

# STATEMENT OF RESPONSIBILITY BY THE BOARD OF TRUSTEES

for the year ended 31 March 2016

## RESPONSIBILITIES

The Board of Trustees (the Board) believes that, during the year under review, in the execution of its duties it:

- Ensured that proper registers, books and records of the Fund were kept, inclusive of proper minutes of all resolutions passed by the Board;
- Ensured that proper internal control systems were implemented 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 in a timely manner to the Fund;
- Obtained expert advice on matters where it required additional expertise;
- Ensured that the rules, operation and administration of the Fund complied with the applicable laws;
- Was not aware of non-compliance with any applicable legislation; and
- Ensured that investments of the Fund were made and maintained in accordance with the Fund's investment strategy.

## APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The annual financial statements of the Government Employees Pension Fund (GEPF) are the responsibility of the Board. The Board fulfils this responsibility by ensuring the implementation and maintenance of accounting systems and practices adequately supported by internal financial controls. These controls, which were 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 63 to 108 were prepared in accordance with:

- The basis of accounting applicable to retirement funds in South Africa as indicated in the principal accounting policies contained in the notes to the financial statements;
- The provisions of the Government Employees Pension Law (GEP Law); and
- The rules of the GEPF.

The independent auditors, Deloitte & Touche and Nexia SAB&T, have reported on these financial statements. During their audit, the auditors were given unrestricted access to all financial records and related data, including minutes of all relevant meetings. The Board believes that all representations made to the independent auditors during their audit were valid and appropriate. The annual financial statements have been audited by the independent auditors and the report of the independent auditors is presented on pages 59 to 60.

These audited annual financial statements were approved by the Board of Trustees on 21 September 2016 and were signed on its behalf by:



**Dr Renosi Mokate**  
Chairperson

11 October 2016



**Major General Dries de Wit**  
Vice Chairperson

11 October 2016

The Finance and Audit Committee (FA-C) acts in accordance with applicable legislation and regulations. It adopted appropriate formal terms of reference as its charter, and has regulated its affairs in compliance with this charter. The FA-C has discharged its responsibilities as contained in the charter, which is updated regularly to ensure its relevance.

The FA-C's responsibilities are summarised below:

- Examine and review the quality (adequacy, reliability and accuracy) of the GEPF's annual financial statements and interim financial statements;
- Make recommendations to the Board regarding the approval of the annual financial statements, as well as the adoption of the interim financial statements;
- Review of the effectiveness of the internal control systems;
- Ensure that executive management implemented effective and cost-effective corrective measures to address accounting and auditing concerns identified in internal and external audits;
- Oversee the functioning of the internal audit unit of the Fund through the revised internal audit charter, methodology and the internal audit three-year rolling plan;
- Oversee the co-ordination of activities between the GPAA and GEPF internal audit to ensure there is no duplication of activities. Also oversee co-ordination with the external auditors, and receiving the reports of significant findings of the GPAA internal audit and ensuring that management of the GPAA implement agreed management actions;
- Ensure that an external audit firm is appointed to conduct the annual external audit for the 2015/2016 financial year and ensure their independence and objectivity; and
- Oversee the risk management function of the Fund and ensuring the separation of this function from internal audit to ensure the independence of internal audit.

Based on the information and explanations given by management and the internal audit department, and discussions with the independent external auditors on the result of their audits, the FA-C is confident that the internal financial controls are adequate to ensure that the financial records may be relied upon for preparing the financial statements, and accountability for assets and liabilities is maintained. Nothing significant has come to the attention of the FA-C to indicate any material breakdown in the functioning of these controls, procedures and systems during the period under review.

The FA-C has evaluated the financial statements of the GEPF for the year ended 31 March 2016. Based on the information provided, they comply, in all material respects, with the Fund's stated accounting policies, the provisions of the GEP Law (21 of 1996), the GEPF Rules and the regulatory framework, which the Board adopted based on the FA-C's recommendation.

The FA-C agrees that the adoption of the going concern premise in the preparation of these financial statements is appropriate. The FA-C recommended the adoption of the financial statements by the Board of Trustees and the Board has approved the financial statements.



**Mr Seth Makhani**  
*Chairperson: FA-C*

11 October 2016

# RISK MANAGEMENT STATEMENT

for the year ended 31 March 2016

## INTRODUCTION

The risk management process assists the Board to execute its fiduciary duty to actively manage risk that would otherwise affect or prevent the GEPF from achieving its strategic objectives and to ensure the long-term sustainability of Fund. The Board, through the FA-C ensures that effective risk management processes and procedures are in place to actively manage risk that affect the Fund's performance.

## MANDATE

The Board has committed the GEPF to a process of risk management that is aligned to:

- The requirements of sections 6 and 7 of the GEP Law and Rules;
- The Pension Fund's guideline for good governance, known as the PF130, issued by the Financial Services Board (FSB);
- Codes of good corporate governance, including the King III Code and the code issued by the Committee of Sponsoring Organisations (COSO) – an internationally accepted framework for good governance;
- ISO 31000:2009, Risk management – Principles and guidelines; and
- Other relevant legislation.

The Enterprise Risk Management Policy and Framework is in line with ISO 31000: 2009, Risk management – Principles and guidelines.

## RESPONSIBILITY

The role and responsibility for risk management within the GEPF is clearly defined in the risk management policy and framework. The Board is ultimately responsible to ensure that the Fund effectively manages risk. To this end, the Board has formally delegated as defined in the Board Charter and the Risk Management Policy and Framework, its oversight role to the FA-C. The Risk Management Policy and Framework allows for specific risks to be allocated to the Board subcommittees in line with their mandate and the specific areas of specialisation of each committee and to report on such risks to the FA-C.

The FA-C has established the Risk Management Liaison Committee to co-ordinate risk management between the GEPF, the Public Investment Corporation (PIC) and the GPAA, who both manage risk on behalf of the Fund.

The Principal Executive Officer is the Fund's nominated Chief Risk Officer, and is accountable to the FA-C to co-ordinate, embed and report on risk management performance in terms of the Risk Management Policy and Framework.

Management is responsible for the day-to-day management of risks and assisting the Chief Risk Officer, as well as the Board committees with their risk management responsibilities and ensuring that employees are aware of risk management procedures in their operational areas.

## MONITORING

Progress on risk management actions and controls was reported to the Executive Management Committee and to the FA-C. Independent monitoring of the risk management function and progress is performed by internal audit through a risk-based audit approach and assurance was provided that the controls are adequate and effective in mitigating risk.

## CONCLUSION

The integrity of the GEPF's financial reporting relies upon a sound system of internal control and effective risk management processes. The Board implemented adequate and effective policies and procedures covering the risk exposures prioritised by the Board. The various policies implemented by the Board include mechanisms to ensure compliance and continuous improvement. The Board is of the opinion that it has maintained sound risk management processes, policies and procedures, and that these have kept the Fund's risk exposure at acceptable levels and within the GEPF's appetite for risk.

We have audited the annual financial statements of the GEPF, which comprise the statement of net assets and funds as at 31 March 2016, the statement of changes in net assets and funds for the year then ended, the cash flow statement and the notes to the financial statements, which include the principal accounting policies and other explanatory notes, as set out on pages 66 to 108.

## TRUSTEES' RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS

The Board of Trustees are responsible for the preparation and presentation of these financial statements, in accordance with the basis of preparation applicable to the GEP Law, 21 of 1996, and the rules of the GEPF, as set out in the notes to the financial statements, and for such internal controls as the trustees determine is necessary to enable the preparation of financial statements that are free from material statements, whether due to fraud or error.

## AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the entity's preparation and presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## AUDIT OPINION

In our opinion the annual financial statements of the GEPF for the year ended 31 March 2016 are prepared, in all material respects, in accordance with the GEPF's stated accounting policies, the provisions of the GEP Law, 21 of 1996, and the rules of the GEPF.

