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THE FEDERATED EMPLOYERS' MUTUAL ASSURANCE COMPANY (RF) (PTY) LTD.

Annual Report 2015

The Federated Employers' Mutual Assurance Company (RF) (Pty) Ltd was established as a mutual insurer in 1936 and on the introduction of the Workmen's Compensation Act 1941 was granted a licence to continue to transact workmen's compensation insurance for the building industry.

This insurance compensates employees or their dependants following an injury arising from occupational accidents and illness occasioned by industrial diseases.

Its business operations are essentially confined to the insurance of employers against their liabilities under the Compensation for Occupational Injuries and Diseases Act 1993.

Table of Contents

Contents	**Page**

Introduction

The Federated Employers' Mutual Assurance Company (RF) Proprietary Limited ("the Company") has pleasure in presenting its Annual Report for the 2015 financial year.

The report covers the performance of the Company for the period 1 January 2015 to 31 December 2015. The Company operates solely in the Republic of South Africa, however a portion of its investment income is earned from foreign investments.

Management's interpretation of materiality has been applied in determining the content and disclosure in this report.

The audited annual financial statements have been prepared according to International Financial Reporting Standards (IFRS), and the Companies Act 71 of 2008, as amended. The Company's joint external auditors, PricewaterhouseCoopers Inc. South Africa and SizweNtsalubaGobodo Inc. have expressed an unqualified opinion on the annual financial statements.

Company profile

The Company was established as a mutual short term insurer in 1936 and, on the introduction of the Workmen's Compensation Act, 1941, was granted a licence to transact workmen's compensation insurance for certain classes of businesses in the construction industry. Its business operations are confined to the insurance of employers against their liabilities under the Compensation for Occupational Injuries and Diseases Act, 1993 and extend to any employer falling within Class V of the Commissioner's industrial classifications for the construction industry.

In terms of the Memorandum of Incorporation ("MOI") of the Company, the Company operates as a mutual short term insurer and shareholding is effectively restricted to policyholders. Shareholders are not entitled to any dividends or distribution of the assets of the Company, except for their share of the nominal amount of share capital upon dissolution. The mutual structure of the Company is entrenched in unalterable provisions in the MOI of the Company, hence the "(RF)" designation in the Company's name.

Targets

The primary objective of the Company is to assure policyholders and claimants of the on-going sustainability of the Company. This includes appropriate funding of the Company's long term pension obligations in respect of disability and death benefits.

The Company prepares a rolling three-year strategy on an annual basis in order to monitor the long term financial sustainability of the Company. Two key targets of the Company are to remain conservatively capitalised in excess of statutory capital requirements and to achieve at least a break-even underwriting result each year (after making provision for annual premium rebates to be paid to qualifying policyholders and before any investment income expected to be earned by the Company). Premium rebates are uncapped and the distribution thereof among policyholders is based on their relative claims experience in order to incentivise improved health and safety practices in the workplace.

The Company recorded a net profit for the year of R190.2 million (2014: R404.4 million). The current year results are stated after making a provision for special rebates payable to policyholders of R250.0 million. The purpose of the special rebate is to make part distribution of the significant surplus held by the Company.

Report of the Chairman

for the year ended 31 December 2015

The economic downturn and its consequences have started to show in 2015, however the Company still managed to deliver good benefits to our policyholders and their injured workers, as can be seen in the accompanying annual report.

The rebates paid to those policyholders that performed well over the last 3 years will especially have come in handy, and we encourage all policyholders to keep preventing accidents from happening. It is particularly pleasing to see that the total number of man-days lost to workplace accidents has halved in 2015. The number of motor vehicle accidents, however, remains a cause for concern.

The future is not clear and policyholders are still looking forward to the infrastructure roll-out that is being planned by government. Up to now, much of it has been talk and planning, yet the construction industry has, to-date, not seen much of it in action.

The "Prompt Payment Regulations" by the Department of Public works is still awaited and will bring welcome relief for all sectors of the construction industry.

The Company, as a short term insurance provider, has to fulfil a number of requirements set by the Financial Services Board, including the proposed SAM (Solvency Assessment Management) capital regime, and so far, we are reporting ahead of the required dates and all requirements are being met.

During 2015, Mr Fernando Cardoso joined our board as a Non-Executive Director and we are already benefiting from his industry knowledge and value adding contributions.

I would like to thank the directors and staff of the Company for their dedication and hard work. We are available to deal with all queries, small and large, and policyholders are encouraged to bring problems to our attention.

NF Maas
Chairman

Report of the Chief Executive Officer

The Company recorded favourable results and continues to grow in key areas of its business.

We are pleased to report on the activities and results of The Federated Employers' Mutual Assurance Company (RF) Proprietary Limited for the year ending 31 December 2015.

The Company recorded favourable results and continues to grow in key areas of its business. The Company continues to recognise policyholders with favourable loss ratios and has paid R711.4 million in merit rebates over a five-year period. Included in the financial statements is a further R462.1 million to be paid to qualifying policyholders over a two-year period. This includes R212.1million in annual rebates and R250.0 million in special rebates to be paid to policyholders. The Company has also paid R170.6 million in medical claims and R81.8 million in monthly pensions in the current financial year.

Economic environment

Since 2007, the large listed construction companies have lost an estimated 79% of their market value amounting to an approximate R60 billion loss of shareholder wealth. Although this would give the impression of a failing construction industry, one only has to look at construction activity in all the major centres. The changing of the guard seems to be in full swing and there are a number of medium to large construction companies that have managed to increase shareholder wealth despite the construction downturn and lack of infrastructure projects.

The South African economy and the construction sector balance a fine line of dependence upon each other. Business confidence is at the lowest point since the 2008 financial crisis and despite a modest improvement in building and civil industry confidence levels, there is a somewhat negative outlook.

Government's commitment to reduce wasteful spending and debt levels is intended to assist in rebalancing the economy. Increased government infrastructure spending and faster awarding of contracts plus the removal of policy uncertainties affecting private sector investment, would also be positive factors in moving forward.

Governance

The Company recognises that sound governance will benefit and sustain its long-term performance. With the current South African environment of increased regulatory, legislative and reporting requirements in the financial services industry, the Board strives and is committed to achieve compliance with all applicable regulations.

Our governance processes continue to be enhanced. During the year, the Company continued its focus on the new solvency requirements introduced by the Financial Services Board with regards to Solvency Assessment and Management (SAM). The Company is well positioned to achieving the solvency requirements as required by the regulator.

The Board has the following committees each of which has written terms of reference set out in Board approved charters:

- Audit Committee
- Investment Committee
- Remuneration and Nominations Committee
- Risk and Compliance Committee
- Social and Ethics Committee

Board of Directors

The Company has a stable Board, which is considered to be well balanced in terms of skills and experience. Ten of the thirteen directors (77%) are non-executive directors of which four (40%) are black. In terms of the Company's MOI, one third of the directors retire by rotation each year and are eligible for re-election at the Company's annual general meeting. The independence of the directors is reviewed annually and all ten non-executive directors, including the chairman, are classified as independent in terms of King III requirements.

We are awaiting a nomination from the State Commissioner's office for a representative to be appointed on our Board. This is required in terms of the company's applicable licensing conditions.

Overall performance

Gross insurance premium income totalled R784.9 million for the year, which is an increase of R33.7 million or 4.5% over the previous year. The average wage per insured employee remained flat year on year and growth was achieved through an increased number of insured employees. New business amounted to R18.5 million compared to R13.3 million in the previous year.

Investment income totalled R707.0 million and represents an 11.5% return on average financial assets held during the year (2014: 12.1%). This is a most satisfactory performance given the investment market conditions prevailing during the current year.

Gross claims and benefits increased by R88.8 million or 16.5% to R626.6 million for the year. Claims costs and the pension valuation charge increased at levels substantially above the inflation rate.

New pensions awarded during the year were R143.2 million (2014: R98.7 million). The annual pensions increase approved by the Minister of Labour, effective 1 April 2016, is 5.0% (1 April 2015: 7.0%).

Administration expenses increased by R24.2 million in the year. This was predominately driven by the socio economic and skills development disbursements, which increased by R10.9 million in comparison to the previous year.

After making provision for rebates to policyholders of R519.7 million (2014: R330.2 million), including special rebates of R250.0 million, and taking into account investment income earned during the year, the Company recorded a bottom line profit of 190.2 million (2014: R404.4 million) for the year.

General

Information & technology

The Company's operating computer system continues to be enhanced to meet new requirements and changes in the business environment. The system is considered to be of a high standard and enables the provision of efficient services to policyholders and their employees. Many elements of the system are currently being redeveloped to keep pace with current trends in software programming.

Employment equity

The Company is committed to creating a diverse workforce through the advancement of previously disadvantaged people, women and employees with disabilities. The Company continues to make progress on its employment equity plan.

Broad based black economic empowerment ("BBBEE")

The Company also continues to make progress on its long term BBBEE strategy and has a current BBBEE rating of "AAA" (level two BBBEE contributor). This is a 125% procurement recognition level and the Company aims to maintain this rating. The Company is currently rated under the Financial Sector Charter codes ("FSC") and was granted exemption for the following elements of the FSC scorecard due to its mutual status:

- Ownership
- Empowerment Financing
- Access to Financial Services

Corporate governance

It is pleasing to report that the Company is substantially compliant with the recommendations of the King III code as detailed in the Corporate Governance Report.

Solvency margin – international basis

The international solvency margin is calculated as net assets, per the financial statements, over the net insurance premium revenue. The solvency margin has increased from 502.9% to 509.5% as reflected in the 5.1% increase in the Company's net asset value in 2015.

Occupational health, safety and rehabilitation

Financial assistance amounting to R9.9 million (2014: R9.2 million) was provided to the health and safety programmes of the various construction industry associations. Statistics reflect a steady decrease in the number of workers injured proportionate to the number insured, with the accident frequency rate steadily decreasing each year. A run-off table of accident frequencies for the past five years is presented below. The Company's claims registered cycle is normally 2½ years, and therefore 2014 and 2015 are subject to change, but compared to prior years there is a clear indication of the decrease over time.

It is also pleasing to report that the Company made a large number of health and safety awards to employers in recognition of their efforts to promote health and safety among their workers. During 2015, R225.5 million (2014: R170.8 million) was paid to policyholders in annual merit rebates.

Prospects

The Company is well positioned to face the future challenges and remains committed to the provision of an effective and efficient compensation service to all our stakeholders. To all of you, we extend our very best wishes for the time that lies ahead.

Acknowledgements

Sincere thanks to our fellow directors for their continued advice and wise counsel throughout the year. On behalf of the Board, we wish to convey our thanks to the executive team and employees of the Company for their commitment and loyalty and to our policyholders for their continued support.

	Underwriting year				
Accident frequency rate: number of accidents over total employees insured (per 100 employees):	2011	2012	2013	2014	2015
Financial year end					
2011	**2.60**	-	-	-	-
2012	2.80	**2.43**	-	-	-
2013	2.83	2.65	**2.41**	-	-
2014	2.84	2.68	2.63	**2.27**	-
2015	2.85	2.69	2.67	2.52	**2.45**

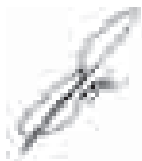
Health & safety awards

The Company continues to recognise policyholders that achieve excellence in health and safety. To receive these awards, policyholders had to meet or exceed very stringent criteria as set out by the Company. In addition to their normal merit rebate payment, award recipients also receive an additional rebate. The 2015 recipients of these prestigious awards are:

- Platinum award: Construction Maintenance Services (Pty) Ltd
- Gold award: Hidrotech Infra (Pty) Ltd
- Silver award: Shula Construction CC
- Bronze award: Voyco CC

Thanks

Ready co-operation and assistance continues to be received from the office of the Compensation Fund at all levels and we are particularly grateful to the Commissioner for this support.



TT Pugh
Chief Executive Officer
Johannesburg

25 April 2016

Corporate Governance Report

for the year ended 31 December 2015

The directors are committed to applying good corporate governance. This includes applying discipline, independence, fairness, social responsibility and transparency. In this regard, the directors endorse the codes of corporate practice and conduct recommended in the King III report.

