FOR PROFESSIONALS

SINCE 1941

INTEGRATED REPORT 2014

ACTION REQUIRED BY MEMBERS IN REGARD TO THE 2015 ANNUAL GENERAL MEETING

The annual general meeting of members of The Professional Provident Society Holdings Trust ('PPS Holdings Trust') will be held at 18:00 on Monday, 1 June 2015 in the PPS Indaba Centre, 6 Anerley Road, Parktown, Johannesburg to consider and, if deemed fit, approve the ordinary and special resolutions set out in the notice convening the annual general meeting, which is attached to and forms part of this Integrated Report. A form of proxy, enabling members to vote on the respective resolutions proposed, has also been included in this Integrated Report.

In terms of the Trust Deed of PPS Holdings Trust, only Ordinary members of PPS Holdings Trust have the right to vote at meetings of its members. The votes of Ordinary members of PPS Holdings Trust are determined in the manner set out in clause 22.6.2.2 of the Trust Deed.

Please take careful note of the provisions relating to the action required by members regarding the annual general meeting. If you are in any doubt as to what action to take, please consult your professional advisor.

You may attend and vote at the annual general meeting in person or you may appoint a proxy to represent you by completing the form of proxy included with this Integrated Report and forwarding it to one of the following addresses or via facsimile or email, to be received by the Trust Secretary by no later than 18:00 on Wednesday, 27 May 2015:

Marked for the attention of the Trust Secretary

Physical address	Postal address
6 Anerley Road Parktown Johannesburg	PO Box 1089 Houghton 2041
Telephone	**Facsimile**
011 644 4200	011 644 4641
Email	
Companysecretary@pps.co.za	

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OUR APPROACH TO INTEGRATED REPORTING

This integrated report tells the PPS story.

We give readers of our integrated report the option of either reading the report in an interactive online PDF format, which can be printed, or visiting our dedicated Integrated Reporting site at www.pps.co.za/IR2014.

Throughout this document, the icon indicates that further information is available on our website. If you are reading this document online, a click on the icon will display the additional information.

For video content, including an interview with our Chief Executive Officer, Mike Jackson, please visit the dedicated Integrated Reporting site on www.pps.co.za/IR2014.

SCOPE AND BOUNDARY

This group report covers the 12 months ended 31 December 2014 and subsequent events up to the date that our financial statements are published.

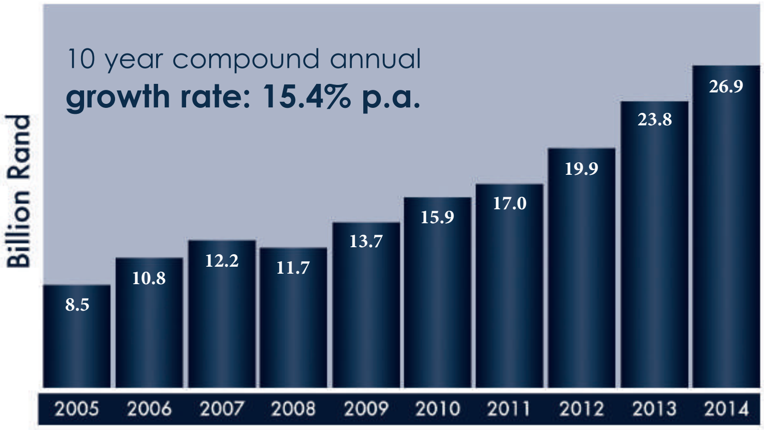
In line with the King Report on Governance of 2009 (King III), and the International Integrated Reporting Framework, this report aims to give a concise picture of PPS with a view to keeping our members and primary stakeholders, better informed on all matters relevant to the Group's progress in providing members with world class financial products in a socially, environmentally and economically responsible way. This report includes qualitative and quantitative data on the Group's performance, benchmarked against various targets and key performance indicators.

The complete consolidated annual financial statements, including the reports from our Audit and Social and Ethics Committees and the Trustees' Report, as well as a Corporate Governance Report, are available online, providing comprehensive information and giving stakeholders interactive functionality. Visit www.pps.co.za for more information.

We welcome your feedback so that we can continue improving our communication and service to you. Please make use of the website, www.pps.co.za, for this purpose.

PPS HIGHLIGHTS FOR 2014

TOTAL ASSETS OF **R26.9 BILLION***



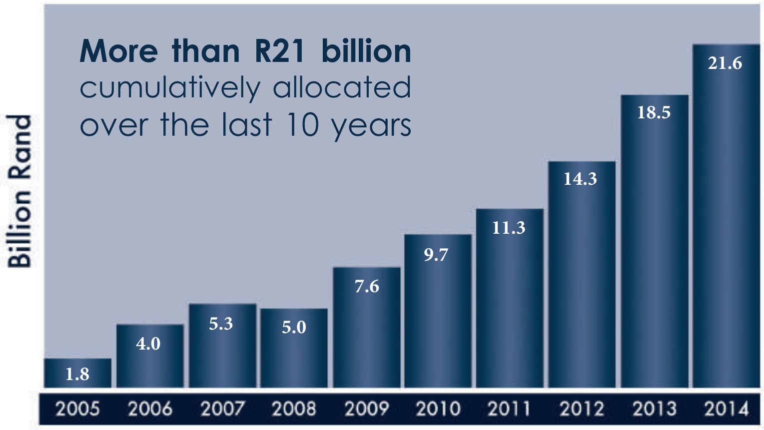
238,000
POLICIES
IN FORCE

3 YEAR ROLLING
INVESTMENT RETURN:
17.7%
COMPOUND PER ANNUM

Operating profit of
R1.1bn up 8.2%

NET CLIENT INFLOWS AT PPS
INVESTMENTS AT A RECORD
R3 BILLION

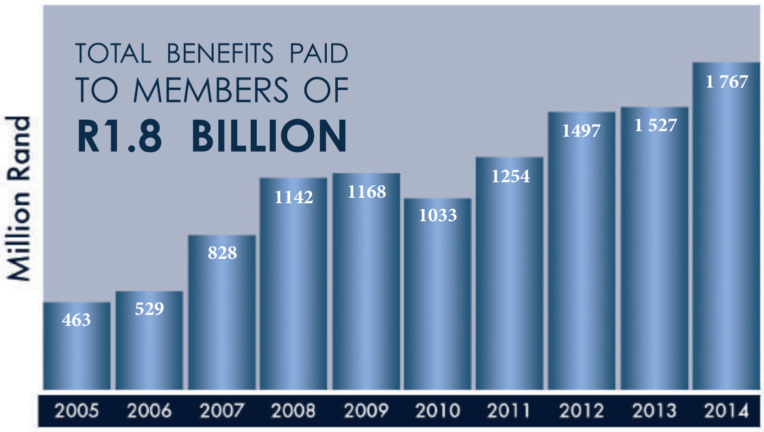
TOTAL PROFIT AND INVESTMENT RETURN
ALLOCATION OF **R3 BILLION IN 2014**



BLACK
OWNERSHIP AT
27.6%

FIRST PROFIT ALLOCATION TO MEMBERS IN TERMS OF OUR
BLACK ECONOMIC EMPOWERMENT (BEE) SCHEME

BENEFITS PAID



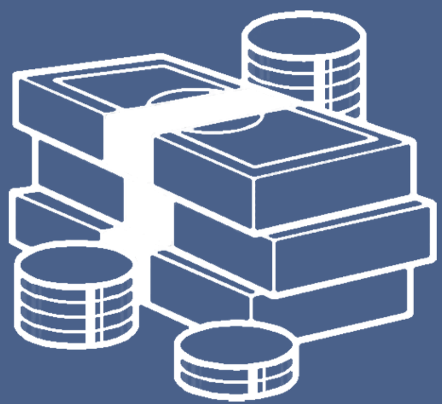
PPS Investments
Assets at year-end
R18.9 BILLION
30.6% YoY

Total clients at year-end of
24 135
25.8% YoY

Excluding unit trusts held by third parties

PPS MILLIONAIRES

PPS has 2 370 members with more than R1 million in their PPS Profit-Share Accounts



968 new PPS Millionaires created in 2014

The number of **PPS millionaires** under the age of **50** has **MORE THAN DOUBLED** IN 2014

WELCOME TO PPS

Since its founding in 1941, PPS is the only mutual financial services company in South Africa that has focused exclusively on graduate professionals, providing tailor-made insurance, investment and healthcare solutions to our members.

OUR MISSION

To be an exclusive organisation of Graduate Professionals, belonging to its members, which provides exceptional insurance benefits and a range of financial services to members, their families and associates.

We further strive to provide peace of mind, security and consequently wealth for our members during their working lives and in retirement.

OUR VALUES

At PPS, we believe that what we value internally will drive our behaviour externally. We live by the following values:

- We have enduring financial strength through a long-term focus.
- We recognise the uniqueness of our members by providing them with products to meet their specific needs.
- We deliver service excellence to our members.
- We conduct our business with the highest standards of governance, integrity, fairness and respect for all stakeholders.

OUR STRATEGY

The needs of the graduate professional have been central to PPS' strategic intent for the last 74 years. We have designed our products and servicing models accordingly and believe that the mutual model provides long-term benefits to our members that cannot be matched.

Our strategy therefore focuses on:

- Mutuality and growing membership
- Group sustainability
- Distribution

WHY IS PPS UNIQUE?

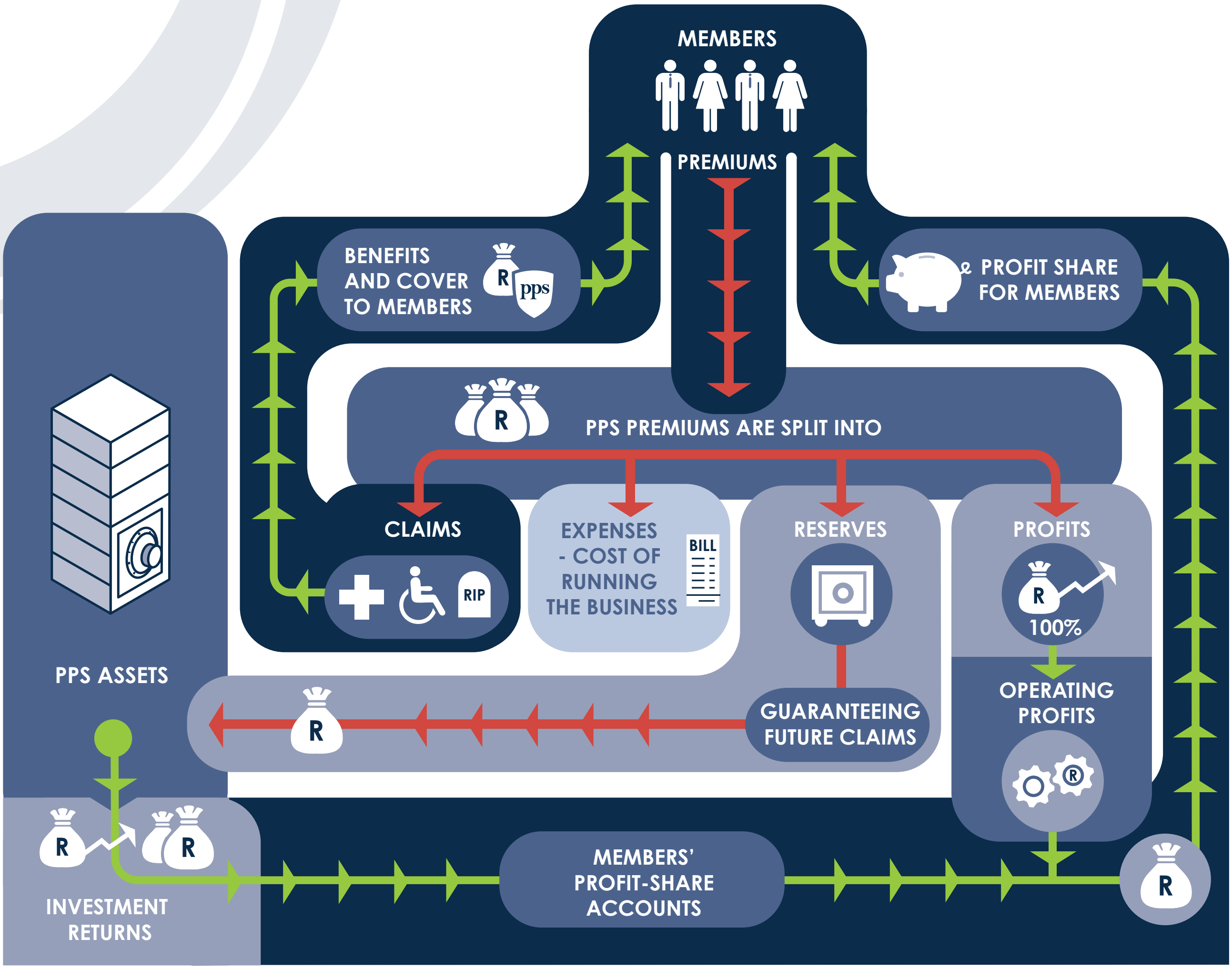
Member owned

Unlike a company that is listed on a stock exchange which has external shareholders, PPS belongs solely to its members and operates under the ethos of mutuality. In other words, it is owned by and exists for the benefit of its members rather than outside shareholders. Every PPS policyholder is a shareholder and this means that **ALL** the profits and investment returns generated by the PPS Group are allocated to its qualifying members.

Mutuality is central to our success. Profits and investment returns are reinvested, with a long-term mind-set, on members' behalf.

These funds accumulate in our members' PPS Profit-Share Accounts, (irrespective of their claims) and vest free of tax at retirement, resignation from PPS or death. This benefit has no rival in South Africa.

The circle of mutuality



Long-term mindset

PPS is not focused on delivering short-term returns to shareholders. PPS is focussed on creating and sustaining long-term growth and wealth, recognising that there is an alignment of the interests of policyholders and shareholders – entirely unlike other insurance companies in South Africa.

The mutual structure allows our stable management team and the Board to adopt a truly long-term approach to running the business, deploying sustainable long-term strategies, which make the most efficient use of capital, and benefit all the generations of professionals we serve.

Members' returns

On average, members were credited with 40% of their qualifying premiums to PPS in respect of 2014 and PPS members shared in excess of R3 billion of PPS profits and investment returns during the year.

PPS has shared a total of R14.0 billion in profits and investment returns with its members over the last 5 years, and R21.6 billion over the last 10 years.

Retiring members, on average, received back **ALL** the premiums that they paid to PPS over the lifetime of their membership – irrespective of whether they had ever claimed or not. This is a truly unique statistic in the South African insurance sector.

Governance

PPS Insurance is a registered insurer and is subject to the same governance requirements as a listed insurer. A unique additional layer of governance is the fact that our members and Professional Associations are represented at the PPS Holding Trust Board level – the ultimate control structure of the group.

There is no other insurance company in South Africa where policyholders are specifically represented at Board level.

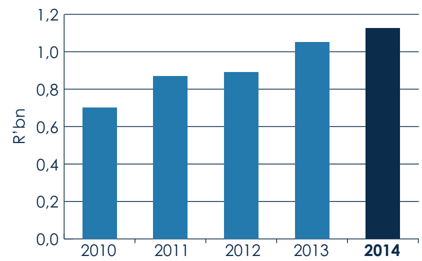
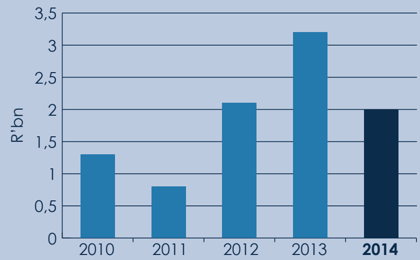
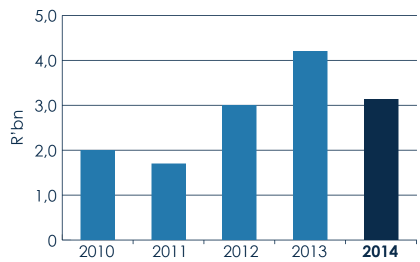
Detailed particulars of our governance structure are provided in the Corporate Governance Report.

PPS at the forefront of innovation and engagement

Only 1% of the South African population qualifies for PPS membership and a strategic objective of PPS is to be a thought-leader to the niche market that we serve. Therefore meaningful engagement with our members is key in order for us to understand and address pertinent issues impacting the professional market. Further information about some of our initiatives and engagements with members in this regard can be found on www.pps.co.za.

GROUP PERFORMANCE AT A GLANCE

We operate as a mutual in four principal business units in South Africa and Namibia as outlined below.

<table>
<tr><th>THE PPS GROUP</th><th>KEY INDICATORS</th><th>2014</th><th>FIVE YEAR REVIEW</th></tr>
<tr><td rowspan="3">Through its unique mutual model, all the profits are ultimately attributable to our members. This is achieved by allocating operating profit and investment returns to the members’ PPS Profit-share Account, which is available to them on retirement, or their beneficiaries on death.</td><td>Profit-share Bonus allocations</td><td>R1.1 billion</td><td>
</td></tr>
<tr><td>Profit-share Investment allocations</td><td>R2.0 billion</td><td>
</td></tr>
<tr><td>Total profit-share allocations</td><td>R3.1 billion</td><td>
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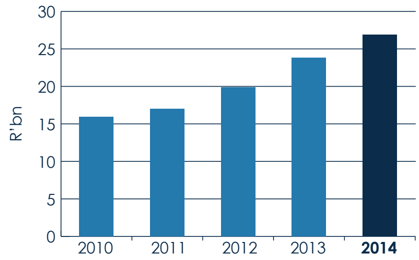
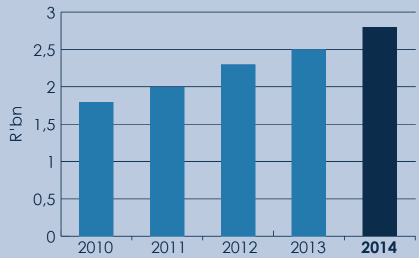
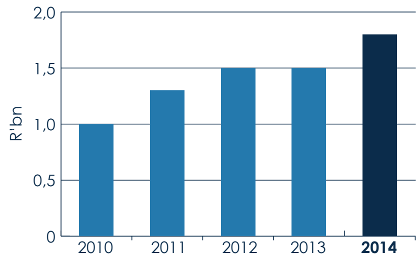
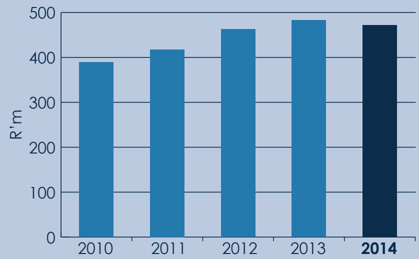
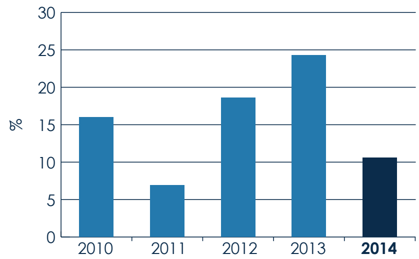
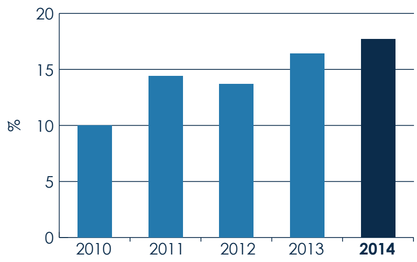
<table>
<tr><th>SICKNESS AND
LIFE INSURANCE</th><th>KEY
INDICATORS</th><th>2014</th><th>FIVE YEAR REVIEW</th></tr>
<tr><td rowspan="5">PPS Insurance Company provides long term life, sickness, dread disease and disability insurance to eligible members. In terms of the mutual model, all the profits are ultimately attributable to our members.</td><td>Total assets*</td><td>R26.9 billion</td><td>
</td></tr>
<tr><td>Gross premium revenue</td><td>R2.8 billion</td><td>
</td></tr>
<tr><td>Gross benefits paid to members</td><td>R1.8 billion</td><td>
</td></tr>
<tr><td>New annual premium income</td><td>R472.1 million</td><td>
</td></tr>
<tr><td>Investment return (1 year)</td><td>10.6%</td><td>
</td></tr>
</table>

*Exluding unit trusts held by third parties

GROUP PERFORMANCE AT A GLANCE (continued)

SICKNESS AND LIFE INSURANCE	KEY INDICATORS	2014	FIVE YEAR REVIEW
	Investment return (3 years)	17.7%	

Our Sickness and Life Insurance business offer a broad range of insurance and investment products, including sickness and incapacity benefits, life and disability benefits, critical illness benefits and business assurance policies. It also issues linked living annuities and endowment policies to members.

This business is pivotal to the PPS Group as it generates over 90% of its revenue. Its core products have been on offer since the inception of PPS and are the flagship products of the Group.

As a result of PPS' unique value proposition, we manage to attract and retain professionals for long periods of time, ensuring the sustainability of the Group's revenue.

BUSINESS REVIEW

Total gross life insurance premiums of R2.8 billion were received (up 13% from prior year) and a total of R1.1 billion was paid in sickness and death claims. Over 19,000 sickness claims, at an average value of R36,000, were paid in 2014.

Although life sales were slightly lower than the previous year, we gained independent broker market share. Our internal sales division had a good year, with new risk business up 8% over prior year.

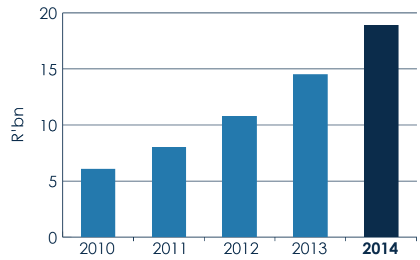
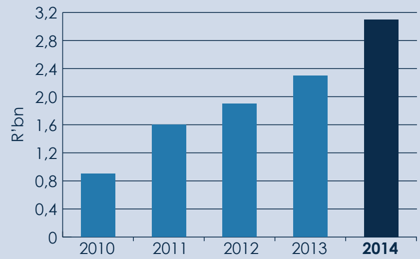
The take-up of the 8.6% auto increase was exceptional once again, with 96% of members to whom this benefit applies having taken up this benefit which is free of underwriting.

PRODUCT DEVELOPMENTS

An innovative new product, the Family Hospital Benefit, was launched in September. This product is unique to PPS and the early sales of this have been excellent. This product pays the member his daily sickness benefit if his/her spouse or child is in hospital for three nights or more, allowing the member to take time off to look after his/her loved ones.

The KickStart product was also introduced in 2014, offering students access to affordable cover. PPS also introduced cover options for HIV+ members during the year, as well as rapid testing.

We are looking forward to bringing to market a number of new offerings this year to help our members tailor their cover to be ideally suited to them and their family. The total number of policies in force in 2014 was 238,000, an all-time high.

PPS INVESTMENTS	KEY INDICATORS	2014	FIVE YEAR REVIEW
PPS Investments is a 100% owned investment company that offers retirement and savings products to PPS members.	Total assets under management	R18.9 billion	
	New business: flows	R3.1 billion	

2014 was a milestone year for PPS Investments as it was the first year where the business operated as 100% owned subsidiary of the group (subsequent to the purchasing of Coronation Fund Managers' 49% stake of the business in 2013).

100% of the profits now accrue solely to PPS and are allocated to members' PPS Profit-Share Accounts based on their individual investments with the company.

As an integral division of the PPS Group, PPS Investments continues to expand the services made available to individual PPS members, as well as to the broader group and other divisions. In 2014 these services were extended to include the provision of asset consulting services for all of the PPS Group's financial assets.

BUSINESS REVIEW

During the course of the year, which was the seventh full year of operation, total funds under management increased to R18.9 billion, up from R14.5 billion (+30%) at the end of 2013.

Retail funds under management grew from R8.4 billion to R11.6 billion on the back of strong new business inflows, which grew from R2.4 billion to R3.1 billion (+29%).

These flows were driven by the key objective to grow the number of individual investors who invest their assets with the company, thereby allowing an increasing number of members to benefit directly from having an established investment company within the PPS Group. During the year, 4 937 new investors invested with PPS Investments for the first time.

Investment performance has been generally pleasing, with particularly strong results from the core, risk-profiled inflation-targeting PPS multi-managed unit trusts, which have all comfortably exceeded their respective after-costs benchmarks over both three and five years.

The reliability of these portfolios in generating their specified returns in excess of inflation, has established them as the bedrock of financial plans for members and their financial planners.

PRODUCT DEVELOPMENTS

It remains key to the success of the business to ensure that it caters for professionals throughout the various stages of their professional careers, and in this regard two significant product developments were introduced during the year.

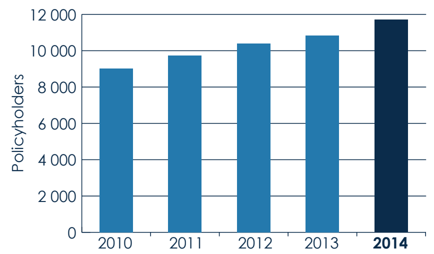
The PPS Managed Share Portfolio provides investors with the ability to hold bespoke share portfolios within their contractual PPS retirement products; whilst the Select Fund Range introduced a new range of clean priced unit trusts to all investment products with easy access for new and existing investors.

PROFITABILITY & DISTRIBUTIONS

The aggregate contribution to PPS produced by PPS Investments increased by 267% on the previous year.

The nature and extent of allocations to the PPS Profit-Share Accounts of individual members have been enhanced as follows:

- allocations are made to those PPS members who have invested in a PPS Investments product;
- additional allocations are made to those PPS members who have invested assets in the PPS unit trusts inside the PPS Investments products.

CAR AND HOME INSURANCE	KEY INDICATORS	2014	FIVE YEAR REVIEW
PPS Marketing Services offers PPS members the opportunity to obtain short term insurance at exclusive rates, in partnership with a leading underwriter in the South African market.	Number of policyholders	11 705	

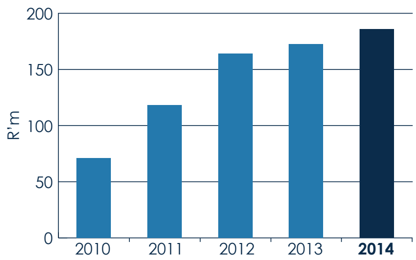
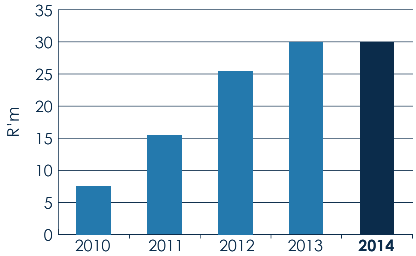
The Short-Term insurance industry in South Africa faced a challenging year in 2014, with a number of natural disasters having a negative impact on claims ratios, which, in turn, resulted in premium increases in excess of CPI being introduced by insurance companies.

PPS Short-Term Insurance was, however, not impacted by these losses, as we are a broker and we take no underwriting risk at present.

Financially, the division had a reasonably satisfactory year of operations, with our client base growing by 8.9% over prior year to almost 12 000 policies, of whom almost all are members of PPS Holdings Trust as well.

Sales showed a significant improvement, up 39% over prior year, albeit from a low base.

In order to grow our exposure to new products and expand our distribution footprint, we have identified key strategic initiatives, which will be pursued in 2015. This will enhance our ability to provide members with the appropriate solutions designed to suit both their professional and personal lives. We hope to update members on these developments later in the year.

PROFESSIONAL MEDICAL SCHEME ADMINISTRATORS (PMSA)	KEY INDICATORS	2014	FIVE YEAR REVIEW
Professional Medical Scheme Administrators is a company specialising in the administration of medical schemes.	Administration fees received	R185.9 million	
	Operating Profit	R29.9 million	

Professional Medical Scheme Administrators is a medical scheme administrator and health risk management provider. Its focus is on providing excellent service in the administration of medical scheme contributions and claims management. It also offers expert financial and clinical risk management services to its client schemes.

As a mutual, PMSA has adopted an approach to prioritise service before profit. We are also in a position to focus on the sustainability of the medical schemes rather than extracting as much as possible via our administration fees.

At the end of 2014 PMSA had more than 82 000 individuals under administration.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2014

	2014 R'000	2013 R'000	Change R'000	DESCRIPTION OF INDIVIDUAL ITEMS
ASSETS				
Property and equipment	**142 348**	125 687	**16 661**	Fixed assets. These include PPS' head office premises, furniture, equipment, computers and vehicles
Investment property	**315 343**	82 985	**232 358**	Assets which are held for the purpose of rental income and capital appreciation
Intangible asset	**53 402**	44 330	**9 072**	PPS' internally developed insurance software
Other non-current assets	**30 193 145**	24 544 520	**5 648 625**	Assets backing up insurance liabilities. These mainly include equities, bonds and unit trusts, which assets are managed by investment managers who act in accordance with investment mandates set by the board of directors of PPS Insurance
Current assets	**2 005 430**	3 309 710	**(1 304 280)**	Primarily cash resources of PPS Group
Total assets	**32 709 668**	**28 107 232**	**4 602 436**	
EQUITY AND LIABILITIES				
Total equity	**202 507**	166 760	**35 747**	Accumulated profit/losses of PPS Insurance's subsidiary companies as well as the statutory capital requirement of the insurance entities
Insurance policy liabilities	**24 646 747**	22 217 379	**2 429 368**	Policyholders' funds consisting of (a) capital held to settle future insurance claims, and (b) PPS Profit-Share Accounts
Investment contract liabilities	**825 699**	617 920	**207 779**	Funds of members invested in PPS living annuities and endowment products
Liabilities to unit trust holders	**5 848 820**	4 259 060	**1 589 760**	Value of outsiders' investments in unit trusts in which PPS owns a majority stake
Other liabilities	**1 185 895**	846 113	**339 782**	Primarily short-term liabilities
Total equity and liabilities	**32 709 668**	**28 107 232**	**4 602 436**	

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

for the year ended 31 December 2014

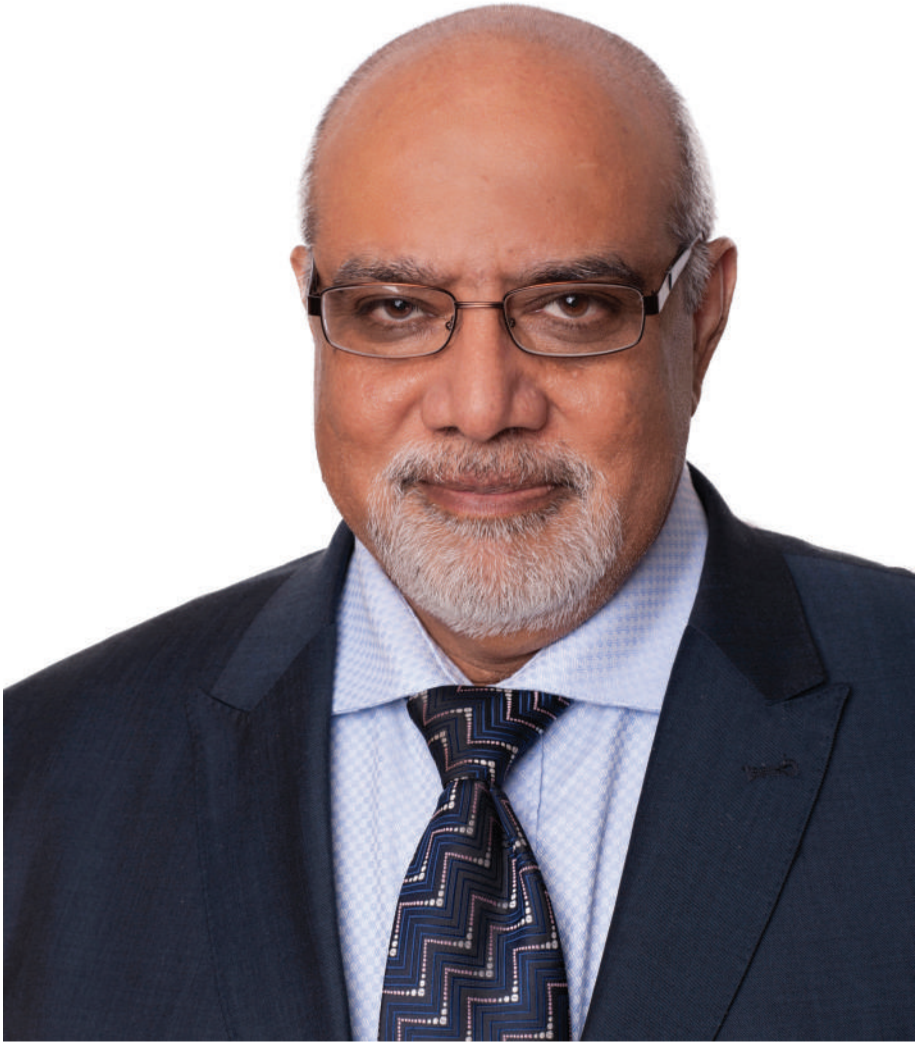
	2014 R'000	2013 R'000	**Change %**	**DESCRIPTION OF INDIVIDUAL ITEMS**
Net insurance premium revenue	2 664 993	2 360 932	13%	Premiums received from policyholders net of reinsurance premiums paid to reinsurers
Other income	310 713	281 811	10%	Administration fees: Long and short-term insurance, medical aid administration, short-term insurance commissions, fees earned for asset management
Investment income & Net revaluation profits on financial assets held at fair value through profit or loss	3 041 802	4 217 464	-28%	Interest, dividends and realised and unrealised growth on investment assets
Attributable to unit trust holders	(503 228)	(400 073)	26%	Third-party unit trust holders' share of revaluation profits
Total revenue	**5 514 280**	**6 460 134**	**-15%**	
Gross insurance benefits and claims	1 766 617	1 526 668	16%	Gross benefits paid to members
Reinsurance claims recoveries	(75 852)	(87 575)	-13%	Insurance benefits recovered from reinsurers
Increase in fair value of policyholder liabilities under investment contracts	53 319	74 389	-28%	Investment income, net of expenses directly allocated to investment policyholders
Expenses	1 089 494	973 016	12%	Commissions paid on new business written, multi- manager fees paid by PPS Investments & all other Group operating expenses
Profit before movement in insurance policy liabilities	**2 680 702**	**3 973 636**	**-33%**	
Movement to insurance policy liabilities	2 378 867	3 498 726	-32%	The amount allocated to members in their capacity as policyholders
Tax	266 088	430 719	-38%	Taxes raised in favour of the South African & Namibian Revenue Services
Surplus after tax and policy movements	35 747	44 191	-19%	Any adjustment required to maintain capital cover and the result of operations of the non-insurance subsidiaries

These are the benefits you receive when claiming from PPS

This amount is a portion of the allocation to members' PPS Profit-Share Accounts

LEADERSHIP COMMENTARY AND KEY PERFORMANCE INDICATORS

CHAIRMAN'S STATEMENT



MR E A MOOLLA, CHAIRMAN

THE YEAR AT A GLANCE

The year 2014 was tough for the South African economy. The macro-economic headwinds strengthened during the period and in an uncertain global macro-economic context, our GDP growth slumped to 1.5% for the year.

We have seen rising inflation and interest rates as well as an increase in the household debt-to-disposable income ratio and it is fair to say that the South African consumer continues to be under increasing pressure.

Against this backdrop, Standard and Poor's downgraded South Africa's sovereign credit rating, citing a weak economic outlook, the growing current account deficit, labour unrest, electricity supply issues and lack of political leadership.

PPS IN PERSPECTIVE

Despite this tough and volatile operating environment, PPS delivered a strong performance as our compelling service offering, focused marketing initiatives and cost management efforts continue to bear fruit.

Assets grew by 12.6% to a record level of R26.9 billion*. Gross premium income grew by 13% to R2.8 billion and we paid out R1.8 billion in benefits to our members during 2014. That equates to an average of R4.8 million per day.

It is also pleasing to note that claims were processed in an average time of 4.8 days – a true testament of our commitment to service excellence.

Our strong business and investment performance during 2014 enabled us to allocate an amount of R3.1 billion to our members' PPS Profit-Share Accounts. Over the last two financial years, record allocations of more than R7 billion have been made in this regard.

This has in part been driven by strong financial markets, which are now trading at or near all-time highs. It is fair to say that at these levels, the risks are to the downside and one would like to caution members that the allocations they have seen over the last few years might not be repeated should markets suffer a correction.

At PPS, we look after generations of professionals and therefore we adopt a prudent long-term approach in all our investment and capital allocation decisions, ensuring that all our members benefit equally, no matter whether they have been a PPS member for one year, or for three decades.

With this in mind, our funds under management are invested in balanced mandates which are invested in South African equities, bonds, cash and offshore, and delivered an overall return of 11.9% for the year under review.

**Excluding unit trusts held by third parties*

THE POWER OF MUTUALITY

While some major financial institutions have struggled since the 2008 financial crisis, the mutual sector is growing in strength despite the uncertain economic times. This is largely because the mutual ethos strikes a chord with people's conscience today.

The latest statistics from the International Cooperative and Mutual Insurance Federation (ICMIF), where our CEO Mike Jackson serves on the Board, indicate that between 2007 and 2013, premium income for the world's mutual and cooperative insurers grew by 28%, compared to 12%, for the global insurance market as a whole.

Publicly traded companies must split their focus between the interests of customers and shareholders. At PPS, our focus is on our members only – every member is a customer. Our persistency rate of 95.9% is among the highest in the South African insurance sector and a key measure of customer satisfaction. Because our members maintain their policies, PPS is able to invest and generate profit for them. It is mutuality at work.

ENGAGEMENT WITH STUDENTS AND YOUNG PROFESSIONALS

The number of professionals in South Africa is relatively stable, with new entrants replacing individuals who retire or leave the professional market.

In light of this, a key focus for PPS is to effectively engage with both students and newly qualified professionals.

It is therefore exciting that we have seen increased traction in this segment of the market through innovative strategies in our PPS Youth Division, Social Media and digital advertising channels.

CORPORATE SOCIAL INVESTMENT (CSI)

In keeping with our focus on the youth market, PPS also acknowledges its responsibility to this segment of our market. In 2014, PPS made a total of 60 bursary awards at 19 academic institutions, amounting to R2 million, thereby not only investing in our future member pipeline, but also in the future of South Africa.

We further invested directly in the institutions providing the education for these students, by contributing a further R2 million to various university refurbishments.

OUR BLACK ECONOMIC EMPOWERMENT (BEE) TRANSACTION

Members who have been with PPS for a while will recall the groundbreaking PPS BEE transaction that was implemented in 2006. This transaction provided true broad-based empowerment benefits to qualifying black PPS members, with compensation for all existing black members at the time. The transaction was undertaken with the express purpose of improving PPS' black ownership numbers and to encourage the take-up of PPS benefits by new, and existing black members.

As at the end of 2014, the repayment of the funding of this transaction has been successfully concluded and I'm pleased to announce that an inaugural BEE bonus of R38 million has been declared by the Board for 2014, which is to be allocated to 20,455 PPS members.

With the conclusion of the transaction, and with the significant focus by our sales and marketing teams on encouraging young black graduates to join PPS, PPS' black ownership is now standing at a credible 27.6%, one of the highest ownership results in the financial services industry.

This bodes well for the continued growth and sustainability of PPS. It is also important to note that, with the dedicated PPS sales team working on our universities, 39% of new members joining PPS are black. This encouraging result is helping us grow our membership in a very competitive market.

DR DAVID ANDERSON

The year under review saw the sad passing away of Dr David Anderson, the Chairman of PPS Insurance. David served the PPS Group and many of its Committees with great leadership and distinction. His commitment to PPS was unwavering and his integrity unimpeachable. He applied himself to his many tasks with great diligence, foresight and energy and his memory will be cherished for a long time to come.

PROSPECTS

Looking ahead, I believe that the operating environment in South Africa will remain challenging as Rand weakness, rising inflation, slow economic growth and global uncertainty persists. The current significant decline in the oil price and its concomitant impact on input costs should however bring some relief for consumers in the medium term.

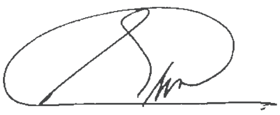
The uncertainty in financial markets is something that we as a Board and management team are very aware of. However, we are confident that with our prudent approach, we should be able to weather any potential storm whilst ensuring that we provide our members with complete peace of mind.

THANKS

In conclusion a deep recognition of the outstanding leadership, commitment and energy applied to the business of the PPS Group by the late Dr David Anderson and his successor Charles Erasmus, the current Chairman of PPS Insurance, who brings with him a wealth of knowledge of the insurance sector, is acknowledged with much appreciation.

Likewise to my Deputy Chairman, Dr Sybil Seoka, and to the members of the various Boards and Committees within the PPS Group, I record my unqualified appreciation for your guidance, input and ongoing support. I look forward to working together with all my colleagues at PPS in the coming year with a unity of purpose.

Finally, on behalf of our Board of trustees, I record my sincere gratitude for the inspired, committed and energetic leadership of Mike Jackson, the CEO of PPS, the executive management team, as well as to all of our staff members. Collectively, their joint efforts have led to the growth, prosperity and sustainability of PPS, and have positioned PPS as a preferred provider of premium investment and risk products to the professional community.



Mr E A Moolla
Chairman

25 March 2015

CEO'S REPORT

MR M J JACKSON, CHIEF EXECUTIVE

2014 REVIEW

The year 2014 was significant for PPS as a number of key milestones were reached.

The total assets of the Group exceeded R26 billion*, at the end of 2014 – an all-time high. Considering that our total assets were R5 billion in 2003, this is a significant achievement. Our asset managers Coronation, Investec and PPS Investments have done an excellent job in ensuring members' PPS Profit-Share Accounts grew ahead of inflation, generating investment returns in excess of 16% per annum over the last decade. Our asset managers are measured over a 3 year rolling period and at the end of 2014 they achieved investment returns of 17.7% per annum on this measure.

On the back of this investment performance it is further pleasing to note that the number of PPS members who have more than R1 million in their PPS Profit-Share Accounts exceeds 2370 – an all-time record.

During the year, an additional asset manager, Allan Gray, was appointed, as the Board felt that the scale of PPS now warranted a greater diversity of asset management approaches and styles.

**Excluding unit trusts held by third parties*

INDUSTRY DEVELOPMENTS

The Retail Distribution Review (RDR) was published by the Financial Services Board (FSB) in November 2014. We are supportive of the RDR and believe that it will go a long way to improving the quality of advice available to customers.

Solvency Assessment Management (SAM) regulations are now being implemented at PPS. PPS remains financially strong and we are confident that the Group has the capital strength and governance structures to meet the SAM requirements.

OPERATIONAL PERFORMANCE

Operationally, PPS has had a strong year. Total gross life insurance premiums of R2.8 billion were received (up 13% from prior year) and a total of R1.1 billion was paid in sickness and death claims. Over 19,000 sickness claims, at an average value of R36,000 per claim, were paid in 2014.

Although life sales were slightly lower than the previous year, we gained independent broker market share. Our internal sales division had a good year, with new risk business up 8% over prior year.

