135472912
Account type: Cheque
Branch code: 198765


07/05/2018

D8

NATIONAL UNION OF METALWORKERS OF SOUTH AFRICA



NUMSA J.C. BEZUIDENHOUT REGION
7th Floor, Mc Carthy Building
12 - 34 Bloff Street
JOHANNESBURG
2001
Email: ceciliam@numsa.org.za
P.O. BOX 62437
MARSHALLTOWN
2107
Tel: (011) 331 - 2386
Fax: (011) 331 - 3074

To: Union Life

Date: 30 May 2018

Re: Numsa JC Bez Event

Dear sir/ Madam

Please find below request for sponsorship for the two-day event on the 1st & 2nd June. We request the sponsorship for the following:

- Catering
- Transport
- Décor

Total amount: R 48 300

The banking details are as follows:

Acc Holder: Numsa Wits Region
Branch: Carlton Centre
Acc no: 506 600 198 00
Branch code: 250205

Yours sincerely


MOTEBANG BALAKE
REGIONAL SECRETARY


30/05/2018



Reg No. 2016/144258/07
Tax No: 9768417165

Tax Invoice
3Sixty002

77 Albatross Drive, Fourways, Sandton, Gauteng 2055
Contact: 061 328 5976. Email: amu@ambg.co.za
AMB GROUP

For all your marketing and entertainment needs

TO : Treasure Mabunda (35lxtLife)
Address : 91 Central Street
Houghton
Johannesburg 2196

Date 04 December 2018
Tel 011 483 2170
Fax
VAT No

QTY	Description	Unit Price	Total
1	NUMSA year end Gala Dinner (food and Refreshments)	R 53 000.00	R 53 000.00
		Tax 15%	R 7 950.00
		Sub Total	R 53 000.00
		TOTAL	R 60 950.00

Signature _____

Name _____ Date _____



Reg No. 2016/14258/07
Tax No: 9768417165

Tax Invoice
3Sirtv003

77 Albatross Drive, Fourways, Sandton, Gauteng 2025
Contact: 064 328 5976. Email: amy@amba.co.za

AMB GROUP

For all your marketing and entertainment needs

TO: Treasure Mabunda (3SixtyLife)
Address: 91 Central Street
Houghton
Johannesburg 2196

Date 04 December 2018
Tel 011 483 2170
Fax
VAT No

QTY	Description	Unit Price	Total
1	Lunch and Finger Food (NUMSA)	R 46 500.00	R 46 500.00
		VAT 15%	R 6 975.00
		Sub Total	R 46 500.00
		TOTAL	R 53 475.00

Signature _____

Name	Date
------	------

Reference Document

D11

MERRYN
FINANCIAL SERVICES

Merryn Financial Services
Facsimile 086 684 3344
Registration: 5101275118082
VAT Registration: 4470212350

Invoice No. ULIFE001

TAX INVOICE

Customer		Recoveries	
Name	Union Life Limited	Date	04 June 2018
Address	91 Central Street	Order No	Treasurer: Mabunda
City	Houghton	Rep	Mark Hyman
Phone	011 783 3578 • Cellular 084 241 9407	VAT No:	N/A

Qty	Description	Unit Price	TOTAL
1	NUMSA ENGAGEMENT NUMSA ENGAGEMENT Union Life Limited Company Registration Number: 1933/007508/06	R 189,000.00	R 189,000.00
Sub Total			R 189,000.00
Tax Rate(s)			15.00% R 28,350.00
TOTAL			R 217,350.00

Banking Details:
Merryn Financial Services
Bank: First National Bank Limited
Branch Code: 212217
Account: 62461963748

Office Use Only

Payable on Presentation

Who Cares Wins

D12

7/3/2018



Audit Trail

Create Transfer

Tue, Jul 3, 2018 at 02:29:20 PM

Group: 25175 - UNION LIFE LTD
Operator: 023 - ROSETTA MAGDALENE KLEINHANS
Status: Finally Approved

