FOR PROFESSIONALS

SINCE 1941

INTEGRATED REPORT 2015
FOR PPS' NAMIBIAN MEMBERS

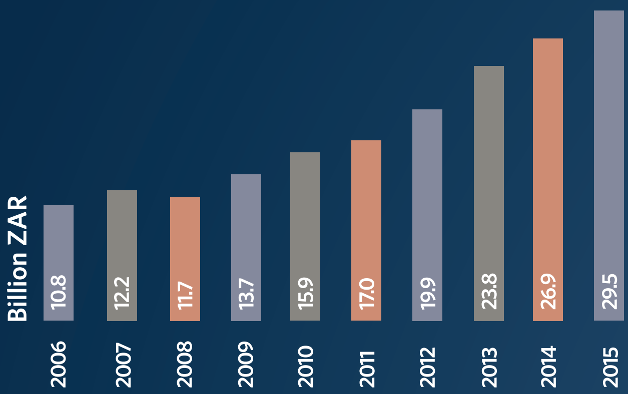
Celebrating the power of professional thinking for 75 years

75 YEARS

Life Insurance | Investments | Financial Planning | Short-Term Insurance | Medical Aid

Table of contents

PPS highlights for 2015



TOTAL ASSETS OF R29.5 BILLION*

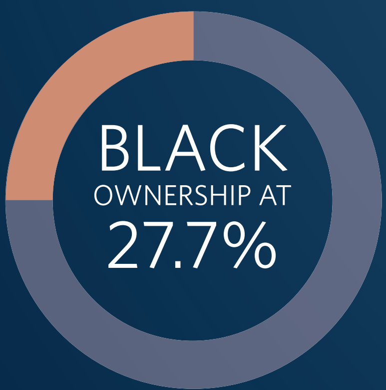
249,790

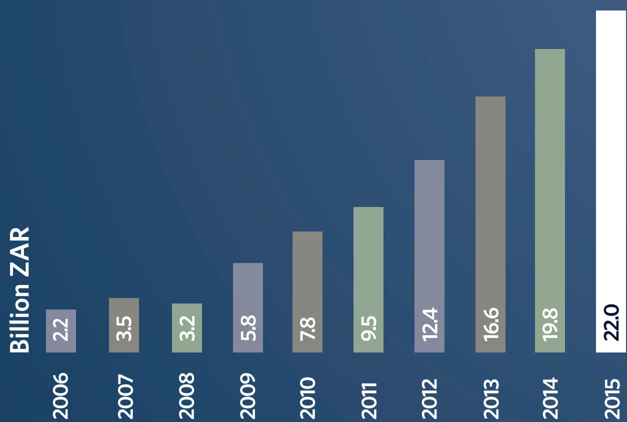
POLICIES IN FORCE

NEW RISK PREMIUM GROWTH

16%

47% Risk business growth African, Indian or Coloured





TOTAL PROFIT AND INVESTMENT RETURN ALLOCATION OF

R2.2 BILLION

IN 2015

Almost **R22 billion** (R21.96 bn) cumulatively allocated over the last 10 years

*Excluding assets in unit trusts for third parties

PPS accumulates all profits for members as a retirement benefit, this remains the jewel in the crown of PPS membership. Mike Jackson, PPS Chief Executive

PPS INVESTMENTS

ASSETS UNDER MANAGEMENT

R21.7 billion

15%

GROWTH

IN NEW MEMBERSHIP

39%

PPS MILLIONAIRES

PPS HAS

2 893

MEMBERS WITH MORE THAN

R1 million

In their PPS Profit-Share Accounts

BENEFITS PAID

VALUE OF TOTAL BENEFITS PAID IN 2015

R2.2 billion

Sickness	R413.8 million
Permanent Incapacity	R301.2 million
Life Cover	R386.1 million
Critical Illness	R 112.7 million
Lump Sum Disability	R 81.3 million
Cessation	R882.1 million

Who we are

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

OUR MISSON

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

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

OUR VALUES

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

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

OUR STRATEGY

The needs of the graduate professional have been central to PPS' strategic intent for the last 75 years. We have designed our products and servicing models accordingly and believe that the mutual model provides long-term benefits to our members that cannot be matched.

Our strategy therefore focuses on:

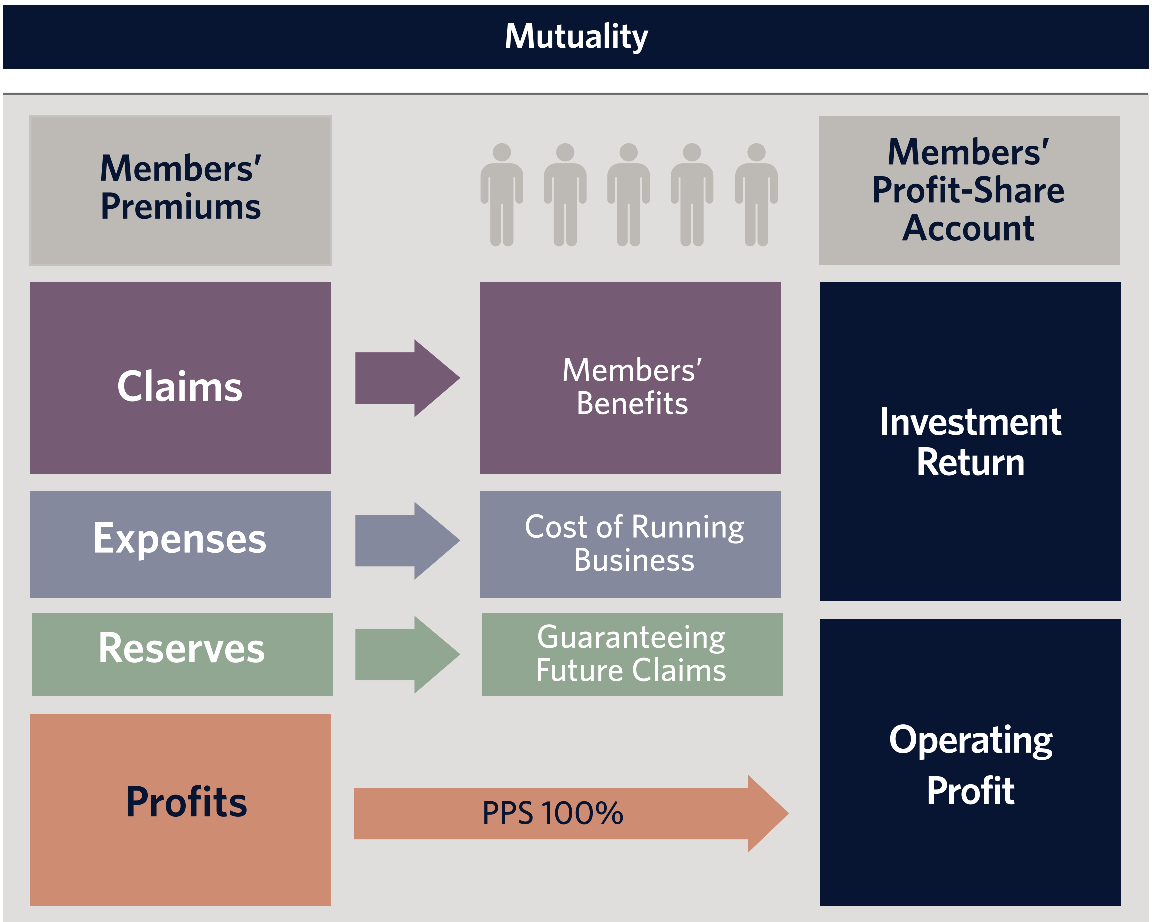
- mutuality and growing membership;
- group sustainability; and
- distribution.

WHY IS PPS UNIQUE?

ETHOS

PPS, the financial services company focused exclusively on graduate professionals, is the largest financial services company in South Africa that operates under the ethos of mutuality. Unlike most financial services providers that pay profits to external shareholders, all PPS' profits are allocated to PPS members on an annual basis by way of allocations to their PPS Profit-Share Accounts.

This means that **ALL** the profits and investment returns generated by the PPS Group are allocated to its qualifying members.



Mutuality is central to our success. Profits and investment returns are reinvested, with a long-term mindset, on members' behalf. These funds accumulate in our members' PPS Profit-Share Accounts, (irrespective of their claims) and vests free of tax at retirement, resignation from PPS or death. This benefit has no rival in South Africa.

THE CIRCLE OF MUTUALITY

LONG-TERM MINDSET

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

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

MEMBERS' RETURNS

On average, members were credited with 33% of their qualifying premiums paid to PPS in bonus allocations for 2015 and PPS members shared in excess of R2,2 billion of PPS profits and investment returns during the year.

PPS has shared a total of R14,1 billion in profits and investment returns with its members over the last five years, and almost R22 billion (R21,96 billion) over the last 10 years.

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

GOVERNANCE

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

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

Our approach to integrated reporting

This integrated report tells the PPS story.

We give readers of our integrated report the option of either reading the report in an interactive online PDF format, which can be printed, or visiting our dedicated integrated reporting site.

For video content, including an interview with our Chief Executive Officer Mike Jackson, please visit the dedicated integrated reporting site.

SCOPE AND BOUNDARY

This Group report covers the 12 months ended 31 December 2015 and subsequent events up to the date that our financial statements are published.

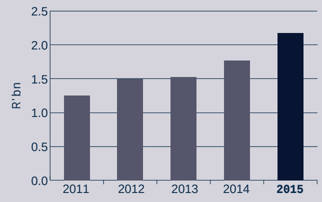
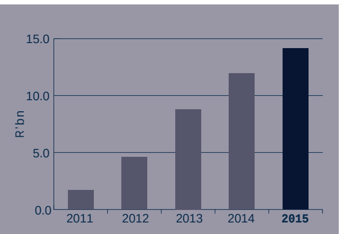
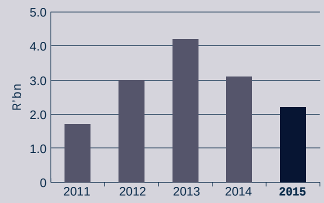
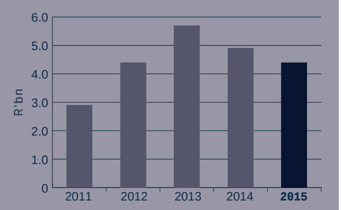
In line with the King Report on Governance of 2009 (King III), and the International Integrated Reporting Framework, this report aims to give a concise picture of PPS with a view to keeping our members and primary stakeholders better informed on all matters relevant to the Group's progress in providing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

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

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

Group performance at a glance

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

THE PPS GROUP	KEY INDICATORS	2015	FIVE YEAR REVIEW
PROFIT-SHARE ALLOCATIONS AND BENEFIT PAYMENTS	**Gross benefits paid to members**	**R2.2 billion**	
Through its unique mutual model, all the profits are ultimately attributable to our members. This is achieved by allocating operating profit and investment returns to the members' PPS Profit-Share Account™, which is available to them on retirement, or their beneficiaries on death.	**Cumulative profit-share allocations for the last five years**	**R14.1 billion**	
	Total PPS Profit-Share allocations	**R2.2 billion**	
	Total gross benefits paid to members and profit-share allocations	**R4.4 billion**	

PPS Insurance

The broad range of products offered by PPS Insurance was enhanced in the year, with a number of innovative and significant improvements to the core Sickness and Permanent Incapacity offerings. The discipline of ongoing development and introduction of new and improved products and services to PPS members benefit PPS through increased sales, share of market and better retention of existing business.

By offering members more flexibility in earnings cover, premiums, waiting periods before claims are paid and optional benefits (for example benefits if family members are hospitalised), risk sales have increased by 16% year on year in an industry where risk sales have stagnated. Some of the product enhancements have been specifically aimed at attracting corporate professionals to PPS, expanding on PPS' traditional self-employed market for Sickness benefits. PPS' widespread presence and engagement on universities, with products tailored for the student market, is helping ensure a healthy inflow of future professional clients for PPS.

PPS' Sickness and Permanent Incapacity products remain the cornerstone of PPS' offerings, introduced at the inception of PPS 75 years ago. The addition of an extensive range of mortality and morbidity benefits have helped ensure continued growth in the past ten years.

PPS Life Advisory had a very successful year, and now has some 235 tied agents working exclusively for PPS. There is a continued focus on vesting of agents and productivity, which is benefiting PPS through growth in market presence and scale, breadth and sustainability of the division.

PPS Life Broker Services enjoyed a very successful year, buoyed by increased support from PPS' long standing and loyal independent advisers and by continued innovation of products and services to this market.

Business review

Total gross life premiums of R3,2 billion (up 12% from prior year) have been received, supported by a 39% growth in new members.

The total number of policies in force increased healthily in 2015 to 249 790 (up from 238 000), and PPS continues to enjoy exceptionally low lapse rates, and high average sums assured on written business.

The business experienced an increase in claims during the year. A total of R1,3 billion claims (up from R1 billion in the prior year) have been paid, and R799,8 million was paid in sickness and death claims. The increase in claims remains within pricing assumptions, and the variability in claims is not entirely unexpected given the difficult economic environment and normal volatility of insurance claims.

Almost 20 000 sickness claims, at an average of R35 000, were paid in 2015.

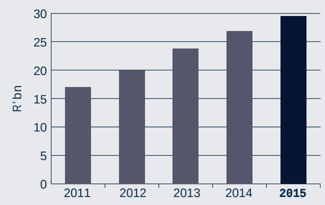
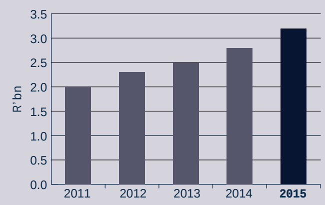
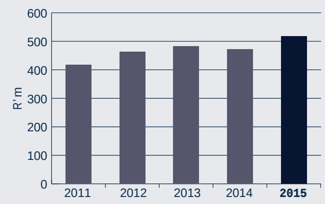
Prospects

The business achieved pleasing growth in members and policies in a difficult market where growth has stagnated. Management expects continued healthy growth in policies, premiums and market share because of the significant investments in recent years distribution depth and breadth, and continued product innovation.

Compliance with a wave of new regulations in the financial services sector (SAM, TCF and RDR in particular) has significantly increased the cost base of the business, which is impacting on sustainable profits for members. Further, the regulatory impact has been negative on the effective servicing and on delivery of new products and strategies in support of the growth of the business.

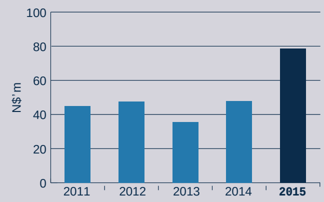
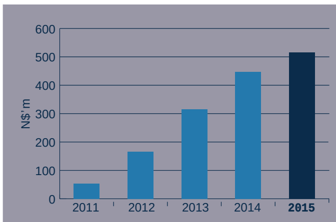
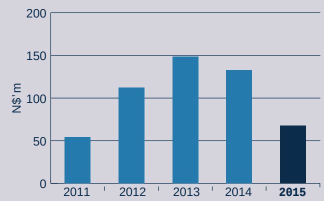
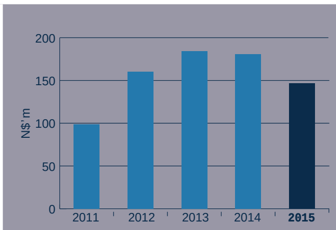
Many commentators believe that 2015 was a watershed year for emerging markets and South Africa in particular. Our currency is at all-time lows and economic growth continues to be insufficient to create jobs.

However, professionals continue to be in high demand as a vibrant professional sector is essential for economic growth. As the Society enters its 75th year, PPS will continue to serve its members by providing world class financial services covering needs from graduation to retirement.

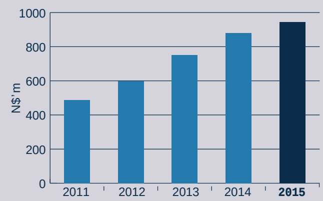
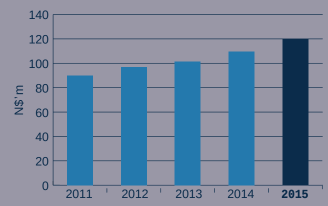
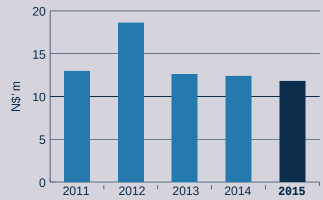
THE PPS GROUP	KEY INDICATORS	2015	FIVE YEAR REVIEW
SICKNESS AND LIFE INSURANCE PPS Insurance Company provides long term life, sickness, dread disease and disability insurance to eligible members. In terms of the mutual model, all the profits are ultimately attributable to our members.	Total assets*	R29.5 billion	
	Gross premium revenue	R3.2 billion	
	New annual premium income	R518.3 million	

*Excluding assets in unit trusts for third parties

Group performance at a glance – Namibia (continued)

PPS Namibia	KEY INDICATORS	2015	FIVE YEAR REVIEW
PROFIT-SHARE ALLOCATIONS AND BENEFIT PAYMENTS	**Gross benefits paid to members**	N$78.6 million	
	Cumulative profit-share allocations for the last 5 years	N$515.8 million	
	Total profit-share allocations	N$67.9 million	
	Total Gross benefits paid to members & profit-share allocations	N$146.5 million	

<table>
<tr><th></th><th>KEY INDICATORS</th><th>2015</th><th>FIVE YEAR REVIEW</th></tr>
<tr><td rowspan="3">SICKNESS AND LIFE INSURANCE

PPS Insurance Company & PPS Insurance Company (Namibia) provide long-term life, sickness, dread disease and disability insurance to eligible members. In terms of the mutual model, all the profits are ultimately attributable to our members.</td><td>Total assets</td><td>N$944.4 million</td><td></td></tr>
<tr><td>Gross premium revenue</td><td>N$119.7 million</td><td></td></tr>
<tr><td>New annual premium income</td><td>N$11.8 million</td><td></td></tr>
</table>

PPS Investments

Increased awareness of PPS Investments' products amongst individual members ensured a comfortable pace of growth in the year that marked the eighth anniversary of the business.

By year end a total of 28 500 individual members held investments products (up from 24 000 in the prior year).

Two anew unit trusts – the PPS Balanced Index Tracker Fund and the PPS Global Balanced Fund of Funds – were launched towards the end of 2015 to offer investors diversification across investment styles and geographical focus.

Business review

Institutional and retail assets under management and administration increased to R21,7 billion, up from R18,9 billion, bucking the trend in the industry where inflows were subdued.

Retail funds under management increased from R11,6 billion to R14,8 billion on the back of new client inflows of R3,5 billion, up from R3,1 billion in the prior year.

Despite disappointing global and local economic growth, 94% of the assets invested in PPS unit trusts achieved their mandated investment returns over respective specified investment periods.

The local stock market ended the year flat, however the cautious positioning across the range of unit trusts provided welcome protection from market volatility late in the year, and the portfolios are considered to be well positioned at the beginning of 2016 should protect against anticipated increased volatility.

Product developments

Key to the success of the business is attracting new clients and to continually improve service to members. A sizeable investment was made to improve customer relationship management to reflect the client-centric focus of a mutual company.

In December 2015 the client administration was seamlessly migrated onto a global administration system, thereby consolidating all our outsourced administration services at leading local administrator, Maitland Fund Services.

In January 2016 PPS Investments launched the PPS Tax Free Investment Account for graduate professionals and the OPN Tax Free Investment Account for all other discerning investors. The flexible tax-free investment account allows contributions up to a maximum of R30 000 per tax year and R500 000 over an investor's lifetime. The contributions are not tax-deductible, but the growth is completely tax-free as investors do not pay tax on dividends, interest income, on withdrawals or switches.

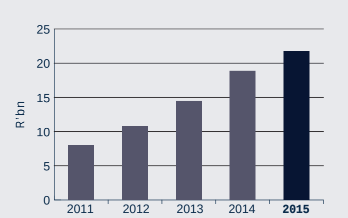
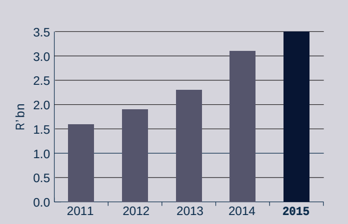
Profitability and distributions

PPS Investments has contributed to the PPS Profit-Share Accounts of its investors for the fourth consecutive year. The aggregate contribution to the PPS Profit-Share Accounts increased by 14% year on year.

Prospects

Individual clients currently represent 30% of the total members of PPS, which presents scope for growth by attracting more members to benefit from comprehensive financial plans including investment and savings products in conjunction with life products to meet the full financial needs of PPS members.

PPS Investments is committed to the value proposition to members: to achieve their medium term savings goals to assist as many as possible to retire how they want to, when they want to.

PPS INVESTMENTS	KEY INDICATORS	2015	FIVE YEAR REVIEW
PPS Investments is a 100% owned investment company that offers retirement and savings products to PPS members.	**Total assets under management**	**R21.7 billion**	
	New business: flows	**R3.5 billion**	

PPS Short-Term Insurance

The 2015 financial year has proven to have been better than 2014 from a natural catastrophe perspective for the industry with the only significant event been the impact of the droughts on the agri sector which PPS Short-Term Insurance (PPS STI) does not operate in.

From an operational perspective PPS STI has enjoyed a growth of 8% on its gross written premiums and met its profit targets as budgeted.

Business review

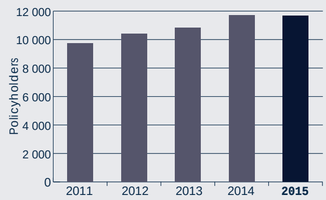
In the year PPS embarked on obtaining its own Insurance license which has been awarded by the FSB and PPS STI now operates as an insurance company and not a broker. This will allow us to design and price our own product range and distribute this through the broker market, which suits our members as they prefer having the benefit of personal advice on their short-term insurance needs. It is the intention of PPS Short-Term Insurance (PPS STI) to allow members to convert their current policy to the new policy that is underwritten by PPS STI.

Due to the volatility of the short term industry PPS has decided to partner with Santam on the short- term business in order to benefit from Santam's technical ability with respect to rating, underwriting and claims management. Santam has one of the best claims management processes in the country and will be managing PPS STI's claims for it.

Prospects

This is an exciting period in our development as we believe we can now satisfy and service the wider PPS member base as well as potential new members through our offering. We will be offering products that will cover the members personal and business requirements through a personal lines product as well as a business solution for members' practices and covering their Professional Liability as well.

PPS Short-Term Insurance (PPS STI) will eventually, once it has achieved critical mass and reached profitability, also contribute to the members' Profit-Share Accounts through dividends that will be accrued to PPS Insurance Company Ltd.

MOTOR AND HOUSEHOLD INSURANCE	KEY INDICATORS	2015	FIVE YEAR REVIEW
PPS Short-Term Insurance offers PPS members the opportunity to obtain short term insurance at exclusive rates, in partnership with a leading underwriter in the South African market.	**Number of policyholders**	**11 683**	

PPS Financial Planning

PPS Financial Planning was launched in September 2015 to expand the PPS offering to include client-focused financial advice to the existing services and products.

The goal is to assist clients to achieve their life goals by providing lifestyle based financial plans. This planning division is aligned with the regulatory changes proposed under the Retail Distribution Review (RDR) and Treating Customers Fairly (TCF).

PPS Financial Planning was created following research of global distribution trends that revealed a need for a client-centric advice approach, as opposed to a product-driven sales approach.

Planners are able to provide basic, comprehensive or bespoke advice depending on the client need and the complexity of their financial situation. Recommendations are lifestyle related and appropriate to meet the financial needs of clients throughout their life stages.

Based on informed advice, clients can decide which product or combination of products is best suited to meet their financial needs. The client always remains in control as planning services and their respective costs are clearly disclosed.

The role of the financial planner

The financial planner's role is to guide members through each step of the financial planning process to help them understand and achieve financial goals through a professional long-term relationship. The planner analyses all relevant information to determine the current financial position and what needs to be done to meet the financial goals and objectives before recommending appropriate actions. Products are used to implement the plans. The planner may also assist with the implementation of the plan, once the client understands and agrees with the recommendations.

Based on the long term relationship with members that PPS strives for, the planner will regularly evaluate the financial plan against the pre-determined objectives. Clients also need to take responsibility for monitoring the financial plan and to seek advice if the plan needs to be revised.

The PPS offering

The remuneration model of PPS Financial Planning will add another source of profit for the group in which members will share through the PPS Profit-Share Account.

The model is not based on product sales. The product in the context of PPS Financial Planning is seen as a means to an end as opposed to the end itself. Members pay up-front planning fees on an hourly basis for the time spent with the planner to determine how to address the client's needs, a product advice fee for finding the best product to implement the plan with as well as a fixed fee for the implementation of the financial plan.

The financial planners will focus strongly on the client outcome and are able to advise on all products in the PPS Group, including Life, Short-Term Insurance, Investments and Medical Aid..

Prospects

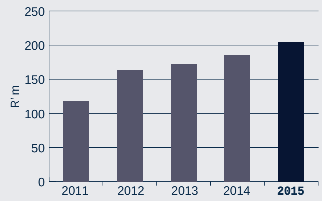
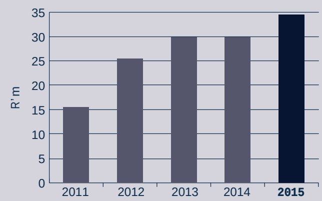
PPS Financial Planning is starting out with a team of 12 financial planners and has plans to expand in 2016.

A proprietary financial planning tool has been developed by PPS Financial Planning for members to explore different scenarios to discover which products are best suited to their needs and circumstances.

PPS is committed to do what is right for the members and the goal is to assist the graduate professional to live the life they want to live.

PPS Healthcare Administrators

Professional Provident Society Healthcare Administrators is the professional market's specialist medical scheme administrator and health risk management provider. Its focus is on providing excellent service in the administration of medical scheme contribution and claims management. It also offers expert financial and clinical risk management services to our client schemes. Its core focus is to act unfalteringly during those crucial times when it is needed the most by members of the Medical Scheme and their dependents.

PPS HEALTHCARE ADMINISTRATORS	KEY INDICATORS	2015	FIVE YEAR REVIEW
PPS Healthcare Administrators is a company specialising in the administration of medical schemes.	**Administration fees received**	**R203.8 million**	
	Operating Profit	**R34.5 million**	

PPS Group consolidated statement of financial position

as at 31 December 2015

	2015 R'000	2014 R'000	Change R'000	Description of individual items
ASSETS				
Property and equipment	**467 147**	142 348	**324 799**	Fixed assets. These include PPS' head office premises, furniture, equipment, computers and vehicles.
Investment property	**378 506**	315 343	**63 163**	Property which are held for the purpose of rental income and capital appreciation.
Intangible asset	**63 797**	53 402	**10 395**	PPS Internally developed insurance software.
Other non-current assets	**32 911 799**	30 193 145	**2 718 654**	Assets backing up insurance liabilities. These mainly include equities, bonds and unit trusts, which assets are managed by investment managers who act in accordance with investment mandates set by the board of directors of PPS Insurance.
Current assets	**3 369 091**	2 005 430	**1 363 661**	Primarily cash resources of PPS Group.
Total assets	**37 190 340**	32 709 668	**4 480 672**	
EQUITY AND LIABILITIES				
Total equity	**300 071**	202 507	**97 564**	Accumulated profit / losses of PPS Insurance's subsidiary companies as well as the statutory capital requirement of the insurance entities and revaluation reserve of Group owner-occupied properties.
Insurance policy liabilities	**26 591 016**	24 646 747	**1 944 269**	Policyholders' funds consisting of (a) capital held to settle future insurance claims, and (b) PPS Profit-Share Accounts.
Investment contract liabilities	**1 139 647**	825 699	**313 948**	Funds of members invested in PPS living annuities and endowment products.
Liabilities to unit trust holders	**7 673 934**	5 848 820	**1 825 114**	Value of outsiders' investments in unit trusts in which PPS owns a majority stake.
Other liabilities	**1 485 672**	1 185 895	**299 777**	Primarily short-term liabilities.
Total equity and liabilities	**37 190 340**	32 709 668	**4 480 672**	

PPS Group consolidated statement of profit or loss and comprehensive income

for the year ended 31 December 2015

	2015 R'000	2014 R'000	Change %	Description of individual items
Net insurance premium revenue	**2 985 698**	2 664 993	12%	Premiums received from policyholders net of reinsurance premiums paid to reinsurers.
Other income	**356 804**	310 713	15%	Administration fees: Long and short term insurance, medical aid administration. Short term insurance commissions. Fees earned for asset management.
Investment income & net revaluation profits on financial assets held at fair value through profit or loss	**2 683 238**	3 041 802	(12%)	Interest, dividends and realised and unrealised growth on investment assets.
Attributable to unit trust holders	**(278 818)**	(503 228)	(45%)	Third-party unit trust holders' share of revaluation profits.
Total revenue	**5 746 922**	5 514 280	4%	
Gross insurance benefits and claims	**2 177 256**	1 766 617	23%	Gross benefits paid to members.
Reinsurance claims recoveries	**(132 221)**	(75 852)	74%	Insurance benefits recovered from reinsurers.
Increase in fair value of policyholder liabilities under investment contracts	**69 023**	53 319	29%	Investment income, net of expenses directly allocated to investment policyholders.
Expenses	**1 381 401**	1 089 494	27%	Group operating expenses, commissions paid on new business written and multi-manager fees paid by PPS Investments.
Profit before movement in insurance policy liabilities	**2 251 463**	2 680 702	(16%)	
Movement to insurance policy liabilities	**1 820 625**	2 378 867	(23%)	The amount allocated to members in their capacity as policyholders.
Tax	**356 304**	266 088	34%	Taxes raised in favour of the South African & Namibian Revenue Services.
Surplus after tax and policy movements	**74 534**	35 747	109%	Any adjustment required to maintain capital cover and the result of operations of the non-insurance subsidiaries.

These are the benefits members receive when claiming from PPS

This amount is part of the annual allocation to members' PPS Profit-Share Accounts

75 YEARS

Leadership commentary and key performance indicators

Chairman's statement

PPS TURNS 75

PPS is proud to celebrate 75 years of looking after graduate professionals in 2016. Through various metamorphoses PPS has not floundered from the original objectives set out by eight visionary dentists who founded the company in 1941 to find a better system of protecting their income if they were unable to work.

PPS has evolved into a fully-fledged financial services company with the latest additions of a dedicated investment offering, a financial advisory business and a short-term insurance company, launched earlier this year.

Despite the structural changes PPS still exists only for the benefit of our members, all of whom are graduate professionals. There are no external shareholders – only members.

Total own assets of the Group grew to R29,5 billion and gross premium income to R3,2 billion. Benefits paid out to members to the value of R2,2 billion. An amount of R2,2 billion has been allocated to our members' PPS Profit-Share Accounts.

THE YEAR AT A GLANCE

The year 2015 saw another tough year for the South African economy. Macro-economic headwinds, including expensive and unstable electricity supply, an uncompetitive and highly regulated labour market resulting in further job cuts, constrained economic growth. Gross domestic product (GDP) rose by 1,3% last year compared with 1,5% in 2014.

The lacklustre economic performance, combined with rising inflation and interest rates, meant the consumer remained under pressure and this position will likely endure in 2016.

The global environment did not provide a lot of reprieve, with weaker global growth prospects and slower growth in key emerging markets. In South Africa this was compounded by depressed commodity prices and sharp depreciation in the value of the rand.

PPS IN PERSPECTIVE

The investment environment was extremely difficult. High levels of volatility characterised financial and investment markets and the rand was pushed to its lowest level in 14 years to R16/$ by December. The Alsi ended the year without growth.

Despite the tough and volatile environment, the diligence and dedication of our investment team continued to bear fruit for our members.

The allocation of R2,2 billion to our members' PPS Profit-Share Accounts was largely driven by investment performance based on prudent asset allocation. Funds under management were invested in diversified mandates which are invested in South African equities, bonds, cash and offshore.

Claims were processed in an average of five days. Based on total benefits paid out to members an average of R5,2 million per day was paid out.

MUTUALITY

Over the years the core of the PPS mission and values has remained to be a mutual organisation to provide financial services to graduate professionals. This is reflected in the successful conversion of PPS Limited into the PPS Holdings Trust in 2011 as a consequence of the amendments to the Companies Act.

The structure allows for Board members to be elected and to be nominated by professional associations. In terms of best practice in corporate governance PPS strives to ensure a balance of skills resides in the Board and representatives encompass professionals from all spheres.

With the allocation to the PPS Profit-Share Accounts, the Group created 503** new millionaires in 2015. PPS now has 2 893 members with more than R1 million in their PPS Profit-Share Accounts.

CORPORATE SOCIAL INVESTMENT

In keeping with PPS' business strategy to grow the graduate professional pipeline and in line with our commitment to the Financial Sector Charter and the related Department of Trade and Industry Codes of Good Practice, PPS has embarked upon the establishment of a formal Foundation and an Educational Trust.

PROSPECTS

In all likelihood economic growth will remain weak. We are seeing a slowdown in investment spending and investors should expect low economic growth, rising interest rates and rising inflation.

Investment managers predict annual returns of between 7% and 10% on local equity over the next few years while global equities are expected to return between 8% to 11%, compared to 13,9% (in ZAR) over the past 10 years.

The risks are to the downside and I would like to caution members that the allocations they have seen over the last few years might not be repeated if the markets suffer a correction due to sluggish global and local economic growth.

I look forward to leading the Group as we continue to meet customer needs, and promote the financial well-being of graduate professionals who are a vital component of our country's economy.

THANKS

It remains for me to record my deep indebtedness to Dr Sybil Seoka, the Vice-Chairman of the PPS Holdings Trust, for her ongoing support, counsel and the strong work ethic that she brings to the Board.