PPS Short-term insurance sales showed a significant improvement, up 39% over prior year, albeit from a relatively low base. Competition is fierce in this sector and as members continuously seek cheaper premiums; PPS continues to offer competitive rates and excellent service to members. Even where premiums are identical, the PPS offering is significantly superior as profits made on PPS business ultimately are for the benefit of the insured through their PPS Profit-Share Accounts.

New flows into PPS Investments exceeded R3 billion for the first time, up 32% over 2013, and total assets under management have grown to R19 billion in just 8 years since inception. 25,000 PPS members have now placed savings and investments with PPS Investments.

Members retiring from PPS in 2014 received R432.2 million from their PPS Profit Share Accounts. Altogether nearly 1 000 members retired, with average tenure at PPS of 30 years.

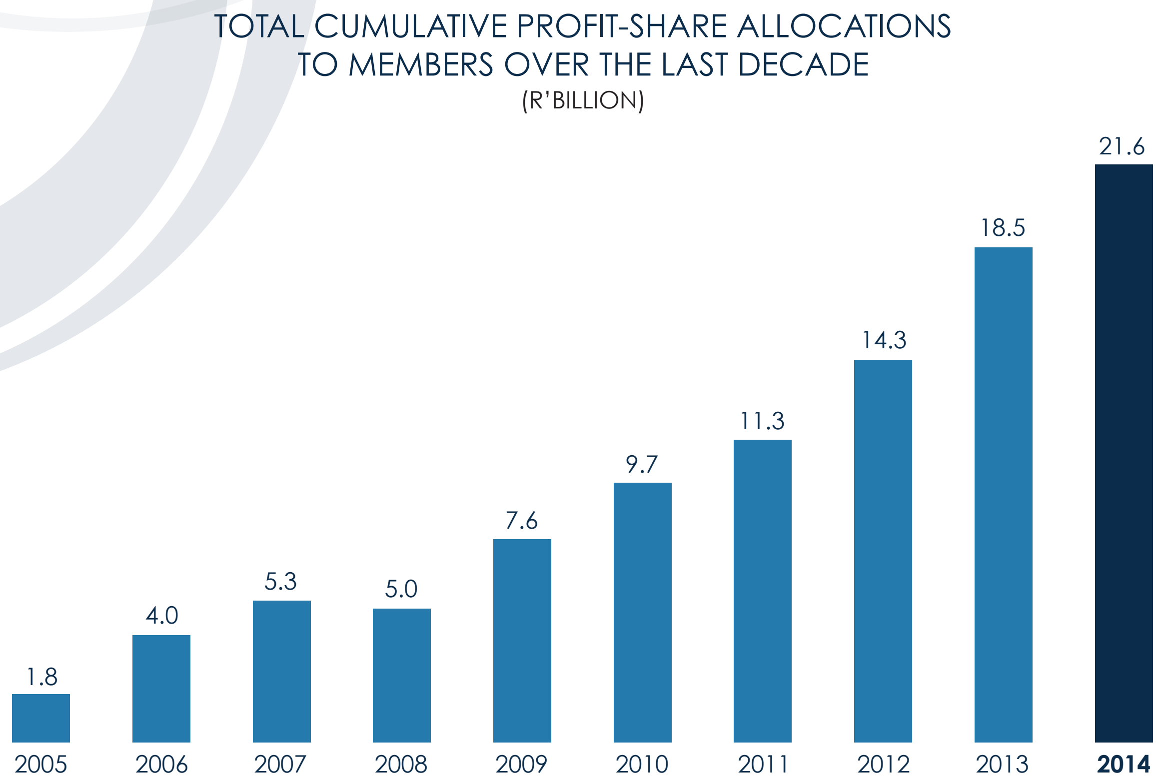
PPS PROFIT-SHARE ALLOCATIONS

R3.1 billion was allocated to members' PPS Profit-Share Accounts in 2014, compared to R4.2 billion in 2013.

The difference is due to lower investment returns, which, although still significantly positive and well above inflation, were 37% lower than the prior year as a result of volatile financial markets. This is evidenced by the fact that the JSE All Share Index returned 7.6% in 2014 compared to 21.4% in 2013.

As PPS Profit-Share Accounts are invested in the markets, they will also fluctuate with market movements from year to year.

Despite the cyclical nature of markets, it is very pleasing to note that the total allocations to members over the last 10 years exceeded R21 billion.



PRODUCT DEVELOPMENT

An innovative new product, the Family Hospital Benefit, was launched in September 2014. This product pays the member his/her daily sickness benefit if his/her spouse or child is in hospital for three nights or more. Sales since the launch have been excellent.

In line with our focus on the student and newly graduated market, The KickStart product was introduced in 2014, offering this sector of the market access to affordable cover.

PPS also introduced cover options for HIV+ members during the year, as well as rapid testing. We are looking forward to bringing to market a number of new offerings in 2015 to help our members tailor their cover to be ideally suited to them and their families.

MEMBERSHIP

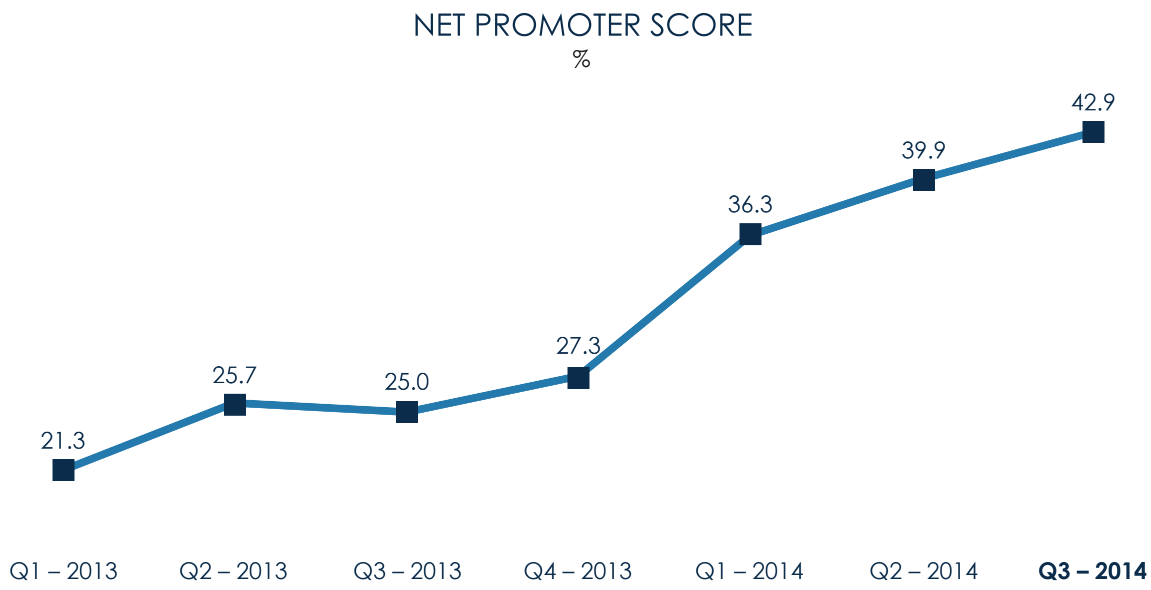
The total number of policies in force in 2014 was 238,000, an all-time high.

Membership growth continues to improve with our increased marketing and sales efforts. The introduction of new product offerings and our exceptional retention rates resulted in net member growth in all business units across the Group.

THE PPS BRAND

The marketing campaign designed to strengthen the awareness of PPS among existing and potential members continued in 2014. To ensure that brand expenditure was producing results, independent research was completed to measure changes in the perception of PPS.

A key measure is the "Net Promoter" Score (NPS), which measures a member's propensity to promote PPS to new potential members. It is very encouraging to note that this score has increased from 21.3% to 42.9% over the last two years.



HUMAN RESOURCES

The PPS Group now employs over 1,100 staff throughout the country. 65% of our staff are categorised as African, Indian and Coloured (AIC). In the category "professionally qualified, experienced specialists and management", 43% of the 160 staff are AIC.

PPS participates in the annual Deloitte's "Best Company to Work For" survey and for the fourth consecutive year achieved a "Standard of Excellence" award. A random sample of the staff members are surveyed by Deloitte who assess the company on a number of key dimensions.

Our Customer Service surveys have been very positive during the year and this is in no small measure attributable to our high levels of staff satisfaction.

LOOKING FORWARD

The South African economy remains in a fragile condition, with poor growth forecasts and a currency which is under pressure.

Life insurance sales are likely to remain subdued but our savings and investment and short-term insurance businesses should continue on their growth paths.

PPS launched major enhancements to our core product, the PPS Sickness and Permanent Incapacity benefit, in March 2015. The reinvented PPS Sickness and Permanent Incapacity benefit's objective is not only to introduce greater flexibility but also to target new markets, specifically professionals that are in corporate employment and may therefore have additional sickness benefits in place. The launch was supported by an extensive advertising campaign on all major media and was preceded by an intermediary launch in February 2015.

We will also continue to focus on increasing the investment in our own distribution network to drive the growth of life sales and membership. Although it is expensive to have one's own sales representatives, it is becoming essential as competition in the professional market grows.

Furthermore the opening of membership to 4 year B-Tech graduates allows expansion in a totally new market and we are looking forward to achieving success in this segment.

Finally, professionals continue to be successful, despite economic and political uncertainties, and the appeal and value proposition of PPS remains strong and truly unique. I am therefore confident that, no matter what challenges the future might hold, the PPS Group will go from strength to strength in the years ahead.

Mr M J Jackson
CEO

25 March 2015

KEY PERFORMANCE INDICATORS (KPI'S)

PPS' KPI's are categorised under mutuality, financial stability, service and staff, which in turn tie back to our key strategic priorities for the group.

HOW DID WE DO IN 2014?

OUR KPI'S		Unit of measure	2014 Performance	2014 Goal		Commentary
FINANCIAL STABILITY	Gross premium income	Rand billions	2.8	2.8	🟢	Gross premium income was in line with expectations.
	Total assets*	Rand billions	26.9	26.4	🟢	Positive market movements and a prudent investment policy resulted in asset growth exceeding expectations.
	Efficiency ratio	%	17.4	18.4	🟢	Cost control remains an imperative of the Group.
	Investment return	%	17.7	10.9	🟢	Investment return outperformed the strategic objective of 5.3% above inflation on a 3-year rolling basis.
	New annual premiums	Rand millions	656.5	672.1	🟡	New premiums slightly underperformed the goal, and were up 11% against prior year. We continue our distribution initiatives.
	New investment inflows	Rand billions	3.1	2.8	🟢	PPS Investments have once again proven to be very popular amongst our members. Inflows were 32% higher than the previous year.
MEMBERSHIP	Number of new members recruited during the year	Individuals	5066	7000	🔴	New member recruitment has not achieved target in 2014, and is slightly lower than 2013. New initiatives will continue to drive recruitment in 2015 as detailed in our strategic initiatives.
SERVICE	Average number of monthly ombudsman queries	Number of queries	4	< 5	🟢	PPS strives to treat members fairly, which is reflected in the low number of queries.
	Customer satisfaction survey results	Rating	97	> 80	🟢	The customer survey results continue to be at an acceptable level.
STAFF	Employee satisfaction survey results	%	92	90	🟢	A significant improvement in survey results was achieved in 2014.
	Training spend as a percentage of payroll	%	5.2	> 4.0	🟢	Training spend is a priority for the Group and is in excess of internal benchmark.

**Excluding unit trusts held by third parties*

🟢 *Achieved*

🟡 *Partially achieved*

🔴 *Not achieved*

THE FUTURE, OUR OPERATING ENVIRONMENT AND RISK MANAGEMENT

PPS IN THE FUTURE

THE MUTUAL ETHOS

The PPS sustainable business model has three cornerstones which underpin the group strategy.

- FOCUS ON THE GRADUATE PROFESSIONAL MARKET
- ALLOCATING ALL PROFITS TO MEMBERS
- MEMBER PARTICIPATION IN STRATEGY AND GOVERNANCE

OUR STRATEGY

The graduate professional market in South Africa has the highest levels of employment in the country (the unemployment rate is 3% for holders of a degree compared to 50% for those without matric) and consequent affordability levels of financial services products.

As a result, this market segment is highly sought after by PPS' competitors. In order to maintain and grow our share of professionals' investment in financial service products, PPS relies on its mutuality model as well as product innovations, competitive premium rates, service excellence and efficient cost structures.

OUR STRATEGIC PRIORITIES FOR 2015 AND BEYOND	KEY MANAGEMENT ACTIONS 2015 – 2017
Mutuality	• Leverage our status as a mutual for the benefit of our members
	• Continue to grow our brand awareness
	• Continuously enhance product offerings, ensuring that we provide appropriate products to members
	• Drive focus on service excellence to members
	• Engage with students using innovative approaches
Group sustainability	• Meet our members' insurance and savings needs by offering a full suite of products through our group companies
	• Drive operational efficiencies across all the PPS Group companies
	• Drive organic growth in all our subsidiaries
	• Ensure that the mutual model remains compliant with regulation
Distribution	• Grow membership through the growth of our tied distribution force and our share of the independent broker market business

OPERATING ENVIRONMENT

PROFESSIONALS

The total number of professionals in the South African market has stabilised post the era of emigration in the 1980's and 1990's. In terms of growth, new entrants in the professional market more or less replace those who retire annually.

Professionals surveyed in "The Professional Confidence Index", voice concerns about certain macro issues, such as crime, healthcare, education, unemployment and the economic outlook for South Africa, but they also indicate a high degree (on average almost 80%) of confidence in the future of their respective professions and that they will remain in South Africa for the foreseeable future.

In excess of 70% of prospective PPS members targeted in the "Student Confidence Index (SCI)", indicated that they are confident about job opportunities in South Africa. This bodes well for the future of the professional market in South Africa.

ECONOMIC TRENDS

Against a backdrop of global financial markets trading at or around all-time highs, we believe that the operating environment in South Africa will remain challenging as Rand weakness, inflationary pressures, slow economic growth and global uncertainty persist.

Weakness in the European economies and the faltering growth in the Chinese economy, which has until recently been the main driver of the global commodities market, will continue to weigh on South Africa's growth prospects.

Locally we are facing serious challenges in terms of energy constraints, labor market disruptions, skills shortages, administrative shortcomings and difficulties in industrial transformation.

However it is not all doom and gloom. The current significant decline in the oil price will bring some relief for consumers in the medium term. We are also seeing increased economic activity and growth in Sub-Saharan Africa with estimations that infrastructure spend could grow from $70-billion in 2013 to $180-billion by 2025, which in turn could have positive knock-on effects for South Africa.

KEY REGULATORY DEVELOPMENTS AND IMPACT ON PPS

Retail Distribution Review

The Retail Distribution Review (RDR) was published by the Financial Services Board (FSB) in November 2014. This review, which follows similar initiatives in the United Kingdom and Australia, focuses on improving customer outcomes in retail financial services products, including insurance, savings and investments.

We believe that the impact of the Retail Distribution Review (RDR) will be positive, not only for our business as the payment of take-on bonuses for intermediaries will be prohibited going forward, but also for the customer as it will ultimately limit the cost of advice.

Solvency Assessment and Management (SAM)

Solvency Assessment and Management (SAM) regulations continue to be implemented at PPS. These regulations require financial institutions to be "stress tested" under a number of different scenarios, e.g. if stock markets or interest rates change materially or lapse rates increase significantly.

The level of capital required under different scenarios is modelled and the Financial Services Board (FSB) requires detailed reporting to ensure financial institutions can meet their commitments.

PPS is financially strong and we are confident that the Group has the capital strength and governance structures to meet the SAM regulatory requirements.

'Twin Peaks'

The 'Twin Peaks' model, due for implementation during 2015, aims to divide the financial regulatory system into two regulatory regimes.

These two regimes will be headed by a prudential regulator and a market conduct regulator. The FSB will regulate market conduct and the prudential regime will be regulated by the South African Reserve Bank.

The objectives of this model are financial stability, consumer protection, combatting of financial crimes and transparency. These changes will be funded by, amongst other things, increasing the levies paid by financial institutions to the regulators.

The year 2014 saw the draft Financial Sector Regulation Bill, which is an overarching Bill, which confirms the mandates and structures of both regulators and will include Treating Customers Fairly (TCF) principles (Phase one). After Phase one, the FSB will focus on further refinement of the powers and functions of each regulator (Phase two).

Treating Customers Fairly (TCF)

Significant progress has been made on the implementation of TCF, including the formalisation of some policies.

HOW PPS ADDRESSES PRINCIPAL RISKS AND UNCERTAINTIES

The principles of mutuality as well as the objectives to operate ethically, responsibly and within the confines of applicable legislation are key considerations, which determine PPS's risk appetite.

PPS is cognisant of the key business risks, as outlined below, which may have a material impact on our operations. Strategies are in place to mitigate these risks wherever possible.

	RISK	ACTION STEPS
1	Market risk & volatile investment return	• Long-term investment horizon • Balanced portfolios with international exposure • Multiple asset managers
2	Slow Economic growth	• Grow our brand awareness • Develop and add new products • Penetrate B-Tech segment of market
3	Competitor activity	• Ensure competitiveness of products and services • Expand our own distribution force
4	Poor perception and/or lack of understanding of the PPS Profit-Share Account in the youth market	• Focused activities on campuses and innovative use of social networking and media to educate students and graduates
5	Poor communication of the value of the mutual model	• Member Roadshows • Launch of interactive Integrated Report • Focused email campaigns
6	Lack of affordability of insurance in the youth market	• Development and launch of low premium, entry level products

OUR STAKEHOLDERS AND PPS DOING GOOD

OUR STAKEHOLDERS

PPS' alignment with stakeholder interests is consistent with the integrated approach to corporate governance advocated by King III.

INTERNAL STAKEHOLDERS

Stakeholder	Areas of focus	Management approach
Our people	• Performance management	• Our robust performance management system ensures that deliverables and stretched targets for each employee are clearly defined.
		• Regular feedback has become an integral part of the process, which is also fundamental in ascertaining fair performance scores.
	• Reward and recognition	• Continuously survey market trends ensuring that our remuneration packages are competitive, fair and attractive.
		• At senior levels, a market competitive guaranteed package together with short and long-term incentives are components of the total remuneration.
		• Our very stable management team is evidence of the fact that we can both attract and retain talent at PPS.
	• Employee Wellness	• Invested heavily in a comprehensive Employee Assistance Programme ('EAP').
		• Partnered with an external service provider in providing all employees and their immediate families 24-hour free access to a range of specialist counseling and support services for all types of trauma, social and family problems.
	• Succession and Career Management	• We have identified talent for the future through a selection process, which involved assessments and manager feedback.
		• Development plans for key categories of staff have been designed to fill the pipeline for scarce and critical skills, with specific emphasis on building and reinforcing our future technical and management employment equity strength.
	• Growth and development	• Total spend on training and development was 5.2% of payroll in 2014.
		• Leadership and management development is a key focus in our development of black staff. Our Management Development Programme to develop middle managers, which commenced in 2011, has almost completed its third intake.
	• Employment Equity and Transformation	• The group is committed to meeting the milestones defined in the DTI Code and FSC charter.
		• Leadership and management development is a key focus in our development of black staff.
	• Best Company to Work For	• PPS has achieved the Seal of Excellence for the fourth consecutive year in the Deloitte "Best Company to Work For", which means that PPS has exceeded 75% employee satisfaction levels in the organisation.

Stakeholder	Areas of focus	Management approach
BBBEE partners	• **BEE Transaction and sustainable transformation**	• Groundbreaking PPS BEE transaction was announced in 2006
		• As at the end of 2014 the repayment of the funding of this transaction has been successfully concluded.
		• Announced an inaugural BEE bonus of R38 million for 2014, which is to be allocated to 20,455 PPS members.
		• With the conclusion of the transaction, and with the significant focus by our sales and marketing teams encouraging young black graduates to join PPS, PPS' black ownership is now standing at a credible 27.6%, one of the highest ownership results in the financial services industry.
		• With the dedicated PPS sales team focusing on our universities, 39% of new members joining PPS are black.
Our Members	• **Nurturing young professionals**	• In September 2014, PPS launched a career portal for graduates called *Professionals Connect*, which aims to provide graduates with career advice and assist in connecting them with employment opportunities within various companies.
		• The website provides both graduates and professionals with a user-friendly and secure interface for the purpose of networking, career guidance and finding potential jobs or candidates, all within the graduate professional space.
	• **Engagement with members**	• Social media initiatives
		• Email campaigns
		• PPS Professional Confidence Index
		• PPS Student Confidence Index
		• Interactive web based Integrated Report
		• Nomination of ordinary members to serve on the Board of PPS Holdings Trust and participation in the Annual General Meeting

EXTERNAL STAKEHOLDERS

PPS engages with an extensive range of external stakeholders that may represent the unique interests of our members and our business. Whereas our major focus is on the professional trade associations that represent the professions in which our members are employed, we also engage pro-actively with the media, Government and the regulators, universities and universities of technology, as well as industry bodies on a wide range of issues.

Stakeholder	Areas of focus	Management approach
Independent brokers	• Growing our share of the independent broker market	• PPS has successfully grown its share of the independent intermediary market by 6% where the market itself has declined by over 13%. This almost 20% favorable swing to PPS is due to increased brand awareness and improved service and support to the intermediaries.
Professional trade associations	• Members' professional trade associations	• The PPS Group Stakeholder Relations department has extensive engagement with a range of more than 40 professional trade associations that represent the interests of our members as far as their specific profession is concerned, as well as the student chapters of these associations.
	• Student chapters of professional trade associations	• The aim is to be kept informed of the major issues that may concern the various professions and, where possible, to be positioned as the preferred service provider.
		• PPS' facilities are available and regularly used by several professional associations for meetings and conferences.
		• Six professional associations currently have representatives who serve on the PPS Holdings Trust Board, by virtue of the extent of their members who are also members of PPS. Such representation is subject to the approval of the PPS Holdings Trust Board. Details of the associations who have Board representation are available.
Government and regulators	• Ensuring regulators understand how the mutual model is impacted by regulation	• PPS has regular engagements with the regulators of our sector, in particular National Treasury and the Financial Services Board.
Media	• Proactive engagement with journalists and editors	• Ensure that PPS generates editorial coverage on issues that may affect our members, and to be positioned as thought-leaders on these issues. We have managed to increase the editorial media coverage of PPS by more than 750% from 2010 to 2014.
	• Journalist training	• PPS annually hosts a media training seminar to ensure that new financial services journalists are brought up to speed on the major regulatory and industry issues in our sector.
Universities/ universities of technology	• Engagement with deans at various universities and universities of technology	• PPS engages on a regular basis with the relevant Deans at 16 universities and 6 universities of technology.
		• This liaison largely takes place at the level of the PPS Youth Division and is escalated to executive level when support is required.
		• PPS involves the deans at the various faculties in the selection of students to whom we allocate bursaries. PPS allocated R2 million in student bursaries in 2014.
Industry bodies	• Involvement in all the key industry bodies, both locally and internationally	• PPS is a member of ASISA (The Association of Savings and Investments of SA).
		• PPS is a member of the ICMIF (International Cooperative and Mutual Insurance Federation) where Mike Jackson serves on the Board.
		• PPS is a member of LIMRA, a worldwide research, learning and development organisation that assists us in increasing PPS' marketing and distribution effectiveness through industry research and training.

PPS DOING GOOD

It is critical, from a business sustainability point of view, that PPS has a healthy, growing member pipeline in South Africa and that it markets its brand effectively to the professional market. Our Corporate Social Investment (CSI) initiatives therefore focus on bursaries, refurbishments at Universities and Universities of Technology and various sponsorships.

We believe our CSI initiatives are clear examples of how corporate actions can both benefit broader society and business at the same time.

PPS BURSARIES & REFURBISHMENTS

Less than 1% of the South African population qualifies for membership of PPS. The young graduate professional is a critical component behind the economy and it is thus essential to nurture and coach exceptional young talent.

Bursaries 2014

This initiative was launched in the beginning of October 2013 via the PPS website, social media and the Youth Division.

Students from different faculties studying towards a qualifying 4 year degree were selected by the deans of their respective faculties. A total of 60 bursary allocations amounting to R2 million, were granted for the 2014 academic year. Further information about the institutions involved as well as the bursary winners is available on PPS.co.za.

PPS Refurbishments 2014

The PPS Refurbishment Programme is an annual project where PPS assists Universities with the refurbishment or in some cases the establishment of projects that benefit our future graduate professionals. These projects vary according to the needs of the University and students.

In 2014, PPS contributed R2 000 000 to various university refurbishments. Further information about these allocations is available on PPS.co.za.

PROFESSIONALS CONNECT CAREER PORTAL

In an effort of bridging the information gap as well as providing a platform where young graduate professionals from various sectors can access vital career related and industry specific information, PPS has launched Professionals Connect, which aims to provide graduates with career advice and assistance in connecting them with employment opportunities within various companies.

This niche career portal provides both professional graduates and corporates with a user-friendly and secure interface for the purpose of networking, career guidance and finding potential jobs or candidates, all within the graduate professional space.

Since its launch in November 2014 twelve corporates have signed up to the career portal and fifteen professional associations have been listed on the site.

Despite the fact that this initiative is less than six months old, we are seeing almost a hundred candidates registering on the portal on a monthly basis and have successfully placed 10 candidates to date.

To register as a candidate or as a corporate partner, email professionalsconnect@pps.co.za or visit www.professionalsconnect.co.za.

SPONSORSHIPS

PPS is involved in a number of sponsorships involving both students and professional associates. For further information on these sponsorships, click on the links below.

"One Young World"

Professional Associations

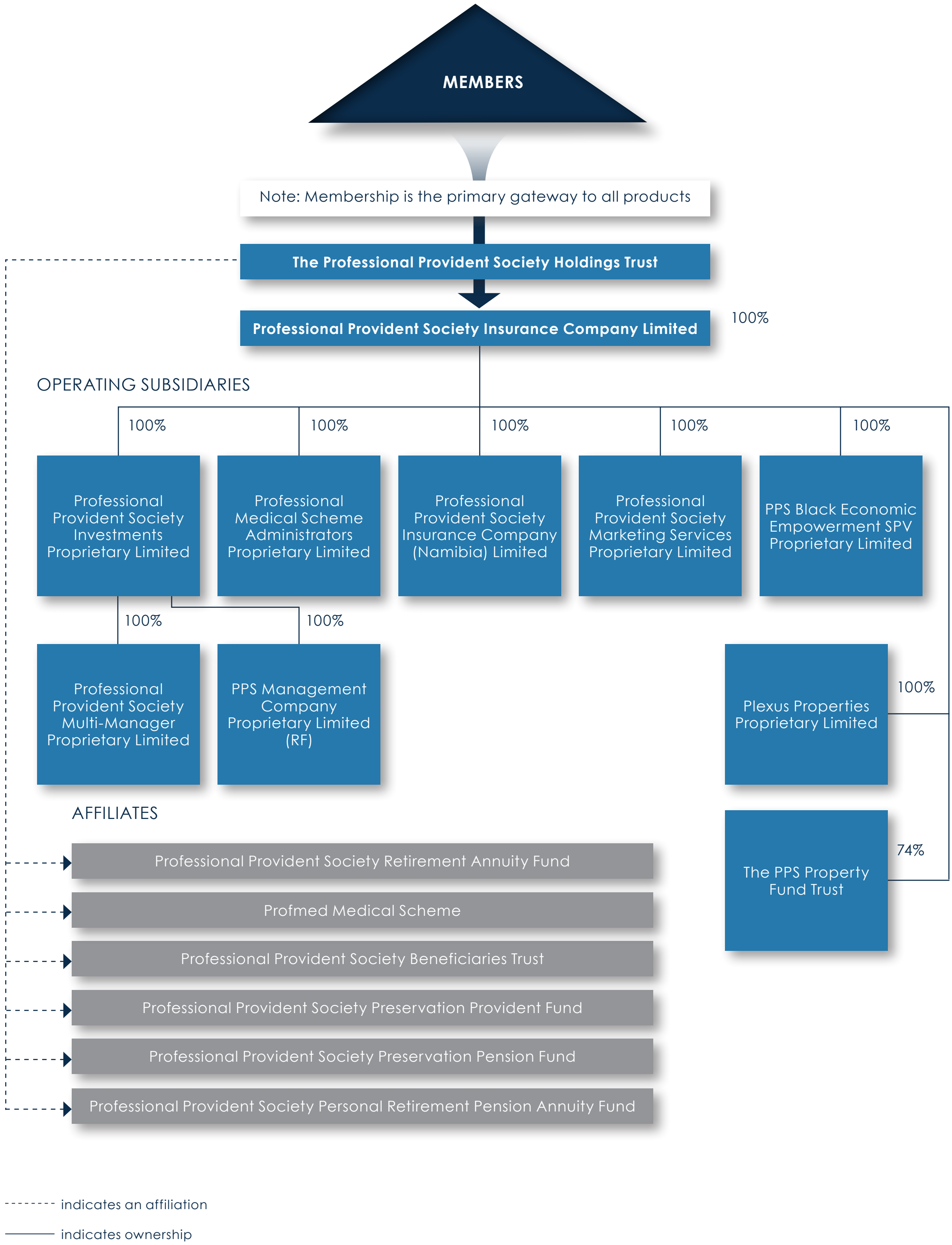
PPS Professional Woman Of The Year (PWOTY) 2014

SA Professional Services Awards: 30 October 2014

Wits Cape To Rio Yacht Race

GROUP STRUCTURE,
OUR LEADERSHIP

GROUP STRUCTURE



THE PROFESSIONAL PROVIDENT SOCIETY HOLDINGS TRUST BOARD OF TRUSTEES

11 **Dr C M Krüger**
MB ChB, M Prax Med,
M Pharm Med
Family Physician

12 **Mr V P Rimbault**
B Sc Eng (Mech)
Chief Executive Officer: The South African Institution of Mechanical Engineering

13 **Mr J A B Downie**
B Sc, MBA, CFP
Asset Consultant and Professional Trustee

14 **Mr I Kotzé**
B Pharm
Executive Director: Pharmaceutical Society of South Africa

15 **Mr D L Smollan**
B Com, CA(SA), CFA,
PG Dip Organisational Leadership
CEO: Smollan Group

16 **Mr S Trikamjee**
B Com (Hons), CA(SA)
Chartered Accountant

17 **Adv T N Aboobaker SC**
BA LLB
Practising Senior Advocate

18 **Mr U D Jivan**
BA LLB
Practising Attorney, Conveyancer and Notary Public

19 **Mr P Ranchod**
B Compt (Hons), CA(SA),
MBL, H.Dip Business Data Processing
Independent Director and Business Consultant

PROFESSIONAL PROVIDENT SOCIETY INSURANCE COMPANY LIMITED BOARD OF DIRECTORS

1 **Mr C K de Klerk**
B Sc, FIA, FASSA
Executive Director: Actuarial and Technical

2 **Mr J A B Downie**
B Sc, MBA, CFP
Non-executive Director

3 **Mr C Erasmus**
B Sc, FIA
Director of Companies
Non-executive Director
Chairman

4 **Mr E A Moolla**
B Iuris
Practising Attorney
Non-executive Director

5 **Mr M J Jackson**
BA (Hons), MA
Chief Executive

6 **Dr S N E Seoka**
B Pharm, PhD, FPS
Director of Companies
Non-executive Director

7 **Prof H E Wainer**
B Acc CA(SA)
Practising Chartered Accountant
Non-executive Director

8 **Mr P Ranchod**
B Compt (Hons), CA(SA), MBL, H.Dip Business Data Processing
Non-executive Director

9 **Mr N G Payne**
B Com (Hons), CA(SA), MBL
Director of Companies
Non-executive Director

10 **Mrs T Boesch**
B Com (Hons), CA(SA)
Financial Director

11 **Dr N G Campbell**
BDS, Dentist
Non-executive Director

12 **Mr I Kotzé**
B Pharm
Non-executive Director

13 **Ms D L T Dondur**
B Acc (Hons), B Compt, CA(SA), MBA
Non-executive Director

PROFESSIONAL PROVIDENT SOCIETY EXECUTIVE COMMITTEE

1 **Mr M J Jackson**
BA (Hons), MA
Chief Executive

2 **Mr C K de Klerk**
B Sc, FIA, FASSA
Executive Director: Actuarial and Technical

3 **Mr N Hoosen**
B Acc Sc, MBA
Executive: PPS Short-Term Insurance Division

4 **Mr V E Barnard**
B Com
Group Company Secretary

5 **Ms T Boesch**
B Com (Hons), CA (SA)
Financial Director

6 **Mr J N Marsden**
B Sc (Hons) CFP
National Sales Director

7 **Dr H Hoffman**
MB ChB, M Med (Paed)
FCP (SA)
Chief Executive Officer: Professional Medical Scheme Administrator

8 **Mr N J Battersby**
B Sc Eng (Mech), B Com (Hons), MBA, CFP
Chief Executive: PPS Investments

9 **Ms Z Saungweme**
B Com, MBA
Social Media Executive

10 **Mr S R Clark**
B Com
Executive: Life Administration and Systems

11 **Mr R G Govenden**
B Com (Hons), IR, B Sc
Executive: Human Resources

12 **Dr D Stott**
MB ChB, B Sc (Hons), BA
Executive: Medical Standards and Services, UAD

13 **Mr E G Joubert**
BA, LLM, MBA
Executive: Marketing and Stakeholder Relations

PROFESSIONAL PROVIDENT SOCIETY RETIREMENT ANNUITY FUND TRUSTEES

1 Ms D L T Dondur
B Acc (Hons), B Compt
CA (SA), MBA
Director of Companies

2 Ms R G Govender
B Com (Tax), CFP®
Accountant in Private Practice
(Deputy Chairperson)

3 Mr M D C Eustace
BA Economics
Retired Head of Asset
Management Company

4 Mr J A B Downie
B Sc, MBA, CFP
Asset Consultant and
Professional Trustee
(Chairperson)

5 Mr E Huggett
B Iuris, MBL
Practising Attorney

6 **Adv T J Ferreira**
B Juris, LLB
Principal Officer:
PPS Retirement Annuity/
PPS New Generation Fund
Internal Arbitrator:
PPS Insurance

7 **Mr H P du Toit**
B Sc FASSA
Consulting Actuary
and Valuator

8 **Dr S N E Seoka**
B Pharm, PhD, FPS
Director of Companies

9 **Mr U D Jivan**
BA, LLB
Practising Attorney,
Conveyancer and
Notary Public

ANNUAL FINANCIAL STATEMENTS 2014

CONTENTS

This report comprises of the audited consolidated annual financial statements of The Professional Provident Society Holdings Trust and its subsidiaries, as well as the annual financial statements of The Professional Provident Society Holdings Trust.

The report was prepared under the supervision of T A Boesch CA(SA). An audit was performed by PricewaterhouseCoopers Inc. in line with requirements of the Trust Deed.

Published: 25 March 2015

STATEMENT OF RESPONSIBILITY BY THE BOARD OF TRUSTEES

for the year ended 31 December 2014

The trustees accept responsibility for the fair presentation of the financial statements of the Professional Provident Society Holdings Trust, comprising of the financial statements of the trust itself and the consolidated financial statements of the trust and its subsidiaries. These financial statements have been prepared in accordance with International Financial Reporting Standards, and in the manner required by the Long-term Insurance Act of 1998, the South African Companies Act of 2008, and the Trust Deed. The trustees are of the opinion that the financial statements are fairly presented in the manner required. The independent auditors are responsible for reporting on these financial statements and were given unrestricted access to all financial records and related data including minutes of all meetings of members of the board of trustees and committees of the board. The trustees have no reason to believe that any representations made to the independent auditors during the audit were not valid and appropriate. The trustees accept responsibility for the maintenance of accounting records and systems of internal financial control.

The trustees are satisfied that no material breakdown in the operations of the systems of internal financial controls and procedures occurred during the year under review.

Nothing has come to the attention of the trustees to indicate that the Group, or any company within the Group, will not remain a going concern for at least the ensuing financial year. The financial statements have been prepared on the same basis.

The annual financial statements, which appear on pages 52 to 140, were approved by the board of trustees and are signed on its behalf by:

Mr E A Moolla
Chairman

Mr M J Jackson
Chief Executive

Mrs T Boesch
Financial Director

The Professional Provident
Society Holdings Trust

Johannesburg

25 March 2015

CERTIFICATE BY THE SECRETARY

In my capacity as the Secretary of the Trust, I hereby certify in terms of section 88(2)(e), of the Companies Act of 2008 and the Trust Deed that for the year ended 31 December 2014, the Group has lodged with the Companies and Intellectual Property Commission all such returns as are required in terms of this Act. I also confirm that all returns to the Master of the High Court's office, required for The Professional Provident Society Holdings Trust in terms of its Trust Deed and the Trust Property Control Act of 1988, are to the best of my knowledge and belief true, correct and up to date.

V E Barnard
Secretary

The Professional Provident
Society Holdings Trust

25 March 2015

INDEPENDENT AUDITORS' REPORT

To the members of The Professional Provident Society Holdings Trust

We have audited the consolidated and separate financial statements of The Professional Provident Society Holdings Trust set out on pages 70 to 140, which comprise the statements of financial position as at 31 December 2014, and the statements of profit or loss and comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

TRUSTEES' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The trustees are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Trust Deed, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion, the financial statements present fairly, in all material respects, the consolidated and separate financial position of The Professional Provident Society Holdings Trust as at 31 December 2014, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Trust Deed.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.

Director: C Volschenk
Registered Auditor

Sunninghill
25 March 2015

REPORT OF THE INDEPENDENT ACTUARY

for the year ended 31 December 2014

1. CERTIFICATION OF FINANCIAL POSITION

- I have conducted actuarial reviews of Professional Provident Society Insurance Company Limited (PPS Insurance) and Professional Provident Society Insurance Company (Namibia) Limited (PPS Namibia) ('the insurance interests') in accordance with, and this Statutory Actuary's report has been produced in accordance with, applicable Actuarial Society of South Africa Standards of Actuarial Practice and Actuarial Practice Notes, and;
- These principles require reasonable provision for the liability in respect of future benefit payments to policyholders, generally based on the assumption that current conditions will continue. Provision is therefore not made for all possible contingencies;
- I have accepted that the Financial Statements comply with the requirements of the Companies Act;
- The assets in each life company exceeded the liabilities plus capital requirements at the valuation date;
- The South African company met the asset spreading requirements of the Long Term Insurance Act at the valuation date; and
- In my opinion, as at 31 December 2014, the insurance interests were financially sound on the statutory bases and are expected to remain so for the foreseeable future where financially sound includes meeting the asset spreading requirements as prescribed by the Long-Term Insurance Act for the South African company.

C van der Riet
Statutory Actuary

25 March 2015

The statutory basis balance sheet for each life company is shown below:

PPS Insurance	Paragraph	**2014 R'000**	2013 R'000
Net assets	2	**24 505 994**	22 149 068
Policyholder liabilities	3	**24 221 320**	21 885 474
Apportionment and Special Benefit Accounts		**19 753 544**	17 640 652
Risk benefits reserves		**3 211 397**	3 284 365
Investment benefits		**1 256 379**	960 457
Excess of assets over liabilities		**284 674**	263 594
Capital adequacy requirement	4	**107 798**	99 391
Ratio of excess to Capital Adequacy Requirement		**2,6**	2,7

PPS Namibia	Paragraph	**2014 N$'000**	2013 N$'000
Net assets	2	**849 319**	725 171
Policyholder liabilities	3	**843 319**	719 948
Apportionment and Special Benefit Accounts		**696 393**	575 915
Risk benefits reserves		**146 926**	144 033
Excess of assets over liabilities		**6 000**	5 223
Capital adequacy requirement	4	**4 000**	4 000
Ratio of excess assets to Capital Adequacy Requirement		**1,5**	1,3

2. STATUTORY BASIS ASSET VALUATION METHODS AND ASSUMPTIONS

The assets are valued at balance sheet values, i.e. at market or directors' values as described in the accounting policies.

3. STATUTORY BASIS LIABILITY VALUATION METHODS AND ASSUMPTIONS

The actuarial liabilities were valued on bases which were consistent with the asset values, using the Financial Soundness Valuation method in accordance with the requirements of the Long-term Insurance Act, 1998 and SAP104 of the Actuarial Society of South Africa (ASSA), as follows:

For sickness, permanent incapacity and death benefits (referred to in the notes to the accounts as the 'non-DPF component' of the liabilities), the actuarial liabilities were stated at the present value of expected benefit payments and expenses less the present value of expected future premium receipts.

For benefits where the value is related to the return on an underlying investment portfolio (i.e. the apportionment and special benefit accounts), the actuarial liabilities were stated at the value of the non-vesting account balances per the financial statements. These amounts are referred to in the notes to the accounts as the 'DPF component' of the policy liabilities.

Where cumulative investment returns and profits exceeded the bonuses and investment allocations to policyholder benefits, bonus stabilization reserves were established in Namibia. The bonus stabilization reserves and asset value adjustment increased from the prior year and was R9.9 million at 31 December 2014 (2013: R7.4 million).

The actuarial liability in respect of Investment contracts was taken to be the fair value of the assets backing the contracts.

An allowance for future profit payments has been made at a level consistent with assumed future experience, and our understanding of policyholder expectations.

The assumptions regarding future experience are based on best estimates suitably adjusted to provide safety margins according to the requirements of SAP104 of the Actuarial Society of South Africa.

In accordance with generally accepted practice, the best estimates of future expenses, mortality, morbidity and persistency are largely based on recent past experience rather than being an attempt to predict the future course of these variables. The most recent persistency investigation was for the period 01 January 2013 to 31 December 2013. The morbidity investigation was conducted on the experience for 2013. The mortality experience related to the period 01 January 2013 to 31 December 2013.

No allowance was made for any assumed deterioration in mortality and morbidity due to HIV/AIDS. It is expected that the impact of the epidemic on the current membership will not be significant in the near future.

The provision for expenses (before adding margins) is based on the company's current experience. Costs per unit of benefit are assumed to escalate at 5.45% (2013: 5.55%) per annum in future. The experience will be monitored and adjustments made as and when necessary.

The future tax outgo is based on the tax basis currently applicable to life insurers and includes provision for Capital Gains Tax.

The economic assumptions were based on the following:

Bond yield at 31 December 2014	8,20%
Equity return	11,20%
Cash	6,70%
Property return	9,20%

The assumed future gross investment return is 8,80% p.a. (2013: 8,90% p.a.).

4. STATUTORY CAPITAL ADEQUACY REQUIREMENTS

The statutory capital adequacy requirement is calculated to determine whether the excess of assets over liabilities is sufficient to provide for the possibility of a significant negative departure of actual future experience from the assumptions made in calculating actuarial liabilities and for significant fluctuations in the value of assets. The capital adequacy requirement has been calculated in accordance with SAP104. This guidance note prescribes various adverse scenarios that must be tested to determine the potential impact on the business of possible adverse experience. The excess of the assets over the liabilities for the life companies on the statutory basis is 2.6 times (2013: 2.6 times) the combined capital adequacy requirement.

In deriving the investment resilience requirement in the ordinary capital adequacy requirement (OCAR) it was assumed that a decline of 30% in equity asset values, 15% in property values, and a 21% increase in fixed interest asset values (as a result of a 25% decrease in fixed-interest yields) will occur, in accordance with SAP104.

