

ANNUAL FINANCIAL STATEMENTS

**IN TERMS SECTION 15 OF THE PENSION FUNDS ACT NO 24, 1956
AS AMENDED (PENSION FUNDS ACT)**

NAME OF RETIREMENT FUND: Eskom Pension and Provident Fund

**FINANCIAL SERVICES BOARD
REGISTRATION NUMBER:** 12/8/564/2

FOR THE PERIOD: 1 JULY 2016 to 30 JUNE 2017

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* Not subject to any engagement by an auditor

ESKOM PENSION AND PROVIDENT FUND

**SCHEDULE A
REGULATORY INFORMATION
FOR THE YEAR ENDED 30 JUNE 2017**

REGISTERED OFFICE OF THE FUND

Postal address: PRIVATE BAG X50
BRYANSTON
2021

Physical address: ISIVUNO HOUSE, EPPF OFFICE PARK
24 GEORGIAN CRESCENT EAST
BRYANSTON EAST
2191

FINANCIAL REPORTING PERIODS

Current year: 1 July 2016 to 30 June 2017
Prior year: 1 July 2015 to 30 June 2016

BOARD OF FUND

Full name	E-mail Address	Capacity	Date appointed/ re-appointed	Date resigned / Term expiry
Ms. Japhtaline Mantuka Maisela	mantuka@khomolema.com	E , I & C *	1 June 2016	
Ms. Jacqueline Lindelwa Kilani	kilanij@eskom.co.za	E	1 June 2016	29 July 2016
Ms. Maya Naidoo	bhanam@eskom.co.za	E	1 June 2016	
Mr. Ivan Godfrey Smith	ivan.smith@eskom.co.za	M	1 June 2016	
Ms. Thembeka Flaviona Madlala	MadlaTF@eskom.co.za	M	1 June 2016	
Ms. Dawn Vanessa Jackson	jacksoDV@eskom.co.za	E	1 June 2016	
Ms. Sibulele Mvana	MvanaS@eskom.co.za	E	1 June 2016	30 April 2017
Mr. Ndabezikhona Khehla Shandu	ShanduNK@eskom.co.za	M	1 June 2016	
Mr. Allen John Morgan	AllenM@imalivest.co.za	M	1 June 2016	
Mr. Barend Izak Steyn	bensteyn@mweb.co.za	M	1 June 2016	
Ms. Helen Diatele	hdiatele@num.org.za	M	1 June 2016	
Ms. Paulina Ndlela	NdlelaPA@eskom.co.za	M	1 June 2016	
Mr. Dennis Mandla Maleka	MalekaDM@eskom.co.za	E	1 June 2016	
Mr. Muvenda Rufus Khomola	khomolmr@eskom.co.za	E	1 December 2016	

- 'M' denotes member and pensioner elected
- 'E' denotes employer appointed
- 'C' denotes chairman
- 'I' denotes independent
- * ' Ms JM Maisela was appointed Chairman on 1 February 2017

Governance note: schedule of meetings* held by the Board of Fund in terms of the rules of the Fund

Meeting date	Place of meeting	Quorum (yes/no)
2 September 2016	Khumo House, EPPF Office Park, 24 Georgian Crescent East, Bryanston East	Yes
11 November 2016	Khumo House, EPPF Office Park, 24 Georgian Crescent East, Bryanston East	No
5 December 2016	Khumo House, EPPF Office Park, 24 Georgian Crescent East, Bryanston East	Yes
3 March 2017	Khumo House, EPPF Office Park, 24 Georgian Crescent East, Bryanston East	Yes
11 April 2017	Khumo House, EPPF Office Park, 24 Georgian Crescent East, Bryanston East	Yes
22 May 2017	Khumo House, EPPF Office Park, 24 Georgian Crescent East, Bryanston East	Yes
26 May 2017	Khumo House, EPPF Office Park, 24 Georgian Crescent East, Bryanston East	Yes

* Only meetings held by the Board of Fund and does not include meetings held by the sub-committees

FUND OFFICERS

Principal Officer

Full name	Postal address	Physical address	Telephone number	E-mail address
Penuell Cornwell Sibusiso Luthuli	Private Bag X50, Bryanston, 2021	Isivuno House, EPPF Office Park, 24 Georgian Crescent East, Bryanston East, 2191	(+27) 11 709 7579	sbu@epf.co.za

ESKOM PENSION AND PROVIDENT FUND

**SCHEDULE A
REGULATORY INFORMATION (continued)
FOR THE YEAR ENDED 30 JUNE 2017**

Monitoring Person*

Full name	Postal address	Physical address	Telephone number	E-mail address
Penuell Cornwell Sibusiso Luthuli	Private Bag X50, Bryanston, 2021	Isivuno House, EPPF Office Park, 24 Georgian Crescent East, Bryanston East, 2191	(+27) 11 709 7579	sbu@eppf.co.za

*(In terms of Section 13A of the Pension Funds Act)

PROFESSIONAL SERVICE PROVIDERS

Actuary/Valuator

Full name	Postal address	Physical address	Telephone number	E-mail address
David Keith Little (BSc, FASSA) Willis Towers Watson	Private Bag X30, Rondebosch, 7701	Level 4, MontClare Place, 23 Main Road, Claremont, 7700	(+27) 21 681 3700	david.little@willistowerswatson.com

Auditor

Full name	Postal address	Physical address	Telephone number	E-mail address
Clinton Mitchelson (CA) SA Registered Auditor PricewaterhouseCoopers Inc	Private Bag X36, Sunninghill, 2157	2 Eglin Road, Sunninghill, Johannesburg, 2157	(+27) 11 797 4000	clinton.mitchelson@pwc.com

Benefit Administrator

Full name	Postal address	Physical address	Telephone number	Registration number in terms of section 13B
Self Administered	Private Bag X50, Bryanston, 2021	Isivuno House, EPPF Office Park, 24 Georgian Crescent East, Bryanston East, 2191	(+27) 11 709 7400	24/354

Custodian and/or Nominee

Full name	Postal address	Physical address	Telephone number	FSP approval no
Nedbank Nominees Ltd	P O Box 1144, Johannesburg, South Africa, 2000	2nd Floor, 16 Constantia Boulevard, Constantia Kloof, 1709	(+27) 11 294 4444	9363
State Street Bank and Trust Company	Liesbeek House, River Park Office Complex, Mowbray, CapeTown, 7700	Liesbeek House, River Park Office Complex, Mowbray, CapeTown, 7700	(+27) 21 681 2001	42671

ESKOM PENSION AND PROVIDENT FUND

**SCHEDULE A
REGULATORY INFORMATION (continued)
FOR THE YEAR ENDED 30 JUNE 2017**

PROFESSIONAL SERVICE PROVIDERS (continued)

Asset Managers

Full name	Postal address	Physical address	Telephone number	FAIS registration number
Aberdeen Asset Managers Ltd	Bow Bells House, 1 Bread Street, London, EC4M 9HH	Bow Bells House, 1 Bread Street, London, EC4M 9HH	(+44) 20 7463 6000	43675
Aeon Investment Management (Pty) Ltd	PO Box 24020, Claremont, 7735, Cape Town	5th Floor, The Citadel, 15 Cavendish Street, Claremont, 7708	(+27) 21 204 6061	27126
Afena Capital (Pty) Ltd	P O Box 23883, Claremont, 7735	5th Floor, MontClare Place, Cnr Campground & Main Roads, Claremont, 7708	(+27) 21 657 6255	25033
Allianz Global Investors Europe GMBH	Bockenheimer Landstrasse 42-44 60323 Frankfurt am Main, Germany	Bockenheimer Landstrasse 42-44, 60323 Frankfurt am Main, Germany	(+49) 69 244312451	44825
Aluwani Capital Partners (Pty) Ltd	Postnet Suite 8, Private Bag X75, Bryanston, 2021	EPPF Office Park, 24 Georgian Crescent East, Bryanston East 2191	(+27) 21 204 3801	46196
Argon Asset Management (Pty) Ltd	P O Box 23254, Claremont, 7735	Colinton House, 1st Floor, The Oval, 1 Oakdale Road, Newlands, 7700	(+27) 21 670 6570	835
Ashmore Group Plc	61 Aldwych, London, WC2B 4AE, United Kingdom	61 Aldwych, London, WC2B 4AE, United Kingdom	(+44) 20 3077 6130	45547
Benguela Global Fund Managers (Pty) Ltd	PO Box 1035, Rivonia, 2191	The Avenue North, 6 Mellis Road, Rivonia, 2191	(+27) 11 803 6063	45122
Black Rock Investment Management (UK) Ltd	12 Throgmorton Avenue, London, EC2N 2DL	12 Throgmorton Avenue, London, EC2N 2DL	(+44) 20 7743 4888	43288
Cachalia Capital (Pty) Ltd	Sinosteel Plaza, 12th Floor, 159 Rivonia Road, Morningside Ext, Sandton, 2146	Sinosteel Plaza, 12th Floor, 159 Rivonia Road, Morningside Ext, Sandton, 2146	(+27) 11 326 6598	43755
Catalyst Fund Managers SA (Pty) Ltd	P O Box 44854, Claremont, 7708	6th Floor Protea Place, Protea Road, Claremont, 7735	(+27) 21 657 5500	36009
Coronation Fund Managers (Pty) Ltd	P O Box 44684, Claremont, 7735	7th Floor, MontClare Place Cnr Campground & Main Roads, Claremont, 7708	(+27) 21 680 2240	548

ESKOM PENSION AND PROVIDENT FUND

**SCHEDULE A
REGULATORY INFORMATION (continued)
FOR THE YEAR ENDED 30 JUNE 2017**

PROFESSIONAL SERVICE PROVIDERS (continued)

Drakens Capital (Pty) Ltd	191 Jan Smuts Avenue, Parktown North, Johannesburg	191 Jan Smuts Avenue Parktown North, Johannesburg	(+27) 10 140 6600	45511
Duet Asset Management Ltd	27 Hill Street, Mayfair, London, EC2N 2DL, United Kingdom	27 Hill Street, Mayfair, London, EC2N 2DL, United Kingdom	(+44) 20 3077 6147	45458
Excelsia Capital (Pty) Ltd	Office 303 Sunclair Building, 21 Dreyer Street, Claremont, 7708	Office 303 Sunclair Building, 21 Dreyer Street, Claremont, 7708	(+27) 21 276 1740	46756
First Avenue Investment Management (Pty) Ltd	Private Bag X11, Birnam Park, 2015	21 Fricker Road, Illovo, 2196	(+27) 11 772 2482	42693
Investec Asset Management (Pty) Ltd	PO Box 1655, Cape Town, 8000	36 Hans Strijdom Avenue, Foreshore, Cape Town, 8001	(+27) 21 416 1680	587
Kagiso Asset Management (Pty) Ltd	PO Box 1016, Cape Town, 8000	5th Floor MontClare Place, Cnr Campground and Main Roads , Clarewont, 7708	(+27) 21 673 6305	784
Legacy Africa Fund Managers (Pty) Ltd	4th Floor, The Firs, Cnr Biermann Lane & Cradock Avenue, Rosebank, 2196	4th Floor, The Firs Cnr Biermann Lane & Cradock Avenue, Rosebank, 2196	(+27) 11 759 4000	44651
Matrix Fund Managers (Pty) Ltd	Postnet Suite 80, Private Bag X1005, Claremont, 7708	2nd Floor, The Terraces, 25 Protea Road, Claremont, 7708	(+27) 21 673 7800	44663
Mazi Capital (Pty) Ltd	4th Floor, North Tower, 90 Rivonia Road, Sandton, 2196	4th Floor, North Tower, 90 Rivonia Road, Sandton, 2196	(+27) 10 001 8300	46405
Meago Trading (Pty) Ltd	P O Box 1180, Edenvale, 1610	73 Oxford Road, Saxonwold, Johannesburg	(+27) 11 646 2994	24919
Mergence Investment Managers Ltd	PO Box 8275, Roggebaai, 8012	Unit 601, 5th Floor, The Equinox, 154 Main Road, Sea Point, Cape Town, 8005	(+27) 21 433 2960	16134
Mianzo Asset Management (Pty) Ltd	PO Box 1210, Milnerton, 7435	Unit GG01, The Forum, North Bank Lane, Century City, 7441	(+27) 21 552 3555	43114
Morgan Stanley Investment Management Ltd	7th Floor, 25 Cabot Square, Canary Wharf, London, E144QA	7th Floor, 25 Cabot Square, Canary Wharf, London, E144QA	+44 20 7677 7678	9752

ESKOM PENSION AND PROVIDENT FUND

**SCHEDULE A
REGULATORY INFORMATION (continued)
FOR THE YEAR ENDED 30 JUNE 2017**

PROFESSIONAL SERVICE PROVIDERS (continued)

Oasis Asset Management Ltd	P O Box 1217, Cape Town, 8000	96 Upper Roodebloem Road, University Estate 7925	(+27) 21 413 7860	603
Old Mutual Investment Group (Pty) Ltd	PO Box 878, Cape Town, 8000	West Campus, Entrance 1, Jan Smuts Drive, Pinelands, Cape Town, 8000	+(27) 21 509 3034	604
Pan-African Asset Management (Pty) Ltd	Private Bag X9962, Sandton, 2146	6 On Blackpool Road, Bryanston, 2021	(+27) 11 463 0303	620
Perpetua Investment Managers (Pty) Ltd	PO Box 44367, Claremont, 7735	5th Floor, The Citadel, 15 Cavendish Street, Claremont, 7708	(+27) 21 180 4917	29977
SEI Investments(Europe) Ltd	1st Floor Alphabeta, 14-18 Finsbury Square, London, EC2A 1BR, United Kingdom	1st Floor Alphabeta, 14-18 Finsbury Square, London, EC2A 1BR, United Kingdom	(+44) 20 3810 8000	9796
Pinebridge Investments Europe Ltd	6th Floor, Exchequer Court, 33 St Mary Avenue, London, EC3A 8AA	6th Floor, Exchequer Court, 33 St Mary Avenue, London, EC3A 8AA	(+44) 20 7398 6096	45464
Stanlib Asset Management Ltd	PO Box 202, Melrose Arch, 2076	17 Melrose Boulevard, Melrose Arch, 2196	(+27) 11 448 5127	719
Sygnia Asset Management (Pty) Ltd	P O Box 51591, Waterfront, Cape Town, 8002	The Foundry, 7th Floor, Prestwich Street, Green Point, Cape Town, 8001	(+27) 21 446 4985	2935
Veritas Asset Management	1st Floor, 90 Long Acre, London, WC2E 9RA	1st Floor, 90 Long Acre, London, WC2E 9RA	(+44) 20 3758 9900	45383

PARTICIPATING EMPLOYERS

The following employers participate in the Fund in terms of the rules of the Fund:

- Eskom Holdings SOC Ltd
- Eskom Rotek Industries SOC Ltd
- Eskom Pension and Provident Fund

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE B STATEMENT OF RESPONSIBILITY BY THE BOARD OF FUND FOR THE YEAR ENDED 30 JUNE 2017

Responsibilities

The Board of Fund hereby confirms to the best of their knowledge and belief, except for those items of non-compliance listed below that, during the year under review, in the execution of their duties they have complied with the duties imposed by the Pension Funds Act legislation and the rules of the Fund, including the following:

- ensured that proper registers, books and records of the operations of the Fund were kept, inclusive of proper minutes of all resolutions passed by the Board of Fund;
- ensured that proper internal control systems were employed by or on behalf of the Fund;
- ensured that adequate and appropriate information was communicated to the members of the Fund, informing them of their rights, benefits and duties in terms of the rules of the Fund;
- took all reasonable steps to ensure that contributions, where applicable, were paid timeously to the Fund or reported where necessary, in accordance with section 13A and regulation 33 the Pension Funds Act in South Africa;
- obtained expert advice on matters where they lacked sufficient expertise;
- ensured that the rules and the operation and administration of the Fund complied with the Pension Funds Act and all applicable legislation;
- ensured that fidelity cover was maintained and that this cover was deemed adequate and in compliance with the rules of the Fund; and
- ensured that investments of the Fund were implemented and maintained in accordance with the Fund's investment strategy.

Approval of the annual financial statements

The annual financial statements of Eskom Pension and Provident Fund are the responsibility of the Board of Fund. The Board of Fund fulfils this responsibility by ensuring the implementation and maintenance of accounting systems and practices adequately supported by internal financial controls. These controls, which are implemented and executed by the Fund, provide reasonable assurance that:

- the Fund's assets are safeguarded;
- transactions are properly authorised and executed; and
- the financial records are reliable.

The annual financial statements set out on pages 13 to 40 have been prepared for regulatory purposes in accordance with the Regulatory Reporting Requirements for Retirement Funds in South Africa, the Rules of the Fund and the Pension Funds Act. The Board of Fund is not aware of any instances of non-compliance during the financial year nor during the year up until the signature of these financial statements.

These annual financial statements have been reported on by the independent auditors, PricewaterhouseCoopers Inc, who were given unrestricted access to all financial records and related data, including minutes of all relevant meetings. The Board of Fund believes that all representations made to the independent auditors in the management representation letter during their audit were valid and appropriate. The report of the independent auditors is presented on pages 10-12.

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE B
STATEMENT OF RESPONSIBILITY BY THE BOARD OF FUND (continued)
FOR THE YEAR ENDED 30 JUNE 2017

Instances of non-compliance

The following instances of non-compliance with Acts, Legislation, Regulations and Rules, including the provisions of laws and regulations that determine the reported amounts and disclosures in the financial statements came to our attention and were rectified before the Board of Fund's approval of the financial statements:

Nature and cause of non-compliance	Impact of non-compliance matter on the Fund	Corrective course of action taken to resolve non-compliance matter
1. During the year there was one employer appointed trustee vacancy on the Board that remained vacant for more than 90 days.	None, as in terms of the rules of the Fund the Board had sufficient members to convene.	The participating employer Eskom Holdings SOC Ltd filled the vacancy with effect from 1 December 2016.
2. The Chairman's position as non-executive Chairman ended on 31 May 2016 when the term of office of the previous Board expired as he had already served two consecutive terms of office. An employer appointed Board member vacancy arose.	None, as members of the Board of Fund appointed a meeting chair for each Board meeting until the position was filled.	The participating employer Eskom Holdings SOC Ltd filled the vacancy on 1 February 2017.
3. Contributions were not received from Eskom Holdings SOC Ltd within 7 days of 31 May 2017 as required by section 13A.	None, as the Fund received late payment interest.	The instance was reported as required. Applicable late payment interest was levied and received on the 13th day.
4. The Fund refunded R10,012 PAYE to a pensioner instead of R4,244. The overstated refund was paid to the pensioner in January 2017 resulting in an understatement of the PAYE due to SARS. This resulted in non-compliance with paragraph 6(1) of the Fourth Schedule of the Income Tax Act.	The non-compliance with the Income Tax Act resulted in penalties and interest.	The Fund corrected the situation as part of its bi-annual submission.
5. The Fund late paid the April 2017 PAYE, SDL and UIF for Fund employees.	The non-compliance with the relevant Acts' resulted in penalties and interest of R142,976.24.	The Fund paid the PAYE, SDL and UIF on 8 May 2017. Penalties and interest were paid by 17 November 2017.
6. Breach of fiduciary duty by a trustee in terms of the Code of Ethics and Conduct.	Refer 8.4 Reportable Irregularity Schedule E page 18 to 19.	The Board has taken the necessary disciplinary measures and put measures in place to prevent reoccurrence.

The following instances of non-compliance with Acts, Legislation, Regulations and Rules, including the provisions of laws and regulations that determine the reported amounts and disclosures in the financial statements came to our attention and were not rectified before the Board of Fund's approval of the financial statements:

Nature and cause of non-compliance	Possible impact of non-compliance matter on the Fund	Corrective course of action to resolve non-compliance matter
7. As a result of the filling of the Chairman's position on 1 February 2017, an employer appointed Board vacancy has remained vacant for more than 90 days.	None, as all trustee meeting had the relevant quorum present.	The participating employer Eskom Holdings SOC Ltd has been notified to fill the vacancy.
8. Management acted in accordance with a Board resolution granted in 1994 to approve an early-retirement application. Subsequently, a legal opinion obtained by the Fund on 4 September 2017 indicated that the Board did not have the authority to delegate this responsibility to management, and consequently the approval by management is ultra vires and may be set aside.	To be assessed following the outcome of a pending court case (refer 8.4 Reportable Irregularity Schedule E page 18 to 19).	Awaiting the outcome of the court case pertaining to this matter.
9. Ineligible members who participated in the Fund.	Refer 8.2 Schedule E page 18.	Refer 8.2 Schedule E page 18.

