LEGAL PRACTITIONERS FIDELITY FUND
SOUTH AFRICA

Your Champion in the Legal Profession Since 1941

INTEGRATED ANNUAL REPORT 2024

Contents

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This icon signifies related information elsewhere in this report

This icon signifies related information available online at: www.fidfund.co.za

Glossary of terms

AFU	Asset Forfeiture Unit
AMTS	Automated Monthly Transfer System
BASA	Banking Association South Africa
BLA	Black Lawyers Association
BCM	Business Continuity Management
BCP	Business Continuity Plan
COSO	Enterprise Risk Management Framework published by the Committee of Sponsoring Organizations (COSO:2017) of the Treadway Commission
DR	Disaster Recover
ERM	Enterprise Risk Management
DPCI	Directorate of Priority Crime Investigation
FIC	Financial Intelligence Centre
FSCA	Financial Sector Conduct Authority
GBC	General Bar Council
ICAS	Independent Counselling and Advisory Services
IRBA	Independent Regulatory Board of Auditors
IRMS	Integrated Risk Management System
ISO 31000	International Standard on Risk Management (ISO31000: 2018)
JPAC	Joint Practitioners and Accountants Committee
LPA	Legal Practice Act, no 28 of 2014
LPC	Legal Practice Council
LPFF	Legal Practitioners' Fidelity Fund
LPIIF	Legal Practitioners Indemnity Insurance Fund NPC
LSSA	Law Society of South Africa
NADEL	National Association of Democratic Lawyers
NPA	National Prosecuting Authority
OSH	Occupational Safety and Health
PI cover	Professional Indemnity Insurance cover
PPE	Property Plant and Equipment
RAF	Road Accident Fund
SAA	Strategic Asset Allocation
SAICA	South African Institute of Chartered Accountants
SAM	Solvency Assessment and Management
SAPS	South African Police Service
SARB	South African Reserve Bank
SIU	Special Investigating Unit

About this report

The Legal Practitioners' Fidelity Fund (LPFF) is pleased to present its 2024 integrated annual report.

Materiality process

The information in this report has been selected to provide stakeholders with an overview of our strategy, business model, performance, governance practices, risks and opportunities. The selection of information covered in this report was informed by inputs from our stakeholders and was further refined through engagement with the executive management and the Board.

Scope and boundary

The report covers all the operations of the LPFF for the period 1 January 2024 to 31 December 2024. There has been no change in the scope and boundary of this report relative to the 2023 report. There has also been no change in the size of the LPFF during the reporting period, other than through normal operating activities. There has been no material restatement of information provided in earlier reports.

The contents of the report are aimed at providing insight into the matters that have the most potential to affect the LPFF's ability to create value and meet its statutory mandate.

These matters were informed by:

- A review of the LPFF's external environment (refer to the Report by the Chief Executive Officer).
- An assessment of the critical issues affecting the LPFF (refer to the Report by the Chief Executive Officer) and considered at the LPFF's Board, Board sub-committee and executive management meetings throughout the year (refer to the Accountability section).
- An assessment of risks and opportunities that the LPFF is exposed to (refer to the various sections for information).
- A review and consideration of the Fund's prior year material matters against the current year.

Refer to page 12 for more on material matters.

The Fund's strategy, as well as the progress and success with the implementation thereof, are also discussed in detail in the Report by the Chief Executive Officer, to indicate the extent to which critical issues are being mitigated and opportunities capitalised upon.

Frameworks and assurance

The executive team reviews the completeness and accuracy of the information in the integrated report, relying on the combined assurance process.

Frameworks applied	Integrated Annual Report	Annual Financial Statements
International Reporting <IR> Framework	✓	
Legal Practice Act 28 of 2014	✓	
Financial Sector Regulation Act 9 of 2017	✓	✓
King IV Report on Corporate Governance for South Africa (King IV™)	✓	✓
United Nation's Sustainable Development Goals	✓	

The financial statements included in the integrated annual report are reviewed by the external auditors and recommended by the Audit Committee to the Board for approval. Other sources of assurance are as follows:

Business process	Nature of assurance	Status	Provider
Financial/operational			
Annual financial statements	External assurance	Assured	BDO South Africa
Internal audit	Internal assurance	Assured	Incorporated Nexia SAB&T
Empowerment			
Broad-based Black Economic Empowerment	Black Economic Empowerment Scorecard	In place	Authentic Rating Solutions Pty Ltd
Ethics			
Whistleblowing hotline	External assurance	In place	Deloitte Tip-offs Anonymous (Pty) Limited
Fraud and Corruption Prevention Policy	Internal assurance	In place	Compliance Officer/Enterprise Risk Management

Forward-looking statements

This report may contain forward-looking statements with respect to LPFF's future performance and prospects, which have not been audited. While these statements represent our judgements and future expectations, several factors may cause actual results to differ materially from our expectations.

For further information, please contact the LPFF on +27 (0) 21 424 5351 or visit www.fidfund.co.za

Integrated report process and approval

The information included in the integrated annual report is selected and prepared by management, with input and oversight from the Audit Committee, and is reviewed by the external auditors. The Committee provides feedback to the Board and recommends the report for approval. The Board of the LPFF acknowledges its responsibility to ensure the integrity of this report and confirms that the integrated annual report is presented in accordance with the <IR> Framework, addresses all material matters and provides a balanced overview of the LPFF and its prospects. The Board has therefore approved the 2024 integrated annual report for publication.

On behalf of the Board

BM Molefe
Chief Executive Officer

TS Kekana
Independent Chairperson

Z Nkosi
Independent Vice-Chairperson

Independent non-executive directors:
CJ Ntsoane, M Notyesi, W Brown, E Arendse, KM Motshekga, NP Karelse and MM Phiri

LPFF at a glance

The Legal Practitioners' Fidelity Fund is a fidelity guarantee fund, which exists in terms of the Legal Practice Act 28 of 2014 to support consumers of legal services, as well as legal practitioners by:

- Protecting the consumers of legal services against loss resulting from misappropriation of trust money or property entrusted to the legal practitioners in the course of their practices.
- This protection encourages the public to use services provided by the legal practitioners with confidence.
- In terms of the Act, the LPFF must financially support legal regulation and may, in the case of legal education in the country, also support such. We continue to do so in the interests of both the public and the legal profession.
- The LPFF may also provide professional indemnity insurance cover to all South African legal practices in respect of claims arising from professional negligence, and this cover is provided through the Legal Practitioners' Insurance Indemnity Fund NPC (LPIIF).

Our purpose

The primary purpose of the LPFF is to reimburse clients of legal practitioners who have suffered pecuniary loss due to the theft of money or property entrusted to a legal practitioner in the course of his/her practice as such, or where a legal practitioner acts as executor or administrator in a deceased estate, or as a trustee in an insolvent estate.

Our vision

To be recognised as a business-focused entity that brings justice to victims of theft of trust funds by legal practitioners within the borders of South Africa and brings integrity and trust back into the legal practitioners' profession.

Our values

Our values

- Responsibility
- Excellence
- Integrity
- Respect

We have been bringing justice to victims of trust fund theft since 1941 and continue to build integrity and trust in the legal profession.

Our mission

We protect

- We promote access to, and confidence in, the administration of justice by ensuring that theft victims are promptly and fully compensated for their loss.
- We provide, in the public interest, professional indemnity (PI) insurance cover to practitioners against claims arising through the conduct of members of the legal profession.
- We ensure, by applying appropriate risk management measures, that the LPFF has adequate resources, skills and appropriate organisational structures at all times to meet its objectives and minimise the risk to consumers of legal services.

We defend

- We function as a premier institution of civil society while observing the highest standards of corporate governance and integrity to promote public confidence in the probity, dignity and status of the legal profession.

We promote

- We are responsive and accessible to legitimate claimants by providing information about the LPFF's existence and purpose.

Our strategic aspirations

SV Providing sustainable value to protect the public

RE Offering competitive and rewarding environment for employees

ECS Administering exemplary customer service

TLP Being a trusted support organisation for the legal profession and the public

Our key enablers

Execution of strategy and beyond one by our
Human capital

Support strategic and business objectives through
Information technology, advanced data analytics, finance, cost management and facilities management

The decision to require legal practitioners to contribute to the cost of professional indemnity premiums from 2025/2026 is a fundamental step in securing the sustainability of the LPFF for the future.

Performance highlights for 2024

Financial impact

R1.6bn Net increase in the Fund's NAV
2023: R1.4bn

R1.03bn Net operating surplus
2023: R1.0bn

R797m Value of claims notified
2023: R1.1bn

R257m Value of claims paid
2023: R156m

Governance

The LPFF is committed to good governance through integrity, competence, responsibility, accountability, fairness, and transparency.

Employees are dedicated and committed to safeguarding the society at large.

Societal impact

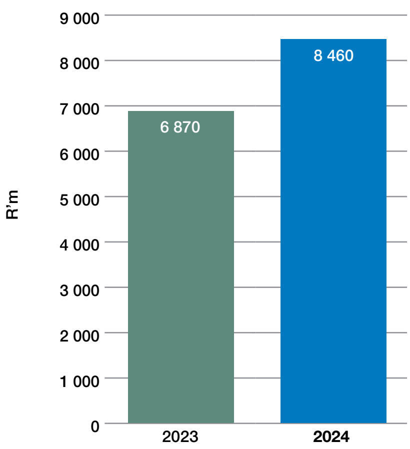
1 220 Claims notified
2023: 1 044

485 Claims paid
2023: 397

331 Students awarded bursaries for LLB and post graduate studies
2023: 244

R11m Bursaries awarded to LLB and post graduate students
2023: R8m

Growth in net assets



Environmental impact

Refer to page 10 for our progress.

How we created value

A streamlined claims management process

Effective investment strategy and execution

Automation of trust interest receipts

Disciplined cost management

Stakeholder engagements

Value conceded

Increase in the value of claims lodged

Technical challenges in the refund of bank charges and audit fees

Increase in competing demands on the Fund's resources

How we measured up

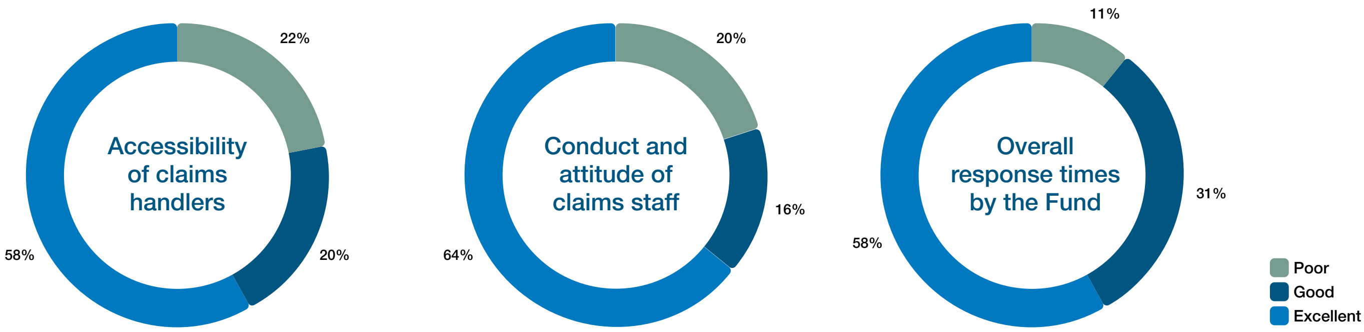
19 693
Fidelity Fund Certificates issued

331
Bursaries awarded for legal studies

R175m
Successfully recovered in criminal and curatorship matters

R20m
Successfully recovered in litigation matters

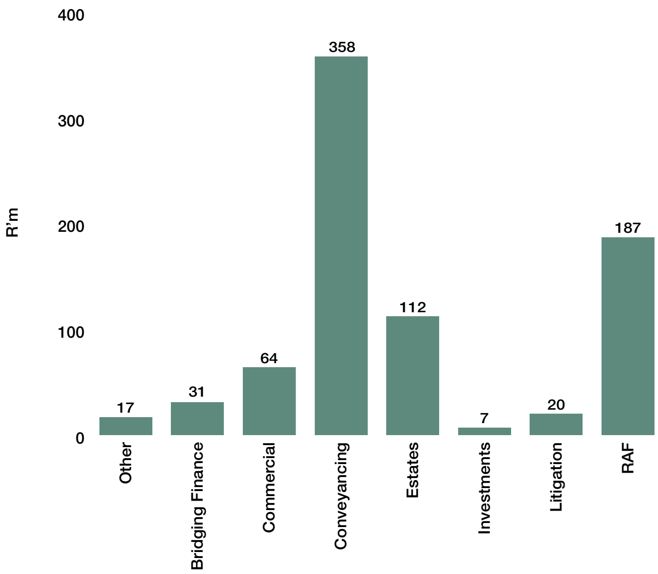
Our client ratings in the 2024 service delivery assessment



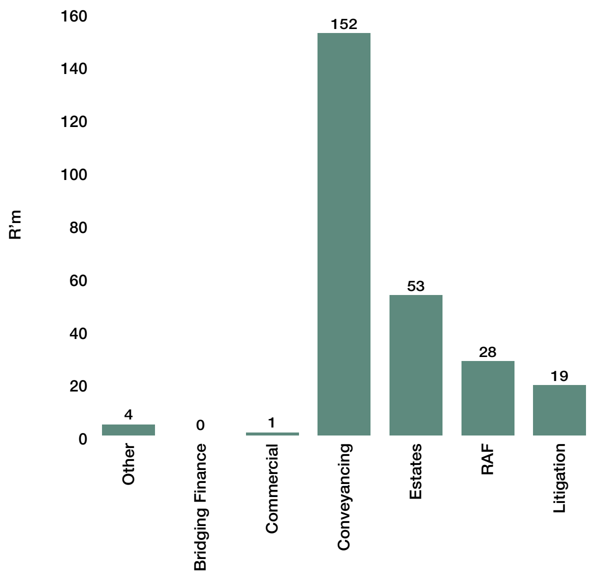
54% of the public rated the overall time to finalise a claim as excellent or good, and 46% were not satisfied, showing that there is room for improvement.

Claims notified and paid per area of practice

Value of claims NOTIFIED



Value of claims PAID



Conveyancing comprised 45% of all notified claims and 59% of all paid claims

Our contribution to society in numbers

The value we created over the past 18 years

9 004 claims paid

R2.3bn of claims paid

R1.6bn spent on practitioner support

R3.2bn paid to support regulators and the profession

R2.2bn spent on PI insurance cover

R10.7m spent on staff training

R127m spent on bursaries for law students

Our actions

Safeguarded the public against theft and fraud

Sponsored funding of regulatory activities in the legal profession

Grew our assets to support our objectives

Provided inspection services to regulators in large or complex matters

Provided the public with an ethical platform to lodge complaints with TRUSTLINE

Provided PI insurance cover to FFC holding partitioners

Offered bursaries to law students at institutions of higher learning

Legal Practitioners' Fidelity Fund in numbers

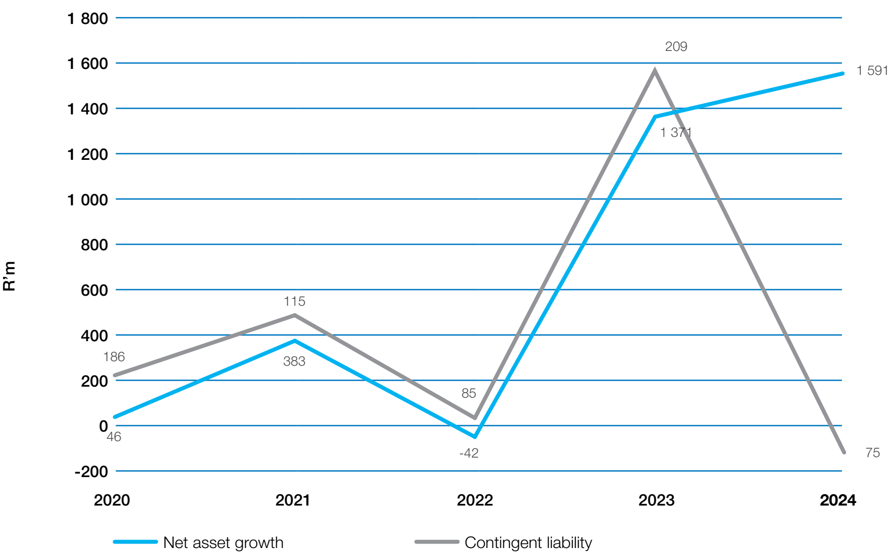
R8.98bn

Total value of the Fund's investment

112

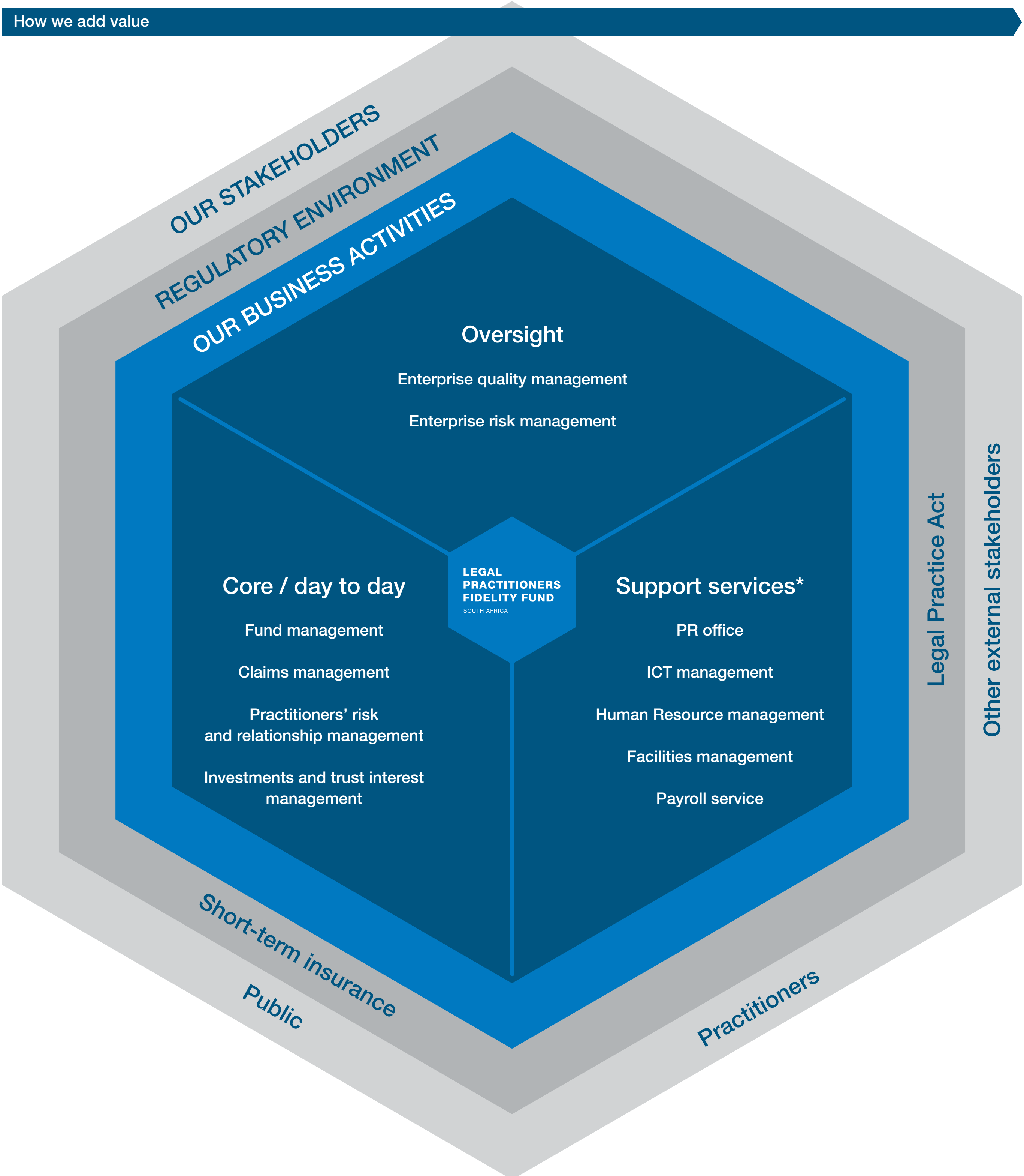
Number of employees

Net Asset vs Contingent liability



Our value-creating business model

How we add value



* The LPFF and LPIIF share technology and other support function costs, where feasible, to maximise synergies and enhance efficiencies. Data-sharing between the two organisations also provides one version of the truth, allows for sharing of knowledge and improved transparency, and enhances risk mitigation efforts.

Our resources

IC

Intellectual capital
– our systems and brand, as well as the knowledge of our employees.
R4.4m marketing spend

HC

Human capital
– our dedicated and committed employees.
112 staff members, R1.3 million spend on staff development

FC

Financial capital
– the interest earned on trust accounts held by legal practitioners, as well as dividends and interest from our investment portfolio.
R1.93bn income

MC

Manufactured capital
– the buildings we own, and aspects such as formulated articles for legal publications, our support programmes, our training courses and the work done to improve components of legislation.

SRC

Social and relationship capital
– our service to the public, our relationships and collaborative efforts with key stakeholders, and our support and funding of the legal profession.

Refer to Stakeholder Engagement page 33 for information

NC

Natural capital
– we have a low environmental impact. Our buildings comply with Occupational Health and Safety Administration (OHSA) standards and have a gold environmental status.

Our objectives

Reducing the risk to the public
- Ensuring efficient and effective regulation through the Legal Practice Council
- Recovery of claims and costs paid from liable practitioners
- Comprehensive and appropriate reinsurance programmes

Reducing the risk to practitioners
- Practitioner interventions and related programmes
- Professional indemnity insurance cover

Creating awareness
- Maintain the TRUSTLINE (whistleblowing)
- Participate in media awareness campaigns

Supporting a vibrant and effective legal industry
- Issue practice notes and risk warnings, including Prescription Alert
- Provide legal educational content and bursaries for legal students

Our outputs

- Public protection
- A more resilient legal system
- Job creation
- Well-trained employees

Our outcomes

- ▲ Public has confidence to utilise legal services
- ▲ R103m total staff costs
- ▲ R148m contribution to LPC
- ▲ R232m contribution to LPIIF
- ▼ R257m claims paid

▲ Value created
◆ Value preserved
▼ Value conceded

Our progress on ESG

The LPFF has adopted the Sustainable Development Goals (SDGs) of the United Nations, which were created to act as a common blueprint for peace and prosperity for people and the planet, both now and in the future, as its own reporting framework, in recognition of the growing importance of addressing economic, environmental and social issues. Our progress on the four priority SDGs we have selected is discussed below.

The Investment Committee and the Board are also committed to investing using the Principles of Responsible Investing (PRI) framework and the Code of Responsible Investing in South Africa (CRISA) framework. In addition, a portion of the Fund's investment assets was committed to a mandate that prioritises the principles of responsible investing, and screens the constituent shares in the portfolio based on how each company scores in terms of its impact on the environment, society and governance. The rest of the Fund's investment mandates are required to demonstrate the practical application of ESG principles in the portfolio construction process.

Environment

Recycling – all paper, plastic, glass, globes and fluorescent lights are recycled through an external service provider

Energy saving – all buildings have sensors to detect movement or presence which assists with energy saving and the reduction of electricity costs

Reducing emissions–- the LPFF continues to maintain rotation between working from the home and from the office, which assist with reducing emissions arising from driving to the office less frequently

Social responsibility

Our B-BBEE status

Whilst the Fund's status is recorded as non-compliant, the correct position is that most of the assessment criteria, as contained in the codes of good practice, do not apply to the LPFF.

94%
of all bursaries awarded are to previously disadvantaged individuals.

Both our internal and external auditors have a
B-BBEE Level 1
contributor status.

Approximately
90%
of the Fund's total expenditure is on categories outside the B-BBEE rating criteria.

Skills development

Skills development is at the centre of the LPFF's success. Our focus is primarily on developing our employees through the internal bursary scheme. We also contribute to youth development programmes through an external bursary scheme.

In the reporting period:

R1.3 million
was spent on skills development

35
employees were trained in various short courses

91%
of the trained employees were black and

46%
were female.

Learnership programmes

The learnership programme is designed to contribute to the transformation imperatives of the LPFF and to address the scarce skills challenges currently experienced by the legal industry. All learners are required to complete the training programme specifically tailored to the area in which they have been appointed. The programme includes formal and on-the-job training.

From June 2023 to December 2024,

20
learners participated in the Paralegal learnership programme, of which

4
were LPFF employees. One delegate has deregistered from the programme.

External Bursaries Programme

Provides financial support for legal studies to students from previously disadvantaged communities.

R11 million
invested in the reporting period

331
students were awarded bursaries, of which

227
for LLB studies, and

54
for post-graduate legal studies

Internal Bursaries Programme

Developing our employees is critical in achieving the LPFF's goal and empowering our employees.

In the reporting period:

8
employees were awarded bursaries

2
employees completed their qualifications

Gender equality

Our goal is to achieve equal representation across all levels within the organisation through a solid plan that supports equality in the workplace, equal employment opportunities, skills development and equitable representation at all occupational levels.

112 employees
54% female
93% black
49% black female
4% with disabilities

Top management

100%
black

33%
black female

Senior management

50%
female

Board

Black female
Chairperson

56%
black female

In the reporting period:

11
appointments, with

18%
being internal
5 terminations
1 resignation
1 retirement
3 dismissals

Employment opportunity

The LPFF's Human Resources policies promote full and productive employment and decent work for all employees, including youth and persons with disabilities, and equal pay for work of equal value. These policies were reviewed and enhanced in the reporting period to further encourage the high performance culture across the Fund.

Performance management

The executives and staff entered into performance agreements in the reporting period, and appraisals were conducted.

Rewards and recognition

Reward and recognition play an important role in the achievement of our strategic objectives, and our reward philosophy is reviewed annually to ensure that the LPFF remains relevant in the market. In addition, external remuneration experts conduct salary benchmarking and analyses to ensure fair and market-related salary increases and, where appropriate, salaries are adjusted.

The LPFF has a short-term incentive scheme that is linked to both the individual and the organisation's performance. In the reporting period, performance-linked bonuses were paid to management and general staff.

Employee wellness

We acknowledge the value of the health and wellness of our employees and have, therefore, subscribed to initiatives which empower them to make healthy and safe choices through prevention, treatment, care and support, education and partnership.

In the reporting period, the LPFF initiated the following:

- A partnership with DisChem for Flu vaccination for the employees.
- An employee wellness day where employees were educated on the importance of physical activity on overall health and well-being, by our wellness service provider, ICAS.
- Expansion of the employee wellness response by increasing support on mental, financial, and physical health with a focus on enabling positive, resilient, and sustainable lifestyle changes.

Succession management

In 2024, the LPFF reviewed and updated its succession management plan to ensure a sufficient cover ratio for critical and scarce positions. All individuals identified as successors to critical roles completed psychometric assessments. Strengths and developmental areas were identified and personal development plans were developed to address these.

Employee engagement

The LPFF conducted an employee engagement survey in 2023 which indicated that engagement levels have remained relatively stable. Our employee engagement programme focuses on improving the employee experience and connecting employees to meaning and purpose and, in 2024, the focus was on developing an employee engagement plan and employer value proposition.

Serving the society at large

The mission of the LPFF is to support and promote confidence in the administration of justice, by ensuring that the public is promptly and fully compensated for their loss. It also provides professional indemnity insurance cover for practitioners in the public's interest and promote the public confidence in the probity, dignity and status of the legal profession, thus driving the economic growth of the profession.

Governance

The Board is dedicated to promoting good governance by exhibiting capable and ethical leadership.

For more information, refer to the Accountability section on page 41.

Our material matters

Materiality determination process

The Fund's material matters are those that have the most significant impact on strategic delivery and the Fund's ability to create value over the short, medium and long term, and are identified, prioritised, evaluated and reported on as follows:

Identify

Assess the external and internal operating environment and identify key risks and opportunities that are critical to the LPFF and its stakeholders. Those matters are discussed by the Board and Board sub-committees.

Prioritise

Rank risks and opportunities according to the impact on the Fund's reputation and strategic delivery, the extent of control the LPFF has over the issue, and its effect on risk metrics in relation to the strategy.

Respond

Assess the impact on the risks and the actions required to manage these material matters and identify opportunities, as well as the impact on the strategy.

Report

The outcomes of the review and evaluations are presented to the Board and Audit and Compliance Committee, and reported to other stakeholders.

Material matters

The Fund's material matters are as follows:

Material matter	Performance against the matters and mitigation of risks	Strategic aspiration applied
The Fund's ability to settle claims	The claims lodged with the LPFF have been increasing at a higher rate in the past five years. On average, the Claims Department has seen increases of R134 million in contingent liability annually. The following activities are put in place by the Practitioner Risk Department to reduce the scourge in the upward claims trajectory: • The LPFF will be sharing trust accounting practices by practitioners identified during the Fund's inspection processes with SAICA and IRBA to assist them in developing and improving the methodology used for the audit. • The LPFF will be participating in the re-admission process of previously struck-off legal practitioners, a process undertaken by the LPC to reduce re-admission of unrehabilitated persons, and ad-hoc inspections conducted on those. • The LPC is taking disciplinary action against practitioners who do not hold Fidelity Fund Certificates within a practice cycle. Trust accounts belonging to these practitioners will also be inspected by the Fund.	SV TLP ECS
Employees having the necessary resilience, well-being, skills, stability and engagement	• In a highly competitive environment, the long-term retention of world-class talent is critical to the success of delivering our mandate. • The Fund's Remuneration Policy is key to retaining highly skilled employees and aligning their performance with that of all stakeholders. • Continued implementation of a comprehensive wellness programme to support employee wellness and provide solutions to help them cope with life demands and changes. • Growing people's capabilities through learning and development. • Developed a talent management framework that enables the LPFF to attract, develop, retain and nurture the best skills.	RE
Keeping up with information and technology and ensuring a solid, resilient and stable IT platform	• The LPFF is committed to speeding up the digitisation strategy to create efficiencies and maximise the automation of processes. • A solid, resilient and stable IT platform is critical to execute the Fund's strategy and meet the changing needs of the new world. • The following activities are put in place: – The data analytics project that started in 2023 continued in 2024. A data scientist has been onboarded as part of internal capacity building, and the enterprise architecture has been reviewed to incorporate the data warehouse. The project will continue into 2025. – The Fund's IT environment has been made highly resilient in 2024 through cloud-based disaster recovery, security measures that leverage artificial intelligence (AI) tools, and a hybrid of on-premise and cloud hosting to diversify risk and allow mobility. – Outdated technologies have been decommissioned, with only two legacy systems still to be done in 2025. This has improved the vulnerability assessment audit to satisfactory.	SV ECS
Complying with the LPA and other regulations	• The LPFF has complied with the LPA in the reporting period and continues to review its compliance with other regulations. • Work still needs to be done to ensure total embedding of the Protection of Personal Information Act (PoPIA) principles. • The compliance of the LPFF is being managed through a Code of Conduct, a compliance structure which includes a Compliance Officer, enforcement and regular reporting, as well as independent audit reviews. • The overall rating for compliance with the Occupational Health and Safety in the year under review, as determined by an external service provided, was 96%.	SV
The LPFF's primary revenue stream and asset base	The following activities have been put in place to protect and grow trust interest income and investment income. • The amendment of Rule 54.14.16 contributed to the increase in trust interest receipts that are paid via the Automated Monthly Transfer System. Banks have indicated their operational readiness for automated payments of all trust interest receipts. • An additional, R595 million in surplus interest was added to investment reserves. • A new tactical asset allocation mandate was considered and approved and will accordingly be implemented in the 2025 financial year. • Internal information technology systems are still under development. Completion of these systems will open up new opportunities for the Fund.	SV TLP ECS

The trade-offs we are making

The goal of the LPFF is to safeguard public trust in the administration of justice and to play a major role in supporting civil society. We continually assess how best to use and distribute the resources at our disposal to accomplish this and guarantee optimal efficacy. A few of the main compromises we must make to maximise our value addition for stakeholders are listed below:

Trade-off	Trade-off description	Strategic focus areas	Capitals impacted
Industry contributions to PI cover	The sustainability of the LPFF funding model will receive a significant boost once practitioners begin to contribute to the cost of PI cover in 2025/2026. This benefit continually needs to be weighed against the increased costs for the practitioners.	SV TLP	FC SRC
Technology investment	The LPFF must constantly weigh up the benefit of improved efficiencies through technology, against the cost of implementation.	SV ECS	MC HC FC IC
Social investment	The LPFF could play a vital role in supporting social upliftment and development in the country through socially responsible investment. While the desired social impact requires no debate, the challenge remains the additional burden placed on already overstretched financial resources.	SV TLP	FC SRC
Managing competing demand on resources	The competing demands on the Fund, namely the settlement of misappropriation claims, the allocation made to the Legal Practice Council, as well as the annual contribution to the Fund's professional indemnity insurance, taken together with an income base and model that continues to be challenged and is under the pressure of the Fund, need to continually be weighed against the risk to the Fund's sustainability going forward.	SV TLP	FC SRC
Reinsurance costs	The LPFF must continuously reassess the cost of reinsurance relative to the benefit that it would afford the LPFF in terms of reducing its risk. To make this determination, the LPFF stringently monitors its claims trends, as well as opportunities in the reinsurance market.	SV TLP	FC IC
Investment portfolio	A more aggressive portfolio composition may enhance returns but will increase risk and volatility.	SV TLP	FC IC
Use of external practitioners in the claims process	The LPFF has to continuously balance the efficacy of employing additional external resources to expedite the settling of claims against the cost.	SV ECS	FC

For more information, refer to the Report by the Chief Executive Officer on page 16.