## RESTRICTION ON USE

The financial statements are prepared for regulatory purposes in accordance with the basis of preparation indicated above. Consequently the financial statements and related auditor's report may not be suitable for another purpose.

# REPORT OF THE INDEPENDENT AUDITORS TO THE BOARD OF TRUSTEES (continued)

for the year ended 31 March 2016

## OTHER MATTERS

The transactions of the GEPF which we audited in terms of International Standards of Auditing during the course of our audit were in accordance with applicable laws and rules in terms of the GEP Law 21 of 1996, as amended and in all material respects, in accordance with the mandatory functions of the entity, as determined by law or otherwise.

We have read the Annual Report as required by section 13(2) of the GEP Law 21 of 1996, as amended, and the information furnished in terms of section 9 and 10 of the GEP Law, is presented in accordance with the requirements of the GEP Law 21 of 1996.

With reference to section 13(14) of the GEP Law, 21 of 1996, as amended, we concur with the matters highlighted by the Board of Trustees in the Annual Report.

We do not express an opinion on the financial condition of the GEPF from an actuarial point of view.

*Deloitte & Touche*

**Deloitte & Touche**  
*Registered Auditors*

Per D Munu  
*Partner*

Johannesburg

11 October 2016

*Nexia SAB&T*

**Nexia SAB&T**  
*Registered Auditors*

Per A Darmalingam  
*Partner*

Pretoria

11 October 2016

## PARTICULARS OF FINANCIAL CONDITION OF THE FUND BASED ON THE ACTUARIAL VALUATION EFFECTIVE 31 MARCH 2014

1. Net assets available for benefits amounted to R1 425 719 million as at 31 March 2014.
2. The actuarial value of the net assets available for benefits, for the purposes of comparison with the actuarial present value of promised retirement and other benefits, amounted to R1 425 719 million as at 31 March 2014.
3. The actuarial present value of promised retirement and other benefits in respect of contributing members amounted to R878 721 million as at 31 March 2014.
4. The actuarial present value of promised retirement and other benefits in respect of S-case members and exits in progress amounted to R18 155 million as at 31 March 2014.
5. The actuarial present value of retirement benefits in respect of pensioners and deferred pensioners amounted to R263 558 million as at 31 March 2014.
6. The data and past discriminatory practices reserves were considered as "liabilities" for the purposes of the valuation and were fully funded.

The full value of the recommended contingency reserve accounts, including the solvency reserve, amounted to R541 375 million as at 31 March 2014. The affordable level of these contingency reserves amounted to R252 203 million as at 31 March 2014.


*In summary, the assets of the Fund therefore exceed the best-estimate liabilities in respect of benefits for members and pensioners, ie the Fund is solvent. In addition, the Fund is able to set up contingency reserves to meet both known and unknown contingencies of R252 203 million. On a conservative basis and if affordable, the Fund would have ideally set up contingency reserves of R541 375 million.*

7. Details of the valuation method adopted (including that in respect of contingency reserves) and details of any changes since the previous summary of report.
  - As for the previous valuation, the Projected Unit Method was used to determine past service liabilities and the future service contribution rate.
  - Under the Projected Unit Method, the present value of benefits that have accrued to members in respect of service prior to the valuation date is compared with the value of the Fund's assets. Allowance is made in the valuation of the accrued benefits for estimated future salary increases, ill-health retirements and deaths.
  - A liability of R18 155 million was set aside in respect of S-case members and exits in progress. This liability is in respect of members who have left the Fund and the benefit due to them is yet to be paid and is not yet provided for in the financial statements of the Fund.
  - A reserve of R6 492 million was set aside in respect of previous discriminatory practices. This reserve was obtained from the financial statements, being the accumulated value of one per cent (1%) of the funding level in 1998, less amounts already utilised to fund discriminatory practices.
  - A reserve of R6 590 million was set aside in respect of errors or omissions in the valuation data. This reserve was set at a level of 0,75% of the contributing member liability.
  - A reserve was held to provide for mortality improvements for all members:
    - For pensioners, current mortality rates have been set equal to the mortality rates calculated in the experience investigation dated 31 March 2012 with an allowance for mortality improvements determined using the mortality assumption rated down one and a half years.
    - For active members, current mortality rates have been set equal to the mortality rates calculated in the same experience investigation with an allowance for mortality improvements determined using the mortality assumption rated down two and a half years.
  - The solvency reserve has been set based on modelling by asset consultants. This model is broadly based on a 90% probability of the Fund remaining solvent over the three-year period following the valuation date.

## REPORT OF THE VALUATOR (continued)

for the year ended 31 March 2016

- A reserve was also determined at the valuation date to fund the increase in the active member and pensioner liabilities and increase in the required contribution rate as a result of the Trustees seeking to exercise greater discretion in granting pension increases equal to 100% of CPI.
  - When the above contingency reserves (excluding the data and past discriminatory practice reserves) were set up, it was not the intention of the Trustees to hold such reserves if they will place the fund into a deficit funding level position. As at 31 March 2014, the Fund could only afford to hold a total of R252 203 million as contingency reserves. On this basis 46,6% of the desired level of contingency reserves could be held.
8. Details of the actuarial basis adopted (including that in respect of any contingency reserve) and details of any changes since the previous summary of report.
- **Net pre-retirement discount rate:** 3,24% per annum (previously 3,25% per annum).
  - **Post-retirement net discount rate:** 5,59% per annum for actives and current pensioners (previously 5,50% per annum).
  - **Post-retirement mortality:** Rates based on experience of GEPF mortality over 1 April 2008 to 31 March 2012. These rates are different to those used for the 2012 statutory valuation which were based on an experience analysis carried out for the Fund over the period to 31 March 2008.
  - **Salary increases:** 7,90% per annum (previously 7,70% per annum). It is assumed that salaries will increase at an average rate of 1% in excess of the long-term inflation assumption of 6,90% per annum (previously 6,70% per annum). In addition, an allowance is made for merit salary increments.
  - **Proportion married:** Assumptions have been made regarding proportions of members who are married at each age. The age difference between males and females is assumed to be four years, with males older than their female counterparts.
  - **Expenses:** An allowance for future administration expenses of 0,3% of annual pensionable salary was made.
9. Any other particulars deemed necessary by the valuator for the purposes of this summary: None.
10. The Fund does not fall under the ambit of the Pension Funds Act, 1956 since it is governed by its own statute. However in terms of the Fund's own Funding Level Policy, the Fund was considered to be financially sound in that assets were equal to accrued liabilities and contingency reserves (at 46,6% of the desired level) on a best-estimate basis.



**Howard Buck**

Fellow of the Actuarial Society of South Africa

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

In my capacity as valuator to the Fund

11 October 2016

## 1. DESCRIPTION OF THE FUND

### 1.1 Type of fund

The GEPF is a defined benefit fund established in terms of the GEP Law, No 21 of 1996, as amended. In terms of section 1 of the Income Tax Act, No 56 of 1962, the GEPF is classified as a pension fund established by law.

### 1.2 Benefits

Benefits are determined in terms of the rules of the GEP Law and are classified as follows:

- Normal retirement benefits;
- Early retirement benefits;
- Ill-health and other retirement (discharge) benefits;
- Late retirement benefits;
- Resignation benefits;
- Death while in service benefits;
- Death after becoming a pensioner benefits;
- Spouses' annuity benefits;
- Orphans' annuity benefits; and
- Funeral benefits.

All reasonable steps are taken to trace members, whose benefits were not claimed, to effect payment to the correct member or beneficiary.

### 1.3 Contributions

Members (employees of participating employers) contribute 7,5% of their pensionable emoluments to the GEPF. Employers contribute 13% for civil servants and 16% for uniformed employees, respectively, of a member's pensionable emolument to the GEPF.