	Captured	First Approver	Second Approver	Third Approver	Transaction Status
					Final Approver
Operator Number	23	62			2
Operator Name	ROSETTA MAGDALENE KLEINHANS	CARMEN PRETORIUS			TANIA H IDAS
Approval Level		B			A
Date	2018/07/02	2018/07/02			2018/07/02
Time	15:23:32	15:57:55			16:19:10

Transaction Detail

From Account	334810	UNION LIFE - 0000001007672937	
Description	3105522	Frequency	Adhoc
Beneficiary Code			
To Account	212217	MERRYN FINANCIAL SERVICES - 0000062461963748	
Description	335167Y LIFE		
Date	20180702	Amount	460,000.00
Transaction Number	220053	Immediate Interbank Payment	No

To View Payment Confirmation Details click here

Reference Document

D13

MERRYN
FINANCIAL SERVICES

Merryn Financial Services
Facsimile 086 684 3344
Registration: 5101275118082
VAT Registration: 4470212350

Invoice No. JSIXLIFE004

TAX INVOICE**Customer**
Name: 3 Sixty Life Limited
Address: 91 Central Street
City: Houghton Prov: Gauteng Code: 2198
Phone: 011 783 3578 - Cellular: 084 241 9407
Recoveries
Date: 02 August 2018
Order No: Treasurer: Mabunda
Rep: Mark Hyman
VAT No: N/A

Qty	Description	Unit Price	TOTAL
1	NUMSA ENGAGEMENT # Sixty Life Limited Company Registration Number: 1935/007508/06 NUMSA Business Development Assistance	R 160,000.00	R 160,000.00
SubTotal			R 160,000.00
Tax Rate(s): 15.00%			R 24,000.00
TOTAL			R 184,000.00

Banking Details:
Merryn Financial Services
Bank: First National Bank Limited
Branch Code: 212217
Account: 62461963748

Office Use Only

Payable on Presentation

Who Cares Wins

D14

MERRYN
FINANCIAL SERVICES

Merryn Financial Services
Facsimile 086 684 3344
Registration: 5101275118082
VAT Registration: 4470212350

Invoice No. NF5003

TAX INVOICE**Customer**
Name: 3 Sixty Life Limited
Address: 91 Central Street
City: Houghton Prov: Gauteng Code: 2198
Phone: 011 453 1188 - Cellular: +27 72 567 9522
Recoveries
Date: 31 July 2018
Order No: Treasurer: Mabunda
Rep: Mark Hyman
VAT No: N/A

Qty	Description	Unit Price	TOTAL
1	PARTNER CONSULTING FEE AGREEMENT 3 Sixty Life Limited Company Registration Number: 1935/007508/06 MONTHLY PARTNER CONSULTING FEE AGREEMENT	R 175,000.00	R 175,000.00
SubTotal			R 175,000.00
Tax Rate(s): 15.00%			R 26,250.00
TOTAL			R 201,250.00

Banking Details:
Merryn Financial Services
Bank: First National Bank Limited
Branch Code: 212217
Account: 62461963748

Office Use Only

Payable on Presentation

Who Cares Wins

Appendix E – Doves Group loan agreement (second loan)



HUMERALS • INSURANCE • MEMORIALS

Est. 1883

Insuring a Dignified Service

130 YEARS OF INSURING A DIGNIFIED SERVICE

Call Centre: 086 002 5500

Tel: +27(21)975 1010

Fax: +27(21) 976 5920

Email: info@doves.co.za

19 Oxford Street, Durbanville, Cape Town, 7550

PO Box 1265, Durbanville, Cape Town, 7551

www.doves.co.za

Memorandum of Agreement

Entered into between:

DOVES GROUP PROPRIETARY LIMITED

A company duly incorporated under the laws of South Africa having its main place of business at, 19 Oxford Street, Durbanville, 7750 with registration number 1997/000676/07.