By supporting these codes, the Company demonstrates its commitment to the highest standards of integrity and ethical conduct in dealings with all its stakeholders.

The Board of directors

At the end of the period under review, there were thirteen directors (2014: eleven) on the Board, ten (2014: eight) of whom are non-executive. The non-executive directors bring diversity, experience, insight and independent judgement on issues of strategy, performance, resources and standards of conduct. Proposed new appointments are recommended by the Remuneration and Nominations committee for approval by the Board. All such appointments are subject to shareholder approval at the next annual general meeting. The roles of Chairman and Chief Executive Officer do not vest in the same person, and the chairmen of the various Board committees are independent non-executive directors.

The Chairman and Chief Executive Officer provide leadership and guidance to the Board, encourage proper deliberation on all matters requiring the Board's attention and obtain optimum input from the other directors.

All directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are followed. All directors are entitled to seek independent professional advice about the affairs of the Company at the Company's expense should this prove to be necessary.

Executive directors have service contracts with the Company containing standard terms and normal notice periods. Non-executive directors have contracts containing their duties & responsibilities. These contracts provide for the removal of the director in inappropriate circumstances. In terms of the Company's Memorandum of Incorporation, one third of these directors retire by rotation each year and are eligible for re-election at the Company's annual general meeting, and this year they are Messrs JR Barrow, H Ngakane and CS Jiyane.

Executive and non-executive directors' emoluments are disclosed in the accompanying annual financial statements.

The board of directors meets at least three times per year and has ultimate responsibility for the Company's strategy, governance and oversight of key performance and risk areas. Specific functions are delegated to board committees which act under written terms of reference.

Front row: Dr APH Jammine, H walker, TT Pugh (Managing Director), NF Maas (Chairperson), L Willis (Secretary).
Back Row: JR Barrow, MA Letshele, GM McIntosh (Executive Director), Dr H Ngakane, PL Siphayi (retired), CS Jiyane, A Daya (Executive Director), MG Ilsley.
Not present: FGM Cardoso, K Moodley

Attendance at meetings during the year	May	Sep	Oct	Nov
Board				
Non-executive directors				
NF Maas (Chairman)	√	√	√	√
H Walker (Lead independent director)	√	√	√	√
JR Barrow	√	√	√	√
F Cardoso	√	√	√	√
MG Ilsley	√	√	√	√
APH Jammine	√	√	√	√
CS Jiyane	√	√	X	√
MA Letshele	√	√	√	√
K Moodley	√	√	X	X
H Ngakane	√	√	√	√
Executive directors				
TT Pugh	√	√	√	√
A Daya	√	√	√	√
G Mc Intosh	√	√	√	√

√ *Attended* X *Absent with apology*

Audit committee

The audit committee meets at least twice a year with management, the external auditors and internal auditors in attendance. The external auditors and internal auditors have unrestricted access to the committee and the committee has unrestricted access to the Company's management, employees, external and internal auditors and outside consultants.

The statutory report of the committee is presented on pages 19 and 20.

Attendance at meetings during the year	Apr	Sep
MG Ilsley (Chairman)	√	√
JR Barrow	√	√
H Walker	√	√
K Moodley	√	√

√ *Attended*

Remuneration and Nominations committee

The remuneration and nominations committee advises the Board on remuneration policies, packages and other terms of employment for all directors and senior executives. Its specific terms of reference also include recommendations to the Board in matters relating, inter-alia, to staff remuneration policies, incentive schemes, executive incentives, nomination of new directors, recommendation on the composition of the various sub committees and directors' fees. The committee may seek advice from independent professional advisors. The committee meets at least once a year unless otherwise required.

Attendance at meetings during the year

	Apr	Sep
H Walker (Chairman)	√	√
NF Maas	√	√
APH Jammine	√	√
CS Jiyane	√	√

√ *Attended*

Investment committee

The committee includes executive members, meets at least four times a year and acts under a delegated authority within the parameters of a board approved investment charter. The committee in turn appoints specialist investment consultants to assist in the exercise of its investment mandate from the board.

Attendance at meetings during the year

	Jan	Mar	Jun	Aug	Sept	Nov
APH Jammine (Chairman)	√	√	√	√	√	√
MG Ilsley	√	√	√	√	√	√
NF Maas	X	√	√	√	√	√
H Ngakane	√	√	√	√	√	√
H Walker	√	√	√	√	√	√

√ *Attended* X *Absent with apology*

Risk and Compliance committee

The committee includes executive members and is responsible for ensuring that the Company has implemented an effective policy and plan for the management of risk and for monitoring of actions taken in response to risks identified. The committee may seek advice from independent profesional advisors. The committee meets at least twice a year unless otherwise required.

Corporate Governance Report (continued)

Attendance at meetings during the year

	Jan	Feb	Apr	Jul	6 Oct	28 Oct
CS Jiyane (Chairman)	√	√	√	√	√	√
MG Ilsley	√	√	√	√	√	X
MA Letshele	√	√	√	√	√	√
H Walker	√	√	√	√	√	√
K Moodley	NA	√	√	√	√	√
TT Pugh	√	√	√	√	√	√
A Daya	√	√	√	√	√	√

√ Attended X Absent with apology NA Not appointed

Social and Ethics committee

The committee has an independent role and is governed by a formal charter. It assists the Board in monitoring the Company's activities in terms of legislation, regulation and codes of best practice with regards to compliance, transformation codes and interaction with policyholders and employees. The committee may seek advice from independent professional advisors. The committee meets at least twice a year unless otherwise required.

Attendance at meetings during the year

	Mar	May	Jul	Oct
H Ngakane (Chairman)	√	√	√	√
JR Barrow	√	√	√	√
F Cardoso	NA	√	√	√
MA Letshele	√	√	√	√
TT Pugh	√	√	√	X
A Ismail	√	√	√	√
A Daya	√	√	√	√

√ Attended X Absent with apology NA Not appointed

Executive committee

for the year ended 31 December 2015

Executive committee

The executive committee is appointed by the Chief Executive Officer and as such is not a sub-committee of the board.

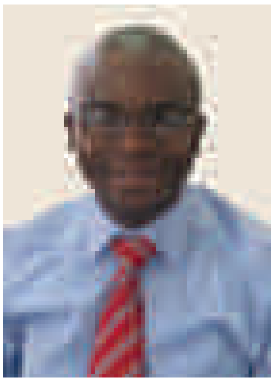
The Chief Executive Officer, Mrs TT Pugh, chairs her executive committee, which comprises executive directors and other senior executives. The committee is responsible for implementing the strategies and policies approved by the Board, managing the business affairs of the Company, prioritising the allocation of capital and technical human resources and establishing best management practices. The committee is also responsible for management appointments and monitoring their performance.

Thelma Pugh
Managing Director

Ashwin Daya
Chief Financial Officer

The present committee comprises:

TT Pugh (Chief Executive Officer), A Daya (Chief Financial Officer), A Ismail (Chief Human Resources Officer), GM McIntosh (Chief Information Officer), R van Deventer (Chief Operations Officer), RG Spreadbury (Chief Underwriting Officer), MT Chirume (Chief Risk Officer)



Malvern Chirume
Chief Risk Officer

Rob Spreadbury
Chief Underwriting Officer

Rudolph van Deventer
Chief Operations Officer

Gys McIntosh
Chief Information Officer

Ayesha Ismail
Chief Human Resources Officer

Directors Report

Statement of directors' responsibilities

The Company's board of directors is responsible for preparing this report and for the preparation and fair presentation of the accompanying annual financial statements for the year ended 31 December 2015 in accordance with International Financial Reporting Standards ("IFRS") and the South African Companies Act ("the Act"). In accordance with section 29(2) of the Act, the board is responsible for ensuring that the annual financial statements are not false, misleading or incomplete in any material respect.

The joint independent auditors are responsible for reporting on whether the accompanying annual financial statements are fairly presented in accordance with IFRS.

Internal financial controls

The board has considered and satisfied itself as to the adequacy of the Company's system of internal financial controls. This assessment is supported by the report of the audit committee.

Going concern

The annual financial statements have been prepared on the basis that the Company will continue as a going concern for a period of at least 12 months from the reporting period end. The board has reviewed the capital adequacy of the Company and the operating budget for the forthcoming year and has satisfied itself as to the appropriateness of the going concern assumption. This assessment is supported by the report of the audit committee.

General information

General information about the Company is provided in note 1 to the accompanying financial statements.

Financial review

Details of the Company's financial position at 31 December 2015 and its results and cash flows for the year then ended are provided in the accompanying annual financial statements. A brief commentary thereon is set out below.

Financial assets totalled R6.542 billion at year end increasing by R857.2 million or 15% which includes the investment of net cash generated from operating activities of R179,1 million, (2014: R134,7million). Total insurance liabilities increased by R681.9 million or 35%. The pensions liability increased from R1.220 billion in 2014 to R1.541 billion in the current period, representing a 26% increase. The Company's net asset value totalled R3.934 billion at 31 December 2015, representing a 5% growth in net assets for the year.

The Company recorded an underwriting loss for the year of R498.0 million, (2014: R226.0 million). After including investment income, the total income transferred to retained profit amounted to R190.2 million (2014: R404.4 million).

Investments strategy and returns

The Company's investment strategy is managed by the investment sub-committee of the board, acting on the advice of specialist investment consultants. An asset-liability modelling exercise is performed annually to determine the optimum percentage allocation of investments to different asset classes after taking into account the liability profile of the Company. Ranges are then specified around these strategic asset allocations to facilitate tactical asset allocation decisions during the year. The objective is to enhance the Company's investment returns for the benefit of stakeholders, while ensuring that the Company remains adequately capitalised and has adequate liquid cash resources to meet all of its short and long term obligations.

The success of this strategy is borne out by the investment returns achieved for the period. Investment income totalled R707.0 million (2014: R643.7 million), representing a 11.5% (2014: 12.1%) return on average investments held during the year.

Protection of policyholders' interests

The Memorandum of Incorporation ("MOI") of the Company includes unalterable provisions designed to protect the long-term interests of policyholders by entrenching the mutual status of the Company.

Dividends

In accordance with clause 3.1.6 of the MOI, the Company may not make any form of distribution to its shareholders in their capacity as shareholders. Accordingly, all profits or assets of the Company are to be retained or applied to and paid as policyholder payments as determined by the board in accordance with the relevant provisions of the MOI.

Prospects

Notwithstanding the challenging conditions in the construction industry, the Company has again achieved favourable results and returns for policyholders while fulfilling its man date to fund claims and benefits for injured workers and their dependents. No material changes are anticipated to be made to the Company's current strategy and operations in the forthcoming year.

Events after the reporting period

The Minister of Labour has approved an increase in the minimum level of pension in terms of section 57(1) of the Compensation for Occupational Injuries and Diseases Act, 1993 (act number 130 of 1993), with effect from 1 April 2016. This resulted in a R34.3 million increase in the pension liabilities, which has been provided for at 31 December 2015.

Approval of annual financial statements

The accompanying annual financial statements for the year ended 31 December 2015 were approved by the board on 25 April 2016 and are signed on its behalf by:

Mr NF Maas
Chairman

Mrs TT Pugh
Chief Executive Officer

Johannesburg, 25 April 2016

Certificate By Company Secretary

for the year ended 31 December 2015

I hereby confirm, in terms of the South African Companies Act ("the Act"), that for the year ended 31 December 2015, the Company has lodged with the Registrar of Companies all such returns as are required of the Company in terms of the Act and that all such returns are true, correct and up to date.

E J WILLIS
Secretary

Johannesburg
25 April 2016

Report By Audit Committee

for the year ended 31 December 2015

This report to shareholders is issued in compliance with section 94(7)(f) of the South African Companies Act and has been approved by all members of the audit committee.

The audit committee has adopted formal terms of reference that has been approved by the board. The committee has conducted its affairs in compliance with its terms of reference and has discharged its responsibilities contained therein. A copy of these terms of reference is available upon request from the company secretary.

The audit committee comprised the following independent directors who all held office throughout the reporting period under review and were in attendance at all meetings:

- MG Ilsley (Chairman)
- JR Barrow
- K Moodley
- H Walker

The chief executive officer, chief financial officer, chief information officer and representatives of internal and external audit were in attendance at all meetings. An actuarial report was presented by the outsourced actuarial service provider at the year-end audit committee meeting.

