

Confidential

**DATAKOR GROUP RETIREMENT FUND
(Under curatorship)**

Registration no. 12 / 8 / 19919

Statutory actuarial valuation report as at 1 March 2004

2 November 2010

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Section 1**Report by the Actuary****1.1 Introduction**

The Datakor Group Retirement Fund was established on 1 June 1985. Until 1 July 1990, it was known as the Mercedes-Datakor Retirement Fund. The Fund was an underwritten Fund with the Old Mutual until 1 July 1990, when it became privately administered with Sanlam.

The last statutory valuation was performed as at 1 March 2001.

It is noted that with effect 21 April 2005, the Fund was placed under curatorship and closed to new entrants.

Following the promulgation of the Pension Funds Second Amendment Act with effect 7 December 2001, a statutory actuarial valuation report is required to be prepared covering the apportionment of surplus in the Fund at a date no later than the first Fund anniversary following 7 December 2001.

This report is confidential and is addressed to the Curator of the Datakor Group Retirement Fund and the Financial Services Board. Its objective is to report on the results of the statutory actuarial valuation of the Fund as at 1 March 2004 in order to determine the level of surplus available for apportionment. The results set out in this report should not be used for any other purposes and the report should not be provided to any other parties without our consent.

During the three-year period prior to 1 March 1998, all active members of the Fund were purportedly transferred to other funds by way of Section 14. It is noted that, originally, 5 pensioners were part of the transfer to the Lifecare Group Pension Fund, which was approved by the Financial Services Board. Although all assets of the Fund were paid out, the Section 14 transfer of the pensioners was not effected. During March 1998, the pensioners received irregular benefits from a policy purchased from Fedsure, now Liberty Life. This policy is the subject matter of a future recovery to be accounted for in a subsequent period after 30 September 2010 as an asset of the Fund.

Since the Fund was placed under curatorship on 21 April 2005, the Curator has recovered certain assets of the Fund which had been misappropriated during 1997 and 1998. Details on the determination of the value of the assets recovered are set out in Section 3.

As at 1 January 1998, the Trustees of the Fund at the time insured the mortality and investment risk of its pensioner liabilities with Fedsure, now Liberty Life. With effect 1 February 2007, given the status of the Section 14 transfer of the pensioners and in order to secure pensioners' benefits for the possible future effecting of the Section 14 transfer, the Curator applied assets recovered to purchase an annuity for one pensioner, at the time, from the Old Mutual in the name of the Fund, insuring the mortality and investment risk of the pensioner liabilities of the Fund. In addition to the annuity purchased from the Old Mutual an agterskot payment was made to the pensioner to compensate for the fact that pensions had not kept pace with inflation between 1998 and 2007.

Section 1

Report by the Actuary - Continued

As at 1 February 2007, the insured pensions with the Old Mutual constituted an asset and liability of the Fund. The determination of the value of the pensioner asset and liability included in this valuation is set out in Section 3 and 4 respectively.

This report does not take into account any asset recoveries or expenses after 30 September 2010 or any potential recoveries that have not yet been received by the Fund. Recoveries after 30 September 2010 and potential future recoveries not yet received constitute surplus in terms of Section 15B of the Pension Funds Act and will be treated as an additional tier of surplus to be apportioned in terms of the Act. It has been agreed with the Financial Services Board that the Fund may have a surplus apportionment scheme in addition to that based on the surplus revealed in this valuation.

The information for this report was provided by the Curator, current administrator of the Fund, Old Mutual, and sourced from the Fund's Rules, trial balances prepared by the Curator for the five years ended 1 March 2010 and the seven months ended 30 September 2010. A report on the estimated net Fund return from 24 November 1997 to 28 February 2010 prepared by Fifth Quadrant Actuaries & Consultants dated 31 March 2010 was also used.

Further, the Curator has provided, where appropriate, the history of events that have occurred since the Fund was placed under curatorship.

A history of increases granted to pensions in payment from 1 March 1994 to 1 March 2004 is set out in Section 2.