(Hereinafter referred to as "Doves")

3SIXTY LIFE LIMITED

A company duly incorporated under the laws of South Africa having its main place of business at, 91 Central Street, Houghton, 2198 with registration number 1935/007508/0.

(Hereinafter referred to as "3Sixty Life")

Whereas

- A. Doves has a loan with 3Sixty Life at 31 October 2018 of R27 530 999.
- B. Said loan is interest free
- C. The parties wish to record matters agreed upon.

Now therefore, it is agreed as follows:

- 1. Doves agrees to pay a sum of R 600 000.00 per month to reduce this loan
- 2. The effective date of agreement is 1st November 2018, the date the first payment is due.

Doves Group (Pty) Ltd • Reg No. 1997/000676/07 • An Authorised Financial Service Provider FSP 40462
DIRECTORS: M. NGCABO (Chief Executive Officer), A. LINDI (Chairman), M. HAZW (Non-Executive Director), A. BATT, R. SADAN, R. SINDIGA
3Sixty Life, an associate company of Doves, is an approved financial services provider. An Authorised Financial Service Provider FSP 15107



130 YEARS OF INSURING A DIGNIFIED SERVICE

Call Centre: 086 002 5500

Tel: +27(21)975 1010

Fax: +27(21) 976 5920

Email: info@doves.co.za

19 Oxford Street, Durbanville, Cape Town, 7550

PO Box 1265, Durbanville, Cape Town, 7551

www.doves.co.za

Insuring a Dignified Service

SIGNED by Houghton at Mink this day
of 30 November 2018

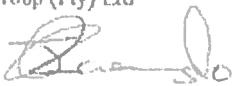
AS WITNESSES:

for Doves Group (Pty) Ltd

1 

2 

hereto


Mink Rasengdo

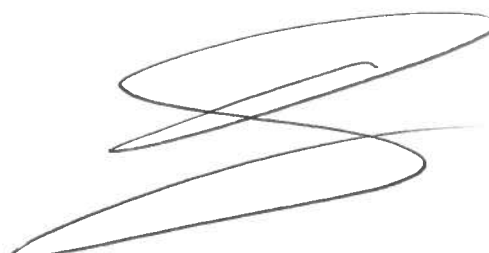
DIRECTOR
Being duly authorized

Doves Group (Pty) Ltd • Reg No. 1947/2006/0127 • An Authorised Funeral Service Provider FSP 45442
DIRECTORS: M NGCOSO (Chief Executive Officer), K. MSB (Chairman), M. MAZWI (Non-Executive Director), A. BATT, R. SADANI, N. SHOSANA
These Directors are associated with Doves, it is a registered funeral services provider. An Authorised Funeral Service Provider FSP 18107

Appendix F – Extract from the external audit findings progress report included in the Audit Committee pack for the meeting of 21 June 2019

External audit findings progress report				
Number	Finding	Detail	Responsible Person	Status
15.	Section 45 of the Companies Act, 2008: Resolution and minutes of shareholders meeting not signed and dated and no record of solvency and liquidity tests.	<p>It was however noted that the minutes of the shareholders meeting in which the special resolution was passed are not signed and dated. Loan accounts: Doves Group (HT-000-031-075-9) and the BMS/3Sixty Client Solutions (HT-000-031-075-9) amounting to R 16,581,052 and R 939,517 respectively for each of these entities' during the current financial year (FY2018).</p> <p>We could not obtain any evidence that these two requirements were met. No formal determination was carried out to establish whether the terms and conditions of the financial assistance are fair and reasonable as 3Sixty Life could be earning interest on the loans and no solvency test was provided for review</p> <p>We recommend that minutes of shareholders meetings and resolutions passed should be signed and dated more timeously as part of the record keeping process and the necessary evidence for S45(3)(b) be kept on record.</p>	CEO/Company Secretarial/ CFO	All intercompany transactions that are subject to s45 will be subject to a solvency and liquidity test as the requirements of the Companies Act.

