

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 SECTOR CONDUCT AUTHORITY
REGISTRATION NUMBER:** 12/8/564/2

FOR THE PERIOD: 1 JULY 2017 to 30 JUNE 2018

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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 2018**

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 2017 to 30 June 2018
Prior year: 1 July 2016 to 30 June 2017

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. Maya Naidoo	maya.bhana@eskom.co.za	E	1 June 2016	
Mr. Ivan Godfrey Smith	Ivan@solidariteit.co.za	M	1 June 2016	15 December 2017
Ms. Thembeka Flaviona Madlala	MadlalTF@eskom.co.za	M	1 June 2016	
Ms. Dawn Vanessa Jackson	dawnjackson@eskom.co.za	E	1 June 2016	28 February 2018
Mr. Ndabezikhona Khehla Shandu	ShanduNK@eskom.co.za	M	1 June 2016	
Mr. Allen John Morgan	AllenM@imalinvest.co.za	M	1 June 2016	
Mr. Barend Izak Steyn	bensteyn@mweb.co.za	M	1 June 2016	
Ms. Helen Diatile	hdiatile@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	
Dr. Cynthia Tuduetso Khumalo	khumalct@eskom.co.za	E	1 July 2017	
Mr. Deon Reyneke	deon@solidarity.co.za	M	2 March 2018	
Ms. Liza Brown	BrownLI@eskom.co.za	E	6 June 2018	

- 'M' denotes member and pensioner elected
- 'E' denotes employer appointed
- 'C' denotes chairman
- 'I' denotes independent

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)
1 September 2017	Khumo House, EPPF Office Park, 24 Georgian Crescent East, Bryanston East	Yes
26 September 2017	Khumo House, EPPF Office Park, 24 Georgian Crescent East, Bryanston East	Yes
13 November 2017	Khumo House, EPPF Office Park, 24 Georgian Crescent East, Bryanston East	Yes
7 February 2018	Khumo House, EPPF Office Park, 24 Georgian Crescent East, Bryanston East	Yes
2 March 2018	Khumo House, EPPF Office Park, 24 Georgian Crescent East, Bryanston East	Yes
7 May 2018	Khumo House, EPPF Office Park, 24 Georgian Crescent East, Bryanston East	Yes
17 May 2018	Vally Lodge Hotel, Magaliesburg	Yes
6 June 2018	Khumo House, EPPF Office Park, 24 Georgian Crescent East, Bryanston East	Yes
7 June 2018	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

ESKOM PENSION AND PROVIDENT FUND

**SCHEDULE A
REGULATORY INFORMATION (continued)
FOR THE YEAR ENDED 30 JUNE 2018**

FUND OFFICERS

Principal Officer

Full name	Postal address	Physical address	Telephone number	E-mail address	Date appointed	Date resigned
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	1 April 2010	31 March 2018
Nopasika Vuyelwa Lila	Private Bag X50, Bryanston, 2021	Isivuno House, EPPF Office Park, 24 Georgian Crescent East, Bryanston East, 2191	(+27) 11 709 7579	nopasika@eppf.co.za	1 April 2018	

Monitoring Person*

Full name	Postal address	Physical address	Telephone number	E-mail address	Date appointed	Date resigned
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	1 April 2010	31 March 2018
Nopasika Vuyelwa Lila	Private Bag X50, Bryanston, 2021	Isivuno House, EPPF Office Park, 24 Georgian Crescent East, Bryanston East, 2191	(+27) 11 709 7579	nopasika@eppf.co.za	1 April 2018	

**(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	4 Lisbon Lane, Waterfall City, Jukskei View. 2090	(+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	12/8/564/2

ESKOM PENSION AND PROVIDENT FUND**SCHEDULE A
REGULATORY INFORMATION (continued)
FOR THE YEAR ENDED 30 JUNE 2018****PROFESSIONAL SERVICE PROVIDERS (continued)****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 2018**

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, Cape Town, 7735	5th Floor, The Citadel, 15 Cavendish Street, Claremont, 7708	(+27) 21 204 6061	27126
Afena Capital (Pty) Ltd	P O Box 23883, Claremont, Cape Town, 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 2018**

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	PO Box 2015, Morningside, 2057	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 Asset Management (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 2018**

PROFESSIONAL SERVICE PROVIDERS (continued)

Oasis Asset Management Ltd	P O Box 1217, Cape Town, 8000	Oasis House, 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
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
RMB Morgan Stanley Ltd	PO Box 786273, Sandton, 2146, South Africa	1 Merchant Place, Cnr Fredman Dr & Rivonia Rd, Sandton, 2196	(+44) 11 282 4766	664
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
Sanlam Investments (Pty) Ltd	Africa Re Centre, 5th Floor, Hospital Rd, 00200 Nairobi, Kenya	Africa Re Centre, 5th Floor, Hospital Rd, 00200 Nairobi, Kenya	(+254) (0) 20 496 7000	579
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
UBS Asset Management (UK) Ltd	5 Broadgate, London, EC2M 2QS	5 Broadgate, London, EC2M 2QS	(+44) 20 7901 5096	30475
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 2018

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.

Instances of non-compliance

The following instance 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 was 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, As a result of the filling of the Chairman's position on 1 February 2017, an employer appointed Board vacancy remained vacant for more than 90 days.	None, as all trustee meetings had the relevant quorum present.	The participating employer Eskom Holdings SOC Ltd filled the vacancy with effect from 12 November 2018.
2. On 28 February 2018 an employer appointed Trustee resigned resulting in a Board vacancy which was not filled in the regulated 90 day period.	None, as all trustee meetings had the relevant quorum present.	The participating employer Eskom Holdings SOC Ltd filled the vacancy on 6 June 2018.

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	Impact of non-compliance matter on the Fund	Corrective course of action to resolve non-compliance matter
3. Ineligible members who participated in the Fund.	Refer 8.2 Schedule E page 18.	Refer 8.2 Scedule E page 18.

ESKOM PENSION AND PROVIDENT FUND

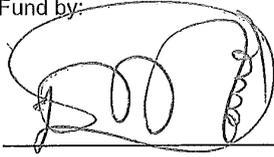
SCHEDULE B
STATEMENT OF RESPONSIBILITY BY THE BOARD OF FUND (continued)
FOR THE YEAR ENDED 30 JUNE 2018

These annual financial statements:

- were approved by the Board of Fund on 20 November 2018;
- 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 2018 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



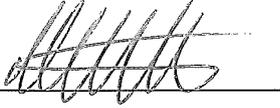
Mr. Ndabezikhona Khehla Shandu
Member Trustee

20 November 2018

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE C
STATEMENT OF RESPONSIBILITY BY THE PRINCIPAL OFFICER
FOR THE YEAR ENDED 30 JUNE 2018

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.



Nopasika Vuyelwa Lila
PRINCIPAL OFFICER

20 November 2018



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 2018 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 Financial Sector Conduct Authority (the "Authority").

In our opinion, the financial statements of Eskom Pension and Provident Fund for the year ended 30 June 2018 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 Authority. 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 obtained at the date of this auditor's report 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).

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

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

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Chief Executive Officer: TD Shange
Management Committee: SN Madikane, JS Masende, PJ Motlabe, C Richardson, F Tonelli, C Volschenk
The Company's principal place of business is at 4 Lisbon Lane, Waterfall City, Jukskei View, where a list of directors' names is available for inspection.
Reg. no. 1998/032065/21, VAT reg. no. 4950174682.



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 laws and regulations that came to our attention during the course of our audit of the financial statements.

PricewaterhouseCoopers Inc.
PricewaterhouseCoopers Inc.
Director: C Mitchelson
Registered Auditor
Johannesburg
29 November 2018

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE E
REPORT OF THE BOARD OF FUND
FOR THE YEAR ENDED 30 JUNE 2018

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 registered as 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 beneficiaries or 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 2018

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 including a death 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 28 such members, 23 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. Revised rules

During the year under review the Fund embarked on a process to amend the rules in order to clarify issues with interpretation. The amendments are expected to be submitted to the Registrar of Pension Funds during the latter half of 2018.

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.

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

SCHEDULE E
REPORT OF THE BOARD OF FUND (continued)
FOR THE YEAR ENDED 30 JUNE 2018

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 being utilised.

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 its 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 its 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.

2.1.6. Private Equity Funds

The Board of Fund utilises private equity funds as part of its 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.

SCHEDULE E
REPORT OF THE BOARD OF FUND (continued)
FOR THE YEAR ENDED 30 JUNE 2018

- 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 its investment strategy. The Board of Fund ensures that the securities lending transactions are in compliance with the relevant conditions as prescribed by the relevant FSCA 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 40% of total investments 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:

	2018 R'000	2017 R'000
Aberdeen Asset Managers Ltd	5 211 925	4 726 184
Aeon Investment Management (Pty) Ltd	861 513	753 354
Afena Capital (Pty) Ltd	1 577 925	823 186
Allianz Global Investments Europe GMBH	6 549 537	5 502 489
Aluwani Capital Partners (Pty) Ltd	3 107 975	2 806 302
Argon Asset Management (Pty) Ltd	-	3 525 878
Ashmore Group Plc	689 378	564 746
Benguela Global Fund Managers (Pty) Ltd	1 063 342	429 131
Black Rock Investment Management (UK) Ltd	6 080 292	8 150 301
Cachalia Capital (Pty) Ltd	241 261	215 326
Catalyst Fund Managers SA (Pty) Ltd	1 634 196	1 754 635
Coronation Fund Managers (Pty) Ltd	5 125 687	4 828 901
Drakens Capital (Pty) Ltd	605 460	490 161
Duet Asset Management Ltd	1 492 805	1 285 362
Excelsia Capital (Pty) Ltd	210 800	200 033
First Avenue Investment Management (Pty) Ltd	2 270 997	2 328 601
In house managed assets	56 251 471	44 997 069
UBS AG	1 939 508	-
Investec Asset Management (Pty) Ltd	2 798 913	6 882 150
Kagiso Asset Management (Pty) Ltd	5 815 212	5 540 477
Legacy Africa Fund Managers (Pty) Ltd	901 660	317 536
Matrix Fund Managers (Pty) Ltd	834 541	786 679
Mazi Capital (Pty) Ltd	5 054 980	4 733 883
Meago Trading (Pty) Ltd	1 065 055	1 172 414
Mergence Investment Managers (Pty) Ltd	1 184 438	1 106 421
Mianzo Asset Management (Pty) Ltd	438 503	399 114
Morgan Stanley Investment Management Ltd	6 599 280	5 633 747
Oasis Asset Management Ltd	-	2 532 424
Old Mutual Investment Group (Pty) Ltd	2 031 496	1 863 040
Pan-African Asset Management (Pty) Ltd	1 349 777	1 214 594
Perpetua Investment Managers (Pty) Ltd	2 669 684	807 926
RMB Morgan Stanley Ltd	392	-
Sanlam Investments (Pty) Ltd	969 763	-
SEI Institutional Group	5 917 611	5 921 583
Pinebridge Investments Europe Ltd	-	846 268
Stanlib Asset Management Ltd	2 753 157	3 032 814
State Street Bank and Trust Company	28 733	71 926
Sygnia Asset Management (Pty) Ltd	-	1 497 360
Veritas Asset Management LLP	5 350 937	4 832 989