The audit committee held two meetings during the year and has held one meeting after the financial year end. At these meetings, the audit committee received and considered reports from the internal and external auditors and from management. The committee inter alia:

- reviewed and approved the external audit plan for the year ended 31 December 2015, approved the engagement terms and proposed external audit fees, satisfied itself regarding the independence of the joint independent auditors and considered the findings reported by the joint independent auditors following the conclusion of their audit;

- reviewed and approved the internal audit work plan, approved the proposed internal audit fees and considered the findings of internal audit reports, including internal audit's overall assessment of the Company's control systems;

- received summary risk management reports and considered the financial reporting consequences for the interim and annual financial statements issued by the Company;

- assessed the appropriateness of the going concern assumption underlying the preparation of the annual financial statements;

- assessed the adequacy of the Company's finance function;

- reviewed the interim report and the annual financial statements issued by the Company; and

- reported thereon to the board.

Report By Audit Committee (continued)

After consideration of all of the findings reported by internal audit covering those areas included in their annual work plan, explanations given by management and discussions with the joint external auditors on the results of their audit, the committee concluded that:

- nothing has come to its attention, which would indicate that there was a material breakdown in the Company's systems of internal financial control during the year; and
- the Company's internal financial controls form a reasonable basis for the preparation of reliable financial statements.

After consideration of a written assessment prepared by management to support the going concern assumption underlying the preparation of the annual financial statements, the committee concluded that the Company is adequately capitalised and should remain a going concern for the foreseeable future.

The audit committee has satisfied itself that the chief financial officer has appropriate expertise and experience and has satisfied itself of the appropriateness of the expertise, resources and experience of the Company's finance function.

The board has concurred with the audit committee's assessments regarding the Company's internal financial controls, going concern status and finance function.

The committee has nominated, for election at the forthcoming annual general meeting, PricewaterhouseCoopers Inc. and Sizwe Ntsaluba Gobodo Inc. as the joint independent auditors and Messrs A Taylor and D Manana as the designated joint auditors responsible for performing the functions of auditor, for the 2016 year.

The audit committee recommended approval by the board of the annual financial statements for the year ended 31 December 2015.

On behalf of the audit committee:

Mr MG Ilsley
Chairman of audit committee
Johannesburg, 25 April 2016

Independent Auditors Report

We have audited the financial statements of The Federated Employers' Mutual Assurance Company (RF) Proprietary Limited set out on pages 23 to 58, which comprise the statement of financial position as at 31 December 2015, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, 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 financial position of The Federated Employers' Mutual Assurance Company (RF) Proprietary Limited as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the financial statements for the year ended 31 December 2015, we have read the Certificate by the Company Secretary, Directors and the Report of the Audit Committee for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports, we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Report By Independent Auditors (continued)

Report on other legal and regulatory requirements

In terms of the Independent Regulatory Board of Auditors ("IRBA"), the rule published in Government Gazette Number 39475 dated 4 December 2015, we require that:

- PricewaterhouseCoopers Inc. has been the auditor of The Federated Employers Mutual Assurance Company (RF) Proprietary Limited for the past 80 years.

- SizweNtsalubaGobodo Inc. has been the auditor of The Federated Employers Mutual Assurance Company (RF) Proprietary Limited for the past 7 years.

SizweNtsalubaGobodo	PricewaterhouseCoopers Inc.
Director: N. Sigasa	Director: A. Taylor
Registered Auditor	Registered Auditor
Johannesburg	Johannesburg
28 April 2016	28 April 2016

Statement of financial position ("SOFP")

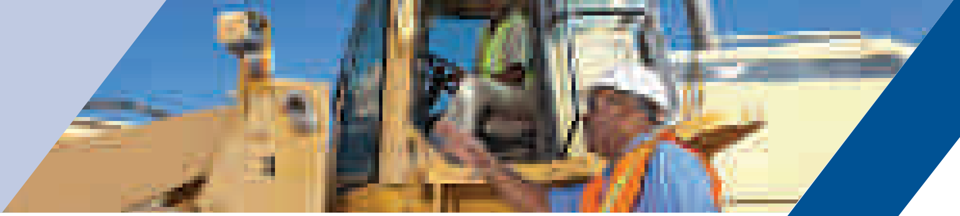
for the year ended 31 December 2015

	Note	2015 R'000	2014 R'000
ASSETS			
Furniture, equipment and motor vehicles	6.1	**5 257**	5 084
Reinsurance assets	6.2	**4 307**	3 591
Financial assets at fair value through profit or loss	6.3	**6 541 709**	5 684 488
Other financial assets measured at amortised cost			
Insurance receivables	6.4	**10 881**	14 096
Other receivables	6.5	**9 772**	9 047
Cash and cash equivalents		**58 478**	31 874
Total assets		**6 630 404**	**5 748 180**
EQUITY AND LIABILITIES			
Ordinary share capital	6.6	10	10
Retained income	SOCE	3 933 821	3 743 576
Total equity		**3 933 831**	**3 743 586**
Insurance liabilities		2 652 479	1 970 622
Pension liabilities	6.7	1 540 897	1 219 974
Unpaid claim liabilities	6.8	279 609	225 534
Unearned premium liability	6.9	119 908	107 218
Premium rebate liability	6.10	712 065	417 896
Financial liabilities measured at amortised cost			
Trade and other payables	6.11	44 094	33 972
Total liabilities		**2 696 573**	**2 004 594**
Total equity and liabilities		**6 630 404**	**5 748 180**

Statement of comprehensive income ("SOCI")

for the year ended 31 December 2015

	Note	2015 R'000	2014 R'000
Gross premium income	7.1	**784 918**	**751 259**
Premium rebates to policyholders		(519 690)	(330 152)
Annual rebates		(269 690)	(230 073)
Special rebates		(250 000)	(100 079)
Unearned premium		(12 690)	(12 720)
Gross earned premium	7.2	**252 538**	**408 387**
Insurance premium ceded to reinsurers		(12 805)	(6 879)
Net earned premium	7.3	**239 733**	**401 508**
Gross claims and benefits		**(626 582)**	**(537 753)**
Gross claims expense	6.8	(327 864)	(274 686)
Claims recoveries		28 059	19 707
Pension valuation expense	6.7	(326 777)	(282 774)
Claims recovered from reinsurers		9 904	8 150
Net claims and benefits		**(616 678)**	**(529 603)**
Underwriting loss before operating expenses		**(376 945)**	**(128 095)**
Administration expenses	7.4	(100 631)	(80 012)
Accident prevention expenses and grants		(20 457)	(17 893)
Net loss before investment income		**(498 033)**	**(226 000)**
Net investment income	7.5	**688 278**	630 418
Investment income		707 025	643 711
Investment expenses		(18 747)	(13 293)
Net profit for the year		**190 245**	**404 418**
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**190 245**	**404 418**



Statement of changes in equity ("SOCE")

for the year ended 31 December 2015

	Stated capital	Retained income	TOTAL
	R'000	R'000	R'000
Opening balance at 1 January 2014	**10**	**3 339 158**	**3 339 168**
Total comprehensive income for the 2014 year	-	404 418	404 418
Closing balance at 31 December 2014	**10**	**3 743 576**	**3 743 586**
Total comprehensive income for the 2015 year	**-**	**190 245**	**190 245**
Closing balance at 31 December 2015	**10**	**3 933 821**	**3 933 831**

Statement of cash flows ("SOCF")

for the year ended 31 December 2015

	Note	R'000	R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the year	SOCI	190 245	404 418
Adjustments for depreciation and other operating activities:		(494 859)	(466 864)
Depreciation	7.4	2 415	2 241
Impairment of insurance receivables		4 405	(5 187)
Net foreign currency gain on financial assets	7.5	(159 534)	(101 641)
Net valuation gain on financial assets measured at fair value	7.5	(341 943)	(362 258)
Net profit on disposal of furniture, equipment and motor vehicles	7.4	(202)	(19)
Net movements in operating assets and liabilities	8.1	689 270	376 928
Interest and dividend income on financial assets measured at fair value		(205 548)	(179 812)
Cash generated from operating activities		179 108	134 670
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash invested in financial assets measured at fair value	8.2	(355 667)	(295 197)
Interest and dividend income on financial assets measured at fair value		205 548	179 812
Purchases of furniture, equipment and motor vehicles		(2 694)	(2 573)
Proceeds on disposals of furniture, equipment and motor vehicles		309	19
Cash applied to investing activities		(152 504)	(117 939)
Net increase in cash for the year		26 604	16 731
Cash and cash equivalents at beginning of year		31 874	15 143
Cash and cash equivalents at year end		58 478	31 874

Notes To The Financial Statements

for the year ended 31 December 2015

1. General information about the Company

The Company is a short term insurer registered in terms of the South African Short Term Insurance Act No. 53 of 1998. More specifically, the Company operates as a mutual association licensed under the South African Compensation for Occupational Injuries and Diseases Act No. 130 of 1993 to carry on the business of insurance of certain classes of employers within the construction industry against their liabilities to employees in terms of this Act.

Owing to the mutual shareholding structure of the Company, it is classified as a private company under the South African Companies Act. However, the provisions of the Company's Memorandum of Incorporation make it subject to the same extended accountability provisions as are applicable to a public company.

2. Application of new and revised IFRSs

The only new or revised IFRS applicable for the current financial year is an amendment to IAS19 'Employee benefits', regarding defined benefit plans. This had no impact on the Company as it does not operate a defined benefit plan.

3. New and revised IFRSs not yet effective

The Company has not applied the following other new and revised IFRSs that have been issued but are not yet effective.

- Amendments to IAS 1,'Presentation of financial statements' disclosure initiative, effective 1 January 2016.
- Amendment to IAS 7 – Cash flow statements, effective 1 January 2017
- IFRS 9 – Financial Instruments (2009 &2010), Amendment to IFRS 9 -'Financial instruments', on general hedge accounting, effective 1 January 2018
- IFRS 16 – Leases, effective 1 January 2019.

The following new and revised IFRSs not yet effective are not considered applicable to the operations of the Company.

- Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28,'Investments in associates and joint ventures', effective 1 January 2016.
- Amendment to IFRS 11, 'Joint arrangements' on acquisition of an interest in a joint operation, effective 1 January 2016.
- IFRS 14 – Regulatory deferral accounts, effective 1 January 2016.
- Amendment to IAS 16, 'Property, plant and equipment' and IAS 38,'Intangible assets', on depreciation and amortisation, effective 1 January 2016.
- Amendments to IAS 27, 'Separate financial statements' on equity accounting, effective 1 January 2016.
- Amendment to IAS 12 – Income taxes, effective 1 January 2017.
- effective 1 January 2018.

4. Significant accounting policies

4.1 Statement of compliance

The financial statements have been prepared in accordance with IFRS.

4.2 Basis of preparation

The Company's financial statements have been prepared on the historical cost basis except for financial instruments that are subsequently measured at fair value or amortized cost as explained in the accounting policy note below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is defined in note 14, which also provides information on the application of the fair value measurement hierarchy to the Company.

4.3 Financial instruments

Insurance assets and liabilities, other than insurance receivables and payables, are not accounted for as financial instruments and are subject to separate, specific accounting policy notes.

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instruments. Receivables and payables are recognised when due.

Classification

All financial assets, other than cash and receivables, are classified as financial assets at fair value through profit or loss and are subsequently measured at fair value. This includes debt instruments irrevocably designated as measured at fair value at initial recognition.

Cash and receivables are classified as loans and receivables and are subsequently measured at amortised cost. Short-term receivables are measured without discounting.

The Company is prohibited under its Memorandum of Incorporation from issuing any debt instruments. Consequently, financial liabilities are limited to payables and derivative financial liabilities.

Payables are classified as other financial liabilities and are subsequently measured at amortised cost. Short-term payables are measured without discounting.

The Company enters into a variety of derivative financial instruments to manage the exposure of its investments to equity, interest rate and foreign exchange rate risks, including foreign exchange forward contracts, interest rate swaps and cross currency swaps. Derivative assets and liabilities are classified as financial assets or liabilities at fair value through profit or loss and are subsequently measured at fair value.