ESKOM PENSION AND PROVIDENT FUND

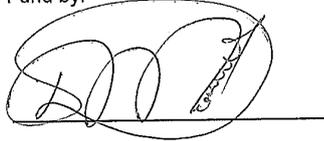
SCHEDULE B
STATEMENT OF RESPONSIBILITY BY THE BOARD OF FUND (continued)
FOR THE YEAR ENDED 30 JUNE 2017

These annual financial statements:

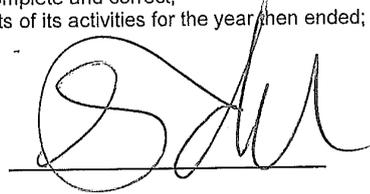
- were approved by the Board of Fund on 13 November 2017;
- are to the best of the Board members' knowledge and belief confirmed to be complete and correct;
- fairly represent the net assets of the Fund at 30 June 2017 as well as the results of its activities for the year then ended; and
- are signed on behalf of the Board of Fund by:



Ms. Japhtaline Mantuka Maisela
Chairman



Mr. Dennis Mandla Maleka
Employer Trustee



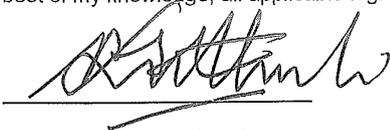
Mr. Ndabezikhona Khehla Shandu
Member Trustee

13 November 2017

ESKOM PENSION AND PROVIDENT FUND

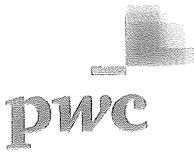
SCHEDULE C
STATEMENT OF RESPONSIBILITY BY THE PRINCIPAL OFFICER
FOR THE YEAR ENDED 30 JUNE 2017

I confirm that for the year under review the Eskom Pension and Provident Fund has timeously submitted all regulatory and other returns, statements, documents and any other information as required in terms of the Pension Funds Act and to the best of my knowledge, all applicable legislation.



Penuell Cornwell Sibusiso Luthuli
PRINCIPAL OFFICER

13 November 2017



SCHEDULE D

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF FUND OF THE ESKOM PENSION AND PROVIDENT FUND

Report on the Audit of the Financial Statements

Opinion

We have audited the annual financial statements of Eskom Pension and Provident Fund ("the Fund") set out on pages 20 to 40, which comprise the statement of net assets and funds as at 30 June 2017 and the statement of changes in net assets and funds for the year then ended, and notes to the financial statements, including a summary of significant accounting policies. The financial statements are prepared for the purpose of reporting to the Registrar of Pension Funds.

In our opinion, the financial statements of Eskom Pension and Provident Fund for the year ended 30 June 2017 are prepared, in all material respects, in accordance with the Regulatory Reporting Requirements for Retirement Funds in South Africa.

Basis for 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 Fund 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 International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Financial reporting framework and restriction on use

Without modifying our opinion, we draw attention to the principal accounting policies in which the applicable financial reporting framework is identified, as prescribed by the Registrar. Consequently, the financial statements and related auditor's report may not be suitable for another purpose.

Other information

The Board of Fund is responsible for the other information. The other information comprises the Annual Financial Statements in terms of section 15 of the Pension Funds Act no 24, 1956, but does not include the financial statements (schedule F, G and HA) and our auditor's report thereon (schedule D), which we obtained prior to the date of the auditor's report, and the annual report of the Fund, which is expected to be made available to us after that date.

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

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PricewaterhouseCoopers Inc., 2 Eglin Road, Sunninghill 2157, Private Bag X36, Sunninghill 2157, South Africa
T: +27 (0) 11 797 4000, F: +27 (0) 11 797 5800, www.pwc.co.za

Chief Executive Officer: T D Shango
Management Committee: S N Madikane, J S Masondo, P J Mothibe, C Richardson, F Tonelli, C Volschenk
The Company's principal place of business is at 2 Eglin Road, Sunninghill where a list of directors' names is available for inspection.
Reg. no. 1998/012055/21, VAT reg.no. 4950174682

In connection with our audit of the financial statements, our responsibility is to read the other information identified above 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 misstatement.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, 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 Fund for the Financial Statements

The Board of Fund is responsible for the preparation of the financial statements in accordance with the Regulatory Reporting Requirements for Retirement funds in South Africa and for such internal control as the Board of Fund determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Fund is also responsible for compliance with the requirements of the Rules of the Fund and the Pension Funds Act of South Africa.

In preparing the financial statements, the Board of Fund is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Board of Fund either intends to liquidate the Fund or to cease operations, or has 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 judgment 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 Fund's internal control.
- Conclude on the appropriateness of the Board of Fund's 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Fund.

We communicate with the Board of Fund 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.

Report on Other Legal and Regulatory Requirements

The Statement of Responsibility by the Board of Fund describes instances of non-compliance with laws and regulations, including those that determine the reported amounts and disclosures in the financial statements that have come to the attention of the Board of Fund and the corrective action taken by the Board of Fund. There are no additional instances of non-compliance with the Pension Funds Act of South Africa that came to our attention during the course of our audit of the financial statements.

In accordance with our responsibilities in terms of sections 44(2) and 44(3) of the Auditing Profession Act, we report that we have identified certain unlawful acts or omissions committed by persons responsible for the management of Eskom Pension and Provident Fund which constitute reportable irregularities in terms of the Auditing Profession Act, and have reported such matters to the Independent Regulatory Board for Auditors. The matters pertaining to the reportable irregularities have been described in item 6, item 8 and item 9 in the Statement of Responsibility by the Board of Fund and section 8.4 in the Report of the Board of Fund.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.

Director: C Mitchelson

Registered Auditor

Johannesburg

17 November 2017

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE E
REPORT OF THE BOARD OF FUND
FOR THE YEAR ENDED 30 JUNE 2017

1. DESCRIPTION OF FUND

1.1. Type of fund in terms of the Income Tax Act, 1962

In terms of section 1 of the Income Tax Act, 1962 the Fund is classified as a pension fund. The Fund is a defined benefit pension fund.

1.2. Benefits

The benefit structure offers members retirement, disability, death and withdrawal benefits.

Summary in terms of the rules of the Fund

Details of the benefits are described in the rules, which are available at the registered office of the Fund and on the website at www.eppf.co.za.

Retirement Benefits

- Ill Health / Disability

A pension is calculated on pensionable emoluments and pensionable service up to actual retirement date plus 75% of the service that would have been completed from the retirement date to the pensionable age.

- Early Retirement

A member may retire early after reaching age 55. The pension is reduced by a penalty factor for each year before age 63.

- Normal Retirement

The compulsory age of retirement is 65. However, members may retire early from age 63 without penalties subject to the employer's conditions of service. The benefit is based on 2,17% of annual average pensionable emoluments over the last year before retirement for each year of pensionable service.

- Commutation

A member may commute up to one third of his/her annual pension at the retirement date. The lump sum is calculated using fixed commutation factors. The remainder of the pension benefit will be used to pay a monthly pension.

Withdrawal Benefit

Resignation/dismissal benefits represent either the repayment of employee contributions plus interest, or the prescribed actuarial value of the member's accrued benefit, whichever is the greater.

Death Benefits

- Death In Service

On the death of a member a lump sum equal to twice the member's annual pensionable emoluments is payable and distributed in terms of section 37C of the Pension Fund Act.

Plus

A widow/widower's pension of the first 60% of the member's potential pension is payable.

Plus

A child pension of 30% (40% for two or more children) of the pension to which the member would have been entitled if remained in service to age 65.

The monthly pension payable cannot exceed 100% of the pension to which the deceased member would have been entitled if the deceased member had remained in service until age 65.

-Death of a Pensioner

A lump sum of R3,000 is payable to the estate.

Plus

A pension is paid to the surviving spouse(s) equal to 60% of the deceased pensioner's pension at retirement before commutation including any subsequent increases.

Plus

A pension is paid at 30% (one eligible child) or 40% (two or more eligible children) of the deceased pensioner's pension at retirement before commutation including and subsequent increases.

If there is no spouse's pension payable the percentage payable to eligible children increase to 60% for a single child and 100% for two or more eligible children.

The Fund is a defined benefit pension fund with defined employer and employee contribution rates. In the event of an actuarial deficit, this will be funded by either increases in future contributions or reductions in benefits, as approved by

SCHEDULE E
REPORT OF THE BOARD OF FUND (continued)
FOR THE YEAR ENDED 30 JUNE 2017

the Fund's Board, in accordance with the Fund's rules.

1.2.1. Unclaimed benefits

Strategy of the fund towards unclaimed benefits:

Unclaimed benefits are dealt with in terms of rule 41 of the rules of the Fund. In terms of the provisions of this rule, a benefit that has not been claimed by or on behalf of a member or pensioner of the Fund within 2 years of the date on which the benefit became payable, will be transferred to an unclaimed benefits account ("Reversion Account") to which shall be credited the full amount of the benefit due plus such interest as the Board of Fund, acting on the advice of the Fund's actuary, shall determine. The balance standing to the credit of this Reversion Account shall become payable by the Fund at the time when a valid claim is submitted to the Fund.

If a member who becomes entitled to a lump sum benefit dies before payment of the benefit to him or her is completed, the Fund shall pay such amount to the estate of the deceased former member. In the case of a member or pensioner, the benefit payable will be, subject to the provisions of Section 37C of the Pension Funds Act, 1956.

In respect of unclaimed benefits, complete records as prescribed are maintained and all efforts are made by the Fund to trace the beneficiaries of any benefits.

1.3. Contributions

1.3.1 Description in terms of the rules of the Fund.

1.3.1.1 Active members' contributions

Active members contribute at a rate of 7,3% of pensionable emoluments. Members may make additional voluntary contributions as per the rules of the Fund. There is a very small group of members who contribute at lower rates. At the current valuation there are 33 such members, 28 of whom contribute at 6,0% of annual pensionable salaries and five of whom contribute at 4,0% of annual pensionable salaries.

1.3.1.2 Employers' contributions

Participating employers contribute at a rate of 13,5% of pensionable emoluments.

1.4. Rule Amendments

1.4.1. Amendments

Rule amendment No.	Description and motivation	Date of board of resolution	Effective date	Date registered by the Financial Services Board
1	To align with the provisions of the Financial Services Laws General Amendment Act 45 of 2013. Change to the registered address of the Fund. To align with the Companies Act 71 of 2008. To provide clarity, realign, remove ambiguity and clean up sections of the Rules.	27/05/2016	13/10/2016	23/01/2017

1.4.2. Revised rules

During the prior financial year the Fund embarked on a process to amend the rules in order to align them with provisions of the Financial Services General Amendment Act 45 of 2013 amongst others. The amended rules were submitted to the Registrar of Pension Funds on 25 July 2016.

All rule amendments are available for inspection at the Fund's registered office.

1.5. Reserves and specified accounts established in terms of the rules of the Fund

The Fund's rules make provision for reserves and specific accounts as listed below.

1.5.1. Reserves

Data Contingency Reserve Account (Data Reserve)

This reserve makes provision for an amount determined by the Board of Fund on the advice of the Fund's actuary in respect of the risks to the Fund for incorrect or incomplete data relating to the Fund's liabilities. This reserve is currently not utilised.

Contingency Reserve Account (In Service Solvency Reserve)

This reserve makes provision for the difference between the value of the Fund's accrued liabilities determined on a solvency basis and the value of the Fund's liabilities determined on the Fund's best estimate basis. The value standing to this account may be used by the Board of Fund on advice of the actuary.

SCHEDULE E
REPORT OF THE BOARD OF FUND (continued)
FOR THE YEAR ENDED 30 JUNE 2017

Contribution Shortfall Reserve Account (In Service Contribution Reserve)

This reserve makes provision for an amount determined by the Board of Fund on advice of the Fund's actuary for the protection of the current benefit structure for members in respect of their future potential service in the Fund.

Pension Increase Affordability Reserve (Pensioner Solvency Reserve)

This reserve will be utilised to provide future increases to pensioners as required by section 14B (4) of the Act. The reserve will be credited with amounts determined by the Board of Fund on the advice of the actuary.

Investment Reserve

This reserve will be utilised to provide for the smoothing of interest rates on the accumulated member's contributions and contributions in terms of rule 18. The Board of Fund, on advice of the actuary, will calculate any amounts to be allocated to this reserve.

1.5.2. Specified Accounts

Employer Surplus Account

This account was established in terms of the rules of the Fund and is not currently being utilised. An employer surplus account is established in the name of the participating employer. It shall be credited with amounts transferred from an employer surplus account in another fund at the request of the employer and additional contributions payable by the employer and debited with amounts used in terms of 15E of the Act for the benefit of that employer and expenses in terms of rule 36.1(2). The balance is adjusted for positive and negative investment earnings.

Member Surplus Account

The member surplus account shall be credited with any amount allocated in terms of section 15B of the Act to be used for the benefit of members in terms of a surplus apportionment scheme approved by the Registrar. This account is currently not used.

2. INVESTMENTS

2.1 Investment strategy

The Board of Fund has formulated an investment strategy contained in the Investment Policy Statement that complies with the provisions of Regulation 28 to the Pension Funds Act. In terms of this strategy the investments are managed according to the following principles.

2.1.1. Investment objective

The long term investment objective of the Fund is to earn a net real rand investment return of at least 4.5 percent – in other words, to earn at least an annual return of 4.5 percent after inflation (as measured by the South African Consumer Price Index), applicable taxes, and investment fees and costs.

2.1.2. Unclaimed benefits

Amounts representing unclaimed benefit balances are invested as part of the normal investment operations of the Fund.

2.1.3. Reserve accounts

Amounts representing the value of the reserve accounts are invested as part of the normal investment operations of the Fund.

2.1.4. Derivative Instruments

The Board of Fund utilises derivative instruments as part of their investment strategy. The Board of Fund ensures that the following have been complied with:

- The exposure of the asset class does not exceed the maximum percentages as prescribed to the underlying asset as set out in Regulation 28.
- The investment mandate is in place and reviewed by the Board of Fund on a regular basis to ensure compliance with the requirements as prescribed by Regulation 28 and the relevant Notice.
- The investments are monitored for compliance with the provisions of Regulation 28 and adherence to the investment mandate.

2.1.5. Hedge funds

The Board of Fund utilises hedge funds and fund of hedge funds, as part of their investment strategy. The Board of Fund ensures that the following have been complied with:

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE E
REPORT OF THE BOARD OF FUND (continued)
FOR THE YEAR ENDED 30 JUNE 2017

- The exposure of the asset class does not exceed the maximum percentages as prescribed to the underlying asset as set out in Regulation 28.
- The investment mandate is in place and reviewed by the Board of Fund on a regular basis to ensure compliance with the requirements as prescribed by Regulation 28 and the relevant Notice.
- The investments are monitored for compliance with the provisions of Regulation 28 and adherence to the investment mandate.

2.1.6. Private Equity Funds

The Board of Fund utilises private equity funds as part of their investment strategy. The Board of Fund ensures that the following have been complied with:

- The exposure of the asset class does not exceed the maximum percentages as prescribed to the underlying asset as set out in Regulation 28.
- The investment mandate is in place and reviewed by the Board of Fund on a regular basis to ensure compliance with the requirements as prescribed by Regulation 28 and the relevant Notice.
- The investments are monitored for compliance with the provisions of Regulation 28 and adherence to the investment mandate.

2.1.7. Securities Lending Transactions

The Board of Fund utilises securities lending transactions as part of their investment strategy. The Board of Fund ensures that the securities lending transactions are in compliance with the relevant conditions as prescribed by the relevant FSB Notice.

2.2. Management of investments

The Strategic Investment Committee directs and monitors investments and investment activities on behalf of the Board of Fund. This committee meets at least four times per year to review investment performance, asset allocation and investment strategy and regularly reports to the Board.

The Fund applies a core/satellite approach to portfolio structuring on the public markets portfolio; core to provide stability of returns and satellite to enhance returns above applicable benchmarks. Specialist portfolio mandates are awarded to asset managers after a thorough research and evaluation process. Where it is value enhancing and cost effective, certain portfolios are managed in-house. All portfolio mandates have robust performance and risk benchmarks by which performances are evaluated. At year-end, approximately 34% of total assets were managed in-house.

All investment managers are remunerated on a fee basis and are paid at regular intervals in accordance with the terms of their contracts.

The fair value of the Fund's investment, administered by the investment administrators and asset managers at the end of the year was:

	2017 R'000	2016 R'000
Aberdeen Asset Managers Ltd	4 726 184	4 390 974
Aeon Investment Management (Pty) Ltd	753 354	742 214
Afena Capital (Pty) Ltd	823 186	814 763
Allianz Global Investments Europe GMBH	5 502 489	4 849 372
Aluwani Capital Partners (Pty) Ltd	2 806 302	2 861 417
Argon Asset Management (Pty) Ltd	3 525 878	3 492 923
Ashmore Group Plc	564 746	617 904
Benguela Global Fund Managers (Pty) Ltd	429 131	157 392
Black Rock Investment Management (UK) Ltd	8 150 301	4 738 648
Cachalia Capital (Pty) Ltd	215 326	219 323
Catalyst Fund Managers SA (Pty) Ltd	1 754 635	1 584 664
Coronation Fund Managers (Pty) Ltd	4 828 901	4 481 974
Drakens Capital (Pty) Ltd	490 161	490 233
Duet Asset Management Ltd	1 285 362	1 438 881
Excelcia Capital (Pty) Ltd	200 033	-
First Avenue Investment Management (Pty) Ltd	2 328 601	2 454 040
In house managed assets	44 997 069	50 124 865
Investec Asset Management (Pty) Ltd	6 882 150	6 908 112
Kagiso Asset Management (Pty) Ltd	5 540 477	5 503 643
Legacy Africa Fund Managers (Pty) Ltd	317 536	259 398
Matrix Fund Managers (Pty) Ltd	786 679	691 599
Mazi Capital (Pty) Ltd	4 733 883	4 812 603
Meago Trading (Pty) Ltd	1 172 414	1 140 402
Mergence Investment Managers (Pty) Ltd	1 106 421	1 093 085

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SCHEDULE E
REPORT OF THE BOARD OF FUND (continued)
FOR THE YEAR ENDED 30 JUNE 2017

Mianzo Asset Management (Pty) Ltd	399 114	257 567
Morgan Stanley Investment Management Ltd	5 633 747	5 224 205
Oasis Asset Management Ltd	2 532 424	2 545 980
Old Mutual Investment Group (Pty) Ltd	1 863 040	1 879 186
Pan-African Asset Management (Pty) Ltd	1 214 594	1 115 565
Perpetua Investment Managers (Pty) Ltd	807 926	271 413
SEI Institutional Group	5 921 583	5 262 133
Pinebridge Investments Europe Ltd	846 268	912 735
Stanlib Asset Management Ltd	3 032 814	2 910 310
State Street Bank and Trust Company - Custodian	71 926	46 356
Sygnia Asset Management (Pty) Ltd	1 497 360	1 448 973
Veritas Asset Management LLP	4 832 989	4 206 804
Total value of investments managed	<u>132 575 004</u>	<u>129 949 656</u>

3. MEMBERSHIP

	Active members	Deferred pensioners	Pensioners	Other beneficiaries	Unclaimed benefits
Number at the beginning of year	46 941	2 781	33 350	3 418	1 926
Adjustments	-	5	-	-	(169)
Additions	1 685	31	1 705	371	246
Transfers in	4	-	-	-	-
Transfers out	(82)	-	-	-	(6)
Withdrawals	(792)	-	-	-	-
Retirements	(629)	(152)	-	-	-
Deaths and disability	(204)	(11)	(1 203)	(3)	(9)
Settled in full	-	-	(781)	(387)	-
Transfers (from)/to deferred pensioners	(18)	-	-	-	-
Number at the end of the year	<u>46 905</u>	<u>2 654</u>	<u>33 071</u>	<u>3 399</u>	<u>1 988</u>
Number at end of year (South African citizen)	46 838	2 643	32 231	3 387	1 912
Number at end of year (non-South African citizen)	67	11	840	12	76

Notes:

- (a) Pensioners include child pensioners receiving benefits. The total number of child pensioners eligible for benefits as listed under note 7.1 (instalment lumpsums) is reflected as Other beneficiaries above.
- (b) The adjustment represents corrections to the opening balances to be in line with actuarial data and opening balances changes due to back dating of movements.
- (c) Withdrawals may include absconded members when the Fund is notified of the absconson by the participating employer.

4. ACTUARIAL VALUATION

The annual financial statements summarise the transactions and net assets of the Fund, they take into account the liabilities to pay pensions and other benefits in the future. In accordance with the rules of the Fund, the actuarial position of the Fund, is examined and reported on by the actuary at intervals not exceeding three years. The Board has taken a more conservative approach requiring annual interim valuations. An actuarial statutory valuation was performed as at 30 June 2015 with annual interim valuations performed at 30 June 2016 and 30 June 2017. According to the actuary per the statutory valuation performed as at 30 June 2015 and the annual valuations performed at 30 June 2016 and 30 June 2017, the Fund's assets are sufficient to cover the accumulated liabilities on the best estimate basis, plus the required contingency reserves in respect of in-service members and pensioners. The Fund is therefore financially sound by this criterion.

The next statutory valuation will be performed as at 30 June 2018.

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE E REPORT OF THE BOARD OF FUND (continued) FOR THE YEAR ENDED 30 JUNE 2017

5. SURPLUS APPORTIONMENT

Nil scheme

The valuation of the Fund for surplus apportionment as at 30 June 2003 revealed that the Fund had no surplus to apportion. A "nil scheme" was subsequently submitted on 1 December 2004 and was noted by the Registrar on 14 July 2005.

6. HOUSING LOAN FACILITIES

The Fund has not granted housing loans or guarantees to members in terms of Section 19(5) of the Pension Funds Act.