Our strategic aspirations

SV	Sustainable value to protect the public
RE	Competitive and rewarding environment for employees
ECS	Exemplary customer service
TLP	Trusted support organisation

Capitals impacted by the trade-offs

IC	Intellectual capital
HC	Human capital
FC	Financial capital
MC	Manufactured capital
SRC	Social and relationship capital
NC	Natural capital

Chairperson's report

It is my privilege to present this report on the activities of the LPFF for the financial year 2024 on behalf of the Legal Practitioners Fidelity Fund Board.

The LPFF Board comprises nine members with diverse legal, financial, and business expertise. While the Board's term was initially set to expire on 18 November 2023, delays in the election process extended its tenure until the new Board was appointed in November 2024. Some members from the previous Board retained their positions, ensuring continuity in governance and enabling the Board to fulfil its fiduciary responsibilities effectively.

Maintaining a strategic focus and sustainability

The LPFF remains steadfast in its strategic intent: ensuring long-term sustainability to protect consumers of legal services against financial loss due to misappropriation of trust funds, and through the Legal Practitioners Indemnity Insurance Fund, providing professional indemnity insurance for the profession. However, the Board recognised that subsidising professional indemnity cover for legal practitioners is no longer sustainable. Consequently, it was intended that from the 2024/2025 financial year, practitioners would be required to contribute towards their premiums. While this policy was communicated to stakeholders throughout 2024, full implementation is expected to commence in the 2025/2026 financial year, following industry consultations.

This change does not alter our core commitment to ensuring public confidence in legal practitioners. Additionally, the LPFF is mandated to make an annual appropriation to the Legal Practice Council, in line with section 22(1)(b) of the Legal Practice Act. This allocation ensures robust regulation of legal practitioners, mitigating risks associated with trust fund misappropriation and limiting erosion of the LPFF's assets.

Financial performance and challenges

Throughout 2024, the Board focused on balancing the Fund's sustainability with its commitments to the profession and regulatory bodies. The Board continued to assist the legal profession, the Department of Justice, the LPC, and LPIIF in navigating existential questions around the role and funding of the various role players. Challenges persisted due to economic constraints following the pandemic, as well as the fact that the well-being of all these entities is inextricably linked to the LPFF and its long-term endurance.

Fortunately, the LPFF experienced a steady increase in revenue in 2023 and 2024. This was mainly due to rising interest rates, improving trust balances and effective financial strategies, which have served to bolster profitability and reserves. This revenue growth alleviated some financial pressures and allowed the LPFF to allocate, in terms of section 22 (1)(b) of the Act, R148 million to

In 2024, the solvency capital requirement of the LPFF improved from 0.77% in 2023 to 0.80%. However, claims trends are increasing and the LPFF had to manage this and the competing interests to its resources more carefully to remain sustainable in the long term.

the LPC and R213 million towards professional indemnity premiums for the 2023/2024 insurance year. An increased allocation of R250 million was set aside for the 2024/2025 insurance year.

For more detail, refer to the Financial Review and the Risk Management section on pages 25 and 58.

Despite these positive trends, long-term sustainability concerns remain. Interest rates are fluid and appear to be entering a lower cycle, which could negatively impact revenue. The LPFF has implemented a carefully structured investment strategy to mitigate potential declines. However, the strategic challenges we strive to address cannot be overcome in isolation. We continued active engagement with all industry participants to agree on a way forward and implement it without delay. I want to thank these stakeholders, management, and staff for their continued commitment to managing these engagements and relationships fruitfully.

Refer to page 16 of the Report by the CEO.

Governance and oversight

The Board and its appointed sub-committees continued to provide oversight over the operations of the LPFF in line with acceptable codes of good practice in 2024. The Board's term of office had been expected to expire in November 2023. However, due to protracted litigation between the Legal Practice Council and other stakeholders, the Board continued in office until October 2024, and a new Board was constituted in November 2024. Retained in the new Board were myself as Chair and Ms Z Nkosi as the new vice chair. Mr M Notyesi, Mr C J Ntsoane and Mr W Brown were also retained. Four new members were incorporated into the Board: Adv E Arendse, who is on the EXCO of the Board, Ms KM Motshekga, Ms NP Karelse and Ms MM Phiri. We welcome them to the Board and look forward to their valuable contributions.

Refer to the Accountability section on page 41 for more detail.

Board oversight

The Board actively evaluated the Fund's strategic direction through rigorous performance assessments. While overall strategy implementation progressed well, challenges in information technology were identified. Remedial measures have been implemented to address these gaps, and projects are managed more closely to ensure their success in meeting business requirements. Management has adapted well, ensuring accountability for strategy execution, with any necessary adjustments being made in a controlled manner. I am pleased to report that any failures in the strategy implementation were reported to the Board, together with the underlying reasons and/or causes which led to minor changes in the strategic objectives, without serious deviations. I congratulate our team for the good progress made in 2024 with many of the strategic projects. The collaboration with key stakeholders focused on their role in ensuring the Fund's long-term viability, particularly in how it assists them in their respective roles – both with resources and financially, and how the LPFF dispenses with its revenues conservatively to ensure its long-term survival.

Board effectiveness was difficult to assess due to ongoing litigation-related uncertainties. However, significant efforts were made to train Board members, particularly because of the various new skills that came onto the Board. This created a completely different discourse from when the Board consisted of lawyers only, fostering a well-rounded governance structure.

Given increasing financial demands on the Fund, it is crucial for reliant institutions to enhance their financial independence. The growth strategy for LPIIF must be prioritised, and LPC must increase its revenue generation to reduce dependency on the Fund.

Refer to page 16 of the Report by the CEO for more on our strategic progress.

The LPIIF Board members

Mr MJ Haken
Independent Non-executive Chairperson

Mr TD Khanyile
Independent Non-executive and Chairperson of the Risk Committee

Mr MJ Lesejane
Independent Non-executive and Chairperson of the Audit Committee

Mr EA Moolla
Independent Non-executive and Chairperson of the Investment and Remuneration Committee

Ms S Chaba
Independent Non-executive and Chairperson of the Remuneration Committee

Dr DP du Plessis
Independent Non- executive (Governance, Risk and Investment Expert)

Ms SK O'Mahony
Independent Non-executive (Audit expert)

Mr SS Mbelle
Managing Director

LPIIF governance and compliance

The LPIIF operates under the Financial Sector Conduct Authority (FSCA) regulatory oversight. Its Board members, appointed by the Fund, adhere to the Solvency Assessment and Management (SAM) framework and governance standards outlined in Board Notice 158 of 2014. Compliance remains at the highest level, ensuring robust governance within the short-term insurance entity.

Acknowledgements

I extend my sincere appreciation to my fellow Board members, the committees, management, and staff for their unwavering dedication and expertise in steering the LPFF over the past year. I also thank our stakeholders, regulators, and the Ombudsman for Legal Services for their ongoing support and engagement in our collective mission to create shared value.
We look forward to another year of progress and collaboration as we continue to safeguard the interests of the public and the profession.

Thabang Kekana
Chairperson

Report by the Chief Executive Officer

The Legal Practitioners' Fidelity Fund is pleased to present its 2024 integrated annual report, which outlines its activities, objectives and achievements for stakeholders and interested parties. Previously known as the Attorneys Fidelity Fund, the LPFF is a statutory entity established under earlier legislation regulating the legal profession and is now governed by the Legal Practice Act 28 of 2014. This report covers aspects of its governance, risk management approach, systems, and the skillsets of its employees.

In 2024, sustainability continued to be a major focus for the Fund, with a strong emphasis on enhancing revenue collection to address the various demands placed on it, as outlined in section 57 of the Act. I am pleased to report that this objective was largely achieved, allowing the LPFF to increase its reserves and improve the cover ratio. To this end, I wish to thank the Board and employees for their stellar efforts and look at 2025 as a year in which we shall again attain such goals.

We are pleased to present the performance highlights for the 2024 financial year, detailed later in this report.

- 19 693 Fidelity Fund Certificates were issued, down 1.5% on the prior year. The FFC system has continued providing a secure platform with no breach recorded.
- 485 claims were paid
- R257 million was paid in claims
- R2.03 billion of revenue generated, up by R210 million or 12%
- R1.03 billion net surplus generated, up by 3%
- R8.46 billion in net assets, up by 23%
- 331 bursaries awarded for LLB and post-graduate studies, amounting to R11 million
- R4 million was recovered from defaulting attorneys directly and flowing from litigation
- 354 cases against defaulting legal practitioners were dealt with, of which 45 were set down for trial. Twelve legal practitioners were successfully prosecuted and convicted.
- This was all achieved through a staff component of 112 employees.

In 2024, the repo rate decreased by 50 basis points. Nevertheless, the Fund's financial position improved, benefiting from higher interest rates and trust balances. It is essential to highlight that our team effectively capitalised on these improved conditions through innovative thinking, efficient systems, and continuous enhancements in productivity. The latter improved despite the Fund's hybrid working model, supported by constant advancement in information technology systems and platforms, together with the training and development of our employees.

In 2024, the LPFF faced a significant hacking incident that disrupted some operations. Some of the Fund's data was encrypted, leaving it vulnerable to extortionists. Our IT team quickly took action, rebuilding critical systems and restoring mission-critical operations within three weeks. This incident prompted management to revive and review the IT Steering Committee, which is responsible for continuously prioritising and monitoring the development and implementation of IT projects. This includes implementing robust security measures and, importantly, decommissioning unsupported legacy systems that expose the LPFF to potential security breaches.

I am pleased to report that as of the date of this report, we are fully operational again and have gained valuable insights into the risks associated with cyber security.

For more information on this incident, please refer to page 49 of this report.

We continued to monitor and support the wellness of our employees through our service provider, ICAS. It is reassuring to know that employees can access this resource and receive assistance when needed. Additionally, it is both noteworthy and pleasing that several staff members completed their academic qualifications in 2024, positioning themselves for development within the Fund's succession planning.

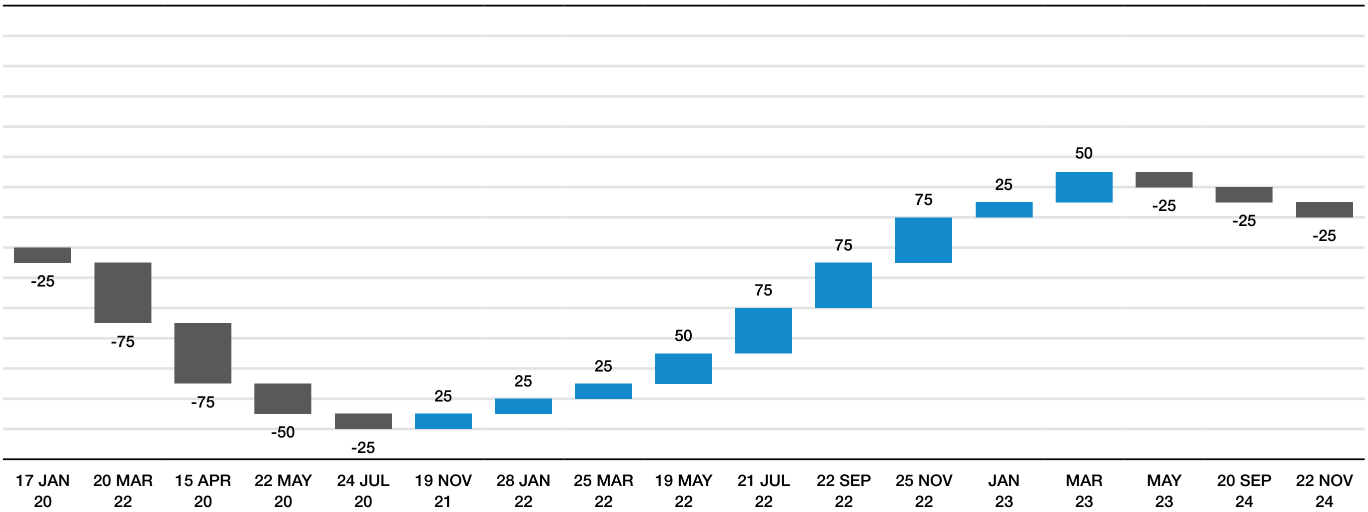
Financial performance

In 2024, South Africa, like many other countries, faced declining inflation levels and maintained a relatively high repo rate for most of the year to manage this issue. However, as economic conditions improved, the latter part of 2024 saw the beginning of a steady decrease in the repo rate. Since the Fund's primary revenue is linked to interest rates, the high rates contributed to a significant recovery in the Fund's traditional income from interest collections. Nevertheless, this positive trend may not continue into 2025 as interest rates decline. Despite the lower interest rates, there are still opportunities for further growth, particularly if global financial markets perform well.

The LPFF collected trust interest income that was 35% ahead of its budget, translating into revenue for the year of R1.49 billion. Regarding investment income, the LPFF collected R524 million, an increase of 33% against the budget. The combined revenue streams are most pleasing and signify a good financial year for the LPFF in 2024. It is nevertheless important to note that the level and duration of trust balances, as well as the level of interest rates and stock markets, are beyond the control of the Fund. Going forward, the LPFF remains cautious due to the likelihood that the repo rate will decline further during 2025, which will impact the Fund's interest collections.

For more on our investment income, refer to the Investments and Trust Interest income and solvency section on page 27 and the Financial Review on page 25.

Benchmark interest rate changes (bps)



Financial sustainability

As mentioned, the LPFF is recovering well despite adverse economic conditions in the country. All trends are actively examined to be sure that a finger is kept on the pulse regarding this issue. In 2024, there was a significant increase in multi-million rand medical malpractice claims, which has raised the Fund's contingency position and threatened both the coverage ratio and the reinsurance programme. However, the Fund's strategy of limiting any valid single claim to R5 million has effectively mitigated this newly identified claims trend.

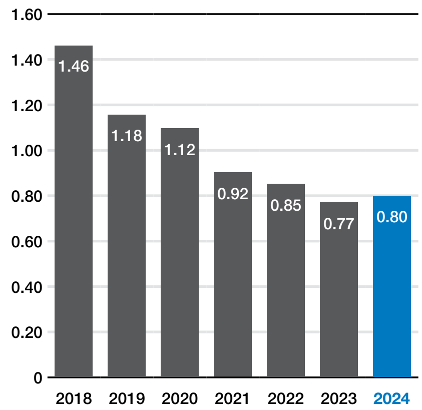
The LPFF continues to address competing interests, which poses a significant challenge to the Fund's sustainability in the future. This is particularly concerning given the rising claims paid in previous years and the current accelerating trend. With a contingent liability exceeding R1.4 billion, there is a pressing need for ongoing vigilance in monitoring claims. The LPFF depends on the Regulator to act against legal practitioners who have been found guilty to deter and decrease the possibility of future theft.

Additionally, the Fund's in-house inspectorate has been actively investigating several firms that faced confirmed allegations of unethical practices. Referrals have been submitted to the Regulator for appropriate disciplinary actions and strikes from the roll. The competing obligations the LPFF faces regarding the settlement of misappropriation claims and the allocation to the Legal Practice Council, as specified in section 22(1)(b) of the LPA, remain a serious concern for sustainability—even with the improved financial performance seen in 2024.

This state of affairs unfolds against a backdrop where the Fund's traditional income stream relies heavily on interest rates, which are now predicted to enter a downward cycle, potentially harming income generation.

Report by the Chief Executive Officer (continued)

Solvency capital ratio requirement



At the end of the 2024 financial year, the LPFF commissioned reports by an independent actuarial firm, Truesouth, to evaluate its continued sustainability as required by sections 72 and 73 of the Legal Practice Act. Both reports indicated that the LPFF remains sustainable but also critically warned about sustainability over the long term. It is against this background that the sustainability and viability of the entity received intense scrutiny from the Fund's management and the Board in 2024. To preserve its funds, the Board allocated R148 million in 2023/2024 and R232 million for the insurance year 2024/2025 of the annual premiums for professional indemnity cover for the legal profession.

Independent actuarial firm, Truesouth, indicated that the solvency capital requirement of the LPFF improved from 0.77% in 2023 to 0.80% in 2024, but also critically continued to warn that the LPFF ought to manage the competing demands on its resources carefully to be sustainable over the long term.

Strategic progress

Overview

Good progress has been made with several strategic initiatives, as highlighted below:

Finance, cost and treasury management

- The LPC amended Rule 54.14.16 and accordingly gazetted the rules on 8 December 2023, setting the scene for full automation of all trust interest received to the Fund.
- The cap at a maximum of R5 million per claim has been approved, which will support the Fund's long-term sustainability. In 2024, several claims above R5 million were lodged with the Fund, but because of the cap, the Fund's exposure would be limited to the capped amount, which keeps the contingency of the LPFF in check. However, it should be noted that the LPFF expects challenges around the constitutionality of the capping regime.
- The LPFF continued to manage costs in 2024, with a total expenditure of R998 million, 22% higher than the prior year. The increase was driven by higher claims paid and an accrual for the PI insurance premium for the 2023/2024 and 2024/2025 insurance years.
- The LPFF is pleased to report a surplus in 2024 of R1 030 million, 2% higher than in 2023.

Risk and claims management

- Proactive oversight over practitioner risk management has been improved through Board-approved LPA inspections, which are continuously being implemented.
- Extensive stakeholder engagements were undertaken with SAICA, IRBA, FIC, SAPS, LPC, LSSA, NPA, SIU, AFU, BASA and the banking industry.
- Consumer education on LPFF's services was advanced through our website, multiple radio show interviews, social media posts, and marketing and advertising initiatives.
- Training was held with the SAPS and NPA.
- An end-to-end curatorship management process was implemented together with the LPC.
- A joint committee was formed with the LSSA and met regularly in 2024 to address matters of mutual interest.
- Risk champions were appointed for all departments within the Fund.
- The internal auditors undertook a risk maturity assessment review, and gaps were identified, which are being addressed.

Reinsurance and liability management

- Risk exposure was reduced to R225 million from a reinsurance perspective.

Human capital, information technology and facilities management

- R1.3 million was spent on skills development
- R11 million was spent on bursaries and internal training. Two employees graduated.
- Succession planning is well-advanced, and psychometric testing was conducted for the talent pool.
- Ongoing collaboration with LPC took place to ensure data integrity.
- Gold status was achieved in all the offices for occupational health and safety compliance.

Operational progress – practitioner support and investigations

Fidelity Fund Certificates

The necessary upgrades to the Fidelity Fund Certificate issuing system were concluded by the end of October 2024. The system opened to practitioners to apply for their 2025 fidelity fund certificates by November 2024. Improving the system is an ongoing process aimed at making the application process more efficient and hassle-free for practitioners.

Inspections in terms of the Legal Practice Act

Several trust accounts were identified for inspection in 2024. The inspection was triggered by the discovery of embezzlement of funds that an ex-finance manager of the legal practice perpetrated against the legal practice. As of 31 December 2024, no claims had been received against the legal practice or the legal practitioners. The LPFF continues to manage risk emanating from trust accounts held by practitioners through the Practitioner Risk Management Framework and its index.

Engagements with stakeholders

The LPFF contributed five articles to the *De Rebus* publication. These articles aim to educate and empower legal practitioners to improve performance in their trust legal practices. The LPFF also conducted Advocate training on trust accounts in collaboration with the LPC and seminars on trust accounts to prepare legal practitioners for annual audits. Nineteen public awareness campaigns regarding the LPFF were also conducted through various media platforms.

For more information on these campaigns, refer to the Creating Value for our Stakeholders section on page 34.

Prosecution support

There were 32 new criminal cases registered against defaulting legal practitioners in 2024 relating to the theft of trust funds. Some 56 new matters are still being assessed to register new criminal cases. LPFF continues to pursue the defaulting legal practitioners to recover the stolen trust funds and the legal costs of suspensions and striking off applications. The LPFF recovered R4 million in 2024.

The Joint Stakeholders Committee, which is made up of the LPFF, the National Prosecuting Authority, the Legal Practice Council and the South African Police Service, continues to play a significant role as a forum where the challenges relating to the investigation and prosecution of cases of theft of trust funds by legal practitioners are discussed and resolved. The LPFF is continuing to train public prosecutors and commercial crimes investigators to effectively and expeditiously investigate and prosecute errant legal practitioners.

Cash flow analysis to support prosecutions

The team continued to prepare cash flow analysis reports in support of the prosecution teams. These are meant to assist the NPA and SAPS in prosecuting criminal matters involving defaulting practitioners. The reports have aided the conviction rate in most cases where these have been provided. During the 2024 period, the team concluded seven cash flow analysis reports.

Streamlining the curatorship process

In 2024, the LPFF continued its engagement with the LPC in utilising the curatorship powers granted to both organisations under the LPA. The primary goal has been to minimise the risk of further losses to the LPFF and to trust creditors and clients of trust account practices. The two organisations have consistently worked together to streamline the curatorship processes through an agreed-upon end-to-end curatorship plan set for review in 2025. This process aims to mitigate risks to the LPFF and the LPC during curatorship and allows collaboration between the two organisations, as outlined in the Act. As a result of extensive engagement in this process, the LPC transferred R136 million to the LPFF in 2024, reducing claims paid against defaulting legal practitioners.

The LPFF and the LPC have successfully aligned court orders for striking off and suspension to the LPA. This exercise is expected to allow for the uniform handling of the curatorship process through all the LPC provinces. The alignment process will be continuously monitored and adjusted as required. Additionally, the LPFF has begun to engage with the LPC to audit all trust monies held by the LPC to provide a greater level of integrity for the management of funds.

Through the Fund's business strategy, the Board has approved intervention at the curatorship stage to secure any assets of defaulting practitioners with the aid of the South African Police Service and the Assets Forfeiture Unit. This is envisaged to go a long way in securing recoveries for the LPFF from defaulting practitioners who, by the time their criminal prosecution is concluded, would often be unable to pay back the amounts owed. The engagements during this process were constructive and are expected to yield fruit during the upcoming year.

In 2024, the LPC and the LPFF continued to consolidate the curatorship process, which is expected to lead to the automation of the function. The automation will facilitate the efficient sharing of information between the LPFF and the LPC, standardise the curatorship processes, increase the pace at which curatorship matters are dealt with, and easy generation of reports which result in the timeous implementation of remedial interventions, thereby proactively dealing with the associated risks.

Information technology

As a result of the cyber incident, referred to earlier, and the LPFF's journey to leverage emerging technologies, several initiatives were launched in the reporting period. Those are, among others, the roll-out of firewalls to protect the LPFF against external threats, initiating a comprehensive data analytics programme together with the LPIIF, and reviewing our IT capabilities and capacity.

For more information on our IT, refer to the Accountability section on page 48.

Report by the Chief Executive Officer (continued)

The Fund's reinsurance programme

The LPFF renewed its reinsurance programme for a further year on 1 July 2024. The stop-loss reinsurance policy has three layers of cover with different participating reinsurers. The total cover for these years is R425 million, placed with various insurers in the United Kingdom insurance market. As part of the programme, there is a local placement for R100 million, which is intended to cover theft from any single practice in any single insurance year. This ensures that no single practice theft should erode the main reinsurance programme, which would cater for theft committed in different practices across South Africa.

The Fund's more specific programme referred to above was also renewed on 1 July 2023, albeit on new terms, more balanced and favourable to both the contracting parties. It now allows for theft claims that occur at different times within the insurance year, as against them occurring almost on a contemporaneous basis.

The reinsurance programme remains a basic guarantee against the very real threat of a catastrophic claim(s). It will mitigate against total or severe erosion of the assets of the LPFF in the event of a significant deterioration in claims.

Below is a schematic representation of the Reinsurance Programme:

Losses notified to the Fund during the period 12 months at 1.7.2023

Layer 3	**ZAR 275 000 000 xs ZAR 375 000 000** **Premium: ZAR 2 901 778**
Layer 2	**ZAR 75 000 000 xs ZAR 300 000 000** **Premium: ZAR 1 427 716**
Layer 1	**ZAR 75 000 000 xs ZAR 225 000 000** **Premium: ZAR 2 855 432**

Stop Loss programme, ultimate net loss in the aggregate

Note: The Fund purchases concurrent specific reinsurance for:

ZAR 75 000 000 Ultimate Net Loss, in the annual aggregate,
Any One Practice (as defined in "the Act")
excess of
ZAR 50 000 000 Ultimate Net Loss, in the annual aggregate,
Any One Practice (as defined in "the Act")
Reinstatement: Nil

Warranted: Maximum per claim limit of ZAR 5 000 000
This specific reinsurance inures to the benefit of this Reinsurance, however any loss not recoverable by the Fund under said specific reinsurance shall be recoverable within the aggregate limits hereon.

GC London Order: 90%

GC London Order: 90%			
Reinsurer	Layer 1	Layer 2	Layer 3
Chubb 2488	20.00%	20.00%	20.00%
Brit 2987	10.00%	12.50%	12.50%
Newline 1218	12.50%	11.50%	11.50%
QBE 1886	18.00%	18.00%	18.00%
Aspen 4711	10.00%	8.50%	8.50%
Antares 1274	9.50%	8.00%	8.00%
Markel 3000	0.00%	6.00%	6.00%
Ki 1618	5.00%	3.00%	3.00%
London signed lines	85.00%	87.50%	87.50%

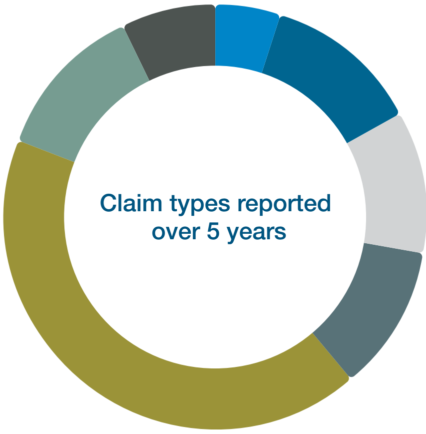
CG SA Order: 10%			
ITOO	15.00%	12.50%	12.50%
Total signed lines	100.00%	100.00%	100.00%

Professional indemnity insurance

The Board of the LPFF, after extensive consultations with the legal profession and other stakeholders, has decided that starting from the date of applications for a Fidelity Fund Certificate for 2024, all practitioners holding a Fidelity Fund Certificate will be required to contribute R5 000 per annum (excluding VAT) towards professional indemnity cover, in accordance with section 77(4) of the LPA. This implementation date has been postponed to 2025/2026 following discussions with industry bodies.

This rule excludes new practitioners admitted for less than two years. They will commence their contributions payable for that particular insurance year after two years. The R5 000 is a subsidised amount that the LPFF will continue to subsidise on a reducing basis for five years, reducing by ten per cent each subsequent year until the legal profession carries the full premium for PI cover. The LPFF would continue to fund the operational costs of the LPIIF for rendering this service.

The continued provision of free cover by the LPIIF, with the premium paid for by the LPFF, is unsustainable. The incidence of these claims has been increasing, and the LPFF cannot afford them anymore. Claims notified, categories and claims paid illustrate that the profession can do much to avert further increases in the contribution in the future. Most of these claims are avoidable as they relate to conduct like prescription. We urge the profession to consider the increasing risk and cost and work with us to contain both to the benefit of all participants.



Commerical	5%
Conveyancing	12%
General prescription	11%
Litigation	11%
RAF prescription	42%
RAF under settlement	12%
Other	7%

Commerical	R16 296 143
Conveyancing	R38 799 907
General prescription	R 34 605 735
Litigation	R33 623 853
RAF prescription	R134 969 854
RAF under settlement	R39 701 785
Other	R21 829 913

Outlook

In the short term, the LPFF expects to see a downturn in its trust interest income as interest rates continue downward in 2025. However, we look forward to the opportunity to strengthen our reserves, as we accomplished in the 2024 financial year. The return on investments remains unpredictable amidst global uncertainty and its potential to impact financial markets. Difficult and courageous decisions are necessary to secure the long-term sustainability of the LPFF and, by so doing, retain the vital services the LPFF offers to the legal fraternity and the public at large. These will again be pursued in 2025 while we continue to protect and assist the profession as efficiently and cost-effectively as possible.

Acknowledgements

I want to thank our employees for their outstanding service, especially during challenging times. I also appreciate the guidance and support from the Board throughout this year and the continued backing from our stakeholders. Thanks to these efforts, the LPFF concluded 2024 as a significantly stronger organisation. We are optimistic about a successful 2025.