Initial measurement

At initial recognition, financial assets and financial liabilities are measured at fair value plus or minus, in the case of a financial asset or financial liability classified as loans and receivables or other financial liabilities subsequently measured at amortised cost, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. The transaction price is assumed to reasonably approximate this initial measurement value unless there is clear evidence to the contrary.

Subsequent measurement

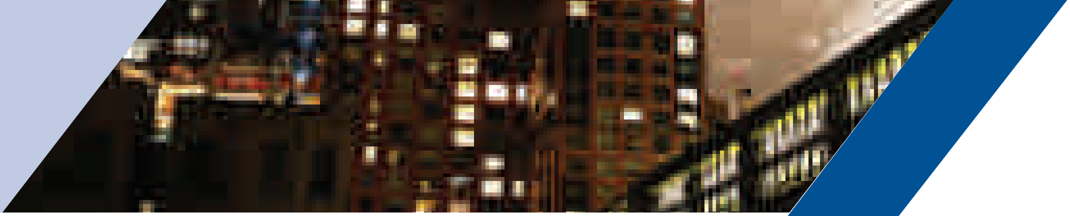
Gains or losses arising on the subsequent re-measurement of financial assets and financial liabilities measured at fair value are recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on financial assets and is included in the "Net valuation gain/(loss) on financial assets measured at fair value" item within investment income in the statement of profit or loss and other comprehensive income.

Interest income arising on the subsequent re-measurement of financial assets and financial liabilities measured at amortised cost is recognised through profit or loss over time by applying the effective interest method, except for short-term receivables and payables when the effect of discounting is immaterial.

Financial assets measured at amortised cost are assessed for indicators of impairment at the end of each reporting period and are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows to be derived from the asset have been affected.

Offsetting

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



4.4 Equity instruments

Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs, and are subject to specific restrictive conditions stipulated in the Company's Memorandum of Incorporation. These restrictive conditions are designed to entrench the mutual shareholding structure of the Company and protect the long-term interests of policyholders. Inter alia, the Company may not change the terms of the existing ordinary shares in issue (other than to convert the par value shares to shares of no par value) and may only issue new shares if such shares are of the same class and have the same preferences, rights, limitations and other terms as the existing ordinary shares in issue.

4.5 Insurance contracts issued

Insurance assets and insurance liabilities are recognised when the Company becomes party to the contractual provisions of insurance contracts issued to policyholders.

Classification

The Company issues statutory insurance contracts under the South African Compensation for Occupational Injury and Diseases Act ("the COID Act") to certain classes of employers within the construction industry against their liabilities to employees in terms of the COID Act. These contracts, which transfer significant insurance risk, provide various forms of compensation to the employees of policyholders in the event of injury on duty or occupational disease. Details of the various forms of compensation are provided in note 12.

The benefits and obligations arising from insurance contracts issued by the Company consist of premiums due and receivable from policyholders, compensation due and payable to claimants and longer-term expected payables in respect of: unpaid or incurred but not reported claims; pension claims; and premium rebates.

Premium receivables are classified as financial assets subsequently measured at amortised cost. Short-term receivables are measured without discounting.

Longer-term expected payables are classified as insurance liabilities and are measured in accordance with IFRS 4, "Insurance Contracts" as explained below.

Discretionary participation features

The insurance contracts issued by the Company when read in conjunction with the Company's Memorandum of Incorporation ("MOI") provide for a discretionary participation feature, which entitles the policyholder to receive merit rebates of premiums (referred to as "premium rebates"):

- that are likely to be a significant portion of the total contractual benefits;
- whose amount and timing is to be determined at the sole and absolute discretion of the board of directors of the Company in accordance with the provisions of the MOI.

Relevant details of this discretionary participation feature and critical judgments to be made by the directors to determine the related liability for premium rebates to policyholders at each financial period end are provided in note 5.1.

Recognition and measurement

Premiums are recognised as revenue (earned premiums) proportionally over the annual period of coverage ending in February each year. The portion of premium received that relates to unexpired risks at the balance sheet date is calculated on the 1/365ths basis and reported as the unearned premium liability. Premiums are not subject to any commissions, taxes or duties.

Premiums are raised based on the rates applicable to the projected wage returns submitted by employers at the commencement of each underwriting year (declared wage returns) and are adjusted when actual wages are reported by the employer at the conclusion of the underwriting year (actual wage returns).

Claims and directly related expenses are charged to profit or loss as incurred based on the estimated liability for compensation owed to injured workers, surviving spouses and minor children. These include all direct claims settlement costs that arise from events that have occurred up to the end of the reporting period even if they have not yet been reported to the Company. The Company makes provision for indirect claims costs which are included in the outstanding claims liability.

The Company does not discount its liabilities for unpaid claims other than for pension liabilities as explained below. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Company (based on: medical assessments, current medical treatment costs, recent experience on settlements of similar cases and the applicable statutory compensation amounts) and statistical analyses of historical experience for incurred but not reported claims (including analysis of average claims costs and the amount of claims).

Pension liabilities are determined as the sum of the discounted present value of the expected future pension payments and directly related future administration expenses. This determination is based on assumptions as to future pension increases, mortality, morbidity, pension administration expenses and investment returns. The discount rate is determined by reference to investment yields, specifically yields on South African government bonds which approximate the weighted average duration of the pensioner portfolio. A margin for adverse deviations is included in the assumptions.

Liability adequacy test

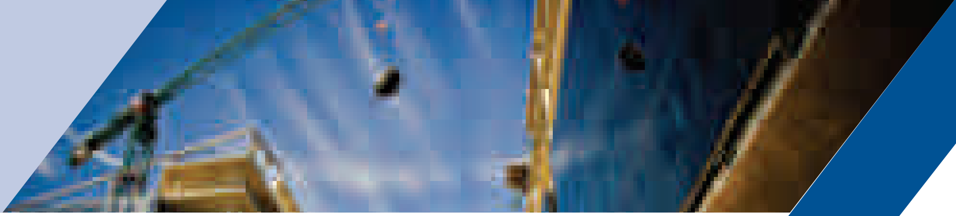
At the end of each reporting period, the Company considers the need for liability adequacy tests to be performed to assess the adequacy of insurance liabilities in respect of the current portfolio of unexpired risks. There was no need to perform liability adequacy tests at the end of the current or previous financial year owing to the favourable gross claims ratios (before premium rebates) recorded by the Company in the respective financial years.

4.6 Reinsurance contracts held

The Company enters into reinsurance contracts with reinsurers under which the Company is compensated for large individual or cumulative losses on insurance contracts issued by the Company. These contracts transfer significant insurance risk to the reinsurer and, accordingly, are classified as reinsurance contracts held.

The benefits to which the Company is entitled under its reinsurance contracts consist of current receivables due from reinsurers (in respect of the reinsurers' share of settled claims and any profit commissions receivable by the Company) and longer term expected receivables from reinsurers not yet due for payment to the Company (in respect of the reinsurers' expected share of unpaid and incurred but not reported claims). Receivables are classified as subsequently measured at amortised cost, whereas expected receivables are classified as reinsurance assets and measured consistently with the related insurance liabilities in accordance with the terms of each reinsurance contract.

Premiums payable for reinsurance contracts are recognised when due and are subsequently classified as financial liabilities measured at amortised cost. Short-term payables are measured without discounting.



The aggregate amounts receivable and expected to be receivable from individual reinsurers are assessed for recoverability on an annual basis. If there is objective evidence that the aggregate amount recoverable is impaired, the Company reduces the carrying amount thereof to its recoverable amount and recognises that impairment loss through profit or loss. The Company gathers the objective evidence that a balance is impaired using the same process adopted for financial assets held at amortised cost.

4.7 Furniture, leasehold improvements, equipment and motor vehicles

Furniture, leasehold improvements, equipment and motor vehicles are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets are derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised through profit or loss.

Depreciation is calculated using the straight-line method to reduce the cost of assets to their residual values over their estimated useful lives as follows:

- Furniture & fittings 5 – 10 years
- Leasehold improvements 3 years
- Motor vehicles 4 – 5 years
- Computer equipment 3 years

4.8 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event; it is probable that the Company will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

4.9 Operating lease expenses

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. In the event that lease incentives are received to enter into operating leases, the aggregate benefit of such incentives is recognised as a liability and is applied as a reduction of rental expense on a straight-line basis over the lease term.

4.10 Retirement benefit expenses

The retirement benefit fund, Sanlam Umbrella Provident Fund is a defined contribution fund administered by Sanlam Employee Benefits Administration Services and is governed by the South African Pension Fund Act of 1956. The fund covers all qualifying employees.

Payments to the fund are recognised as an expense when employees have rendered service entitling them to the contributions.

4.11 Income tax

The Company is exempt from income tax in accordance with section 10(1)(t)(xvi)(cc) of the South African Income Tax Act.

4.12 Foreign currencies

Transactions in currencies other than Rands (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

4.13 Segment reporting

The Company offers a single statutory insurance product and is managed within a single geographical segment, namely South Africa. Consequently, there are no distinguishable operating segments and no segment reporting is provided in the financial statements.

5. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 4, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

5.1 Critical judgments in applying accounting policies

The following is the critical judgment, apart from judgments involving estimations (see note 5.2 below), that the directors have made in the process of applying the Company's accounting policies and that has the most significant effect on the amounts recognised in the financial statements:

Ultimate liability for premium rebates to policyholders.

The insurance contracts issued by the Company when read in conjunction with the Company's Memorandum of Incorporation ("MOI") provide for a discretionary participation feature, which entitles the policyholder to receive premium rebates:

- that are likely to be a significant portion of the total contractual benefits;
- whose amount and timing is to be determined at the sole and absolute discretion of the board of directors of the Company in accordance with the provisions of the MOI.

The Company's MOI provides that the board shall in its sole and absolute discretion determine the specific measurement criteria and period of measurement to be applied to determine the requirements for policyholders to participate in premium rebates (including, without limitation, the quantum and timing thereof) and the basis of allocation of the aggregate quantum of premium rebates among and between the participating policyholders. Such determination shall be made by the board on each occasion that premium rebates are to be paid and may vary from time to time.

The MOI further provides that, in exercising its discretion, the board shall consider the relative contributions of policyholders to the underwriting profits of the company, as determined by the premium income and claims expenses recorded in the Company's accounts during the period of measurement determined by the board, and the need to incentivise improved health and safety practices.

The decisions of the board regarding premium rebate payments are final and binding on each policyholder.

The board currently targets to pay approximately 30% (2014: approximately 30%) of premium income as annual premium rebates to qualifying policyholders. This amount totals R225.3 million to be paid in 2016 and R236.8 million to be paid in 2017 and is recognised as a premium rebate expense through profit or loss.

Premium rebates are generally paid in the last quarter of the year following the completion of the relevant underwriting year ending in February. The aggregate carrying amount of the premium rebate liability at 31 December 2015 in respect of the current and previous underwriting years is R712.1 million (2014: R418.0 million). This includes provision for a special rebate to be paid in 2016 of R250.0 million. Dependent upon the Company's future operating results and external developments impacting on the Company during the intervening periods, the ultimate amounts paid in respect of the current and previous underwriting years may differ from the carrying amount of the premium rebate liability at 31 December 2015.

5.2 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Ultimate liability for claims made under insurance contracts

The estimation of the ultimate liabilities arising from claims made under insurance contracts is the Company's most critical source of estimation uncertainty. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims (net of any reinsurance recoveries):

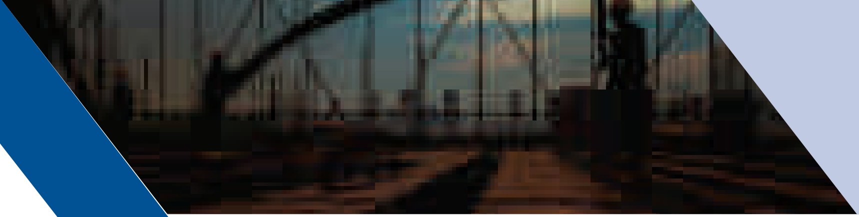
- Liabilities for unpaid claims are based on best estimates for individual cases reported to the Company (based on: medical assessments, current medical treatment costs, recent experience on settlements of similar cases and the applicable statutory compensation amounts) and statistical analysis of historical experience for incurred but not reported claims (including analysis of average claims costs and the amount of claims). The ultimate cost of unpaid claims may differ from the aggregate liability recorded at 31 December 2015 of R279.6 million (2014: R225.5 million).