### 1.4 Reserves

In terms of a collective agreement negotiated and agreed to in the Public Service Co-ordinating Bargaining Council (PSCBC) an actuarial reserve equal to 1% of the funding level of the GEPF, based on the result of the actuarial valuation as at 31 March 2001, was set aside to address past discriminatory practices. The GEP Law and Rules thereto were amended to increase the pensionable service for members of former Non-Statutory Forces (NSF), employees that participated in strikes in the former Ciskei, and other employees that were previously discriminated against. The actuarial reserve set aside to address past discriminatory practices, is allocated to account for the recognition of periods of pensionable service based on agreements concluded in the PSCBC.

The accounting provision for the reserves set aside to address past discriminatory practices, is summarised as follows (refer to note 8 to the annual financial statements).

	<b>2016</b>	2015
	<b>R'000</b>	R'000
Reserve account balance		
Ciskei strikers	<b>157 214</b>	154 961
General assistants	<b>106 885</b>	100 282
Other past discriminatory practices	<b>7 587 652</b>	7 286 926
<b>Total balance at end of year</b>	<b>7 851 751</b>	7 542 169



## 1. DESCRIPTION OF THE FUND (continued)

### 1.5 Rule amendments

No rule amendments were effected during the year under review.

### 1.6 Board of Trustees

The Minister of Finance inaugurated the current Board on 17 April 2014 for a period of four years. The Board consists of 16 members, with equal employer and member representation, and each with a substitute. Member representatives include a pensioner and a service representative, as well as their substitutes, who were elected through a postal ballot. Only Trustees participate in Board meetings, while Trustees and substitutes participate in Board Committee meetings.

## 2. INVESTMENTS

### 2.1 Management of investments

The assets of the GEPF are managed primarily by the PIC. In terms of their mandate, the PIC appointed the following external asset managers to manage part of the portfolio:

- Aeon Investment Management (Pty) Ltd
- Argon Asset Management (Pty) Ltd
- Black Rock Advisors UK Ltd
- Coronation Asset Management (Pty) Ltd
- First Avenue Investment Management (Pty) Ltd
- International Bank for Reconstruction and Development
- Investec Asset Management (Pty) Ltd
- JM Busha Asset Managers (Pty) Ltd
- Kagiso Asset Management (Pty) Ltd
- Legacy Africa Fund Managers (Pty) Ltd
- Mazi Capital (Pty) Ltd
- Meago (Pty) Ltd
- Mergence Investment Managers (Pty) Ltd
- Mianzo Asset Management (Pty) Ltd
- Mvunonala Asset Managers (Pty) Ltd
- Perpetua Investment Managers (Pty) Ltd
- Prudential Investment Managers South Africa (Pty) Ltd
- Sanlam Investment Management (Pty) Ltd
- Sentio Capital Management (Pty) Ltd
- Vunani Fund Managers (Pty) Ltd

The balance of the assets of the GEPF is invested in African Development Partners II LP (ADP II) which is managed by Development Partners International, Pan African Infrastructure Development Fund (PAIDF) which is managed by Harith Fund Managers, South Suez African Fund II LP (South Suez) which is managed by South Suez Capital Limited, Verod Capital Growth Fund II LP (Verod) which is managed by Verod Capital Management and Capital Alliance Private Equity IV (Cape IV) which is managed by Capital Alliance Private Equity IV Limited on behalf of the Fund.

During the current year, Standard Bank of South Africa Limited performed the custody and investment accounting function on behalf of the Fund for the first time.

## 2.2 Assets are invested in a range of asset classes consisting of:

- Equities (shares in listed and unlisted companies);
- Fixed interest instruments;
- Money market instruments;
- Property; and
- Other investment instruments.

Guidelines have been set for the various asset classes and funds are invested accordingly to allow for a balanced portfolio. The approved guidelines and actual asset allocation for the financial year under review are as follows:

<b>Asset classes</b>	<b>Guideline %</b>	<b>Actual %</b>
<b>At 31 March 2016</b>		
Cash and money markets	0 – 8	1
Domestic bonds	26 – 36	33
Domestic property	3 – 7	5
Domestic equity	40 – 55	53
Africa (ex SA) equity	0 – 5	1
Foreign bonds	0 – 4	2
Foreign equity	1 – 5	5
<b>Total</b>	<b>100</b>	<b>100</b>

## 2.3 Other investments not in the name of the GEPF

In the current year, all investments were registered in the name of the GEPF, except for a directly held property, Palm Grove, which was registered in the name of CBS Property Portfolio (Pty) Ltd.

## 3. MEMBERSHIP

The GEPF membership as at 31 March 2016 consisted of 1 269 948 (2015: 1 266 101) government and parastatal employees, as well as 423 130 (2015: 406 395) pensioners receiving monthly annuity benefits.

## 4. ACTUARIAL VALUATION

An actuarial valuation of the GEPF is conducted at least once every three years as prescribed in section 17(3) of the GEP Law. The latest actuarial valuation was performed as at 31 March 2014 based on the funding level policy adopted by the Board in consultation with the Minister of Finance. This funding level policy provides for evaluation of the liabilities on a long-term best estimate basis and the establishment of a solvency reserve to allow for funding, investment risks and uncertainty relating to future public service remuneration and employment. The required level of solvency was calculated independently by RisCura (Pty) Ltd based on a detailed asset-liability study. In terms of the Fund's own funding level policy, the Fund was considered to be financially sound as at 31 March 2014 in that assets were equal to accrued liabilities and 46,6% of the desired level of solvency and contingency reserves.

## 5. SUBSEQUENT EVENTS

In May 2016, the GEPF was involved in a litigation in respect of changes done by the Fund on actuarial factors for the payment of benefits. At this point in time, we could not calculate the financial impact this litigation could have. The changes on actuarial factor are related to the normal running of the business and it has happened before and will also happen in future.

The GEPF is also defending two cases brought against it regarding the validity of the implementation of the Clean Break Principle. Both cases are currently before the court and are pending.

# STATEMENT OF NET ASSETS AND FUNDS

for the year ended 31 March 2016

	Notes	2016 R'000	2015 R'000
<b>Assets</b>			
<b>Non-current assets</b>		<b>1 637 594 613</b>	1 596 503 855
Equipment	2	3 392	5 002
Investments	3	1 637 591 221	1 596 498 853
<b>Current assets</b>		<b>26 233 503</b>	26 961 312
Funding loan	4	6 716	6 716
Accounts receivable	5	11 625 084	6 192 273
Transfers receivable	11.2	1 980	1 521
Contributions receivable	6.1	4 336 101	4 451 627
Cash and cash equivalents	7	10 263 622	16 309 175
<b>Total assets</b>		<b>1 663 828 116</b>	1 623 465 167
<b>Funds and liabilities</b>			
<b>Total funds and reserves</b>		<b>1 629 923 371</b>	1 591 341 929
Accumulated funds		1 622 071 620	1 583 799 760
Reserve accounts	8	7 851 751	7 542 169
<b>Non-current liabilities</b>		<b>653 063</b>	546 236
Unclaimed benefits	9	653 063	546 236
<b>Current liabilities</b>		<b>33 251 682</b>	31 577 002
Benefits payable	10	27 120 780	30 251 288
Transfers payable	11.1	1 006	2 000
Accounts payable	12	1 926 841	1 320 611
Financial liabilities	13.1	4 198 468	–
Provisions	13.2	4 587	3 103
<b>Total funds and liabilities</b>		<b>1 663 828 116</b>	1 623 465 167