Deep recognition of the outstanding leadership, commitment, counsel and energy applied to the business of the PPS Group by Mr Charles Erasmus, the Chairman of PPS Insurance, is acknowledged with much appreciation. Likewise to the members of the various boards and committees within the PPS Group, I record my unqualified appreciation for your guidance, input and ongoing support. I look forward to working together in the coming year with a unity of purpose to sustain and enhance PPS as an institution.

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

Mr EA Moolla

Chairman

6 April 2016

EA Moolla

The allocation of R2,2 billion to our members' PPS Profit-Share Accounts was largely driven by investment performance based on prudent asset allocation. Funds under management were invested in diversified mandates which are invested in South African equities, bonds, cash and offshore.

CEO'S report

2015 REVIEW

Environmental conditions were particularly difficult for the insurance and investment industries in South Africa in 2015. Very slow economic growth, rising unemployment, electricity supply uncertainty and political blunders combined with declining commodity prices and a dramatically weakened currency have not inspired business or investor confidence. The Alsi ended the year without growth and many members will have experienced a below inflation return on their personal investments.

However, at PPS we always take a long-term view and our strategies, both investment and operational, are geared to weather such conditions to the extent possible. The Society continues to do well in all the key areas, thanks largely to our stable and growing membership and our diversification across local and international assets and the growing number of profitable products. The professional market in which we exclusively operate is affected by economic factors to a lesser extent, and our 98% take up rate of our auto increase and our lapse rate of 4% support this view.

Finally PPS' mutual model, which accumulates all profits for members as a retirement benefit, remains the jewel in the crown of PPS membership.

MEMBERS' RETIREMENT BENEFITS

Members will be aware that the full value of their PPS Profit-Share Account is paid out tax-free at retirement. This value includes all operating profits and investment returns declared during the member's tenure with PPS. This benefit, on retirement, is the primary advantage of PPS' mutual model, where there are no outside shareholders – all profits accrue to members.

During 2015, 942 members retired with a total value of R508,4 million. Individual amounts varied from R100 000 to R2 million depending on the tenure with PPS and the amount of the premiums paid together with the number of products held, over the years.

Sharing Our Success

For the past 75 years, PPS has shared its success with members by way of our PPS Profit-Share Account allocations. This unique benefit significantly enhances the Sickness and Permanent Incapacity Benefit (SPPI) at retirement and in most cases the profit allocation exceeds the premiums paid by PPS policyholders with qualifying products. The actual real examples below show the benefits of members who retired between the ages of 65 to 89 who have been members for between 39 and 54 years. Profit allocations varied between R1.8 million and R2.7 million, whilst only two members paid premiums of around R1 million or more, with the lowest premiums paid at R70 697.28. This also shows a significant benefit of starting early with PPS membership!

Examples of actual members, their years of membership, premiums paid and their PPS Profit-Share Account balances at retirement:

PROFESSION	RETIREMENT AGE	YEARS OF MEMBERSHIP	TOTAL PREMIUMS PAID	TOTAL CLAIMS PAID	PPS PROFIT SHARE PAID
Land surveyor	89	54	R70 697	R101 195	R2 512 783
Dentist	74	45	R273 588	R147 426	R2 097 625
Medical doctor	67	43	R512 201	R54 488	R1 887 104
Dentist	65	39	R977 285	nil	R1 841 652
Medical doctor	68	42	R1 119 780	R1 142 001	R2 710 675

MEMBERSHIP AND SALES

PPS had an excellent year with respect to growth in sales and membership. An expanded product range was launched in March and support from independent and our in-house intermediaries has been exceptional. As a result, both our broker channel and our in-house life advisory consultants exceeded their targets and had record years. Our risk new business sales of R235 million (Annual Premium Income) exceeded last year's production by 16% and independent research has shown that we have gained market share in our segment. Our number of in-force risk policies now stands at 249 790 – a new record.

PPS Investments new flows of R3,5 billion was 13% up on prior year.

New members were 7 050, up by 39% on prior year, and particularly pleasing is the growth in student members from across a broad spectrum of campuses. Of the new members 47% were African/Indian/Coloured, compared to 40% in 2015.

Over and above the new members there is an increasing number of existing members who are availing themselves of our new products such as short-term insurance and investments.

SUBSIDIARIES

PPS Healthcare Administrators

Profmed and Key Health remain the two medical schemes under administration, and both schemes have had excellent years from both a growth and a financial point of view. Profmed celebrated a record growth year and achieved the 30 000 member milestone. Profmed remains the preferred medical scheme for professionals and PPS members of Profmed receive a share in the administration profits.

The Defence Force post-retirement medical scheme continues to be administered by PPS Healthcare, who has an excellent relationship with this Defence Force unit.

During the year Professional Medical Scheme Administrators (PMSA) was renamed "PPS Healthcare" and moved to a new PPS-owned building in Centurion.

PPS Investments (PPSI)

This division of the Group has had another excellent year. Notwithstanding slow growth in the savings industry and extremely negative markets, members continue to trust PPS with their savings and investments. Assets under management exceeded R21 billion (+15%) and 28 500 members now have accounts with PPSI. The individual investor base has grown 36% per annum over the last five years. New flows at R3,5 billion were 13% up on the prior year.

A seamless conversion of the administration platform took place in December. Old Mutual (OMIA) is exiting the administration business and PPSI together with Coronation jointly moved their administration to a new platform at Maitland. The new system will allow a more agile administration, more efficient portfolio reporting, and enable the development of new products to meet the needs of our members.

PPS Short-Term Insurance

PPS launched short-term insurance to its members in 2007, via the formation of an insurance brokerage. This meant that PPS took no underwriting risk and was not exposed to underwriting losses or profits, but benefited from being able to assess members' appetite for this product and as a broker, earned commissions on the premiums. Hollard Insurance was selected as the underwriter. This initiative showed that members did indeed desire to place their short-term insurance with us but many were serviced by brokers and were reluctant to move their business away from this, often, long-standing relationship. In addition the call centre distribution model was not always acceptable to members even if they did not currently have a broker.

Notwithstanding the above restrictions, this business has built up premiums of over R139 million per annum and 11 600 members. However, real growth would always be restricted by the above business model and so it was decided to apply for a licence to enable PPS to become the insurer and remove any broker conflict. To provide the quality of service at claims stage members deserve, it was decided to partner with Santam whose claims facilities nationally are unsurpassed.

As a 49% partner, Santam would also provide expertise and capital to the business.

The new entity moved to new premises in Parktown in November and was launched nationally in February 2016. The new structure means that members will be able to benefit when the business becomes profitable in the future, but in the meantime will enjoy competitive premiums and top level service.

PPS Financial Planning

The need for objective financial planning among PPS members is particularly relevant. Members are busy professionals who often do not devote enough time to their own financial affairs – especially long-term financial planning. Many advisers focus on a particular product set and do not have the inclination or expertise to provide advice on a number of products ranging from medical aids to life, investments and short-term as well as tax, wills and trusts. As members are accustomed to charging for their time and expertise, we believe they will be willing to pay a fee for specialist advice affecting their financial future. The division was launched in September and planners will be available in the Cape, Gauteng and KwaZulu-Natal from January 2016.

Members will be free to implement the agreed plan through this or any other division of PPS or through their own adviser.

GEOGRAPHICAL EXPANSION

Since inception, 75 years ago, PPS has focused exclusively on professionals in South Africa and Namibia. This "country dependence" was not an issue for the business in the early growing years but increasingly the need to expand beyond our region has become important for the long-term sustainability of PPS. Over the years management has conducted viability research in several countries in Africa but in each case the number of professionals who would meet PPS' eligibility criteria was too small to justify the significant investment required. In addition, the legal and regulatory requirements differ by country, and can be very onerous and expensive and carry significant risks. Therefore, to justify the investment and return on risk, a critical mass of members is essential.

Research was conducted outside Africa and all indicators showed that Australia would be the most desirable option. A number of factors support this conclusion. Independent research showed that there are significantly more eligible professionals in Australia than South Africa, supported by the fact that the economy is four times bigger than South Africa's. There is also a strong body of professional associations and the income per capita (at 67 000 USD per annum) is one of the highest in the world (nine times higher than South Africa's) with a very low unemployment rate.

The legal/regulatory environment is similar to South Africa and there are a large number of financial advisers and professionals working in Australia who are ex-South Africans.

Based on the above, a business case was developed which was approved by the boards and we set about recruiting a specialist team in Sydney. One of the teams' first tasks was to test the acceptance of a mutual insurer specialising in professionals among advisers, and they received a very positive response.

The bulk of the back office administration of the Australian business and consequent staff members will be based in Johannesburg, with a notable positive impact on viability.

Due to the lack of experience in the Australian market and the high cost of a life licence, it was decided to partner with a local insurer and "white label" the new company PPS Mutual Australia. In addition, to reduce the indemnity risk we partnered with a major international re-insurer.

Although the above mentioned decisions will impact on the initial profitability, they materially reduce the risk to South African members, who will benefit in the long run from the admin fees, royalties earned, and interest on the start-up loans.

The structure and ethos of this new entity will be very similar to SA, but the business will be owned by the Australian members with PPS South Africa having the final say on a number of key strategic issues.

We are very excited about this new venture, which received Australian regulatory approval in December 2015, and South African members now have a potential additional profit source for their Profit-Share Accounts that is not dependent on the South African economy.

SOLVENCY ASSESSMENT MANAGEMENT (SAM)

During 2011, the Financial Services Board (FSB) introduced a new methodology for statutory reporting of assets, liabilities and solvency capital requirements for South African insurers, aligned to the European Union Solvency II standard. The target date for full SAM implementation is 1 January 2017. The initial parallel run commenced in July 2014, was enhanced during 2015 and will continue in 2016. PPS' dedicated project team has been in place for the past few years dealing with the implementation of all the requirements under SAM. This has taken substantial time and focus from key management resources, as well as the Board and its various sub-committees, to ensure the required milestones around this implementation were successfully achieved.

PPS participated in the FSB's consultative process preceding the implementation of SAM and numerous SAM returns have subsequently been submitted including quantitative impact studies, annual returns, quarterly returns and an own risk and solvency assessment (ORSA). Based on these, PPS Insurance remains financially strong under the SAM framework and is well positioned to deal with SAM requirements.

PROSPECTS

Many commentators believe that 2015 was a watershed year for emerging markets and South Africa in particular. Our currency is at all-time lows and economic growth continues to be insufficient to create jobs. However, professionals continue to be in high demand as a vibrant professional sector is essential for economic growth. As the Society enters its 75th year, PPS will continue to serve its members by providing world-class financial services covering needs from graduation to retirement.

Our governance structure with the PPS Holdings Trust and PPS Insurance Board continues to serve us well and I would like to thank all the Board members for their continued commitment to PPS and its members.

Mr M J Jackson

CEO

6 April 2016

Mike Jackson

PPS had an excellent year with respect to growth in sales and membership. An expanded product range was launched in March and support from independent and our in-house intermediaries have been exceptional. Our number of in-force risk policies now stands at 249 790 – a new record.

Key performance indicators (KPIs)

The performance of our management and staff is measured on a balanced scorecard basis with an equal weighting for both financial and non-financial measures.

The KPIs are categorised under mutuality, financial stability, service and staff, which in turn tie back to our key strategic priorities for the Group.

HOW DID WE DO IN 2015?

OUR KEY KPIs		Unit of measure	2015 PERFORMANCE	2015 GOAL		COMMENTARY
FINANCIAL STABILITY	**Gross premium income**	**Rand billions**	3.2	3.1		Gross premium income was in line with expectations.
	Total assets*	**Rand billions**	29.5	29.7		Total asset growth expectation is measured over a three year rolling period. Muted market movements for the year resulted in total assets being slightly behind expectations although a prudent investment policy will ensure sustained growth into the future.
	Efficiency ratio	**%**	18.4	19.6		Cost control remains an imperative of the Group.
	New annual premiums	**Rand millions**	759.9	739.9		New premiums outperformed the goal, and were up 3% against prior year.
	New investment inflows	**Rand billions**	3.5	4.2		An increase of 13% over prior year has been achieved, but the internal target of growth was not achieved.
MEMBERSHIP	**Number of new members recruited during the year**	**Individuals**	7 050	7 000		New member recruitment achieved target in 2015, a result of new initiatives launched in 2015. These initiatives will continue into the next year.
SERVICE	**Average number of monthly ombudsman queries**	**Number of queries**	3	< 5		PPS strives to treat members fairly, which is reflected in the low number of queries.
	Customer satisfaction survey results	**Rating**	94	> 80		Customers are generally satisfied with our service. Ratings are based on the level of professionalism as well as effective query resolution.
STAFF	**Employee satisfaction survey results**	**%**	93	90		A significant improvement in survey results was achieved in 2015.
	Training spend as a percentage of payroll	**%**	5.2	> 4.0		Training spend is a priority for the Group and is in excess of internal benchmark.

* Excluding assets in unit trusts for third parties

- Achieved
- Partly Achieved
- Not Achieved


HAVASWW64744/E
WE'VE SHARED ALMOST R22 BILLION IN PROFITS WITH OUR MEMBERS OVER THE LAST 10 YEARS
Total cumulative allocations
2006-2015 (R21.96 billion)
R'bn
0
5
10
15
20
25
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
THAT'S THE POWER OF PROFESSIONAL THINKING
It's no coincidence that the PPS Profit-Share Account grows substantially each new year. Especially when our tailor-made financial solutions have been developed and refined over 75 years through the power of professional thinking.
For 2015, we allocated all R2.2 billion in profits to our members' PPS Profit-Share Accounts and paid R2.2 billion in benefits. PPS also accumulated a total of R29.5 billion in PPS Group assets*. This proves that the power of professional thinking can make all the difference, especially when it's been crafted over decades.
So if you're a graduate professional that wants to share in all our profits, visit pps.co.za or speak to a PPS product-accredited financial adviser today.
pps
FOR PROFESSIONALS
SINCE 1941
Celebrating the power of professional thinking for 75 years
75 YEARS
Life Insurance | Investments | Financial Planning | Short-Term Insurance | Medical Aid
PPS offers unique financial solutions to select graduate professionals with a 4-year degree. PPS is an authorised Financial Services Provider.
Members with qualifying products share all the profits of PPS. *Excluding assets in unit trusts for third parties.
Past performance is not necessarily indicative of future performance.

75 YEARS

The future, our operating environment and risk management

PPS in the future

THE MUTUAL ETHOS

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

- **FOCUS ON THE GRADUATE PROFESSIONAL MARKET**
- **SHARING ALL PROFITS WITH MEMBERS**
- **MEMBER PARTICIPATION IN STRATEGY AND GOVERNANCE**

OUR STRATEGY

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

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

Our key strategic priorities are:

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

OUR PEOPLE

The PPS Group continues to grow and now employs over 1 335 staff throughout the country, an increase of 235 employees over last year. 66% of our staff is categorised as African, Indian and Coloured (AIC). In the "Professionally Qualified/ Specialists/Management" category, 47,3% of the 160 staff are classified as AIC employees. Employment equity is an area of continued focus and we continue to make strides in transformation.

Change management

Change management is a priority and will be embedded as a discipline to equip managers to cope with change and to proactively drive change as the Group continues to diversify and drive new strategic initiatives for growth.

The employee value proposition is continuously evaluated to keep pace with the growing needs of the PPS Group and to ensure employees can deliver the desired customer experience we would like members to enjoy.

Employee satisfaction

PPS participates in the annual Deloitte Best Company to Work for Survey and for the fifth consecutive year achieved the "Standard of Excellence" award. A random sample of the staff members are surveyed by Deloitte who assess the company on key dimensions.

The above accolade means that the PPS Group has exceeded a 70% employee satisfaction level measured on the dimensions. It is a foundation we intend to continue to build on.

Performance management

The robust performance management system ensures continuous performance consulting and improvements to the system. Performance is linked to key goals in terms of the more visible strategic initiatives and goals of the Group. Management performance is measured against the Group's objectives and rewarded accordingly.

PPS IN THE DIGITAL ERA

In April 2014, the PPS Group appointed a social media executive to define and implement a digital strategy aimed at optimising on digital opportunities and minimising threats.

The holistic approach and strategy to align the corporate and digital objectives to support the organisation's objectives gathered momentum in 2015.

PPS' digital strategy is aimed at enhancing the service experience for members and advisers, to optimise engagement with clients and to increase brand awareness.

Review of 2015 digital strategy

The focus to develop the social media communities and to increase engagement with members paid off. Facebook followers increased from 6 000 to 12 000 and the number of followers on LinkedIn saw phenomenal growth.

A new website and a mobile app for members will be launched in the 2nd quarter of 2016.

Prospects

Social media and broader digital are constantly changing and developing. The objective is to continue to seek opportunities to continuously improve our products and services offerings to members and financial advisers.

Operating environment

PROFESSIONALS

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

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

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

ECONOMIC TRENDS

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

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

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

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

KEY REGULATORY DEVELOPMENTS AND IMPACT ON PPS

Retail distribution review

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

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

Solvency Assessment and Management (SAM)

Solvency Assessment and Management (SAM) regulations are now being implemented at PPS. These regulations require financial institutions to be "stress tested" under a number of different scenarios, e.g. if stock markets drop 30% or interest rates fall materially or lapse rates increase significantly.

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

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

'Twin Peaks'

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

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

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

The year 2014 saw the draft Financial Sector Regulation Bill, which is an overarching Bill, which confirms the mandates and structures of both regulators and will include Treating Customers Fairly (TCF) principles (Phase 1). After Phase 1, the FSB will focus on further refinement of the powers and functions of each regulator (Phase 2).

Treating customers fairly (TCF)

The implementation of TCF at PPS included the establishment of monitoring mechanisms for the achievement of successful TCF outcomes. TCF is embedded in PPS' risk management and business processes.

How PPS addresses principal risks and uncertainties

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

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

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

75 YEARS

Our stakeholders and PPS doing good

PPS doing good

BUILDING OUR BRAND

Since 1941 the PPS brand has evolved into a major force in the financial services industry, catering exclusively for the unique needs of graduate professionals. The PPS model is unrivalled in South Africa as all profits are shared with our qualifying members, and only select graduate professionals qualify to join PPS. PPS Marketing has focused on creating better awareness of these unique benefits to grow our membership base and product take-up across the PPS Group.

Our major competitors are also targeting the professional market, with far larger marketing spend, and we have to be clever, tactical and innovative to reach our target market. Over the past five years we have acquired unique insights into media consumption of professionals and have used it to our advantage. Public relations (PR) were also used cleverly to ensure that we get editorial coverage and that our brand is seen as a thought-leader.

From an advertising campaign perspective, the two highlights of 2015 were:

- The relaunch of the Sickness and Permanent Incapacity (SPPI) product in February 2015 – with the key message that this product offers options that are tailor-made for professionals in corporate employment. Radio and TV advertisements and audio-visual material was used at intermediary roadshows nationally.
- The #joinourtable digital campaign focused on the exclusivity of the PPS brand – not everyone is welcome at our table! The differentiating component of the #joinourtable campaign was the short TV and radio spots that drew our target market to an interactive website where potential members were able to engage with the PPS brand. The website attracted a large percentage of younger (below 30), and black members who qualify for membership. In addition, we also had many online leads from members who studied at universities of technology.

From a PR perspective, we have enhanced the PPS Professional Confidence Index (PCI), the quarterly survey issued to members since 2011. The PCI is now well established in the public domain and serves as a barometer for graduate professionals' opinions and views. It positions PPS as a thought-leader on issues that affect our members, and joined with the major professional trade associations to issue various press releases. From early 2015, we also included the WITS inflation perception survey questions in the PCI, and issued three PPS/WITS media releases in conjunction with Professor Jannie Rossouw.

PPS Marketing launched the Student Confidence Index (SCI), with the key issue the transition from university life to the professional workplace. We have consequently engaged with PPS members to allocate "pro bono" sessions with the future students to mentor and coach them and in turn equip the students with the right skill set.

Measuring the Return on Marketing Investment (ROMI)

A key part of our brand building initiatives is to measure the effectiveness of our efforts, and implementing changes if required. In addition to considering factors such as the number of qualifying online applications for membership and product take-up (which were at an all-time high in the history of PPS in 2015), Consulta Research currently conducts two different research projects on behalf of PPS.

Brand perception

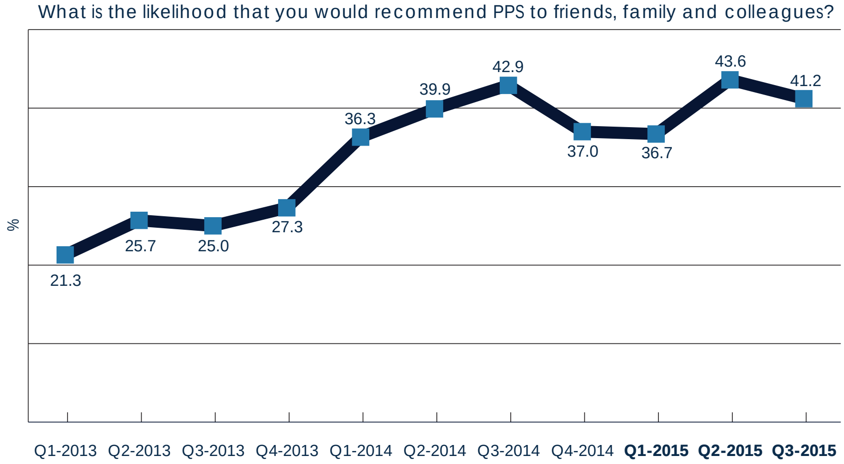
The PPS brand has reached a level of consistency over the last year, with all scores on the measure remaining very high. The sharing of profits continues to be the strongest attribute associated with the PPS brand, along with the exclusivity of the company. Members also feel that PPS is in a strong financial position and is a well-respected brand in the market that they are proud to be associated with.

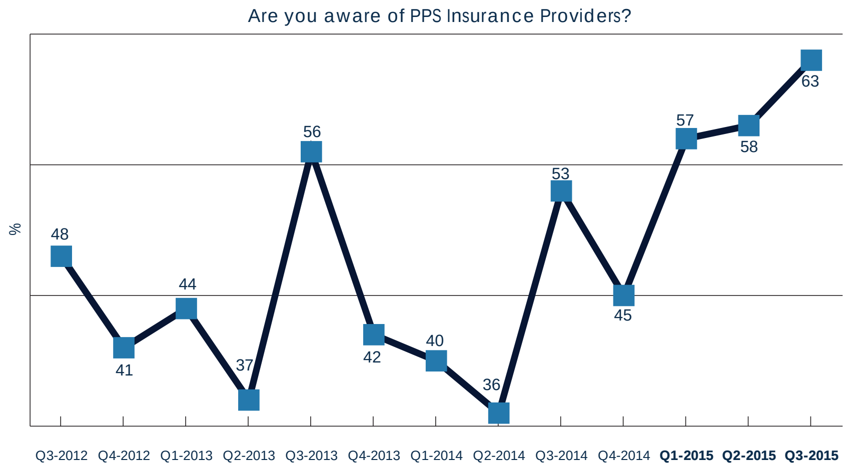
Word-of-mouth

The single most important metric of marketing effectiveness internationally is the likelihood of existing members promoting the brand to friends, family and colleagues, referred to as the Net Promoter Score (NPS).

The PPS NPS has remained very high over the last 12 months. PPS has maintained a NPS score in excess of 40, which is seen as exceptional in the Life Insurance industry.

What is the likelihood that you would recommend PPS to friends, family and colleagues?





With members as brand advocates, the levels of awareness among qualifying non-members improved significantly since 2013, with numbers doubling since the middle of 2014. This clearly indicates that PPS is at the forefront of innovative advertising messaging and we are reaching our potential market successfully.

CORPORATE SOCIAL INVESTMENT (CSI)

From a business sustainability point of view, a healthy, growing member pipeline in South Africa is critical and it requires effective marketing of our brand to the professional market, also at their place of study. Our CSI initiatives therefore focus on education: bursaries, financial assistance at universities and universities of technology and various sponsorships.

From left to right: Anton Louw, PPS Branch Manager (Cape Town North), Sandi Goodwin, PPS Graduate Marketing Specialist, Sikhumbuzo Sibali, PPS Bursary Recipient (Final Year Dentistry student) and Prof Yusuf I. Osman, Dean of the Dentistry faculty (University of the Western Cape)

Bursaries

PPS bursaries are awarded on financial need and academic record to full time university students to assist students financially to cover tuition and/or text book costs for one academic year. To be eligible for the PPS bursary, the student must be registered at a participating South African university or university of technology registering for a fourth academic year of study or post-graduate degree and must be studying towards a profession, which on qualification, would be eligible for PPS membership.

Our total budget for bursaries in 2015 increased to R2 million. Applications opened in September 2014 through the PPS website, social media and the Youth Division. In consultation with the PPS Youth Division we received 800 bursary applications, and 75 students were awarded with a bursary.

Race	Percentage
Black	55,29
White	29,41
Coloured	10,58
Indian	3,52

(Below) From left to right: Anton Louw, Branch manager, Cape Town North, Sandi Goodwin, PPS Graduate Marketing Specialist, Martha Bronkhorst, PPS Dean bursary recipient, Prof Jimmy Volmink, Dean of Health Sciences and Eben Mouton, Finance Director at Stellenbosch Medical campus

FINANCIAL ASSISTANCE PROGRAMME

The PPS Financial Assistance Programme is an annual project where PPS assists supporting universities and universities of technology with the enhancements or, in some cases, the establishment of projects that benefit our future graduate professionals. These projects vary according to the needs of the university and the students.

In 2015, PPS contributed R2 million to various universities. We received 17 applications for 2015.

Approved projects were:

University	Faculty
University of Cape Town	Engineering and Built Environment
University of Johannesburg	Postgraduate Centre, Research and Innovation
Durban University of Technology	Chemical Engineering
University of the Western Cape	Economics and Management Sciences
University of Fort Hare	Faculty of Science and Agriculture
Nelson Mandela Metropolitan University	Centre for Community Technologies
University of Pretoria	Veterinary Sciences
Cape Peninsula University of Technology	Health and Wellness Sciences
University of Free State	Medical
SAICE - Walter Sisulu University	
Tirisano-Mmogo Primary School	

From left to right: Rebecca Seabela, PPS Graduate Marketing Specialist, Judy Bennett, Postgraduate Funding Support (University of Johannesburg) and Dudu Mbatha, Postgraduate Funding Support (University of Johannesburg).

From left to right: Professor Kobus Visser, Dean of Economic and Management Sciences and Sandi Goodwin, PPS Graduate Marketing Specialist

MEMBER ENGAGEMENT

A strategic objective of PPS is to be a thought-leader to the niche market we serve and meaningful engagement with the PPS member base is of paramount importance to understand and address pertinent issues affecting our member's daily concerns and opinions. Much of these engagements take place by way of interactions with the professional trade associations where we often share membership – or attempt to increase PPS membership.

Professional trade association engagements

To communicate and demonstrate the value of membership to professionals, we engaged with professional associations to capitalise on our unique, relevant and sustainable business model in a way that would be good for retention, acquisition and conversion of new members.

PPS placed print advertisements in 19 professional trade publications; we achieved a total readership of 557 400 in the publications with a total circulation of 90 205. In 2015 PPS participated in over 57 association events where we generated 1 758 new membership leads.

PPS advertises on the websites of 11 professional associations and gathered 310 visitors to the PPS website as referral traffic. Of the 310 visitors, 193 of them were new visitors to the PPS website.

A major part of our professional association initiatives were about student engagement. PPS Marketing arranged that PPS partnered with a number of professional associations on their various campus roadshows, thereby giving our graduate specialists an opportunity for presentations to the students and to generate leads. The joint student events gave both PPS and the associations an opportunity to secure younger members.

With each activity that we engage with we monitor the impact and determine drivers for improvement based on:

- reach;
- member connection;
- strategic value; and
- business development.

PPS "Professional Woman of the Year" 2015

This event followed on similar events in 2013 and 2014. For 2015 the objectives for the campaign were:

- To raise awareness for the initiative amongst all professionals (current members and potential members);
- For PPS to be perceived as a caring and an empowering organisation that recognises and acknowledges the work done by professionals in the country;
- For PPS to be seen as the organisation that champions the professionals' quest to make a difference in South Africa.

We received 35 nominations for 2015, significantly higher than previous years and a new record.

The prize-giving and Women's Day event was held on 7 August 2015, with the theme "Inspirational You".

Cindy Ross from the Jala Peo Foundation, which empowers underprivileged youth from the Diepsloot community through cycling, enterprise development and life skills programme, received the main prize of R75 000.

The runner up, who received R25 000, was Alta-Mari Grebe from the Role Models Foundation, the organisation which built the first Imfundo Educare facility in the country and provides foundation education to children (between three and six years old) from disadvantaged communities.

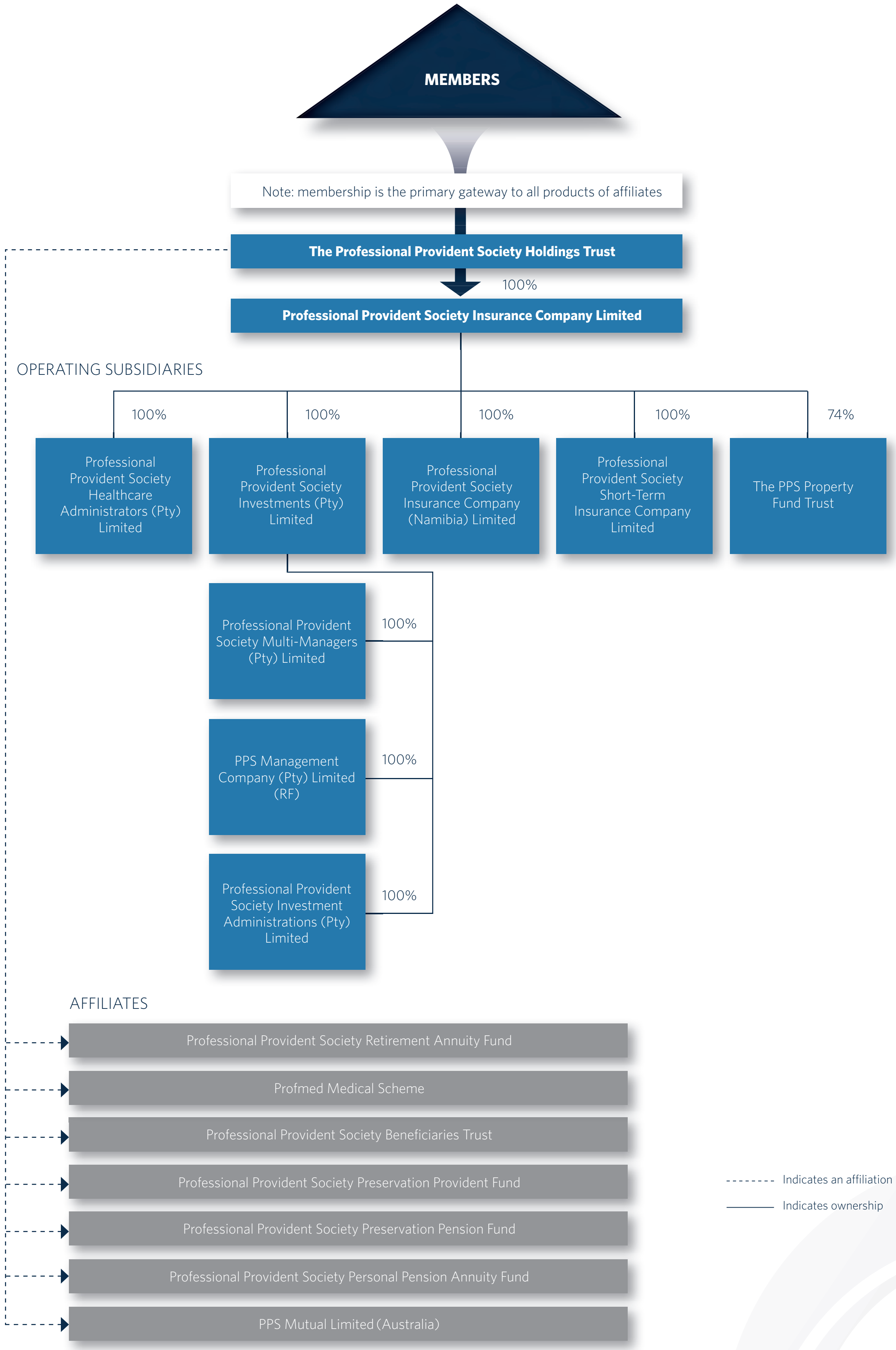
From left to right: Kim Austen, Manager National Training and Development at PPS, Cindy Ross, winner of the Professional Woman of the Year award, and Macy Seperepere, Professional Associations Manager at PPS

From left to right: Kim Austen, Manager National Training and Development at PPS, Alta-Mari Grebe, runner up in the Professional Woman of the Year award, and Macy Seperepere, Professional Associations Manager at PPS

75 YEARS

Group structure, our leadership and governance

Group structure



Note: The above diagram reflects the Group Structure as at 31 December 2015. Professional Provident Society Insurance Company Limited's interest in Professional Provident Society Short-Term Insurance Company Limited has reduced to 51% since the year-end and PPS Mutual Limited, an affiliate of PPS South Africa, was launched in Australia in February 2016, pursuant to transactions as reported on in this integrated report.