All profits and losses arising are transferred to policyholders by means of the annual profit declarations to Profit Share Accounts. These annual declarations are non-vesting and may be positive or negative, depending on the experience of the business. When calculating the Capital Adequacy Requirement allowance may be made for the impact of management action. The management action assumed in PPS Insurance is the declaration of profits which reflect the experience each year. The impact of this management action is to reduce the Capital Adequacy Requirement.

The impact of the assumed management action in the calculation of the capital adequacy requirement on profits allocated to policyholders (total of South Africa and Namibia) is as follows:

- The impact of prescribed basis fluctuations in the mortality, morbidity and medical experience will be absorbed by a reduction in the profit allocation to Apportionment Accounts of R193 million. This is equivalent to a reduction in the current profit allocation of 17%.
- The impact of prescribed basis fluctuations in the permanent incapacity benefit claims in payment mortality experience will be absorbed by a reduction in the profit allocation to apportionment accounts. This assumption reduces this component of the capital adequacy requirements by R108 million, which is equivalent to a reduction in the current profit allocation of 9%.
- The impact of prescribed basis fluctuations in the level of maintenance expenses will be absorbed by a reduction in the profit allocation to Apportionment Accounts by R44 million, which is equivalent to a reduction in the current profit allocation of 4%.
- The allowance for operational risk in the CAR calculation is R119 million. We assume that should these operational risk events occur, that the impact of this will be absorbed by a reduction in the operating profit allocated to Apportionment Accounts. This is equivalent to a reduction in the aggregate profit allocation of 10%.
- The allowance for credit risk in the CAR calculation amounted to R132 million. The impact of these credit risk events materialising will result in a reduction to Special Benefit Accounts. This is equivalent to removing 1% of the Special Benefit Account balances at 31 December 2014.
- The impact of the fall in the value of assets backing the policyholder liabilities equivalent to a 30% fall in equity values and a 25% decrease in interest rates will be absorbed by reducing the Special Benefit Accounts by R1.8 billion, which is equivalent to reducing the current Special Benefit Accounts by 16%. These calculations do not include the potential direct impact of these risk events on assets backing the Profit Share Accounts. The actual combined impact on the members' Profit Share Accounts will thus be significantly higher than shown here.
- The impact of a fall in foreign assets is not applicable as none of the assets backing the risk reserves are deemed as "foreign".

The impact of losses arising from adverse policy terminations will be absorbed by a reduction in the profit allocation to Special Benefit Accounts of R2.47 billion. This is equivalent to a reduction in the current level of Special Benefit Accounts of 21%. The quantification of the exposure to policy terminations has been based on a less conservative measure than used to determine the capital adequacy requirements for statutory reporting purposes.

The off-setting management actions assumed above have been approved by specific resolution by the board of directors, and I am satisfied that these actions would be taken if the corresponding risks were to materialise.

5. ALTERATIONS, NOTES AND QUALIFICATIONS

The actuarial assumptions will be reviewed from time to time to reflect changes in experience and/or expectations.

INVESTMENT RETURNS AND PROFIT ALLOCATION TO POLICYHOLDERS' PPS PROFIT-SHARE ACCOUNT™

for the year ended 31 December 2014

At the end of each year policyholders' PPS Profit-Share Account, comprising the Apportionment Accounts and the Special Benefit Accounts, are allocated a share of the profit or loss, net of movements in insurance policy liabilities earned over that year. The PPS Profit-Share Account accumulates from year to year until a policyholder reaches retirement age. **On retirement, death or exit, policyholders receive a lump sum payment based on the balance accumulated in their PPS Profit-Share Account at that time. This is over and above the cover enjoyed by them as policyholders.**

The PPS Profit-Share Account represents an allocation of surplus and investment returns only. This account does not belong to the policyholders, or their nominated beneficiaries (or become a 'vested benefit') until retirement, death or exit. The total assets backing the PPS Profit-Share Account belong to PPS Insurance or PPS Namibia at all times.

The investment returns or losses and net operating income allocated each year may be positive or negative, depending on investment return as well as the operating experience of PPS Insurance and/or PPS Namibia. Therefore, the PPS Profit-Share Account may increase or decrease in any year. Possible variations in the PPS Profit-Share Account are set out in the accounting policies and notes to these financial statements. No guarantees can be given by PPS Insurance or PPS Namibia that the allocations of operating results or investment returns will always be positive, or that the PPS Profit-Share Account will not reduce in any year.

The net operating income is allocated with reference to the qualifying products a policyholder holds and in accordance with the allocation rules for the specific products held. The investment returns are allocated in proportion to the size of the policyholders' PPS Profit-Share Account.

For all policyholders aged 60 or older, the full balance of the PPS Profit-Share Account is paid out to such policyholders, with tax pre-paid, on retirement, termination of cover or resignation, and to the policyholders' beneficiaries or their estates on death. On surrender of a policy prior to the age of 60, policyholders are entitled to receive a lump sum termination payment determined as a proportion of the PPS Profit-Share Account at the time.

ALLOCATION TO SPECIAL BENEFIT ACCOUNTS

The following investment allocations (Note 1) for 2014 were made to the Special Benefit Accounts:

PPS Insurance

	2014 R million	2013 R million
PPS BEE Investment Income Gains	27.7	–
Investment Income and Gains	1 724.3	2 841.0
Total allocated	**1 752.0**	**2 841.0**

PPS Namibia

	2014 N$ million	2013 N$ million
Total allocated	**72.9**	**99.1**

Note 1 – *Investment return allocated to policyholders' Special Benefit Accounts as a percentage of the PPS Profit-Share Account at the beginning of the year.*

ALLOCATION TO APPORTIONMENT ACCOUNTS

The allocations at 31 December 2014 to policyholders' Apportionment Accounts are set out as follows:

PPS Insurance

	2014 R'000	2013 R'000
Total Investment Income allocation	**134 514**	**158 629**
PPS Sickness and Permanent Incapacity Benefit		
Ordinary (Full)	792 129	776 785
Ordinary (Reduced)	19 384	21 720
Supplementary A	45 237	44 911
Supplementary B	6 159	6 819
Deferred	19 913	17 651
Accident	5 041	5 410
Hospital Benefits		
Ordinary (Full)	60 379	58 939
Ordinary (Reduced)	1 847	2 022
Supplementary A	3 672	3 490
Supplementary B	661	727
Accident	1 613	1 740
PPS Provider		
Professional Life Provider	64 027	38 767
Professional Health Provider	23 930	19 128
Professional Disability Provider	5 309	1 745
Accident Benefit	59	43
Bonus allocation for PPS Investments' Portfolios	10 574	5 005
Bonus allocation for PPS Medical Aid products	15 863	–
BEE allocation	10 357	–
Total Profit allocation	**1 086 154**	**1 004 902**
Total allocated	**1 220 668**	**1 163 531**

PPS Namibia

	2014 N$'000	2013 N$'000
Total Investment Income allocation	**8 259**	**7 306**
PPS Sickness and Permanent Incapacity Benefit		
Ordinary (Full)	42 916	35 251
Ordinary (Reduced)	1 842	1 404
Supplementary A	1 229	1 093
Supplementary B	275	256
Deferred	493	439
Accident	218	201
Hospital Benefits		
Ordinary (Full)	4 054	3 328
Ordinary (Reduced)	159	126
Supplementary A	132	116
Supplementary B	40	38
Accident	83	78
PPS Retirement Annuity	52	51
Total Profit allocation	**51 493**	**42 381**
Total allocated	**59 752**	**49 687**

TRUSTEES' REPORT

HOLDING ENTITY

The PPS Group holding entity is The Professional Provident Society Holdings Trust, registration number IT 312/2011, ('PPS Holdings Trust'), which controls all the companies in the PPS Group.

PRINCIPAL ACTIVITIES

PPS Holdings Trust is a trust registered by the Master of the High Court in terms of the Trust Property Control Act of 1988. PPS Holdings Trust's sole investment is 100% of the shares of Professional Provident Society Insurance Company Limited ('PPS Insurance'). The beneficiaries of PPS Holdings Trust are the PPS Group companies. Membership of PPS Holdings Trust is acquired through participation in PPS Group products. The members of PPS Holdings Trust control the Group through the election of trustees. Members participate in all the profits of the PPS Group through their participation in the policyholder PPS Profit-Share Accounts (previously called the Surplus Rebate Accounts).

- **PPS Insurance** is a long-term insurance company registered in South Africa in terms of the Long-term Insurance Act, which offers a broad range of insurance products including sickness and incapacity benefits, life and disability benefits, critical illness benefits and business assurance policies. PPS Insurance also issues linked living annuities and endowment policies to PPS members.
- **PPS Black Economic Empowerment SPV (Pty) Limited** ('PPS BEE SPV') is a special purpose vehicle, and was formed as part of PPS Insurance's BEE transaction in 2006. In terms of the transaction, the sole asset of PPS BEE SPV was an endowment policy issued by PPS Insurance. PPS BEE SPV issued cumulative redeemable preference shares to PPS Insurance. The redemption of these shares was funded out of the proceeds of the endowment policy which was surrendered during 2014. Black policyholders of PPS Insurance at the time of implementation of the transaction in 2006 will benefit from an increased allocation to their PPS Profit-Share Accounts in terms of the BEE transaction. As the company had achieved its intended purpose and had no assets or liabilities, an application for deregistration of the company was lodged with the Companies and Intellectual Property Commission.
- **Professional Provident Society Insurance Company (Namibia) Limited** ('PPS Namibia') is a wholly-owned subsidiary of PPS Insurance and provides insurance products exclusively to the Namibian market. A reinsurance agreement with PPS Insurance is in place for PPS Namibia. In terms of this reinsurance arrangement, PPS Namibia partially reinsures its obligations to the Namibian policyholders with PPS Insurance. This arrangement was put in place in order to protect the security and benefit expectations of the Namibian policyholders by effectively including Namibian policyholders in a risk pool of over 100 000 policyholders. Without this reinsurance arrangement, the Namibian subsidiary with over 4 500 Namibian policyholders would be exposed to higher volatility from participating in a significantly smaller risk pool.
- **Professional Medical Scheme Administrators (Pty) Limited** ('Professional Medical Scheme Administrators') is a wholly-owned subsidiary of PPS Insurance, which administers Profmed and other medical schemes.
- **Professional Provident Society Marketing Services (Pty) Limited** ('PMS') is a wholly-owned subsidiary of PPS Insurance, housing PPS' Short-term Division, which markets short-term insurance products to members, which are underwritten by Hollard Insurance Company Limited and Etana Insurance Company Limited. This company also has a representative agreement with AON, for the marketing of certain products underwritten by Santam.
- **Professional Provident Society Investments (Pty) Limited** ('PPS Investments') is a wholly-owned subsidiary of PPS Insurance which provides, *inter alia*, savings and investment products to PPS members.
- **Professional Provident Society Multi-Managers (Pty) Limited** ('PPS Multi-Managers') is a wholly-owned subsidiary of PPS Investments which provides multi-manager services to PPS Investments.
- **Professional Provident Society Management Company (Pty) Limited (RF)** ('PPS Manco') is a wholly-owned subsidiary of PPS Investments which provides unit trust management services to PPS Investments.
- **The PPS Property Fund Trust** is a trust registered in terms of the Trust Property Control Act of 1988, which invests in certain investment property for the benefit of PPS.

GOING CONCERN

The 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.

FINANCIAL RESULTS

The financial results on pages 70 to 140 set out the results of the Trust and the Group (comprising PPS Holdings Trust and all its subsidiaries).

AUDIT COMMITTEES' REPORT

INTRODUCTION

The PPS Holdings Trust Audit Committee ('TAC') and the PPS Group Audit Committee ('GAC') are statutory board committees of the respective entities. The responsibilities of these committees are prescribed by the Companies Act and are outlined in their written terms of reference, which are in line with King III, and reviewed annually. The committees have an independent role, with accountability to both the board and members in terms of the Companies Act and Trust Deed of PPS Holdings Trust.

The TAC has oversight over PPS Holdings Trust and the Group, while the GAC has oversight over PPS Insurance and its subsidiaries.

The report of these committees is presented to the members in terms of section 94(7)(f) of the Companies Act, No 71 of 2008 ('the Companies Act'), and a similar provision in the Trust Deed.

COMPOSITION OF THE PPS HOLDINGS TRUST AUDIT COMMITTEE

Members:

Independent non-executive Trustees of PPS Holdings Trust:

Ms D L T Dondur, B Acc (Hons), B Compt, CA(SA), MBA (Chairman), Member of the TAC since 2012

Mr E A Moolla, B Iuris, Member of the TAC since 2011

Mr P Ranchod, B Compt (Hons), CA (SA), MBL, H Dip Business Data Processing, appointed as a Member of the TAC on 23 June 2014

Mr Y N Gordhan, B Com (Hons), CA(SA), M Sc, Resigned 2 June 2014

Mr Y N Gordhan resigned as a member of the TAC on 2 June 2014 and Mr P Ranchod was appointed in his place on 23 June 2014. The appointment of the Members of the TAC was confirmed by PPS members at the annual general meeting held on 2 June 2014.

The TAC was established pursuant to the trust deed of PPS Holdings Trust and comprises of three independent non-executive trustees of PPS Holdings Trust. The members of the committee are elected annually by the members of PPS Holdings Trust at its annual general meeting, after being nominated for election by the Nominations Committee and being approved by the PPS Holdings Trust Board for election. As PPS Holdings Trust is not an operating company, but consolidates the financial results of PPS Insurance and its subsidiaries, the TAC considers the recommendations of the GAC in regard to the integrated report. There is an overlap in attendance of the TAC and the GAC to ensure appropriate information is exchanged between the two audit committees and the TAC does not replicate the work performed by the GAC in regard to PPS Insurance and its subsidiaries.

Meetings of the TAC held during the year and attendance thereat:

PPS Holdings Trust Audit Committee	13 March 2014	10 November 2014
Ms D L T Dondur (Chairman)	✓	✓
Mr Y N Gordhan (Resigned 2 June 2014)	✓	N/A
Mr E A Moolla	✓	✓
Mr P Ranchod (Appointed 23 June 2014)	N/A	✓

N/A = Not Applicable

COMPOSITION OF THE PPS GROUP AUDIT COMMITTEE

Members:

Independent non-executive directors of PPS Insurance:

Prof H E Wainer (Chairman), B Acc, CA(SA), Member of GAC since 2001

Ms D L T Dondur, B Acc (Hons), B Compt, CA(SA), MBA, Member of GAC since 2013

Mr C Erasmus, B Sc, FIA, Member of GAC since 2009

Mr N G Payne, B Com (Hons), CA(SA), MBL, Member of GAC since 2007

Mr P Ranchod, B Compt (Hons), CA (SA), MBL, H Dip Business Data Processing, appointed as a Member of the GAC on 23 June 2014

Mr Y N Gordhan, B Com (Hons), CA(SA), M Sc, resigned as a Member of GAC on 2 June 2014

Specialist Consultant:

Prof C E Rabin, M Com, CA(SA), Specialist Consultant to the GAC since 2011, formerly a member of the GAC from 2005 to 2011.

Meetings held during the year and attendance thereat:

Group Audit Committee	13 March 2014	10 June 2014	10 Sep2014	10 Nov2014
Prof H E Wainer (Chairman)	✓	✓	✓	✓
Ms D L T Dondur	✓	✓	✓	✓
Mr C Erasmus	✓	✓	✓	✓
Mr Y N Gordhan (Resigned 2 June 2014)	✓	N/A	N/A	N/A
Mr N G Payne	✓	✓	✓	✓
Mr P Ranchod (Appointed 23 June 2014)	N/A	N/A	✓	✓
Prof C E Rabin*	✓	✓	✓	✓

**Consultant*

N/A = Not Applicable

The GAC comprises of five non-executive PPS Insurance directors, all of whom are independent. Prof Rabin, who is not a member of the PPS Insurance Board, and was formerly a member of the GAC, was appointed as a specialist consultant to the GAC pursuant to the requirement of the Companies Act, 2008, that all members of the GAC have to be Board members. Four of the members of the GAC and the specialist consultant are Chartered Accountants. The fifth member of the GAC is an actuary.

The boards are satisfied that the members of these committees have sufficient recent and relevant financial experience to enable them to carry out their duties and responsibilities and that the members of the committees bring a wide range of relevant experience. The GAC meets at least four times a year, while the TAC is scheduled to meet at least twice a year. The Chairman of the Group Risk Committee and members of the Actuarial Committee are also members of the GAC. The statutory actuary, the external and internal auditors and other relevant role players are present at each meeting of the committee.

The TAC and GAC meet both the external auditors and internal auditors separately in private sessions, without executive management being present. The Chief Executive and the Financial Director, along with other members of management, attend committee meetings, as necessary, at the invitation of the Chairmen of the committees.

The PPS Group's policy on non-audit services, which is reviewed annually by the committees, sets out what services may be provided to PPS by the external auditors. All non-audit services are pre-approved by GAC. The committees conduct a formal external auditor evaluation process. This evaluation occurs annually and includes various criteria and standards such as independence, audit planning, technical abilities, audit process/outputs and quality control, business insight and general factors (such as black economic empowerment credentials). The committees keep abreast of current and emerging trends in international accounting standards.

Both committees have satisfied themselves:

- as to the effectiveness of the PPS Group's system of financial controls;
- that the financial statements of PPS Holdings Trust, PPS Insurance and its subsidiaries have been prepared in accordance with IFRS and the requirements of the Companies Act, 2008; and
- that the external auditor is independent of PPS Holdings Trust, PPS Insurance and its subsidiaries.

ROLE OF THE AUDIT COMMITTEES

The committees, *inter alia*, assist the trustees and directors in discharging their responsibilities relating to the safeguarding of assets, the operation of adequate and effective systems and control processes and the preparation of the integrated report and fairly presented financial statements in compliance with all applicable legal and regulatory requirements and accounting standards.

The committees performed their functions required in terms of the Companies Act and the Trust Deed and executed their responsibilities in accordance with their terms of reference. The committees performed, among others, the following functions:

- Reviewed and recommended for approval the annual financial statements.
- Considered the factors and risks that might affect the financial reporting.
- Confirmed the going concern basis of preparation of the annual financial statements.
- Reviewed and recommended for approval the integrated report.
- Assessed the effectiveness of internal financial controls systems and formed the opinion that there were no material breakdowns in internal control.
- Reviewed the internal audit charter in line with King III recommendations, and recommended the approval thereof to the board.
- Approved the internal audit plan for the financial year.
- Reviewed and evaluated reports relating to internal audit and risk management.
- Nominated PricewaterhouseCoopers Inc. ('PwC') as the Group's registered external auditors.
- Approved the external audit engagement letter and determined the audit fees payable to the external auditors.
- Reviewed the quality and effectiveness of the external audit process and the audit plan.
- Obtained and considered a statement from the independent auditors confirming that its independence was not impaired.
- Confirmed that no reportable irregularities had been identified or reported by the independent auditors under the Auditing Professions Act.
- Ensured no limitations were imposed on the scope of the external audit.
- Determined the nature and extent of non-audit services that the external auditors may provide and pre-approved any such services.
- Considered whether there were any concerns or complaints whether from within or outside the Group relating to the accounting practices and internal audit of the Group, the content or auditing of the Group's financial statements, the internal financial controls of the Group or any related matter.
- Made submissions to the board on matters concerning the Group's accounting policies, financial control, records and reporting.

EXTERNAL AUDITORS

PwC served as the Group's external auditors for the 2014 financial year. The auditors' terms of engagement were approved prior to the audit. The committees satisfied themselves that the external auditors' appointment complies with the Companies Act and the Auditing Profession Act.

The audit committees are satisfied that both PwC and the audit partner are independent. The external auditors provided assurance that their internal governance processes within their audit firm support and demonstrate their claim to independence.

Non-audit services were relatively immaterial for the current year.

EXPERTISE AND EXPERIENCE OF THE FINANCIAL DIRECTOR AND THE FINANCE TEAM

The committees are satisfied that the expertise and experience of the financial director is appropriate to meet the responsibilities of the position.

The committees considered the expertise, resources and experience of the Group's finance function and concluded that these were appropriate to meet the requirements of the Group.

APPROVAL OF THE REPORT

The TAC and GAC confirm for the 2014 financial year that they have functioned in accordance with their terms of reference and as required by the Companies Act and Trust Deed of PPS Holdings Trust and that their reports have been approved by the directors and trustees.

On behalf of the audit committees:

Ms D L T Dondur
Chairman of TAC

25 March 2015

Prof H E Wainer
Chairman of GAC

25 March 2015

GROUP SOCIAL AND ETHICS COMMITTEE'S REPORT

INTRODUCTION

The PPS Group Social and Ethics Committee ('SEC') is a statutory committee of the PPS Insurance board established by the board in terms of Section 72(4) of the Companies Act (71 of 2008) ('Companies Act') and has the functions set out in Regulation 43(5) of the Companies Act.

The SEC is tasked to monitor specific activities of the PPS Insurance Group as set out below and to advise the PPS Insurance Group boards in relation to such matters and meets at least twice a year. The SEC is supported in discharging its duties by the Group Remuneration Committee, the Group Risk Committee and the Group Audit Committee.

Members

Mr N G Payne (Chairman), independent non-executive director

Mrs T Boesch, executive director

Mr C K de Klerk, executive director

Mr C Erasmus, independent non-executive director

Functions

The SEC performs all the functions as are necessary to fulfil the following statutory duties:

Monitoring the PPS Insurance Group's activities, having regard to any relevant legislation, other legal requirements or prevailing codes of best practice, with regard to matters relating to:

- Social and economic development
- Good corporate citizenship
- Assessment of the ethical risk profile
- Labour and employment
- Consumer relationships
- The environment, health and public safety
- Drawing matters within its mandate to the attention of the PPS Insurance Group Boards as may be required.

Reporting, through one of its members, to the members of PPS Insurance at its annual general meeting on the matters within its mandate.

The SEC meetings held during the year and attendance thereat were as follows:

Group Social and Ethics Committee	13 March 2014	10 Nov 2014
Mr N G Payne (Chairman)	✓	✓
Mrs T Boesch	✓	✓
Mr C K de Klerk	✓	✓
Mr C Erasmus	✓	✓

Report to PPS Insurance members by the SEC

During 2014 the committee focused on optimising the appropriate reporting structures to the SEC to enable it to discharge its statutory duties. The committee considered reports from the various contributors regarding the relevant functions and the following items were specifically noted:

Social and economic development	• The United Global Compact Principles are not legislation but reflect international best practice. PPS conducts its business in accordance with the principles regarding Human Rights, Labour Standards, the Environment and Anti-corruption; • Compliance with the Employment Equity Act is managed in accordance with a plan submitted to the Department of Labour and is frequently tracked at Executive Management and Board level; • Various action plans are in place to address the requirements of the Broad-based Black Economic Empowerment Act;
Good corporate citizenship	• PPS promotes equality and prevents unfair discrimination against both employees and members; • Various Corporate Social Investment initiatives are in place to develop the professional community and students studying towards qualifying degrees; • Various sponsorships, donations and charitable initiatives are undertaken and are regularly reviewed;
Assessment of the ethical risk profile	• Corruption and fraud management is a priority for PPS and a Fraud Management Policy and Whistle Blowing Policy are in place, and have been appropriately communicated to staff;
Consumer relationships	• PPS continues to make significant progress on the implementation of TCF and achieved a high score using the self-assessment tool provided by the FSB for this purpose. Refer to additional reporting on this in the Integrated Report; • Industry-specific consumer protection legislation is in place (FAIS, Long-term Insurance Act, etc.) and compliance therewith is actively managed and high levels of compliance have been achieved;
The environment, health and public safety, labour and employment	• The impact of the activities of the various companies on the environment is considered and projects are underway to minimise the environmental impact of the operations of the organisation; • The occupational health and safety of employees and clients in buildings occupied by PPS are monitored and a high level of compliance is achieved; • Excellent working conditions are in place for all employees; • Employment relationships are valued at PPS, which is evidenced by the seal of excellence awarded to PPS from 2011 to 2014 by Deloitte in the 'best company to work' for survey; • Educational development of employees is achieved through various initiatives including internal and external training, induction programmes and bursary schemes.

The committee is satisfied with the reporting and governance framework to ensure compliance with its statutory responsibilities in terms of the Companies Act.

Based on the above monitoring reports, the SEC concluded that there were no specific issues under its purview during the year ended 31 December 2014 which required reporting to the Board or members of PPS Insurance.

On behalf of the PPS Group Social and Ethics Committee:

Mr N G Payne
Chairman of SEC

25 March 2015

GROUP ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

1. BASIS OF PRESENTATION

These financial statements are prepared in accordance with International Financial Reporting Standards ('IFRS').

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 32 of the notes to the consolidated financial statements.

All monetary information and figures presented in these financial statements are stated in thousands of Rand (R'000), unless otherwise indicated.

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2014.

- IFRS 10, 'Consolidated financial statements', IFRS 12 and IAS 27 for investment entities
- IAS 32, 'Financial Instruments: Presentation'
- Amendments to IAS 36, 'Impairment of assets'
- Amendment to IAS 39, 'Novation of derivatives'
- IFRIC 21, 'Accounting for levies'

These do not have a material impact on the Group's overall results and financial position. The nature and the effects of the changes most relevant to the Group's financial statements are explained below.

2. CONSOLIDATION

The financial statements include the assets, liabilities and results of the operations of PPS Holdings Trust ('parent') and its subsidiaries ('together the Group').

Subsidiaries

Subsidiaries are entities over which the Group directly or indirectly has control. An investor controls as investee when the investor is exposed, or has rights, to variable returns from its involvement with the investees and has the ability to affect those returns through its power over the investee.

Subsidiaries are consolidated from the date on which the Group obtains control. Subsidiaries are deconsolidated when control ceases.

All the Group subsidiaries were created by the Group. There are no acquired subsidiaries. There is no goodwill arising on consolidation.

All unit trusts which are managed by a controlled subsidiary of the Group are consolidated, irrespective of the Group's economic interest. Outsiders' interests in unit trusts are reflected as liabilities.

Intra-group transactions, balances and unrealised gains on transactions are eliminated on consolidation.

Unrealised losses are also eliminated, unless the transaction provides evidence of an impairment of the asset transferred. In the Parent's annual financial statements, the interests in subsidiaries are accounted for at cost. A provision for impairment is created if there is evidence of impairment.

Non-controlling interest

This is the outside shareholders' interest in the surplus/deficit after tax since acquisition, and the net assets of entities controlled by the Group. In the Statement of Financial Position, the non-controlling interest is disclosed as equity in terms of IFRS.

3. FINANCIAL INSTRUMENTS

3.1 General

The Group initially recognises financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss), when the Group becomes a party to the contractual provisions of the instrument.

Financial instruments carried in the Statement of Financial Position include financial assets – investments, other receivables, cash and cash equivalents, investment contract liabilities, borrowings, accruals, third party liabilities arising on consolidation of unit trusts and other payables.

3.2 Financial assets

The Group has the following financial asset categories: financial assets at fair value through profit or loss, as well as loans and receivables. The Group currently does not hold any held-to-maturity or available-for-sale assets.

All financial assets are initially measured at fair value including, for financial assets not at fair value through profit or loss, any directly attributable transaction costs. All financial asset purchases and sales are initially recognised using trade date accounting.

Financial instruments at fair value through profit or loss

A financial asset is placed into this category if so designated by management upon initial recognition.

Financial instruments are designated on initial recognition as 'At fair value through profit or loss' to the extent that they produce more relevant information because they either:

- result in the reduction of measurement inconsistency (for accounting mismatch) that would arise as a result of measuring assets and liabilities and the gains and losses on them on a different basis; or
- are managed as a group of financial assets and/or financial liabilities and their performance is evaluated on a fair value basis in accordance with a documented risk management or investment strategy, and this is the basis on which information about the assets and/or liabilities is provided internally to the entity's key management personnel.

Financial assets designated at fair value through profit or loss, consist of local and foreign equities, money market instruments, government bonds, corporate bonds and unit trusts. Subsequent to initial recognition, these financial assets are accounted for at fair value. Fair value gains and losses arising from changes in fair value are included in the Statement of Profit or loss and Comprehensive Income as net fair value gains on financial assets in the period in which they arise.

Equity fair values are based on regulated exchange quoted bid prices at the close of business on the last trading day on or before the reporting date. Bond fair values are based on regulated exchange quoted closing prices at the close of business on the last trading day, on or before the reporting date. Unit trust fair values are based on the repurchase price on the reporting date.

Loans and other receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables include receivables, as well as cash and cash equivalents.

Loans and receivables are initially measured at fair value and subsequently at amortised cost using the effective interest rate method less impairment adjustments (accounting policy note 12).

3.3 Financial liabilities

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity.

Financial liabilities include other payables, borrowings categorised as financial liabilities at amortised cost, investment contract liabilities (accounting policy note 4.2.2) and third-party financial liabilities arising on consolidation of unit trusts (accounting policy note 2) designated on initial recognition as at fair value through profit and loss.

Other payables are initially measured at fair value less transaction costs that are directly attributable to the raising of the funds, and are subsequently stated at amortised cost using the effective interest rate method. Any difference between the proceeds, net of transaction costs and the redemption value is recognised in the Statement of Profit or loss and Comprehensive Income over the period of borrowing.

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Profit or loss and Comprehensive Income over the period of the borrowings using the effective interest method.

Investment contract liabilities are initially measured at fair value less transaction costs, and are subsequently measured at fair value.

Third-party financial liabilities arising on consolidation of unit trusts are effectively demand deposits and are consequently subsequently measured at fair value, which is the unquoted unit values as derived by the fund administrator, with reference to the rules of each particular fund. Fair value gains or losses are recognised in the Statement of Profit or loss and Comprehensive Income.

3.4 Derecognition of financial assets and financial liabilities

The Group derecognises an asset:

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

Where the Group retains substantially all the risks and rewards of ownership of the financial asset, the Group continues to recognise the asset.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

4. INSURANCE AND INVESTMENT CONTRACTS

4.1 Classification of 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. Such contracts may also transfer financial risk. The Group defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that is significantly more than the benefits payable if the insured event did not occur.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk. These are contracts where the Group does not actively manage the investments of the policyholder over the lifetime of each policy contract. Benefits are linked to the performance of a designated pool of assets, selected based on the policyholder risk appetite.

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 in the case of a non-financial variable that the variable is not specific to a party to the contract.

The Group issues insurance contracts that contain a discretionary participation feature ('DPF'). This feature entitles the contract holder to receive, as a supplement to guaranteed benefits, additional benefits:

- that are likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the insurer; and
- that are contractually based on:

(a) the performance of a specified pool of contracts or a specified type of contract;

(b) realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or

(c) the profit or loss of the company, fund or other entity that issues the contract.

The classification of contracts is performed at the inception of each contract. The classification of the contract at inception remains the classification of the contract for the remainder of its lifetime, unless the terms of the contract change to such an extent that it is treated as an extinguishment of the existing contract and the issuance of a new contract.

Insurance contracts

The Group issues contracts that transfer insurance risk and include a DPF component. Such contracts may also transfer financial risk. The DPF component in the Group's insurance contracts cannot be determined and separated from the insurance component from inception. The respective cash flows relating to each component are also not independent of each other.

Each year, any profits or losses arising on the non-DPF component are allocated to the DPF component. In this way a significant portion of the insurance risk is carried by the policyholder in the DPF component of their benefits. The profits or losses will include the impact of changes in the underlying assumptions or estimates on the non-DPF policy liabilities. The DPF component cannot therefore be unbundled or accounted for as a separate investment contract. In such cases, IFRS 4 accepts that the entire insurance contract is accounted for as a liability with movements through the Statement of Profit or loss and Comprehensive Income.

4.2 Valuation and recognition

4.2.1 Insurance contracts

Principles of valuation and profit recognition

The accounting policy for the measurement of liabilities in respect of insurance contracts has been determined having regard to the Standard of Actuarial Practice (SAP's) and Advisory Practice Notes (APN's) issued by the Actuarial Society of South Africa (ASSA). Of particular relevance to the insurance liability calculations, are the following actuarial guidance notes:

- SAP 104: Life Offices – Valuation of Long-Term Insurers;
- APN 102: Life Offices – HIV/AIDS;
- APN 105: Recommended AIDS extra mortality bases.

Valuation

The insurance contracts are valued in terms of the financial soundness valuation ('FSV') basis contained in SAP104 issued by the ASSA. A liability for contractual benefits that are expected to be incurred in the future, (the non-DPF component of the policy liabilities) is recorded in respect of the existing policy book when the premiums are recognised. The liability is 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 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. The policy liabilities also make provision for future profit declarations to policyholders. The profits provided for are in line with the Group's interpretation of policyholder reasonable benefit expectations. The policy liabilities are discounted using an asset-backed rate.

Compulsory margins for adverse deviations are included in the assumptions as required in terms of SAP104.

The contracts issued contain a DPF component that entitles the holder to receive, as a supplement to the sickness and permanent incapacity benefits, additional benefits or profits. These non-vesting profits are declared annually.

Management reviews the carrying value wherever objective evidence of impairment exists. An asset's carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount.

The terms and conditions of these contracts set out the bases for the determination of the amounts on which the additional discretionary benefits are based (the DPF component of the policy liabilities) and within which the Group may exercise its discretion as to the quantum and timing of their payment to contract holders. These benefits consist of a non-vesting allocation of profits or losses of PPS Insurance and investment returns thereon, as determined by the Group.

The Group has an obligation to pay to contract holders the DPF component of their benefits (the members' Apportionment and Special Benefit Accounts) on exit, with a certain deduction on resignation. This deduction that is not paid out, is retained as a liability for the benefit of all contract holders, until paid to them individually in future periods.

The premium component relating to the DPF element cannot be determined and separated from the fixed and guaranteed terms and is therefore recognised as revenue as described below.

Recognition: insurance contracts

Premiums

On inception of the policy premiums are recognised on a monthly basis. Premiums are before deduction of expenses for the acquisition of insurance contracts, and before the deduction of reinsurance premiums. Premium income received in advance is included in insurance and other payables.

Insurance benefits

Insurance benefits and claims are recorded as an expense gross of any reinsurance recovery when they relate to the sickness, permanent incapacity, disability, death, retirement or resignation of a member. These claims are recognised when notified. These claims also include the movement in incurred but not reported benefits.

Unintimated claims are defined as 'incurred but not reported' (IBNR) claims. This liability is held in respect of the sickness and permanent incapacity policies, life and disability policies, the professional health preserver policies and the life and disability assurance group policy. The reserve is measured using a management estimate, by making assumptions about future trends in reporting of claims. It has been calculated using a consistent methodology and on a statistical basis as for previous years' reporting. The calculation is based primarily on a weighted average historic claims payout rate. The profile of claims run-off (over time) is modelled by using historic data of the Group. The profile is then applied to actual claims data of recent periods for which the run-off is not complete. The IBNR is included in the insurance policy liabilities.

Claims payable

A claims payable liability is held in respect of sickness and permanent incapacity policies, and the professional preserver policies, where the Group has been notified of a claim before reporting date, and the claim has not been paid at reporting date. Claims payable are estimated by claims assessors for individual cases reported to the Group and are included in insurance policy liabilities.

Expenses for the acquisition of insurance contracts

Expenses for the acquisition of insurance contracts consist of commission and marketing management costs paid by the Group upon the acquisition of new and additional insurance business. These costs are expensed in full in the financial period during which the new policies are acquired.

Liability adequacy test

At each reporting date, liability adequacy tests are required to ensure the adequacy of the insurance contract liabilities. In performing these tests, current best estimates of future premiums, claims, and claims handling and administration expenses are used. Since the insurance policy liabilities are calculated in terms of the financial soundness valuation ('FSV') basis, as described in SAP104, which meets the minimum requirements of the liability adequacy test, it is not necessary to perform an additional liability adequacy test.

Recognition: Reinsurance contracts

Reinsurance contracts outwards

Contracts entered into by the Group with reinsurers, under which the Group is compensated for losses on one or more insurance contracts issued by the Group and that meet the classification requirements for insurance contracts, are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Group under which the contract holder is another insurer (inwards reinsurance) are recognised as reinsurance contracts.

The benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurance assets, which are dependent on the expected reinsurance claims and benefits arising under the related reinsured insurance contracts. These assets consist of short-term balances due from reinsurers (classified as insurance and other receivables) and long-term receivables (classified as reinsurance assets).

Amounts recoverable from, or due to, reinsurers are measured in terms of each reinsurance contract.

Reinsurance assets are assessed for impairment at each reporting date. A reinsurance asset is deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Group may not recover all amounts due, and that event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. Impairment losses on reinsurance assets are recognised in profit or loss for the period.

Reinsurance premiums

Reinsurance premiums paid are recognised as an expense in the Statement of Profit or loss and Comprehensive Income when they become due for payment in terms of the contracts at the undiscounted amounts payable in terms of the contracts.

Reinsurance recoveries

Reinsurance recoveries are recognised in the Statement of Profit or loss and Comprehensive Income in the same period as the claim at the undiscounted amount receivable in terms of the contracts.

Reinsurance inwards

Reinsurance premiums inwards are recognised as revenue on inception of the reinsurance agreement and on a monthly basis thereafter. Reinsurance premiums inwards are calculated in terms of the reinsurance agreements and disclosed as part of reinsurance premium revenue.

Receivables and payables related to insurance contracts

Insurance receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders.

4.2.2 Investment contracts

Investment contracts are recognised as financial liabilities in the Statement of Financial Position at fair value when the Group becomes party to their contractual provisions. Contributions received from policyholders are not recognised in profit or loss but are accounted for as deposits. Amounts paid to policyholders are recorded as deductions from the investment contract liabilities.

All investment contracts issued by the Group are designated by the Group on initial recognition as at fair value through profit or loss. This designation eliminates or significantly reduces a measurement inconsistency that would otherwise arise if these financial liabilities were not measured at fair value, since the assets held to back the investment contract liabilities are measured at fair value.

Changes in the fair value of investment contracts are included in profit or loss in the period in which they arise. The change in fair value represents a change in the fair value of the assets linked to these investment contracts. The fair value of the Investment contract liability is equal to that of the assets in the unitised fund underlying the policies, as reflected by the value of units held by each policyholder. The carrying amount of the assets backing the investment contract liabilities under investment contracts reflect the fair value of the assets concerned, thus the actuarial valuation of the investment contract liabilities under unmatured investment contracts also reflect the fair value of the contractual liabilities.

Receivables and payables related to investment contracts

Amounts due from and to policyholders and agents in respect of investment contracts are included in insurance and other receivables and payables.

Financial instruments and insurance contract analysis

IFRS 13 indicates a three-tier hierarchy for fair value measurement disclosures:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities. These are readily available in the market and are normally obtainable from multiple sources.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that is not based on observable market data (unobservable inputs).

5. FOREIGN CURRENCY TRANSLATION

5.1 Transactions and balances

The consolidated financial statements are presented in Rands, which is the Group's presentation currency. Foreign currency transactions are translated into Rands ('the functional currency') using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Profit or loss and Comprehensive Income.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss.

5.2 Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each Statement of Financial Position presented are translated at the closing rate at the date of that entity's most recent statement of financial position;
- income and expenses for each Statement of Profit or loss and Comprehensive Income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

6. DIRECT AND INDIRECT TAX

Direct tax includes South African and foreign jurisdiction corporate tax payable, as well as capital gains tax.

The charge for current tax is based on the results for the year. It is calculated using taxation rates that have been enacted or substantively enacted by the reporting date, in each particular jurisdiction within which the Group operates.

Tax in respect of South African life insurance operations is determined using the four-fund method applicable to life insurance companies.

7. CASH AND CASH EQUIVALENTS

Cash comprises cash on hand and demand deposits at call with banks. Cash equivalents comprise highly liquid investments that are convertible to cash with insignificant risk of changes in value and with original maturities of less than three months.

8. PROPERTY AND EQUIPMENT

Owner-occupied property represents property held for administrative purposes and for capital appreciation for the benefit of policyholders, and are offices occupied by the Group. Owner-occupied property is initially recorded at cost, and is subsequently shown at fair value, based on annual valuations by external independent appraisers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. The revaluation movement is allocated to the revaluation reserve. To avoid an accounting mismatch, the related movement in insurance policy liabilities is mirrored to the revaluation reserve.

Changes to the carrying amount arising on revaluation of land and buildings are recognised through other comprehensive income.

Equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

- Buildings 50 years;
- Vehicles 5 years;
- Computer hardware 3 years;
- Furniture and fittings 6 years;
- Office equipment 5 years;
- Leasehold improvements the lesser of 5 years or the period of the lease.

The assets' residual values and useful lives are reviewed at each reporting date and adjusted if appropriate. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are included in the Statement of Profit or loss and Comprehensive Income and are determined by comparing sales proceeds with the carrying amount.

9. INVESTMENT PROPERTY

Investment property, both freehold and leasehold, are properties held for the purpose of earning rental income and for capital appreciation. Investment properties are initially recorded at cost and include transaction costs on acquisition. Subsequent expenditure is charged to the asset's carrying value at cost, only when it is probable that the future economic benefits associated with the item will flow to the Group and the cost can be measured reliably.

Leasehold properties that are leased out to tenants under operating leases are classified as investment properties as appropriate, and included in the Statement of Financial Position at fair value. Land interests held under operating leases are classified and accounted for as investment property on a property by property basis when they are held to earn rentals, or for capital appreciation in both the land and the property. Any such property interest under an operating lease classified as investment property is carried at fair value.

Properties developed for future use as investment properties are classified as investment properties, and included in the Statement of Financial Position at fair value. The cost of these self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use, and capitalised borrowing costs.

Investment properties are valued annually and adjusted to fair value as at the reporting date. Properties purchased within six months of the year-end are valued at cost, unless an independent valuation is performed.

Properties in construction, where excluded from investment property valuations, are carried at cost where the PPS Property Fund Trust is satisfied that cost is a reasonable approximation of fair value. On completion, the cost of capital works in progress is transferred to the book value of the specific property and subsequently considered as part of the valuation process.

Any gain or loss arising from the fair value of the investment property is included in the Statement of Profit or loss and Comprehensive Income for the period to which it relates. Changes in fair value are excluded from the calculation of distributable earnings.

Gains and losses on the disposal of investment properties are recognised in the Statement of Profit or loss and Comprehensive Income and are calculated as the difference between the sale price and the carrying value of the property.

10. LEASES

Operating leases where a Group company is the lessee

Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Profit or loss and Comprehensive Income on a straight-line basis over the period of the lease. Minimum rentals due after year-end are reflected under commitments.

Operating leases where a Group company is the lessor

Rental income from investment property is recognised as revenue on a straight-line basis over the term of the lease. Rental income from other property is classified as other income.

11. INTANGIBLE ASSETS

Computer software development costs

Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as an intangible asset when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;

- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Direct costs include the external software development team's costs. Computer software acquired as part of the software development project is capitalised on the basis of the acquisition costs and related costs to bring it to use. All other costs associated with developing or maintaining computer software programs are recognised as an expense as incurred.