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE E
REPORT OF THE BOARD OF FUND (continued)
FOR THE YEAR ENDED 30 JUNE 2018

Total value of investments managed

140 678 204 132 575 004

3. MEMBERSHIP

	Active members	Deferred pensioners	Pensioners	Other beneficiaries	Unclaimed benefits
Number at the beginning of year	46 905	2 654	33 071	3 399	1 988
Adjustments	-	1	2	-	(15)
Additions	601	25	2 111	236	35
Transfers in	5	-	-	-	-
Transfers out	(141)	-	-	-	-
Withdrawals	(721)	-	-	-	-
Retirements	(747)	(135)	-	-	-
Deaths and disability	(220)	(10)	(1 161)	(4)	-
Settled in full	-	-	(708)	(396)	(37)
Transfers (from)/to deferred pensioners	(10)	-	-	-	-
Number at the end of the year	45 672	2 535	33 315	3 235	1 971
Number at end of year (South African citizen)	45 612	2 500	32 411	3 223	1 072
Number at end of year (non-South African citizen)	60	35	904	12	899

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 align with actuarial data .
- (c) Withdrawals may include absconded members.

4. ACTUARIAL VALUATION

The annual financial statements summarise the transactions and net assets of the Fund, and 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 last triennial actuarial valuation was carried out as at 30 June 2015. The Board has resolved to file annual actuarial valuations, and accordingly the 30 June 2016, and 30 June 2017 valuations were treated as statutory valuations and filed with the Registrar as statutory submissions. An annual statutory actuarial valuation was performed as at 30 June 2018. According to the actuary per the annual statutory valuation performed as at 30 June 2018, 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 annual statutory actuarial valuation will be performed as at 30 June 2019.

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE E REPORT OF THE BOARD OF FUND (continued) FOR THE YEAR ENDED 30 JUNE 2018

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 Board appointed a new Principal Officer who will also serve as the Chief Executive to the Fund with effect from 1 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 became aware of several fixed term contract employees of Eskom, Eskom Rotek Industries and the Fund who had been admitted as members of the Fund. The legal advice received by the Fund indicated that fixed term contract employees do not qualify to participate as members of the Fund. The Fund was further advised of the options available to it in law to regularise the position with regards to employees of Eskom, Eskom Rotek Industries and the Fund who had been erroneously admitted as members of the Fund, which options included applying to court for a declaratory order regularising the position of such ineligible employees. The Fund received legal opinions and elected to apply to court for a declaratory order and is in the process of instituting the relevant legal proceedings to obtain the order.

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). 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.

The GCEO's eligibility for membership of the Fund in light of new information indicating that he was employed on a fixed term contract of employment and subsequent retirement from the Fund were the subject-matter of court proceedings brought by Solidarity, the DA and the EFF. The court declared the GCEO ineligible for membership of the Fund in view of his fixed term contract of employment and further set aside his retirement from the Fund. It further directed him to repay the amounts paid to him by the Fund. The GCEO applied for leave to appeal the judgement, which application was dismissed by the court. He further applied to the Supreme Court of Appeal for leave to appeal the judgement, which application was also dismissed by the Supreme Court of Appeal. The Fund is accordingly taking steps to enforce the judgement.

SCHEDULE E
REPORT OF THE BOARD OF FUND (continued)
FOR THE YEAR ENDED 30 JUNE 2018

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 decreased from 118% to 113% 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.

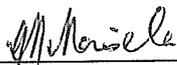
10. SUBSEQUENT EVENTS

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:

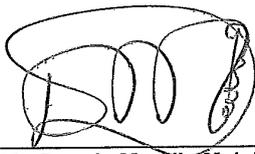
On 7 September 2018, the Board of Fund resolved to instruct the Fund's attorneys to file for a declaratory order with the court to effect the recommended actions obtained by the Fund in respect of Ineligible members (refer 8.2 above).

On 30 September 2018 Ms Maya Naidoo resigned from the Fund as an employer appointed Trustee.

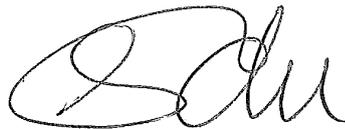
On 12 November 2018 Eskom Holdings SOC Limited filled the outstanding board vacancies as noted under Instances of non-compliance on Schedule B point 1 (page 7), and the one that arose on 30 September 2018 (as noted above).



Ms. Japhtaline Mantuka Maisela
Chairman



Mr. Dennis Mandla Maleka
Employer Trustee



Mr. Ndabezikhona Khehla Shandu
Member Trustee

20 November 2018

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE F
STATEMENT OF NET ASSETS AND FUNDS
AS AT 30 JUNE 2018

	Note	2018 R'000	2017 R'000
ASSETS			
Non-current assets		140 681 360	132 584 908
Plant and equipment	2	3 156	9 904
Investments	3	140 678 204	132 575 004
Current assets		524 580	759 094
Accounts receivable	4	236 732	214 024
Arrear contributions	10	271 310	531 731
Cash at bank		16 538	13 339
Total assets		141 205 940	133 344 002
FUNDS,SURPLUS AND LIABILITIES			
Funds and surplus account			
Accumulated funds		117 148 574	107 915 893
- Normal retirement		110 551 199	101 807 342
- Additional voluntary contribution scheme		636 313	580 080
- Performance bonus scheme		5 961 062	5 528 471
Total reserves			
Reserve accounts	19	22 524 000	24 112 000
Total funds and reserves		139 672 574	132 027 893
Non-current liabilities			
Unclaimed benefits	8	186 042	177 464
Current liabilities		1 347 324	1 138 645
Benefits payable	7	1 262 244	1 019 382
Accounts payable	9	44 463	83 383
Accruals	15	40 617	35 880
Total funds and liabilities		141 205 940	133 344 002

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE G
STATEMENT OF CHANGES IN NET ASSETS AND FUNDS
FOR THE YEAR ENDED 30 JUNE 2018

	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 2018 R'000	Total 2017 R'000
Contributions received and accrued	10	3 528 949	38 612	225 299	3 792 860	-	3 792 860	3 679 554
Net investment income	11	9 013 351	-	-	9 013 351	-	9 013 351	3 352 530
Allocated to unclaimed benefits	8	(15 091)	-	-	(15 091)	-	(15 091)	(22 250)
Other income	12	18 806	-	-	18 806	-	18 806	25 391
Less:								
Administration expenses	13	(207 267)	-	-	(207 267)	-	(207 267)	(196 502)
Net income before transfers and benefits		12 338 748	38 612	225 299	12 602 659	-	12 602 659	6 838 723
Transfers and benefits		(4 630 800)	(25 991)	(301 187)	(4 957 978)	-	(4 957 978)	(4 289 230)
Transfer from other funds	5	-	6 334	-	6 334	-	6 334	9 418
Transfer to other funds	6	(257 429)	-	-	(257 429)	-	(257 429)	(241 065)
Benefits	7	(4 373 371)	(32 325)	(301 187)	(4 706 883)	-	(4 706 883)	(4 057 583)
Net (loss)/income after transfers and benefits		7 707 948	12 621	(75 888)	7 644 681	-	7 644 681	2 549 493
Funds and reserves								
Balance at the beginning of the year	19	101 807 342	580 080	5 528 471	107 915 893	24 112 000	132 027 893	129 478 712
Prior period adjustments	14	-	-	-	-	-	-	(312)
Transfers between reserve accounts	19	1 603 162	(9 504)	(5 658)	1 588 000	(1 588 000)	-	-
Investment return allocated								
Current members		(567 253)	53 116	514 137	-	-	-	-
Balance at the end of the year		110 551 199	636 313	5 961 062	117 148 574	22 524 000	139 672 574	132 027 893

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE HA NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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' 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 2018

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.

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. If 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 a 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.

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 preference dividends.

SCHEDULE HA
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2018

1.3.1. Investments (continued)

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.

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.

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE HA NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2018

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 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.

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.

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE HA NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2018

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 Conduct Authority, 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.

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.