Professional Provident Society Holdings Trust board of trustees

From left to right – PPS Holdings Trust Trustees:

Mr J A B Downie
BSc, MBA, CFP
Asset Consultant and Professional Trustee

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

Dr D P du Plessis
BSc (QS), MBA, DBA (Doctor of Business Administration)
Director of Companies

Adv T N Aboobaker (SC)
BA LLB
Practising Senior Advocate

Mr S Trikamjee
BCom (Hons) CA(SA)
Chartered Accountant

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

Mr V P Rimbault
BSc Eng (Mech)
Chief Executive Officer: The South African Institution of Mechanical Engineering

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

Dr J P Patel
B ChD
Practising Dentist

Mr N C Nyawo
BCom (Acc) (Hons), CA(SA), MBA (Finance)
Standard Bank Group: Head of MIS Global Markets Africa Finance

Mr E A Moolla
B Iuris
Practising Attorney
Chairman

Mr C Erasmus
BSc, FIA, FASSA
Director of Companies

Dr S N E Seoka
B Pharm, PhD, FPS
Pharmacist
Deputy Chairman

Mr B R Topham
BCompt (Hons), B Proc, LLM, CA(SA)
Chartered Accountant and Attorney

Mr P Ranchod
BCompt (Hons) CA(SA) MBL H.Dip Business Data Processing
Independent Director and Business Consultant

Dr N G Campbell
BDS
Dentist

Dr M W Sonderup
B Pharm, MB ChB, FCP(SA)
Senior Specialist, Groote Schuur Hospital and Lecturer, University of Cape Town

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

Dr M J Grootboom
MB ChB, FCS(SA) ORTH, CIME (ABIME)
Orthopaedic surgeon and Chairman of The South African Medical Association

Prof H E Wainer
BAcc, CA(SA)
Chartered Accountant and Registered Auditor

Professional Provident Society Insurance Company Limited board of directors

From left to right – Directors of PPS Insurance Company Limited:

Mr P Ranchod
BCompt (Hons) CA(SA) MBL H.Dip Business Data Processing
Independent Director and Business Consultant
Non-executive Director

Mrs T Boesch
BCom (Hons), CA(SA)
Financial Director

Dr N G Campbell
BDS
Dentist
Non-executive Director

Mr C Erasmus
BSc, FIA, FASSA
Director of Companies
Non-executive Director
Chairman

Dr C M Krüger
MB ChB, M Prax Med, M Pharm Med
Family Physician
Non-executive Director

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

Mr CK de Klerk
BSc, FIA, FASSA
Executive Director: Actuarial and Technical

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

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

Prof H E Wainer
BAcc, CA(SA)
Chartered Accountant and Registered Auditor
Non-executive Director

Mr J A B Downie
BSc, MBA, CFP
Asset Consultant and Professional Trustee
Non-executive Director

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

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

Mr S Trikamjee
B Com (Hons) CA(SA)
Chartered Accountant
Non-executive Director

Professional Provident Society executive committee

Front row:

Mrs Z Saungweme
BCom, MBA
Social Media Executive

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

Mr C K de Klerk
BSc, FIA, FASSA
Executive Director: Actuarial and Technical

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

Mrs T Boesch
BCom (Hons), CA(SA)
Financial Director

Back row:

Mr R G Govenden
BCom (Hons), IR, BSc
Executive: Human Resources

Ms L A Dlamini
BA, LLB, LLM (Tax law)
Group Executive: Human Resources

Dr H Hoffman
MB ChB, M Med (Paed), FCP(SA)
Chief Executive: PPS Healthcare Administrators

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

Mr N Hoosen
BAcc Sc, MBA
Chief Executive: PPS Short-Term Insurance

Mr V E Barnard
BCom
Group Company Secretary

Mr S Clark
BCom
Executive: Life Administration and Systems

Dr D Stott
MB ChB, BSc (Hons) BA
Executive: Medical Standards and Services

Insert:

Mr J N Marsden
BSc (Hons), CFP
Executive: Life Advisory

Professional Provident Society Retirement Annuity Fund

Seated:

Adv T J Ferreira
B Juris, LLB

Mr J A B Downie
BSc, MBA, CFP
Asset Consultant and Professional
Chairman

Ms R G Govender
BCom (Accounting), M Com
(Taxation), Advanced Post-graduate
Diploma in Financial Planning CFP®
Deputy Chairman

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

Standing:

Mr T Tlooko
LLB
Office of the Principal Officer

Mr S Trikamjee
BCom (Hons) CA(SA)
Chartered Accountant
Trustee

Mr HP du Toit
BSc, FASSA
Consulting Actuary and Valuator
Trustee

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

Inserts:

Miss M Young
BA (Wits), LLB (Wits), LLM (Unisa), Admitted Attorney,
Advanced Postgraduate Diploma in Financial Planning (UFS)
Principal Officer

Ms D L T Dondur
BAcc (Hons), BCompt,
CA(SA), MBA
Trustee

Mr B R Topham
BCompt (Hons), BProc, LLM,
CA(SA)
Trustee

Professional Provident Society New Generation Retirement Fund

Seated:

Adv T J Ferreira
B Juris, LLB
Principal Officer

Mr C Erasmus
BSc, FIA, FASSA
Chairman

Ms T Lewis
BSc (Actuarial Science)
FIA, FASSA
Head of Product Development: PPS Insurance Company Limited

Mr R G Govenden
BCom (Hons), IR, BSc
Executive: Human Resources: PPS Insurance Company Limited

Standing:

Mr M J Jackson
BA (Hons), MA
Chief Executive: PPS Insurance Company Limited

Mr N McConnell
BCom (Hons)
Senior Manager: PPS Life Advisory

Mr S J Van Molendorff
BCom (Acc), B Compt (Hons), CA(SA)
Chief Financial Officer: PPS Healthcare Administrators

Professional Provident Society Insurance Company Limited (Namibia)

Seated

Mr W A V J Vermeulen
Chief Executive: PPS Insurance Namibia
Executive Director

Adv N Bassingthwaighte
B Iuris, LLB
Practising Advocate
Non-executive Director

Dr O J Oosthuizen
MB ChB, M Med, MD
Specialist Physician
Non-executive Director

Dr E Maritz
MB ChB
Non-executive Chairman

Inserts:

Mr M J Jackson
BA (Hons), MA
Group CE: PPS Insurance Company Limited
Non-executive Director

Mr C K de Klerk
BSc, FIA, FASSA
Executive Director: PPS Insurance Company Limited – Actuarial and Technical
Non-executive Director

75 YEARS

ANNUAL FINANCIAL STATEMENTS 2015

Contents

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

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

Published: 6 April 2016

Statement of responsibility by the Board of Trustees

for the year ended 31 December 2015

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

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

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

The annual financial statements, which appear on pages 52 to 130, were approved by the board of trustees and are signed on its behalf by:

Mr E A Moolla
Chairman

Mr M J Jackson
Chief Executive

Mrs T Boesch
Financial Director

The Professional Provident
Society Holdings Trust

Johannesburg
6 April 2016

Certificate by the Secretary

In my capacity as the Secretary of the Trust, I hereby certify in terms of section 88(2)(e), of the Companies Act of 2008 and the Trust Deed that for the year ended 31 December 2015, the Group has lodged with the Companies and Intellectual Property Commission all such returns as are required in terms of this Act. I also confirm that all returns to the Master of the High Court's office, required for The Professional Provident Society Holdings Trust in terms of its Trust Deed and the Trust Property Control Act of 1988, are to the best of my knowledge and belief true, correct and up to date.

V E Barnard
Secretary

The Professional Provident
Society Holdings Trust

6 April 2016

Independent Auditor's Report

To the members of The Professional Provident Society Holdings Trust

We have audited the consolidated and separate financial statements of The Professional Provident Society Holdings Trust set out on pages 68 to 130 which comprise the statements of financial position as at 31 December 2015, and the statements of Profit or Loss and Comprehensive Income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Trustees' Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the consolidated and separate financial position of The Professional Provident Society Holdings Trust as at 31 December 2015, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Trust Deed.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: C Volschenk
Registered Auditor

Sunninghill
6 April 2016

Report of the Independent Actuary

for the year ended 31 December 2015

1. CERTIFICATION OF FINANCIAL POSITION

- I have conducted actuarial reviews of Professional Provident Society Insurance Company Limited (PPS Insurance) and Professional Provident Society Insurance Company (Namibia) Limited (PPS Namibia) ('the insurance interests') in accordance with, and this Statutory Actuary's report has been produced in accordance with, applicable Actuarial Society of South Africa Standards of Actuarial Practice and Actuarial Practice Notes, and;
- These principles require reasonable provision for the liability in respect of future benefit payments to policyholders, generally based on the assumption that current conditions will continue. Provision is therefore not made for all possible contingencies;
- I have accepted that the Financial Statements comply with the requirements of the Companies Act;
- The assets in each life company exceeded the liabilities plus capital requirements at the valuation date;
- The South African company met the asset spreading requirements of the Long-term Insurance Act at the valuation date; and
- In my opinion, as at 31 December 2015, the insurance interests were financially sound on the statutory bases and are expected to remain so for the foreseeable future where financially sound and includes meeting the asset spreading requirements as prescribed by the Long-term Insurance Act for the South African company.

C van der Riet
Statutory Actuary

6 April 2016

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

PPS Insurance	Paragraph	2015 R'000	2014 R'000
Net assets	5	**26 643 053**	24 505 994
Policyholder liabilities	6	**26 313 209**	24 221 320
Apportionment and Special Benefit Accounts		**20 887 963**	19 753 544
Risk benefits reserves		**3 773 491**	3 211 397
Investment benefits		**1 651 755**	1 256 379
Excess of assets over liabilities		**329 844**	284 674
Capital adequacy requirement	7	**125 171**	107 798
Ratio of excess assets to Capital Adequacy Requirement		**2,6**	2,6

PPS Namibia	Paragraph	2015 N$'000	2014 N$'000
Net assets	5	**924 076**	849 319
Policyholder liabilities	6	**918 076**	843 319
Apportionment and Special Benefit Accounts		**730 748**	696 393
Risk benefits reserves		**187 328**	146 926
Excess of assets over liabilities		**6 000**	6 000
Capital adequacy requirement	7	**4 000**	4 000
Ratio of excess assets to Capital Adequacy Requirement		**1,5**	1,5

2. STATUTORY BASIS ASSET VALUATION METHODS AND ASSUMPTIONS

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

3. STATUTORY BASIS LIABILITY VALUATION METHODS AND ASSUMPTIONS

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

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

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

Where cumulative investment returns and profits exceeded the bonuses and investment allocations to policyholder benefits, bonus stabilization reserves were established. The bonus stabilization reserves decreased from the prior year and were N$0 at 31 December 2015 (2014: N$7.6 million).

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

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

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

In accordance with generally accepted practice, the best estimates of future expenses, mortality, morbidity and persistency are largely based on recent past experience, rather than being an attempt to predict the future course of these variables. The most recent persistency investigation was for the period 1 January 2014 to 31 December 2014. The morbidity investigation was conducted on the experience for 2014. The mortality experience related to the period 1 January 2014 to 31 December 2014.

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 7,40% (2014: 5,45%) per annum in future. The experience will be monitored and adjustments made as and when necessary.

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

The economic assumptions were based on the following:

Bond yield at 31 December 2015	10,15%
Equity return	13,15%
Cash	8,65%
Property return	11,15%

The assumed future gross investment return is 10,40% p.a. (2014: 8,80% p.a.).

4. STATUTORY CAPITAL ADEQUACY REQUIREMENTS

The statutory capital adequacy requirement is calculated to determine whether the excess of assets over liabilities is sufficient to provide for the possibility of a significant negative departure of actual future experience from the assumptions made in calculating actuarial liabilities and for significant fluctuations in the value of assets. The capital adequacy requirement has been calculated in accordance with SAP104. This guidance note prescribes various adverse scenarios that must be tested to determine the potential impact on the business of possible adverse experience. The combined excess of the assets over the liabilities for the life companies on the statutory basis is 2.6 times (2014: 2.6 times) the combined capital adequacy requirement.

In deriving the investment resilience requirement in the ordinary capital adequacy requirement (OCAR) it was assumed that a decline of 30% in equity asset values, 15% in property values, and a 26% increase in fixed interest asset values (as a result of a 25% decrease in fixed-interest yields) will occur, in accordance with SAP104.

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

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

- The impact of prescribed basis fluctuations in the mortality, morbidity and medical experience will be absorbed by a reduction in the profit allocation to Apportionment Accounts of R292 million. This is equivalent to a reduction in the current profit allocation of 27%.
- The impact of prescribed basis fluctuations in the permanent incapacity benefit claims in payment mortality experience will be absorbed by a reduction in the profit allocation to Apportionment Accounts. This assumption reduces this component of the capital adequacy requirements by R117 million, which is equivalent to a reduction in the current profit allocation of 11%.
- The impact of prescribed basis fluctuations in the level of maintenance expenses will be absorbed by a reduction in the profit allocation to Apportionment Accounts by R52 million, which is equivalent to a reduction in the current profit allocation of 5%.
- The allowance for operational risk in the CAR calculation is R131 million. We assume that should these operational risk events occur, that the impact of this will be absorbed by a reduction in the operating profit allocated to Apportionment Accounts. This is equivalent to a reduction in the aggregate profit allocation of 12%.
- The allowance for credit risk in the CAR calculation amounted to R64 million. The impact of these credit risk events materialising will result in a reduction to Special Benefit Accounts. This is equivalent to removing 1% of the Special Benefit Account balances at 31 December 2015.
- The impact of the fall in the value of assets backing the policyholder liabilities, equivalent to a 30% fall in equity values and a 25% decrease in interest rates, will be absorbed by reducing the special benefit accounts by R2.8 billion, which is equivalent to reducing the current special benefit accounts by 23%. These calculations do not include the potential direct impact of these risk events on assets backing the Profit-Share Accounts. The actual combined impact on the members' Profit-Share Accounts will thus be significantly higher than shown here.
- The impact of a fall in foreign assets is not applicable as none of the assets backing the risk reserves are deemed as "foreign".

The impact of losses arising from adverse policy terminations will be absorbed by a reduction in the special benefit accounts of R2.93 billion. This is equivalent to a reduction in the current level of special benefit accounts of 24%. The quantification of the exposure to policy terminations has been based on a less conservative measure than used to determine the capital adequacy requirements for statutory reporting purposes.

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

5. ALTERATIONS, NOTES AND QUALIFICATIONS

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

Investment returns and profit allocation to policyholders' PPS Profit-Share Account™

for the year ended 31 December 2015

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

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

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

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

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

Allocation to Special Benefit Accounts

The following investment allocations (Note 1) for 2015 were made to the Special Benefit Accounts:

PPS Insurance

	2015 R million	2014 R million
PPS BEE Investment Income Gains	**4.3**	27.7
Investment Income and Gains	**919.7**	1 724.3
Total allocated	**924.0**	1 752.0

PPS Namibia

	2015 N$ million	2014 N$ million
Total allocated	**18.5**	72.9

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

Investment returns and profit allocation to policyholders' PPS Profit-Share Account™ (continued)

for the year ended 31 December 2015

Allocation to Apportionment Accounts

The allocations at 31 December 2015 to policyholders' Apportionment Accounts are set out as follows:

PPS Insurance

	2015 R'000	2014 R'000
Total Investment Income allocation	**168 215**	**134 514**
PPS Sickness and Permanent Incapacity Benefit		
Ordinary (Full)	703 420	792 129
Ordinary (Reduced)	16 731	19 384
Supplementary A	44 112	45 237
Supplementary B	5 021	6 159
Deferred	19 594	19 913
Accident	4 183	5 041
Hospital Benefits		
Ordinary (Full)	53 433	60 379
Ordinary (Reduced)	1 626	1 847
Supplementary A	3 879	3 672
Supplementary B	541	661
Accident	1 343	1 613
PPS Provider		
Professional Life Provider	104 393	64 027
Professional Health Provider	18 341	23 930
Professional Disability Provider	7 747	5 309
Accident Benefit	87	59
Bonus allocation for PPS Investments' Portfolios	12 002	10 574
Bonus allocation for PPS Medical Aid products	10 844	15 863
BEE allocation	2 454	10 357
Total Profit allocation	**1 009 751**	**1 086 154**
Total allocated	**1 177 966**	**1 220 668**

PPS Namibia

	2015 N$'000	2014 N$'000
Total Investment Income allocation	**8 110**	**7 306**
PPS Sickness and Permanent Incapacity Benefit		
Ordinary (Full)	34 318	42 916
Ordinary (Reduced)	1 636	1 842
Supplementary A	956	1 229
Supplementary B	191	275
Deferred	436	493
Accident	169	218
Hospital Benefits		
Ordinary (Full)	3 252	4 054
Ordinary (Reduced)	132	159
Supplementary A	101	132
Supplementary B	27	40
Accident	61	83
PPS Retirement Annuity	–	52
Total Profit allocation	**41 279**	**51 493**
Total allocated	**49 389**	**59 752**

Trustees' Report

Holding entity

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

Principal activities

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

PPS Insurance is a long-term insurance company registered in South Africa in terms of the Long-term Insurance Act, which offers a broad range of insurance products, including sickness and incapacity benefits, life and disability benefits, critical illness benefits and business assurance policies. PPS Insurance also issues linked living annuities and endowment policies to PPS members.

PPS Black Economic Empowerment SPV (Pty) Limited ('PPS BEE SPV') was a special purpose vehicle, formed for purposes of PPS Insurance's BEE transaction in 2006. Black policyholders of PPS Insurance at the time of implementation of the transaction in 2006 benefited from an increased allocation to their PPS Profit-Share Accounts in terms of the BEE transaction. As the company had achieved its intended purpose during 2015 and had no assets or liabilities, the company was deregistered during 2015 by the Companies and Intellectual Property Commission.

Professional Provident Society Insurance Company (Namibia) Limited ('PPS Namibia') is a wholly-owned subsidiary of PPS Insurance and provides insurance products exclusively to the Namibian market. A reinsurance agreement with PPS Insurance is in place for PPS Namibia. In terms of this reinsurance arrangement, PPS Namibia partially reinsures its obligations to the Namibian policyholders with PPS Insurance. This arrangement was put in place in order to protect the security and benefit expectations of the Namibian policyholders by effectively including Namibian policyholders in a risk pool of over 100 000 policyholders. Without this reinsurance arrangement, the Namibian subsidiary with over 4 713 Namibian policyholders would be exposed to higher volatility from participating in a significantly smaller risk pool.

Professional Provident Society Healthcare Administrators (Pty) Limited ('PPS Healthcare Administrators') is a wholly-owned subsidiary of PPS Insurance, which administers Profmed and other medical schemes. During 2015 the company changed its name from Professional Medical Scheme Administrators (Pty) Limited to Professional Provident Society Healthcare Administrators (Pty) Limited to better reflect the business of the company.

Professional Provident Society Short-term Insurance Company Limited ('PPS Short-Term Insurance') is a subsidiary of PPS Insurance. As at 31 December 2015, PPS Short-Term Insurance was a wholly-owned subsidiary of PPS Insurance. PPS Insurance and PPS Short-Term Insurance recently concluded a transaction with Santam Limited, pursuant to which PPS Short-Term Insurance has obtained a short-term insurance licence at the beginning of 2016 and in which Santam Limited now holds a 49% interest. PPS Short-Term Insurance is operating independently from Santam as a fully-fledged, short-term insurer and is under the control of PPS Insurance. In anticipation of this transaction, the company was converted into a public company during 2015 and changed its name to Professional Provident Society Short-term Insurance Company Limited (formerly Professional Provident Society Marketing Services (Pty) Limited). Further particulars of this transaction are provided in the Chief Executive's Report.

Professional Provident Society Investments (Pty) Limited ('PPS Investments') is a wholly-owned subsidiary of PPS Insurance which provides, *inter alia*, savings and investment products to PPS members.

Professional Provident Society Multi-Managers (Pty) Limited ('PPS Multi-Managers') is a wholly-owned subsidiary of PPS Investments which provides multi-manager services to PPS Investments.

Professional Provident Society Management Company (Pty) Limited (RF) ('PPS Manco') is a wholly-owned subsidiary of PPS Investments which provides unit trust management services to PPS Investments.

Professional Provident Society Investment Administrators (Pty) Limited ('PPS Investment Administrators') is a wholly-owned subsidiary of PPS Investments which provides investment administration services to the PPS Group and is a licensed Category III financial services provider.

The PPS Property Fund Trust is a trust registered in terms of the Trust Property Control Act of 1988, which invests in certain investment property for the benefit of PPS insurance, and is controlled by the Group.

PPS Mutual Limited is an affiliate of PPS Insurance launched in Sydney, Australia in February 2016. The company's business model replicates the PPS Group in South Africa's mutual model, focusing on the insurance needs of graduate professionals in Australia. This entity is not a subsidiary, but the Group will earn income from it.

Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that, in the foreseeable future, funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Financial results

The financial results on pages 68 to 130 set out the results of the Trust and the Group (comprising PPS Holdings Trust and all its subsidiaries).

Audit Committees' Report

INTRODUCTION

The PPS Holdings Trust Audit Committee ('TAC') and the PPS Group Audit Committee ('GAC') are statutory board committees of the respective entities. The responsibilities of these committees are in accordance with those prescribed by the Companies Act, No 71 of 2008 ('the Companies Act') and are outlined in their written terms of reference – which are in line with King III, and reviewed annually. These Terms of Reference were comprehensively updated during 2015 for the requirements of Board Notice 158. The committees have an independent role, with accountability to both the board and members in terms of the Trust Deed of PPS Holdings Trust and the Companies Act respectively.

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

The report of these committees is presented to the members in accordance with section 94(7)(f) of the Companies Act and a similar provision in the Trust Deed.

COMPOSITION OF THE PPS HOLDINGS TRUST AUDIT COMMITTEE

Members:

Independent non-executive Trustees of PPS Holdings Trust:

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

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

Mr P Ranchod, B Compt (Hons), CA(SA), MBL, H Dip Business Data Processing, Member of the TAC since 2014

The appointment of the Members of the TAC was confirmed by PPS members at the annual general meeting held on 1 June 2015.

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

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

PPS Holdings Trust Audit Committee	12 March 2015	9 November 2015
Ms D L T Dondur (Chairman)	✓	✓
Mr E A Moolla	✓	✓
Mr P Ranchod	✓	✓

COMPOSITION OF THE PPS GROUP AUDIT COMMITTEE

Members:

Independent non-executive directors of PPS Insurance:

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

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

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

Mr E A Moolla, B Iuris, appointed as a Member of GAC on 29 June 2015

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

Mr P Ranchod, B Compt (Hons), CA(SA), MBL, H Dip Business Data Processing, Member of the GAC since 2014

Specialist Consultant:

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

Meetings held during the year and attendance thereat:

Group Audit Committee	28 January 2015	12 March 2015	9 June 2015	16 September 2015	9 November 2015
Prof H E Wainer (Chairman)	✓	✓	✓	✓	✓
Ms D L T Dondur	✓	✓	✓	✓	✓
Mr C Erasmus	✓	✓	✓	✓	✓
Mr E A Moolla (Appointed 29 June 2015)	N/A	N/A	N/A	✓	✓
Mr N G Payne	✓	✓	✓	✓	✓
Mr P Ranchod	✓	✓	✓	✓	✓
Prof C E Rabin*	✓	✓	✓	✓	✓

**Consultant*

N/A = Not Applicable

The GAC comprises six non-executive PPS Insurance directors, all of whom are independent. Prof Rabin, who is not a member of the PPS Insurance Board, and was formerly a member of the GAC, was appointed as a specialist consultant to the GAC. Four of the members of the GAC and the specialist consultant are Chartered Accountants, and the other members are an actuary and a lawyer, respectively.

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

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

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

Both committees have satisfied themselves:

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

ROLE OF THE AUDIT COMMITTEES

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

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

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

EXTERNAL AUDITORS

PwC served as the Group's external auditors for the 2015 financial year. The auditors' terms of engagement were approved prior to the audit. The committees satisfied themselves that the external auditors' appointment complies with the Companies Act and the Auditing Profession Act.

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

The committee has established a policy in terms of which the nature and extent of all non-audit services provided by PwC are reviewed and approved in advance. Non-audit services were relatively immaterial for the current year.

EXPERTISE AND EXPERIENCE OF THE FINANCIAL DIRECTOR AND THE FINANCE TEAM

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

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

APPROVAL OF THE REPORT

The TAC and GAC confirm for the 2015 financial year that they have functioned in accordance with their terms of reference and as required by the Companies Act and Trust Deed of PPS Holdings Trust and that their reports have been approved by the directors and trustees.

On behalf of the audit committees:

Ms D L T Dondur
Chairman of TAC

6 April 2016

Prof H E Wainer
Chairman of GAC

6 April 2016

Group Social and Ethics Committee's Report

INTRODUCTION

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

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

Members

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

Mrs T Boesch, executive director

Mr C K de Klerk, executive director

Mr C Erasmus, independent non-executive director

Functions

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

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

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

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

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

Group Social and Ethics Committee	12 March 2015	9 Nov 2015
Mr N G Payne (Chairman)	✓	✓
Mrs T Boesch	✓	✓
Mr C K de Klerk	✓	✓
Mr C Erasmus	✓	✓

Report to PPS Insurance members by the SEC

During 2015 the committee focused on optimising the appropriate reporting structures to the SEC to enable it to discharge its statutory duties. The committee considered reports from the various contributors regarding the relevant functions and the following items were specifically noted:

Social and economic development	• The United Global Compact Principles are not legislation but reflect international best practice. PPS conducts its business in accordance with the principles regarding Human Rights, Labour Standards, the Environment and Anti-corruption; • Compliance with the Employment Equity Act is managed in accordance with a report and a plan submitted to the Department of Labour and is frequently tracked at Executive Management and Board level; • Various action plans are in place to address the requirements of the sectoral Broad-based Black Economic Empowerment Act and Financial Services Charter;
Good corporate citizenship	• PPS promotes equality and prevents unfair discrimination against both employees and members; • Various Corporate Social Investment initiatives are in place to develop the professional community and students studying towards qualifying degrees; • Various sponsorships, donations and charitable initiatives are undertaken and are regularly reviewed;
Assessment of the ethical risk profile	• Corruption and fraud management is a priority for PPS and a Fraud Management Policy and Whistle Blowing Policy are in place, and have been appropriately communicated to staff;
Consumer relationships	• PPS continues to make significant progress on the implementation of TCF and achieved a high score using the self-assessment tool provided by the FSB for this purpose. Refer to additional reporting on this in the Integrated Report; • Industry-specific consumer protection legislation is in place (FAIS, Long-term Insurance Act, etc.) and compliance therewith is actively managed and high levels of compliance have been achieved;
The environment, health and public safety, labour and employment	• The impact of the activities of the various companies on the environment is considered and projects are underway to minimise the environmental impact of the operations of the organisation; • The occupational health and safety of employees and clients in buildings occupied by PPS are monitored and a high level of compliance is achieved; • Excellent working conditions are in place for all employees; • Employment relationships are valued at PPS, which is evidenced by the seal of excellence awarded to PPS from 2011 to 2015 by Deloitte in the 'best company to work for' survey; • Educational development of employees is achieved through various initiatives including internal and external training, induction programmes and bursary schemes.

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

Based on the above monitoring reports, the SEC concluded that there were no specific issues under its purview during the year ended 31 December 2015 which required reporting to the Board or members of PPS Insurance.

On behalf of the PPS Group Social and Ethics Committee:

Mr N G Payne
Chairman of SEC

6 April 2016

Group Accounting Policies

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

1. BASIS OF PRESENTATION

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 33 of the notes to the consolidated financial statements.

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

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2015:

- IFRS 1, 'First-time adoption of International Financial Reporting Standards'
- Amendment to IFRS 2, 'Share based payment'
- Amendment to IFRS 3, 'Business combinations'
- IFRS 3, 'Business combinations'
- Amendment to IFRS 8, 'Operating segments'
- Amendment to IFRS 13, 'Fair value measurement'
- IFRS 13, 'Fair value measurement'
- IAS 16, 'Property, plant and equipment', and IAS 38, 'Intangible assets'
- IAS 24, 'Related party disclosures'
- Amendment to IAS 19, 'Employee Benefits' regarding defined benefit plan
- IAS 40, 'Investment property'

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

2. CONSOLIDATION

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

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

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

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

All unit trusts which are managed by a controlled subsidiary of the Group are consolidated, irrespective of the Group's economic interest. Unit trust holders' interests in unit trusts are liabilities of the unit trusts and is classified as such.

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

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

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

3. FINANCIAL INSTRUMENTS

3.1 General

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

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

3.2 Financial assets

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

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

Financial instruments at fair value through profit or loss

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

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

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

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

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

Loans and other receivables

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

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

3.3 Financial liabilities

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

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

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

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

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

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

3.4 Derecognition of financial assets and financial liabilities

The Group derecognises an asset:

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

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

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

3.5 Financial Instruments, owner occupied property (accounting policy note 8) and insurance & investment contract (accounting policy note 4) analysis

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

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

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

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

4. INSURANCE AND INVESTMENT CONTRACTS

4.1 Classification of contracts

An insurance contract is a contract under which the insurer accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Such contracts may also transfer financial risk. The Group defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that is significantly more than the benefits payable if the insured event did not occur.

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

Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

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

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

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

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

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

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

Insurance contracts

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

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

4.2 Valuation and recognition

4.2.1 Insurance contracts

Principles of valuation and profit recognition

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

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

Valuation

The insurance contracts are valued in terms of the financial soundness valuation ('FSV') basis contained in SAP104 issued by the ASSA. A liability for contractual benefits that are expected to be incurred in the future, (the non-DPF component of the policy liabilities) is recorded in respect of the existing policy book when the premiums are recognised. The liability is determined as the sum of the expected discounted value of the benefit payments and the future administration expenses that are directly related to the contract, less the expected discounted value of the premiums to be paid in terms of the policy contract. The liability is based on best-estimate assumptions as to mortality, persistency, maintenance expenses and investment income that are established at the time the contract is issued and updated on an annual basis at reporting date to reflect current expectations. The policy liabilities also make provision for future profit declarations to policyholders. The profits provided for are in line with the Group's interpretation of policyholder reasonable benefit expectations. The policy liabilities are discounted using an asset-backed rate.

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

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

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 upon death or retirement to pay contract holders the DPF component of their benefits (the members' apportionment and special benefit account) with a certain deduction on resignation. This deduction that is not paid out is retained as a liability for the benefit of all contract holders until paid to them individually in future periods.

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

Recognition: insurance contracts

Premiums

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

Insurance benefits

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

Unintimated claims (IBNR) are 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 measured using a management estimate, by making assumptions about future trends in reporting of claims. It has been calculated using a consistent methodology and on a statistical basis as for previous years' reporting. The calculation is based primarily on a weighted average historic claims payout rate. The profile of claims run-off (over time) is modelled by using historic data of the Group. The profile is then applied to actual claims data of recent periods for which the run-off is not complete. The IBNR is included in the insurance policy liabilities.

Claims payable

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

Expenses for the acquisition of insurance contracts

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

Liability adequacy test

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

Recognition: Reinsurance contracts

Reinsurance contracts outwards

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more insurance contracts issued by the Company 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 Company under which the contract holder is another insurer (inwards reinsurance) are recognised as reinsurance contracts.

The benefits to which the Company 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 statement of financial position 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 Company may not recover all amounts due, and that event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. Impairment losses on reinsurance assets are recognised in profit and loss for the period.

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

Reinsurance premiums

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

Reinsurance recoveries

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

Reinsurance inwards

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

Receivables and payables related to insurance contracts

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

4.2.2 Investment contracts

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

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

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

Receivables and payables related to investment contracts

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

5. FOREIGN CURRENCY TRANSLATION

5.1 Transactions and balances

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

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

5.2 Group companies

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

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

6. DIRECT AND INDIRECT TAX

Direct tax includes South African and foreign jurisdiction corporate tax payable, as well as Capital Gains Tax.

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

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

7. CASH AND CASH EQUIVALENTS

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

8. PROPERTY AND EQUIPMENT

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

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

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

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

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

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

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

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

9. INTANGIBLE ASSETS

Computer software development costs

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

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;

- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Direct costs include the external software development team's costs. Computer software acquired as part of the software development project is capitalised on the basis of the acquisition costs and related costs to bring it to use. All other costs associated with developing or maintaining computer software 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 reporting date and adjusted if appropriate.

10. INVESTMENT PROPERTY

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

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

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

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

Properties under construction, which are excluded from investment property valuations, are carried at cost where the PPS Property Fund Trust is satisfied that cost is a reasonable approximation of fair value. On completion, the cost is transferred to the carrying value of investment property and subsequently valued independently.

Any gain or loss arising from the fair value of the investment property is included in the Statement of Profit or Loss and Comprehensive Income for the period to which it relates.

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

11. LEASES

Operating leases where a Group company is the lessee

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

Operating leases where a Group company is the lessor

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

12. IMPAIRMENT OF ASSETS

Financial assets

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

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

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

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

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

Non-financial assets

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

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

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

13. DEFERRED TAXATION

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

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

Deferred tax liabilities and assets are not discounted.

14. EMPLOYEE BENEFITS

14.1 Pension/retirement obligations

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

Defined contribution fund

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

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

14.2 Post-retirement medical obligations

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

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

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

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

14.3 Termination benefits

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

14.4 Leave pay provision

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

14.5 Management bonuses

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

14.6 Long-term incentive scheme

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

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

15. REVENUE RECOGNITION

15.1 Net insurance premium revenue

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

15.2 Other income

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

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

Fees are recognised as services are rendered.