- Pension liabilities are determined as the sum of the discounted present value of the expected future pension payments and directly related future administration expenses. This determination is based on assumptions as to: future pension increases; morbidity (in respect of the period of temporary disability payments); longevity (in respect of the period of monthly pension payments); and the discount rate applied. A margin for adverse deviations is included in the assumptions. The ultimate cost of settling current pension obligations may differ from the aggregate liability recorded at 31 December 2015 of R1.541 billion (2014: R1.220 billion).

Ultimate pipeline premium adjustment for current underwriting year

Under the current insurance policies written by the Company, policyholders are required to estimate their premium based on their expected payroll. If the actual payroll is less than or in excess of the estimate, an adjustment is made at the end of the underwriting year. This net adjustment is referred to as pipeline premium.

The Company does not accrue for pipeline premium owing to the difficulty of making reliable estimates and the relative immateriality of year on year movements. Ultimate premium receipts for each underwriting year are therefore expected to differ from amounts initially reported in the financial statements.



Fair value of financial instruments

The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. This applies to private equity investments and is particularly relevant to valuations of unquoted corporate bonds and illiquid quoted corporate bonds where reliance is of necessity placed on the application of internal valuation models by the Company's mandated bond managers or by their outsourced third party valuators. While investment mandates generally provide for some form of independent assurance on the application of these internal valuations, this does not provide direct assurance as to the reliability of internal valuations of these financial assets. Changes in credit risk, liquidity discount and volatility factors, or the incorrect application of internal models, could affect the reported fair value of unquoted corporate bonds and illiquid quoted corporate bonds held by the Company and valued at R429.0 million at 31 December 2015 (2014 R777,9 million).

6. Notes to the statement of financial position

The following notes provide additional disclosures relating to items shown in the statement of financial position.

6.1 Furniture, equipment and motor vehicles

	Furniture & fittings R'000	Leasehold improvements R'000	Office equipment R'000	Computer equipment R'000	Motor vehicles R'000	Total R'000
Cost						
Balance at 1 January 2014	1 792	400	1 021	4 237	5 308	12 758
Additions	261	-	25	1 520	767	2 573
Disposals	-	-	-	(1 087)	(450)	(1 537)
Balance at 31 December 2014	2 053	400	1 046	4 670	5 625	13 794
Additions	87	-	34	1 136	1 437	2 694
Disposals	-	-	-	(954)	(929)	(1 883)
Balance at 31 December 2015	2 140	400	1 080	4 852	6 133	14 605
Accumulated depreciation						
Balance at 1 January 2014	(1 630)	(26)	(762)	(3 032)	(2 556)	(8 006)
Depreciation charge	(66)	(191)	(71)	(881)	(1 032)	(2 241)
Disposals	-	-	-	1 087	450	1 537
Balance at 31 December 2014	(1 696)	(217)	(833)	(2 826)	(3 138)	(8 710)
Depreciation charge	(97)	(166)	(73)	(984)	(1 095)	(2 415)
Disposals	-	-	-	943	834	1 777
Balance at 31 December 2015	(1 793)	(383)	(906)	(2 867)	(3 399)	(9 348)
Net carrying amount						
2014	357	183	213	1 844	2 487	5 084
2015	347	17	174	1 985	2 734	5 257

6.2 Reinsurance assets

	2015 R'000	2014 R'000
Reinsurance share of insurance liabilities	4 307	3 591

Reinsurance assets consist of the reinsurers' share of unpaid and incurred but not reported claims (the reinsurance underwriting year coincides with the financial year and, consequently, there are no unearned portions of premiums ceded to reinsurers). The reinsurers' share of settled claims is included in other receivables.

The Company reviewed the amounts expected to be receivable from reinsurers at year end and determined that no impairment is necessary.

A maturity analysis of reinsurance assets is contained in note 13.

6. Notes to the statement of financial position

	2015 R'000	2014 R'000
6.3 Financial assets at fair value through profit or loss		
Local:		
- Listed equity securities	**1 581 365**	1 457 721
- Balanced fund portfolios	**18 160**	17 185
- Listed debt securities: fixed interest rate	**192 736**	203 254
- Listed debt securities: inflation linked	**1 353 001**	1 322 186
- Corporate debt securities with derivative overlay (note 1)	**275 834**	325 300
- Derivative contracts	**(12 969)**	6 672
- Money market investments	**644 663**	379 174
	4 052 790	3 711 492
Foreign:		
- Listed equity securities	**2 162 983**	811 817
- Corporate debt securities with derivative overlay (note 1)	**153 146**	452 604
- Derivative equity forward contract	**-**	(2 735)
- Derivative foreign exchange forward contract liability (note 1)	**(56 610)**	(4 798)
- USD cash plus MSCI all country equity forward contract	**80 392**	536 634
- Listed corporate debt securities	**-**	98 383
- Unitised equity securities	**142 070**	74 231
	2 481 981	1 966 136
Accrued income	**6 938**	6 860
	6 541 709	5 684 488

Note 1

The Company has invested through investment-linked insurance policies into illiquid, unlisted and listed local corporate bonds with maturity dates of up to 3 years. As part of the so-called "credit opportunities/alpha transport" product structure:

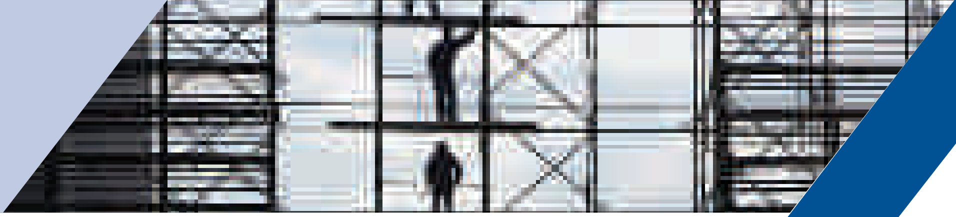
- interest rate duration and currency risks on the bonds are immunised through interest rate swaps into short term rates and currency swaps into Rands; and
- the Company purchases equity forward contracts for the same nominal value as the aggregate value of the corporate bonds.

Thus the Company effectively receives a local equity market return (based on an approximation of the JSE SWIX Total Return Index) plus the credit and liquidity spread on the bonds. Note that the corresponding capital amount invested is exposed to both equity pricing risk on the relevant market indices and credit default risk on the separate corporate bonds.

A maturity analysis of the Company's financial assets is contained in note 13.

The Company's financial assets are exposed to various financial risks. Details of these risks and results of sensitivity testing of the key risks are provided in note 13.

The Company's application of the fair value hierarchy to the measurement of its financial assets, as required by IFRS 13, "Fair Value Measurement", is shown in note 14.



6. Notes to the statement of financial position

	2015 R'000	2014 R'000
6.4 Insurance receivables		
Premiums receivable		
Due from policyholders	**18 692**	17 502
Allowance for impairments	**(7 811)**	(3 406)
	10 881	14 096

A maturity analysis of the insurance receivables is contained in note 13.

The carrying amount of insurance receivables is considered to be a reasonable approximation of fair value.fl

There were no impairment charges (2014: R4.8 million) for unrecoverable premium receivables that were written off against premium income in the current year.

6.5 Other receivables

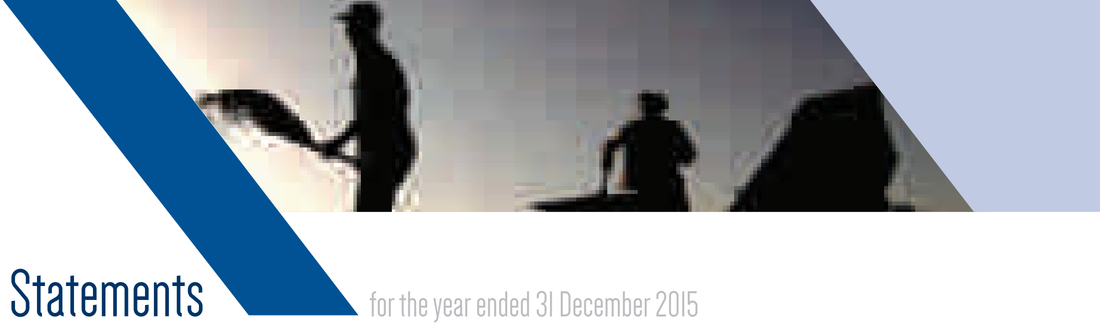
Amounts due from reinsurers	**7 078**	6 522
Prepayments	**230**	230
Related party receivables	**-**	61
Other amounts receivable (individual balances of less than R1 million)	**2 464**	2 234
	9 772	9 047

A maturity analysis of other insurance receivables is contained in note 13. The carrying amount of other receivables is considered to be a reasonable approximation of fair value.flThe Company reviewed the recoverable amounts of other receivables at year end and determined that no impairment is necessary.

6.6 Ordinary share capital

Stated capital	**10**	10

The Company's authorised and issued ordinary share capital remained unchanged during the current and previous financial years and consists of 500,000 ordinary shares of no par value.



6. Notes to the statement of financial position

	2015 R'000	2014 R'000
6.7 Pension liabilities		
Pension liabilities	**1 540 897**	1 219 974
The movement in pension liabilities is analysed as follows:		
Pension liabilities	**1 219 974**	938 633
Release of risk margins and reserves	**(105 747)**	(28 226)
Risk margins	**(105 747)**	(91 640)
Aids reduction	**-**	63 414
Opening best estimate liability	**1 114 227**	910 407
Best estimate charge to profit and loss	**238 015**	181 726
Unwind of discount rate	**104 949**	76 474
Basis change		
- Change in economic assumptions	**84 408**	(7 708)
- Change in mortality assumptions	**-**	98 874
Actual versus expected experience and other adjustments	**48 658**	14 086
New pensions awarded	**143 229**	98 671
Transferred from unpaid claims liabilities (at Commissioner's value)	**75 102**	75 144
Adjustment to actuarial valuation of awarded pensions	**68 127**	23 527
Pensions paid	**(81 818)**	(76 577)
Closing best estimate liability	**1 413 653**	1 114 227
Reinstatement of risk margins and reserves	**127 244**	105 747
Risk margins	**127 244**	105 747
Aids reduction	**-**	-
	1 540 897	1 219 974
Reconciliation of P&L expense:		
Best estimate charge to profit and loss	**238 015**	**181 726**
Movement in risk margins and reserves	**21 497**	**77 521**
Adjustment to actuarial valuation of awarded pensions	**68 127**	**23 527**
Other	**(862)**	**-**
Pension valuation expense for the year	**326 777**	282 774

The principal assumptions used to determine the discounted present value of pension liabilities, and the results of sensitivity testing of these assumptions, are detailed in note 12.

6. Notes to the statement of financial position

	2015 R'000	2014 R'000
6.8 Unpaid claims liabilities		
Unpaid reported claims per subsystem	**174 994**	152 327
Other unpaid claims liabilities		
Claims handling expenses	**34 117**	30 053
Unreleased pensions	**777**	347
Adjustment to Commissioner's valuation of unawarded pensions	**26 514**	18 758
Incurred but not reported claims	**43 207**	24 049
	279 609	225 534
The movement in unpaid claim liabilities is analysed as follows:		
Opening balance	**225 534**	205 313
Unpaid reported claims per subsystem	**152 327**	170 580
Other unpaid claims liabilities	**73 207**	34 733
Movement in subsystem balances	**22 667**	(18 253)
Current year claims	**230 335**	179 223
Adjustments to prior year estimates	**64 873**	57 017
Claims paid	**(197 439)**	(179 349)
Pensions awarded (at Commissioner's valuation)	**(75 102)**	(75 144)
Movements in other unpaid claims liabilities	**31 408**	38 474
Claims handling expenses	**4 064**	30 053
Unreleased pensions	**430**	(461)
Adjustment to Commissioner's valuation of unawarded pensions	**7 756**	6 505
Incurred but not reported claims	**19 158**	2 377
Closing balance	**279 609**	225 534
Reconciliation of P&L expense:		
Current year claims	**230 335**	179 223
Adjustments to prior year estimates	**64 873**	57 017
Movements in other unpaid claims liabilities	**31 408**	38 474
Other	**1 248**	(28)
Gross claims expense for the year	**327 864**	274 686

6. Notes to the statement of financial position

	2015 R'000	2014 R'000

6.9 Unearned premium liability

A maturity analysis of unearned premium liability is contained in note 13.