7. INVESTMENTS IN PARTICIPATING EMPLOYERS

Investments in terms of section 19(4A) of the Act

The Fund has an investment of less than 5% of the total debt instruments issued by the participating employer Eskom Holdings SOC Limited. Details of investments held in participating employers are provided in note 3.2 to the financial statements.

8. SIGNIFICANT MATTERS

8.1 Principal Officer

The Fund appoints the Principal Officer who also serves as the Chief Executive of the Fund on a fixed term contract basis. The current Principal Officer was initially appointed on a 3 year fixed term contract which commenced in April 2010. When the initial fixed term contract expired in March 2013, a new fixed term contract was entered into for a further period of 5 years. The current fixed term employment contract expires at the end of March 2018. The Board has initiated a process to identify and appoint a Principal Officer who will also serve as the Chief Executive to the Fund with effect from April 2018.

8.2 Eligibility of employees to participate as members of the Fund

The Rules describe an ELIGIBLE EMPLOYEE as an employee who:

- At the date of becoming a MEMBER, is under the Pensionable age;
- Is not a TEMPORARY EMPLOYEE or an employee on the London office staff of the employer; and
- If applicable in his case, has completed the period of Service required in terms of Rule 11(1) to become an ELIGIBLE EMPLOYEE.

The Rules further describe a TEMPORARY EMPLOYEE to mean:

- a person who is appointed for a specific purpose and whose employment will end when that purpose has been accomplished, or who is appointed for a specific period and whose employment will end at the end of that period.

The Fund has sought legal advice to establish whether five year fixed term contract employees are eligible to participate as members of the Fund in terms of the Rules. The legal advice has indicated that fixed term contract employees do not qualify to participate as members of the Fund. The Fund has conducted a review of its employees employment status and identified that there are two employees who are employed on five year fixed term contracts. These employees have in the past been classified as eligible members. The Fund is in the process of addressing the matter in order to comply with the Rules.

8.3 Eskom Group Chief Executive Officer pension pay-out

The Eskom Group Chief Executive Officer (GCEO) was admitted to membership of the Fund with effect from 14 September 2015 on the basis of information received from Eskom indicating that he was a permanent executive employee in the "F" band. He remained a member of the Fund until he was retired in terms of Rule 28 of the Fund's Rules on 31 December 2016 following the purchase of additional years of service on his behalf by Eskom in terms of Rule 21(4). Accordingly, he became a pensioner of the Fund with effect from 1 January 2017. The cost of his early retirement and additional service was calculated as amounting to R30.1 million, which was paid to the Fund by Eskom.

Subsequent to the retirement of the GCEO the Fund recently became aware that the GCEO was not a permanent employee of Eskom and in terms of the Rules, only permanent employees are eligible for membership of the Fund. There is currently a court application pertaining to the GCEO's re-employment at Eskom and his pension pay out. The Fund has discontinued the payment of monthly pensions to the GCEO subject to the finalization of the court process.

8.4 Reportable Irregularity

The external auditors have in terms of section 45 of the Auditing Profession Act, 2005 reported to the Independent

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE E
REPORT OF THE BOARD OF FUND (continued)
FOR THE YEAR ENDED 30 JUNE 2017

Regulatory Board for Auditors three (3) Reportable Irregularities relating to:-
a) the disclosure of confidential information by a trustee to an external source without obtaining consent from the Board;
b) the delegation of discretion by the Board to Management, which subsequently has been found to be legally flawed;
and
c) the acceptance of contributions from a fixed term contract employee who was not eligible to be a member of the Fund in terms of the Fund Rules.

9. STATUS OF FUND

The Fund is a defined benefit pension fund. In terms of the Rules of the Fund the employers' contributions to the Fund are limited to 13,5% of the members' pensionable emoluments and in the case of an actuarial deficit in the Fund, the Rules provide that contributions will be increased or benefits will be reduced.

The funding level has increased from 106% to 118% since the previous valuation and there is currently a surplus. The Fund is financially sound in that its assets are sufficient to cover its accrued liabilities.

The going-concern basis has been adopted in preparing the annual financial statements. The Board of Fund has no reason to believe that the Fund will not be a going concern in the foreseeable future, based on forecasts and available cash resources. This view is endorsed by the Audit and Risk Committee. The annual financial statements support the viability of the Fund.

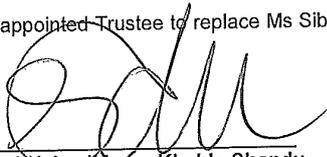
10. SUBSEQUENT EVENTS

The Fund is not aware of any material subsequent events that have taken place since the date of this report and the financial year except for the item detailed below:

On 1 July 2017 Dr Cynthia Tuduelso Khumalo was appointed as an employer appointed Trustee to replace Ms Sibulele Mvana who resigned as a Trustee on 30 April 2017.


Ms. Japhtaline Mantuka Maisela
Chairman


Mr. Dennis Mandla Maleka
Employer Trustee


Mr. Ndabezikhona Khehla Shandu
Member Trustee

13 November 2017

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE F
STATEMENT OF NET ASSETS AND FUNDS
AS AT 30 JUNE 2017

	Note	2017 R'000	2016 R'000
ASSETS			
Non-current assets		132 584 908	129 958 018
Plant and equipment	2	9 904	8 362
Investments	3	132 575 004	129 949 656
Current assets		759 094	2 033 946
Accounts receivable	4	214 024	1 481 602
Arrear contributions	10	531 731	537 517
Cash at bank		13 339	14 827
Total assets		133 344 002	131 991 964
FUNDS,SURPLUS AND LIABILITIES			
Funds and surplus account			
Accumulated funds		107 915 893	95 935 712
- Normal retirement		101 807 342	90 873 847
- Additional voluntary contribution scheme		580 080	520 577
- Performance bonus scheme		5 528 471	4 541 288
Total reserves			
Reserve accounts	19	24 112 000	33 543 000
Total funds and reserves		132 027 893	129 478 712
Non-current liabilities			
Unclaimed benefits	8	177 464	134 566
Current liabilities		1 138 645	2 378 686
Transfers payable	6	-	883
Benefits payable	7	1 019 382	991 691
Accounts payable	9	83 383	1 347 014
Accruals	15	35 880	39 098
Total funds and liabilities		133 344 002	131 991 964

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE G
STATEMENT OF CHANGES IN NET ASSETS AND FUNDS
FOR THE YEAR ENDED 30 JUNE 2017

	Note	Normal retirement R'000	Additional Voluntary Contribution Scheme R'000	Performance Bonus Scheme R'000	Accumulated funds R'000	Reserve accounts Refer note 19 R'000	Total 2017 R'000	Total 2016 R'000
Contributions received and accrued	10	3 286 790	31 360	361 404	3 679 554	-	3 679 554	3 416 819
Net investment income	11	3 352 530	-	-	3 352 530	-	3 352 530	11 488 093
Allocated to unclaimed benefits	8	(22 250)	-	-	(22 250)	-	(22 250)	(17 125)
Other income	12	25 391	-	-	25 391	-	25 391	25 078
Less:								
Administration expenses	13	(196 502)	-	-	(196 502)	-	(196 502)	(174 829)
Net income before transfers and benefits		6 445 959	31 360	361 404	6 838 723	-	6 838 723	14 738 036
Transfers and benefits		(3 988 138)	(33 866)	(267 226)	(4 289 230)	-	(4 289 230)	(4 360 066)
Transfer from other funds	5	-	9 418	-	9 418	-	9 418	12 656
Transfer to other funds	6	(241 065)	-	-	(241 065)	-	(241 065)	(315 912)
Benefits	7	(3 747 073)	(43 284)	(267 226)	(4 057 583)	-	(4 057 583)	(4 056 810)
Net income after transfers and benefits		2 457 821	(2 506)	94 178	2 549 493	-	2 549 493	10 377 970
Funds and reserves								
Balance at the beginning of the year	19	90 873 847	520 577	4 541 288	95 935 712	33 543 000	129 478 712	119 081 375
Unclaimed benefit adjustments	8	-	-	-	-	-	-	-
Prior period adjustments	14	(312)	-	-	(312)	-	(312)	19 367
Transfers between reserve accounts	19	9 136 096	(2 873)	297 777	9 431 000	(9 431 000)	-	-
Investment return allocated								
Current members		(660 110)	64 882	595 228	-	-	-	-
Balance at the end of the year		101 807 342	580 080	5 528 471	107 915 893	24 112 000	132 027 893	129 478 712

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE HA NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

1. PRINCIPAL ACCOUNTING POLICIES

The following are the principal accounting policies used by the Fund. These policies have been applied consistently to all years presented, unless otherwise specifically stated.

1.1. PURPOSE AND BASIS OF PREPARATION OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements are prepared in accordance with the Regulatory Reporting Requirements for Retirement Funds in South Africa, the rules of the Fund and the provisions of the Pension Funds Act.

The annual financial statements are prepared on the historical cost and going concern basis, except where specifically indicated in the accounting policies below:

1.2. PLANT AND EQUIPMENT

The Fund carries assets classified as plant and equipment at historical cost less accumulated depreciation and impairment. Historical cost includes expenses that are directly attributable to the acquisition of the items.

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

Assets are depreciated on a straight line basis at rates calculated to reduce the book value of these assets to estimated residual values over their expected useful lives.

The periods of depreciation used are as follows:

	Years
Motor vehicles	5
Furniture & fittings	5
Office equipment	5
Computer equipment	2-3

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of net assets and funds date. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. Gains or losses on disposals are determined by reference to the carrying amount of the asset and the net proceeds received, and are recorded in statement of changes in net assets and funds on disposal.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Impairment losses are recognised.

Gains and losses on disposal of plant and equipment are determined by reference to their carrying amount and are taken into account in determining the net surplus or deficit.

Maintenance and repairs, which neither materially add to the value of assets nor appreciably prolong their useful lives, are charged against income.

1.3. FINANCIAL INSTRUMENTS

Measurement

A financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of any other entity. A financial asset or a financial liability is recognised when its contractual arrangements become binding and is derecognised when the contractual rights to the cash flows of the instrument expire or when such rights are transferred in a transaction in which substantially all risks and rewards of ownership of the instrument are transferred.

Financial instruments carried on the statement of net assets and funds, include cash and bank balances, investments, receivables and accounts payable.

Financial instruments are initially measured at cost as of trade date, which includes transaction costs.

Profit or loss on the sale / redemption of investments are recognised in the statement of changes in net assets and funds at transaction date.

Subsequent to initial recognition, these instruments are measured as set out below.

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE HA NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2017

1.3.1. Investments

Investments are classified at fair value through the statement of changes in net assets and funds and are measured at fair value.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determined payments that are not quoted in an active market other than those that the fund intends to sell in the short term or that is designated as at fair value through the statement of changes in net assets and funds. Loans and receivables are measured at amortised cost.

Bills and bonds

Bills and bonds comprise investments in government or provincial administration, local authorities, participating employers, subsidiaries or holding companies and corporate bonds.

Listed bills and bonds

The fair value of listed bills and bonds traded on active liquid markets is based on regulated exchange quoted ruling closing prices at the close of business on the last trading day on or before the statements of net assets and funds date.

Unlisted bills and bonds

A market yield is determined by using appropriate yields of existing bonds and bills that best fit the profile of the instrument being measured and based on the term to maturity of the instrument. Adjusting for credit risk, where appropriate, a discounted cash flow model is then applied, using the determined yield, in order to calculate the fair value.

Investment property

A property held for long-term yields or capital appreciation that is classified as investment property. Investment properties comprise freehold land and buildings and are carried at fair value.

Investment properties are reflected at valuation on the basis of open-market fair value at the statement of net assets and funds date. In the open-market valuation information cannot be reliably determined; the Fund uses alternative valuation method such as discounted cash flow projections or recent prices on active markets for transactions of similar nature. The fair values are the estimated amounts for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction.

The open-market fair value is determined annually by independent professional valuers.

Changes in fair value are recorded by the fund in the statement of changes in net assets and funds.

Equities

Equity instruments consist of equities with primary listing on the JSE, equities with secondary listing on the JSE, foreign listed equities and unlisted equities.

Equity instruments designated as fair value through the statement of changes in net assets and funds by the Fund are initially recognised at fair value on trade date.

Listed equities

Equity instruments are subsequently measured at fair value and the fair value adjustments are recognised in the statement of changes in net assets and funds. The fair value of equity instruments with standard terms and conditions and traded on active liquid markets is based on regulated exchange quoted ruling closing prices at the close of business on the last trading day on or before the statements of net assets and funds date.

Unlisted equities

If a quoted closing price is not available i.e. for unlisted instruments, the fair value is estimated using pricing models, or by applying appropriate valuation techniques such as discounted cash flow analysis or recent arm's length market transactions in respect of equity instruments.

Private Equity

Private equity investments are investments in equity capital that is not quoted on a public exchange. Private equity investments are valued in accordance with the International Private Equity and Venture Capital Valuation Guidelines.

SCHEDULE HA
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2017

1.3.1. Investments (continued)

Preference shares

Listed preference shares

Preference shares are shares of a company's stock with dividends that are paid out to shareholders before ordinary stock dividends are issued. Preference shares have some of the characteristics of debt and equity. They behave like equity shares in that their prices can climb over time as they are traded, but are similar to debt because they pay investors fixed returns in the form of dividends.

Insurance policies

Non-linked insurance policies

Non - linked insurance policies with insurers are valued on the basis of the policyholder's retrospective contribution to assets (i.e. accumulation at the actual investment return achieved on gross premiums.)

Linked or market-related policies

If the policy is unitised, the value is equal to the market value of the underlying units. Other linked or market-related policies are valued at the market value of the underlying assets for each policy, in line with the insurer's valuation practices.

Collective investment scheme

Investments in collective investment schemes are valued at fair value which is the quoted unit values, as derived by the collective investment scheme manager with reference to the rules of each particular collective investment scheme, multiplied by the number of units.

Exchange traded funds

Investments in exchange traded funds are valued at fair value which is the quoted unit values, as derived by the exchange traded fund scheme administrator with reference to the rules of each particular fund, multiplied by the number of units.

Derivative Market Instruments

Derivative market instruments consist of interest rate swaps.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from regulated exchange quoted market prices in active markets, including discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. The fund does not classify any derivatives as hedges in a hedging relationship.

The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) based on a valuation technique whose variables include only data from observable markets.

Swaps

Swaps are valued by means of discounted cash flow models, using the swap curve from a regulated exchange (BESA) to discount fixed and variable rate cash flows, as well as to calculate implied forward rates used to determine the floating interest rate amounts. The net present values of the fixed leg and variable leg of the swap are offset to calculate the fair value of the swap.

Investment in participating employers

Investments in participating employer(s) comprise debt securities (bills and bonds).

Hedge funds

Hedge fund investments are designated as fair value through the statement of changes in net assets and funds by the Fund and are initially recognised at fair value on trade date.

Hedge fund investments are subsequently measured at fair value and the fair value adjustments are recognised in the statement of changes in net assets and funds. Hedge funds tend to be listed funds. The fair value of hedge fund investments traded on active liquid markets is based on regulated exchange quoted ruling closing prices at the close of business on the last trading day on or before the statement of net assets and funds date.

1.3.2. Accounts receivable

Accounts receivable are financial assets measured initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less any allowance for impairment.

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE HA NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2017

1.3.3. Cash and cash equivalents

Cash and equivalents comprise cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are measured at fair value.

1.3.4. Accounts payable

Accounts payable are financial liabilities measured initially at fair value, net of transaction costs that are directly attributable to the liability and subsequently measured at amortised cost using the effective interest rate method.

1.4. RESERVES

Reserve accounts comprise particular amounts of designated income and expenses as set out in the rules of the Fund and are recognised in the year in which such income and expenses accrue to the fund.

1.5. PROVISIONS, CONTINGENT LIABILITIES, CONTINGENT ASSETS AND ACCRUALS

Provisions

Provisions are recognised when the Fund has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Where the effect of discounting to present value is material, provisions are adjusted to reflect the time value of money.

Contingent liabilities

A contingent liability is not recognised in the statement of net assets and funds, but disclosed in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets

A contingent asset is not recognised in the statement of net assets and funds, but disclosed in the notes to the financial statements when an inflow of economic benefits is probable.

Accruals

Accruals are recognised when the Fund has earned income or incurred an expense as a result of a past event or constructive obligation and an inflow or outflow of economic benefits is certain and a reliable estimate of the amount can be made.

1.6. CONTRIBUTIONS

Contributions are measured at the fair value of the consideration received or receivable.

Contributions are accrued and recognised as income in accordance with the rules of the Fund. Contributions received are applied to fund in advance for benefits due in terms of the rules, and to meet expenses of the Fund. The allocation of contributions towards expenses is governed by the rules of the Fund and actuarial recommendations.

Voluntary contributions are recognised when they are received from annual payments or accrued where monthly recurring payments are made.

Any contributions outstanding at the end of the reporting year are recognised as a current asset – contribution receivable. Any contributions received in advance at the end of the reporting year are recognised as a current liability – accounts payable.

1.7. NET INVESTMENT INCOME

Net investment income comprises of dividends, interest, rentals, collective investment schemes - distribution, income from policies with insurance companies and adjustment to fair value.

Dividends

Dividend income is recognised in the statement of changes in net assets and funds when the right to receive payment is established – this is the last date to trade for equity securities. For financial assets designated at fair value through the statement of changes in net assets and funds, the dividend income forms part of the fair value adjustment.

Interest

Interest income in respect of financial assets held at amortised cost is accounted for in the statement of changes in net assets and funds using the effective interest rate method.

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE HA NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2017

Rentals

Rental income is accounted for in the statement of changes in net assets and funds on a straight-line basis over the period of the rental agreement. Property expenses are recognised in the statement of changes in net assets and funds under net investment income.

Collective investment schemes' distribution

Distribution from collective investment schemes are recognised when the right to receive payment is established.

Income from policies with insurance companies

Income from investment policies from insurance companies is included in the adjustment to the movement of the financial asset.

Interest on late payment of contributions and / or loans and receivables

Interest on late payment of contributions and /or loans and receivables is accounted for in the statement of changes in net assets and funds using the effective interest rate method.

Adjustment to fair value

Gains or losses arising from changes in the fair value of financial assets at fair value through the statement of changes in net assets and funds are presented in the statement of changes in net assets and funds in the year in which they arise.

Expenses incurred in managing investments

Expenses in respect of the management of investments are recognised as the service is rendered to the Fund.

1.8. BENEFITS

Benefits payable and pensions are measured in terms of the rules of the Fund.

Benefit payments and monthly pension payments are recognised as an expense when they are due and payable in terms of the rules of the Fund. Any benefits not paid at the end of the reporting year are recognised as a current liability – benefits payable.

1.9. UNCLAIMED BENEFITS

Benefits which remain outstanding for a period of 24 months or more, are classified from benefits payable to unclaimed benefits. Interest is allocated to unclaimed benefits in terms of the rules of the Fund.

1.10. TRANSFERS TO AND FROM THE FUND

Section 14 and 15B transfers to or from the fund are recognised on the date of approval of the scheme/arrangement of transfer of business by the Financial Services Board, as contained in the approval certificate from the Registrar.

Individual transfers (Section 13A(5) transfers) are recognised on the earlier of receipt of the written notice of transfer (Recognition of Transfer) or receipt of the actual transfer value.

All the above transfers are measured at the values as per the section 14 application or the value of the transfer at effective date of transfer adjusted for investment return or late payment interest as guided by the application.

Any known transfer payable outstanding at the end of the reporting period is recognised as a current liability - transfers payable.

1.11. ADMINISTRATION EXPENSES

Expenses incurred in the administration of the Fund are recognised in the statement of changes in net assets and funds in the reporting year to which they relate.

In the event that an expense has not been paid at the end of a reporting year the liability will be reflected in the accounts payable note. If the expense was paid in advance or overpayment occurred, the applicable amount will be disclosed under the accounts receivable note.

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE HA NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2017

1.12. RELATED PARTIES

In considering each possible related-party relationship, attention is directed to the substance of the relationship and not merely the legal form.

If there have been transactions between related parties, the Fund discloses the nature of the related party relationship as well as the following information for each related party relationship:

- the amount of the transactions;
- the amount of outstanding balances;
- their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in the settlement;
- details of guarantees given or received;
- provisions for doubtful debts related to the amount of outstanding balances; and
- the expense recognised during the year in respect of bad or doubtful debts due from related parties.

1.13. ACCOUNTING POLICIES, CHANGING IN ACCOUNTING ESTIMATES AND ERRORS

The Fund applies adjustments arising from changes in accounting policies and errors prospectively. The adjustment relating to a change in the accounting policy or error is therefore recognised in the current and future years affected by the change.

1.14. IMPAIRMENT

Asset impairment tests are applied annually to assets whose measurement basis is historic cost or historic cost as adjusted for revaluations. An impairment loss is recognised when the asset's carrying value exceeds its recoverable amount. Impairment losses are initially adjusted against any applicable revaluation reserve then expensed in the statement of changes in net assets and funds.

The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. Fair value less costs to sell is the amount obtainable from the sale of the asset in an arm's length transaction between knowledgeable, willing parties, less cost of disposal. Value in use is the present value of estimated future cash flows expected to flow from the continuing use of the asset and from its disposal at the end of its useful life.

