Annual Report 2008

Exclusive focus on graduate professionals
Mutual form of ownership
Unquestionable financial strength
Disciplined and prudent investment approach

Note: action required
by members regarding the annual general meeting

The annual general meeting of members will be held at 18:00 on Monday, 8 June 2009 at PPS boardroom, 6 Anerley Road, Parktown, Johannesburg to consider and, if deemed fit, approve the resolutions set out in the notice convening the annual general meeting, which notice is attached to and forms part of this annual report.

Please take careful note of the provisions regarding 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 attorney or other professional adviser immediately.

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 on page 139 of this annual report and forwarding it to one of the following addresses or via facsimile or email, to be received by the Company Secretary by no later than 17:00 on Friday, 5 June 2009:

Marked for the attention of the Company Secretary

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

PPS mission

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, to create wealth, peace of mind and security for members during their working lives and in retirement.

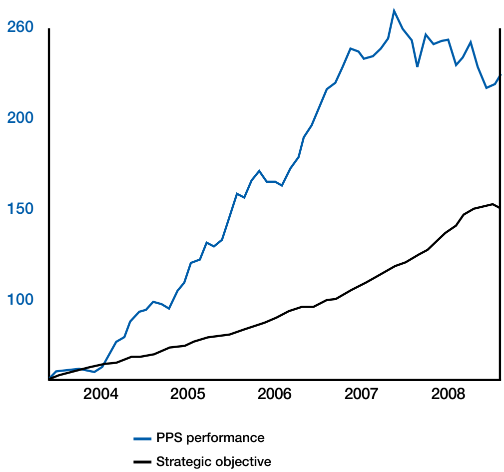
Annual Report of Professional Provident Society Limited
(Limited by Guarantee) ("the Company") and its subsidiaries ("the Group")

Rm	2008	2007	2006	2005	2004	5-year compound annual growth rate %
Group						
Gross premium revenue	**1 477**	1 335	1 125	916	802	15,2
Gross benefits paid to members	**1 130**	828	554	483	467	30,9
Total assets	**11 876**	12 232	10 780	8 469	6 436	18,7
Investment return (3-year rolling average) (%)	**10,8**	24,4	29,5	25,7	12,9	—
New annual premium income	**200**	165	156	137	97	18,3
Administration cost ratio (%)	**17,5**	17,7	21,4	24,1	28,3	—
Member allocations						
Allocations to members' surplus rebate accounts	**(330)**	1 294	2 199	1 812	1 140	
Bonus allocations	**554**	401	388	278	243	
Investment allocations	**(884)**	893	1 811	1 534	897	
Surplus rebate account balances	**8 071**	9 011	8 141	6 104	4 456	

PPS Investment returns have consistently exceeded the inflation-linked objective over the last five years.

In addition, bonus allocations to members increased to R554,3 million in 2008 – up 38% from 2007.

Investment performance



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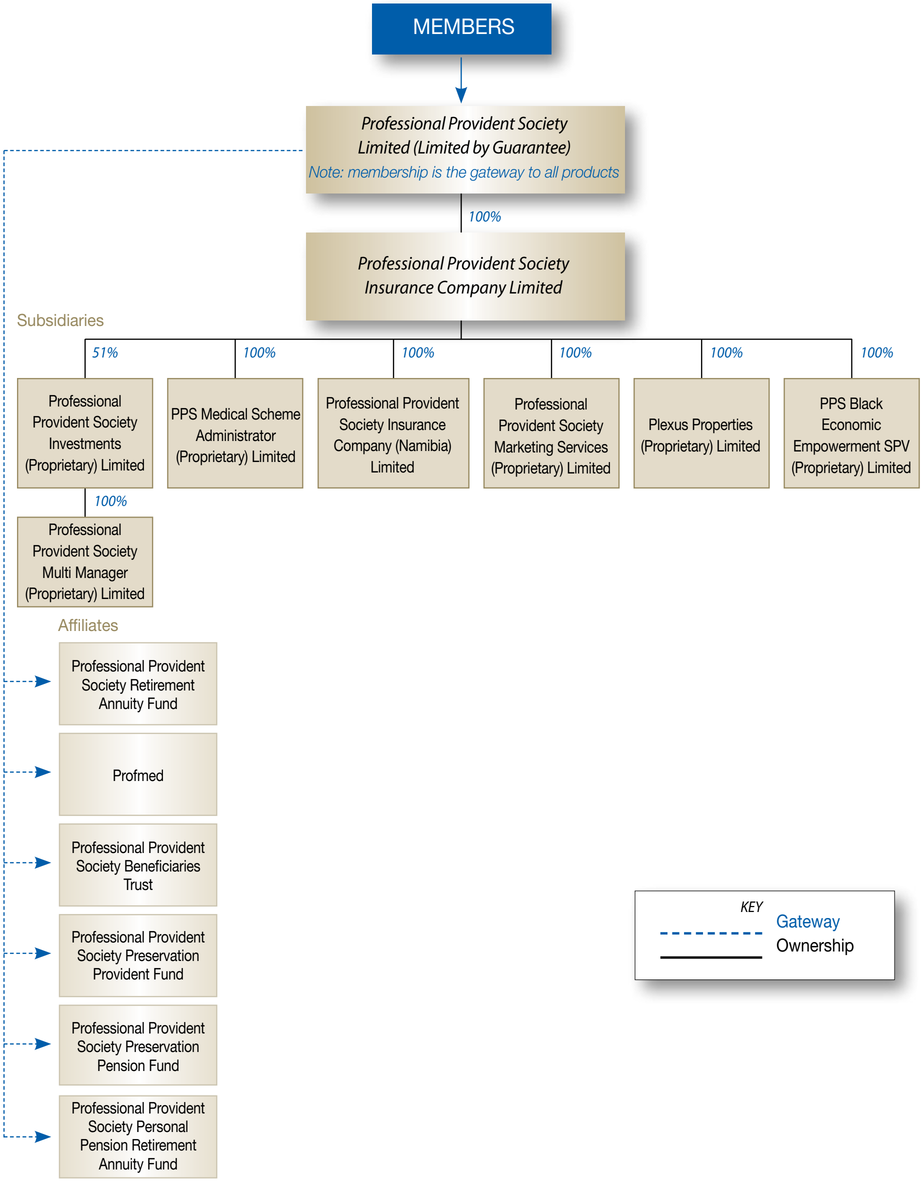
PPS Group structure



Chairman's report

'The power of mutuality'

To say that financial markets worldwide experienced a turbulent year in 2008 would be an understatement. With some major listed companies having to close their doors or become subject to government rescue plans and investors in stock markets having lost vast sums of money, it seems opportune to reflect on why PPS has been relatively less affected by the financial crisis – and is still able to pay out significant benefits to its graduate professional members.

Dr David Presbury, *Chairman*

Just two statistics demonstrate this very clearly. For the year ended 31 December 2008, the value of PPS' total assets decreased by only 2,9% – a great deal less than almost any quoted company one can think of – and yet despite this, the Company was able to pay out a massive amount of R1,13 billion (refer note 25) to members by way of claims and exit benefits without its financial soundness being in any way impaired.

This can be attributed to a prudent investment strategy and a long-term view of the business, based on the underlying rationale that PPS is in business for the sole benefit of its members. Some of the fundamental principles embodied in the model are worth restating here to emphasise why mutuality is very much an idea whose time has come, and why mutuals are likely to enjoy much higher visibility in the future.

"PPS is in business for the sole benefit of its members."

Ingredients for prosperity

To elaborate on this theme: the fact that PPS has no shareholders means that there is no need for the Group to set aggressive profit targets in order to deliver short-term returns to shareholders. Simply put, PPS has only one constituency, its members, and this point is worth re-emphasising as it enables us to take a long-term view of what we are doing and where we are going without any unreasonable pressure from shareholders to focus on short-term actions.

Ever since its formation more than 68 years ago PPS has been focused on maximising long-term returns to its members whilst maintaining its financial stability and ensuring its ability to pay any claims due.

This is evidenced by the fact that our reserves are sacrosanct – being determined by an independent statutory actuary annually – and are in fact sufficient to pay 'the last man standing'.

Surpluses – which arise from excess assets over liabilities, operating profit and investment returns – are distributed to members through our unique surplus rebate account. Although the latter obviously depends on the performance of the stock market, it is very pleasing to record that even following the sharp market downturn that occurred during the past year – which meant that there was a negative investment allocation for 2008 of (13,15)% – PPS has allocated an amount of R6,1 billion to members' accounts in the past five years.

"PPS remains focused on maximising long-term returns to its members while maintaining its financial stability."

'The inner circle'

This is also an opportune time to mention the benefits of being part of the PPS 'inner circle', a concept which encapsulates the range of products that is now available to members. Having initially only offered sickness and incapacity benefits, the Company now has a full range of products which has been developed over the years, catering for our members' needs through all their life stages from graduation to retirement and beyond; a 'virtuous circle' indeed, and a further incentive for members to view PPS as their 'partner for life'.

In times of market turmoil such as we have recently experienced, our members can rely on PPS to provide the ultimate 'safe haven' for their premiums. The results contained in the Chief Executive's report bear testimony to the fact that mutuality, which is the cornerstone of our operations, has helped us to survive and prosper in the very adverse economic conditions that have been experienced over the past year.

On a growth path

That mutual entities enjoy a considerable share of the world's insurance markets is not generally known, but some statistics recently compiled by the International Cooperative and Mutual Insurance Federation, of which PPS is a member, show that mutuals accounted for 24% of all the world's insurance business in 2006, with new mutuals being established every year. Some of the world's largest and most secure insurers are mutuals, established exclusively for the benefit of their policyholders.

So, despite the difficulties and uncertainties that the insurance industry faces in 2009, I believe that PPS is well-placed to weather any future financial storms and will continue to provide really meaningful benefits to all its members, with mutuality remaining the cornerstone of its business model. It is gratifying to have chaired the Group through such a difficult year and seen it emerge as fundamentally sound as ever, with the prospect of even better performance and increased membership in the year ahead.

"I believe that PPS is well-placed to weather any future financial storms."

PPS is a complex organisation and I should like to thank its executives and the non-executive and independent directors serving on a number of boards. We are extremely fortunate to have excellent, specialised skills available to us. I should too like to thank my excellent Vice-Chairman, Ebi Moolla, for his calm and wise presence. The hard work in the organisation is carried out by the Insurance Company board and the whole PPS Group and its members owe a deep debt of gratitude to Dr David Anderson for his leadership and incredibly hard work on their behalf. Finally, I should like to thank our CEO, Mike Jackson, his executive and all the staff of PPS for their commitment and loyalty.

Dr David Presbury
Chairman

Key achievements 2008

- Record profit distribution to members of 24,92 cents per unit.
- The strategy to move PPS from a company with one product to a fully fledged financial services company was significantly advanced in 2008. Our life range is now completed and can compete with any insurer or unit trust company in the country. Our investment products range is comprehensive and members need no longer leave PPS for retirement and savings products. Our short-term insurance offering, underwritten by Hollard, is progressing well and Profmed remains an outstanding closed medical scheme for professionals.
- The final phase in our three-year systems development programme was completed. Without the new system, few of the changes mentioned above would have been possible.
- Our own internal Sales division is now operational and the plan is for PPS to complement its other channels by creating additional distribution capacity.

Mr MJ Jackson, *Chief Executive*

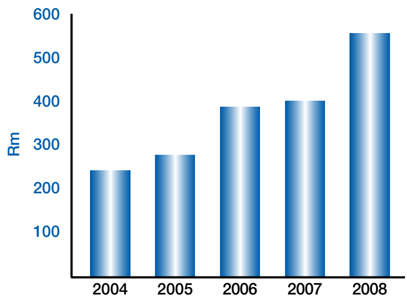
"The strategy to move PPS from a Group with one product to a fully fledged financial services Group was significantly advanced in 2008."

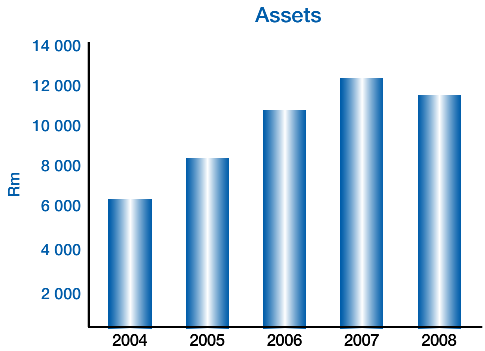
- Our BEE transaction was implemented and approximately 35 000 black professionals have benefited from the scheme.
- Although growth in new members was slower than planned, a new initiative with universities and associations was implemented towards the end of the year and the results are very promising. We envisage considerable membership growth in 2009.
- Our investment strategy proved itself during one of the most difficult years in memory as total assets declined by only 2,9% and investments returned negative (6,4)%.
- Gross premiums received grew by 11% with an annual compound growth rate of 15% over the last five years.

Record bonus allocations

Bonus allocations increased from R400,8 million to R554,3 million – up by 38%. This result was due to tight expense controls, a lower tax cost, and the profit recognition of new business written. This resulted in a record distribution to members of 24,92 cents per ordinary unit, up from 20,02 cents the previous year. Policyholder liabilities were increased to R2,6 billion from R2,3 billion (refer note 14.2), ensuring the ongoing financial strength of the company and the Statutory Capital Adequacy Ratio (CAR) was maintained at 2,52 times the requirement.

Bonus allocations





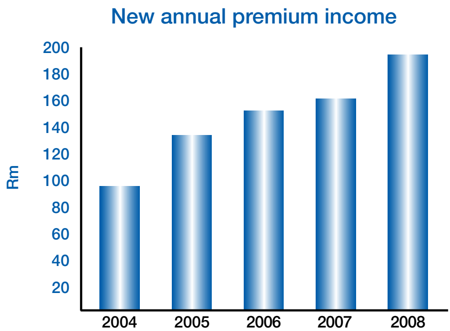
Prudent investment strategy

Despite the global turmoil in investment markets and the 26% fall in the JSE All Share Index, PPS assets declined by 2,9%. The main reasons for the excellent results are a low overall equity exposure of 58%, assets backing the non-DPF insurance policy liabilities with an equity exposure of 24% and the value orientation of our asset managers who had a low exposure to the resources sector. We also had considerable cash holdings during this volatile period. These factors have enabled PPS to grow when markets were positive – assets have nearly doubled in five years – and to retain most of these prior year gains when markets turn negative.

"Life sales targets were achieved in 2008 for the fifth year running, sales having grown at 18,3% pa compound for the last five years."

Growth in sales

Life sales targets were achieved in 2008 for the fifth year running, sales having grown at 18,3% pa compound for the last five years. Members have responded enthusiastically to the new product range and new annual premium income amounted to R199 million – excluding the auto-increase. Take up of the annual increase was 99,5% – enabling members' benefits to keep pace with inflation. Our internal sales force made a significant contribution to the overall new business sales and should be contributing an even greater percentage of our new sales in 2009.

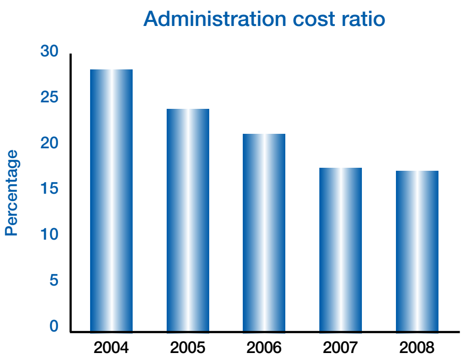


PPS Investments had its first full year of operation in 2008 and is now well positioned to meet the savings and investment needs of our members. Total assets under management, despite the negative market conditions, ended the year on R1,6 billion.

Short-term sales were satisfactory and 1 993 net new members moved their short-term insurance to PPS branded products, bringing the total to 4 461 members. We plan to enhance our short-term offering in 2009 by launching a more comprehensive product range.

1 840 new members joined Profmed during the year and the administrator – PMSA (a PPS subsidiary) – received full ISO 9001: 2008 certification for the third year in a row.

"Total expenses were well controlled during the year and have grown at less than the inflation rate for the last four years."



Cost control

Total expenses were well controlled during the year and have grown at less than the inflation rate for the last four years. A major achievement has been the control of computer systems costs – which were 23% of total costs in 2004 and are now 17% of total costs. The administration ratio has maintained its downward trend and stood at 17,5% for 2008.

Outlook for 2009

Customer Service and membership growth are the two main themes for 2009. Our Sales division has accepted aggressive targets both for life and investment business. Greater membership numbers will help to reduce unit costs and the total PPS offering is now so comprehensive that there are few reasons for graduate professionals to place their insurance or investments outside PPS.

Although competition has increased, no other company can offer the graduate professional ownership of the business merely by becoming a policyholder.

Customer Service via our intermediaries, back office and call centres is a major focus in 2009. The significant changes we have made in our systems and products must now be bedded down and quality of output must begin to approach the 'zero defect' level.

PPS weathered the storms of 2008 remarkably well. The negative investment return of (6,4)% compares to the JSE All Share Index negative return of (26)%. Members are once again reminded of the exposure of the surplus rebate accounts to the volatility of the markets, both locally and internationally. 2009 will be a very difficult year with potentially severe impact on the South African economy with knock-on effects on our members. The benefits provided by PPS remain as essential as ever and members are urged to consult with accredited advisors or with the Company directly before contemplating any changes to their PPS portfolio.

Our Holding Company board continues to represent the membership and policyholders – a concept unique in the Industry, and I would like to thank the Chairman Dr D Presbury for his excellent steering of this membership representative body.

At the operating level, the Insurance Company board provided management with excellent advice and direction and I would like to thank Dr D Anderson for his dedication and commitment to PPS as well as his Chairmanship of this board.

The management and staff made a significant contribution to the success of the Company during a very difficult year, and I would like to thank them for their loyalty to PPS.

Mr MJ Jackson
Chief Executive

Introduction

Good corporate governance is an integral part of the Group's operations. Accordingly, the Group is fully committed to the principles of the Code of Corporate Practices and Conduct set out in the King II Report on Corporate Governance (the 'Code'). The purpose of the Code is to promote the highest level of corporate governance in South Africa. In supporting the Code, the directors recognise the need to conduct the business of the Group with integrity and in accordance with generally accepted corporate practices.

The directors believe that the Group complies with and has implemented the applicable requirements of King II in all significant respects, with regard to the year under review. The directors also take due cognisance of international corporate governance standards and practices. According to the Group's decentralised business approach, all entities within the Group are required to subscribe to the spirit and principles of the Code. All the business and governance structures in the Group are supported by the Group compliance function, however, it is the responsibility of each entity within the Group to ensuring a coherent and consistent governance approach.

Board Charter

In accordance with the principles of sound corporate governance, the Board Charter – modelled on the charter principles recommended by King II – incorporates the powers of the board, providing a clear and concise overview of the division of responsibilities and accountability of the board members, collectively and individually, to ensure a balance of power and authority.

Key governance developments

During the year under review, the following were key to the Group's corporate governance processes:

- Ongoing compliance with the Code and other industry specific legislation and regulations.
- The Group's code of conduct throughout the operations, which sets out minimum standards of ethical behaviour for all employees of the Group.
- The appointment of a Group compliance officer and the utilisation of the internal forensic department resources to boost compliance monitoring.
- The continued engagement with and assistance of consultants with specialist knowledge regarding director training and development.

- Ongoing awareness and cognisance of emerging governance trends. These are considered for implementation only where appropriate.
- Keeping abreast of all relevant legislation and regulations as well as major developments that could impact on the Group and its operations.
- Development of enterprise wide-risk management strategies and plans to be finalised and put into practice.

Principles and practices of financial management

PPS issues policies with a discretionary element of bonuses and are required to establish and maintain a document setting out their 'Principles and Practices of Financial Management' (PPFM) and to provide this document to policyholders. This document outlines the PPS principles and practices of financial management in order that policyholders can better understand the profit distribution principles and practices in place for PPS, as well as the investment strategy adopted by the PPS board. The PPFM document is available to all policyholders on the PPS website.

Board of directors and board committees

Board composition

The Group is governed by a unitary board of directors, assisted by the following Group committees:

- Executive Committee
- Remuneration Committee
- Audit and Risk Committee
- Nominations Committee

The members of the board receive timely, accurate and relevant information to enable them to fulfill their duties. All new directors undergo a formal induction process which includes meeting the Group's senior management and all directors are encouraged to undertake continuing professional development, training and education throughout their term of office.