# STATEMENT OF CHANGES IN NET ASSETS AND FUNDS

for the year ended 31 March 2016

	Notes	Accumulated funds R'000	Reserve accounts R'000	Total 2016 R'000	Total 2015 R'000
<b>Net income before transfers and benefits</b>		124 441 455	–	<b>124 441 455</b>	253 634 161
Contributions received and accrued	6.2	60 383 335	–	<b>60 383 335</b>	56 486 991
Purchase of periods of service	14	45 172	–	<b>45 172</b>	36 300
Net investment income	15	64 236 010	–	<b>64 236 010</b>	197 428 738
Other income	16	770 388	–	<b>770 388</b>	652 145
Less: Administrative expenses	17	(993 450)	–	<b>(993 450)</b>	(970 013)
<b>Transfers and benefits</b>		(85 852 062)	(7 951)	<b>(85 860 013)</b>	(88 010 918)
Benefits	10 & 8	(83 088 223)	(7 951)	<b>(83 096 174)</b>	(85 794 219)
Transfers to other funds	11.1	(267 269)	–	<b>(267 269)</b>	(274 479)
Transfers from other funds	11.2	4 981	–	<b>4 981</b>	12 448
Interest paid	18	(2 501 551)	–	<b>(2 501 551)</b>	(1 954 668)
<b>Net income after transfers and benefits</b>		38 589 393	(7 951)	<b>38 581 442</b>	165 623 243
<b>Funds and reserves</b>					
Balance at beginning of the year		1 583 799 760	7 542 169	<b>1 591 341 929</b>	1 425 718 686
Transfer of net investment return to reserves	8	(317 533)	317 533	–	–
<b>Balance at end of the year</b>		1 622 071 620	7 851 751	<b>1 629 923 371</b>	1 591 341 929

# CASH FLOW STATEMENT

for the year ended 31 March 2016

	Notes	2016 R'000	2015 R'000
<b>Cash flow from operating activities</b>			
Cash generated from operations	20	(29 994 151)	(37 982 672)
Contributions and other income received		61 269 249	58 143 847
Benefits paid during the year		(86 769 533)	(78 374 587)
Other expenses paid		(4 493 867)	(17 751 932)
Interest received		40 602 310	35 507 949
Interest paid		(1 851 873)	(1 421 999)
Dividends received		27 516 948	27 033 433
Transfers and bought services received/(paid)		(224 208)	(236 115)
<b>Net cash inflow from operating activities</b>		<b>36 049 026</b>	<b>22 900 596</b>
<b>Net cash inflow from financing activities</b>		<b>3 639 991</b>	<b>–</b>
Net proceeds from Bank of America Merrill Lynch		3 639 991	–
<b>Net cash outflow from investing activities</b>		<b>(45 734 570)</b>	<b>(21 798 944)</b>
Additions to equipment		(9)	(739)
Additions to investments		(45 734 561)	(21 798 205)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(6 045 553)</b>	<b>1 101 652</b>
<b>Cash and cash equivalents at beginning of the year</b>		<b>16 309 175</b>	<b>15 207 523</b>
<b>Cash and cash equivalents at end of the year</b>	7	<b>10 263 622</b>	<b>16 309 175</b>

## 1. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below and are consistent with those of the previous year, unless otherwise stated.

### 1.1 Basis of presentation of financial statements

The annual financial statements are prepared in accordance with the GEP Law's requirements. The retirement fund industry best practice principles are applied as the basis, as well as the rules of the Fund. This comprises adherence to Regulatory Reporting Requirements (RRR) for Retirement Funds in South Africa as issued by the FSB.

The financial statements are prepared on the historical-cost and going-concern basis, modified by the valuation of financial instruments and investment properties to fair value, and incorporate the following principal accounting policies, which, unless otherwise indicated, have been consistently applied.

### 1.2 Equipment

Historical cost includes costs that are directly attributable to the acquisition of the asset. Subsequent costs are included in the assets' carrying amount or recognised as a separate asset.

Equipment is stated at historical cost less accumulated depreciation.

Depreciation is calculated on the historical cost using the straight-line method over the estimated useful life. Residual values and useful lives are assessed annually. Depreciation rates are as follows:

<b>Asset classes</b>	<b>Annual depreciation rate</b>
	<b>%</b>
Computer equipment	25
Computer software	33
Furniture and fittings	15
Office equipment	15
Motor vehicles	20
Leasehold improvements	20

The recorded values of these depreciated assets are periodically compared to the anticipated recoverable amounts if the assets were to be sold. Where an asset's recorded value has declined below the recoverable amount and the decline is expected to be of a permanent nature, the impairment loss is recognised as an expense.

### 1.3 Financial instruments

Financial instruments include all financial assets and liabilities, including derivative instruments, and investment properties.

## 1. PRINCIPAL ACCOUNTING POLICIES (continued)

### 1.3 Financial instruments (continued)

#### 1.3.1 Classification

##### 1.3.1.1 The GEPF classifies its financial assets into the following categories:

- At fair value through the statement of changes in net assets and funds.
- Loans and receivables.

##### 1.3.1.1.1 Financial assets classified at fair value through the statement of changes in net assets and funds

The classification depends on the purpose for which the financial assets were acquired, and is determined by management at the initial recognition of the financial assets.

Financial assets classified at fair value through the statement of changes in net assets and funds comprise equities, bills and bonds, debentures, investment properties, unlisted preference shares, collective investment schemes and special investment products.

##### 1.3.1.1.2 Loans and receivables

Financial assets classified as loans comprise direct loans to individuals and companies.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those intended to be sold in the short term.

##### 1.3.1.2 Financial liabilities

Financial liabilities are classified at amortised cost. Financial liabilities that are not classified at fair value through the statement of changes in net assets and funds comprise accounts payable.

#### 1.3.2 Recognition

The GEPF recognises financial assets and financial liabilities on the date when the entity becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value as at trade date, including, for instruments not at fair value, through the statement of changes in assets and funds, any directly attributable transaction costs.

Financial instruments carried at fair value through the statement of changes in net assets and funds are initially recognised at fair value, and transaction costs are expensed in the statement of changes in net assets and funds.

Financial instruments classified as loans and receivables are recognised as assets when the entity becomes a party to the contract and as a consequence has a legal right to receive cash.

#### 1.3.3 Measurement

Subsequent to initial recognition, all financial assets classified at fair value through the statement of changes in net assets and funds are measured at fair value with changes in their fair value recognised in the statement of changes in net assets and funds.

Financial liabilities are measured at amortised cost using the effective interest rate method.

### 1.3.3.1 Equities

Equity instruments consist of equities with a primary listing on the Johannesburg Stock Exchange Limited (JSE), equities with a secondary listing on the JSE, foreign-listed equities and unlisted equities.

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

#### Listed equities

Listed equity instruments are subsequently measured at fair value and the fair value adjustments are recognised in the statement of net changes in assets and funds.

The fair value of listed equity instruments with standard terms and conditions, traded on active liquid markets, is based on regulated exchange quoted closing prices at the close of business on the last trading day on or before the statement of net assets and funds date.

#### Unlisted equities

Unlisted equity instruments are subsequently measured at fair value, using the pricing models determined by the GEPF, or by applying valuation techniques such as the discounted cash flow model, at arm's-length market transactions in respect of the unlisted equities, net asset values and price earnings multiple.

For recently made investments, the price of recent acquisition is generally used for a limited period to equate fair value. At reporting date during the limited period, an assessment is made as to whether any subsequent events have occurred that impacts the fair value.

When discounted cash flow techniques are used, discounted cash flows are based on management's best estimates and the discount rates used are market rates at the statement of net assets and funds date applicable for an instrument with similar terms and conditions.

Where other methods are used, inputs are based on the market data at the date of the statement of net assets and funds.

### 1.3.3.2 Preference shares

The fair value of preference shares classified as fair value through the statement of changes in net assets and funds is measured as indicated below:

#### Listed preference shares

The fair value of preference shares traded on active liquid markets is based on regulated exchange quoted closing prices at the close of business on the last trading day on or before the statement of net assets and funds date.