A brief summary of the main provisions of the Rules as at 1 March 1998, 1 March 2001 and 1 March 2004 is set out in the Appendix.

Section 1

Report by the Actuary - Continued

1.2 Summary of the results of the valuation

The financial position of the Fund as at 1 March 2001 and 1 March 2004 is set out below. It is noted that the level of surplus as at 1 March 2004 shown below is before providing for the expenses of the Fund that have been incurred but not yet accrued in the trial balances over the five-year and seven-month period prior to 30 September 2010, future Fund expenses and the surplus apportionment expenses that will be incurred after 30 September 2010 in the course of the apportionments of the Fund's surplus.

Given the history of pension increases over the 14-year period from 1 March 1990 to 1 March 2004, the statutory minimum pension increase due to pensions in payment as at 1 March 2004 is nil.

	1-Mar-01	1-Mar-04
	R000	R000
<u>Value of assets</u>		
Market value of assets	0	0
Present value of asset recoveries	6 820	8 479
Present value of insured pensions (Old Mutual)	<u>142</u>	<u>177</u>
Actuarial value of assets	<u>6 962</u>	<u>8 656</u>
<u>Value of liabilities</u>		
Present value of insured pensions (Old Mutual)	142	177
Value of statutory minimum pension increase	<u>N/a</u>	<u>0</u>
Total	<u>142</u>	<u>177</u>
<u>Assets less liabilities</u>	6 820	8 479
<u>Ratio of assets to liabilities</u>	4 899.2%	4 899.2%

Section 1

Report by the Actuary - Continued

1.3 Conclusions

We confirm that the Fund was in a sound financial condition as at 1 March 2004, with a funding level of 4 899.2%. The data used in this valuation has been examined for reasonableness and is considered satisfactory.

After investigation of the financial history of the Fund based on available information since 1980, the Curator confirmed that there are no instances of improper uses of actuarial surplus as defined in Section 15B(6).

The Fund assets on 1 March 2004 consist of the discounted value of asset recoveries by the Curator of the Fund over the period from 1 March 2005 to 30 September 2010 net of Fund expenses and the discounted value of the 1 February 2007 insured pensions with the Old Mutual.

The discounted values of the assets and liabilities in respect of the insured pensions were matched and the value of the net asset recoveries of R8 479 000 constitutes the surplus in the Fund on 1 March 2004. This value has been calculated before providing for the expenses of the Fund that have been incurred but not yet accrued in the trial balances over the five-year and seven-month period prior to 30 September 2010, future Fund expenses and the surplus apportionment expenses that will be incurred after 30 September 2010 in the course of the apportionments of the Fund's surplus.



C. van der Meulen

**Fellow of the Actuarial Society of
South Africa and Institute and
Faculty of Actuaries**

**In my capacity as Valuator to the Fund
2 November 2010**



M. Vleggaar

**Fellow of the Actuarial Society of
South Africa and Institute and
Faculty of Actuaries**

**Assistant to the Valuator to the Fund
and Employee of Sellems Actuaries &
Statisticians (Pty) Ltd**

*For the purposes of professional regulation our primary professional regulator is the
Actuarial Society of South Africa*

Section 2

History of pension increases

The increases granted to pensions in payment over the ten years from 1 March 1994 to 1 March 2004 are set out below and compared with the corresponding rates of inflation and rates of return earned by the Fund.

Financial year ended	Rate of increase granted	Rate of inflation	Increase as % of inflation	Fund rate of return
1-Mar-95	9.7%	9.8%	99%	14.9%
1-Mar-96	5.0%	6.5%	77%	42.4%
1-Mar-97	7.1%	9.9%	72%	20.6%
1-Mar-98	<i>Note a</i> 25.0%	5.3%	472%	<i>Note c</i> 7.0%
1-Mar-99	<i>Note b</i> 0.0%	8.6%	0%	<i>Note c</i> 3.8%
1-Mar-00	<i>Note b</i> 4.7%	2.3%	203%	<i>Note c</i> 19.8%
1-Mar-01	<i>Note b</i> 4.7%	7.8%	60%	<i>Note c</i> 12.0%
1-Mar-02	1.9%	5.9%	32%	<i>Note c</i> 12.0%
1-Mar-03	0.0%	10.3%	0%	<i>Note c</i> -3.2%
1-Mar-04	0.0%	0.7%	0%	<i>Note c</i> 14.7%
Average over 10 years to 1-Mar-04	5.6%	6.7%	84%	13.8%