The Chairman's key responsibilities are to provide leadership of the board, to oversee the setting of strategy, to guide the process to ensure a balance in the composition of the board and to promote effective communication between executive and non-executive directors. The Chief Executive has overall responsibility for the management of the Group's business and its operation in line with the policies and strategic objectives set and agreed by the board. The Chief Executive circulates to the board, at board meetings, a report on the performance of the Group and any other material matters. He reports on how the Group has performed against key indicators following the monthly meeting of the executive team which manages the Group's business on a day-to-day basis. The report is reviewed at the meetings of the board when the Chief Executive highlights the key issues and other executive and non-executive directors are invited to contribute as appropriate. Additional papers on issues upon which the board is required to make a decision are submitted as appropriate and senior management are periodically invited to attend the meetings to present their papers and to deal with the points raised by the board.

All directors have direct access to the services of the Group Secretary who advises them on all corporate governance matters, on board procedures and on compliance with the Company's Articles of Association. In order to ensure good information flows, comprehensive papers are provided to the directors by the Group Secretary approximately four days before each meeting of the board, subsidiary board or board committees. The Group Secretary acts as Secretary to all subsidiary companies. The minutes of all board, subsidiary board and board committee meetings are produced by the Group Secretary and maintained in the appropriate Company records. The members of the board have access to independent professional advice at the Group's expense, where they judge it necessary, in order to discharge their responsibilities as directors.

Each committee of the board acts within agreed terms of reference and the Chairman of each committee reports, where appropriate, to the board at its scheduled meetings. Where appropriate, the minutes of the committee are tabled at board meetings. The Group Chairman of the board and the entire board are non-executive directors. The roles of Chairman and Chief Executive Officer are separated, with a clear division of responsibility to ensure a clear distinction of duties and responsibilities between them. The Chairman has no executive functions. The role of all directors is to bring independent judgement and experience to the board's decision-making. Details on the directors appear on pages 39 to 41 of this annual report. There are twenty Group directors, all of whom are non-executive independent directors.

Board appointments and succession planning

PPS members appoint the board of PPS Limited at its annual general meeting. In turn, this board appoints the board of PPS Insurance Limited and monitors and obtains regular feedback, acting as shareholder of PPS Insurance Limited. Non-executive directors on the PPS board are appointed for specific terms and re-appointment is not automatic. Under delegated authority of the board, the Nominations Committee within its powers, selects and appoints directors, including the Chief Executive Officer and non-executive directors. The Nominations Committee considers non-executive director succession planning and makes appropriate recommendations to the board.

This encompasses an evaluation of the skills, knowledge and experience required to add value to the Group, for both directors standing for re-election and new candidates standing for election for the first time. All appointments are made in terms of a formal and transparent procedure and are subject to confirmation by the members at the annual general meeting. The Group believes that the board's constitution, in terms of both the number and expertise, is sufficient and appropriate to meet the Group's needs.

Board performance assessment

The Nominations Committee annually assesses the contribution of each director eligible for re-election, using an individual director evaluation process that is conducted by it. This culminates in a determination by the Nominations Committee as to whether it will endorse a retiring director for re-election. Where a director's performance is not considered satisfactory, the Nominations Committee will not endorse the nomination. Individual directors are assessed against the following criteria:

- time, availability and commitment to performing the function of a director;
- strategic thought and specific skills, knowledge and experience brought to the board;
- the director's views on key issues and challenges facing the Group;
- the director's views on his/her own performance as a board member;
- any training needs; and
- other areas or roles where the director's specific skills could be utilised.

One-third of the directors appointed in terms of clause 12.1.2.1 of the Articles of Association are subject, by rotation, to retirement and re-election at the annual general meeting. The directors eligible for re-election at the forthcoming annual general meeting are contained in this annual report on page 130.

Interests in contracts and conflict of interest

During the year ended 31 December 2008, none of the directors had an interest in contracts or arrangements entered into by the Company or its subsidiaries. Directors are required to inform the board timeously of conflicts or potential conflicts of interest that they may have in relation to particular items of business and are obliged to recuse themselves from discussions or decisions in relation to such matters. Directors are also required to disclose their shareholdings in other companies as well as their other directorships at least annually and to inform the board when any changes occur.

Insurance

Adequate directors' and officers' insurance cover has been taken out by the Group. No claims under the relevant policy were lodged during the year under review.

The PPS Limited and PPS Insurance Company meetings held during the year and the attendance at these meetings are as follows:

PPS Limited	7 Apr 2008	17 Jun 2008	6 Oct 2008	8 Dec 2008
Adv TN Aboobaker	✓	✓	AP	✓
Dr J Adno	AP	✓	✓	✓
Dr DR Anderson	✓	✓	✓	✓
Dr V Bhagwandas	✓	✓	✓	✓
Dr NG Campbell	✓	✓	✓	✓
Mr Y Gordhan (Appointed June 2008)	N/A	✓	✓	AP
Prof M Haus (Resigned June 2008)	AP	N/A	N/A	N/A
Mr I Kotze	✓	✓	AP	AP
Dr CM Kruger	✓	✓	✓	✓
Dr TKS Letlape	✓	✓	✓	✓
Mrs CN Mbili	✓	AP	✓	✓
Adv R Meyer	✓	✓	✓	✓
Mr EA Moolla	✓	✓	✓	✓
Dr DGC Presbury	✓	✓	✓	✓
Mr CD Reay	✓	✓	✓	✓
Dr S Seoka	✓	✓	✓	✓
Dr TSL Sizani	✓	✓	✓	✓
Dr RD Sykes	✓	✓	✓	✓
Mr B Topham	✓	✓	✓	✓
Dr JJ van Niekerk	✓	✓	✓	✓
Judge R Zulman	✓	✓	✓	AP

AP = Apology

PPS Insurance Company	28 Jan 2008	10 Mar 2008	31 Mar 2008	19 May 2008	30 Jun 2008	28 Jul 2008	25 Aug 2008	6 Sep 2008	27 Oct 2008	24 Nov 2008
Dr DR Anderson	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Dr NG Campbell	✓	✓	✓	AP	✓	✓	✓	✓	✓	✓
Mr C Erasmus	✓	✓	✓	✓	AP	✓	✓	✓	✓	✓
Mr D Gnodde	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr MJ Jackson	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr I Kotze	✓	✓	✓	AP	✓	✓	✓	AP	✓	✓
Adv R Meyer	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr EA Moolla	✓	✓	AP	✓	✓	✓	✓	✓	✓	✓
Mr WF Mthembu	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr D Nohr (Resigned November 2008)	AP	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr N Payne	✓	✓	✓	✓	✓	✓	✓	AP	✓	✓
Dr DGC Presbury	✓	✓	✓	✓	AP	✓	✓	✓	✓	✓
Dr S Seoka	✓	✓	✓	✓	✓	AP	✓	✓	✓	✓
Dr JJ van Niekerk	✓	✓	✓	✓	✓	✓	AP	AP	✓	✓

AP = Apology

Board committees

A number of board-appointed committees have been established to assist the board in discharging its responsibilities. The membership and principal functions of these committees are set out below. Pages 16 to 21 reflect a list of the various committee members as well as their attendance at the relevant committee meetings.

Executive Committee (Excom)

Members

M Jackson (Chairman), D Gnodde, J Marsden, T Boesch, C de Klerk, Dr J Goodwin, L Caron, S Clark, R Govenden, A Tait (resigned July 2008), T Simba (appointed January 2008), Dr D Stott (appointed September 2008).

Composition and meeting procedures

Excom is chaired by the CEO and has regular input from executives from operations, sales, finance, actuarial, IT, human resources, compliance, member relations and special projects. Meetings are normally held once a month. The committee is responsible for strategy and operations of the Group within the parameters defined by the board. Where necessary decisions or recommendations of Excom are referred to the board for final approval, whilst in other instances Excom's authority will be delegated to a sub-committee or particular Excom members.

The Excom meetings held during the year and the attendance of these meetings are as follows:

Excom	21 Jan 2008	18 Feb 2008	31 Mar 2008	21 Apr 2008	27 May 2008	23 Jun 2008	18 Jul 2008	25 Aug 2008	22 Sep 2008	20 Oct 2008	24 Nov 2008
Mr M Jackson	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr D Gnodde	✓	✓	✓	AP	✓	AP	✓	✓	✓	✓	✓
Mr A Tait (Resigned July 2008)	✓	✓	✓	✓	✓	✓	✓	N/A	N/A	N/A	N/A
Mr C de Klerk	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Dr J Goodwin	✓	✓	AP	✓	✓	✓	✓	✓	✓	✓	✓
Mr J Marsden	✓	✓	✓	✓	✓	✓	AP	✓	✓	✓	✓
Mr R Govenden	✓	✓	✓	✓	✓	AP	AP	✓	✓	✓	✓
Mr S Clark	✓	✓	✓	AP	✓	✓	✓	✓	✓	✓	AP
Mrs T Boesch	AP	AP	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr L Caron	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr T Simba (Appointed January 2008)	AP	✓	✓	✓	✓	✓	AP	✓	✓	✓	✓
Dr D Stott (Appointed September 2008)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	✓	✓	✓	✓

AP = Apology

Group Remuneration Committee (GRC)

Members

D Anderson (Chairman), E Moolla, R Meyer, D Nohr (resigned November 2008), C Erasmus and W Mthembu. The GRC is chaired by an independent director and comprises solely of non-executive directors of PPS. The Group Chief Executive Officer, who is the executive responsible for people management attends the meetings by invitation but does not participate in the committee's deliberations. Meetings are held at least three times a year.

The primary responsibilities of the GRC are the consideration and recommendation to the board on matters such as succession planning, remuneration and benefits, performance bonuses, executive remuneration, directors' remuneration and fees, the short-term incentive scheme and long-term incentive scheme and Group retirement funds. The GRC considers the level of salary and the principles of any variable element of the remuneration package and also considers other aspects of the remuneration package and associated matters in accordance with its published terms of reference. Execution of policy is delegated to management.

The annual bonus scheme described in some detail in the 2006 annual report remains in place. Each executive participates in the scheme which seeks to relate annual bonus to the performance of the business as a whole and to individual performance measured against a range of targets. 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 the GRC such that the members of the GRC have satisfied themselves that the GRC has exercised its judgement appropriately in these cases. 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 management performance with members' interest. Special care has been taken to ensure that excessive risk taking is not rewarded.

It is the intention of the GRC to review targets on an annual basis to assess continued relevance in the face of external or unforeseen circumstances. As stated earlier, the provision of long-term incentives is perceived as very important for the business going forward. The strategy must be aligned with an appropriate total remuneration package that is competitive in the market place.

The GRC meetings held during the year and the attendance of these meetings are as follows:

Remuneration Committee	2 Apr 2008	16 Apr 2008	11 Jun 2008	27 Aug 2008
Dr DR Anderson	✓	✓	✓	✓
Mr C Erasmus (appointed August 2008)	N/A	N/A	N/A	✓
Mr MJ Jackson (by invitation)	✓	✓	✓	✓
Adv R Meyer	✓	✓	✓	✓
Mr EA Moolla	✓	✓	✓	✓
Mr WF Mthembu	✓	✓	✓	✓
Mr D Nohr (Resigned November 2008)	✓	✓	✓	✓

Group Audit and Risk Committee (GARC)

Members

Prof H Wainer (Joint Chairman), Adv R Meyer (Joint Chairman), Mr I Kotze, Mr E Moolla, Mr D Nohr (resigned November 2008), Mr N Payne, Prof C Rabin.

The GARC includes five non-executive directors and two specialists all of whom are independent. The board is satisfied that the members of the GARC have sufficient recent and relevant financial experience to enable them to carry out the duties of their role and that the members of the committee bring a wide range of relevant experience. The committee is scheduled to meet at least four times a year. The external auditors, internal auditors, Group compliance and risk are present at each meeting. In addition, it is the practice of the committee to meet both the external auditors and internal auditors separately in private sessions, without executive management being present. The Chief Executive, the Chief Operating Officer, the Chief Financial Officer along with other members of management, attend committee meetings, as necessary, at the invitation of the Chairman of the committee.

The main roles and responsibilities of the committee include:

- Dealing with the engagement of the external auditors and fees payable to the external auditors.
- Overseeing the relationship with the external auditor.
- Reviewing the annual financial statements of the Group.
- Reviewing significant financial reporting issues and judgements which they contain.
- Internal and external audit policy including terms of engagement.

- Reviewing the consistency of accounting policies and considering any changes to those policies.
- Examining all material information presented with the financial statements.
- Reviewing the effectiveness of the Group internal controls and risk management systems.
- Monitoring and reviewing the activities, scope, adequacy and effectiveness of the Group's internal audit function and audit plans.
- Reviewing and assessing the annual external audit plans.
- Receiving and dealing with any complaints relating to either the accounting practices and internal audit of the Group or any related matter.
- Reviewing compliance with applicable legislation and the requirements of regulatory authorities.
- Compliance with the Code of Corporate Practice and Conduct.

The Group's policy on non-audit services, which is annually reviewed by the GARC, sets out what services may or may not be provided to PPS by the external auditors. The GARC conducts a formal external auditor evaluation process. This evaluation will occur 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 GARC keeps abreast of current and emerging trends in international accounting standards. The GARC is satisfied that it has met its mandate.

The GARC meetings held during the year and the attendance of these meetings are as follows:

Audit and Risk	18 Feb 2008	6 Mar 2008	19 Mar 2008	19 Jun 2008	14 Aug 2008	16 Oct 2008	27 Nov 2008
Prof HE Wainer	✓	✓	✓	✓	✓	✓	✓
Adv R Meyer	✓	✓	✓	✓	✓	✓	✓
Mr I Kotze	AP	✓	✓	✓	✓	✓	✓
Mr EA Moolla	✓	✓	✓	✓	✓	AP	✓
Mr D Nohr (Resigned November 2008)	AP	✓	✓	✓	✓	✓	✓
Mr N Payne	✓	✓	✓	✓	✓	✓	✓
Prof CE Rabin	✓	✓	✓	✓	✓	✓	AP

AP = Apology

Group Nominations Committee (GNC)

Members

Dr D Presbury (Chairman), Dr D Anderson, Adv R Meyer, Mr E Moolla.

The GNC is chaired by an independent director and comprises solely independent non-executive directors.

It is the responsibility of the GNC to ensure that plans are in place for appointments to the board that will maintain an appropriate balance of skills and experience. The GNC leads the process for appointment and re-election and makes recommendations to the board ensuring there is a formal, rigorous and transparent procedure for appointments. The board is satisfied that the range of expertise, experience and qualifications is appropriate for the current needs of the business but keeps these matters under regular review. The board is responsible for ensuring that an effective system for succession planning and management development is in place which covers both directors and senior executives. 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 board and subsidiary boards. The GNC may appoint external consultants to help 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, that individual would recuse himself from the GNC for that item.

The GNC is satisfied that each non-executive director displays the time commitment required to properly discharge the role. Directors have continued to update their skills and knowledge, both within the Group and externally. Presentations have been given on key issues and developments within the industry. An agreed action plan has been put in place to have evaluation of the board's effectiveness.

The GNC meetings held during the year and the attendance of these meetings are as follows:

Nominations Committee	12 Mar 2008	20 Aug 2008	26 Nov 2008
Dr DR Anderson	✓	✓	✓
Dr DGC Presbury	✓	✓	✓
Adv R Meyer	✓	✓	✓
Mr EA Moolla	✓	✓	✓

Internal control environment

The board has overall responsibility for the Group's systems of internal control and is accountable for reviewing their effectiveness. Internal control systems are designed to manage risks within the business rather than totally eliminate the potential failure to achieve the Group's objectives. Inevitably, they can provide only reasonable and not absolute assurance against material misstatement or loss. The board is extremely conscious of the importance of the Group's system of internal controls and attaches a high priority to monitoring their effectiveness and developing them in line with best practice.

The system of internal control

The board has delegated to executive management the requirement for oversight, establishment and implementation of appropriate systems of internal control. The internal control systems continue to be enhanced and GARC:

- assists management with the objective of embedding risk management across the Group and their responsibility to manage risks within the business units;
- facilitates the risk management framework and operational processes to effectively capture risk information by providing input at GARC meetings;
- ensures maintenance of risk information across the Group and facilitates management scoring of significant risks impacting the Group in terms of probability and impact;
- makes recommendations to executive management on, for example, the risk map and management of all categories of risk, including whether risk management systems are adequate, if key risks are being managed appropriately and whether changes should be made to the risk appetite or governance framework; and
- maintains a risk management policy that details the risks inherent across the Group and procedures for the governance and continual embedding of the risk management framework.

Risk management framework

Executive management and business units are responsible for the management of risks across the Group. Extensive work has been done and indepth consultations have been held with internal auditors, statutory actuary and executive management, which has culminated in a risk matrix having been prepared for approval of GARC and ultimately for approval of the board. The risk matrix sets out the process for capturing all risks relevant through five key stages; identification, assessment, monitoring, mitigation and reporting. Group Risk is responsible for the collation of this information and reporting through the GARC within the existing governance structure. Executive management is entrusted to ensure that the risk management framework is embedded at all levels and overseen, independently and objectively, at an appropriate level. The GARC and the Internal Audit function, keeps under continuous review the adequacy and effectiveness of the Group's risk management framework and systems of internal control. Internal Audit takes into consideration the risk matrix when planning their internal audits of the Group.

Risk-taking, in an appropriate manner, is an integral part of business. Success relies on optimising the trade-off between risk and reward. In the course of conducting its business, the Group is exposed to a variety of risks, including counterparty, credit, market, operational, strategic and reputational risk. The long-term sustained growth, continued success and reputation of the Group are critically dependent on the quality of risk management. Management is committed to applying best practice and standards. The Group's risk philosophy is underpinned by its objective of member value creation through sustainable profitable growth, in a manner that is consistent with members' expectations of the Group's risk-bearing capacity and its risk appetite. The Group's objective in this regard is to ensure that a quality risk management culture is sustained throughout its operations. The culture is being built on the following main elements:

- Adherence to the value system of the Group;
- 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;
- Regular monitoring of compliance by the compliance department; and
- Review of control measures by Internal Audit.

Extent of broad-based black economic empowerment (BBBEE)

The Group is committed to the principles and objectives of BBBEE and it remains a high priority of the board. The detailed indicators which are expected to be included in the new draft BBBEE Codes of Good Practice are still awaited. The Group is a member of the Financial Services Sector and as such has committed to reporting its black economic empowerment in terms of the Financial Services Charter, as is required by this charter.

Human resources policies and practices

Staff turnover and absenteeism rates decreased from 2007, attributable primarily to the stabilisation of the operational environment. Staff related costs like overtime and additional temporary staff increased as a result of the reconfiguration process.

Employee satisfaction surveys are conducted annually to gauge the key factors driving and inhibiting employee wellbeing, and high performance. The result of the April 2008 survey revealed that PPS staff were reasonably satisfied with their working conditions and were operating at acceptable levels of productivity.

The results were pleasing, within the context of the substantial levels of change that the Group experienced in 2007. It illustrated that the calibre of new entrants in conjunction with the redeployment of employees to new roles and robust management systems have contributed to the new culture.

Employee wellness

For the first time in PPS, a wellness programme was initiated. A Wellness Committee was created with representatives from different parts of the Group. An employee assistance programme was implemented to provide counselling to all employees on a free basis for trauma and social, work-related, financial, family, marital and other problems. This has been well-received and the take-up rate is approximately 50%. Stress, nutritional and wellbeing workshops were conducted with all staff together with health risk assessments (cholesterol, BMI and other testing). The intention is to assist employees to lead healthy lives and address the actual sources of distress.

Performance management

A robust performance management system is the hallmark of a high-performing sustainable organisation. PPS has experienced a maturing of the integrated performance management system which was first implemented in 2004. Since then, the system has been strengthened and enhanced each year and represents a solid basis for creating a high-performance culture. The level 1 – 5 scoring system is currently very well defined, making it easy to understand and implement. This is evident from the comparison of the 2004 and 2008 performance bell curves. There has been a marked improvement in management's ability to distinguish between a level "3" and "4" performance. Excom has also reviewed all ratings across the board to ensure consistency. These processes helped the 2008 bell curve conform to the best practice normal distribution bell curve.

Training and development

The total spend on training was approximately 2,36% of payroll, and focused primarily on systems, product and skills transmission to enhance customer liaison and satisfaction. Additionally, the service excellence drive was aligned to the sales effort, to reach the annual targets.

Six able-bodied learners and one disabled learner were recruited into the organisation. The learnership programme in 2008 was far more successful than in previous years. An internal development path was constructed for learners, in addition to the statutory NQF 5 accredited programme that the learners attended. In addition, a decision was taken to allow each learner to learn and develop within one department of the organisation for the duration of the year. In this way, trust and commitment was created by both learners and the managers who mentored them.