If the recoverable amount of an asset subsequently exceeds the carrying value resulting from the application of its accounting policy, an impairment reversal is recognised to that extent. The impairment reversal is applied in reverse order to the impairment loss.

1.15. RETURNS ALLOCATED TO SCHEMES

Interest allocated to the additional voluntary contribution and performance bonus schemes is at rates determined by the Board of the Fund on the advice of the actuary. No expenses are presently allocated to these schemes as the rules of the Fund do not currently cater for this.

1.16. LEASES

Leases in which significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of changes in net assets and funds on a straight-line basis over the period of the lease.

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE HA
 NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
 FOR THE YEAR ENDED 30 JUNE 2017

2. PLANT AND EQUIPMENT

2.1. Current year

	Computer equipment and software R'000	Office equipment R'000	Furniture and fittings R'000	Motor vehicles R'000	Total R'000
Gross carrying amount					
Cost at beginning of year	10 985	-	3 526	308	14 819
Additions	2 394	-	960	-	3 354
Other movements	-	112	(112)	-	-
At end of year	13 379	112	4 374	308	18 173
Accumulated depreciation and impairment					
At beginning of year	(4 128)	-	(2 124)	(205)	(6 457)
Depreciation charges	(1 316)	(30)	(441)	(62)	(1 849)
Other movements	(33)	(47)	117	-	37
At end of year	(5 477)	(77)	(2 452)	(267)	(8 269)
Net carrying amount at end of year	7 902	35	1 922	41	9 904

2.2. Prior year

	Computer equipment and software R'000	Furniture and fittings R'000	Motor vehicles R'000	Total R'000
Gross carrying amount				
At beginning of period	5 987	3 228	308	9 523
Additions	6 092	480	-	6 572
Disposals	(1 094)	(182)	-	(1 276)
At end of year	10 985	3 526	308	14 819
Accumulated depreciation and impairment				
At beginning of period	(4 039)	(1 843)	(149)	(6 031)
Depreciation charges	(1 061)	(428)	(56)	(1 545)
Accumulated depreciation on disposals	972	147	-	1 119
At end of year	(4 128)	(2 124)	(205)	(6 457)
Net carrying amount at end of period	6 857	1 402	103	8 362

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE HA
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2017

3. INVESTMENTS

3.1. Investment summary

	Note	Local R'000	Foreign R'000	Total 2017 R'000	Total 2016 R'000	Fair value current year R'000	Categorised per Reporting Framework
Cash		3 268 087	1 220 250	4 488 337	7 085 402	4 488 337	At fair value through statement of changes in net assets and funds
Commodities		143 474	-	143 474	405 994	143 474	At fair value through statement of changes in net assets and funds
Debt instruments including Islamic debt instruments		22 839 346	21 827	22 861 173	26 146 215	22 861 173	At fair value through statement of changes in net assets and funds
Investment properties and Owner occupied properties *	3.3.	121 500	-	121 500	115 000	121 500	At fair value through statement of changes in net assets and funds
Equities (including demutualisation shares)		59 760 004	20 307 935	80 067 939	76 101 230	80 067 939	At fair value through statement of changes in net assets and funds
Insurance policies		1 862 853	-	1 862 853	1 448 973	1 862 853	At fair value through statement of changes in net assets and funds
Collective investment schemes		131 257	16 497 489	16 628 746	13 461 612	16 628 746	At fair value through statement of changes in net assets and funds
Hedge funds		786 679	-	786 679	691 599	786 679	At fair value through statement of changes in net assets and funds
Private equity funds		2 135 658	1 147 009	3 282 667	2 066 055	3 282 667	At fair value through statement of changes in net assets and funds
Derivative market investments		(11 507)	-	(11 507)	(77 764)	(11 507)	At fair value through statement of changes in net assets and funds
Investment in participating employer(s)	3.2.	2 343 143	-	2 343 143	2 505 340	2 343 143	At fair value through statement of changes in net assets and funds
Total		93 380 494	39 194 510	132 575 004	129 949 656	132 575 004	

* The land and buildings consist of an office block situation on Erf 21 Bryanston East. The land and buildings were revalued by an independent valuator. The valuation was performed as at 30 June 2017. The valuator used the following assumptions in determining the fair value of the land and buildings: Competent property management is in place, reasonably stable economic conditions and stable interest rates which influence real estate values. Assumption on lease expiry that the rental achievable may increase if the rent lagged the market or revert to market value if higher than market. The fair value was determined by reference to s13 of the JSE regulations regulating listed company property transactions as effective March 2013. If the land and buildings had been carried at the cost model, the value of the land and buildings would have been R57,612,668.

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE HA
 NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
 FOR THE YEAR ENDED 30 JUNE 2017

3.2. Investment in participating employer/s

	At beginning of year R'000	Repaid/ Disposals R'000	At end of year R'000
Debt Instruments	2 505 340	(162 197)	2 343 143
Total	2 505 340	(162 197)	2 343 143

3.3. Investment properties and owner occupied investments

3.3.1. Current year

Instrument	Address	Valuation method	Date of last valuation	Pledged as a guarantee	At beginning of year R'000	Additions R'000	Fair value adjustments R'000	At end of year R'000
Investment Properties								
Office complex	EPPF Office Park, 24 Georgian Crescent East, Bryanston East, 2191	Discounted net income	2017-06-30	No	115 000	10 416	(3 916)	121 500
Total of properties					115 000	10 416	(3 916)	121 500

3.3.2. Previous year

Instrument	Address	Valuation method	Date of last valuation	Pledged as a guarantee	At beginning of year R'000	Additions R'000	Fair value adjustments R'000	At end of year R'000
Investment Properties								
Office complex	EPPF Office Park, 24 Georgian Crescent East, Bryanston East, 2191	Discounted net income	2016-06-30	No	111 000	1 720	2 280	115 000
Total of properties					111 000	1 720	2 280	115 000

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE HA
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2017

4. ACCOUNTS RECEIVABLE

	2017 R'000	2016 R'000
Accrued investment income	35 605	1 323 731
Pensioner payroll (prepaid)	171 179	156 037
Eskom Holdings SOC Limited	544	-
Prepaid expenses	5 999	1 770
Other receivables	697	64
Total	214 024	1 481 602

Accounts receivable have decreased from 2016 due to re-allocation of certain accrued investment income previously reflected under accrued income to the value of the investment asset.

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE HA
 NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
 FOR THE YEAR ENDED 30 JUNE 2017

5. TRANSFERS FROM OTHER FUNDS

	Effective date	No. of members	Applied for not yet approved (contingent) R'000	A At beginning of year R'000	B Transfers approved R'000	C Return on Transfers R'000	D Assets transferred R'000	A+B+C-D At end of year R'000
In terms of Section 14								
T Systems Retirement Fund	18/07/2017	9	-	-	3 549	-	(3 549)	-
Individual transfers in	Various	-	1 558	-	5 869	-	(5 869)	-
Total		9	1 558	-	9 418	-	(9 418)	-
Transfers approved (B)								9 418
Return on transfers (C)								-
Statement of changes in net assets and funds								9 418

6. TRANSFERS TO OTHER FUNDS

	Effective date	A At beginning of year R'000	B Transfers approved R'000	C Return on Transfers R'000	D Assets transferred R'000	A+B+C-D At end of year R'000
Individual transfers out	Various	883	241 065	-	(241 948)	-
Total		883	241 065	-	(241 948)	-
Transfers approved (B)						241 065
Return on transfers (C)						-
Statement of changes in net assets and funds						241 065

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE HA
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2017

7. BENEFITS

7.1. Benefits - current members

	A At beginning of year R'000	B Benefits for current period R'000	C Return allocated R'000	D Payments R'000	E Transferred to unclaimed benefits R'000	A+B+C-D-E At end of year R'000
Monthly Pensions	122 310	2 609 657	-	(2 688 008)	-	43 959
Lump sums on retirements						
- Pensions commuted	103 284	545 816	-	(553 294)	(2 122)	93 684
Lump sums before retirement						
- Death and disability benefits	97 669	90 940	-	(77 730)	(8 443)	102 436
- Withdrawal benefits	207 489	601 072	-	(518 426)	(24 135)	266 000
Divorce -benefits	6 554	114 914	-	(113 269)	(136)	8 063
Instalment lumpsums	454 385	39 372	55 592	(44 109)	-	505 240
Interest on late payment of benefits	-	220	-	(220)	-	-
Total	991 691	4 001 991	55 592	(3 995 056)	(34 836)	1 019 382

Benefits for current year (B)
Return allocated (C)

4 001 991
55 592

Statement of changes in net assets and funds

4 057 583

8. UNCLAIMED BENEFITS

	2017 R'000	2016 R'000
Balance at the beginning of the year	151 453	135 198
Transferred from benefits payable	34 836	7 988
Adjustment - prior year adjustments	(2 994)	(19 367)
Investment income allocated	22 250	17 125
Less:		
• Benefits paid	(28 081)	(6 378)
Balance at the end of the year	177 464	134 566

The Fund has removed from the unclaimed benefit balance all members with a benefit payable less than R3,000 due to tracing costs exceeding the value of the benefit payable. The Fund maintains records of these benefits for future payments.

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE HA
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2017

9. ACCOUNTS PAYABLE

	2017 R'000	2016 R'000
PAYE	333	334
Gilts purchased (Unsettled trades)	-	466 478
Equity purchased (Unsettled trades)	23 202	768 270
Investment expenses payable	46 900	52 549
Operational suppliers	12 948	59 383
Total	83 383	1 347 014

Accounts payable have decreased from 2016 due to re-allocation of certain investment expenses previously reflected as unsettled trades to the value of the investment asset.

10. CONTRIBUTIONS

	At beginning of year R'000	Towards retirement R'000	Contributions received R'000	At end of the year R'000
Member contributions received and accrued	81 131	1 141 515	(1 136 484)	86 162
Employer contributions received and accrued	151 111	2 145 275	(2 135 252)	161 134
Additional voluntary contributions - members	2 297	31 360	(30 897)	2 760
Performance bonus scheme member contributions	302 978	361 404	(382 707)	281 675
Total	537 517	3 679 554	(3 685 340)	531 731
Towards retirement				3 679 554
Towards reinsurance and expenses				-
Statement of changes in net assets and funds				3 679 554

11. NET INVESTMENT INCOME

	2017 R'000	2016 R'000
Income from investments	3 882 511	3 952 506
• Dividends	2 336 634	2 348 489
• Interest	1 541 839	1 595 568
• Rentals	4 038	8 449
Profit on sale/ redemption of investments	21 491 065	25 279 442
Loss on sale/ redemption of investments	(18 007 186)	(18 495 474)
Fair value adjustment on investments	(3 577 712)	1 204 938
	3 788 678	11 941 412
Less: Expenses incurred in managing investments	(436 148)	(453 319)
Total	3 352 530	11 488 093

12. OTHER INCOME

	2017 R'000	2016 R'000
Securities lending fee	25 391	25 078
Total	25 391	25 078

ESKOM PENSION AND PROVIDENT FUND

**SCHEDULE HA
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2017**

13. ADMINISTRATION EXPENSES

		2017 R'000	2016 R'000
Actuarial fees		2 552	2 025
Audit services		7 584	5 193
Audit fees - external		2 569	2 638
Audit fees - Consulting		1 847	-
Audit fees - Internal		3 168	2 555
Consultancy fees		13 267	10 733
Depreciation		1 789	1 545
Fidelity Insurance		550	575
FSB levies		1 629	1 543
Other Expenses		66 427	66 107
Bank charges		1 716	2 031
Entertainment and member interaction		2 319	-
IT services and rental		33 870	44 272
IT implementation expenses		6 037	1 216
Membership, development and other administration expenses		16 659	18 588
Telephone, postage, printing and stationery		5 826	-
Board of fund expenses	13.1	5 438	6 394
Staff expenses	13.2	94 488	79 245
Principal officer expenses	13.3	2 778	1 469
Total		196 502	174 829

13.1. Board of Fund Expenses

		2017 R'000	2016 R'000
Board of fund remuneration		3 631	2 915
Outside expert fees		1 610	2 161
Meeting allowances		93	532
Travel, training and other expenses		104	786
Total		5 438	6 394

13.2. Staff Expenses

		2017 R'000	2016 R'000
Remuneration		62 716	53 344
Contributions to retirement fund		5 567	5 076
Training expenses		3 311	1 544
Other payments		12 486	12 264
Long term incentive		6 509	7 017
Levies and insurance		830	-
Recruitment costs		3 069	-
Total		94 488	79 245

13.3. Principal Officer Expenses

		2017 R'000	2016 R'000
Principal officer expenses - Remuneration		837	893
Principal officer expenses - Bonus		1 941	576
Total		2 778	1 469

The Principal Officer's expenses have been allocated at a rate of 30% which represents his duties / responsibilities as Principal Officer of the Fund. Allocation of bonus provision in 2016 included in the R7,017,000 figure reflected under staff expenses (13.2) included the total figure reflected above.

ESKOM PENSION AND PROVIDENT FUND

**SCHEDULE HA
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2017**

14. PRIOR PERIOD ADJUSTMENTS

	2017 R'000	2016 R'000
Prior period adjustment	(312)	19 367
Total	(312)	19 367

During the current period and prior period the Fund identified and corrected the following error:
Restated the opening balances on certain unclaimed benefit records. This adjustment is consistent with the Regulatory Reporting Requirements for Retirement Funds in South Africa, comparatives have not been restated.

15. ACCRUALS

	2017 R'000	2016 R'000
Leave pay accrual	4 302	3 460
Incentive bonus accrual (note a)	31 578	35 638
	35 880	39 098

Note a: Includes a long term incentive accrual of R23 016 000 (2016: R22 592 000).

16. RISK MANAGEMENT POLICIES

Risk management framework

The Board of Fund has overall responsibility for the establishment and oversight of the Fund's risk management policies. The Board of Fund has established the Audit and Risk Committee, which is responsible for developing and monitoring the fund's risk management policies. The committee reports regularly to the Board of Fund 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.

- **Solvency risk**

Solvency risk is the risk that the investment returns on assets will not be sufficient to meet the Fund's contractual obligations to members.

Continuous monitoring by the Board and the Fund's actuary takes place to ensure that appropriate assets are held where the funds obligation to members are dependent upon the performance of specific portfolio assets and that a suitable match of assets exists for all other liabilities.

- **Credit risk**

Credit risk refers to the risk of default on a fixed income security (whether nominal or inflation-linked) (on either the coupons or the redemption), the restructuring of any terms of the fixed income security (which is usually also considered a default), or the downgrading of the credit rating of a fixed income security. Any and all of these events will have a negative impact on the price of the bond, assuming all else remains the same i.e. ignoring the impact of changes to yields on the highest rated bonds. Regulation 28 requires that trustees do not rely on credit ratings from rating agencies in isolation, thereby requiring trustees to ensure that their due diligence investment process includes an assessment of credit risk.

- **Legal risk**

Legal risk is the risk that the Fund will be exposed to contractual obligations which have not been provided for. Legal representatives of the Fund monitor the drafting of contracts to ensure that rights and obligations of all parties are clearly set out.

SCHEDULE HA
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2017

16. RISK MANAGEMENT POLICIES (continued)

• **Cash flow risk**

Cash flow risk is the risk that future cash flows associated with monetary financial instrument will fluctuate in amount. In the case of a floating rate debt instrument, for example, such fluctuations result in a change in the effective interest rate of the financial instrument, usually without a corresponding change in its fair value. The Fund monitors its cash flows on a monthly basis.

• **Currency risk**

Investors seek to reduce volatility of returns and dependence on the South African economy by investing a portion of their assets in foreign investments. The great majority of liabilities are however denominated in Rands. Investing in foreign investments therefore introduces currency-mismatch risk, in that the currency invested in could weaken against the rand. The long-term expectation is, however, for the rand to weaken against the major investment currencies (US dollar, euro, sterling, yen, etc.), because inflation in South Africa is likely to be higher than that of most developed countries. The volatility risk associated with foreign investments is reduced when only a limited portion of a portfolio's assets is invested offshore as is currently required in terms of Regulation 28 and the South African Reserve Bank requirements.

• **Liquidity risk**

Liquidity risk involves not having liquid assets to meet liabilities as they fall due, or being unable to realise assets on a reasonable basis when cash is required.

• **Market risk / Price risk**

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices or market interest rates.

• **Investments**

Investments in equities are valued at fair value and therefore susceptible to market fluctuations. Investments are managed with the aim of maximising the Fund's returns while limiting risk to acceptable levels within the framework of statutory requirements.

Continuous monitoring takes place to ensure that appropriate assets are held where the liabilities are dependent upon the performance of specific portfolios of assets and that a suitable match of assets exists for all non-market related liabilities.

• **Interest rate risk**

This risk is specific to bond and money market instruments and is the risk of exposure to under-performance and short-term reduction in capital value (on a mark-to-market basis) if the portfolio is invested in long-dated assets at a time when market interest rates rise. For example, in relation to bond instruments, as interest rates rise, the price of a fixed rate bond will fall, and vice versa. This risk may be assessed by analysing the duration structure of the portfolios.

• **Asset failure**

The risk of asset failure is reduced by ensuring that portfolios invested in are diversified between investments in different companies in the case of equity investments, in different issues in the case of bond investments and deposits with different institutions in the case of cash deposits. That is, concentration risk is minimised. The risk is further reduced because the asset managers will invest in well-researched companies and in bonds with high credit ratings. Government bonds are underwritten by the government and are therefore considered to have negligible risk of failure. The risk of default is also captured in the additional returns offered by the asset.

• **Market timing**

Market timing is an investment technique where the investor seeks to improve long-term returns by correctly anticipating major moves in asset class prices. Empirical evidence suggests that in practice market timing more often reduces than increases returns as human nature is such that it is very difficult for a typical investor to sell assets when markets are at their peak and sentiment is positive, or to buy assets when markets are depressed. The Board manages the risk associated with market timing by delegating these decisions to the asset managers.

SCHEDULE HA
 NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
 FOR THE YEAR ENDED 30 JUNE 2017

16. RISK MANAGEMENT POLICIES (continued)

• **Tactical asset allocation**

Tactical asset allocation is a portfolio management technique applied by professional fund managers where they move assets between asset classes when their research suggests that the short-term prospects for one asset class are better than for another. Like most portfolio management techniques, tactical asset allocation introduces an opportunity to add value to portfolios when decisions are correct, but also introduces a chance of destroying value when decisions are incorrect. In the long term, tactical asset allocation by competent asset managers can be expected to enhance returns, but in the short term the possibility exists that a degree of additional risk can be introduced.

• **Asset manager risk**

The risk exists that a particular asset manager employed by the Fund could underperform its benchmark, resulting in poor relative returns. This manager-specific risk is reduced by investing with more than one manager. The contract that exists between the Fund and each individual investment manager appointed to manage a portion of the Fund's assets is typically in the form of an investment management agreement. This document sets out the terms and conditions of the agreement that will exist between the Fund and the investment manager. An important part of this mandate is the section that sets out the specific limitations and conditions under which the funds will be managed by the appointed investment manager. Examples of such limitations and restrictions are the use of derivatives for unauthorised or inappropriate purposes, investment in asset classes not permitted by the mandate, cash exposure limits or credit ratings limits. Breaches of mandate will be examined at least quarterly and reported in a suitable format, such as in a compliance report.

• **Legislative environment risk**

Changes in the legislative environment can impact investment decisions, for example the introduction or removal of tax on different sources of income or capital gains, changes in the level of permitted offshore investment and any introduction of requirements to invest in specific investments such as targeted development investments. The implications of any changes in legislation should be reviewed and where necessary appropriate changes should be sought in respect of portfolios in which the Fund's assets are invested. Further to the risks identified and explained above, Regulation 28 specifically addresses the importance for the Board to understand the Fund's exposure to credit risk, country risk and operational risk

17. RELATED PARTY TRANSACTIONS

During the current financial period, 30% of the Chief Executive's remuneration amounting R2,186,000 (2016: R1,469,000) was allocated to his duties as the Principal Officer.

The Board members of the Fund make contributions to the Fund and receive benefits in line with the Rules of the Fund.

During the financial year, trustee remuneration and related expenses amounting to R5,4 million (2016: R6,3 million) was incurred in respect of all trustees. The employer appointed trustee remuneration is paid directly to the employer.

The following transactions between the participating employer and the fund occurred during the year

- The participating employer made contributions to the Fund for members' retirement to the value of R2,1 billion (2016: R2,2 billion).
- The fund holds investments in the participating employer to the value of R2,2 billion (2016: R2,5 billion).
- The participating employers had outstanding contributions of R532 million at year end (2016: R537 million).

The following transactions occurred between the Fund and its executive management

Related party	Relationship	Description	Transactions R'000
Remuneration	Executive management	Cost to company	22 284
Total			22 284

ESKOM PENSION AND PROVIDENT FUND**SCHEDULE HA
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2017****18. OPERATING LEASE COMMITMENTS**

	2017 R'000	2016 R'000
Future minimum operating lease payments		
Within one year	25 908	24 570
Between one and five years	67 050	89 543
After five years	-	2 573
Total	92 958	116 686

The Fund has the following operating leases in existence at, or subsequent to year end:

Eight year operating lease with Omni Plus Software and Global ASP Limited for software and remote processing services. The lease expires in June 2020.