Notes:

- (a) On the outsourcing of the mortality and investment risk of the pensioner liabilities to Fedsure, now Liberty Life, pensions in payment were increased by 25%. This was consistent with the benefit enhancements granted to active members of the Fund on transfer to other funds during the three-year period to 1 March 1998.
- (b) From 1 March 1998, increases were granted by Fedsure, now Liberty Life. It is noted that the increase as at 1 March 1999 is not known and has been assumed to be nil.
- (c) The estimated net Fund rate of return was calculated as the return that would have been earned on the assets of the Fund over the period from 1 March 1998 to 1 March 2004 had it remained invested in the same proportions as the investments held as at 28 February 1997. Details are set out in Section 3.

The return for the year ended 1 March 1998 is a combination of the estimated net Fund rate of return for the three months ended 1 March 1998 and the default interest rates published by the Financial Services Board for the nine months ended 1 December 1997.

Section 3**Assets of the Fund****3.1 Valuation of assets**

During the three-year period prior to 1 March 1998, all active members of the Fund were purportedly transferred to other funds by way of Section 14. It is noted that, originally, 5 pensioners were part of the transfer to the Lifecare Group Pension Fund, which was approved by the Financial Services Board. Although all assets of the Fund were paid out, the Section 14 transfer of the pensioners was not effected. During March 1998, the pensioners received irregular benefits from a policy purchased from Fedsure, now Liberty Life. This policy is the subject matter of a future recovery to be accounted for in a subsequent period after 30 September 2010 as an asset of the Fund.

Since the Fund was placed under curatorship on 21 April 2005, the Curator has recovered certain assets of the Fund which had been misappropriated during 1997 and 1998.

With effect 1 February 2007, given the status of the Section 14 transfer of the pensioners and in order to secure pensioners' benefits for the possible future effecting of the Section 14 transfer, the Curator applied assets recovered to purchase an annuity for one pensioner, at the time, from the Old Mutual in the name of the Fund, insuring the mortality and investment risk of the pensioner liabilities of the Fund. As at 1 February 2007, the value of insured pensions with the Old Mutual constituted an asset and liability of the Fund.

The values of the recoveries included in the 1 March 2001 and 1 March 2004 valuations were set to be the discounted value of the recoveries over the period from 1 March 2005 to 30 September 2010, net of Fund expenses and the cost of the annuities purchased with the Old Mutual noted above. The following is noted:

- Over the five-year and seven-month period from 1 March 2005 to 30 September 2010, the Curator of the Fund made several recoveries of the assets of the Fund and prepared trial balances for each year and the seven months to 30 September 2010. During this period, the recoveries, net of expenses were held in trust accounts and money market accounts with Investec and Nedbank.
- Joint recoveries were made in respect of the Cortech Pension Fund, Datakor Group Pension Fund and Datakor Group Retirement Fund in respect of an amount of R138 372 470 that was misappropriated. The recoveries and Fund expenses, unless specific to one fund only, were initially notionally split between the funds by the Curator in accordance with the best available information at his disposal at that time. The basis of the split was the respective liabilities of the pensioners of the funds as at 1 February 2007. This split was 10.6%, 88.9% and 0.5% in respect of the Cortech Pension Fund, Datakor Group Pension Fund and Datakor Group Retirement Fund respectively.