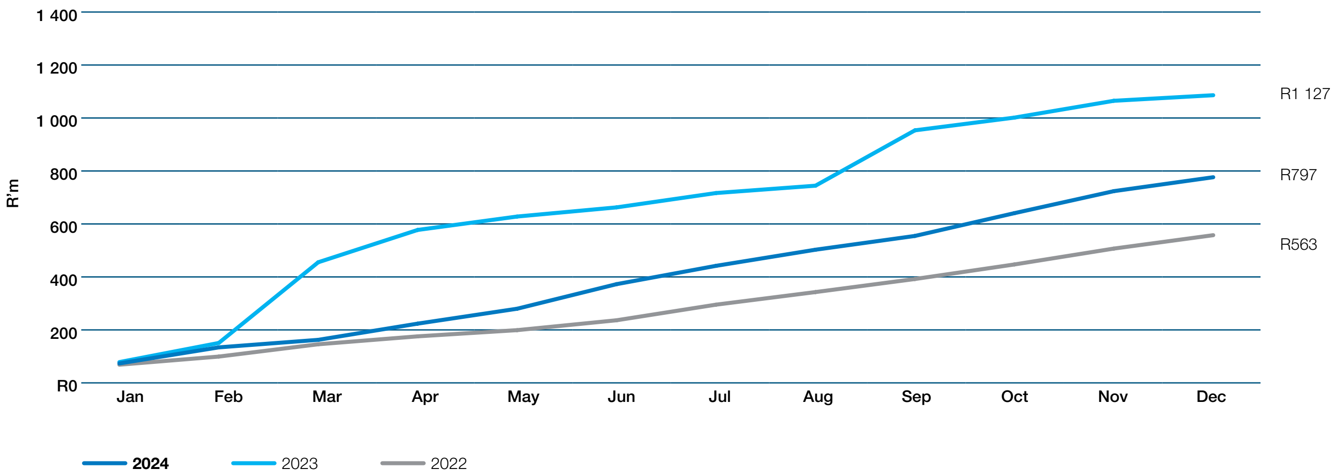
Motlatsi Molefe
Chief Executive Officer

Claims review

Operational overview

Cumulative value of claims notified

For the year under review, the value of theft claims registered with the LPFF decreased by 41% to R796 550 680.



Number of claims notified by area of practice

The number of claims notified in 2024 has increased by 17% to 1 220 (2023: 1 044).

Note: The claims type "Other" in the graphs that follow is made up of Administrations, Collections, Criminal, Matrimonial and Sequestrations/Liquidations.

Value of claims notified by area of practice

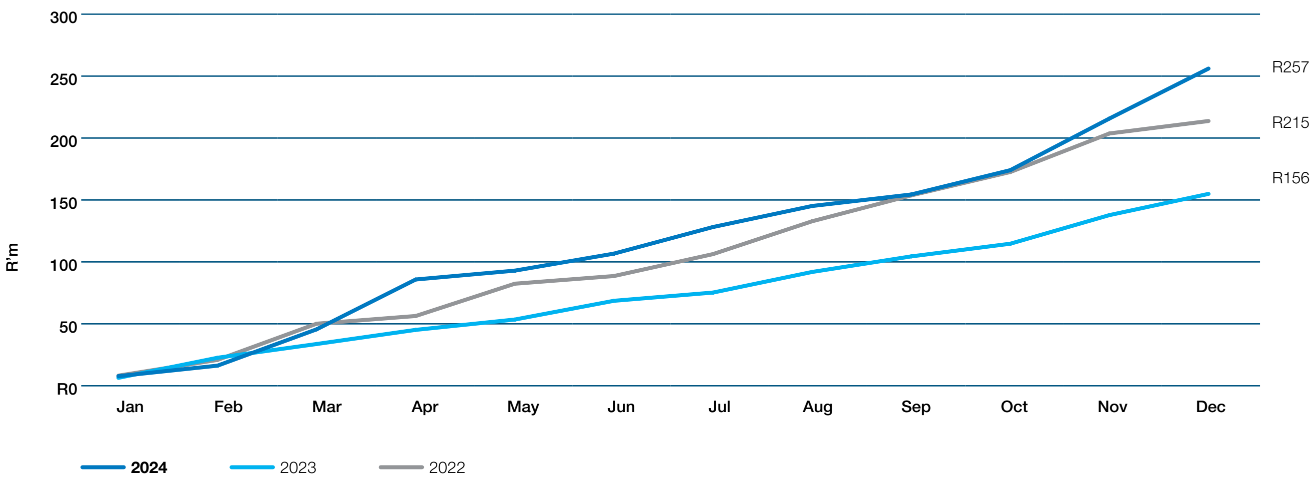
Conveyancing claims comprised 45% of the value of claims notified (R357 844 028), followed by Road Accident Fund claims, 23% (R187 201 405) and Estate claims, 14% (R112 249 821).

Number of claims notified by area of practice	
Other	4%
Bridging Finance	1%
Commercial	1%
Conveyancing	54%
Estates	15%
Investments	0.3%
Litigation	7%
RAF	18%

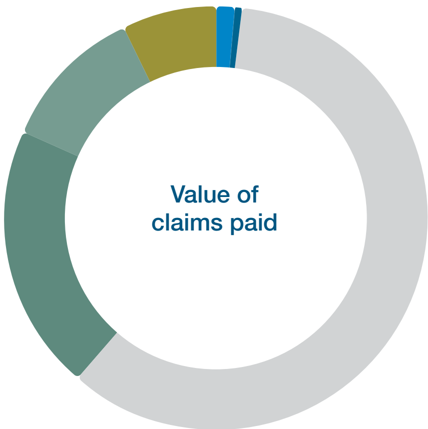
Value of claims notified by area of practice	
Other	2%
Bridging Finance	4%
Commercial	8%
Conveyancing	45%
Estates	14%
Investments	1%
Litigation	2%
RAF	23%

Cumulative value of claims paid

The cumulative value of claims paid in 2024 increased by 65% to R257 422 857 (2023: R156 045 807).



Other	6%
Bridging Finance	0.2%
Commercial	0.4%
Conveyancing	66%
Estates	10%
RAF	12%
Litigation	5%



Other	1.5%
Bridging Finance	0.02%
Commercial	0.5%
Conveyancing	59%
Estates	20%
RAF	11%
Litigation	7%

Number of claims paid by area of practice

Conveyancing claims comprised 66% of the claims paid in 2024, followed by Road Accident Fund claims (12%) and Estate claims (10%).

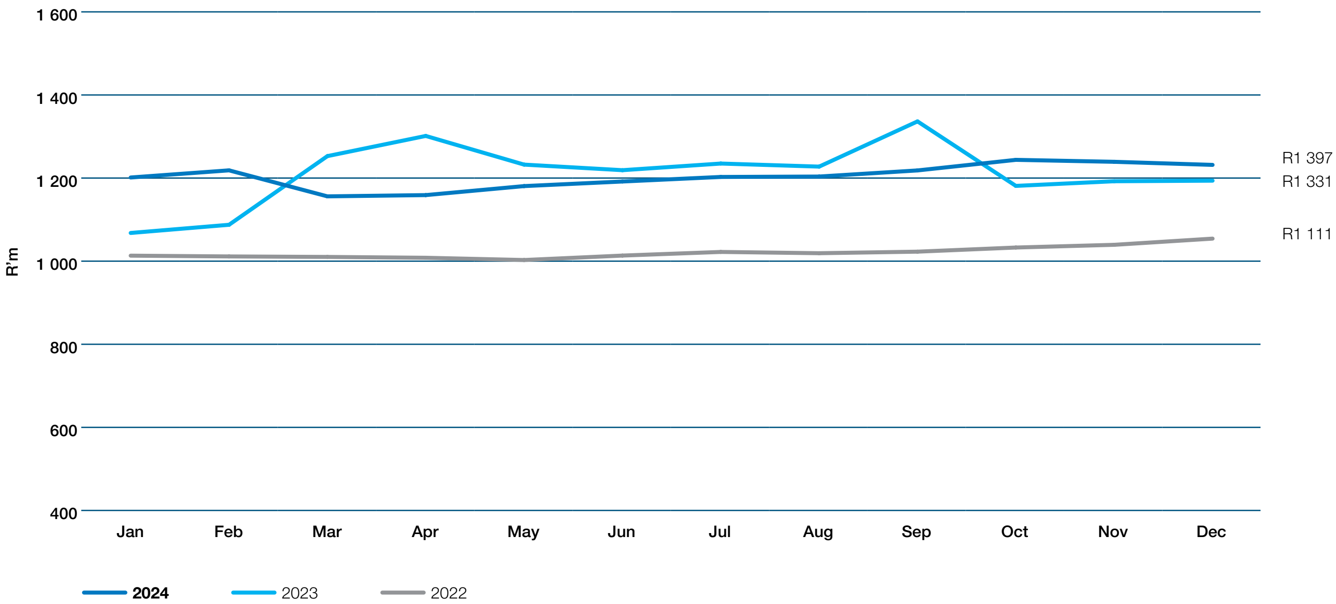
Value of claims paid

The bulk of the claims paid in 2024 was in respect of Conveyancing claims (59%), followed by Estate claims (20%) and Road Accident Fund claims (11%).

Claims review (continued)

Contingent claims position

The LPFF ended the year off with 1 839 claims on record, with a combined value of R1 330 958 912, an increase of 5% (2023: 1 762, value R1 330 958 912).



Litigation

The LPFF currently has 44 litigation matters outstanding, with a combined value of R159 559 363. For the year under review, the LPFF was successful in seven litigation matters, worth R20 275 973.

Jerome Losper

Claims Executive

Financial review

For the period ended 31 December 2024, the LPFF generated its strongest performance yet, with respect to its main income-generating sources, namely, interest on trust account balances and investment income. This was despite the external challenges that included dual 25 basis point cuts on interest rates and sluggish local equity returns, as represented by the JSE All Share Index.

Interest & investment income

2024 highlights

11% Increase in trust interest income

33% Increase in investment income

15% Growth in total income

3% Increase in net surplus

23% Growth in net assets

Income trackers for the Fund

	2024 R'm	2023 R'm	2022 R'm	% change vs 2023	% change vs 2022
Trust Interest income	1 485	1 343	624	11%	138%
S86 (2) & (3)	1 203	1 086	472	11%	155%
S86 (4)	282	257	152	10%	86%
Investment income	441	332	266	33%	66%
– Interest	318	235	147	35%	116%
– Dividends	123	97	119	27%	3%

Key income features of the year:

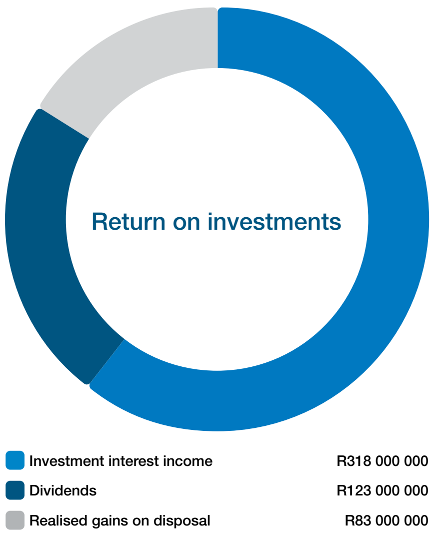
- Highest ever net interest income generated at R1.49 billion.
- Total investment income increased by 33% year-on-year

Trust Interest Income

The level of trust interest income is a fundamental determinant of the Fund's sustainability and efficacy. 2024 saw a steady 11% rise in total interest income collected and, as with the 2023 year, this reflected a continuous uptake from favourable interest rates.

The primary factor influencing trust receipts was the credit interest rates on legal practitioner's trust accounts, which themselves, remained static for much of the period under review. Due to a total of 50 basis points reduction in the repo rate around the latter parts of 2024, the Fund expects a negative impact on the interest collections in 2025. However, it is important to note that interest rates remain higher than pre-COVID levels and, as such, the Fund anticipates a gradual decrease in trust interest income over the coming years.

Investments and returns



Portfolio investment income contributed an impressive increase of 33% or R109 million (2023: R66 million) to total income in 2024. This increase is attributable to interest income and dividends. In addition, the Fund also realised gains on the disposal of investments of R83 million (2023: R100 million).

Financial review (continued)

Compared to the previous reporting period, total investment assets grew by an impressive 24% or R1.73 billion (2023: R1.47 billion increase), a testament to the Fund's commendable investment strategy.

For further information regarding trust interest as well investment income distributions, please refer to the Report by the Investments Executive on page 27.

Practitioner Contributions

Contributions from practitioners for the period were in relation to fees received for the issuance of Fidelity Fund Certificates (FFCs). This saw a 20% increase year-on-year in line with our budget expectations. Implementation of practitioner contributions towards professional indemnity insurance has been postponed to the 2025/2026 period.

For further information relating to this matter, please refer to the Report by the Chief Executive Officer on page 16.

Cost optimisation and efficiency

Expenditure trackers for the Fund

	2024 R'm	2023 R'm	Change R'm	% change
Attributable to the profession and regulation	482	247	235	95%
Attributable to claimants	288	154	134	87%
Operating costs	189	397	(208)	(52%)
Attributable to investment portfolio	32	15	17	113%
Board-related costs	7	7	—	—
Total expenditure	**998**	**820**	**178**	**22%**

Key cost elements of the year:

- 22% year-on-year increase in total expenditure.
- Key cost drivers:
  - *Attributable to the profession and regulation:* audit fees and bank charges refunds to practitioners contributed 63% (R147m) of the R235m increase in costs. The current year's costs are much higher than in 2023 due to reversals of accruals done in the prior year. The other major contribution to this line item was made via the funding of the Legal Practice Council (LPC) and that of the professional indemnity insurance policy for legal practitioners, which is a total of 34% (R81m) of the annual cost increase. Despite the increase, these costs were well within the 2024 budget and reflect the dedication of the Fund to professional oversight and support.
  - *Attributable to claimants:* total claims-related costs increased by 87% (R134m) year-on-year in line with the 17% increase in the number of claims notified in the period.

    For further information relating to this matter, please refer to the Report by the Claims Executive on page 22.

  - *Attributable to investment portfolios:* The 113% (R17m) increase in investment-related costs is in line with the higher investment income generated over the period (33% growth).
  - *Operating costs:* these saw a combined 52% (R208m) decline. 2024 costs are significantly lower than the prior year due to the accrual of the SARS disallowed input VAT plus penalties made in 2023 (refer to next section on Tax Court Judgement). In the absence of these exceptional items, operating costs increased by 16% in the period under review, which is more in line with expectations and trends.

Tax court judgement

In 2023, the Fund included, as part of its expenditure, an exceptional item relating to a matter where SARS disallowed VAT input which had been previously allowed. The impact of that matter was estimated at R233 million in the 2023 financials. The matter was heard by the Tax Court during the year under review and after the 2024 financial year-end, a judgement, in the Fund's favour, was released on the matter. The judgment confirms that the Fund may claim input tax in terms of s16(3) of the Value Added Tax Act 89 of 1991. As a result, cost savings amounting to a total of R309 million, are expected to be realised in the 2025 financial year.

Outlook

At the start of 2025, there is greater optimism about the South African economy compared to 12 months ago. Economists expect lower inflation, further declines in interest rates and higher economic growth this year compared to 2024. All of this also points to better conditions for consumers in terms of their spending power. In as much as lower interest rates affect the Fund's main source of income, the timing and magnitude of the rate cuts may provide some relief.

We have a robust balance sheet, which the Fund can utilise to grow and protect its main income base and invest in research for potential new income streams. The threat to our main income source, particularly as a result of technological changes and how business is done, remains a concern.

Kevin Chivere
Fund Management Executive (Acting)

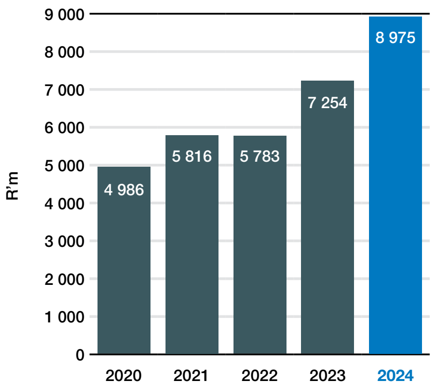
Investments, trust interest income and solvency

Section 54 (c) of the Legal Practice Act 28 of 2014 defines one of the key revenues of the Fund as interest earned on legal practitioners' trust accounts as defined in sections 86 (2), (3) and (5) (a) and (b). Furthermore, section 58 (2) of the Legal Practice Act 28 of 2014; *"The Board may invest money which is deposited in terms of subsection (1) and which is not immediately required for the purposes mentioned in this Act"*. Accompanying regulations address how the abovementioned investments must be made.

Investment strategy and management

The LPFF asset base is reaping the benefits of a high-interest rate environment from deposits from surplus trust interest income. The established strategic asset allocation framework, which is derived from investment regulations, continues to contribute over 90% of investment performance.

Investment assets

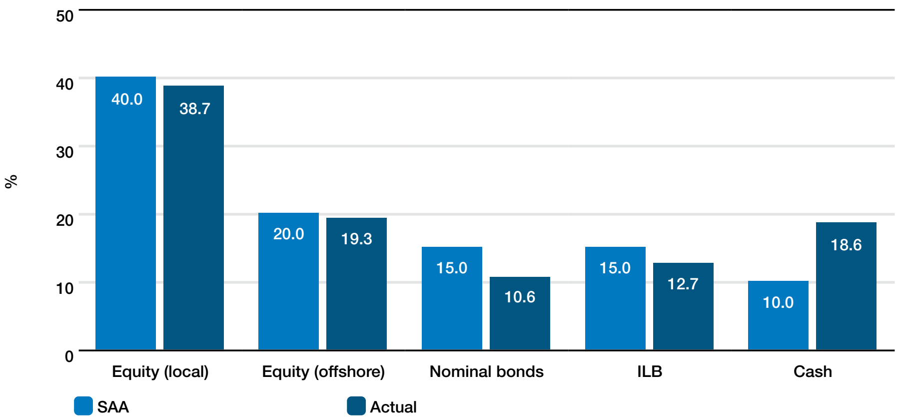


The LPFF has seen a steady increase in assets under management over the past 5 years with strong growth coming through in the 2023 and 2024 financial years. This has seen a substantial increase in its asset base, from R4 986 million in 2020 to R8 975 million in 2024. Looking at the year-on-year growth, the LPFF assets expanded by R1 721.4 million during the 2024 financial year, which includes R1 million from capital injections, capital appreciation, dividends and interest.

Strategic asset allocation

During the year under review, there were no changes to the recommended strategic asset allocation of the LPFF. However, the significant increase in trust interest receipts resulted in an overweight cash position.

Asset allocation relative to the strategic benchmark



As of 31 December 2024, local equities, including listed property, comprised 38.7% of the LPFF's total assets relative to a strategic benchmark of 40.0%, offshore equities comprised 19.3%, relative to a strategic benchmark of 20.0%. Nominal bonds were 10.6% relative to a strategic benchmark of 15%, inflation-linked bonds were 12.7% relative to a strategic benchmark of 15% and cash was 18,6%, relative to a strategic benchmark of 10%. During the period under review, the LPFF was underweight local equities, underweight offshore equities, underweight nominal bonds, underweight inflation-linked bonds and overweight cash relative to the strategic benchmark.

Investment performance

The 2024 investment return was more than the historical target return of inflation plus five percent, a sign that the LPFF's investment assets are preserving value over time, which is one of the critical components to its long-term sustainability.

The table below indicates how the LPFF performed relative to its strategic asset allocation midpoint and the peer group. Despite the restrictive investment freedom of the LPFF, the risk-adjusted performance of the composite portfolio remained superior to that of its peers in all periods, which indicates a sound trade-off between opportunity seeking and risk management in the portfolio. Effective and efficient portfolio construction and implementation also contributed to the performance of the assets over the short, medium, and long term. During the reporting period, the LPFF's investment assets delivered a risk-adjusted return of 13.73% (2023: 12.82%) at the composite level.

Investment period	Composite portfolio	Strategic asset allocation midpoint	Peer group
1 year	13.73%	14.52%	11.76%
3 years	9.34%	9.23%	8.19%
5 years	10.81%	10.96%	8.85%
Since inception	9.54%	9.63%	8.21%

Investments, trust interest income and solvency (continued)

Section 54 (d) of the Legal Practice Act identifies investment income as a key part of the LPFF's income. During the year under review, the LPFF earned R523.3 million investment income compared to R432.7 million in the previous year. This comprised R122.6 million in dividends (2023: R97.3), R317.6 million in interest-bearing investments (2023: R235.5 million) and R83.1 million from gains on disposal of investments (2023: R99.9 million). The interest earned correlates to the weights of interest-bearing instruments and prevailing yields on fixed and money market instruments and cash.

Offshore investments – a component of the composite portfolio

During the year under review, the strategic asset allocation weight of offshore assets as a percentage of the total assets remained unchanged at 20%, and accordingly contributed to the overall performance of the portfolio through the following key fundamentals:

- Offshore assets diversified the investment universe of the LPFF.
- Offshore assets allowed the LPFF to invest in companies in dynamic sectors that are not locally available.
- Offshore assets diversified the LPFF's earnings because of the local market concentration.
- Offshore assets enhanced the value of the LPFF when measured in Rand terms when the local currency depreciates.

The rationale for this decision was the appreciation that asset allocation was the primary source of long-term investment performance and, in the absence of stellar local performance, the overall portfolio would not reap the benefits of diversification provided by offshore assets.

Overall, both offshore portfolios have shown strong performance since their inception. The exploitation of this asset class has contributed to capital preservation and appreciation of the investment portfolio, thereby proving the benefits of diversification. The LPFF has gradually increased its offshore assets allocation from 1% of its total assets a decade ago to the current 19.3% (2023: 20.4%). There is still room to further increase this allocation to a maximum threshold of 25% of total assets as provided by the investment regulations of the Legal Practice Act.

The table below shows how both offshore mandates have outperformed their peers in all periods. The OMIG ESG portfolio has outperformed the Vunani Offshore portfolio over one-year, two-year and three-year rolling periods.

Investment period	Vunani Offshore	Vunani Peer Group	OMIG ESG	OMIG Peer group
1 year	14.46%	12.31%	20.29%	17.48%
3 years	9.86%	8.97%	10.98%	9.60%
5 years	15.03%	12.22%	17.03%	13.97%
Since inception	15.81%	11.48%	13.87%	11.46%

Investment deposits and liquidity management

An established treasury management process is providing the LPFF with liquidity as and when required by the LPFF and its stakeholders. In addition, the LPFF also extracts value from higher rates applicable to money market instruments relative to current account rates. Cash at hand has been kept to a minimum to benefit from the yield differentials. In the 2024 financial year, the LPFF deposited R597.8 million into investment reserves compared to R695 million in 2023. This is critical in creating a larger asset base that ensures the LPFF's medium to long term sustainability.

LOOKING AHEAD – Investments

The focus of the investment strategy in the 2025 financial year remains the preservation of capital through the enhancement of risk-adjusted investment returns – by applying a robust strategic asset allocation framework that is resilient to changes in local and global financial markets. Key focus areas include re-alignment of the assets with the strategic asset allocation and ensuring that all investment objectives of the investment strategy are met.

A new tactical asset allocation strategy will be implemented in the first quarter of the year, thereby minimising drawdown risk in volatile markets. The Investment Executive will make the appropriate recommendations on rebalancing the LPFF's investment assets.

Trust interest of the LPFF as provided by section 86 of the act

The LPFF's primary revenue stream is provided for in section 54 (c) – interest paid to the LPFF in terms of the Act. The products that generate trust interest income in its various forms are addressed in section 86 (2), section 86 (3) and section 86 (4) of the Legal Practice Act 28 of 2014.

The generation of trust interest is premised on the ability of practitioners to exercise exclusive control of trust accounts operated by practitioners, and the duration of trust balances in trust accounts. Stakeholder engagements are the cornerstone of the LPFF revenue. A portfolio approach to the management of trust interest income has provided the LPFF with the most effective tool for segmentation of the trust accounts, practitioners, banks, and geographic locations, among others. This has been critical in managing the key drivers of trust interest income and the design and implementation of targeted interventions.

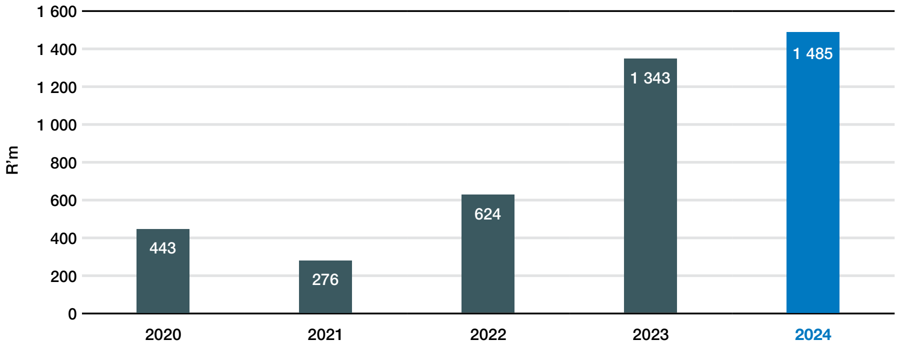
Drivers of trust interest receipts

During the year under review, credit interest rates on Legal Practitioners' trust accounts were the greatest driver of trust interest receipts. This was a culmination of a total 50 basis point decrease in the repo rate by the Reserve Bank during the year under review, which is expected to negatively impact interest income in the 2025 financial year. It must be noted that interest rates are still elevated compared to pre-Covid levels and the LPFF can reasonably expect a gradual reduction in trust interest in the coming years.

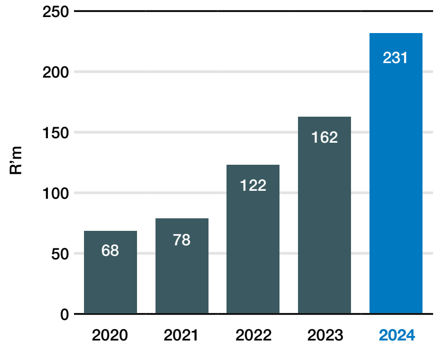
Trust interest income performance

It is pleasing that total trust interest receipts reached an all-time high in the 2024 financial year. A total of R1 485.7 million (2023: R1 342.4 million) in trust interest income was earned from section 86 (2), section 86 (3) and section 86 (4) accounts during the financial year under review. This represents an 11% increase compared to the 2023 financial year despite the two 25 basis points cuts in the 2024 financial year.

Section 86 trust interest income receipts



Section 86(3) investments



The LPFF continues to co-create regulatory-compliant banking products. We anticipate that, in the short to medium term, all trust interest receipts to the LPFF will be payable via the designated automated monthly transfer system which has been in place for over a decade. This platform is cost-effective for practitioners and will contribute to better accounting for all trust interest income payable to the LPFF.

The Automated Monthly Transfer System (AMTS)

The strategic imperative of leveraging the automated monthly transfer system in the trust account environment has seen greater adoption of the AMTS as evidenced by the steady increase in balances contained in accounts on the AMTS from R10.2 billion at the end of 2019, to an average balance of R18 billion in the 2024 financial year. This balance increase has also been accompanied by an increase in the number of accounts participating on this platform. The amendment of rule 54.14.16 has also contributed to the most recent rapid adoption of the automated monthly transfer system. Practitioners have adopted the AMTS for the reasons outlined below:

- Saves time and money for practitioners by shortening and removing a lengthy workflow, contributing to increased productivity.
- Removes late payment challenges and duplicate payments.
- Reduces audit costs for practitioners – lays the foundation for lower audit costs and automation of the audit process.
- No transaction costs are incurred by practitioners in the sweeping of interest to the LPFF.
- Reduces the cost of compliance associated with manual payments for practitioners and the LPC.
- Improves the liquidity of the LPFF and return on investments as evidenced by the net investment to investment reserves during the year under review.

The Treasury Committee supported the investment executive's recommendation that all trust interest receipts to the LPFF be automated. The Board accepted this recommendation and the benefits of automation of all trust interest receipts were communicated to all key stakeholders. To support the operationalisation of the automation process, the Legal Practice Council accordingly amended Rule 54.14.16 and opened the same for public comment. After a consultation process, the amended rule was gazetted on the 8th of December 2023. The awareness of the amended Rule 54.14.16 was a result of communication with practitioners via roadshows and digital media.

Performance of the high yield section 86 (3) balances

As of 31 December 2024, R1 billion had been invested in section 86 (3) accounts, compared to R782 million in 2023 and R619.7 million in 2022. This amount earns an additional 250 basis points compared to the balance in a current account in all interest rate cycles. This initiative provides the capability to influence the yield on trust accounts. The Board and the Treasury Committee provided additional capacity to capitalise on this opportunity, which is within the control of the LPFF.

The above graph shows the progress made in section 86 (3) investments because of the direct intervention by Trust Interest Portfolio Officers. Stakeholder engagements led by the Treasury Committee and the Board saw a significant uptake in section 86 (3) investments. Resources have accordingly been provided to capitalise on this key initiative. Accelerated scaling of this project is expected to yield up to 20% of the LPFF's total trust interest income in the medium to long term, all things equal. An additional R750 million in confirmed deposits is expected in the next three years.

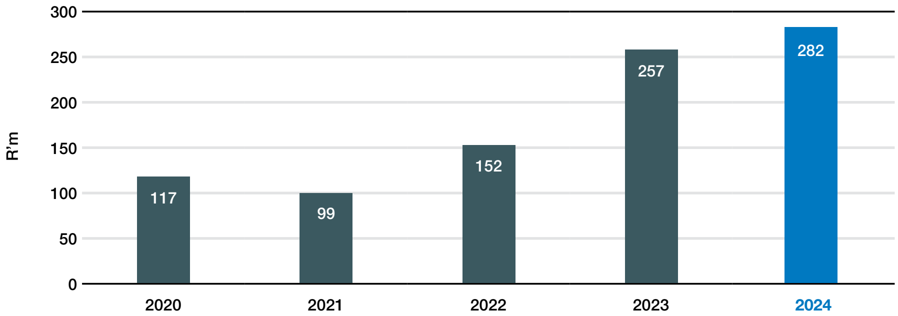
Section 86 (4) and section 86 (5) of the Legal Practice Act 28 of 2014.

The year 2024 marked the sixth year the section 86 (4) accounts have been in place. Before the implementation of the Legal Practice Act, the Board accepted the recommendation of an additional revenue that required the levying of a portion earned on section 78 (2A) to address the sustainability of the LPFF's income streams within the confines of the Legal Practice Act. This proposal was accepted by the legal profession and accordingly incorporated into the Legal Practice Bill which became the Legal Practice Act 28 of 2014.

Section 86 (4) was operationalised on 1 March 2019. A strategic decision, supported by the Treasury Committee and the Board, was taken to automate the payment of interest from these accounts given the volume of accounts and the costs of compliance should these accounts be operated manually. The banking industry played a crucial role in ensuring that their platforms were geared towards automation as evidenced by the 98% compliance by practitioners.

Investments, trust interest income and solvency (continued)

Section 86 (4) trust interest receipts



The above figure shows the progress made in this new revenue stream since 2019. During the year under review, the LPFF received a record R282 million, 11% higher than the amount received in the prior year. Since the inception of section 86 (4) accounts, the LPFF has received R1 billion from this new revenue stream. The new revenue stream now contributes 19% of the LPFF's total trust interest income.

Revenue related stakeholder engagements

As of 31 December 2024, the LPFF had 13 banking arrangements with the banking industry as provided for by section 63 (1) of the Legal Practice Act. The essence of the memoranda of agreements is to operationalize the strategic revenue generation and maximization imperatives and regulatory requirements as provided for by section 63 (1)(g) of the Legal Practice Act.