The movement in the unearned premium liability is analyzed as follows:

	2015 R'000	2014 R'000
Opening balance	**107 218**	94 498
Net charge to gross premiums	**12 690**	12 720
Release of opening balance	**(107 218)**	(94 498)
Unearned portion of current year premiums	**119 908**	107 218
	119 908	107 218

The reinsurance underwriting year coincides with the financial year and, consequently, there are no unearned portions of premiums ceded to reinsurers.

6.10 Premium rebate liability

	2015 R'000	2014 R'000
Premium rebate liability relating to:		
Special rebate	**250 000**	-
Underwriting year ended February 2015 (2014: February 2014)	**225 268**	192 628
Underwriting year ending February 2016 (2014: February 2015)	**236 797**	225 268
Total premium rebate liability	**712 065**	417 896

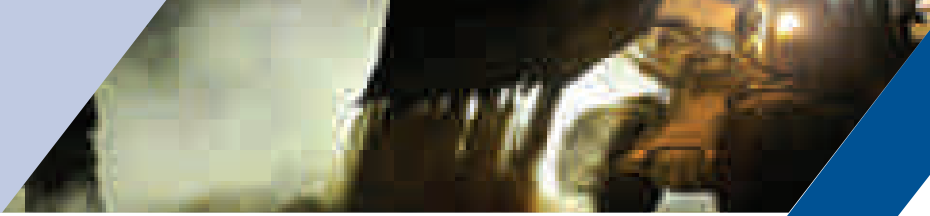
The movement in premium rebate liability is analyzed as follows:

	2015 R'000	2014 R'000
Opening balance	**417 896**	358 632
Premium rebate charge for the year	**519 690**	330 152
Current year – Allowance for annual premium rebates	**236 797**	225 268
Current year – Allowance for special rebate	**250 000**	100 079
Prior years - Actual versus provided premium rebate payments	**32 893**	4 805
Annual premium rebates paid	**(225 521)**	(170 809)
Special rebates paid	**-**	(100 079)
Closing balance	**712 065**	417 896

6.11 Trade and other payables

	2015 R'000	2014 R'000
Staff incentives payable	**17 418**	17 703
Uninsured employers contribution to State Compensation Fund	**7 722**	6 981
Straight-lining of operating lease expenses	**530**	938
Accrued leave liability	**1 948**	1 734
Other current payables (individual balances of less than R1 million)	**16 476**	6 616
Total trade and other payables	**44 094**	33 972

A maturity analysis of trade and other payables is provided in note 13.



7. Notes to the statement of profit or loss and other comprehensive income

	2015 R'000	2014 R'000

The following notes provide additional disclosures relating to items shown in the statement of comprehensive income.

7.1 Gross premium income

	2015 R'000	2014 R'000
Initial premiums raised on declared wage returns	**725 411**	665 246
Actual versus initial premium raised on declared wage returns for previous year	**59 507**	86 013
	784 918	751 259

7.2 Gross earned premium

	2015 R'000	2014 R'000
Gross premium income	**784 918**	751 259
Premium rebates to policyholders (refer note 6.10)	**(519 690)**	(330 152)
Net unearned premium charge to gross premiums (refer note 6.9)	**(12 690)**	(12 720)
Gross earned premium	**252 538**	408 387

7.3 Net earned premium

	2015 R'000	2014 R'000
Gross earned premium	**252 538**	408 387
Premiums ceded to reinsurers	**(12 805)**	(6 879)
Net earned premium	**239 733**	401 508

7.4 Administration expenses

	2015 R'000	2014 R'000
Socio economic and skills development disbursements	**17 535**	6 617
Depreciation	**2 415**	2 241
Directors' remuneration	**15 126**	13 830
Employee costs (average no of 89 employees (2014: 87 employees))	**41 298**	36 470
Basic salaries	**26 904**	24 521
Retirement fund contributions	**3 498**	2 917
Retirement fund transfer adjustments	**2 128**	-
Medical aid contributions	**1 952**	1 567
Training and recruitment costs	**1 070**	760
Travelling allowances	**1 791**	1 578
Temporary staff	**96**	60
Incentive costs	**3 859**	5 067
External audit fees	**1 540**	1 444
Current year	**1 540**	1 444
Prior years	**-**	-
Legal fees	**656**	367
Professional and other fees	**7 056**	6 131
Premises rentals	**5 419**	4 522
Profit on disposal of furniture, equipment and motor vehicles	**(202)**	(19)
Other expenses	**9 788**	8 409
Total administration expenses	**100 631**	80 012

7. Notes to the statement of profit or loss and other comprehensive income

	2015 R'000	2014 R'000
7.5 Net investment income		
Investment income	**707 025**	643 711
Interest income	**153 066**	135 641
Dividend income	**52 482**	44 171
Net foreign currency gain on financial assets	**159 534**	101 641
Net valuation gain on financial assets measured at fair value	**341 943**	362 258
Investment expenses	**(18 747)**	(13 293)
Asset management fees	**(13 409)**	(9 848)
Asset reporting fees	**(3 591)**	-
Performance fees	**(1 747)**	(3 445)
Total net investment income	**688 278**	630 418

The net gain on financial assets at fair value through profit or loss incorporates any interest and dividends earned on the financial assets.

Certain of the Company's mandated asset managers offset their investment fees and transactional costs in unit pricing and, consequently, these expenses are incorporated in the net gain on financial assets at fair value through profit or loss. Where investment expenses are explicitly disclosed by asset managers, these are included in the investment expense line item.

8. Notes to the statement of cash flows

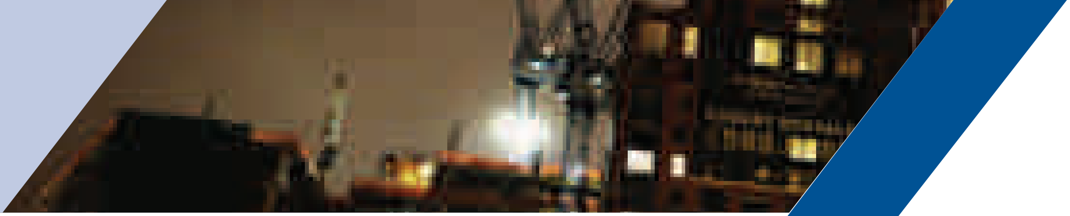
The following notes provide additional disclosures relating to items shown in the statement of cash flows.

8.1 Net movements in operating assets and liabilities

	2015 R'000	2014 R'000
Insurance receivables (including accrued income (note 6.3))	**(1 190)**	(4 960)
Other receivables	**6 893**	3 169
Reinsurance assets	**(716)**	(879)
Insurance liabilities	**681 857**	373 546
Trade and other payables	**2 426**	6 052
Total net movements in operating assets and liabilities	**689 270**	376 928

8.2 Net cash invested in financial assets measured at fair value

	2015 R'000	2014 R'000
Purchases of financial assets measured at fair value	**(4 539 341)**	(4 177 225)
Proceeds on disposals of financial assets at fair value through income	**4 024 140**	3 780 387
Net foreign currency gain on financial assets	**159 534**	101 641
Net cash invested in financial assets measured at fair value	**(355 667)**	(295 197)



9. Operating lease commitments

	2015 R'000	2014 R'000

The Company leases all four regional offices under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The aggregate operating lease expense (premises rentals), which is charged to profit or loss on a straight-line basis, is disclosed in note 7.4.

The aggregate future minimum lease payments under non-cancellable operating leases are as follows:

	2015 R'000	2014 R'000
Due within 1 year	**3 245**	5 826
Due > 2 years	**3 578**	6 823
Total	**6 823**	12 649

10. Related party disclosures

10.1 Related parties

The following entities are related parties:

The Federated Employers' Trust Proprietary Limited ("FET") owns 32.9% (2014: 40.7%) of the issued shares of the Company. FET was created to facilitate the transfer of shares to new policyholders and the repurchase of shares from exiting policyholders.

Federated Employers' Trust ("the Trust"), an inter-vivos trust, owns 100% (2014: 100%) of the issued shares of FET. The sole purpose of the Trust is to hold the share capital of FET and the sole beneficiaries of the Trust are the policyholders of the Company. In terms of the Trust Deed, all reasonable expenditure incurred by the Trust must be paid by the Company. In 2015, the amount paid by the Company on behalf of the Trust amounted to R26k (2014: R24k)

10.2 Related party transactions

Transactions with related parties and amounts due from/(to) related parties are as follows:

The Company paid FET an administration fee of R274k (2014: R244k). The net amount due from FET at 31 December 2015 is R90k (2014: R61k).

The Company leases its Houghton offices from a related party, Barrow Properties Proprietary Limited. Operating lease costs paid for the year amounted to R4.1 million (2014: R3.8 million). There were no amounts due to the related party at 31 December 2015 (2014: R Nil).

Premium income

Certain non-executive directors are employed by construction companies which hold policies issued by the Company. The following premiums invoiced to these companies were calculated at the same rates as would be applicable to other policyholders and no amounts were outstanding at the current and previous financial year ends:

Non-executive director	Related policyholder	2015	2014
Mr JR Barrow	Barrow Construction (Pty) Ltd	**932**	766
Mr NF Maas	Gauteng & Free State Piling (Pty)	**136**	189
Mr J Cardoso	Tiber Bonvec Construction (Pty) Ltd	**908**	-
		1 976	955

10. Related party disclosures

	2015 R'000	2014 R'000

10.2 Related party transactions continued

Rebates paid

Certain non-executive directors are employed by construction companies which hold policies issued by the Company. The following premium rebates paid to these companies were calculated on the same scale as would be applicable to other policyholders and no amounts were outstanding at the current and previous financial year ends:

Non-executive director	Related policyholder	2015 R'000	2014 R'000
Mr JR Barrow	Barrow Construction (Pty) Ltd	**558**	270
Mr NF Maas	Gauteng & Free State Piling (Pty)	**92**	77
Mr J Cardoso	Tiber Bonvec Construction (Pty) Ltd	**371**	-
		1 021	347

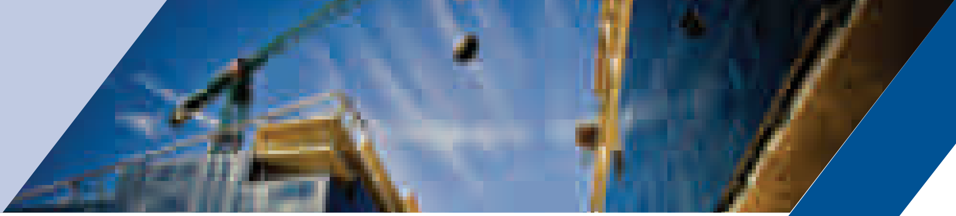
10.3 Directors' remuneration

	2015 R'000	2014 R'000
Non-executive directors' fees:		
Mr NF Maas (Chairman)	**462**	481
Mr H Walker (Lead independent director)	**594**	575
Mr JR Barrow	**297**	313
Mr F Cardoso	**199**	-
Mr MG Ilsley	**543**	535
Dr APH Jammine	**455**	482
Mr CS Jiyane	**404**	354
Mr MA Letshele	**311**	281
Miss K Moodley	**300**	-
Dr H Ngakane	**395**	364
Mrs PL Siphayi	**-**	252
Total non-executive directors' fees:	**3 960**	3 637

During the year Mr F Cardoso and Miss K Moodley were appointed as non-executive directors. Mrs PL Siphayi resigned as a non-executive director in the previous year.