Section 3**Assets of the Fund - Continued**

In light of the substantial recoveries made by the Curator, it was decided to revisit the split to bring the expenses incurred in line with the amounts that were claimed on behalf of the funds. The revised decision by the Curator was to alter the basis of the split of expenses and a recovery of R106.6 million in December 2006 to be the relative claims of the three funds as at 24 November 1997 pursued by the Curator at the commencement of the curatorship. The split was sourced from the report on the estimated net Fund return from 24 November 1997 to 28 February 2010 prepared by Fifth Quadrant Actuaries & Consultants. The revised split is 18.1%, 72.7% and 9.2% in respect of the Cortech Pension Fund, Datakor Group Pension Fund and Datakor Group Retirement Fund respectively.

Appropriate adjustments were made to the split of cash flows between the three funds reflected in the trial balances over the five-year and seven-month period from 1 March 2005 to 30 September 2010 to reflect the revised split.

- Based on the adjusted trial balance information over the five-year and seven-month period from 1 March 2005 to 30 September 2010, the cash flows of the Fund in respect of recoveries and Fund expenses were discounted to the valuation date.
- The rates of investment return applied in the discounting of the Fund cash flows were the estimated net Fund rates of return, calculated as the return that would have been earned on the assets of the Fund from the valuation date to the occurrence of the cash flows, had it remained invested in the same proportions as the investments held as at 28 February 1997.
- The monthly estimated returns were sourced from a report on the estimated net Fund return from 24 November 1997 to 28 February 2010 prepared by Fifth Quadrant Actuaries & Consultants at request of the Curator. In this report it was noted that some of the 1997 investment portfolios no longer existed under the same names and equivalent portfolios were used as proxies where necessary. The estimated returns were extended to 30 September 2010 based on available portfolio fact sheets published by the investment managers. Where fact sheets were not available the monthly returns were assumed to be nil.
- In respect of the recoveries, the incurrence of the cash flows was assumed to be at the end of the month in which the monies were received. Curator fees were assumed to be incurred at the same time as the recoveries in a particular year. The incurrence of the balance of Fund expenses in a financial year was assumed to be half-way through the year.

Section 3

Assets of the Fund - Continued

- A summary of the estimated net Fund rates of return per annum applied in the discounting of Fund cash flows over the period from 1 March 2001 to 30 September 2010 is set out below.

Year ended 1-Mar-02	12.0%
Year ended 1-Mar-03	-3.2%
Year ended 1-Mar-04	14.7%
Year ended 1-Mar-05	19.5%
Year ended 1-Mar-06	27.8%
Year ended 1-Mar-07	24.0%
Year ended 1-Mar-08	12.4%
Year ended 1-Mar-09	-7.6%
Year ended 1-Mar-10	16.0%
7 months ended 30-Sep-10	10.2%

As noted above, as at 1 February 2007, the value of insured pensions with the Old Mutual constituted an asset and liability of the Fund. As a result of the initial recoveries and the Curator's decision to apply the recoveries to purchase the annuities for pensioners affected by the misappropriation of assets in 1997 and 1998, the value of the newly insured pensions was included in the assets of the Fund in the 1 March 2001 and 1 March 2004 valuations and was set to be the value of the 1 February 2007 insured pension asset, discounted to the valuation date in the same manner as the recoveries, as described above.

3.2 Net assets

The net assets of the Fund as at 1 March 2001 and 1 March 2004 are summarised below.

	1-Mar-01 R000	1-Mar-04 R000
<u>Market value of assets</u>	0	0
<u>Adjustments</u>		
Present value of asset recoveries	6 820	8 479
Present value of insured pensions (Old Mutual)	142	177
<u>Actuarial value of assets</u>	6 962	8 656

Section 4**Results of the valuation**

The financial position of the Fund is assessed by comparing the value of the Fund liabilities with the value of the Fund assets.

With effect 1 February 2007, given the status of the Section 14 transfer of the pensioners and in order to secure pensioners' benefits for the possible future effecting of the Section 14 transfer, the Curator applied assets recovered to purchase an annuity for one pensioner, at the time, from the Old Mutual in the name of the Fund, insuring the mortality and investment risk of the pensioner liabilities of the Fund.

In addition to the annuity purchased from the Old Mutual an agterskot payment was made to the pensioner to compensate for the fact that pensions had not kept pace with inflation between 1998 and 2007. As at 1 February 2007, the value of insured pensions with the Old Mutual constituted an asset and liability of the Fund.