#### Unlisted preference shares

The fair value of unlisted preference shares is determined by applying appropriate valuation techniques such as the discounted cash flow model, recent arm's-length market transactions in respect of preference shares, net asset values and price earnings multiple.

The market yield is determined by using the appropriate yields of existing listed preference shares that best fit the profile of the instruments being measured, and a discounted cash flow model is then applied using the determined yield, in order to calculate the fair value.



## 1. PRINCIPAL ACCOUNTING POLICIES (continued)

### 1.3 Financial instruments (continued)

#### 1.3.3 Measurement (continued)

##### 1.3.3.3 Debentures

Debentures comprise unlisted debentures.

Debentures are financial assets with fixed or determinable payment and fixed maturity date. The fair value is estimated using the pricing models or by applying appropriate valuation techniques such as discounted cash flow analysis or recent arm's-length market transactions in respect of unlisted debentures.

##### 1.3.3.4 Bills and bonds

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

##### Listed bonds

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

##### Unlisted bills

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

##### 1.3.3.5 Investment properties

Properties held for a long-term rental yield or for capital appreciation and not occupied by the Fund are classified as investment property. Investment properties comprise investment in commercial properties, residential properties, industrial properties and hospitals. Investment properties are carried at fair value.

Investment properties reflected at fair value are based on open market fair values at the statement of net assets and funds date. If the open market fair values cannot be reliably determined, alternative valuation methods, such as discounted cash flow projections or recent prices on active markets for transactions of a similar nature are used.

The fair values are the estimated amounts for which a property could be exchanged for 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 once every three years by independent professional valuers. Interim desktop valuations are performed annually by the same independent professional valuers. Changes in fair value are recorded in the statement of net assets and funds.

##### 1.3.3.6 Collective investment schemes

Investments in collective investment schemes are initially recognised at fair value, net of transaction costs that are directly attributable to the investment.

These investments are subsequently measured at fair value, which are the quoted unit values for listed schemes. Unlisted schemes' fair values are derived from the investment scheme administrator with reference to the rules of each particular collective investment scheme, multiplied by the number of units held.

#### 1.3.3.7 Special investment products

Special investment products are valued at gross total fair value of all underlying instruments, included in the structured products and/or arrangements.

Where there are instruments within the structured products, which require a different treatment, these are measured separately in accordance with the measurement criteria set out in a class they belong to.

#### 1.3.3.8 Direct loans

Direct loans are measured at amortised cost using the effective interest rate method, less impairment losses, if any.

#### 1.3.3.9 Money market instruments

Money market instruments are measured at amortised cost using the effective interest rate method.

### 1.3.4 Derecognition

The GEPF derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset.

The GEPF uses the weighted average method to determine realised gains and losses on derecognition. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

### 1.3.5 Impairments

#### 1.3.5.1 Financial assets carried at amortised cost

The Fund assesses at each statement of net assets and funds date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset and that a loss event has an impact on the estimated future cash flow of the financial asset or a group of financial assets that can be reliably estimated.

Objective evidence that a financial asset or a group of assets is impaired includes observable data that come to the attention of the Fund about the following:

- Significant financial difficulty experienced by the issuer or debtor;
- A breach of contract, such as a default or delinquency in payments;
- A likelihood that the issuer or the debtors will enter into a bankruptcy or other financial reorganisation;
- The disappearance of an active market for a particular financial asset as a result of financial difficulties; or
- Observable data indicating a measurable decrease on the estimated future cash flows from a group of financial assets since the initial recognition, though the decrease cannot be identified with the individual financial assets in a group, including:
  - adverse changes on the payment status of the issuers or debtors in the group; or
  - national or local economic conditions that correlate with defaults in the assets in a group.

The Fund assesses whether the objective evidence of impairment exists individually for financial assets that are significant first, and, if no evidence of impairment exists for individually assessed assets, a group of financial assets with similar credit risk characteristics are collectively assessed for impairment (refer to note 15 for additional information).

## 1. PRINCIPAL ACCOUNTING POLICIES (continued)

### 1.3 Financial instruments (continued)

#### 1.3.5 Impairments (continued)

##### 1.3.5.1 Financial assets carried at amortised cost (continued)

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred on loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flow discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of changes in net assets and funds. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

The Fund may measure the impairment loss on the basis of the instrument's fair value using an observable market price.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics relevant to the estimation of future cash flows for groups of such assets, by being indicative of the issuer's ability to pay all amounts due under the contract terms of the debt instrument being evaluated.

If, in subsequent periods, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed in the statement of changes in net assets and funds.

##### 1.3.5.2 Impairment of other non-financial assets

Assets that have an indefinite life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances that the carrying amount may not be recoverable occur.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For purposes of impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

##### 1.3.5.3 Impairment of loans and receivables

A provision for impairment of loans and receivables is established when there is objective evidence that the Fund will not be able to collect all amounts due, according to the original terms.

## 1.4 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash deposited with financial institutions and other short-term liquid investments with original maturities of three months or less. Cash and cash deposits are measured at fair value.

## 1.5 Accounts receivable

Accounts receivable are measured at fair value at initial recognition if normal credit terms are exceeded, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the statement of changes in net assets and funds when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

### Purchased service

Purchased service receivables are recognised upon acceptance by the member of the quote issued by the GEPF for the recognition of the purchase of a period as pensionable service. No provision is made for potential doubtful purchase of service debtors, as only the period paid for vests in favour of the member.

## 1.6 Unclaimed benefits

Unclaimed benefits are not written back to income as per the Prescription Act but will remain in the Fund as unclaimed until the member has been traced. Legitimate claims received subsequent to write-offs are paid as the records are maintained.

## 1.7 Accounts payable

Accounts payable are measured at fair value at initial recognition if normal credit terms are exceeded, and are subsequently measured at amortised cost using the effective interest rate method.

## 1.8 Provisions

Provisions are recognised when the GEPF 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 can be made of the amount of the obligation. Where the effect of discounting to present value is material, provisions are adjusted to reflect the time value of money.

## 1.9 Contributions

Contributions are accounted for on the accrual basis except for additional voluntary contributions, which are recorded in the year in which they are received.

## 1.10 Purchase of service

Income from purchase of service is accounted for when it has been approved and processed.

## 1.11 Dividends, interest, rentals and gains and losses on subsequent measurement

### 1.11.1 Dividend income

Dividend income is recognised in the statement of changes in net assets and funds, when the right to receive payment is established, which 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, dividend income forms part of fair value adjustments.

## 1. PRINCIPAL ACCOUNTING POLICIES (continued)

### 1.11 Dividends, interest, rentals and gains and losses on subsequent measurement (continued)

#### 1.11.2 Interest income

Interest income is recognised in the statement of changes in net assets and funds as it accrues, using the original effective interest rate of the instrument calculated at the acquisition or origination date. Interest income includes the amortisation of any discount or premium or any other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

#### 1.11.3 Rental income

Rental income from investment properties is recognised in the statement of changes in net assets and funds as it accrues on a straight-line basis over the period of lease agreements, unless another systematic basis is more representative of the time pattern in which a use benefit derived from the leased assets is diminished.

Property expenses are recognised in the statement of changes in net assets and funds as the services are rendered.

#### 1.11.4 Collective investment schemes distribution

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

#### 1.11.5 Gains and losses on subsequent measurement to fair value

Gains and losses on subsequent measurement to fair value of investments and of all other financial instruments are recognised as net investment (loss)/income during the period in which the change arises.

### 1.12 Transfers to and from the GEPF

Transfers to/(from) the GEPF are recognised on the earlier of receipt/(payment) of the actual transfer value or the written notice of transfer (recognition of transfer).