Eight year operating lease with Maitland Group South Africa Limited for an investment administration system. The lease expires in June 2021.

Five year operating lease with Barra International LLC for data processing and reporting services relating to investment risk management. The lease expires in March 2020.

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE HA
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2017

19. SURPLUS AND RESERVE ACCOUNTS

	Normal Retirement	Additional Voluntary Contributions	Performance Bonus Scheme	Accumulated Funds	Reserve Accounts Total	In-service solvency reserve	In-service contribution reserve	Pensioner solvency reserve
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
At beginning of year	90 873 847	520 577	4 541 288	95 935 712	33 543 000	13 710 000	9 628 000	10 205 000
Adjustment to unclaimed benefits	(312)	-	-	(312)	-	-	-	-
Contributions received and accrued	3 286 790	31 360	361 404	3 679 554	-	-	-	-
Net investment income	3 352 530	-	-	3 352 530	-	-	-	-
Allocated to unclaimed benefits	(22 250)	-	-	(22 250)	-	-	-	-
Other income:	25 391	-	-	25 391	-	-	-	-
- Securities lending fees	25 391	-	-	25 391	-	-	-	-
Less:	(196 502)	-	-	(196 502)	-	-	-	-
- Administration costs	(196 502)	-	-	(196 502)	-	-	-	-
Net income before transfers and benefits	97 319 494	551 937	4 902 692	102 774 123	33 543 000	13 710 000	9 628 000	10 205 000
Transfers and benefits	(3 988 138)	(33 866)	(267 226)	(4 289 230)	-	-	-	-
Transfers from other funds	-	9 418	-	9 418	-	-	-	-
Transfers to other funds	(241 065)	-	-	(241 065)	-	-	-	-
Benefits	(3 747 073)	(43 284)	(267 226)	(4 057 583)	-	-	-	-
Net income after transfers and benefits	93 331 356	518 071	4 635 466	98 484 893	33 543 000	13 710 000	9 628 000	10 205 000
Transfer between accumulated funds	-	-	-	-	-	-	-	-
Transfer between reserve accounts	9 136 096	(2 873)	297 777	9 431 000	(9 431 000)	(2 618 000)	(7 382 000)	569 000
Net investment return	(660 110)	64 882	595 228	-	-	-	-	-
At end of year	101 807 342	580 080	5 528 471	107 915 893	24 112 000	11 092 000	2 246 000	10 774 000

ESKOM PENSION AND PROVIDENT FUND

REPORT OF THE VALUATOR FOR THE YEAR ENDED 30 JUNE 2017

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE HB REPORT OF THE VALUATOR

FINANCIAL YEAR: 30 June 2017

Particulars of financial condition of the Fund as at 30 June 2017

An annual actuarial valuation was carried out as at 30 June 2017. In respect of this valuation, I can comment as follows:

1. The fair value of the net assets of the Fund after deduction of current liabilities and any liabilities arising from the pledging, hypothecation or other encumbering of the assets of the Fund – R132 017 million.
2. The actuarial value of the net assets for the purposes of comparison with the accrued liabilities of the Fund – R131 736 million.
3. The actuarial present value of promised retirement benefits – R87 930 million vested, and R0 non-vested.
4. Contingency reserve account balances – R24 112 million.
5. The projected unit method was adopted for the valuation, which is unchanged from the method used at the last valuation. The contingency reserves comprise a solvency reserve calculated as the estimated additional amount required, to the extent that sufficient assets are available, to ensure that the liabilities and assets can be matched on a substantially risk-free basis, a contribution reserve equal to the expected present value of the future contribution shortfall for the current membership, and a pension increase affordability reserve equal to the excess (if any) of the notional pensioner account over the pensioner liability and solvency reserve.
6. The key financial assumptions are that investment returns will exceed salary inflation by 4.80% per annum (3.80% at the previous valuation) before allowing for an age-related promotional scale. Future pension increases were assumed to be equal to the assumed consumer price inflation rate of 7.40% per annum (6.70% at the previous valuation). The yield used to calculate the solvency reserve was equal to the assumed yield on index-linked bonds at the valuation date, adjusted for real salary increases and asset management fees. The approach is unchanged from the previous valuation.
7. Members contribute at 7.3% of pensionable salaries and the employers contribute 13.5%. There is a contribution surplus relative to the fixed contribution rate payable in terms of the rules. At the valuation date this surplus amounted to 0.60% of pensionable salaries (3.47% shortfall at the previous statutory valuation).
8. In my opinion the Fund was in a sound financial condition as at 30 June 2017 for the purposes of the Pension Funds Act, 1956.

Prepared by me:



David K Little
VALUATOR

Fellow of the Actuarial Society of South Africa

In my capacity as the valuator of the Fund and as an Associate of Towers Watson (Pty) Ltd, a Willis Towers Watson company.

7 November 2017



SCHEDULE I

REPORT OF THE INDEPENDENT AUDITOR OF ESKOM PENSION AND PROVIDENT FUND OF FACTUAL FINDINGS TO THE BOARD OF FUND AND THE REGISTRAR OF PENSION FUNDS

We have performed the procedures agreed with the Registrar of Pension Funds (the "Registrar") and set out below with respect to the audited financial statements ("annual financial statements") and other information in the general ledger and management information comprising the accounting records of the Eskom Pension and Provident Fund (the "Fund") for the year ended 30 June 2017. Our engagement was undertaken in accordance with the International Standard on Related Services (ISRS) 4400 *Engagements to perform agreed-upon procedures regarding financial information*. Our procedures were performed solely to assist the Registrar in evaluating whether any instances of non-compliance with the requirements of the relevant sections of the Pension Funds Act of South Africa (the Act), regulations and rules of the Fund were identified. The responsibility for determining the adequacy or otherwise of the procedures agreed to be performed, is that of the Registrar.

Procedures and findings

Our procedures performed are set out in the numbered paragraphs in the attached table, which forms part of our report, together with our findings thereon. Unless otherwise indicated, all balances, lists, schedules etc. referred to in the table relate to the accounts/balances reflected in the annual financial statements of the Fund for the year ended 30 June 2017.

Because the procedures do not constitute an audit, a review or other assurance engagement performed in accordance with the IAASB's International Standards we do not express any assurance. Had we performed additional procedures, or had we performed an audit, a review, or other assurance engagement, other matters might have come to our attention that would have been reported.

Restriction on use and distribution

Our report is solely for the purpose set out in the first paragraph of this report and for the information of the Registrar and accordingly may not be suitable for any other purpose and distributed to other parties. This report relates only to the information specified and does not extend to the annual financial statements of the Fund taken as a whole.

C Mitchelson

Director

17 November 2017

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PricewaterhouseCoopers Inc., 2 Eglin Road, Sunninghill 2157, Private Bag X36, Sunninghill 2157, South Africa
T: +27 (0) 11 797 4000, F: +27 (0) 11 797 5800, www.pwc.co.za

Chief Executive Officer: T D Shango
Management Committee: S N Madikane, J S Masondo, P J Mothibe, C Richardson, F Tonelli, C Volschenk
The Company's principal place of business is at 2 Eglin Road, Sunninghill where a list of directors' names is available for inspection.
Reg. no. 1998/012055/21, VAT reg.no. 4950174682

Procedures and Findings

	Procedures	Findings
	Statement of Net Assets and Funds	
1	Investments	
1.1	Inspected the list of investment balances reflected in the general ledger of the Fund as at 30 June 2017 for any investments in accordance with the terms of section 19(4) of the Act.	
1.1.1	Agree details of the written confirmations obtained from the investment managers/insurers to the investment balances reflected in the general ledger.	Details of the written confirmations obtained from the investment managers and insurers were agreed to the investment balances reflected in the general ledger. No differences were noted.
1.1.2	Where investments held in the participating employer exceed 5% of the total assets as reflected in the financial statements, inspect the appropriate approval of the Registrar.	Not applicable. The Fund did not have investments in the participating employer that exceed 5%.
1.2	Obtain the fund's signed investment policy statement and investment mandates, for the 3 largest investment balances as at 30 June 2017 and 7 other randomly selected mandates:	

	Procedures	Findings																																												
1.2.1	Inspect whether the underlying investments are in compliance with the signed investment policy statement and, where applicable, the portfolio management agreement/investment mandate.	<p data-bbox="790 282 1490 376">Inspection of the underlying investments, investment mandate and investment policy statement (“IPS”) revealed the following:</p> <table border="1" data-bbox="790 398 1490 1131"> <thead> <tr> <th data-bbox="790 398 1007 465">Investment manager</th> <th data-bbox="1007 398 1198 465">Underlying investment</th> <th data-bbox="1198 398 1390 465">Investment mandate</th> <th data-bbox="1390 398 1490 465">IPS</th> </tr> </thead> <tbody> <tr> <td data-bbox="790 465 1007 533">Black Rock Investment Management (UK) Ltd</td> <td data-bbox="1007 465 1198 533">Collective Investment Scheme</td> <td data-bbox="1198 465 1390 533">Collective Investment Scheme</td> <td data-bbox="1390 465 1490 533">Allowed</td> </tr> <tr> <td data-bbox="790 533 1007 622">SEI Investments(Europe) Ltd</td> <td data-bbox="1007 533 1198 622">Collective Investment Scheme</td> <td data-bbox="1198 533 1390 622">Collective Investment Scheme</td> <td data-bbox="1390 533 1490 622">Allowed</td> </tr> <tr> <td data-bbox="790 622 1007 712">Morgan Stanley Investment Management Ltd</td> <td data-bbox="1007 622 1198 712">Segregated portfolio</td> <td data-bbox="1198 622 1390 712">Segregated portfolio</td> <td data-bbox="1390 622 1490 712">Allowed</td> </tr> <tr> <td data-bbox="790 712 1007 779">Stanlib Asset Management Ltd</td> <td data-bbox="1007 712 1198 779">Segregated portfolio</td> <td data-bbox="1198 712 1390 779">Segregated portfolio</td> <td data-bbox="1390 712 1490 779">Allowed</td> </tr> <tr> <td data-bbox="790 779 1007 846">Aeon Investment Management (Pty) Ltd</td> <td data-bbox="1007 779 1198 846">Segregated portfolio</td> <td data-bbox="1198 779 1390 846">Segregated portfolio</td> <td data-bbox="1390 779 1490 846">Allowed</td> </tr> <tr> <td data-bbox="790 846 1007 913">Mergence Investment Managers (Pty) Ltd</td> <td data-bbox="1007 846 1198 913">Segregated portfolio</td> <td data-bbox="1198 846 1390 913">Segregated portfolio</td> <td data-bbox="1390 846 1490 913">Allowed</td> </tr> <tr> <td data-bbox="790 913 1007 981">Argon Asset Management (Pty) Ltd</td> <td data-bbox="1007 913 1198 981">Segregated portfolio</td> <td data-bbox="1198 913 1390 981">Segregated portfolio</td> <td data-bbox="1390 913 1490 981">Allowed</td> </tr> <tr> <td data-bbox="790 981 1007 1048">Duet Asset Management Ltd</td> <td data-bbox="1007 981 1198 1048">Collective Investment Scheme</td> <td data-bbox="1198 981 1390 1048">Collective Investment Scheme</td> <td data-bbox="1390 981 1490 1048">Allowed</td> </tr> <tr> <td data-bbox="790 1048 1007 1115">Old Mutual Investment Group (Pty) Ltd</td> <td data-bbox="1007 1048 1198 1115">Segregated portfolio</td> <td data-bbox="1198 1048 1390 1115">Segregated portfolio</td> <td data-bbox="1390 1048 1490 1115">Allowed</td> </tr> <tr> <td data-bbox="790 1115 1007 1131">Pan-African Asset Management (Pty) Ltd</td> <td data-bbox="1007 1115 1198 1131">Segregated portfolio</td> <td data-bbox="1198 1115 1390 1131">Segregated portfolio</td> <td data-bbox="1390 1115 1490 1131">Allowed</td> </tr> </tbody> </table>	Investment manager	Underlying investment	Investment mandate	IPS	Black Rock Investment Management (UK) Ltd	Collective Investment Scheme	Collective Investment Scheme	Allowed	SEI Investments(Europe) Ltd	Collective Investment Scheme	Collective Investment Scheme	Allowed	Morgan Stanley Investment Management Ltd	Segregated portfolio	Segregated portfolio	Allowed	Stanlib Asset Management Ltd	Segregated portfolio	Segregated portfolio	Allowed	Aeon Investment Management (Pty) Ltd	Segregated portfolio	Segregated portfolio	Allowed	Mergence Investment Managers (Pty) Ltd	Segregated portfolio	Segregated portfolio	Allowed	Argon Asset Management (Pty) Ltd	Segregated portfolio	Segregated portfolio	Allowed	Duet Asset Management Ltd	Collective Investment Scheme	Collective Investment Scheme	Allowed	Old Mutual Investment Group (Pty) Ltd	Segregated portfolio	Segregated portfolio	Allowed	Pan-African Asset Management (Pty) Ltd	Segregated portfolio	Segregated portfolio	Allowed
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	Procedures	Findings																																																																	
1.2.2	Inspect whether the investment mandate and the investment policy statement provide for securities lending transactions and investments in hedge funds, private equity funds and derivatives, as prescribed.	<p>Inspection of the underlying investments, investment mandate and investment policy statement revealed the following:</p> <p>Investment Mandates</p> <table border="1" data-bbox="799 421 1490 1160"> <thead> <tr> <th></th> <th>Securities lending allowed</th> <th>Hedge Funds allowed</th> <th>Private equities allowed</th> <th>Derivatives allowed</th> </tr> </thead> <tbody> <tr> <td>Black Rock Investment Management (UK) Ltd</td> <td>Yes</td> <td>Not specified</td> <td>Not specified</td> <td>Yes</td> </tr> <tr> <td>SEI Investments(Europe) Ltd</td> <td>Not specified</td> <td>Not specified</td> <td>Not specified</td> <td>Yes</td> </tr> <tr> <td>Morgan Stanley Investment Management Ltd</td> <td>Not specified</td> <td>No</td> <td>No</td> <td>Yes</td> </tr> <tr> <td>Stanlib Asset Management Ltd</td> <td>Not specified</td> <td>No</td> <td>No</td> <td>Yes</td> </tr> <tr> <td>Aeon Investment Management (Pty) Ltd</td> <td>Not specified</td> <td>Yes</td> <td>Yes</td> <td>Yes</td> </tr> <tr> <td>Mergence Investment Managers (Pty) Ltd</td> <td>Not specified</td> <td>No</td> <td>No</td> <td>Yes</td> </tr> <tr> <td>Argon Asset Management (Pty) Ltd</td> <td>Not specified</td> <td>No</td> <td>No</td> <td>Yes</td> </tr> <tr> <td>Duet Asset Management Ltd</td> <td>Not specified</td> <td>Yes</td> <td>Yes</td> <td>Yes</td> </tr> <tr> <td>Old Mutual Investment Group (Pty) Ltd</td> <td>Not specified</td> <td>Yes</td> <td>No</td> <td>Yes</td> </tr> <tr> <td>Pan-African Asset Management (Pty) Ltd</td> <td>Not specified</td> <td>No</td> <td>No</td> <td>Yes</td> </tr> </tbody> </table> <p>Investment Policy Statement</p> <table border="1" data-bbox="799 1216 1490 1328"> <thead> <tr> <th></th> <th>Securities lending allowed</th> <th>Hedge Funds allowed</th> <th>Private equities allowed</th> <th>Derivatives allowed</th> </tr> </thead> <tbody> <tr> <td>IPS</td> <td>Yes</td> <td>Yes</td> <td>Yes</td> <td>Yes</td> </tr> </tbody> </table>		Securities lending allowed	Hedge Funds allowed	Private equities allowed	Derivatives allowed	Black Rock Investment Management (UK) Ltd	Yes	Not specified	Not specified	Yes	SEI Investments(Europe) Ltd	Not specified	Not specified	Not specified	Yes	Morgan Stanley Investment Management Ltd	Not specified	No	No	Yes	Stanlib Asset Management Ltd	Not specified	No	No	Yes	Aeon Investment Management (Pty) Ltd	Not specified	Yes	Yes	Yes	Mergence Investment Managers (Pty) Ltd	Not specified	No	No	Yes	Argon Asset Management (Pty) Ltd	Not specified	No	No	Yes	Duet Asset Management Ltd	Not specified	Yes	Yes	Yes	Old Mutual Investment Group (Pty) Ltd	Not specified	Yes	No	Yes	Pan-African Asset Management (Pty) Ltd	Not specified	No	No	Yes		Securities lending allowed	Hedge Funds allowed	Private equities allowed	Derivatives allowed	IPS	Yes	Yes	Yes	Yes
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1.2.3	Inspect whether the collateral and counterparty requirements as prescribed are complied with.	The collateral and counterparty requirements were complied with.																																																																	

	Procedures	Findings																										
1.2.4	<p>For segregated portfolios, confirm directly with the investment administrator(s):</p> <p>(a) whether scrip lending took place during the year ending 30 June 2017 and, if so,</p> <p>(b) whether there was collateral provided by the counterparty/(ies) for any scrip lending activities and, if so,</p> <p>(c) the percentage exposure covered by the collateral.</p> <p>Report on the amount for (a).</p>	<p>The direct confirmations received from the asset managers, security lenders and the Fund's custodians confirmed that:</p> <p>(a) scrip lending took place during the year. Refer to the table below for scrip lending amounts as at 30 June 2017; and</p> <p>(b) collateral was provided by the counterparty for any scrip lending activities; and</p> <p>(c) collateral provided covered percentages of the exposure as set out in the following table as at 30 June 2017:</p> <table border="1" data-bbox="837 560 1404 862"> <thead> <tr> <th>Institution</th> <th>Market Value of Script R</th> <th>% Collateral</th> </tr> </thead> <tbody> <tr> <td>Standard Bank</td> <td>9,718,086,636</td> <td>102.55%</td> </tr> <tr> <td>Nedbank</td> <td>3,311,002,999</td> <td>159%</td> </tr> </tbody> </table>	Institution	Market Value of Script R	% Collateral	Standard Bank	9,718,086,636	102.55%	Nedbank	3,311,002,999	159%																	
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Nedbank	3,311,002,999	159%																										
2	Member individual accounts (defined contributions funds as well as defined contribution section of hybrid funds)																											
2.1	<p>Obtain a list of members forming part of the additional voluntary scheme and performance bonus scheme and noted the following differences when compared to the statement of net assets and funds as at 30 June 2017.</p>	<p>Obtained a list of members forming part of the Additional Voluntary Scheme (AVC) and Performance Bonus Scheme (PBS) and noted the following differences when compared to the Statement of Net Assets and Funds in the Annual financial Statements (AFS) as at 30 June 2017.</p> <table border="1" data-bbox="798 1142 1428 1568"> <thead> <tr> <th>AVC Balance</th> <th>R'ooo</th> </tr> </thead> <tbody> <tr> <td>AVC scheme report balance</td> <td>583,061</td> </tr> <tr> <td>Transfer between reserves</td> <td>-2,873</td> </tr> <tr> <td>Recalculated Total</td> <td>580,188</td> </tr> <tr> <td>Amount as per AFS</td> <td>580,080</td> </tr> <tr> <td>Unreconciled Difference</td> <td>108</td> </tr> <tr> <td colspan="2">PBS Balance</td> </tr> <tr> <td colspan="2">R'ooo</td> </tr> <tr> <td>PBS scheme report balance</td> <td>5,246,795</td> </tr> <tr> <td>Transfer between reserves</td> <td>297,777</td> </tr> <tr> <td>Recalculated Total</td> <td>5,544,572</td> </tr> <tr> <td>Amount as per AFS</td> <td>5,528,471</td> </tr> <tr> <td>Unreconciled Difference</td> <td>16,101</td> </tr> </tbody> </table>	AVC Balance	R'ooo	AVC scheme report balance	583,061	Transfer between reserves	-2,873	Recalculated Total	580,188	Amount as per AFS	580,080	Unreconciled Difference	108	PBS Balance		R'ooo		PBS scheme report balance	5,246,795	Transfer between reserves	297,777	Recalculated Total	5,544,572	Amount as per AFS	5,528,471	Unreconciled Difference	16,101
AVC Balance	R'ooo																											
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Unreconciled Difference	16,101																											
2.2	Select a random sample of the lesser of 25 or 10% of the number of members from the list of members and perform the following procedures:																											
2.2.1	Compare the member and employer contributions received and allocated for the members selected as reflected on the administrator's system, to information supplied by the participating employers for those members selected, for a randomly selected period of three months.	The member and employer contributions received and allocated for the members selected as reflected on the administrator's system agreed to information supplied by the participating employers for the three months selected of August 2016, May 2017 and June 2017.																										