The abovementioned co-created agreements provide an effective mechanism that facilitates the alignment of the interests of the LPFF and the banking industry. In addition, the LPFF leveraged its strong relationships with the banking industry to resolve friction encountered in the products on offer and the transmission of interest income. Regular engagements in the exploration and exploitation of opportunities are assisting the LPFF in capitalising on opportunities sooner and addressing emerging risks. As previously reported, the LPFF continues to reap the rewards of this collaborative approach by closely working with all revenue-related stakeholders to co-create solutions and opportunities for consumers of legal services, practitioners, the Legal Practice Council, the Law Society of South Africa, the Banking Association of South of Africa, the South African Institute of Chartered Accountants, and the Independent Regulatory Body of Auditors

In recent years, the LPFF has also expanded its participation in various industry forums that are organised by the abovementioned key stakeholders to enhance the management and oversight of trust accounts, which are at the intersection between the LPFF and the stakeholders. As a result, the relationship between the LPFF and its stakeholders continues to strengthen with each year that passes and positive results are coming out of these engagements, including the setting of industry standards and communication about various initiatives via various media.

Unidentified and unclaimed trust money

Payment of unidentifiable and unclaimed trust monies to the LPFF is now mandatory, as provided for in the Legal Practice Act 28 of 2014. The following sections of the Act provide for how unclaimed trust money must be paid to the LPFF and provide policy guidance on how such monies should be treated once received by the LPFF.

> **Section 87 (4) (a)** – *any money held in the trust account of a trust account practice in respect of which the identity of the owner is unknown or which is unclaimed after one year, must be after the second annual closing of the accounting records of the trust account practice following the date upon which those funds were deposited in the trust account of the trust account practice, be paid over to the Fund by the trust account practice.*
>
> **Section 87 (4) (b)** – *nothing in this subsection deprives the owner of the money contemplated in paragraph (a) of the right to claim from the Fund any portion as he or she may prove entitlement to.*

Before the implementation of Chapter 6 of the Legal Practice Act in November 2018, practitioners paid over unclaimed trust money voluntarily if such monies had been held for two years by the practitioner. The introduction of section 87 (4)(a) and (b) made it mandatory for practitioners to pay over unclaimed trust money. This is evidenced by the increased unclaimed and unidentifiable trust money since 2018.

As of 31 December 2024, the total unidentifiable/unclaimed trust money collected since inception in 2006, was R397.4 million inclusive of reimbursements.

LOOKING AHEAD – Trust interest income

The complexity of the trust interest ecosystem is increasing. It is against this background that the LPFF and its stakeholders need to co-create solutions that meet the expectations of practitioners and members of the public alike. Agility in the deployment of resources to address identified opportunities and risks has become paramount.

As previously reported, the success of maximisation of trust interest income requires the recognition that technology and adoption are shaping consumer expectations in terms of functional, reliable, convenient, and affordable financial services. This is shaping and reshaping the operations of various industry participants and has the potential to significantly impact future trust interest receipts to the LPFF in the medium to long term.

Trust interest opportunities

In the year ahead, we reasonably expect that:

- Bank charges on trust accounts are expected to increase at the inflation rate.
- The duration of trust balances is expected to marginally decrease subject to the adoption of innovative value transfer mechanisms by practitioners and their clients.
- Value transfer alternatives will continue to grow in line with faster innovation cycles in the business environment.
- Consumption of paid legal services is linked to economic activities that increase this consumption.
- Interest rates applicable to trust balances are dynamic and influenced by prevailing credit interest rates, the profile of balances at each bank, the strategy of each bank and competition for clients by the banking sector.
- Leverage better returns on all trust accounts.
- Exploit the strategic opportunities available in the different types of trust accounts.
- Full automation of all trust interest receipts.

The management of the LPFF's revenue streams is paramount to its sustainability. Trust interest portfolio management is applied to increase the operational efficiency of all practitioners' trust accounts since trust interest vests with the LPFF. The LPFF's Trust Interest Portfolio Officers are shaping the trust account environment through various initiatives approved by the Treasury Committee and the Board.

STATUTORY REPORTS – Solvency and sustainability

SECTION 72 REPORT – Certificate in respect of liabilities of LPFF and investment of money in LPFF

In terms of section 72 of the Act, the LPFF's actuary is required to issue a certificate in respect of liabilities of the LPFF and investment of money. The actuary is required to express an opinion on the LPFF's obligations in section 55 of the Act.

Amounts Required Until 31 December 2026

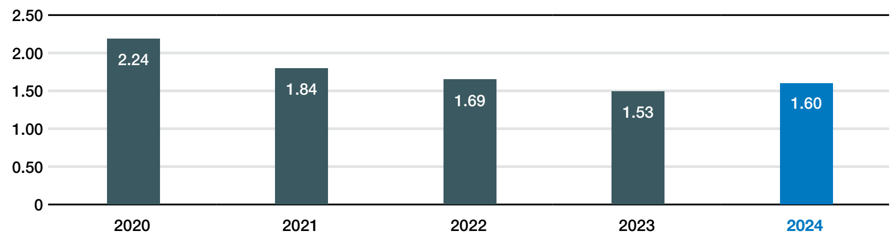
	2025	2026	Total
Section 55 Expenses	R338.8 m	R375.9 m	R714.7 m
Section 57 Expenses	R839.2 m	R616.3m	R1 455.5 m
Total	**R1 178.0 m**	**R992.3m**	**R2 170.2 m**

The actuary has determined that, for the year ending 31 December 2026, the LPFF will require R2 170.2 million to fulfil its obligations, comprising R1 178 million in the 2025 financial year and R992.3 million in the 2026 financial year.

SECTION 73 REPORT – Annual review by the actuary

The LPFF actuary is required to establish the financial soundness of the Fund and has done that for the reporting period, based on the SCR cover ratio of 1.60 at December 2024 (December 2023: 1.53). The decision to set aside a portion of interest to bolster the LPFF's investment reserves, as recommended by the Investment Executive, resulted in the addition of R597.8 million to the investment reserves in the reporting period. A total of R695 million was added to investment reserves in the prior year. This has partly contributed to improving the LPFF's solvency capital requirement for the first time since the inception of the Legal Practice Act in October 2018.

SCR cover ratio



The solvency capital requirement as indicated above is consistent with the median for the general insurance industry only if the LPFF could:

i. Raise capital in financial markets which is common in the insurance industry.
ii. Influence the credit interest rates (an implied premium) earned on practitioners' trust accounts to offset a deteriorating claims outlook and to improve the business revenue.
iii. Reserve its liabilities as per general insurance principles.

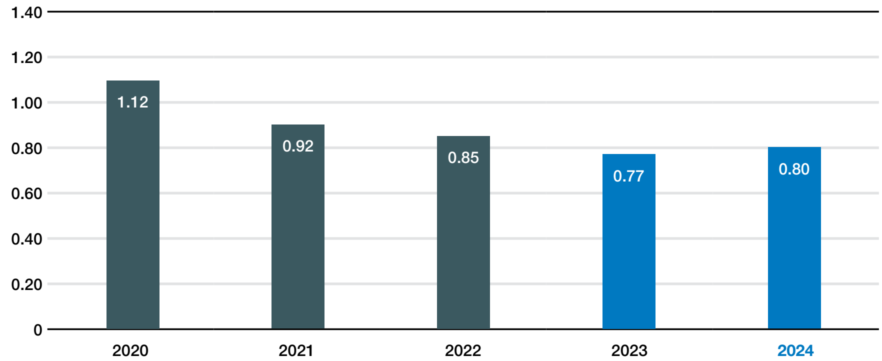
Since the above provisions do not apply to the LPFF, good governance, management and actuarial recommendations require the LPFF to set aside an additional 100% of its statutory capital requirements in calculating a realistic solvency capital requirement.

Investments, trust interest income and solvency (continued)

Realistic Solvency Capital Requirement of the LPFF

To compensate for the LPFF's inability to raise capital and influence credit interest rates earned practitioners trust accounts, and reserving for its liabilities, the Board adopted a more realistic measure to account for these statutory shortcomings by setting an asset buffer that is equivalent to the Solvency Capital Requirement to establish the financial soundness of the LPFF. This realistic measure had been used since the 2019 financial year.

Solvency capital requirement and buffer ratio



The solvency capital requirement, inclusive of the buffer, improved for the first time since the inception of the Legal Practice Act in 2018, from 0.77 at the end of 2023 to 0.80 at the end of 2024. This is the fourth consecutive year that the LPFF's SCR, inclusive of the Buffer Cover Ratio, has remained below 1 and, therefore, the LPFF did not pass the more stringent test during the year under review.

Strategic plans to address the declining solvency have been tabled for Board consideration and approval by the CEO.

Robert Burawundi
Investment Executive

Creating value for our stakeholders

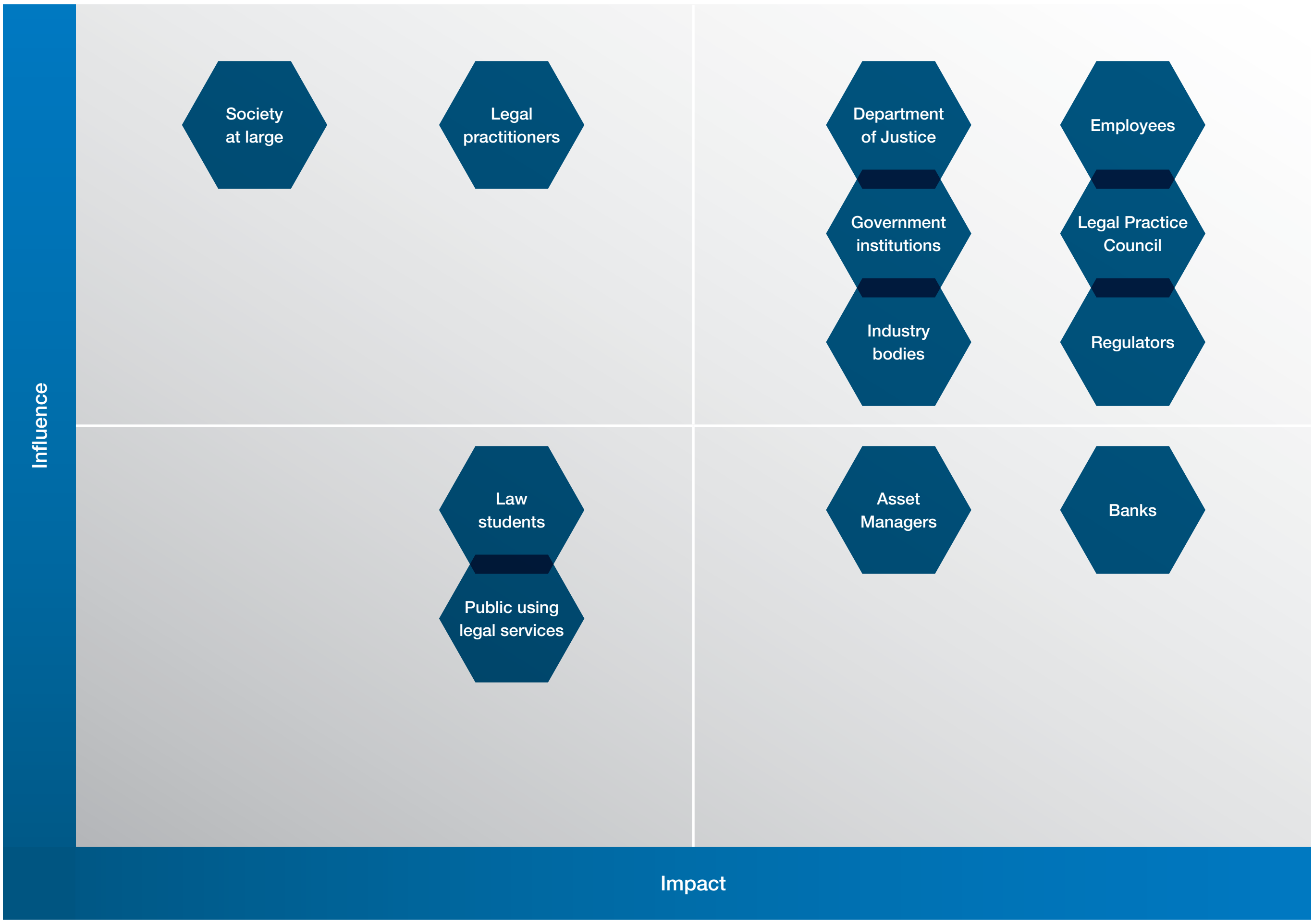
One of our most important resources is our stakeholders. Since we understand that positive stakeholder connections are essential to the Fund's success, we constantly work to strengthen ties with all our stakeholders, particularly those in the legal community. We ensure that our stakeholder engagement practices actively support the Fund's strategy and business operations, improve risk management, enhance our reputation and build sustained business value.

The importance of social and relational capital in a company's value deployment in commercial operations is becoming more widely acknowledged. Furthermore, the quality of a company's interactions with its stakeholders has the power to either create or destroy value for the organisation and its stakeholders. This is acknowledged by our stakeholders, who require the LPFF to develop procedures for stakeholder engagement that proactively handle emerging risks and opportunities. The LPFF will therefore continue to engage with all the parties involved.

In the past year, the LPFF has made significant progress towards improving its brand presence and communication effectiveness. Through extensive media coverage, stakeholder engagements, social media outreach and proactive management of reputational risks, LPFF has successfully strengthened its brand, enhanced public awareness, and ensured continuous consumer satisfaction. The comprehensive use of multiple communication platforms has ensured that the LPFF remains accessible and transparent to both the public and legal professionals.

Stakeholder map

The Fund's public relations approach is centered on engagement, education, and preserving the progress that has been made thus far, as well as future advancements. It entails addressing and ranking all stakeholders based on their impact on the LPFF and its operations, as this affects the targeting, messaging and medium used to reach them. The ranking is shown in the diagram below:



Creating value for our stakeholders (continued)

How value was created value in 2024

Case study

Brand awareness and public visibility

2024 saw public awareness of the Fund's mission and services being expanded through the strategic use of broadcast media, ensuring visibility across different regions. Media engagements included interviews on major platforms, such as Umhlobo Wenene FM, Ligwalagwala FM and Energy FM, achieving a total Advertising Value Equivalent (AVE) of **over R9 million**, and a total **reach of over 40 million** across broadcast channels.

Efforts to ensure brand consistency were demonstrated by the coordinated use of visual identity and messaging across stakeholder events, broadcast interviews and social media campaigns, ensuring alignment of LPFF's core values and key messages throughout the period.

The LPFF received 24 pieces of coverage across broadcast media, with a total **AVE of R5 million, PR Value of R12 million** and **reach of 11 million.** Apart from the cyber-security breach in June 2024, all other coverage remained positive.

Drive for continuous consumer satisfaction

- **Stakeholder engagements:** Stakeholder events, held at high-end venues across South Africa, have been instrumental in building strong relationships with key stakeholders. Feedback from these events has been overwhelmingly positive, with the LPFF engaging directly with legal practitioners on key topics, such as PI cover, Fund sustainability and compliance with the Legal Practice Act.
- **Success in media engagement:** A key achievement in consumer satisfaction has been proactive communication through media engagements, which included **interviews on Radio Khwezi, Radio Atlantis FM and Radio 786.** These media interactions allowed LPFF to clarify key regulatory issues affecting legal practitioners, and assisted with addressing public enquiries about the LPFF.
- **Audience specific narrative:** In all secured interviews, the LPFF used audience-specific narrative, which provided the media with motivations and ensured that spokespersons, like the LPFF CEO and the Practitioner Support Manager, were available for interviews. This approach assisted with consistent and effective messaging.

The aim for the abovementioned drives were improved communication through:

- **Social media:** notable growth in reach was achieved throughout the period by utilising social media to communicate updates and events and responding to queries. This resulted in a **total social media reach of 67 721**.
- **Public broadcasters:** the use of diverse broadcasters achieved comprehensive regional coverage, reaching rural and urban audiences with **40 pieces of broadcast coverage**, collectively **reaching over 40 million people**.
- **Managing reputational risks and fake news:** potential reputational damage was avoided by ensuring accurate and transparent information dissemination through both media engagements and social media. The use of trusted broadcast media and community radio stations allowed the LPFF to counter misinformation effectively. Interviews with the spokesperson on various radio channels provided clarity on the Fund's services, directly addressing misinformation regarding PI cover, for example.
- **Communication on the cyber security incident:** negative coverage around the LPFF cyber security breach in June 2024 was managed in a timely and transparent manner with relevant stakeholders, which resulted in balanced reporting by the media.
- **Digital platforms:** the LPFF's digital presence was enhanced through consistent social media campaigns and active participation in online interviews and discussions. Interviews were uploaded to accessible platforms, with links shared widely, making information available to a larger audience.

Stakeholder management

As part of our stakeholder management process, each stakeholder group has been identified and the basis of the relationship formally defined. The quality of the relationship has been rated, the methods of engagement evaluated, and issues raised by each stakeholder group have been noted and our response documented. A summary of the process and findings follows.

Assessment of the stakeholder relationship

We utilise a five-point scale to denote our view of the quality of our relationship with different stakeholders.

Scale

Scale	
1	No direct relationship
2	Relationship exists but needs improvement
3	Relationship exists at an acceptable level but would benefit from further improvement
4	Quality relationship exists
5	Strong relationship

Our strategic aspirations

SV	Sustainable value to protect the public
RE	Competitive and rewarding environment for employees
ECS	Exemplary customer service
TLP	Trusted support organisation

Legal practitioners

1 2 3 **4** 5

Quality of relationship

Strategic aspiration/s applied

ECS TLP

How we engage with legal practitioners

Members of the public are protected by the LPFF against the danger of financial and property theft involving the trust accounts of attorneys. However, the Fund's main revenue stream comes from the same trust accounts, specifically from interest earned. The LPFF also helps with the expenses associated with their trust account. The LPFF uses a range of platforms, including newsletters, podcasts, social media posts, professional associations, legal forums and periodicals from the legal trade, to interact with attorneys. Communication typically focuses on practitioner risk and trust interest, as well as adherence to the LPC's standards and the Legal Practice Act.

Stakeholder priorities

The priorities raised by legal practitioners are compliance with new regulations and requirements, FICA compliance, continual funding, increased contributions and transparency concerning disciplinary findings.

LPFF's value-creation for legal practitioners

The LPFF keeps legal practitioners up to date with changes in the regulatory environment and implications thereof through articles. Our prescription alert system keeps practitioners reminded of impending prescription dates. The LPFF is involved in formulating rules and trust account practices with the LPC which supports and protects the legal profession. The LPFF also provides PI cover for legal practitioners.

Over 4 000 legal practitioners reached in 2024 through stakeholder engagement sessions

Risks and opportunities presented by legal practitioners as a stakeholder group

The biggest risk with this group is the misappropriation of trust funds. The LPFF mitigates this risk by encouraging practitioners to create a compliant environment that can assist all the parties involved. Future focus areas for this stakeholder are maximising trust interest and collections and creating communication tools and mechanisms for support and development.

5 articles were contributed to the *De Rebus* publication

Public using legal services

1 2 **3** 4 5

Quality of relationship

Strategic aspiration/s applied

SV ECS TLP

How we engage with the public

The LPFF encourages the public to use legal services with confidence by protecting consumers from financial loss resulting from the theft of funds and property entrusted to legal practitioners. Through awareness initiatives, mostly conducted on social media, the Fund's website, and above- and below-the-line advertising, the LPFF interacts with the public to clarify its legal mandate. Additionally, the LPFF communicates with claimants in writing and telephonically.

Stakeholder priorities

The priorities raised by this stakeholder are timeous settlement of claims, being forward-looking and agenda-setting, integrating views across all platforms and promoting real-world outcomes.

LPFF's value-creation for the public using legal services

The LPFF educates the public and raises awareness about the services provided. Claimants are kept informed on the progress of claims, and the LPFF has invested in robust ICT systems which allow for claims processes to be streamlined and digitised, ensuring that claims are handled in a fast and safe manner.

485 claims paid in 2024, valued at R257 million.

Risks and opportunities presented by the public using legal services as a stakeholder group

Additional awareness will support the credibility of the legal profession, and this can be achieved through ongoing and sustained engagement across all platforms. Producing multi-media content for different touchpoints could also contribute to this cause, as well as increased social media activity to drive the conversation in the industry.

Refer to the Our progress on ESG section on page 10 for more information.

Social media reach of 67 721 in 2024

Creating value for our stakeholders (continued)

Industry bodies

1 2 3 **4** 5

Quality of relationship

Strategic aspiration/s applied

ECS TLP

How we engage with industry bodies

The LPFF engages with the various industry bodies and voluntary associations to communicate matters of interest to these organisations and their members, to implement strategic objectives or to act against threats and risks against the profession and the Fund. These bodies include the Financial Intelligence Centre (FIC), the Special Investigation Unit (SIU), Government Departments and the South African Police Service (SAPS). Direct engagement with the executive management teams and/or the members takes place at meetings on request of the Fund.

Stakeholder priorities

The priorities raised by this stakeholder are a conducive practice environment, which includes the removal from the roll of those guilty of unethical behaviour, and ensuring the legal profession is not tarred with the same brush.

LPFF's value-creation for industry bodies

The LPFF communicates with the industry bodies transparently with respect to the sustainability of the Fund. The LPFF offers practice and compliance support and the CEO addresses issues with the industry bodies at their monthly meetings.

Risks and opportunities presented by industry bodies as a stakeholder group

Future focus areas would be engagement with the industry bodies on the practitioner risk management model of the Fund, the PI contribution model and the implementation thereof and strategic development and risks. Engagement with advocates practising with a Fidelity Fund Certificate, as well as the impact on the LPFF and the practitioner would also be a focus.

Regulators

1 2 3 **4** 5

Quality of relationship

Strategic aspiration/s applied

ECS TLP

How we engage with regulators

These entities regulate certain functions of the Fund, and compliance is paramount. Regulators include, among others, the Financial Services Conduct Authority, National Credit Regulator and South African Revenue Services. The LPFF's engagement with the regulators is in the form of submission of statutory returns and information on applicable laws and regulations. The governance and compliance framework of the LPFF also takes preference, and engagement is done through regular meetings, updates through regulatory returns, the LPFF website and integrated annual reports.

Stakeholder priorities

This stakeholder's only priority is compliance with all the regulatory requirements.

LPFF's value-creation for regulators

The LPFF consults with regulators on concerns raised by stakeholders with respect to deviations in compliance to close any gaps.

Risks and opportunities presented by regulators as a stakeholder group

A constant focus area with this stakeholder is strengthening the relationship by having mutual understanding and collaboration.

Legal Practice Council

1 2 3 4 5

Quality of relationship

Strategic aspiration/s applied

ECS TLP

How we engage with the Legal Practice Council

Due to their shared interests, the LPFF and the Council have a partnership, with the LPC serving as the legal profession's regulator. The LPFF relies on an effective and efficient regulator to manage its claims-related risks, and it provides annual funding to support the Council's regulatory efforts. The LPFF has a representative on the LPC, and the Board and Executive Committee communicate directly with the LPC regarding financing needs, issues of shared concern with attorneys, and tasks carried out on the LPFF's behalf. To address topics of shared interest, the LPFF and the LPC meet on an as-needed basis.

Stakeholder priorities

This stakeholder's priorities are focused primarily on compliance by all legal practitioners with all the regulatory requirements. The mandate of this stakeholder also involves the development of education and ethical standards for the profession, including the development of programmes relating to the empowerment of previously disadvantaged communities within the legal sector.

LPFF's value-creation for the LPC

The LPFF consults with the LPC on concerns raised by stakeholders with respect to deviations in compliance to close any gaps. The LPFF upgraded the Fidelity Fund Certificate issue system and issued 19 693 certificates in 2024. End-to-end curatorship process management was also implemented with the LPC.

Risks and opportunities presented by the LPC as a stakeholder group

The biggest risk with this stakeholder is the extent to which the LPC is reliant on the LPFF for funding. The LPFF relies on this stakeholder for proper regulation and ensuring disciplinary action against errant attorneys guilty of unethical conduct, including theft. Mutual understanding and collaboration can strengthen the relationship. No final decision has been made yet on the implementation of the PI contributions model. A future focus would be to work towards the improvement of the public's confidence and trust in the legal profession, thereby improving public perception of the industry.

R148 million was contributed to the LPC in 2024

Banks

1 2 3 4 5

Quality of relationship

Strategic aspiration/s applied

ECS TLP

How we engage with the banks

The LPFF makes arrangements with banks to maintain trust accounts and invest funds in distinct savings accounts or other interest-bearing accounts that attorneys open in accordance with the Legal Practice Act. The LPFF makes sure that the Legal Practice Act is followed while accrediting financial products. Agreements with banks of understanding serve as the basis for compliance frameworks. The LPFF communicates via many channels regarding the regulated ecosystem and holds quarterly in-person strategic discussions with accredited banks.

Stakeholder priorities

The priorities raised by this stakeholder are LPFF's strategic engagements, the design of banking products as well as recoverable and non-recoverable bank charges.

LPFF's value-creation for the banks

The LPFF contributes by shaping the trust account context through proactive identification of opportunities and continuous improvement. Affective transmission of trust income via designated channels, and the manner outlined in banking agreements also takes priority. The LPFF ensured increased compliance with recoverable and non-recoverable bank charges, which resulted in increased revenue in the year under review.

Risks and opportunities presented by the banks as a stakeholder group

The opportunities that arise from the relationship with banks include leveraging digital technologies and products in the banking industry. This is essential to the reporting requirements of the LPFF as addressed by the established banking arrangements as provided by section 63 (1)(g) of the LPA. Digital tools are expected to improve the Fund's ability to identify all interest-bearing accounts and contribute to the accounting of all interest due to the Fund. The banking industry has also supported the automation of trust interest receipts to the Fund. Disintermediation risk is ever present when the duration of trust balances increases. In the age of platform businesses, banks provide alternative value transfer mechanisms that benefit the practitioners and members of the public. Cost pricing of banking products erodes trust interest receipts, especially in times of declining interest rates.

Creating value for our stakeholders (continued)

Government institutions

1 2 **3** 4 5

Quality of relationship

Strategic aspiration/s applied

ECS TLP

How we engage with government institutions

Compliance with legislative requirements is vital to the operations of the Fund. Institutions provide assurances in respect of compliance by trust account practitioners or prosecute legal practitioners where criminal charges are laid. These institutions are the South African Police Service, the South African Institute of Chartered Accountants and the Independent Regulatory Board for Auditors. Engagement is done through formal management discussions, as well as regulator interactions via email. The Fund's interest is also represented by task groups.

Stakeholder priorities

The priorities raised by this stakeholder are formalised and transparent correspondence and compliance with regulatory requirements.

LPFF's value-creation for government institutions

The LPFF identified key people in the institutions and communicated with them regularly. The LPFF participated in the improvement of assurance requirements and the execution thereof within the legal practitioner regulatory environment and created a cooperative environment to support successful criminal prosecutions.

Risks and opportunities presented by government institutions as a stakeholder group

The biggest risks with this stakeholder are gaps in audit standards and multiple regulators regulating legal practitioners. Future opportunities include accreditation of auditors, collaboration with SICA and IRBA, training of audit inspectors and legislative amendments.

Training was given to SAPS and NPA personnel in 2024

Department of Justice

1 2 **3** 4 5

Quality of relationship

Strategic aspiration/s applied

ECS TLP

How we engage with the Department of Justice

The administration of the Legal Practice Act is mandated by the Department of Justice (DOJ), including oversight of the Fund's solvency and ability to continue to operate and execute its statutory mandate. Engaging with the DOJ involves reporting on solvency and having ministerial representation on the Fund's Board in terms of the Legal Practice Act. The LPFF also engages through Board meetings, formal management discussions and reporting, as well as other regular interactions.

Stakeholder priorities

The priorities raised by this stakeholder are understanding the ministry of the Fund's business imperatives within the Legal Practice Act and its environment, compliance with regulatory requirements, turnaround times for changes to legislation, as well as formalised and transparent correspondence.

LPFF's value-creation for the DOJ

The LPFF continuously works on maintaining a cordial relationship with the Department. Engaging in matters affecting the LPFF and the legal profession, and consulting on concerns raised by other stakeholders are important aspects of this relationship.

Risks and opportunities presented by the DOJ as a stakeholder group

The biggest risk with this stakeholder is legislation – the LPFF reports to the Minister on its performance and, if the assets do not grow in line with the liabilities, it will cause a mismatch and not enough of a buffer. Opportunities with the Department are creating a closer working relationship to ensure a conducive legislative environment and enabling the LPFF to execute its statutory mandate. Also to improve relationships with the office of the Minister and to implement the PI contribution model communication on the Fund's strategy and solvency objectives and risks.

Law students

1 2 3 4 5

Quality of relationship

Strategic aspiration/s applied

SV ECS TLP

How we engage with law students

The LPFF offers bursaries to students, candidate legal practitioners and legal practitioners for legal education and research. The LPFF interacts with law students through universities and law faculties and has discretionary authority under the Legal Practice Act. Engagement mediums include formal meetings, social media, internet advertising and integrated reports.

Stakeholder priorities

The priorities raised by this stakeholder are lack of funding and access to employment opportunities.

LPFF's value-creation for law students

The LPFF develops and distributes communication through various channels to increase the understanding of funding opportunities and implications. The Fund's external bursary programme is aimed at providing sponsorship to previously disadvantaged individuals who want to pursue a career in the legal field, and both undergraduate as well as postgraduate studies qualify. The LPFF also offers a Candidate Attorneys Internship Programme to LLB graduates to enhance their skills by gaining practical exposure and hands-on experience.

Risks and opportunities presented by law students as a stakeholder group

Opportunities for this stakeholder are for the LPFF to collaborate with universities and other service providers, offering quality workplace training and creating awareness among students around practising as a legal practitioner.

277 LLB students and 54 postgraduate students were funded in 2024, at a cost of R11 million

5 interns were hosted in 2024

Society at large

1 2 3 4 5

Quality of relationship

Strategic aspiration/s applied

SV ECS TLP

How we engage with the society at large

The LPFF exists to protect consumers of legal services against the loss resulting from the theft of money and property entrusted to legal practitioners during their legal practices. This protection encourages the public to use the services of legal practitioners with confidence. Engaging the society at large is done through participating in various interviews on radio and television stations, social media, online advertising, posting podcasts of interviews and launching an application that will enable information to be readily available to all stakeholders.

Stakeholder priorities

The priorities raised by this stakeholder are lack of awareness, accessibility, transparency and public confidence in the legal profession.

LPFF's value-creation for society at large

The LPFF engages on public platforms at every opportunity to build awareness of the LPFF and the protection it offers. The whistle-blower platform through TRUSTLINE offers the public an avenue to anonymously report suspicious or criminal activity. The LPFF offers internships, focussed on Paralegal and IT environments to build the capacity of previously disadvantaged individuals and increase their chances of becoming employed.

Over 40 million people were reached by communicating through broadcasting channels.

Risks and opportunities presented by society at large as a stakeholder group

An effective engagement and awareness programme will engender trust in the legal profession. The LPFF is planning to increase social media activity and responses even more, create audience-specific content, develop a specific awareness programme for all legal consumers and liaise with the Legal Practice Council and other stakeholders to increase public awareness of the Fund.