Computer software development costs recognised as assets are amortised, from the date the asset is brought into use, using the straight-line method over their useful lives, not exceeding a period of five years. The useful lives of the assets are reviewed at each reporting date and adjusted if appropriate.

12. IMPAIRMENT OF ASSETS

Financial assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets carried at amortised cost is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset or group of assets is impaired includes the following events:

- significant financial difficulty of the issuer or debtor;
- a breach of contract, such as default or delinquency in payments;
- adverse changes in the payment status of issuers or debtors in the Group; or
- national or local economic conditions that correlate with defaults on assets in the Group.

If there is objective evidence that an impairment loss has been incurred on receivables, including those related to insurance contracts, the amount of the loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced directly against the asset or through the use of an allowance account for impairment losses. The amount of the loss is recognised in the Statement of Profit or loss and Comprehensive Income.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improved credit rating), the previously recognised impairment loss is reversed by adjusting the impairment provision account. The amount of the reversal is recognised in the Statement of Profit or loss and Comprehensive Income.

Non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Such indicators include continued losses, changes in technology, market, economic, legal and operating environments.

An impairment loss is recognised for the amount by which an asset's carrying amount exceeds its recoverable amount. The recoverable amount is measured using the higher of fair value less costs to sell and value-in-use. Value-in-use is the present value of projected cash flows covering the remaining useful life of the asset. The carrying amount of the asset is reduced directly against the asset. The amount of the loss is recognised in the Statement of Profit or loss and Comprehensive Income.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the impairment provision account. The amount of the reversal is recognised in the Statement of Profit or loss and Comprehensive Income.

13. DEFERRED TAXATION

Deferred tax is provided, using the liability method, on temporary differences arising between the tax value of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is not recognised on initial recognition of the assets and liabilities. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. For Investment Property measured at fair value deferred tax is provided at rates applicable to capital gains. The principal temporary differences arise from the revaluation of financial assets held at fair value through profit or loss, provisions and tax losses carried forward.

Deferred tax assets relating to the carry forward of unutilised tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the tax losses can be utilised.

Deferred tax liabilities and assets are not discounted.

14. EMPLOYEE BENEFITS

14.1 Pension/Retirement obligations

The Group provides for retirement benefits of employees by means of a defined contribution pension and provident fund. The assets are held in separate funds controlled by trustees appointed by the Group and employees. In prior years a defined benefit pension fund was available to employees, but this has since been closed.

Defined contribution fund

A defined contribution fund is a retirement plan under which the Group pays fixed contributions into a separate fund.

All employees employed after July 2004, belong to the defined contribution pension and provident fund. All other employees were transferred to the defined contribution pension and provident fund effective on 1 March 2005. The plan is funded by contributions from employees and the Group. Group contributions to the fund are based on a percentage of payroll and are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

14.2 Post-retirement medical obligations

The Group provides for the unfunded post-retirement healthcare benefits of those employees and retirees employed before 4 October 1999, as well as their spouses and dependents. The entitlement to post-retirement healthcare benefits is based on an employee remaining in service up to retirement and completion of a minimum service period. For existing employees, the expected post-retirement costs of these benefits are accrued over the period of employment, using the projected unit credit method. For past service of employees, the Group recognises and provides for the actuarially determined present value of post-retirement medical aid employer contributions on an accrual basis.

An independent actuary performs valuations of the defined benefit obligation, annually at reporting date, using the projected unit credit method to determine the present value of its post-retirement medical obligations and related current and past service costs.

The Group’s current service costs and post service costs in respect of the post-retirement medical fund are recognised as expenses in the current year. Past service costs are recognised immediately in the Statement of Profit or loss and Comprehensive Income. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited in the Statement of Profit or loss and Comprehensive Income in the period in which they arise.

The liability recognised in the Statement of Financial Position in respect of the post-retirement medical obligation is the present value of the post-retirement medical obligation at the reporting date, less the fair value of plan assets. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates with reference to the market yield of government bonds at reporting date.

The Group has implemented IAS 19 (revised) ‘Employee Benefits’ during 2013. Comparatives have not been restated as the revision has not had a material impact on the financial statements.

14.3 Termination benefits

Termination benefits are recognised as an expense in the Statement of Profit or loss and Comprehensive Income and a liability in the statement of financial position when the Group has a present obligation relating to termination.

14.4 Leave pay provision

The Group recognises employees' rights to annual leave entitlement in respect of past service accumulated at reporting date.

14.5 Management bonuses

Management bonuses are recognised as an expense in staff costs as incurred when it is probable that the economic benefits will be paid and the amount can be reliably measured. Management bonuses arise as a result of a contractual obligation, but the amount of the bonus is at the discretion of the employer.

14.6 Long-term incentive scheme

A long-term incentive scheme for certain employees is in place. The expected costs of these benefits are accrued over the period of employment. The entitlement to these benefits is based on the employee remaining in service of the Group for at least three years.

The present value of the long-term incentive scheme is determined by discounting the estimated cash flows using an appropriate bond yield curve as at the reporting date, applying the projected unit credit method.

15. OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are not offset in the statement of Financial position.

16. REVENUE RECOGNITION

16.1 Net insurance premium revenue

Details of net insurance premium revenue are disclosed under accounting policy 4.2.1.

16.2 Other income

Other income is measured at the fair value of the consideration received or receivable.

Policy administration and collection services fee income are fees arising from services rendered in conjunction with the administration of the life assurance policy underwritten by Sanlam.

Fees are recognised as services are rendered.

Administration fees include fees charged to Profmed Medical Scheme and The PPS Beneficiaries Trust for administration services rendered to these entities. Also included are royalties received.

Investment management fees include services fees earned in respect of investment management services rendered.

Commission received is recognised in the accounting period in which it accrues.

16.3 Investment income

Investment income comprises interest, dividends, as well as net fair value gains or losses on financial assets held at fair value through profit or loss.

Interest is recognised as income on the effective interest method. Interest income on financial assets at fair value through profit or loss is recognised as part of the fair value movement.

Dividends are recognised as income on the last day to register in respect of listed shares. Dividends include shares received in terms of capitalisation issues, irrespective of whether there is an option to receive cash in lieu of shares.

Net revaluation profits and losses on financial assets held at fair value through profit or loss comprise of gains and losses on disposal or revaluation of assets to fair values and are recognised in the Statement of Profit or loss and Comprehensive Income.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2014

		Group	
	Note	**2014** **R'000**	2013 R'000
ASSETS			
Property and equipment	2	**142 348**	125 687
Investment property	3	**315 343**	82 985
Intangible asset	4	**53 402**	44 330
Deferred tax	15	**57 825**	61 235
Financial assets – Investments at fair value through profit or loss	5	**30 132 493**	24 482 407
Reinsurance assets	6, 11	**2 827**	878
Insurance and other receivables	7	**276 242**	144 121
Current income tax asset		**–**	42 697
Cash and cash equivalents	8	**1 729 188**	3 122 892
TOTAL ASSETS		**32 709 668**	28 107 232
EQUITY AND LIABILITIES			
Accumulated funds	9	**200 515**	166 348
Non-controlling interest	10	**1 992**	412
TOTAL EQUITY		**202 507**	166 760
LIABILITIES			
Insurance policy liabilities	11	**24 646 747**	22 217 379
Investment contract liabilities	12	**825 699**	617 920
Liabilities to unit trust holders	13	**5 848 820**	4 259 060
Borrowings	14	**79 925**	13 197
Deferred tax	15	**374 904**	467 236
Retirement benefit obligations	16	**9 238**	7 384
Employee related obligations	17	**111 322**	95 432
Reinsurance liabilities	6, 11	**107 232**	123 728
Insurance and other payables	18	**500 636**	134 224
Current income tax liabilities		**2 638**	4 912
TOTAL LIABILITIES		**32 507 161**	27 940 472
TOTAL EQUITY AND LIABILITIES		**32 709 668**	28 107 232

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

for the year ended 31 December 2014

		Group	
		2014	2013
	Note	**R'000**	R'000
Net insurance premium revenue	19	**2 664 993**	2 360 932
Other income	20	**310 713**	281 811
Investment income	21	**3 580 445**	1 532 440
Net revaluation (losses)/profits on financial assets held at fair value through profit or loss	22	**(538 643)**	2 685 024
Attributable to unit trust holders	13	**(503 228)**	(400 073)
		5 514 280	6 460 134
Net insurance benefits and claims	23	**1 690 765**	1 439 093
Movement in fair value of policyholder liabilities under investment contracts	12	**53 319**	74 389
Expenses	24	**1 089 494**	973 016
Profit before movement in insurance policy liabilities		**2 680 702**	3 973 636
Movement to insurance policy liabilities	11	**2 378 867**	3 498 726
Tax	26	**266 088**	430 719
Surplus after tax and policy movements		**35 747**	44 191
Other comprehensive income:			
Revaluation of owner-occupied property net of deferred tax		**1 548**	8 066
Total comprehensive income for the year		**37 295**	52 257

The mutual nature of PPS should be noted. The allocation to policyholders – described above as 'Movement to insurance policy liabilities' – is in effect the positive or negative return to the members in their capacity as policyholders. The surplus after tax is the result of operations of the non-insurance subsidiaries and any increase required to maintain capital.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2014

	Note	Accumulated funds R'000	Revaluation reserve R'000	Non-controlling interest R'000	Total R'000
Group					
Balance at 1 January 2013		125 372	–	(843)	124 529
Movement in insurance policy liabilities	11.2	–	(8 066)	–	(8 066)
Total comprehensive income for the year		43 798	8 066	393	52 257
Surplus for the year		43 798	–	393	44 191
Other comprehensive income for the year		–	8 066	–	8 066
Minority share of accumulated losses acquired by group company		(2 822)	–	2 822	–
Reduction in minority share of equity		–	–	(1 960)	(1 960)
Balance at 31 December 2013		166 348	–	412	166 760
Movement in insurance policy liabilities	11.2	**–**	**(1 548)**	**–**	**(1 548)**
Total comprehensive income for the year		**34 167**	**1 548**	**1 580**	**37 295**
Surplus for the year		**34 167**	**–**	**1 580**	**35 747**
Other comprehensive income for the year		**–**	**1 548**	**–**	**1 548**
Balance at 31 December 2014		**200 515**	**–**	**1 992**	**202 507**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2014

	Note	Group 2014 R'000	2013 R'000
Cash flows from operating activities			
Cash generated from operations	27	**758 561**	396 330
Interest received		**813 196**	462 440
Dividend received		**269 147**	246 926
Tax paid	28	**(314 660)**	(280 500)
Net cash from operating activities		**1 526 244**	825 196
Cash flows from investing activities			
Purchases of property and equipment	2	**(40 666)**	(24 831)
Purchase of investment property	3	**(227 044)**	(36 178)
Software development	4	**(21 423)**	(20 903)
Purchase of financial assets	5, 13	**(32 947 992)**	(9 895 311)
Acquisition of additional ordinary shares of subsidiary		**–**	(1 960)
Proceeds from sale of furniture and equipment		**124**	88
Proceeds from disposal of financial assets		**30 250 325**	10 261 691
Net cash (used in)/from investing activities		**(2 986 676)**	282 596
Cash flows from financing activities			
Increase/(decrease) in borrowings	14	**66 728**	(11 744)
Net cash from/(used in) financing activities		**66 728**	(11 744)
Net (decrease)/increase in cash and bank		**(1 393 704)**	1 096 048
Cash and bank at beginning of year		**3 122 892**	2 026 844
Cash and bank at end of year	8	**1 729 188**	3 122 892

1. FINANCIAL INSTRUMENT AND INSURANCE CONTRACT ANALYSIS

The tables analyse each class of financial instrument and insurance contracts per category as well as provide their fair values, where applicable.

R'000	Note	Financial assets and liabilities designated at fair value through profit or loss on initial recognition	Loans and receivables	Financial liabilities at amortised cost	Insurance contract assets and liabilities	Pre-payments	Total carrying amount	Fair value
Group 2014								
Equity securities								
Local listed	5	**10 574 492**	**–**	**–**	**–**	**–**	**10 574 492**	**10 574 492**
International listed	5	**153 432**	**–**	**–**	**–**	**–**	**153 432**	**153 432**
Debt securities								
Government and local bonds	5	**4 928 292**	**–**	**–**	**–**	**–**	**4 928 292**	**4 928 292**
International listed	5	**217 694**	**–**	**–**	**–**	**–**	**217 694**	**217 694**
Unit trusts and pooled funds	5	**14 258 583**	**–**	**–**	**–**	**–**	**14 258 583**	**14 258 583**
Reinsurance assets	6	**–**	**–**	**–**	**2 827**	**–**	**2 827**	**N/A**
Insurance receivables	7	**–**	**–**	**–**	**27 998**	**–**	**27 998**	**N/A**
Prepayments	7	**–**	**–**	**–**	**–**	**17 486**	**17 486**	**17 486**
Other receivables	7	**–**	**188 265**	**–**	**–**	**–**	**188 265**	**188 265**
Reinsurance receivables	7	**–**	**–**	**–**	**42 493**	**–**	**42 493**	**N/A**
Cash and cash equivalents	8	**1 469 130**	**260 058**	**–**	**–**	**–**	**1 729 188**	**1 729 188**
Insurance contract liabilities	11	**–**	**–**	**–**	**24 646 747**	**–**	**24 646 747**	**N/A**
Investment contract liabilities	12	**825 699**	**–**	**–**	**–**	**–**	**825 699**	**825 699**
Liabilities to unit trust holders	13	**5 848 820**	**–**	**–**	**–**	**–**	**5 848 820**	**5 848 820**
Borrowings	14	**–**	**–**	**79 925**	**–**	**–**	**79 925**	**79 925**
Reinsurance liabilities	6	**–**	**–**	**–**	**107 232**	**–**	**107 232**	**N/A**
Reinsurance payables	18	**–**	**–**	**–**	**15 196**	**–**	**15 196**	**N/A**
Insurance payables	18	**–**	**–**	**–**	**33 292**	**–**	**33 292**	**N/A**
Accruals and sundry creditors	18	**–**	**–**	**452 148**	**–**	**–**	**452 148**	**452 148**

R'000	Note	Financial assets and liabilities designated at fair value through profit or loss on initial recognition	Loans and receivables	Financial liabilities at amortised cost	Insurance contract assets and liabilities	Pre-payments	Total carrying amount	Fair value
Group 2013								
Equity securities								
Local listed	5	10 488 141	–	–	–	–	10 488 141	10 488 141
International listed	5	47 701	–	–	–	–	47 701	47 701
Debt securities								
Government and local bonds	5	8 207 980	–	–	–	–	8 207 980	8 207 980
International listed	5	145 306	–	–	–	–	145 306	145 306
Unit trusts and pooled funds	5	5 593 279	–	–	–	–	5 593 279	5 593 279
Reinsurance assets	6	–	–	–	878	–	878	N/A
Insurance receivables	7	–	–	–	28 774	–	28 774	N/A
Prepayments	7	–	–	–	–	4 997	4 997	4 997
Other receivables	7	–	83 494	–	–	–	83 494	83 494
Reinsurance receivables	7	–	–	–	26 856	–	26 856	N/A
Cash and cash equivalents	8	2 829 505	293 387	–	–	–	3 122 892	3 122 892
Insurance contract liabilities	11	–	–	–	22 217 379	–	22 217 379	N/A
Investment contract liabilities	12	617 920	–	–	–	–	617 920	617 920
Liabilities to unit trust holders	13	4 259 060	–	–	–	–	4 259 060	4 259 060
Borrowings	14	–	–	13 197	–	–	13 197	13 197
Reinsurance liabilities	6	–	–	–	123 728	–	123 728	N/A
Reinsurance payables	18	–	–	–	13 378	–	13 378	N/A
Insurance payables	18	–	–	–	34 132	–	34 132	N/A
Accruals and sundry creditors	18	–	–	86 714	–	–	86 714	86 714

2. PROPERTY AND EQUIPMENT

Group	Owner-occupied property R'000	Computer hardware R'000	Vehicles, office furniture and equipment R'000	Leasehold improvements R'000	Total R'000
Year ended 31 December 2013					
Opening net book amount	58 300	26 970	25 494	5 806	116 570
Revaluation surplus	8 485	–	–	–	8 485
Depreciation relating to revaluation	(60)	–	–	–	(60)
Additions	3 324	8 290	12 772	445	24 831
Disposals: Cost	–	–	114	–	114
Disposals: Accumulated Depreciation	–	–	(114)	–	(114)
Depreciation charge	(749)	(12 724)	(8 689)	(1 977)	(24 139)
Closing net book amount	69 300	22 536	29 577	4 274	125 687
At 31 December 2013					
Cost or valuation	78 810	72 806	66 711	11 031	229 358
Accumulated depreciation	(9 510)	(50 270)	(37 134)	(6 757)	(103 671)
Net book amount	69 300	22 536	29 577	4 274	125 687
Non-current	**69 300**	**22 536**	**29 577**	**4 274**	**125 687**
Year ended 31 December 2014					
Opening net book amount	**69 300**	**22 536**	**29 577**	**4 274**	**125 687**
Revaluation surplus	**1 956**	**–**	**–**	**–**	**1 956**
Depreciation relating to revaluation	**(335)**	**–**	**–**	**–**	**(335)**
Additions	**2 092**	**24 492**	**11 592**	**2 490**	**40 666**
Disposals: Cost	**–**	**(71)**	**(22)**	**–**	**(93)**
Disposals: Accumulated Depreciation	**–**	**52**	**18**	**–**	**70**
Depreciation charge	**(813)**	**(14 172)**	**(8 903)**	**(1 715)**	**(25 603)**
Closing net book amount	**72 200**	**32 837**	**32 262**	**5 049**	**142 348**
At 31 December 2014					
Cost or valuation	**82 858**	**97 227**	**78 281**	**13 521**	**271 887**
Accumulated depreciation	**(10 658)**	**(64 390)**	**(46 019)**	**(8 472)**	**(129 539)**
Net book amount	**72 200**	**32 837**	**32 262**	**5 049**	**142 348**
Non-current	**72 200**	**32 837**	**32 262**	**5 049**	**142 348**

The land and buildings revaluation reserve represents the capital appreciation on the owner-occupied property. As the properties are held to back insurance policy liabilities, with discretionary participation features, the movement in insurance policy liabilities as a result of the revaluation is recognised directly in equity.

Deferred tax has been provided on the revaluation difference arising on owner-occupied property in 2014 and 2013, based on the amounts and at the rate applicable to capital gains.

Owner occupied property is carried at fair value and is classified as level 3 in terms of the IFRS 7 hierarchy.

The Group's owner-occupied property was revalued at 31 December 2014 by CB Richard Ellis (Pty) Limited, an independent valuator. Valuations were performed using the discounted cash flow of future income stream method. The discounted cash flow method takes projected cash flows and discount them at a rate which is consistent with comparable market transactions. Refer to note 31.4 for valuation assumptions. The opening carrying value is depreciated and then adjusted to reflect market value at year end. The property consists of an office block situated at 6 Anerley Road, Parktown, which is occupied by the Group. The property is revalued annually. If land and buildings were stated on a historical cost basis, the amounts would be as follows:

	Group	
	2014 R'000	2013 R'000
Cost	**48 823**	43 406
Accumulated depreciation	**(8 678)**	(7 115)
Net book amount as at 31 December	**40 145**	36 291

3. INVESTMENT PROPERTY

	Group		
	Investment property R'000	Investment property under construction R'000	Total R'000
Net Carrying Value			
Opening balance at 1 January 2013	45 023	–	45 023
Additions	13 394	22 784	36 178
Revaluation surplus	1 784	–	1 784
Net carrying value at 31 December 2013	60 201	22 784	82 985
Opening balance at 1 January 2014	**60 201**	**22 784**	**82 985**
Additions	**153 410**	**73 634**	**227 044**
Revaluation surplus	**5 314**	**–**	**5 314**
Net carrying value at 31 December 2014	**218 925**	**96 418**	**315 343**

Investment property was valued by an independent valuer on 31 December 2014. Valuations were performed using the discounted cash flow of future income stream method. Investment property is carried at fair value. Fair value measurement is classified at Level 3.

Investment property under construction is carried at cost.

4. INTANGIBLE ASSET – SOFTWARE DEVELOPMENT COSTS

	Group	
	2014	2013
	R'000	R'000
Cost beginning of year	**134 544**	113 641
Accumulated amortisation beginning of year	**(90 214)**	(77 153)
Net book amount beginning of year	**44 330**	36 488
Opening net book amount	**44 330**	36 488
Additions	**21 423**	20 903
Amortisation	**(12 351)**	(13 061)
Closing net book amount	**53 402**	44 330
Cost	**155 967**	134 544
Accumulated amortisation	**(102 565)**	(90 214)
Net book amount end of year	**53 402**	44 330

5. FINANCIAL ASSETS – INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2014	2013
	R'000	R'000
Analysis of financial assets held at fair value through profit or loss		
Level 1 fair value financial assets		
Equity securities:		
– local listed	**10 574 492**	10 488 141
– international listed	**153 432**	47 701
	10 727 924	10 535 842
Level 2 fair value financial assets		
Debt securities – fixed interest rate:		
– government bonds and local listed	**4 928 292**	8 207 980
– International listed	**217 694**	145 306
	5 145 986	8 353 286
Unit trusts and pooled funds:		
– local pooled funds and unit trusts	**9 295 178**	617 627
– international equity unit trusts	**3 782 773**	3 435 220
– international fixed interest unit trusts	**65 229**	417
– international balanced unit trusts	**1 115 403**	1 540 015
	14 258 583	5 593 279
Total level 2 fair value financial assets	**19 404 569**	13 946 565
Total financial assets at fair value through profit or loss	**30 132 493**	24 482 407
The investment in local pooled funds and unit trusts comprises mainly of:		
Debt securities	**5 717 658**	119 934
Cash and cash equivalents	**58 168**	26 396
Equities	**2 750 835**	293 208
International	**768 517**	178 089

International investments denominated in foreign currencies were translated to Rands at the closing exchange rates at 31 December of:

$1 = R11,55 (2013: $1 = R10,49)

N$1 = R1,00 (2013: N$1 = R1,00)

At 31 December, investments classified as Level 2 comprise approximately 64,4% (2013: 57,0%) of financial assets measured at fair value. Debt securities classified as Level 2 as directly observable market inputs other than Level 1 have been used to value these bonds. The observable inputs used to determine the fair value of unit trusts and pooled funds classified as Level 2 are the unit prices published by the unit trust fund managers.

At 31 December, no financial assets are classified as Level 3 (2013: nil).

	Group	
	2014 R'000	2013 R'000
Analysis of movements in financial assets held at fair value through profit or loss:		
Opening balance	**24 482 407**	20 210 984
Additions	**35 532 626**	12 199 605
Disposals at carrying value	**(29 290 118)**	(10 644 097)
Fair value net gains excluding net realised gains	**(543 957)**	2 683 240
Accrued interest movements	**(48 465)**	32 675
Closing balance	**30 132 493**	24 482 407
The spread of investments by sector:		
Industrial (%)	**47.6**	40.5
Financial (%)	**34.4**	32.6
Resources (%)	**18.0**	26.9
Maturity profile of fixed interest investments:		
Due in 1 year or less	**691 681**	986 637
Due between 1 year and 5 years	**1 848 303**	3 516 380
Due between 5 years and 10 years	**981 544**	1 827 918
Due after 10 years	**1 624 458**	2 022 351
	5 145 986	8 353 286

There is no maturity profile for equity securities and unit trusts and management is unable to provide a reliable estimate given the volatility of equity markets. No investments have been pledged as collateral for liabilities or contingent liabilities.

6. REINSURANCE ASSETS AND LIABILITIES

	Group	
	2014	2013
	R'000	R'000
REINSURANCE ASSETS		
Total assets arising from reinsurance contracts at beginning of the year	**878**	1 083
Reinsurers' share of insurance policy liabilities	**1 949**	(205)
Total assets arising from reinsurance contracts at end of the year (note 11)	**2 827**	878
Non-current	**2 827**	878
REINSURANCE LIABILITIES		
Total liabilities arising from reinsurance contracts at beginning of the year	**123 728**	89 283
Reinsurers' share of insurance policy liabilities	**16 496**	34 445
Total liabilities arising from reinsurance contracts at end of the year (note 11)	**107 232**	123 728
Non-current	**107 232**	123 728

Amounts due from reinsurers in respect of claims already paid by the Group on the contracts that are reinsured are included in insurance and other receivables (note 7).

7. INSURANCE AND OTHER RECEIVABLES

	Group	
	2014	2013
	R'000	R'000
Receivables arising from insurance and reinsurance contracts:	**70 491**	55 630
– due from contract holders	**39 278**	38 482
– less allowance for impairment losses from receivables from contract holders	**(11 280)**	(9 708)
– due from reinsurers	**42 493**	26 856
Other receivables:	**188 265**	83 494
– accrued interest	**3 728**	5 450
– accrued dividends	**90 811**	830
– other receivables	**93 726**	77 214
Prepayments	**17 486**	4 997
Total receivables including insurance receivables and prepayments	**276 242**	144 121
Current	**276 242**	144 121
Fair value of other receivables held at amortised cost	**188 265**	83 494
Allowances for impairment losses of receivables from contract holders		
Specific allowances for impairment		
At beginning of year	**9 708**	10 707
Impairment loss recognised	**2 974**	1 138
Impairment loss reversals	**(1 402)**	(2 137)
At end of year	**11 280**	9 708

8. CASH AND CASH EQUIVALENTS

	Group	
	2014	2013
	R'000	R'000
Cash at bank and in hand	**260 058**	293 387
Level 2 fair value cash and cash equivalents		
Cash on call via unit trust	**1 469 130**	2 829 505
Total level 2 fair value cash and cash equivalents	**1 469 130**	2 829 505
Total cash and cash equivalents	**1 729 188**	3 122 892

The proportion of cash held to fund the working capital of the Group as part of the investment portfolio is 15,0% (2013: 9,4%) of total cash and cash equivalents. The balance of the cash is held as part of the investment portfolio. The effective interest rate earned was 5,25% (2013: 4,5%).

At 31 December, cash and cash equivalents classified as Level 2 comprise 100% (2013: 100%) of cash and cash equivalents measured at fair value. Observable inputs used to determine the fair value of cash and cash equivalents as part of unit trusts and pooled funds are the unit prices published by the unit trust fund managers. For cash on call the observable input used to determine fair value are quoted prices for money market instruments as reported by investment managers.

9. ACCUMULATED FUNDS

The accumulated funds balance represents the amount of reserves which is not distributable. This is part of the amount the Group must retain to cover the statutory capital adequacy requirement ('CAR'). The Group has maintained its level of CAR cover at 2,6 times (2013: 2,6 times). This has resulted in R21,9 million (2013: R28,2 million) being allocated to accumulated funds in the current year.

10. NON-CONTROLLING INTEREST

	Group	
	2014	2013
	R'000	R'000
Non-controlling interest	**1 992**	412

Non-controlling interest consists of a minority's share in an unincorporated property business.

11. INSURANCE POLICY LIABILITIES AND RELATED REINSURANCE ASSETS

11.1 Long-term life insurance contracts – assumptions, change in assumptions and sensitivity

(a) Process used to decide on assumptions

The sickness and disability contracts issued by the Group include a non-DPF and a DPF component. The non-DPF component includes sickness and disability benefits. The DPF component includes the profit share accounts allocated to each policyholder. The participating nature of these contracts results in the insurance and other risk being carried by the insured parties. These contracts are however managed and accounted for as one contract.

The determination of the non-DPF liabilities under long-term insurance contracts is dependent on estimates made by the Statutory Actuary. Any changes in estimates will impact on the size of the non-DPF policy liabilities and on the bonus rates the Group declares to the DPF component of the policy liabilities. Hence the changes in estimates will impact on the balance between the DPF component of the liabilities and the non-DPF component of the liabilities. In aggregate the changes will have no impact on the value of the total policy liabilities.

The assumptions used for the insurance contracts disclosed in this note are as follows:

• *Mortality*

Estimates are made as to the expected future mortality experience. The estimates are based on standard industry and national mortality tables that reflect historical mortality experience, adjusted where appropriate to reflect the Group's own experience. The main sources of uncertainty are epidemics such as AIDS and wide-ranging lifestyle changes, such as in eating, smoking and exercise habits. These uncertainties could result in future mortality being significantly worse than in the past. However, continuing improvements in medical care and social conditions could result in improvements in longevity.
An investigation into the Group's experience over the most recent year is performed to calibrate the base table to the PPS experience. The estimates of future mortality are based on standard industry and national mortality tables that reflect historical mortality experience, adjusted where appropriate to reflect the Group's own experience. The base table currently in use is SA85-90.

• *Morbidity*

Estimates are made as to the expected number of temporary and permanent incapacity claims for each of the years in which the Group is exposed to risk. These estimates are based on morbidity tables that reflect the 01 January 2013 to 31 December 2013 morbidity experience of the Group. The main source of uncertainty is epidemics such as AIDS, SARS, economic conditions and wide-ranging lifestyle changes, such as in eating, smoking and exercise habits. These uncertainties could result in future morbidity being worse than in the past for the age groups in which the Group has significant exposure to morbidity risk. The estimated morbidity experience determines the value of the future benefit payments in the policy liabilities.

The rates of disability claims are derived from the experience of the Group over the preceding two years.

• *Persistency*

Estimates are made as to the future rate at which policyholders will terminate their contracts prior to the original maturity date. These estimates are based on the 01 January 2013 to 31 December 2013 experience of the business. The future termination rates will vary with economic conditions, the profitability of the business and with changes in consumer behaviour.

• *Investment returns*

Risk-free fixed interest securities: the risk free rates are based on the gross yields to redemption of a benchmark government security. For the current valuation, this rate is 8,2% (2013: 8,3%) per annum effective.

Equity investments: the expected long-term return – dividends and capital growth – is derived by adding to the risk-free rate of return on equity risk premium of 3% (2013: 3%).

Cash investments: the expected long-term return on cash and money market investments is derived by subtracting from the risk-free rate of return a margin of 1,5% (2013:1,5%).

Overall investment return: A weighted average rate of investment return is derived by combining different proportions of the above financial assets in a model portfolio, which is assumed to back the liabilities. The overall investment return was 8,8% gross of tax in 2014 (8,9% in 2013). These model portfolios are consistent with the asset allocation strategies as set out by the Group.

• *Renewal expense level and inflation*

Estimates are made as to the future level of administration costs to be incurred in administering the policies in force at the current year end, using a functional cost approach. This approach allocates expenses between policy and overhead expenses and within policy expenses, between new business, maintenance and claims. These future costs are assumed to increase each year in line with an assumed inflation rate. The assumed inflation rate is set at a level consistent with the assumed future investment returns. Variations in administration costs will arise from any cost reduction exercises implemented by management or from cost overruns relative to budget.

The current level of expenses is taken as an appropriate expense base. Expense inflation is assumed to be 2,75% (2013: 2,75%) below the current return on risk free interest securities.

• *Tax*

It has been assumed that current tax legislation and rates continue unaltered. Allowance is made for future tax and tax relief.

• *Future profit allocations*

The assumed future profit allowance on the non-DPF portion of the liabilities is in line with the Group's past practice and members' reasonable expectations.

(a) IBNR

The IBNR liability calculation is based on run-off tables using historical data from 2010 to 2014. Due to the short term over which these liabilities will be settled, no allowance is made for claims handling expenses, claims inflation, adjustments for trends, unusual claims or loss ratios, and the IBNR liability is undiscounted.

(b) Change in assumptions

The assumptions used to calculate the non-DPF portion of the policy liabilities are updated annually to reflect current best estimates of future experience. Changes to the assumptions will result in changes to the amount of the non-DPF policy liabilities. The impact of the changes will be included in the profits allocated to the DPF component of the policy liabilities.

Consequently the aggregate value of the policy liabilities will be unchanged as a result of changes to the assumptions.

The economic basis changes led to a decrease in liabilities of R14,0 million (2013: R98,5 million decrease). The non-economic changes amounted to a R0,1 million increase (2013: R1,0 million increase) in liabilities.

(c) Sensitivity analysis

The following table presents the sensitivity in the key valuation assumptions of the value of the non-DPF component of the insurance policy liabilities disclosed in this note to movements in the assumptions used in the estimation of these insurance policy liabilities. The impact of a deviation from the best estimate assumption for all future years on a per-policy basis on the liability is shown.

Variable	Change in variable %	Change in liability 2014 R'000	% change	Change in liability 2013 R'000	% change
Liability per note 11.2		**3 400 880**		3 330 811	
Worsening in mortality	10	**903 472**	**26,57**	980 703	29,44
Worsening of morbidity rates	10	**982 924**	**28,90**	578 971	17,38
Worsening in Permanent Incapicity inception rate	10	**344 332**	**10,12**	365 765	10,98
Lowering of investment returns	(1)	**902 230**	**26,53**	739 305	22,20
Lowering of terminations	(10)	**230 790**	**6,79**	93 603	2,81
Worsening of maintenance expense level	10	**443 341**	**13,04**	484 921	14,56
Worsening of expense inflation rate	10	**277 509**	**8,16**	323 099	9,70

To the extent the non-DPF liability above increases, the profit allocation for the year to the DPF would be correspondingly lower and vice versa.

The above analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated – for example, change in interest rate and change in market values; change in lapses and future mortality.

The size of the sensitivities were chosen to illustrate the impacts for changes in key variables that would have a significant impact on the non-DPF liabilities, as well as mainly chosen to facilitate comparison with the sensitivities disclosed by other major insurers.

(d) Compulsory margins

PGN104 specifies the compulsory margins that need to be added to the best estimate margins. The following compulsory margins which have not changed since 2005 were added for both 2013 and 2014:

Assumption	Margin
Mortality	7,5% (increase or decrease, depending on which alternative increases liabilities)
Morbidity	10%
Medical	15%
Lapse	25% (increase or decrease, depending on which alternative increases liabilities)
Terminations for disability income benefits in payment	10%
Surrenders	10% (increase or decrease, depending on which alternative increases liabilities)
Expenses	10%
Expense inflation	10% (of estimated escalation rate)
Charge against investment return	25 basis points in the investment performance-based margin

11.2 Movements in insurance policy liabilities and reinsurance assets – Long-term insurance contracts with and without DPF

	Group					
		2014			2013	
	Gross R'000	Reinsurance R'000	Net R'000	Gross R'000	Reinsurance R'000	Net R'000
Sickness and disability policies						
– Claims payable (notified claims)	**16 701**	**–**	**16 701**	14 922	–	14 922
– Unintimated claims (IBNR)	**27 832**	**–**	**27 832**	32 849	–	32 849
– Non-DPF liability	**3 207 337**	**(123 474)**	**3 330 811**	3 301 113	(88 410)	3 389 523
– Cessation benefits (notified claims)	**122 304**	**–**	**122 304**	124 247	–	124 247
– DPF liability	**18 705 124**	**–**	**18 705 124**	15 152 213	–	15 152 213
Life policies						
– Claims payable (notified claims)	**79 863**	**–**	**79 863**	61 379	–	61 379
– Unintimated claims (IBNR)	**5 581**	**–**	**5 581**	9 768	–	9 768
– Life assurance policy reserve	**12 077**	**624**	**11 453**	8 275	210	8 065
Other benefits and liabilities	**40 560**	**–**	**40 560**	31 814	–	31 814
Total at beginning of the year	**22 217 379**	**(122 850)**	**22 340 229**	18 736 580	(88 200)	18 824 780

	Group					
		2014			2013	
	Gross R'000	Reinsurance R'000	Net R'000	Gross R'000	Reinsurance R'000	Net R'000
Change in Insurance policy liabilities per Statement of Comprehensive Income	**2 397 312**	**18 445**	**2 378 867**	3 464 076	(34 650)	3 498 726
Change in insurance policy liabilities per Statement of Changes in Equity	**1 548**	**–**	**1 548**	8 066	–	8 066
Movement in claims liabilities						
– arising from current year claims	**(5 212)**	**–**	**(5 212)**	(14 895)	–	(14 895)
– arising from prior year claims	**35 720**	**–**	**35 720**	23 552	–	23 552
Total movement in insurance policy liabilities	**2 429 368**	**18 445**	**2 410 923**	3 480 799	(34 650)	3 515 449
Total movement allocated	**2 429 368**	**18 445**	**2 410 923**	3 480 799	(34 650)	3 515 449
Sickness and disability policies						
– Claims payable (notified claims)	**(2 124)**	**–**	**(2 124)**	1 779	–	1 779
– Unintimated claims (IBNR)	**14 283**	**–**	**14 283**	(5 017)	–	(5 017)
– Non-DPF liability	**86 009**	**15 940**	**70 069**	(93 776)	(35 064)	(58 712)
– Cessation benefits (notified claims)	**17 583**	**–**	**17 583**	(1 943)	–	(1 943)
– DPF liability	**2 309 633**	**–**	**2 309 633**	3 552 911	–	3 552 911
Life policies						
– Claims payable (notified claims)	**(15 685)**	**–**	**(15 685)**	18 484	–	18 484
– Unintimated claims (IBNR)	**19 520**	**2 362**	**17 158**	(4 187)	–	(4 187)
– Life assurance policy reserve	**(10 419)**	**143**	**(10 562)**	3 802	414	3 388
Other benefits and liabilities	**10 568**	**–**	**10 568**	8 746	–	8 746

	Group					
	2014			2013		
	Gross R'000	Reinsurance R'000	Net R'000	Gross R'000	Reinsurance R'000	Net R'000
Analysis of balance at the end of the year:						
Sickness and disability policies						
– Claims payable (notified claims)	**14 577**	**–**	**14 577**	16 701	–	16 701
– Unintimated claims (IBNR)	**42 115**	**–**	**42 115**	27 832	–	27 832
– Non-DPF liability	**3 293 346**	**(107 534)**	**3 400 880**	3 207 337	(123 474)	3 330 811
– Cessation benefits (notified claims)	**139 887**	**–**	**139 887**	122 304	–	122 304
– DPF liability	**21 014 757**	**–**	**21 014 757**	18 705 124	–	18 705 124
Life policies						
– Claims payable (notified claims)	**64 178**	**–**	**64 178**	79 863	–	79 863
– Unintimated claims (IBNR)	**25 101**	**2 362**	**22 739**	5 581	–	5 581
– Life assurance policy reserve	**1 658**	**767**	**891**	12 077	624	11 453
Other benefits and liabilities	**51 128**	**–**	**51 128**	40 560	–	40 560
Total at the end of the year	**24 646 747**	**(104 405)**	**24 751 152**	22 217 379	(122 850)	22 340 229
Current	**336 986**	**2 362**	**334 624**	292 841	–	292 841
Non-current	**24 309 761**	**(106 767)**	**24 416 528**	21 924 538	(122 850)	22 047 388
Total	**24 646 747**	**(104 405)**	**24 751 152**	22 217 379	(122 850)	22 340 229

	Group	
	2014	2013
	R'000	R'000
The non-DPF liabilities developed as follows:		
Liabilities at start of year	**3 330 811**	3 389 523
Unwinding of discount rate	**236 748**	205 175
Expected cash flows	**305 477**	(23 653)
Expected risk liability at year-end	**3 873 036**	3 571 045
Impact of movements	**(7 543)**	133 833
Change in valuation assumptions	**(12 663)**	(98 478)
Asset value adjustments	**14 317**	1 750
Risk benefit liability for new business issued	**(466 267)**	(277 339)
Liabilities at end of year	**3 400 880**	3 330 811
The DPF liabilities developed as follows:		
Liabilities at start of year	**18 705 124**	15 152 213
Claims paid during the year	**(787 106)**	(664 198)
Allocation of interest and dividends	**3 090 141**	4 236 820
Asset value adjustments	**6 598**	(19 711)
Liabilities at end of year	**21 014 757**	18 705 124
Analysis of total insurance policy liabilities, net of reinsurance:		
Non-DPF liabilities	**3 400 880**	3 330 811
DPF liabilities	**21 014 757**	18 705 124
Life assurance policy reserve	**891**	11 453
Current liabilities	**334 624**	292 841
Liabilities at end of year	**24 751 152**	22 340 229

12. INVESTMENT CONTRACT LIABILITIES

	Group	
	2014 R'000	2013 R'000
Level 2 fair value investment contract liabilities		
Linked investment contracts	**825 699**	617 920
Non-current	**825 699**	617 920

All investment contracts are designated on initial recognition as at fair value through profit or loss.

The liabilities relating to linked contracts are measured with reference to the underlying assets linked to these contracts. PPS is contractually required to pay linked investment contract holders an amount equal to the fair value of the assets linked to these contracts. Linked contracts do not include any minimum guarantees and hence, there will be no difference between the carrying amount and the amount payable at the maturity date.

Investment contract liabilities are classified as Level 2, as the assets backing up these liabilities are unit trust funds of which the fair values are derived from the unit prices published by the unit trust fund managers.

	Group	
Movement table for investment contract liabilities	**2014 R'000**	2013 R'000
Linked contracts		
Balance at 1 January	**617 920**	386 871
Contributions received during the year	**211 407**	182 971
Fair value of policyholder liabilities under investment contracts	**53 319**	74 389
Net investment return credited to account balances	**60 642**	79 506
Net fees and charges deducted from account balances	**(7 323)**	(5 117)
Benefit payments	**(56 947)**	(26 311)
Balance at 31 December	**825 699**	617 920

13. LIABILITIES TO UNIT TRUST HOLDERS

	Group	
	2014 R'000	2013 R'000
Level 2 fair value liabilities to unit trust holders		
Balance at 1 January	**4 259 060**	2 726 268
Investment by unit trust holders	**2 584 634**	2 304 294
Redemptions by unit trust holders	**(1 498 102)**	(1 171 575)
Revaluation of liabilities to unit trust holders	**503 228**	400 073
Balance at 31 December	**5 848 820**	4 259 060
Current	**5 848 820**	4 259 060

Liabilities to unit trust holders are classified as Level 2, as the fair value of the unit trust funds are derived from unit prices published by the unit trust fund managers.

14. BORROWINGS

Group	Carrying amount and fair value 2014 R'000	2013 R'000
Amortised cost		
Mortgage loan (Secured)	**7 864**	8 454
Development loan (Secured)	**62 161**	–
Outside shareholder loan in PPS Property Fund Trust (Unsecured)	**9 900**	4 743
Total borrowings	**79 925**	13 197
Current	**11 198**	6 002
Non-current	**68 727**	7 195

The mortage loan bears interest at prime less 0.5% and payable monthly over 10 years, commencing on 1 September 2013. It is secured by a R9,1 million mortgage bond.

The development loan will be repaid 95 days after practical completion date (8 December 2015) in cash, or converted to a 10 year mortgage bond at Prime – 1% at PPS Property Fund Trust's election. It is secured by a mortgage of R123,9 million.

The outside shareholder loan in PPS Property Fund Trust carries interest at prime less 1%. The loan bears no fixed repayment term and is classified as short term.