In terms of the provisions of the Pension Funds Act, the valuation of the Fund as at 1 March 2004 must provide for pensioners' statutory minimum benefits, a minimum pension increase, if any, as prescribed in the Act. Section 14B of the Act requires the prescribed minimum increase to be derived as follows:

- Firstly, calculate the smaller of the increase afforded by the Fund based on the build-up of the notional pensioner accumulation account and the increase required to match the rate of increase in inflation over the period under review.
- Secondly, calculate the rate of increase required to ensure that the increase policy of the Fund has been applied over the period under review.
- The prescribed minimum increase is defined as the greater of the two rates of increase above.

Given the paucity of data, the statutory minimum pension increase due to pensioners as at 1 March 2004 was determined based on the history of pension increases granted to the pensioner group as a whole, as noted in Section 2. Based on available information, the pension increase policy of the Fund was 75% of the inflation, subject to affordability.

Given the history of pension increases over the 10-year period from 1 March 1994 to 1 March 2004 and taking into account that the investment and mortality risk of the pensioner liabilities were insured after 1 January 1998, the statutory minimum pension increase due to pensions in payment as at 1 March 2004 is nil.

Section 4

Results of the valuation - Continued

The financial position of the Fund as at 1 March 2001 and 1 March 2004 is set out below. It is noted that the level of surplus as at 1 March 2004 shown below is before providing for the expenses of the Fund that have been incurred but not yet accrued in the trial balances over the five-year and seven-month period prior to 30 September 2010, future Fund expenses and the surplus apportionment expenses that will be incurred after 30 September 2010 in the course of the apportionments of the Fund's surplus.

	1-Mar-01 R000	1-Mar-04 R000
<u>Value of assets</u>		
Market value of assets	0	0
Present value of asset recoveries	6 820	8 479
Present value of insured pensions (Old Mutual)	<u>142</u>	<u>177</u>
Actuarial value of assets	<u>6 962</u>	<u>8 656</u>
<u>Value of liabilities</u>		
Present value of insured pensions (Old Mutual)	142	177
Value of statutory minimum pension increase	<u>N/a</u>	<u>0</u>
Total	<u>142</u>	<u>177</u>
<u>Assets less liabilities</u>	6 820	8 479
<u>Ratio of assets to liabilities</u>	4 899.2%	4 899.2%

Appendix

Summary of benefits

A brief summary of the main provisions of the Rules as at 1 March 1998, 1 March 2001 and 1 March 2004 is set out below. At these dates the Fund had no active members and had only insured pensioners.

Eligibility

Any employee on the full-time permanent staff of the Employer, designated as an executive by the Employer, was eligible to join the Fund. With effect 1 February 2007, the Fund was closed to new entrants.

Normal retirement age

The normal retirement age was 60 for female members who, prior to 1 July 1990, could elect such normal retirement age in terms of the Rules then applicable, and 65 for all other members.

Incorporated member

A member who, immediately prior to becoming a member of the Fund, was a member of the Unisys Pension Plan.

Final average salary

For incorporated members, their final average salary was calculated as:

- the highest average annual pensionable salary during any 36 consecutive months prior to the member's retirement for pensionable service until 1 January 1989; and
- the highest average annual pensionable salary during any 24 consecutive months prior to the member's retirement for pensionable after 1 January 1989.

For all other members their final average salary was defined as the highest average annual pensionable salary for any 24 consecutive months prior to the member's retirement.

Appendix**Summary of benefits - Continued**Retirement benefits

The benefit on normal retirement was a pension equal to 2% of final average salary for each year of pensionable service, less any pension payable from the Datakor Group Pension Fund.

With the consent of the Employer, a member could voluntarily retire at any time within the ten-year period prior to normal retirement date. The benefit on early retirement was a pension calculated as for normal retirement, based on final average salary and pensionable service at the date of retirement, and reduced by 0.5% for each month of early retirement. If the member was a member on 1 July 1990 and retired after attaining age 60 or if early retirement was on request of the Employer, after consulting with the Actuary, the reduction factor was waived.