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

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

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

15.3 Investment income

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

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

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

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

Consolidated Statement of Financial Position

as at 31 December 2015

		Group	
		2015	2014
	Note	**R'000**	R'000
ASSETS			
Property and equipment	2	**467 147**	142 348
Investment property	3	**378 506**	315 343
Intangible asset	4	**63 797**	53 402
Deferred tax	16	**60 743**	57 825
Financial assets - Investments at fair value through profit or loss	5	**32 851 056**	30 132 493
Reinsurance assets	6,12	**-**	2 827
Insurance and other receivables	7	**592 017**	276 242
Current income tax asset		**15 458**	-
Cash and cash equivalents	8	**2 761 616**	1 729 188
TOTAL ASSETS		**37 190 340**	32 709 668
EQUITY AND LIABILITIES			
Accumulated funds	9	**267 687**	200 515
Revaluation reserve	10	**23 030**	-
Non-controlling interest	11	**9 354**	1 992
TOTAL EQUITY		**300 071**	202 507
LIABILITIES			
Insurance policy liabilities	12	**26 591 016**	24 646 747
Investment contract liabilities	13	**1 139 647**	825 699
Liabilities to unit trust holders	14	**7 673 934**	5 848 820
Borrowings	15	**191 011**	79 925
Deferred tax	16	**353 080**	374 904
Retirement benefit obligations	17	**7 708**	9 238
Employee related obligations	18	**147 389**	111 322
Reinsurance liabilities	6,12	**7 851**	107 232
Insurance and other payables	19	**774 879**	500 636
Current income tax liabilities		**3 754**	2 638
TOTAL LIABILITIES		**36 890 269**	32 507 161
TOTAL EQUITY AND LIABILITIES		**37 190 340**	32 709 668

Consolidated Statement of Profit or Loss and other Comprehensive Income

for the year ended 31 December 2015

		Group	
		2015	2014
	Note	**R'000**	R'000
Net insurance premium revenue	20	**2 985 698**	2 664 993
Other income	21	**356 804**	310 713
Investment income	22	**1 675 054**	3 580 445
Net revaluation profits/ (losses) on financial assets held at fair value through profit or loss	23	**1 008 184**	(538 643)
Attributable to unit trust holders	14	**(278 818)**	(503 228)
		5 746 922	5 514 280
Net insurance benefits and claims	24	**2 045 035**	1 690 765
Movement in fair value of policyholder liabilities under investment contracts	13	**69 023**	53 319
Expenses	25	**1 381 401**	1 089 494
Profit before movement in insurance policy liabilities		**2 251 463**	2 680 702
Movement to insurance policy liabilities	12	**1 820 625**	2 378 867
Tax	27	**356 304**	266 088
Surplus after tax and policy movements		**74 534**	35 747
Other comprehensive income:			
Revaluation of owner-occupied property net of deferred tax		**24 404**	1 548
Total comprehensive income for the year		**98 938**	37 295

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

Consolidated Statement of Changes in Equity

for the year ended 31 December 2015

	Note	Accumulated funds R'000	Revaluation reserve R'000	Non-controlling interest R'000	Total R'000
Group					
Balance at 1 January 2014		166 348	–	412	166 760
Movement in insurance policy liabilities	12.2	–	(1 548)	–	(1 548)
Total comprehensive income for the year		34 167	1 548	1 580	37 295
Surplus for the year		34 167	–	1 580	35 747
Other comprehensive income for the year		–	1 548	–	1 548
Balance at 31 December 2014		200 515	–	1 992	202 507
Movement in insurance policy liabilities	12.2	**-**	**(1 374)**	**-**	**(1 374)**
Total comprehensive income for the year		**67 172**	**24 404**	**7 362**	**98 938**
Surplus for the year		**67 172**	**-**	**7 362**	**74 534**
Other comprehensive income for the year		**-**	**24 404**	**-**	**24 404**
Balance at 31 December 2015		**267 687**	**23 030**	**9 354**	**300 071**

Consolidated Statement of Cash Flows

for the year ended 31 December 2015

		Group	
		2015	2014
	Note	**R'000**	R'000
Cash flows from operating activities			
Cash generated from operations	28	**409 496**	758 561
Interest received		**1 019 546**	813 196
Dividend received		**205 771**	269 147
Tax paid	29	**(395 448)**	(314 660)
Net cash from operating activities		**1 239 365**	1 526 244
Cash flows from investing activities			
Purchases of property and equipment	2	**(113 756)**	(40 666)
Purchase of investment property	3	**(275 955)**	(227 044)
Software development	4	**(25 389)**	(21 423)
Purchase of financial assets	5,14	**(12 292 223)**	(32 947 992)
Proceeds from sale of furniture and equipment		**1 357**	124
Proceeds from disposal of financial assets		**12 387 943**	30 250 325
Net cash used in investing activities		**(318 023)**	(2 986 676)
Cash flows from financing activities			
Increase in borrowings	15	**111 086**	66 728
Net cash from financing activities		**111 086**	66 728
Net increase/ (decrease) in cash and bank		**1 032 428**	(1 393 704)
Cash and bank at beginning of year		**1 729 188**	3 122 892
Cash and bank at end of year	8	**2 761 616**	1 729 188

Notes to the Consolidated Financial Statements

for the year ended 31 December 2015

1. FINANCIAL INSTRUMENT AND INSURANCE CONTRACT ANALYSIS

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

R'000	Note	Financial assets and liabilities designated at fair value through profit or loss on initial recognition	Loans and receivables	Financial liabilities at amortised cost	Insurance contract assets and liabilities	Pre-payments	Total carrying amount	Fair value
Group 2015								
Equity securities								
Local listed	5	**11 273 923**	**-**	**-**	**-**	**-**	**11 273 923**	**11 273 923**
International listed	5	**71 804**	**-**	**-**	**-**	**-**	**71 804**	**71 804**
Debt securities								
Government and local bonds	5	**5 621 794**	**-**	**-**	**-**	**-**	**5 621 794**	**5 621 794**
International listed	5	**212 138**	**-**	**-**	**-**	**-**	**212 138**	**212 138**
Unit trusts and pooled funds	5	**15 671 397**	**-**	**-**	**-**	**-**	**15 671 397**	**15 671 397**
Reinsurance assets	6	**-**	**-**	**-**	**-**	**-**	**-**	**N/A**
Insurance receivables	7	**-**	**-**	**-**	**28 833**	**-**	**28 833**	**N/A**
Prepayments	7	**-**	**-**	**-**	**-**	**33 904**	**33 904**	**33 904**
Other receivables	7	**-**	**471 670**	**-**	**-**	**-**	**471 670**	**471 670**
Reinsurance receivables	7	**-**	**-**	**-**	**57 610**	**-**	**57 610**	**N/A**
Cash and cash equivalents	8	**2 566 467**	**195 149**	**-**	**-**	**-**	**2 761 616**	**2 761 616**
Insurance contract liabilities	12	**-**	**-**	**-**	**26 591 016**	**-**	**26 591 016**	**N/A**
Investment contract liabilities	13	**1 139 647**	**-**	**-**	**-**	**-**	**1 139 647**	**1 139 647**
Liabilities to unit trust holders	14	**7 673 934**	**-**	**-**	**-**	**-**	**7 673 934**	**7 673 934**
Borrowings	15	**-**	**-**	**191 011**	**-**	**-**	**191 011**	**191 011**
Reinsurance liabilities	6	**-**	**-**	**-**	**7 851**	**-**	**7 851**	**N/A**
Reinsurance payables	19	**-**	**-**	**-**	**16 562**	**-**	**16 562**	**N/A**
Insurance payables	19	**-**	**-**	**-**	**37 014**	**-**	**37 014**	**N/A**
Accruals and sundry creditors	19	**-**	**-**	**721 303**	**-**	**-**	**721 303**	**721 303**

Notes to the Consolidated Financial Statements

for the year ended 31 December 2015

R'000	Note	Financial assets and liabilities designated at fair value through profit or loss on initial recognition	Loans and receivables	Financial liabilities at amortised cost	Insurance contract assets and liabilities	Pre-payments	Total carrying amount	Fair value
Group 2014								
Equity securities								
Local listed	5	10 574 492	–	–	–	–	10 574 492	10 574 492
International listed	5	153 432	–	–	–	–	153 432	153 432
Debt securities								
Government and local bonds	5	4 928 292	–	–	–	–	4 928 292	4 928 292
International listed	5	217 694	–	–	–	–	217 694	217 694
Unit trusts and pooled funds	5	14 258 583	–	–	–	–	14 258 583	14 258 583
Reinsurance assets	6	–	–	–	2 827	–	2 827	N/A
Insurance receivables	7	–	–	–	27 998	–	27 998	N/A
Prepayments	7	–	–	–	–	17 486	17 486	17 486
Other receivables	7	–	188 265	–	–	–	188 265	188 265
Reinsurance receivables	7	–	–	–	42 493	–	42 493	N/A
Cash and cash equivalents	8	1 469 130	260 058	–	–	–	1 729 188	1 729 188
Insurance contract liabilities	12	–	–	–	24 646 747	–	24 646 747	N/A
Investment contract liabilities	13	825 699	–	–	–	–	825 699	825 699
Liabilities to unit trust holders	14	5 848 820	–	–	–	–	5 848 820	5 848 820
Borrowings	15	–	–	79 925	–	–	79 925	79 925
Reinsurance liabilities	6	–	–	–	107 232	–	107 232	N/A
Reinsurance payables	19	–	–	–	15 196	–	15 196	N/A
Insurance payables	19	–	–	–	33 292	–	33 292	N/A
Accruals and sundry creditors	19	–	–	452 148	–	–	452 148	452 148

2. PROPERTY AND EQUIPMENT

Group	Owner-occupied property R'000	Computer hardware R'000	Vehicles, office furniture and equipment R'000	Leasehold improvements R'000	Total R'000
Year ended 31 December 2014					
Opening net book amount	69 300	22 536	29 577	4 274	125 687
Revaluation surplus	1 956	–	–	–	1 956
Depreciation relating to revaluation	(335)	–	–	–	(335)
Additions	2 092	24 492	11 592	2 490	40 666
Transferred from Investment property under construction	–	–	–	–	–
Disposals: Cost	–	(71)	(22)	–	(93)
Disposals: Accumulated Depreciation	–	52	18	–	70
Depreciation charge	(813)	(14 172)	(8 903)	(1 715)	(25 603)
Closing net book amount	72 200	32 837	32 262	5 049	142 348
At 31 December 2014					
Cost or valuation	82 858	97 227	78 281	13 521	271 887
Accumulated depreciation	(10 658)	(64 390)	(46 019)	(8 472)	(129 539)
Net book amount	72 200	32 837	32 262	5 049	142 348
Non-current	72 200	32 837	32 262	5 049	142 348
Year ended 31 December 2015					
Opening net book amount	**72 200**	**32 837**	**32 262**	**5 049**	**142 348**
Revaluation surplus	**24 867**	**-**	**-**	**-**	**24 867**
Depreciation relating to revaluation	**(403)**	**-**	**-**	**-**	**(403)**
Additions	**49 490**	**24 608**	**20 748**	**18 910**	**113 756**
Transferred from Investment property under construction	**218 470**	**-**	**-**	**-**	**218 470**
Disposals: Cost	**-**	**(2 061)**	**(3 247)**	**(7 597)**	**(12 905)**
Disposals: Accumulated Depreciation	**-**	**1 957**	**2 565**	**7 167**	**11 689**
Depreciation charge	**(841)**	**(16 554)**	**(10 428)**	**(2 852)**	**(30 675)**
Closing net book amount	**363 783**	**40 787**	**41 900**	**20 677**	**467 147**
At 31 December 2015					
Cost or valuation	**375 685**	**119 774**	**95 782**	**24 834**	**616 075**
Accumulated depreciation	**(11 902)**	**(78 987)**	**(53 882)**	**(4 157)**	**(148 928)**
Net book amount	**363 783**	**40 787**	**41 900**	**20 677**	**467 147**
Non-current	**363 783**	**40 787**	**41 900**	**20 677**	**467 147**

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

Deferred tax has been provided on the revaluation difference arising on owner-occupied property owned by PPS Insurance Company Limited, based on the amounts and at the rate applicable to capital gains.

Owner occupied property is carried at fair value and is classified as level 3 in terms of the IFRS 13 hierarchy.

The Group's owner-occupied property owned by PPS Insurance Company Limited at a carrying value after revaluation of R97.6 million (2014: R72.2 million) was revalued at 31 December 2015 by CB Richard Ellis (Pty) Limited, an independent valuator. The property consists of an office block situated at 6 Anerley Road, Parktown, which is occupied by the Group. The property is revalued annually.

Owner-occupied properties owned by the PPS Property Fund Trust consist of PPS Centurion Square at a carrying value after revaluation of R240.4 million (2014: Rnil), which was transferred from Investment Property under construction during the year, and 11 Eton Road which was acquired during the year, at a cost of R25.8 million (2014: Rnil). PPS Centurion Square was revalued at 31 December 2015 by Mills Fitchet, an independent valuator. These properties are occupied by the Group and revalued as described in Accounting policy note 9.

Valuations were performed using the discounted cash flow of future income stream method. The discounted cash flow method takes projected cash flows and discount them at a rate which is consistent with comparable market transactions. Refer to note 33.4 for valuation assumptions. The opening carrying value is depreciated and then adjusted to reflect market value at year end.

If land and buildings were stated on a historical cost basis, the amounts would be as follows:

	Group	
	2015	2014
	R'000	R'000
Cost	**292 072**	48 823
Accumulated depreciation	**(9 519)**	(8 678)
Net book amount as at 31 December	**282 553**	40 145

3. INVESTMENT PROPERTY

	Group		
	Investment property	Investment property under construction	TOTAL
	R'000	R'000	R'000
Net Carrying Value			
Opening balance at 1 January 2014	60 201	22 784	82 985
Additions	153 410	73 634	227 044
Revaluation surplus	5 314	–	5 314
Net carrying value at 31 December 2014	218 925	96 418	315 343
Opening balance at 1 January 2015	**218 925**	**96 418**	**315 343**
Additions	**153 903**	**122 052**	**275 955**
Revaluation surplus	**5 678**	**-**	**5 678**
Transfer to owner occupied property	**-**	**(218 470)**	**(218 470)**
Net carrying value at 31 December 2015	**378 506**	**-**	**378 506**

Investment properties were valued by an independent valuer on 31 December 2015 who holds a recognised and relevant qualification. Valuations were performed using the discounted cash flow of future income stream method. Investment property is carried at fair value. Fair value measurement is classified at level 3.

Investment property under construction is carried at cost.

4. INTANGIBLE ASSET – SOFTWARE DEVELOPMENT COSTS

	Group	
	2015	2014
	R'000	R'000
Cost beginning of year	**155 967**	134 544
Accumulated amortisation beginning of year	**(102 565)**	(90 214)
Net book amount beginning of year	**53 402**	44 330
Opening net book amount	**53 402**	44 330
Additions	**25 389**	21 423
Obsolete: Cost	**(2 401)**	–
Obsolete: Accumulated amortisation	**2 401**	–
Amortisation	**(14 994)**	(12 351)
Closing net book amount	**63 797**	53 402
Cost	**178 955**	155 967
Accumulated amortisation	**(115 158)**	(102 565)
Net book amount end of year	**63 797**	53 402

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

	Group	
	2015	2014
	R'000	R'000
Analysis of financial assets held at fair value through profit or loss		
Level 1 fair value financial assets		
Equity securities:		
– local listed	**11 273 923**	10 574 492
– international listed	**71 804**	153 432
	11 345 727	10 727 924
Level 2 fair value financial assets		
Debt securities – fixed interest rate:		
– government bonds and local listed	**5 621 794**	4 928 292
– international listed	**212 138**	217 694
	5 833 932	5 145 986
Unit trusts and pooled funds:		
– local pooled funds and unit trusts	**9 618 376**	9 295 178
– international equity unit trusts	**3 353 564**	3 782 773
– international fixed interest unit trusts	**107 109**	65 229
– international balanced unit trusts	**2 592 348**	1 115 403
	15 671 397	14 258 583
Total level 2 fair value financial assets	**21 505 329**	19 404 569
Total financial assets at fair value through profit or loss	**32 851 056**	30 132 493
The investment in local pooled funds and unit trusts comprises mainly of:		
Debt securities	**5 251 439**	5 717 658
Cash and cash equivalents	**67 048**	58 168
Equities	**3 058 144**	2 750 835
International	**1 241 745**	768 517

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

$1 = R15,52 (2014: $1 = R11,55)

N$1 = R1,00 (2014: N$1 = R1,00)

At 31 December, investments classified as Level 2 comprise approximately 65,0% (2014: 64,4%) of financial assets measured at fair value. Debt securities classified as Level 2 as directly observable market inputs other than level 1 have been used to value these bonds. The observable inputs used to determine the fair value of unit trusts and pooled funds classified as Level 2 are the unit prices published by the unit trust fund managers.

At 31 December, no financial assets are classified as Level 3 (2014: nil).

	Group	
	2015	2014
	R'000	R'000
Analysis of movements in financial assets held at fair value through profit or loss:		
Opening balance	**30 132 493**	24 482 407
Additions	**17 643 961**	35 532 626
Disposals at carrying value	**(15 928 452)**	(29 290 118)
Fair value net gains/(losses) excluding net realised gains	**1 002 506**	(543 957)
Accrued interest movements	**548**	(48 465)
Closing balance	**32 851 056**	30 132 493
The spread of investments by sector:		
Industrial (%)	**50,4%**	47,6%
Financial (%)	**31,2%**	34,4%
Resources (%)	**18,4%**	18,0%
Maturity profile of fixed interest investments:		
Due in 1 year or less	**861 770**	691 681
Due between 1 year and 5 years	**2 192 989**	1 848 303
Due between 5 years and 10 years	**812 799**	981 544
Due after 10 years	**1 966 374**	1 624 458
	5 833 932	5 145 986

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

6. REINSURANCE ASSETS AND LIABILITIES

	Group	
	2015	2014
	R'000	R'000
REINSURANCE ASSETS		
Total assets arising from reinsurance contracts at beginning of the year	**2 827**	878
Transfer to reinsurance liabilities	**(2 827)**	–
Reinsurers' share of insurance policy liabilities	**-**	1 949
Total assets arising from reinsurance contracts at end of the year (note 12)	**-**	2 827
Non-current	**-**	2 827
REINSURANCE LIABILITIES		
Total liabilities arising from reinsurance contracts at beginning of the year	**107 232**	123 728
Transfer from reinsurance assets	**(2 827)**	–
Reinsurers' share of insurance policy liabilities	**(96 554)**	(16 496)
Total liabilities arising from reinsurance contracts at end of the year (note 12)	**7 851**	107 232
Non-current	**7 851**	107 232

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

7. INSURANCE AND OTHER RECEIVABLES

	Group	
	2015	2014
	R'000	R'000
Receivables arising from insurance and reinsurance contracts:	**86 443**	70 491
– due from contract holders	**41 001**	39 278
– less allowance for impairment losses from receivables from contract holders	**(12 168)**	(11 280)
– due from reinsurers	**57 610**	42 493
Other receivables:	**471 670**	188 265
– accrued interest	**9 117**	3 728
– accrued dividends	**269 678**	90 811
– other receivables	**192 875**	93 726
Prepayments	**33 904**	17 486
Total receivables including insurance receivables and prepayments	**592 017**	276 242
Current	**592 017**	276 242
Fair value of other receivables held at amortised cost	**471 670**	188 265
Allowances for impairment losses of receivables from contract holders		
Specific allowances for impairment		
At beginning of year	**11 280**	9 708
Impairment loss recognised	**5 512**	2 974
Impairment loss reversals	**(4 624)**	(1 402)
At end of year	**12 168**	11 280

8. CASH AND CASH EQUIVALENTS

	Group	
	2015	2014
	R'000	R'000
Cash at bank and in hand	**195 149**	260 058
Level 2 fair value cash and cash equivalents		
Cash on call via unit trust	**2 566 467**	1 469 130
Total level 2 fair value cash and cash equivalents	**2 566 467**	1 469 130
Total cash and cash equivalents	**2 761 616**	1 729 188

The proportion of cash held to fund the working capital of the Group as part of the investment portfolio is 7,0% (2014: 15,0%) of total cash and cash equivalents. The balance of the cash is held as part of the investment portfolio. The effective interest rate earned was 5,75% (2014: 5,25%).

At 31 December, cash and cash equivalents classified as Level 2 comprise 100% (2014: 100%) of cash and cash equivalents measured at fair value. Observable inputs used to determine the fair value of cash and cash equivalents as part of unit trusts and pooled funds are the unit prices published by the unit trust fund managers. For cash on call the observable input used to determine fair value are quoted prices for money market instruments as reported by investment managers.

9. ACCUMULATED FUNDS

The accumulated funds balance represents the amount of reserves which is not distributable. This is part of the amount the Group must retain to cover the statutory capital adequacy requirement ('CAR'). The Group has maintained its level of CAR cover at 2,6 times (2014: 2,6 times). This has resulted in R45,2 million (2014: R21,9 million) being allocated to accumulated funds in the current year.

10. REVALUATION RESERVE

	Group	
	2015	2014
	R'000	R'000
Opening balance	**-**	–
Revaluation surplus	**24 867**	1 956
Deferred tax	**(60)**	(73)
Depreciation relating to revaluation	**(403)**	(335)
Transfer to Insurance policy liabilities and related insurance assets	**(1 374)**	(1 548)
Closing balance	**23 030**	–

Revaluation reserve consists of fair value gains/losses on the revaluation of owner-occupied properties in the Group.

11. NON-CONTROLLING INTEREST

	Group	
	2015	2014
	R'000	R'000
Non-controlling interest	**9 354**	1 992

Non-controlling interest consists of a minority's share in an unincorporated property business, PPS Property Fund Trust.

12. INSURANCE POLICY LIABILITIES AND RELATED REINSURANCE ASSETS

12.1 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 Group declares to the DPF component of the policy liabilities. Hence the changes in estimates will impact on the balance between the DPF component of the liabilities and the non-DPF component of the liabilities. In aggregate the changes will have no impact on the value of the total policy liabilities.

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

- *Mortality*

Estimates are made as to the expected future mortality experience. The estimates are based on standard industry and national mortality tables that reflect historical mortality experience, adjusted where appropriate to reflect the Group's own experience. The main sources of uncertainty are epidemics such as AIDS and wide-ranging lifestyle changes, such as in eating, smoking and exercise habits. These uncertainties could result in future mortality being significantly worse than in the past. However, continuing improvements in medical care and social conditions could result in improvements in longevity.

An investigation into the Group's experience over the most recent year is performed to calibrate the base table to the PPS experience. The estimates of future mortality are based on standard industry and national mortality tables that reflect historical mortality experience, adjusted where appropriate to reflect the Group's own experience. The base table currently in use is SA85-90.

- *Morbidity*

Estimates are made as to the expected number of temporary and permanent incapacity claims for each of the years in which the Group is exposed to risk. These estimates are based on morbidity tables that reflect the 1 January 2014 to 31 December 2014 morbidity experience of the Group. The main sources of uncertainty are epidemics such as AIDS, Severe Acute Respiratory Syndrome ('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 1 January 2014 to 31 December 2014 experience of the business. The future termination rates will vary with economic conditions, the profitability of the business and with changes in consumer behaviour.

- *Investment returns*

Risk-free fixed interest securities: the risk free rates are based on the gross yields to redemption of a benchmark government security. For the current valuation, this rate is 10,2% (2014: 8,2%) per annum effective.

Equity investments: the expected long term return – dividends and capital growth – is derived by adding to the risk-free rate of return on equity risk premium of 3% (2014: 3%).

Cash investments: the expected long term return on cash and money market investments is derived by subtracting from the risk-free rate of return, a margin of 1,5% (2014: 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 10,4% gross of tax in 2015 (8,8% in 2014). These model portfolios are consistent with the asset allocation strategies as set out by the Group.

- *Renewal expense level and inflation*

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

The current level of expenses is taken as an appropriate expense base. Expense inflation is assumed to be 2,75% (2014: 2,75%) below the current return on risk free interest securities.

- *Tax*

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

- *Future profit allocations*

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

(a) IBNR

The IBNR liability calculation is based on run-off tables using historical data from 2010 to 2015. Due to the short term over which these liabilities will be settled, no allowance is made for claims handling expenses, claims inflation, adjustments for trends, unusual claims or loss ratios, and the IBNR liability is undiscounted.

(b) Change in assumptions

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

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

The economic basis changes led to an increase in liabilities of R449.6 million (2014: R14.0 million decrease). The non-economic changes amounted to a R1.7 million decrease (2014: R0.1 million increase) in liabilities.

(c) 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 2015 R'000	% change	Change in liability 2014 R'000	% change
Liability per note 12.2		**4 002 882**		3 400 880	
Worsening in mortality	10	**966 406**	**24,14**	903 472	26,57
Worsening in morbidity rates	10	**1 162 280**	**29,04**	982 924	28,90
Worsening in Permanent Incapacity inception rate	10	**318 095**	**7,95**	344 332	10,12
Lowering of investment returns	(1)	**1 040 913**	**26,00**	902 230	26,53
Lowering of terminations	(10)	**293 181**	**7,32**	230 790	6,79
Worsening of maintenance expense level	10	**633 727**	**15,83**	443 341	13,04
Worsening of expense inflation rate	10	**814 349**	**20,34**	277 509	8,16

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

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

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

(d) Compulsory margins

PGN104 specifies the compulsory margins that need to be added to the best estimate margins. The following compulsory margins which have not changed since 2005 were added for both 2014 and 2015:

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

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2015

12.2 Movements in insurance policy liabilities and re-insurance assets – Long-term insurance contracts with and without DPF

	Group					
	2015			2014		
	Gross R'000	Re-insurance R'000	Net R'000	Gross R'000	Re-insurance R'000	Net R'000
Sickness and disability policies						
– Claims payable (notified claims)	**14 577**	**-**	**14 577**	16 701	–	16 701
– Unintimated claims (IBNR)	**42 115**	**-**	**42 115**	27 832	–	27 832
– Non-DPF liability	**3 293 346**	**(107 534)**	**3 400 880**	3 207 337	(123 474)	3 330 811
– Cessation benefits (notified claims)	**139 887**	**-**	**139 887**	122 304	–	122 304
– DPF liability	**21 014 757**	**-**	**21 014 757**	18 705 124	–	18 705 124
Life policies						
– Claims payable (notified claims)	**64 178**	**-**	**64 178**	79 863	–	79 863
– Unintimated claims (IBNR)	**25 101**	**2 362**	**22 739**	5 581	–	5 581
– Life assurance policy reserve	**1 658**	**767**	**891**	12 077	624	11 453
Other benefits and liabilities	**51 128**	**-**	**51 128**	40 560	–	40 560
Total at beginning of the year	**24 646 747**	**(104 405)**	**24 751 152**	22 217 379	(122 850)	22 340 229
Change in Insurance policy liabilities per Statement of Comprehensive Income	**1 917 179**	**96 554**	**1 820 625**	2 397 312	18 445	2 378 867
Change in insurance policy liabilities per Statement of Changes in Equity	**1 374**	**-**	**1 374**	1 548	–	1 548
Movement in claims liabilities						
– arising from current year claims	**17 646**	**-**	**17 646**	(5 212)	–	(5 212)
– arising from prior year claims	**8 070**	**-**	**8 070**	35 720	–	35 720
Total movement in insurance policy liabilities	**1 944 269**	**96 554**	**1 847 715**	2 429 368	18 445	2 410 923
Total movement allocated	**1 944 269**	**96 554**	**1 847 715**	2 429 368	18 445	2 410 923
Sickness and disability policies						
– Claims payable (notified claims)	**(77)**	**-**	**(77)**	(2 124)	–	(2 124)
– Unintimated claims (IBNR)	**14 750**	**-**	**14 750**	14 283	–	14 283
– Non-DPF liability	**696 013**	**94 011**	**602 002**	86 009	15 940	70 069
– Cessation benefits (notified claims)	**(20 405)**	**-**	**(20 405)**	17 583	–	17 583
– DPF liability	**1 208 799**	**-**	**1 208 799**	2 309 633	–	2 309 633
Life policies						
– Claims payable (notified claims)	**29 723**	**-**	**29 723**	(15 685)	–	(15 685)
– Unintimated claims (IBNR)	**5 495**	**2 253**	**3 242**	19 520	2 362	17 158
– Life assurance policy reserve	**214**	**290**	**(76)**	(10 419)	143	(10 562)
Other benefits and liabilities	**9 757**	**-**	**9 757**	10 568	–	10 568
Analysis of balance at the end of the year:						
Sickness and disability policies						
– Claims payable (notified claims)	**14 500**	**-**	**14 500**	14 577	–	14 577
– Unintimated claims (IBNR)	**56 865**	**-**	**56 865**	42 115	–	42 115
– Non-DPF liability	**3 989 359**	**(13 523)**	**4 002 882**	3 293 346	(107 534)	3 400 880
– Cessation benefits (notified claims)	**119 482**	**-**	**119 482**	139 887	–	139 887
– DPF liability	**22 223 556**	**-**	**22 223 556**	21 014 757	–	21 014 757
Life policies						
– Claims payable (notified claims)	**93 901**	**-**	**93 901**	64 178	–	64 178
– Unintimated claims (IBNR)	**30 596**	**4 615**	**25 981**	25 101	2 362	22 739
– Life assurance policy reserve	**1 872**	**1 057**	**815**	1 658	767	891
Other benefits and liabilities	**60 885**	**-**	**60 885**	51 128	–	51 128
Total at the end of the year	**26 591 016**	**(7 851)**	**26 598 867**	24 646 747	(104 405)	24 751 152
Current	**376 229**	**4 615**	**371 614**	336 986	2 362	334 624
Non-current	**26 214 787**	**(12 466)**	**26 227 253**	24 309 761	(106 767)	24 416 528
Total	**26 591 016**	**(7 851)**	**26 598 867**	24 646 747	(104 405)	24 751 152

	Group	
	2015	2014
	R'000	R'000
The non-DPF liabilities developed as follows:		
Liabilities at start of year	**3 400 880**	3 330 811
Unwinding of discount rate	**237 864**	236 748
Expected cash flows	**582 155**	305 477
Expected risk liability at year-end	**4 220 899**	3 873 036
Impact of movements	**(55 237)**	(7 543)
Change in valuation assumptions	**447 847**	(12 663)
Asset value adjustments	**(571)**	14 317
Risk benefit liability for new business issued	**(610 056)**	(466 267)
Liabilities at end of year	**4 002 882**	3 400 880
The DPF liabilities developed as follows:		
Liabilities at start of year	**21 014 757**	18 705 124
Claims paid during the year	**(930 413)**	(787 106)
Allocation of interest and dividends	**2 223 871**	3 090 141
Asset value adjustments	**(84 659)**	6 598
Liabilities at end of year	**22 223 556**	21 014 757
Analysis of total insurance policy liabilities, net of reinsurance:		
Non-DPF liabilities	**4 002 882**	3 400 880
DPF liabilities	**22 223 556**	21 014 757
Life assurance policy reserve	**815**	891
Current liabilities	**371 614**	334 624
Liabilities at end of year	**26 598 867**	24 751 152

13. INVESTMENT CONTRACT LIABILITIES

	Group	
	2015	2014
	R'000	R'000
Level 2 fair value investment contract liabilities		
Linked investment contracts	**1 139 647**	825 699
Non- current	**1 139 647**	825 699

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

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

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

Movement table for investment contract liabilities	Group 2015 R'000	2014 R'000
Linked contracts		
Balance at 1 January	**825 699**	617 920
Contributions received during the year	**346 623**	211 407
Fair value of policyholder liabilities under investment contracts	**69 023**	53 319
Net investment return credited to account balances	**80 523**	60 642
Net fees and charges deducted from account balances	**(11 500)**	(7 323)
Benefit payments	**(101 698)**	(56 947)
Balance at 31 December	**1 139 647**	825 699

14. LIABILITIES TO UNIT TRUST HOLDERS

	Group 2015 R'000	2014 R'000
Liabilities to unit trust holders		
Balance at 1 January	**5 848 820**	4 259 060
Investment by unit trust holders	**5 351 738**	2 584 634
Redemptions by unit trust holders	**(3 805 442)**	(1 498 102)
Total comprehensive income attributable to unit trust holders	**278 818**	503 228
Balance at 31 December	**7 673 934**	5 848 820
Current	**7 673 934**	5 848 820

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

The total comprehensive income attributable to unit trust holders are the gains/losses in the unit trust.

15. BORROWINGS

Group	Carrying amount and fair value 2015 R'000	2014 R'000
Amortised cost		
Mortgage loan (Secured)	**7 232**	7 864
Development loan (Secured)	**164 694**	62 161
Minority shareholder loan in PPS Property Fund Trust (Unsecured)	**19 085**	9 900
Total borrowings	**191 011**	79 925
Current	**19 085**	11 198
Non-current	**171 926**	68 727

The mortage loan bears interest at prime less 0,5% and payable monthly over 10 years, commencing on 1 September 2013. It is secured by a R9.1 million mortgage bond.

The development loan bears interest at Prime -1%. It was converted to a 10 year mortgage bond at Prime -1% at PPS Property Fund Trust's election on 20 January 2016, and is therefore classified as non-current. It is secured by a mortgage of R164.9 million over Erf 50 Verwoerdburgstad and Erf 748 Hatfield.