15. DEFERRED TAX

	Group 2014 R'000	2013 R'000
Deferred tax assets:		
Provisions and impairments	**20 754**	17 258
Tax losses carried forward	**37 071**	43 977
End of year	**57 825**	61 235
Deferred tax liabilities:		
Unrealised gains on investments	**372 865**	465 271
Unrealised gains on land and buildings revaluation	**2 039**	1 965
End of year	**374 904**	467 236
Current asset	**20 754**	17 258
Non-current asset	**37 071**	43 977
Non-current liability	**374 904**	467 236

The movement in the deferred tax assets and liabilities during the year is as follows:

(a) Deferred tax assets on provisions and computed tax losses

	Group R'000
At 1 January 2013	54 989
Credited to the Statement of Profit or loss and Comprehensive Income	6 246
At 31 December 2013	61 235
Debited to the Statement of Profit or loss and Comprehensive Income	**(3 410)**
At 31 December 2014	**57 825**

The utilisation of the deferred tax asset in respect of the provision for leave pay is dependent on the taking of leave and/or payment or forfeiture of amounts due in respect of leave accrued by employees. The utilisation of the deferred tax asset in respect of the assessed losses is dependent on the respective companies making future profits. An objective assessment of the future profitability of each group entity has been performed by evaluating the present value of the future cash flows.

(b) Deferred tax liabilities

Group	Deferred tax liability on revaluation of investments R'000	Deferred tax liability on cumulative revaluation of land and buildings R'000	Total R'000
At 1 January 2013	218 768	1 607	220 375
Debited to the Statement of Profit or loss and Comprehensive Income	276 997	–	276 997
Debited to equity	–	359	359
Transfer to current income tax liabilties	(30 495)	–	(30 495)
At 31 December 2013	465 270	1 966	467 236
Credited to the Statement of Profit or loss and Comprehensive Income	**(58 886)**	**–**	**(58 886)**
Debited to equity	**–**	**73**	**73**
Transfer to current income tax liabilties	**(33 519)**	**–**	**(33 519)**
At 31 December 2014	**372 865**	**2 039**	**374 904**

16. RETIREMENT BENEFIT OBLIGATIONS

	Group 2014 R'000	2013 R'000
Statement of Financial Position obligations for:		
– post-retirement medical benefits	**9 238**	7 384
	9 238	7 384
Statement of profit or loss and comprehensive income charge for (note 25):		
– post-retirement medical benefits	**2 405**	16 661
	2 405	16 661

Post-employment medical benefits

The Group provides for the unfunded post-retirement healthcare benefits of those employees and retirees employed before 4 October 1999, as well as their spouses and dependants. The entitlement to post-retirement healthcare benefits is based on an employee remaining in service up to retirement and completion of a minimum service period.

During 2013, the Group made an offer to settle this post retirement medical aid benefit to current and retired staff. 54 decided to exercise this option resulting in a cash settlement of R62,6 million being paid. Six individuals elected to retain this benefit.

The amounts recognised in the Statement of Financial Position were determined as follows:

	Group	
	2014 R'000	2013 R'000
Present value of unfunded obligations	**9 238**	7 384
Unrecognised actuarial losses		
Liability in the Statement of Financial Position	**9 238**	7 384
The latest actuarial valuation of the Group's post-employment benefits, carried out at 31 December 2014 indicated a present value of projected future benefits amounting to R9,2 million (2013: R7,3 million).		
The movement in the post-employment medical benefit obligation was as follows:		
Post-employment medical benefit obligation at beginning of year (1 January)	**7 384**	63 304
Current service cost	**–**	1 502
Interest cost	**600**	5 064
Benefits paid	**(551)**	(1 492)
Settlement	**–**	(62 601)
Actuarial losses recognised during the year	**1 805**	1 607
Post-employment medical benefit obligation at end of year (31 December)	**9 238**	7 384
The amounts recognised in the Statement of Profit or loss and Comprehensive Income are as follows:		
Current service cost	**–**	1 502
Interest cost	**600**	5 064
Recognised previously unrecognised liability as a result of the change in the IAS 19 standards		
Actuarial losses recognised during the year	**1 805**	10 095
Total included in staff costs (note 25)	**2 405**	16 661
The principal actuarial assumptions used were as follows:		
Discount rate based on the Long-term Bond Index (%)	**8,18**	8,44
Medical cost inflation (%)	**7,85**	7,94

The assumed rates of mortality are as follows:

During employment: SA85-90 (Light) ultimate table; and

Post-employment: PA(90) ultimate table rated down two years plus 1% improvement per annum (from a base year of 2007) .

17. EMPLOYEE RELATED OBLIGATIONS

	Group	
	2014 R'000	2013 R'000
Leave pay accrual		
Opening balance	**17 767**	15 410
Charged to the Statement of Profit or loss and Comprehensive Income		
– additional provisions	**12 935**	10 911
Used during the year	**(10 266)**	(8 554)
Closing balance	**20 436**	17 767
Current	**20 436**	17 767
Provision for performance related incentives		
Opening balance	**77 665**	62 533
Charged to the Statement of Profit or loss and Comprehensive Income		
– additional provisions (executive directors and employees)	**72 333**	67 308
Used during the year	**(59 112)**	(52 176)
Closing balance	**90 886**	77 665
Total provisions	**111 322**	95 432
Current	**44 500**	41 866
Non-current	**46 386**	35 799

18. INSURANCE AND OTHER PAYABLES

	Group	
	2014 R'000	2013 R'000
Payables arising from insurance and reinsurance contracts:		
– due to contract holders	**28 837**	29 738
– due to contract holders – life assurance policy	**103**	415
– reinsurance payables	**15 196**	13 378
– subscriptions received in advance	**4 352**	3 979
Other payables:		
– accruals	**432 714**	62 612
– employees tax	**7 825**	9 010
– sundry creditors	**10 087**	13 601
– related parties	**1 522**	1 491
Total insurance and other payables	**500 636**	134 224
Current	**500 636**	134 224

19. NET INSURANCE PREMIUM REVENUE

	Group	
	2014 R'000	2013 R'000
Individual premiums from policyholders	**2 759 176**	2 310 107
Group reinsurance premiums inwards	**83 455**	206 081
Premium revenue arising from insurance contracts issued	**2 842 631**	2 516 188
Individual premium revenue ceded to reinsurers on insurance contracts issued	**(177 638)**	(155 256)
Total net insurance premium revenue	**2 664 993**	2 360 932

20. OTHER INCOME

	Group	
	2014 R'000	2013 R'000
Policy administration and collection services	**15 735**	23 334
Administration fees	**194 044**	175 318
Investment management services	**47 058**	53 264
Commission	**21 940**	22 409
Rental income	**19 196**	7 486
Profit share	**12 740**	–
Total other income	**310 713**	281 811

21. INVESTMENT INCOME

	Group	
	2014 R'000	2013 R'000
Net revaluation profits on financial assets held at fair value through profit or loss consist of the following components:		
– Interest income	**763 009**	495 515
– Dividend income	**359 128**	247 756
– Net realised gains on disposal of financial assets	**2 460 463**	779 991
– Net realised foreign exchange (losses)/gains	**(2 155)**	9 178
Total investment income	**3 580 445**	1 532 440

22. GAINS AND LOSSES ON FINANCIAL ASSETS AND FINANCIAL LIABILITIES PER CATEGORY

The following table presents the total net gains or losses for each category of financial assets and financial liabilities:

	Group	
	2014 R'000	2013 R'000
Designated at fair value through profit or loss on initial recognition		
Interest income	**763 009**	495 515
Dividend income	**359 128**	247 756
Net gains on disposal of financial assets	**2 460 463**	779 991
Net foreign exchange (losses)/gains	**(2 155)**	9 178
Total investment income	**3 580 445**	1 532 440
Revaluation of liabilities to unit trust holders	**517 923**	400 073
Fair value gains on investment property	**5 314**	1 784
Net unrealised (losses)/gains on revaluation of financial assets	**(1 061 880)**	2 283 167
Net revaluation (losses)/profits on financial assets held at fair value through profit or loss	**(538 643)**	2 685 024
Total net gains recognised in the Statement of Profit or loss and Comprehensive Income	**3 041 802**	4 217 464

23. NET INSURANCE BENEFITS AND CLAIMS

	Group	
	2014 R'000	2013 R'000
Gross		
Long-term insurance contracts with and without DPF		
– Individual sickness and incapacity benefits: current year	**664 992**	550 615
– Individual sickness and incapacity benefits: under provision for prior year	**35 720**	23 552
– Group non-DPF component of death benefits	**365 012**	369 056
– Individual DPF component of death, retirement and resignation benefits	**700 893**	583 445
Total gross insurance benefits and recoveries	**1 766 617**	1 526 668
Reinsurance recoveries		
Long-term insurance contracts with and without DPF		
– Individual sickness and incapacity benefits	**(35 578)**	(26 254)
– Death benefits	**(40 274)**	(61 321)
Total reinsurance recoveries	**(75 852)**	(87 575)
Total net insurance benefits and claims	**1 690 765**	1 439 093

24. EXPENSES

	Group	
	2014	2013
	R'000	R'000
Costs incurred for the acquisition of insurance contracts expensed in the year	**153 092**	152 032
– Sickness and incapacity policies	**101 110**	94 426
– Whole life policies	**51 982**	57 606
Multi-managers' fees – PPS Investments	**57 195**	45 065
Marketing and administrative expenses include:		
– Amortisation of intangible asset (note 4)	**12 351**	13 061
– Auditor's remuneration	**6 295**	4 922
– Audit fees	**5 610**	4 264
– Other services	**685**	658
– Data processing and information technology systems maintenance	**83 050**	70 695
– Depreciation on property and equipment (note 2)	**25 603**	24 139
– Directors/Trustees and executive remuneration	**27 043**	25 487
– Directors/Trustees–non executive	**4 850**	4 709
– Directors of other subsidiaries	**2 288**	2 185
– Executive directors of PPS Insurance	**19 905**	18 593
– Employee benefit expenses (note 25)	**485 947**	428 900
– Fees for services	**16 507**	12 262
– Actuarial	**10 801**	6 886
– Legal	**4 176**	3 972
– Internal audit	**1 530**	1 404
– Investment management fees	**75 237**	67 475
– Other administration, maintenance and product development expenses	**116 066**	104 648
– Operating lease rentals	**29 536**	25 329
– Impairment/(Reversal) of insurance and other receivables	**1 572**	(999)
Total expenses	**1 089 494**	973 016

VAT which cannot be recovered from the relevant taxation authority is expensed together with the related expense.

25. EMPLOYEE BENEFIT EXPENSES

	Group	
	2014	2013
	R'000	R'000
Salaries and related costs	**385 145**	322 036
Pension costs – defined contribution plans	**36 147**	32 195
Other post-employment benefits (note 16)	**2 405**	16 661
Performance-related incentives	**62 250**	58 008
Total employee benefit expenses	**485 947**	428 900

26. TAX

	Group	
	2014 **R'000**	2013 R'000
Current tax		
– Current year tax	**273 201**	193 053
– Prior year under/(over) provision	**296**	(71 933)
Deferred tax	**(55 476)**	270 752
Dividend withholding tax	**48 067**	38 847
Total tax	**266 088**	430 719
Tax on the Group's profit before tax differs from the theoretical amount that would arise using the tax rate applicable to South African/Namibian companies as follows:		
Profit/(loss) before movement in policy liabilities	**2 680 702**	4 373 709
Tax calculated at domestic tax rates applicable to profits in South Africa/ Namibia	**767 384**	1 127 365
Tax effect of income not subject to tax	**(1 245 368)**	(1 358 178)
Tax effect of non-deductible expenses	**687 250**	551 934
Tax effect of tax rate on Dividend Withholding Tax being different to tax rate on the individual policyholder fund ('IPF')	**42 081**	32 993
Prior year (over)/under provision	**(296)**	71 933
Assessed loss utilised in the current year	**62**	(598)
Unrecognised deferred tax asset not raised on estimated tax loss	**–**	834
Deferred tax raised – prior year	**(1 785)**	(7 113)
Tax effect of change in CF tax rate	**16 760**	11 549
Total tax per Statement of Profit or loss and Comprehensive Income	**266 088**	430 719

The applicable tax rate was 28% (2013: 28%) for South African companies and 33% (2013: 33%) for Professional Provident Society Insurance Company (Namibia) Limited. Professional Provident Society Insurance Company Limited has four separate tax funds: the individual policyholders' fund (taxed at 30%), the Company policyholders' fund (taxed at 28%), the untaxed policyholder's fund (not taxed) and the corporate fund (taxed at 28%). The tax reconciliation is done on total tax on all funds. The Professional Provident Society Holdings Trust is taxed at 40%.

Dividend withholding tax is payable on dividends received in the individual policy fund.

The Group has accumulated losses of R135,0 million (2013: R154,5 million) available in certain subsidiaries for offset against future taxable income in those subsidiaries.

27. CASH GENERATED FROM OPERATIONS

	Group	
	2014	2013
	R'000	R'000
Reconciliation of profit before movement in insurance policy liabilities to cash generated by operations:		
	3 183 930	4 373 709
Profit before movement in policy liabilities	**2 680 702**	3 973 636
Attributable to unit trust holders	**503 228**	400 073
Investment contract receipts	**211 407**	182 971
Investment contract surrenders	**(56 947)**	(26 311)
Adjustments for:		
– Depreciation	**25 603**	24 139
– Fair value of policyholder liabilities under investment contracts	**53 319**	74 389
– Amortisation of intangible asset	**12 351**	13 061
– Realised profit on disposal of property and equipment	**(103)**	(88)
– Investment income	**(3 580 445)**	(1 532 440)
– Net revaluation profit on financial assets held at fair value through profit or loss	**538 643**	(2 685 024)
Changes in working capital:		
– Insurance and other receivables	**(43 862)**	(14 141)
– Insurance and other payables	**384 156**	(22 592)
– Insurance policy liabilities	**30 509**	8 657
Cash generated from operations	**758 561**	396 330

28. TAX PAID

	Group	
	2014	2013
	R'000	R'000
Tax (receivable)/payable at beginning of year	**(37 785)**	52 252
Current tax as per Statement of Profit or loss and Comprehensive Income	**321 564**	159 968
Transfer from deferred tax liability	**33 519**	30 495
Tax (payable)/receivable at end of year	**(2 638)**	37 785
Total tax paid	**314 660**	280 500

29. COMMITMENTS

	Group	
	2014	2013
	R'000	R'000
(a) Capital commitments		
Capital expenditure contracted for at the reporting date but not yet incurred is as follows:		
– Committed but not contracted for	**74 271**	157 671
(b) Operating lease commitments – where a Group company is the lessee		
The Group leases various offices under non-cancelable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.		
The lease expenditure charged to the Statement of Profit or loss and Comprehensive Income during the year is disclosed in note 24.		
The future aggregate minimum lease payments under non-cancellable operating leases are as follows:		
Due in 1 year or less	**18 882**	19 525
Due between 1 year and 5 years	**25 232**	26 167
Due after 5 years	**–**	–

30. TRUSTEES' REMUNERATION

The PPS Holdings Trust trustees' remuneration from the Group

Trustees		The PPS Holdings Trust (including committees) Rand	Subsidiary companies (including committees) Rand	Total remuneration (including committees) Rand
Adv. T Aboobaker		138 975	–	138 975
Dr D R Anderson	(Deceased 22 September 2014)	21 750	555 676	577 426
Dr N Campbell		153 800	123 000	276 800
Ms D L T Dondur		179 875	207 450	387 325
Mr J A B Downie		183 675	191 550	375 225
Dr D P du Plessis		131 975	–	131 975
Mr Y Gordhan	(Retired by Rotation 2 June 2014)	69 250	59 700	128 950
Mr U Jivan		138 975	27 300	166 275
Mr I Kotze		138 975	45 750	184 725
Dr C Kruger		153 800	18 000	171 800
Mr E Moolla		428 350	161 950	590 300
Mr N Nyawo	(Appointed 2 June 2014)	75 250	–	75 250
Dr J Patel		132 450	–	132 450
Mr P Ranchod		147 225	144 000	291 225
Mr V Rimbault		138 975	–	138 975
Dr S Seoka		275 630	141 000	416 630
Mr D L Smollan		138 975	–	138 975
Dr M W Sonderup		132 450	–	132 450
Mr B Topham	(Appointed 2 June 2014)	75 250	–	75 250
Mr S Trikamjee		156 975	–	156 975
Mr H A C van den Bout	(Resigned 24 November 2014)	125 716	36 000	161 716
Total		**3 138 296**	**1 711 376**	**4 849 672**

31. RELATED PARTIES

Holding company

The Professional Provident Society Holdings Trust is the holding entity of the Group effective from 26 April 2011. The Professional Provident Society Holdings Trust is a trust incorporated in South Africa and has as its sole investment in 100% of the shares of Professional Provident Society Insurance Company Limited, which it acquired from Professional Provident Society NPC during 2011. Professional Provident Society NPC formerly was a company 'limited by guarantee' and has been deregistered.

Subsidiaries

PPS's related parties are its subsidiary company Professional Provident Society Insurance Company Limited, as well as Professional Provident Society Insurance Company (Namibia) Limited, Plexus Properties Proprietary Limited, Professional Medical Scheme Administrators Proprietary Limited, Professional Provident Society Marketing Services Proprietary Limited, Professional Provident Society Investments Proprietary Limited, Professional Provident Society Multi-Manager Proprietary Limited, PPS Management Company Proprietary Limited (RF), PPS Property Fund Trust, PPS Property Fund Proprietary Limited and PPS Black Economic Empowerment SPV Proprietary Limited, which are subsidiary companies of Professional Provident Society Insurance Company Limited.

Transactions between related parties are made on terms equivalent to those that prevail in arm's length transactions. Professional Provident Society Insurance Company Limited owes PPS Holdings Trust a fee for member services rendered.

Key management information

Key management personnel have been defined as all trustees of The Professional Provident Society Holdings Trust and group executive committee members, their families (as defined in IAS 24) and entities significantly influenced or controlled by key management personnel. A complete list of trustees of The Professional Provident Society Holdings Trust is disclosed in the trustees' report.

The PPS Group appoints its prescribed officers at the PPS Insurance entity level.

Aggregate details of insurance between The Professional Provident Society Holdings Trust, any of its subsidiaries, and key management personnel, their families (as defined in IAS 24) and entities significantly influenced or controlled by key management personnel are set out below:

	Group	
	2014	2013
	R'000	R'000
Life and disability cover	**208 562**	183 230
– Premiums	**1 062**	949
Sickness benefit cover	**4 191**	4 128
– Premiums	**766**	786
– Claims	**50**	235
PPS Profit-Share Account	**10 154**	10 472
Motor and household cover	**338 725**	168 878
– Premiums	**687**	608
– Claims	**245**	633
Investment contracts	**26 527**	30 514

The transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions.

The aggregate compensation of The Professional Provident Society Holdings Trust trustees and Professional Provident Society Insurance Company Limited executives paid by the Group is set out below:

	Group	
	2014	2013
	R'000	R'000
Salaries and other employee benefits	**23 933**	21 619
Performance payments	**19 740**	16 390
Trustees' remuneration	**4 850**	4 709
	48 523	42 718

32. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities at reporting date as well as affecting the reported income and expenses for the year. Estimates and judgements are evaluated annually and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

32.1 Valuation of insurance policy liabilities

The determination of the liabilities under insurance contracts is dependent on estimates and assumptions made by the Group. In determining the value of these insurance policy liabilities, assumptions regarding mortality, persistency, investment returns, expense level and inflation, tax and future profit allocations have been made. For details on these assumptions refer to note 11.1.

No allowance was made for any assumed deterioration in mortality and morbidity due to HIV/AIDS. It is expected that the impact of the epidemic on the current membership will not be significant in the near future.

32.2 Income tax

The Group is subject to tax in South Africa and Namibia. There may be transactions and calculations for which the ultimate tax determination has an element of uncertainty during the ordinary course of business. The Group recognises liabilities based on objective estimates of the amount of tax that may be due. Where the final tax determination is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provisions in the period in which such determination was made. The corporate tax rate in South Africa was 28% for the year under review. The Group has four separate tax funds, the individual policyholders' fund (taxed at 30%), the company policyholders' fund (taxed at 28%), the corporate fund (taxed at 28%) and the untaxed policyholders' fund (taxed at 0%).

32.3 Employee benefit liabilities

The cost of the benefits and the present value of post-retirement medical obligations depend on a number of factors that are determined on an actuarial basis using a number of assumptions.

The Group determines the appropriate discount rate at the end of each year, which represents the interest rate that should be used to determine the present value of the estimated future cash flows expected to be required to settle the post-retirement medical obligations. In determining the appropriate discount rate, the Group considers the interest rate on high quality corporate bonds and Government bonds that have terms to maturity approximating the terms of the related liability. Additional information is provided in Note 25 of these financial statements.

32.4 Valuation of owner-occupied property

The value of the owner-occupied property depends on a number of factors that are determined using a number of assumptions. The assumptions used in determining the value include the expected yield of 9,00% (2013: 9,00%), the average rentals for office space in the area (R120 per square metre) (2013: R115 per square metre), and estimated annual expenses relating to the building of R1 143 000 (2013: R1 115 000). Any change in these assumptions will impact the value of the building.

32.5 Valuation of investment contract liabilities

The Group issues investment contracts, with no investment management services, that are recognised and measured as financial liabilities and designated at fair value through profit or loss. These financial liabilities are not quoted in an active market and therefore, the fair value is determined using a valuation technique.

The investment contracts sold by the Group are unit linked. Consequently, there is a direct relationship between the returns earned on the underlying portfolio and the returns credited to the contract. For valuation purposes the policy liability is taken to be equal to the market value of the underlying linked assets.

32.6 Valuation of long-term incentive scheme

The cost of the benefits of the long-term incentive scheme depends on a number of assumptions used in calculating the present value under the projected unit credit method. The assumptions used in determining the charge to the Statement of Profit or loss and Comprehensive Income arising from these obligations include the expected growth in the apportionment account (rolling five-year average historical growth 14,0% (2013: 14,0%), the turnover of staff participating in the scheme (nil) (2013: nil) and the discount rate (an appropriate market-related yield curve as at the reporting date). Any changes in these assumptions will impact the charge to the Statement of Profit or loss and Comprehensive Income.

32.7 Consolidation of entities in which the Group holds less than 50%

The trustees have concluded that the Group controls unit trusts managed by Professional Provident Society Investments Proprietary Limited, even though it holds less than half of the economic interest in some of these funds. The trustees deem it prudent to consolidate all these unit trusts in the Annual Financial Statements of the Group, regardless of economic interest held by the Group.

33. MANAGEMENT OF RISKS

33.1 General

The board has overall responsibility for the Group's systems of internal control and risk management policy. The Chief Executive and executive management are responsible for the management and implementation of the risk management framework.

To assist the board in the execution of its risk management accountabilities, the **Group Risk Committee** has been charged with the following responsibilities:

- to assist the board in setting risk strategy policies in liaison with management and in the discharge of its duties relating to corporate accountability and associated risk in terms of management assurance and reporting;
- to assist the board in overseeing the Group's compliance with applicable legal and regulatory requirements, industry standards and the Group's code of conduct;
- to review and assess the quality, integrity and effectiveness of the risk management systems and ensure that the risk policies and strategies are effectively managed;
- to review and assess the nature, role, responsibility and authority of the risk management function within the Group and outline the scope of risk management work;
- to ensure that the Group has implemented an effective ongoing process to identify risk, to measure its potential impact against a broad set of assumptions and then to activate what is necessary to proactively manage these risks, and to recommend to the board the Group's appetite or tolerance for risk;
- to ensure that a systematic, documented assessment of the processes and outcomes surrounding key risks is undertaken at least annually for the purpose of making its public statement on risk management including internal control;
- to oversee formal reviews of activities associated with the effectiveness of risk management and internal control processes. A comprehensive system of control has been established to ensure that risks are mitigated and that the Group's objectives are attained;
- to review processes and procedures to ensure the effectiveness of internal systems of control so that decision-making capability and accuracy of reporting and financial results are always maintained at an optimal level;
- to monitor external developments relating to the practice of corporate accountability and the reporting of specifically associated risk, including emerging and prospective impacts; and
- to provide an independent and objective oversight and view of the information presented by management on corporate accountability and specifically associated risk, also taking account of reports by management and the Audit Committee to the board on all categories of identified risks facing PPS.

  The board has delegated to the PPS Group Audit Committee the requirement for oversight, establishment and implementation of appropriate systems of internal control. The internal control systems continue to be enhanced and developed to safeguard the assets of PPS and to ensure timely and reliable monitoring and reporting. These controls encompass suitable policies, processes, tasks and behaviours with the aim of ensuring compliance with applicable laws and regulations to meet the needs of an ever changing business environment. The PPS **Group Audit Committee's** mandate from the board is to, *inter alia*:

- ensure compliance with all aspects of the Companies Act and, where appropriate, the recommendations of the King Code with regard to the auditors of the Group;
- deal with all aspects of the annual financial statements of the company and the Group and ensure compliance with relevant legislation and, where appropriate, the King Code; make submissions to the board on any matter concerning the Group's accounting policies;
- oversee and monitor financial and internal control, reporting and regulatory compliance;

- review the quality and effectiveness of the audit process and assess whether the external auditors have performed the audit as planned;
- oversee the preparation of an integrated report annually that conveys adequate information about the operations of the Group and its integrated sustainability and financial reporting; and
- consider the effectiveness of internal audit at least annually and report to the board on the assessment from internal audit on the adequacy of the internal controls.

The following functions within the Group are responsible for discharging the operations of risk management:

Risk management

- maintain and update the risk matrix for the Group. This includes the identification, assessment, monitoring, mitigation and reporting around the key risks;
- monitor and report progress on corrective action plans for risks that require mitigating actions;
- develop systems for monitoring risk management. A leading software solution (CURA) was acquired for recording and tracking the risk management process in real-time and to ensure that risks are kept on top of mind;
- promote awareness of risk management through effective training programmes to both management and staff within the Group;
- assist management with the embedding of risk management in the day-to-day business activities of the Group;
- ensure that risk management is intimately linked with strategic and business planning, value drivers and performance measurement processes; and
- ensuring an appropriate balance between realising opportunities for gain while minimising adverse impacts.

Compliance

- monitors and reports on compliance with regulatory requirements;
- monitors that systems and controls are in place to ensure that the Group's exposure is minimised;
- has a risk based compliance monitoring plan/risk matrix;
- coordinates the Group's relationship with its regulators;
- evaluates the impact of forthcoming legislative regulatory changes and provides advice on potential process and control changes required and whether the proposed control will be adequate;
- reports to Risk Committee on the status of compliance of the Group; and
- operates in accordance with an approved Compliance Plan.

Internal audit

- provides independent and objective assurance on, and evaluation of, the overall effectiveness of the Group's systems of internal financial control;
- develops a risk based annual audit plan based on a three year testing rotation of the control environment for review at the Risk Committee and approval at the Audit Committee; and
- provides the independent assessment of the effectiveness of management's implementation of the risk management framework to the Risk Committee.

33.2 Insurance product risk management

General

The Group issues contracts that transfer significant insurance risk. This section summarises these risks and the way the Group manages them.

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. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

The table below provides an overview of the types of products and the terms and conditions of life insurance contracts written by the Group:

Type of contract	Terms and conditions
Sickness and permanent incapacity benefit (PPS Provider Policy)	The sickness and permanent incapacity plan offers a variety of sickness and permanent incapacity benefit options with differing premium rates and benefit levels. The premium rates and benefits are not guaranteed and may be revised at the discretion of the insurer. To qualify for sickness and permanent incapacity benefits, the applicant must apply for cover units. Such a benefit entitles a policyholder to claim an amount determined by the units of cover for sickness and incapacity, held by a policyholder. The amount of cover units obtainable are limited by the applicant's annual gross professional income and maximum limits applied by the Group. The non-DPF component of this product is the sickness and incapacity cover. The DPF component of this product is the PPS Profit-Share Account. These policies are sold to individuals.
Professional Life Provider (PPS Provider Policy) Old Generation PPS Life & Disability Assurance Scheme	The policy offers lump sum life and disability cover for a specified term or whole life. The premiums are payable monthly and are age rated. The premium increases after the policyholder's birthday. For this new generation of life and disability policies, PPS Insurance is the risk carrier. The previous generation of policies are classified as being part of a grouped individual policy. For these policies Sanlam is the insurer with significant reinsurance back to PPS Insurance. This class is closed for new business. A reinsurance policy to reduce the variability of the claims expenses is in place. These policies transfer insurance risk only, are accounted for as reinsurance inwards, and do not contain a DPF component.
Professional Health Provider (PPS Provider Policy) Professional Health Preserver	The Professional Health Provider (Provider PHP) was launched in 2007, as an enhanced product based on the Professional Health Preserver (PHP) (which was launched in 2004). These products pay a lump sum benefit according to severity levels upon assessment of standard dread disease conditions and physical impairment events. The premiums increase annually with age. The premiums are not guaranteed and may be revised at the discretion of the insurer. Professional Health Preserver (PHP) is the previous generation product which pays a lump sum benefit, according to severity levels, upon assessment of standard dread disease conditions and physical impairment events. PHP is closed to new business. The premiums for this cover are determined according to age, and increase annually held to individuals. Reinsurance policies are in place to reduce the variability of the claims experience. The policies transfer insurance risk only, and do not contain a DPF component.
Professional Disability Provider (PPS Provider Policy)	In 2009, PPS launched the Professional Disability Provider which offers lump sum disability cover for a specified term. At age 66, or earlier retirement (if this is over the age of 60) the Professional Disability Provider converts automatically into a severe illness benefit. This is a benefit that pays a once off lump sum benefit on diagnoses of a severe dread disease (like a stage 3 or 4 cancer, or advanced Alzheimer's). The premiums are payable monthly and are age rated. The premium increases on the 1st of the month following the life insured's birthday. Reinsurance policies are in place to reduce the variability of the claims experience. The policies transfer insurance risk only, and do not contain a DPF component.

Type of contract	Terms and conditions
PPS Provider Policy	The PPS Provider Policy contains a DPF component, being the PPS Profit-Share Account™. This component continues until retirement, or earlier cancellation of the policy. No premium is payable for the DPF component.
Business Provider (PPS Provider Policy)	In 2007, PPS introduced two products tailored for the business insurance market, namely the Business Life Provider and the Business Health Provider. The Business Life Provider product provides benefits very similar to those of the Professional Life Provider. The Business Health Provider product provides benefits similar to those of the Professional Health Provider, but tailored to payout for the more severe critical illness and physical impairment conditions only. The premiums for both products increase annually with age. The premiums are not guaranteed and may be revised at the discretion of the insurer. Reinsurance policies are in place to reduce the variability of the claims experience. The policies transfer insurance risk only and do not contain a DPF components.
PPS Endowment	The PPS Endowment was launched in 2007 and affords policyholders the ability to save in a cost effective, transparent and flexible manner. The underlying investments are unit trusts, and no guarantees are offered on this product. The policies do not transfer insurance risk and do not contain a DPF component.
PPS Living Annuity	The PPS Living Annuity was launched in 2007. It is a compulsory purchase linked annuity and does not offer risk benefits or investment guarantees. The underlying investments are unit trusts. The policies do not transfer insurance risk and do not contain a DPF component.

The sickness and incapacity contracts include a DPF element. The participating nature of these contracts results in the insurance risk being carried by the insured parties. All variations in claims, persistency or termination rates are carried by the insured parties by means of variations in the amounts allocated to the DPF element. However, the Group continues to manage the insurance risk in order to maximise the benefits available to policyholders.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the allowance made for the payments of these benefits. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Group has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Insurance contracts

(a) Frequency and severity of claims

For contracts where morbidity is the insured risk, the most significant factors that could increase the overall frequency of claims are diseases (such as AIDS), epidemics (such as Cholera and SARS), economic conditions, abnormal weather conditions, quality of healthcare or widespread changes in lifestyle, such as eating, smoking and exercise habits, resulting in earlier or more claims than expected.

The Group has a claims assessing process where all claims received are assessed. Repetitive and large claims are investigated further before being paid. The Group also conducts regular morbidity investigations to monitor experience.

Further, undue concentration of risks by amounts could have an impact on the severity of benefit payments on a portfolio basis.

The Group manages these risks through its underwriting strategy. The underwriting strategy ensures that the risks underwritten are drawn from specified professions only. Medical selection is also included in the Group's underwriting procedures where premium loadings or benefit exclusions may be imposed which reflect the health condition and family medical history of the applicants. The Group has maximum exposure limits in respect of any single life insured. Where appropriate, reinsurance contracts are in place to limit the Group's ultimate liability. Maximum exposures are determined relative to gross professional income to ensure that policyholders are not over-insured. These limits are increased annually in line with expected salary inflation for professionals.

Where appropriate, reinsurance contracts are in place to limit the Group's liability. There is a board approved reinsurance strategy in place, which is regularly reviewed for its ongoing appropriateness.

Where appropriate, reinsurance contracts are in place to limit the Group's potential liability and to mitigate the impact on PPS of variability of claims. There is a board approved reinsurance strategy in place, which is regularly reviewed for its ongoing appropriateness.

The table below presents the total insured benefits per month and the average benefit per month per individual life assured on the basic sickness and disability contract.

Group	Total insured monthly benefit R'000	Benefit per month per life Rand
2014	**5 287 892**	**50 775**
2013	4 914 492	46 715

Insurance risk for contracts disclosed in this note is also affected by the contract holders' right to terminate the contract completely. As a result, the amount of insurance risk is also subject to contract holder behaviour. On the assumption that contract holders will make decisions rationally, overall insurance risk can be assumed to be aggravated by such behaviour. For example, it is likely that contract holders whose health has deteriorated significantly will be less inclined to terminate contracts insuring death benefits than those contract holders remaining in good health. This results in an increasing trend of expected mortality, as the portfolio of insurance contracts reduces due to voluntary terminations.

The Group has factored the impact of contract holders behaviour into the assumptions used to measure these liabilities (see note 11).

(b) Sources of uncertainty in the estimation of future benefit payments and premium receipts

Uncertainty in the estimation of future benefit payments and premium receipts for long-term insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and morbidity and the variability in contract holder behaviour.

The Group uses appropriate base tables of standard mortality and morbidity rates. An investigation into the actual experience of the Group over the last year is carried out, to produce a best estimate of the expected morbidity and mortality for the future. The best estimate of future mortality is based on standard industry tables adjusted for the Group's overall experience and where no such table exists, tables are developed specifically on PPS historic experience.

The Group maintains voluntary termination statistics to investigate the deviation of actual termination experience against assumptions. Statistical methods are used to determine appropriate termination rates. An allowance is then made for any trends in the data to arrive at a best estimate of future termination rates.

Risk exposure and concentrations of risk

The following table shows the Group's exposure to insurance risk (based on the carrying value of the insurance liabilities at the reporting date) per category of business. The table also shows the geographical concentration of these risks and the extent to which the Group has covered these risks by reinsurance:

Group 2014 R'000	Non-DPF component of insurance liabilities	DPF component of insurance liabilities	Total
South Africa			
Gross	**3 145 251**	**20 318 364**	**23 463 615**
Net of reinsurance	**3 254 847**	**20 318 364**	**23 573 211**
Namibia			
Gross	**148 095**	**696 393**	**844 488**
Net of reinsurance	**146 033**	**696 393**	**842 426**

Group 2013 R'000	Non-DPF component of insurance liabilities	DPF component of insurance liabilities	Total
South Africa			
Gross	3 062 666	18 056 573	21 119 239
Net of reinsurance	3 186 922	18 056 573	21 243 495
Namibia			
Gross	144 671	575 915	720 586
Net of reinsurance	143 890	575 915	719 805

Risk management relating to investment contracts

The Group commenced selling investment products during 2007 through its subsidiary PPS Investments (Pty) Limited ('PPS Investments'). For these policies the investment risk is carried by the policyholders. In PPS Investments there is a risk of reduced income from fees where these are based on the underlying value of the invested assets. There is furthermore a reputational risk if actual investment performance is not in line with policyholders' expectations. These risks are managed through a rigorous multi-manager investment research process applied by PPS Investments' investment managers, which includes both technical and fundamental analysis.

33.3 Financial risk management

The Group is exposed to financial risk through its financial assets, financial liabilities (including investment contracts), reinsurance assets and insurance policy liabilities. In particular the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts. The most important components of this financial risk are market risk (comprising interest rate risk, equity price risk and foreign currency risk), liquidity risk and credit risk. The participating nature of the contracts issued results in the financial risk being carried by the insured parties by means of variations in the amounts allocated to the DPF element. However, the Group continues to manage the financial risk in order to maximise the benefits available to policyholders.

These financial risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The primary risk that the Group faces arises from the impact of volatility in equity prices and interest rates on the value of assets and liabilities.

The Group manages exposure to investment volatility as part of an annual review of the assets held to back the insurance policy liabilities using asset liability modelling techniques. The asset-liability risk management framework allows for asset liability modelling to drive the optimal long-term asset class composition. This approach ensures the expected return on assets is sufficient to fund the required return on the risk reserves and to maximise the rate of return on the balance of the policy liabilities subject to acceptable levels of risk. Asset class composition is reviewed on a quarterly basis with the respective asset managers.

Credit and counterparty risk

Credit risk refers to the risk of loss arising from the inability of the counterparty to service its debt obligations. The Group's key areas of exposure to credit risk include:

- debt securities and cash and cash equivalents;
- amounts due from insurance and investment contract policyholders;
- amounts due from intermediaries;
- reinsurers' share of insurance liabilities; and
- amounts due from reinsurers in respect of payments already made to policyholders.

The nature of the Group's exposures to credit risk and its objectives, policies and processes for managing credit risk have not changed significantly from the prior period.

In monitoring credit risk, amounts receivable are grouped according to their credit characteristics. The Group also limits its exposure to credit risk by only investing in liquid debt securities and only with counterparties that have a credit rating as set out below as well as only investing with reputable banks which are assessed quarterly.

The Group only enters into insurance contracts with eligible professional individuals. PPS Group operates a Credit Control Policy regarding outstanding premiums, which is formulated on the Long-term Insurance Act (in terms of section 52) recommendations, supported by the Ombudsman for Long-term Insurance and agreed in contracts with our members. In terms of this policy, a formal communication is sent to members after the first month and second month of premium defaults. In the third month of default, members are informed that premium collections have ceased and all benefits are suspended. In the event of default on the part of the individual, where the Apportionment Accounts has vested to the individual, there is a legal right of offset of the Apportionment Account against any outstanding premiums payable. This significantly reduces the credit risk on insurance policyholder recoverables.

The Group only enters into reinsurance agreements with reinsurers registered with the Financial Services Board. The reinsurers contracted with represent subsidiaries of large international reinsurance companies. No instances of default have been encountered. As such the Group has selected reinsurers with a minimum credit rating of A+.

Cash and cash equivalents are invested with financial institutions holding credit ratings within the guidelines set by the board, similar to corporate and government debt indicated below, as well as restrictions in the Collective Investment Schemes Control Act, No. 45 of 2002, as amended. The spread of cash between financial institutions is determined in line with limits in Schedule 1 of the Long-term Insurance Act. The financial soundness of counterparties holding the Group's cash is monitored by management on a monthly basis.

Exposure to credit risk

The maximum exposure to credit risk at the reporting date from financial assets, including unit trusts, and insurance contracts was:

Group R'000	2014	2013
Debt securities	**10 863 644**	8 473 220
Reinsurance assets	**2 827**	878
Insurance receivables	**27 998**	28 774
Cash and cash equivalents	**1 787 356**	3 149 288
Other receivables	**188 265**	83 494
Reinsurance receivables	**42 494**	26 856
Total	**12 912 584**	11 762 510

Corporate and government debt

Included in the category designated at fair value through profit or loss are interest instruments of corporate and government debt. Management recognises and accepts that losses may occur through the inability of corporate debt issuers to service their debt. To mitigate this risk, management has formulated guidelines based on ratings from Standard and Poor's, an industry accepted credit ratings agent.

The Group's total exposure to corporate debt amounted to R10 864 million (2013: R8 473 million) at 31 December 2014. The following represent the major industry sectors to which the Group is exposed as at 31 December 2014:

Group Rm	2014	2013
Government	**4 450**	3 028
Banks	**3 994**	2 574
Utilities	**211**	216
Corporate	**2 209**	2 655
Total	**10 864**	8 473

Concentrations of credit risk

The maximum exposure to credit risk for its financial assets, including unit trusts, at the reporting date by credit rating category was as follows:

Group 2014 R'000	AAA and Government	Below AAA but no lower than AA-	Below AA but no lower than A	Below A but no lower than BBB-	Unrated	Total
Debt securities	**4 403 239**	**4 077 012**	**2 072 720**	**310 673**	**–**	**10 863 644**
Reinsurance assets	**–**	**–**	**2 827**	**–**	**–**	**2 827**
Insurance receivables	**–**	**–**	**–**	**–**	**27 998**	**27 998**
Cash and cash equivalents	**103 149**	**1 661 036**	**22 858**	**313**	**–**	**1 787 356**
Other receivables	**–**	**–**	**–**	**–**	**188 265**	**188 265**
Reinsurance receivables	**–**	**–**	**42 494**	**–**	**–**	**42 494**

Group 2013 R'000	AAA and Government	Below AAA but no lower than AA-	Below AA but no lower than A	Below A but no lower than BBB-	Unrated	Total
Debt securities	3 340 607	3 696 320	1 337 005	99 289	–	8 473 221
Reinsurance assets	–	–	878	–	–	878
Insurance receivables	–	–	–	–	28 774	28 774
Cash and cash equivalents	373 875	2 770 421	–	4 992	–	3 149 288
Other receivables	–	–	–	–	83 494	83 494
Reinsurance receivables	–	–	26 856	–	–	26 856

Ageing of financial assets

The following table provides information regarding the credit quality of assets which expose the Group to credit risk:

Group 2014 R'000	Neither past due nor impaired	Financial assets that are past due 0 – 2 months	 3 – 5 months	 More than 5 months	Carrying value
Insurance receivables	**13 623**	**740**	**163**	**13 472**	**27 998**
Reinsurance assets	**2 827**	**–**	**–**	**–**	**2 827**
Reinsurance receivables	**32 144**	**10 350**	**–**	**–**	**42 494**
Other receivables	**171 880**	**12 795**	**3 527**	**63**	**188 265**
Cash and cash equivalents	**1 787 356**	**–**	**–**	**–**	**1 787 356**

Group 2013 R'000	Neither past due nor impaired	Financial assets that are past due 0 – 2 months	3 – 5 months	More than 5 months	Carrying value
Insurance receivables	12 619	1 399	183	14 573	28 774
Reinsurance assets	878	–	–	–	878
Reinsurance receivables	22 690	4 166	–	–	26 856
Other receivables	72 620	10 823	51	–	83 494
Cash and cash equivalents	3 149 288	–	–	–	3 149 288

The Group does not have collateral or other credit enhancements for its credit risk exposure from financial assets and insurance contract assets during the current or prior year.

There are no financial assets where the terms have been renegotiated for the current or prior year.

Individually impaired assets

The analysis of overall credit risk exposure indicates that the Group has receivables from contract holders that are impaired at the reporting date. The assets are analysed below:

Group **R'000**	**2014** **Gross**	**Impairment losses**	**Net**	2013 Gross	Impairment losses	Net
Due from contract holders	**39 278**	**11 280**	**27 998**	38 482	9 708	28 774

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments to policyholders under policy contracts and in respect of financial liabilities.