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE HA NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2018

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 2018

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	13 379	112	4 374	308	18 173
Additions	714	25	678	-	1 417
Disposals	(65)	(8)	-	-	(73)
Other movements	(6 103)	-	-	-	(6 103)
At end of year	7 925	129	5 052	308	13 414
Accumulated depreciation and impairment					
At beginning of year	(5 477)	(77)	(2 448)	(267)	(8 269)
Depreciation charges	(1 215)	(19)	(765)	(41)	(2 040)
Accumulated depreciation on disposals	55	-	-	-	55
Other movements	-	-	(4)	-	(4)
At end of year	(6 637)	(96)	(3 217)	(308)	(10 258)
Net carrying amount at end of year	1 288	33	1 835	-	3 156

2.2. Prior 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					
At beginning of period	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 period	(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)	(2 448)	(267)	(8 269)
Net carrying amount at end of period	7 902	35	1 926	41	9 904

ESKOM PENSION AND PROVIDENT FUND

**SCHEDULE HA
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2018**

3. INVESTMENTS

3.1. Investment summary

	Note	Local R'000	Foreign R'000	Total 2018 R'000	Total 2017 R'000	Fair value current year R'000	Categorised per Reporting Framework
Cash		4 070 410	4 196 080	8 266 490	4 488 337	8 266 490	At fair value through statement of changes in net assets and funds
Commodities		-	-	-	143 474	-	At fair value through statement of changes in net assets and funds
Debt instruments including Islamic debt instruments		23 401 555	21 771	23 423 326	22 861 173	23 423 326	At fair value through statement of changes in net assets and funds
Investment properties and Owner occupied properties *	3.3.	123 500	-	123 500	121 500	123 500	At fair value through statement of changes in net assets and funds
Equities (including demutualisation shares)		64 374 715	21 954 189	86 328 904	80 067 939	86 328 904	At fair value through statement of changes in net assets and funds
Insurance policies		-	-	-	1 862 853	-	At fair value through statement of changes in net assets and funds
Collective investment schemes		57 712	15 131 244	15 188 956	16 628 746	15 188 956	At fair value through statement of changes in net assets and funds
Hedge funds		834 541	-	834 541	786 679	834 541	At fair value through statement of changes in net assets and funds
Private equity funds		2 458 078	1 719 047	4 177 125	3 282 667	4 177 125	At fair value through statement of changes in net assets and funds
Derivative market investments		5 864	-	5 864	(11 507)	5 864	At fair value through statement of changes in net assets and funds
Investment in participating employer(s)	3.2.	2 329 498	-	2 329 498	2 343 143	2 329 498	At fair value through statement of changes in net assets and funds
Total		97 655 873	43 022 331	140 678 204	132 575 004	140 678 204	

* The land and buildings consist of an office block situated on Erf 21 Bryanston East. The land and buildings were revalued by an independent valuator. The valuation was performed as at 30 June 2018. 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. Assumptions are made on expiry of leases for vacancies. During this void revenue period the property may be relet and fitted out for the new tenant. These capital costs as well as agency commission fees are calculated into the cash flow. 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 R63,413,133.

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE HA
 NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
 FOR THE YEAR ENDED 30 JUNE 2018

3.2. Investment in participating employer/s

	At beginning of year R'000	Additions R'000	Repaid/ Disposals R'000	At end of year R'000
Debt Instruments	2 343 143	42 748	(56 393)	2 329 498
Total	2 343 143	42 748	(56 393)	2 329 498

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	2018-06-30	No	121 500	5 800	(3 800)	123 500
Total of properties					121 500	5 800	(3 800)	123 500

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	2017-06-30	No	115 000	10 416	(3 916)	121 500
Total of properties					115 000	10 416	(3 916)	121 500

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE HA
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2018

4. ACCOUNTS RECEIVABLE

	2018 R'000	2017 R'000
Accrued investment income	34 186	35 605
Pensioner payroll (prepaid)	189 523	171 179
Eskom Holdings SOC Limited	166	544
Prepaid expenses	12 818	5 999
Other receivables	39	697
Total	236 732	214 024

5. TRANSFERS FROM OTHER FUNDS

	Effective date	No. of members	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							
Fairbairn Capital Pension Preservation Fund	26/04/2018	1	-	1 487	109	(1 596)	-
Lifestyle Retirement Preserver Pension Fund	23/04/2018	1	-	71	1	(72)	-
Individual transfers in	Various	3	-	4 666	-	(4 666)	-
Total		5	-	6 224	110	(6 334)	-
Transfers approved (B)							6 224
Return on transfers (C)							110
Statement of changes in net assets and funds							6 334

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE HA
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2018

6. TRANSFERS TO OTHER FUNDS

	Effective date	No. of members	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	141	-	257 429	-	(257 429)	-
Total		141	-	257 429	-	(257 429)	-
Transfers approved (B)							257 429
Return on transfers (C)							-
Statement of changes in net assets and funds							257 429

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	43 959	2 946 887	-	(2 941 235)	-	49 611
Lump sums on retirements						
- Pensions commuted	93 684	771 569	-	(625 534)	-	239 719
Lump sums before retirement						
- Death and disability benefits	102 436	133 635	-	(76 434)	(9 388)	150 249
- Withdrawal benefits	266 000	663 537	-	(638 932)	(9 943)	280 662
Divorce -benefits	8 063	112 021	-	(106 476)	-	13 608
Instalment lump sums	505 240	33 427	45 807	(56 079)	-	528 395
Total	1 019 382	4 661 076	45 807	(4 444 690)	(19 331)	1 262 244
Benefits for current year (B)						4 661 076
Return allocated (C)						45 807
Statement of changes in net assets and funds						4 706 883

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE HA
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2018

8. UNCLAIMED BENEFITS

	2018 R'000	2017 R'000
Balance at the beginning of the year	177 464	151 453
Transferred from benefits payable	19 331	34 836
Adjustment - prior year adjustments	4 178	(2 994)
Investment income allocated	15 091	22 250
Less:		
• Benefits paid	(30 022)	(28 081)
Balance at the end of the year	186 042	177 464

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.

9. ACCOUNTS PAYABLE

	2018 R'000	2017 R'000
PAYE	428	333
Equity purchased (Unsettled trades)	-	23 202
Investment expenses payable	42 006	46 900
Operational suppliers	1 043	12 948
Eskom Holdings SOC Limited	986	-
Total	44 463	83 383

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	86 162	1 238 437	(1 230 589)	94 010
Employer contributions received and accrued	161 134	2 290 512	(2 277 685)	173 961
Additional voluntary contributions - members	2 760	38 612	(38 033)	3 339
Performance bonus scheme member contributions	281 675	79 045	(360 720)	-
Performance bonus scheme employer contributions	-	146 254	(146 254)	-
Total	531 731	3 792 860	(4 053 281)	271 310
Towards retirement				3 792 860
Towards reinsurance and expenses				-
Statement of changes in net assets and funds				3 792 860

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE HA
 NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
 FOR THE YEAR ENDED 30 JUNE 2018

11. NET INVESTMENT INCOME

	2018 R'000	2017 R'000
Income from investments	4 643 889	3 882 511
• Dividends	2 956 253	2 336 634
• Interest	1 684 654	1 541 839
• Rentals	2 982	4 038
Profit on sale/ redemption of investments	29 441 595	21 491 065
Loss on sale/ redemption of investments	(22 220 339)	(18 007 186)
Fair value adjustment on investments	(2 338 045)	(3 577 712)
	<u>9 527 100</u>	<u>3 788 678</u>
Less: Expenses incurred in managing investments	(513 749)	(436 148)
Total	<u>9 013 351</u>	<u>3 352 530</u>

12. OTHER INCOME

	2018 R'000	2017 R'000
Securities lending fee	18 806	25 391
Total	<u>18 806</u>	<u>25 391</u>

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE HA
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2018

13. ADMINISTRATION EXPENSES

	2018 R'000	2017 R'000
Actuarial fees	1 809	2 552
Audit services	4 774	7 584
Audit fees - external	2 541	2 569
Audit fees - Consulting	243	1 847
Audit fees - Internal	1 990	3 168
Consultancy fees	12 819	13 267
Depreciation	2 040	1 789
Fidelity Insurance	819	550
FSCA levies	1 797	1 629
Other Expenses	70 182	66 427
Bank charges	2 078	1 716
Entertainment and member interaction	3 859	2 319
IT services and rental	42 089	33 870
IT implementation expenses	1 173	6 037
Membership, development and other administration expenses	17 224	16 659
Telephone, postage, printing and stationery	3 759	5 826
Board of fund expenses	13.1 6 513	5 438
Staff expenses	13.2 104 184	94 488
Principal officer expenses	13.3 2 330	2 778
Total	207 267	196 502

13.1. Board of Fund Expenses

	2018 R'000	2017 R'000
Board of fund remuneration	3 875	3 631
Outside expert fees	1 662	1 610
Meeting allowances	209	93
Local travel, training and other expenses	184	104
Legal fees	583	-
Total	6 513	5 438

13.2. Staff Expenses

	2018 R'000	2017 R'000
Remuneration	71 147	62 716
Contributions to retirement fund	6 528	5 567
Training expenses	2 324	3 311
Other payments	14 100	12 486
Long term incentive	5 894	6 509
Levies and insurance	980	830
Recruitment costs	3 211	3 069
Total	104 184	94 488

13.3. Principal Officer Expenses

	2018 R'000	2017 R'000
Principal officer expenses - Remuneration	995	837
Principal officer expenses - Contributions to RF	24	-
Principal officer expenses - Bonus	1 242	1 941
Principal officer expenses - Leave pay	69	-
Total	2 330	2 778

The Principal Officer's expenses have been allocated at a rate of 30% which represents his duties / responsibilities as Principal Officer of the Fund. On 1 April 2018 a new Principal Officer was appointed.

ESKOM PENSION AND PROVIDENT FUND

**SCHEDULE HA
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2018**

14. PRIOR PERIOD ADJUSTMENTS

	2018 R'000	2017 R'000
Prior period adjustment	-	(312)
Total	-	(312)

During the 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 were not restated.

15. ACCRUALS

	2018 R'000	2017 R'000
Leave pay accrual	1 798	4 302
Incentive bonus accrual	38 819	31 578
	40 617	35 880

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 Fund assets will not be sufficient to meet liabilities i.e. the funding level falling below 100%.

The Board has developed a robust investment policy statement which sets out the Fund's investment philosophy and strategy. The strategy has been developed in the context of long term capital market expectations as well as multiyear projections of actuarial liabilities. The investment policy statements incorporates the Fund's risk budget which takes cognisance of the Fund's liabilities and provides the framework within which investment risk is managed. The risk budget provides the Board with indicators of how the assets are performing relative to liabilities and therefore would enable the Board to make appropriate decisions should there be signs of possible solvency concerns. This is in addition to the independent actuary's valuation of the Fund which provides the Board with the funding status of the Fund on an annual basis.