### 1.13 Interest payable to members exited from the GEPF

Interest payable to members in respect of the late payment of benefits is accounted for on the accrual basis on any part of a member's benefit not paid within 60 days from the last day of service.

### 1.14 Interest payable to dormant members

In terms of the GEPF rules, interest is accrued to a dormant member's benefit until the effective date on which such benefit becomes payable.

### 1.15 Foreign exchange gains or losses

Foreign monetary assets and liabilities are translated into South African Rand at rates ruling at year-end. Unrealised differences on foreign monetary assets and liabilities are recognised in the statement of changes in net assets and funds in the period in which they occur.

### 1.16 Operating leases

Operating leases include rental on properties and office equipment. Rental expenses are recognised on a straight-line basis over the lease term.

### 1.17 Interest on late payments of contributions and/or loans and receivables

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

### 1.18 Expenses incurred in managing investments

Expenses in respect of management of investments are recognised as the services are rendered.

### 1.19 Judgements and estimates

#### Critical judgements in applying the entity's accounting policies

In the process of applying the GEPF's accounting policies, the Board has made the following judgements to amounts recognised in the financial statements (apart from those involving estimations, which are dealt with separately below).

- **Residual values and useful lives**

Residual values and useful lives of equipment are assessed annually. Equipment is assessed for impairment annually, or more frequently when there is an indication that an asset may be impaired and the related impairment losses recognised in the statement of changes in net assets and funds in the period in which the impairment occurred.

- **Provision for impairment of receivables**

The provision for impairment of receivables is raised on all receivable amounts aged 730 days and older, amounts due from individuals who have attained the age of 70 years and older, as well as all fraud case receivables.

- **Accumulated leave pay provision**

The leave pay provision accounts for vested leave pay to which employees may become entitled upon exit from the service of the GEPF.

- **Performance bonus provision**

This provision accounts for performance bonuses payable, based on the outcome of the performance evaluation of employees and the relevant approval.

- **Fair value estimation**

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the statement of net assets and funds date. The quoted market price used for financial assets held by the Fund is the closing price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques.

The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each statement of net assets and funds date.

Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discount cash flows, are used to determine fair value for the remaining instruments.

## 1. PRINCIPAL ACCOUNTING POLICIES (continued)

### 1.19 Judgements and estimates (continued)

#### Key assumptions of estimations with uncertainty

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

- **Accrual for benefits payable**

The accrual for benefits payable is based on a calculation performed by the GEPF's actuaries and contains actuarial assumptions and key estimates. These estimates pertain to member profiles, among others. The actuarial assumptions applied are in line with those applied for statutory valuation purposes.

- **Accruals and contingent liabilities for legal costs**

Liabilities may exist for lawsuits by and against the GEPF. The amounts accrued for/included in contingent liabilities, include the GEPF's independent attorneys' best estimates of the probable/possible legal liabilities which the GEPF may incur.

- **Investments**

The net present value of certain unlisted investments has been calculated using estimated future cash flows at discounted rates.

Further information about the key assumptions concerning the future and other key sources of estimation uncertainties are set out in the relevant notes to the financial statements.

### 1.20 Accounting policies, changes in accounting estimates and errors

Retirement funds apply adjustments arising from changes in accounting policies and errors prospectively; the adjustment relating to changes in accounting policies and errors is therefore recognised in the current and future periods affected by the change.

### 1.21 Reserves

Reserves accounts comprise particular amounts of designated income and expenses and are recognised in the period in which such income and expenses accrue to the Fund.

### 1.22 Benefits

Benefits expenses are recognised as the benefits occur, through the statement of changes in net assets and funds on an accrual basis.

Liability is raised for all benefits accruing at the end of the financial year, which have not been paid through the statement of net assets and funds.

### 1.23 Administration expenses and other expenses

Administration expenses incurred are recognised through the statement of changes in net assets and funds on an accrual basis.

### 1.24 Contingent assets and liabilities

Contingent assets are disclosed when there is a possible asset, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the GEPF.

Contingent liabilities are disclosed when there is a possible obligation that arises from the past event and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the GEPF, or it is possible that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

## 1.25 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 will disclose the nature of the related-party relationship, as well as the following information for each related-party relationship:

- The name of the government department and the nature of its relationship with the Fund;
- The nature and amount of each individually significant transaction; and
- For other transactions that are collectively, but not individually significant, a qualitative or quantitative indication of their extent.

## 2. EQUIPMENT

	Computer equipment R'000	Computer software R'000	Furniture and fittings R'000	Office equipment R'000	Motor vehicles R'000	Leasehold improvements R'000	Total R'000
<b>2.1 Current year, 2016</b>							
<b>Gross carrying amount</b>	<b>1 455</b>	<b>805</b>	<b>2 909</b>	<b>2 939</b>	<b>656</b>	<b>3 333</b>	<b>12 097</b>
At beginning of the year	1 455	805	2 909	2 930	656	3 333	12 088
Additions	–	–	–	9	–	–	9
<b>Accumulated depreciation</b>	<b>(1 254)</b>	<b>(475)</b>	<b>(2 445)</b>	<b>(2 236)</b>	<b>(517)</b>	<b>(1 778)</b>	<b>(8 705)</b>
At beginning of the year	(1 019)	(302)	(2 247)	(1 991)	(417)	(1 110)	(7 086)
Depreciation	(235)	(173)	(198)	(245)	(100)	(668)	(1 619)
<b>Net carrying amount at end of the year</b>	<b>201</b>	<b>330</b>	<b>464</b>	<b>703</b>	<b>139</b>	<b>1 555</b>	<b>3 392</b>
<b>2.2 Prior year, 2015</b>							
<b>Gross carrying amount</b>	1 455	805	2 909	2 930	656	3 333	12 088
At beginning of the year	1 309	311	2 885	2 855	656	3 333	11 349
Additions	146	494	24	75	–	–	739
<b>Accumulated depreciation</b>	<b>(1 019)</b>	<b>(302)</b>	<b>(2 247)</b>	<b>(1 991)</b>	<b>(417)</b>	<b>(1 110)</b>	<b>(7 086)</b>
At beginning of the year	(790)	(259)	(1 812)	(1 555)	(317)	(444)	(5 177)
Depreciation	(229)	(43)	(435)	(436)	(100)	(666)	(1 909)
<b>Net carrying amount at end of the year</b>	<b>436</b>	<b>503</b>	<b>662</b>	<b>939</b>	<b>239</b>	<b>2 223</b>	<b>5 002</b>



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2016

## 3. INVESTMENTS

### 3.1 Investment summary

	Notes	Fair value 2016 R'000	Amortised cost 2016 R'000	Total 2016 R'000	Total 2015 R'000
Money market instruments*	3.1.1	–	9 793 504	9 793 504	15 080 443
Direct loans*	3.1.2	–	22 162 371	22 162 371	11 882 063
Bills and bonds**	3.1.3	551 891 552	–	551 891 552	533 437 023
Local		526 393 124	–	526 393 124	508 097 767
Foreign		25 498 428	–	25 498 428	25 339 256
Investment properties**	3.1.4	10 524 312	–	10 524 312	9 747 544
Equities**	3.1.5	956 637 410	–	956 637 410	953 510 587
Listed equities		915 519 277	–	915 519 277	907 798 462
Primary listings		659 843 355	–	659 843 355	720 624 855
Secondary listings		255 675 922	–	255 675 922	187 173 607
Unlisted equities		41 118 133	–	41 118 133	45 712 125
Local equities		31 985 379	–	31 985 379	39 573 378
Foreign equities		9 132 754	–	9 132 754	6 138 747
Preference shares**	3.1.6	3 024 727	–	3 024 727	–
Collective investment schemes**	3.1.7	83 557 345	–	83 557 345	72 841 193
Local instruments		213 262	–	213 262	113 528
Foreign instruments		83 344 083	–	83 344 083	72 727 665
		<b>1 605 635 346</b>	<b>31 955 875</b>	<b>1 637 591 221</b>	1 596 498 853

\* Classified as loans and receivables.