The Group's approach to managing its liquidity risk is as follows:

- Policyholder funds are invested in assets that in aggregate match the reasonable benefit expectation of policyholders, which includes the expectation that funds will be available to pay out benefits as required by the insurance contract.
- Policyholder funds are primarily invested in assets that are listed financial instruments on various stock and bond exchanges and cash or cash equivalents that are actively traded on the various stock and bond exchanges, resulting in the ability to liquidate most of these investments at relatively short notice to be able to timeously pay out benefits as required by the policy contract. Some policyholder funds are invested in less liquid assets, such as fixed property, but not to the extent that this creates a material liquidity risk in meeting commitments to policyholders.
- Furthermore, the operational cash flow is sufficient to cover cash flow of a normal operational nature for example, in order to settle outstanding trade creditor balances.

The following are the contractual maturities of financial liabilities and insurance contract liabilities, including interest payments and excluding the impact of netting agreements:

For obligations with non-DPF components, the amounts in the table represent the estimated cash flows, consistent with the valuation methodology followed by the calculation of the non-DPF component of the insurance liabilities on the published reporting basis. All the cash flows are shown gross of reinsurance. Nominal cash flows are shown and the effect of discounting is taken into account to reconcile to total policy liabilities under insurance contracts. Since the DPF component is a retrospective accumulation of past profit declarations, the current value is taken as the value of the underlying assets (shown in the tables above).

Group 2014 R'000	Carrying amount	Total cash flows	Contractual cash flows: Within 1 year	2 – 5 years	6 – 10 years	11 – 20 years	Over 20 years
Insurance contract liabilities – DPF	**21 014 757**	**21 014 757**	**1 132 222**	**3 173 270**	**4 458 264**	**7 540 349**	**4 710 652**
Insurance contract liabilities – non-DPF	**3 400 880**	**(20 357 283)**	**255 127**	**386 071**	**(441 198)**	**(2 061 755)**	**(18 495 528)**
Reinsurance payables	**15 196**	**15 196**	**15 196**	**–**	**–**	**–**	**–**
Third-party financial liabilities arising on consolidation of unit trusts	**5 848 820**	**5 848 820**	**5 848 820**	**–**	**–**	**–**	**–**
Investment contract liabilities	**825 699**	**825 699**	**825 699**	**–**	**–**	**–**	**–**
Other financial liabilities	**452 148**	**452 148**	**452 148**	**–**	**–**	**–**	**–**

Group 2013 R'000	Carrying amount	Total cash flows	Contractual cash flows: Within 1 year	2 – 5 years	6 – 10 years	11 – 20 years	Over 20 years
Insurance contract liabilities – DPF	18 705 124	18 705 124	1 016 171	2 883 513	4 067 444	6 597 884	4 140 112
Insurance contract liabilities – non-DPF	3 330 812	(6 644 119)	456 150	1 209 365	670 146	396 226	(9 376 006)
Reinsurance payables	13 378	13 378	13 378	–	–	–	–
Third-party financial liabilities arising on consolidation of unit trusts	4 259 060	4 259 060	4 259 060	–	–	–	–
Investment contract liabilities	617 920	617 920	617 920	–	–	–	–
Other financial liabilities	86 714	86 714	86 714	–	–	–	–

Market risks

Market risk is the risk that changes in market prices, such as interest rate, foreign exchange rates and equity prices will affect the value of the Group's financial assets and the amount of the Group's liabilities as well as the Group's insurance contract assets and liabilities. Market risk arises in the Group due to fluctuation in the value of liabilities and the value of investments held.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on assets. The nature of the Group's exposure to market risk and its objectives, policies and procedures for managing market risks have not changed significantly from the prior period although rigour has been applied to these in light of current market conditions and volatility. Refer below for more detail.

Management of market risk

The management of each of these major components of market risk and the exposure of the Group at the reporting date to each major risk is addressed below.

Interest rate risk

Interest rate risk arises primarily from the Group's investments in debt securities and its long-term debt obligations. However, changes in investment values attributable to interest rate changes are mitigated by corresponding and partially offsetting changes in the economic value of insurance and investment contract liabilities. As a result of this, the exposure to interest rate risk is managed by the asset managers though the limit in the investment mandates with regard to investing in debt securities, as well as the internal benchmark performance that the asset managers are measured against.

The nature of the Group's exposure to interest rate risk and its objectives, policies and procedures for managing interest rate risk have not changed significantly from the prior period.

Fluctuations in the value of assets held to back the DPF component of the policy liabilities will affect the allocations to DPF benefits each year. The choice of assets to back the DPF component of the policy liabilities reflects the Group's interpretation of the investment risk appetite of the policyholders. The assets held in this regard are as follows:

Group 2014	**Non-pre-retirement option benefits R'000**	**%**	**Pre-retirement option benefits R'000**	**%**
Local				
Equity	**10 783 624**	**53,9**	**519 871**	**23,0**
Fixed interest	**4 078 808**	**20,3**	**982 955**	**43,4**
Cash	**738 851**	**3,7**	**301 003**	**13.3**
International				
Equity	**4 418 675**	**22,1**	**459 860**	**20,3**
Total	**20 019 958**	**100,0**	**2 263 689**	**100,0**

Group 2013	Non-pre-retirement option benefits R'000	%	Pre-retirement option benefits R'000	%
Local				
Equity	8 253 279	45,2	399 714	24,5
Fixed interest	3 765 518	20,6	744 865	45,7
Cash	1 732 870	9,5	291 723	17,9
International				
Equity	4 507 144	24,7	192 419	11,9
Total	18 258 811	100,0	1 628 721	100,0

The assets held to back the non-DPF component of the liabilities similarly reflect the Group's understanding of the risk appetite of the policyholders and the results of an asset liability modeling exercise undertaken during the year. Investment profits or losses arising from the impact of fluctuations in market values of assets and interest rates on the value of assets and non-DPF policy liabilities will be transferred to policyholders by adjusting the allocations made to the DPF component of their benefits.

Younger policyholders have more time to recover from the volatility in the financial markets. For that reason the strategic asset allocation for the invested portfolio representing these policyholders has a higher exposure to equity and thus risk. Older policyholders have less time to recover from negative market performance, and are thus given a voluntary option each year to switch to more conservative investment portfolios from age 55, i.e. portfolios where there is reduced exposure to equities.

The assets held to back the non-DPF component of the policy liabilities are as follows:

Group	2014 R'000	2014 %	2013 R'000	2013 %
Local				
Equity	**414 275**	**12,2**	534 023	15,8
Fixed interest	**2 655 882**	**78,1**	2 549 299	77,5
Cash	**147 871**	**4,3**	81 866	1,5
International				
Equity	**182 852**	**5,4**	165 624	5,2
Total	**3 400 880**	**100,0**	3 330 812	100,0

Currency risk

The Group's operations in Namibia created no additional sources of foreign currency risk due to the fact that there is no exchange difference between the Namibian Dollar and the South African Rand.

The asset managers actively manage the currency risk when decisions are made in regard to investing internationally. All international investment returns are shown in US Dollars and the effect of the trading in different currencies is reflected in the investment performance which is measured against an internal benchmark. In terms of legislation, up to 25% of the Group's investments may be invested in foreign currency assets.

The potential impact of currency movements on the share prices of domestic equities with significant foreign currency earnings is addressed by the asset managers in their assessment of the appropriate equities to hold in their mandates with PPS.

Equity price risk

The Group holds a significant portfolio of equities which are subject to price movements. The majority of these assets are held to support contractual liabilities arising from unit-linked insurance contracts, contracts with DPF and investment contracts and therefore the price movements are matched with corresponding movements on contractual obligations.

The exposure to equities is managed to ensure that the Group's internal capital requirements are met at all times, as well as those mandated by the Group's external regulators.

Benchmarks and risk parameters are set against which the Group measures the asset managers. A monthly compliance statement is provided by each asset manager stating their adherence to the investment mandate, and highlighting any deviations and the corrective action to be taken to rectify the deviations. The performance of the assets against benchmarks, and the adherence to mandates, are monitored monthly by management. The asset managers present the performance against benchmarks and adherence to mandates, to the board, on a biannual basis.

The nature of the Group's exposures to equity risk and its objectives, policies and processes for managing equity risk have not changed significantly from the prior period. The assets have performed well compared to the benchmark. This, coupled with the long-term view that PPS takes towards its investments, means that the long-term asset strategy and asset allocations have remained unchanged.

Market risk sensitivity analysis

The table below shows the results of sensitivity testing on the Group's profit or loss (before tax) and equity for reasonable possible changes in the risk variables. The sensitivity analysis indicates the effect of changes in market risk factors arising from the impact of the changes in these factors on the Group's financial assets and liabilities and its insurance assets and liabilities.

For the DPF insurance liabilities and investment contracts the assets and liabilities are matched. The market risk is thus carried by policyholders. The impact of any change in the market risk will be in the movement to/from insurance policy liabilities on the Statement of Profit or loss and Comprehensive Income.

The only other impact is the change in the investment management fees, which will fluctuate as a percentage of the movement in the assets.

This is also disclosed within the movement in policy liabilities on the Statement of Profit or loss and Comprehensive Income. Therefore a market risk sensitivity analysis has not been included for this component of the business.

The market risk sensitivity is shown below:

Group	Contracts with non-DPF: Impact on profit/(loss) before movement in insurance policyholder liabilities 2014 R'000	2013 R'000
Interest rate risk		
Lower limit: 7,2% yield	**(887 159)**	(787 718)
Upper limit: 9,2% yield	**701 087**	610 400

The effect of changes in the net capital value of non-DPF contracts due to market movements are fully absorbed by adjusting the net capital value of DPF contracts resulting in a zero impact on total net capital of the Group.

Assumptions, methodology and limitations of sensitivity analysis

The effects of the specified changes in factors are determined using actuarial and statistical models, as relevant. The level of movements in market factors on which the sensitivity analysis is based were determined based on economic forecasts and historical experience of variations in these factors.

The sensitivity table demonstrates the effect of a change in a key assumption while other assumptions remain unchanged. However, the occurrence of a change in a single market factor may lead to changes in other market factors as a result of correlations.

The sensitivity analyses do not take into consideration that the Group's assets and liabilities are actively managed. Additionally, the sensitivity analysis is based on the Group's financial position at the reporting date and may vary at the time that any actual market movement occurs. As investment markets move past pre-determined trigger points, management action would be taken which would alter the Group's position.

Underwriting risk

Underwriting risk is the risk that the actual exposure to mortality, disability and medical risks in respect of policyholder benefits will exceed prudent exposure.

Underwriting risk is controlled by underwriting principles. The underwriting process takes into account actual and prospective mortality, morbidity and the expense experience.

The Statutory Actuary reports annually on the financial soundness of the premium rates in use and the profitability of the business, taking into consideration the reasonable benefit expectation of policyholders. All new rate tables are approved and authorised by the statutory actuary prior to being issued. Regular investigations into the mortality and morbidity experience are conducted. All risk-related mortality lump sum, disability and critical illness liabilities in excess of specified monetary limits reinsured. A sickness experience report is annually presented analysing claim patterns and trends. The latest report indicated no significant deterioration in claim patterns.

The acceptance of underwriting risk is controlled by the underwriters of PPS, who adhere to detailed and stringent underwriting protocols and procedures. These protocols and procedures are reviewed on a regular basis to ensure they take into account current medical experience and reflect the insurance risks allowed for in PPS' insurance products. They are also reviewed to ensure they reflect best practice in respect to medical and financial underwriting standards.

The underwriting decisions are further governed by a delegation of authority to ensure the more significant risks are assessed by more senior, experienced staff. Underwriting decisions are reviewed regularly by both senior management and by PPS' reinsurers to ensure they adhere to the underwriting policies and standards.

The Statutory Actuary reports annually on the financial soundness of the premium rates in use and the profitability of the business, taking into consideration the reasonable benefit expectation of policyholders. All new products and rate tables are approved by the Statutory Actuary.

Reinsurance

A comprehensive, board approved, reinsurance strategy is in place for the Group. Certain life, disability, dread disease and physical impairment risks are reinsured. The risks to be reinsured have been decided upon by balancing the need to reduce variability of claims experience against the cost of reinsurance. The reinsurers contracted with have been assessed on their ability to provide the Group with product, pricing, underwriting and claims support, as well on as their global credit rating.

Claims risk

Pro-active 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 perceived fraudulent claims. The Forensic Investigations department investigates all suspected fraudulent claims.

Products and pricing risk

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

- Ongoing analysis of risk experience (such as the sickness and mortality investigations).
- Use of reinsurance – this protects the insurer in that some of the risk 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 and should protect against experience being slightly worse than anticipated.
- Non-guaranteed rates allow the Group to change its rates should the experience worsen significantly or be anticipated to worsen significantly.
- The thorough testing of proposed products upfront, including testing expected expenses and volumes of business, provides a sense 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.
- Valuation – the annual valuation provides valuable information about changing parameters (such as mortality, morbidity, long term investment returns, yields, etc.).

Expense risk

There is a risk that the Group may suffer a loss from actual expenses being 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 unit costs per policy.

Expense investigations are performed annually and valuation expense assumptions are set based on the results of this investigation, taking cognisance of the budgeted expenses per policy for the next financial year. Actual expenses are compared against budgeted expenses on a monthly basis. Due to the mutual nature of the Group, expense savings or expenses losses compared to expected expenses will respectively result in a higher or lower profit allocation to the policyholders.

Business volume risk

There is a risk that the Group may not cover the costs of acquisition and distribution if insufficient volumes of new business are sold. A mitigating factor is that a substantial portion of these costs are variable costs. Actual sales volumes are compared against budgeted and annual targeted sales on a monthly basis. This enables management to determine whether there are any factors that could impact the delivery of the targeted volumes. Where these are identified, an investigation occurs and the appropriate corrective action is taken.

Data and model risk

There is a risk that the Group may suffer a loss if the model used to calculate the insurance liabilities does not project the expected cash flows on the contracts accurately. This risk is mitigated by comparing the actual cash flows with the expected cash flows on a product basis at least annually. All new contract designs are also incorporated into the model. Detailed investigations are performed annually to ensure the integrity of the data used in the valuation process. Automated systems have been implemented to flag any anomalous transactions on an ongoing basis.

Lapse risk

There is a risk that the lapse experience of PPS policies differs significantly from that assumed in the original pricing basis. Lapses are monitored monthly by management, and quarterly and annual detailed lapse experience investigations are prepared. Where trends of increased lapses of policies are detected, further management action is taken to address such trends.

An established dedicated retentions function is in place and fully staffed. This function plays a significant role in reducing churn of policies to other companies as well as in retention of policies at risk of lapsing due to non-payment. Active engagement with contracted advisers regarding retention of existing business and comprehensive training on PPS' product offering also plays an important role in mitigating lapse risk.

Capital management

The Group's capital management policy objectives are:

- To comply with the insurance regulatory capital requirements in the country where the Group operates; and
- To safeguard the entity's ability to continue as a going concern; and
- To continue to provide acceptable returns for policyholders and members, and benefits for other stakeholders.

The board's policy is to maintain a strong capital base to protect policyholders' and creditors' interests and satisfy regulators whilst still creating value for policyholders.

The level of accumulated funds required by the Group is determined by the Long-term Insurance Act, No 52 of 1998 together with the Group's licence requirements.

The minimum capital requirements must be maintained at all times during the year. The table below summarises the minimum accumulated funds requirements across the Group and the actual accumulated funds held.

Group	**2014**		2013	
R'000	**South Africa**	**Namibia**	South Africa	Namibia
Capital held	**284 674**	**6 000**	263 594	5 223
Regulatory capital	**107 798**	**4 000**	99 391	4 000

The board considers the capital of the Group to be the total of all accumulated funds held as well as the DPF Insurance Liabilities (refer Note 11) as the policy holders are also the members of the Group. A detailed Asset Liability Matching (ALM) investigation is conducted on an annual basis to better understand the potential impact on the capital of the Group of different market conditions, such as interest rate fluctuations and volatility in equity prices. The impact of varying operational conditions (such as variations in deaths, withdrawals and profits) on the Group's capital is also presented for the board. The results of the ALM investigations may lead to changes in the approved asset class mixes contained in the Investment Policy, in order to address any increases in the risk of volatility identified in the ALM investigation.

There have been no material changes in the Group's management of capital during the period. The Group has maintained its level of CAR cover at 2,6 times. This decision has resulted R21,1 million (2013: R28,3 million) being allocated to accumulated funds.

The Group and its individually regulated operations have complied with all externally and internally imposed capital requirements throughout the period.

Consolidated unit trusts

The Group invests in various registered unit trusts in order to match obligations provided in policyholder contracts.

Each fund has its own legal constitution and operates within a defined fund mandate delegated to the appointed fund manager. Market and credit risks assumed within the assets held are controlled by various protection mechanisms within the mandate and in law. For example, the Collective Investment Schemes Control Act, No 45 of 2001, in South Africa prescribes maximum limits for the concentration of risk exposures.

Each fund's trustees or board appoints administrators who are responsible to ensure that the fund's mandate and any internal and legislated control procedures are adhered to. In the event of breach they are obligated to immediately bring it to the attention of the fund's trustees/board and management of the administrators for remedial action.

The unit trust fund vehicle and related procedures for offering investments is mature within South Africa and is well-regulated.

The unit trust funds which are defined as subsidiaries can be grouped under one manager, namely Professional Provident Society Investments (Pty) Limited ('PPS Investments'), a fellow Group subsidiary. Described below is the unit trust subsidiary and its respective mandate and objective.

Funds managed by PPS Multi-Managers Proprietary Limited

PPS Investments employs a multi-manager investment approach that is designed to generate acceptable levels of returns at lower than average levels of risk. This is achieved by:

- a thorough and ongoing quantitative and qualitative research process of potential managers in the domestic universe;
- selecting specialist asset managers, taking their investment style and specific areas of expertise into consideration;
- determining the optimal blend of selected managers within the portfolio through a portfolio construction and optimisation process;
- writing segregated investment mandates with selected managers to tightly control portfolio risk;
- continual monitoring of the portfolio risk and return characteristics of each selected manager as well as of the overall portfolio; and
- making manager changes where PPS Investments feels this is in the best interest of investors.

The Collective Investments Scheme Control Act also imposes specific restrictions which the underlying managers have to comply with and also restricts the interest rate and credit risk, where applicable, that they are able to take.

PPS Conservative Fund of Funds

Investment objective

To maximise total portfolio return while outperforming a conservative real return target of CPI + 2% per annum over the medium term.

Investment mandate

This multi-managed fund invests in a number of underlying managers with the specific mandate to employ real return strategies to provide real capital growth. Flexible asset allocation provides diversification across all asset classes and sectors, with equity exposure limit to not more than 75% of the portfolio value.

Typical investments

The managers invest in fixed instruments such as money market and bonds, as well as local and international equities.

Risk exposure

A conservative fund exposed to credit risk, interest rate risk, local and international equity price risk and currency risk.

PPS Moderate Fund of Funds

Investment objective

To maximise total portfolio return while outperforming a moderate real return target of CPI + 4% per annum over the medium term.

Investment mandate

This multi-managed fund invests in a number of underlying managers with the specific mandate to employ real return strategies to provide real capital growth. Flexible asset allocation provides diversification across all asset classes and sectors, with equity exposure limit to not more than 75% of the portfolio value.

Typical investments

The managers invest in fixed instruments such as money market and bonds, as well as local and international equities.

Risk exposure

A moderate fund exposed to credit risk, interest rate risk, local and international equity price risk and currency risk.

PPS Enhanced Yield Fund

Investment objective

To provide an enhanced level of income in excess of a broad short-term fixed interest benchmark.

Investment mandate

This multi-managed flexible fund invests in a number of underlying managers with the specific mandate to actively manage the fund by investing in less than three year maturity limits. Asset allocation is defensive with exposure to fixed interest instruments, including high-yielding corporate bonds and securities, government bonds, listed property, preference shares and inflation-linked bonds.

Typical investments

The manager invests in income-yielding fixed instruments such as money market, bonds and preference shares.

Risk exposure

An enhanced yield income fund exposed to credit risk and interest rate risk.

PPS Flexible Income Fund

Investment objective

To provide a total return with a strong income bias in excess of a broad fixed income market index, as well as some capital growth.

Investment mandate

This multi-managed flexible fund invests in a number of underlying managers with the specific mandate to actively manage the fund by investing without prescribed maturity limits. Asset allocation is defensive with exposure to fixed interest instruments, including high-yielding corporate bonds and securities, government bonds, listed property, preference shares and inflation-linked bonds.

Typical investments

The manager invests in income-yielding fixed instruments such as money market, bonds and preference shares.

Risk exposure

A flexible income fund exposed to credit risk, interest rate risk and currency risk.

PPS Equity Fund

Investment objective

To provide long-term capital growth that exceeds the return provided by a broad equity market index.

Investment mandate

This multi-managed fund invests in a number of underlying managers with the specific mandate to actively manage exposures to domestic listed equities in order to deliver long-term performance.

Typical investments

This multi-manager invests in equities and cash.

Risk exposure

A moderately aggressive fund exposed to credit risk, interest rate risk, local and international equity price risk and currency risk.

PPS Balanced Fund of Funds

Investment objective

To maximise total portfolio returns while outperforming a composite industry benchmark over the medium to long term. (Please note that the fund's benchmark will change to a peer-relative one from January 2014 onwards.)

Investment mandate

This multi-managed fund invests in a number of underlying managers who invest in a spectrum of local and international securities within the parameters of Regulation 28 of the Pension Funds Act, No 24 of 1956 with the specific focus on long-term growth.

Typical investments

The managers invest in local bonds and property, as well as local and international money market instruments and equities.

Risk exposure

A medium to high risk fund, exposed to credit risk, interest rate risk, local and international equity price risk and currency risk.

PPS Managed Flexible Fund of Funds

Investment objective

To maximise total portfolio returns while outperforming a real return target of CPI+6% per annum over the long term.

Investment mandate

This multi-managed fund invests in a number of underlying managers who invest in a spectrum of local and international securities with the specific mandate to provide real capital growth. Flexible asset allocation provides diversification across all asset classes and sectors.

Typical investments

The managers invest in local bonds and property, as well as local and international money market instruments and equities.

Risk exposure

A medium to high risk fund, exposed to credit risk, interest rate risk, local and international equity price risk and currency risk.

PPS Institutional Multi Asset Fund

Investment objective

It seeks to maximise total portfolio returns while outperforming CPI inflation over the medium to long term.

Investment mandate

This multi-managed fund invests in a number of underlying managers with the specific mandate to outperform its relevant peer group and consequently provide inflation-beating returns over the medium to long term.

Typical investments

The managers invest in local bonds and property, as well as local and international money market instruments and equities.

Risk exposure

A medium to high risk fund, exposed to credit risk, interest rate risk, local and international equity price risk and currency risk.

34. STANDARDS AND INTERPRETATIONS ISSUED

Amendments to published standards mandatory for the Group's accounting periods beginning on or after 1 January 2014:

- Amendments to IFRS 10, 'Consolidated financial statements', IFRS 12 and IAS 27 for investment entities' (effective 1 January 2014). The amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an 'investment entity' definition and which display particular characteristics. Changes have also been made in IFRS 12 to introduce disclosures that an investment entity needs to make. This amendment did not have a material impact on the Group's financial statements.
- Amendments to IAS 32 – 'Financial Instruments: Presentation' (effective 1 January 2014). The IASB has issued amendments to the application guidance in IAS 32, 'Financial Instruments: Presentation', that clarify some of the requirements for offsetting financial assets and financial liabilities on the Statement of financial position. However, the clarified offsetting requirements for amounts presented in the Statement of financial position continue to be different from US GAAP. This amendment did not have a material impact on the Group's financial statements.
- IASB issues narrow-scope amendments to IAS 36, 'Impairment of assets' (effective 1 January 2014). These amendments address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less cost of disposal. This amendment did not have a material impact on the Group's financial statements.
- Amendment to IAS 39 on novation of derivatives (effective 1 January 2014). The IASB has amended IAS 39 to provide relief from discontinuing hedge accounting when novation of a hedging instrument to a CCP meets specified criteria. Similar relief will be included in IFRS 9, 'Financial Instruments'. This amendment did not have a material impact on the Group's financial statements.
- IFRIC 21 – 'Accounting for levies' (effective 1 January 2014). The standard sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses diversity in practice around when the liability to pay a levy is recognised. This amendment did not have a material impact on the Group's financial statements.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2014 or later periods, and the Group has not early adopted them:

- IFRS 1, 'First-time adoption of International Financial Reporting Standards' (effective 1 July 2014). The basis for conclusions on IFRS 1 is amended to clarify that, where a new version of a standard is not yet mandatory but is available for early adoption; a first-time adopter can use either the old or the new version, provided the same standard is applied in all periods presented. The new standard will not result in a material impact on the Group's financial statements.
- Amendment to IFRS 2, 'Share based payment' (effective 1 July 2014). The amendment clarifies the definition of a 'vesting condition' and separately defines 'performance condition' and 'service condition'. The new standard will not result in a material impact on the Group's financial statements.
- Amendment to IFRS 3, 'Business combinations' (effective 1 July 2014). The standard is amended to clarify that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32, 'Financial Instruments: Presentation'. The standard is further amended to clarify that all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss. Consequential changes are also made to IFRS 9, IAS 37 and IAS 39. The new standard will not result in a material impact on the Group's financial statements.

- IFRS 3, 'Business combinations' (effective 1 July 2014). The standard is amended to clarify that IFRS 3 does not apply to the accounting for the formation of any joint arrangement under IFRS 11. The amendment also clarifies that the scope exemption only applies in the financial statements of the joint arrangement itself. The new standard will not result in a material impact on the Group's financial statements.
- IFRS 5, 'Non-current Assets Held for Sale and Discontinued Operations' (effective 1 January 2016). This is an amendment to the changes in methods of disposal – assets (or disposal groups) are generally disposed of either through sale or through distribution to owners. The amendment to IFRS 5 clarifies that changing from one of these disposal methods to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. The amendment also clarifies that changing the disposal method does not change the date of classification. The new standard will not result in a material impact on the Group's financial statements.
- IFRS 7, 'Financial Instruments: Disclosures' (effective 1 January 2016). Applicability of the offsetting disclosures to condensed interim financial statements. The amendment removes the phrase 'and interim periods within those annual periods' from paragraph 44R, clarifying that these IFRS 7 disclosures are not required in the condensed interim financial report. The new standard will not result in a material impact on the Group's financial statements.
- IFRS 7, 'Financial Instruments: Disclosures' (effective 1 January 2016). Servicing contracts – the amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in paragraphs IFRS 7.B30 and IFRS 7.42C in order to assess whether the disclosures are required. The new standard will not result in a material impact on the Group's financial statements.
- Amendment to IFRS 8, 'Operating segments' (effective 1 July 2014). The standard is amended to require disclosure of the judgements made by management in aggregating operating segments. This includes a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics. The standard is further amended to require a reconciliation of segment assets to the entity's assets when segment assets are reported. The new standard will not result in a material impact on the Group's financial statements.
- IFRS 9, 'Financial Instruments (2009)' (effective 1 January 2018). This IFRS is part of the IASB's project to replace IAS 39. IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. The new standard will not result in a material impact on the Group's financial statements.
- IFRS 9, 'Financial Instruments (2010)' (effective 1 January 2018). The IASB has updated IFRS 9, 'Financial Instruments' to include guidance on financial liabilities and derecognition of financial instruments. The accounting and presentation for financial liabilities and for derecognising financial instruments has been relocated from IAS 39, 'Financial Instruments: Recognition and measurement', without change, except for financial liabilities that are designated at fair value through profit or loss. The new standard will not result in a material impact on the Group's financial statements.
- Amendments to IFRS 9, 'Financial Instruments (2011)' (effective 1 January 2018). The IASB has published an amendment to IFRS 9, 'Financial Instruments' that delays the effective date to annual periods beginning on or after 1 January 2018. The requirement to restate comparatives and the disclosures required on transition have also been modified. The new standard will not result in a material impact on the Group's financial statements.
- Amendment to IFRS 11, 'Joint arrangements' on acquisition of an interest in a joint operation' (effective 1 January 2016). This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions. The new standard will not result in a material impact on the Group's financial statements.

- Amendment to IFRS 13, ‘Fair value measurement’ (effective 1 July 2014). When IFRS 13 was published, paragraphs B5.4.12 of IFRS 9 and AG79 of IAS 39 were deleted as consequential amendments. This led to a concern that entities no longer had the ability to measure short-term receivables and payables at invoice amounts where the impact of not discounting is immaterial. The IASB has amended the basis for conclusions of IFRS 13 to clarify that it did not intend to remove the ability to measure short-term receivables and payables at invoice amounts in such cases. The new standard will not result in a material impact on the Group’s financial statements.
- IFRS 13, ‘Fair value measurement’ (effective 1 July 2014). The amendment clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including non-financial contracts) within the scope of IAS 39 or IFRS 9. The new standard will not result in a material impact on the Group’s financial statements.
- IFRS 14, ‘Regulatory deferral accounts’ (effective 1 January 2016). The IASB has issued IFRS 14, ‘Regulatory deferral accounts’ (‘IFRS 14’), an interim standard on the accounting for certain balances that arise from rate-regulated activities (‘regulatory deferral accounts’). Rate regulation is a framework where the price that an entity charges to its customers for goods and services is subject to oversight and/or approval by an authorised body. The new standard will not result in a material impact on the Group’s financial statements.
- IFRS 15, ‘Revenue from contracts with customers’ (effective 1 January 2017). The FASB and IASB issued their long awaited converged standard on revenue recognition on 29 May 2014. It is a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of good or service transfers to a customer. The new standard will not result in a material impact on the Group’s financial statements.
- Amendment to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets', on depreciation and amortisation (effective 1 January 2016). In this amendment the IASB has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. The new standard will not result in a material impact on the Group’s financial statements.
- IAS 16, ‘Property, plant and equipment’, and IAS 38, ‘Intangible assets’ (effective 1 July 2014). Both standards are amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model. The carrying amount of the asset is restated to the revalued amount. The split between gross carrying amount and accumulated depreciation is treated in one of the following ways:
  - either the gross carrying amount is restated in a manner consistent with the revaluation of the carrying amount, and the accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses; or
  - the accumulated depreciation is eliminated against the gross carrying amount of the asset.

  The new standard will not result in a material impact on the Group’s financial statements.
- IAS 24, ‘Related party disclosures’ (effective 1 July 2014). The standard is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity (‘the management entity’). The new standard will not result in a material impact on the Group’s financial statements.
- Amendment to IAS 19, ‘Employee Benefits’ regarding defined benefit plan (effective 1 July 2014). These narrow scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. The new standard will not result in a material impact on the Group’s financial statements.

- IAS 19, 'Employee Benefits' (effective 1 January 2016). Discount rate: regional market issue - the amendment to IAS 19 clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. The new standard will not result in a material impact on the Group's financial statements.
- IAS 34, 'Interim Financial Reporting' (effective 1 January 2016). Disclosure of information 'elsewhere in the interim financial report'. The amendment states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g. in the management commentary or risk report). The new standard will not result in a material impact on the Group's financial statements.
- IAS 40, 'Investment property' (effective 1 July 2014). The standard is amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive. The guidance in IAS 40 assists preparers to distinguish between investment property and owner-occupied property. Preparers also need to refer to the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination. The new standard will not result in a material impact on the Group's financial statements.

There are numerous other new standards or amendments to existing standards that are not yet effective.

35. EVENTS AFTER REPORTING PERIOD

No reportable events occurred between the reporting date and the date of approval of the annual financial statements.

THE PROFESSIONAL PROVIDENT SOCIETY HOLDINGS TRUST ANNUAL FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

as at 31 December 2014

		Trust	
	Note	**2014 R'000**	2013 R'000
ASSETS			
Investment in subsidiary company	1	**10 000**	10 000
Receivables	2	**2 012**	1 349
Cash and cash equivalents	3	**289**	347
TOTAL ASSETS		**12 301**	11 696
EQUITY AND LIABILITIES			
Accumulated funds	4	**11 646**	6 168
TOTAL EQUITY		**11 646**	6 168
LIABILITIES			
Payables	5	**421**	5 558
Current income tax liabilities		**234**	(30)
TOTAL LIABILITIES		**655**	5 528
TOTAL EQUITY AND LIABILITIES		**12 301**	11 696

STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

for the year ended 31 December 2014

		Trust	
	Note	**2014 R'000**	2013 R'000
Other income	6	**14 038**	14 038
Total Income		**14 038**	14 038
Expenses	7	**4 907**	7 560
Surplus before tax		**9 131**	6 478
Tax	8	**3 653**	2 591
Surplus after tax		**5 478**	3 887
Total comprehensive income for the year		**5 478**	3 887

THE PROFESSIONAL PROVIDENT SOCIETY HOLDINGS TRUST ANNUAL FINANCIAL STATEMENTS (continued)

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2014

	Note	Trust	
		Accumulated funds R'000	Total R'000
Balance at 1 January 2013		2 281	2 281
Surplus for the year		3 887	3 887
Balance at 31 December 2013		6 168	6 168
Surplus for the year		**5 478**	**5 478**
Balance at 31 December 2014		**11 646**	**11 646**

STATEMENT OF CASH FLOWS

for the year ended 31 December 2014

	Note	Trust	
		2014 R'000	2013 R'000
Cash flows from operating activities			
Cash generated from operations	9	**3 331**	2 956
Tax paid	10	**(3 389)**	(2 684)
Net cash (used in)/from operating activities		**(58)**	272
Net (decrease)/increase in cash and bank		**(58)**	272
Cash and bank at beginning of year		**347**	75
Cash and bank at end of year	3	**289**	347

1. INVESTMENT IN SUBSIDIARY COMPANY

	Trust	
	2014 **R'000**	2013 R'000
Professional Provident Society Insurance Company Limited		
Shares issued at cost	**10 000**	10 000

The investment in the subsidiary company is accounted for at original cost of shares issued in the subsidiary company.

A list of the subsidiaries of the Trust is set out in note 31 of the PPS Group Annual Financial Statements.

2. RECEIVABLES

	Trust	
	2014 **R'000**	2013 R'000
Value Added Tax receivable	**1 310**	1 324
Receivables from related parties	**676**	–
Prepayments	**26**	25
Total receivables	**2 012**	1 349
Current	**2 012**	1 349
Fair value of other receivables held at amortised cost	**1 986**	1 324

3. CASH AND CASH EQUIVALENTS

	Trust	
	2014 **R'000**	2013 R'000
Cash at bank and in hand	**289**	347
Total cash and cash equivalents	**289**	347

4. EQUITY

PERMANENT CAPITAL

An amount of R100 was contributed to the trust fund of the beneficiaries on formation of The Professional Provident Society Holdings Trust during 2011.

ACCUMULATED FUNDS

The Accumulated funds balance represents the cumulative profits and losses of the trust since inception.

5. PAYABLES

	Trust	
	2014 R'000	2013 R'000
Other payables		
– accruals	**421**	690
– related parties	**–**	4 868
Total payables	**421**	5 558
Current	**421**	5 558

6. OTHER INCOME

	Trust	
	2014 R'000	2013 R'000
Administration fees	**14 038**	14 038
Other income	**14 038**	14 038

7. EXPENSES

	Trust	
	2014 R'000	2013 R'000
– Trustees Fees	**3 138**	2 938
– Fees for services	**28**	–
– Administration expenses	**1 741**	4 622
Total expenses	**4 907**	7 560

VAT which cannot be recovered from the relevant taxation authority is expensed together with the related expense.

8. TAX

	Trust	
	2014 **R'000**	2013 R'000
Current tax		
– Current year tax	**3 653**	2 591
Total tax	**3 653**	2 591
Tax on the Trust's profit before tax does not differ from the theoretical amount that would arise using the tax rate applicable to South African trusts:		
Surplus before tax	**9 131**	6 478
Tax calculated at domestic tax rates applicable to trust profits in South Africa (40%)	**3 653**	2 591
Total tax per Statement of Profit or loss and Comprehensive Income	**3 653**	2 591

9. CASH GENERATED FROM OPERATIONS

	Trust	
	2014 **R'000**	2013 R'000
Reconciliation of surplus before tax to cash generated by operations:		
Surplus before tax	**9 131**	6 478
Changes in working capital:		
– Receivables	**(663)**	37
– Payables	**(5 137)**	(3 559)
Cash generated from operations	**3 331**	2 956

10. TAX PAID

	Trust	
	2014 **R'000**	2013 R'000
Tax (receivable)/payable at beginning of year	**(30)**	63
Current tax as per Statement of Profit or loss and Comprehensive Income	**3 653**	2 591
Tax (payable)/receivable at end of year	**(234)**	30
Total tax paid	**3 389**	2 684

11. RELATED PARTIES

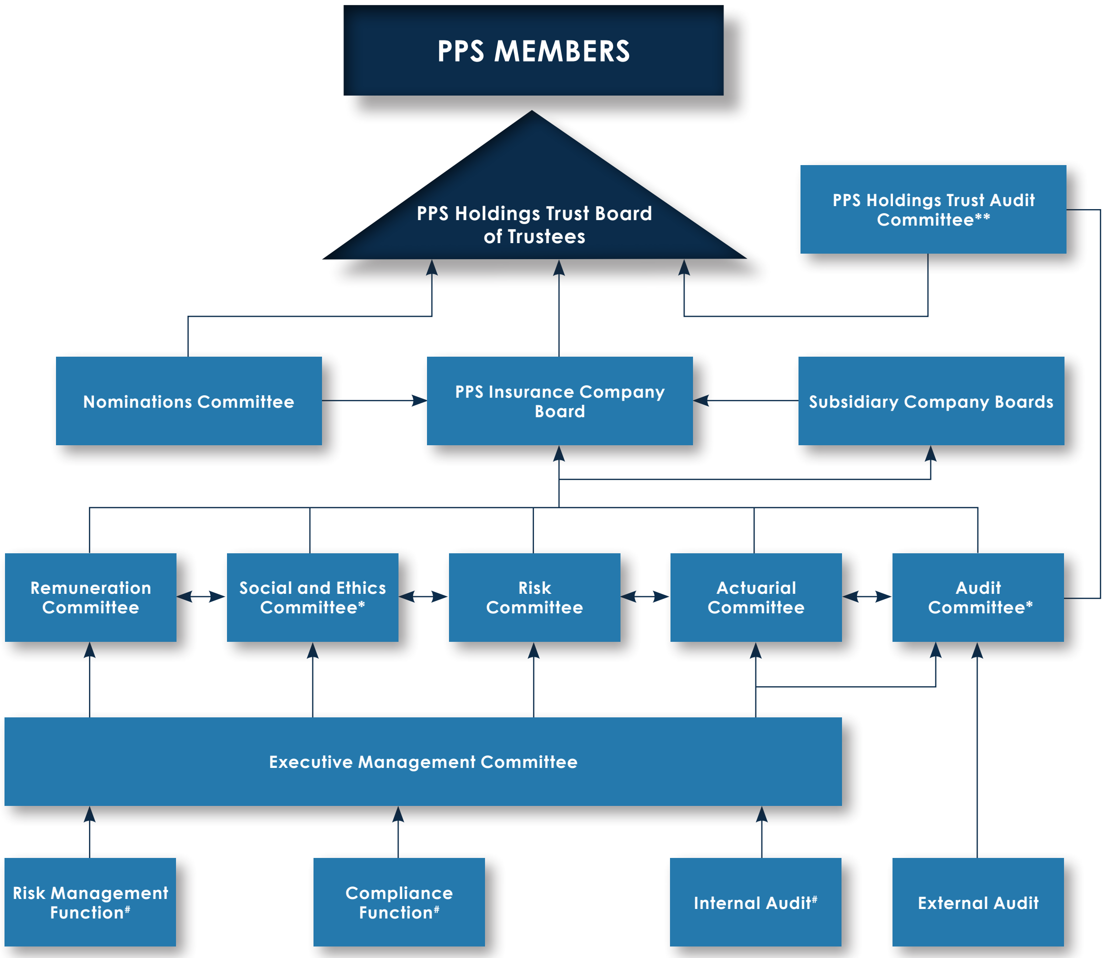
The transactions and balances with Professional Provident Society Insurance Company Limited and Professional Provident Society Marketing Services Proprietary Limited are listed below:

	Trust	
	2014 R'000	2013 R'000
Professional Provident Society Insurance Company Limited		
Administration fees	**14 038**	13 388
(Receivable)/Payable from Professional Provident Society Insurance Company Limited		
Balance at the beginning of the year	**4 854**	8 220
Administration fees	**(16 003)**	(15 262)
Paid by Professional Provident Society Insurance Company Limited on behalf of PPS Holdings Trust	**10 473**	11 896
Balance at the end of the year	**(676)**	4 854
The amount receivable from Professional Provident Society Insurance Company Limited has no written terms for repayment or ongoing interest charge.		
Professional Provident Society Marketing Services Proprietary Limited		
Payable to Professional Provident Society Marketing Services Proprietary Limited		
Balance at the beginning of the year	**–**	5
Fees	**–**	35
Paid to Professional Provident Society Marketing Services Proprietary Limited	**–**	(40)
Balance at the end of the year	**–**	–

The amount payable to Professional Provident Society Marketing Services Proprietary Limited has no written terms for repayment or ongoing interest charge.

Transactions between related parties are made on terms equivalent to those that prevail in arm's length transactions.

PPS GOVERNANCE AND REPORTING STRUCTURE: BOARDS OF TRUSTEES AND DIRECTORS AND BOARD COMMITTEES



* *These are statutory committees with a direct reporting line to the PPS Insurance Board.*

** *This is a statutory committee, required in terms of the Trust Deed of PPS Holdings Trust, with a direct reporting line to the PPS Holdings Trust Board.*

These functions also have direct reporting lines to the appropriate Board Committees.

GOVERNANCE

The holding entity of the PPS Group is The Professional Provident Society Holdings Trust ('PPS Holdings Trust'). Its primary operating subsidiary is Professional Provident Society Insurance Company Limited ('PPS Insurance'). Good corporate governance is an integral part of the PPS Group's operations and PPS is fully committed to the principles of King III and the SAM Pillar II Risk Management requirements. In terms of the Pillar II Risk Management requirements, PPS Insurance is required to adopt, implement and document an effective governance framework that provides for the prudent management and oversight of its insurance business and adequately protects the interests of its policyholders.

The governance framework consists of three parts being:

- Composition, governance and structure of the PPS Holdings Trust Board of Trustees, the PPS Insurance Board of Directors, with well-defined roles and responsibilities, as well as statutory and other board committees, being the Audit, Risk, Social and Ethics, Actuarial, Remuneration and Nominations committees.
- Risk management system. The risk management policies include the following key policies:
  - fit and proper policy;
  - remuneration policy;
  - asset-liability management policy;
  - investment policy;
  - underwriting risk management policy;
  - reinsurance and other forms of risk transfer policy;
  - liquidity risk management policy;
  - concentration risk management policy;
  - insurance fraud risk management sub-policy;
- Internal control system.