Transformation – Financial Services Charter (FSC) scorecard

The Group is committed to transformation as defined in the principles and objectives of the FSC and BBBEE Codes of Good Practice. The Group has realised the importance of implementing the key objectives of transformation into the strategic and business objectives of the Group. Although the PPS 2008 scorecard has not been verified by an independent agency, the estimate individual scores in the various pillars of the FSC are as follows:

Category	Estimate PPS score	FSC points
Human resource development	15	20
Procurement	15	15
Access to financial services	Exemption granted by FSC Council	
Consumer education	0	2
Empowerment financing	0	22
Ownership and control	16	22
Corporate social investments	1	3
Total	**47**	**84**

Statement of responsibility by the board of directors

for the year ended 31 December 2008

The directors accept responsibility for the integrity and fair presentation of the Group and Company financial statements. These financial statements have been prepared in accordance with International Financial Reporting Standards taking into account the nature of the business and in the manner required by the Long-Term Insurance Act 1998 and the South African Companies Act 1973. The directors are of the opinion that the financial statements fairly present the financial position of the Company and the Group. 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 directors and committees of the board. The directors have no reason to believe that all representations made to the independent auditors during the audit are not valid and appropriate. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of the financial statements as well as adequate systems of internal financial control.

Nothing has come to the attention of the directors 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 28 to 129 were approved by the board of directors and are signed on its behalf by:

Dr DGC Presbury
Chairman
Professional Provident Society Limited (Limited by Guarantee)

Mr EA Moolla
Deputy Chairman
Professional Provident Society Limited (Limited by Guarantee)

Mr MJ Jackson
Chief Executive

Mrs T Boesch
Chief Financial Officer

Johannesburg
08 April 2009

Certificate by the Company Secretary

In my capacity as Company Secretary I hereby certify in terms of the Companies Act No. 61 of 1973 (as amended) that for the year ended 31 December 2008 Professional Provident Society Limited (Limited by Guarantee) has lodged with the Registrar of Companies all such returns as are required in terms of this Act and that all such returns are to the best of my knowledge and belief true, correct and up to date.

LP Caron
Company Secretary
Professional Provident Society Limited (Limited by Guarantee)
08 April 2009

Independent Auditors' Report

To the members of Professional Provident Society Limited (Limited by Guarantee)

We have audited the group annual financial statements and annual financial statements of Professional Provident Society Limited (Limited by Guarantee), which comprise the consolidated and separate balance sheets as at 31 December 2008, and the consolidated and separate income statements, the consolidated and separate statements of changes in equity and consolidated and separate cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 28 to 129.

Directors' responsibility for the financial statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' 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 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 Professional Provident Society Limited (Limited by Guarantee) as at 31 December 2008, 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 in the manner required by the Companies Act of South Africa.

PricewaterhouseCoopers Inc

PricewaterhouseCoopers Inc.

Director: A du Preez
Registered Auditor

Sunninghill
08 April 2009

Report of the Independent Actuary
for the year ended 31 December 2008

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 applicable Actuarial Society of South Africa Professional Guidance Notes. 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.

Based on these reviews, as at 31 December 2008, in my opinion, the insurance interests were financially sound on the statutory bases, and in my opinion are likely to remain financially sound for the foreseeable future.

C van der Riet
Statutory Actuary to PPS Insurance and PPS Namibia

08 April 2009

The consolidated balance sheet for the Group on the published reporting basis is shown below:

	Paragraph	2008 R'000	2007 R'000
Net assets	4	**11 484 353**	11 939 996
Insurance liabilities	5	**11 331 530**	11 821 146
Apportionment and special benefit accounts		**8 071 614**	9 116 733
Risk benefits and smoothing reserves		**2 926 411**	2 583 572
Investment contracts		**50 177**	6 922
Other insurance liabilities		**283 328**	113 919
Excess of assets over liabilities		**152 823**	118 850

2. ANALYSIS OF CHANGE IN EXCESS ASSETS

The excess of the value of assets over the value of liabilities has changed as follows over the year:

	2008 R'000	2007 R'000
Excess of assets over liabilities at the end of the period	**152 823**	118 850
Excess of assets over liabilities at the start of the period	**118 850**	132 340
Change in excess assets over the period	**33 973**	(13 490)
The change in excess assets is due to the following factors:		
Investment return on accumulated assets	**(9 510)**	17 895
Investment income	**8 214**	6 084
Capital appreciation	**(17 724)**	11 811
Tax on shareholders' assets	**163**	(1 660)
Balance of profits/(losses)	**43 320**	(29 725)
Earnings for the year on the financial soundness basis	**33 973**	(13 490)

The philosophy underlying the PPS business is that profits emerging from the policyholder funds are retained in the fund and distributed to policyholders by means of annual bonus allocations to the non-vesting apportionment and special benefit accounts. Any undistributed profits at the end of each year are held in bonus smoothing reserves for subsequent allocation to policyholders.

The impact of any changes to valuation methods and assumptions is offset by a corresponding change in the bonus smoothing reserves. These changes will thus not impact on the earnings for the year on the financial soundness basis.

3. RECONCILIATION TO REPORTED EARNINGS

	2008 R'000	2007 R'000
Total earnings per above table	**33 973**	(13 490)
Reported surplus/(deficit) in the financial statements	**33 973**	(13 490)
Difference	**0**	0

4. PUBLISHED REPORTING ASSET VALUATION METHODS AND ASSUMPTIONS

The assets are valued at balance sheet values, ie at market or directors' values as described in the accounting policies. The assets relate to the consolidated assets of the Group.

5. PUBLISHED REPORTING LIABILITY VALUATION METHODS AND ASSUMPTIONS

The valuation of the policy liabilities in the life interests was performed using the financial soundness valuation method for insurance contracts (including both the discretionary participation feature (DPF) and non-DPF components of the benefits) in accordance with the requirements of the Long-Term Insurance Act, 1998 and Professional Guidance Note (PGN) 104, as follows:

For sickness and permanent incapacity benefits (referred to in the notes as the non-DPF component of the benefits), 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 (ie 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 as the DPF component of the policy liabilities.

Where cumulative investment returns and profits exceeded the bonuses and investment allocations to policyholder benefits, bonus smoothing reserves were established. The bonus smoothing reserves decreased from the prior year and were zero at 31 December 2008.

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 bonus 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 PGN 104 of the Actuarial Society of South Africa.

For certain products a discretionary margin has been held to prevent the premature recognition of profits. This increased the policy liabilities by R781 million. There are no other discretionary margins in the policy liabilities. For the Namibian business, no policy was treated as an asset in accordance with Namibian legislation.

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 investigations were for the period 1 January 2005 to 31 December 2007. The morbidity investigation was conducted on the experience for 2007. The mortality experience related to the period 1 January 2005 to 31 December 2007.

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 4,5% per annum in future. The experience will be monitored and adjustments made as and when necessary.

The future tax outgo is based on the four funds tax basis for the South Africa business and the applicable Namibian tax basis for the Namibian business.

The economic assumptions were based on the following:

	2008 %	2007 %
Bond yield at 31 December	**7,50**	8,50
Equity return	**10,50**	10,50
Cash	**6,00**	7,00
Property return	**8,50**	9,50

The assumed future gross investment return is 8,10% pa (2007: 8,88% pa).

6. CAPITAL REQUIREMENTS AND POLICYHOLDER BENEFITS

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 PGN 104. The 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 is 2,52 times (2007: 2,56 times) the capital adequacy requirement.

In deriving the investment resilience requirement in the ordinary capital adequacy requirement (OCAR) it was assumed that a decline of 26% in equity asset values, 15% in property values, and a 13% increase in fixed interest asset values (as a result of a 25% reduction in fixed-interest yields) will occur, in accordance with PGN 104.

In the case of PPS's insurance interests, all profits and losses arising are transferred to policyholders by means of the annual bonus declarations to surplus rebate 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 bonuses which reflect the experience each year. The impact of this management action is to reduce the capital adequacy requirement.

The adverse scenarios considered (and the impact on benefits) include the following:

- The impact of losses arising from specified selective adverse policy terminations will be absorbed by a reduction in the profit allocation to apportionment accounts of R234 million. This is equivalent to a reduction in the aggregate profit allocation of 42%.
- The impact of specified fluctuations in the mortality, morbidity and medical experience will be absorbed by a reduction of R65 million in the operating profit allocated to apportionment accounts. This is equivalent to a reduction in the aggregate profit allocation of 12%.

- The impact of specified fluctuations in the mortality experience on permanent incapacity benefit claims in payment will be absorbed by a reduction of R24 million in the operating profit allocated to apportionment accounts. This is equivalent to a reduction in the aggregate profit allocation of 4%.
- The impact of specified fluctuations in the expense experience will be absorbed by a reduction of R25 million in the operating profits allocated to apportionment accounts. This is equivalent to a reduction in the aggregate profit allocation of 4%.
- The allowance for operational risk in the CAR calculation is R41,8 million. We assume that should these operational risk events occur, that the impact of this will be absorbed by a reduction of R41,8 million in the operating profit to apportionment accounts. This is equivalent to a reduction in the aggregate profit allocation of 7%.
- The allowance for credit risk in the CAR calculation amounted to R41,5 million. The impact of these credit risk events materialising will result in a reduction to special benefit accounts of R41,5 million. This is equivalent to removing 1,0% of the special benefit account balances at 31 December 2008.
- The impact of a specified significant fall in asset values (equivalent to 26% of equity values) will result in a reduction to special benefit accounts of R3,0 billion. This is equivalent to removing in aggregate 72% of the special benefit account balances at 31 December 2008.

The scenarios set out above have been considered by the boards of the insurance companies. The boards have agreed that the impact of each adverse scenario would be reflected in policyholder benefits in the manner disclosed above were the scenarios to materialise.

Directors' report

Professional Provident Society Limited (Limited by Guarantee) ('PPS Limited') and its subsidiaries ('the Group')

The directors present their report, which forms part of the audited annual financial statements of the Group for the year ended 31 December 2008.

Principal activities

PPS Limited is incorporated as a company limited by guarantee under the Companies Act. PPS Limited is an investment holding company whose sole investment is 100% of the shares of Professional Provident Society Insurance Company Limited ('PPS Insurance'). PPS Limited is owned and controlled by its members. PPS Insurance conducts most of the business of the Group and has certain subsidiaries as set out on page 3 of this report. In terms of the Group structure:

- *PPS Insurance* is a long-term insurance company registered in South Africa 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.

  The PPS Group Life Assurance Scheme, which is closed to new business, is underwritten by Sanlam Life Insurance Limited ('Sanlam') in terms of a Group Life Master Policy contract with PPS Insurance. Those policyholders who participate in this policy receive participation certificates. The risks and rewards pertaining to these products are substantially reinsured back to PPS Insurance, in terms of a reinsurance agreement with Sanlam Life.

- *PPS Black Economic Empowerment SPV (Pty) Limited* ('PPS BEE SPV'), a special purpose vehicle, was formed as part of the PPS Insurance BEE transaction in 2006. The sole asset of PPS BEE SPV is an endowment policy issued by PPS Insurance. PPS BEE SPV has issued cumulative redeemable preference shares to PPS Insurance. The redemption of these shares will be funded out of the proceeds of the endowment policy.

- *Professional Provident Society Insurance Company (Namibia) Limited* ('PPS Namibia') is a 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. This provides security as the Namibian policyholders are effectively included in a risk pool of around 128 000 policyholders. Without this reinsurance arrangement, the Namibian subsidiary, with approximately 3 500 Namibian policyholders, would be exposed to significantly higher volatility from participating in a significantly smaller risk pool.

- *PPS Medical Scheme Administrator (Pty) Limited* ('PPS Medical Scheme Administrator'), a subsidiary of PPS Insurance, administers Profmed Medical Aid.

- *Professional Provident Society Marketing Services (Pty) Limited,* ('PMS') a subsidiary of PPS Insurance, was formed to act as a distribution company for some of PPS Insurance's products, through its divisions, namely, Member Relations division ('MRD'). PMS also has a short-term division which markets short-term insurance to members. These products are underwritten by Hollard Insurance Company Limited.

- *Professional Provident Society Investments (Pty) Limited* ('PPS Investments') which provides, inter alia, savings and investment products exclusively to PPS members is jointly owned by PPS Insurance and Coronation Fund Managers Limited as joint shareholders.

- *Plexus Properties (Pty) Limited,* a subsidiary of PPS Insurance, owned and managed property belonging to the Group. The property was sold during the course of 2006 and the Company is currently not trading.

- *The PPS Beneficiaries Trust* manages the termination or exit benefits of deceased members, pending transfer to those beneficiaries not yet legally entitled to receive funds, such as minors.

PPS Insurance provides certain administrative functions to all of the above subsidiary companies and the PPS Beneficiaries Trust.

Financial results

The financial results on pages 43 to 129 clearly set out the consolidated results of the Group. The Company results reflect those of PPS Limited. The Group results reflect the consolidated results of PPS Limited and its subsidiaries.

Interest and profit allocations to policyholders' surplus rebate accounts

At the end of each year policyholders' surplus rebate accounts, including 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 surplus rebate account accumulates from year to year until a policyholders reaches retirement age. On retirement, death or exit, policyholders receive a lump sum payment based on the balance accumulated in their surplus rebate accounts at that time.

The surplus rebate account represents a notional allocation of surplus and investment returns only. This account does not belong to the policyholders (or become a 'vested benefit') until retirement, death or exit. The total assets backing the surplus rebate accounts 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 surplus rebate account may increase or decrease each year. Possible variations in the surplus rebate accounts are set out in the accounting policies and notes to these financial statements. There are no guarantees given by PPS Insurance or PPS Namibia that the allocations of operating results or investment returns will always be positive, or that the surplus rebate accounts will not reduce in any year.

The net operating income is allocated in proportion to the number of units of benefit held by each policyholder during that year. The investment returns are allocated in proportion to the quantum of the policyholders' surplus rebate accounts.

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 surplus rebate accounts at the time. For all other policyholders aged 60 or older, the full balance of the surplus rebate accounts is paid out to the policyholders, tax-free on retirement, termination of cover or resignation, and to beneficiaries or the estate on death.

The allocation at 31 December 2008 to policyholders' apportionment accounts referred to above, as approved by the respective boards, are set out as follows:

PPS Insurance

	2008		2007	
	Rates	**R'000**	Rates	R'000
Interest				
Pre-retirement option policyholders (note 1)	**6,21%**	**8 317**	8,91%	8 530
Other policyholders (note 1)	**5,09%**	**152 369**	3,47%	93 965
Bonus allocation – per unit of benefit per month				
Full – ordinary (note 2)	**24,92c**	**410 081**	20,02c	290 443
Reduced – ordinary	**11,92c**	**16 742**	7,02c	11 125
Supplementary A	**9,01c**	**34 516**	7,24c	27 114
Supplementary B	**51,39c**	**6 292**	41,3c	5 067
Deferred	**8,68c**	**13 759**	6,97c	10 975
Accident	**10,26c**	**4 051**	8,25c	3 194
Hospital benefits				
Full ordinary	**3,25c**	**36 735**	2,61c	25 681
Reduced ordinary	**1,95c**	**2 230**	1,31c	1 711
Supplementary A	**1,72c**	**3 275**	1,38c	2 607
Supplementary B	**11,26c**	**795**	9,05c	648
Accident	**6,09c**	**1 688**	4,89c	1 339
Professional Provident Society Retirement Annuity Special Bonus	**0,53c**	**6 287**	0,80c	8 729

Note 1 – Investment income allocated to policyholders' notional apportionment account balances.

Note 2 – Bonus rates for PPS Insurance and PPS Namibia would have been the same had it not been for the impact of the BEE funding requirements in PPS Insurance.

PPS Namibia

	2008		2007	
	Rates	**N$'000**	Rates	N$'000
Interest				
Pre-retirement option policyholders (note 1)	**6,21%**	**116**	4,57%	73
Other policyholders (note 1)	**3,26%**	**2 421**	3,25%	2 105
Bonus allocation – per unit of benefit per month				
Full – ordinary (note 2)	**25,05c**	**14 199**	20,13c	9 552
Reduced – ordinary	**12,05c**	**453**	7,13c	234
Supplementary A	**9,05c**	**732**	7,27c	566
Supplementary B	**51,66c**	**175**	41,51c	142
Deferred	**8,72c**	**305**	7,01c	237
Accident	**10,31c**	**104**	8,29c	80
Hospital benefits				
Full ordinary	**3,26c**	**1 578**	2,62c	1 062
Reduced ordinary	**1,96c**	**65**	1,32c	40
Supplementary A	**1,73c**	**90**	1,39c	70
Supplementary B	**11,32c**	**28**	9,10c	22
Accident	**6,12c**	**47**	4,92c	36
Professional Provident Society Retirement Annuity Special Bonus	**0,47c**	**111**	0,53c	123

Note 1 – Investment income allocated to policyholders' notional apportionment account balances.

Note 2 – Bonus rates for PPS Insurance and PPS Namibia would have been the same had it not been for the impact of the BEE funding requirements in PPS Insurance.

Allocation to special benefit accounts

The following interest allocations (note 3) for 2008 were made to the special benefit accounts:

- 4,45% (2007: 2,73%) for South African policyholders who chose to move to the pre-retirement option – this amounts to R17,6 million (2007: R7,4 million).
- (13,15)% (2007: 10,25%) for South African policyholders who did not qualify for, or did not choose to move to the pre-retirement option – this amounts to R(1 029) million (2007: R762,6 million).
- 5,59% (2007: 3,23%) for Namibian policyholders who chose to move to the pre-retirement option – this amounts to N$0,3 million (2007: N$0,1 million).
- (20,84)% (2007: 11,65%) for Namibian policyholders who did not qualify for, or did not choose to move to the pre-retirement option – this amounts to N$(36,8) million (2007: N$18,1 million).

Note 3 – Investment return allocated to policyholders' notional special benefit accounts as a percentage of the notional surplus rebate accounts at the beginning of the year.

Senior management incentive schemes

The senior management incentive schemes, as far as possible, are aligned with, linked to and influenced by:

- The interests of the members;
- The financial performance of the Group as a whole based on balanced scorecard agreed with management and approved by GRC;
- The performance of any business unit or support function; and
- The employee's own contribution.

Executives, senior managers and other nominated managers participate in the senior management incentive scheme. This scheme is based on the achievement of short-term performance targets relevant to the individual and his/her team, which are aligned to the achievement of the Group's overall objectives for the year. The targets relate to the Group's overall financial performance and the achievement of strategic objectives for the employee's business unit and agreed personal targets. The incentive bonuses paid in terms of this scheme are not regarded as guaranteed as it is dependent on business performance being above a certain threshold. The remuneration committee regularly reviews the Group's incentive scheme to approve final allocations to ensure alignment to both the Group's objectives and any relevant changes in the Group's strategy.

The purpose of the long-term incentive scheme is to attract, retain, motivate and reward eligible management. Long-term incentives are managed and calculated based on predetermined performance targets in relation to the Group's actual performance for that period, but the predetermined performance hurdles stretch over longer periods and benefits are paid only on achievement of these performance targets. This scheme aligns their interests with those of the Group's members, by providing that the extent to which such eligible management ultimately benefit under the plan is dependent on the long-term sustained growth in the total balance of the apportionment account.