\*\* Classified as fair value through statement of changes in net assets and funds.

#### Explanatory notes:

- Based on the revised strategic asset allocation which was approved by the Minister in the 2011 financial year, the Fund invested in foreign collective instruments and foreign bonds to the value of R108,8 billion (2015: R98,1 billion). These investments are managed by Black Rock Advisors UK Ltd and the International Bank for Reconstruction and Development.
- Included in the unlisted foreign equities above are internally managed investments by the GEPP to the value of R3,6 billion (2015: R2,5 billion). These investments include ADPI II, PAIDF, South Suez, Verod and Cape IV.
- Money market instruments with original maturities of three months or less are classified as cash and cash equivalents.
- The details of the top 10 investments per investment category have been provided in the detailed schedules below and the balance is included in 'other', where practicable. Investments which meet the top 10 criteria in one year and do not meet the criteria in another year, will be disclosed as zero and included in 'other' in the year in which they do not meet the criteria. Details of the top 10 investments are disclosed per entity level not per instrument level.

### 3.1.1 Money market instruments

	Amortised cost 2016 R'000	Amortised cost 2015 R'000
<b>Certificate of deposits</b>	<b>101 592</b>	410 596
Development Bank of SA Ltd	<b>101 592</b>	410 596
<b>Fixed deposits</b>	<b>4 278 895</b>	9 338 036
FirstRand Ltd	<b>1 041 200</b>	1 033 473
Nedbank Ltd	<b>938 414</b>	2 325 982
ABSA Group Ltd	<b>935 342</b>	1 930 978
Investec Bank Ltd	<b>732 099</b>	1 818 151
Standard Bank Group Ltd	<b>627 857</b>	2 225 394
Venda Building Society Ltd	<b>3 983</b>	4 058
<b>Promissory notes</b>	<b>5 413 017</b>	5 331 811
Land and Agricultural Development Bank of SA	<b>5 413 017</b>	5 233 741
Sanlam Ltd	–	98 070
<b>Total money market instruments</b>	<b>9 793 504</b>	15 080 443

### 3.1.2 Direct loans

	Amortised cost 2016 R'000	Amortised cost 2015 R'000
Industrial Development Corporation SOC Limited	<b>3 089 028</b>	2 070 887
Kilimanjaro Sakhumnotho Consortium (Pty) Ltd	<b>1 871 813</b>	–
Opiconsivia Investments 239 (Pty) Ltd	<b>1 746 557</b>	1 496 945
Tanga Cement Company Ltd	<b>1 362 383</b>	705 497
Independent News & Media (South Africa) (Pty) Ltd	<b>1 004 550</b>	896 448
Allied Mobile Communications (Pty) Ltd	<b>808 922</b>	–

\* This loan consists of uncertified notes which are held by the Central Securities Depository.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2016

## 3. INVESTMENTS (continued)

### 3.1 Investment summary

#### 3.1.2 Direct loans (continued)

	Secured by	Amortised cost 2016 R'000	Amortised cost 2015 R'000
Petratouch (Pty) Ltd	Pledges, cedes and transfers and makes over in securitatem debit its rights, title and interest in and to the ceded rights (pledged shares and claims) to the cessionary, which pledge and cession the cessionary hereby accepts. With the exception of 460 000 of the pledged shares which will be utilised as security in respect of a R155 million debt facility with Sanlam Limited	773 355	–
Bafepi Agri (Pty) Ltd	Borrower cedes and pledges its right, title and interest in and to the AgriGroupe shares, borrower shareholder loans and any claim against AgriGroupe to the lender	662 741	664 340
Solar Capital De Aar (RF) (Pty) Ltd	Reversionary pledge and cession of shares in the project company, as well as the bank account	631 028	–
Africell Holdings Ltd	Political risk insurance, pledge of share, pledge of bank accounts, security over the beneficial interest in relevant companies, first ranking security over the material assets (including mortgage over real property, share pledges, bank accounts and receivables), assignment of insurance policy, security over IP rights and the rights under material agreements (the Material Agreement) of the borrower/obligators (including all telecom licences in the country of operation)	623 169	–
SAHL Investments Holding (Pty) Ltd	Shareholder guarantees	–	522 189

	Secured by	Amortised cost 2016 R'000	Amortised cost 2015 R'000
Acapulco Trade and Investments 164 (RF) (Pty) Ltd	Cession of equity and shareholders' loan claim which Acapulco Trade and Investments 164 (RF) (Pty) Ltd has in Lanseria Holdings (Pty) Ltd	–	548 475
Business Venture Investments 1828 (Pty) Ltd	Cession and pledge over all the consortium shares in Texton Property Fund, securitatem debiti of all positive bank balances in the consortium; a put option written by Texton to acquire 100% of the shares ceded and pledged by the consortium; personal pledges by members of the consortium	–	448 060
Bakwena Platinum Corridor Concessionaire (Pty) Ltd	Suretyship, cession of bond and shares, shareholder loans, equity options and contracts, general notarial bond	–	409 218
Business Partners Ltd	Cession of loan book and bank account	–	402 199
Other		<b>9 588 825</b>	3 717 805
<b>Total loans</b>		<b>22 162 371</b>	11 882 063

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2016

## 3. INVESTMENTS (continued)

### 3.1 Investment summary (continued)

#### 3.1.3 Bills and bonds

	Issuer rating long-term	Fair value 2016 R'000	Fair value 2015 R'000
<b>Bills</b>		<b>2 718 968</b>	1 579 308
Eskom Holdings Ltd	AA+	2 718 968	1 579 308
<b>Commercial paper</b>		<b>303 550</b>	559 231
The Thekwini Warehousing Conduit (RF) Ltd	AAA	303 550	–
Barloworld Ltd	A+	–	199 276
Bidvest Group Ltd	AA	–	198 764
Macquarie Group SA Ltd	AA	–	99 332
Imperial (Pty) Ltd	AA	–	61 859
<b>Government bonds</b>		<b>335 543 141</b>	331 533 327
Republic of Angola	A	1 808 535	–
Republic of SA	AAA	333 170 207	331 311 993
Republic of Namibia	AA-	564 399	221 334
<b>Corporate bonds</b>		<b>36 795 548</b>	30 763 300
Standard Bank Group Ltd	AA	9 914 619	8 979 293
FirstRand Ltd	AA	5 345 137	4 360 522
Nedbank Ltd	AA	2 319 724	1 853 160
ABSA Group Ltd	AA	2 115 528	1 894 149
Pareto Ltd	A	7 928 878	2 116 000
Barclays Africa Group Ltd	AA	1 261 327	–
Mercedes-Benz SA (Pty) Ltd	AAA	1 035 981	1 503 022
Investec Group Ltd	AA	966 391	946 107
The Thekwini Fund Ltd	AAA	925 396	907 026
African Bank Ltd	D	854 293	–
Old Mutual Life Assurance Ltd	AAA	–	1 867 582
MTN Group Ltd	AA	–	1 041 073
Other	–	4 128 274	5 295 366
<b>Parastatal bonds</b>		<b>151 031 917</b>	143 604 791
Eskom Holdings Ltd	AAA	73 787 518	66 636 860
South African National Road Agency Ltd	AA	24 829 193	24 530 935
Transnet Ltd	AA	23 832 648	21 986 400
Development Bank of SA Ltd	AA	12 790 951	13 750 380
Trans-Caledon Tunnel Authority	AA+	12 250 760	12 297 494
City of Johannesburg	AA	728 093	926 059
City of Cape Town	AAA	702 536	781 505
Airports Company SA	AA-	634 343	616 461
Ekurhuleni Metropolitan Municipality	AAA	411 586	437 342
Land and Agricultural Development Bank of SA	AAA	332 577	–
Telkom SA Ltd	AA	–	484 630
Other	–	731 712	1 156 725
<b>Other bonds</b>		–	57 810
Lesotho Highlands	AA+	–	57 810
<b>Foreign bonds</b>		<b>25 498 428</b>	25 339 256
Black Rock Advisors (UK)	*	20 101 997	20 995 050
International Bank for Reconstruction and Development	*	5 396 431	4 344 206
<b>Total bills and bonds</b>		<b>551 891 552</b>	533 437 023