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Appendix G – Invoice from Summer Sunshine Trading 27 CC



**SUMMER SUNSHINE
TRADING 27cc**

Tax Invoice

SUMMER SUNSHINE TRADING 27cc

CK No: 2010/081822/23

284 Olyra Street, Doornpoort, 0017

VAT no. 4370281109

Tel/fax: 012 547 7467

Mobile: 082 799 8239

3 SIXTYLIFE LIMITED
91 Central Street
Houghton
2198

VAT no.

Invoice No: 46

Date: 18 October 2019

DATE	DESCRIPTION	AMOUNT
Oct. 2019	Consulting services rendered to Union Life for the month of October 2019.	R140 000, 00
	VAT @ 15%	R 21 000, 00
	TOTAL	R161 000, 00

PAYMENT DETAILS

TO: Summer Sunshine Trading 27cc
BANK: ABSA
TYPE OF ACC: Cheque
ACC NO: 4076932281
BRANCH: Montana, Pretoria



Khali M Design 077 670 5365

[Handwritten signature]

Appendix H – PwC response to questions



Gerdus Dixon
Investigator for the Prudential Authority (to S13.4 of FSR Act 9 of 2017)
Deloitte and Touche,
1st Floor,
The Square,
27 Somerset Road,
Greenpoint
8005

06 October 2020

Dear Gerdus

Background

I refer to our meeting on 27 August 2020 and your request to assist you with providing information in relation to our audit for the year ended 31 December 2018. Specifically, you enquired whether PwC could shed further light on 3 questions in relation to the audit of 3Sixty Life Limited ("3Sixty Life") for the 31 December 2018 year. Our understanding of the reason for this request is that management has changed several times since and are unable to provide the requested information to you.

As indicated, it is in the spirit of cooperation that we are assisting with further information.

Our audit approach in relation to 3Sixty Life was determined as part of the overall audit plan and with only our client's interests in mind; our work was not planned in contemplation of the use by you. Providing this information to you cannot in any way serve as a substitute for enquiries and procedures which you will or should be undertaking for the purposes of satisfying yourselves regarding our client's particular position. You therefore acknowledge that PricewaterhouseCoopers Inc. ("PricewaterhouseCoopers"), its partners, directors, employees, related entities and/or agents neither owe nor accept any duty or responsibility to you, whether in contract or in delict (including without limitation, negligence and breach of statutory duty) or however otherwise arising, and shall not be liable in respect of any loss, damage or expense of whatsoever nature which is caused by any use you may choose to make of the information we provide below, or which relate to our recollection of the audit at that time.

We will turn to deal with your individual questions below.

1. At its 2018 financial year end 3Sixty Life reflected a loan receivable due from Doves Group (Proprietary) Limited (Doves).

PwC response:

This is correct as per the 2018 AFS:

The 3Sixty Life financial statements show the following:

	Group R'000	
	2018	2017
Loans and receivables total per AFS	50,010	26,072
Included in the above is receivable due from related parties*** Doves Loan portion	35,015	19,092

PricewaterhouseCoopers Inc.,

5 Silo Square, V&A Waterfront, Cape Town 8002, P O Box 2799, Cape Town 8001

T: +27 (0) 21 529 2000, F: +27 (0) 21 814 2000, www.pwc.co.za

Chief Executive Officer: L. S. Mchabele

The Company's principal place of business is at 4 Lisbon Lane, Waterfall City, Auckland West, where a list of directors' names is available for inspection.

Reg. no. 186801205971, VAT reg. no. 4955174882



2. An underlying loan agreement was entered into on 30 November 2018 which specified that the loan is interest free and that monthly repayments of R600 000 per month are due from Doves. Based on this repayment pattern it will take multiple years to settle the loan. Typically a loan that is interest free for a fixed term has a fair value that is less than the original loan amount. In terms of IFRS 9, at initial recognition, an entity shall measure a financial asset or financial liability at its fair value plus or minus, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. It is not clear from the 2018 financial statements how the fair value of the loan receivable from Doves was considered.