The PPS governance framework was further enhanced and provides for the prudent management and oversight of PPS, as well as adequately protecting the interests of our members. The framework is appropriate given the nature, scale and complexity of the PPS Group, its associated risks and is based on key principles as set out in this report.

TRANSPARENT ORGANISATIONAL STRUCTURE

The governance framework provides an adequate, transparent organisational structure with a clear allocation and appropriate segregation of responsibilities. The roles and responsibilities of persons accountable for the management and oversight of PPS are clearly defined. The Group is governed by a unitary board of trustees, assisted by Boards of Directors, Board committees and management committees.

An appropriate system of delegation is in place, in terms of which the direction of the operations of the PPS Group has been delegated to the PPS Insurance Board. The PPS Insurance Board has delegated some of the activities and tasks associated with its role and responsibilities to Board committees, Senior Management and other employees of the PPS Group.

'FIT AND PROPER'

In terms of the Solvency Assessment and Management (SAM) Pillar II Risk Management requirements, the following persons must at all times meet 'Fit and Proper' requirements:

- Trustees and Directors;
- Managing Executives (CEO and persons with decision making powers);
- Heads of Control Functions;
- Public Officer;
- Auditor; and
- Statutory Actuary.

The Fit and Proper Policy adopted by the PPS Group facilitates sound and prudent management of PPS by including requirements which are based on the principles of honesty and integrity, competence, qualifications, ongoing professional development and experience.

RISK MANAGEMENT SYSTEM

The risk management system comprises the totality of strategies, policies and procedures for identifying, measuring, monitoring, managing and reporting of all reasonably foreseeable current and emerging material risks and is part of the day-to-day business activities conducted at PPS. The system takes into account the probability, potential impact, and duration of risks and is adapted as the business and the external environment change. The system supports the Boards of Directors and Trustees in meeting their responsibilities relating to the furtherance of the safe and sound operation of PPS and the protection of its members. The objectives of PPS are aligned with its environmental policies. The risk management system takes into account the alignment of sustaining and growing the business while preserving the environment.

The risk management system comprises the following components:

- A clearly defined and documented risk management strategy, which takes into account the overall business strategy and business activities;
- Documented procedures which clearly define the decision-making processes within the framework of the risk management system;
- An adequate written overall risk management policy and component policies, consistent with the risk management strategy;
- Appropriate processes, procedures and tools for identifying, measuring, monitoring, managing and reporting (including communication and escalation mechanisms) on all material risks;
- Reports to inform Senior Management, the Group Risk Committee and the Boards of Directors and Trustees on all material risks faced by PPS and on the effectiveness of the risk management system itself; and
- Processes for ensuring adequate contingency planning, business continuity and crisis management.

The detailed particulars of the risk management system are set out in the PPS Group Enterprise Risk Management Framework.

INTERNAL CONTROL SYSTEM

The internal control system consists of the totality of strategies, policies, procedures and controls to assist the Boards of Directors, Trustees and managing executives in the fulfilment of their oversight and management responsibilities.

The internal control system provides the Boards of Directors, Trustees and managing executives with reasonable assurance from a control perspective that the business is operated consistently within the following parameters:

- Business objectives of PPS;
- Strategy determined by the Boards of Directors and Trustees. The detailed particulars of the strategic planning process are set out in the Strategic Planning and Capital Allocation Framework;
- Key business, information technology and financial policies and processes, as well as related risk management policies and procedures, determined by the Boards of Directors and Trustees; and
- Applicable laws and regulations.

The internal control system comprises the following components:

- Appropriate controls to ensure the availability and reliability of financial and non-financial information;
- Annual compliance plan;
- Appropriate segregation of duties and controls to ensure that such segregation is observed;
- Key business procedures and policies;
- Written inventory of key procedures and policies and of the controls in place in respect of such procedures and policies;
- Training in respect of relevant components of the internal control system, particularly for employees in positions of trust or responsibility, or carrying out activities that have significant risk;

- Regular monitoring of all controls to ensure that the totality of controls form a coherent system and that the internal control system functions as intended, fits within the overall governance framework and complements the risk identification, risk assessment and risk management activities; and
- Regular independent testing and assessments to determine the adequacy, completeness and effectiveness of the internal control system and its usefulness to the Boards of Directors, Trustees and managing executives for controlling the operations.

CONTROL FUNCTIONS

The following four key control functions are in place:

- Risk management;
- Actuarial;
- Compliance;
- Internal Audit.

The control functions are structured to include the necessary authority, independence, resources, expertise, access to the Boards and all relevant employees, as well as information to enable them to exercise their authority and perform their responsibilities. Where appropriate, the Head of internal audit and actuarial control functions may be outsourced – subject to the provisions of the Outsourcing Policy – in the light of the nature, scale and complexity of the business, risks, legal and regulatory obligations. The Actuarial Control function is currently performed in-house, in collaboration with the Statutory Actuary (as appointed in terms of the Long-term Insurance Act), currently outsourced to Mr C van der Riet of Deloitte. The internal audit control function is performed by KPMG in terms of an outsourced arrangement. The compliance and risk management control functions are performed in-house and may only be outsourced with the approval of the Registrar.

The existence of the control functions does not relieve the Boards of Directors and Trustees or Senior Management from their respective governance and related responsibilities. The governance framework will continue to evolve to ensure compliance with emerging legislation and to enhance the ability of the Boards of Directors and Trustees, managing executives and Heads of Control Functions to manage PPS soundly and prudently. The Actuarial, Audit, Risk, Remuneration and Social and Ethics Committees fulfil a key role in ensuring good corporate governance within the PPS Group. Processes are reviewed regularly to ensure compliance with legal obligations and codes of governance.

The following departments ensure good corporate governance throughout the PPS Group:

GROUP COMPANY SECRETARIAT

The PPS Group Boards, Board committees and Group Executive Committee are supported by the office of the Group Company Secretary which plays a key role in ensuring the adherence to the Group's governance policies and the maintenance of the highest level of good corporate governance. By working closely with the respective Board Chairmen and the Chief Executive of the PPS Group, the Group Company Secretary ensures that the agendas for Board, Board Committee and Group Executive Committee meetings address the key business and governance issues and that the Boards are adequately informed to enable them to make informed decisions.

GROUP LEGAL

All legal practitioners employed in such capacity report to the Head of Legal and Compliance and are responsible for managing legal risk that may arise during the course of the Group's activities and ensuring that these risks are appropriately mitigated across all entities. This is achieved by providing or sourcing appropriate legal advice, ensuring that legal risks are optimally negotiated, documented and monitored, and that the necessary controls are implemented.

GROUP COMPLIANCE

The Boards of PPS are ultimately accountable for compliance. The primary objective of the Compliance function is to assist the Boards with this responsibility. Management is committed to ensuring that the business is run with integrity, complies with all regulatory and best practice requirements and is conducted in accordance with the highest ethical standards. The appointed Compliance Officer is responsible for the effective implementation of the compliance monitoring framework and for facilitating compliance throughout the business by creating awareness, independent monitoring, reporting and the provision of practical solutions or recommendations. However, the primary responsibility for complying with any regulatory requirement lies with all members of staff conducting the particular transaction or activity to which the requirement applies.

PPS has implemented a combination of a centralised and decentralised compliance function. Group Compliance is the central department, whose main role is the development of the compliance policy (the Boards determine such policy) and related standards to ensure a consolidated compliance risk management process and reporting throughout the Group. The decentralised compliance function consists of business units that are responsible for implementing the Group policies, monitoring the activities of the business units and reporting the status of compliance to Group Compliance. Professional Provident Society Investments Proprietary Limited (PPSI) and Professional Medical Scheme Administrators Proprietary Limited (PMSA) have their own business unit compliance officers and have a dotted reporting line to Group Compliance for compliance-related matters. For all other entities in PPS, Group Compliance assumes direct or oversight responsibility for compliance risk management.

The compliance function performs its activities in accordance with these five principles:

- All legislative requirements such as acts, bills, directives, practice notes, industry codes of conduct and relevant discussion documents which impose obligations on PPS, are identified and interpreted continuously;
- Compliance requirements are addressed in business processes;
- Management and staff are trained on the compliance requirements relevant to their roles;
- Compliance monitoring is conducted to provide assurance on the level of compliance; and
- Compliance incidents or suspected incidents are reported and managed.

GROUP RISK MANAGEMENT

The taking of risk, in an appropriate manner, is an integral part of business. Success relies on optimising the trade-off between risk and reward, following an integrated risk management process and by considering all internal and external risk factors. In the course of conducting its business, PPS is exposed to, and needs to take on, a variety of risks. The long-term sustained growth, continued success and reputation of PPS are critically dependent on the quality of risk management. Management is committed to applying best practice and standards, including the implementation of the ISO 31000 standard on Risk Management, Pillar II Risk Management requirements and King III. The PPS Group Risk Management Framework is aligned to such standards.

PPS' risk philosophy is underpinned by its objective of member value creation, continuous enhancement and maintenance of benefits to members and through sustainable profitable growth, in a manner that is consistent with members' expectations of PPS' risk appetite. This means the Group must ensure that a quality risk management culture is sustained throughout its operations, built on the following main elements:

- Adherence to the value system of PPS;
- Proactive risk management;
- A risk awareness culture via management and the business units;
- Disciplined and effective risk management processes and controls, and adherence to risk management standards and limits;
- Compliance with the relevant statutory, regulatory and supervisory requirements by way of a robust compliance risk management process;
- Regular monitoring by the Compliance Department;
- Review of control measures by Internal Audit; and
- Oversight of the risk management process by the Risk Committee.

The Boards ensure that PPS has implemented an effective on-going process to identify risk, measure its potential outcome, and then implement what is necessary to proactively manage these risks. This responsibility includes setting the risk appetite and tolerance of the Group, measuring the relevant risks against it and ensuring that the necessary controls and service level agreements are in place, are effective and are adhered to at all times. Assurance of good corporate governance is achieved through the regular measurement, reporting and communication of risk management performance, which includes progress with risk management plans and improvements to risk management maturity.

Management and employees are responsible for the management of risk in accordance with the risk framework and incorporating risk management into the day-to-day operations of the Group. Management is assisted by the Risk Management Control Function in performing annual risk assessments, updating these quarterly, and agreed mitigating actions are managed utilising CURA software. Risk registers are produced from CURA and reviewed monthly by the Group Executive Committee and quarterly by the Risk Committee for strategic and major operational risks. A Risk Report containing the findings and conclusions of the risk environment of the PPS Group is prepared on a quarterly basis and is reviewed by the Risk Committee and the respective Boards. Other operational risk registers are continuously managed by the relevant business areas.

An opportunity assessment methodology has been implemented by PPS. The purpose of using this methodology is to identify opportunities and the material risks associated with new opportunities, in order to enhance the quality and depth of the risk management process. This methodology also enables an assessment of current strategic objectives against those derived, based on opportunities and the prioritisation of the efforts to get maximum return based on readily accessible resources.

The Risk, Audit, Actuarial, Remuneration and Social and Ethics Committees make reports and recommendations to the Boards, enabling them to discharge their responsibilities in regard to risk management.

MANAGEMENT OF FRAUD AND CORRUPTION RISK AND WHISTLE BLOWING

PPS maintains a Fraud and Corruption Policy and Response Plan and a Whistle Blowing Policy to manage fraud and corruption risk in the PPS Group and to ensure that employees are able to report suspicious activities without fear of retribution. An ethics hotline, operated independently from PPS by Deloitte, provides a facility to enable employees to report suspicious activities and unethical behaviour in a safe environment. All financial crime-related suspicious transactions and reports are managed by the Fraud Committee and other unethical behaviour is managed by the Human Resources Department.

PRINCIPLES AND PRACTICES OF FINANCIAL MANAGEMENT

PPS issues policies with a discretionary element of bonuses and is required to establish and maintain a document setting out its ‘Principles and Practices of Financial Management’ (PPFM) and to provide this document to policyholders. This document outlines PPS’ principles and practices of financial management, in order that policyholders can better understand the profit distribution principles and practices in place at PPS, as well as the investment strategy adopted by the PPS Insurance Board. The PPFM document is available to all policyholders on the PPS website at www.pps.co.za.

INFORMATION TECHNOLOGY (IT) GOVERNANCE

The PPS IT strategy is reviewed by the Group Risk Committee (GRC) and progress is tracked regularly through formal published project plans. This strategy is reviewed annually and progress is highlighted for the GRC along with any adjustments that may have resulted from changed business strategies or environmental developments. This strategy is also regularly reviewed to ensure its alignment with business priorities.

PPS IT applies the standards recommended by the Information Technology Infrastructure Library (ITIL). ITIL is a set of good practices for IT service management that focuses on aligning IT services with the needs of business. These standards describe procedures, tasks and checklists that are not organisation-specific and are recommended to be used for establishing a minimum level of competency. They allow the organisation to establish a baseline from which it can plan, implement and measure. They are used to demonstrate compliance and to measure improvement.

PPS performs annual ITIL maturity reviews which are presented to the GRC. Additionally, in 2014, KPMG IT Advisory performed an IT controls audit, a King III governance audit and an internal security ethical hack. These reviews are intended to provide the Board with independent assurance on the effectiveness and state of internal controls, as well as confidence in the ability of IT to deliver the approved strategies.

The information security objective is to develop a cost-effective strategy that is in alignment with the PPS IT and business strategic objectives. The goal is to deliver this through effective risk management where the investment in the relevant security controls is proportional to the risk exposure. The value delivery of information security will be realised through the secure enablement of new business initiatives and the standardisation from a controls perspective of the environment, thereby reducing the number of incidents related to malicious code and unauthorised end-user modification of systems.

REGULATORY DEVELOPMENTS

During the year under review, there was a significant increase in the volume of proposed legislation and amendments to existing legislation, all of which will impact on the governance and reporting of governance within the PPS Group. This has placed additional responsibilities on the Boards and Management to ensure adherence to, and compliance with, the new requirements.

The most important legislative changes for PPS are highlighted below:

1. SOLVENCY ASSESSMENT AND MANAGEMENT (SAM)

During 2011, the Financial Services Board (FSB) introduced a new methodology for statutory reporting of assets, liabilities and solvency capital requirements for South African insurers, aligned to the European Union Solvency II standard. SAM is planned to come into effect from 1 January 2016, but prior year comparatives will also be required at that time. The SAM project at the FSB has reached the implementation phase. A parallel run commenced in July 2014 and will continue until December 2015 with two distinct phases in order to facilitate a smooth implementation of the SAM requirements. PPS continues to use its project team to ensure the successful implementation of SAM and significant progress has been made against the implementation plan.

PPS participated in the FSB's consultative process preceding the implementation of SAM and submitted three Quantitative Impact Studies from 2012 to 2014. Based on these, PPS Insurance would remain financially sound under the SAM framework and is well-positioned to deal with SAM requirements. The challenges faced are around resource allocation to this project and to ensure that measures are designed that are relevant, given the nature and scale of the business.

2. TREATING CUSTOMERS FAIRLY (TCF) – OVERVIEW OF IMPLEMENTATION PROGRESS AT PPS

PPS has adopted the risk management framework to implement Treating Customers Fairly (TCF). PPS' values fully embrace the successful TCF outcomes and the Social & Ethics Committee regularly considers policies and issues that affect fair treatment of PPS' members. A TCF Steering Committee was established in 2012, which meets regularly to address key issues influencing the PPS progress and to establish guidelines for the wider group. This group reports progress and presents management information to the Social & Ethics and Risk Committee. The Risk Committee provides feedback to the Social and Ethics Committee on risk exposures.

PPS' values clearly embrace the TCF outcomes. This was a key factor in choosing our approach to implementation. Implementation at PPS can best be described as the infiltration and improvement of existing policies, principles and approach to our customers. As such, it has had negligible cost impact, but has resulted in a necessary awareness of how we should approach our day-to-day responsibilities to our customers. In short, it improved the definition of our job roles.

3. 'TWIN PEAKS'

The 'Twin Peaks' model, due for implementation during 2015, is a strategy to divide the financial regulatory system into two regulatory regimes. These two regimes will be headed by a prudential regulator and a market conduct regulator. The FSB will regulate market conduct and the prudential regime will be regulated by the South African Reserve Bank. The objectives of this model are financial stability, consumer protection, combating of financial crimes, and transparency. These changes will be funded, amongst other things, by increasing the levies paid by financial institutions.

2014 saw the draft Financial Sector Regulation Bill, which is an overarching Bill, which confirms the mandates and structures of both regulators and will include TCF principles (Phase 1). After Phase 1, the FSB will focus on further refinement of the powers and functions of each regulator (Phase 2).

4. FOREIGN ACCOUNT TAX COMPLIANCE ACT (FATCA)

FATCA legislation requires financial institutions to apply procedures to identify United States (US) Persons, defined as a "US citizen (including dual citizen) or US resident alien for tax purposes, privately owned domestic corporation, domestic partnership, or a domestic trust or estate", who have invested in either non-US financial accounts or non-US entities. The intent underpinning the legislation is to prevent US Persons from concealing income or assets within offshore jurisdictions. The inter-governmental agreement between the South African Government/SARS and the US IRS (The FATCA* Model 1 Intergovernmental Agreement "IGA"), effectively made compliance with FATCA a statutory obligation under South African law. SARS has proposed a business requirement specification (BRS) to cater for automatic periodical reporting of specified information relating to US Persons by financial institutions. Financial institutions with US citizens are required to register with the IRS to obtain a GINN number. Where a financial institution chooses not to participate in FATCA, withholding agents can impose a withholding tax of 30 % on US sourced income payable to the given financial institution.

Where relevant, the applicable entities in the PPS Group have been registered, except for the PPS Beneficiaries Trust and the PPS RA Fund, which require registration as sponsored foreign financial institutions. The IRS system, however, does not currently allow for such registration.

5. DRAFT LONG-TERM AND SHORT-TERM INSURANCE REGULATIONS ON DEMARCATION BETWEEN HEALTH POLICIES AND MEDICAL SCHEMES

Following a host of comments received by National Treasury after the publication of the first Draft Demarcation Regulations, National Treasury released the Second Draft Demarcation Regulations in May 2014 for public comment. The Demarcation Regulations specify which types of health insurance policies are permissible under the Long-term Insurance Act, No 52 of 1998 (and accordingly excluded from regulation under the Medical Schemes Act ,131 of 1998) despite also meeting the definition of the business of a medical scheme. PPS submitted extensive comments to the Regulator as some of its products may be impacted by the draft regulations. Publication of the final regulations is awaited to determine the final impact thereof.

6. RETAIL DISTRIBUTION REVIEW (RDR)

The FSB released a discussion paper outlining the results of its Retail Distribution Review (RDR) in 2014.

The RDR paper sets out a total of 55 specific proposals that cover:

- Types of services provided by intermediaries;
- Relationships between product suppliers and intermediaries; and
- Intermediary remuneration.

The desired outcomes of the RDR are distribution models that:

- Support the delivery of suitable products and provide fair access to suitable advice for financial customers;
- Enable customers to understand and compare the nature, value and cost of advice and other services intermediaries provide;
- Enhance standards of professionalism in financial advice and intermediary services to build customer confidence and trust;
- Enable customers and distributors to benefit from fair competition for quality advice and intermediary services, at a price more closely aligned with the nature and quality of the service; and
- Support sustainable business models for financial advice that enable adviser businesses to viably deliver fair customer outcomes over the long term.

RDR will have a significant impact on how product suppliers and financial service providers conduct their business. PPS Group is working with ASISA to provide comments to the Regulator on the discussion paper. An internal process was also launched to understand the full impact of RDR on PPS' business.

OTHER CURRENT AND UPCOMING REGULATORY CHANGES

The following legislative changes were implemented or significant progress was made in implementation during 2014:

Financial Services Laws General Amendment Act:	Amends eleven pieces of legislation including the Long-term Insurance Act and the FAIS Act: • Makes the FSB the super regulator over financial institutions; • Exempts long and short-term insurers from the Consumer Protection Act; • Gives the FSB powers to stop insurers from carrying on business if corporate governance is not followed; • Does away with court approvals for transfer of insurance business and amalgamations; • Proposes to allow inducement if in line with Policyholder Protection Rules; • Increases fines for transgression of the Long-term Insurance Act from R100 000 to R5 million and R10 million; • Prohibits persons overseeing the rendering of financial services without the FSB's approval as a Key Individual; • Empowers the FSB to liquidate an FSP if there is evidence of financial mismanagement.
Protection of Personal Information Act:	Regulates the protection of personal information, but only the sections dealing with the creation of the Regulator were enacted. PPS has a project under way that manages the information technology implication of the Act, and has already implemented a number of controls to meet the requirements.

BOARD COMPOSITION

The Group is governed by PPS Holdings Trust, which has a unitary board of trustees, twelve of whom are directly nominated and elected by the members of PPS Holdings Trust, assisted by Boards of Directors and management committees as detailed below. The Board of PPS Holdings Trust is comprised solely of independent non-executive trustees.

The wholly-owned principal operating subsidiary, PPS Insurance, has a majority of independent non-executive directors, eight of whom are nominated members of the PPS Holdings Trust Board, and also includes directors with specialist skills appropriate to the insurance and investment industries. The PPS Insurance Board is accountable to the PPS Holdings Trust Board for the achievement of strategic objectives determined by the PPS Holdings Trust

Board in furthering the interests of its members. These objectives pertain to:

- Operational efficiency;
- Investment returns;
- Membership and sales growth;
- Service to PPS members.

The primary operating subsidiaries of PPS Insurance are set out in the Trustees' Report and their Boards are comprised of executive and non-executive directors and trustees as appropriate.

TRUSTEES OF THE PROFESSIONAL PROVIDENT SOCIETY HOLDINGS TRUST

Trustee	Age*	Qualification	Classification	Term of Office
Mr E A Moolla (Chairman) Independent Non-executive	64	B Iuris	Elected	Appointed 11 March 2002 Ends June 2016
Dr S N E Seoka (Deputy Chairman) Independent Non-executive	59	B Pharm, PhD, FPS	Co-opted annually	Appointed 15 August 2005 Ends N/A
Adv T N Aboobaker Independent Non-executive	61	BA, LLB	Nominated annually(1)	Appointed 4 December 2006 Ends N/A
Dr N G Campbell Independent Non-executive	64	BDS	Elected	Appointed 9 March 2002 Ends June 2017
Ms D L T Dondur Independent Non-executive	48	B Acc (Hons), B Compt, CA(SA), MBA	Nominated annually(2)	Appointed 6 July 2011 Ends N/A
Mr J A B Downie Independent Non-executive	56	B Sc, MBA, CFP	Co-opted annually	Appointed 15 April 2010 Ends N/A
Dr D P du Plessis Independent Non-executive	60	B Sc, MBA, DBA	Elected	Appointed 3 June 2013 Ends June 2016
Mr U D Jivan Independent Non-executive	52	BA, LLB	Elected	Appointed 8 June 2009 Ends June 2015
Mr I Kotzé Independent Non-executive	58	B Pharm	Nominated annually(3)	Appointed 27 August 2001 Ends N/A
Dr C M Krüger Independent Non-executive	49	MB ChB, M Prax Med, M Pharm Med	Elected	Appointed 21 June 2004 Ends June 2015
Mr N C Nyawo Independent Non-executive	35	B Com (Hons), CA(SA), PG Dip Bus Admin, MBA	Elected	Appointed 2 June 2014 Ends June 2017
Dr J Patel Independent Non-executive	62	B Chd	Nominated Annually(4)	Appointed 8 June 2009 Ends N/A
Mr P Ranchod Independent Non-executive	59	B Compt (Hons), CA(SA), MBL H Dip Business Data Processing	Elected	Appointed 6 June 2011 Ends June 2017
Mr V P Rimbault Independent Non-executive	51	B Sc Eng (Mech)	Nominated annually(5)	Appointed 12 September 2011 Ends N/A
Mr D L Smollan Independent Non-executive	41	B Com, CA(SA), CFA, PG Dip Organisational Leadership	Elected	Appointed 3 June 2013 Ends June 2015
Dr M W Sonderup Independent Non-executive	46	B Pharm, MB ChB, FCP (SA)	Nominated annually(6)	Appointed 29 March 2012 Ends N/A

Trustee	Age*	Qualification	Classification	Term of Office
Mr B R Topham Independent Non-executive	43	B Compt (Hons), B Proc, LLM, CA(SA), CA (England and Wales)	Elected	Appointed 2 June 2014 Ends June 2017
Mr S Trikamjee Independent Non-executive	36	B Com (Hons), CA(SA)	Elected	Appointed 8 June 2009 Ends June 2015
Dr D R Anderson Independent Non-executive		BDS, Dip POM, FCD (SA) OMP	Elected	Appointed 27 August 2001 Deceased 22 September 2014
Ms U Botha Independent Non-executive	46	B Proc, LLM, MBA	Elected	Appointed 6 June 2011 Resigned 2 June 2014
Mr Y N Gordhan Independent Non-executive	64	B Com (Hons), CA(SA), M Sc	Elected	Appointed 17 June 2008 Retired 2 June 2014
Mr H A C van den Bout Independent Non-executive	39	B Com (Hons), LLM, MBA	Elected	Appointed 4 June 2012 Resigned 24 November 2014

**As at 25 March 2015*

N/A = Not applicable

Nominated by:

1. The General Council of the Bar of South Africa
2. The South African Institute of Chartered Accountants
3. The Pharmaceutical Society of South Africa
4. The South African Dental Association
5. The Professional Engineers' Societies
6. The South African Medical Association

PPS INSURANCE BOARD

Director	Age*	Status
Mr C Erasmus (Chairman) (Appointed as Chairman 24 November 2014)	63	Independent Non-executive
Dr N G Campbell	64	Independent Non-executive
Ms D L T Dondur	48	Independent Non-executive
Mr J A B Downie	56	Independent Non-executive
Mr I Kotzé	58	Independent Non-executive
Mr E A Moolla	64	Independent Non-executive
Mr N G Payne	55	Independent Non-executive
Mr P Ranchod	59	Independent Non-executive
Dr S N E Seoka	59	Independent Non-executive
Prof H E Wainer	53	Independent Non-executive
Mr M J Jackson (Chief Executive)	64	Executive
Mrs T Boesch (Financial Director)	40	Executive
Mr C K de Klerk (Executive Director: Actuarial and Technical)	43	Executive
Dr D R Anderson (Former Chairman) (Deceased 22 September 2014)		Independent Non-executive
Mr Y N Gordhan (Resigned 2 June 2014)	64	Independent Non-executive

**As at 25 March 2015*

DIRECTORS/TRUSTEES OF SUBSIDIARIES AND AFFILIATES:

PPS Namibia	Professional Medical Scheme administrators
Director	**Director**
Dr E Maritz (Chairman)	Mr M J Jackson (Chairman)
Adv N Bassingthwaighte	Mrs T Boesch
Mr M J Jackson	Dr N G Campbell
Mr J N Marsden	Dr C M Krüger
Dr O J Oosthuizen	
Mr W A V J Vermeulen	

PPS BEE SPV	PPS Marketing Services	PPS Investments	Plexus Properties
Director	**Director**	**Director**	**Director**
Dr S N E Seoka (Chairman)	Mr M J Jackson (Chairman)	Mr E A Moolla (Chairman)	Mr M J Jackson (Chairman)
Mr E A Moolla	Mrs T Boesch	Mr N J Battersby	Mrs T Boesch
Mr E G Joubert	Mr C K de Klerk	Mrs T Boesch	Mr C K de Klerk
(Resigned 23 June 2014)	Mr C Erasmus	(Appointed 23 June 2014)	
Mr P Ranchod	Mr N Hoosen	Mr C K de Klerk	
(Appointed 23 June 2014)		Mr M J Jackson	
		Mr P J Koekemoer	
		Mr A C Pillay	

PPS Multi-Managers	PPS Management Company	PPS Personal Pension Retirement Annuity Fund
Director	**Director**	**Trustee**
Mr C K de Klerk (Chairman)	Mr N J Battersby (Chairman)	Mrs R G Govender (Chairman)
Mr N J Battersby	Mr C K de Klerk	Mr A Bosch
Mr D Crosoer	Mr S M Gerber	Mr J A B Downie
(Appointed 18 March 2014)	Mr A J Woolfson	Mr H P du Toit
		Adv T J Ferreira (Appointed 1 June 2014)

PPS Preservation Provident Fund	PPS Preservation Pension Fund	PPS Property Fund Trust
Trustee	**Trustee**	**Trustee**
Mrs R G Govender (Chairman)	Mrs R G Govender (Chairman)	Mr M J Jackson (Chairman)
Mr A Bosch	Mr A Bosch	Mrs T Boesch
Mr J A B Downie	Mr J A B Downie	Mr C K de Klerk
Mr H P du Toit	Mr H P du Toit	Mr V Schroeder
Adv T J Ferreira	Adv T J Ferreira	
(Appointed 1 June 2014)	(Appointed 1 June 2014)	

PPS Retirement Annuity Fund	PPS Beneficiaries Trust
Trustee	**Trustee**
Mr J A B Downie (Chairman)	Mr S Trikamjee (Chairman)
Mrs R G Govender (Deputy Chairman)	Ms D L T Dondur
Ms D L T Dondur	Mr Y N Gordhan (Resigned 2 June 2014)
Mr H P du Toit	Mr H A C van den Bout (Resigned 24 November 2014)
Mr M D Eustace	Dr D P du Plessis (Appointed 1 December 2014)
Mr E Huggett	
Mr U D Jivan	
Dr S N E Seoka	
Mr H A C van den Bout (Resigned 24 November 2014)	

FUNCTIONING OF THE BOARDS AND BOARD COMMITTEES

The Boards, Board committees and Group Chief Executive are assisted by the Group Executive Committee and various other management sub-committees established by the Group Executive Committee.

The members of the Boards receive timely, accurate and relevant information to enable them to fulfil their duties. All new directors and trustees undergo a formal induction process, which includes meeting the Group's senior management to discuss key aspects of the business and the governance thereof, and includes comprehensive documentation regarding the governance of the Group. All directors and trustees are encouraged to undertake continuing professional development, training and education throughout their term of office and PPS sponsors membership of the Institute of Directors for its Board members.

The Chairmen's key responsibilities are to provide leadership to the Boards, to oversee the determination of strategy, to guide the process to ensure a balance in the composition of the Boards and to promote effective communication between executive and non-executive directors/trustees.

The Chief Executive has overall responsibility for the management of the PPS Group's business and its operations, in line with the policies and strategic objectives set and agreed by the PPS Insurance Board. The Chief Executive reports to the PPS Insurance Board on the performance of the PPS Group and any other material matters at Board meetings. He reports on how the Group has performed against key indicators following the monthly meetings of the Executive Committee, which manages the PPS Group's business on a day-to-day basis. Key reports are reviewed at the meetings of the PPS Insurance Board when the Chief Executive highlights significant issues and other executive and non-executive directors are invited to contribute, as appropriate. The Chief Executive also reports on the performance of PPS Insurance to the PPS Holdings Trust Board against the strategic objectives determined for PPS Insurance by the PPS Holdings Trust Board.

Additional papers on issues upon which the Boards are required to make decisions are submitted, where appropriate, and members of senior management regularly attend Board meetings by invitation to present papers and to deal with issues raised by the Boards.

GROUP COMPANY SECRETARY

The Chairmen of the Boards of PPS Holdings Trust, PPS Insurance and its subsidiaries, the Board sub-committees and the Group Chief Executive are assisted by the Group Company Secretary in ensuring good corporate governance, the determination of agendas for meetings and ensuring that Board members and executives are appropriately informed to enable them to discharge their duties. The Group Company Secretary also has a significant role in supporting the Group Nominations Committee in the discharge of its duties.

All trustees and directors have direct access to the services of the Group Company Secretary who is also appointed as the Secretary to PPS Holdings Trust and as a member and secretary of the Group Executive Committee. He advises them on all corporate governance matters, on Board procedures and on compliance with PPS Holdings Trust's trust deed and PPS Group companies' memoranda of incorporation.

Comprehensive agendas and papers are provided to the Boards by the Group Company Secretary in advance of the meetings of the Board, subsidiary Boards and Board committees, including circulation of committee minutes and reports to the appropriate Boards. The Group Company Secretary also has responsibility for all subsidiary companies and the minutes of all Board, subsidiary Board and Board committee meetings are prepared by the Group Company Secretary and maintained in the appropriate PPS Group records.

Members of the Boards have access to independent professional advice as may be required, at the Group's expense, in order to discharge their responsibilities as directors and trustees.

BOARD CHARTERS AND TRUST DEED

In accordance with the principles of sound corporate governance, the Board Charters for the PPS Holdings Trust and PPS Insurance Boards – modelled on the Charter principles recommended by King III and adapted to the requirements of PPS – incorporate the powers of the Boards, providing a clear and concise overview of the division of responsibilities and accountability of Board members, collectively and individually, to ensure a balance of power and authority.

The trust deed of the PPS Holdings Trust incorporates key elements of the Companies Act, 2008, and its trustees have similar responsibilities and duties to those of company directors, including the statutory responsibilities imposed on directors by the Companies Act.

Each committee of the Boards acts within agreed terms of reference and the Chairman of each committee reports, where appropriate, to the Board which constituted such committee at the scheduled meetings of that Board. Where appropriate, the minutes of the committee meetings are tabled at Board meetings. The Chairmen of the PPS Holdings Trust and PPS Insurance Boards are independent non-executive trustees/directors. At PPS Insurance, the roles of Chairman and Chief Executive Officer are separated, with a clear division of responsibility to ensure distinction between their respective duties and responsibilities. The Chairman has no executive functions. The role of all trustees and directors is to bring independent judgement and experience to the Boards' decision-making process and act in the best interests of the trust/company on whose Board such trustee/director serves.

BOARD APPOINTMENTS AND SUCCESSION PLANNING

The PPS Holdings Trust Board comprises of twenty trustees, all of whom are non-executive independent trustees. In terms of its trust deed, PPS members may nominate and elect 12 members to the Board of PPS Holdings Trust at its annual general meeting. A further six members of the current Board of PPS Holdings Trust are, subject to the approval of the Group Nominations Committee and in accordance with the provisions of the Trust Deed, nominated to serve on the PPS Holdings Trust Board by professional associations whose members are significantly represented in the PPS membership base. The Board has co-opted a further two members for their specific skills. There are currently two elected member vacancies, which will be filled at the forthcoming annual general meeting. Board members who are not representative of a professional association or are co-opted, are appointed for specific terms and re-appointment is not automatic. In turn, the PPS Holdings Trust Board appoints the Board of PPS Insurance, which in turn, appoints the Board members of its subsidiaries. Under delegated authority of the Board, the Group Nominations committee, within its powers, evaluates, selects and recommends for appointment the PPS Group trustees and directors, including the Chief Executive Officer, executive directors and non-executive directors/trustees and Board Committee members, taking into account the regulatory requirements for the appointment of directors/trustees of long-term insurance companies and their holding entities.

The Group Nominations Committee considers non-executive trustee succession planning and makes appropriate recommendations to the PPS Holdings Trust Board. This encompasses an evaluation of the skills, knowledge and experience required to add value to the PPS Group, for trustees standing for re-election, as well as for new candidates standing for election for the first time. All elections are made in terms of a formal and transparent procedure and are subject to approval by the members of PPS Holding Trust at the annual general meeting. The PPS Group believes that its Boards are appropriately constituted to meet statutory requirements and the PPS Group's needs.

Candidates who have been nominated for service on PPS Boards are required to clearly identify any conflict or potential conflict of interest with the activities of PPS Holdings Trust, its subsidiaries and affiliates. Candidates who are financial advisors or intermediaries, or hold any office or interest, directly or indirectly, in any entity which competes in the same sphere of business as the PPS Group do not qualify for appointment to any PPS Group Board.

CHAIRMAN AND DEPUTY CHAIRMAN OF THE PPS HOLDINGS TRUST BOARD OF TRUSTEES

Mr E A Moolla has held the position of Chairman of the PPS Holdings Trust Board of Trustees since 2012. Dr S N E Seoka has held the position of Deputy Chairman of the PPS Holdings Trust Board of Trustees since 2012. In terms of PPS Insurance's Memorandum of Incorporation, the Chairman and Deputy Chairman of PPS Holdings Trust are appointed *ex officio* to the Board of PPS Insurance and form part of the eight PPS Holdings Trust trustees nominated to serve on the PPS Insurance Board of Directors.

CHAIRMAN AND DEPUTY CHAIRMAN OF THE PPS INSURANCE BOARD OF DIRECTORS

Dr D R Anderson was elected to the Board of the Professional Provident Society in 1991 and was elected as Deputy Chairman of the Board in 1996 and as Chairman in 1998. On incorporation of the Society as a company in 2001, Dr Anderson was elected as Chairman of the PPS Insurance Board and held that position until his untimely and unexpected passing on 22 September 2014. Mr Charles Erasmus, who had been elected to the position of Deputy Chairman of the Board in 2011, was elected as Chairman of PPS Insurance on 24 November 2014. The position of Deputy Chairman of the Board has not yet been filled.

BOARD PERFORMANCE ASSESSMENT

The Group Nominations Committee has instituted a formal and comprehensive Board evaluation programme for the assessment of PPS' trustees and directors. In terms of this programme the Boards of PPS Holdings Trust and PPS Insurance, as well as the individual trustees and directors serving on those Boards were evaluated at the commencement of 2015 with the assistance of an independent third party consultant in accordance with best local and international governance and board evaluation practices, including the Fit and Proper requirements stipulated by the SAM regulation. The results of the evaluation are currently being considered for appropriate response. The PPS Holdings Trust and PPS Insurance Board sub-committees and the PPS Group subsidiary Boards will similarly be evaluated in due course.

RETIREMENT OF BOARD MEMBERS BY ROTATION

One-third of the 12 elected trustees of the PPS Holdings Trust, who are not representatives of a professional association or co-opted, and are appointed in terms of clause 7 of the Trust Deed, and who are in office as at the date of the annual general meeting, are subject to retirement by rotation at least every three years, but may stand for re-election at the annual general meeting, subject to the approval of the Nominations Committee. The names and abbreviated curricula vitae of the trustees who are retiring by rotation and are eligible for re-election, as well as for new nominees standing for election, at the forthcoming annual general meeting to be held on 1 June 2015, are stated in the notice of annual general meeting commencing on page 165 and up to page 167 of this Corporate Governance Report.

INTERESTS IN CONTRACTS AND CONFLICTS OF INTEREST

Trustees and directors are required to avoid conflicts of interest, where possible, and where it cannot be avoided, to inform the respective Board/s on which they serve timeously of conflicts or potential conflicts of interest that they may have in relation to particular items of business and they are obliged to recuse themselves from discussions or decisions in relation to such matters. Trustees and directors are also required to disclose their interests in, and directorships of, other companies/entities in accordance with statutory requirements and to inform the Boards when any changes occur. During the year ended 31 December 2014, none of the directors/ trustees had disclosed any interest in contracts or arrangements entered into by the PPS Group. Directors and trustees are required to submit and maintain written declarations of interests, which are presented to the respective Boards at each Board meeting and Board members are required to acknowledge in writing that they have read the written disclosures submitted.

PROFESSIONAL INDEMNITY INSURANCE

Adequate directors' and officers' liability insurance and indemnity cover has been effected by the PPS Group in respect of all its trustees, directors and officers. No claims under the relevant policy were lodged during the year under review.

MEETINGS AND ATTENDANCE

The schedules below set out the PPS Holdings Trust and PPS Insurance Board meetings held during the year and attendance thereat:

The PPS Holdings Trust	26 March 2014	9 June 2014	29 September 2014	1 December 2014
Mr E A Moolla (Chairman)	✓	✓	✓	✓
Dr S N E Seoka (Deputy Chairman)	✓	✓	✓	✓
Adv T N Aboobaker	✓	✓	✓	✓
Dr D R Anderson (Deceased 22 September 2014)	✓	✓	N/A	N/A
Ms U Botha (Resigned 2 June 2014)	AP	N/A	N/A	N/A
Dr N G Campbell	✓	✓	✓	✓
Ms D L T Dondur	✓	✓	✓	✓
Mr J A B Downie	✓	✓	✓	✓
Dr D P du Plessis	✓	✓	✓	AP
Mr Y N Gordhan (Retired 2 June 2014)	✓	N/A	N/A	N/A
Mr U D Jivan	✓	✓	✓	✓
Mr I Kotzé	✓	✓	✓	✓
Dr C M Krüger	✓	✓	✓	✓
Mr N C Nyawo (Appointed 2 June 2014#)	N/A	N/A	✓	✓
Dr J Patel	AP	✓	✓	✓
Mr P Ranchod	✓	✓	✓	✓
Mr V P Rimbault	✓	✓	✓	✓
Mr D L Smollan	✓	✓	✓	✓
Dr M W Sonderup	AP	✓	✓	✓
Mr B R Topham (Appointed 2 June 2014#)	N/A	N/A	✓	✓
Mr S Trikamjee	✓	✓	✓	✓
Mr H A C van den Bout (Resigned 24 November 2014)	✓	✓	✓	N/A

AP = Apology

N/A = Not Applicable

 # = These appointments did not come into effect until the issue of Letters of Authority by the Master of the High Court on 3 July 2014

PPS Insurance Company Limited	22 Jan 2014#	5 Feb 2014	24 Feb 2014	24 Mar 2014	23 Jun 2014	3 Sep 2014	17 Sep 2014#	22 Sep 2014	24 Nov 2014
Dr D R Anderson (Chairman) (Deceased 22 September 2014)	✓	✓	✓	✓	✓	✓	AP	AP	N/A
Mr C Erasmus (Chairman) (Appointed 24 November 2014)	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mrs T Boesch	✓	AP	✓	✓	✓	✓	✓	✓	✓
Dr N G Campbell	N/A	✓	✓	✓	✓	✓	N/A	✓	✓
Mr C K de Klerk	✓	✓	✓	✓	✓	✓	✓	✓	✓
Ms D L T Dondur	N/A	✓	✓	✓	✓	✓	N/A	✓	✓
Mr J A B Downie	✓	✓	✓	✓	✓	✓	N/A	✓	✓
Mr Y N Gordhan(Resigned 2 June 2014)	N/A	✓	✓	✓	N/A	N/A	N/A	N/A	N/A
Mr M J Jackson	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr I Kotzé (Appointed 9 June 2014)	N/A	N/A	N/A	N/A	✓	AP	N/A	✓	✓
Mr E A Moolla	✓	✓	✓	✓	✓	✓	N/A	✓	✓
Mr N G Payne	✓	✓	✓	AP	✓	AP	✓	✓	✓
Mr P Ranchod	N/A	✓	✓	✓	✓	✓	N/A	✓	✓
Dr S N E Seoka	N/A	✓	✓	✓	✓	✓	N/A	✓	✓
Prof H E Wainer	✓	✓	✓	✓	✓	✓	✓	✓	✓

 # = Board sub-committee meetings, only the members of the sub-committees were required to attend

AP = Apology

N/A = Not Applicable

BOARD COMMITTEES

A number of standing Board-appointed committees have been established to assist the Boards in discharging their responsibilities.

The membership and principal functions of these committees are set out below.