Directors of PPS Limited

Director	Status	Classification	Term of office
Dr D Presbury	Independent Chairman	Elected	Ends June 2010
Mr E Moolla	Independent Deputy Chairman	Elected	Ends June 2010
Dr D Anderson	Independent	Elected	Ends June 2009
Dr J Adno	Independent	Elected	Ends June 2009
Dr N Campbell	Independent	Elected	Ends June 2011
Prof M Haus	Independent	Elected	Resigned – June 2008
Dr C Kruger	Independent	Elected	Ends June 2010
Adv R Meyer	Independent	Elected	Ends June 2009
Dr J van Niekerk	Independent	Elected	Ends June 2011
Judge R Zulman	Independent	Elected	Ends June 2011
Dr V Bhagwandas	Independent	Elected	Ends June 2010
Mr B Topham	Independent	Elected	Ends June 2010
Mr Y Gordhan	Independent	Elected	Ends June 2011
Adv T Aboobaker	Appointed by General Council of the Bar of South Africa	Nominated	N/A
Mr I Kotze	The Pharmaceutical Society of South Africa	Nominated	N/A
Dr T Letlape	The South African Medical Association	Nominated	N/A
Ms C Mbili	The South African Institute of Chartered Accountants	Nominated	N/A
Mr C Reay	The Society of Professional Engineers	Nominated	N/A
Dr T Sizani	The South African Dental Association	Nominated	N/A
Dr S Seoka	Independent	Co-opted	N/A
Dr R Sykes	The South African Veterinary Association	Representative	N/A

PPS Insurance Board

Director	Status
Dr D Anderson (Chairman)	Non-executive
Mr E Moolla	Non-executive
Dr D Presbury	Non-executive
Adv R Meyer	Non-executive
Dr N Campbell	Non-executive
Mr C Erasmus	Non-executive
Mr W Mthembu	Non-executive
Mr D Nohr (resigned November 2008)	Non-executive
Dr J van Niekerk	Non-executive
Mr I Kotze	Non-executive
Dr S Seoka	Non-executive
Mr N Payne	Non-executive
Mr M Jackson (Chief Executive Officer)	Executive
Mr D Gnodde (Chief Operating Officer)	Executive

Executive of PPS

Member	Status
Mr M Jackson	Chief Executive Officer
Mr D Gnodde	Chief Operating Officer
Mrs T Boesch	Chief Financial Officer
Mr C de Klerk	Company Actuary
Mr L Caron	Group Company Secretary
Mr J Marsden	National Sales Director
Dr J Goodwin	Group Medical Officer
Mr R Govenden	Group Human Resources Manager
Mr T Simba (appointed January 2008)	Group Membership Relations Manager
Mr S Clark	Head of Business Applications
Dr D Stott (appointed September 2008)	Business Development Executive

Directors of subsidiaries

PPS Namibia	*PPS Medical Scheme Administrators*
Director	**Director**
Dr E Maritz	Mr M Jackson
Ms M Bennett	Mr D Gnodde
Dr O Oosthuizen	Dr J van Niekerk
Mr M Jackson	
Mr J Marsden	

Directors of subsidiaries (continued)

PPS BEE SPV	*PPS Marketing Services*	*PPS Investments*	*Plexus Properties*
Director	**Director**	**Director**	**Director**
Dr T Letlape	Mr M Jackson	Mr H Nelson	Mrs M Kennelly
Mr E Moolla	Mr C Erasmus	Mr T du Toit	
Dr S Seoka	Mr D Gnodde	Mr S Pather	
	Mr J Marsden	Mr E Moolla	
		Mr C de Klerk	
		Mr M Jackson	

Trustees

PPS Retirement Annuity Fund	*PPS Beneficiaries Trust*
Dr D Presbury	Dr R Sykes
Mr E Huggett	Judge R Zulman
Mr M Eustace	Mr B Topham
Adv R Meyer	
Mr G Richardson	
Dr S Seoka	
Dr J van Niekerk	
Adv T Ferriera	

PPS Limited directors' emoluments

(Including subsidiaries and committees)

Director	PPS Limited (Incl committees) R	Subsidiary companies (Incl committees) R	Total emoluments R
Adv T Aboobaker	87 900	-	87 900
Dr J Adno	88 350	-	88 350
Dr D Anderson	102 950	424 500	527 450
Dr V Bhagwandas	92 850	-	92 850
Dr N Campbell	54 350	159 900	214 250
Prof M Haus	35 000	-	35 000
Mr I Kotze	50 450	176 400	226 850
Dr C Kruger	92 850	-	92 850
Dr T Letlape	92 850	-	92 850
Ms C Mbili	87 900	-	87 900
Adv R Meyer	99 950	336 300	436 250
Mr E Moolla	215 625	147 800	363 425
Dr D Presbury	275 400	120 500	395 900
Mr C Reay	92 850	-	92 850
Dr S Seoka	109 350	120 500	229 850
Dr TSL Sizani	92 850	-	92 850
Dr R Sykes	112 050	-	112 050
Mr B Topham	94 950	-	94 950
Mr Y Gordhan	48 400	-	48 400
Dr J van Niekerk	54 350	156 000	210 350
Judge R Zulman	89 250	-	89 250
Total	**2 070 475**	**1 641 900**	**3 712 375**

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)

Carl van der Riet

External auditor

PricewaterhouseCoopers Inc

Internal auditor

Grant Thornton Business Risk Services (Pty) Limited (resigned January 2009)

KPMG Services (Pty) Limited (appointed December 2008)

Fund managers

Coronation Fund Managers Limited

Investec Asset Management (Pty) Limited

Namibia Asset Management Limited

PPS Investments (Pty) Limited

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

1. BASIS OF PRESENTATION

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention, except for:

- Owner occupied property carried at fair value;
- Financial assets elected to be carried at fair value through profit or loss;
- Investment property carried at fair value;
- Policy liabilities under insurance contracts that are valued in terms of the financial soundness valuation (FSV) basis outlined in accounting policy note 4;
- Investment contract liabilities which are carried at fair value through profit or loss; and
- Post-employment employee benefit obligations valued using the projected unit credit method.

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 1 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.

There have been no changes to the accounting policies applied in the prior year, except for cash and cash equivalents which are now measured at amortised cost and not fair value. However, this does not have any impact on the amounts as disclosed in the prior year. Refer note 10 for further details.

The following pages set out the details of the accounting policies.

2. CONSOLIDATION

The consolidated financial statements include the assets, liabilities and results of the operations of the PPS Limited and its subsidiaries ('the Group').

Subsidiaries

Subsidiaries are all entities over which the Group directly or indirectly has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The Group considers the existence and effect of potential voting rights that are presently exercisable or convertible in determining control.

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 is no goodwill arising on consolidation.

The Group consolidates a special purpose entity (SPE) when the substance of the relationship between the Group and the SPE indicates that the Group controls the SPE.

Unit trusts, in which the Group has greater than 50% economic interest resulting in effective control, are consolidated. The consolidation principles applied to these unit trusts are consistent with those applied to consolidated subsidiary companies.

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 Company'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.

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) initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

Financial instruments carried on the balance sheet include financial assets and financial liabilities: investments, other receivables, cash and cash equivalents, investment contract liabilities, third-party financial liabilities arising on consolidation of unit trusts, borrowings, accruals 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 cost, including, for financial assets not at fair value through profit or loss, any directly attributable transaction costs. All financial asset purchases and sales are recognised using trade date accounting.

Financial assets at fair value through profit or loss

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

Financial assets 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 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. Realised and unrealised gains and losses arising from changes in fair value are included in the income statement 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 balance sheet 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 balance sheet date. Unit trust fair values are based on exchange quoted closing prices at the close of business on the last trading day on or before the balance sheet date.

3. FINANCIAL INSTRUMENTS continued

3.2 Financial assets continued

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 through profit and loss and subsequently at amortised cost less impairment adjustments (accounting policy note 11).

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 and investment contract liabilities (accounting policy note 4.2.2) and third-party financial liabilities arising on consolidation of unit trusts (accounting policy note 2).

Financial liabilities are initially measured at fair value less transaction costs that are directly attributable to the raising of the funds, and are subsequently carried at amortised cost. Any difference between the proceeds, net of transaction costs and the redemption value is recognised in the income statement over the period of borrowing.

Third-party financial liabilities arising on consolidation of unit trusts are effectively demand deposits and are consequently 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 income statement.

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 pool of assets.

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 necessitates a change in classification.

4. INSURANCE AND INVESTMENT CONTRACTS continued

4.1 Classification of contracts continued

Insurance contracts

The Group issues contracts that transfer insurance risk and include a discretionary participation feature ('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 income statement.

4.2 Valuation and recognition

4.2.1 Insurance contracts

Principles of valuation and profit recognition

Liabilities in respect of insurance contracts are valued according to the requirements of the professional guidance notes ('PGNs') issued by the Actuarial Society of South Africa (ASSA). Of particular relevance to the insurance liability calculations, are the following actuarial guidance notes:

PGN 104: Life Offices – Valuation of Long-Term Insurers
PGN 102: Life Offices – HIV/Aids
PGN 105: Recommended Aids extra mortality bases

Valuation

The insurance contracts are valued in terms of the financial soundness valuation ('FSV') basis contained in PGN 104 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 balance sheet date to reflect current expectations. The policy liabilities also make provision for future bonus declarations to policyholders. The bonuses provided for are in line with past declarations and the Group's interpretation of policyholder reasonable benefit expectations.

Compulsory margins for adverse deviations are included in the assumptions as required in terms of PGN 104. Allowance is also made for discretionary margins which are at the discretion of the statutory actuary. For certain newer products a part of the negative reserves have been eliminated on a per policy basis to allow for the appropriate recognition of future profit in line with product design. This discretionary margin will be released in line with services rendered and risks borne. This increases the policy liabilities. There are no other discretionary margins in the policy liabilities.

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

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 account) 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.

4. INSURANCE AND INVESTMENT CONTRACTS continued

4.2 Valuation and recognition continued

4.2.1 Insurance contracts continued

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

Premiums are recognised as revenue on inception of the policy, and on a monthly basis thereafter. Premiums are shown 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.

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 premiums.

Insurance benefits

Insurance benefits and claims are recorded as an expense gross of any reinsurance recovery when they are incurred on 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 (IBNR)

IBNR is defined as 'incurred but not reported' 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 estimated 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 profile of claims run-off (over time) is modelled by using historic data of the Company. The profile is then applied to actual claims data of recent periods for which the run-off is not complete. The IBNR 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 health preserver policies, where the Group has been notified of a claim after balance sheet date, and the claim has not been paid at balance sheet date. Claims payable are estimated by claims assessors for individual cases reported to the Group and are included in insurance policy liabilities.

Reinsurance premiums

Reinsurance premiums paid are recognised as an expense in the income statement 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 income statement in the same period as the related claim at the undiscounted amount receivable in terms of the contracts.

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 balance sheet 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, as well as investment income from the assets backing such liabilities, are used. Since the insurance policy liabilities are calculated in terms of the financial soundness valuation (FSV) basis as described in PGN 104, which meets the minimum requirements of the liability adequacy test, it is not necessary to perform an additional liability adequacy test.

Reinsurance contracts held

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.

4. INSURANCE AND INVESTMENT CONTRACTS continued

4.2 Valuation and recognition continued

4.2.1 Insurance contracts continued

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 balance sheet 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 liabilities consist of premiums payable for reinsurance contracts and are recognised as an expense when due.

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 balance sheet 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. Investment contract liabilities are set equal to the fair value 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.

5. FOREIGN CURRENCY TRANSLATION

5.1 Transactions and balances

Foreign currency transactions are translated into 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 income statement.

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 balance sheet presented are translated at the closing rate at the date of that entity's most recent balance sheet;
- income and expenses for each income statement 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.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

6. DIRECT 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 balance sheet 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. Cash and cash equivalents are measured at amortised cost.

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. All other 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 the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to the revaluation reserve. Decreases that offset previous increases of the same asset are charged against revaluation reserves; all other decreases are charged to the income statement.

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

The assets' residual values and useful lives are reviewed at each balance sheet 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 income statement and are determined by comparing sales proceeds with the carrying amount.

9. LEASES

Operating leases where a Group company is the lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease. Minimum rentals due after year-end are reflected under commitments.

10. 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 intangible assets 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.

10. INTANGIBLE ASSETS continued

Computer software development costs continued

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 development costs not meeting recognition criteria and costs for maintaining computer software programmes 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 balance sheet date and adjusted if appropriate.

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.

11. IMPAIRMENT OF ASSETS

Financial assets

The Group assesses at each balance sheet 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 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 income statement.

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 income statement.

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 or through the use of an impairment provision account. The amount of the loss is recognised in the income statement.

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 income statement.

12. DEFERRED TAX

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 balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. 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.

13. EMPLOYEE BENEFITS

13.1 Pension/retirement obligations

The Group provides for retirement benefits of employees by means of a defined benefit pension fund and a defined contribution pension and provident fund. The assets are held in separate funds controlled by trustees appointed by the Company and employees.

Defined contribution fund

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate fund. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

13. EMPLOYEE BENEFITS continued

13.1 Pension/retirement obligations continued

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.

Defined benefit fund

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The fund is governed by the Pensions Fund Act, 1956. The pension plan is funded by payments from employees and the Group, taking account of the recommendations of independent actuaries. Statutory actuarial valuations are required every three years. An independent actuary also performs interim valuations of the defined benefit obligation, annually at balance sheet date, using the projected unit credit method to determine the present value of its defined benefit obligations and related current and past service costs.

All non-pensioner members on the defined benefit fund have been transferred from the defined benefit pension fund to the defined contribution pension and provident fund effective on 1 March 2005. As there were only retired members in the fund in 2005 and part of 2006, all past service cost adjustments and actuarial gains and losses were recognised immediately.

13.2 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 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. 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 interim valuations of the defined benefit obligation, annually at balance sheet 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 to the post-retirement medical fund are recognised as expenses in the current year. Past service costs are recognised as expenses in the current year to the extent that they relate to retired employees. Past service costs are recognised as an expense over the average period until the benefits become vested. Cumulative actuarial gains and losses at the beginning of the period in excess of 10% of the fund liabilities are recognised in the income statement over the expected average remaining service lives of participating employees.

The liability recognised in the balance sheet in respect of the post-retirement medical obligation is the present value of the post-retirement medical obligation at the balance sheet date, together with adjustments for unrecognised actuarial gains or losses and past service costs. 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 interest-bearing bonds at balance sheet date.

13.3 Termination benefits

Termination benefits are recognised as an expense in the income statement and a liability in the balance sheet when the Group has a present obligation relating to termination.

13.4 Leave pay provision

The Group recognises in full, employees' rights to annual leave entitlement in respect of past service accumulated at balance sheet date.

13.5 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.

13.6 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 market-related yield curve as at the balance sheet date, applying the projected unit credit method.

14. SHARE CAPITAL

Shares are classified as equity when there is no obligation to transfer cash or other assets. As a company limited by guarantee, each member of the Company is liable for a maximum amount of R1 in the event of the Company being wound up while a member or within one year thereafter.

15. ACCUMULATED FUNDS

Accumulated funds are the excess of the net assets over the insurance policy liabilities.

16. BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised costs; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

17. OFFSETTING FINANCIAL INSTRUMENTS

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

18. REVENUE RECOGNITION

18.1 Net insurance premium revenue

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

18.2 Fee and commission income

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.

Administration fees include fees charged to Profmed Medical Aid Scheme and PPS Beneficiaries Trust, for administration services rendered. Also included are royalties received as well as fees from members when changing their risk profiles.

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

Commission received is recognised in the accounting period in which the policy is sold.

18.3 Investment income

Investment income comprises interest, dividends, foreign exchange gains or losses 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 fair value gains/losses on financial assets held at fair value through profit or loss comprises gains and losses on disposal or revaluation of assets to fair values and is recognised in the income statement.

Realised gains and losses on investments are calculated as the difference between net sales proceeds and carrying values at the beginning of the year or cost if acquired during the year. Unrealised gains and losses are calculated as the difference between the carrying values at the end of the year and the carrying values at the beginning of the year or cost if acquired during the year.

19. EXPENSES FOR MARKETING AND ADMINISTRATION

Administration expenses include head office and branch administration expenditure, marketing and development expenditure as well as all other non-commission related expenditure, and are expensed as incurred.

Investment management fees are fees paid to the Group's investment managers for managing the Group's investment portfolio.

20. EXPENSES FOR INVESTMENT MANAGEMENT SERVICES

Investment management expenses include expenditure incurred in the provision of asset management services.

Consolidated balance sheet
as at 31 December 2008

		Group		Company	
	Note	**2008 R'000**	2007 R'000	**2008 R'000**	2007 R'000
ASSETS					
Property and equipment	4	**64 921**	58 327	**—**	—
Investment in subsidiary company	5	**—**	—	**10 000**	10 000
Intangible assets	6	**42 089**	47 579	**—**	—
Deferred tax	17	**12 083**	9 644	**—**	—
Financial assets — Investments	7	**9 878 511**	10 658 828	**—**	—
Reinsurance contracts	8,14	**312 153**	205 033	**—**	—
Insurance and other receivables	9	**172 546**	175 530	**785**	500
Current income tax asset		**5 413**	8 063	**—**	—
Cash and cash equivalents	10	**1 388 272**	1 069 113	**—**	—
Total assets		**11 875 988**	12 232 117	**10 785**	10 500
EQUITY					
Capital and accumulated funds					
Share capital	11	**—**	—	**—**	—
Accumulated funds	12	**152 823**	118 850	**10 500**	10 500
Total equity		**152 823**	118 850	**10 500**	10 500
LIABILITIES					
Insurance policy liabilities	14	**11 282 412**	11 814 222	**—**	—
Investment contract liabilities	15	**50 177**	6 922	**—**	—
Third-party financial liabilities arising on consolidation of unit trusts	16	**209 032**	—	**—**	—
Borrowings	13	**8 681**	3 600	**—**	—
Deferred tax	17	**1 868**	139 238	**—**	—
Retirement benefit obligations	18	**26 346**	22 688	**—**	—
Employee related obligations	19	**19 605**	17 896	**—**	—
Insurance and other payables	20	**114 142**	108 701	**285**	—
Current income tax liabilities		**10 902**	—	**—**	—
Total liabilities		**11 723 165**	12 113 267	**285**	—
Total equity and liabilities		**11 875 988**	12 232 117	**10 785**	10 500

Consolidated income statement
for the year ended 31 December 2008

		Group		Company	
	Note	**2008 R'000**	2007 R'000	**2008 R'000**	2007 R'000
Net insurance premium revenue	21	**1 410 142**	1 275 905	**—**	—
Fee and commission income	22	**91 543**	86 556	**5 668**	4 812
Investment income	24	**837 252**	1 277 921	**—**	—
Revenue		**2 338 937**	2 640 382	**5 668**	4 812
Net insurance benefits and claims	25	**1 071 127**	805 158	**—**	—
Net fair value losses/(profits) on financial assets held at fair value through profit and loss		**1 408 818**	(147 666)	**—**	—
Fair value of policyholder liabilities under investment contracts		**(1 059)**	38	**—**	—
Expenses	26	**531 588**	503 210	**5 668**	4 812
(Loss)/profit before movement in insurance policy liabilities		**(671 537)**	1 479 642	**—**	—
Movement (from)/to insurance policy liabilities	14.2	**(736 464)**	1 298 801	**—**	—
Tax	28	**30 954**	196 291	**—**	—
Surplus/(deficit) after tax		**33 973**	(15 450)	**—**	—
Attributable to:					
Members		**33 973**	(13 490)	**—**	—
Minority interest		**—**	(1 960)	**—**	
		33 973	(15 450)	**—**	—

The mutual nature of PPS should be noted – every policyholder is a member. The allocation to policyholders (described above as 'Movement to insurance policy liabilities') is in effect the positive or negative return of the members in their capacity as policyholders. The surplus/(deficit) 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 2008

	Note	Accumulated funds R'000	Revaluation reserve R'000	Minority interest R'000	Total R'000
Group					
Balance at 1 January 2007		132 340	—	—	132 340
Net change in share capital and share premium		—	—	1 960	1 960
Revaluation of owner occupied property		—	12 041	—	12 041
Deferred tax on revaluation of owner occupied property		—	(974)	—	(974)
Movement in insurance policy liabilities	14.2	—	(11 067)	—	(11 067)
Deficit for the year		(13 490)	—	(1 960)	(15 450)
Balance at 31 December 2007	12	118 850	—	—	118 850
Net change in share capital and share premium		—	—	—	—
Revaluation of owner occupied property		—	2 140	—	2 140
Deferred tax on revaluation of owner occupied property		—	(135)	—	(135)
Movement in insurance policy liabilities	14.2	—	(2 005)	—	(2 005)
Surplus for the year		33 973	—	—	33 973
Balance at 31 December 2008	12	**152 823**	**—**	**—**	**152 823**

The land and buildings revaluation reserve represents the capital appreciation on the owner-occupied property which is allocated to the policyholders and has been included in the insurance policy liabilities.

Deferred tax has been provided on the revaluation difference arising on owner-occupied property in 2008 and 2007, based on the amounts and at the rate applicable to capital gains.

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 in equity.

	Note	Accumulated funds R'000	Revaluation reserve R'000	Total R'000
Company				
Balance at 1 January 2007		10 500	—	10 500
Profit for the year		—	—	—
Balance at 31 December 2007	12	10 500	—	10 500
Profit for the year		—	—	—
Balance at 31 December 2008	12	**10 500**	—	**10 500**

Consolidated cash flow statement

for the year ended 31 December 2008

	Note	**2008 R'000**	2007 R'000
Cash flows from operating activities			
Cash generated from operations	29	**60 242**	173 613
Interest received		**412 809**	303 626
Dividend received		**381 333**	200 535
Tax paid	30	**(157 347)**	(289 423)
Net cash from operating activities		**697 037**	388 351
Cash flows from investing activities			
Purchases of property and equipment	4	**(11 801)**	(6 406)
Software development	6	**(14 785)**	(21 003)
Purchase of financial assets		**(16 020 024)**	(13 837 960)
Proceeds from sale of furniture and equipment		**256**	—
Proceeds from disposal of financial assets		**15 663 395**	13 791 838
Net cash used in investing activities		**(382 959)**	(73 531)
Cash flows from financing activities			
Increase in borrowings	13	**5 081**	3 600
Net cash used in financing activities		**5 081**	3 600
Net increase in cash and bank		**319 159**	318 420
Cash and bank at beginning of year		**1 069 113**	750 693
Cash and bank at end of year	10	**1 388 272**	1 069 113

A Company cash flow statement has not been presented as PPS Limited does not utilise cash, and is funded by PPS Insurance.