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

16. DEFERRED TAX

	Group	
	2015	2014
	R'000	R'000
Deferred tax assets:		
Provisions and impairments	**29 703**	20 754
Tax losses carried forward	**31 040**	37 071
End of year	**60 743**	57 825
Deferred tax liabilities:		
Unrealised gains on investments	**350 981**	372 865
Unrealised gains on land and buildings revaluation	**2 099**	2 039
End of year	**353 080**	374 904
Current asset	**29 703**	20 754
Non-current asset	**31 040**	37 071
Non-current liability	**353 080**	374 904

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

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

	Group R'000
At 1 January 2014	61 235
Recognised in profit or loss	(3 410)
At 31 December 2014	57 825
Recognised in profit or loss	**2 918**
At 31 December 2015	**60 743**

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

(b) Deferred tax liabilities

Group	Deferred tax liability on revaluation of investments R'000	Deferred tax liability on cumulative revaluation of land and buildings R'000	Total R'000
At 1 January 2014	465 270	1 966	467 236
Recognised in profit or loss	(58 886)	–	(58 886)
Recognised directly in equity	–	73	73
Transfer to current income tax liabilties	(33 519)	–	(33 519)
At 31 December 2014	372 865	2 039	374 904
Recognised in profit or loss	**11 635**	**-**	**11 635**
Recognised directly in equity	**-**	**60**	**60**
Transfer to current income tax liabilties	**(33 519)**	**-**	**(33 519)**
At 31 December 2015	**350 981**	**2 099**	**353 080**

17. RETIREMENT BENEFIT OBLIGATIONS

	Group	
	2015	2014
	R'000	R'000
Statement of Financial Position obligations for:		
– post-retirement medical benefits	**7 708**	9 238
Statement of Profit or Loss and Comprehensive Income charge for (note 26):		
– post-retirement medical benefits	**(961)**	2 405

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 latest actuarial valuation of the Group's post-employment benefits, carried out at 31 December 2015 indicated a present value of projected future benefits amounting to R7,7 million (2014: R9,2 million).

	Group	
	2015	2014
The principal actuarial assumptions used were as follows:		
Discount rate based on the Long-term Bond Index (%)	**10,28%**	8,18%
Medical cost inflation (%)	**9,77%**	7,85%

The assumed rates of mortality are as follows:

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

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

18. EMPLOYEE RELATED OBLIGATIONS

	Group	
	2015	2014
	R'000	R'000
Leave pay accrual		
Opening balance	**20 436**	17 767
Charged to the Statement of Profit or Loss and Comprehensive Income		
– additional provisions	**13 408**	12 935
Used during the year	**(10 866)**	(10 266)
Closing balance	**22 978**	20 436
Current	**22 978**	20 436
Provision for performance related incentives		
Opening balance	**90 886**	77 665
Charged to the Statement of Profit or Loss and Comprehensive Income		
– additional provisions (executive directors and employees)	**99 565**	72 333
Used during the year	**(66 040)**	(59 112)
Closing balance	**124 411**	90 886
Current	**63 398**	44 500
Non-current	**61 013**	46 386
Total employee related obligations	**147 389**	111 322

19. INSURANCE AND OTHER PAYABLES

	Group	
	2015	2014
	R'000	R'000
Payables arising from insurance and reinsurance contracts:		
– due to contract holders	**31 746**	28 837
– due to contract holders- life assurance policy	**78**	103
– reinsurance payables	**16 562**	15 196
– subscriptions received in advance	**5 190**	4 352
Other payables:		
– accruals	**692 128**	432 714
– employees tax	**12 255**	7 825
– sundry creditors	**16 920**	10 087
– related parties	**-**	1 522
Total insurance and other payables	**774 879**	500 636
Current	**774 879**	500 636

20. NET INSURANCE PREMIUM REVENUE

	Group	
	2015	2014
	R'000	R'000
Individual premiums from policyholders	**3 142 487**	2 759 176
Group reinsurance premiums inwards	**41 006**	83 455
Premium revenue arising from insurance contracts issued	**3 183 493**	2 842 631
Individual premium revenue ceded to reinsurers on insurance contracts issued	**(197 795)**	(177 638)
Total net insurance premium revenue	**2 985 698**	2 664 993

21. OTHER INCOME

	Group	
	2015	2014
	R'000	R'000
Policy administration and collection services	**12 615**	15 735
Administration fees	**211 063**	194 044
Investment management services	**53 090**	47 058
Commission	**23 699**	21 940
Rental income	**36 656**	19 196
Profit share	**19 681**	12 740
Total other income	**356 804**	310 713

22. INVESTMENT INCOME

	Group	
	2015	2014
	R'000	R'000
Net revaluation profits on financial assets held at fair value through profit or loss consist of the following components:		
– Interest income	**1 025 483**	763 009
– Dividend income	**384 638**	359 128
– Net realised gains on disposal of financial assets	**223 032**	2 460 463
– Net realised foreign exchange gains/(losses)	**41 901**	(2 155)
Total investment income	**1 675 054**	3 580 445

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	
	2015	2014
	R'000	R'000
Designated at fair value through profit or loss on initial recognition		
Interest income	**1 025 483**	763 009
Dividend income	**384 638**	359 128
Net gains on disposal of financial assets	**223 032**	2 460 463
Net foreign exchange gains/(losses)	**41 901**	(2 155)
Total investment income	**1 675 054**	3 580 445
Fair value adjustment attributable to unit trust holders	**169 756**	517 923
Fair value gains on investment property	**5 678**	5 314
Net unrealised gains/(losses) on revaluation of financial assets	**832 750**	(1 061 880)
Net revaluation profits/(losses) on financial assets held at fair value through profit or loss	**1 008 184**	(538 643)
Total net gains recognised in the Statement of Profit or Loss and Comprehensive Income	**2 683 238**	3 041 802

24. NET INSURANCE BENEFITS AND CLAIMS

	Group	
	2015	2014
	R'000	R'000
Gross		
Long term insurance contracts with and without DPF:		
– Individual sickness and incapacity benefits: current year	**830 551**	664 992
– Individual sickness and incapacity benefits: under provision for prior year	**8 070**	35 720
– Group non-DPF component of death benefits	**456 539**	365 012
– Individual DPF component of death, retirement and resignation benefits	**882 096**	700 893
Total gross insurance benefits and recoveries	**2 177 256**	1 766 617
Reinsurance recoveries		
Long term insurance contracts with and without DPF:		
– Individual sickness and incapacity benefits	**(53 908)**	(35 578)
– Death benefits	**(78 313)**	(40 274)
Total reinsurance recoveries	**(132 221)**	(75 852)
Total net insurance benefits and claims	**2 045 035**	1 690 765

25. EXPENSES

	Group 2015 R'000	Group 2014 R'000
Costs incurred for the acquisition of insurance contracts expensed in the year	**200 065**	153 092
– Sickness and incapacity policies	**101 311**	101 110
– Whole life policies	**98 754**	51 982
Multi-managers' fees - PPS Investments	**60 117**	57 195
Marketing and administrative expenses include :		
– Amortisation of intangible asset (note 4)	**14 994**	12 351
– Auditors remuneration	**5 835**	6 295
– Audit fees	**5 232**	5 610
– Other services	**603**	685
– Data processing and information technology systems maintenance	**110 504**	83 050
– Depreciation on property and equipment (note 2)	**30 675**	25 603
– Directors/Trustees and executive remuneration	**29 414**	27 043
– Directors/Trustees – non executive	**6 670**	4 850
– Directors of other subsidiaries	**1 267**	2 288
– Executive directors of PPS Insurance	**21 477**	19 905
– Employee costs (note 26)	**615 853**	485 947
– Fees for services	**19 688**	16 507
– Actuarial	**11 790**	10 801
– Legal	**6 222**	4 176
– Internal audit	**1 676**	1 530
– Investment management fees	**122 547**	75 237
– Other administration, maintenance and product development expenses	**136 896**	116 066
– Operating lease rentals	**33 925**	29 536
– Impairment of insurance and other receivables	**888**	1 572
Total expenses	**1 381 401**	1 089 494

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

26. EMPLOYEE COSTS

	Group 2015 R'000	Group 2014 R'000
Salaries and related costs	**480 665**	385 145
Pension costs – defined contribution plans	**42 813**	36 147
Other post-employment benefits (note 17)	**(961)**	2 405
Performance related incentives	**93 336**	62 250
Total employee costs (excluding executives)	**615 853**	485 947

27. TAX

	Group	
	2015	2014
	R'000	R'000
Current tax	**304 952**	273 497
- Current year tax	**257 620**	273 201
- Prior years under provision	**47 332**	296
Deferred tax	**8 717**	(55 476)
Dividend withholding tax	**42 635**	48 067
Total tax	**356 304**	266 088
Tax on the Group's profit before tax differs from the theoretical amount that would arise using the tax rate applicable to South African/Namibian companies as follows:		
Profit before movement in policy liabilities	**2 251 463**	2 680 702
Tax calculated at domestic tax rates applicable to profits in South Africa/Namibia	**640 814**	767 384
Tax effect of income not subject to tax	**(1 181 729)**	(1 245 368)
Tax effect of non-deductible expenses	**792 448**	687 250
Tax effect of tax rate on Dividend Withholding Tax being different to tax rate on the individual policyholder fund ('IPF')	**37 439**	42 081
Prior years under/(over) provision	**47 332**	(296)
Assessed loss utilised in the current year	**4 659**	62
Deferred tax raised – prior year	**-**	(1 785)
Tax effect of change in CF tax rate	**15 341**	16 760
Total tax per Statement of Profit or Loss and Comprehensive Income	**356 304**	266 088

The applicable tax rate was 28% (2014: 28%) for South African companies and 33% (2014: 33%) for Professional Provident Society Insurance Company (Namibia) Limited. Professional Provident Society Insurance Company Limited has four separate tax funds: the individual policyholders' fund (taxed at 30%), the Company policyholders' fund (taxed at 28%), the untaxed policyholder's fund (not taxed) and the corporate fund (taxed at 28%). The tax reconciliation is done on total tax on all funds. The Professional Provident Society Holdings Trust is taxed at 40%.

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

The Group has accumulated losses of R115,2 million (2014: R135,0 million) available in certain subsidiaries for offset against future taxable income in those subsidiaries.

28. CASH GENERATED FROM OPERATIONS

	Group	
	2015	2014
	R'000	R'000
Reconciliation of profit before movement in insurance policy liabilities to cash generated by operations:		
	2 530 281	3 183 930
Profit before movement in policy liabilities	**2 251 463**	2 680 702
Attributable to unit trust holders	**278 818**	503 228
Investment contract receipts	**346 623**	211 407
Investment contract surrenders	**(101 698)**	(56 947)
Adjustments for:		
– Depreciation	**30 675**	25 603
– Fair value of policyholder liabilities under investment contracts	**69 023**	53 319
– Amortisation of intangible asset	**14 994**	12 351
– Realised profit on disposal of property and equipment	**(141)**	(103)
– Investment income	**(1 675 054)**	(3 580 445)
– Net revaluation (profit)/loss on financial assets held at fair value through profit or loss	**(1 008 184)**	538 643
Changes in working capital:		
– Insurance and other receivables	**(131 519)**	(43 862)
– Insurance and other payables	**308 780**	384 156
– Insurance policy liabilities	**25 716**	30 509
Cash generated from operations	**409 496**	758 561

29. TAX PAID

	Group	
	2015	2014
	R'000	R'000
Tax payable/(receivable) at beginning of year	**2 638**	(37 785)
Current tax as per Statement of Profit or Loss and Comprehensive Income	**347 587**	321 564
Transfer from deferred tax liability	**33 519**	33 519
Tax receivable/(payable) at end of year	**11 704**	(2 638)
Total tax paid	**395 448**	314 660

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2015

30. COMMITMENTS

	Group	
	2015	2014
	R'000	R'000
(a) Capital expenditure contracted for at the reporting date but not yet incurred is as follows:		
– Committed but not contracted for	**91 095**	74 271
(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 Statement of Profit or Loss and Comprehensive Income during the year is disclosed in note 25.		
The future aggregate minimum lease payments under non-cancellable operating leases are as follows:		
Due in 1 year or less	**36 088**	18 882
Due between 1 year and 5 years	**112 573**	25 232
Due after 5 years	**89 726**	–
(c) Operating lease commitments – where a Group company is the lessor		
The Group leases out its investment property (see Note 3) under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.		
The lease revenue charged to the Statement of Profit or Loss and Comprehensive Income during the year is disclosed in note 21.		
The future aggregate minimum lease payments under non-cancellable operating leases are as follows:		
Due in 1 year or less	**38 124**	16 426
Due between 1 year and 5 years	**102 590**	48 894
Due after 5 years	**7 249**	15 800

31. TRUSTEES' REMUNERATION

The PPS Holdings Trust trustees' remuneration from the Group

Trustees	The PPS Holdings Trust (including committees) Rand	Subsidiary companies (including committees) Rand	Total remuneration (including committees) Rand
Adv T N Aboobaker	141 750	–	141 750
Dr N G Campbell	173 675	132 850	306 525
Ms D L T Dondur	197 550	205 575	403 125
Mr J A B Downie	196 850	173 900	370 750
Dr D P du Plessis	163 350	–	163 350
Mr C Erasmus	46 925	1 196 100	1 243 025
Dr M J Grootbom	88 992	–	88 992
Mr U D Jivan	141 750	38 500	180 250
Mr I Kotze	141 250	31 200	172 450
Dr C M Kruger	173 675	86 050	259 725
Mr E A Moolla	476 600	218 350	694 950
Mr N C Nyawo	148 750	–	148 750
Dr J Patel	148 750	–	148 750
Mr P Ranchod	165 850	201 925	367 775
Mr V P Rimbault	148 750	–	148 750
Dr M W Sonderup	148 750	–	148 750
Dr S M E Seoka	303 925	152 100	456 025
Mr D L Smollan	61 250	–	61 250
Mr B R Topham	141 750	9 950	151 700
Mr S Trikamjee	170 950	102 300	273 250
Prof H E Wainer	22 000	718 300	740 300
Total	**3 403 092**	**3 267 100**	**6 670 192**

32. RELATED PARTIES

Holding Company

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

Subsidiaries

PPS's related parties are its subsidiary company Professional Provident Society Insurance Company Limited, as well as Professional Provident Society Insurance Company (Namibia) Limited, Plexus Properties Proprietary Limited, Professional Provident Society Healthcare Administrators Proprietary Limited, Professional Provident Society Short-Term Insurance Company Limited, Professional Provident Society Investments Proprietary Limited, Professional Provident Society Multi-Manager Proprietary Limited, Professional Provident Society Investment Administrators Proprietary Limited, Professional Provident Society Management Company Proprietary Limited (RF), PPS Property Fund Trust and PPS Property Fund Proprietary Limited, which are subsidiary companies of Professional Provident Society Insurance Company Limited.

PPS Mutual Limited and PPS Mutual Insurance Proprietary Limited (Australian entities) are a related parties by virtue of having the same executive directors as Professional Provident Society Insurance Company Limited.

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

Key management information

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

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

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

	Group	
	2015	2014
	R'000	R'000
Life and disability cover	**291 067**	208 562
– Premiums	**1 486**	1 062
Sickness benefit cover	**4 957**	4 191
– Premiums	**958**	766
– Claims	**92**	50
PPS Profit-Share Account	**14 027**	10 154
Motor and household cover	**334 099**	338 725
– Premiums	**717**	687
– Claims	**565**	245
Investment contracts	**36 149**	26 527

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

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

	Group	
	2015	2014
	R'000	R'000
Salaries and other employee benefits	**26 895**	23 933
Performance payments	**21 450**	19 740
Trustees' remuneration	**6 670**	4 850
	55 015	48 523

33. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

33.1 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 12.1.

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.

33.2 Income tax

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

33.3 Employee benefit liabilities

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

The Group determines the appropriate discount rate at the end of each year, which represents the interest rate that should be used to determine the present value of the estimated future cash flows expected to be required to settle the post-retirement medical obligations. In determining the appropriate discount rate, the Group considers the interest rate on high quality corporate bonds and Government bonds that have terms to maturity approximating the terms of the related liability. Additional information is provided in Note 26 of these financial statements.

33.4 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 was based on a yield range of 8,25% to 9,00% (2014: 9,00%). Any change in these assumptions will impact the values of the buildings.

33.5 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.

33.6 Valuation of long-term incentive scheme

The cost of the benefits of the long-term incentive scheme depends on a number of assumptions used in calculating the present value under the projected unit credit method. The assumptions used in determining the charge to the Statement of Profit or Loss and Comprehensive Income arising from these obligations include the expected growth in the apportionment account (rolling five-year average historical growth 13,8% (2014: 14,0%), the turnover of staff participating in the scheme (nil) (2014: nil) and the discount rate (an appropriate market-related yield curve as at the reporting date). Any changes in these assumptions will impact the charge to the Statement of Profit or Loss and Comprehensive Income.

33.7 Consolidation of entities in which the group holds less than 50%

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

34. MANAGEMENT OF RISKS

34.1 General

The Board has overall responsibility for the Group's systems of internal control and risk management. The Chief Executive and executive management are responsible for the management and implementation of the PPS Group Enterprise Risk Management Framework.

To assist the Board in the execution of its fiduciary duties in regard to risk management, legal and compliance accountabilities, as set out in detail in policies and frameworks adopted by the PPS Group, the **Group Risk Committee** has the following responsibilities:

- assisting the Board in setting risk strategy policies in liaison with management and in the discharge of its duties relating to corporate accountability and associated risk in terms of management assurance and reporting;
- assisting the Board in overseeing the Group's compliance with applicable legal and regulatory requirements, industry standards and the Group's Codes of Conduct; Monitoring external developments relating to the practice of corporate accountability and the reporting of specifically associated risk, including emerging and prospective impacts;
- providing an independent and objective oversight and view of the information presented by management on corporate accountability and specifically associated risk, also taking account of reports by management, the Actuarial Committee and the Group Audit Committee to the Board on all categories of identified risks facing PPS;
- performing the functions as may be prescribed by the Registrar of Long-term Insurance and in particular, ensuring that PPS has implemented an effective on-going process to identify risk, to measure its potential impact against a broad set of assumptions and then to activate what is necessary to proactively manage these risks and to recommend to the Board, PPS' appetite and tolerance for risk;
- to discharge the specific responsibilities ascribed to the Committee in terms of policies and frameworks adopted by the Group in compliance with Solvency Assessment and Management regulation;
- ensuring the establishment of an independent risk management control function and reviewing its effectiveness;
- recommending the risk management plan for approval by the Board and reviewing progress against it;
- approving the combined assurance plan and overseeing all assurance activities;
- annually reviewing the risk bearing capacity of the Group in the light of its reserves, insurance coverage, guarantee funds or other such financial structures for approval by the Board;
- ensuring that regular assessments of the risk management function and risk management system are performed;
- considering, in particular, the management of Information Technology risks.

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

- ensure compliance with all statutory duties imposed in terms of the Companies Act and, where appropriate, the recommendations of the King Code with regard to the auditors of the Group;
- oversee the preparation of an integrated report annually that conveys adequate information about the operations of the Group and its integrated sustainability and financial reporting;
- ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities;
- review the expertise, resources and experience of the Group's Finance function, and disclose the results of the review in the integrated report;
- oversee internal audit and consider the effectiveness of internal audit at least annually and report to the Board on the assessment from internal audit on the adequacy of the internal controls;
- as an integral component of the risk management process, oversee the financial reporting risks; internal financial controls; IT risks as it relates to financial reporting; and fraud and corruption risk management;
- deal with all aspects of the annual financial statements of the company and the Group and ensure compliance with relevant legislation and, where appropriate, the King Code; make submissions to the Board on any matter concerning the Group's accounting policies;
- oversee and monitor financial and internal control, reporting and regulatory compliance; and
- ensure compliance with all statutory requirements in relation to the external auditors including to review the quality and effectiveness of the audit process and assess whether the external auditors have performed the audit as planned.

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

Risk management

- directing and assisting in the co-ordination and monitoring of risk management activities within PPS;
- ensuring adherence to the Risk Management Plan;
- Maintaining the Enterprise Risk Management Framework and Plan for approval by the Board in terms of the appropriate international standards (ISO 31000) and the King Code of Governance Principles ('King III');
- maintain and update the risk matrix for the Group. This includes the identification, assessment, monitoring, mitigation and reporting around the key risks;
- monitor and report progress on corrective action plans for risks that require mitigating actions;
- develop systems for monitoring risk management. A leading software solution (CURA) was acquired for recording and tracking the risk management process in real-time and to ensure that risks are kept on top of mind;
- drive risk management in PPS by promoting awareness of risk management to both management and staff;
- ensure effective risk management training programmes are established;
- assist management with the embedding of risk management in the day-to-day business activities of the Group; and
- ensure that risk management is considered when setting strategic goals and objectives.

Compliance

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

Internal audit

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

34.2 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:

34.2 Insurance product risk management...Continued

Type of contract	Terms and conditions
Sickness and permanent incapacity benefit (PPS Provider Policy)	The PPS Provider Policy offers a variety of sickness and incapacity benefit options. The premiums for these benefits are level or age rated premiums and are payable monthly. Premium rates and benefits are not guaranteed and may be revised at the discretion of the insurer. These benefits entitle a policyholder to claim for periods of sickness and incapacity. The amount of cover obtainable is limited by the applicant's annual gross professional income and maximum limits applied by the Company. The sickness benefit continues as long as the member continues to practice their occupation. The sickness and incapacity benefits are non-DPF benefits.
Professional Life Provider (PPS Provider Policy) PPS Life and Disability Policy	The PPS Provider Policy also offers lump sum life and disability cover for a specified term or whole life. The premiums are payable monthly and either age rated or level may be selected as the premium pattern. PPS Insurance is the risk carrier. The PPS Life and Disability Policy which replaced the previous PPS Life Disability Assurance Scheme, is insured by PPS Insurance and is closed to new business. The previous generation of policies (PPS Life and Disability Assurance Scheme) was classified as being part of a grouped individual policy. The premiums and benefits under both generations of policies are not guaranteed and may be revised at the discretion of the insurer. Reinsurance agreements are in place to reduce the impact on PPS of variability in claims experience. The life and disability benefits are non-DPF benefits.
Professional Health Provider (PPS Provider Policy) Professional Health Preserver	These products pay a lump sum benefit according to severity levels on assessment of standard dread disease conditions and physical impairment events. The premiums are payable monthly and are age rated. The Professional Health Preserver is closed to new business. The premiums and benefits are not guaranteed and may be revised at the discretion of the insurer. Reinsurance agreements are in place to reduce the impact on PPS of variability in the claims experience. The dread disease and physical impairment benefits are non-DPF benefits.
Professional Disability Provider (PPS Provider Policy)	The Professional Disability Provider offers lump sum disability cover for a specified term. At age 66, or earlier retirement (if this is over the age of 60), the Professional Disability Provider converts automatically into a severe illness benefit. This is a benefit that pays a once off lump sum benefit on diagnosis of a severe dread disease (such as a stage 3 or 4 cancer). The premiums are payable monthly and are age rated. The premiums and benefits 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 disability benefits are non-DPF benefits.
PPS Provider Policy	The PPS Provider Policy contains a DPF component, being the PPS Profit-Share Account™. This component continues until retirement, or earlier cancellation of the policy. No premium is payable for the DPF component.

Type of contract	Terms and conditions
Business Provider (PPS Provider Policy)	The Business Provider Policy provides for the Business Life Provider and the Business Health Provider. The Business Life Provider product provides benefits very similar to those of the Professional Life Provider. The Business Health Provider product provides benefits similar to those of the Professional Health Provider, but tailored to payout for the more severe critical illness and physical impairment conditions only. The premiums and benefits are not guaranteed and may be revised at the discretion of the insurer. Both products are closed for new business. 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.
PPS Corporate Endowment PPS Endowment	The PPS Endowment and PPS Corporate Endowment afford 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 these products. The policies do not transfer insurance risk and do not contain a DPF component. These products are available to individuals and corporates respectively.
PPS Living Annuity	The PPS Living Annuity is a compulsory purchase linked living 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 PPS Provider Policy includes 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 sustainably provide for the insurance benefits and to grow the DPF 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 appropriately charge for the insurance risks accepted.

The Group has implemented a comprehensive reinsurance programme to mitigate the risks of variability in the frequency and severity of claims on different portfolios of insurance contracts. This programme continues to be effective in reducing the impact on PPS of variability in claims.

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 and widespread changes in lifestyle, such as eating, smoking and exercise habits, resulting in earlier or more claims than expected.

The Group has comprehensive claims assessing processes and protocols in terms of which all claims received are assessed. Delegation of authority levels are applied to ensure that larger claims and repeat claims are assessed by senior assessors and management, and the forensics team if required, before being paid. The Group also conducts regular claims investigations to monitor experience.

The Group manages these risks through its underwriting strategy. The underwriting strategy ensures that the risks accepted are in line with PPS' risk appetite. Medical risk selection is included in the underwriting protocols. Premium loadings and benefit exclusions may be imposed which reflect the health and medical history of the applicant. 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. Policyholders are reminded each year of their benefits and asked to review these benefits to ensure they are not over insured relative to their income as this may impact on future claims.

In some instances, maximum exposures are not increased annually where not appropriate.

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 by the Actuarial Committee for its on-going appropriateness.

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

Group	Total insured monthly benefit R'000	Benefit per month per life Rand
2015	**5 567 248**	**55 690**
2014	5 287 892	50 775

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 12).

(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.

Lapse experience can have a significant impact on the Group. To manage lapse risk, the Group conducts monthly lapse analyses for each of the product lines. Where experience is worse than long-term valuation expected, lapse experience management intervention is taken, over and above normal on-going retention efforts to reduce overall lapse and exits.

Risk exposure and concentrations of risk

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

Group 2015 R'000	Non-DPF component of insurance liabilities	DPF component of insurance liabilities	Total
South Africa			
Gross	**3 803 238**	**21 404 880**	**25 208 118**
Net of reinsurance	**3 814 037**	**21 404 880**	**25 218 917**
Namibia			
Gross	**186 121**	**730 748**	**916 869**
Net of reinsurance	**188 845**	**730 748**	**919 593**

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

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, the PPS Corporate Endowment and the PPS Living Annuity.

34.3 Financial risk management

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

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

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

Credit and counterparty risk

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

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

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

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

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

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

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

Exposure to credit risk

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

Group **R'000**	**2015**	2014
Debt securities	**11 085 371**	10 863 644
Reinsurance assets	**-**	2 827
Insurance receivables	**28 833**	27 998
Cash and cash equivalents	**2 828 664**	1 787 356
Other receivables	**471 670**	188 265
Reinsurance receivables	**57 610**	42 494
Total	**14 472 148**	12 912 584

Corporate and government debt

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

The Group's total exposure to corporate debt amounted to R11 085 million (2014: R10 864 million) at 31 December 2015. The following represent the major industry sectors to which the Group is exposed as at 31 December 2015:

Group Rm	**2015**	2014
Government	**4 505**	4 450
Banks	**3 210**	3 994
Utilities	**96**	211
Corporate	**3 274**	2 209
Total	**11 085**	10 864

Concentrations of credit risk

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

Group 2015 R'000	**AAA and Government**	**Below AAA but no lower than AA-**	**Below AA but no lower than A**	**Below A but no lower than BBB-**	**Unrated**	**Total**
Debt securities	**4 917 472**	**3 167 025**	**2 572 193**	**428 681**	**-**	**11 085 371**
Reinsurance assets	**-**	**-**	**-**	**-**	**-**	**-**
Insurance receivables	**-**	**-**	**-**	**-**	**28 833**	**28 833**
Cash and cash equivalents	**947 339**	**1 092 889**	**519 905**	**268 531**	**-**	**2 828 664**
Other receivables	**-**	**-**	**-**	**-**	**471 670**	**471 670**
Reinsurance receivables	**-**	**-**	**57 610**	**-**	**-**	**57 610**

Group 2014 R'000	AAA and Government	Below AAA but no lower than AA-	Below AA but no lower than A	Below A but no lower than BBB-	Unrated	Total
Debt securities	4 403 239	4 077 102	2 072 720	310 673	–	10 863 644
Reinsurance assets	–	–	2 827	–	–	2 827
Insurance receivables	–	–	–	–	27 998	27 998
Cash and cash equivalents	103 149	1 661 036	22 858	313	–	1 787 356
Other receivables	–	–	–	–	188 265	188 265
Reinsurance receivables	–	–	42 494	–	–	42 494

Ageing of financial assets

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

Group 2015 R'000	Neither past due nor impaired	Financial assets that are past due 0 - 2 months	3 - 5 months	More than 5 months	Carrying value
Insurance receivables	**16 966**	**247**	**278**	**11 342**	**28 833**
Reinsurance assets	**-**	**-**	**-**	**-**	**-**
Reinsurance receivables	**57 610**	**-**	**-**	**-**	**57 610**
Other receivables	**450 658**	**19 197**	**1 815**	**-**	**471 670**
Cash and cash equivalents	**2 828 664**	**-**	**-**	**-**	**2 828 664**

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

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

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

Individually impaired assets

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

Group R'000	2015 Gross	2015 Impairment losses	2015 Net	2014 Gross	2014 Impairment losses	2014 Net
Due from contract holders	**41 001**	**12 168**	**28 833**	39 278	11 280	27 998

Liquidity risk

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

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

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

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

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

			Contractual cash flows				
Group 2015 R'000	**Carrying amount**	**Total cash flows**	**Within 1 year**	**2 - 5 years**	**6 - 10 years**	**11 - 20 years**	**Over 20 years**
Insurance contract liabilities – DPF	**22 223 556**	**22 223 556**	**688 540**	**4 160 230**	**4 769 202**	**8 014 534**	**4 591 050**
Insurance contract liabilities – non-DPF	**4 002 882**	**(18 206 869)**	**441 536**	**945 308**	**(37 424)**	**(1 720 657)**	**(17 835 632)**
Reinsurance payables	**16 562**	**16 562**	**16 562**	**-**	**-**	**-**	**-**
Third-party financial liabilities arising on consolidation of unit trusts	**7 673 934**	**7 673 934**	**7 673 934**	**-**	**-**	**-**	**-**
Investment contract liabilities	**1 139 647**	**1 139 647**	**1 139 647**	**-**	**-**	**-**	**-**
Other financial liabilities	**721 303**	**721 303**	**721 303**	**-**	**-**	**-**	**-**

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

Market risks

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

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

Management of market risk

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

Interest rate risk

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

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

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

Group 2015	Non-pre-retirement option benefits R'000	%	Pre-retirement option benefits R'000	%
Local				
Equity	**11 488 812**	**55,3**	**669 250**	**24,0**
Fixed interest	**2 606 653**	**12,5**	**1 229 825**	**44,1**
Cash	**1 457 973**	**7,0**	**327 038**	**11,7**
International				
Equity	**5 226 757**	**25,2**	**561 917**	**20,2**
Total	**20 780 195**	**100,0**	**2 788 030**	**100,0**

Group 2014	Non-pre-retirement option benefits R'000	%	Pre-retirement option benefits R'000	%
Local				
Equity	10 783 624	53,9	519 871	23,0
Fixed interest	4 078 808	20,3	982 955	43,4
Cash	738 851	3,7	301 003	13,3
International				
Equity	4 418 675	22,1	459 860	20,3
Total	**20 019 958**	**100,0**	**2 263 689**	**100,0**

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

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

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

Group	**2015 R'000**	**%**	2014 R'000	%
Local				
Equity	**500 469**	**12,5**	414 275	12,2
Fixed interest	**3 215 154**	**80,3**	2 655 882	78,1
Cash	**34 107**	**0,9**	147 871	4,3
International				
Equity	**253 152**	**6,3**	182 852	5,4
Total	**4 002 882**	**100,0**	3 400 880	100,0

Currency risk

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

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

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

Equity price risk

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

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

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

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

Market risk sensitivity analysis

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

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

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

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

The market risk sensitivity is shown below:

	Contracts with non-DPF: Impact on profit/(loss) before movement in insurance policyholder liabilities	
	2015	2014
Group	**R'000**	R'000
Interest rate risk		
Lower limit: 9,15% yield	**(1 103 089)**	(887 159)
Upper limit: 11,15% yield	**696 040**	701 087

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

Assumptions, methodology and limitations of sensitivity analysis

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

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

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

Underwriting risk

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

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

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

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

Pro-active training of staff takes place to ensure that fraudulent claims are identified and investigated timeously. The legitimacy of claims is verified by internal, financial and operating controls that are designed to contain and monitor claims risks. The forensic investigation team also advises on improvements to internal control systems and performs forensic investigations on perceived fraudulent claims. The Forensic Investigations department investigates all suspected fraudulent claims.

Products and pricing risk

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

- Ongoing analysis of risk experience (such as the sickness and mortality investigations).
- Use of reinsurance – this protects the insurer in that some of the risk of insufficient rates is passed onto a reinsurer.
- Margins in the premium rates – generally additional margins are included in the setting of premium rates to arrive at a more prudent set of rates and should protect against experience being slightly worse than anticipated.
- Non-guaranteed rates allow the Group to change its rates should the experience worsen significantly or be anticipated to worsen significantly.
- The thorough testing of proposed products upfront, including testing expected expenses and volumes of business, provides a sense of the expected parameters within which the product pricing will remain appropriate. If expenses or volumes are significantly different from the business plan then the overall offering and position will be revisited and consideration given to making appropriate changes to remedy worsening positions.
- Valuation – the annual valuation provides valuable information about changing parameters (such as mortality, morbidity, long term investment returns, yields, etc.).

Expense risk

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

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

Business volume risk

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

Data and model risk

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

Capital management

The Group's capital management policy objectives are:

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

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

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

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

Group R'000	2015 South Africa	 Namibia	2014 South Africa	 Namibia
Capital held	**329 844**	**6 000**	284 674	6 000
Regulatory capital	**125 171**	**4 000**	107 795	4 000

The board considers the capital of the Group to be the total of all accumulated funds held as well as the DPF Insurance Liabilities (refer Note 14) as the policy holders are also the members of the Group. A detailed Asset Liability Matching (ALM) investigation is conducted on an annual basis to better understand the potential impact on the capital of the Group of different market conditions, such as interest rate fluctuations and volatility in equity prices. The impact of varying operational conditions (such as variations in deaths, withdrawals and profits) on the Group's capital is also presented for the board. The results of the ALM investigations may lead to changes in the approved asset class mixes contained in the Investment Policy, in order to address any increases in the risk of volatility identified in the ALM investigation.