The Fund conducts a detailed asset liability modelling study (ALM) every three years and annual interim mini ALMs in order to assess whether the long term investment strategy and asset allocation remains adequate for the Fund's liabilities. The results of this exercise are taken into account when the investment policy statement is reviewed annually to ensure that it remains relevant.

The Board obtains written assurance on an annual basis from the Fund Actuary as well as an independent peer review actuary that certifies whether the Fund's investment strategy is adequate taking into account the Fund's liabilities.

- **Credit risk**

Credit risk is the risk that a counterparty will fail to meet its obligations in accordance with agreed terms. This could mean failure to pay interest or the principal or both.

As the Fund invests in fixed income instruments it manages this risk through ensuring that only investment grade counterparties are invested with. Also, through diversification and continuous monitoring of the credit worthiness of the counterparties that it deals with.

SCHEDULE HA
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2018

16. RISK MANAGEMENT POLICIES (continued)

- **Legal risk**

The legal risk is the risk of financial or reputational loss due to lack of adherence to regulatory, statutory or legal obligations applicable to the Fund. The Fund has an internal legal function capacitated with qualified lawyers who review all the fund's legal agreements to ensure that the Fund's interests are protected. There is also a compliance function in place.

- **Liquidity/cash flow risk**

Liquidity risk involves not having liquid assets to meet liabilities as they fall due, or being unable to realize assets on a reasonable basis when cash is required to pay benefits. The Fund's asset allocation and investment strategy allows for sufficient assets in liquid form to ensure that the cash flow requirements are met as required. Also, most of the Fund's investments are in listed instruments traded in public markets which enables it to trade and raise cash in a relatively short space of time when required.

- **Currency risk**

Currency risk refers to the fact that some of the Fund's investments are denominated in US Dollar and other currencies while the liabilities of the Fund are in Rands and therefore there is exposure to foreign exchange fluctuations. The Fund's investments in foreign assets is limited to the allowable limits prescribed in Regulation 28 of the Pension Funds Act. The majority of the investments are in companies listed in public markets and are denominated in US Dollars. The Board ensures that the Fund's foreign investments are managed by reputable and regulated asset managers which are reviewed and due diligence on an ongoing basis. In the long term the foreign currency denominated investments provide diversification and growth benefits for the Fund.

- **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 interest rates. The investment policy statement, investment strategy and risk budget of the Fund ensures that exposure to the various asset classes is sufficiently diversified and spread in order minimize the adverse impact of this risk.

- **Interest rate risk**

The Fund's fixed income investments are exposed to and react to changes in interest rates. The investment strategy of the Fund is to spread the duration/term of the fixed income across the investment term in order to minimize the impact of the volatility of interest rates over time.

- **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. Serious or regular breaches result in the investment portfolio transfer to other asset managers'.

ESKOM PENSION AND PROVIDENT FUND

**SCHEDULE HA
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2018**

17. RELATED PARTY TRANSACTIONS

During the current financial period, 30% of the Chief Executive's remuneration amounting R2,330,000 (2017: R2,778,000) was allocated to his/her duties as the Principal Officer.

The Employer appointed 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 R6,6 million (2017: R5,4 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 employers and the fund occurred during the year

- The participating employers made contributions to the Fund for members' retirement to the value of R2,4 billion (2017: R2,1 billion) and refunded R468 million medical aid contributions for pensioners.
- The fund holds investments in the participating employer to the value of R2,3 billion (2017: R2,2 billion).
- The participating employers had outstanding contributions of R271 million at year end (2017: R532 million). Eskom Holdings SOC Ltd for other expenses is owed R986,000 by the Fund and owes the Fund R166,000 (2017: R544,000).

The following transactions occurred between the Fund and its Board of Fund, Outside Experts and Participating Employers'

Related party	Relationship	Description	2018 Transactions R'000	2017 Transactions R'000
Eskom Holdings SOC Ltd	Participating Employer	Company contribution to Fund for Employer appointed Trustees	1 341	1 404
Eskom Holdings SOC Ltd	Participating Employer	Member contribution to Fund for Employer appointed Trustees	725	773
Board of Fund member	Pensioner elected Trustee	Pension payment	2 594	2 448
Board of Fund member	Trustee	Trustee fees paid to individuals	2 073	1 526
Board of Fund member	Participating Employer	Employee elected trustee fees paid to Eskom SOC Ltd	1 807	1 531
Outside Expert	Outside expert appointed by Board of Fund	Outside expert fees paid to individuals	1 758	1 476
Outside Expert	Outside expert appointed by Eskom Holdings SOC Ltd	Outside expert fees paid to Eskom Holdings SOC Ltd	107	116
Total			10 405	9 274

The following between the participating employers and the Fund occurred during the period:

Participating employers	Contributions	Fund expenses
Eskom Holdings SOC Ltd	2 185 892	467 754
Eskom Rotek Industries SOC Ltd	242 828	-
Eskom Pension and Provident Fund	8 046	-
Total	2 436 766	467 754

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE HA NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2018

The following transactions occurred between the Fund and its executive management during the year under review:

	2018 R'000
Remuneration	13 611
Contributions to retirement fund	1 104
Bonuses	10 001
Leave payout	229
Sign on bonus	120
Total amount contributed	25 065

Executive management transactions includes the Principal Officer remuneration noted under 13,3.

18. OPERATING LEASE COMMITMENTS

	2018 R'000	2017 R'000
Future minimum operating lease payments		
Within one year	29 326	25 908
Between one and five years	40 314	67 050
Total	69 640	92 958

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 2018

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	101 807 342	580 080	5 528 471	107 915 893	24 112 000	11 092 000	2 246 000	10 774 000
Contributions received and accrued	3 528 949	38 612	225 299	3 792 860	-	-	-	-
Net investment income	9 013 351	-	-	9 013 351	-	-	-	-
Allocated to unclaimed benefits	(15 091)	-	-	(15 091)	-	-	-	-
Other income:	18 806	-	-	18 806	-	-	-	-
- Other income	18 806	-	-	18 806	-	-	-	-
Less:	(207 267)	-	-	(207 267)	-	-	-	-
- Administration costs	(207 267)	-	-	(207 267)	-	-	-	-
Net income before transfers and benefits	114 146 090	618 692	5 753 770	120 518 552	24 112 000	11 092 000	2 246 000	10 774 000
Transfers and benefits	(4 630 800)	(25 991)	(301 187)	(4 957 978)	-	-	-	-
Transfers from other funds	-	6 334	-	6 334	-	-	-	-
Transfers to other funds	(257 429)	-	-	(257 429)	-	-	-	-
Benefits	(4 373 371)	(32 325)	(301 187)	(4 706 883)	-	-	-	-
Net income after transfers and benefits	109 515 290	592 701	5 452 583	115 560 574	24 112 000	11 092 000	2 246 000	10 774 000
Transfer between accumulated funds	-	-	-	-	-	-	-	-
Transfer between reserve accounts	1 603 162	(9 504)	(5 658)	1 588 000	(1 588 000)	(2 012 000)	2 898 000	(2 474 000)
Net investment return	(567 253)	53 116	514 137	-	-	-	-	-
At end of year	110 551 199	636 313	5 961 062	117 148 574	22 524 000	9 080 000	5 144 000	8 300 000

ESKOM PENSION AND PROVIDENT FUND

REPORT OF THE VALUATOR FOR THE YEAR ENDED 30 JUNE 2018

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE HB REPORT OF THE VALUATOR

FINANCIAL YEAR: 30 June 2018

Particulars of financial condition of the Fund as at 30 June 2018

An annual actuarial valuation was carried out as at 30 June 2018. 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 – R139 672 million.
2. The actuarial value of the net assets for the purposes of comparison with the accrued liabilities of the Fund – R139 368 million.
3. The actuarial present value of promised retirement benefits – R100 951 million vested, and R0 non-vested.
4. Contingency reserve account balances – R22 524 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. An additional provision was made to fund in advance for the annual pensioner bonus in respect of current pensioners. This represents a change from the “annually costed” approach used at the previous valuation.
6. The key financial assumptions are that investment returns will exceed salary inflation by 4.50% per annum (4.80% 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 6.90% per annum (7.40% 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 shortfall relative to the fixed contribution rate payable in terms of the rules. At the valuation date this shortfall amounted to 0.72% of pensionable salaries (compared with a 0.60% surplus at the previous statutory valuation).
8. In my opinion the Fund was in a sound financial condition as at 30 June 2018 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.
20 November 2018



SCHEDULE I

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

We have performed the procedures agreed with the Financial Sector Conduct Authority (the "Authority") 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 2018. 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 Authority 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 Authority.

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 2018.