5 candidate attorneys, specialising in intellectual property were recruited in 2024

Creating value for our stakeholders (continued)

Asset managers

1 2 3 **4** 5

Quality of relationship

Strategic aspiration/s applied

ECS TLP

How we engage with asset managers

The LPFF engages with asset managers through asset allocation and benchmark selection. There are mandates and service agreements with asset allocation limits and tactical asset allocation included. The LPFF continuously does due diligence and performance assessments with the asset managers.

Stakeholder priorities

The priorities raised by this stakeholder are strategic benchmarking, regular withdrawals impacting the medium to long-term growth of the Fund, responsible investing and rebalancing of the portfolio increasing the cost of the portfolio.

LPFF's value-creation for asset managers

The LPFF provides mandates to guide the actions of asset managers with funds under management and consider the requirements as well as risk appetite in terms of investment regulations. Performance reports are monitored quarterly against performance targets and objectives. The LPFF incorporates environmental, social and governance principles into the investment portfolio and reviews the investment strategy regularly, having regard for the Fund's liabilities and revising the strategic asset allocation accordingly.

Risks and opportunities presented by asset managers as a stakeholder group

The risks with this stakeholder are the inability to meet investment objectives and the non-compliance with the investment objectives. Future opportunities are due diligence of asset managers to ensure alignment with the investment strategy, reviewing the strategic asset allocation and rebalancing of the investment assets relative to strategic benchmarks, and introducing scrip lending.

Employees

1 2 3 **4** 5

Quality of relationship

Strategic aspiration/s applied

RE

How we engage with our employees

The LPFF employees are all permanently employed and have official employment contracts. A performance management process is followed annually, based on the agreed performance areas. Personal and professional development plans are developed, and bursaries are available to the staff. Performance management discussions are ongoing. Regular staff and team meetings and events are held to keep employees informed about business and strategy updates. An employee engagement survey was conducted in 2023, which indicated that engagement levels have remained relatively stable. The intranet is also available to employees as a source of information.

Stakeholder priorities

The priorities for employees are skills development and training, job security, process changes and communication from management.

LPFF's value-creation for employees

The LPFF ensures effective and accessible communication between employees and management, which includes information about new opportunities. Various employee communication platforms were created to facilitate the need for increased awareness and information about changes in the organisation. Wellness programmes take care of the physical and psychological wellness of employees.

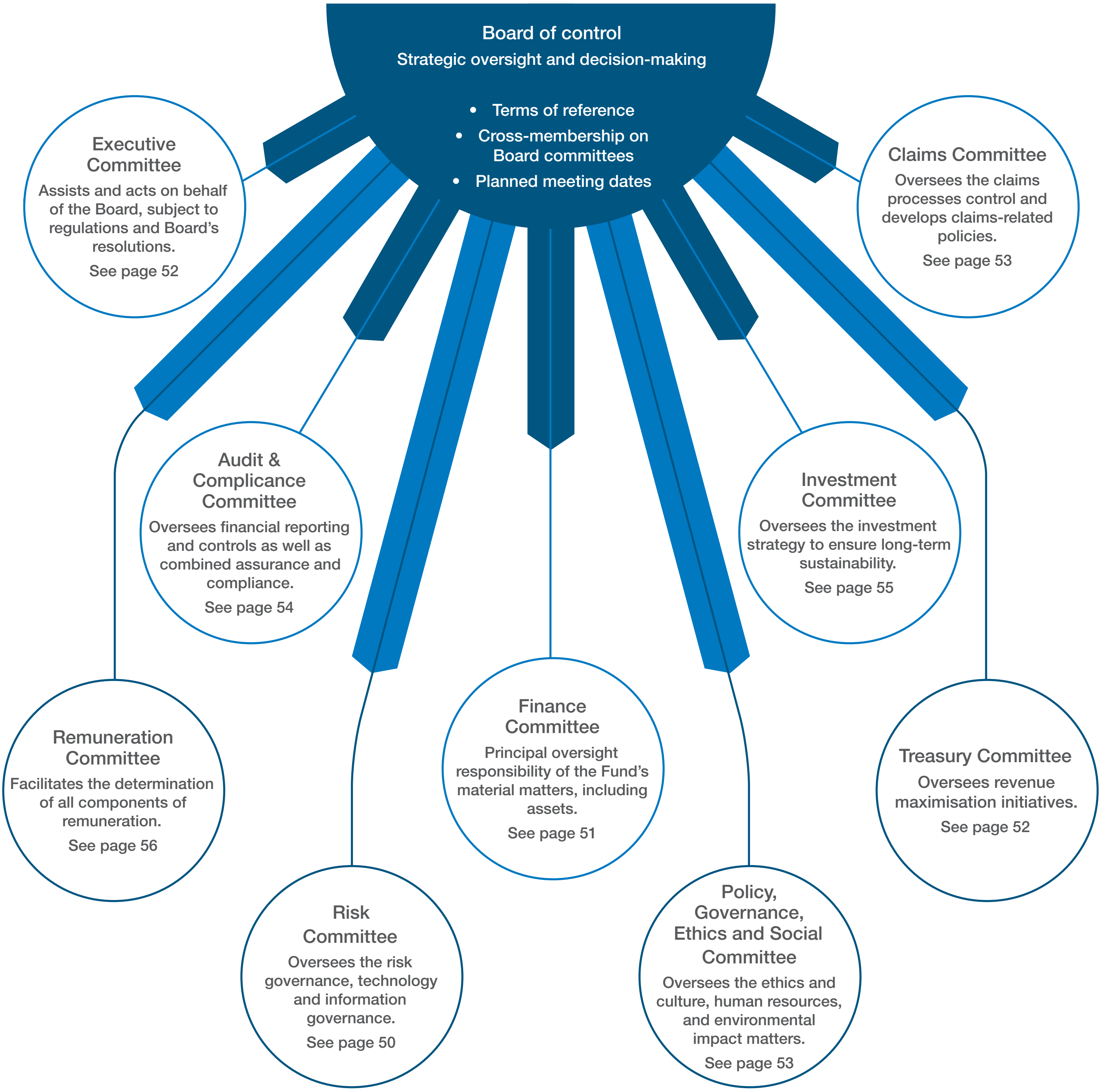
The LPFF reviewed and updated its succession management plan in the reporting period to ensure a sufficient cover ratio for critical and scarce positions in the business.

Risks and opportunities presented by employees as a stakeholder group

A committed and enthusiastic staff complement improves productivity and leads to a more effective organisation. Change management is a future focus area to re-invigorate staff on organisational changes.

R1.3 million spent on skills development with 35 employees being trained

Governance structure



Value creation through good governance

The Board, established under the Legal Practice Act 28 of 2014, is responsible for overseeing the Fund. One of the core tenets of the King Code of Governance Principles (King IV™) is the Board's commitment to advancing good governance through the demonstration of moral and capable leadership. By doing this, it hopes to make sure that the LPFF is and is perceived to be a good corporate citizen that promotes sustainable development through integrated thinking and inclusion of stakeholders. An ethical culture, efficient control, strong performance, legitimacy, and relevance are the results of this kind of governance. The Board attests that the LPFF has implemented the majority of the recommendations of King IV™.

Ethical and effective leadership

The Board understands that directors should individually and collectively exercise their fiduciary duties, ethically and in good faith, and assume collective responsibility for steering the LPFF and setting its strategic direction.

Managing ethics

The LPFF continuously assesses its performance concerning ethics. Since it assists an organisation in discovering important ethical risks and possibilities, an ethics risk assessment is an essential part of the governance of ethics. This facilitates the creation of suitable management plans and ethics strategies.

Key actions and initiatives undertaken in 2024 included, but were not limited to, the following:

- The LPFF continues to manage ethics in the organisation. Fraud awareness campaigns are ongoing and are provided to newly appointed staff as well.
- Employee acknowledgement of the Employee Code of Ethics and Conduct.
- An Anti-Corruption Pledge to entrench ethical behaviour and culture is signed by all employees, including newly appointed employees, and displayed in the offices.
- The Risk Committee approved the Fraud and Corruption Prevention Policy, the Fraud and Corruption Prevention Plan and the Fraud and Corruption Response Plan.

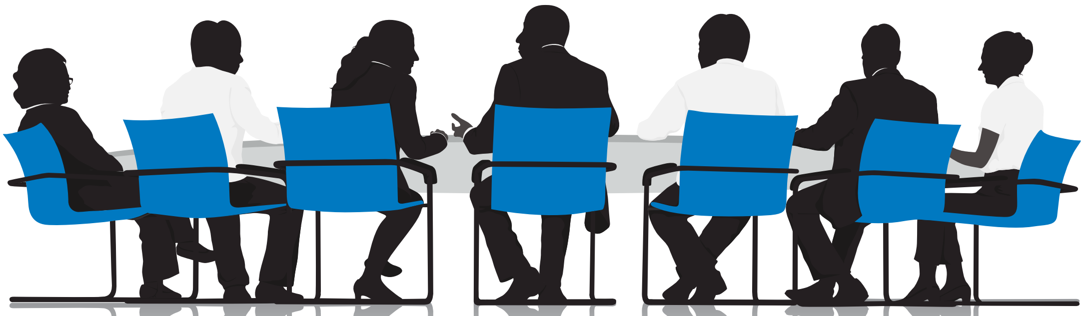
Future focus areas

- Oversee and actively participate in the entrenchment of the Code of Ethics and Conduct, ensuring that the tone is set from the top. The intention is to continue to enhance the LPFF's ethics culture, behaviour and management practices, and still act and be seen as an industry leader in ethics and good governance.
- Monitor the development of a risk, audit, compliance and ethics assurance framework to assess, enhance and communicate the LPFF's risk management effectiveness and strong governance culture.

Board diversity

LPFF is dedicated to making sure that moral principles are followed throughout the organisation, with an emphasis on equal opportunity. The LPFF acknowledges and values the advantages of having a diverse Board membership, and believes that a truly diverse Board would leverage and incorporate member variations in background, race, gender, skill sets, as well as industry and regional expertise. The Board is comfortable that the current members are the most appropriate for their roles in line with the broader diversity policy, and LPFF's future member appointments will continue to be considered with due emphasis on the benefits of diversity.

As much as one would like to have a more diverse Board in terms of the demographics of the country, it is difficult to imagine the enhancement of diversity. The reasons are firstly, that four of the Board members are legal practitioners who joined the Board via an election with an unpredictable outcome. Secondly, the nominees of IRBA and the Minister are discretionary and the Fund's diversity policy would not necessarily be a consideration.



9
Board members
(2023: 8)

56%
Female
(2023: 50%)

9
Non-executive directors, all independent
(2023: 5)

100%
Black
(2023: 50%)

50
Average age
(2023: 45)

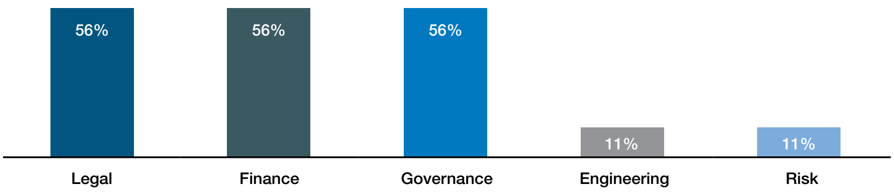
7
Board meetings held
(2023: 2)

25
Board Committee meetings held
(2023: 17)

The LPFF has chosen a Vice-Chair but does not have a lead independent member. The Board accepts overall accountability for the LPFF's performance and ensures that the LPFF is adequately positioned to create sustainable value over the long term for all stakeholders, considering the material issues, risks and opportunities.

The Board remains the LPFF's overall custodian of good corporate governance, promoting an ethical and cohesive organisational culture, effective controls, compliance, accountability, and responsive and transparent stakeholder engagement. The Board's primary responsibility is the strategic direction of the Fund. In tandem, the Board provides continuous oversight of material matters, risks, opportunities, and the strategic allocation of resources. In its oversight role, the Board serves as an independent check and balance to the Fund's executive management team, whose main responsibility remains to manage the business.

Board skills and expertise



The Board is representative of various stakeholders:

5
legal practitioners, one of whom is an advocate referred to in section 34 (2)(b) of the Act and has been elected by way of a democratic election.

2
members, designated by the LPA, who, by virtue of their qualifications, expertise and experience in the field of finance, and whose names are submitted independently by the IRBA.

2
members who are designated by the Minister of Justice.

Value creation through good governance (continued)

Members of the Board

TS Kekana (56)
Independent Chairperson

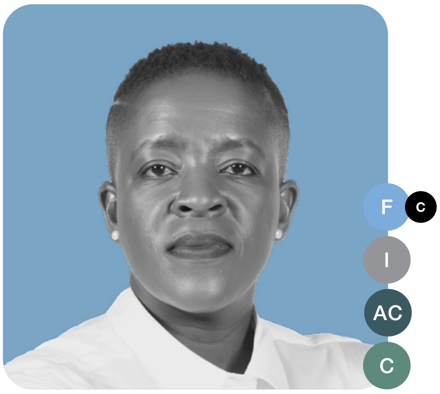
Appointed: 2020
Qualifications: Ms Kekana has a Certificate in Management of Petroleum Policy and Economics (Wits), an LLB (Vista) and a B Proc (UNIN).

Z Nkosi (43)
Independent Vice-Chairperson

Appointed: 2020
Qualifications: Ms Nkosi holds a CA (SA), a BCom (Hons) – CTA (Unisa), BCom (Accounting Sciences) (UP) and is a registered SAICA Assessor

CJ Ntsoane (47)
Independent non-executive

Appointed: 2020
Qualifications: Mr Ntsoane holds an LLB (UL) and a B-Tech (Marketing) (TUT).

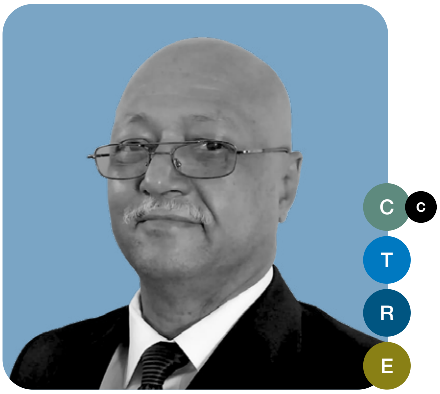


KM Motshekga (45)
Independent non-executive

Appointed: 2024
Qualifications: Ms Motshega holds a Bcompt, Certificate in Purchasing and Supply, an MDP in B-BBEE and a Master in Business Leadership (UNISA), and a Certificate in Governance (UJ).

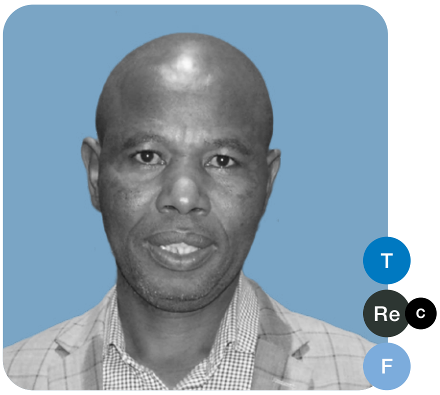
NP Karelse (56)
Independent non-executive

Appointed: 2024
Qualifications: Ms Karelse holds a Masters in Town & Regional Planning (UP), Graduate Engineering Diploma (Wits), Higher Diploma in Development Planning (Wits), BA Edcuation (UL).



E Arendse (61)
Independent non-executive

Appointed: 2024
Qualifications: Adv Arendse holds a LLB (UWC), Diploma in Traffic Science.

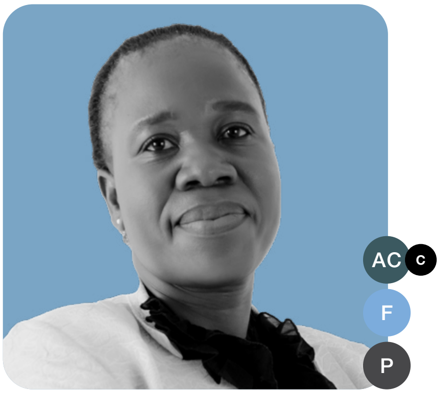


M Notyesi (52)
Independent non-executive

Appointed: 2020
Qualifications: Mr Notyesi holds an LLB (WSU) and a B Proc (WSU). He was admitted as an attorney in 1999 after completing his articles and attending the LSSA's School for Legal Practice in East London.

W Brown (48)
Independent non-executive

Appointed: 2020
Qualifications: Mr Brown holds a Certificate in Advanced Business Rescue (Unisa), an Advanced Certificate in Insolvency Litigation (UP), an LLB (UCT) and a B.A (English) (UCT).



MM Phiri (51)
Independent non-executive

Appointed: 2024
Qualifications: Ms Phiri holds a CA (SA), is a registered auditor and registered tax practitioner.

- AC Audit and Compliance Committee
- E Executive Committee
- R Risk Committee
- T Treasury Committee
- F Finance Committee
- C Claims Committee
- Re Remuneration Committee
- P Policy, Governance, Ethics and Social Committee
- I Investment Committee
- C Chairperson
- VC Vice-Chair

Full CVs of all Board Members can be accessed at the following link: https://www.fidfund.co.za/board-of-control/

Value creation through good governance (continued)

Members of the Board (continued)

Board

Chairperson: TS Kekana	Number of meetings: 6	Committee attendance: 99%

Vice-Chair until September 2024: P Makatini
Vice-Chair from October 2024: Z Nkosi

Members until September 2024: W Brown, CJ Ntsoane, M Notyesi, Z Nkosi, N Likotsi, ML Mokoena
Members from October 2024: W Brown, CJ Ntsoane, MM Phiri, E Arendse, NP Karelse, KM Motshekga, M Notyesi

By invitation: M Molefe, J Losper, Dr M Tsogang, R Burawundi, N Kraai, C Dzimarira

Key responsibilities

The Board is responsible for the overall strategic direction of the LPFF and for preparing a robust control framework. Such a framework establishes the policies, guidelines and benchmarks for a system of internal controls, including the monitoring and reviewing of reports presented to the Board and its sub-committees and delegation of authority through an approval framework.

The Board is also vested with legislative power to consider claims against the Fund, a power which, in terms of section 63(1)(j), it may delegate to its employees, subject to whatever conditions it might impose. The Board is also expected to carry out other functions as set out in sections 63(1)(a) to (k), as well as 63(2), 63(3), 63(4), 63(5) and 63(6). These range from the consideration of claims, inspecting the practitioners' books of accounts, defending itself in legal proceedings, delegating consideration of claims to any of its employees and the appointment of the Executive Officer of the LPFF and other employees. These powers set out, are not exhaustive as there are still others set out in section 63.

Key focus areas in 2024

- Sustainability of the Fund
- The LPIIF's re-modelling on professional indemnity insurance cover (PI cover) regime
- PI cover collection from legal practitioners
- Board elections and outcomes
- Succession planning
- Defining and proposing amendments to the Legal Practice Act to limit the risk to the Fund
- Continuous stakeholder engagement

Other recurring items on the Board's agenda included:

- Approval of the Board charter and delegation of authority
- Approval of the budget, the annual financial statements, the integrated annual report and the governance report
- Approval of all policies
- Ratification of payments made for claims and interest paid
- Approval of sections 72 and 73 as per the LPA
- Approval of the investment strategy and fund managers
- Approval of inspections

Delegation of authority

The Board is satisfied that the delegation of authority framework contributes to role clarity and contributes to an effective arrangement by which authority and responsibilities are exercised. However, the process is cumbersome and a proposal for a new delegation of authority is to be approved in 2025. The Board is satisfied with the quality of key stakeholder relationships, with the leadership of the executive team, that strategic resources to achieve the strategy are in place and that good governance is appropriately applied.

Board's statement on its mandate

The Board members believe that the Board has fulfilled its mandate as provided in the Board and Board Committee charters.

Corporate governance

On July 27, 2004, the Board committed the LPFF to good governance principles by adopting a charter. The charters that were used to construct the governance committees were also approved by the Board, and Board members accepted these as a standard by which to hold themselves accountable. Charters are often reviewed to maintain their applicability and keep up with governance in a world that is changing quickly.

The LPFF benefits from the ongoing presence of an independent group of Committee members who are not associated with the legal profession. This group brings specialised expertise and a fresh perspective to the Committees. The Fund's independence in making decisions has been strengthened by its separation from the Legal Practice Council, in that no member of either organisation may have a position in both, even though decisions are made after properly taking stakeholders' interests into account. Ensuring the rule of law is upheld by firmly establishing the idea of removal from the Board only with good reason can only be advantageous to good governance.

The Board has nine sub-committees, each with its own Chair. These Committees are comprised mostly of Board members and are infused with expert independent specialists to ensure good practice and governance.

Corporate governance services

The Board has employed a Board Secretary to help it access professional corporate governance services. In addition, the Board uses the services of independent service providers when necessary.

Executive Committee

The Board is required by the Legal Practice Act to appoint an Executive Committee. The Committee is made up of a Chair, Vice-Chair and two other Board members and, from January 2024 to September 2024, when the new Board was appointed, comprised of Ms TS Kekana (Chair), Ms P Makatini (Vice-Chair), Adv HS Janse van Rensburg and Mr M Notyesi. Thereafter, the Committee comprises of Ms TS Kekana (Chair), Ms Z Nkosi (Vice-Chair), Adv E Arendse and Mr CJ Ntsoane.

Management structure

During the period under review, the Fund's Management comprised:

M Molefe
Chief Executive Officer

Qualifications:
– LLM (Salford UK)
– MBA (Regenesys Business School)
– BProc (University of Limpopo)
– MAP (Wits)

Dr M Tsogang
Chief Information Officer

Qualifications:
– PhD – Computer Science (UNISA)
– Master of Commerce – Computer Science and Information Systems (NWU)
– BCom Honours – Information Systems (NWU)
– BCom – Information Systems (NWU)

Resigned: 31 May 2024

N Ngema
Fund Management Executive

Qualifications:
– CA(SA)
– MBA (UJ)
– BCom Accounting (Wits)
– CTA (University of Natal)
– H Dip Tax and Business Rescue (UJ)

Dismissed: 16 October 2024

C Dzinamarira
Legal Risk Management Executive

Qualifications:
– LLB (Fort Hare)
– Post Graduate Diploma in Risk management (MANCOSA)

R Burawundi
Investment Executive

Qualifications:
– MSc Innovation and Entrepreneurship (HEC-Paris)
– Executive MBA (UCT)
– BCom in Economics (UCT)
– BCom (Hons) Financial Analysis and Portfolio Management (UCT)
– Strategic Decision and Risk Management (Stanford Graduate School)
– Mathematical Modelling of Derivatives (UNISA)
– Oxford Fintech Programme (Saïd Business School)

J Losper
Claims Executive

Qualifications:
– MBA (University of Stellenbosch)
– LLM (University of Stellenbosch)
– LLB (University of Stellenbosch)
– BCom Law (University of Stellenbosch)
– PDFP (University of Stellenbosch)

P Ndima
Senior Claims Manager

Qualifications:
– BProc (UWC)
– LLB (UWC)
– MDP (Stellenbosch)
– NMDP (UCT)
– Compliance Management (UCT)

N Kraai
Senior Human Resources Manager

Qualifications:
– BA Human Resources (NWU)
– Senior Leadership Diploma (GIBS)

SD Maile
Board Secretary

Qualifications:
– BJuris (University of Zululand)

Retired: 31 December 2024

Value creation through good governance (continued)

Corporate governance (continued)

Compliance

The Board bears the responsibility of ensuring that the LPFF complies with relevant laws, codes and standards. The Fund's culture places a high value on compliance to make sure its strategy is achieved. The Company Secretary, in this additional role as compliance officer, had been tasked by the Board with implementing an efficient compliance structure. The Audit and Compliance Committee, which oversees compliance, is tasked with supervising compliance risk management. Acts, rules, charters and Board decisions were among the codes and regulations that the LPFF conformed to.

Internal quality audits are conducted to evaluate adherence to regulatory and industry standards.

Penalties, sanctions or fines

The status of the Fund's compliance is within our risk appetite, and relationships have been well managed with our respective regulators. In the 2023 financial period, a fine of R76 million, with respect to SARS, was raised, in line with the possibility of SARS disallowing the VAT input previously approved by them. The judgement in this matter, received after the reporting date, was in the Fund's favour, and as such, the previously disallowed VAT assessments will now be set aside. As at March 2025, SARS lodged a notice of intention to appeal, seeking leave to appeal to the Supreme Court of Appeal (SCA). The LPFF will continue to monitor the situation closely.

The LPFF was not party to any legal action or other regulatory processes involving any suspected non-compliance in the reporting period. Neither were any requests for information in terms of PAIA received or denied.

Monitoring the effectiveness of compliance management

The risk of non-compliance with statutory and regulatory requirements forms part of the identified risks and is assessed and responded to on an ongoing basis. The Audit and Compliance Committee reviews the compliance report at every meeting and areas of partial or non-compliance, if any, are reported to the Board. The Committee reviewed the effectiveness of the systems for monitoring compliance with laws and regulations and was satisfied that the sources of information and processes were adequate.

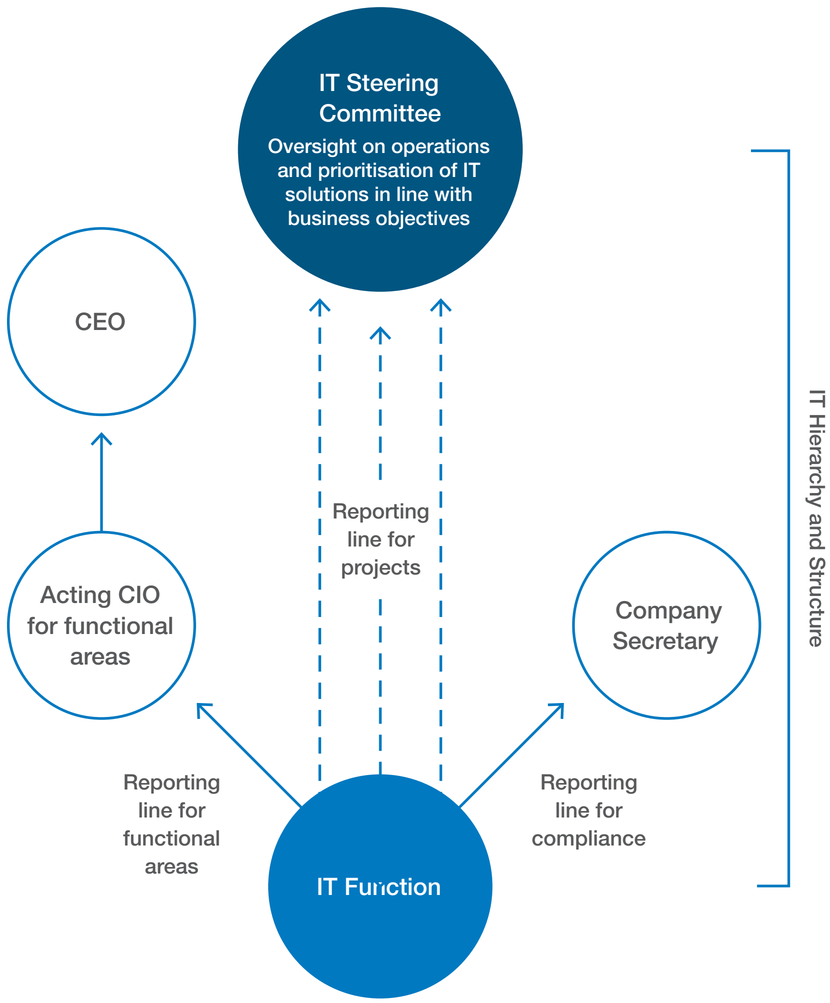
Governance of Information Technology

As part of the LPFF's journey to leverage emerging technologies to optimise processes and improve decision-making using data, we reprioritised and launched several initiatives in the reporting year. These initiatives are aimed at improving data analytics maturity, enhancing internal IT capacity and strengthening information security measures to ensure compliance with our policies and regulatory requirements.

Our IT governance framework is based on the Control Objectives for Information and Related Technologies (COBIT) model, which ensures that IT aligns with our strategic goals. The IT Steering Committee, comprised of senior leadership from all the departments, meets monthly to review performance and make strategic decisions.

The governance practices are designed to ensure that the LPFF's technology supports the strategic and operational objectives of the LPFF while safeguarding employee, company and public information.

IT oversight



Cyber incident

In June 2024, the LPFF experienced a near-catastrophic cyber incident resulting in services hosted on-premises being inaccessible. However, due to the effectiveness of LPFF's executive management, the storm was weathered and the impact mitigated in a record period, despite the gaps that existed in IT capabilities. Our response included:

- **Recovery:** Although recovery was problematic due to disaster recovery deficiencies, essential services continued without disruption. Backup plans, such as migrating the Finance and HR systems from the premises to the cloud in 2023, were key to this recovery. We have since enhanced our disaster recovery capabilities.
- **Compliance:** We ensured compliance with the POPI Act and the requirements set by the Information Regulator, the LPC and the banks, resulting in minimised impact and no significant losses or regulatory fines.
- **Incident analysis:** A post-incident review was conducted to identify weaknesses, and a plan for security improvements was formulated and successfully implemented.

Key focus areas and accomplishments in the reporting year

- Roll-out of next-generation firewalls to fortify defences against external threats.
- Advancing our data analytics maturity by initiating a comprehensive data analytics programme with the LPIIF, which involved evaluating existing tools and processes, identifying gaps, and planning improvements.
- Meeting regulatory requirements and addressing IT audit findings, with the comprehensive plan initiated in May 2024 and continuing into 2025.
- Commissioning the IT turnaround strategy project to assess current IT capabilities and capacity, determine the suitability of skills, and bolster resources to support strategic business objectives effectively.
- Replacement of a manual home loan process with a system built on advanced technology to improve efficiency and guarantee data integrity and accuracy. The new system links seamlessly with the payroll for loan amortisation purposes.
- Reprioritised IT projects, including systems for Fidelity Fund Certification, vendor management, trust interest reconciliation and audit refunds. These systems are scheduled for deployment in the first half of 2025.

Future focus areas

- Redeveloping the claims management system to address security and functionality capabilities, and integration with internal and external systems.
- Automating other mission-critical processes prioritised for 2025.
- Decommissioning legacy systems running on unsupported technologies.
- Implementing an integrated system or robust integration hub for interconnected business processes internally and externally with the LPIIF and LPC.
- Further enhancing cyber security, focusing on disaster recovery capabilities, addressing network vulnerabilities, and reviewing and enforcing IT security policies.
- Adopting NIST and ISO 27001 standards to strengthen our cyber security framework

Board Committees

The composition of each Committee and the attendance of each member at Committee meetings are discussed below. External advisors, management and executive members who are not members of specific Committees may attend Committee meetings by invitation if deemed appropriate by the relevant Committees, and where such attendance would be of benefit to the Committee.