Executive directors' remuneration:

	2015 R'000	2014 R'000
Mrs TT Pugh		
Total cost of employment, excluding motor vehicles	**1 911**	1 788
Motor vehicle expenses	**172**	218
Short term incentive	**851**	718
Medium term incentive	**2 601**	2 418
	5 535	5 142
Mr A Daya		
Total cost of employment, excluding motor vehicles	**1 329**	1 243
Motor vehicle expenses	**186**	213
Short term incentive	**489**	308
Medium term incentive	**1 103**	848
	3 107	2 612



10. Related party disclosures

	2015 R'000	2014 R'000
10.3 Directors' remuneration *(Continued)*		
Executive directors' remuneration:		
Mr GM McIntosh		
Total cost of employment, excluding motor vehicles	**1 327**	1 241
Motor vehicle expenses	**154**	159
Short term incentive	**269**	191
Medium term incentive	**774**	848
	2 524	2 439
Total executive directors' remuneration	**11 166**	10 193
Total directors' remuneration (included in expenses in note 7.4)	**15 126**	13 830
10.4 Executive committee remuneration (excluding executive directors)		
Total cost of employment, excluding motor vehicles	**4 495**	3 478
Motor vehicle expenses	**564**	492
Short term incentive	**1 293**	639
Medium term incentive	**2 216**	1 851
	8 568	6 460

11. Capital management

The principal capital management objective is to enhance the Company's investment returns for the benefit of stakeholders, while ensuring that the Company remains adequately capitalised and has adequate liquid cash resources to meet all of its short and long term obligations. An asset-liability modelling exercise is performed annually to determine the optimum percentage allocation of investments to different asset classes after taking into account the liability profile of the Company. Ranges are then specified around these strategic asset allocations to facilitate tactical asset allocation decisions within these ranges. The implementation of the Company's investment strategy is managed by the investment committee of the board acting on the advice of specialist investment consultants.

The Company is prohibited from making any borrowings and, therefore, no leverage is incorporated in the capital structure.

12. Insurance risk

The Company is exposed to various insurance risks as explained below. There have been no significant changes from the previous year in the exposure to insurance risk or policies, procedures and methods used to measure the risk.

The Company accepts insurance risk through statutory insurance contracts issued to certain classes of employers within the construction industry under the Compensation for Occupational Injuries and Diseases Act No. 130 of 1993 ("the COID Act"). These classes of employers must procure the insurance covers provided under the COID Act either from the Company or the State Compensation Fund. The Company issues no other types of insurance contracts.

The following compensation is payable in respect of employees injured on duty in terms of the COID Act:

Temporary disablement

Periodic payments at 75% of the employee's monthly earnings at the time of the accident, subject to a maximum payment of R23 569 per month for up to 24 months.

Permanent disablement

If the degree of disablement is 30% or less, compensation takes the form of a lump sum based on 15 times the employee's monthly earnings at the time of the accident, subject to minimum and maximum payments of R65 993 and R263 991 respectively. Where disablement is less than 30%, the lump sum is calculated proportionately.

If the degree of permanent disablement is 31% or more, compensation takes the form of a monthly pension. The monthly pension for 100% permanent disablement is calculated at 75% of the employee's monthly earnings, subject to minimum and maximum monthly pensions of R3 300 and R23 569 respectively. Where the degree of permanent disablement is less than 100%, the pension is calculated proportionately.

Compensation on death

Compensation to the surviving spouse consists of both a lump sum equal to twice the monthly pension applicable for 100% permanent disablement and a monthly pension equal to 40% of the pension applicable for 100% permanent disablement. This pension continues on remarriage and only ceases upon death of the surviving spouse.

Compensation to each child under 18 years of age takes the form of a monthly pension equal to 20% of the pension applicable for 100% permanent disablement, provided that the total pension payable to the surviving spouse and children does not exceed the amount of the pension applicable for 100% permanent disablement. This pension ceases upon death, marriage or the attainment of 18 years of age, but continues after the child reaches 18 years of age if the child is physically or mentally handicapped (for such a period as can reasonably be expected that the deceased employee would have maintained the child). The pension also continues after 18 years of age if the child is busy with secondary or tertiary education (for such period as can reasonably be expected that the deceased employee would have contributed to the child's maintenance).

Compensation to the family for funeral costs to a maximum of R17 218 or the actual amount, whichever is the lesser.

Medical and transportation expenses

All reasonable medical expenses incurred by or on behalf of the employee and the reasonable expenses incurred for the conveyance of the injured employee to a hospital, doctor or to their residence.

12. Insurance risk

The Company is exposed to a pricing risk to the extent that premiums are insufficient to meet the related future compensation costs. Premium rates are set by the State Compensation Commissioner, but may be loaded by the Company in the event of adverse claims experience in respect of individual policyholders. The Company applies loadings to policyholders' rates each year based on a sliding scale above a threshold claims to premiums ratio, currently 65%. There was no premium deficiency in the current or previous financial years.

Underwriting risk is further mitigated by the Company's reinsurance programme under which the Company is compensated above deductible amounts up to specified limits for large individual or cumulative losses on insurance contracts issued by the Company. The Company has reduced the quantum of reinsurance protection over time owing to the increased capacity to take risk onto the Company's own balance sheet. Accordingly, the impact of reinsurance is immaterial in the ordinary course of events and is excluded from the sensitivity and claims development analyses shown in this section.

The risks associated with the statutory insurance contracts issued by the Company are complex and subject to a number of variables which complicate quantitative sensitivity analysis. This is addressed separately for claims made under insurance contracts and subsequent pension liabilities under appropriate headings below.

Claims made under insurance contracts
The Company applies various techniques based on past claims development experience to quantify these sensitivities. This includes indicators such as average claim cost, amount of claims occurrence, expected loss ratios and claims development over past financial periods.

Results of sensitivity testing based on expected loss ratios are as follows, shown gross of reinsurance as impact on underwriting profit:

	2015 R'000	2014 R'000
Sensitivity:		
5% variation in loss ratio	**39 246**	37 563

The development of accidents registered for the last five years is shown below:

Accident / underwriting year	*2011*	*2012*	*2013*	*2014*	*2015*
- at end of underwriting year	7 324	7 565	7 402	7 584	7 934
- one year later	7 912	8 246	8 563	8 567	-
- two years later	7 978	8 347	8 637	-	-
- three years later	8 021	8 391	-	-	-
- four years later	8 029	-	-	-	-

The development of the average rand cost of claims for the last five years is shown below:

- at end of underwriting year	13 813	17 153	19 639	20 322	24 273
- one year later	14 971	17 900	18 824	21 476	-
- two years later	14 479	17 903	18 963	-	-
- three years later	14 829	16 666	-	-	-
- four years later	14 181	-	-	-	-

12. Insurance risk

Pension liabilities

Pension liabilities are determined as the sum of the discounted present value of the expected future monthly payments arising from previous pension awards and directly related future administration expenses. This determination is based on assumptions as to: morbidity (in respect of the period of temporary disability payments); longevity (in respect of the period of monthly pension payments); future pension increases; pension administration expenses; and the discount rate applied. The discount rate is determined by reference to investment yields, specifically yields on South African government bonds which approximate the weighted average duration of the pensioner portfolio. A margin for adverse deviations is included in the assumptions.

The principal assumptions used to determine the Company's pension liabilities are as follows:	**2015**	2014
Expected future costs		
Mortality/morbity (impacting period of disability pay)	PA90	PA90
Longevity (impacting period of pension payments)	PA90	PA90
Annual inflationary pension increases	8.44%	6.40%
Pension administration costs per pensioner per annum	R 2 120	R 2 000
Annual increases in pensioner administration costs	6.00%	7.04%
Discount rate (applied to determine present value)	10.06%	8.50%

Results of sensitivity testing of the principal assumptions used to determine the Company's pension liabilities are as follows, shown as an impact on profit:

Sensitivity: **Principal assumptions**	**Impact**		
10% increase in mortality	Shorter period of current disability pay	(34 754)	(25 770)
10% decrease in mortality i.e. a 10% increase in longevity	Longer period of future pension payments	38 771	28 635
10% increase in direct pension administration expenses	Increased expected future costs	9 052	7 877
1% once-off upliftment to monthly pensions	Increased future pension costs	13 231	10 534
0.5% absolute decrease in net discount rate (discount rate less annual pension increase rate)	Increased present value of liability	89 983	71 502

13. Financial risk

The Company's financial instruments are exposed to various financial risks as explained below. There have been no significant changes from the previous year in the exposure to financial risk or policies, procedures and methods used to measure the risk.

Credit risk

Credit risk is the risk of financial loss to the Company if a debtor (including a counter party to a financial instrument) fails to make payments of interest and the principal value when due. The Company is exposed to this risk through its bond and money market investments. Reinsurance assets do not present a material credit risk to the Company owing to the limited reinsurance covers in place. Furthermore, there is no material exposure to credit risk from premium debtors owing to the statutory nature of the insurance covers and the very limited concentration risk.

The Company's investment policy puts limits on local and foreign bond and money market investments, including portfolio composition and issuer type limits. The performance of the bond and money market investment portfolios are monitored by the Investment Committee of the Board.

The following table provides an analysis of the credit quality of reinsurance assets, financial assets at fair value through profit or loss, insurance receivables, other receivables and cash and cash equivalents.

At 31 December 2015	A rated or better	Below A or unrated	**Total**
Reinsurance assets	-	4 307	4 307
Financial assets measured at fair value	2 795 338	3 746 371	6 541 709
Liquid investments	2 562 709	3 055 284	5 617 993
Equity investments	550 528	3 044 706	3 595 234
Quoted equities	550 528	3 109 358	3 659 886
Derivative equity forward contracts		(64 652)	(64 652)
Bond investments			
Quoted SA Government bonds	1 343 812	9 189	1 353 001
Quoted non-SA government	-	-	-
Money market investments	662 820	-	662 820
Accrued investment income	5 549	1 389	6 938
Unquoted or illiquid quoted investments	232 629	691 087	923 716
Corporate bonds	102 648	90 088	192 736
Corporate debt securities	129 981	298 999	428 980
Africa (ex-SA) equities and property investments		302 000	302 000
Other financial assets measured at amortised cost			
Insurance receivables	-	10 881	10 881
Other receivables	-	9 772	9 772
Cash and cash equivalents	1 524	56 954	58 478
Total reinsurance, financial and other assets	**2 796 862**	**3 828 285**	**6 625 147**

13. Financial risk

The following table provides an analysis of the credit quality of reinsurance assets, financial assets at fair value through profit or loss, insurance receivables, other receivables and cash and cash equivalents.

At 31 December 2014	A rated or better	Below A or unrated	Total
Reinsurance assets	-	3 591	3 591
Financial assets measured at fair value	2 757 388	2 927 100	5 684 488
Liquid investments	2 529 247	1 897 961	4 427 208
Equity investments	814 440	1 788 980	2 603 420
Quoted equities	815 301	1 785 361	2 600 662
Derivative equity forward contracts	(861)	3 619	2 758
Bond investments			
Quoted SA Government bonds	1 313 109	9 077	1 322 186
Quoted non-SA government	-	98 383	98 383
Money market investments	396 359	-	396 359
Accrued investment income	5 339	1 521	6 860
Unquoted or illiquid quoted investments	228 141	1 029 139	1 257 280
Corporate bonds	105 868	97 386	203 254
Corporate debt securities	121 170	656 734	777 904
Africa (ex-SA) equities and property investments	1 103	275 019	276 122
Other financial assets measured at amortised cost			
Insurance receivables	-	14 096	14 096
Other receivables	-	9 047	9 047
Cash and cash equivalents	-	31 874	31 874
Total reinsurance, financial and other assets	**2 757 388**	**2 985 708**	**5 743 096**

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: currency risk, interest rate risk and equity risk. These are addressed under separate headings below.

13. Financial risk

Currency risk

Currency risk relates to investments issued by foreign entities when adverse changes in foreign currency exchange rates occur. The Company holds equities, bonds and related derivative financial instruments issued by foreign entities domiciled in developed and emerging markets. Exposure to bonds issued in non-US Dollar currencies is eliminated by derivative currency swaps, but there is a risk that these swaps may not be completely effective. The Company's foreign investments are limited by South African foreign exchange control regulations to 25% of total investments, but, at the discretion of the South African Reserve Bank, may increase beyond this percentage as a result of foreign investment gains relative to local investment gains. Foreign currency investments are monitored by the Investment Committee of the Board and holdings are adjusted when outside of % strategic asset allocation limits. The Company's current investment strategy is to maximise foreign investments. Zero cost collar derivative instruments have been used to lock in gains resulting from depreciation in the Rand/US Dollar exchange rate during the past year.