1. 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 balance sheet 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.

1.1 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 14.1.

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.

1.2 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 fund (taxed at 0%).

1.3 Employee benefit liabilities

The cost of the benefits and the present value of the defined benefit pension funds and post-retirement medical obligations depend on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the charge to the income statement arising from these obligations include the expected long-term rate of return on the relevant plan assets, the discount rate and the expected salary and pension increase rates. Any changes in these assumptions will impact the charge to the income statement and may affect planned funding of the pension plans.

The assumptions relating to the expected return on plan assets are determined on a uniform basis, considering long-term historical returns, asset allocation and future estimates of long-term investment returns. 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 pension and 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 pension liability. The expected salary and pension increase rates are based on inflation rates, adjusted for salary scales. Additional information is provided in note 18 of these financial statements.

1.4 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 8,5% (2007: 7,5%), the average rentals for office space in the area (R90 per square metre) (2007: R80 per square metre), and estimated annual expenses relating to the building of R905 000 (2007: R1 053 000). Any change in these assumptions will impact the value of the building.

1.5 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.

1.6 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 income statement arising from these obligations include the expected growth in the apportionment account (rolling five-year average historical growth 12,06%), the turnover of staff participating in the scheme (nil) and the discount rate (an appropriate market-related yield curve as at the balance sheet date). Any changes in these assumptions will impact the charge to the income statement.

2. MANAGEMENT OF RISKS

2.1 General

The board has overall responsibility for the Group's systems of internal control and is accountable for reviewing their effectiveness. Internal control systems are designed to manage risks within the business rather than totally eliminate the potential failure to achieve the Group's objectives. Inevitably, they can provide only reasonable and not absolute assurance against material misstatement or loss. The board is conscious of the importance of the Group's system of internal controls and attach a high priority to monitoring their effectiveness and developing them in line with best practice.

The board has delegated to the Audit and Risk Committee the requirement for oversight, establishment and implementation of appropriate systems of internal control. The internal control systems continue to be enhanced and developed and 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. These include, but are not limited to:

- a corporate governance and organisational structure, with appropriate delegation of authority to operational management;
- Group and business specific strategic planning processes;
- monthly reporting and review of financial results and operational performance at the Group and subsidiary level;
- accounting and financial reporting policies to ensure consistency, integrity and accuracy of accounting records; and
- regular reporting of compliance related issues to ensure ongoing improvements to the systems of internal control.

During the year ended 31 December 2008, management has ensured continual review of the systems of internal control. The ongoing review had covered all material controls, including financial and operational controls. Management has established through various policies, including the Group risk management policy and risk management framework, a process for identifying, evaluating and managing significant risks inherent across the Group.

The internal control system is monitored and supported by two independent functions reporting on the Group's operations to the Audit and Risk Committee (GARC), the internal auditors and the external auditors. The functions of Internal Audit and Group Compliance provide pertinent information at each level to assist management in the execution of their responsibility to manage risk across the Group.

Internal Audit

- provides senior management and the GARC with independent and objective assurance on, and evaluation of, the overall effectiveness of the Group's system of internal control, corporate governance and risk management framework;
- develops a risk based annual audit plan based on a three year testing rotation of control environment for review and approval at the GARC;
- performs audit work in line with the agreed plan and additional assignments where required; and
- includes, when required, recommendations with all audit reports and monitors implementation of those recommendations.

Group Compliance

- monitors and reports on compliance with regulatory requirements across the Group;
- monitors that systems and controls are in place to ensure that the Group's exposure is minimised;
- has developed a risk based compliance monitoring plan/risk matrix which is still to be approved by the board and, on approval of the matrix, will undertake work in accordance with the plan;
- coordinates the Group's relationship with its regulators;
- evaluates the impact of forthcoming regulatory changes and provides advice on potential process and control changes required;
- plans to assist management with the objective of embedding risk management across the Group and their responsibility to manage risks within the business units;
- management ensures maintenance of risk information across the Group and facilitates management scoring of significant risks impacting the Group in terms of probability and impact; and
- reports and makes recommendations to the GARC on, for example, the risk map and management of all categories of risk, including whether risk management systems are adequate, if key risks are being managed appropriately and whether changes should be made to the risk matrix or governance framework.

2. MANAGEMENT OF RISKS continued

Risk management framework

Through the introduction of a Group risk management matrix, an effective governance structure and risk policies and procedures to support the process, management are responsible for the management of risks across the Group. The risks are considered through five key stages: identification; assessment; monitoring; mitigation and reporting. The management are responsible for the collation of this information and reporting through the GARC. First line oversight of the delivery of the risk management framework is undertaken by the management. Membership of this committee comprises the CEO, COO, CFO, Company Actuary, National Sales Director, Group Manager IT Business Applications, Group Manager Human Resources, Business Development Executive, Member Relations Executive, Company Secretary and Chief Medical Officer and its principal purpose is to ensure that key business risks are being properly managed and reported appropriately to the GARC and the board.

The management, through the GARC and the Internal Audit function, keeps under continuous review the adequacy and effectiveness of the Group's risk management matrix and systems of internal control, via reports submitted to it by the Head of Group Compliance and Internal Audit during the year. The GARC meets quarterly and is co-chaired by Professor Harvey Wainer and Adv Ralph Meyer.

2.2 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 plan	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 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 surplus rebate account. These policies are sold to individuals.
Professional Life Provider and old generation life and disability assurance	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.

2. MANAGEMENT OF RISKS continued

2.2 Insurance product risk management continued

Type of contract	Terms and conditions
Professional Health Provider and 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. 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.
Business Provider	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 pay out 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 component.

Type of contract	Terms and conditions
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.

2. MANAGEMENT OF RISKS continued

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 wide spread 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. 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.

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 Rands
2008	**3 769 107**	**29 196**
2007	3 544 139	26 252

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 14).

(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.

2. MANAGEMENT OF RISKS continued

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:

2008 R'000	Non-DPF component of insurance liabilities	DPF component of insurance liabilities	Total
South Africa			
Gross	**2 843 865**	**7 905 861**	**10 749 726**
Net of reinsurance	**2 537 317**	**7 905 861**	**10 443 178**
Namibia			
Gross	**82 545**	**165 752**	**248 297**
Net of reinsurance	**76 942**	**165 752**	**242 694**

2007 R'000	Non-DPF component of insurance liabilities	DPF component of insurance liabilities	Total
South Africa			
Gross	2 441 754	8 925 049	11 366 803
Net of reinsurance	2 248 857	8 925 049	11 173 906
Namibia			
Gross	69 240	191 683	260 923
Net of reinsurance	57 104	191 683	248 787

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.

The investment products underwritten by PPS Insurance are the PPS Endowment and the PPS Living Annuity.

2.3 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 risk that the Group primarily 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 discussed on a monthly 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.

2. MANAGEMENT OF RISKS continued

In monitoring credit risk, amounts receivable are grouped according to their credit characteristics. The Group also limits it 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. During the year, PPS Group adopted 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 LOA Ombudsman and agreed in contracts with our members. In terms of this policy, 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 are ceased and all benefits are suspended. In the event of default on the part of the individual, where the apportionment accounts have 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 and insurance contracts was:

Group

R'000	**2008**	2007
Debt securities	**3 273 698**	2 352 981
Reinsurance assets	**312 153**	205 033
Insurance receivables	**111 831**	125 184
Cash and cash equivalents	**1 416 583**	1 069 113
Other receivables	**22 173**	34 705
Reinsurance receivables	**37 916**	15 419
Total	**5 174 354**	3 802 435

Corporate and government debt

Included in the category designated at fair value through profit or loss is 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 Fitch Ratings ('Fitch'), an industry accepted credit ratings agent. The following tables set out the credit exposure restrictions as utilised by the Group:

Group bond investments in aggregate national credit category (Fitch Ratings)	**Category limit (as % of Group bond holdings)**
AAA, sovereign and government – guaranteed bonds	Up to 100%
Below AAA but no lower than AA-	40%
Below AA- but no lower than A	15%
Below A- but no lower than BBB-	5%
Individual issuers and instruments credit category (Fitch Ratings)	**Category limit (as % of Group bond holdings)**
Bonds	Up to 100%
AAA and government – guaranteed bonds	15%
Below AAA but no lower than AA-	7,5%
Below AA- but no lower than A	5%
Below A- but no lower than BBB-	1%

The Group's total exposure to government and corporate debt amounted to R3 274 million (2007: R2 353 million) at 31 December 2008. The following represent the major industry sectors to which the Group is exposed as at 31 December 2008:

Group **Rm**	**2008**	2007
Government	**2 592**	1 843
Banks	**439**	159
Utilities	**207**	142
Corporate	**36**	209
Total	**3 274**	2 353

2. MANAGEMENT OF RISKS continued

Concentrations of credit risk

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

Group 2008 R'000	**AAA and govern-ment**	**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	**2 677 539**	**536 016**	**60 143**	**—**	**—**	**3 273 698**
Reinsurance assets	**—**	**—**	**312 153**	**—**	**—**	**312 153**
Insurance receivables	**—**	**—**	**—**	**—**	**111 831**	**111 831**
Cash and cash equivalents	**219 067**	**1 086 814**	**110 702**	**—**	**—**	**1 416 583**
Other receivables	**—**	**—**	**—**	**—**	**22 173**	**22 173**
Reinsurance receivables	**—**	**—**	**37 916**	**—**	**—**	**37 916**

Group 2007 R'000	AAA and govern-ment	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	2 058 926	131 071	136 555	26 429	—	2 352 981
Reinsurance assets	—	—	205 033	—	—	205 033
Insurance receivables	—	—	—	—	125 184	125 184
Cash and cash equivalents	247 833	650 269	147 240	23 771	—	1 069 113
Other receivables	—	—	—	—	34 705	34 705
Reinsurance receivables	—	—	15 419	—	—	15 419

Ageing of financial assets

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

Group 2008 R'000	**Neither past due nor impaired**	**Financial assets that are past due: 0 – 2 months**	**3 – 5 months**	**More than 5 months**	**Financial assets that have been impaired**	**Carrying value**
Reinsurance assets	**312 153**	**–**	**–**	**–**	**–**	**312 153**
Insurance receivables	**77 751**	**3 717**	**8 249**	**22 114**	**13 097**	**111 831**
Reinsurance receivables	**37 916**	**–**	**–**	**–**	**–**	**37 916**
Other receivables	**20 953**	**–**	**11**	**1 209**	**–**	**22 173**
Cash and cash equivalents	**1 416 583**	**–**	**–**	**–**	**–**	**1 416 583**

Group 2007 R'000	Neither past due nor impaired	Financial assets that are past due: 0 – 2 months	3 – 5 months	More than 5 months	Financial assets that have been impaired	Carrying value
Reinsurance assets	205 033	–	–	–	–	205 033
Insurance receivables	81 865	890	7 070	35 359	20 026	125 184
Reinsurance receivables	15 419	–	–	–	–	15 419
Other receivables	33 090	679	–	936	–	34 705
Cash and cash equivalents	1 069 113	–	–	–	–	1 069 113

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 that would have been past due or impaired had the terms not been renegotiated for the current or prior year.

2. MANAGEMENT OF RISKS continued

Individually impaired assets

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

	2008			2007		
Group R'000	**Gross**	**Net**	**Impairment losses**	Gross	Net	Impairment losses
Contract holder receivable	54 777	41 680	13 097	60 316	40 290	20 026

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:

- All policyholder funds are invested in assets that 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.
- All policyholder funds are 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.
- 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.

Exposure to liquidity risk

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

Group 2008 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	**8 071 613**	**8 071 613**	**920 547**	**1 032 470**	**1 653 568**	**2 828 091**	**1 636 937**
Insurance contract liabilities – non-DPF	**2 614 259**	**(15 533 112)**	**259 383**	**189 149**	**(1 288 041)**	**(4 920 686)**	**(9 772 917)**
Reinsurance liabilities	**28 425**	**28 425**	**28 425**	**–**	**–**	**–**	**–**
Third-party financial liabilities arising on consolidation of unit trusts	**209 032**	**209 032**	**209 032**	**–**	**–**	**–**	**–**
Investment contract liabilities	**50 177**	**50 177**	**50 177**	**–**	**–**	**–**	**–**
Other financial liabilities	**53 095**	**53 095**	**53 095**	**–**	**–**	**–**	**–**

Group 2007 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	9 116 732	9 116 732	1 008 696	1 116 954	1 769 880	3 198 749	2 022 453
Insurance contract liabilities – non-DPF	2 305 961	(10 479 757)	238 177	170 621	(1 211 013)	(4 737 604)	(4 939 938)
Reinsurance liabilities	15 020	15 020	15 020	–	–	–	–
Investment contract liabilities	6 922	6 922	6 922	–	–	–	–
Other financial liabilities	55 571	55 571	55 571	–	–	–	–

2. MANAGEMENT OF RISKS continued

Exposure to liquidity risk

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).

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 risk. 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 risks

The management of each of these market components of major risk and the exposure of the Group at the reporting date to each major risk are 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 **31 December 2008**	**Non-pre-retirement option benefits** **R'000**	**%**	**Pre-retirement option benefits** **R'000**	**%**
Local				
Equity	**4 691 782**	**58,3**	**–**	**–**
Fixed interest	**1 755 724**	**21,8**	**99 883**	**25,2**
Cash	**304 293**	**3,8**	**296 261**	**74,8**
International				
Equity	**1 192 355**	**14,8**	**–**	**–**
Fixed interest	**–**	**–**	**–**	**–**
Cash	**103 194**	**1,3**	**–**	**–**
Total	**8 047 348**	**100,0**	**396 144**	**100,0**

Group 31 December 2007	Non-pre-retirement option benefits R'000	%	Pre-retirement option benefits R'000	%
Local				
Equity	5 481 370	60,5	–	–
Fixed interest	1 422 515	15,7	123 003	35,5
Cash	730 450	8,0	223 365	64,5
International				
Equity	1 210 812	13,3	–	–
Fixed interest	212 100	2,3	–	–
Cash	18 365	0,2	–	–
Total	9 075 612	100,0	346 368	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 modelling 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.

2. MANAGEMENT OF RISKS continued

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 were thus given a voluntary option to switch to a more conservative investment portfolio from age 55, ie one where there is no exposure to equities.

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

	2008		2007	
Group	**R'000**	**%**	R'000	%
Equity	**631 044**	**24,1**	1 383 576	60,0
Fixed interest	**1 387 431**	**53,1**	807 086	35,0
Cash	**595 784**	**22,8**	115 299	5,0
Total	**2 614 259**	**100,0**	2 305 961	100,0

The assets backing the non-DPF liabilities, are invested in such a manner as to more closely match the liabilities by interest rate risk and duration risk.

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 investment returns are shown in Dollars, and the effect of the trading in different currencies are reflected in the investment performance which is measured against an internal benchmark. In terms of legislation, up to 20% of the Group's investments may be invested in foreign currency and hence the Group has less than 20% exposure to currency risk.

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.

External, independent consultants are employed by the board to independently assess and provide quarterly feedback to the board on the performance of the appointed asset managers.

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. In 2008, equity markets domestically and internationally experienced significant declines. The PPS balance sheet assets have performed well relative to 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 a reallocation between the surplus rebate account and the policyholder liabilities. Both these items are disclosed within the movement to insurance policy liabilities on the income statement. The only other impact is the resultant change in the investment management fees, which will fluctuate as a percentage of the movement in the assets. Therefore a market risk sensitivity analysis has not been included for this component of the business.

2. MANAGEMENT OF RISKS continued

The market risk sensitivity on the first year's cash flow is shown below:

	Contracts with non-DPF	
Group R'000 31 December 2008	Impact on profit/(loss) before movement in insurance policyholder liabilities	Impact on capital and accumulated funds
Interest rate risk		
Local and government debt		
Lower limit: 8% yield	(20)	633
Upper limit: 8,5% yield	(16)	1 615
Local cash		
Lower limit: 9% return	(2)	330
Upper limit: 11% return	*	554
International and government debt		
No exposure to international assets	–	–
International cash		
No exposure to international assets	–	–
Currency risk		
International equity		
No exposure to international assets	–	–
International debt securities		
No exposure to international assets	–	–
Equity price risk		
Local		
Lower limit: 8% increase in equity prices	313	(782)
Upper limit: 12% increase in equity prices	369	1 398
International		
No exposure to international assets	–	–

**Denotes value between (R1 000) and R1 000.*

Group R'000 31 December 2007	Contracts with non-DPF Impact on profit/(loss) before movement in insurance policyholder liabilities	Impact on capital and accumulated funds
Interest rate risk		
Local and government debt		
Lower limit: 7% yield	(23)	(1 319)
Upper limit: 8,5% yield	(13)	(13)
Local cash		
Lower limit: 9% return	(1)	131
Upper limit: 10,5% return	1	211
International and government debt		
No exposure to international assets	—	—
International cash		
No exposure to international assets	—	—
Currency risk		
International equity		
No exposure to international assets	—	—
International debt securities		
No exposure to international assets	—	—
Equity price risk		
Local		
Lower limit: 8% increase in equity prices	(130)	(723)
Upper limit: 12% increase in equity prices	(83)	270
International		
No exposure to international assets	—	—

2. MANAGEMENT OF RISKS continued

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 predetermined trigger points, management action would be taken which would alter the Group's position.

Other risks

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 deterioration in claim patterns.

Reinsurance inwards

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 as on their global credit rating.

Claims risk

Proactive 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 Company 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.

2. MANAGEMENT OF RISKS continued

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 expense 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.

Capital management

Capital management policies and objectives

The Group's capital management objectives are:

- to comply with the insurance regulatory capital requirements in the countries where the Group operates;
- 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, 52 of 1998 together with the Group's licence requirements as well as the relevant Namibian legislation (Act 5 of 1998). It is thus dependent on the country in which the Group operates, namely South Africa and Namibia.

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.

	2008		2007	
Rm	**South Africa**	**Namibia**	South Africa	Namibia
Capital held	**183 682**	**5 223**	132 450	2 223
Regulatory capital	**60 893**	**4 000**	50 000	1 000

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 14) as the policyholders 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 2,52 times. This decision has resulted in a further R51,2 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.

2. MANAGEMENT OF RISKS continued

Consolidated unit trusts

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

Certain of these unit trust investments exceed 50% of the total value of the underlying net assets within the fund. Consequently, these funds are defined as subsidiaries in terms of the Group's accounting policies and consolidated into the Group results.

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, 45 of 2001, in South Africa prescribes maximum limits to concentration risks 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 Investments

PPS Investments in South Africa employs a multi-style, multi-manager investment approach that is designed to produce above average returns with below average risk. This is achieved by:

- A thorough and ongoing quantitative and qualitative research process of all managers in the domestic universe.

- Selecting the most talented specialist 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 testing 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 the overall portfolio.
- Making manager changes where PPS Investments feel 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 CPIX + 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 40% of the portfolio value.

  Typical investments

  The managers invest in fixed instruments such as money market and bonds, 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.

2. MANAGEMENT OF RISKS continued

Consolidated unit trusts continued

- **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 and interest rate risk.

- **PPS Moderate Fund of Funds**

  Investment objective

  To maximise total portfolio return while outperforming a moderate real return target of CPIX + 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 limited to not more than 65% of the portfolio value.

Typical investments

The managers invest in fixed instruments such as money market and bonds, 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 Managed Flexible Fund**

  Investment objective

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

  Investment mandate

  This multi-managed fund invests in a number of underlying managers with the specific mandate to employ real return strategies, combining flexible asset allocation with value-based security selection processes to meet the benchmark.