On request from the Employer, a member could be retired at any time before normal retirement date on the grounds of ill-health. The benefit on ill-health retirement was a pension calculated as for normal retirement, based on final average salary and pensionable service at the date of retirement.

With the consent of the Employer, a member could defer retirement beyond normal retirement date. Where contributions continued after normal retirement date, the benefit on late retirement was a pension calculated as for normal retirement, based on final average salary and pensionable service at the date of retirement. Where contributions ceased at normal retirement date, the benefit on late retirement was a pension calculated as for normal retirement, based on final average salary and pensionable service at normal retirement date, increased by 0.75% for each month of late retirement.

A member could elect to commute a portion of or the full pension on retirement for a cash lump sum.

Benefit on death before retirement

The benefit on death before retirement was a lump sum equal to the member's accumulated contributions, calculated in terms of the Rules of the Fund. In addition, a spouse's pension was payable equal to 50% of the member's pension based on the member's pensionable salary at the date of death and pensionable service at normal retirement date, as well as orphans' pensions equal in total to 100% of the spouse's pension if there are four orphans, decreasing by 20% for each orphan less than four, subject to a minimum of 40%.

Appendix**Summary of benefits - Continued****Benefit on death after retirement**

If death occurred within the first five years after retirement, the pension payable to the member continued to be paid for the balance of the five-year period. Thereafter, a spouse's pension was payable equal to 50% of the member's pension on death, as well as orphans' pensions equal in total to 100% of the spouse's pension if there are four orphans, decreasing by 20% for each orphan less than four, subject to a minimum of 40%.

Withdrawal benefit

The cash benefit payable on withdrawal was a lump sum equal to the member's accumulated contributions, calculated in terms of the Rules of the Fund.

On retrenchment or redundancy, the cash benefit was increased by an additional 10% for each year of completed pensionable service if the member had five or more years of pensionable service, subject to a maximum of 100%.

If a member did not take the cash withdrawal benefit and elected to receive a deferred pension from the Fund from normal retirement date, the pension at retirement was secured with:

- in the case of an executive, the member's accumulated contributions; and
- in the case of other members, the member's actuarial reserve value.

A member could elect to transfer the value of the deferred pension to an approved retirement annuity fund. A member could elect to take R1 800 in cash before transfer.

Contributions

Members were not required to contribute to the Fund.

The Employer met the balance of the cost of providing funded benefits in terms of the Rules of the Fund, as determined by the Actuary. The Employer also met the cost of insured risk benefits.

The Registrar of Pension Funds
Private Bag X238
Pretoria
0001

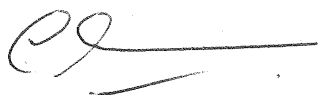
Your reference: 12 / 8 / 19919

Sir,

**PENSION FUNDS ACT, 1956: REPORT BY THE VALUATOR IN RESPECT OF
THE INVESTMENT GUIDELINES IN TERMS OF REGULATION 28:
DATAKOR GROUP RETIREMENT FUND (Under curatorship)**

As at 1 March 2004, the assets of the Datakor Group Retirement Fund consist of the discounted value of asset recoveries by the Curator of the Fund over the period from 1 March 2005 to 30 September 2010 net of Fund expenses and the discounted value of the 1 February 2007 insured pensions with the Old Mutual. The discounted values of the assets and liabilities in respect of the insured pensions were matched and the value of the net asset recoveries constitutes the surplus in the Fund on 1 March 2004.

Taking the above into account, I certify that I am satisfied with the structure of the assets of the Datakor Group Retirement Fund as at 1 March 2004 and that the matching of assets with the liabilities of the Fund is, in my opinion, adequate.



C. van der Meulen

Fellow of the Actuarial Society of South Africa
and Institute and Faculty of Actuaries

In my capacity as Valuator to the Fund

2 November 2010

*For the purposes of professional regulation my primary professional regulator is the
Actuarial Society of South Africa*