Value creation through good governance (continued)

Committee reports

Risk Committee

Chairperson until September 2024:	KL Mokoena	**Number of meetings:**	3
Chairperson from October 2024:	NP Karelse	**Committee attendance:**	80%

Members until September 2024: Z Nkosi, C Ntsoane, TS Kekana
Members from October 2024: E Arendse, W Brown
Independent specialist member: M Matome
By invitation: M Molefe, J Losper, Dr M Tsogang, C Dzinamarira, R Burawundi, N Kraai

Key responsibilities

The Committee is an independent overseer of the risks facing the LPFF emanating from its management process and operational activities. The Committee has been mandated by the Board to review and have oversight of risk management within the Fund.

The Committee's primary objectives include:

- supporting the Board to discharge its duty of governing risk in a manner that supports the LPFF in setting and achieving its strategic objectives
- advising the Board regarding the nature and extent of the risks and opportunities facing the LPFF
- overseeing the implementation of the Fund's Risk Management strategy and framework, and other responses to risk

Key focus areas in 2024

- Ensured that the information technology and information systems risk that impact the LPFF are adequately addressed and appropriate controls are put in place
- Assisted the Board in its evaluation of the adequacy and effectiveness of the risk management system
- Reviewed the risk reports from the Legal Management Executive, Chief Information Officer and Enterprise Risk Manager to monitor all key risks impacting the Fund
- Reviewed the Enterprise Risk Management maturity assessment independently reviewed by Nexia SAB&T. These recommendations will be addressed in the coming year.
- Received assurance from all the Committees on the effectiveness of the risk management processes relevant to their portfolios
- Considered the process for the whistleblowing reporting which is under the custody of the risk department and obtained the department's assurance that all reported matters have been adequately addressed with the assurance for material matters

Focus areas in the coming year

- Monitor the review and implementation of the internal audit recommendations to improve the Fund's Enterprise Risk Management and maturity level from a foundation to a proactive level
- Ensuring that the risk function has adequate resources and that risk management techniques are enhanced
- Automated tools for risk and compliance management to enhance efficiency and effectiveness in supporting decision-making
- Combined assurance planning

For more on the Fund's Risk Management and key risks, refer to page 58.

The Committee is not aware of any material breakdown within the Fund's enterprise risk management during the year under review.

NP Karelse
Committee Chairperson

Finance Committee

Chairperson until September 2024:	W Brown	**Number of meetings:**	2
Chairperson from October 2024:	KM Motshekga	**Committee attendance:**	100%

Members until September 2024: N Likotsi, Z Nkosi
Members from October 2024: M Notyesi, MM Phiri
Independent specialist member: B Matsaneng
By invitation: M Molefe, J Losper, Dr M Tsogang, R Burawundi, N Kraai, C Dzinamarira

Key responsibilities

- Review and recommend approval of the annual financial budget, including forecasts prepared by the Fund's management
- Review Board policies regarding financial management
- Ensure that the LPFF is operating at the highest level of financial transparency
- Recommend to the Policy, Governance, Ethics and Social Committee policies regarding financial management for approval by the Board

Key focus areas in 2024

In the conduct of its duties, the Committee has performed, among others, the following duties:

- Review and approval of the Committee's year planner for 2024
- Reviewed the draft audited financials for the year ended 31 December 2023
- Reviewed the LPFF's half-year financial performance report
- Reviewed the performance of the LPFF's main source of income, being interest earned on trust accounts as well as other revenue-related projects
- Ensured that the finance department risk register is up to date in line with the Fund's overall strategic risk register
- Monitor balances held by the LPFF under curatorships
- Reviewed the LPFF's claims report for the year ending 31 December 2023
- Monitored the developments around the Fund's case versus SARS, regarding disallowed VAT input claims on professional indemnity premium invoices paid to the Legal Practitioners Indemnity Insurance Fund (LPIIF)
- Ensured that the Board approved salary adjustments for the 2024 year were implemented by management

Focus areas in the coming year

- Monitor the collection of PI contributions from practitioners to lessen the financial burden on the LPFF by the LPIIF
- Review Board policies regarding financial management
- Ensure that the LPFF is operating at the highest level of financial transparency
- Consider and ensure that amounts allocated to the LPC and the LPIIF are in line with the recommendations of independent actuaries and/or Board resolutions

KM Motshekga
Committee Chairperson

Value creation through good governance (continued)

Committee reports (continued)

Executive Committee

Chairperson	TS Kekana	Number of meetings:	1
Vice-Chair until September 2024: Vice-Chair from October 2024:	P Makatini Z Nkosi	Committee attendance:	100%

Members until September 2024: M Notyesi
Members from October 2024: E Arendse, CJ Ntsoane
By invitation: M Molefe, J Losper, Dr M Tsogang, R Burawundi, N Ngema, N Kraai, C Dzinamarira

Key responsibilities

- Assist the Board in fulfilling its responsibilities, and act on behalf of the Board between meetings, subject to applicable laws, rules, regulations and Board resolutions and only make recommendations to the Board in matters specifically referred to it by the Board
- Exercise powers of the Board if an emergency or time-sensitive matter arises and it is not practicable to assemble the entire Board

Key focus areas in 2024

The following matters were referred to the Committee by the Board during the year under review, and resolved accordingly:

- Fostering closer relationships with key stakeholders, namely the Legal Practice Council, The Law Society of South Africa, the Ombud and the LPIIF
- Managing any matter delegated to it by the Board
- Oversight over the implementation of the strategy

Focus areas in the coming year

- Managing any matter delegated to it by the Board

TS Kekana
Committee Chairperson

Treasury Committee

Chairperson until September 2024:	N Likotsi	Number of meetings:	2
Chairperson from October 2024:	W Brown	Committee attendance:	100%

Members until September 2024: KL Mokoena, Z Nkosi, TS Kekana, M Notyesi
Members from October 2024: M Notyesi, TS Kekana, E Arendse
By invitation: M Molefe, R Burawundi

Key responsibilities

- The Committee's primary responsibility is to provide oversight to the Fund's primary source of revenue – all interest-bearing trust accounts and the transmission of the interest that vests with the Fund, as provided by section 86 of the Legal Practice Act
- Provide oversight on key opportunities and risks to the Fund's primary source of revenue, inclusive of stakeholder engagements and banking arrangements that are provided in section 63 (1)(g)
- Provide oversight on the practical implementation of section 87 (4)(a) and (b) of the Act that provides for the receipt and reimbursement of unclaimed and unidentifiable trust money

Key focus areas in 2024

- Provide the investment team with the necessary oversight and support in pursuit of the budgeted revenue amount for the 2024 financial year through revenue-maximising initiatives.
- Consider management recommendations on the role of surplus trust interest receipts and their impact on the Fund's asset base
- Provide oversight on the impact of legislative amendments on the Fund's primary revenue stream
- Revenue-related stakeholder engagements

Focus areas in the coming year

- Oversight of strategic trust interest projects spearheaded by the investment executive
- Oversight of revenue-related stakeholder engagements
- Consideration of management recommendations and recommending same to the Board
- Further development of the section 86 (3) project
- Oversight of the automation of trust interest receipts
- Oversight of new and existing banking arrangements as provided by section 63 (1)(g) of the Legal Practice Act

W Brown
Committee Chairperson

Policy, Governance, Ethics and Social Committee

Chairperson	CJ Ntsoane	Number of meetings:	6	Committee attendance:	83%

Members until September 2024: M Notyesi, Z Nkosi, P Makatini
Members from October 2024: Z Nkosi, MM Phiri, NP Karelse
Independent specialist member: Dr J Ndlovu
By invitation: M Molefe, J Losper, Dr M Tsogang, R Burawundi, N Kraai, C Dzinamarira

Key responsibilities

The Committee's key mandate is assisting the Board in providing independent oversight of the following:

- assessment of policies for consistency and possible conflict with other policies;
- overseeing the development of responses to draft legislation relative to the LPFF and advocating changes to existing legislation;
- evaluate social responsibility projects; and
- ensure that governance charters are updated

Key focus areas in 2024

The Committee performed among others, the following activities:

- finalised the performance contract of the CEO and assessed his performance;
- oversight of the reviews of charters and policies by independent auditors;
- oversight of the standardisation of policies;
- considered human resources, information technology and compliance reports;
- oversight of the succession management plan process;
- oversight of the implementation of the learnership programme; and
- oversight of the employee satisfaction survey

Focus areas in the coming year

- Reconstituting the Board Committees
- Induction of new members
- Finalising reviews of the identified charters and policies
- Defining the role of the Committee as an ethics committee

CJ Ntsoane
Committee Chairperson

Claims Committee

Acting Chairperson until September 2024:	CJ Ntsoane	Number of meetings:	3
Chairperson from October 2024:	E Arendse	Committee attendance:	73%

Members until September 2024: N Likotsi, KL Mokoena, W Brown
Members from October 2024: CJ Ntsoane, KM Motshekga, W Brown
By invitation: M Molefe, J Losper, Dr M Tsogang, R Burawundi, P Ndima, C Dzinamarira

Key responsibilities

- Guiding and assisting the Fund`s Claims Department in matters referred to the Committee
- Overseeing the development and implementation of policies and changes to legislation
- Overseeing the identification and management of claims-related risks
- Overseeing the management of internal controls and risks related to claims

Key focus areas in 2024

Continued to provide oversight over internal controls and claims-related risks in the Claims Department to ensure that victims of theft of trust monies by legal practitioners are promptly and fully compensated for their loss

Focus areas in the coming year

- Consideration of legislative amendments to address the increase in claims.
- Enhance collaboration with the other committees (risk committee) for the effective, efficient, and timely management of claims-related risks.
- Support the full implementation of the capping provision, as gazetted

For information on claims notified and paid, refer to the Our Contribution to Society section on page 6, the Performance highlights for 2024 on page 4 and The Report by the CEO on page 16.

E Arendse
Chairperson

Value creation through good governance (continued)

Committee reports (continued)

Audit and Compliance Committee

Chairperson until September 2024:	Z Nkosi	**Number of meetings:**	3
Chairperson from October 2024:	MM Phiri	**Committee attendance:**	100%

Members until September 2024: N Likotsi, KL Mokoena
Members from October 2024: Z Nkosi, KM Motshekga
Independent specialist member: H Daniels
By invitation: M Molefe, J Losper, Dr M Tsogang, R Burawundi, C Dzinamarira

Key responsibilities

Assists the Board in providing independent oversight of:

- the integrity of the Fund's financial statements, its financial reporting processes, systems of internal accounting and financial controls
- the evaluation of management's process to assess and manage the Fund's enterprise risk issues
- the performance of internal auditors
- the governance of compliance. The Committee has approved the Compliance Policy that articulates and gives effect to the Fund's direction and management of compliance

Key focus areas in 2024

In the conduct of its duties, the Committee has performed, among others, the following duties:

- reviewed and approved the Committee charter and annual work plan
- oversight of financial controls and external audit
- ensuring auditor independence as well as review and acceptance of audit engagement letters
- reviewed compliance reports, internal audit plans and reports on internal controls
- reported to the Board on any material weaknesses in internal financial controls and corrective action implemented
- reviewed the cost of IT infrastructure in relation to financial reporting systems
- reviewed the draft integrated annual report, including the draft audited financial statements, and made recommendation to the Board
- reviewed legal matters which could have a significant impact on the financial statements

Focus areas in the coming year

- Improvements in compliance by implementing the recommendations received from Internal Audit
- Report on the status of corrective action implemented by members of management
- Oversee and approve the process of nomination of internal auditors
- Combined assurance framework and process
- Strengthening of the whistleblowing policy and related processes

External Audit

BDO South Africa was appointed in 2021 for five years. The lead engagement partner and manager on the financial audit firm rotation will be considered after five years to minimise independence risk due to possible familiarity with management.

The Committee regularly assesses the external auditor's independence, including the absence of conflicts of interest and is satisfied with the independence and objectivity of the external auditors. The Committee reviewed the annual audit plan and considered the scope and fees to be paid to the auditors. There were no non-audit services provided by the external auditors presented to the Committee for approval.

The Committee considered the quality of the external audit work, as well as the feedback received from management, and was satisfied with the quality of the assessment.

Internal Audit

The Internal Audit function, Nexia SAB&T, is an independent outsourced function of the Fund with a direct reporting line to the Committee. The Internal Audit coverage plan for 2024 was approved and implemented. The Committee took note of the outcome of the evaluation, together with key conclusions and recommendations raised. The Committee also monitored the status of the implementation of the Internal Audit action plan. Internal Audit performed additional reviews in the year under review within the set limits and the scope of work and the fee was approved by the Committee. As the current internal audit functions' tenure came to an end in March 2025, the Committee will oversee the nomination and appointment of a new service provider from April 2025.

The Committee evaluated Internal Audit's performance for the reporting period and is satisfied with its outcome.

Internal Financial Controls

Based on the reports given by management and Internal Audit, discussions with the independent external auditor on the results of their audits and the status in addressing the matters as raised in the action plans, the Committee is satisfied that the significant matters brought to its attention in the year under review have been remedied adequately and in some cases, are in progress. There were no other indications of unremedied material breakdowns in the functioning of controls, procedures and systems in the year under review.

Finance Function

The Fund Management Executive was suspended during the year and an acting incumbent was put in place. Based on the financial information reviewed and the reports from both the internal and external auditors, the Committee is of the view that overall the Function was effective during the year.

Annual Financial Statements

The Committee confirms that the financial statements present a true and fair view of the Fund's financial position as of 31 December 2024, are in accordance with IFRS, and contain no matters of significance. The Committee concurs and accepts the conclusions of the external auditor on the annual financial statements.

Mandate

The Committee is satisfied that it has fulfilled its mandate as set out in its terms of reference and has duly given effect to the focus areas identified for the year.

Recommendation to the Board

The Committee has reviewed and considered the integrated annual report, including the comprehensive annual financial statements, and has recommended it for approval by the Board.

I would like to take this opportunity to thank my fellow Committee members, management and service providers for their hard work, effort and support.

MM Phiri
Committee Chairperson

Investment Committee

Chairperson until September 2024:	P Makatini	Number of meetings:	5
Chairperson from October 2024:	Z Nkosi	Committee attendance:	80%

Members until September 2024: TS Kekana, W Brown
Members from October 2024: TS Kekana, Z Nkosi, KM Motshekga,
Independent specialist members: P du Plessis, L Ndesi
By invitation: M Molefe, R Burawundi

Key responsibilities

- Provide oversight of the LPFF's investment assets
- Ensure that decisions critical to the risk-adjusted performance of the assets are implemented using established governance frameworks
- Governance of investment assets, with specific reference to the preservation of capital and the growth of investment assets
- Ensure that the investment strategy preserves and grows investment assets
- Review the effectiveness of the investment strategy and the efficacy of investment assumptions

Key focus areas in 2024

In the conduct of its duties, the Committee has performed, among others, the following duties:

- approved annual work plan
- monitored alignment with equity mandates
- reviewed strategic asset allocation of the investment portfolio
- monitored the extent of investment income from invested assets
- reviewed progress with trust interest income
- reviewed investment withdrawals for finance operations and statutory expenses
- monitored the management of risk and considered the impact of risk management initiatives

Focus areas in the coming year

- Oversight of the implementation of key decisions that are critical to the future performance of investment assets
- Governance of LPFF's investment assets, with specific reference to the preservation of capital and the growth of investment assets

Z Nkosi
Committee Chairperson

Value creation through good governance (continued)

Committee reports (continued)

Remuneration Committee

Chairperson	M Notyesi	Number of meetings:	0	Committee attendance:	0%

Members until September 2024: P Makatini
Members from October 2024: NP Karelse
Independent specialist member: Dr V Mthethwa
By invitation: M Molefe, N Kraai

Key responsibilities

The Committee's main responsibility is to support the Board in providing independent oversight of:

- the governance of Human Capital management;
- defining and managing the Fund's remuneration and reward policy, framework and strategy; and
- providing the Board with assurances for the above

Key focus areas in 2024

REMCO work plan, including the high-level oversight of the Human Capital strategy implementation

- Considered the annual salary review of the CEO, the executive management and other members of management, including a short-term incentive payment
- Initiated the remuneration and reward policy review process
- Succession planning
- Reviewed the CEO's employment contract
- Continuous professional development of the Remuneration Committee

Focus areas in the coming year

- REMCO work plan, including high-level oversight on remuneration matters
- Considering the annual salary review and short-term incentive payment and recommending it to the Board for approval
- Oversight of the strategic actions in response to the outcomes of the employee engagement survey

M Notyesi
Remuneration Committee Chairperson

Rewarding for value creation

Remuneration governance

The LPFF Board oversees the development, review and implementation of the remuneration policy and strategy as recommended by King IV™, and ensures fair and responsible remuneration practices for the Board, its Committees, executive management, management and the rest of the employees.

The Remuneration Committee consists of non-executive Board members, supported by a specialist member, and is governed by a Board-approved charter, remuneration policy and strategy.

Part I – Overview of the main provisions of the total reward strategy

The LPFF's total reward strategy is aligned with the organisational strategy, people strategy and organisational values. A reward philosophy consists of a set of beliefs which underpins the total reward strategy, and governs the remuneration policy and practices, providing the foundation for the guiding principles and framework of reward processes across the LPFF. The LPFF rewards for value created, contribution and performance. The concept of equal pay for work of equal value is recognised and adhered to.

The objective of the total reward philosophy is to attract and retain people with critical skills and promote high performance by offering competitive rewards. This stimulates performance at an appropriate mix of fixed and variable remuneration as well as non-financial rewards. The variable component of remuneration relies on various factors and is linked to the performance of employees.

The LPFF recognises that in its current strategic environment, the remuneration philosophy, policy and related practices are dynamic and shall therefore be revisited, reviewed and revised annually to ensure that the LPFF keeps pace with changing market practices, organisational objectives and industry context.

The Remuneration Committee is satisfied that the policy is achieving its current objectives.

Part II – Implementation Report

Employee remuneration is market-related and in line with individual and LPFF performance. In determining remuneration, the LPFF considers factors such as affordability, economic pressures, industry changes, labour market landscape and regulatory requirements. These considerations and other detailed requirements form part of our total reward philosophy and are underpinned by best practice. We remain competitive by benchmarking our rewards offering to the national market. Benchmarking enables us to attract and retain the right talent to execute our strategy and objectives.

The Committee used the services of 21st Century remuneration consultant, which also assisted with benchmarking remuneration elements and practices against external comparatives.

The Total Reward Strategy and Policy, as well as the Short-term incentive scheme, were reviewed to align with best practice and the Company's strategy and implemented. The Short-term incentive scheme is linked to both the individual's performance and the organisational performance. In the reporting period, performance-linked bonuses were paid at management and general staff levels.

The remuneration of the Board and Committee members for 2024 follows below:

		Board committees											
	Board	Audit & Compliance Committee	Risk Committee	Finance Committee	Investment Committee	Executive Committee	Treasury Committee	Policy & Governance Committee	Claims Committee	Ad-Hoc Committee	Remuneration Committee	Investigation of Claims	Total
Board Members													
Ms TS Kekana			7 863		118 699	654 410	15 726		7 863			154 516	959 076
Ms P Makatini					146 297	235 179		45 212		9 042		389 212	824 943
Mr M Notyesi	54 026					105 830		18 085				747 632	925 573
Mr W Brown	150 171			22 740	118 699				23 589	9 489		583 160	907 848
Ms N Likotsi	85 965	29 634		19 756			18 978		23 589			286 203	464 125
Mr K Mokoena	85 965	29 634	18 978				15 726		15 726			408 816	574 845
Mr CJ Ntsoane	85 965		23 589			46 013		56 934	18 978			441 564	673 043
Ms Z Nkosi	85 965	38 661	23 589	19 756		61 351	15 726	47 178		7 418		195 680	495 324
Adv E Arendse						46 013						163 893	209 906
Ms MM Phiri	62 129												62 129
Ms N Karelse	54 026												54 026
Ms Motshekga	54 026												54 026
Independent Specialist members													
L Ndesi					103 298								103 298
MJ Ndlovu								130 053					130 053
M Matome			55 737										55 737
B Matsaneng				37 934									37 934
H Daniels		65 436											65 436
P Du Plessis					58 960								58 960
Total 2024	**718 237**	**163 365**	**129 756**	**100 186**	**545 953**	**1 148 797**	**66 156**	**297 462**	**89 745**	**25 949**	**–**	**3 370 675**	**6 656 282**

Risk management

According to COSO 2017, Enterprise Risk Management (ERM) includes the culture, capabilities and practices of a business, integrated with strategy setting and performance that organisations rely on to manage risk in creating, preserving and realising value.

The LPFF expresses ERM as a process that is:

- effected by the Board, management and other employees;
- applied in a strategy setting across the entity;
- designed to identify potential events that may affect the organisation, and manage risks to be within its risk appetite; and
- designed to provide reasonable assurance regarding the achievement of objectives.

Risk philosophy

The LPFF does not seek to eliminate all risks. Its approach is based on risk awareness, but not risk aversion, to effectively manage the uncertainty inherent in the environment. The LPFF's ERM process identifies, understands, assesses and responds to risks and opportunities, while considering the impact on its people, standing, reputation, financial position and performance. The LPFF pursues prudent risks or opportunities that it believes will generate sufficient and sustainable performance and value, avoid intolerable risks, manage residual risk within defined levels, and be prepared to respond to risks or appropriate opportunities when necessary.

The commitment of the LPFF to ensuring effective and efficient ERM has seen it embarking on a process of reviewing its current approach, policy and framework in line with the Committee of Sponsoring Organisations (COSO:2017) of the Treadway Commission, the International Standard on Risk Management (ISO31000:2018) and King IV™. This will assist in moving towards best practice models and creating, enhancing and preserving value through ERM.

Risk maturity

To ensure the effectiveness of risk management and improved risk management maturity, the LPFF continues to embed risk management in its strategic planning process, performance management and overall operations management. The risk maturity improvement is, therefore, not a tick-box exercise but a robust process in enhancing the management of risks. In the same vein, the LPFF management team is also attending to any issues highlighted in audit reports and addressing them holistically, and as part of its ERM continuous improvement.

Role of the Board and its committees

The Board is responsible for the implementation and oversight of the LPFF's risk management process, and it expresses its opinion on the effectiveness of such processes. Through its Risk Committee, the Board assigns management accountability to design, implement and monitor these processes.

Assurance process

The LPFF uses four levels of oversight to achieve a high level of combined assurance:

Management oversight ▶ Risk management and compliance ▶ External assurance – internal and external auditors ▶ Risk Committee, Audit and Compliance Committee

Risk management process

Risk management is an integral part of the LPFF's governance functions and one of the assurance providers. Risk management is performed daily as part of ongoing operations and is integrated with all business functions.

The risk management process consists of eight components:

1	Internal environment	• defines the integrity and ethical values of the LPFF
2	Strategy	• embed risk management principles into the strategic planning cycle and objective-setting processes to ensure objectives are consistent with the LPFF's risk appetite and tolerances
3	Event identification	• develop a consistent and sustainable approach to identify events that could impact the organisation's ability to achieve corporate strategies and objectives
4	Risk assessment	• assess the likelihood and impact of events and associated risks on the LPFF's strategic objective
5	Risk response	• determine how the LPFF will respond to events and associated risks: – avoidance – taking action to exit the activities that give rise to the risks – reduction – reducing the event likelihood, impact, or both – sharing – reducing event likelihood or impact by transferring or otherwise sharing a portion of the risk – acceptance – taking no action to affect frequency or impact
6	Risk reporting	• keep the risk management structures sufficiently informed, define key elements and association risks, and include current plans to address the key riskms as well as the effectiveness of the ERM framework and proces
7	Communication and training	• raise the awareness of ERM across all levels of the LPFF.
8	Monitoring	• provide feedback regarding the adherence to and effectiveness of the ERM framework and process

Risk management (continued)

Our capitals impacted

IC Intellectual capital | HC Human capital | FC Financial capital | MC Manufactured capital | SRC Social and relationship capital | NC Natural capital

In 2024, the top identified risks included:

No.	Key risk description	Capitals impacted	Risk Causes	Risk Consequences
1	**Strategic objectives:** Reduce the unlimited liability per claim. **Risk description:** The increase in claims risk – increased liquidity risks within legal practices are contributing to the misappropriation of trust monies. The LPFF has experienced an increase in the number and value of claims.	FC SRC IC	• Accelerated economic downturn resulted in financial strain on legal practices, thus increasing the probability of misappropriation of trust monies • Increased liquidity risks within legal practices contribute to the misappropriation of trust monies • Reduced regulatory and disciplinary effectiveness by the LPC • The regulatory model is not proactive and reacts to complaints from consumers of legal services • The assurance model with respect to trust account practitioners' compliance is not effective in addressing regulatory and LPFF practitioner risk management requirements	• The LPFF does not meet its solvency capital requirement, may report in terms of section 73 (3) of the Legal Practice Act • Increased regulatory funding cost • Reputational damage to the LPFF where it is unable to meet its claim liability • The LPFF's reinsurance programme becomes unaffordable and/or uninsurable • The consumer could lose trust in the legal profession if they are not compensated for the loss incurred
2	**Strategic objectives:** to manage costs, improve risk management, generate income and improve the Legal Practice Act. **Risk description:** Third-party demands on the Fund's financial resources – the LPFF has previously provided professional indemnity insurance cover to all legal practitioners holding a Fidelity Fund Certificate without contributions. This premium has been escalating. The LPFF also provides an annual appropriation to the LPC.	FC SRC IC	• Increased PI risk attributable to the LPIIF through the conduct of legal practitioners • Inability of the LPC to generate adequate income • Inability of Legal Practice Council and Board to generate annual contribution section 74 (3)	• The LPFF will become insolvent • The LPFF will breach its solvency capital requirements if the current position continues • Continued withdrawals from the LPFF's investment portfolio • Increase in legal practitioners practising without Fidelity Fund Certificates due to non-payment of contributions • The LPFF not meeting solvency capital requirements resulting in section 73 (3) reporting requirements
3	**Strategic objectives:** to generate income, enhance the return on trust accounts and improve the Legal Practice Act. **Risk Description:** Diminishing Trust interest revenue – susceptibility of the LPFF's revenue to fluctuations in interest rates and the value and duration of monies held in trust under the exclusive control of the legal practitioner, further offset by high transaction and assurance costs. Not all Trust interest income that vests with the LPFF is paid over to the Fund. Change in transaction models (Escrow and Guarantees).	FC SRC IC	• Reduction in interest rates, due to the cyclical nature • Reduction of the underlying value and shorter duration of trust funds held in terms of sections 86 (2), 86 (3) and 86 (4) • High assurance costs on trust accounts which becomes unaffordable to legal practitioners with diminished benefit to the LPFF • Dependence on LPC to impose sanctions on non-compliant firms • Manual interest payment processes by legal practitioners • The Fund's Collection Management System is not fully implemented • Competition within trust account environments • Inability to change rate of interest earned on section 86 (4)	• Utilisation of the LPFF's asset base to cover the impact of declining interest rates on the LPFF's revenues • Incomplete interest collections resulting in financial loss • Unable to initiate regulatory processes where Trust interest income is not correctly recorded and paid over to the LPFF • Incorrect determination of audit and bank charges refunds to firms • LPC's inability to approve audit reports

Key Controls	Management action plan
• The successful prosecution of defaulters and the resulting deterrent in misappropriation by legal practitioners (preventative, detective and corrective) • The successful recovery of claims and related costs from defaulting attorneys, ensuring compliance with the reinsurance programme, controlling re-admissions and deterring misappropriation by legal practitioners (preventative, detective and corrective) • Excuss legal practitioners to reduce claim values through the recovery of assets and create a deterrent to misappropriation by legal practitioners (preventative) • Detailed claims assessment and validation process to ensure compliance with legislation (detective and corrective) • Conduct inspections in terms of the Practitioner Risk Management framework (detective and corrective) • Independent trust account audits aligned to the approved guideline issued by the Independent Regulatory Board of Auditors (detective and corrective) • Public awareness campaigns (preventative)	• Continue with the implementation of the Practitioner Risk Management Framework and conduct inspections in terms of the Legal Practice Act and the Rules • Share risk through an appropriate reinsurance programme • Through the annual appropriation ensure that the LPC allocates adequate funds to exercise the regulatory mandate that reduces Claims risk • Practitioner Risk Management framework and Index approved by the Board for implementation and reviewed on an ongoing basis • Engaging the LPC to prioritise Fund Claim risks within its regulatory and disciplinary processes • Proposal to publish FFC shared and discussed with the LPC to be effected through an amendment to the rules. The link between FFC and theft needs to be
• Approval of expenditure referred to the Finance Committee and the Board if it will be over the budget. The approval of expenditure is performed by the Board. The Board will consider the opinion of the actuaries before approval, and consider budget representations made in terms of the funding request (directive) • Report by the actuary in terms of section 72 and section 73 of the Legal Practice Act (detective) • Budget approval (directive) • Reviewing and monitoring expenditure against budget through variance analysis and reporting to the Finance Committee and the Board (detective and corrective) • The LPFF performs actuarial calculations to determine premium affordability and contribution requirements for consideration and approval of payment and contributions by the Board (preventative) • A Fidelity Fund Certificate is issued only where a legal practitioner has contributed in respect of PI cover (directive) • The PI cover is determined through actuarial calculations to ensure LPIIF compliance with Prudential requirements (directive) • LPIIF premium reviewed and approved by LPIIF Board (directive)	• Continuous transparent process in determining the annual appropriation to the LPC • Continuous engagement with the relevant stakeholders to sensitise them to section 73 of the Legal Practice Act • Frequent actuarial reviews to confirm sustainability and solvency • Implementation of a five-year plan, commenced in 2024 to restructure the LPIIF funding model. Engagement plan implemented. The LPC is empowered to collect premium contributions from legal practitioners in terms of section 74 (1)(a)(i) of the Legal Practice Act • Further engagements with legal practices on the continued implementation of PI cover • The LPFF Board must consider the LPIIF strategy, which is intended to remove dependence on the LPFF • Section 22 (1)(b) and Sustainability reports have been commissioned
• Concluded agreement with financial institutions in terms of section 63 (1)(g) of the Legal Practice Act and ensured compliance through monitoring of transactions, bank charges, interest rates and interest received (directive, preventative and detective) • Review of calculation of audit fee reimbursement (detective and corrective) • Independent assurance provided by registered auditors on legal practitioner trust accounts (preventative, detective and corrective). The automation of trust interest receipts has widely been communicated to relevant stakeholders	• Continuous engagements with stakeholders on practices that reduce transaction flows • Continuous design of appropriate incentives for maximising Trust Income • Continuous improvement of Trust Interest Portfolio Management Strategies • Effective management of own collection systems • Scenario planning considering further rate reductions and increased claims risks • Implementation of Fund Collection Management System based on project timelines • Interest rates have significantly improved since the last reporting cycle. Continue to monitor the fluctuation of interest rate • The Board and the Treasury Committee still need to formally adopt this strategic initiative

Risk management (continued)