  Typical investments

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

  Risk exposure

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

3. 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	Prepayments	Total carrying amount	Fair value
Group 2008								
Equity securities								
Local listed	7	**5 206 350**	**—**	**—**	**—**	**—**	**5 206 350**	**5 206 350**
International listed	7	**39 142**	**—**	**—**	**—**	**—**	**39 142**	**39 142**
Debt securities								
Government bonds	7	**3 214 682**	**—**	**—**	**—**	**—**	**3 214 682**	**3 214 682**
International listed	7	**56 511**	**—**	**—**	**—**	**—**	**56 511**	**56 511**
Unit trusts and pooled funds	7	**1 361 826**	**—**	**—**	**—**	**—**	**1 361 826**	**1 361 826**
Reinsurance assets	8	**—**	**—**	**—**	**312 153**	**—**	**312 153**	**N/A**
Insurance receivables	9	**—**	**—**	**—**	**111 831**	**—**	**111 831**	**N/A**
Prepayments	9	**—**	**—**	**—**	**—**	**626**	**626**	**N/A**
Other receivables	9	**—**	**22 173**	**—**	**—**	**—**	**22 173**	**22 173**
Reinsurance receivables	9	**—**	**—**	**—**	**37 916**	**—**	**37 916**	**N/A**
Cash and cash equivalents	10	**1 346 391**	**41 881**	**—**	**—**	**—**	**1 388 272**	**1 388 272**
Insurance contract liabilities	14	**—**	**—**	**—**	**11 282 412**	**—**	**11 282 412**	**N/A**
Investment contract liabilities	15	**50 177**	**—**	**—**	**—**	**—**	**50 177**	**50 177**
Third-party financial liabilities arising on consolidation of unit trusts	16	**209 032**	**—**	**—**	**—**	**—**	**209 032**	**209 032**
Borrowings	13	**—**	**—**	**8 681**	**—**	**—**	**8 681**	**8 681**
Reinsurance payables	19	**—**	**—**	**—**	**28 425**	**—**	**28 425**	**N/A**
Insurance payables	19	**—**	**—**	**—**	**32 622**	**—**	**32 622**	**N/A**
Accruals and sundry creditors	19	**—**	**—**	**53 095**	**—**	**—**	**53 095**	**53 095**
Group 2007								
Equity securities								
Local listed	7	5 828 793	—	—	—	—	5 828 793	5 828 793
International listed	7	53 232	—	—	—	—	53 232	53 232
Debt securities								
Government bonds	7	2 300 893	—	—	—	—	2 300 893	2 300 893
International listed	7	52 088	—	—	—	—	52 088	52 088
Unit trusts and pooled funds	7	2 423 822	—	—	—	—	2 423 822	2 423 822
Reinsurance assets	8	—	—	—	205 033	—	205 033	N/A
Insurance receivables	9	—	—	—	125 184	—	125 184	N/A
Prepayments	9	—	—	—	—	222	222	N/A
Other receivables	9	—	34 705	—	—	—	34 705	34 705
Reinsurance receivables	9	—	—	—	15 419	—	15 419	N/A
Cash and cash equivalents	10	1 039 287	29 826	—	—	—	1 069 113	1 069 113
Insurance contract liabilities	14	—	—	—	11 814 222	—	11 814 222	N/A
Investment contract liabilities	15	6 922	—	—	—	—	6 922	6 922
Borrowings	13	—	—	3 600	—	—	3 600	3 600
Reinsurance payables	19	—	—	—	15 020	—	15 020	N/A
Insurance payables	19	—	—	—	38 110	—	38 110	N/A
Accruals and sundry creditors	19	—	—	55 571	—	—	55 571	55 571

4. PROPERTY AND EQUIPMENT

	Owner-occupied property R'000	Computer hardware R'000	Vehicles office furniture and equipment R'000	Total R'000
Year ended 31 December 2007				
Opening net book amount	31 600	8 147	6 688	46 435
Revaluation surplus	12 041	—	—	12 041
Additions	—	4 161	2 245	6 406
Disposals at carrying value	—	—	—	—
Depreciation charge	659	(5 280)	(1 934)	(6 555)
Closing net book amount	44 300	7 028	6 999	58 327
At 31 December 2007				
Cost or valuation	50 006	63 310	13 589	126 905
Accumulated depreciation	(5 706)	(56 282)	(6 590)	(68 578)
Net book amount	44 300	7 028	6 999	58 327
Non-current	44 300	7 028	6 999	58 327
Year ended 31 December 2008				
Opening net book amount	**44 300**	**7 028**	**6 999**	**58 327**
Revaluation surplus	**2 140**	**—**	**—**	**2 140**
Additions	**—**	**4 389**	**7 412**	**11 801**
Disposals at carrying value	**—**	**—**	**(143)**	**(143)**
Depreciation charge	**(340)**	**(4 493)**	**(2 371)**	**(7 204)**
Closing net book amount	**46 100**	**6 924**	**11 897**	**64 921**
At 31 December 2008				
Cost or valuation	**52 382**	**67 699**	**20 763**	**140 844**
Accumulated depreciation	**(6 282)**	**(60 775)**	**(8 866)**	**(75 923)**
Net book amount	**46 100**	**6 924**	**11 897**	**64 921**
Non-current	**46 100**	**6 924**	**11 897**	**64 921**

4. PROPERTY AND EQUIPMENT continued

The Group's owner occupied property was revalued at 31 December 2008 by CB Richard Ellis (Pty) Limited an independent valuator. Valuations were done using the discounted cash flow of future income stream method. The discounted cash flow method takes projected cash flow and discounts them at a rate which is consistent with comparable market transactions. Refer to note 1.4 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	
	2008	2007
	R'000	R'000
Cost	**20 870**	20 870
Accumulated depreciation	**(5 357)**	(5 017)
Net book amount as at 31 December	**15 513**	15 853

	Company	
	2008	2007
	R'000	R'000
5. INVESTMENT IN SUBSIDIARY COMPANY		
Professional Provident Society Insurance Company Limited		
Shares issued at cost	**10 000**	10 000

The investment in the subsidiary company is accounted for at cost established when the Group was restructured in 2001.

A list of the subsidiaries of the Company is set out in the PPS Group structure.

	Group	
	2008	2007
	R'000	R'000

6. INTANGIBLE ASSETS – SOFTWARE DEVELOPMENT COSTS

At 1 January		
Cost	**81 591**	60 588
Accumulated amortisation	**(34 012)**	(11 166)
Net book amount	**47 579**	49 422
Year ended 31 December		
Opening net book amount	**47 579**	49 422
Additions	**14 785**	21 003
Amortisation charge	**(20 275)**	(22 846)
Closing net book amount	**42 089**	47 579
At 31 December		
Cost	**96 376**	81 591
Accumulated amortisation	**(54 287)**	(34 012)
Net book amount	**42 089**	47 579

Software development costs relate to expenditure paid to external computer consultants on the development of software systems. The first phase of the system was implemented in June 2006, the second in June 2007 and the third in June 2008. Depreciation commenced from these dates respectively.

	Group	
	2008	2007
	R'000	R'000
7. FINANCIAL ASSETS – INVESTMENTS		
Analysis of financial assets held at fair value through profit or loss:		
Equity securities:		
– local listed	**5 206 350**	5 828 793
– international listed	**39 142**	53 232
	5 245 492	5 882 025
Debt securities – fixed interest rate:		
– government bonds and local listed	**3 214 682**	2 300 893
– international listed	**56 511**	52 088
	3 271 193	2 352 981
Unit trusts and pooled funds:		
– local pooled funds and unit trusts	**166 992**	1 002 673
– international equity unit trusts	**573 353**	747 572
– international fixed interest unit trusts	**296**	222
– international balanced	**621 185**	673 355
	1 361 826	2 423 822
Total financial assets at fair value through profit or loss	**9 878 511**	10 658 828

The investment in local pooled funds and unit trusts comprises mainly of debt securities (R2,2 million), cash and cash equivalents (R28,3 million) and equities (R136,5 million).

International investments denominated in foreign currencies were translated to Rands at the closing exchange rates at 31 December:
\$1 = R9,53 (2007: \$1 = R6,79).
N\$1 = R1,00 (2007: N\$1 = R1,00).

Analysis of movements in financial assets held at fair value through profit or loss:		
Opening balance	**10 658 828**	9 705 944
Additions	**16 229 056**	13 837 960
Disposals at carrying value	**(15 575 695)**	(13 031 995)
Fair value net (losses)/gains excluding net realised gains	**(1 408 818)**	147 666
Accrued interest movements	**(416)**	12 832
Accrued dividends	**(24 444)**	(13 579)
Closing balance	**9 878 511**	10 658 828

	Group	
	2008 **R'000**	2007 R'000
The spread of investments by sector:		
Industrial (%)	**50,30**	56,31
Financial (%)	**26,80**	27,67
Resources (%)	**22,90**	16,02

Maturity profile of fixed interest investments:		
Due in 1 year or less	**62 337**	66 683
Due between 1 year and 5 years	**1 291 715**	812 269
Due between 5 years and 10 years	**1 209 784**	961 592
Due after 10 years	**707 357**	512 437
Total fixed interest investments	**3 271 193**	2 352 981

There is no contractual 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.

	Group	
	2008 **R'000**	2007 R'000

8. REINSURANCE ASSETS

Total assets arising from reinsurance contracts at beginning of the year	**205 033**	118 231
Reinsurers' share of insurance policy liabilities	**107 120**	86 802
Total assets arising from reinsurance contracts at end of the year (note 14)	**312 153**	205 033
Current portion	**312 153**	205 033

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 9).

	Group		Company	
	2008 R'000	2007 R'000	**2008 R'000**	2007 R'000
9. INSURANCE AND OTHER RECEIVABLES				
Receivables arising from insurance and reinsurance contracts:	**149 747**	140 603	**–**	–
– due from contract holders	**54 777**	60 316	**–**	–
– due from contract holders – Life Assurance Policy	**70 151**	84 894	**–**	–
– less allowance for impairment losses from receivables from contract holders	**(13 097)**	(20 026)	**–**	–
– due from reinsurers	**37 916**	15 419	**–**	–
Other receivables:	**22 173**	34 705	**785**	395
– accrued interest	**4 354**	20 756	**–**	–
– accrued dividends	**132**	3 458	**–**	–
– receivables from related parties	**–**	–	**785**	373
– value added tax	**1 024**	3 787	**–**	–
– other receivables	**16 663**	6 704	**–**	22
Prepayments	**626**	222	**–**	105
Total receivables including insurance receivables and prepayments	**172 546**	175 530	**785**	500
Current portion	**172 546**	175 530	**785**	500
Fair value of other receivables held at amortised cost	**22 173**	34 705	**785**	395
Allowances for impairment losses of receivables from contract holders				
Specific allowances for impairment				
At beginning of period	**20 026**	6 140	**–**	–
Impairment loss recognised	**160**	13 886	**–**	–
Impairment loss reversals	**(7 089)**	–	**–**	–
At end of year	**13 097**	20 026	**–**	–

	Group		Company	
	2008	2007	**2008**	2007
	R'000	R'000	**R'000**	R'000

10. CASH AND CASH EQUIVALENTS

Cash at bank and in hand	**41 881**	29 826	**–**	–
Cash on call	**1 346 391**	1 039 287	**–**	–
Total cash and cash equivalents	**1 388 272**	1 069 113	**–**	–

The proportion of cash held to fund the working capital of the Group as part of the investment portfolio is 6,4% (2007: 3,7%) 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 11,0% (2007: 9,5%).

11. SHARE CAPITAL

As a company limited by guarantee each member of the Company is liable for a maximum amount of R1 in the event of the Company being wound up whilst being a member or within one year thereafter.

	Group		Company	
	2008	2007	**2008**	2007
	R'000	R'000	**R'000**	R'000

12. ACCUMULATED FUNDS

Accumulated funds	**152 823**	118 850	**10 500**	10 500

The accumulated funds balance represents the amount of reserves which is not distributable. The Group must retain this amount to cover the capital adequacy requirement (CAR). The Group has maintained its level of CAR cover at 2,52 times (2007: 2,56). This has resulted in a further R51,2 million being allocated to accumulated funds in the current year.

	Group			
	Carrying amount		Fair value	
	2008	2007	**2008**	2007
	R'000	R'000	**R'000**	R'000

13. BORROWINGS

Unsecured – at amortised cost				
Shareholder loan	**8 681**	3 600	**8 681**	3 600
Total borrowings	**8 681**	3 600	**8 681**	3 600
Current	**8 681**	3 600		
Balance at 1 January	**3 600**	–		
Loans granted during the year	**5 081**	3 600		
Balance at 31 December	**8 681**	3 600		

The shareholder loan will carry interest at Nedbank deposit rates from 1 January 2009. Until that date, the loan is interest free.

The loan bears no fixed repayment term and is classified as short term. As a result of this classification, the fair value is deemed to be equal to the carrying value.

14. INSURANCE POLICY LIABILITIES AND RELATED REINSURANCE ASSETS

14.1 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 surplus rebate 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 Company 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. 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 2005 to 2007 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 2005 to 2007 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 effective rate is 7,5% (2007: 8,5%) per annum.

Equity investments: the expected long-term return (dividends and capital growth) is derived by adding to the risk-free rate of return an equity risk premium of 3% (2007: 2%).

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% (2007: 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 8,10% gross of tax in 2008 (8,88% in 2007). 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 3,0% (2007: 3,5%) 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.

14. INSURANCE POLICY LIABILITIES AND RELATED REINSURANCE ASSETS continued

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

- *Future profit allocations*

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

- *IBNR*

  The IBNR liability calculation is based on run-off tables using historical data from 2003 to 2008. 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.

- *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 an increase in liabilities of R309 million (2007: R233 million), which included the change in the investment return assumption amounting to an increase of R465 million (2007: R198,4 million decrease).

  The non-economic changes amounted to a R1,3 million increase (2007: R15 million decrease) in liabilities.

- *Sensitivity analysis*

  The following tables present 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 2008 R'000	% change	Change in liability 2007 R'000	% change
Liability per note 14.2		**2 614 259**		2 305 961	
Worsening in mortality	**10**	**247 832**	**9,48**	9 371	0,41
Worsening of morbidity rates	**10**	**259 466**	**9,92**	235 849	10,24
Worsening in PI inception rate	**10**	**357 024**	**13,66**	311 337	13,52
Lowering of investment returns	**(1)**	**614 737**	**23,50**	392 127	17,03
Lowering of terminations	**(10)**	**134 335**	**5,14**	92 805	4,03
Worsening of maintenance expense level	**10**	**274 610**	**10,50**	241 580	10,49
Worsening of expense inflation rate	**10**	**162 627**	**6,22**	134 311	5,83

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 to facilitate comparison with the sensitivities disclosed by other major insurers.

- *Compulsory margins*

  PGN 104 specifies the compulsory margins that need to be added to the best estimate margins. The following compulsory margins were added for both 2007 and 2008:

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

14. INSURANCE POLICY LIABILITIES AND RELATED REINSURANCE ASSETS continued

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

	Group					
	2008			2007		
	Gross R'000	Re-insurance R'000	Net R'000	Gross R'000	Re-insurance R'000	Net R'000
Analysis of balance at the beginning of the year:						
Sickness and disability policies						
– Claims payable (notified claims)	**6 762**	**—**	**6 762**	7 907	–	7 907
– Unintimated claims (IBNR)	**31 122**	**—**	**31 122**	25 929	–	25 929
– Non-DPF liability	**2 510 994**	**205 033**	**2 305 961**	2 086 237	114 681	1 971 556
– Cessation benefits (notified claims)	**38 516**	**—**	**38 516**	44 635	–	44 635
– DPF liability	**9 116 732**	**—**	**9 116 732**	8 139 447	–	8 139 447
Life policies						
– Claims payable (notified claims)	**24 483**	**—**	**24 483**	–	–	–
– Unintimated claims (IBNR)	**—**	**—**	**—**	3 550	3 550	–
– Life assurance policy reserve	**25 000**	**—**	**25 000**	25 000	–	25 000
Other benefits and liabilities						
– Other benefits and liabilities	**60 614**	**—**	**60 614**	62 547	–	62 547
Total at beginning of the year	**11 814 223**	**205 033**	**11 609 190**	10 395 252	118 231	10 277 021
Change in insurance policy liabilities per Income statement	**(629 344)**	**107 120**	**(736 464)**	1 385 603	86 802	1 298 801
Change in insurance policy liabilities per statement of changes in equity	**2 005**	**—**	**2 005**	11 067	–	11 067
Movement in claims liabilities						
– arising from current year claims	**96 853**	**—**	**96 853**	(2 447)	–	(2 447)
– arising from prior year claims	**(1 543)**	**—**	**(1 543)**	24 747	–	24 747
Total movement in insurance policy liabilities	**(532 029)**	**107 120**	**(639 149)**	1 418 970	86 802	1 332 168

	Group					
	2008			2007		
	Gross R'000	Re-insurance R'000	Net R'000	Gross R'000	Re-insurance R'000	Net R'000
Total movement allocated	**(532 029)**	**107 120**	**(639 149)**	1 418 970	86 802	1 332 168
Sickness and disability policies						
– Claims payable (notified claims)	**(6 073)**	**—**	**(6 073)**	(1 145)	—	(1 145)
– Unintimated claims (IBNR)	**12 759**	**—**	**12 759**	5 193	—	5 193
– Non-DPF liability	**415 419**	**107 120**	**308 299**	424 757	90 352	334 405
– Cessation benefits (notified claims)	**97 234**	**—**	**97 234**	(6 119)	—	(6 119)
– DPF liability	**(1 045 119)**	**—**	**(1 045 119)**	977 285	–	977 285
Life policies						
– Claims payable (notified claims)	**(8 140)**	**—**	**(8 140)**	24 483	—	24 483
– Unintimated claims (IBNR)	**4 184**	**—**	**4 184**	(3 550)	(3 550)	—
– Life assurance policy reserve	**5 634**	**—**	**5 634**	—	—	—
Other benefits and liabilities						
– Other benefits and liabilities	**(7 927)**	**—**	**(7 927)**	(1 934)	—	(1 934)
Analysis of balance at the end of the year:						
Sickness and disability policies						
– Claims payable (notified claims)	**689**	**—**	**689**	6 762	—	6 762
– Unintimated claims (IBNR)	**43 881**	**—**	**43 881**	31 122	—	31 122
– Non-DPF liability	**2 926 412**	**312 153**	**2 614 259**	2 510 994	205 033	2 305 961
– Cessation benefits (notified claims)	**135 750**	**—**	**135 750**	38 516	—	38 516
– DPF liability	**8 071 613**	**—**	**8 071 613**	9 116 732	—	9 116 732
Life policies						
– Claims payable (notified claims)	**16 343**	**—**	**16 343**	24 483	—	24 483
– Unintimated claims (IBNR)	**4 184**	**—**	**4 184**	—	—	—
– Life assurance policy reserve	**30 634**	**—**	**30 634**	25 000	—	25 000
Other benefits and liabilities						
– Other benefits and liabilities	**52 906**	**—**	**52 906**	60 613	—	60 613
Total at the end of the year	**11 282 412**	**312 153**	**10 970 259**	11 814 222	205 033	11 609 189
Current	**253 753**	**—**	**253 753**	161 496	—	161 496
Non-current	**11 028 659**	**312 153**	**10 716 506**	11 652 726	205 033	11 447 693
Total	**11 282 412**	**312 153**	**10 970 259**	11 814 222	205 033	11 609 189

14. INSURANCE POLICY LIABILITIES AND RELATED REINSURANCE ASSETS continued

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

	Group	
	2008 R'000	2007 R'000
The non-DPF liabilities developed as follows:		
Liabilities at start of year	**2 305 961**	1 971 556
Unwinding of discount rate	**207 999**	180 985
Expected cash flows	**246 469**	245 428
Expected risk liability at year-end	**2 760 429**	2 397 969
Impact of movements	**(316 804)**	(278 025)
Change in valuation assumptions	**310 360**	231 740
Risk benefit liability for new business issued	**(139 726)**	(45 723)
Liabilities at end of year	**2 614 259**	2 305 961
The DPF liabilities developed as follows:		
Liabilities at start of year	**9 116 732**	8 139 447
Claims paid during the year	**(714 777)**	(314 764)
Allocation of interest and dividends	**(330 342)**	1 292 049
Liabilities at end of year	**8 071 613**	9 116 732
Analysis of total insurance policy liabilities, net of reinsurance:		
Non-DPF liabilities	**2 614 259**	2 305 961
DPF liabilities	**8 071 613**	9 116 732
Life assurance policy reserve	**30 634**	25 000
Current liabilities	**253 753**	161 496
Liabilities at end of year	**10 970 259**	11 609 189

	Group	
	2008 R'000	2007 R'000
15. INVESTMENT CONTRACT LIABILITIES		
Linked investment contracts	**50 177**	6 922
Non-current portion	**50 177**	6 922

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.