PwC response:

The receivable from related parties above is made up of the amount in the regional intercompany control account - working capital receivable balance due to ongoing transactions between Doves and 3Sixty life for example some staff cost paid by 3Sixty life on behalf of Doves.

The loan receivables were classified and measured at amortised cost, the fair value as at transaction date was the fair value of transaction. The ongoing working capital transactions that 3Sixty Life paid on behalf of Doves were attributed to the loan and were built up over time during the course of the year. As at the date of the transactions the amounts approximated fair values.

The audit team also reviewed management's ECL (Expected Credit Loss) Model in terms of IFRS 9 at year-end and their transitional initial assessment of the IFRS 9 standard. Included in these inputs was an assessment of the Doves Group ability to repay the loan. This formed part of our audit evidence obtained at the time.

We were party to discussions in the Audit and Risk Committee Meetings at the time and our review of Board minutes that Doves had agreed to the loan agreement and that it would also utilise some of the funds on the sale of the properties it was selling to repay the loan. The ECL model did not result in a material impairment of the loan as it was an interest free loan.

Doves as shareholder also injected an additional R7.47m of cash into 3Sixty Life at the time via a share issue. I also recall several discussions as to whether or not the loan should rather be repaid versus the capital injection. Management at 3Sixty Life had obtained views from their appointed actuaries as to what the impact of both of these options were on solvency requirements for the life entity. It was subsequently decided to issue the shares to Doves instead of a repayment of the loan. I believe board members deliberated on this and had seen minutes of meetings supporting the position adopted.

Loan agreements

From the results of the audit, there was no signed agreement that governed the intercompany receivable provided by management to us; as would be in most cases as these types of transactions are normally short term in nature (usually settle in less than 12 months); however a draft resolution and minutes of meeting was inspected where the board in general authorised these intercompany transaction to take place. We noted that the resolution, evidencing the decision taken (as reflected in the minutes) was not signed and raised this as an audit finding in our report to management. We are satisfied that the resolution had been taken (as reflected in the minutes) and that the intercompany transactions were duly authorised.

Loan Terms:

Effective from 30 November 2018 Doves would make fixed monthly repayments of R600,000 per month. The balances had accumulated over a period of time as and when 3Sixty Life incurred intercompany transactions on behalf of Doves the resolution was for the cumulative R16m increase in



the loan for the 2018 year. Coupled to the board minutes at which the loan was discussed the repayment of loan would also include amounts received that would be repaid on sale of Doves Properties subsequent to year-end. In Doves financial statements at the time they reflected R11m worth of properties that were held for sale that corroborated this statement.

Part of the conversation also included when dividends would be declared from 3Sixty Life to Doves as its sole shareholder, which had been past practise and had also been utilised to settle former portions of the loan.

3. Section 45 of the Companies Act, 2008, contains requirements which have to be met when a company grants financial assistance to related parties. For the above loan from 3Sixty Life to Doves management have not been able to provide references to shareholder and/or directors resolutions where these requirements were met.

PwC response:

Section 45 Requirements:

The intercompany account includes partial balance which also existed in the 2017 financial years. Subsequent to year end the audit minutes of the meeting were inspected and confirmed that the 1) the shareholder resolution had been signed and that the solvency liquidity test was performed and presented to the board for approval. We noted general approval of the ongoing intercompany transactions in the minutes of the meeting. Again, the resolution, evidencing the decision at the meeting was not signed and we raised a finding and reported to the Audit Committee as well as in the detailed management report as part of the audit. Our view is that failure to sign an approved resolution was administrative in nature as the company secretaries had changed several times during the audit. Internal audit routinely reported at the next audit committee on the status of the findings in terms of an audit tracker which they subsequently would verify.

I hope the above assists you in your reporting.


Regards
Nicolette Jacobs
Director





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A handwritten signature in black ink, consisting of a series of loops and strokes, located in the bottom right corner of the page.