The various committee members as well as their attendance at the relevant committee meetings are provided in this Corporate Governance Report, the Report of the Audit Committees and the Report of the Group Social and Ethics Committee.

PPS HOLDINGS TRUST STANDING BOARD COMMITTEES

The PPS Holdings Trust Board has established the following standing Board committees:

- PPS Holdings Trust Audit Committee
- Group Nominations Committee

PPS INSURANCE STANDING BOARD COMMITTEES

The PPS Insurance Board has established the following standing Board committees:

- Actuarial Committee
- Group Audit Committee
- Group Remuneration Committee
- Group Risk Committee
- Group Social and Ethics Committee

PPS HOLDINGS TRUST AUDIT COMMITTEE (TAC) AND GROUP AUDIT COMMITTEE (GAC)

The composition, roles, responsibilities and attendance at meetings of the TAC and GAC are set out in the Audit Committees' Report on pages 64 to 67.

GROUP RISK COMMITTEE (RC)

Members

Mr N G Payne (Chairman)

Mr C Erasmus

Mr M J Jackson

The RC comprises two independent non-executive PPS Insurance directors, who are risk management specialists, and the Chief Executive Officer. The RC is chaired by an independent non-executive director. The Board is satisfied that the members of the RC have sufficient recent and relevant financial and risk management experience to enable them to carry out their duties and responsibilities. The RC is scheduled to meet at least four times a year. The non-executive members of the RC are also members of the GAC. The internal auditors and heads of Group Compliance and Risk Management are present at each meeting, when reports are tabled outlining the progress in terms of the risk management framework, internal audit plans and an overview of the Group's risk profile. The RC is satisfied that the risk assessments, responses and interventions are effective. The RC is also responsible for the statutory compliance monitoring functions and makes reports to the GAC and Group Social and Ethics Committee on risk matters pertaining to those Committees.

The Risk Committee meetings held during the year and the attendance thereat were as follows:

Group Risk Committee	12 Mar 2014	10 June 2014	10 Sep 2014	10 Nov 2014
Mr N G Payne (Chairman)	✓	✓	✓	✓
Mr C Erasmus	✓	✓	✓	✓
Mr M J Jackson	✓	✓	✓	✓

ACTUARIAL COMMITTEE (AC)

Members

Mr C Erasmus (Acting Chairman since 22 September 2014)

Mr N G Payne

Prof H E Wainer

Dr D R Anderson (Chairman) (Deceased 22 September 2014)

The AC is chaired by an independent non-executive director and is comprised solely of independent non-executive directors of PPS Insurance.

The AC has an important role in ensuring the integrity of actuarial processes and the proper assessment of PPS Insurance's risk philosophy from an actuarial perspective, strategy, policies, financial and operational processes and controls, as well as assessments of major risks from an actuarial perspective. The AC's activities are focused on actuarial assumptions, parameters, valuations and reporting guidelines and practices adopted by the Statutory Actuary as well as other actuarial matters as appropriate to PPS Insurance and any of its subsidiaries operating a life license. The AC is playing a significant role in the implementation of SAM regulation by PPS and in the development of policies required in terms of SAM.

The AC acts as an independent advisor to the Board and has the following primary responsibilities:

- To assist the Board in fulfilling its oversight responsibilities regarding:
  - the accuracy and integrity of the actuarial statements;
  - the compliance with actuarial, legal and regulatory requirements; and
  - the performance of PPS Insurance's actuarial function.
- To assist the PPS Insurance Board in executing its fiduciary duties to policyholders; and
- To provide a sounding board for the Statutory Actuary in making recommendations to the Board and to consider, for tabling at Board meetings, the recommendations of the Statutory Actuary.

The AC meetings held during the year and attendance thereat were as follows:

Actuarial Committee	10 Feb 2014	9 April 2014	30 June 2014	8 Oct 2014
Dr D R Anderson (Chairman) (Deceased 22 September 2014)	✓	✓	✓	N/A
Mr C Erasmus (Acting Chairman from 22 September 2014)	✓	✓	✓	✓
Mr N Payne	AP	✓	✓	✓
Prof H E Wainer	✓	✓	AP	✓

AP = Apology

GROUP REMUNERATION COMMITTEE (REMCO)

Members

Mr C Erasmus (Acting Chairman since 22 September 2014)

Mr E A Moolla

Mr N G Payne

Dr D R Anderson (Chairman) (Deceased 22 September 2014)

REMCO is chaired by an independent PPS Insurance director and comprises solely of non-executive directors of PPS Insurance. The Group Chief Executive Officer, who is the executive responsible for people management, attends the meetings by invitation. The Group Chief Executive is recused from any discussion of his own remuneration. Meetings are held at least three times a year, but additional meetings are scheduled as may be required.

The primary responsibilities of REMCO are considering and making recommendations to the Boards on matters such as remuneration and benefits, performance bonuses, executive remuneration, directors' and trustees' remuneration and fees, the short-term incentive scheme and long-term incentive scheme and succession planning. REMCO considers the level of salary and the principles of any variable element of remuneration packages and also considers other aspects of remuneration packages and associated matters in accordance with its published terms of reference. Execution of policy is delegated to management.

PPS operates in the highly competitive Financial Services Industry, where skills are scarce. The pressure for continuous product enhancement, excellent customer service, compliance, and growth in sales and membership, mean that we have to continuously recruit and retain top quality staff.

Our employee value proposition has to be highly competitive to ensure that PPS remains attractive to skilled staff. The requirements of BEE and specifically employment equity have to be taken into account and the shortage of skilled black staff remains a major challenge.

As a non-listed entity, PPS does not have the advantage of share options to attract and retain staff and we therefore have to be more creative with our salary packages to ensure they provide both short- and long-term incentives.

Short-term incentives for the Group's top 25 executives focus on operational performance based on a 'balanced scorecard' model and are funded out of operating profit. Strictly applied performance criteria are reviewed by the Remuneration Committee, based on recommendations of the CEO.

Long-term incentives are based on growth in members' apportionment accounts once a hurdle has been exceeded. Approximately 50 staff (out of a total complement of approximately 1 000) participate in the long-term incentive scheme. The key principle of our incentive schemes is to ensure alignment of management and member interests.

Where incentives are target based, most of the targets are related to budget achievement and, as such, are objectively monitored and measured. The targets that are more subjective are given considerable scrutiny by REMCO to ensure that the members of REMCO have satisfied themselves that they have exercised their judgement appropriately. The management team is assessed using a 'Balanced Scorecard' approach where the key drivers of the business, both financial and non-financial, are measured. The objective in both the short and long-term, is to align rewards with management's performance and members' interests. Special care has been taken to ensure that the taking of excessive risk is not rewarded.

PPS has developed into a multi-faceted financial services group, with long-term insurance, short-term insurance, asset management and medical scheme administration businesses. Assets exceed R30 billion, premiums and contributions exceed R5 billion and the Group employs in excess of 1 000 staff members. The knowledge and expertise required of PPS' Board members in order to direct the business of the Group have increased concomitantly.

The Group Remuneration Committee has been mandated, *inter alia*, with responsibility for the determination of the remuneration of the non-executive trustees and directors of the PPS Group for recommendation to the respective Boards for approval.

This determination of remuneration is achieved through a rigorous annual review process which incorporates the following elements:

- An evaluation of the specific role and responsibilities pertaining to the Board members of each PPS Group entity, including the differentiated roles of chairmen, deputy chairmen, specialists and Board committees.
- An evaluation of the number of regular meetings and time required in order to discharge the responsibilities of the respective Boards and Board committees.
- Benchmarking of the PPS Group's non-executive trustee/director remuneration against insurers and other financial services companies of a comparable size and complexity, as well as authoritative remuneration research reports published by PWC, KPMG and similar institutions.
- An assessment of the competitiveness of the remuneration in terms of the prevailing economic climate and the ability to attract suitable expertise to the PPS Group Boards.

Non-executive directors/trustees are remunerated on the basis of annual retainers, as well as attendance fees for each meeting attended. Non-executive directors/trustees do not participate in the PPS Group's long-term or short-term incentive schemes.

After approval of the recommended non-executive trustee/director remuneration by the respective Boards, the remuneration of the PPS Holdings Trust trustees for the forthcoming year is presented to its members for approval by special resolution (requiring a 75% vote in favour of such resolutions) at the annual general meeting, in advance of making payment of such remuneration to the trustees. The remuneration of the non-executive directors of PPS Group companies is similarly approved by special resolution at their respective annual general meetings.

Following the untimely passing of Dr Anderson, Mr C Erasmus was appointed as acting Chairman of REMCO and a new REMCO Chairman will be appointed in June 2015, following the annual reconstitution of the PPS Insurance Board after the PPS Holdings Trust annual general meeting.

The REMCO meetings held during the year and the attendance thereat were as follows:

Group Remuneration Committee	12 Mar 2014	5 May 2014	11 Aug 2014	8 Oct 2014
Dr D R Anderson (Chairman) (Deceased 22 September 2014)	✓	✓	✓	N/A
Mr E A Moolla	✓	✓	✓	✓
Mr C Erasmus (Acting Chairman from 22 September 2014)	✓	✓	✓	✓
Mr N G Payne	✓	✓	✓	✓

GROUP NOMINATIONS COMMITTEE (GNC)

The GNC is a sub-committee of the PPS Holdings Trust Board with responsibility for PPS Holdings Trust and its subsidiaries.

Members

Mr E A Moolla (Chairman)

Dr N G Campbell

Dr C M Krüger

Dr S N E Seoka.

Dr D R Anderson (Deceased 22 September 2014)

The GNC is chaired by an independent trustee and comprises solely of independent non-executive trustees of the PPS Holdings Trust.

It is the responsibility of the GNC to ensure that plans are in place for appointments to the Boards of PPS Holdings Trust and its subsidiaries that will maintain an appropriate balance of qualifications, skills and experience. The GNC leads the process for appointment and re-election of trustees and directors and makes recommendations to the Boards for the appointment of PPS Group Boards and committees, ensuring that there is a formal, rigorous and transparent procedure for such appointments. The PPS Holdings Trust Board is satisfied that the range and balance of expertise, experience and qualifications of the members are appropriate for the current needs of the business, but keeps these matters under regular review.

The GNC annually considers the continued service of Board members with a period of appointment in excess of nine years and is satisfied that such Board members still meet the requirements for independence.

The Board is responsible for ensuring that an effective system for succession planning and management development is in place, which covers trustees and directors. In considering an appointment, the GNC assesses and defines the characteristics, qualities, skills and experience it believes would complement the overall balance and composition of the PPS Holdings Trust Board, subsidiary Boards and Board sub-committees, ensuring compliance with fit and proper requirements. The GNC may appoint external consultants to assist it in the identification and recruitment of an individual who satisfies the GNC's criteria. Where the GNC is considering matters relating to an individual who is a member of the GNC, such individual is recused from discussion of that item.

The GNC is satisfied that each non-executive trustee and director achieves the commitment required to properly discharge their responsibilities. The directors and trustees have continued to update their skills and knowledge, both within the PPS Group and externally. The GNC is responsible for the evaluation of the Boards and Board members, including compliance with enhanced requirements regarding independence and being fit and proper for serving on an insurance company Board in terms of SAM regulation.

The GNC meetings held during the year and the attendance thereat were as follows:

Group Nominations Committee	10 Mar 2014	14 May 2014	2 June 2014	12 Nov 2014
Mr E A Moolla (Chairman)	✓	✓	✓	✓
Dr D R Anderson (Deceased 22 September 2014)	✓	✓	✓	N/A
Dr N G Campbell	✓	✓	✓	✓
Dr C M Krüger	✓	✓	✓	✓
Dr S N E Seoka	✓	✓	✓	✓

GROUP SOCIAL AND ETHICS COMMITTEE (SEC)

Particulars of the composition, role and responsibilities of the SEC and attendance at meetings are set out in the SEC's report on pages 68 to 69.

GROUP EXECUTIVE COMMITTEE (GROUP EXCO)

Members

Mr M J Jackson (Chairman) (Group Chief Executive)

Mr V E Barnard (Group Company Secretary)

Mr N J Battersby (Chief Executive: PPS Investments)

Mrs T Boesch (Executive Director: Finance)

Mr S R Clark (Executive: Life Administration and Systems)

Mr C K de Klerk (Executive Director: Actuarial and Technical)

Mr R Govenden (Executive: Human Resources)

Dr H P D Hoffman (Chief Executive: Professional Medical Scheme Administrators)

Mr N Hoosen (Chief Executive: Short-term Insurance)

Mr E G Joubert (Executive: Marketing and Stakeholder Relations)

Mr J N Marsden (National Sales Director)

Dr D Stott (Executive: Medical Standards and Services)

Ms Z Saungweme (Executive: Digital and Social Media)

Composition and meeting procedures

Exco is chaired by the Group Chief Executive and has regular input from executives in Operations, Sales, Finance, Actuarial, IT, Human Resources, Compliance, Governance, Marketing and Stakeholder Relations, the Group Company Secretary, Special Projects and the subsidiary businesses of PPS Investments, PPS Marketing Services and Professional Medical Scheme Administrators. Exco meetings are held at least monthly. The committee is responsible for the implementation of day-to-day strategy and the operations of the PPS Group, within the parameters defined by the Board.

Exco is supported by a number of management committees throughout the PPS Group.

ADMINISTRATIVE INFORMATION

BUSINESS ADDRESS

Principal place of business	6 Anerley Road Parktown, 2193
Postal address	PO Box 1089 Houghton, 2041
Web address	www.pps.co.za

STATUTORY ACTUARY OF PPS INSURANCE AND PPS NAMIBIA

(in terms of the Long-term Insurance Act)
Mr C van der Riet of Deloitte
Deloitte Place, Building 33
The Woodlands, 20 Woodlands Drive
Woodmead, 2052
South Africa

EXTERNAL AUDITOR

PricewaterhouseCoopers Inc.
2 Eglin Road
Sunninghill, 2157
South Africa

INTERNAL AUDITOR

KPMG Services (Pty) Limited
Wanooka Place 1 Albany Road
Parktown, 2193 South Africa

LEGAL ADVISORS

Werksmans Inc.
155 – 5th Street
Sandton, 2196
South Africa

ACTUARIAL AND INSURANCE SOLUTIONS

Deloitte
Deloitte Place, Building 33
The Woodlands, 20 Woodlands Drive
Woodmead, 2052
South Africa

FUND MANAGERS

Coronation Fund Managers Limited
7th Floor, MontClare Place
Corner Camp Ground and Main Road
Claremont, 7708
South Africa

Investec Asset Management (Pty) Limited
36 Hans Strijdom Avenue
Foreshore
Cape Town, 8001
South Africa

Allan Gray South Africa Proprietary Limited
1 Silo Square, V&A Waterfront
Cape Town, 8001
South Africa

PPS Multi-Managers (Pty) Limited
1st Floor, Travers House
Boundary Terraces
1 Mariendahl Lane
Newlands, 7700
South Africa

Namibia Asset Management Limited
1st Floor, KPMG House
24 Orban Street
Klein Windhoek
Windhoek
Namibia

ACTION REQUIRED BY MEMBERS IN REGARD TO THE 2015 ANNUAL GENERAL MEETING

The annual general meeting of members of The Professional Provident Society Holdings Trust ('PPS Holdings Trust') will be held at 18:00 on Monday, 1 June 2015 in the PPS Indaba Centre, 6 Anerley Road, Parktown, Johannesburg to consider and, if deemed fit, approve the ordinary and special resolutions set out in the notice convening the annual general meeting, which is attached to and forms part of this Integrated Report. A form of proxy, enabling members to vote on the respective resolutions proposed, has also been included in this Integrated Report.

In terms of the Trust Deed of PPS Holdings Trust, only Ordinary members of PPS Holdings Trust have the right to vote at meetings of its members. The votes of Ordinary members of PPS Holdings Trust are determined in the manner set out in clause 22.6.2.2 of the Trust Deed.

Please take careful note of the provisions relating to the action required by members regarding the annual general meeting. If you are in any doubt as to what action to take, please consult your professional advisor.

You may attend and vote at the annual general meeting in person or you may appoint a proxy to represent you by completing the form of proxy included with this Integrated Report and forwarding it to one of the following addresses or via facsimile or email, to be received by the Trust Secretary by no later than 18:00 on Wednesday, 27 May 2015:

Marked for the attention of the Trust Secretary

Physical address
6 Anerley Road
Parktown
Johannesburg

Postal address
PO Box 1089
Houghton
2041

Telephone
011 644 4200

Facsimile
011 644 4641

Email
Companysecretary@pps.co.za

NOTICE TO THE MEMBERS OF THE ANNUAL GENERAL MEETING

THE PROFESSIONAL PROVIDENT SOCIETY HOLDINGS TRUST

(Registration number: IT312/2011)
('the Trust')

Notice is hereby given that the fifth annual general meeting ('the meeting') of the members of the Trust will be held on Monday, 1 June 2015 at 18:00, in the PPS Indaba Centre, 6 Anerley Road, Parktown, Johannesburg, for the following purposes:

1. **To approve and adopt, by ordinary resolution, the annual financial statements for the year ended 31 December 2014, including the reports of the trustees and the auditors of the Trust.**
2. **To re-appoint, by ordinary resolution, PricewaterhouseCoopers Inc. as the auditors of the Trust.**
3. **To elect and appoint trustees, by ordinary resolutions, in place of those trustees retiring in accordance with the Trust Deed which established and governs the Trust ('Trust Deed').**

   Mr U D Jivan, Dr C M Krüger, Mr D L Smollan and Mr S Trikamjee retire by rotation at the meeting in terms of the Trust Deed and have made themselves available for re-election.

   The following trustees, being eligible for re-election and appointment, offer themselves for re-election and appointment as trustees of the Trust:

   3.1. Mr U D Jivan
   3.2. Dr C M Krüger
   3.3. Mr D L Smollan
   3.4. Mr S Trikamjee

   In addition, the following candidates have been nominated for election and appointment as trustees of the Trust in terms of the Trust Deed:

   3.5. Mr D B Bekker
   3.6. Mr E J Burger
   3.7. Mr A J Chappel
   3.8. Mr C Erasmus
   3.9. Mrs C D Flemming
   3.10. Ms F K Fraser
   3.11. Dr M J Grootboom
   3.12. Prof H E Wainer

   (Abbreviated biographical details of the persons referred to above are set out on pages 168 to 179 of this Integrated Report).

EXPLANATORY NOTE ON THE APPOINTMENT OF THE TRUSTEES

The board of trustees currently consists of 20 trustees, all of whom were appointed in accordance with the Trust Deed. In terms of clause 5.3.1 of the Trust Deed, a maximum of 12 of the trustees may be appointed by the members in general meeting. After the passing away of Dr D R Anderson and the resignation of Mr H A C van den Bout during 2014, there are currently 10 elected trustees of whom four are required to retire by rotation. There are therefore six vacancies and there are 12 nominees for these vacant positions (including the trustees who retire by rotation and who offer themselves for re-election and appointment). In terms of the Trust Deed, if more persons have been nominated for the office of trustee than there are vacancies, and although each candidate will be voted upon by a separate resolution, the result of the voting shall be determined in accordance with the number of votes cast in favour of each resolution so that the vacancies will be filled by the six candidates receiving the highest number of favourable votes.

NOTICE TO THE MEMBERS OF THE ANNUAL GENERAL MEETING
(continued)

4. **To elect the Audit Committee of the Trust by ordinary resolution. The following trustees, who meet the requirements of paragraph 26.1 of the Trust Deed, nominated by the Group Nominations Committee, have offered themselves for election:**
   4.1. Ms D L T Dondur
   4.2. Mr E A Moolla
   4.3. Mr P Ranchod
5. **To approve, by special resolutions, the following remuneration of the trustees for the period 1 July 2015 to 30 June 2016:**
   5.1. remuneration of the chairman, comprising a retainer of R348 000 and an attendance fee of R15 000 per meeting;
   5.2. remuneration of the deputy chairman, comprising a retainer of R232 000 and an attendance fee of R11 200 per meeting;
   5.3. remuneration of the co-opted members of the board of trustees, comprising a retainer of R166 000 and an attendance fee of R7 500 per meeting;
   5.4. remuneration of the remainder of the members of the board of trustees, comprising a retainer of R116 000 and an attendance fee of R7 500 per meeting;
   5.5. remuneration of the chairman of the Trust Audit Committee, being an attendance fee of R17 700 per meeting;
   5.6. remuneration of the members of the Trust Audit Committee, being an attendance fee of R8 850 per meeting;
   5.7. remuneration of the chairman of the Group Nominations Committee, being an attendance fee of R13 100 per meeting; and
   5.8. remuneration of the members of the Group Nominations Committee, being an attendance fee of R6 550 per meeting.

VOTING

In voting or passing any resolution:

- **Associate Members** (as defined in clause 18 of the Trust Deed) do not have any votes; and
- **Ordinary Members** (as defined in clause 18 of the Trust Deed) shall have 100 (one hundred) votes each, plus 1 (one) additional vote for each completed R200.00 (two hundred Rand) standing to his/her credit in his/her Apportionment Account (as defined in the Trust Deed), as at the most recent date prior to the meeting when the Apportionment Accounts of Ordinary Members were adjusted, provided that an Ordinary Member who is at the date of the vote 3 (three) months or more in arrear with the payment of his/her premiums (payable in terms of the Master Contract (as defined in clause 1.2.25 of the Trust Deed)) shall only have 1 (one) vote at the meeting.

A member who has more than 1 (one) vote may not split votes to exercise his/her votes in voting on any particular resolution but shall exercise all his/her votes either for or against the resolution or the member may abstain from voting on it.

In regard to the election of Trustees to serve on the Board, it should be noted that there are six vacancies only. Accordingly, the vacancies will be filled by the six candidates receiving the highest number of favourable votes.

PROXIES

Any member who is entitled to attend and vote at the meeting may appoint a proxy (who need not be a member of the Trust) to attend, speak and on a poll to vote or abstain from voting in his/her stead.

A Form of Proxy is included in this Integrated Report and is also available for downloading from www.pps.co.za. The Form of Proxy is accompanied by notes indicating the requirements for its completion.

Proxy forms must be delivered at one of the following addresses or via facsimile or email, to be received by, and marked for the attention of, the Secretary, by no later than 18:00 on Wednesday, 27 May 2015:

- Physical address: 6 Anerley Road, Parktown, Johannesburg
- Postal address: PO Box 1089, Houghton, 2041
- Facsimile: 011 644 4641
- E-mail: Companysecretary@pps.co.za

By order of the board of trustees

V E Barnard
Secretary
The Professional Provident Society Holdings Trust
25 March 2015

ABBREVIATED *CURRICULUM VITAE* FOR NOMINATED CANDIDATE

UMESH DHANJEE JIVAN

Date of birth

6 May 1962

Profession

Attorney, Conveyancer and Notary of the High Court of South Africa

Tertiary qualifications and professional membership

- BA, LLB – University of KwaZulu-Natal (1985)
- Admitted as an Attorney of the High Court of SA (1988)
- Obtained Right of Appearance in High Court of SA (1995)
- Admitted as a Conveyancer of the High Court of SA (1999)
- Admitted as a Notary of the High Court of SA (2003)

Posts and positions held

- Partner of Jivan and Co (since 1989)
- Vice-President of the KwaZulu-Natal Law Society (2012 to 2014)
- Member of the Financial Services Board: Directorate of Market Abuse (2012 to 2015)
- Chairperson of the Tax Appeal Board of the South African Revenue Services (2013 to 2016)

Current directorships

- Member of the Board of Trustees of The PPS Holdings Trust (2012 to 2015)
- Member of the Board of Trustees of the PPS Retirement Annuity Fund (2012 to 2015)
- Chairman of the Lukhy Bhika Family Trust (since 1990)
- Chairman of the Jiven Holdings Trust (since 1995)

ABBREVIATED *CURRICULUM VITAE* FOR NOMINATED CANDIDATE

DR CHRISTIAN MARTIN (MANNIE) KRÜGER

Date of birth

15 December 1965

Profession

Family Physician

Tertiary qualifications and professional membership

- MB ChB – University of Pretoria (1989)
- M Prax Med – University of Pretoria (1995)
- M Pharm Med – University of Pretoria (2000)

Posts and positions held

- Private Practice in Polokwane as Family Physician (1992 to 2015)
- Branch Councillor, Soutpansberg Branch, South African Medical Association (SAMA)(1992 to 2015)
- President, SAMA Soutpansberg Branch (1994)
- National Councillor, SAMA, (2000 to 2015)
- Councillor, HPCSA (1998 to 2003)
- Member of the Medical and Dental Professions Board (MDB)(1998 to 2003)
- Member of MDB Committee for General Practice (1998 to 2003)
- Chairperson of the SA Academy for Family Practice, Limpopo Province (1999 to 2007)
- National Councillor, Society of General/Family Practice (SGFP) (1993 to 2013)
- GP Private Practice Committee (GPPPC) of SAMA (2014 to 2015)
- Member of the Executive Committee, National Council on Dispensing (NCD) (2003 to 2015)
- Member of the PPS Group Nominations Committee (2013 to 2015)

Directorships and trusteeships

- Director of the PPS Insurance Company Limited (2004 to 2011)
- Trustee of The Professional Provident Society Holdings Trust (2011 to 2015)
- Director of the Professional Medical Scheme Administrators (Pty) Limited (2009 to 2015)

ABBREVIATED *CURRICULUM VITAE* FOR NOMINATED CANDIDATE

DAVID LEONARD SMOLLAN

Date of birth

13 October 1973

Profession

Chief Executive Officer: The Smollan Group

Tertiary qualifications

- B Com – University of Cape Town
- Post Graduate Diploma in Accounting
- Chartered Accountant
- Chartered Financial Analyst
- Post Graduate Diploma in Organisational Leadership – Said Business School, University of Oxford

Posts and positions held

- Chief Executive Officer of The Smollan Group (since 2009)
- Co-founder and executive director of i capital (Pty) Ltd, i capital Fund Managers (Pty) Ltd and i capital Advisers (Pty) Limited (1998 to 2009)
- Consultant, Corporate Finance, Grant Thornton Kessel Feinstein Corporate Finance (1998)
- Accountant, Grant Thornton Kessel Feinstein (1995 to 1996)

Directorships and trusteeships

- Director of Douglas Smollan Holdings (Pty) Limited (since 2001)
- Director of Smollan Holdings (Pty) Limited (since 2005)
- Director of Smollan Group SA (Pty) Limited (since 2013)
- Director of i capital (Pty)Limited (since 1998)
- Director of Douglas Smollan Investment Company (Pty) Limited (since 2001)
- Director of the Houghton Estate Office Park (since 2009)
- Director of Tshimedzwa Investment Holdings (Pty) Limited (since 2008)
- Director of The Retail Workshop (Pty) Limited (since 2010)
- Trustee of The Professional Provident Society Holdings Trust (2013 to 2015)

ABBREVIATED *CURRICULUM VITAE* FOR NOMINATED CANDIDATE

SHAYLEN TRIKAMJEE

Date of birth

9 November 1978

Profession

Chartered Accountant

Tertiary qualifications

- B Com (Hons) – University of Natal
- CA (SA)

Posts and positions held

- Vice President Barclays CIB Risk: Business Manager (since 2014); Credit Analyst – Mining and Project Finance (2013 to 2014)
- Owner Manager of business in the Hospitality Industry (2010 to 2012)
- Vice President of SA Resources (Merrill Lynch SA) (2005 to 2010)
- Trainee Accountant at Grant Thornton (2002 to 2005)

Directorships and trusteeships

- Member of the Board of Trustees of The Professional Provident Society Holdings Trust (2011 to 2015)
- Member of the Board of Directors of Professional Provident Society Limited (2009 to 2011)
- Member of the Board of Trustees of The PPS Beneficiaries Trust (2010 to 2015), appointed as Chairman in 2013
- Member of Speedtrack Trading 3016 CC (since 2010)
- Member of Speedtrack Trading 2099 CC (since 2010)

ABBREVIATED *CURRICULUM VITAE* FOR NOMINATED CANDIDATE

DAVID BOTHA BEKKER

Date of birth

25 August 1951

Profession

Attorney and Conveyancer

Tertiary qualifications and professional membership

- B Iuris conferred by the University of the Free State (1974)
- Admitted as an Attorney of the High Court of SA (1977)
- Admitted as a Conveyancer of the High Court of SA (1977)

Posts and positions held

- Practicing as an attorney for own account (since 1977)
- Partner in Cloete & Neveling Incorporated (since 1982)
- Council member of the Free State Law Society (since 1989)
- President of the Free State Law Society (1994 to 1996)
- Council member of the Law Society of South Africa (since 2009)
- Member of the Management Committee of the Law Society of South Africa (since 2010)
- Co-chair of the Law Society of South Africa (2013 to 2014)
- Served on various committees of the Free State Law Society and the Law Society of South Africa, inter alia, Deceased Estates, Trusts and Planning Committee and Competition Committee;
- Currently chair of the FICA Committee of the Law Society of South Africa
- Councellor of the Commonwealth Lawyers Association (CLA) since 2013
- Examiner for Deceased Estates module of Attorneys Admissions Examination

Current trusteeships

- Trustee of the Legal Provident Fund (since 2009)

ABBREVIATED *CURRICULUM VITAE* FOR NOMINATED CANDIDATE

ERNEST JORDAAN BURGER

Date of birth

29 June 1978

Profession

Registered Auditor and Chartered Accountant

Qualifications

- B Com Accounting Sciences – University of Pretoria
- Honours in Accounting and CTA – University of South Africa
- M Com in South African and International Tax – North-West University
- Microsoft Certified Systems Engineer
- Accredited with the Independent Regulatory Board for Auditors to perform B-BBEE verification services

Posts and positions held

- In public practice as a Registered Auditor and Chartered Accountant. Director at TAG Incorporated (since 2008)
- Involved in special projects and courses in the Information Technology and B-BBEE arenas
- Member of PKF's Assurance and Advisory team in the United Kingdom
- Product Controller for Royal Bank of Canada's Credit Derivatives trading desk in the United Kingdom
- Trainee Accountant in Meintjes Vermooten & Partners (2003 – 2005)
- Member of the CGT system implementation team of Investec Asset Management (2001)

Current directorships

- Director of TAG Incorporated
- Director of TAG Rating Enterprises (Pty) Ltd

ABBREVIATED *CURRICULUM VITAE* FOR NOMINATED CANDIDATE

ANTHONY JOHN CHAPPEL

Date of birth

10 December 1956

Profession

Attorney

Tertiary qualifications

- B Com, LLB – University of the Witwatersrand

Posts and positions held

- Anglo American Corporation of South Africa, Gold Division, trainee accountant (1981 – 1982)
- Articles of clerkship with Deneys Reitz Attorneys (1983 – 1984)
- Member of the firm's executive committee (1996 – 2006)
- Head of Professional Staff Recruitment Committee (1993 – 2014)
- Chairman of the firm's Pension and Provident Funds (since 1999)
- Member of Board of Governors St David's Marist Inanda (3 years as Chairman) (2001 – 2008)
- Instrumental in establishing the St David's Marist Inanda Foundation (2007)
- Trustee of Dominican Trust Home for boys from underprivileged and broken homes (1996 – 2008)
- Governor and Executive Committee member, St Mary's DSG, Pretoria (current)
- Commissioner of the Small Claims Court (since 1993)

Directorships

- Director of Deneys Reitz / Norton Rose Fullbright (since 1987)

ABBREVIATED *CURRICULUM VITAE* FOR NOMINATED CANDIDATE

CHARLES ERASMUS

Date of birth

16 April 1951

Profession

Director of Companies

Tertiary qualifications

- B Sc – University of Pretoria (1970)
- Fellow of the Institute of Actuaries (1982)

Posts and positions held

- Group Executive Director of the ABSA Group responsible for Absa Financial Services (1997 – 2006)
- Group Actuary of the ABSA Group (1992)
- Assistant Manager of Volkskas Insurance Brokers and Volkskas Pension Services (1978)
- Assistant Manager of Rondalia Life (1975)
- Actuarial Clerk at Sanlam (1972)

Directorships and trusteeships

- Director of the Professional Provident Society Insurance Company Limited (since 2007). Appointed as Chairman of the Board in 2014
- Chairman of Stonehage Financial Services Holdings Limited (Jersey) (since 1998)
- Director of Stonehage Financial Services (Pty) Limited (South Africa) (since 2008)
- Director of Stonehage Investment Partners (Pty) Limited (South Africa) (since 2010)
- Director of PPS Marketing Services (Pty) Limited (since 2007)
- Director of Regent Life Assurance Company Limited (since 2011)
- Director of Regent Insurance Company Limited (since 2011)
- Chairman of the Board of Trustees of the Absa Group Pension Fund (since 1998)
- Chairman of the Board of Trustees of the Imperial Group Provident Fund (since 2013)
- Chairman of the Board of Trustees of the Imperial Group Pension Fund (since 2013)
- Trustee of the Dagbreek Trust (since 2010)
- Trustee of the Assupol Members Trust (since 2011)
- Trustee of the Denel Pension Fund (since 2011)

ABBREVIATED *CURRICULUM VITAE* FOR NOMINATED CANDIDATE

CHARMEL DIANE FLEMMING

Date of birth

3 March 1983

Profession

Chartered Accountant

Tertiary qualifications and professional membership

- Baccalaureus in Accounting (Honours) – University of Free State (2005)
- Baccalaureus in Accounting (*cum laude*) – University of Free State (2004)
- Member of the African Women Chartered Accountants (since 2008)
- Member of the South African Institute of Chartered Accountants (since 2009)
- Member of the Institute of Directors of South Africa (since 2015)

Posts and positions held

- Senior Accountant at De Beers Consolidated Mines (Pty) Limited (since 2015)
- Accountant at De Beers Consolidated Mines (Pty) Limited (2009 to 2014)
- Business support accountant – Ore extraction at De Beers Consolidated Mines (Pty) Limited (2009)
- Trainee Accountant at KPMG Incorporated, Bloemfontein (2006 to 2008)

Current directorships and trusteeships

- Trustee of the De Beers Benefit Society Medical Aid, Kimberley (since 2014)
- Trustee of the De Beers Pension Fund, Kimberley (since 2014)
- Audit and Risk Committee member of the De Beers Pension Fund (since 2012)
- Council member, audit and risk committee member and Pension Fund Trustee of the National Museum, Bloemfontein (2012 to 2015)
- Director of Conquest for Life, NGO, Johannesburg (since 2012)

ABBREVIATED *CURRICULUM VITAE* FOR NOMINATED CANDIDATE

FRANCES KATHERINE FRASER

Date of birth

12 September 1978

Profession

Director/Independent Consultant – Inclusive Banking

Tertiary qualifications and professional membership

- B Com (Informatics) – University of Pretoria (1999)
- B Com (Honours) (Agricultural Economics) – University of Pretoria (2001)
- Masters of Commerce Agricultural Economics (*cum laude*) – University of Pretoria (2007)
- Currently studying towards Masters of Business Administration – Gordon Institute of Business Science (Deans List for academic excellence *1st year – 2014)*

Posts and positions held

- Co-opted Board Member of Micro Finance South Africa (since 2011)
- Head of the Development Committee of Micro Finance South Africa (since 2013)
- Appointed Deputy Chair of Finance Committee of the Board of Micro Finance South Africa (since 2015)
- Regional Director of PlaNet Finance – Southern & Eastern Africa (since 2012)
- Independent consultant in the inclusive banking field, in close association with PlaNet Finance (since 2011)
- Works as part of a team of researchers with Siana Consulting working on an assignment for the Small Enterprise Development Agency (Seda) and Swiss SECO on the design and grading capacity building programme for business development support providers in South Africa.
- Worked with the Centre for Inclusive Banking in Africa (CIBA) at the University of Pretoria to develop selected modules for the Cooperative Bank Development Agency to develop financial service cooperatives into fully regulated Cooperative Banks.
- Previously worked with BFA on the FinMark Trust Strategy Development Process (2012 to 2013)
- Manager: Customer Value Proposition and Training and Management Information – Absa Bank in the Absa Micro Enterprise Finance (microfinance) unit (2007 to 2011)
- Consultant at ECIAfrica Consulting – subsidiary of the Development Alternatives Inc (2002 to 2007)
- Research Associate at the University of Pretoria (2001)

ABBREVIATED *CURRICULUM VITAE* FOR NOMINATED CANDIDATE

DR MZUKISI JULIUS GROOTBOOM

Date of birth

19 September 1951

Profession

Orthopaedic Surgeon

Tertiary qualifications and professional membership

- MB ChB – University of Natal Medical School, Durban
- FCS (SA) ORTH
- CIME (ABIME)
- Specialised in Orthopaedics and qualified as an Orthopaedic Surgeon in 1987

Posts and positions held

- Private Practice in Durban as an orthopaedic surgeon (since 1992)
- Chairman of the South African Medical Association (since 2012)
- Founder Member of the National Medical and Dental Association and Deputy Secretary (1989 to 1990)
- Consultant Orthopaedic Surgeon at the King Edward VIII Hospital (1988 to 1990)
- Spines Fellow at the Hallow-Wood Orthopaedic Hospital and Queen's Medical Fellow
- Held various positions at KZNC Branch of SAMA (President for 2 terms) and National level including the Chair of the Private Practice Committee
- Elected Councillor of the World Medical Association (WMA) (2013)

Directorships

- Workers' Health and Rehabilitation Centre
- Afrisun KZN Proprietary Limited
- Dolcoast Investments Proprietary Limited
- Yakhisizwe Investments Proprietary Limited
- Joint Medical Holding Limited

ABBREVIATED *CURRICULUM VITAE* FOR NOMINATED CANDIDATE

PROF HARVEY ELLIOT WAINER

Date of birth

24 November 1961

Profession

Chartered Accountant and Registered Auditor

Tertiary qualifications

- B Acc. University of the Witwatersrand (1984)
- Chartered Accountant (1985)
- Registered Auditor (1985)

Posts and positions held

- Senior partner of The Professional Group Chartered Accountants Inc. since 1999
- Visiting Professor, Faculty of Commerce, University of Witwatersrand since 1999. Lecturer at post graduate level on various financial, accounting and auditing matters, 1986 – 1995
- Chairman of the Group Audit Committee of Professional Provident Society Insurance Company Limited since 2001
- Member of the JSE Issuer Regulation Advisory Committee, since 2013
- Member of the Committee for Auditing Standards established in terms of the Auditing Profession Act, since 2013
- Director of Professional Provident Society Limited (2001 to 2002)
- Chief Executive and Managing Partner of Fisher Hoffman Sithole (1998-1999). Partner (1988); Managing director of FHS Special Support Services (1991); National technical director (1995 – 1998)
- Chairman of the Financial Reporting Investigation Panel (previously GAAP Monitoring Panel) of the JSE Securities Exchange (2002 – 2013)
- Member of the Auditing Standards Board established in terms of the Public Accountants' and Auditor's Act (2000 – 2003)
- Past member of the Accounting Practices Committee and the Reporting Award Committee of the S.A. Institute of Chartered Accountants (SAICA)
- Past member of the Accounting Issues Task Force of SAICA
- Various statutory appointments as Inspector, inter alia in terms of Companies Act
- Various appointments as expert, and as arbitrator

Directorships

- Director of The Professional Group Inc (1999 –)
- Director of Professional Provident Society Insurance Company Limited (2001 –)

FORM OF PROXY

THE PROFESSIONAL PROVIDENT SOCIETY HOLDINGS TRUST

(Registration number IT312/2011)
('the Trust')

Member's particulars:

Identity No.

Membership No.

Email address

Postal address

Cell

Member: I,

being a member of the Trust, hereby appoint:

Proxy: Identity number:

or failing him/her, the Chairman of the meeting, as my proxy to attend, speak and on a poll vote for me and on my behalf at the annual general meeting of the Trust to be held at 18:00 on Monday, 1 June 2015 in the PPS Indaba Centre, 6 Anerley Road, Parktown, Johannesburg, and at any adjournment thereof, as follows:

No.	Business		In favour of	Against	Abstain
1.	Ordinary resolution for the adoption of the annual financial statements of the Trust for the year ended 31 December 2014				
2.	Ordinary resolution for the re-appointment of the auditors of the Trust				
3.	Ordinary resolutions for the election and appointment of trustees#:				
	3.1	Mr U D Jivan*			
	3.2	Dr C M Krüger*			
	3.3	Mr D L Smollan*			
	3.4	Mr S Trikamjee*			
	3.5	Mr D B Bekker			
	3.6	Mr E J Burger			
	3.7	Mr A J Chappel			
	3.8	Mr C Erasmus			
	3.9	Mrs C D Flemming			
	3.10	Ms F K Fraser			
	3.11	Dr M J Grootboom			
	3.12	Prof H E Wainer			
4.	Ordinary resolution for the appointment of the members of the Trust Audit Committee				

FORM OF PROXY (continued)

No.	Business		In favour of	Against	Abstain
5.	Special resolutions for the approval of trustees' remuneration for the period 1 July 2015 to 30 June 2016**				
	5.1	Remuneration of the chairman of the board of trustees			
	5.2	Remuneration of the deputy chairman of the board of trustees			
	5.3	Remuneration of the co-opted members of the board of trustees			
	5.4	Remuneration of the remainder of the members of the board of trustees			
	5.5	Remuneration of the chairman of the Trust Audit Committee			
	5.6	Remuneration of the members of the Trust Audit Committee			
	5.7	Remuneration of the chairman of the Group Nominations Committee			
	5.8	Remuneration of the members of the Group Nominations Committee			

***#	There are six vacancies on the Board of trustees to be filled by elected trustees. These vacancies will be filled by the six candidates receiving the highest number of favourable votes.***

**	Trustees who will retire at the meeting by rotation, in accordance with the Trust Deed and, being eligible, offer themselves for re-election.*

***	Authorisation of at least seventy-five per cent of the votes cast by members present (in person or represented by proxy) at the meeting is required.*

Signed this _______________ day of _______________ 2015

Signature _______________________________

NOTES TO PROXY

1. The form of proxy must be signed, dated and returned **so as to be received at the registered office of the Trust by 18:00 on Wednesday, 27 May 2015**.
2. **If the form of proxy is signed under a power of attorney or other authority, the ORIGINAL of such power of attorney or authority, OR A CERTIFIED COPY THEREOF, has to be lodged with the form of proxy.**
3. The signatory may insert the name of any person whom the signatory wishes to appoint as his/her proxy in the blank space provided for that purpose. If no name is inserted, the Chairman of the meeting shall be appointed as the member's proxy.
4. By completing and lodging of the form of proxy, it will not preclude the member who is appointing the proxy from attending the annual general meeting and speaking and voting in person thereat, to the exclusion of any proxy appointed in terms hereof, should such member wish to do so.
5. If the member does not indicate in the appropriate places on the face hereof how he/she wishes to vote in respect of any resolutions, his/her proxy shall be entitled to vote as he/she deems fit in respect of that resolution.

RETURN OPTIONS

Either:

Deliver to: The Trust Secretary
6 Anerley Road
Parktown, 2193
Johannesburg

or Post to: The Trust Secretary
PO Box 1089
Houghton
2041

or Fax to: The Trust Secretary at
011 644-4641

or Email to: Companysecretary@pps.co.za