Movement table for investment contract liabilities

	2008 R'000	2007 R'000
Linked contracts		
Balance at 1 January	**6 922**	—
Contributions received during the period	**51 216**	6 884
Fair value of policyholder liabilities under investment contracts	**(1 059)**	38
Net investment return (debited)/credited to account balances	**(505)**	43
Net fees and charges deducted from account balances	**(554)**	(5)
Benefit payments	**(6 902)**	—
Balance at 31 December	**50 177**	6 922

	2008 R'000	2007 R'000
16. THIRD-PARTY FINANCIAL LIABILITIES ARISING ON CONSOLIDATION OF UNIT TRUSTS		
Balance at 1 January	**—**	—
Third-party interest in unit trusts acquired during the year	**209 032**	—
Balance at 31 December	**209 032**	—
Current portion	**209 032**	—

	Group	
	2008 R'000	2007 R'000
17. DEFERRED TAX		
Deferred tax assets:		
Provisions and impairments	**2 423**	3 976
Tax losses carried forward	**9 660**	5 668
Assets at end of year	**12 083**	9 644
Deferred tax liabilities:		
Unrealised gains on investments	**135**	137 640
Unrealised gains on land and buildings revaluation	**1 733**	1 598
Liabilities at end of year	**1 868**	139 238
Current asset	**2 423**	3 883
Non-current asset	**9 660**	5 761
Non-current liability	**1 868**	139 238

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

	R'000
At 1 January 2007	4 435
Debited to the income statement	5 209
At 31 December 2007	9 644
Credited to the income statement	**2 439**
At 31 December 2008	**12 083**

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 Company making future profits.

(b) Deferred tax liabilities

	Deferred tax liability on unrealised gains on investments R'000	**Deferred tax liability on land and buildings revaluation R'000**	**Total R'000**
At 1 January 2007	207 095	623	207 718
Charged to the income statement	(69 454)	—	(69 454)
Charged to equity	—	974	974
At 31 December 2007	137 641	1 597	139 238
Charged to the income statement	**(137 505)**	**—**	**(137 505)**
Charged to equity	**—**	**135**	**135**
At 31 December 2008	**136**	**1 732**	**1 868**

	Group	
	2008 R'000	2007 R'000
18. RETIREMENT BENEFIT OBLIGATIONS		
Balance sheet obligations for:		
– post-retirement medical benefits	**26 346**	22 688
Total balance sheet obligations	**26 346**	22 688
Income statement charge for (note 27):		
– pension benefits	**(369)**	209
– post-retirement medical benefits	**4 775**	5 001
Total income statement charge	**4 406**	5 210

Pension benefits

The Group has two pension schemes, a defined benefit scheme and a defined contribution and provident fund scheme. The defined benefit scheme covered all employees employed before July 2004. The pension scheme is a final salary defined benefit scheme. The assets of the scheme are held in an independent trustee administered fund, administered in terms of the Pension Funds Act of 1956, as amended. A full statutory valuation has been performed at 31 December 2005, but has not yet been approved by the Registrar. Since there are no members or pensioners remaining in the fund, no further valuations have been done.

All non-pensioner members of the defined benefit pension fund were transferred to the defined contribution pension and provident fund, with effect from 1 March 2005. The bulk of the assets were transferred out of the fund during 2006. The remaining assets in the fund will be transferred once the outstanding section 14 approval has been received from the FSB.

Since all active members have been transferred out and the pensioners have had insured pension policies purchased for them from a registered insurer, there are no further liabilities remaining in the fund.

The pensions payable by the fund have been outsourced to Old Mutual. The insured pension policies were purchased as at 1 November 2006. Pensions were purchased from Old Mutual by utilising the assets held in the fund. During the year, the transfer of these insured policies from the fund's name to the pensioners own name has taken place.

The defined contribution and provident fund scheme does not give rise to any additional liabilities for the Group as the liabilities match the assets in terms of the rules of the fund.

18. RETIREMENT BENEFIT OBLIGATIONS continued

The amounts recognised in the balance sheet are determined as follows:

	Group	
	2008 R'000	2007 R'000
Present value of funded obligations	**—**	1 065
Fair value of plan assets	**(8 569)**	(9 617)
	(8 569)	(8 552)
Unrecognised surplus	**8 569**	8 552
Liability in the balance sheet	**—**	—

No asset is recognised in respect of the surplus as there was no surplus available for distribution as at 1 January 2003 per the actuarial valuation of the pension fund. A nil apportionment scheme was submitted to the Registrar of Pension Funds in terms of the Pension Fund Second Amendment Act, 39 of 2001.

The movement in the defined benefit obligation was as follows:

Defined benefit obligation at beginning of year (1 January)	**1 065**	1 002
Contingency reserves	**(1 065)**	63
Defined benefit obligation at end of year (31 December)	**—**	1 065

The balance at the end of 2007 represents contingency reserves to cover the risk that errors in the data will provide a false position.

The movement in plan assets was as follows:

Market value of assets at beginning of year (1 January)	**9 617**	8 732
Expected return on plan assets	**819**	810
Actuarial loss	**(1 498)**	(134)
Benefits paid	**(30)**	(79)
Settlements	**(273)**	445
Expenses	**(66)**	(147)
Tax	**—**	26
Allowance for late claims	**—**	(36)
Market value of assets at end of year (31 December)	**8 569**	9 617

	Group	
	2008 **R'000**	2007 R'000
Actual return on plan assets (expected return less actuarial loss)	**(679)**	676

The assets of the plan were held in an administered fund separate from the Group's assets. All the assets were invested in a cash fund.

The amounts recognised in the income statement are as follows:

	2008 **R'000**	2007 R'000
Expected return on plan assets	**(819)**	(810)
Net actuarial losses recognised during the year	**1 498**	134
Contingency reserves	**(1 065)**	63
Movement in unrecognised surplus	**17**	822
Total included in staff costs (note 27)	**(369)**	209

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.

The method of accounting, assumptions and the frequency of valuations are similar to those used for defined benefit pension schemes. The amounts recognised in the balance sheet were determined as follows:

	2008 **R'000**	2007 R'000
Present value of unfunded obligations	**40 568**	36 471
Unrecognised actuarial losses	**(14 222)**	(13 783)
Liability in the balance sheet	**26 346**	22 688

	Group	
	2008	2007
	R'000	R'000
18. RETIREMENT BENEFIT OBLIGATIONS continued		
The latest actuarial valuation of the Group's post-employment benefits, carried out at 31 December 2008 indicated a present value of projected future benefits amounting to R26,346 million (2007: R22,688 million).		
The movement in the post-employment medical benefit obligation was as follows:		
Post-employment medical benefit obligation at beginning of year (1 January)	**36 471**	33 513
Current service cost	**1 380**	1 711
Interest cost	**2 873**	2 733
Benefits paid	**(1 117)**	(776)
Actuarial gain (loss)	**961**	(710)
Post-employment medical benefit obligation at end of year (31 December)	**40 568**	36 471
The amounts recognised in the income statement are as follows:		
Current service cost	**1 380**	1 711
Interest cost	**2 873**	2 733
Actuarial losses recognised during the year	**522**	557
Total included in staff costs (note 27)	**4 775**	5 001

	2008	**2007**
The principal actuarial assumptions used were as follows:		
Discount rate based on the Long-term Bond Index (%)	**6,89**	8,00
Medical cost inflation (%)	**5,67**	6,75

	2004 R'000	2005 R'000	2006 R'000	2007 R'000	**2008 R'000**
Trend information					
Present value of obligations	19 067	21 234	33 513	36 471	**40 568**
Experience adjustments (actuarial (loss)/gain before changes in assumptions) in respect of present value of obligations	(3 057)	1 759	296	(1 040)	**(0,636)**

Sensitivity results

	Healthcare cost inflation		
	Central assumption 5,67%	R'000 (1,00%)	R'000 1,00%
Accrued liability 31 December 2008	40 568	34 151	48 858
Percentage change (%)		(15,8)	20,4
Current service cost plus interest cost 2008/2009	4 053	3 328	5 006
Percentage change (%)		(17,9)	23,5

	Central assumption 6,75%	(1,00%)	1,00%
Current service cost plus interest cost 2007/2008	4 253	3 456	5 305
Percentage change (%)		(18,7)	24,8

	Central assumption 5,67%	5,00% for 5 years	10,00% for 5 years
Accrued liability 31 December 2008	40 568	50 110	61 483
Percentage change (%)		23,5	51,6

	Discount rate		
	Central assumption 6,89%	R'000 (1,00%)	R'000 1,00%
Accrued liability 31 December 2008	40 568	49 084	34 097
Percentage change (%)		21,0	(15,9)

	Expected retirement age		
	Central assumption 65 years	R'000 1 year younger	R'000 1 year older
Accrued liability 31 December 2008	40 568	42 116	39 149
Percentage change (%)		3,8	(3,5)

	Group	
	2008 R'000	2007 R'000
19. EMPLOYEE RELATED OBLIGATIONS		
Leave pay accrual		
Opening balance	**4 219**	4 150
Charged to the income statement		
– additional provisions	**1 935**	1 015
Used during the year	**(1 536)**	(946)
Closing balance	**4 618**	4 219
Current	**4 618**	4 219
Provision for performance related bonuses		
Opening balance	**13 677**	23 634
Charged to the income statement		
– additional provisions (executive directors and employees)	**17 186**	9 960
Used during the year	**(15 876)**	(19 917)
Closing balance	**14 987**	13 677
Current	**14 987**	13 677
Total provisions	**19 605**	17 896

	Group		Company	
	2008	2007	**2008**	2007
	R'000	R'000	**R'000**	R'000
20. INSURANCE AND OTHER PAYABLES				
Payables arising from insurance and reinsurance contracts:				
– due to contract holders	**27 415**	30 958	**—**	—
– due to contract holders – life assurance policy	**2 712**	2 130	**—**	—
– reinsurance payables	**28 425**	15 020	**—**	—
– subscriptions received in advance	**2 495**	5 022	**—**	—
Other payables				
– accruals	**41 389**	29 449	**120**	—
– sundry creditors	**11 706**	26 122	**165**	—
Total insurance and other payables	**114 142**	108 701	**285**	—
Current	**114 142**	108 701	**285**	—
21. NET INSURANCE PREMIUM REVENUE				
Individual premiums from policyholders	**1 127 238**	958 771	**—**	—
Group reinsurance premiums inwards	**349 533**	376 022	**—**	—
Premium revenue arising from insurance contracts issued	**1 476 771**	1 334 793	**—**	—
Individual premium revenue ceded to reinsurers on insurance contracts issued	**(66 629)**	(58 888)	**—**	—
Net insurance premium revenue	**1 410 142**	1 275 905	**—**	—

	Group		Company	
	2008	2007	**2008**	2007
	R'000	R'000	**R'000**	R'000
22. FEE AND COMMISSION INCOME				
Policy administration and collection services	**21 392**	22 810	**—**	—
Administration fees	**60 702**	60 456	**5 668**	4 812
Investment management fees	**4 079**	505	**—**	—
Commission	**5 370**	2 785	**—**	—
Fee and commission income	**91 543**	86 556	**5 668**	4 812

23. 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 2008	**Designated at fair value through profit or loss on initial recognition R'000**	**Loans and receivables R'000**	**Total R'000**
Interest income	**395 600**	**391**	**395 991**
Dividend income	**353 561**	**—**	**353 561**
Net gains on disposal of financial assets	**1 508**	**—**	**1 508**
Net unrealised losses on revaluation of financial assets	**(1 408 818)**	**—**	**(1 408 818)**
Net foreign exchange gains	**86 192**	**—**	**86 192**
Total net gains/(losses) recognised in the income statement	**(571 957)**	**391**	**(571 566)**

Group 2007	Designated at fair value through profit or loss on initial recognition R'000	Loans and receivables R'000	Total R'000
Interest income	329 839	—	329 839
Dividend income	188 239	—	188 239
Net gains on disposal of financial assets	756 468	—	756 468
Net unrealised gains on revaluation of financial assets	147 666	—	147 666
Net foreign exchange gains	3 375		3 375
Total net gains recognised in the income statement	1 425 587	—	1 425 587

	Group		Company	
	2008	2007	**2008**	2007
	R'000	R'000	**R'000**	R'000
24. INVESTMENT INCOME				
Net gains and losses on financial assets held at fair value through profit or loss consist of the following components:				
– Interest income	**395 991**	329 839	**–**	–
– Dividend income	**353 561**	188 239	**–**	–
– Net realised gains on disposal of financial assets	**1 508**	756 468	**–**	–
– Net realised foreign exchange gains	**86 192**	3 375	**–**	–
Total investment income	**837 252**	1 277 921	**–**	–
Investment management fees amounting to R43,7 million (2007: R51,2 million) are included in expenses for marketing and administration (note 26).				
25. INSURANCE BENEFITS AND CLAIMS				
Gross				
Long-term insurance contracts with and without DPF				
– Individual sickness and incapacity benefits: current year	**322 054**	261 001	**–**	–
– Individual sickness and incapacity benefits: under (over) provision for prior years	**(1 543)**	24 747	**–**	–
– Group non-DPF component of death benefits	**317 439**	217 746	**–**	–
– Individual DPF component of death, retirement and resignation benefits	**492 518**	324 695	**–**	–
Total gross insurance benefits and claims	**1 130 468**	828 189	**–**	–
Reinsurance recoveries				
Long-term insurance contracts with and without DPF				
– Individual sickness and incapacity benefits: current year	**(20 573)**	(4 601)	**–**	–
– Death benefits: current year	**(38 768)**	(18 430)	**–**	–
Total reinsurance recoveries	**(59 341)**	(23 031)	**–**	–
Total net insurance benefits and claims	**1 071 127**	805 158	**–**	–
26. EXPENSES				
Costs incurred for the acquisition of insurance contracts expensed in the year	**135 415**	138 099	**–**	–
– Sickness and incapacity policies	**134 590**	137 890	**–**	–
– Whole life policies	**825**	209	**–**	–
Membership fees	**43**	–	**43**	–
Investment management services expenses	**5 553**	786	**–**	–

	Group		Company	
	2008 R'000	2007 R'000	**2008 R'000**	2007 R'000
26. EXPENSES continued				
Marketing and administrative expenses include:				
– Auditors' remuneration	**2 941**	4 170	**113**	101
– Audit fees – current year provision	**2 826**	3 369	**113**	101
– Audit fees – prior year (over)/under	**(175)**	293	**–**	–
– Tax consulting services	**290**	508	**–**	–
– Directors' fees	**13 263**	12 403	**2 070**	1 875
– Non-executive directors' and committee members' fees	**3 712**	3 354	**2 070**	1 875
– Subsidiary non-executive directors' and committee members' fees	**1 300**	1 127	**–**	–
– Executive directors' remuneration – salaries and bonuses	**8 251**	7 922	**–**	–
– Fees for services	**18 405**	19 041	**–**	15
– Actuarial	**2 238**	1 100	**–**	–
– Legal	**948**	1 112	**–**	15
– Internal Audit	**811**	748	**–**	–
– PPS Medical Scheme Administrator outsourcing fee	**6 070**	7 832	**–**	–
– IT consulting	**1 555**	1 162	**–**	–
– PPS Medical Scheme Administrator contractual milestone costs	**3 700**	4 000	**–**	–
– BEE transaction legal and consulting fees	**–**	644	**–**	–
– Other (primarily management consulting)	**3 083**	2 443	**–**	–
– Employee benefit expenses (note 27)	**191 604**	144 740	**–**	–
– Depreciation on property and equipment (note 4)	**7 204**	6 555	**–**	–
– Realised profit on disposal of property and equipment	**(113)**	–	**–**	–
– Amortisation of intangible asset (note 6)	**20 275**	22 846	**–**	–
– (Reversal)/Impairment of insurance and other receivables (note 9)	**(6 929)**	13 886	**–**	–
– Operating lease rentals	**10 663**	6 676	**–**	–
– Data processing and information technology systems maintenance	**39 661**	39 409	**–**	–
– Maintenance product development and other expenses	**49 946**	43 363	**3 442**	2 821
– Investment management fees	**43 657**	51 236	**–**	–
Total expenses	**531 588**	503 210	**5 668**	4 812

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

	Group	
	2008 **R'000**	2007 R'000
27. EMPLOYEE BENEFIT EXPENSES		
Salaries and related costs	**156 460**	121 158
Pension costs – defined contribution plans	**16 850**	12 629
Pension costs – defined benefit plans (note 18)	**(369)**	209
Other post-employment benefits (note 18)	**4 775**	5 001
Performance related bonuses	**13 888**	5 743
Total employee benefit expenses	**191 604**	144 740
28. TAX		
Current tax		
– Current year tax	**170 946**	255 548
– Prior year (over)/under provision	**(48)**	15 406
Deferred tax	**(139 944)**	(74 663)
Total tax	**30 954**	196 291
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:		
(Loss)/profit before movement in policy liabilities	**(671 537)**	1 479 642
Tax calculated at domestic tax rates applicable to profits in South Africa/Namibia	**(188 370)**	431 444
Tax effect of income not subject to tax	**(210 415)**	(601 730)
Tax effect of non-deductible expenses	**419 954**	344 317
Prior year (over)/under provision	**(48)**	15 406
Tax effect of tax rate on the individual policyholder fund being different to tax rate on the corporate fund ('CF')	**9 752**	6 854
Tax effect of rate change	**81**	—
Total tax per income statement	**30 954**	196 291

The applicable tax rate was 28% (2007: 29%). PPS Insurance has four separate tax funds: the individual policyholders' fund (taxed at 30%), the Company policyholders' fund (taxed at 28%), the untaxed policyholders' fund (not taxed) and the corporate fund (taxed at 28%). The tax reconciliation is done on total tax on all funds.

	Group		Company	
	2008 R'000	2007 R'000	**2008 R'000**	2007 R'000
29. CASH GENERATED FROM OPERATIONS				
Reconciliation of profit before movement in insurance policy liabilities to cash generated by operations:				
Loss/(profit) before movement in policy liabilities	**(671 537)**	1 479 642	**–**	–
Investment contract receipts	**51 216**	6 884	**–**	–
Investment contract surrenders	**(6 902)**	–		
Adjustments for:				
Depreciation	**7 204**	6 555	**–**	–
Fair value of policyholder liabilities under investment contracts	**(1 059)**	38	**–**	–
Amortisation of intangible asset	**20 275**	22 846	**–**	–
Realised profit on disposal of property and equipment	**(113)**	–	**–**	–
Investment income	**(837 252)**	(1 277 921)	**–**	–
Net fair value losses/(gains) on financial assets at fair value through profit and loss	**1 408 818**	(147 666)	**–**	–
Changes in working capital:				
– Insurance and other receivables	**(16 745)**	65 086	**(285)**	(80)
– Insurance and other payables	**10 808**	(6 113)	**285**	80
– Insurance policy liabilities	**95 529**	24 262	**–**	–
Cash generated from operations	**60 242**	173 613	**–**	–
30. TAX PAID				
Tax (receivable)/payable at beginning of year	**(8 063)**	10 404	**–**	–
Current tax as per income statement (note 28)	**170 898**	270 956	**–**	–
Tax (payable)/receivable at end of year	**(5 488)**	8 063	**–**	–
Total tax paid	**157 347**	289 423	**–**	–

31. CHANGES TO COMPARATIVES

R176,6 million relating to amounts payable to the underwriter of the life assurance policy has been reclassified from insurance and other payables to insurance and other receivables as the Company has a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis.

	Group		Company	
	2008 **R'000**	2007 R'000	**2008** **R'000**	2007 R'000
32. COMMITMENTS				
(a) Capital commitments				
Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:				
– Committed but not contracted for	**34 487**	34 531	**–**	–
(b) Operating lease commitments – where a Group company is the lessee				
The Group leases various offices under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.				
The lease expenditure charged to the income statement during the year is disclosed in note 26.				
The future aggregate minimum lease payments under non-cancellable operating leases are as follows:				
Due in 1 year or less	**6 389**	2 620	**–**	–
Due between 1 year and 5 years	**21 125**	7 048	**–**	–
Due after 5 years	**1 100**	387	**–**	–

33. RELATED PARTIES

Holding company

Professional Provident Society Limited (Limited by Guarantee) is a company limited by guarantee and is an investment holding company.

Its sole investment is 100% of the shares of Professional Provident Society Insurance Company Limited.

Subsidiaries

PPS Limited'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 (Pty) Limited, PPS Medical Scheme Administrator (Pty) Limited, Professional Provident Society Marketing Services (Pty) Limited, Professional Provident Society Investments (Pty) Limited, Professional Provident Society Multi Manager (Pty) Limited and PPS Black Economic Empowerment SPV (Pty) Limited which are subsidiary companies of PPS Insurance Company Limited.