There have been no material changes in the Group's management of capital during the period. The group has maintained its level of CAR cover at 2.6 times. This decision has resulted in R45.1 million (2014: R21.1 million) being allocated to accumulated funds.

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

Consolidated unit trusts

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

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

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

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

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

Funds managed by PPS Multi-Managers Proprietary Limited

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

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

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

PPS Conservative Fund of Funds

Investment objective

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

Investment mandate

This multi-managed fund invests in a number of underlying managers with the specific mandate to employ real return strategies to provide real capital growth. Flexible asset allocation provides diversification across all asset classes and sectors, with equity exposure limit to not more than 40% of the portfolio value.

Typical investments

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

Risk exposure

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

PPS Moderate Fund of Funds

Investment objective

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

Investment mandate

This multi-managed fund invests in a number of underlying managers with the specific mandate to employ real return strategies to provide real capital growth. Flexible asset allocation provides diversification across all asset classes and sectors, with equity exposure limit to not more than 60% of the portfolio value.

Typical investments

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

Risk exposure

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

PPS Enhanced Yield Fund

Investment objective

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

Investment mandate

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

Typical investments

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

Risk exposure

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

PPS Flexible Income Fund

Investment objective

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

Investment mandate

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

Typical investments

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

Risk exposure

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

PPS Equity Fund

Investment objective

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

Investment mandate

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

Typical investments

This multi-manager invests in equities and cash.

Risk exposure

An equity fund exposed to local equity price risk, company specific risk and indirect currency risk.

PPS Balanced Fund of Funds

Investment objective

To maximise total portfolio returns while outperforming a peer-relative benchmark over the medium to long term.

Investment mandate

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

Typical investments

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

Risk exposure

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

PPS Managed Flexible Fund of Funds

Investment objective

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

Investment mandate

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

Typical investments

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

Risk exposure

A medium to high risk fund, exposed to credit risk, interest rate risk, local and international equity price risk and currency risk. The fund can hold up to 100% offshore, but is expected to be between 40% and 60% invested in international assets.

PPS Global Balanced Fund of Funds

Investment objective

To maximise total portfolio returns while outperforming a composite industry benchmark over the medium to long term.

Investment mandate

This multi-managed fund invests in a number of underlying managers who invest in a spectrum of international securities with the specific focus on long-term capital and income growth.

Typical investments

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

Risk exposure

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

PPS Balanced Index Tracker Fund

Investment objective

To track the customised PPS Balanced Index, a published multi asset high equity composite index that is diversified across a number of constituent indices, and calculated and published daily by a recognised index compiler.

Investment mandate

This index tracker invests in the type of securities necessary to effectively track the index.

Typical investments

The multi asset, high equity composite index that the PPS Balanced Index Tracker Fund tracks includes local and international equities, domestic bonds, domestic cash and domestic property.

Risk exposure

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

PPS Institutional Multi-Asset Low Equity Fund

Investment objective

To maximise total portfolio return while outperforming a peer-relative benchmark over the medium term. The portfolio has a focus on capital protection and diversification.

Investment mandate

This institutional multi-managed fund has a focus on capital protection and diversification. 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 manager invests in fixed instruments such as money market and bonds, as well as local property and equities.

Risk exposure

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

PPS Institutional Bond Fund

Investment objective

To outperform the broad bond market index within defined duration limits relative to the benchmark, with more consistency than a typical bond fund.

Investment mandate

This institutional multi-managed bond fund invests in underlying managers that invests in a spectrum of fixed interest securities with the focus on benchmark relative performance, together with a regular and high level of income.

Typical investments

The portfolio will invest in a spread of listed and unlisted bonds, fixed deposits and other interest-bearing securities. The portfolio may invest in short, intermediate and long-dated securities.

Risk exposure

A bond fund exposed to credit risk, interest rate risk and inflation risk.

PPS Institutional Multi-Asset Flexible Fund

Investment objective

To maximise total portfolio return while outperforming CPI per annum over the medium term with the focus on capital growth and diversification.

Investment mandate

This institutional multi-managed fund invests in a number of underlying managers with a specific mandate to allocate assets based on their best view. Flexible asset allocation provides diversification across all asset classes and sectors, with equity exposure limit to not more than 75% of the portfolio value.

Typical investments

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

Risk exposure

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

Statement of Financial Position

as at 31 December 2015

	Note	Trust **2015** **R'000**	 2014 R'000
ASSETS			
Investment in subsidiary company	1	**10 000**	10 000
Receivables	2	**2 283**	2 012
Current income tax asset		**126**	–
Cash and cash equivalents	3	**1 941**	289
TOTAL ASSETS		**14 350**	12 301
EQUITY AND LIABILITIES			
Accumulated funds	4	**13 786**	11 646
TOTAL EQUITY		**13 786**	11 646
LIABILITIES			
Payables	5	**564**	421
Current income tax liabilities		**-**	234
TOTAL LIABILITIES		**564**	655
TOTAL EQUITY AND LIABILITIES		**14 350**	12 301

Statement of Profit or Loss and other Comprehensive Income

for the year ended 31 December 2015

	Note	Trust **2015** **R'000**	 2014 R'000
Other income	6	**10 023**	14 038
Investment income		**1**	–
Total Income		**10 024**	14 038
Expenses	7	**6 446**	4 907
Surplus before tax		**3 578**	9 131
Tax	8	**1 438**	3 653
Surplus after tax		**2 140**	5 478
Total comprehensive income for the year		**2 140**	5 478

Statement of Changes in Equity

for the year ended 31 December 2015

	Trust Accumulated funds R'000	Total R'000
Balance at 1 January 2014	6 168	6 168
Surplus for the year	5 478	5 478
Balance at 31 December 2014	11 646	11 646
Surplus for the year	**2 140**	**2 140**
Balance at 31 December 2015	**13 786**	**13 786**

Statement of Cash Flows

for the year ended 31 December 2015

	Note	Trust 2015 R'000	2014 R'000
Cash flows from operating activities			
Cash generated from operations	9	**3 449**	3 331
Interest received		**1**	–
Tax paid	10	**(1 798)**	(3 389)
Net cash from/(used in) operating activities		**1 652**	(58)
Net increase/(decrease) in cash and bank		**1 652**	(58)
Cash and bank at beginning of year		**289**	347
Cash and bank at end of year	3	**1 941**	289

Notes to the Annual Financial Statements

1. INVESTMENT IN SUBSIDIARY COMPANY

	Trust	
	2015	2014
	R'000	R'000
Professional Provident Society Insurance Company Limited		
Shares issued at cost	**10 000**	10 000

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

A list of the subsidiaries of the Trust is set out in Note 32 of the PPS Group Annual Financial statements.

2. RECEIVABLES

	Trust	
	2015	2014
	R'000	R'000
Value Added Tax receivable	**-**	1 310
Receivables from related party	**2 254**	676
Prepayments	**29**	26
Total receivables	**2 283**	2 012
Current	**2 283**	2 012
Fair value of other receivables held at amortised cost	**2 254**	1 986

3. CASH AND CASH EQUIVALENTS

	Trust	
	2015	2014
	R'000	R'000
Cash at bank and in hand	**1 941**	289
Total cash and cash equivalents	**1 941**	289

4. EQUITY

PERMANENT CAPITAL

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

ACCUMULATED FUNDS

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

5. PAYABLES

	Trust	
	2015	2014
	R'000	R'000
Other payables		
– accruals	**329**	421
– Value Added Tax payable	**210**	-
– sundry creditors	**25**	28
Total payables	**564**	449
Current	**564**	421

6. OTHER INCOME

	Trust	
	2015	2014
	R'000	R'000
Administration fees	**10 023**	14 038
Other income	**10 023**	14 038

7. EXPENSES

	Trust	
	2015	2014
	R'000	R'000
– Trustees Fees	**3 403**	3 138
– Professional fees	**419**	28
– Administration expenses	**2 624**	1 741
Total expenses	**6 446**	4 907

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

8. TAX

	Trust	
	2015	2014
	R'000	R'000
Current tax		
– Current year tax	**1 438**	3 653
Total tax	**1 438**	3 653
Tax on the Trust's profit before tax does not differ from the theoretical amount that would arise using the tax rate applicable to South African trusts:		
Surplus before tax	**3 578**	9 131
Tax calculated at domestic tax rates applicable to trust profits in South Africa (40%)	**1 438**	3 653
Total tax per Statement of Profit or Loss and Comprehensive Income	**1 438**	3 653

9. CASH GENERATED FROM OPERATIONS

	Trust	
	2015	2014
	R'000	R'000
Reconciliation of surplus before tax to cash generated by operations:		
Surplus before tax	**3 578**	9 131
– Investment income	**(1)**	–
– Receivables	**(271)**	(663)
– Payables	**143**	(5 137)
Cash generated from operations	**3 449**	3 331

10. TAX PAID

	Trust	
	2015	2014
	R'000	R'000
Tax payable/(receivable) at beginning of year	**234**	(30)
Current tax as per Statement of Profit or Loss and Comprehensive Income	**1 438**	3 653
Tax receivable/(payable) at end of year	**126**	(234)
Total tax paid	**1 798**	3 389

11. RELATED PARTY

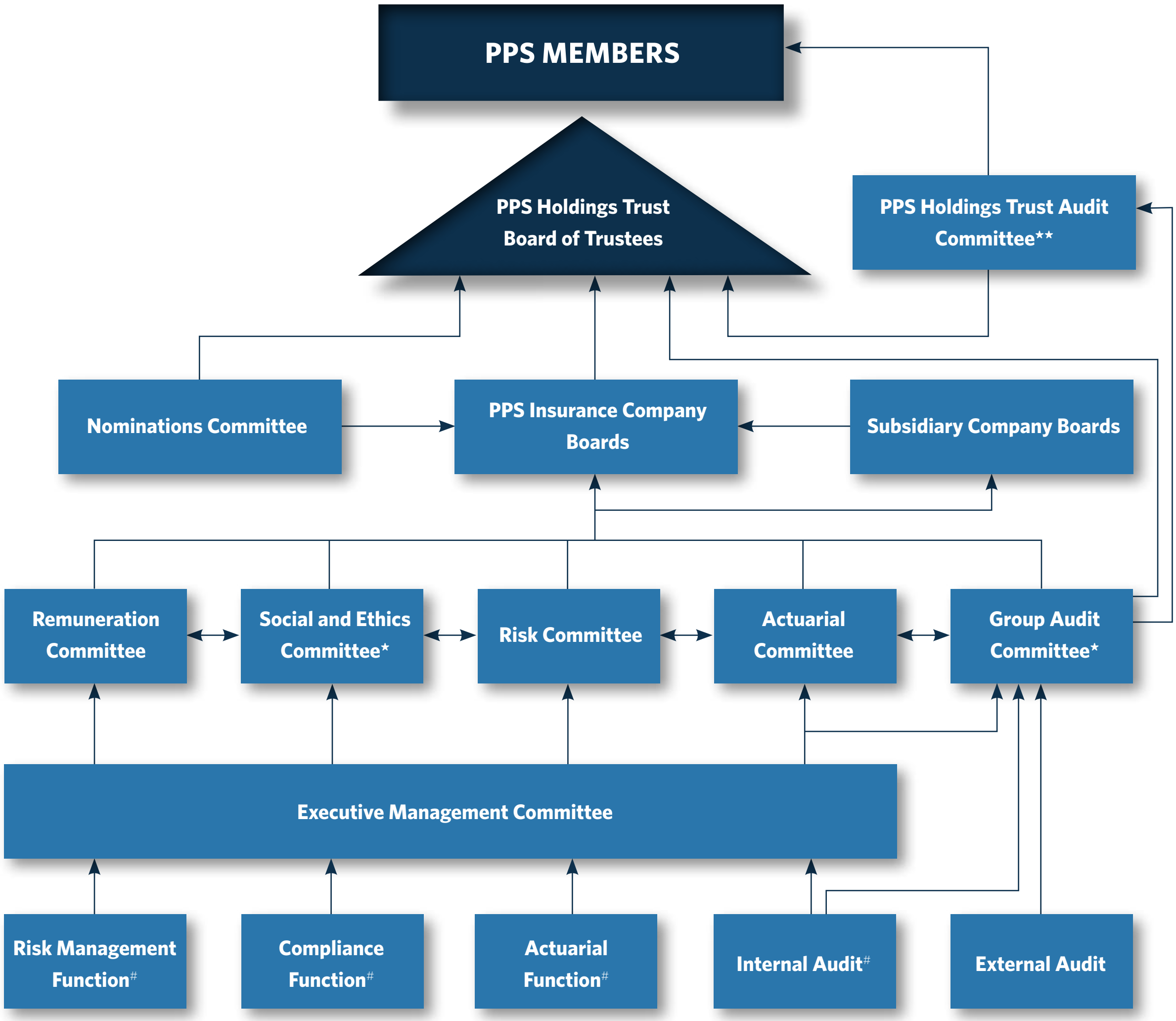
The transactions and balances with Professional Provident Society Insurance Company Limited:

	Trust	
	2015	2014
	R'000	R'000
Professional Provident Society Insurance Company Limited		
Administration fees	**10 023**	14 038
(Receivable)/Payable from Professional Provident Society Insurance Company Limited		
Balance at the beginning of the year	**(676)**	4 854
Administration fees	**(11 426)**	(16 003)
Paid by Professional Provident Society Insurance Company Limited on behalf of PPS Holdings Trust	**9 848**	10 473
Balance at the end of the year	**(2 254)**	(676)

The amount receivable from Professional Provident Society Insurance Company Limited has no written terms for repayment or ongoing interest charge.

Corporate governance report

BOARDS OF TRUSTEES AND DIRECTORS AND BOARD COMMITTEES



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

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

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

GOVERNANCE

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

The governance framework consists of three parts being:

- Boards and Board Committees – The composition, governance and structure of the PPS Holdings Trust Board of Trustees, the PPS Insurance Board of Directors, the Boards of Directors of the operating subsidiary companies, with well-defined roles and responsibilities, as well as statutory and other board committees, being the Audit, Risk, Social and Ethics, Actuarial, Remuneration and Nominations committees.
- Risk management system – The risk management system includes the following key policies:
  - Enterprise Risk Management Framework;
  - Fit and Proper Policy;
  - Remuneration Policy;
  - Asset-Liability and Investment Management Policy;
  - Reinsurance and Risk Transfer Policy;
  - Financial Risk Policy;
  - Strategic and Operational Risk Policy;
  - Insurance Fraud Risk Management Policy.
- Internal control system.

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

TRANSPARENT ORGANISATIONAL STRUCTURE

The governance framework provides an adequate, transparent organisational structure with a clear allocation and appropriate segregation of responsibilities. The roles and responsibilities of persons accountable for the management and oversight of PPS are clearly defined. The Group is governed by a unitary board of trustees, assisted by boards of directors, board committees and management committees.

An appropriate system of delegation is in place, in terms of which the direction of the operations of the PPS Group has been delegated to the PPS Insurance Board. The PPS Insurance Board has delegated some of the activities and tasks associated with its role and responsibilities to board committees, the Group Executive Committee, senior management and other employees of the PPS Group.

'FIT AND PROPER'

In terms of BN 158 of 2014 (Governance and Risk Management Framework) and BN 158 of 2015 (Fit and Proper Requirements), the following persons must at all times meet 'Fit and Proper' requirements:

- Trustees and Directors;
- Managing Executives (CEO and persons reporting directly to the CEO with decision-making powers);
- Heads of Control Functions;
- Public Officers;
- Auditors;
- Significant owners of insurance companies in the PPS Group.

The Fit and Proper Policy adopted by the PPS Group facilitates sound and prudent management of PPS by including requirements which are based on the principles of honesty and integrity, competence, qualifications, ongoing professional development and experience.

RISK MANAGEMENT SYSTEM

The risk management system comprises the totality of strategies, policies and procedures for identifying, measuring, monitoring, managing and reporting of all reasonably foreseeable current and emerging material risks and is part of the day-to-day business activities conducted at PPS. The system takes into account the probability, potential impact, and duration of risks and is adapted as the business and the external environment change. The system supports the boards of directors and trustees in meeting their responsibilities relating to the furtherance of the safe and sound operation of PPS and the protection of its members. The objectives of PPS are aligned with its environmental policies. The risk management system takes into account the alignment of sustaining and growing the business while preserving the environment.

The risk management system comprises the following components:

- A clearly defined and documented risk management strategy, which takes into account the overall business strategy and business activities;
- Documented procedures which clearly define the decision-making processes within the framework of the risk management system;
- An adequate written overall risk management policy and component policies, consistent with the risk management strategy;
- Appropriate processes, procedures and tools for identifying, measuring, monitoring, managing and reporting (including communication and escalation mechanisms) on all material risks;
- Reports to inform senior management, the Group Risk Committee and the boards of directors and trustees on all material risks faced by PPS and on the effectiveness of the risk management system itself.

- Processes for ensuring adequate contingency planning, business continuity and crisis management.

The detailed particulars of the risk management system are set out in the PPS Group Enterprise Risk Management Framework.

INTERNAL CONTROL SYSTEM

The internal control system consists of the totality of strategies, policies, procedures and controls to assist the boards of directors, trustees and managing executives in the fulfilment of their oversight and management responsibilities.

The internal control system provides the boards of directors, trustees and managing executives with reasonable assurance from a control perspective that the business is operated consistently within the following parameters:

- Business objectives of PPS;
- Strategy determined by the boards of directors and trustees. The detailed particulars of the strategic planning process are set out in the Strategic Planning and Capital Allocation Framework;
- Key business, information technology and financial policies and processes, as well as related risk management policies and procedures, determined by the boards of directors and trustees;
- Applicable laws and regulations.

The internal control system comprises the following components:

- Appropriate controls to ensure the availability and reliability of financial and non-financial information;
- Annual compliance plan;
- Appropriate segregation of duties and controls to ensure that such segregation is observed;
- Key business procedures and policies;
- Written inventory of key procedures and policies and of the controls in place in respect of such procedures and policies;
- Training in respect of relevant components of the internal control system, particularly for employees in positions of trust or responsibility, or carrying out activities that have significant risk;
- Regular monitoring of all controls to ensure that the totality of controls form a coherent system and that the internal control system functions as intended, fits within the overall governance framework and complements the risk identification, risk assessment and risk management activities;
- Regular independent testing and assessments to determine the adequacy, completeness and effectiveness of the internal control system and its usefulness to the boards of directors, trustees and managing executives for controlling the operations;
- Delegations of authority, approved by the boards of directors, and regularly reviewed by the boards of directors.

CONTROL FUNCTIONS

The following four key control functions are in place:

- Risk management;
- Actuarial;
- Compliance;
- Internal audit.

The control functions are structured to include the necessary authority, independence, resources, expertise, access to the boards and all relevant employees, as well as information to enable them to exercise their authority and perform their responsibilities. Where appropriate, the Head of Internal Audit and Actuarial Control functions may be outsourced – subject to the provisions of the Outsourcing Policy – in the light of the nature, scale and complexity of the business, risks, legal and regulatory obligations. The Actuarial Control function is performed by Deloitte in terms of an outsourced arrangement. Mr C van der Riet of Deloitte, was appointed as the Head of the Actuarial Control function in March 2015. The Internal Audit Control function is performed by KPMG in terms of an outsourced arrangement. Ms I Fourie, of KPMG, was appointed as the Head of the Internal Audit Control function in March 2015. The Compliance and Risk Management Control functions are performed in-house and may only be outsourced with the approval of the Registrar of Long-term Insurance. Mrs T Boesch, of PPS, was appointed as the Head of the Compliance and Risk Management Control functions in June 2015, with the approval of the Registrar for the dual role.

The existence of the control functions does not relieve the boards of directors and trustees or senior management from their respective governance and related responsibilities. The governance framework will continue to evolve to ensure compliance with emerging legislation and to enhance the ability of the boards of directors and trustees, managing executives and heads of control functions to manage PPS soundly and prudently. The Actuarial, Audit, Risk, Remuneration and Social and Ethics committees fulfil a key role in ensuring good corporate governance within the PPS Group. Processes are reviewed regularly to ensure compliance with legal obligations and codes of governance.

The following departments ensure good corporate governance throughout the PPS Group:

GROUP COMPANY SECRETARIAT

The PPS Group Boards, Board committees and Group Executive Committee are supported by the office of the Group Company Secretary which plays a key role in ensuring the adherence to the Group's governance policies and the maintenance of the highest level of good corporate governance. By working closely with the respective board Chairmen and the Chief Executive of the PPS Group, the Group Company Secretary ensures that the agendas for board, board committee and the Group Executive Committee meetings address the key business and governance issues and that the boards are adequately informed to enable them to make informed decisions. The Company Secretary plays a significant role in supporting the Group Nominations Committee in ensuring compliance with Fit and Proper requirements and the appropriate constitution of PPS Group boards and committees, as well as the development of appropriate policies and procedures to ensure good corporate governance.

GROUP LEGAL

All legal practitioners employed in such capacity report to the Head of Legal and Compliance and are responsible for managing legal risk that may arise during the course of the Group's activities and ensuring that these risks are appropriately mitigated across all entities. This is achieved by providing or sourcing appropriate legal advice, ensuring that legal risks are optimally negotiated, documented and monitored, and that the necessary controls are implemented.

GROUP COMPLIANCE

The boards of PPS are ultimately accountable for compliance. The primary objective of the Compliance function is to assist the boards with this responsibility. Management is committed to ensuring that the business is run with integrity, complies with all regulatory and best practice requirements and is conducted in accordance with the highest ethical standards. The appointed Compliance Officer is responsible for the effective implementation of the Compliance Monitoring Framework and for facilitating compliance throughout the business by creating awareness, independent monitoring, reporting and the provision of practical solutions or recommendations. However, the primary responsibility for complying with any regulatory requirement lies with all members of staff conducting the particular transaction or activity to which the requirement applies.

PPS has implemented a combination of a centralised and decentralised compliance function. Group Compliance is the central department, whose main role is the development of the compliance policy (the boards determine such policy) and related standards to ensure a consolidated compliance risk management process and reporting throughout the Group. The decentralised compliance function consists of business units that are responsible for implementing the Group policies, monitoring the activities of the business units and reporting the status of compliance to Group Compliance. Professional Provident Society Investments Proprietary Limited (PPSI), Professional Provident Society Healthcare Administrators Proprietary Limited (PPSHA) and Professional Provident Society Short-term Insurance Company Limited (PPS STI) have their own business unit compliance officers with oversight by Group Compliance for compliance-related matters. Group Compliance assumes direct responsibility for compliance risk management in PPS Insurance and its divisions.

The compliance function performs its activities in accordance with these five principles:

- All legislative requirements such as acts, bills, directives, practice notes, industry codes of conduct and relevant discussion documents which impose obligations on PPS, are identified and interpreted continuously;
- Compliance requirements are addressed in business processes;
- Management and staff are trained on the compliance requirements relevant to their roles;
- Compliance monitoring is conducted to provide assurance on the level of compliance;
- Compliance incidents or suspected incidents are reported and managed.

GROUP RISK MANAGEMENT

The taking of risk, in an appropriate manner, is an integral part of business. Success relies on optimising the trade-off between risk and reward, following an integrated risk management process and by considering all internal and external risk factors. In the course of conducting its business, PPS is exposed to, and needs to take on, a variety of risks. The long-term sustained growth, continued success and reputation of PPS are critically dependent on the quality of risk management. Management is committed to applying best practice and standards, including the implementation of the ISO 31000 standard on Risk Management, SAM Pillar II Risk Management requirements and King III. The PPS Group Enterprise Risk Management Framework is aligned to such standards.

PPS' risk philosophy is underpinned by its objective of member value creation, meeting member benefit expectations and achieving sustainable profitable growth, in a manner that is consistent with members' expectations of PPS' risk appetite. This means the Group must ensure that a high quality risk management culture is instilled throughout its operations, built on the following main elements:

- Adherence to the value system of PPS;
- Proactive risk management;
- A risk awareness culture via management and the business units;
- Disciplined and effective risk management processes and controls, and adherence to risk management standards and limits;

- Compliance with the relevant statutory, regulatory and supervisory requirements by way of a robust compliance risk management process;
- Regular monitoring by the Compliance Department;
- Review of control measures by Internal Audit;
- Oversight of the risk management process by the Risk Committee.

The boards ensure that PPS has implemented an effective ongoing process to identify risk, measure its potential outcome, and then implement what is necessary to proactively manage these risks. This responsibility includes setting the risk appetite and tolerance of the Group, measuring the relevant risks against it and ensuring that the necessary controls and service level agreements are in place, are effective and are adhered to at all times. Assurance of good corporate governance is achieved through the regular measurement, reporting and communication of risk management performance, which includes progress with risk management plans and improvements to risk management maturity.

Management and employees are responsible for the management of risk in accordance with the risk framework and incorporating risk management into the day-to-day operations of the Group. Management is assisted by the Risk Management Control function in performing annual risk assessments, updating these quarterly, and agreed mitigating actions are managed utilising CURA software. Risk registers are produced from CURA and reviewed monthly by the Group Executive Committee and quarterly by the Risk Committee for strategic and major operational risks. A Risk Report containing the findings and conclusions of the risk environment of the PPS Group is prepared on a quarterly basis and is reviewed by the Risk Committee and the respective boards. Other operational risk registers are continuously managed by the relevant business areas.

An opportunity assessment methodology has been implemented by PPS. The purpose of using this methodology is to identify opportunities and the material risks associated with new opportunities, in order to enhance the quality and depth of the risk management process. This methodology also enables an assessment of current strategic objectives against those derived, based on opportunities and the prioritisation of the efforts to get maximum return based on readily accessible resources.

The Risk, Audit, Actuarial, Remuneration and Social and Ethics Committees make reports and recommendations to the boards, enabling them to discharge their responsibilities in regard to risk management.

MANAGEMENT OF FRAUD AND CORRUPTION RISK AND CONFIDENTIAL REPORTING

PPS maintains a Fraud and Corruption Policy and Response Plan and a Confidential Reporting Policy to manage fraud and corruption risk in the PPS Group and to ensure that employees are able to report suspicious activities without fear of retribution. An ethics hotline, operated independently from PPS by Deloitte, provides a facility to enable employees to report suspicious activities and unethical behaviour in a safe environment. All financial crime-related suspicious transactions and reports are managed by the Fraud Committee and other unethical behaviour is managed by the Human Resources Department.

TREATING CUSTOMERS FAIRLY (TCF) – OVERVIEW OF IMPLEMENTATION PROGRESS AT PPS

PPS' values fully embrace the successful TCF outcomes and the Social and Ethics Committee regularly considers policies and issues that affect fair treatment of PPS' members. A TCF Steering Committee was established in 2012, which meets regularly to address key issues influencing the PPS progress and to establish guidelines for the wider group. This group reports progress and presents management information to the Social and Ethics and Risk Committees. The Risk Committee provides feedback to the Social and Ethics Committee on risk exposures.

Implementation at PPS can best be described as the infiltration and improvement of existing policies, principles and approach to our customers, and has been fully integrated into PPS' operations. As such, it has had negligible cost impact, but has resulted in a necessary awareness of how we should approach our day-to-day responsibilities to our customers. In short, it improved the definition of our job roles.

PRINCIPLES AND PRACTICES OF FINANCIAL MANAGEMENT

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

INFORMATION TECHNOLOGY (IT) GOVERNANCE

The PPS IT strategy is reviewed by the Group Risk Committee (RC) and progress is tracked regularly through formal published project plans. This strategy is reviewed annually and progress is highlighted for the RC along with any adjustments that may have resulted from changed business strategies or environmental developments. This strategy is also regularly reviewed to ensure its alignment with business priorities.

PPS IT applies the standards recommended by the Information Technology Infrastructure Library (ITIL). ITIL is a set of good practices for IT service management that focuses on aligning IT services with the needs of business. These standards describe procedures, tasks and checklists that are not organisation-specific and are recommended to be used for establishing a minimum level of competency. They allow the organisation to establish a baseline from which it can plan, implement and measure. They are used to demonstrate compliance and to measure improvement.

PPS performs annual ITIL maturity reviews which are presented to the RC. Additionally, KPMG IT Advisory regularly perform IT controls audits and King III governance audits. Specialist providers regularly execute external and internal security penetration tests. These reviews are intended to provide the PPS Insurance Board with independent assurance on the effectiveness and state of internal controls, as well as confidence in the ability of IT to deliver the approved strategies.

The information security objective is to develop a cost-effective strategy that is in alignment with the PPS IT and business strategic objectives. The goal is to deliver this through effective risk management where the investment in the relevant security controls is proportional to the risk exposure. The value delivery of information security will be realised through the secure enablement of new business initiatives and the standardisation from a controls perspective of the environment, thereby reducing the number of incidents related to malicious code and unauthorised end-user modification of systems.

REGULATORY DEVELOPMENTS

During the year under review, there was a significant increase in the volume of proposed legislation and amendments to existing legislation, all of which will impact on the governance and reporting of governance within the PPS Group. This has placed additional responsibilities on the boards and management to ensure adherence to, and compliance with, the new requirements.

The most important legislative changes for PPS are highlighted below:

1. 'Twin Peaks'

The 'Twin Peaks' model is a new structure to divide the financial regulatory system into two regulatory regimes. These two regimes will be headed by a Prudential Authority and a Financial Sector Conduct Authority. The FSB will regulate market conduct and the prudential regime will be regulated by the South African Reserve Bank. The objectives of this model are financial stability, consumer protection, combating of financial crimes, and transparency. These changes will be funded, amongst other things, by the levies paid by financial institutions.

The year 2015 saw the introduction into Parliament of the Financial Sector Regulation Bill, which is an overarching Bill that confirms the mandates and structures of both regulators and includes TCF principles (phase 1). Due to the busy parliamentary calendar it is expected that the Bill will only be signed into law at the end of 2016, or the beginning of 2017. After phase 1, the FSB will focus on further refinement of the powers and functions of each regulator (phase 2).

2. Draft long-term and short-term insurance regulations on demarcation between health policies and medical schemes

Following a host of comments received by National Treasury after the publication of the first Draft Demarcation Regulations, National Treasury released the Second Draft Demarcation Regulations in May 2014 for public comment. The Demarcation Regulations specify which types of health insurance policies are permissible under the Long-term Insurance Act, No 52 of 1998 (and accordingly excluded from regulation under the Medical Schemes Act ,131 of 1998) despite also meeting the definition of the business of a medical scheme. PPS submitted extensive comments to the Regulator as some of its products may be impacted by the draft regulations. During December 2014, National Treasury and the Department of Health announced a postponement in the publication of the final Demarcation Regulations until the second quarter of 2015, however, this has not been forthcoming and publication of the final regulations is still awaited.

3. Retail Distribution Review (RDR)

The FSB released a discussion paper outlining the results of its Retail Distribution Review (RDR) in 2014.

The RDR paper sets out a total of 55 specific proposals that cover:

- types of services provided by intermediaries;
- relationships between product suppliers and intermediaries;
- intermediary remuneration.

The desired outcomes of the RDR are distribution models that:

- support the delivery of suitable products and provide fair access to suitable advice for financial customers;
- enable customers to understand and compare the nature, value and cost of advice and other services intermediaries provide;
- enhance standards of professionalism in financial advice and intermediary services to build customer confidence and trust;
- enable customers and distributors to benefit from fair competition for quality advice and intermediary services, at a price more closely aligned with the nature and quality of the service;
- support sustainable business models for financial advice that enable adviser businesses to viably deliver fair customer outcomes over the long term.

RDR will have a significant impact on how product suppliers and financial service providers conduct their business. During November 2015 the FSB published a status update document dealing with the implementation of those RDR proposals (14 in total) that have been scheduled for phase 1 of the RDR implementation programme. The FSB also published an estimated timeline for the implementation of the phase 1 proposals, most of which are scheduled for mid-2016 and the first quarter of 2017. The phase 1 proposals will be subject to the normal prescribed consultation processes for the applicable regulatory and legislative instruments that will be used to implement them.

4. Financial Intelligence Centre (FIC) Amendment Bill

During April 2015, the National Treasury and the Financial Intelligence Centre (FIC) released the Draft Financial Intelligence Centre Amendment Bill for public comment. The Bill follows National Treasury's and the FIC's Consultation Paper on the Review of the Financial Intelligence Centre Act (FICA) which was released in May 2014. The Bill will amend the Financial Intelligence Centre Act and aims to enhance South Africa's ability to combat financial crimes by proposing measures to address threats to the stability of South Africa's financial system posed by money laundering and terrorist financing. The Bill also seeks to more closely align South Africa's anti-money laundering and counter terrorist financing legislation with international standards.

The Bill was introduced into Parliament during October 2015 and it is envisaged that its promulgation is imminent.

5. Insurance Bill

On 17 April 2015, the National Treasury and the FSB released the Draft Insurance Bill 2015 for public comment. The Bill has been in development for the past five years. The Bill gives effect to the Solvency Assessment and Management (SAM) framework and provides a consolidated legal framework for the prudential supervision of the insurance sector that is consistent with international standards for insurance regulation and supervision. It is envisaged that the Bill will replace those sections of the Long-term Insurance Act and the Short-term Insurance Act that relate to prudential supervision.

The objective of the Bill is to establish a legal framework for insurers and insurance groups that:

- facilitates the monitoring and preserving of the safety and soundness of insurers;
- enhances the protection of policyholders and potential policyholders;
- increases access to insurance for all South Africans;
- contributes to the stability of the financial system in general.

The Bill is yet to be tabled in Parliament.

BOARD COMPOSITION

The Group is governed by PPS Holdings Trust, which has a unitary board of trustees, 12 of whom are directly nominated and elected by the members of PPS Holdings Trust, assisted by boards of directors and committees as detailed below. The board of PPS Holdings Trust is comprised solely of independent non-executive trustees.