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 Authority 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
29 November 2018

*PricewaterhouseCoopers Inc., 4 Lisbon Lane, Waterfall City, Jukskei View, 2090
Private Bag X36, Sunninghill, 2157, South Africa
T: +27(0) 11 797 4000, F: +27(0) 11 209 5800, www.pwc.co.za*

Chief Executive Officer: T D Shango
Management Committee: S N Madikane, J S Masondo, P J Motshibe, C Richardson, F Tonelli, C Volschenk
The Company's principal place of business is at 4 Lisbon Lane, Waterfall City, Jukskei View, 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 2018 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.	<p>Except for the differences noted below, details of the written confirmations obtained from the investment managers were agreed to the investment balances reflected in the general ledger.</p> <table border="1"> <thead> <tr> <th></th> <th>R'000</th> </tr> </thead> <tbody> <tr> <td>Investments as per the financial statements</td> <td>140,678,204</td> </tr> <tr> <td>Inhouse managed investments (excluding Private Equities) confirmed through custodian confirmations</td> <td>52,074,346</td> </tr> <tr> <td>Investments managed by external investment managers</td> <td>88,603,858</td> </tr> <tr> <td>Amount as per the written confirmations from investment managers</td> <td>88,585,855</td> </tr> <tr> <td>Difference</td> <td>20,003</td> </tr> </tbody> </table>		R'000	Investments as per the financial statements	140,678,204	Inhouse managed investments (excluding Private Equities) confirmed through custodian confirmations	52,074,346	Investments managed by external investment managers	88,603,858	Amount as per the written confirmations from investment managers	88,585,855	Difference	20,003
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Difference	20,003													
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 Authority.	Investments in the participating employer were 1.65% of the total assets in the financial statements as at 30 June 2018.												
1.2	Obtain the fund's signed investment policy statement and investment mandates, for the 3 largest investment balances as at 30 June 2018 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>Inspection of the underlying investments, investment mandate and investment policy statement (“IPS”) revealed the following:</p> <table border="1" data-bbox="735 376 1453 1099"> <thead> <tr> <th data-bbox="735 376 954 439">Investment manager</th> <th data-bbox="954 376 1150 439">Underlying investment</th> <th data-bbox="1150 376 1347 439">Investment mandate</th> <th data-bbox="1347 376 1453 439">IPS</th> </tr> </thead> <tbody> <tr> <td data-bbox="735 439 954 528">Morgan Stanley Investment Management Ltd</td> <td data-bbox="954 439 1150 528">Segregated portfolio</td> <td data-bbox="1150 439 1347 528">Segregated portfolio</td> <td data-bbox="1347 439 1453 528">Allowed</td> </tr> <tr> <td data-bbox="735 528 954 591">Allianz Global Investors Europe GMBH</td> <td data-bbox="954 528 1150 591">Segregated portfolio</td> <td data-bbox="1150 528 1347 591">Segregated portfolio</td> <td data-bbox="1347 528 1453 591">Allowed</td> </tr> <tr> <td data-bbox="735 591 954 654">Black Rock Investment Management (UK) Ltd</td> <td data-bbox="954 591 1150 654">Collective Investment Scheme</td> <td data-bbox="1150 591 1347 654">Collective Investment Scheme</td> <td data-bbox="1347 591 1453 654">Allowed</td> </tr> <tr> <td data-bbox="735 654 954 716">Aeon Investment Management (Pty) Ltd</td> <td data-bbox="954 654 1150 716">Segregated portfolio</td> <td data-bbox="1150 654 1347 716">Segregated portfolio</td> <td data-bbox="1347 654 1453 716">Allowed</td> </tr> <tr> <td data-bbox="735 716 954 745">Aferna Capital (Pty) Ltd</td> <td data-bbox="954 716 1150 745">Segregated portfolio</td> <td data-bbox="1150 716 1347 745">Segregated portfolio</td> <td data-bbox="1347 716 1453 745">Allowed</td> </tr> <tr> <td data-bbox="735 745 954 808">Dust Asset Management Ltd</td> <td data-bbox="954 745 1150 808">Collective Investment Scheme</td> <td data-bbox="1150 745 1347 808">Collective Investment Scheme</td> <td data-bbox="1347 745 1453 808">Allowed</td> </tr> <tr> <td data-bbox="735 808 954 893">First Avenue Investment Management (Pty) Ltd</td> <td data-bbox="954 808 1150 893">Segregated portfolio</td> <td data-bbox="1150 808 1347 893">Segregated portfolio</td> <td data-bbox="1347 808 1453 893">Allowed</td> </tr> <tr> <td data-bbox="735 893 954 978">Investec Asset Management (Pty) Ltd</td> <td data-bbox="954 893 1150 978">Segregated portfolio</td> <td data-bbox="1150 893 1347 978">Segregated portfolio</td> <td data-bbox="1347 893 1453 978">Allowed</td> </tr> <tr> <td data-bbox="735 978 954 1041">SEI Investments (Europe) Ltd</td> <td data-bbox="954 978 1150 1041">Collective Investment Scheme</td> <td data-bbox="1150 978 1347 1041">Collective Investment Scheme</td> <td data-bbox="1347 978 1453 1041">Allowed</td> </tr> <tr> <td data-bbox="735 1041 954 1099">UBS Asset Management (UK) Ltd</td> <td data-bbox="954 1041 1150 1099">Segregated portfolio</td> <td data-bbox="1150 1041 1347 1099">Segregated portfolio</td> <td data-bbox="1347 1041 1453 1099">Allowed</td> </tr> </tbody> </table>	Investment manager	Underlying investment	Investment mandate	IPS	Morgan Stanley Investment Management Ltd	Segregated portfolio	Segregated portfolio	Allowed	Allianz Global Investors Europe GMBH	Segregated portfolio	Segregated portfolio	Allowed	Black Rock Investment Management (UK) Ltd	Collective Investment Scheme	Collective Investment Scheme	Allowed	Aeon Investment Management (Pty) Ltd	Segregated portfolio	Segregated portfolio	Allowed	Aferna Capital (Pty) Ltd	Segregated portfolio	Segregated portfolio	Allowed	Dust Asset Management Ltd	Collective Investment Scheme	Collective Investment Scheme	Allowed	First Avenue Investment Management (Pty) Ltd	Segregated portfolio	Segregated portfolio	Allowed	Investec Asset Management (Pty) Ltd	Segregated portfolio	Segregated portfolio	Allowed	SEI Investments (Europe) Ltd	Collective Investment Scheme	Collective Investment Scheme	Allowed	UBS Asset Management (UK) 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="746 421 1465 1171"> <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>Morgan Stanley Investment Management Ltd</td> <td>Not specified</td> <td>No</td> <td>No</td> <td>Yes</td> </tr> <tr> <td>Allianz Global Investors Europe GMBH</td> <td>No</td> <td>Yes</td> <td>Yes</td> <td>Yes</td> </tr> <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>Aeon Investment Management (Pty) Ltd</td> <td>Not specified</td> <td>Yes</td> <td>Yes</td> <td>Yes</td> </tr> <tr> <td>Alema Capital (Pty) Ltd</td> <td>Yes</td> <td>No</td> <td>No</td> <td>No</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>First Avenue Investment Management (Pty) Ltd</td> <td>Not specified</td> <td>No</td> <td>No</td> <td>No</td> </tr> <tr> <td>Investec Asset Management (Pty) Ltd</td> <td>Not specified</td> <td>No</td> <td>No</td> <td>No</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>UBS Asset Management (UK) Ltd</td> <td>Not specified</td> <td>Yes</td> <td>Yes</td> <td>Yes</td> </tr> </tbody> </table> <p>Investment Policy Statement (“IPS”)</p> <table border="1" data-bbox="746 1234 1445 1335"> <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	Morgan Stanley Investment Management Ltd	Not specified	No	No	Yes	Allianz Global Investors Europe GMBH	No	Yes	Yes	Yes	Black Rock Investment Management (UK) Ltd	Yes	Not specified	Not specified	Yes	Aeon Investment Management (Pty) Ltd	Not specified	Yes	Yes	Yes	Alema Capital (Pty) Ltd	Yes	No	No	No	Duet Asset Management Ltd	Not specified	Yes	Yes	Yes	First Avenue Investment Management (Pty) Ltd	Not specified	No	No	No	Investec Asset Management (Pty) Ltd	Not specified	No	No	No	SEI Investments (Europe) Ltd	Not specified	Not specified	Not specified	Yes	UBS Asset Management (UK) Ltd	Not specified	Yes	Yes	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 in respect of scrip lending were in accordance with the requirements of the Fund’s investment policy statement.																																																																	

	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 2018 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 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 2018; 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 2018:</p> <table border="1" data-bbox="778 562 1366 833"> <thead> <tr> <th>Institution</th> <th>Market Value of Scrip R</th> <th>% Collateral</th> </tr> </thead> <tbody> <tr> <td>Standard Bank</td> <td>11,669,923,654</td> <td>100.0%</td> </tr> <tr> <td>Nedbank</td> <td>3,367,869,391</td> <td>118.0%</td> </tr> </tbody> </table>	Institution	Market Value of Scrip R	% Collateral	Standard Bank	11,669,923,654	100.0%	Nedbank	3,367,869,391	118.0%							
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Nedbank	3,367,869,391	118.0%																
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 2018.</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 2018.</p> <table border="1" data-bbox="738 1122 1385 1406"> <tbody> <tr> <td>AVC Balance</td> <td>R'000</td> </tr> <tr> <td>AVC scheme report balance</td> <td>636,313</td> </tr> <tr> <td>Amount as per AFS</td> <td>636,313</td> </tr> <tr> <td>Unreconciled Difference</td> <td>0</td> </tr> <tr> <td>PBS Balance</td> <td>R'000</td> </tr> <tr> <td>PBS scheme report balance</td> <td>5,961,062</td> </tr> <tr> <td>Amount as per AFS</td> <td>5,961,062</td> </tr> <tr> <td>Unreconciled Difference</td> <td>0</td> </tr> </tbody> </table>	AVC Balance	R'000	AVC scheme report balance	636,313	Amount as per AFS	636,313	Unreconciled Difference	0	PBS Balance	R'000	PBS scheme report balance	5,961,062	Amount as per AFS	5,961,062	Unreconciled Difference	0
AVC Balance	R'000																	
AVC scheme report balance	636,313																	
Amount as per AFS	636,313																	
Unreconciled Difference	0																	
PBS Balance	R'000																	
PBS scheme report balance	5,961,062																	
Amount as per AFS	5,961,062																	
Unreconciled Difference	0																	
2.2	<p>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:</p>																	
2.2.1	<p>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.</p>	<p>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 2017, February 2018 and June 2018.</p>																

	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 2017, February 2018 and June 2018 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 2018 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 2018 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.



	Procedures	Findings
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.
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 Authority.	Not applicable

	Procedures	Findings
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 2017, February 2018 and June 2018.
4	Surplus apportionment scheme	
4.1	If a surplus apportionment scheme was approved by the Authority 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 Authority in the current year and no amounts were allocated or paid in the current year in respect of previous Authority-approved surplus apportionment schemes.
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.

	Procedures	Findings
4.1.2	Former members and pensioners: 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.
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 annual financial statements of 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.

	Procedures	Findings
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 2018 , 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.