33. RELATED PARTIES continued

PPS Insurance owes PPS Limited a fee for services rendered by PPS Limited. The transactions and balances with PPS Insurance are listed below:

	Company	
	2008 R'000	2007 R'000
Fees	**5 668**	4 811
Receivable from PPS Insurance		
Balance at the beginning of the year	**541**	506
Fees	**(5 668)**	(4 811)
Paid by PPS Insurance on behalf of PPS Limited	**5 920**	4 846
Balance at the end of the year	**793**	541

There are no terms and conditions attached to, or guarantees received in respect of the amount receivable from PPS Insurance. The receivable is not secured.

Key management information

Key management personnel have been defined as all directors of PPS Limited and executive members of PPS Insurance, their families (as defined in IAS 24) and entities significantly influenced or controlled by key management personnel. A complete list of directors of PPS Limited and Executive Committee members of PPS Insurance is disclosed in the Directors' Report.

The aggregate compensation of the PPS Limited directors and PPS Insurance Executive committee members paid by the Group is set out below:

	Group	
	2008 R'000	2007 R'000
Salaries and other short-term employee benefits	**12 572**	8 766
Performance payments	**9 584**	11 020
Directors' fees	**3 712**	3 354
	25 868	23 140
Aggregate details of insurance between PPS Limited, 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:		
Life health and disability cover	**105 644**	76 210
Premiums	**579**	472
Claims	**—**	—
Sickness benefit cover	**2 652**	3 128
Premiums	**589**	666
Claims	**5**	19
Surplus rebate accounts (policy liabilities)	**5 732**	6 162
Motor and household cover	**17 090**	10 266
Premiums	**172**	136
Claims	**7**	152
Investment contracts	**3 938**	619

The transactions above were made on terms equivalent to those that prevail in arm's length transactions.

34. STANDARDS AND INTERPRETATIONS ISSUED

Amendments to published standards mandatory for the Group's accounting periods beginning on or after 1 January 2008:

- *IAS 39 (Amendment), 'Reclassification of financial assets'.* The Group has elected not to reclassify such financial assets; as such, this amendment has no impact on the Group's financial statements.
- *IFRIC 11, 'IFRS 2 – Group and treasury share transactions'* – This interpretation does not have an impact on the Group's financial statements.
- *IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'* – This interpretation does not have any impact on the Group's financial statements, as the Group does not currently recognise any asset or liability for pension benefits. Should the Group recognise the asset in future years, this IFRIC will be applied.
- *IFRIC 12, 'Service concession arrangements'* – This interpretation does not have an impact on the Group's financial statements.
- *IFRIC 13, 'Customer loyalty programmes'* – This interpretation is not relevant to the Group's operations because none of the Group's companies operate any loyalty programmes.

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 2009 or later periods, and the Group has not early adopted them:

- *IAS 1 (Revised), 'Presentation of financial statements'* (effective from 1 January 2009). This revision will result in revised income statement disclosure and statement of comprehensive income disclosure.
- *IAS 1 (Amendment), 'Presentation of financial statements'* (effective from 1 January 2009). This amendment will not impact the results of the Group but will likely result in certain additional disclosures.
- IAS 27 *(Revised), 'Consolidated and separate financial statements'* (effective from 1 July 2009). The Group will apply IAS 27 (Revised) prospectively to transactions with non-controlling interests.
- *IAS 36 (Amendment), 'Impairment of assets'* (effective from 1 January 2009). The required disclosure will be provided where applicable.
- *IAS 38 (Amendment), 'Intangible assets'* (effective from 1 January 2009). This amendment should not have a material impact on the Group's financial statements, as the Group does not have significant prepayments.
- *IFRS 3 (Revised), 'Business combinations'* (effective from 1 July 2009). The Group will apply IFRS 3 (Revised) prospectively to all business combinations.
- *IFRS 5 (Amendment), 'Non-current assets held for sale and discontinued operations' (and consequential amendment to IFRS 1, 'First-time adoption of IFRS')* (effective from 1 July 2009). The Group will apply the IFRS 5 (Amendment) prospectively to all partial disposals of subsidiaries.

There are numerous other new standards or amendments to existing standards that are not yet effective for the Group. Each of these has been assessed, and will not have an impact on the Group financial statements.

PROFESSIONAL PROVIDENT SOCIETY LIMITED (LIMITED BY GUARANTEE)
(COMPANY INCORPORATED UNDER SECTION 19(1)(B))
(REGISTRATION NUMBER: 2001/011016/09)
("the Company")

NOTICE TO MEMBERS

Notice is hereby given that the eighth annual general meeting ("the meeting") of the members of the Company will be held on Monday, 8 June 2009 at 18:00, at the offices of the Company at 6 Anerley Road, Parktown, Johannesburg, for the following purposes:

1. To receive and adopt the annual financial statements for the year ended 31 December 2008, including the reports of the directors and the auditors of the Company.
2. To reappoint PricewaterhouseCoopers Inc. as the auditors of the Company.
3. To elect and appoint directors in place of those directors retiring in accordance with the Articles of Association of the Company ("the articles").

   Dr D Anderson, Dr J Adno and Adv Meyer retire by rotation in terms of the articles. Dr D Anderson and Adv Meyer being eligible for re-election and reappointment, offer themselves for re-election and reappointment as directors of the Company.

   In addition, Mr S Trikamjee, Adv R Rawat, Mr B Natarajan, Mrs N Ramdhani, Mr K Mashige, Mr U Jivan, Mr S Naidoo, Ms F Petersen, Dr N Jada and Mr M Kharwa have been nominated for election and appointment as directors of the Company in terms of the articles.

   (Abbreviated biographical detail of the persons referred to above is set out on pages 132 to 138 of this annual report).

EXPLANATORY NOTE ON THE APPOINTMENT OF THE DIRECTORS

Currently the board of directors consists of 20 directors (Professor Haus having resigned in June 2008), 12 of whom were appointed by the Company in general meeting in accordance with article 12.1.2.1. There are four vacancies and there are 12 nominees for these vacant positions (including the directors who retire by rotation and who offer themselves for re-election and reappointment). In terms of the articles, if more persons have been nominated for the office of director 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 four candidates receiving the highest number of favourable votes.

VOTING

In voting or passing any resolution:

- Associate members (as defined in the articles) shall each have 1 (one) vote; and
- Ordinary members (as defined in the articles) shall have 1 (one) vote, and in addition thereto, shall have 99 (ninety-nine) 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 articles), as at the end of the previous financial year, provided that a member who is more than 3 (three) months in arrear with the payment of his/her premiums (payable in terms of the Master Contract (as defined in the articles) shall only have 1 (one) vote at the meeting.

A certificate issued by a director or officer of the Company shall constitute prima facie proof of the number of votes a member shall be entitled to cast 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 votes either for or against the resolution or the member may abstain from voting on it.

PROXIES

Any member who is entitled to attend and vote at the meeting may appoint 1 (one) or more proxies (who need not be a member of the Company) to attend, speak and on a poll to vote or abstain from voting in his/her stead.

Proxy forms must be received at the registered office of the Company not less than 48 (forty-eight) hours before the time appointed for the holding of the meeting.

By order of the board of directors

Lucien Caron
Company Secretary

08 April 2009

Abbreviated curriculum vitae for nominated candidates

David Anderson

Tertiary education

University of the Witwatersrand: Bachelor of Dentistry (BDS)
University of the Witwatersrand: Dip POM
: FCD (SA) OMP

Professional affiliations

- Member of the Federal Council of the Dental Association of South Africa (DASA) (1992 – 1998)
- Member of the National Council of the South African Dental Association (SADA) (1998 – 2005)
- Served on the Gauteng Regional Organisation of SADA since 1987, and as its president in 1990
- Chairman of the Research Education and Development Trust (1995 – 2005)
- Chairman of the Dentistry Development Trust (1995 – 2005)
- Executive committee member of the Dental Education Committee of SADA (1995 – 2005)
- Principal specialist/senior lecturer (part-time) in the Department of Oral Medicine and Periodontology University of the Witwatersrand (1982 – 2001)
- Facilitator of the Audit and Risk Committee of SADA (2006 – 2008)

Professional experience

Positions currently held within the PPS Group

- Chairman of the board of Professional Provident Society Insurance Company Limited
- Chairman of the Remuneration Committee
- Chairman of the PPS New Generation Retirement Funds (Pension and Provident)
- Chairman: Valuations Committee of PPS
- Current board member of the Nominations Committee of PPS
- Previously Chairman of the board of Professional Provident Society Limited and a board member of Professional Provident Society of South Africa (1991 – 2006)

Ralph Meyer

Tertiary education

University of the Witwatersrand: Bachelor of Arts (BA)
University of Witwatersrand: Bachelor of Law (LLB)

Professional affiliations

Advocate at the Johannesburg Bar: Practising since 1980
Appointed Senior Counsel (1997)
Acted as Judge of the High Court of South Africa

Professional experience

Currently a member of the following committees of PPS:

- Member of board of PPS as representative of General Council of the Bar of South Africa from 1997 – 2006 and elected member from 2005
- Member of Executive Committee of PPS 1999 – 2000

- Board member of PPS Insurance Co Limited
- Currently Deputy Chairman of PPS Insurance Co Limited
- Member of the following committees of PPS:
  Audit and Risk Committee (Joint Chairman)
  Remuneration Committee
  Trustee of PPS RA Fund
  Trustee of PPS Staff Pension Fund

Shaylen Trikamjee

Tertiary education

University of Natal: BCom (Hons)
CA(SA)

Professional affiliations

South African Institute of Chartered Accountants

Professional experience

- Grant Thornton Chartered Accountants (articles)
- Merrill Lynch – senior research analyst for resources. His present portfolio includes amongst others companies such as Anglo American, BHP Billiton, Kumba Iron Ore, Exxaro Resources etc. He has extensive experience in the investment arena and liaises with major corporate clients such as Coronation, Sanlam, Old Mutual, Investec, PIC and international – Fidelity, Capital, UBS Asset managers, Barings, etc and other investment houses.
- Vice-chairman of the Saxonwold Manor body corporate.

Rehana Rawat

Tertiary education

University of Durban Westville: Bachelor of Arts (BA)
University of the Witwatersrand: Bachelor of Laws (LLB)

Professional affiliations

Member of the Johannesburg Bar
Presiding Officer at the Industrial Court

Professional experience

- Advocate of the High Court of South Africa
- Senior commissioner – part time at the CCMA
- Chairperson of the Exemptions Body of the National Bargaining Council for the Road Freight Industry
- CEO of Al-Islam centre

- Director of Al-Islam investments CC & Zayule Investments CC
- Commissioner on health professions conduct inquiry panel
- Completed judicial training – at Liberty to take up acting position
- Facilitationed national wage negotiations of, *inter alia:* Transnet, Lafarge and Pepcor group

Bharathan Natarajan

Tertiary education

Madras University India: M.B.B.S
Witwatersrand Business School: MBA
Manchester Business School: Advanced Management Programme

Professional experience

- Directorate of clinical support services – Gauteng Department of Health as a medical adviser of laboratory and blood services, managing national health laboratory services and SA national blood services for Gauteng Province.
- Acting chief executive officer of Tara H Moross Centre specialised Psychiatric Hospital, Gauteng Department of Health.
- Senior clinical executive at Dr George Mukhari Hospital.
- Principal medical officer at Addington Hospital – department of orthopaedic surgery and trauma.
- Registrar of orthopaedic surgery at University of Natal.

Narissa Ramdhani

Tertiary education

University of KwaZulu-Natal: Bachelor of Arts (BA)
University of KwaZulu-Natal: PhD (submission completed November 2008)
University of South Africa: Honours (African History)
University of Connecticut, USA: M.A. (Public History: culture and business management)

Affiliations

- International Women's Forum
- Sevafrica Business Networking for Women: Empowerment Solutions
- Aluka Advisory Board (SADCC Collaboration on Digital Technology)
- ANC Archives Committee; ANC-University of Fort Hare Joint Board
- British Aerospace/ANC Board
- DISA South Africa
- Gandhi-Luthuli Peace Institute
- Michigan State University/South Africa Binational Committee (Co-Chair)
- Nelson Mandela Foundation
- University of Connecticut/ANC International Advisory Board; South African Qualifications Authority

Professional experience

- Chief Executive Officer: Ifa Lethu Foundation, Pretoria (current)
- Director: Campbell Research Centre, University of KwaZulu-Natal
- Director: Documentation and Research Centre, University of KwaZulu-Natal
- Interport lecturer. South Africa, Brazil-South Africa Voyage
- University of Pittsburgh Semester-at-Sea Programme (Visiting Position)
- International adviser: University of Connecticut (consultancy)
- Special adviser: Nelson Mandela Projects

Khathutshelo Mashige

Tertiary education

University of the Witwatersrand: Bachelor of Science (BSc)
University of Durban Westville: Bachelor of Optometry (BOptom)
New England College of Optometry: Certificate of Advanced Study in Ocular Disease and Pharmaceutical Application (CAS)
University of KwaZulu-Natal: Masters of Optometry (Current)

Professional affiliations

Health Professions Council of South Africa
South African Optometric Association

Umesh Jivan

Tertiary education

University of Durban Westville: Bachelor of Arts (BA)
University of Durban Westville: Bachelor of Laws (LLB)

Professional affiliations

Admitted as attorney of the Supreme Court of South Africa
Admitted as a conveyancer and notary of the High Court of South Africa

Professional experience

- Current employer: CFO of Jivan and Company
- Consultant to L Bhika Properties – a property development and property management business
- Trustee of I B Family Trust – a property development and property management business
- Trustee of Jiven Holdings Trust – a property development and property management business
- CEO of Endeavour Investments cc – a property investment corporation
- CEO of Imagine Home-loans – a home loans business that deals with Nedbank, Standard, FNB and Absa
- Property Assessor
- Asset management portfolio – advise clients on investments in property, equities and cash on a monthly basis.

Sugendra Naidoo

Tertiary education

University of Natal: MBChB
University of Cape Town: MBA

Professional affiliations

- Western Cape Doctors Association board member – head of healthcare
- Member of the South African Medical Association (SAMA) main board since 2007. He chairs the audit and risk committee on this board

Professional experience

- Chief Executive Officer of Emerging Market Healthcare Limited. The company is an accredited managed care company by the Council of Medical Schemes and a leading purveyor of managed healthcare contracting for the low-end market and for software practice management, risk management and hub management solutions for healthcare professionals
- Part time lecturer in continuing professional education for professionals in clinical and non-clinical topics
- Representative on various national forums pertaining to healthcare affordability, quality and access

Fagmeedah Petersen

Tertiary education

University of Cape Town: Bachelor of Business Science (Actuarial Science) BBusSc (act.sc.)
Fellow of the Actuarial Society of South Africa, FASSA
Associate of the Financial Planning Institute, 2003, AFPI
University of Cape Town: Post-graduate Diploma in Management Practice, PGDip (MgtPrac)

Professional affiliations

Fellow of the Actuarial Society of South Africa, FASSA
Associate of the Financial Planning Institute, 2003, AFPI

Professional experience

- Current: Independent Employee Benefits Actuary
- Independent trustee to retirement funds, including the Government Employees Pension Fund
- Appointee to the Pan Africa Infrastructure Development Fund, a multi-billion Dollar multinational fund investing in infrastructure in Africa Consulting and *ad hoc* projects for retirement funds relating to asset management and governance
- Corporate consulting on employee benefits appointee to the audit committee of the Cape Clothing Provident Fund
- November 2006 to June 2007 – Prudential Portfolio Managers
- Director of the holding company, Prudential Portfolio Managers (Pty) SA Limited, member of numerous board subcommittees: • Socially Responsible Investing • Strategy • Institutional Business • Business Development • Operations • IT committee
- *Ad hoc* involvement on various committees of the Investment Managers Association of South Africa
- Alexander Forbes Financial Services Principal Consultant to key corporate and parastatal clients

Neville Jada

Tertiary education

University of Fort Hare: Bachelor of Commerce (BCom)
MEDUNSA: MBChB
University of the Free State: MBA
University of Stellenbosch: Post-graduate Diploma – HIV Management

Professional affiliations

Registered medical doctor with HPSCA
South African Medical Association (SAMA) member
SA HIV Clinicians Society member

Professional experience

- Current – Practising private medical doctor at Queenstown, Eastern Cape since year 2000
- Executive Director of Lukhanjl Health Care (Pty) Limited, a private company that manages Hewu Hospital on behalf of the Eastern Cape Provincial Government
- Limited business/financial consultancy on new ventures/start-ups and SMMEs and NGOs
- Part-time medical officer at Frontier Hospital (sessional doctor)
- Admin and Finance Manager, Agricultural Bank of Transkei (Agribank) in Mthatha (1990 – 1992)

Mohamed Kharwa

Tertiary education

University of KwaZulu-Natal: BPharmacy
Durban University of Technology: BTechnology (Management)
University of Wales: MBA having completed his thesis in the field of Human Resource Modelling and Strategy.

Professional affiliations

- Member of the executive committees of Pharmaceutical Society of South Africa (PSSA)
- Member of the South African Association of Pharmacists in Industry (SAAPI).

Professional experience

- Managing pharmacist (Durban and Johannesburg) for international healthcare distributors dealing with warehousing and logistics, quality assurance, cold chain management, regulatory affairs, framing and general management. It was during this time that he implemented the health and safety programme and employment equity committees
- Member of the national learning and employment equity committees
- Appointed an external examiner for final year theses for the School of Pharmacy

- Appointed senior consultant and project manager at IRCA where he worked on business process definition and re-engineering and gained experience in diverse areas such as marketing, project accounting, HACCP and emergency response simulation. He also presented a paper on business continuity management at a disaster management conference
- Consulted to MTN as a Pitied Manager in a range of fields including international roaming, information security, technology centres, service differentiation, tenders, outsourcing, IS enhancements and IVR systems
- Consulted to eGoli Bio Life Sciences incubator for the commercialisation of life sciences research, products, services and technology platforms
- Started Jibraeel Management Consulting. Currently the managing director of this project and business consulting firm in the telecoms industry
- Served as a director of PSSA Contracts (Pty) Limited for the Pharmaceutical Society of South Africa
- Trustee of the IRCA Provident Fund

PROFESSIONAL PROVIDENT SOCIETY LIMITED (LIMITED BY GUARANTEE)
(COMPANY INCORPORATED UNDER SECTION 19(1)(B))
(REGISTRATION NUMBER 2001/011016/09)
("the Company")

I, ______________________________, Membership number ______________

being a member of the Company, hereby appoint ______________________________

or failing him ______________________________

or failing him, the chairman of the meeting as my proxy to attend, speak and on a poll vote for me and on my behalf at the meeting of the Company to be held at 18:00 on Monday, 8 June 2009, at 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 for the year ended 31 December 2008			
2.	Ordinary resolution for the reappointment of the auditors			
3.	Ordinary resolution for the election and appointment of directors			
3.1	Dr D Anderson **			
3.2	Adv R Meyer **			
3.3	Mr S Trikamjee			
3.4	Adv R Rawat			
3.5	Mr B Natarajan			
3.6	Mrs N Ramdhani			
3.7	Mr K Mashige			
3.8	Mr U Jivan			
3.9	Mr S Naidoo			
3.10	Ms F Petersen			
3.11	Dr N Jada			
3.12	Mr M Kharwa			

***Directors who will retire at the meeting by rotation, in accordance with the Articles of Association and, being eligible, offer themselves for re-election and reappointment.*

Indicate instruction to proxy by way of a cross in the space provided above. In terms of the Articles of Association the maximum number of directors that must be elected and appointed at the meeting is four.

(Note: A member entitled to attend and vote is entitled to appoint a proxy to attend, speak and on a poll vote in his/her stead, and such proxy need not also be a member of the Company).

Signed this ______________ day of ______________ 2009

Profession ______________ Signature ______________

Notes to the form of proxy

1. The proxy form must be signed, dated and returned so as to reach the registered office of the Company at least 48 (forty-eight) hours before the time for holding the meeting and may be returned in any manner set out below.

2. The signatory may insert the name of any person(s) whom the signatory wishes to appoint as his/her proxy in the blank spaces provided for that purpose.

3. The completing and lodging of this form of proxy will not preclude the signatory from attending the meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof should such signatory wish to do so.

4. If the signatory does not indicate in the appropriate place 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 Company Secretary
6 Anerley Road
Parktown
Johannesburg

or

Post to: The Company Secretary
PO Box 1089
Houghton
2041

or

Fax to: The Company Secretary
011 644-4641

or

Email to: lcaron@pps.co.za

To be received by 17:00 on Friday, 5 June 2009

BASTION GRAPHICS

INSURANCE FOR
PROFESSIONALS

www.pps.co.za

Physical address: 6 Anerley Road, Parktown 2193
Postal address: PO Box 1089, Houghton 2041
Professional Provident Society Limited (Limited by Guarantee)
Reg No. 2001/011016/09