	Procedures	Findings
2.2.2	Compare the member and employer contribution rates for the members selected as reflected on the administrator's system, to the rules of the Fund, for a randomly selected period of three months (including the last month of the year under review).	The member and employer contribution rates for the members selected as reflected on the administrator's system agreed to the rules of the Fund. The months of August 2016, May 2017 and June 2017 were selected for testing. No exceptions were noted.
2.2.3	In respect of unitised investment products, for the three months selected in 2.2.1 and 2.2.2, calculate the conversion of the contributions at the unit price per the administration system on the dates that the contributions were invested and compare the units recalculated to the administration system units for the selected members. Inspect that the units were added to the existing units for that member.	Not applicable as the investment products are not unitised.
2.2.4	In respect of unitised investment products, calculate the conversion of units at the end of the year, at the 30 June 2017 unit price per the administration system and agree the calculated amount to the member's fund credit amount recorded in each member's record.	Not applicable.
2.2.5	In respect of unitised investment products, compare the unit price(s) as per investment manager/actuary/other authorised party at the year-end to the unit prices on the administration system used to calculate each member's credits at year-end.	Not applicable.
2.2.6	In respect of non-unitised investment products, compare the interim and/or final return allocated to each individual member's account in the administrator's records for the 30 June 2017 year under review to the return approved in accordance with a resolution of the Board of Fund or the rules of the Fund or approved recommendation by the investment consultant/asset manager/fund valuator.	The final return allocated to each individual member's account in the administrator's records agreed to the return approved in accordance with a resolution of the Board of Fund.
2.3	Obtain a list of members who switched investment portfolios during the year from the Fund/administrator, select a random sample of the lesser of 25 or 10% of members who switched between investment portfolios during the year, and perform the following procedures:	Not applicable as no life stage or member individual choice models have been adopted.

	Procedures	Findings
2.3.1	Inspect evidence that the portfolios were switched in accordance with notification of the member's instruction/ investment strategy (including life stage models) of the Fund and within a timeframe as specified in the service level agreement or client mandate between the administrator and the Fund.	Not applicable.
2.3.2	Inquire as to whether any fees relating to switches were deducted, and if so, inspect evidence of the approval by the Board of Fund and/or in terms of a service level agreement or client mandate.	Not applicable.
2.4	For investment products obtain the Asset Liability Match (ALM) reconciliation per investment portfolio, excluding the reserve accounts, for member individual accounts from the administrator, and perform the following procedures:	Not applicable. The additional voluntary contribution scheme and performance bonus scheme are not backed by specific investment portfolios.
2.4.1	Compare the investments per product on the ALM reconciliation to the investment certificates in total.	Not applicable.
2.4.2	Compare the member individual accounts on the ALM reconciliation per investment portfolio to the administration system and to the total member individual accounts as disclosed in the Statement of Net Assets and Funds.	Not applicable.
2.4.3	Inspect whether the total mismatch (in Rand) for all portfolios was within the range as prescribed by the Registrar.	Not applicable
3	Accumulated funds (for defined benefit funds as well as defined benefit sections of hybrid funds)	
3.1	Select a sample of the lesser of 25 or 10% of the number of members from the list of members provided by the administrator and perform the following procedures for each member selected:	
3.1.1	Compare the member contributions received and allocated for the members selected as reflected on the administrator's system, to information supplied by the participating employers for those members selected, for a randomly selected period of three months (including the last month of the year under review).	The member contributions received and allocated for the members selected as reflected on the administrator's system agreed to information supplied by the participating employers for the three months selected of August 2016, May 2017 and June 2017.

	Procedures	Findings
4	Surplus apportionment scheme	
4.1	If a surplus apportionment scheme was approved by the Registrar in the current year or if allocation and/or payments to members were made during the year, perform the following procedures:	Not applicable. The Fund did not have a surplus apportionment scheme approved by the Registrar or allocations/payments made to members in the current year.
4.1.1	<u>Active members:</u> Select a random sample of the lesser of 25 or 10% of number of active members to whom surplus has been apportioned in the approved surplus apportionment scheme and perform the following procedures:	Not applicable.
4.1.1.1	Agree the original surplus amount allocated to the selected member to the individual allocation on the member records per the administration system.	Not applicable.
4.1.1.2	Inspect whether the calculation of the relevant investment return from surplus apportionment date to date of allocation was in accordance with the requirements of the Act and allocated to the member records in the administration system.	Not applicable.
4.1.2	<u>Former members and pensioners:</u> Select a random sample of the lesser of 25 or 10% of number of former members and pensioners as defined by the surplus apportionment scheme from the surplus schedules attached to the approved surplus apportionment scheme and perform the following procedures:	Not applicable.
4.1.2.1	Agree the original surplus amount allocated to the selected member and/or pensioner to the individual allocation on the member records per the administration system.	Not applicable.
4.1.2.2	Inspect whether the calculation of the relevant investment return from surplus apportionment date to date of allocation was in accordance with the requirements of the Act and allocated to the member records in the administration system.	Not applicable.

	Procedures	Findings
4.1.2.3	Agree the total of the amount calculated in 4.1.2.1 and 4.1.2.2 to the surplus benefit paid per selected member and to the applicable amount per the administration system and other authorised supporting documentation.	Not applicable.
5	Member and employer surplus accounts	
5.1	Obtain the analysis of the transactions in the member and/or employer surplus account per the annual financial statements, and perform the following procedure:	Not applicable as there are no member or employer surplus accounts in the Fund.
5.1.1	Inspect that the transactions are permitted in terms of the registered rules of the Fund and/or the Act.	Not applicable.
6	Reserves	
6.1	Obtain the list of reserves and other related accounts (e.g. pensioner accounts) and the movements per the financial statements and/or in the actuarial valuation, and perform the following procedures:	
6.1.1	Inspect whether the reserve and other related accounts (e.g. pensioner accounts) held by the Fund and/or reflected in the actuarial valuation are in accordance with the registered rules of the Fund.	The reserve accounts held by the Fund and reflected in the actuarial valuation are permitted in terms of the registered rules of the Fund.
6.1.2	Inspect that the movements in reserves as disclosed in the annual financial statements are permitted in terms of the registered rules of the Fund and/or the Act.	The movements in reserves as disclosed in the annual financial statements are permitted in terms of the registered rules of the Fund.
7	Other assets, liabilities and guarantees	
7.1	Obtain the list of housing loans granted to members by the Fund in terms of section 19(5) of the Act as at year-end 30 June 2017, and perform the following procedure:	Not applicable as no housing loans were granted to members of the Fund.
7.1.1	Agree the total housing loans on the above list to the corresponding account in the annual financial statements.	Not applicable.
7.2	From the list in 7.1, randomly select a sample of the lesser of 25 or 10% of the number of members' housing loans granted and perform the following procedures:	Not applicable.

	Procedures	Findings
7.2.1	Inspect evidence that the value of the housing loan provided does not exceed the amount permitted by the rules and the home loan agreement.	Not applicable.
7.2.2	Inspect evidence that the housing loan has been granted in terms of Section 19(5) (a).	Not applicable.
7.2.3	Inspect evidence that repayments are being made in accordance with the housing loan agreement.	Not applicable.
7.2.4	Inspect the interest charged on the outstanding housing loan and compare the rate used to the prescribed rate.	Not applicable.
7.2.5	If the Fund issued more than 100 housing loans or the total principal debt of all outstanding loans exceeded R500 000, inquire whether the Fund was registered as a credit provider under the National Credit Act, 2005 (the NCA).	Not applicable.
7.3	Obtain the list of housing loan guarantees and select a sample of the lesser of 25 or 10% of the number of housing loan guarantees and perform the following procedures:	Not applicable.
7.3.1	For the sample selected, determine that each selected housing loan guarantee did not exceed the gross value of the benefit that the member would become entitled to had they withdrawn, as at the year end, in terms of the Act, the loan agreement and/or the rules of the Fund.	Not applicable.
7.3.2	Inspect evidence that the housing loan guarantee has been granted in terms of Section 19(5) (a).	Not applicable.
7.4	Obtain a list of other loans per the general ledger of the Fund as at 30 June 2017 and perform the following procedure:	Not applicable as no other loans were granted as at 30 June 2017.
7.4.1	Confirm that no loans were granted and/or investments made as prohibited in terms of section 19(5)B.	Not applicable.

	Procedures	Findings
	Statement of Changes in Net Assets and Funds	
8	Contributions	
8.1	Select a sample of the lesser of 25 or 10% of the number of participating employers or pay points (whichever is the lower) from a list of participating employer/pay-points supplied by the Fund/administrator, select three months and perform the following procedures:	
8.1.1	Compare, in total, the contributions received by or on behalf of the Fund to the remittance advices from the participating employer/pay-point.	The contributions received by or on behalf of the Fund agreed to the remittance advice documents from the selected participating employers for the months of August 2016, May 2017 and June 2017.
8.1.2	Inspect the bank statements for the date on which the cash was received to determine whether the contributions were deposited with a registered bank in accordance with section 13A of the Act and whether late payment interest has been raised in terms of regulation 33, where applicable.	Contributions were deposited with a registered bank in accordance with section 13A of the Act. Contributions for May 2017 were not received within the prescribed period. Late payment interest has been raised in terms of regulation 33.
8.2	Select a sample of the lesser of 25 or 10% of the number of participating employers or pay points which reflect arrear contributions (whichever is the lower) at year-end from a list supplied by the Fund/administrator and perform the following procedure:	
8.2.1	Inspect the accounting records of the Fund to determine whether amounts disclosed as arrear contributions at year-end have been paid to the Fund within the prescribed period in accordance with the requirements of section 13A of the Act. Where the amounts were received after the prescribed period, report the date of receipt and where they were not received, indicate as such.	Amounts disclosed as arrear contributions at year-end have been paid to the Fund within the prescribed period in accordance with the requirements of section 13A of the Act.
9	Benefits	
9.1	Obtain a list from the administration system of lump sum benefits reflected as expenses in the Fund's Statement of Changes in Net Assets and Funds for the year under review and perform the following procedure:	

	Procedures	Findings
9.1.1	Compare the list to the respective general ledger benefit expense accounts reconciliation.	The list agreed to the respective general ledger benefit expense accounts reconciliation.
9.2	Select a sample of the lesser of 25 benefits or 10% of the total number of benefits from the list and perform the following procedures:	
9.2.1	Compare the benefit per selected member to the administration system and authorised supporting documentation in accordance with the procedures of the Fund.	The benefit paid agreed to the administration system and authorised supporting documentation in accordance with the rules of the Fund.
9.2.2	For death benefits, where a portion of the benefit had been reinsured by the Fund, inspect a bank deposit or an accrual raised for the recovery from the insurer.	Not applicable as benefits are not re-insured.
9.2.3	<p><u>For a defined benefit fund:</u> Inspect that the calculation of the benefit payment was done by the actuary in accordance with the requirements of the rules of the Fund and/or the Act.</p> <p><u>For a defined contribution fund</u> Agree the opening fund credit for the member to the opening fund credit report and determine whether contributions were added every month until the date of exit (either by Rand amount or in the case of unitised funds, by units). Agree the balance paid out to the member (inclusive of late payment interest where applicable) to the fund credit report or administration system as at the date of exit.</p>	<p><u>For a defined benefit fund:</u> The calculation of the benefit payment by the Fund was done in terms of the requirements of the rules of the Fund and/or the Act for the members selected in our sample.</p> <p>In respect of the Performance Bonus Scheme and the Additional Voluntary Scheme, the opening fund credit for the selected members agreed to the opening fund credit report and contributions were added every month until the date of exit. The balance paid out to the selected members (inclusive of late payment interest where applicable) agreed to the fund credit report or administration system as at the date of exit.</p>

	Procedures	Findings
9.3	Obtain a list of all benefits not yet paid at year-end, select a sample of the lesser of 25 benefits or 10% of the total number of benefits from the list and perform the following procedure:	
9.3.1	Agree whether the benefits that are older than the period as set out in the Act or a shorter period defined by the Rules are classified as unclaimed benefits.	The benefits that were older than the period as set out in the Act and by the Rules of the Fund were classified as unclaimed benefits.
10	Transfers	
10.1	Compare the list of total section 14 transfers to and from the Fund to the corresponding accounts in the general ledger.	The total section 14 transfers to the Fund listing agreed to the corresponding accounts in the general ledger. No section 14 transfers from the Fund were noted during the 2017 financial year.
10.2	From the list of section 14 transfers paid/received and accrued to and from the Fund throughout the year select a sample of the lesser of 25 or 10% of the number of transfers in and the lesser of 25 or 10% of the number of transfers out, and perform the following procedures:	
10.2.1	Agree the sample of section 14 transfers to and from the Fund to: a) the section 14(1) documentation as approved by the Registrar in respect of each transfer; and/or b) the section 14(8) documentation as prescribed.	The sample of section 14 transfers to the Fund agreed to the section 14(1) documentation as approved by the Registrar in respect of each transfer. No exceptions noted.
10.2.2	Inspect whether the transfers to and from the Fund were received/paid within 60 days of Registrar approval for section 14(1) transfers and 180 days from application date for section 14(8) transfers and whether the growth and investment return had been allocated from the effective date of the transfer to the date of final settlement.	The transfers to the Fund were received within 60 days of Registrar approval for section 14(1) transfers.
10.2.3	In respect of unitised funds, select a sample of the lesser of 25 or 10% of the number of members transferred from other funds and recalculate the purchase of units for the amount received using the unit price per the administration system on the date of receipt. (Where units were purchased after date of receipt, investment return was added from the date of receipt to the date of purchase).	Not applicable as the Fund is not a unitised Fund.

	Procedures	Findings
10.3	Individual transfers Obtain the list of individual transfers throughout the year ended 30 June 2017, select a sample of the lesser of 25 or 10% of the number of individual transfers, and perform the following procedures:	
10.3.1	Agree the transfers to the approved recognition of transfer documentation.	The transfers agreed to the approved recognition of transfer documentation for the sample selected.
10.3.2	For individual transfers in selected In respect of unitised funds, recalculate the purchase of units for the amount received using the unit price per the administration system on the date of receipt. (Where units were purchased after date of receipt investment return was added from the date of receipt to the date of purchase).	Not applicable as the Fund is not a unitised fund.
11	Pensioners paid	
11.1	Obtain a copy of the list of pensioners and amounts paid for the year from the administration system and/or, for outsourced pensioners, confirmation from the insurer and perform the following procedure:	
11.1.1	Agree the total pensions paid for the year ended 30 June 2017 to the corresponding account reconciliation to the general ledger balance.	The total pensions paid agreed to the corresponding account reconciliation to the general ledger balance for the period ended 30 June 2017.
11.2	Select a sample of the lesser of 25 or 10 % of the number of pensioners paid directly from the fund from the above list and perform the following procedures:	
11.2.1	Inspect the pensioner increases for authorisation by the Board of Fund.	Except for 1 pensioner who did not receive a pensioner increase, the pensioner increases were authorised by the Board of Fund.
11.2.2	Inspect evidence obtained by the administrator/Fund supporting the fact that the pensioners selected exist.	The evidence inspected indicated that the selected pensioners existed.
11.3	Where the Fund has purchased an annuity in the name of the Fund, obtain a written confirmation from the annuity provider summarising movements from opening market value to closing market value and perform the following procedures:	Not applicable. The Fund has not purchased an annuity in the name of the Fund.

	Procedures	Findings
11.3.1	Agree the closing market value of the annuity to the annual financial statements.	Not applicable. The Fund has not purchased an annuity in the name of the Fund.
11.3.2	Agree the pensioner payment per the confirmation from the insurer to the pensions paid disclosed in the notes to the annual financial statements.	Not applicable. The Fund has not purchased an annuity in the name of the Fund.
	General	
12.1	Inspect evidence that the Fund's fidelity insurance cover was in place throughout the year ended 30 June 2017, that the Fund's fidelity insurance cover extends after year-end and report the date to which the subsequent fidelity insurance cover extends.	The Fund's fidelity insurance cover was in place throughout the year ended 30 June 2017. The Fund's fidelity insurance cover extended after year-end. The subsequent fidelity insurance cover extended to 30 June 2018.
12.2	Confirm with the Fund's GLA insurer as to whether the GLA policy has lapsed at year ended 30 June 2017.	Not applicable as no reinsurance in the Fund's name was noted.
12.3	Obtain the most recent statutory valuation signed and submitted by the valuator as at 30 June 2015 and perform the following procedures:	
12.3.1	Report the funding status of the Fund per the report (whether the Fund was under-funded or fully funded).	The 2015 statutory actuarial report concluded that the Fund was fully funded.
12.3.2	Where the Fund is under-funded, obtain evidence as to whether a scheme, as required in terms of section 18 of the Act in South Africa, has been approved by the Registrar.	Not applicable as the Fund was fully funded.

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE IA - SCHEDULES PERTAINING TO THE ANNUAL FINANCIAL STATEMENTS
AT 30 JUNE 2017

INVESTMENTS

	Notes	Direct Investments	Non- compliant Collective investment schemes Note M1	Non- compliant Insurance policies Note M2	Derivative positions without residual risk Note G1	Total	Local	Foreign	Foreign Africa	Total Foreign	Total percentage of foreign exposure	Reconciling items between Schedule IB and Schedule F	TOTAL as per Regulation 28 (Schedule IB)
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Cash (including cash at bank)	A	4 501 676	-	-	-	4 501 676	3 281 425	1 222 350	97 901	1 220 251	27,11	374 818	4 876 494
Commodities	B	143 474	-	-	-	143 474	143 474	-	-	-	-	-	143 474
Debt instruments including Islamic debt Instruments	C	22 861 173	-	-	-	22 861 173	22 839 346	-	21 827	21 827	0,10	41 117	22 902 290
Investment and owner occupied properties	D	121 500	-	-	-	121 500	121 500	-	-	-	-	12 067 151	12 188 651
Equities	E	80 067 939	-	-	-	80 067 939	59 760 004	17 269 792	3 038 143	20 307 935	25,36	4 499 646	84 567 585
Derivative Market instruments	G	-	-	-	(11 507)	(11 507)	(11 507)	-	-	-	-	11 507	-
Investments in participating employers	H	2 343 143	-	-	-	2 343 143	2 343 143	-	-	-	-	-	2 343 143
Hedge Funds	J	786 679	-	-	-	786 679	786 679	-	-	-	-	1 497 360	2 284 039
Private Equity Funds	K	3 282 667	-	-	-	3 282 667	2 135 658	-	1 147 009	1 147 009	34,94	-	3 282 667
Collective Investment Schemes Insurance policies		-	16 628 746	-	-	16 628 746	131 257	13 913 181	2 584 308	16 497 489	99,21	(16 628 746)	-
Linked policies		-	-	1 862 853	-	1 862 853	1 862 853	-	-	-	-	(1 862 853)	-
Total investments		114 108 251	16 628 746	1 862 853	(11 507)	132 588 343	93 393 832	32 305 323	6 889 188	39 194 511	29,56	-	132 588 343

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE IA - SCHEDULES PERTAINING TO THE ANNUAL FINANCIAL STATEMENTS (continued)
AT 30 JUNE 2017

A CASH

Instrument	Fair Value R'000
Local	
Local notes, deposits, money market instruments issued by a South African Bank, margin accounts, settlement accounts with an exchange and Islamic liquidity management financial instruments	3 281 425
<i>Total of issuers not exceeding 5%</i>	334 863
A money market instrument issued by a South African bank including an Islamic liquidity management financial instrument	-
<i>Total of issuers not exceeding 5%</i>	2 422 123
Any positive net balance in a margin account with an exchange	-
<i>Total of issuers not exceeding 5%</i>	524 439
Foreign	
Foreign balances or deposits, money market instruments issued by a foreign bank including Islamic liquidity management financial instruments	1 220 251
Any balance or deposit held with a foreign bank	-
<i>Total of issuers not exceeding 5%</i>	1 122 350
Any balance or deposit held with an African bank	-
<i>Total of issuers not exceeding 5%</i>	97 901
Total	4 501 676

B COMMODITIES

Instrument	Holding number	Holding %	Fair value R'000
Exchange traded fund		Holding %	
New Palladium ETF	351 463	0,03	38 366
New Gold Platinum ETF	755	0,07	89 667
New Gold Limited	100	0,01	15 441
			143 474
			143 474
Total			143 474

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE IA - SCHEDULES PERTAINING TO THE ANNUAL FINANCIAL STATEMENTS (continued)
AT 30 JUNE 2017