	Procedures	Findings
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 2018 and perform the following procedure:	Not applicable as no other loans were granted as at 30 June 2018.
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 2017, February 2018 and June 2018.
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 for the months selected.
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 performed in terms of the requirements of the rules of the Fund and/or the Act for the members selected in our sample.</p> <p><u>For a defined contribution fund</u> 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>
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 list of total section 14 transfers to the Fund agreed to the corresponding accounts in the general ledger. No section 14 transfers from the Fund were noted during the 2018 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 Authority in respect of each transfer; and/or b) the section 14(8) documentation as prescribed.	Agreed the sample of section 14 transfers to the Fund to the section 14(1) documentation as approved by the Authority in respect of each transfer. No exceptions were noted.
10.2.2	Inspect whether the transfers to and from the Fund were received/paid within 60 days of Authority 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 Authority 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 2018, 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 2018 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 2018.
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.	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.
12	General	
12.1	Inspect evidence that the Fund's fidelity insurance cover was in place throughout the year ended 30 June 2018, 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 2018. The subsequent fidelity insurance cover extended to 30 June 2019.
12.2	Confirm with the Fund's GLA insurer as to whether the GLA policy has lapsed at year ended 30 June 2018.	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 2018 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 2018 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 Authority.	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 2018

INVESTMENTS

	Notes	Direct Investments	Non-compliant Collective investment schemes Note M1	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
Cash (including cash at bank)	A	8 283 028	-	-	8 283 028	4 086 948	4 196 080	-	4 196 080	50,66	464 287	8 747 315
Debt instruments including Islamic debt Instruments	C	23 423 326	-	-	23 423 326	23 401 556	-	21 770	21 770	0,09	60 128	23 483 454
Investment and owner occupied properties	D	123 500	-	-	123 500	123 500	-	-	-	-	11 067 574	11 191 074
Equities	E	86 328 904	-	-	86 328 904	64 374 715	21 417 914	536 275	21 954 189	25,43	3 586 621	89 915 525
Derivative Market instruments	G	-	-	5 864	5 864	5 864	-	-	-	-	(5 864)	-
Investments in participating employers	H	2 329 498	-	-	2 329 498	2 329 498	-	-	-	-	-	2 329 498
Hedge Funds	J	834 541	-	-	834 541	834 541	-	-	-	-	-	834 541
Private Equity Funds	K	4 177 125	-	-	4 177 125	2 458 078	-	1 719 047	1 719 047	41,15	16 210	4 193 335
Collective Investment Schemes		57 712	15 131 244	-	15 188 956	57 712	11 979 297	3 151 947	15 131 244	99,62	(15 188 956)	-
Total investments		125 557 634	15 131 244	5 864	140 694 742	97 672 412	37 593 291	5 429 039	43 022 330	30,58	-	140 694 742

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE IA - SCHEDULES PERTAINING TO THE ANNUAL FINANCIAL STATEMENTS (continued)
AT 30 JUNE 2018

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	4 086 948
<i>Total of issuers not exceeding 5%</i>	745 624
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>	1 400 356
Any positive net balance in a margin account with an exchange	-
<i>Total of issuers not exceeding 5%</i>	1 940 968
Foreign	
Foreign balances or deposits, money market instruments issued by a foreign bank including Islamic liquidity management financial instruments	4 196 080
Any balance or deposit held with a foreign bank	-
<i>Total of issuers not exceeding 5%</i>	4 196 080
Any balance or deposit held with an African bank	-
Total	8 283 028

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE IA - SCHEDULES PERTAINING TO THE ANNUAL FINANCIAL STATEMENTS (continued)
AT 30 JUNE 2018

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>					
					20 100 299
Debt instruments issued or guaranteed by the government of a foreign country:					
<i>Total of issuers not exceeding 5%</i>					
					21 771
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>					
					995 690
Listed on an exchange with an issuer market capitalisation of less than R2 billion, or an amount or conditions as prescribed					
<i>Total of issuers not exceeding 5%</i>					
					56 210
Not listed on an exchange					
Total					
					733 578
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>					
					1 416 053
Not listed on an exchange					
DISCOVERY	Local	Unsecured	Guaranteed		7 317
Northam Platinum Limited	Local	Unsecured	Issued		16 347
The Standard Bank Of Sa Ltd 02/24 1	Local	Unsecured	Guaranteed		1 848
Telkom Sa Soc Ltd Unsecured 04/25 9.28	Local	Unsecured	Guaranteed		9 770
Bayport Securitisation Rf Ltd	Local	Unsecured	Issued		5 682
RES DEPT SERV SNR TRANS STUB	Local	Unsecured	Issued		3 338
Total					44 302
Debentures:					
Listed on an exchange					
<i>Total of issuers not exceeding 5%</i>					
					55 423
Not listed on an exchange					
Total debt instruments including Islamic debt instruments					
					23 423 326

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE IA - SCHEDULES PERTAINING TO THE ANNUAL FINANCIAL STATEMENTS (continued)
AT 30 JUNE 2018

D INVESTMENT AND OWNER OCCUPIED PROPERTIES

Instrument	Fair value R'000
Owner occupied properties <i>Total of issuer/entity less than 5% of total assets</i>	123 500
Total owner occupied properties	<u>123 500</u>
Total	<u>123 500</u>

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						<u>123 500</u>

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>						<u>77 701 007</u>
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>						<u>8 287 453</u>
Issuer market capitalisation of less than R2 billion, or an amount or conditions as prescribed <i>Total of issuers not exceeding 5%</i>						<u>340 444</u>
Total equities						<u>86 328 904</u>

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE IA - SCHEDULES PERTAINING TO THE ANNUAL FINANCIAL STATEMENTS (continued)
AT 30 JUNE 2018

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 18	Equity	251 613	17 704	Standard Bank	Nedbank	-
		30 Jun 18	Equity	3 367 869	33 781	Nedbank	Nedbank	-
Debt - Government bonds	75%							
		30 Jun 18	Bonds	11 418 311	6 880 088	Standard Bank	Nedbank	-
Total				15 037 793				-

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	8,30	11 669 924
Nedbank	Equities on loan	2,40	3 367 869
Total			15 037 793

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE IA - SCHEDULES PERTAINING TO THE ANNUAL FINANCIAL STATEMENTS (continued)
AT 30 JUNE 2018

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	
FirstRand Bank Ltd	13 598
Absa Bank Limited	(9 050)
Deutsche Bank Ag Jhb	1 358
Nedbank Limited	(1 854)
Deutsche Bank Ag	1 812
Forward rate agreements	
Equity linked instruments	
Other	
Total	5 864

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE IA - SCHEDULES PERTAINING TO THE ANNUAL FINANCIAL STATEMENTS (continued)
AT 30 JUNE 2018

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>			2 329 498
Subtotal			<u>2 329 498</u>
 Instrument			 Fair value R'000
 Total for investments in participating employers			 <u>2 329 498</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	Fixed mandate	834 541	834 541
Total Hedge funds commitment		<u>834 541</u>	<u>834 541</u>

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE IA - SCHEDULES PERTAINING TO THE ANNUAL FINANCIAL STATEMENTS (continued)
AT 30 JUNE 2018

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	Total value of commitment	Current value of commitment
					%			R'000	R'000
Private Equity Fund									
African Infrastructure Investment Fund	Local	Partnerships	Yes	4307	3,79	% 10years with extension	Unlimited	50 000	39 040
Brait Iv	Local	Partnerships	Yes	820	6,04	% 10years	Unlimited	75 000	35 105
Capitalworks Private Equity	Local	Partnerships	No	45888	4,00	% 10years	Unlimited	50 000	41 889
Capitalworks Private Equity 2	Local	Partnerships	No	45890	22,00	% 10years	Unlimited	200 000	157 744
ETHOS TECHNOLOGY FUND 1	Local	Partnerships	Yes	9254	-	% 10years with extension	Unlimited	20 000	-
Ethos Private Equity Fund V	Local	Partnerships	Yes	9254	9,05	% 10years with extension	Unlimited	100 000	12 495
Ethos Private Equity Fund Vi	Local	Partnerships	Yes	9254	0,15	% 10years	Unlimited	185 000	131 760
Ethos Mid Market Fund I	Local	Partnerships	Yes	46595	-	% 10years	Unlimited	350 000	118 059
Housing Impact Fund SA	Local	Partnerships	Yes	45255	1,64	% 10years	Unlimited	150 000	104 793
Kleoss Fund 1	Local	Partnerships	Yes	45656	12,65	% 10years	Unlimited	75 000	38 605
Lereko-Metier Capital Growth	Local	Partnerships	Yes	23261	3,29	% 10years	Unlimited	100 000	15 978
Medu Ii Partnership Agreement	Local	Partnerships	Yes	40187	5,71	% 10years	Unlimited	50 000	10 499
Medu Iii Capital Fund	Local	Partnerships	Yes	40187	23,26	% 10years	Unlimited	150 000	109 563
Ompe Fund Iv Partnership	Local	Partnerships	Yes	45255	2,70	% 8 years	Unlimited	100 000	55 345
SA INFRASTRUCT SUB FUND2	Local	Partnerships	Yes	4307	-	% 10years	Unlimited	100 000	-
SA INFRASTRUCT MAIN FUND	Local	Partnerships	Yes	4307	-	% 10years	Unlimited	8 950	-
Schools And Education Investment Impact Fund Of South Africa	Local	Partnerships	Yes	45255	14,29	% 10years	Unlimited	200 000	163 846
SPHERE PVTE EQT FUND 1	Local	Partnerships	Yes	22327	-	% 10years	Unlimited	30 000	-
Sphere Holdings Propriety Ltd	Local	Other	No	N/A	20,75	% Unlimited	Unlimited	249 966	340 863
Stanlib Infrastructure Private Equity Fund 1	Local	Partnerships	Yes	719	8,00	% 10years	Unlimited	100 000	123 233
TREACLE FUND 11	Local	Partnerships	Yes	8434	-	% 10years	Unlimited	40 900	-
Trinitas Private Equity Fund	Local	Partnerships	Yes	43242	6,04	% 10years	Unlimited	50 000	55 661
Vantage Capital Fund 1	Local	Partnerships	Yes	28711	26,67	% 10years with extension	Unlimited	20 000	6 561
Vantage Mezzanine Fund 1	Local	Partnerships	No	25807	5,03	% 10years	Unlimited	50 000	1 614
Vantage Mezzanine Fund 2	Local	Partnerships	No	25807	5,40	% 10years	Unlimited	100 000	124 689
Vantage Mezzanine Fund 3	Local	Partnerships	Yes	45610	10,63	% 10years	Unlimited	187 600	119 182
Van Schaick Book Stores	Local	Other	No	N/A	14,50	% 10years	Unlimited	100 000	42 070
Women Private Equity Fund 1	Local	Partnerships	Yes	11686	15,53	% 8years with extension.	Unlimited	20 000	492
IHS Fund Ii SA Feeder LP	Local	Partnerships	Yes	35579	8,62	% 10years	fourteen	100 000	25 369
Busamed Property Ltd	Local	Other	No		23,88	% 10years	Unlimited	500 000	583 623