The wholly-owned principal operating subsidiary, PPS Insurance, has a majority of independent non-executive directors, eight of whom are nominated members of the PPS Holdings Trust Board, and includes directors with specialist skills appropriate to the insurance and investment industries. The PPS Insurance Board is accountable to the PPS Holdings Trust Board for the achievement of strategic objectives determined by the PPS Holdings Trust Board in furthering the interests of its members. These objectives pertain to:

- operational efficiency;
- investment returns;
- membership and sales growth; and
- service to PPS members.

The primary operating subsidiaries of PPS Insurance are set out in the Trustees' Report and their boards are comprised of executive and non-executive directors and trustees as appropriate.

TRUSTEES OF THE PROFESSIONAL PROVIDENT SOCIETY HOLDINGS TRUST

Trustee	Age*	Qualification	Classification	Term of Office
Mr E A Moolla (Chairman) Independent Non-executive	65	B Iuris	Elected	Appointed 11 March 2002 Ends June 2016
Dr S N E Seoka (Deputy Chairman) Independent Non-executive	60	B Pharm, PhD, FPS	Co-opted annually	Appointed 15 August 2005 Ends N/A
Adv T N Aboobaker Independent Non-executive	62	BA, LLB	Nominated annually(1)	Appointed 4 December 2006 Ends N/A
Dr N G Campbell Independent Non-executive	65	BDS	Elected	Appointed 9 March 2002 Ends June 2017
Ms D L T Dondur Independent Non-executive	49	B Acc (Hons), B Compt, CA(SA), MBA	Nominated annually(2)	Appointed 6 July 2011 Ends N/A
Mr J A B Downie Independent Non-executive	57	B Sc, MBA, CFP	Co-opted annually	Appointed 15 April 2010 Ends N/A
Dr D P du Plessis Independent Non-executive	61	B Sc (QS), MBA, DBA	Elected	Appointed 3 June 2013 Ends June 2016
Mr C Erasmus Independent Non - executive	64	B Sc, FIA, FASSA	Elected	Appointed 1 June 2015 Ends June 2018
Dr M J Grootboom Independent Non-executive	64	MB ChB, FCS (SA) ORTH, CIME (ABIME)	Elected	Appointed 1 June 2015 Ends June 2018
Mr U D Jivan Independent Non-executive	53	BA, LLB	Elected	Appointed 8 June 2009 Ends June 2018
Mr I Kotzé Independent Non-executive	59	B Pharm	Nominated annually(3)	Appointed 27 August 2001 Ends N/A
Dr C M Krüger Independent Non-executive	50	MB ChB, M Prax Med, M Pharm Med	Elected	Appointed 21 June 2004 Ends June 2018
Mr N C Nyawo Independent Non-executive	36	B Com (Hons), CA(SA), PG Dip Bus Admin, MBA	Elected	Appointed 2 June 2014 Ends June 2016
Dr J Patel Independent Non-executive	63	B Chd	Nominated Annually(4)	Appointed 8 June 2009 Ends N/A
Mr P Ranchod Independent Non-executive	60	B Compt (Hons), CA(SA), MBL, H Dip Business Data Processing	Elected	Appointed 6 June 2011 Ends June 2017

Trustee	Age*	Qualification	Classification	Term of Office
Mr V P Rimbault Independent Non-executive	52	B Sc Eng (Mech)	Nominated annually(5)	Appointed 12 September 2011 Ends N/A
Dr M W Sonderup Independent Non-executive	47	B Pharm, MB ChB, FCP (SA)	Nominated annually(6)	Appointed 29 March 2012 Ends N/A
Mr B R Topham Independent Non-executive	44	B Compt (Hons), B Proc, LLM, CA(SA)	Elected	Appointed 2 June 2014 Ends June 2016
Mr S Trikamjee Independent Non-executive	37	B Com (Hons), CA(SA)	Elected	Appointed 8 June 2009 Ends June 2018
Prof H E Wainer Independent Non-executive	54	B Acc, CA(SA), Registered Auditor	Elected	Appointed 1 June 2015 Ends June 2018
Mr D L Smollan Independent Non-executive (Retired by rotation 1 June 2015)	42	B Com, CA(SA), CFA PG Dip Organisational Leadership	Elected	Appointed 3 June 2013 Retired by rotation 1 June 2015

**As at 6 April 2016*

N/A = Not applicable

Nominated by:

1. The General Council of the Bar of South Africa.
2. The South African Institute of Chartered Accountants.
3. The Pharmaceutical Society of South Africa.
4. The South African Dental Association.
5. The Professional Engineers' Societies.
6. The South African Medical Association.

PPS INSURANCE BOARD

Director	Age*	Qualification	Appointed
Mr C Erasmus (Chairman) Independent Non-executive	64	BSc, FIA, FASSA	Appointed 19 February 2007
Prof H E Wainer (Deputy Chairman) Independent Non-executive (Appointed as Deputy Chairman on 29 June 2015)	54	B Acc, CA(SA), Registered Auditor	Appointed 30 November 2009
Dr N G Campbell Independent Non-executive	65	BDS	Appointed 21 July 2003
Ms D L T Dondur Independent Non-executive	49	B Acc (Hons), B Compt, CA(SA), MBA	Appointed 24 June 2013
Mr J A B Downie Independent Non-executive	57	B Sc, MBA, CFP	Appointed 13 June 2013
Dr C M Krüger Independent Non-executive	50	MB ChB, M Prax Med, M Pharm Med	Appointed 29 June 2015
Mr E A Moolla Independent Non-executive	65	B Iuris	Appointed 24 February 2003
Mr N G Payne Independent Non-executive	56	B Com (Hons), CA(SA), MBL	Appointed 25 June 2007
Mr P Ranchod Independent Non-executive	60	B Compt (Hons), CA(SA), MBL, H Dip Business Data Processing	Appointed 24 June 2013
Dr S N E Seoka Independent Non-executive	60	B Pharm, PhD, FPS	Appointed 26 June 2006
Mr S Trikamjee Independent Non-executive	37	B Com (Hons), CA(SA)	Appointed 29 June 2015
Mr M J Jackson (Chief Executive) (Executive)	66	BA (Hons), MA	Appointed 29 September 2003
Mrs T Boesch (Financial Director) (Executive)	41	B Com, CA(SA)	Appointed 4 May 2009
Mr C K de Klerk (Executive Director: Actuarial and Technical)	44	B Sc, Fellow of the Institute of Actuaries	Appointed 27 June 2011
Mr I Kotzé Independent Non-executive (Resigned 29 June 2015)	59	B Pharm	Appointed 9 June 2014

**As at 6 April 2016*

DIRECTORS/TRUSTEES OF SUBSIDIARIES AND AFFILIATES:

PPS Insurance Company Namibia	**PPS Healthcare Administrators**
Director	**Director**
Dr E Maritz (Chairman)	Mr M J Jackson (Chairman)
Adv N Bassingthwaighte	Mrs T Boesch
Mr C K de Klerk (Appointed 29 June 2015)	Dr N G Campbell
Mr M J Jackson	Dr H D P Hoffman (Chief Executive) (Appointed 29 September 2015)
Mr J N Marsden (Resigned 29 June 2015)	Dr C M Krüger
Dr O J Oosthuizen	Mr S J van Molendorff (Financial Director) (Appointed 29 September 2015)
Mr W A V J Vermeulen (Chief Executive)	

PPS Short-Term Insurance	PPS Investments	Plexus Properties	PPS Investment Administrators
Director	**Director**	**Director**	**Director**
Mr M J Jackson (Chairman)	Mr E A Moolla (Chairman)	Mr M J Jackson (Chairman)	Mr N J Battersby (Chairman)
Mrs T Boesch	Mr N J Battersby	Mrs T Boesch	Mr C K de Klerk
Mr C K de Klerk	Mrs T Boesch	Mr C K de Klerk	
Mr C Erasmus	Mr C K de Klerk		
Mr N Hoosen	Mr M J Jackson		
Ms F Jabaar#	Mr P J Koekemoer		
Mr A H Nortje#	Mr N G Payne (Appointed 29 September 2015)		
Mr P D V Rademeyer#	Mr A C Pillay		
Mr P Ranchod#			

#Appointed 4 February 2016

PPS Multi-Managers	PPS Management Company	PPS Personal Pension Retirement Annuity Fund
Director	**Director**	**Trustee**
Mr N J Battersby (Chairman)	Mr N J Battersby (Chairman)	Mrs R G Govender (Chairman)
Mr C K de Klerk	Mr C K de Klerk	Mr A Bosch
Mr D Crosoer	Mr S M Gerber	Mr J A B Downie
	Mr A J Woolfson	Mr H P du Toit
		Adv T J Ferreira

PPS Preservation Provident Fund	PPS Preservation Pension Fund	PPS Property Fund Trust
Trustee	**Trustee**	**Trustee**
Mrs R G Govender (Chairman)	Mrs R G Govender (Chairman)	Mr M J Jackson (Chairman)
Mr A Bosch	Mr A Bosch	Mrs T Boesch
Mr J A B Downie	Mr J A B Downie	Mr C K de Klerk
Mr H P du Toit	Mr H P du Toit	Mr V Schroeder
Adv T J Ferreira	Adv T J Ferreira	

PPS Retirement Annuity Fund	PPS Beneficiaries Trust
Trustee	**Trustee**
Mr J A B Downie (Chairman)	Mr S Trikamjee (Chairman)
Mrs R G Govender (Deputy Chairman)	Ms D L T Dondur
Ms D L T Dondur	Dr D P du Plessis
Mr H P du Toit	
Mr M D Eustace (Retired 11 June 2015)	
Mr E Huggett (Retired 11 June 2015)	
Adv T J Ferreira (Appointed 1 January 2016)	
Mr U D Jivan	
Dr S N E Seoka	
Mr B R Topham (Appointed 11 June 2015)	
Mr S Trikamjee (Appointed 11 June 2015)	

FUNCTIONING OF THE BOARDS AND BOARD COMMITTEES

The Group Executive Committee and various other management sub-committees established by the Group Executive Committee provide ongoing input and support to the boards, board committees and Group Chief Executive as and when required.

The members of the boards receive timely, accurate and relevant information to enable them to fulfil their duties. All new directors and trustees undergo a formal induction process, which includes meeting the PPS Group's senior management to discuss key aspects of the business and the governance thereof, with comprehensive documentation regarding the governance and management structures of the PPS Group. All directors and trustees are encouraged to undertake continuing professional development, training and education throughout their term of office and PPS sponsors membership of the Institute of Directors for its board members. Board members are provided on an ongoing basis with information and training relevant to the business of the PPS Group and the industries in which it operates. Board members also attend an annual training day on pertinent aspects of the business, strategy, regulation and the environment in which the PPS Group operates.

The Chairmen's key responsibilities are to provide leadership to the boards, to oversee the determination of strategy, to guide the process to ensure a balance in the composition of the boards, to ensure sufficient and open discussion of matters before the boards and to promote effective communication between executive and non-executive directors/trustees.

The Chief Executive has overall responsibility for the management of the PPS Group's business and its operations, in line with the policies and strategic objectives set and agreed by the PPS Insurance Board. The Chief Executive reports to the PPS Insurance Board on the performance of the PPS Group and any other material matters at regular Board meetings which are scheduled six times per annum. He reports on how the Group has performed against key indicators following the monthly meetings of the Executive Committee, which manages the PPS Group's business on a day-to-day basis. Key reports are reviewed at the meetings of the PPS Insurance Board when the Chief Executive highlights significant issues and other executive and non-executive directors are invited to contribute, as appropriate. The Chief Executive also reports on the performance of PPS Insurance to the PPS Holdings Trust Board against the strategic objectives determined for PPS Insurance by the PPS Holdings Trust Board.

Additional papers on issues upon which the boards are required to make decisions are submitted, as appropriate, and members of senior management regularly attend board meetings by invitation to present papers and to deal with issues raised by the boards.

GROUP COMPANY SECRETARY

The Chairmen of the Boards of PPS Holdings Trust, PPS Insurance and its subsidiaries, the board sub-committees and the Group Chief Executive are assisted by the Group Company Secretary in ensuring good corporate governance. He is responsible for the determination of the corporate calendar to ensure all required matters are addressed by the respective boards and committees, developing agendas for meetings and ensuring that board members and executives are appropriately informed to enable them to discharge their duties. The Group Company Secretary also has a significant role in supporting the Group Nominations Committee in the discharge of its duties to ensure that PPS Group boards and committees are appropriately constituted, comply with Fit and Proper requirements, have appropriate Terms of Reference and are evaluated and trained.

All trustees and directors have direct access to the services of the Group Company Secretary, who is also appointed as the Secretary to PPS Holdings Trust and as a member and secretary of the Group Executive Committee. He advises them on all corporate governance matters, on board procedures and on compliance with PPS Holdings Trust's trust deed and PPS Group companies' memoranda of incorporation.

Comprehensive agendas and papers are provided to the boards by the Group Company Secretary in advance of the meetings of the board, subsidiary boards and board committees, including circulation of committee minutes and reports to the appropriate boards. The Group Company Secretary also has responsibility for all subsidiary companies and to ensure that the minutes and statutory records of all board, subsidiary board and board committee meetings are prepared and maintained in the appropriate PPS Group records.

Members of the boards have access to independent professional advice as may be required, through the office of the Group Company Secretary, at the Group's expense, in order to discharge their responsibilities as directors and trustees.

BOARD CHARTERS AND TRUST DEED

In accordance with the principles of sound corporate governance, the Board Charters for the PPS Holdings Trust, the PPS Insurance and the subsidiary boards – modelled on the Charter principles recommended by King III and adapted to the requirements of PPS – incorporate the powers of the boards, providing a clear and concise overview of the division of responsibilities and accountability of board members, collectively and individually, to ensure a balance of power and authority. The Board Charters were comprehensively reviewed and adapted during 2015 to comply with the requirements of FSB Board Notice 158.

The trust deed of the PPS Holdings Trust incorporates key elements of the Companies Act, 2008, and its trustees have similar responsibilities and duties to those of company directors, including the statutory responsibilities imposed on directors by the Companies Act. Certain amendments to the trust deed are being proposed for approval by PPS' members at the 2016 annual general meeting, as set out in the notice of the annual general meeting, which forms part of this Integrated Report.

Each committee of the boards acts within board approved Terms of Reference and the chairman of each committee reports, where appropriate, to the board which constituted such committee at the scheduled meetings of that board. These Terms of Reference were comprehensively reviewed and adapted during 2015 to comply with the requirements of FSB Board Notice 158. Where appropriate, the minutes of the committee meetings are tabled at board meetings. The Chairmen of the PPS Holdings Trust and PPS Insurance Boards are independent non-executive trustees/directors. At PPS Insurance, the roles of Chairman and Chief Executive Officer are separated, with a clear division of responsibility to ensure distinction between their respective duties and responsibilities. The Chairmen have no executive functions. The role of all trustees and directors is to bring independent judgement and experience to the boards' decision-making process and to act in the best interests of the trust or company on whose board such trustee/director serves.

BOARD APPOINTMENTS AND SUCCESSION PLANNING

The PPS Holdings Trust Board comprises 20 trustees, all of whom are independent non-executive trustees. In terms of its trust deed, PPS members may nominate and elect 12 members to the Board of PPS Holdings Trust at its annual general meeting. A further six members of the current Board of PPS Holdings Trust are, subject to the approval of the Group Nominations Committee and in accordance with the provisions of the trust deed, nominated to serve on the PPS Holdings Trust Board by professional associations whose members are significantly represented in the PPS membership base. The PPS Holdings Trust Board has co-opted a further two members for their specific skills, as provided for in the trust deed. Board members who are not representative of a professional association or are co-opted, are appointed for specific terms and re-appointment is not automatic. In turn, the PPS Holdings Trust Board appoints the Board of PPS Insurance, which in turn, appoints the Board members of its subsidiaries. Under delegated authority of the PPS Holdings Trust Board, the Group Nominations committee, within its powers, evaluates, selects and recommends for appointment the PPS Group trustees and directors, including the Chief Executive Officer, executive directors and non-executive directors/trustees and board committee members, taking into account the regulatory requirements for the appointment of directors/trustees of long-term and short-term insurance companies and their holding entities.

The Group Nominations Committee considers non-executive trustee succession planning and makes appropriate recommendations to the PPS Holdings Trust Board. This encompasses an evaluation of the skills, knowledge and experience required to add value to the PPS Group as well as compliance with Fit and Proper requirements, for trustees standing for re-election, as well as for new candidates standing for election for the first time. All elections are made in terms of a formal and transparent procedure and are subject to approval by the members of PPS Holding Trust at the annual general meeting. The PPS Holdings Trust Board has considered and is of the view that the PPS Group boards and committees are appropriately constituted to meet statutory requirements and the PPS Group's needs.

Candidates who have been nominated for service on PPS boards are required to clearly identify any conflict or potential conflict of interest with the activities of PPS Holdings Trust, its subsidiaries and affiliates. Candidates who are financial advisors or intermediaries, or hold any office or interest, directly or indirectly, in any entity which competes in the same sphere of business as the PPS Group do not qualify for appointment to any PPS Group Board.

CHAIRMAN AND DEPUTY CHAIRMAN OF THE PPS HOLDINGS TRUST BOARD OF TRUSTEES

Mr E A Moolla has held the position of Chairman of the PPS Holdings Trust Board of Trustees since 2012. Dr S N E Seoka has held the position of Deputy Chairman of the PPS Holdings Trust Board of Trustees since 2012. In terms of PPS Insurance's Memorandum of Incorporation, the Chairman and Deputy Chairman of PPS Holdings Trust are appointed *ex officio* to the PPS Insurance Board and form part of the eight PPS Holdings Trust trustees nominated annually by the PPS Holdings Trust Board to serve on the PPS Insurance Board.

CHAIRMAN AND DEPUTY CHAIRMAN OF THE PPS INSURANCE BOARD OF DIRECTORS

Mr C Erasmus, who formerly held the position of Deputy Chairman, has held the position of Chairman of the PPS Insurance Board since 2014. Prof H E Wainer was appointed as Deputy Chairman of the Board in 2015. In terms of PPS Holdings Trust's Board Charter, the Chairman and Deputy Chairman of PPS Insurance are appointed *ex officio* to the board of PPS Holdings Trust. This stipulation is included in the proposed amendments to the trust deed which are being submitted for member approval at the 2016 annual general meeting, as set out in the notice of the annual general meeting, which forms part of this Integrated Report.

BOARD PERFORMANCE ASSESSMENT

The Group Nominations Committee has been mandated by the PPS Holdings Trust and PPS Insurance Boards to institute a formal and comprehensive Board evaluation programme for the assessment of the PPS Group's trustees and directors in accordance with regulatory requirements. In terms of this programme the boards of PPS Holdings Trust and PPS Insurance, as well as the individual trustees and directors serving on those boards, were evaluated at the commencement of 2015 with the assistance of an independent consultant in accordance with best local and international governance and board evaluation practices, including the Fit and Proper requirements stipulated by the FSB's Board Notice 158. The results of the evaluation were reported to the boards and the identified areas for improvement were incorporated into the board training programme.

RETIREMENT OF BOARD MEMBERS BY ROTATION

One-third of the 12 elected trustees of the PPS Holdings Trust, who are not representatives of a professional association or co-opted, and are appointed in terms of clause 7 of the Trust Deed, and who are in office as at the date of the annual general meeting, are subject to retirement by rotation at least every three years, but may stand for re-election at the annual general meeting, subject to the approval of the Nominations Committee. The names and abbreviated curricula vitae of the trustees who are retiring by rotation and are eligible for re-election, as well as for new nominees standing for election, at the forthcoming annual general meeting to be held on 30 May 2016, are stated in the notice of annual general meeting commencing on page 153 of this Integrated Report. The proposed amendments to the trust deed which are being submitted for member approval at the 2016 annual general meeting, as set out in the notice of the annual general meeting, include a stipulation that PPS Holdings Trust trustees who are representatives of professional associations and trustees who are co-opted to the Board are appointed for a three-year term, after which they are required to retire, but may be nominated for re-appointment by the PPS Holdings Trust Board.

INTERESTS IN CONTRACTS AND CONFLICTS OF INTEREST

Trustees and directors are required to avoid conflicts of interest, where possible, and where it cannot be avoided, to inform the respective board/s on which they serve timeously of conflicts or potential conflicts of interest that they may have in relation to particular items of business and they are obliged to recuse themselves from discussions or decisions in relation to such matters. Trustees and directors are also required to disclose their interests in, and directorships of, other companies/entities in accordance with statutory requirements and to inform the boards when any changes occur. During the year ended 31 December 2015, none of the directors/trustees had disclosed any interest in contracts or arrangements entered into by the PPS Group. The Chief Executive is required to disclose any appointments to non-PPS Group Boards. Directors and trustees are required to submit and maintain written declarations of interests, which are presented to the respective boards at each board meeting and board members are required to acknowledge in writing that they have read the written disclosures submitted.

PROFESSIONAL INDEMNITY INSURANCE

Adequate directors' and officers' liability insurance and indemnity cover has been effected by the PPS Group in respect of all its trustees, directors and officers. No claims under the relevant policy were lodged during the year under review.

MEETINGS AND ATTENDANCE

The schedules below set out the PPS Holdings Trust and PPS Insurance Board meetings held during the year and attendance thereat:

The PPS Holdings Trust	25 March 2015	8 June 2015	30 September 2015	2 December 2015
Mr E A Moolla (Chairman)	✓	✓	✓	✓
Dr S N E Seoka (Deputy Chairman)	✓	✓	✓	✓
Adv T N Aboobaker	AP	✓	✓	✓
Dr N G Campbell	✓	✓	✓	✓
Ms D L T Dondur	✓	✓	✓	✓
Mr J A B Downie	✓	✓	✓	✓
Dr D P du Plessis	✓	✓	✓	✓
Mr C Erasmus (Appointed 1 June 2015)	N/A	✓	✓	✓
Dr M J Grootboom (Appointed 1 June 2015)	N/A	✓	✓	✓
Mr U D Jivan	AP	✓	✓	✓
Mr I Kotzé	✓	✓	AP	✓
Dr C M Krüger	✓	✓	✓	✓
Mr N C Nyawo	✓	✓	✓	✓
Dr J Patel	✓	✓	✓	✓
Mr P Ranchod	✓	✓	✓	✓
Mr V P Rimbault	✓	✓	✓	✓
Mr D L Smollan (Resigned 1 June 2015)	✓	N/A	N/A	N/A
Dr M W Sonderup	✓	✓	✓	✓
Mr B R Topham	AP	✓	✓	✓
Mr S Trikamjee	✓	AP	✓	✓
Prof H E Wainer (Appointed 1 June 2015)	N/A	✓	✓	✓

AP = Apology

N/A = Not applicable

PPS Insurance Company Limited	25 Feb 2015	23 March 2015	*27 May 2015	29 June 2015	3 Aug 2015	26 Aug 2015	28 Sep 2015	30 Nov 2015
Mr C Erasmus (Chairman)	✓	✓	✓	✓	✓	✓	✓	✓
Prof H E Wainer (Deputy Chairman) (Appointed 29 June 2015)	✓	✓	✓	✓	✓	✓	✓	✓
Mrs T Boesch	✓	✓	✓	✓	✓	✓	✓	✓
Dr N G Campbell	✓	✓	N/A	✓	✓	✓	✓	✓
Mr C K de Klerk	✓	✓	✓	✓	✓	✓	✓	✓
Ms D L T Dondur	AP	✓	N/A	✓	✓	✓	✓	✓
Mr J A B Downie	✓	✓	N/A	✓	AP	✓	✓	✓
Mr M J Jackson	✓	✓	✓	✓	✓	✓	✓	✓
Mr I Kotzé (Resigned 29 June 2015)	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A
Dr C M Krüger (Appointed 29 June 2015)	N/A	N/A	N/A	AP	✓	✓	✓	✓
Mr E A Moolla	✓	✓	N/A	✓	✓	✓	✓	✓
Mr N G Payne	✓	✓	✓	✓	✓	✓	✓	AP
Mr P Ranchod	✓	✓	N/A	✓	✓	✓	✓	✓
Dr S N E Seoka	✓	✓	N/A	✓	✓	✓	✓	✓
Mr S Trikamjee (Appointed 29 June 2015)	N/A	N/A	N/A	✓	✓	✓	✓	✓

AP = Apology

N/A = Not applicable

** = Board Committee Meeting (Ad hoc)*

BOARD COMMITTEES

A number of standing board-appointed committees have been established to assist the boards in discharging their responsibilities. The Boards are satisfied that the members of the respective committees have sufficient recent and relevant experience and are appropriately qualified to enable them to carry out their respective duties and responsibilities.

The membership and principal functions of these committees are set out below.

The various committee members as well as their attendance at the relevant committee meetings are provided in this Corporate Governance Report, the Report of the Audit Committees and the Report of the Group Social and Ethics Committee.

PPS HOLDINGS TRUST STANDING BOARD COMMITTEES

The PPS Holdings Trust Board has established the following standing board committees:

- PPS Holdings Trust Audit Committee;
- Group Nominations Committee.

PPS INSURANCE STANDING BOARD COMMITTEES

The PPS Insurance Board has established the following standing board committees:

- Actuarial Committee;
- Group Audit Committee;
- Group Remuneration Committee;
- Group Risk Committee;
- Group Social and Ethics Committee.

PPS HOLDINGS TRUST AUDIT COMMITTEE (TAC) AND GROUP AUDIT COMMITTEE (GAC)

The composition, roles, responsibilities and attendance at meetings of the TAC and GAC are set out in the Audit Committees' report on pages 62 to 65 of this Integrated Report.

GROUP RISK COMMITTEE (RC)

Members

Mr N G Payne (Chairman)

Mr C Erasmus

Mr M J Jackson

The role of the RC is to assist the board in discharging its fiduciary duties regarding risk management within the PPS Enterprise Risk Management and Governance Frameworks, which includes:

i) risk policy and the implementation of risk management;

ii) risk governance structures;

iii) risk infrastructure, processes and culture;

iv) the setting of risk appetite and tolerances;

v) risk assessment, profiling, mitigation and reporting;

vi) assurance and stakeholder disclosures.

The RC comprises two independent non-executive PPS Insurance directors, who are risk management specialists, and the Chief Executive Officer. The RC is chaired by an independent non-executive director. The RC is scheduled to meet at least four times a year. The non-executive members of the RC are also members of the GAC. The internal auditors and heads of Group Compliance and Risk Management are present at each meeting, when reports are tabled outlining the progress in terms of the risk management framework, internal audit plans and an overview of the Group's risk profile. The RC is satisfied that the risk assessments, responses and interventions are effective. The RC is also responsible for the statutory compliance monitoring functions and makes reports to the GAC and Group Social and Ethics Committee on risk matters pertaining to those Committees.

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

Group Risk Committee	11 Mar 2015	27 May 2015	9 June 2015	16 Sep 2015	9 Nov 2015
Mr N G Payne (Chairman)	✓	✓	✓	✓	✓
Mr C Erasmus	✓	✓	✓	✓	✓
Mr M J Jackson	✓	✓	✓	✓	✓

ACTUARIAL COMMITTEE (AC)

Members

Mr C Erasmus (Chairman)

Mr N G Payne

Prof H E Wainer

The AC is chaired by an independent non-executive director and is comprised solely of independent non-executive directors of PPS Insurance.

The AC has an important role in ensuring the integrity of actuarial processes and the proper assessment of PPS Insurance's risk philosophy from an actuarial perspective, strategy, policies, financial and operational processes and controls, as well as assessments of major risks from an actuarial perspective. The AC's activities are focused on considering actuarial assumptions and experience, product pricing and design, valuation results and risk metrics and reporting guidelines and practices adopted by the Head of Actuarial Control and the Company Actuary as well as other actuarial matters as applicable to PPS Insurance and any of its subsidiaries operating a life licence.

The AC acts as an independent advisor to the PPS Insurance and PPS Namibia Boards and has the following primary responsibilities:

- To assist the boards in fulfilling their oversight responsibilities regarding:
  - the accuracy and integrity of the actuarial statements;
  - the compliance with actuarial, legal and regulatory requirements;
  - the performance of PPS Insurance's Actuarial function.
- To assist the PPS Insurance and PPS Namibia Boards in executing their fiduciary duties to policyholders.
- To provide a sounding board for the Head of Actuarial Control and the Company Actuary in making recommendations to the boards and to consider, for tabling at board meetings, the recommendations of the Head of Actuarial Control and the Company Actuary.

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

Actuarial Committee	23 Feb 2015	13 April 2015	27 May 2015	10 June 2015	29 June 2015	16 Sep 2015	23 Nov 2015
Mr C Erasmus (Chairman)#	✓	✓	✓	✓	✓	✓	✓
Mr N Payne	✓	✓	✓	✓	✓	✓	✓
Prof H E Wainer	✓	✓	✓	AP	✓	✓	✓

#Appointed as Chairman 29 June 2015

GROUP REMUNERATION COMMITTEE (REMCO)

Members

Mr N G Payne (Chairman) (Appointed as Chairman 29 June 2015)

Mr C Erasmus

Mr E A Moolla

Prof H E Wainer (Appointed 29 June 2015)

REMCO is chaired by an independent PPS Insurance director and comprises solely of non-executive directors of PPS Insurance. The Group Chief Executive Officer, who is the executive responsible for people management, attends the meetings by invitation. The Group Chief Executive is recused from any discussion of his own remuneration. Meetings are held at least three times a year, but additional meetings are scheduled as may be required.

The committee has an independent role, with delegated responsibility for ensuring the implementation of the Remuneration Policy, as approved by the PPS Insurance Board from time to time, and makes recommendations to the PPS Insurance Group and PPS Holdings Trust Boards in regard to non-executive remuneration for consideration and final approval. The committee does not assume the functions of management, which remain the responsibility of the executive directors, officers and other members of senior management. The role of the committee is to assist the boards to ensure that:

i) the PPS Group remunerates non-executive directors and trustees, the CEO, executives, management and staff fairly, responsibly and competitively;

ii) the disclosure of director and executive remuneration by the PPS Group is accurate and in accordance with the Companies Act and the recommendations of the Group Audit Committee;

iii) the functions prescribed by the Registrars of Long-term and Short-term Insurance are performed, which are to ensure that the remuneration takes into account and is adjusted for all types of risks and performance metrics, that remuneration is proportional to risk outcomes and that the mix of short-term and long-term incentives are aligned to risk, in order that management's performance is aligned with members' interests.

The primary responsibilities of REMCO are considering and making recommendations to the boards on matters such as remuneration and benefits, performance bonuses, executive remuneration, PPS Group directors' and trustees' remuneration and fees, the short-term incentive scheme and long-term incentive scheme and succession planning for management. REMCO considers the level of basic salary and any variable element of remuneration packages and also considers other aspects of remuneration packages and associated matters in accordance with its published terms of reference. Execution of policy is delegated to management. Remco is responsible for monitoring Employment Equity progress.

PPS operates in the highly competitive Financial Services Industry, where many skills categories are scarce. The pressure for continuous product enhancement, excellent customer service, compliance, and growth in sales and membership, mean that we have to continuously recruit and retain top quality staff.

PPS has developed into a fully-fledged multi-faceted financial services group, with long-term insurance, short-term insurance, asset management and medical scheme administration businesses. Assets exceed R30 billion, premiums and contributions exceed R5 billion and the Group employs in excess of 1 200 staff members. The knowledge and expertise required of PPS Group's board members in order to direct the business of the Group have increased concomitantly.

Our employee value proposition has to be highly competitive to ensure that PPS remains attractive to skilled and competent staff. The requirements of BEE and specifically employment equity have to be taken into account and the shortage of skilled black staff remains a major challenge.

As a non-listed entity, PPS does not have the advantage of share options to attract and retain key staff and we therefore have to be more creative with our salary packages and short- and long-term incentives to provide a compelling employment proposition.

Short-term incentives for the Group's top 25 executives and senior managers focus on operational performance based on a 'balanced scorecard' model and are funded out of operating profit. Strictly applied qualitative and quantitative performance criteria are reviewed by REMCO, based on recommendations of the CEO.

Long-term incentives are based on growth in members' composite apportionment accounts once a hurdle has been exceeded. Approximately 70 staff (out of a total complement of approximately 1 200) participate in the long-term incentive scheme. The key principle of our incentive schemes is to ensure alignment of management and member interests.

Where incentives are target based, most of the targets are related to budget achievement and, as such, are objectively monitored and measured. The targets that are more subjective are given considerable scrutiny by REMCO to ensure that the members of REMCO have satisfied themselves that they have exercised their judgement appropriately. The management team is assessed using a 'Balanced Scorecard' approach where the key drivers of the business, both financial and non-financial, are measured. The objectives in both the short- and long-term, are to align rewards with management's performance and members' interests. Special care has been taken to ensure that the taking of excessive risk is not rewarded.

REMCO has been mandated, *inter alia*, with responsibility for the determination of the remuneration of the non-executive trustees and directors of the PPS Group for recommendation to the respective Boards for approval, and ultimate approval by the respective entities' members.

This determination of remuneration is achieved through a rigorous annual review process which incorporates the following elements:

- An evaluation of the specific role and responsibilities pertaining to the board members of each PPS Group entity, including the differentiated roles of chairmen, deputy chairmen, specialists and board committees;
- An evaluation of the number of regular meetings and time required in order to discharge the responsibilities of the respective boards and board committees;
- Benchmarking of the PPS Group's non-executive trustee/director remuneration against insurers and other financial services companies of a comparable size and complexity, as well as authoritative remuneration research reports published by PwC, KPMG and similar institutions;
- An assessment of the competitiveness of the remuneration in terms of the prevailing economic climate and the ability to attract suitable expertise to the PPS Group Boards.