No.	Key risk description	Capitals impacted	Risk Causes	Risk Consequences
4	**Strategic objective:** Implement IT-based information management. **Risk description:** Cyber risk threats – exposure of the LPFF to losses as a result of malicious and non-malicious cyber threats.	FC SRC IC	• Possibility of staff connecting to unsecured network environments offsite • Increase in cyber attack attempts and possible loss of data • Cyber attacks as a global phenomenon are a source of: – Unauthorised VPN access – Unauthorised devices on the Funds network – Identity theft can compromise security – Public-facing system is a possible source of cyber risk	• Reputational damage and loss of trust in the LPFF • Loss of personal information of firms, practitioners, claimants and other stakeholders • Encryption of systems held at ransom • Data can be destroyed • Financial loss
5	**Strategic objective:** People and technology – implement digital workforce platform and IT-based information management. **Risk description:** Inappropriate and inadequate IT systems are needed to meet business objectives.	FC SRC IC	• Project timelines delayed • Lack of understanding of business requirements • Availability and skill of business analysts to define the business requirements • Unapproved data and information policy	• Misalignment of IT project to business requirements • Possible project cost overruns • Business may not be able to meet its deliverables as defined in its mandate
6	**Strategic objective:** To educate consumers of legal services, improve alignment with legal profession structures and improve communication. **Risk description:** Effective stakeholder engagement is critical to ensure that the LPFF is aligned with what stakeholders expect and that stakeholders' reasonable expectations are met.	SRC IC HC	• Significant financial risks affecting stakeholder relationships including the LPC funding expectations and the financial impact on the LPFF • Lack of public awareness of the LPFF and its purpose	• The LPFF's strategic objectives would not be achieved or would be delayed • Trust is eroded between stakeholders • Increased reputational damage

Key Controls	Management action plan
• Implementation of recommendations from internal and external auditors to improve general and application control environment (corrective) • All critical mission services have been moved to a secure and managed data centre • Regular controlled penetration testing, review of results and implementation of recommendations to address exceptions and gaps identified (preventative, detective and corrective) • End-user education and awareness (directive and preventative) • Passwords life cycle management (directive and preventative) • Upgrade of firewalls and enhancement of existing policies (preventative, detective and corrective) • Email gateway security – Mimecast (preventative, detective and corrective) • Antivirus (preventative, detective and corrective) • Web filtering restricting internet access and the download and installation of applications (preventative) • Physical access restrictions to LPFF premises, monitored daily (preventative and detective) • All VPN connections are authenticated via username and password (directive and preventative) • All LPFF's devices are loaded with Fortinet Firewall Client for connection and are authenticated (directive and preventative) • Daily monitoring of technology infrastructure performance and tracking of suspicious activities and reactions to threats (preventative, detective and corrective) • New system delivery and project teams have been set up and approved by the business • An IT Steering Committee is in place and ensures alignment	• Continuous implementation of cyber risk education • The LPFF's networks are segmented to enable the isolation of a compromised site to separate public-facing systems from internal ones • Cyber risk response plans are reviewed to identify weaknesses and close gaps • Cyber-risk insurance is renewed and in place • Reviewing IT Security policies and ensuring compliance thereto is planned for 2025 • Plan to be developed to ensure continued data classification and applicable security measures
• New system delivery timelines and project teams have been set and approved by the business • An IT Steering Committee has been established to ensure alignment	• Continuous review and update of the implementation roadmap • Ongoing implementation of recommendations from internal audit reviews • Ongoing monitoring and monthly reporting to the business on the progress of projects • Effective management of service providers
• Stakeholders engagement plan is continuously reviewed and changes implemented (directive)	• Ongoing stakeholder management to ensure relevance • Continuous awareness campaigns to legal practitioners, claimants and the public

Risk management (continued)

No.	Key risk description	Capitals impacted	Risk Causes	Risk Consequences
7	**Strategic objective:** Enhance the return on trust accounts and generate income. **Risk description:** Investment risk – susceptibility of the LPFF investment returns to changes in market conditions (economic, social, political, legal, regulatory fundamentals) and the continued capital withdrawals to meet the LPFF's liabilities.	FC SRC IC HC	• Losses arising from changes and significant fluctuations in market conditions • Declined in economic conditions (local and foreign) • Downgrade by rating agencies • Non-compliance with investment regulations • Non-adherence to the LPFF's investment strategy and mandates • Continued capital withdrawals to meet LPFF liabilities as its trust interest income is declining and insufficient to meet the obligations	• LPFF's assets not growing at the rate to meet increased liabilities and obligations • The LPFF not meeting solvency capital requirements resulting in section 73 (3) reporting requirements • The LPFF may be exposed to risk outside its statutory mandate if it is not compliant with investment regulations • Asset managers not meeting the investment mandate • LPFF may become insolvent
8	**Strategic Objective:** Manage people and technology capacity. **Risk description:** Constrained staff capacity to deliver on the LPFF's mandate. The skills are appropriate for the current environment, yet may not be completely appropriate, suitable and available for the future.	FC SRC IC HC	• Lack of adequate staff wellness programmes • Inability to attract and retain staff due to remuneration and incentive policies that are not related to the market • Existing staff does not have the relevant skills and knowledge to support future operational requirements • Inadequate training and educational programmes for future business requirements • Limited career opportunities and progression • Inadequate business unit planning for training of staff • Senior management capacity for coaching and mentoring successors • Inadequate individual performance support • Low staff morale	• Loss of key staff • Unable to attract and retain talent
9	**Strategic objective:** Improve disaster recovery (DR) and business continuity management (BCM). **Risk description:** Failure of business continuity and disaster recovery plans; the inability of the LPFF to continue to operate after the occurrence of an incident due to the failure of the Business Continuity plan.	FC SRC IC HC	• Failure of business continuity and disaster recovery plans • Connectivity for staff under • Lack of consistent testing of the adequacy of the BC and DR plans • Service provider fails to support in terms of agreements	• The organisation may not be effective under all circumstances in delivering on business objectives • Reputational damage • Reduced service delivery • Loss of data and information • Financial losses (assets and restoration costs
10	**Strategic objective:** Improve corporate governance. **Risk description:** Non-adherence to applicable legislation, policies and procedures.	FC SRC IC HC	• Non-compliance with statutory requirements, regulations, policies and procedures • Staff not trained or educated in compliance requirements • Non-compliance with POPI Act	• Reputational damage • Financial losses due to fines, interest and/or penalties • Personal liability • Criminal prosecution • Civil prosecution

Key Controls	Management action plan
• Risk Consultants and the Investment Executive perform quarterly due diligence on all asset managers and report to the Investment Committee, ensuring compliance and adherence to mandates and implementation of recommendations (preventative, detective and corrective) • Independent performance assessment of each manager (detective and corrective) • Implemented and monitored compliance with strategic and tactical asset allocation, as adopted by the Investment Committee, and recommendation and input from the LPFF actuary (directive and preventative) • Regular review of benchmarks and compliance by management (detective and corrective)	• Continuous review of asset allocation limits • Quarterly review of strategy and tactical asset allocation • The Investment Committee resolved to maintain the current Investment philosophy and to review the strategic asset allocation • Sustainability report • Annual solvency calculations
• Strategic planning incorporates resource and skills planning approved by the Board (directive) • Employee developmental plans based on new required competencies and positions required (directive) • Performance Management system operational (detective and corrective) • Retention strategies with regard to Home loans, skills and development and market-related remuneration (preventative) • Cover ratio for critical/key roles identified (directive)	• Continuous development and full implementation of Talent Management policy • Retention strategy has been incorporated within our success planning framework • Review of cover ratio for succession purposes and implementation for succession purposes • Continuous review of operational status and the update of succession management • Annual workforce planning • Continuous re-skilling of employees on future technology capabilities • Development and implementation of a staff engagement plan • Succession management document developed approved and implemented ongoing • Continuous review of operational status and the update of succession management is ongoing • Re-skilling of employees on future technology capabilities is ongoing
• Continuous monitoring and review of compliance to service level agreements and contracts for adherence to Business Continuity Requirements (preventative, detective and corrective) • Continuous implementation of BCP and DRP processes and testing (preventative, detective and corrective)	• Continuous review and improvement of the business continuity plans, and retaining evidence of testing results and actions • Improvements, testing and adherence to the Recovery Time Objectives and Recovery Point Objective
• Regular compliance monitoring and reviews by management (preventative, detective and corrective) • The Audit and Compliance Committee reviews the adequacy and appropriateness of compliance programmes (directive, detective and corrective) • Review and investigate TRUSTLINE tip-offs anonymous reported incidents and implement the appropriate actions and controls in line with the LPFF's policies and procedures (detective and corrective) • Implementation of disciplinary action outcomes and training (preventative and corrective)	• Continuous implementation of recommendations from the internal audit reviews • Enable the compliance function in the integrated risk management system

ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2024

Contents

General information

Country of incorporation and domicile	South Africa	
Board of control	Ms TS Kekana – Chairperson Adv E Arendse Mr W Brown Mr M Notyesi Ms NP Karelse	Ms MM Phiri Ms KM Motshekga Mr CJ Ntsoane Ms Z Nkosi
Auditor	BDO South Africa Incorporated Registered Auditors	
Secretary	Shadrack Maile	
Level of assurance	These financial statements have been audited in compliance with the applicable requirements of the Legal Practice Act 28 of 2014.	
Preparer	The financial statements were independently compiled by: Lisa Roodt CA (SA)	
Issued	28 March 2025	

Board of Control's Responsibilities and Approval

The Board of Control is required in terms of the Legal Practice Act 28 of 2014 to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the Fund as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with the Fund's accounting policies as set out in these annual financial statements. The external auditor is engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with the Fund's accounting policies as set out in these annual financial statements consistently applied and supported by reasonable and prudent judgements and estimates.

The Board of Control acknowledge that it is ultimately responsible for the system of internal financial control established by the Fund and place considerable importance on maintaining a strong control environment. To enable the Fund to meet these responsibilities, the Board of Control sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Fund and all employees are required to maintain the highest ethical standards in ensuring the Fund's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Fund is on identifying, assessing, managing and monitoring all known forms of risk across the Fund. While operating risk cannot be fully eliminated, the Fund endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Board of Control is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The Board of Control has reviewed the Fund's cash flow forecast for the year to 31 December 2025 and, in light of this review and the current financial position, they are satisfied that the Fund has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditor is responsible for independently auditing and reporting on the Fund's annual financial statements. The annual financial statements have been examined by the Fund's external auditors and their report is presented on pages 70 to 71.

The annual financial statements set out on pages 72 to 100, which have been prepared on the going concern basis, were approved by the Board of Control on 68 and were signed on its behalf by:

Signed on behalf of the Board of Control By:

Ms T Kekana *Board Chairperson*	**Mr M Molefe** *Chief Executive Officer*	**Ms Z Nkosi** *Chairperson of Audit & Compliance Committee*

Report of the Board of Control

The Board of Control has pleasure in submitting its report on the financial statements of the Legal Practitioners Fidelity Fund for the year ended 31 December 2024.

1. Incorporation

Section 53 of the Legal Practice Act 28 of 2014 provides for the existence of the Fund as a juristic person under the name Legal Practitioners Fidelity Fund.

2. Nature of business

The Legal Practitioners Fidelity Fund was established with the main purpose of reimbursing persons who suffer pecuniary loss as a result of theft of money or other property given in trust to a trust account practice in the course of practice of the attorney or an advocate referred to in the Act and operates principally in South Africa.

There have been no material changes to the nature of the Fund's business from the prior year.

3. Review of financial results and activities

The financial statements have been prepared in accordance with the Fund's accounting policies as set out in these financial statements and the requirements of the Legal Practice Act 28 of 2014. The accounting policies have been applied consistently compared to the prior year.

Full details of the financial position, statement of financial performance and cash flows of the Fund are set out in these financial statements.

4. Board of Control and Management Structure

Board of Control

The members of the Board of Control in office at the date of this report are as follows:

Name	Nationality	Changes
Ms TS Kekana – Chairperson	South African	
Adv E Arendse	South African	Appointed 1 November 2024
Mr W Brown	South African	
Mr M Notyesi	South African	
Ms Z Nkosi	South African	
Ms MM Phiri	South African	Appointed 1 November 2024
Ms KM Motshekga	South African	Appointed 1 November 2024
Mr CJ Ntsoane	South African	
Adv H Jansen Van Rensburg SC*	South African	Term ended 1 November 2024
Ms NP Karelse	South African	Appointed 1 November 2024
Ms P Makatini – Vice-Chairperson	South African	Term ended 1 November 2024
Mr K Mokoena	South African	Term ended 1 November 2024
Ms N Likotsi	South African	Term ended 1 November 2024

* Suspended 29 November 2022.

Management Structure

Name	Position
Mr M Molefe	Chief Executive Officer
Ms N Ngema	Fund Management Executive
Mr J Losper	Claims Executive
Mr R Burawundi	Investment Executive
Dr. M Tsogang	Chief Information Officer
Ms P Ndima	Senior Claims Manager
Ms N Kraai	Senior Human Resources Manager
Mr C Dzinamarira	Legal Risk Management Executive
Mr S Maile	Board Secretary

Members of the management structure serve as Ex-Officio members on the board and/or its sub committees.

5. Events after the reporting period

After the reporting date, the Board was made aware of the outcome of the VAT case between the Fund and the South African Revenue Service (SARS). The Tax Court of South Africa Western Cape Division: Cape Town ruled in favour of the Fund by setting aside the additional assessments issued by SARS against the Fund. From the financial year ended 31 December 2023 and at 31 December 2024, the Fund has been carrying a provision of R233 491 571 concerning this matter.

The provision as at 31 December 2024 has not been reversed and the event has been treated as a non adjusting event after year end.

The Board is not aware of any other material event which occurred after the reporting date and up to the date of this report.

6. Going concern

The Board believes that the Fund has adequate financial resources to continue in operation for the foreseeable future and accordingly the financial statements have been prepared on a going concern basis.

7. Board of Control Committees

The Board has established the following committees which were in operation during the year to assist it in the carrying out its oversight responsibilities.

- Executive Committee
- Audit and Compliance Committee
- Risk Committee
- Remuneration Committee
- Finance Committee
- Treasury Committee
- Investment Committee
- Claims Committee
- Policy Committee

8. Auditors

BDO South Africa Incorporated are the Independent External Auditors of the Fund. The appointment is for a period of five years.

9. Secretary

The board secretary is Mr Shadrack Maile whose business and postal address is as follows:

Postal address

PO Box 3062
Cape Town South Africa 8000

Business address

5th Floor, Waalburg Building
28 Wale Street
Cape Town South Africa 8001

BDO

Independent Auditor's Report

To the Board of Legal Practitioners' Fidelity Fund

Opinion

We have audited the financial statements of Legal Practitioners Fidelity Fund (the Fund) set out on pages 8 to 35, which comprise the statement of financial position as at 31 December 2024, 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 notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements of Legal Practitioners Fidelity Fund for the year ended 31 December 2024 are prepared, in all material respects, in accordance with the basis of accounting described in note 1.1 to the financial statements.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting

We draw attention to note 1.1 to the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the Fund's own specific accounting policies to satisfy the financial information needs of the Fund's stakeholders. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Other Information

The Board of Control is responsible for the other information. The other information comprises the information included in the document titled "Legal Practitioners Fidelity Fund Financial Statements for the year ended 31 December 2024". The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Control for the Financial Statements

The Board of Control is responsible for the preparation of the financial statements in accordance with the basis of accounting described in note 1.1, for determining that the basis of preparation is acceptable in the circumstances and for such internal control as the Board of Control determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Control is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Control either intends to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Control.
- Conclude on the appropriateness of the Board of Control' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

We communicate with the Board of Control regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO South Africa Incorporated

BDO South Africa Incorporated
Registered Auditors

Fatima Rhoda
Partner
Registered Auditor

31 March 2025

119-123 Hertzog Boulevard Foreshore
Cape Town, 8001

Statement of Financial Position

As at 31 December 2024

Figures in Rand	Notes	2024	2023
Assets			
Non-Current Assets			
Property, plant and equipment	2	62 843 307	63 865 170
Loan secured by mortgage bonds	3	75 459 793	72 952 724
Investments at fair value	4	7 222 473 631	5 633 874 920
		7 360 776 731	**5 770 692 814**
Current Assets			
Loan secured by mortgage bonds	3	6 383 765	7 292 341
Trade and other receivables	5	549 645	28 580
Investments at fair value	4	1 752 711 432	1 620 008 908
Prepayments	5	7 502 059	114 125 506
Cash and cash equivalents	6	443 519 758	125 059 395
		2 210 666 659	1 866 514 730
Total Assets		**9 571 443 390**	**7 637 207 544**
Equity and Liabilities			
Investment revaluation reserve		1 459 550 753	877 109 126
Retained income		6 998 424 882	5 989 748 903
		8 457 975 635	**6 866 858 029**
Liabilities			
Non-Current Liabilities			
Retirement benefit obligation	7	72 899 000	44 452 000
Unidentified and unclaimed trust monies	8	397 439 250	339 227 256
		470 338 250	**383 679 256**
Current Liabilities			
Trade and other payables	9	643 129 505	386 670 259
Total Liabilities		1 113 467 755	770 349 515
Total Equity and Liabilities		**9 571 443 390**	**7 637 207 544**

Statement of Financial Performance and Other Comprehensive Income

For the year ended 31 December 2024

Figures in Rand	Notes	2024	2023
Revenue	10	1 485 777 835	1 342 488 091
Other operating income	11	19 455 857	45 422 488
Other operating expenses		(998 242 452)	(820 136 553)
Operating surplus		**506 991 240**	**567 774 026**
Investment income	12	440 368 122	332 884 903
Other non-operating gains	13	83 172 617	99 957 695
Surplus for the year		**1 030 531 979**	**1 000 616 624**
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Actuarial (loss)/gain on defined benefit plan		(21 856 000)	751 000
Gain on revaluation of investments		582 441 627	366 374 945
Total items that will not be reclassified to surplus or deficit		**560 585 627**	**367 125 945**
Other comprehensive deficit for the year		**560 585 627**	**367 125 945**
Total comprehensive surplus for the year		**1 591 117 606**	**1 367 742 569**

Statement of Changes in Equity

For the year ended 31 December 2024

Figures in Rand	Investment revaluation reserve	Retained income	Total equity
Balance at 01 January 2023	**510 734 181**	**4 988 381 279**	**5 499 115 460**
Surplus for the year	—	1 000 616 624	1 000 616 624
Other comprehensive income	366 374 945	751 000	367 125 945
Total comprehensive income for the year	**366 374 945**	**1 001 367 624**	**1 367 742 569**
Balance at 01 January 2024	**877 109 126**	**5 989 748 903**	**6 866 858 029**
Surplus for the year	—	1 030 531 979	1 030 531 979
Other comprehensive income	582 441 627	(21 856 000)	560 585 627
Total comprehensive income for the year	**582 441 627**	**1 008 675 979**	**1 591 117 606**
Balance at 31 December 2024	**1 459 550 753**	**6 998 424 882**	**8 457 975 635**

Statement of Cash Flows

For the year ended 31 December 2024

Figures in Rand	Note(s)	2024	2023
Cash flows from operating activities			
Cash used in operations	15	899 648 591	684 585 155
Dividend income		122 691 375	97 371 205
Interest income		317 676 747	235 486 984
Net cash from operating activities		**1 340 016 713**	**1 017 443 344**
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(626 861)	(1 085 333)
Advances of loans secured by mortgage bonds		(11 341 222)	(13 672 803)
Repayments of loans secured by mortgage bonds		7 963 050	4 385 454
Investment income reinvested		(419 751 317)	(305 978 099)
Deposit of investments		(597 800 000)	(695 000 000)
Net cash used in investing activities		**(1 021 556 350)**	**(1 011 350 781)**
Total cash movement for the year		318 460 363	6 092 563
Cash at the beginning of the year		125 059 395	118 966 832
Total cash at end of the year	6	**443 519 758**	**125 059 395**

Accounting Policies

For the year ended 31 December 2024

1. Significant accounting policies

The financial statements have been prepared in accordance with the Fund's accounting policies as set out in these financial statements.

1.1 Basis of preparation

The Legal Practice Act 28 of 2014, does not stipulate the accounting framework to be adopted by the Fund. The Board of Control has used entity specific accounting policies in deciding on the most appropriate accounting policies to adopt.

The financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in Rands, and is the Fund's functional currency.

These accounting policies are consistent with the previous year.

1.2 Significant judgements and sources of estimation uncertainty

The preparation of financial statements requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. 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 estimates are revised and in any future periods affected.

Critical judgements in applying accounting policies

The critical judgements made by management in applying accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognised in the financial statements, are outlined as follows:

Fair value estimation

Fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Fund is the current bid price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

Treatment of unclaimed and unidentified trust monies as a non-current liability

Unclaimed and unidentified monies represent monies recieved by the Fund in terms of S 87(4)(a) and (b). The balance is actual cash received. No estimate is made. The liability exists for the Fund to pay over the money to the rightful owner when it is proven.

1.3 Property, plant and equipment

Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets, where appropriate.

Property, plant and equipment is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses, except for land which is stated at cost less any accumulated impairment losses.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the Fund.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Buildings	Straight line	50 yrs
Furniture and fixtures	Straight line	5 yrs
Motor vehicles	Straight line	4 yrs
Office equipment	Straight line	5 yrs
IT equipment	Straight line	3 yrs

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

1.4 Financial instruments

Financial instruments held by the Fund are classified in accordance with the below:

Broadly, the classification possibilities, which are adopted by the Fund, as applicable, are as follows:

Financial assets which are equity instruments:

- Designated as at fair value through other comprehensive income. (This designation is not available to equity instruments which are held for trading or which are contingent consideration in a business combination).

Financial assets which are debt instruments:

- Amortised cost. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows).

Financial liabilities:

- Amortised cost.

Note 19 Financial instruments and risk management presents the financial instruments held by the Fund based on their specific classifications.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Accounting Policies (continued)

For the year ended 31 December 2024

1. Significant accounting policies (continued)

1.4 Financial instruments (continued)

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the Fund are presented below:

Loans receivable at amortised cost

Classification

Loans secured by mortgage bonds are classified as financial assets subsequently measured at amortised cost.

They have been classified in this manner because the contractual terms of these loans give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the Fund's business model is to collect the contractual cash flows on these loans.

Recognition and measurement

Loans receivable are recognised when the Fund becomes a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the loan initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Impairment

The Fund recognises a loss allowance for expected credit losses on all loans receivable measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective loans.

The Fund measures the loss allowance at an amount equal to lifetime expected credit losses (lifetime ECL) when there has been a significant increase in credit risk since initial recognition. If the credit risk on a loan has not increased significantly since initial recognition, then the loss allowance for that loan is measured at 12 month expected credit losses (12 month ECL).

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a loan. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a loan that are possible within 12 months after the reporting date.

In order to assess whether to apply lifetime ECL or 12 month ECL, in other words, whether or not there has been a significant increase in credit risk since initial recognition, the Fund considers whether there has been a significant increase in the risk of a default occurring since initial recognition rather than at evidence of a loan being credit impaired at the reporting date or of an actual default occurring.

Significant increase in credit risk

In assessing whether the credit risk on a loan has increased significantly since initial recognition, the Fund compares the risk of a default occurring on the loan as at the reporting date with the risk of a default occurring as at the date of initial recognition.

The Fund considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the counterparties operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information.

Irrespective of the outcome of the above assessment, the credit risk on a loan is always presumed to have increased significantly since initial recognition if the contractual payments are more than 30 days past due, unless the Fund has reasonable and supportable information that demonstrates otherwise.

By contrast, if a loan is assessed to have a low credit risk at the reporting date, then it is assumed that the credit risk on the loan has not increased significantly since initial recognition.

The Fund regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increases in credit risk before the amount becomes past due.

Definition of default

For purposes of internal credit risk management purposes, the Fund consider that a default event has occurred if there is either a breach of financial covenants by the counterparty, or if internal or external information indicates that the counterparty is unlikely to pay its creditors in full (without taking collateral into account).

Irrespective of the above analysis, the Fund considers that default has occurred when a loan instalment is more than 90 days past due unless there is reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Write off policy

The Fund writes off a loan when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Loans written off may still be subject to enforcement activities under the Fund recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default, taking the time value of money into consideration.

The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. The exposure at default is the gross carrying amount of the loan at the reporting date.

Lifetime ECL is measured on a collective basis in cases where evidence of significant increases in credit risk are not yet available at the individual instrument level. Loans are then grouped in such a manner that they share similar credit risk characteristics, such as nature of the loan, external credit ratings (if available), industry of counterparty etc.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

If the Fund has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Fund measures the loss allowance at an amount equal to 12 month ECL at the current reporting date, and visa versa.

An impairment gain or loss is recognised for all loans in profit or loss with a corresponding adjustment to their carrying amount through a loss allowance account. The impairment loss is included in other operating expenses in profit or loss as a movement in credit loss allowance.

Credit risk

Details of credit risk related to loans receivable are included in the specific notes and the financial instruments and risk management (note 19).

Trade and other receivables

Classification

Trade and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost (note 5).

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the Funds's business model is to collect the contractual cash flows on trade and other receivables.

Accounting Policies (continued)

For the year ended 31 December 2024

1. Significant accounting policies (continued)

1.4 Financial instruments (continued)

Recognition and measurement

Trade and other receivables are recognised when the Fund becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

Impairment

The Fund recognises a loss allowance for expected credit losses on trade and other receivables, excluding VAT and prepayments. The amount of expected credit losses is updated at each reporting date.

The Fund measures the loss allowance for trade and other receivables which do not contain a significant financing component at an amount equal to lifetime expected credit losses (lifetime ECL).

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a loan. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a loan that are possible within 12 months after the reporting date.

Definition of default

For purposes of internal credit risk management purposes, the Fund considers that a default event has occurred if there is either a breach of financial covenants by the counterparty, or if internal or external information indicates that the counterparty is unlikely to pay its creditors in full (without taking collateral into account).

Irrespective of the above analysis, the Fund considers that default has occurred when a receivable is more than 90 days past due unless there is reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of expected credit losses

The Fund makes use of a provision matrix as a practical expedient to the determination of expected credit losses on trade and other receivables. The provision matrix is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date, including the time value of money, where appropriate.

The customer base is widespread and does not show significantly different loss patterns for different customer segments. The loss allowance is calculated on a collective basis for all trade and other receivables in totality.

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade and other receivables, through use of a loss allowance account. The impairment loss is included in other operating expenses in profit or loss as a movement in credit loss allowance.

Write off policy

The Fund writes off a receivable when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Receivables written off may still be subject to enforcement activities under the Fund recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Credit risk

Details of credit risk are included in the trade and other receivables note (note 5) and the financial instruments and risk management note (note 19).

Investments in equity instruments

Classification

Investments in equity instruments are presented in note 4. They are classified as at fair value through other comprehensive income.

The designation as at fair value through other comprehensive income is never made on investments which are either held for trading or contingent consideration in a business combination.

Recognition and measurement

Investments in equity instruments are recognised when the Fund becomes a party to the contractual provisions of the instrument. The investments are measured, at initial recognition, at fair value. Transaction costs are added to the initial carrying amount.

Investments in equity instruments are subsequently measured at fair value with changes in fair value recognised in other comprehensive income (and accumulated in equity in the reserve for valuation of investments) , depending on their classification. Details of the valuation policies and processes are presented in note 20.

Dividends received on equity investments are recognised in profit or loss when the Fund's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in investment income (note 12).

Investments in debt instruments at fair value through other comprehensive income

Classification

The Fund holds investments in government and corporate bonds (note 4) which are at fair value through other comprehensive income.

Recognition and measurement

Investments in debt instruments at fair value through other comprehensive income are recognised when the Fund becomes a party to the contractual provisions of the instrument. The investments are measured, at initial recognition and subsequently, at fair value. Transaction costs are included in the initial measurement of the financial instrument.

Details of the valuation policies and processes are presented in note 20.

Interest received on debt instruments at fair value through other comprehensive income are included in investment income (note 12).

Impairment

Investments in debt instruments at fair value through other comprehensive income are not subject to impairment provisions.

Trade and other payables

Classification

Trade and other payables (note 9), excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

They are recognised when the Fund becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance costs.

Trade and other payables expose the Fund to liquidity risk and possibly to interest rate risk. Refer to note 19 for details of risk exposure and management thereof.

Accounting Policies (continued)

For the year ended 31 December 2024

1. Significant accounting policies (continued)

1.4 Financial instruments (continued)

Cash and cash equivalents

Cash and cash equivalents are stated at carrying amount which is deemed to be fair value.

Derecognition

Financial assets

The Fund derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Fund neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Fund recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Fund retains substantially all the risks and rewards of ownership of a transferred financial asset, the Fund continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

1.5 Leases

The Fund assesses whether a contract is, or contains a lease, at the inception of the contract.

A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

In order to assess whether a contract is, or contains a lease, management determine whether the asset under consideration is “identified”, which means that the asset is either explicitly or implicitly specified in the contract and that the supplier does not have a substantial right of substitution throughout the period of use. Once management has concluded that the contract deals with an identified asset, the right to control the use thereof is considered. To this end, control over the use of an identified asset only exists when the Fund has the right to substantially all of the economic benefits from the use of the asset as well as the right to direct the use of the asset.

In circumstances where the determination of whether the contract is or contains a lease requires significant judgement, the relevant disclosures are provided in the significant judgments and sources of estimation uncertainty section of these accounting policies.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Operating leases – lessor

Operating lease income is recognised as an income on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Income for leases is disclosed under other operating income in profit or loss.

1.6 Impairment of non-financial assets

The Fund assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Fund estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.7 Employee benefits Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Defined benefit plans

The Fund undertakes to pay medical aid premiums for staff once they had retired from service. The present value of this defined benefit obligation, as determined by an independent actuarial valuation carried out each year, is recognised as the post retirement medical aid obligation on the statement of financial position. The defined benefit obligation and the related current service costs are determined using the projected unit credit method.

Actuarial gains and losses are recognised in the year in which they arise, in other comprehensive income.

1.8 Contingencies

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 16.

1.9 Revenue

The Fund recognises revenue from the following major sources:

Revenue is measured at the fair value of the consideration received and represents the amounts receivable in respect of interest on practitioners' trust account balances.

Interest on practitioners' trust account balances is recognised when the monies are received into the bank account of the Fund.

1.10 Investment income

Interest on investments is recognised in profit or loss, using the effective interest rate method.

Dividends are recognised, in profit or loss, when the Fund's right to receive payment has been established.

1.11 Cash basis of accounting

Claims payable are accounted for once the requisite investigations are complete and claims are approved and paid as it is not possible to reliably measure accrued amounts prior to this.