ESKOM PENSION AND PROVIDENT FUND

**SCHEDULE IA - SCHEDULES PERTAINING TO THE ANNUAL FINANCIAL STATEMENTS (continued)
AT 30 JUNE 2018**

Aureos Africa Fund	Foreign	Partnerships	Yes	44310	1,60 % 10years	Unlimited	78 615	28 578
Aureos Africa Fund 3	Foreign	Partnerships	Yes	44310	4,04 % 10years	Unlimited	524 100	373 381
Capital Alliance Private Equity Iii	Foreign	Partnerships	No	N/A	1,86 % 10years	Unlimited	85 166	40 492
Capital Alliance Private Equity 4	Foreign	Partnerships	No	N/A	6,05 % 10years	Unlimited	399 075	169 783
CANADA INVESTMENT FUND FOR AFRICA	Foreign	Partnerships	No	43291	3,80 % 8 years	Unlimited	104 820	-
Helios Private Equity	Foreign	Partnerships	Yes	45737	0,78 % 10years	Unlimited	85 166	120 625
Helios Private Equity Fund 3	Foreign	Partnerships	Yes	45737	2,69 % 10years	Unlimited	393 075	317 496
Investec Africa Private Equity Fund 2	Foreign	Partnerships	Yes	587	9,98 % 10years	Unlimited	327 563	214 486
Novare Africa Property Fund II	Foreign	Partnerships	Yes	41836	- % 10years	Unlimited	458 588	349 385
Pan African Infrastructure Development Fund	Foreign	Partnerships	Yes	31473	0,79 % 15years	Unlimited	65 513	74 651
Vantage Mezzanine 3 Pan African Fund	Foreign	Partnerships	Yes	45610	3,40 % 10years	Unlimited	13 652	30 170
Total Private Equity Funds commitment							<u>6 047 749</u>	<u>4 177 125</u>

ESKOM PENSION AND PROVIDENT FUND

**SCHEDULE IA - SCHEDULES PERTAINING TO THE ANNUAL FINANCIAL STATEMENTS (continued)
AT 30 JUNE 2018**

M REGULATION 28 NON-COMPLIANT INVESTMENTS

M1 NON-COMPLIANT COLLECTIVE INVESTMENT SCHEMES

Instrument	Holding %	Fair value R'000
Foreign		
SGMF UK Equity USD Institutional	0,14	200 846
SGMF Japan equity USD Hedge Institutional	0,09	120 102
SGMF Pacific Basin ex- Japan equity USD Institutional	0,13	186 200
SGIF Global Select Equity Fund USD Institutional	1,89	2 657 861
SGMF Japan Equity USD Institutional	0,20	274 352
SGMF Emerging Markets Equity USD Institutional	0,41	578 963
SGMF Large companies Equity USD Institutional	1,01	1 423 656
SGMF European ex-UK equity USD Institutional	0,34	475 632
Sanlam Centre Sub Saharan Africa Equity Fund	0,69	969 763
Sanlam Centre Sub Saharan Africa Equity Fund	1,06	1 492 805
Ashmore The Africa Emerging Markets Fund	0,49	689 378
Blackrock Developed World Index Sub Fund	4,31	6 061 686
		15 131 244
Total Non-compliant collective investment schemes		15 131 244

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.

Total certified Regulation 28 non-compliant investments **15 131 244**

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 2018

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	-	8 241 692	15 038	8 256 730	5,85%
Absa Bank Limited	-	2 098 050	-	2 098 050	1,49%
FirstRand Bank Limited	-	147 838	-	147 838	0,10%
Investec Bank Limited	-	256 402	-	256 402	0,18%
Standard Bank Of South Africa	-	121 365	11 670	133 035	0,09%
Nedbank Limited	-	1 287 539	3 368	1 290 907	0,91%
Land And Agricultural Bank Of South Africa	-	12 481	-	12 481	0,01%
Rand Merchant Bank	-	101 419	-	101 419	0,07%
Yieldx Accounts	-	20 518	-	20 518	0,01%
State Street Southern Africa (Pty) Limited	-	4 196 080	-	4 196 080	2,97%
Asset managers - local	-	57 713	-	57 713	0,04%
Investec Internal Money Fund UPF	-	8 816	-	8 816	0,01%
Prime Money Market Fund Class C	-	15 303	-	15 303	0,01%
Stanlib Institutional Money Market Fund	-	16 689	-	16 689	0,01%
Afena Prescient Money Market Fund	-	16 905	-	16 905	0,01%
Asset managers - foreign	15 131 244	18 606	-	15 149 850	10,73%
SGMF UK Equity USD Institutional	200 846	-	-	200 846	0,14%
SGMF Japan equity USD Hedge Institutional	120 102	-	-	120 102	0,09%
SGMF Pacific Basin ex- Japan equity USD Institutional	186 200	-	-	186 200	0,13%
SGIF Global Select Equity Fund USD Institutional	2 657 861	-	-	2 657 861	1,88%
SGMF Japan Equity USD Institutional	274 352	-	-	274 352	0,19%
SGMF Emerging Markets Equity USD Institutional	578 963	-	-	578 963	0,41%
SGMF Large companies Equity USD Institutional	1 423 656	-	-	1 423 656	1,01%
SGMF European ex-UK equity USD Institutional	475 632	-	-	475 632	0,34%
Sanlam Centre Sub Saharan Africa Equity Fund	969 763	-	-	969 763	0,69%
Duet Africa opportunities Fund	1 492 805	-	-	1 492 805	1,06%
Ashmore The Africa Emerging Markets Fund	689 378	-	-	689 378	0,49%
Blackrock Developed World Index Sub Fund	6 061 686	18 606	-	6 080 292	4,31%
Participating employers					
Eskom Holdings SOC Ltd	-	2 329 498	-	2 329 498	1,65%
	15 131 244	10 647 509	15 038	25 793 791	18,27 %

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE IA - SCHEDULES PERTAINING TO THE ANNUAL FINANCIAL STATEMENTS (continued)
AT 30 JUNE 2018

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	9 354 810	9 354 810	467 741
British American Tobacco PLC	2 696 499	2 696 499	134 825
Standard Bank Group Limited	2 650 520	2 650 520	132 526
Sasol Limited	2 419 702	2 419 702	120 985
MTN Group Limited	2 249 448	2 249 448	112 472
FirstRand Limited	1 910 476	1 910 476	95 524
Anglo American PLC	1 773 549	1 773 549	88 677
Growthpoint Properties Limited	1 520 622	1 520 622	76 031
Old Mutual Limited	1 505 310	1 505 310	75 266
Redefine Properties Limited	1 329 919	1 329 919	66 496
Total value of 10 largest equity holdings	27 410 855	27 410 855	1 370 543
Total movement as % of non-current assets plus bank			0,97 %

OTHER FINANCIAL INSTRUMENTS	Holding	Fair value at end of year	Market movement by 5%
Instrument	R'000	R'000	R'000
R202	1 550 000	3 611 176	180 559
R197	1 010 000	2 992 824	149 641
R210	1 489 000	2 774 699	138 735
I2038	1 938 000	2 391 200	119 560
FUTAAO	1 861 472	1 861 472	93 074
I2025	1 027 130	1 350 904	67 545
I2050	1 091 000	1 311 995	65 600
I2046	1 095 000	1 270 261	63 513
EL36	650 000	634 151	31 708
FUTNED	588 549	588 549	29 427
Total value of 10 largest other instruments	12 300 151	18 787 231	939 362
Total movement as % of non-current assets plus bank			0,67 %

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE IA - SCHEDULES PERTAINING TO THE ANNUAL FINANCIAL STATEMENTS (continued)
AT 30 JUNE 2018

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	8 266 490	16 538	8 283 028
Debt instruments including Islamic debt instruments	23 423 326	-	23 423 326
Investment properties and Owner occupied properties *	123 500	-	123 500
Equities	86 328 904	-	86 328 904
Investment in participating employer(s)	2 329 498	-	2 329 498
Hedge funds	834 541	-	834 541
Private equity funds	4 177 125	-	4 177 125
Derivative market investments	5 864	-	5 864
Collective investment schemes	15 188 956	-	15 188 956
Total investments	140 678 204	16 538	140 694 742

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE IB - ASSETS HELD IN COMPLIANCE WITH REGULATION 28
AS AT 30 JUNE 2018

	Fair value R'000
A Total assets (Schedule IA -Total investments)	140 694 742
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 FSCA (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	140 694 742

Categories of kinds of assets	%	Fair value R'000	Fair value %
1 CASH		8 747 315	6,22%
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%	4 090 396	2,91%
(a) Notes and coins; any balance or deposit in an account held with a South African bank; ABSA Bank Limited	25%	3 208 721 1 936 105	2,28% 1,38%
(b) A money market instrument issued by a South African bank including an Islamic liquidity management financial instrument FirstRand Bank Limited	25%	819 770 218 408	0,58% 0,16%
(c) Any positive net balance in a margin account with an exchange Margin @ JSE	25%	61 905 61 905	0,04% 0,04%
(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	4 656 919	3,31%
(a) Any balance or deposit held with a foreign bank		4 656 919	3,31%
(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		23 483 454	16,69%
2.1 Inside the Republic	100%	23 483 454	16,69%
(a) Debt instruments issued by, and loans to, the government of the Republic, and any debt or loan guaranteed by the Republic	100%	20 215 235 20 215 235	14,37% 14,37%
(b) Debt instruments issued or guaranteed by the government of a foreign country	75% 10%	21 771 21 771	0,02% 0,02%
(c) Debt instruments issued or by a South African bank against its balance sheet	75%	2 119 816	1,51%
c(i) Listed on an exchange with an issue market capitalisation of R20 billion or more, or an amount or conditions as prescribed FirstRand Bank Limited	75% 25%	2 038 202 1 062 420	1,45% 0,76%
Carried forward		23 515 844	16,73%