Non-executive directors/trustees are remunerated on the basis of annual retainers, as well as attendance fees for each meeting attended. Non-executive directors/trustees do not participate in the PPS Group's long-term or short-term incentive schemes.

After approval of the recommended non-executive trustee/director remuneration by the respective boards, the remuneration of the PPS Holdings Trust trustees for the forthcoming year is presented to its members for approval by special resolution (requiring a 75% vote in favour of such resolutions) at the annual general meeting, in advance of making payment of such remuneration to the trustees. The remuneration of the non-executive directors of PPS Group companies is similarly approved by special resolution at their respective annual general meetings.

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

Group Remuneration Committee	11 Mar 2015	13 April 2015	12 Oct 2015
Mr N G Payne (Chairman) (Appointed as Chairman on 29 June 2015)	✓	✓	✓
Mr C Erasmus	✓	✓	✓
Mr E A Moolla	✓	✓	✓
Prof H E Wainer (Appointed 29 June 2015)	N/A	N/A	✓

GROUP NOMINATIONS COMMITTEE (GNC)

The GNC is a sub-committee of the PPS Holdings Trust Board with responsibility for PPS Holdings Trust and its subsidiaries.

Members

Mr E A Moolla (Chairman)

Dr N G Campbell

Mr C Erasmus (Appointed 1 June 2015)

Dr C M Krüger

Dr S N E Seoka

The GNC is chaired by an independent trustee and comprises solely of independent non-executive trustees of the PPS Holdings Trust.

It is the responsibility of the GNC to ensure that plans are in place for appointments to the boards of PPS Holdings Trust and its subsidiaries that will maintain an appropriate balance of qualifications, skills and experience and achieve compliance with Fit and Proper requirements. The GNC leads the process for appointment and re-election of trustees and directors and makes recommendations to the boards for the appointment of PPS Group boards and committees, ensuring that there is a formal, rigorous and transparent procedure for such appointments. The PPS Holdings Trust Board is satisfied that the range and balance of expertise, experience and qualifications of the board members are appropriate for the current needs of the business, but keeps these matters under regular review.

The GNC annually considers the continued service of board members with a period of appointment in excess of nine years and is satisfied that such board members still meet the requirements for independence.

The PPS Holdings Trust Board is responsible for ensuring that an effective system for succession planning and development is in place, which covers trustees and directors, which it has delegated to the GNC. In considering an appointment, the GNC assesses and defines the characteristics, qualities, skills and experience it believes would complement the overall balance and composition of the PPS Holdings Trust Board, subsidiary boards and board sub-committees, ensuring compliance with Fit and Proper requirements. The GNC may appoint external consultants to assist it in the identification and recruitment of an individual who satisfies the GNC's criteria. Where the GNC is considering matters relating to an individual who is a member of the GNC, such individual is recused from discussion of that item.

The GNC is satisfied that each non-executive trustee and director achieves the commitment required to properly discharge their responsibilities. The directors and trustees have continued to update their skills and knowledge, both within the PPS Group and externally. The GNC has been mandated to perform, and is responsible for, the evaluation of the boards and board members, including compliance with enhanced requirements regarding independence and being Fit and Proper for serving on an insurance company board in terms of Board Notice 158.

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

Group Nominations Committee	9 Mar 2015	23 April 2015	2 June 2015	26 Aug 2015
Mr E A Moolla (Chairman)	✓	✓	✓	✓
Dr N G Campbell	✓	✓	✓	✓
Mr C Erasmus (Appointed 1 June 2015)	N/A	N/A	✓	✓
Dr C M Krüger	✓	✓	✓	✓
Dr S N E Seoka	✓	✓	✓	✓

N/A = Not applicable

GROUP SOCIAL AND ETHICS COMMITTEE (SEC)

Particulars of the composition, role and responsibilities of the SEC and attendance at meetings are set out in the SEC's report on pages 66 to 67 of this Integrated Report.

GROUP EXECUTIVE COMMITTEE (GROUP EXCO)

Members

Mr M J Jackson (Chairman) (Group Chief Executive)

Mr V E Barnard (Group Company Secretary)

Mr N J Battersby (Chief Executive: PPS Investments)

Mrs T Boesch (Executive Director: Finance)

Mr S R Clark (Executive: Life Administration and Systems)

Mr C K de Klerk (Executive Director: Actuarial and Technical and Executive: Life Broker)

Ms L Dlamini (Group Executive: Human Resources)

Mr R Govenden (Executive: Human Resources)

Dr H P D Hoffman (Chief Executive: PPS Healthcare Administrators)

Mr N Hoosen (Chief Executive: Short-term Insurance)

Mr E G Joubert (Group Executive: Marketing and Stakeholder Relations)

Mr J N Marsden (Executive: Life Advisory)

Dr D Stott (Executive: Medical Standards and Services)

Ms Z Saungweme (Executive: Digital and Social Media)

Composition and meeting procedures

Group Exco is chaired by the Group Chief Executive and has regular input from executives in Operations, the Sales Divisions, Finance, Actuarial, IT, Human Resources, Compliance, Governance, Marketing and Stakeholder Relations, the Group Company Secretary, Special Projects and the subsidiary businesses of PPS Investments, PPS Short-Term Insurance and Professional Provident Society Healthcare Administrators. Group Exco meetings are held at least monthly and additional meetings are scheduled as required. Group Exco is responsible for the implementation of day-to-day strategy and the operations of the PPS Group, within the parameters defined by the boards.

Group Exco is supported by a number of management committees throughout the PPS Group.

Administrative information

THE PROFESSIONAL PROVIDENT SOCIETY HOLDINGS TRUST AND PROFESSIONAL PROVIDENT SOCIETY INSURANCE COMPANY LIMITED

Business Address

Principal place of business	6 Anerley Road Parktown, Johannesburg, 2193
Postal address	PO Box 1089 Houghton, 2041
Web address	www.pps.co.za

PROFESSIONAL PROVIDENT SOCIETY INSURANCE COMPANY (NAMIBIA) LIMITED

Business Address

Principal place of business	18 Liliencron Street The Village Unit 20 – 21, Eros Windhoek
Postal address	PO Box 1407 Windhoek, Namibia
Web address	www.pps.com.na

HEAD OF ACTUARIAL CONTROL FUNCTION AND STATUTORY ACTUARY OF PPS INSURANCE AND PPS NAMIBIA
(in terms of the Long-term Insurance Act)
Mr C van der Riet

EXTERNAL AUDITOR
PricewaterhouseCoopers Inc.
2 Eglin Road
Sunninghill, 2157, South Africa

INTERNAL AUDITOR
KPMG Services (Pty) Limited
Wanooka Place, 1 Albany Road
Parktown, 2193, South Africa

LEGAL ADVISORS
Webber Wentzel
90 Rivonia Road
Sandton, Johannesburg, 2196, South Africa

ACTUARIAL ADVISORS
Deloitte
Deloitte Place, Building 33
The Woodlands, 20 Woodlands Drive
Woodmead, 2052, South Africa

FUND MANAGERS
Coronation Fund Managers Limited
7th Floor, MontClare Place
Corner Camp Ground and Main Road
Claremont, 7708, South Africa

Investec Asset Management (Pty) Limited
36 Hans Strijdom Avenue, Foreshore
Cape Town, 8001, South Africa

Allan Gray South Africa Proprietary Limited
1 Silo Square, V&A Waterfront
Cape Town, 8001, South Africa

PPS Multi-Managers (Pty) Limited
1st Floor, Travers House, Boundary Terraces
1 Mariendahl Lane
Newlands, 7700, South Africa

Namibia Asset Management Limited
1st Floor, KPMG House, 24 Orban Street
Klein Windhoek, Windhoek, Namibia

Action required by members in regard to the 2016 Annual General Meeting

The annual general meeting of members of The Professional Provident Society Holdings Trust ('PPS Holdings Trust') will be held at 18:00 on Monday, 30 May 2016 in the PPS Indaba Centre, 6 Anerley Road, Parktown, Johannesburg to consider and, if deemed fit, approve the ordinary and special resolutions set out in the notice convening the Annual General Meeting, which is attached to and forms part of this Integrated Report. A form of proxy, enabling members to vote on the respective resolutions proposed, has also been included in this Integrated Report.

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

It is proposed to amend the current Trust Deed of The Professional Provident Society Holdings Trust in order to improve aspects of governance and to align it more closely with the requirements of the Companies Act, 2008. Accordingly, the Notice of Annual General Meeting incorporated in this Integrated Report includes a special resolution for approval by members authorising the proposed amendment and restatement of the Trust Deed. The Second Amended and Restated Trust Deed for The Professional Provident Society Holdings Trust, together with an annexure setting out the proposed salient amendments thereto, have been made available with the Integrated Report and accompany the Notice of Annual General Meeting.

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

You may attend and vote at the annual general meeting in person or you may appoint a proxy to represent you by completing the form of proxy on page 163 of this Integrated Report and forwarding it to one of the following addresses or via facsimile or email, to be received by the Trust Secretary by no later than 18:00 on Wednesday, 25 May 2016:

Marked for the attention of the Trust Secretary

Physical address
6 Anerley Road
Parktown
Johannesburg

Postal address
PO Box 1089
Houghton
2041

Telephone
011 644 4200

Facsimile
011 644 4641

Email
Companysecretary@pps.co.za

Notice to the Members of the Annual General Meeting

THE PROFESSIONAL PROVIDENT SOCIETY HOLDINGS TRUST

(Registration number: IT312/2011)
('the Trust')

Notice is hereby given that the sixth annual general meeting ('the meeting') of the members of the Trust will be held on Monday, 30 May 2016 at 18:00, in the PPS Indaba Centre, 6 Anerley Road, Parktown, Johannesburg, for the following purposes:

1. **To adopt, by ordinary resolution, the annual financial statements for the year ended 31 December 2015, including the reports of the trustees and the auditors of the Trust.**
2. **To re-appoint, by ordinary resolution, PricewaterhouseCoopers Inc. as the auditors of the Trust.**
3. **To elect and appoint trustees, by ordinary resolutions, in place of those trustees retiring in accordance with the Trust Deed which established and governs the Trust ('Trust Deed').**

   Dr D P du Plessis, Mr E A Moolla, Mr N C Nyawo and Mr B R Topham retire by rotation at the meeting in terms of the Trust Deed and have made themselves available for re-election.

   The following trustees, being eligible for re-election and appointment, offer themselves for re-election and appointment as trustees of the Trust:

   3.1 Dr D P du Plessis
   3.2 Mr E A Moolla
   3.3 Mr N C Nyawo
   3.4 Mr B R Topham

   In addition, the following candidates have been nominated for election and appointment as trustees of the Trust in terms of the Trust Deed:

   3.5 Adv J Adams
   3.6 Dr B K Kekana
   3.7 Mr I E Patel
   3.8 Mr M Pillay

   (Abbreviated biographical details of the persons referred to above are set out on pages 155 to 162 of this Integrated Governance Report).

EXPLANATORY NOTE ON THE APPOINTMENT OF THE TRUSTEES

The board of trustees currently consists of 20 trustees, all of whom were appointed in accordance with the Trust Deed. In terms of clause 5.3.1 of the Trust Deed, a maximum of 12 of the trustees may be appointed by the members in general meeting. There are currently 12 elected trustees of whom four are required to retire by rotation. There are therefore four vacancies and there are 8 nominees for these vacant positions (including the trustees who retire by rotation and who offer themselves for re-election and appointment). In terms of the Trust Deed, if more persons have been nominated for the office of trustee than there are vacancies, and although each candidate will be voted upon by a separate resolution, the result of the voting shall be determined in accordance with the number of votes cast in favour of each resolution so that the vacancies will be filled by the four candidates receiving the highest number of favourable votes.

4. **To elect the Audit Committee of the Trust by ordinary resolution. The following trustees, who meet the requirements of paragraph 26.1 of the Trust Deed, nominated by the Group Nominations Committee, have offered themselves for election:**

   4.1 Ms D L T Dondur
   4.2 Mr E A Moolla
   4.3 Mr P Ranchod

5. **To approve, by special resolution, the following remuneration of the trustees for the period 1 July 2016 to 30 June 2017:**

   5.1 remuneration of the chairman, comprising a retainer of R371 700 and an attendance fee of R16 000 per meeting;
   5.2 remuneration of the deputy chairman, comprising a retainer of R247 800 and an attendance fee of R12 000 per meeting;
   5.3 remuneration of the co-opted members of the board of trustees, comprising a retainer of R177 300 and an attendance fee of R8 000 per meeting;
   5.4 remuneration of the remainder of the members of the board of trustees, comprising a retainer of R124 000 and an attendance fee of R8 000 per meeting;
   5.5 remuneration of the chairman of the Trust Audit Committee, being an attendance fee of R18 900 per meeting;
   5.6 remuneration of the members of the Trust Audit Committee, being an attendance fee of R9 450 per meeting;
   5.7 remuneration of the chairman of the Group Nominations Committee, being an attendance fee of R20 000 per meeting; and
   5.8 remuneration of the members of the Group Nominations Committee, being an attendance fee of R10 000 per meeting.

Notice to the Members of the Annual General Meeting (continued)

6. To pass the following special resolution approving the amendment and restatement of the deed of trust constituting the Trust ("Trust Deed"):

"RESOLVED THAT the Members of the Trust hereby, in terms of clauses 12.1.3 and 31.1.3 of the existing deed of trust constituting the Trust, being the First Amended and Restated Trust Deed ("Trust Deed"), hereby approve the amendment and restatement of the Trust Deed by the replacement thereof with the "Second Amended and Restated Trust Deed for the Professional Provident Society Holdings Trust" which accompanied the notice to Members of the meeting at which this resolution was considered, subject to the approval of the Registrar of Long-term Insurance in terms of clause 31.1.4 of the Trust Deed."

EXPLANATORY NOTE ON THE AMENDMENT AND RESTATEMENT OF THE TRUST DEED

It is proposed to amend the current Trust Deed of The Professional Provident Society Holdings Trust in order to improve aspects of governance and to align it more closely with the requirements of the Companies Act, 2008.

The Second Amended and Restated Trust Deed, together with a schedule setting out the salient amendments, accompany the Integrated Report incorporating this Notice of the Annual General Meeting.

The amendment of the Trust Deed has been approved by the Board of Trustees in terms of clause 31.1.2 of the Trust Deed and, in terms of clause 12.1.3 requires the approval of resolution number 6 by at least 75% of the votes cast by members present at the annual general meeting. The proposed amendments to the Trust Deed are also subject to the approval of the Registrar of Long-term Insurance in terms of clause 31.1.4 of the Trust Deed, subsequent to approval of the resolution by members.

VOTING

In voting or passing any resolution:

- **Associate Members** (as defined in clause 18 of the Trust Deed) do not have any votes; and
- **Ordinary Members** (as defined in clause 18 of the Trust Deed) shall have 100 (one hundred) votes each, plus 1 (one) additional vote for each completed R200.00 (two hundred Rand) standing to his/her credit in his/her Apportionment Account (as defined in the Trust Deed), as at the most recent date prior to the meeting when the Apportionment Accounts of Ordinary Members were adjusted, provided that an Ordinary Member who is at the date of the vote 3 (three) months or more in arrear with the payment of his/her premiums (payable in terms of the Master Contract (as defined in clause 1.2.25 of the Trust Deed)) shall only have 1 (one) vote at the meeting.

A member who has more than 1 (one) vote may not split votes to exercise his/her votes in voting on any particular resolution but shall exercise all his/her votes either for or against the resolution or the member may abstain from voting on it.

In regard to the election of trustees to serve on the board, it should be noted that there are four vacancies only. Accordingly, the vacancies will be filled by the four candidates receiving the highest number of favourable votes.

PROXIES

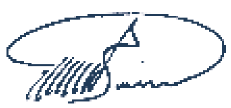
Any member who is entitled to attend and vote at the meeting may appoint a proxy (who need not be a member of the Trust) to attend, speak and on a poll to vote or abstain from voting in his/her stead.

A form of proxy is included in this Integrated Report on page 163 and is also available for downloading from www.pps.co.za. **The form of proxy is accompanied by notes indicating the requirements for its completion. Forms of proxy which do not comply with these requirements will be rejected.**

Forms of proxy must be delivered at one of the following addresses or via facsimile or email, to be received by, and marked for the attention of, the Secretary, by no later than 18:00 on Wednesday, 25 May 2016:

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

By order of the board of trustees



V E Barnard
Secretary

The Professional Provident Society Holdings Trust

6 April 2016

Abbreviated *curriculum vitae* **for nominated candidate**

DIRK PRIEUR DU PLESSIS

Date of birth

14 March 1955

Profession

Businessman

Tertiary qualifications

- Chartered Director (South Africa), Institute of Directors (Southern Africa) (2015)
- IDP (International Directors Programme), Insead Business School, France (2013)
- DBA (Doctor of Business Administration – Finance), Stellenbosch University (1984)
- MBA (*cum laude*), Stellenbosch University (1982)
- BHons (Business and Administration) (*cum laude*), Stellenbosch University (1981)
- BSc (Quantity Surveying), University of Cape Town (1979)

Positions held

- Professor extraordinaire, University of Stellenbosch Business School (since 2010)
- Honorary Consul General of Slovenia (since 2009)
- Chairman, Plexus Holdings (since 2008)
- Chief Executive Officer, Plexus Asset Management (1995 – 2008)
- General Manager: Portfolio Management, Sanlam (1984 – 1995)
- Research Assistant, University of Stellenbosch Business School (1983)
- Quantity Surveyor, Paul Maré & Partners (1979 – 1982)

Directorships and professional membership

- Non-executive Director, Distell Group (Member of the Social and Ethics Committee) (since 2015)
- Trustee, PPS Beneficiaries Trust (since 2015)
- Deputy Chairman, Institute of Directors (Southern Africa) (Chair of the Investment Committee, Member of the Nominations Committee and Audit and Risk Committee) (since 2013)
- Trustee, Professional Provident Society Holdings Trust (since 2013)
- Chairman, Combined Finance Holdings (since 2012)
- Member of the Advisory Board of the University of Stellenbosch Business School (since 2012), (Chair of the Audit and Risk Committee, Member of the Investment Committee and Trustee of Stellenbosch Trust) (since 2012)
- President of the Alumni Association of the University of Stellenbosch Business School (since 2012)
- Chairman, Grindrod Asset Management Holdings (since 2012)
- Trustee, Cape Times Bursary Fund (since 2011)

Abbreviated *curriculum vitae* **for nominated candidate**

EBRAHIM ABOOBAKER MOOLLA

Date of birth

24 November 1950

Profession

Practicing Attorney

Tertiary qualifications

- B Iuris (UDW) 1973

Positions held

- Proprietor of Ebi Moolla & Singh Attorneys
- Served as an Acting Judge of the Bloemfontein High Court (2010)
- Served as an Acting Judge of the High Court of South Africa (Venda) Division (1999)

Directorships and professional membership

- Member of the Takeover Regulation Panel (TRP)(established by the Minister of Trade and Industry in terms of the Companies Act, 2008) (current), member of the TRP's Audit Committee and Remuneration Committee (Chairman)
- Chairman of the Board of Trustees, The Professional Provident Society Holdings Trust since 2012
- Deputy Chairman of the Board of Professional Provident Society Limited (2004 – 2011)
- Member of the Board of Professional Provident Society Insurance Company Limited since 2004
- Member of PPS Group Remuneration Committee, PPS Group Nominations Committee (Chairman), PPS Group Audit Committee and PPS Holdings Trust Audit Committee
- Chairman of the Board of Professional Provident Society Investments (Pty) Ltd
- Chairman, Attorneys Fidelity Fund (AFF) (2007 – 2009), currently a member of the Board of the AFF
- Chairman, Treasury Committee of the AFF (2004 – 2012)
- Member of the Audit and Compliance Committee, Investment Committee and Remuneration Committee (Chairman) of the AFF
- Director, Attorney's Insurance Indemnity Fund (Pty) Limited (AIIF), member of the AIIF Audit Committee, Investment Committee (Chairman) and Remuneration Committee (Chairman)
- Deputy Chairman, Enforcement Committee of the Directorate of Market Abuse of the Financial Services Board (current)
- Current serving member of the Law Society of South Africa and KwaZulu-Natal Law Society and on various committees, member of the Council of the KwaZulu-Natal Law Society
- Director of the Legal Aid Board of South Africa (1994 – 2005)
- Trustee, Legal Provident Fund (2002 – 2005)
- Member, Institute of Directors (IOD)

Abbreviated *curriculum vitae* **for nominated candidate**

NJABULO CHARLES NYAWO

Date of birth

21 July 1979

Profession

Chartered Accountant

Tertiary qualifications

- Bachelor of Commerce (Accounting) (2000)
- BCom (Hons), CA(SA) (2006)
- MBA, Heriot Watt University (Edinburgh Business School) (2012)
- Postgraduate Diploma in Business Management, Heriot Watt University (Edinburgh Business School) (2011)

Positions held

- Financial Insights Lead: Rest Of Africa, Corporate and Investment Banking (current)
- Head of MIS: Corporate and Investment Banking: Global Markets rest of Africa of Standard Bank Group (2013 – 2016)
- Head: Group Regulatory Reporting, Standard Bank – Group Finance (2010 – 2013)
- Capital Analyst, Absa Group Treasury (2008 – 2010)
- Group Financial Manager, Drake and Skull (2007 – 2008)
- Accountant/Financial Manager, Rand Merchant Bank (2006 – 2007)
- Accountant, PricewaterhouseCoopers Inc (2003 – 2006)
- Accountant, Msgm Masuku Chartered Accountants (2001)

Directorships and professional membership

- Member of the Board of The Professional Provident Society Holdings Trust since 2014
- Member of the South African Institute of Chartered Accountants (SAICA)
- Bankmed: Member of the Investment Committee and Audit Committee (since June 2015)
- Member of the Audit Committee of the Office of The Chief Justice of South Africa (since April 2014)
- Member of the Members In Business (MIB) Board Sub-committee (January 2013 to March 2016)
- Member of the SAICA Initial Professional Development (IPD) Board Sub-committee (2013)
- SAICA Banking Project Group: Member (2010 – 2012)
- Member of the Institute of Directors of South Africa (IoDSA)

Abbreviated *curriculum vitae* **for nominated candidate**

BRANDON RODNEY TOPHAM

Date of birth

7 June 1971

Profession

Chartered Accountant and Attorney

Tertiary qualifications and professional memberships

- Bachelor of Accounting Sciences (1995)
- Honours in Accounting Science (1996)
- Registered Auditor (1997)
- Chartered Accountant South Africa (1997)
- Bachelor Procurationis (1998)
- Associate member of the Chartered Institute of Management Accountants (UK) (1999)
- Attorney of High Court South Africa (2000)
- Certified Fraud Examiner (USA and SA) (2001)
- Post graduate Certificate in Advanced Taxation (2002)
- Master of Laws (2005)
- Solicitor England and Wales (2010)
- **Posts and positions held**
- Practiced as a Chartered Accountant and Attorney in general practice and acted as a Company Secretary
- Auditor and advisor to many entities in various industries
- Conducted forensic investigations for many companies including the South African Police Services, the Asset Forfeiture Unit, the Financial Services Board and the South African Reserve Bank
- Appointed as Inspector of Financial Institutions by the Financial Services Board in 2006
- Served on the Municipal Public Accounts Committee for the Tshwane Metropolitan Council
- Various leadership and governance positions in non-profit organisations in South Africa
- Currently serving on the Standing Committees on Finance, Auditor General and Portfolio Committee of Trade and Industry in the National Assembly as a Member of Parliament

Directorships

- Director of Ecsponent Holdings Ltd (previously John Daniel Holdings) (2010), chairman of Audit Committee
- Chairman of Seesa (Pty) Ltd
- Director of TAG Plastics (Pty) Ltd (since 2012) and Telemasters Holdings Ltd (since 2006)
- Trustee of Princess Christian Retirement Home (2007)
- Director and trustee in various capacities for PPS Holdings Ltd, The Professional Provident Society Holdings Trust, PPS Beneficiaries Trust, PPS Retirement Annuity Fund and PPS Insurance Company Ltd (2007 to 2013 and since June 2015)

Abbreviated *curriculum vitae* **for nominated candidate**

JOAN ADAMS

Date of birth

7 October 1963

Profession

Consultant/Advocate

Tertiary qualifications

- B Iuris, LLB
- Psychology for non-degree purposes
- Admitted as an advocate of the High Court in 1987

Posts and positions held

- Justice Department (14 years) – various positions including senior public prosecutor, senior state advocate and senior family advocate
- Commissions of Inquiry (five years) – led extensive investigations and evidence on two presidentially elected Commissions of Inquiry involving tender and procurement fraud, corruption and financial irregularities
- Special interest in mediation in regard to health professions and medical matters; professional conduct hearings of various Boards/Councils and labour law at disciplinary enquiry level; professional ethics; white collar crime; good corporate governance and accountability; forensic investigations and audits
- Presides as Chairperson over various professional conduct/appeal/disciplinary hearings
- Acts as legal advisor to various Councils and Committees
- Legal representative of healthcare professionals and other clients

Directorships and professional membership

- Full member of the Institute for Certified Forensic Practitioners
- Member of the Gauteng Society of Advocates

Abbreviated *curriculum vitae* **for nominated candidate**

BONIFACE KHOTSO KEKANA

Date of birth

1 January 1960

Profession

Marketing and Communications/Corporate Affairs Executive

Tertiary qualifications

- PhD in Business Administration, Wits Business School (2015)
- Online Lecturing Certificate, Milpark Education (2015)
- MBA in Strategic General Management, Thames Valley University, United Kingdom in association with Midrand University (2001)
- Honours Degree in Journalism and Media Studies, Rhodes University (1991)
- Bachelor of Journalism and Media Studies, Rhodes University (1988)
- Graduate Diploma in advertising Management, Institute of Marketing Management (1996)

Posts and positions held

- Executive Director: Marketing, Communications and Events Management, City of Johannesburg (2006 – 2011)
- Senior Manager: Communications, Coca-Cola Southern Africa (2005 – 2006)
- Head: Public Affairs and Communication, Coca-Cola Southern Africa (2003 – 2005)
- Manager: Group Corporate Internal Communications, Eskom (1998 – 2003)
- Senior Communications Manager, Telkom (1996 – 1998)
- Senior Manager: Communications, LIW (1994 – 1995)
- Deputy Director: Public Relations and Development, Medical University of Southern Africa (1993 – 1994)
- Sub-Editor, Challenge Magazine and Senior Media Officer, ICT (1992 – 1993)
- Press and Information Officer, Southern African Catholic Bishops Conference (1989 – 1991)
- Editor of Kehilwenyane, Diocese of Kimberley (1980 – 1985)

Directorships and professional membership

- Previously, Executive Committee Member of the Jan Robbertze Youth Trust
- Previously, Board Member of the Variety Club International: South African Chapter

Abbreviated *curriculum vitae* **for nominated candidate**

IMRAN EBRAHIM PATEL

Date of birth

24 March 1976

Profession

Marketing, Strategy, Innovation and Loyalty Consultant

Tertiary qualifications

- MBA, UCT Graduate Business School (2005)
- BA (Psychology, English), University of KwaZulu-Natal (1999)

Positions held

- Managing Director: Group of Marketing, Creative, Media and Technology Agencies – Gallimaufry Group (Current, since 2014)
- Head of Innovation: AfroCentric Health (2012 – 2014)
- Managing Director: Loyalty Programmes, Integrated Marketing and Business Intelligence Consultancy – I E Business Insight and Strategic Consulting (A JV between Old Mutual and AfroCentric Health) (2010 – 2012)
- Executive Marketing Manager: Edgars Club, Credit and Financial Services, Events, Sponsorships and E-Commerce (2007 – 2010)
- Head of Marketing, Momentum (Multiply & Save Thru Spend) (2006 – 2007)
- Project Manager, Achievement Awards Group (2005 – 2006)
- Project Manager, Business Development Manager and Training and Development Consultant for various entities (1999 – 2005)

Directorships and professional membership

- Executive Member, Inter-Net (An exclusive network of integrated marketing experts and agencies)
- Member, InterDirect Network (Global network of direct and digital marketing agencies) (two years)
- Member, South African Innovation Network (one year)
- Board Member, Direct Marketing Association of South Africa (two terms)
- Board Member, I E Business Insight and Strategic Consulting (three years)
- Executive Director and Board Member, Gallimaufry, Inter-Net, 5th Dimension, Idea Pioneers, B-Cause, Direxions SA, Fundraising that Works, PowerPlay Sports Marketing (two years)
- Chairman and Board member, Killarney Wilds Body Corporate (three terms)

Abbreviated *curriculum vitae* **for nominated candidate**

MANGLIN PILLAY

Date of birth

31 March 1976

Profession

Business Executive

Civil, Environmental Engineer

Tertiary qualifications

- MBA, University of the Witwatersrand
- BSc Eng (Civil , Environmental), University of the Witwatersrand
- HDE (Education), University of KwaZulu-Natal

Positions held

- CEO, South African Institution of Civil Engineering (since 2010)
- Assistant Business Unit Manager, Bosch Stemele (Pty) Limited (2009 – 2010)
- Director and Civil, Environmental Engineer, SLR Consulting (Pty) Limited (previously Metago Engineering Services (Pty) Ltd) (2005 – 2009)
- Civil, Environmental Engineer, Bazisa Technical Waste Solutions (Pty) Limited (2004 – 2005)
- Civil, Environmental Engineer, Department of Water Affairs and Forestry, Civil Design (2003 – 2004)

Directorships and professional membership

- Registered with the Engineering Council of South Africa
- Member of the Institute of Directors
- Member of the South African Institution of Civil Engineering (SAICE)

Form of proxy

The Professional Provident Society Holdings Trust

(Registration number IT312/2011)

('the Trust')

Member's particulars:

Identity No.

Membership No.

Email address

Postal address

Cell

Member: I,

being a member of the Trust, hereby appoint:

Proxy: Identity number:

or failing him/her, the Chairman of the meeting, as my proxy to attend, speak and on a poll vote for me and on my behalf at the annual general meeting of the Trust to be held at 18:00 on Monday, 30 May 2016 in the PPS Indaba Centre, 6 Anerley Road, Parktown, Johannesburg, and at any adjournment thereof, as follows:

No.	Business		In favour of	Against	Abstain
1.	Ordinary resolution for the adoption of the annual financial statements of the Trust for the year ended 31 December 2015				
2.	Ordinary resolution for the re-appointment of the auditors of the Trust				
3.	Ordinary resolutions for the election and appointment of trustees#:				
	3.1	Dr D P du Plessis*			
	3.2	Mr E A Moolla*			
	3.3	Mr N C Nyawo*			
	3.4	Mr B R Topham*			
	3.5	Adv J Adams			
	3.6	Dr B K Kekana			
	3.7	Mr I E Patel			
	3.8	Mr M Pillay			
4.	Ordinary resolution for the appointment of the members of the Trust Audit Committee				
5.	Special resolution for the approval of trustees' remuneration for the period 1 July 2016 to 30 June 2017 as set out in the notice of the annual general meeting**				
6.	Special resolution approving the amendment and restatement of the deed of trust constituting the Trust ("the Trust Deed")**				

There are four vacancies on the Board of trustees to be filled by elected trustees. These four vacancies will be filled by the four candidates receiving the highest number of favourable votes.

* *Trustees who will retire at the meeting by rotation, in accordance with the Trust Deed and, being eligible, offer themselves for re-election.*

** *Authorisation of at least seventy-five per cent of the votes cast by members present (in person or represented by proxy) at the meeting is required.*

Signed this day of 2016

Signature

Form of proxy (continued)

NOTES TO FORM OF PROXY

Instructions and requirements for completion of the form of proxy

1. **The form of proxy must be signed, dated and returned so as to be received at the registered office of the Trust by 18:00 on Wednesday, 25 May 2016**.
2. **Forms of proxy are required to be completed and signed by the Member appointing the proxy, or by his attorney or agent duly authorised in terms of a court order, or a power of attorney which was signed by the Member. If the form of proxy is completed in terms of a power of attorney or authority, the ORIGINAL, OR A CERTIFIED COPY of such power of attorney or authority has to be lodged with the form of proxy by 18:00 on Wednesday, 25 May 2016.**
3. The signatory may insert the name of any person whom the signatory wishes to appoint as his/her proxy in the blank space provided for that purpose. If no name is inserted, the Chairman of the meeting shall be appointed as the member's proxy.
4. By completing and lodging of the form of proxy, it will not preclude the member who is appointing the proxy from attending the annual general meeting and speaking and voting in person thereat, to the exclusion of any proxy appointed in terms hereof, should such member wish to do so.
5. If the member does not indicate in the appropriate places on the face hereof how he/she wishes to vote in respect of any resolutions, his/her proxy shall be entitled to vote as he/she deems fit in respect of that resolution. In regard to the ordinary resolutions for the election of trustees, any indication of how the member wishes to vote in regard to the candidates will be deemed to be the entire vote of the member, i.e. if the member has only indicated a vote for, or against, or to abstain for one or more candidate(s), the proxy holder shall not be entitled to exercise additional votes in respect of candidates for whom no votes were indicated by the member.

RETURN OPTIONS

Either:

Deliver to:	**The Trust Secretary** **6 Anerley Road** **Parktown, 2193** **Johannesburg**
or Post to:	**The Trust Secretary** **PO Box 1089** **Houghton** **2041**
or Fax to:	**The Trust Secretary at** **011 644 4641**
or Email to:	**Companysecretary@pps.co.za**

Notes

Notes (continued)

www.pps.co.za

PPS For Professionals

@PPS_SA

PPS Insurance