C DEBT INSTRUMENTS INCLUDING ISLAMIC DEBT INSTRUMENTS

Instrument	Local or foreign	Secured/ Unsecured	Issued/ Guaranteed	Redemption value R'000	Fair value R'000
Government debt:					
Debt instruments issued by the government of the Republic and any debt or loan guaranteed by the Republic					
<i>Total of issuers not exceeding 5%</i>					
					19 749 794
Debt instruments issued or guaranteed by the government of a foreign country:					
<i>Total of issuers not exceeding 5%</i>					
					21 826
Bank debt :					
Debt instruments issued or guaranteed by a South African Bank against its balance sheet:-					
Listed on an exchange with an issuer market capitalisation of R20 billion or more, or an amount or conditions as prescribed					
<i>Total of issuers not exceeding 5%</i>					
					2 018 509
Public debt:					
Debt instruments issued or guaranteed by a public entity under the Public Finance Management Act, 1999 (Act No. 1 of 1999) as prescribed:-					
Airports Company of South Africa Limited (ACSA)	Local	Unsecured	Issued		45 678
Development Bank of South Africa	Local	Unsecured	Issued		125 940
Transnet Limited	Local	Unsecured	Issued		58 434
The South African National Roads Agency Limited	Local	Unsecured	Guaranteed		165 177
Rand Water	Local	Unsecured	Issued		45 120
Umgeni Water	Local	Unsecured	Issued		11 540
Total					451 889
Corporate debt (excluding debentures):					
Debt instruments issued or guaranteed by an entity that has equity listed on an exchange					
Listed on an exchange					
<i>Total of issuers not exceeding 5%</i>					
					390 860
Not listed on an exchange					
SANTAM LTD SUBORDINATED 06/27 VARSNT04 9.4250% 270622	Local	Unsecured	Issued		1 101
Steinhoff International Ltd COMPANY GUAR 10/22 VARSHS31 9.3420% 051022	Local	Unsecured	Guaranteed		4 995
BARLOWORLD LTD 05/20 1BAW25 9.1420% 080520	Local	Unsecured	Issued		4 662
RESILIENT PROP INC FUND LTD COMPANY GUAR 08/20 VARRES38 8.8750% 010820	Local	Unsecured	Guaranteed		4 670
GROWTHPOINT PROPERTIES LTD COMPANY GUAR 04/24 9.78GRT21 9.78% 030424	Local	Unsecured	Guaranteed		14 002
SappiSSA06 8.06% 160420	Local	Unsecured	Issued		35 684
BARLOWORLD LTD SR UNSECURED 03/22 9.295BAW 9.295% 24032022	Local	Unsecured	Issued		3 028
IMPERIAL HOLDINGS LTD COMPANY GUAR 05/21 VARIPL9 8.9720% 200521	Local	Unsecured	Guaranteed		1 008
Imperial GroupIPL10 9.37% 200521	Local	Unsecured	Issued		24 782

ESKOM PENSION AND PROVIDENT FUND

**SCHEDULE IA - SCHEDULES PERTAINING TO THE ANNUAL FINANCIAL STATEMENTS (continued)
AT 30 JUNE 2017**

Corporate debt (excluding debentures) - continued:

Mercedes-Benz SA Pty Ltd MBF049 3MJ+150BPS 14MAR19MBF049 8.8170% 140319	Local	Unsecured	Issued	4 035
Mercedes-Benz SA Pty Ltd MBF046 3mJ+134bps 17 Aug 2018MBF046 8.6820% 170818	Local	Unsecured	Issued	1 925
TOYOTA FIN SERV SA (PTY) LTD COMPANY GUAR 10/21 VARTFS142 8.7330% 281021	Local	Unsecured	Guaranteed	4 572
Steinhoff International Ltd COMPANY GUAR 09/17 10.16SHS19 10.16% 100917	Local	Unsecured	Guaranteed	2 581
LIBERTY GROUP LTD SUBORDINATED 08/20 9.165LGL04 9.165% 140820	Local	Unsecured	Issued	31 750
SANTAM LTD SNT02 3mJ+245bps 12 April2026SNT02 9.7920% 120421	Local	Unsecured	Issued	4 087
SANTAM LTD SNT03 11.77 PCT 12 April 2028SNT03 11.77% 120423	Local	Unsecured	Issued	4 272
MMI GroupMMIG02 10.065% 170321	Local	Unsecured	Issued	20 843
OLD MUTUAL LIFE ASSURANCE LTD 11/24 8.208OML02 9.5330% 271119	Local	Unsecured	Issued	9 130
OLD MUTUAL LIFE ASSURANCE LTD OML06 10.32% 19 Mar 2022OML06 10.32% 190322	Local	Unsecured	Issued	6 082
OLD MUTUAL LIFE ASSURANCE LTD OML07 10.955% 19 Mar 2025OML07 10.955% 190325	Local	Unsecured	Issued	10 242
OLD MUTUAL LIFE ASSURANCE LTD SUBORDINATED 11/24 9.255OML03 9.255% 271119	Local	Unsecured	Issued	3 885
Sanlam Life InsuranceSLI3 8.7% 150818	Local	Secured	Issued	13 455
SANLAM LIFE INSURANCE LTD SUBORDINATED 08/26 VARSLI4 9.5420% 150821	Local	Unsecured	Issued	4 657
Redefine Properties Ltd SR UNSECURED 09/21 VARRDFB08 9.1920% 300921	Local	Unsecured	Issued	4 302
GROWTHPOINT PROPERTIES LTD COMPANY GUAR 06/20 VARGRT12 9.0250% 240620	Local	Unsecured	Guaranteed	7 031
RESILIENT PROP INC FUND LTD COMPANY GUAR 08/21 VARRES35 9.2330% 250821	Local	Unsecured	Guaranteed	1 514
Total				228 295

Total debt instruments including Islamic debt instruments

22 861 173

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE IA - SCHEDULES PERTAINING TO THE ANNUAL FINANCIAL STATEMENTS (continued)
AT 30 JUNE 2017

D INVESTMENT AND OWNER OCCUPIED PROPERTIES

Instrument	Fair value R'000
Investment properties <i>Total of issuer/entity less than 5% of total assets</i>	121 500
Total investment properties	121 500
Total	121 500

Instrument	Local/ Foreign	Issued shares	Holding number	Ordinary/ Preference shares	Holding %	Fair value R'000
Shares and linked units in property companies, or units in a collective investment scheme in property, listed on an exchange:						
Total						121 500

E EQUITIES

Instrument	Local/ Foreign	Issued shares	Ordinary/ Preference shares	Holding number	Holding in issuer/ entity %	Fair value R'000
Listed equities						
Issuer market capitalisation of R20 billion or more, or an amount or conditions as prescribed <i>Total of issuers not exceeding 5%</i>						70 330 093
Issuer market capitalisation of between R2 billion and R20 billion, or an amount or conditions as prescribed <i>Total of issuers not exceeding 5%</i>						9 369 009
Issuer market capitalisation of less than R2 billion, or an amount or conditions as prescribed <i>Total of issuers not exceeding 5%</i>						368 837
Total equities						80 067 939

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE IA - SCHEDULES PERTAINING TO THE ANNUAL FINANCIAL STATEMENTS (continued)
AT 30 JUNE 2017

F SECURITIES LENDING

Securities on lend	Maximum of Fair value of security	Transaction date	Collateral	Fair value R'000	No. of shares lent	Name of counterparty	Script custodian	Manufactured dividend R'000
Equities – Top 100 of companies (by market cap) listed on an exchange	75%							
		30 Jun 16	Cash	716 456	28 731 019	Standard Bank	Nedbank	-
		30 Jun 16	Cash, equity bonds	3 311 003	36 297 837	Nedbank	Nedbank	-
Debt - Government bonds	75%							
		30 Jun 16	Cash	9 001 631	5 273 109 649	Standard Bank	Nedbank	-
Total				13 029 090				-

Included in the value above are the following script lending transactions:

Name of lender	Description	% of total assets	Value of transaction R'000
Standard Bank	Equities and bonds on loan	7,33	9 718 087
Nedbank	Equities on loan	2,50	3 311 003
Total			13 029 090

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE IA - SCHEDULES PERTAINING TO THE ANNUAL FINANCIAL STATEMENTS (continued)
 AT 30 JUNE 2017

G DIRECT DERIVATIVE MARKET INSTRUMENTS

G1 DERIVATIVE POSITIONS WITHOUT RESIDUAL RISK

Instrument	Fair value R'000
Options	
Futures/Forwards/SAFEX	
Currency swaps	
Interest rate swaps	
ABSA Bank	(10 724)
Deutsche Bank	5 195
FirstRand	(2 972)
Nedbank	(3 006)
Forward rate agreements	
Equity linked instruments	
Other	
Total	<u><u>(11 507)</u></u>

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE IA - SCHEDULES PERTAINING TO THE ANNUAL FINANCIAL STATEMENTS (continued)
AT 30 JUNE 2017

H INVESTMENTS IN PARTICIPATING EMPLOYER/S

Instrument	Listed or not listed	Issued/ Guaranteed	Fair value R'000
Debt instruments			
<i>Total of issuers not exceeding 5%</i>			2 343 143
Subtotal			<u><u>2 343 143</u></u>
Total for investments in participating employers			<u><u>2 343 143</u></u>

J HEDGE FUNDS

Instrument	Period into contract	Total value of commitment R'000	Current value of commitment R'000
Hedge Funds			
Matrix Fixed Income Fund	N/A	6 290	786 679
Total Hedge funds commitment		<u><u>6 290</u></u>	

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE IA - SCHEDULES PERTAINING TO THE ANNUAL FINANCIAL STATEMENTS (continued)
AT 30 JUNE 2017

K PRIVATE EQUITY FUNDS

Instrument	Local or Foreign	Structure	Category 2 approval	FAIS approval number	Holding %	Term of contract	Number of permitted drawdowns as per contract	Number of permitted drawdowns exercised	Total value of commitment R'000	Current value of commitment R'000
Private Equity Fund										
AFRICAN INFRASTRUCT INV FUND	Local	Partnerships	Yes	4307	0,03 %	10years	Unlimited	Nil	50 000	37 777
BRAIT IV	Local	Partnerships	Yes	820	0,03 %	10years	Unlimited	Nil	75 000	46 350
BUSAMED PROP LTD	Local	Other	No	N/A	0,38 %				-	499 680
CAPITALWORKS PRVTE EQUITY	Local	Partnerships	Yes	45888	0,04 %	10years	Unlimited	One	50 000	58 320
CAPITALWORKS PRVTE EQUITY 2	Local	Partnerships	Yes	45890	0,09 %	10years	Unlimited	Six	200 000	114 439
ETHOS TECHNOLOGY FUND 1	Local	Partnerships	Yes	9254	- %	10years with extension	Unlimited	Nil	20 000	-
ETHOS PVTE EQT FUND V	Local	Partnerships	Yes	9254	0,01 %	10years with extension	Unlimited	Nil	100 000	13 422
ETHOS PVTE EQUITY FUND VI	Local	Partnerships	Yes	9254	0,08 %	10years	Unlimited	Four	185 000	107 726
HOUSING IMPACT FUND SA	Local	Partnerships	Yes	45255	0,09 %	10years	Unlimited	Nine	150 000	123 597
KLEOSS FUND 1	Local	Partnerships	Yes	45656	0,02 %	10years	Unlimited	Four	75 000	31 055
LEREKO-METIER CAPT GROWTH	Local	Partnerships	Yes	23261	0,02 %	10years	Unlimited	Four	100 000	24 858
MEDU II PARTNERSHIP AGREE	Local	Partnerships	Yes	40187	0,01 %	10years	Unlimited	Nil	50 000	11 118
MEDU III CAPITAL FUND	Local	Partnerships	Yes	40187	0,07 %	10years	Unlimited	Two	150 000	93 717
SA INFRASTRUCT SUB FUND2	Local	Partnerships	Yes	4307	- %	10years	Unlimited	Nil	100 000	-
SA INFRASTRUCT MAIN FUND	Local	Partnerships	Yes	4307	- %	10years	Unlimited	Nil	8 950	-
SPHERE PVTE EQT FUND 1	Local	Partnerships	Yes	22327	- %	10years	Unlimited	Nil	30 000	-
STANLIB INFRASTRUCTURE FUND	Local	Partnerships	Yes	719	0,09 %	10years	Unlimited	Onr	100 000	123 971
TREACLE FUND 11	Local	Partnerships	Yes	8434	- %	10years	Unlimited	One	40 900	-
TRINITAS PRIVATE EQT FUND	Local	Partnerships	Yes	43242	0,04 %	10years	Unlimited	Five	50 000	47 806
VANTAGE CAPITAL FUND 1 TR	Local	Partnerships	Yes	28711	0,01 %	10years with extension	Unlimited	Nil	20 000	6 704
VANTAGE MEZZANINE FUND 1	Local	Partnerships	Yes	25807	- %	10years	Unlimited	Nil	50 000	1 358
VANTAGE MEZZANINE FUND 2	Local	Partnerships	Yes	25807	0,10 %	10years	Unlimited	Two	100 000	129 337
VANTAGE MEZZANINE FUND 3	Local	Partnerships	Yes	45610	0,08 %	10years	Unlimited	Six	187 600	101 766
VAN SCHAICK BOOK STORES	Local	Other	No	N/A	0,04 %	10years	Unlimited	Nil	100 000	51 811
WOMEN PRIV EQT FUND 1	Local	Partnerships	Yes	11686	- %	8 years with extensions	Unlimited	Nil	20 000	1 228
AUREOS AFRICA FUND	Foreign	Partnerships	Yes	44310	0,03 %	10years	Unlimited	Three	78 615	42 951
AUREOS AFRICA FUND 3	Foreign	Partnerships	Yes	44310	0,16 %	10years	Unlimited	Three	524 100	207 227

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE IA - SCHEDULES PERTAINING TO THE ANNUAL FINANCIAL STATEMENTS (continued)
AT 30 JUNE 2017

K PRIVATE EQUITY FUNDS (continued)

Instrument	Local or Foreign	Structure	Category 2 approval	FAIS approval number	Holding %	Term of contract	Number of permitted drawdowns as per contract	Number of permitted drawdowns exercised	Total value of commitment R'000	Current value of commitment R'000
CAPITAL ALLIANCE P E III	Foreign	Partnerships	No	N/A	0,03 %	10years	Unlimited	One	85 166	39 085
CAPITAL ALLIANCE P E 4	Foreign	Partnerships	No	N/A	0,06 %	10years	Unlimited	One	393 075	80 062
CANADA INV FUND FOR AFRIC	Foreign	Partnerships	Yes	43291	- %	8years	Unlimited	Nil	104 820	404
HELIOS PRIVATE EQUITY	Foreign	Partnerships	Yes	45737	0,09 %	10years	Unlimited	One	85 166	123 391
HELIOS PRIVATE EQUITY FND 3	Foreign	Partnerships	Yes	45737	0,16 %	10years	Unlimited	One	393 075	208 939
INVEST AFR PRIVATE EQT F2	Foreign	Partnerships	Yes	587	0,11 %	10years	Unlimited	Three	327 563	140 797
PAN AFRICAN INFRA DEV FUN	Foreign	Partnerships	Yes	31473	0,04 %	10years	Unlimited	Five	65 513	57 416
VANTAGE MEZZ3 PAN AF FUND	Foreign	Partnerships	Yes	45610	0,01 %	10years	Unlimited	Four	13 652	13 468
ETHOS MID MARKET FUND 1	Local	Partnerships	Yes	46595	0,06 %	10years	Unlimited	One	350 000	74 934
OMPE FUND IV PARTNERSHIP	Local	Partnerships	Yes	45255	0,03 %	8years	Unlimited	Two	100 000	44 513
SCH EDU INV IMP FUND SA	Local	Partnerships	Yes	45255	0,09 %	10years	Unlimited	Five	200 000	118 914
SPHERE HLD PTY LTD	Local	Other	No		0,19 %	No expiry	Unlimited	One	249 966	249 966
IHS FUND II SA FEEDER	Local	Partnerships	No		0,38 %	No expiry	Unlimited	Nil	100 000	21 290
NOVARE AFRICA PROPERTY FUND 2	Foreign	Partnerships	No		0,18 %	10years	Unlimited	Three	458 588	233 270
Total Private Equity Funds commitment									<u>5 541 749</u>	<u>3 282 667</u>

ESKOM PENSION AND PROVIDENT FUND

**SCHEDULE IA - SCHEDULES PERTAINING TO THE ANNUAL FINANCIAL STATEMENTS (continued)
AT 30 JUNE 2017**

M REGULATION 28 NON-COMPLIANT INVESTMENTS

M1 NON-COMPLIANT COLLECTIVE INVESTMENT SCHEMES

Instrument	Holding %	Fair value R'000
Local		
Investec Emerging Companies Z Fund	0,01	19 827
Investec Internal Money Fund UPF	0,08	111 430
		131 257
Foreign		
SGMF European ex-UK equity USD Institutional	0,40	529 957
SGMF European ex-UK equity USD Hedged Institutional	0,09	115 604
SGMF US Large companies Equity USD Institutional	1,17	1 556 584
SGMF Japan Equity USD Institutional	0,19	251 124
SGIF Global Select Equity Fund USD Institutional	2,23	2 963 191
SGMF Pacific Basin ex- Japan equity USD Institutional	0,11	149 191
SGMF UK Equity USD Institutional	0,18	242 787
SGMF Japan equity USD Hedge Institutional	0,09	121 283
Pinebridge Sub-Saharan Africa Equity Fund, Ltd	0,63	832 101
Duet Africa Opportunities Fund	0,92	1 219 765
Ashmore The Africa Emerging Markets Fund	0,40	532 440
Blackrock Developed World Index Sub Fund	6,02	7 983 462
		16 497 489
Total Non-compliant collective investment schemes		16 628 746

The Fund's assets disclosed as non-compliant collective investment schemes have been disclosed as such because the Fund has not obtained the audit certificates from the investment manager's auditors as these are not available. The Fund has obtained a regulation 28 certificate from the investment manager and the look through to the underlying investments is shown in Schedule IB.

M2 NON-COMPLIANT INSURANCE POLICIES

Instrument	Holding %	Fair value R'000
Linked policies		
Local		
Sygnia Fund of Funds	1,13	1 497 360
Futuregrowth Development Equity	0,09	113 032
Futuregrowth Community Property	0,19	252 461
		1 862 853
Total linked policies		1 862 853
Total certified Regulation 28 non-compliant investments		18 491 599

The Fund's assets disclosed as non-compliant insurance policies have been disclosed as such because the Fund has not obtained the audit certificates from the insurer auditors as these are not available. The Fund has obtained a regulation 28 certificate from the insurer and the look through to the underlying investments as shown in Schedule IB.

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE IA - SCHEDULES PERTAINING TO THE ANNUAL FINANCIAL STATEMENTS (continued)
AT 30 JUNE 2017

O ENTITY / COUNTERPARTY EXPOSURE

Credit / Counterparty risk

Counterparty	Direct investment in counterparty	Deposit/liquid asset with counterparty	Scrip lending transactions	Total per counterparty	Exposure to counterparty as a % of the fair value of the assets of the fund
	R'000	R'000	R'000	R'000	
Banks	-	3 949 988	13 029 090	16 979 078	12,73%
Firststrand Bank Ltd	-	165 384	-	165 384	0,12%
Absa Bank Limited	-	814 472	-	814 472	0,61%
Nedbank Limited	-	832 699	3 311 003	4 143 702	3,11%
Investec Bank Ltd	-	281 223	-	281 223	0,21%
Standard Bank Of South Africa	-	165 847	9 718 087	9 883 934	7,41%
Yieldx Accounts	-	49 850	-	49 850	0,04%
Rand Merchant Bank	-	207 306	-	207 306	0,16%
HSBC Bank Plc	-	14 080	-	14 080	0,01%
State Bank Of India - Zar	-	10 044	-	10 044	0,01%
State Street Southern Africa (Pty) Ltd	-	884 644	-	884 644	0,66%
SAFEX accounts	-	524 439	-	524 439	0,39%
Asset managers - local	131 258	136 160	-	267 418	0,20%
Investec Emerging Companies Z Fund	19 827	-	-	19 827	0,01%
Investec Internal Money Fund UPF	111 431	-	-	111 431	0,08%
Stanlib Institutional Money Market Fund	-	57 142	-	57 142	0,04%
Afena Prescient Money Market Fund	-	19 279	-	19 279	0,01%
Oasis Money Market Fund	-	59 739	-	59 739	0,04%
Asset managers - foreign	16 216 838	280 651	-	16 497 489	12,37%
SGMF European ex-UK equity USD Institutional	529 957	-	-	529 957	0,40%
SGMF European ex-UK equity USD Hedged Institutional	115 604	-	-	115 604	0,09%
SGMF US Large companies Equity USD Institutional	1 556 584	-	-	1 556 584	1,17%
SGMF Japan Equity USD Institutional	251 124	-	-	251 124	0,19%
SGIF Global Select Equity Fund USD Institutional	2 963 191	-	-	2 963 191	2,22%
SGMF Pacific Basin ex- Japan equity USD Institutional	149 191	-	-	149 191	0,11%
SGMF UK Equity USD Institutional	242 787	-	-	242 787	0,18%
SGMF Japan equity USD Hedge Institutional	121 283	-	-	121 283	0,09%
Pinebridge Sub-Saharan Africa Equity Fund, Ltd	817 933	14 167	-	832 100	0,62%
Duet Africa opportunities Fund	1 154 168	65 597	-	1 219 765	0,91%
Ashmore The Africa Emerging Markets Fund	500 139	32 303	-	532 442	0,40%
Blackrock Developed World Index Sub Fund	7 814 877	168 584	-	7 983 461	5,99%

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE IA - SCHEDULES PERTAINING TO THE ANNUAL FINANCIAL STATEMENTS (continued)
 AT 30 JUNE 2017

Participating employers

Eskom Holdings SOC Ltd	-	2 202 226	-	2 202 226	1,65%
	<u>16 348 096</u>	<u>6 569 025</u>	<u>13 029 090</u>	<u>35 946 211</u>	<u>26,96 %</u>

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE IA - SCHEDULES PERTAINING TO THE ANNUAL FINANCIAL STATEMENTS (continued)
AT 30 JUNE 2017