ESKOM PENSION AND PROVIDENT FUND
**SCHEDULE IB - ASSETS HELD IN COMPLIANCE WITH REGULATION 28
AS AT 30 JUNE 2018**

Categories of kinds of assets		%	Fair value R'000	Fair value %
Brought forward			23 515 844	16,73%
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%	72 414	0,05%
	African Bank Limited	15%	56 210	0,04%
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%	9 200	0,01%
	FirstRand Bank Limited	5%	7 167	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%	818 003	0,58%
d(i)	Listed on an exchange	50%	771 724	0,55%
	Development Bank of SA	10%	142 566	0,10%
d(ii)	Not listed on an exchange	25%	46 279	0,03%
	Land and Agricultural Bank of SA	5%	38 962	0,03%
(e)	Other debt instruments:-	25%	308 629	0,22%
e(i)	Listed on an exchange	25%	296 873	0,21%
	Thekwini	5%	67 132	0,05%
e(ii)	Not listed on an exchange	15%	11 756	0,01%
	South African Airways	5%	11 756	0,01%
	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		-	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		89 915 525	63,91%
3.1	Inside the Republic	75%	53 696 890	38,17%
(a)	Preference and ordinary shares in companies, excluding shares in property companies, listed on an exchange:-	75%	53 696 768	38,17%
a(i)	Issuer market capitalisation of R20 billion or more, or an amount or conditions as prescribed	75%	49 305 419	35,04%
	Naspers	15%	9 354 810	6,65%
Carried forward			33 194 447	23,62%

ESKOM PENSION AND PROVIDENT FUND
**SCHEDULE IB - ASSETS HELD IN COMPLIANCE WITH REGULATION 28
AS AT 30 JUNE 2018**

Categories of kinds of assets		%	Fair value R'000	Fair value %
Brought forward			33 194 447	23,62%
a(ii)	Issuer market capitalisation of between R2 billion and R20 billion, or an amount or conditions as prescribed	75%	4 126 659	2,93%
	Northern Platinum	10%	268 683	0,19%
a(iii)	Issuer market capitalisation of less than R2 billion, or an amount or conditions as prescribed	15%	264 690	0,19%
	Hulisani	5%	57 206	0,04%
(b)	Preference and ordinary shares in companies, excluding shares in property companies, not listed on an exchange	15%	122	0,00%
	Cycad	2,5%	107	0,00%
3.2	Foreign		36 218 635	25,74%
(a)	Preference and ordinary shares in companies, excluding shares in property companies, listed on an exchange:-	SARB max. limits	36 176 090	25,71%
a(i)	Issuer market capitalisation of R20 billion or more, or an amount or conditions as prescribed	SARB max. limits	33 546 289	23,84%
	Microsoft Corp	15%	946 857	0,67%
a(ii)	Issuer market capitalisation of between R2 billion and R20 billion, or an amount or conditions as prescribed	SARB max. limits	1 982 270	1,41%
	United Bank for Africa PLC	10%	92 867	0,07%
a(iii)	Issuer market capitalisation of less than R2 billion, or an amount or conditions as prescribed	SARB max. limits	647 531	0,46%
	First City Monument Bank	5%	67 624	0,05%
(b)	Preference and ordinary shares in companies, excluding shares in property companies, not listed on an exchange	10%	42 545	0,03%
		2,5%	20 302	0,01%
4	IMMOVABLE PROPERTY		11 191 074	7,95%
4.1	Inside the Republic	25%	10 801 325	7,68%
(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%	10 677 825	7,59%
a(i)	Issuer market capitalisation of R10 billion or more, or an amount or conditions as prescribed	25%	9 347 163	6,64%
	Growthpoint	15%	1 520 622	1,08%
a(ii)	Issuer market capitalisation of between R3 billion and R10 billion, or an amount or conditions as prescribed	25%	1 035 573	0,74%
	Grit Real Estate	10%	174 360	0,12%
a(iii)	Issuer market capitalisation of less than R3 billion or an amount or conditions as prescribed	25%	295 089	0,21%
	Fairvest Property	5%	92 646	0,07%
(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%	123 500	0,09%
	EPPF Office Park	5%	123 500	0,09%
4.2	Foreign	25%	389 749	0,28%
(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%	389 749	0,28%
a(i)	Issuer market capitalisation of R10 billion or more, or an amount or conditions as prescribed	25%	377 095	0,27%
	Black Knight Construction	15%	44 620	0,03%
a(ii)	Issuer market capitalisation of between R3 billion and R10 billion, or an amount or conditions as prescribed	25%	12 617	0,01%
	Hansteen Holdings PLC	10%	114	0,00%
Carried forward			36 603 955	26,04%

ESKOM PENSION AND PROVIDENT FUND
**SCHEDULE IB - ASSETS HELD IN COMPLIANCE WITH REGULATION 28
AS AT 30 JUNE 2018**

Categories of kinds of assets		%	Fair value R'000	Fair value %
Brought forward			36 603 955	26,04%
a(iii)	Issuer market capitalisation of less than R3 billion or an amount or conditions as prescribed	25%	37	0,00%
	Alanko Gayrimenkul	5%	20	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		-	0,00%
5.1	Inside the Republic	10%	-	0,00%
(a)	Kruger Rands and other commodities on an exchange, including exchange traded commodities	10%	-	0,00%
a(i)	Gold (including Kruger Rands)	10%	-	0,00%
a(ii)	Other commodities	5%	-	0,00%
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:-		2 329 498	1,66%
(a)	Section 19(4) of the Pension Funds Act Eskom Holdings SOC	5%	2 329 498	1,66%
(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		5 027 876	3,57%
8.1	Inside the Republic	15%	3 292 619	2,34%
(a)	Hedge fund	10%	834 541	0,59%
a(i)	Funds of hedge funds	10%	-	0,00%
a(ii)	Hedge funds	10%	834 541	0,59%
(b)	Private equity funds	10%	2 458 078	1,75%
b(i)	Funds of private equity funds	10%	2 458 078	1,75%
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%	1 735 257	1,23%
(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%	1 735 257	1,23%
b(i)	Funds of private equity funds	10%	1 719 047	1,22%
b(ii)	Private equity funds	10,0%	16 210	0,01%
(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			140 694 742	100,00%

ESKOM PENSION AND PROVIDENT FUND

**SCHEDULE IB - ASSETS HELD IN COMPLIANCE WITH REGULATION 28
AS AT 30 JUNE 2018**

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	4 090 396	2,91	4 424 788	3,14	232 131	0,16	8 747 315
2 Debt instruments including Islamic debt instruments	23 483 454	16,69	-	-	-	-	23 483 454
3 Equities	53 696 890	38,17	32 711 988	23,25	3 506 647	2,49	89 915 525
4 Immovable property	10 801 325	7,68	377 258	0,27	12 491	0,01	11 191 074
6 Investment in the business of a participating employer	2 329 498	1,66	-	-	-	-	2 329 498
8 Hedge Funds, private equity funds and any other assets not referred to in this schedule	3 292 619	2,34	16 211	0,01	1 719 046	1,22	5 027 876
TOTAL	97 694 182	69,44	37 530 245	26,67	5 470 315	3,89	140 694 742

Table 1 items	Asset Limits in terms of sub regulation 3(f)	Total (Inside & Foreign) R'000	Percentage of Fair value %	Regulation 28 limits
2.1(e)(ii)	Other debt instruments not listed	11 756	0,01	
3.1(b)	Equities not listed	122	-	
4.1(b)	Immovable properties not listed	123 500	0,09	
8	Hedge funds , Private Equity funds and other assets	5 027 877	3,57	
TOTAL		5 163 255	3,67	35

Table 1 items	Asset Limits in terms of sub regulation 3(g)	Fair value R'000	Fair value %	Regulation 28 limits
3.1(b)	Equities not listed	122	-	
8.1(b)	Private Equity funds	2 458 079	1,75	
TOTAL		2 458 201	1,75	15

Table 1 items	Asset Limits in terms of sub regulation 3(h)	Fair value R'000	Fair value %	Regulation 28 limits
1.1	Cash and deposits with a South African Bank	1 936 105	1,38	
2.1(c)	Debt instruments guaranteed by a South African Bank - Item	1 062 420	0,76	

ESKOM PENSION AND PROVIDENT FUND

SCHEDULE IB - ASSETS HELD IN COMPLIANCE WITH REGULATION 28
AS AT 30 JUNE 2018

TOTAL

2 998 525

2,13

25



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 2018 (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 71 to 76. 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 Financial Sector Conduct Authority (the "Authority").

In our opinion, Schedule IB "Assets held in compliance with Regulation 28" at 30 June 2018 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 2018 was conducted in accordance with International Standards on Auditing and in our report of 29 November 2018 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 obtained at date of this auditor's report comprises the Annual Financial Statements in terms of section 15 of the Pension Funds Act no 24, 1956 for the financial reporting period ended 30 June 2018, but does not include Schedule IB and our auditor's report thereon.

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.

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Chief Executive Officer: T D Shangro
Management Committee: S N Madikane, J S Masondo, P J Motlabe, C Richardson, F Touelli, C Volschenk
The Fund's principal place of business is at 4 Lisbon Lane, Waterfall City, Jukskei View, where a list of Board of Fund members is available for inspection.
Reg. no. 1998/012055/21, VAT reg. no. 4950174682.



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 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 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
29 November 2018