Notes to the Annual Financial Statements

For the year ended 31 December 2024

2. Property, plant and equipment

	2024			2023		
Figures in Rand	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Land	38 900 000	—	38 900 000	38 900 000	—	38 900 000
Buildings	27 171 151	(4 701 571)	22 469 580	27 171 151	(4 159 667)	23 011 484
Furniture and fixtures	11 302 381	(11 157 190)	145 191	11 302 381	(10 879 665)	422 716
Motor vehicles	979 956	(979 956)	—	979 956	(979 956)	—
IT equipment	6 819 393	(5 490 857)	1 328 536	6 192 532	(4 661 562)	1 530 970
Total	**85 172 881**	**(22 329 574)**	**62 843 307**	**84 546 020**	**(20 680 850)**	**63 865 170**

Reconciliation of property, plant and equipment

2024

Figures in Rand	Opening balance	Additions	Depreciation	Total
Land	38 900 000	—	—	38 900 000
Buildings	23 011 484	—	(541 904)	22 469 580
Furniture and fixtures	422 716	—	(277 525)	145 191
IT equipment	1 530 970	626 861	(829 295)	1 328 536
	63 865 170	**626 861**	**(1 648 724)**	**62 843 307**

2023

Figures in Rand	Opening balance	Additions	Assets written off	Depreciation	Total
Land	38 900 000	—	—	—	38 900 000
Buildings	23 553 389	—	—	(541 905)	23 011 484
Furniture and fixtures	2 592 448	—	(1 812 734)	(356 998)	422 716
IT equipment	1 154 419	1 085 333	(94 856)	(613 926)	1 530 970
	66 200 256	**1 085 333**	**(1 907 590)**	**(1 512 829)**	**63 865 170**

Figures in Rand	2024	2023
3. Loan secured by mortgage bonds		
Loans secured by mortgage bonds	81 843 558	80 245 065
Split between non-current and current portions		
Non-current assets	75 459 793	72 952 724
Current assets	6 383 765	7 292 341
	81 843 558	**80 245 065**

Terms of the homeloan scheme

The homeloans are granted to qualifying employees of the Fund, under the Fund's Homeloan Scheme Benefit. These loans are secured by a mortgage bond registered at the deeds office in favour of the Legal Practitioner's Fidelity Fund.

The loans have a repayment period of 25 years and accrue interest at 50% of the prevailing South African Revenue Services rate.

Figures in Rand	2024	2023
4. Investments at fair value		
Investments of the Fund are measured at fair value through other comprehensive income as follows:		
Money market instruments at fair value through other comprehensive income	1 736 258 206	1 565 650 191
Debt instruments at fair value through other comprehensive income	2 210 334 796	1 857 571 045
Interest receivable on investments	61 034 385	54 358 717
Equity investments at fair value through other comprehensive income	4 967 557 676	3 776 303 875
	8 975 185 063	**7 253 883 828**
Designated at fair value through profit or loss:		
Bonds	2 210 334 796	1 857 571 045
Interest receivable on investments	61 034 385	54 358 717
Mandatorily at fair value through profit or loss:		
Money market instruments	1 736 258 206	1 565 650 191
Equity investments at fair value through other comprehensive income:		
Listed shares	4 967 557 676	3 776 303 875
	8 975 185 063	**7 253 883 828**
Split between non-current and current portions		
Non-current assets	7 222 473 631	5 633 874 920
Current assets	1 752 711 432	1 620 008 908
	8 975 185 063	**7 253 883 828**

The revaluation of investment balances to market value at year end has not been recycled to profit/loss (P/L) during the year.

The market value movement in the investment balances is only reflected in profit/loss (P/L) once the underlying asset has been disposed.

	2024	2023
5. Trade and other receivables		
Financial instruments:		
Trade receivables	2 368 416	1 853 939
Loss allowance	(1 853 939)	(1 853 939)
Trade receivables at amortised cost	514 477	—
Sundry loans	5 190	5 124
Sundry receivables	29 978	23 456
Non-financial instruments:		
Prepayments	7 502 059	114 125 506
Total trade and other receivables	**8 051 704**	**114 154 086**
Split between non-current and current portions		
Current assets	8 051 704	114 154 086
Financial instrument and non-financial instrument components of trade and other receivables		
At amortised cost	549 645	28 580
Non-financial instruments	7 502 059	114 125 506
	8 051 704	**114 154 086**

Notes to the Annual Financial Statements (continued)

For the year ended 31 December 2024

5. Trade and other receivables (continued)

Exposure to credit risk

Trade receivables inherently expose the Fund to credit risk, being the risk that the Fund will incur financial loss if customers fail to make payments as they fall due.

There have been no significant changes in the credit risk management policies and processes since the prior reporting period.

A loss allowance is recognised for all trade receivables, in accordance with the accounting policies set out in these financial statements, and is monitored at the end of each reporting period. In addition to the loss allowance, trade receivables are written off when there is no reasonable expectation of recovery, for example, when a debtor has been placed under liquidation. Trade receivables which have been written off are not subject to enforcement activities.

The Fund measures the loss allowance for trade receivables by applying the simplified approach which is prescribed by the accounting policies set out in these financial statements.

In accordance with this approach, the loss allowance on trade receivables is determined as the lifetime expected credit losses on trade receivables.

Trade receivables were previously impaired only when there was objective evidence that the asset was impaired. The impairment was calculated as the difference between the carrying amount and the present value of the expected future cash flows.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

Figures in Rand	2024	2023
6. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Bank balances	443 519 758	125 059 395

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, can be assessed by reference to external credit ratings or historical information about counterparty default rates.

7. Retirement benefits

Defined benefit plan

It is the policy of the Fund to pay medical aid premiums for staff once the staff retire from service under the post-retirement medical aid scheme. The number of staff who are entitled to this benefit is 117 (2023 – 72). New employees *47 (2023: 4) joined the scheme, 2 (2023: 3) members exited, 1 (2023: 2) members retired during the year.

* 43 of these members are on spouses' medical aid schemes. It was previously assumed that members who are on spouses' schemes will not utilise the post-employment medical aid subsidy benefit. At this valuation, the employer's view is that these members will utilise the benefit.

The contributions based liability for post-retirement medical aid contributions as determined by an independent actuarial valuation as at the financial year-end is R72 899 000 (2023 – R44 452 000). This liability has been provided in full. The commitment in respect of future service will be provided by annual allocations against Income. The next actuarial valuation will take place at 31 December 2025.

Figures in Rand	2024	2023
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	72 899 000	44 452 000
	72 899 000	**44 452 000**
Movements for the year		
Opening balance	44 452 000	39 260 000
Actuarial (gain)/loss recognised directly in other comprehensive income	21 856 000	(751 000)
Net expense recognised in (profit) or loss	6 591 000	5 943 000
	72 899 000	**44 452 000**
Net (income)/expense recognised in profit or loss		
Current service cost	2 642 000	2 394 000
Interest cost	5 411 000	4 574 000
Contributions	(1 462 000)	(1 025 000)
	6 591 000	**5 943 000**
Key assumptions used		
Assumptions used on last valuation as at year-end was:		
Discount rates used	11.30 %	12.37 %
Health care cost inlflation	7.40 %	8.11 %
Net effective discount rate	3.60 %	3.94 %

Defined benefit plan

The Fund is under no obligation to cover any unfunded benefits.

Sensitivity results

The liability at the valuation date was recalculated to show the effect of:
(i) 1% increase and decrease in the assumed rate of health care cost inflation;
(ii) 1% increase and decrease in the discount rate;
(iii) one-year age reduction in the assumed rates of post-employment mortality;
(iv) one-year decrease in the assumed average retirement age; and
(v) 10% decrease in the assumed proportion of in-service members that remain members at retirement.

Notes to the Annual Financial Statements (continued)

For the year ended 31 December 2024

7. Retirement benefits (continued)

Table 8.1: Summarises the results of the sensitivity analysis

Table 8.1: Sensitivity analysis on the accrued liability (R Millions)

2024

Assumption	Change	In-service members	Continuation members	Total	% Change
Central assumptions		55.583	17.316	72.899	
Health care inflation rate	+1%	65.285	18.674	83.959	15%
	-1%	47.791	16.116	63.907	-12%
Discount rate	+1%	47.883	16.094	63.977	-12%
	-1%	65.296	18.721	84.017	15%
Post-employment mortality	+1 yr	54.413	16.733	71.146	-2%
	-1 yr	56.727	17.900	74.627	2%
Average retirement age	-1 yr	59.620	17.316	76.936	6%
Continuation of membership at retirement	-10%	50.024	17.316	67.340	-8%

2023

Assumption	Change	In-service members	Continuation members	Total	% Change
Central assumptions		29.951	14.501	44.452	
Health care inflation rate	+1%	35.360	15.599	50.959	15%
	-1%	25.588	13.527	39.115	-12%
Discount rate	+1%	25.657	13.509	39.166	-12%
	-1%	35.341	15.635	50.976	15%
Post-employment mortality	+1 yr	29.304	14.030	43.334	-3%
	-1 yr	30.587	14.971	45.555	2%
Average retirement age	-1 yr	32.736	14.501	47.237	6%
Continuation of membership at retirement	-10%	26.956	14.501	41.457	-7%

Note to Table 8.1: The post-employment mortality adjustment assumes that someone aged 70 will experience the mortality of someone aged 69. The liability is expected to increase under this scenario because members are expected to live longer.

The table above indicates, for example, that if medical inflation is one percentage point greater than the long-term assumption made, the liability will be 16% higher than that shown.

Table 8.2: Summarises the results of this analysis on the Current-Service and Interest Costs for the year ending 31 December 2024.
Table 8.2: Sensitivity Analysis on Current-Service and Interest Costs for year ending 31 December 2024.

2024					
Assumption	Change	Current SVC. cost	Interest cost	Total	% Change
Central assumptions		2 642 000	5 411 000	8 053 000	
Health care inflation rate	+1%	3 176 000	6 216 000	9 392 000	17%
	-1%	2 216 000	4 751 000	6 967 000	-13%
Discount rate	+1%	2 244 000	5 142 000	7 386 000	-8%
	-1%	3 145 000	5 715 000	8 860 000	10%
Post-employment mortality	+1 yr	2 590 000	5 273 000	7 863 000	-2%
	-1 yr	2 693 000	5 547 000	8 240 000	2%
Average retirement age	-1 yr	2 642 000	5 755 000	8 397 000	4%
Continuation of membership at retirement	-10%	2 378 000	5 040 000	7 418 000	-8%

Table 8.2: Summarises the results of this analysis on the Current-Service and Interest Costs for the year ending 31 December 2023.
Table 8.2: Sensitivity Analysis on Current-Service and Interest Costs for year ending 31 December 2023.

2023					
Assumption	Change	Current SVC. cost	Interest cost	Total	% Change
Central assumptions		2 394 000	4 574 000	6 968 000	
Health care inflation rate	+1%	2 912 000	5 291 000	8 203 000	18%
	-1%	1 986 000	3 990 000	5 976 000	-14%
Discount rate	+1%	2 011 000	4 334 000	6 345 000	-9%
	-1%	2 884 000	4 845 000	7 729 000	11%
Post-employment mortality	+1 yr	2 343 000	4 452 000	6 795 000	-2%
	-1 yr	2 445 000	4 695 000	7 140 000	2%
Average retirement age	-1 yr	2 562 000	4 884 000	7 446 000	7%
Continuation of membership at retirement	-10%	2 155 000	4 247 000	6 402 000	-8%

Figures in Rand	2023	2022
8. Unidentified and unclaimed trust monies liability		
Unidentified and unclaimed trust monies liability	397 439 250	339 227 256
Opening balance	339 227 256	300 598 148
Amounts received in current year	72 328 263	52 976 211
Amounts identified and settled in the current year	(14 116 269)	(14 347 103)
Closing balance 31 December	**397 439 250**	**339 227 256**

Notes to the Annual Financial Statements (continued)

For the year ended 31 December 2024

Figures in Rand	2024	2023
9. Trade and other payables		
Financial instruments:		
Trade payables*	397 254 917	275 599 891
Amounts received from curators of defaulting attorneys to be offset against future claims	232 384 495	95 630 347
Leave pay provision	4 587 454	5 045 261
Deposits received	686 032	621 052
Unidentified amounts received by the Fund	8 134 313	9 752 617
Non-financial instruments:		
VAT	82 294	21 091
	643 129 505	**386 670 259**
Financial instrument and non-financial instrument components of trade and other payables		
At amortised cost	643 047 211	386 649 168
Non-financial instruments	82 294	21 091
	643 129 505	**386 670 259**

* The current year trade payables include an accrual for the LPIIF P.I. premium that was only paid in January 2025.

	2024	2023
10. Revenue		
Revenue other than from contracts with customers		
Interest on trust account balances S86(2)(3)	1 203 452 334	1 085 522 435
5% share of interest S86(4)	282 325 501	256 965 656
	1 485 777 835	**1 342 488 091**
11. Other operating income		
Recoveries from defaulting practitioners	4 150 096	9 263 572
FFC Contributions	6 351 257	5 468 629
Rental income	8 729 805	8 147 718
Other recoveries	18 095	30 859
Sundry income	206 604	22 511 710
	19 455 857	**45 422 488**

The Fund's property is held partly to generate rental income. Rental of the property is expected to generate rental yields of 13% on an ongoing basis. Lease agreements are non-cancellable and have terms from 3 to 6 years. There are no contingent rents receivable.

The prior year sundry income is significantly high because of the recognition of unidentified and unallocated receipts older than five years as income during the prior year.

The receipts are received through the Fund's bank account and were previously classified as liabilities because the Fund did not know the origin of the funds and were not relating to trust interest and/or rental income.

The amount reclassified in the prior year was R22 460 270.

Figures in Rand	2024	2023
12. Investment income		
Dividend income		
Equity instruments at fair value through profit or loss:		
Listed investments – Local	122 691 375	97 371 205
Interest income		
Investments in financial assets:		
Bank and other cash	191 822 605	111 274 446
Government bonds	122 265 735	120 843 366
Loans secured by mortgage bonds	3 588 407	3 395 886
Total interest income	317 676 747	235 513 698
Total investment income	**440 368 122**	**332 884 903**
13. Other non-operating gains (losses)		
Gains (losses) on disposals, scrappings or settlements		
Realised gains on available for sale assets disposed of during the year	83 172 617	99 957 695

14. Taxation

No provision has been made for taxation. In terms of section 60(1) of the Legal Practice Act 28 of 2014, the revenue of the Fund is exempt from the provisions of any law relating to payment of Income tax or any other tax or levy by the State.

Figures in Rand	2024	2023
15. Cash generated from operations		
Surplus for the year	1 030 531 979	1 000 616 624
Adjustments for:		
Depreciation and amortisation	1 648 724	3 420 419
Gains on disposals of investments	(83 172 617)	(99 957 695)
Dividend income	(122 691 375)	(97 371 205)
Interest income	(317 676 747)	(235 486 984)
Movements in retirement benefit assets and liabilities	28 447 000	5 192 000
Changes in working capital:		
Trade and other receivables	(521 065)	459 684
Prepayments	106 623 447	(46 952 158)
Trade and other payables	256 459 245	116 035 362
Net unidentified and unclaimed trust monies	—	38 629 108
	899 648 591	**684 585 155**

Notes to the Annual Financial Statements (continued)

For the year ended 31 December 2024

16. Contingencies

Claims against the Fund

Claims against the Fund at year-end amounting to R1 394 671 776 (2023 – R1 319 183 035) represent the gross amount of theft claims reported to the Fund and not settled by financial year-end. All claims are subjected to thorough investigation before being approved and paid, repudiated or otherwise disposed of. No provision is made for claims incurred but not reported to the Fund by financial year-end date.

The Fund renewed its reinsurance programme on more favourable terms, reducing the entry point from R400m to R225m. The terms for 2023/2024 are as follows:
The Fund's reinsurance program was renewed for a further year from 1 July 2023 to 30 June 2024. The stop-loss reinsurance policy has three layers of cover, with different participating reinsurers. The total cover for these years is R450 million.

- The first layer of coverage kicks in for total losses above R225 million and provides cover in the amount of R75 million.
- The second layer of coverage kicks in for total losses above R300 million and provides cover in the amount of R75 million.
- The third layer of coverage kicks in for total losses more than R375 million and provides cover in the amount of R75 million.

17. Related parties

Relationships

Entities funded by the Fund

- Legal Practitioners Indemnity Insurance Fund NPC (LPIIF)
- Legal Practice Council (LPC)

Members of key management

- Mr M Molefe
- Ms N Ngema
- Mr J Losper
- Ms P Ndima
- Mr R Burawundi
- Mr M Tsogang
- Ms N Kraai
- Mr C Dzinamarira
- Mr S Maile

Figures in Rand	2024	2023
Related party transactions		
Insurance premiums paid to		
Legal Practitioners Indemnity Insurance Fund NPC	232 016 852	167 273 688
Rental Income received from		
Legal Practitioners Indemnity Insurance Fund NPC	4 640 583	4 640 583
Appropriation paid to		
Legal Practice Council	148 000 000	132 000 000
Amounts included as part of trade and other receivables		
Legal Practitioners Indemnity Insurance Fund NPC	—	106 927 718
Amounts included as part of trade and other payables		
Legal Practitioners Indemnity Insurance Fund NPC	125 089 134	—

18. Remuneration paid to key management

Executive Management

Remuneration to the Executive Management team for services rendered during the year was R27 681 240 (2023 – R28 425 996).

The executive management team is comprised of 8 members (2023 – 8 members).

The detail of the remuneration paid to the Executives is available at the LPFF's Offices on request.

Board of Control

The honoraria paid to members of the Board of Control for the year ended 31 December 2024 amounted to R6 656 281 (2023 – R6 702 887).

19. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

2024

	Note(s)	Fair value through other comprehensive income – equity instruments	Amortised cost	Total
Loans secured by mortgage bonds	3	—	81 843 558	81 843 558
Investments at fair value	4	8 975 185 063	—	8 975 185 063
Trade and other receivables	5	—	549 645	549 645
Cash and cash equivalents	6	—	443 519 758	443 519 758
		8 975 185 063	**525 912 961**	**9 501 098 024**

2023

	Note(s)	Fair value through other comprehensive income – equity instruments	Amortised cost	Total
Loans secured by mortgage bonds	3	—	80 245 065	80 245 065
Investments at fair value	4	7 253 883 828	—	7 253 883 828
Trade and other receivables	5	—	28 580	28 580
Cash and cash equivalents	6	—	125 059 395	125 059 395
		7 253 883 828	**205 333 040**	**7 459 216 868**

Notes to the Annual Financial Statements (continued)

For the year ended 31 December 2024

19. Financial instruments and risk management (continued)

Categories of financial liabilities

2024

Figures in Rand	Note(s)	Amortised cost	Total
Trade and other payables	9	643 047 211	643 047 211

2023

Figures in Rand	Note(s)	Amortised cost	Total
Trade and other payables	9	386 649 168	386 649 168

Pre tax gains and losses on financial instruments

Gains and losses on financial assets

2024

Figures in Rand	Note(s)	Fair value through profit or loss – Mandatory	Amortised cost	Total
Recognised in profit or loss:				
Interest income	12	122 265 735	195 411 012	317 676 747
Dividend income	12	122 691 375	—	122 691 375
Net gains (losses)		**244 957 110**	**195 411 012**	**440 368 122**

2023

Figures in Rand	Note(s)	Fair value through profit or loss – Mandatory	Amortised cost	Total
Recognised in profit or loss:				
Interest income	12	120 843 366	114 670 332	235 513 698
Dividend income	12	97 371 205	—	97 371 205
Net gains (losses)		**218 214 571**	**114 670 332**	**332 884 903**

Financial risk management

Overview

The Fund is exposed to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk (currency risk, interest rate risk and price risk).

The Board of Control has overall responsibility for the establishment and oversight of the Fund's risk management framework. The board has established the Risk Committee, which is responsible for developing and monitoring the Fund's risk management policies. The committee reports quarterly to the Board of Control on its activities.

The Fund's risk management policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Fund's activities.

The Fund's Audit and Compliance Committee oversees how management monitors compliance with the risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Fund. The Audit and Compliance Committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit and Compliance Committee and the Risk Committee.

The Fund has used a sensitivity analysis technique that measures the estimated change to the statement of comprehensive income and funds and reserves of either an instantaneous increase or decrease of 1% (100 basis points) in the market interest rate for interest bearing instruments or a 5% strengthening or weakening on the JSE All share index for equity instruments prices applicable at 31 December 2023. The following assumptions have used:

- all variables are held constant;
- all sensitivity analysis is calculated on the clean market value, dividend and interest are not accounted for;
- all sensitivity analysis is calculated at stock level and then rolled up to the portfolio level; and
- Beta, being the measure of an asset's risk in relation to the market, is between 0.90 and 1.0. This implies that the physical market value of the equities will be almost identical to the movements in the market (JSE All Share index)

At 31 December 2024

Figures in Rand	1% fall in interest rate	1% rise in interest rate	5% decline in JSE All Share Index	5% increase in JSE All Share Index
Surplus for the year	(924 846)	924 846	(4 624 230)	4 624 230
Investment revaluation reserve	(8 221 204)	8 221 204	(41 106 019)	41 106 019

At 31 December 2023

Figures in Rand	1% fall in interest rate	1% rise in interest rate	5% decline in JSE All Share Index	5% increase in JSE All Share Index
Surplus for the year	(924 846)	924 846	(4 624 230)	4 624 230
Investment revaluation reserve	(8 221 204)	8 221 204	(41 106 019)	41 106 019

Notes to the Annual Financial Statements (continued)

For the year ended 31 December 2024

19. Financial instruments and risk management (continued)

Credit risk

Credit risk is the risk of financial loss to the Fund if a practitioner or counterparty to a financial instrument fails to meet its contractual obligations.

The Fund is exposed to credit risk on loans receivable, debt instruments at fair value through other comprehensive income, trade and other receivables, lease receivables, cash and cash equivalents and loan commitments.

Credit risk for exposures other than those arising on cash and cash equivalents, are managed by making use of credit approvals, limits and monitoring. The Fund only deals with reputable counterparties with consistent payment histories. Sufficient collateral or guarantees are also obtained when necessary. Each counterparty is analysed individually for creditworthiness before terms and conditions are offered. The analysis involves making use of information submitted by the counterparties as well as external bureau data (where available}. Counterparty credit limits are in place and are reviewed and approved by credit management committees.

Credit risk exposure arising on cash and cash equivalents is managed by the Fund through dealing with well-established financial institutions with high credit ratings.

Credit loss allowances for expected credit losses are recognised for all debt instruments, but excluding those measured at fair value through profit or loss. Credit loss allowances are also recognised for loan commitments and financial guarantee contracts.

In order to calculate credit loss allowances, management determines whether the loss allowances should be calculated on a 12 month or on a lifetime expected credit loss basis. This determination depends on whether there has been a significant increase in the credit risk since initial recognition. If there has been a significant increase in credit risk, then the loss allowance is calculated based on lifetime expected credit losses. If not, then the loss allowance is based on 12 month expected credit losses. This determination is made at the end of each financial period. Thus the basis of the loss allowance for a specific financial asset could change year on year.

Management apply the principle that if a financial asset's credit risk is low at year end, then, by implication, the credit risk has not increased significantly since initial recognition. In all such cases, the loss allowance is based on 12 month expected credit losses. Credit risk is assessed as low if there is a low risk of default (where default is defined as occurring when amounts are 90 days past due). When determining the risk of default, management consider information such as payment history to date, industry in which the customer is employed, period for which the customer has been employed, external credit references etc. In any event, if amounts are 30 days past due, then the credit risk is assumed to have increased significantly since initial recognition. Credit risk is not assessed to be low simply because of the value of collateral associated with a financial instrument. If the instrument would not have a low credit risk in the absence of collateral, then the credit risk is not considered low when taking the collateral into account. Trade receivable and contract assets which do not contain a significant financing component are the exceptions and are discussed below.

Where necessary, the assessment for a significant increase in credit risk is made on a collective basis. Management typically adopt this approach when information relevant to the determination of credit risk is not available on an individual instrument level. Often, the only information available on individual instruments which could indicate an increase in credit risk, is "past due" information. It is typical that more forward-looking information is generally more readily available on a collective basis. Therefore, making the determination on a collective basis, helps to ensure that credit loss allowances are determined on the basis of lifetime expected credit losses before they reach the point of being past due. Forward looking, macro-economic information is applied on a collective basis when it is readily available without undue cost or effort. When loss allowances are determined on a collective basis, management determines the loss allowances by grouping financial instruments on the basis of shared credit risk characteristics.

The maximum exposure to credit risk is presented in the table below:

		2024			2023		
Figures in Rand	**Note(s)**	**Gross carrying amount**	**Credit loss allowance**	**Amortised cost / fair value**	**Gross carrying amount**	**Credit loss allowance**	**Amortised cost / fair value**
Loans secured by mortgage bonds	3	81 843 558	—	81 843 558	80 245 065	—	80 245 065
Debt instruments at fair value through other comprehensive income	4	2 210 334 796	—	2 210 334 796	1 857 571 045	—	1 857 571 045
Interest receivable on investments	4	61 034 385	—	61 034 385	54 358 717	—	54 358 717
Trade and other receivables	5	2 373 606	(1 853 939)	519 667	1 859 063	(1 853 939)	5 124
Cash and cash equivalents	6	443 519 758	—	443 519 758	125 059 395	—	125 059 395
		2 799 106 103	**(1 853 939)**	**2 797 252 164**	**2 119 093 285**	**(1 853 939)**	**2 117 239 346**

All loans advanced to employees are secured by mortgage bonds. These repayments are all up to date with no past due amounts. As a result there are no expected credit losses.

Liquidity risk

The Fund's risk to liquidity is a result of the funds available to cover future commitments when due at reasonable cost. The Fund manages liquidity risk by managing cash flows on a monthly basis which is evidenced by its liquidity resources and unutilised borrowing facilities.

The maturity profile of contractual cash flows of non-derivative financial liabilities, and financial assets held to mitigate the risk, are presented in the following table. The cash flows are undlscounted contractual amounts.

2024

Figures in Rand	**Note(s)**	**Less than 1 year**	**Total**	**Carrying amount**
Current liabilities				
Trade and other payables	9	643 047 211	643 047 211	643 047 211

2023

Figures in Rand	**Note(s)**	**Less than 1 year**	**Total**	**Carrying amount**
Current liabilities				
Trade and other payables	9	386 649 168	386 649 168	386 649 168

Notes to the Annual Financial Statements (continued)

For the year ended 31 December 2024

19. Financial instruments and risk management (continued)

Interest rate risk

Fluctuations in interest rates impact on the value of investments and financing activities, giving rise to interest rate risk.

Financial instrument

Figures in Rand	Current interest rate	Due in 1 year and less	Due in 2 to 5 years	Due in over 5 years	Total
Assets					
Government and other bonds	Fluctuating	188 910 861	1 546 087 822	475 336 113	2 210 334 796
Trade and other receivables – normal credit terms	Interest free	549 645	–	–	549 645
Loans secured by mortgage bonds	Linked to prime	6 383 765	1 885 962	73 573 831	81 843 558
Cash in current banking institutions	Linked to prime	443 519 758	–	–	443 519 758
Cash investments on call and notice deposits	Interest free	1 736 258 206	–	–	1 736 258 206

20. Fair value information

Fair value hierarchy

The table below analyses assets and liabilities carried at fair value. The different levels are defined as follows:
Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the Fund can access at measurement date.
Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly.
Level 3: Unobservable inputs for the asset or liability.

Levels of fair value measurements

Level 1

Recurring fair value measurements

Figures in Rand	Note(s)	2024	2023
Assets			
Equity investments at fair value through other comprehensive income	4		
Listed shares		4 967 557 676	3 776 303 875
Total level 1		**4 967 557 676**	**3 776 303 875**

21. Going concern

The Board believes that the Fund has adequate financial resources to continue in operation for the foreseeable future and accordingly the financial statements have been prepared on a going concern basis.

22. Events after the reporting period

After the reporting date, the Board was made aware of the outcome of the VAT case between the Fund and the South African Revenue Service (SARS). The Tax Court of South Africa Western Cape Division: Cape Town ruled in favour of the Fund by setting aside the additional assessments issued by SARS against the Fund. From the financial year ended 31 December 2023 and at 31 December 2024, the Fund has been carrying a provision of R233 491 571 concerning this matter. The Board has been notified that SARS intends to appeal the outcome of the Tax Court judgement at the Supreme Court of Appeal.

The provision as at 31 December 2024 has not been reversed and the event has been treated as a non adjusting event after year end.

The Board is not aware of any other material event which occurred after the reporting date and up to the date of this report.

Detailed Income Statement

For the year ended 31 December 2024

Figures in Rand	Note(s)	2024	2023
Revenue			
Interest on trust account balances S86(2)(3)		1 203 452 334	1 085 522 435
5% share of interest S86(4)		282 325 501	256 965 656
		1 485 777 835	**1 342 488 091**
Other operating income		19 455 857	45 422 488
Expenses (Refer to page 37)		(998 242 452)	(820 136 553)
Operating surplus		506 991 240	567 774 026
Investment income		440 368 122	332 884 903
Other non-operating gains (losses)			
Gains on disposal of assets or settlement of liabilities		83 172 617	99 957 695
Surplus for the year		**1 030 531 979**	**1 000 616 624**

The supplementary information presented does not form part of the financial statements and is unaudited

Detailed Income Statement (continued)

For the year ended 31 December 2024

Figures in Rand	2024	2023
Other operating expenses		
Appropriation to Legal Practice Council	(148 000 000)	(132 000 000)
Audit fee refunds to practitioners	(85 907 096)	60 651 734
Auditors remuneration – external auditors	(1 191 165)	(1 106 197)
Auditors remuneration – internal audit	(620 460)	(648 750)
Bad debts	—	2 468
Bank charges	(246 218)	(260 035)
Bank charges refunded to practitioners	(559 588)	—
Claimant costs – Fund contributions	(1 414 869)	(1 877 551)
Claims paid	(271 107 299)	(155 753 332)
Claims related costs	—	19 597 655
Commission paid	(61 489)	(56 645)
Computer network maintenance and software expense	(16 382 619)	(16 605 932)
Consumables	(547 590)	(475 752)
Depreciation, amortisation and impairment	(1 648 725)	(3 420 419)
Employee costs	(102 765 918)	(100 160 267)
Entertainment	(824 235)	(668 618)
Fines and penalties	(171 893)	(75 674 695)
Flowers	(86 045)	(76 706)
Honoraria – Board and Committees	(6 656 282)	(6 702 888)
Insurance – short term	(1 224 614)	(1 278 378)
Investment management fees	(31 642 050)	(14 939 345)
Lease rentals on operating lease	(2 254 570)	(2 075 688)
Legal expense and consulting	(21 703 552)	(24 096 793)
Marketing and public relations	(4 442 977)	(3 530 340)
Motor vehicle expenses	(170 423)	(124 221)
Municipal expenses	(3 978 699)	(3 418 112)
Other expenses	(11 676 516)	(6 012 245)
Post – retirement medical expenses	(28 447 000)	(5 192 000)
Postage	(198 536)	(151 136)
Printing and stationery	(301 514)	(228 312)
Professional indemnity insurance for practitioners	(232 016 852)	(167 273 688)
Reinsurance of Fund	(8 260 989)	(7 514 987)
Relocation costs	(18 730)	—
Repairs and maintenance	(748 674)	(583 379)
SARS VAT Claim Expense	—	(157 826 477)
Subscriptions	(483 397)	(612 433)
Telephone and fax	(1 166 866)	(1 201 187)
Travel expense	(6 603 584)	(4 392 362)
Waalburg building operating costs	(4 711 418)	(4 449 540)
	(998 242 452)	**(820 136 553)**

The supplementary information presented does not form part of the financial statements and is unaudited

Administration

Country of incorporation and domicile
South Africa

Registered office
5th Floor Waalburg Building
28 Wale Street
Cape Town
South Africa
8001

Business address
5th Floor Waalburg Building
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South Africa
8000

Bankers
First National Bank
Standard Bank

Auditor
BDO South Africa Incorporated
Chartered Accountants (S.A.)
Registered Auditor

Secretary
Shadrack Maile

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