Market risk

EQUITY HOLDINGS	Fair value at end of year	Total fair value equity holdings and open instruments	Market movement by 5%
Investment	R'000	R'000	R'000
Naspers Limited	8 295 086	8 295 086	414 754
British American Tobacco Plc	2 769 593	2 769 593	138 480
MTN Group Limited	2 084 540	2 084 540	104 227
Standard Bank Group Limited	1 959 154	1 959 154	97 958
Sasol Limited	1 951 471	1 951 471	97 574
Growthpoint Properties Limited	1 926 543	1 926 543	96 327
Steinhoff International Holdings Limited	1 652 802	1 652 802	82 640
Redefine Properties Limited	1 420 995	1 420 995	71 050
Old Mutual Plc	1 397 313	1 397 313	69 866
Barclays Africa Group Limited	1 254 333	1 254 333	62 717
Total value of 10 largest equity holdings	24 711 830	24 711 830	1 235 593
Total movement as % of non-current assets plus bank			0,93 %

OTHER FINANCIAL INSTRUMENTS	Holding	Fair value at end of year	Market movement by 5%
Instrument	R'000	R'000	R'000
R202 3.45% 071233	1 410 000 000	3 698 078	184 904
R210 2.60% 310328	1 550 000 000	3 198 607	159 930
R197 5.50% 071223	1 739 000 000	3 072 155	153 608
I2038 2.25% 310138	1 938 000 000	2 524 283	126 214
I2046 2.5% 310346	1 175 000 000	1 365 895	68 295
I2050 2.5% 311250	754 000 000	1 290 294	64 515
I2025 2% 310125	600 000 000	1 064 489	53 224
R2044 8.75% 310144	490 000 000	472 412	23 621
R2048 8.75% 280248	650 000 000	429 489	21 474
R2037 8.50% 310137	721 647 158	361 616	18 081
Total value of 10 largest other instruments	11 027 647 158	17 477 318	873 866
Total movement as % of non-current assets plus bank			0,66 %

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE IA - SCHEDULES PERTAINING TO THE ANNUAL FINANCIAL STATEMENTS (continued)
AT 30 JUNE 2017

P RECONCILIATION BETWEEN THE INVESTMENTS IN SCHEDULE HA AND SCHEDULE IA

	Fair value current period (as per Schedule HA 3.1) R'000	Cash at bank R'000	Total R'000
Cash	4 488 337	13 339	4 501 676
Commodities	143 474	-	143 474
Debt instruments including Islamic debt instruments	22 861 173	-	22 861 173
Investment properties and Owner occupied properties *	121 500	-	121 500
Equities	80 067 939	-	80 067 939
Investment in participating employer(s)	2 343 143	-	2 343 143
Hedge funds	786 679	-	786 679
Private equity funds	3 282 667	-	3 282 667
Derivative market investments	(11 507)	-	(11 507)
Collective investment schemes	16 628 746	-	16 628 746
Insurance policies	1 862 853	-	1 862 853
Total investments	132 575 004	13 339	132 588 343

ESKOM PENSION AND PROVIDENT FUND
**SCHEDULE IB - ASSETS HELD IN COMPLIANCE WITH REGULATION 28
AS AT 30 JUNE 2017**

		Fair value R'000
A	Total assets (Schedule IA -Total investments)	132 588 343
B1	Less: Reg 28 compliant investments (certificate received from issuing entity):-	-
B.1.1	Collective Investment Schemes (Reg 28(8)(b)(i))	-
B.1.2	Linked Policies (Reg 28(8)(b)(ii))	-
B.1.3	Non-Linked policies (Reg 28(8)(b)(iii))	-
B.1.4	Entity regulated by FSB (Reg 28(8)(b)(iv))	-
B2	Less: Reg 28 excluded investments	-
B2.1	Insurance Policies (Reg 28(3)(c))	-
C	Less: Investments not disclosed /data not available for disclosure [Refer to schedule IAN]	-
D	TOTAL ASSETS FOR REGULATION 28 DISCLOSURE	132 588 343

Categories of kinds of assets	%	Fair value R'000	Fair value %
1 CASH		4 876 494	3,68%
1.1 Notes, deposits, money market instruments issued by a South African Bank, margin accounts, settlement accounts with an exchange and Islamic liquidity management financial instruments	100%	3 407 135	2,57%
(a) Notes and coins; any balance or deposit in an account held with a South African bank;		1 825 496	1,38%
Absa	25%	646 886	0,49%
(b) A money market instrument issued by a South African bank including an Islamic liquidity management financial instrument		1 006 476	0,76%
	25%	1 006 476	0,76%
(c) Any positive net balance in a margin account with an exchange		575 163	0,43%
	25%	575 163	0,43%
(d) Any positive net balance in a settlement account with an exchange, operated for the buying and selling of assets		-	0,00%
1.2 Balances or deposits, money market instruments issued by a foreign bank including Islamic liquidity management financial instruments	SARB max. limits	1 469 359	1,11%
(a) Any balance or deposit held with a foreign bank		1 469 359	1,11%
	5%	1 469 359	1,11%
(b) Any balance or deposit held with an African bank		-	0,00%
(c) A money market instrument issued by a foreign bank including an Islamic liquidity management financial instrument		-	0,00%
2 DEBT INSTRUMENTS INCLUDING ISLAMIC DEBT INSTRUMENTS		22 902 290	17,27%
2.1 Inside the Republic	100%	22 902 290	17,27%
(a) Debt instruments issued by, and loans to, the government of the Republic, and any debt or loan guaranteed by the Republic		19 800 352	14,93%
	100%	19 800 352	14,93%
(b) Debt instruments issued or guaranteed by the government of a foreign country		21 826	0,02%
	75%	21 826	0,02%
(c) Debt instruments issued or by a South African bank against its balance sheet		1 947 198	1,47%
	75%	1 947 198	1,47%
c(i) Listed on an exchange with an issue market capitalisation of R20 billion or more, or an amount or conditions as prescribed		1 868 340	1,41%
	75%	1 868 340	1,41%
	25%	1 868 340	1,41%
Carried forward		25 388 402	19,15%

ESKOM PENSION AND PROVIDENT FUND
**SCHEDULE IB - ASSETS HELD IN COMPLIANCE WITH REGULATION 28
AS AT 30 JUNE 2017**

Categories of kinds of assets		%	Fair value R'000	Fair value %
Brought forward			25 388 402	19,15%
c(ii)	Listed on an exchange with an issuer market capitalisation of between R2 billion and R20 billion, or an amount or conditions as prescribed	75%	87 371	0,07%
		15%	87 371	0,07%
c(iii)	Listed on an exchange with an issuer market capitalisation of less than R2 billion, or an amount or conditions as prescribed	75%	-	0,00%
c(iv)	Not listed on an exchange	25%	(8 513)	(0,01)%
		5%	(8 513)	(0,01)%
(d)	Debt instruments issued or guaranteed by an entity that has equity listed on an exchange, or debt instruments issued or guaranteed by a public entity under the Public Finance Management Act, 1999 (Act No. 1 of 1999) as prescribed	50%	758 450	0,57%
d(i)	Listed on an exchange	50%	685 491	0,52%
		10%	685 491	0,52%
d(ii)	Not listed on an exchange	25%	72 959	0,06%
		5%	72 959	0,06%
(e)	Other debt instruments:-	25%	374 464	0,28%
e(i)	Listed on an exchange	25%	354 115	0,27%
		5%	354 115	0,27%
e(ii)	Not listed on an exchange	15%	20 349	0,02%
		5%	20 349	0,02%
		SARB max. limits		
2.2	Foreign		-	0,00%
(a)	Debt instruments issued by, and loans to, the government of the Republic, and any debt or loan guaranteed by the Republic	SARB max. limits	-	0,00%
(b)	Debt instruments issued or guaranteed by the government of a foreign country	SARB max. limits	-	0,00%
(c)	Debt instruments issued or guaranteed by a South African Bank against its balance sheet:-	SARB max. limits	-	0,00%
c(i)	Listed on an exchange with an issuer market capitalisation of R20 billion or more, or an amount or conditions as prescribed	SARB max. limits	-	0,00%
c(ii)	Listed on an exchange with an issuer market capitalisation of between R2 billion and R20 billion, or an amount or conditions as prescribed	SARB max. limits	-	0,00%
c(iii)	Listed on an exchange with an issuer market capitalisation of less than R2 billion, or an amount or conditions as prescribed	SARB max. limits	-	0,00%
c(iv)	Not listed on an exchange	SARB max. limits	-	0,00%
(d)	Debt instruments issued or guaranteed by an entity that has equity listed on an exchange	SARB max. limits	-	0,00%
d(i)	Listed on an exchange	SARB max. limits	-	0,00%
d(ii)	Not listed on an exchange	25%	-	0,00%
(e)	Other debt instruments	25%	-	0,00%
e(i)	Listed on an exchange	25%	-	0,00%
e(ii)	Not listed on an exchange	15%	-	0,00%
3	EQUITIES		84 567 585	63,78%
3.1	Inside the Republic	75%	48 117 239	36,29%
(a)	Preference and ordinary shares in companies, excluding shares in property companies, listed on an exchange:-	75%	48 044 674	36,24%
a(i)	Issuer market capitalisation of R20 billion or more, or an amount or conditions as prescribed	75%	41 837 603	31,55%
		15%	41 837 603	31,55%
Carried forward			68 437 777	51,63%

ESKOM PENSION AND PROVIDENT FUND
**SCHEDULE IB - ASSETS HELD IN COMPLIANCE WITH REGULATION 28
AS AT 30 JUNE 2017**

Categories of kinds of assets		%	Fair value R'000	Fair value %
Brought forward			68 437 777	51,63%
a(ii)	Issuer market capitalisation of between R2 billion and R20 billion, or an amount or conditions as prescribed	75%	5 953 036	4,49%
		10%	5 953 036	4,49%
a(iii)	Issuer market capitalisation of less than R2 billion, or an amount or conditions as prescribed	15%	254 035	0,19%
		5%	254 035	0,19%
(b)	Preference and ordinary shares in companies, excluding shares in property companies, not listed on an exchange	15%	72 565	0,05%
		2,5%	72 565	0,05%
3.2	Foreign		36 450 346	27,49%
(a)	Preference and ordinary shares in companies, excluding shares in property companies, listed on an exchange:-	SARB max. limits	36 411 403	27,46%
a(i)	Issuer market capitalisation of R20 billion or more, or an amount or conditions as prescribed	SARB max. limits	33 947 521	25,60%
		15%	33 947 521	25,60%
a(ii)	Issuer market capitalisation of between R2 billion and R20 billion, or an amount or conditions as prescribed	SARB max. limits	1 806 376	1,36%
		10%	1 806 376	1,36%
a(iii)	Issuer market capitalisation of less than R2 billion, or an amount or conditions as prescribed	SARB max. limits	657 506	0,50%
		5%	657 506	0,50%
(b)	Preference and ordinary shares in companies, excluding shares in property companies, not listed on an exchange	10%	38 943	0,03%
		2,5%	38 943	0,03%
4	IMMOVABLE PROPERTY		12 188 651	9,19%
4.1	Inside the Republic	25%	12 087 033	9,12%
(a)	Preference shares, ordinary shares and linked units comprising shares linked to debentures in property companies, or units in a Collective Investment Scheme in Property, listed on an exchange	25%	11 732 652	8,85%
a(i)	Issuer market capitalisation of R10 billion or more, or an amount or conditions as prescribed	25%	9 895 343	7,46%
		15%	9 895 343	7,46%
a(ii)	Issuer market capitalisation of between R3 billion and R10 billion, or an amount or conditions as prescribed	25%	1 421 571	1,07%
		10%	1 421 571	1,07%
a(iii)	Issuer market capitalisation of less than R3 billion or an amount or conditions as prescribed	25%	415 738	0,31%
		5%	415 738	0,31%
(b)	Immovable property, preference and ordinary shares in property companies, and linked units comprising shares linked to debentures in property companies, not listed on an exchange	15%	354 381	0,27%
		5%	354 381	0,00%
4.2	Foreign	25%	101 618	0,08%
(a)	Preference shares, ordinary shares and linked units comprising shares linked to debentures in property companies, or units in a Collective Investment Scheme in Property, listed on an exchange	25%	101 618	0,08%
a(i)	Issuer market capitalisation of R10 billion or more, or an amount or conditions as prescribed	25%	90 942	0,07%
		15%	90 942	0,07%
a(ii)	Issuer market capitalisation of between R3 billion and R10 billion, or an amount or conditions as prescribed	25%	10 172	0,01%
		10%	10 172	0,01%
Carried forward			123 355 906	92,77%

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE IB - ASSETS HELD IN COMPLIANCE WITH REGULATION 28 AS AT 30 JUNE 2017

Categories of kinds of assets		%	Fair value R'000	Fair value %
Brought forward			123 355 906	92,77%
a(iii)	Issuer market capitalisation of less than R3 billion or an amount or conditions as prescribed	25%	504	0,00%
		5%	504	0,00%
(b)	Immovable property, preference and ordinary shares in property companies, and linked units comprising shares linked to debentures in property companies, not listed on an exchange	15%	-	0,00%
5	COMMODITIES		143 474	0,11%
5.1	Inside the Republic	10%	143 474	0,11%
(a)	Kruger Rands and other commodities on an exchange, including exchange traded commodities	10%	143 474	0,11%
a(i)	Gold (including Kruger Rands)	10%	-	0,00%
a(ii)	Other commodities	5%	143 474	0,11%
		5%	143 474	0,11%
5.2	Foreign	10%	-	0,00%
(a)	Gold and other commodities on an exchange, including exchange traded commodities	10%	-	0,00%
a(i)	Gold	10%	-	0,00%
a(ii)	Other commodities	5%	-	0,00%
6	INVESTMENTS IN THE BUSINESS OF A PARTICIPATING EMPLOYER INSIDE THE REPUBLIC IN TERMS OF:-		2 343 143	1,77%
(a)	Section 19(4) of the Pension Funds Act	5%	2 343 143	1,77%
(b)	To the extent it has been allowed by an exemption in terms of section 19(4A) of the Pension Funds Act		-	0,00%
7	HOUSING LOANS GRANTED TO MEMBERS IN ACCORDANCE WITH THE PROVISIONS OF SECTION 19(5)	95%	-	0,00%
8	HEDGE FUNDS, PRIVATE EQUITY FUNDS AND ANY OTHER ASSET NOT REFERRED TO IN THIS SCHEDULE		5 566 706	4,20%
8.1	Inside the Republic	15%	4 419 697	3,33%
(a)	Hedge fund	10%	2 284 039	1,72%
a(i)	Funds of hedge funds	10%	1 497 360	1,13%
		5%	1 497 360	1,13%
a(ii)	Hedge funds	10%	786 679	0,59%
		2,5%	786 679	0,59%
(b)	Private equity funds	10%	2 135 658	1,61%
b(i)	Funds of private equity funds	10%	2 135 658	1,61%
		5%	2 135 658	1,61%
b(ii)	Private equity funds	10%	-	0,00%
(c)	Other assets not referred to in this schedule and excluding a hedge fund or private equity fund	2,5%	-	0,00%
8.2	Foreign	15%	1 147 009	0,87%
(a)	Hedge fund	10%	-	0,00%
a(i)	Funds of hedge funds	10%	-	0,00%
a(ii)	Hedge funds	10%	-	0,00%
(b)	Private equity funds	10%	1 147 009	0,87%
b(i)	Funds of private equity funds	10%	1 147 009	0,87%
		5%	1 147 009	0,87%
b(ii)	Private equity funds	10,0%	-	0,00%
(c)	Other assets not referred to in this schedule and excluding a hedge fund or private equity fund	2,5%	-	0,00%
TOTAL ASSETS – REGULATION 28			132 588 343	100,00%

ESKOM PENSION AND PROVIDENT FUND

**SCHEDULE IB - ASSETS HELD IN COMPLIANCE WITH REGULATION 28
AS AT 30 JUNE 2017**

INVESTMENT SUMMARY (Regulation 28)

	Local R'000	Fair value %	Foreign (Excluding Africa) R'000	Fair value %	Africa R'000	Fair value %	Total R'000
1 Balances or deposits, money market instruments issued by a bank including Islamic liquidity management financial instruments	3 407 135	2,57	1 469 359	1,11	-	-	4 876 494
2 Debt instruments including Islamic debt instruments	22 902 290	17,27	-	-	-	-	22 902 290
3 Equities	48 117 239	36,29	36 450 346	27,49	-	-	84 567 585
4 Immovable property	12 087 033	9,12	101 618	0,08	-	-	12 188 651
5 Commodities	143 474	0,11	-	-	-	-	143 474
6 Investment in the business of a participating employer	2 343 143	1,77	-	-	-	-	2 343 143
8 Hedge Funds, private equity funds and any other assets not referred to in this schedule	4 419 697	3,33	1 147 009	0,87	-	-	5 566 706
TOTAL	93 420 011	70,46	39 168 332	29,54	-	-	132 588 343

Table 1 items	Asset Limits in terms of sub regulation 3(f)	Total (Inside & Foreign) R	Percentage of Fair value %	Regulation 28 limits
2.1(e)(ii)	Other debt instruments not listed	20 349	0,02	
3.1(b)	Equities not listed	111 508	0,08	
4.1(b)	Immovable properties not listed	358 297	0,27	
8	Hedge funds , Private Equity funds and other assets	5 566 608	4,20	
TOTAL		6 056 762	4,57	35

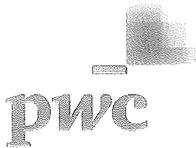
Table 1 items	Asset Limits in terms of sub regulation 3(g)	Fair value R	Fair value %	Regulation 28 limits
3.1(b)	Equities not listed	111 508	0,08	
8.1(b)	Private Equity funds	3 282 667	2,48	
TOTAL		3 394 175	2,56	15

Table 1 items	Asset Limits in terms of sub regulation 3(h)	Fair value R	Fair value %	Regulation 28 limits
1.1	Cash and deposits with a South African Bank	3 407 130	2,57	
2.1(c)	Debt instruments guaranteed by a South African Bank - Item	1 947 198	1,47	

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE IB - ASSETS HELD IN COMPLIANCE WITH REGULATION 28
AS AT 30 JUNE 2017

TOTAL	<u>5 354 328</u>	<u>4,04</u>	25
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SCHEDULE IB

INDEPENDENT AUDITOR'S REPORT ON ASSETS HELD IN COMPLIANCE WITH REGULATION 28 TO THE BOARD OF FUND

Opinion

We have audited Schedule IB "Assets held in compliance with Regulation 28" of the Eskom Pension and Provident Fund ("the Fund") at 30 June 2017 (the "Schedule") for compliance with the requirements of Regulation 28 of the Pension Funds Act of South Africa (the Regulation), as set out on pages 72 to 77. Our engagement arises from our appointment as auditor of the Fund and is for the purpose of assisting the Board of Fund to report to the Registrar of Pension Funds (the "Registrar").

In our opinion, Schedule IB "Assets held in compliance with Regulation 28" at 30 June 2017 by the Eskom Pension and Provident Fund is prepared, in all material respects, in accordance and in compliance with the Regulation.

Basis for 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 Schedule* section of our report. We are independent of the Fund 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 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 International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter - Financial reporting framework and restriction on use

Without modifying our opinion, we draw attention to the purpose of our report as indicated in the opinion paragraph, and the basis of accounting. Consequently, the Schedule and our auditor's report may not be suitable for another purpose.

Other matter

The information contained in Schedule IB has been extracted from the Fund's underlying accounting records that were the subject of our audit engagement on the annual financial statements and forms the subject matter of this engagement. Our audit of the annual financial statements of the Eskom Pension and Provident Fund for the year ended 30 June 2017 was conducted in accordance with International Standards on Auditing and in our report of 17 November 2017 we expressed an unmodified opinion, and therefore the annual financial statements are prepared, in all material respects, in accordance with the Regulatory Reporting Requirements for Retirement Funds in South Africa.

Other information

The Board of Fund is responsible for the other information. The other information comprises the Annual Financial Statements in terms of section 15 of the Pension Funds Act no 24, 1956, but does not include Schedule IB and our auditor's report thereon.

*PricewaterhouseCoopers Inc., 2 Eglin Road, Sunninghill 2157, Private Bag X36, Sunninghill 2157, South Africa
T: +27 (0) 11 797 4000, F: +27 (0) 11 797 5800, www.pwc.co.za*

Chief Executive Officer: T D Shango
Management Committee: S N Madikane, J S Masondo, P J Mothlbe, C Richardson, F Tonelli, C Volschenk
The Company's principal place of business is at 2 Eglin Road, Sunninghill where a list of directors' names is available for inspection.
Reg. no. 1998/012055/21, VAT reg.no. 4950174682

Our opinion on Schedule IB 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 Schedule IB, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with Schedule IB or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information, 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 Fund for the Schedule

The Board of Fund is responsible for the preparation of the Schedule in accordance and in compliance with the Regulation, and for such internal control as the Board of Fund determines is necessary to enable the preparation of the Schedule that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Schedule

Our objectives are to obtain reasonable assurance about whether the Schedule 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 the Schedule.

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

- Identify and assess the risks of material misstatement of the Schedule, 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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Fund.

We communicate with the Board of Fund 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.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.

Director: C Mitchelson

Registered Auditor

Johannesburg

17 November 2017