The following table includes an analysis of foreign currency denominated investments included in financial assets measured at fair value:

	2015 R'000	2014 R'000
Liquid investments		
Equity investments	**2 243 375**	1 345 716
Quoted equities	**2 243 375**	1 348 451
Derivative equity forward contracts	**-**	(2 735)
Bond investments		
Quoted non-SA government and corporate Bonds	**-**	98 383
Unquoted or illiquid quoted investments	**153 146**	452 604
Africa (ex-SA) equities and property investments	**142 070**	74 231
Currency derivative forward contracts	**(56 610)**	(4 798)
Total foreign currency denominated investments	**2 481 981**	1 966 136

Results of sensitivity testing of the financial asset value based on 20% depreciation in the Rand:

	2015	2014
Sensitivity:		
20% depreciation in the Rand versus the US Dollar:		
increase in financial assets	**7%**	6%
increase in financial asset value	**460 845**	332 881

Interest rate risk

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates.

The Company is exposed to this risk through its interest bearing investments, which include government and corporate bonds and money market investments.

13. Financial risk

	2015 R'000	2014 R'000

Interest rate risk

Capital exposure to interest rate movements in yields on foreign fixed interest bonds and money market investments is eliminated through derivative interest rate swaps, but there is a risk that these swaps may not be completely effective.

Results of sensitivity testing of the financial asset value based on interest rate movements are as follows:

	2015 R'000	2014 R'000
Sensitivity:		
2% increase in SA interest rates:		
decrease in financial assets	**(6%)**	(7%)
decrease in financial asset value	**(347 205)**	(367 528)

Equity risk

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Company is exposed to this risk through its equity investments, which include derivative equity forward contracts.

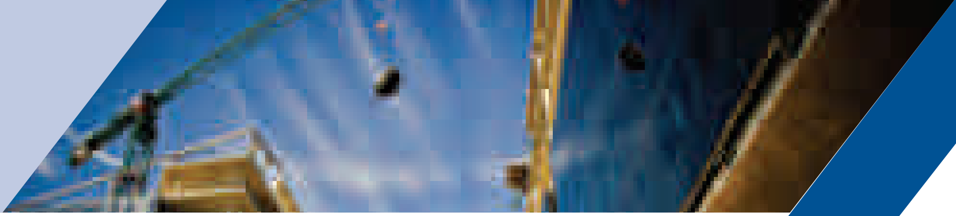
The Company is subject to prudential investment limits applicable to different asset classes under the South African Short Term Insurance Act No. 53 of 1998 and is subject also to prescribed investment requirements under the Compensation for Occupational Disease and Injuries Act No. 130 of 1993. The percentage allocation of investments to equities is determined by an annual asset-liability modelling exercise after taking into account the liability profile of the Company. Equities are monitored by the Investment Committee of the Board and holdings are adjusted when the investments are outside of the % strategic allocation limits.

Results of sensitivity testing based on changes in equity market valuations are as follows, shown as impact on profit and the financial asset value:

	2015 R'000	2014 R'000
Sensitivity:		
10% reduction in the ALSI:		
decrease in financial assets	**(3%)**	(3%)
decrease in financial asset value	**(193 942)**	(184 289)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet all cash outflow obligations as they become due. The Company mitigates this risk by monitoring cash activities and expected outflows. The Company does not have material liabilities that can be called unexpectedly on demand. The Company has no material commitments for capital expenditures and there is no need for such expenditures in the normal course of business. Claim payments, premium rebates and operational expenditure are currently funded by annual premium receipts. Consequently, the principal risk is that investment returns are inadequate to fund long term pension obligations. This risk is considered to be low at the present time based on the Company's investment strategy and high level of capital surplus retained by the Company.



3. Financial risk

The expected maturity profile of the Company's insurance and financial assets and its insurance and financial liabilities, is as follows:

At 31 December 2015	Less than 1 year	1- 5 years	More than 5 years	Total
Reinsurance assets	664	3 423	220	4 307
Financial assets measured at fair value	4 601 761	492 621	1 447 326	6 541 709
Liquid investments	4 292 055	13 530	1 312 411	5 617 996
Equity investments	3 595 234	-	-	3 595 234
Quoted equities	3 659 886	-	-	3 659 886
Derivative equity forward contracts	(64 652)	-	-	(64 652)
Bond investments				
Quoted SA Government bonds	27 060	13 530	1 312 411	1 353 001
Quoted non-SA government	-	-	-	-
Money market investments	662 823	-	-	662 823
Accrued investment income	6 938	-	-	6 938
Unquoted or illiquid quoted investments	309 706	479 091	134 915	923 713
Corporate bonds	7 709	50 111	134 915	192 736
Corporate debt securities	-	428 980	-	428 980
Africa (excluding -SA) equities and property investments	301 997	-	-	301 997
Other financial assets measured at amortised cost				
Insurance receivables	10 881	-	-	10 881
Other receivables	9 772	-	-	9 772
Cash and cash equivalents	58 478	-	-	58 478
Total reinsurance and financial assets	**4 681 556**	**496 044**	**1 447 546**	**6 625 147**
Insurance liabilities	961 002	522 186	1 169 291	2 652 479
Pension liabilities	86 217	285 389	1 169 291	1 540 897
Unpaid and incurred but not reported claims	279 609	-	-	279 609
Unearned premium liability	119 908	-	-	119 908
Premium rebate liability	475 268	236 797	-	712 065
Financial liabilities measured at amortised cost				
Trade and other payables	44 094	-	-	44 094
Total insurance and financial liabilities	**1 005 096**	**522 186**	**1 169 291**	**2 696 573**
Excess assets over liabilities	**3 676 460**	**(26 142)**	**278 256**	**3 928 574**

There are no financial assets past due but not impaired at 31 December 2015

3. Financial risk

The expected maturity profile of the Company's insurance and financial assets and its insurance and financial liabilities, is as follows:

At 31 December 2014	Less than 1 year	1- 5 years	More than 5 years	Total
Reinsurance assets	2 511	932	148	3 591
Financial assets measured at fair value	3 317 335	942 355	1 424 798	5 684 488
Liquid investments	3 033 083	111 605	1 282 520	4 427 208
Equity investments	2 603 420	-	-	2 603 420
Quoted equities	2 600 662	-	-	2 600 662
Derivative equity forward contracts	2 758	-	-	2 758
Bond investments				
Quoted SA Government bonds	26 444	13 222	1 282 520	1 322 186
Quoted non-SA government	-	98 383	-	98 383
Money market investments	396 359	-	-	396 359
Accrued investment income	6 860	-	-	6 860
Unquoted or illiquid quoted investments	284 252	830 750	142 278	1 257 280
Corporate bonds	8 130	52 846	142 278	203 254
Corporate debt securities	-	777 904	-	777 904
Africa (excluding -SA) equities and property investments	276 122	-	-	276 122
Other financial assets measured at amortised cost				
Insurance receivables	14 096	-	-	14 096
Other receivables	9 047	-	-	9 047
Cash and cash equivalents	31 874	-	-	31 874
Total reinsurance and financial assets	**3 374 863**	**943 287**	**1 424 946**	**5 743 096**
Insurance liabilities	605 080	585 961	779 581	1 970 622
Pension liabilities	79 700	360 693	779 581	1 219 974
Unpaid and incurred but not reported claims	225 534	-	-	225 534
Unearned premium liability	107 218	-	-	107 218
Premium rebate liability	192 628	225 268	-	417 896
Financial liabilities measured at amortised cost				
Trade and other payables	33 972	-	-	33 972
Total insurance and financial liabilities	**639 052**	**585 961**	**779 581**	**2 004 594**
Excess assets over liabilities	**2 735 811**	**357 326**	**645 365**	**3 738 502**

There are no financial assets past due but not impaired at 31 December 2014.

14. Fair value measurement

Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available. However, the objective of a fair value measurement in both cases is the same - to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability). Fair value excludes transaction costs which would be incurred to sell the asset or transfer the liability e.g. sales commission.

When a price for an identical asset or liability is not observable, an entity measures fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. Because fair value is a market-based measurement, it is measured using the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk. As a result, an entity's intention to hold an asset or to settle or otherwise fulfill a liability is not relevant when measuring fair value.

Fair value for measurement and/or disclosure purposes in these financial statements is determined on the basis explained above, except for leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as the value in use in IAS 36 Impairment of Assets and the estimation of insurance liabilities and related reinsurance assets under IFRS 4 Insurance Contracts. Key areas of estimation uncertainty affecting insurance liabilities are explained in note 5.2 and information concerning insurance risks, including results of sensitivity testing of key insurance risks is provided in note 12.

For financial reporting purposes, fair value measurements of financial assets and financial liabilities are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the measurements are observable and the significance of the inputs to the measurement in its entirety, which are described as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 inputs are, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3 inputs are unobservable inputs for the asset or liability.

14. Fair value measurement

Application of the fair value hierarchy to the Company's financial assets and financial liabilities is as follows:

At 31 December 2015	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value	5 816 657	725 055	-	6 541 712
Liquid investments	5 052 871	725 055	-	5 777 926
Equity investments	3 688 005	-	-	3 688 005
Quoted equities	3 757 584	-	-	3 757 584
Derivative equity forward contracts	(69 579)	-	-	(69 579)
Bond investments				
Quoted SA Government bonds	1 357 928	-	-	1 357 928
Quoted non-SA government	-	-	-	-
Money market investments	-	725 055	-	725 055
Accrued investment income	6 938	-	-	6 938
Unquoted or illiquid quoted investments	763 786	-	-	763 786
Corporate bonds	192 736	-	-	192 736
Corporate debt securities	428 980	-	-	428 980
Africa (ex-SA) equities and property investments	142 070	-	-	142 070
Other financial assets measured at amortised cost				
Insurance receivables	-	10 878	-	10 878
Other receivables	-	9 772	-	9 772
Cash and cash equivalents	-	58 478	-	58 478
Total financial assets	**5 816 657**	**804 183**	**-**	**6 620 840**
Financial liabilities measured at amortised cost				
Trade and other payables	-	44 094	-	44 094
Total financial liabilities	**-**	**44 094**	**-**	**44 094**
Net financial assets	**5 816 657**	**760 089**	**-**	**6 576 746**

There have been no transfers between Level 1 and 2, and no financial assets or financial liabilities have been categorized into level 3, in the current financial year.

14. Fair value measurement

Application of the fair value hierarchy to the Company's financial assets and financial liabilities is as follows:

At 31 December 2014	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value	4 771 415	913 073	-	5 684 488
Liquid investments	3 716 026	913 073	-	4 629 099
Equity investments	2 284 978	-	-	2 284 978
Quoted equities	2 283 104	-	-	2 283 104
Derivative equity forward contracts	1 874	-	-	1 874
Bond investments				
Quoted SA Government bonds	1 325 805	-	-	1 325 805
Quoted non-SA government	98 383	-	-	98 383
Money market investments	-	913 073	-	913 073
Accrued investment income	6 860	-	-	6 860
Unquoted or illiquid quoted investments	1 055 389	-	-	1 055 389
Corporate bonds	203 254	-	-	203 254
Corporate debt securities	777 904	-	-	777 904
Africa (ex-SA) equities and property investments	74 231	-	-	74 231
Other financial assets measured at amortised cost				
Insurance receivables	-	14 096	-	14 096
Other receivables	-	9 047	-	9 047
Cash and cash equivalents	-	31 874	-	31 874
Total financial assets	**4 771 415**	**968 090**	**-**	**5 739 505**
Financial liabilities measured at amortised cost				
Trade and other payables	-	33 972	-	33 972
Total financial liabilities	**-**	**33 972**	**-**	**33 972**
Net financial assets	**4 771 415**	**934 118**	**-**	**5 705 533**

There have been no transfers between Level 1 and 2, and no financial assets or financial liabilities have been categorized into level 3, in the 2014 financial year.

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