The National Credit ratings are used as investment grade ratings, unless otherwise mentioned. The rating categories are as follows:

National Long-term Rating Definition	National Scale Rating Symbol
Highest grade quality	AAA
Very high credit quality	AA+, AA, AA-
High credit quality	A+, A, A-
Defaulted	D

\* Foreign bonds are held in bond portfolios. These bond portfolios invest in a range of bonds with different credit ratings. The Credit Risk Department of the PIC applied an A1 rating to Black Rock Advisors (UK) bond portfolio and a rating of AAA to the International Bank for Reconstruction and Development bond portfolio.

Included in the bond value on the previous page are the following scrip lending transactions:

Transaction date	Bonds on lent	Security in place 2016 R'000	Nominal value 2016 R'000	Fair value 2016 R'000	Name of counterparty	Scrip custodian
31 March 2016	R186	* 4 973 605	4 973 605	5 587 881	Standard Bank Ltd	Standard Bank Ltd
31 March 2016	R2023	* 823 799	823 799	779 488	Standard Bank Ltd	Standard Bank Ltd
31 March 2016	R2048	* 227 000	227 000	204 064	Standard Bank Ltd	Standard Bank Ltd
31 March 2016	R209	* 999 264	999 264	698 863	Standard Bank Ltd	Standard Bank Ltd
31 March 2016	R213	* 990 400	990 400	798 524	Standard Bank Ltd	Standard Bank Ltd
31 March 2016	R214	* 1 000 000	1 000 000	699 679	Standard Bank Ltd	Standard Bank Ltd
<b>Total</b>		<b>10 080 214</b>	<b>9 014 068</b>	<b>8 768 499</b>		

\* Collateral is not done on an individual bond level basis. The security in place for the above bonds on lent is the equity, certificate of deposits and bond collateral which equals to 112% of the daily market value of the listed bonds. This collateral amount is verified daily against the previous day's closing value of the listed bond shares. The collateral amount changes in accordance to the changes in the listed bond and equity share prices to ensure that the collateral is at any stage equal to 112% of the daily closing value of the listed bonds.

### 3.1.4 Investment properties

	Fair value 2016 R'000	Fair value 2015 R'000
Residential properties	55 121	48 511
Industrial properties	1 565 301	1 435 650
Office properties	6 893 965	6 394 466
Retail properties	1 863 707	1 785 090
Specialised properties	78 050	81 250
Vacant land	300 200	265 864
Lease income accrual	(232 032)	(263 287)
<b>Total properties</b>	<b>10 524 312</b>	<b>9 747 544</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2016

## 3. INVESTMENTS (continued)

### 3.1 Investment summary (continued)

#### 3.1.4 Investment properties (continued)

Name of property	Address	Valuation method	Date of last valuation	Pledged as guarantee	Fair value 2016 R'000	Fair value 2015 R'000
Trevenna	70 Meintjies Street, Trevenna, Pretoria	DCF	31/03/2016	No	634 500	623 500
Riverwalk Office Park	41 Matroosberg Street, Ashlea Gardens, Pretoria	DCF	31/03/2016	No	585 300	556 000
Vangate Shopping	Vanguard Drive, Athlone, Cape Town	DCF	31/03/2016	No	540 000	470 550
Kingsley	481 Church Street, Arcadia, Pretoria	DCF	31/03/2016	No	415 000	–
Discovery Health Joggie Vermooten	3 Alice Lane, Sandown, Sandton	DCF	31/03/2016	No	314 000	266 000
GijimaAst Holdings	57 Joyner Road, Prospection, Isipingo Ext. 12, Durban	DCF	31/03/2016	No	285 000	232 800
Iparioli Office Park	47 Landmarks Avenue, Kosmosdal	DCF	31/03/2016	No	260 500	247 500
Webber	1166 Park Street, Hatfield	DCF	31/03/2016	No	236 000	222 429
Wentzel	10 Fricker Road, Illovo, Johannesburg	DCF	31/03/2016	No	219 000	251 000
Town Square	61 Adderley Street, Cape Town	DCF	31/03/2016	No	188 000	–
Centre Square Development	Cnr of Dallas Road and Aramist Road, Menlyn Maine, Pretoria	COST	N/A	No	–	253 433
Jakaranda Shopping Centre	Cnr Michael Brink and Frates Streets Rietfontein	DCF	31/03/2016	No	–	200 720
Other Lease income accrual					7 079 044	6 686 899
					(232 032)	(263 287)
<b>Total properties</b>					<b>10 524 312</b>	<b>9 747 544</b>

### 3.1.4.1 Investment properties

	2016 R'000	2015 R'000
Balance at beginning of the year	10 010 831	9 845 361
Additions		
– Direct acquisition	58 710	201 566
– Capital expenditure	498 141	212 068
Disposals	(36 000)	(126 100)
Fair value adjustment	224 662	(122 064)
<b>Closing fair value</b>	<b>10 756 344</b>	10 010 831
Operating lease income accrual	(232 032)	(263 287)
<b>Balance at end of year</b>	<b>10 524 312</b>	9 747 544

An independent valuation of the investment properties was performed as at 31 March 2016. The properties were valued at fair value on the basis of the discounted cash flow method, using a risk-free rate adjusted for property risk. Additional adjustments were included for tenant risk, building factors, vacancies, rental reversions to market, property costs, tenant installations and capital expenditure. The key assumptions used by the valuers include the capitalisation rate and the discount rate. The discount rates reflect the risks inherent in the net cash flows and are constantly monitored by reference to comparable market transactions.

The independent valuation was performed by professional valuers from DDP Valuers who are registered valuers in terms of section 19 of the Valuers Professional Act, No 47 of 2000, and have recent experience in valuing similar properties at similar locations.

### 3.1.5 Equities

	Fair value 2016 R'000	Fair value 2015 R'000
Primary listing on the JSE	659 843 355	720 624 855
Secondary listing on the JSE	255 675 922	187 173 607
Unlisted equities	41 118 133	45 712 125
<b>Total equities</b>	<b>956 637 410</b>	953 510 587



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2016

## 3. INVESTMENTS (continued)

### 3.1 Investment summary (continued)

#### 3.1.5 Equities (continued)

	Total issued shares (number)	GEPF's shareholding (number)	GEPF's shareholding %	Fair value 2016 R'000	Fair value 2015 R'000
<b>1. Primary listing on the JSE</b>				<b>659 843 355</b>	<b>720 624 855</b>
Naspers Ltd	438 036 121	68 372 922	16	140 916 592	119 417 536
MTN Group Ltd	1 844 049 073	287 399 760	16	38 856 448	62 449 707
Sasol Ltd	651 389 516	86 757 644	13	38 306 970	39 287 010
Vodacom Group Ltd	1 487 954 000	226 126 823	15	36 300 139	–
Standard Bank Group Ltd	1 618 175 588	198 743 809	12	26 329 580	35 741 484
FirstRand Ltd	5 609 488 001	510 060 581	9	24 671 630	28 283 178
Remgro Ltd	481 106 370	77 909 007	16	19 491 275	21 534 343
Sanlam Ltd	2 166 471 806	266 858 694	12	18 277 152	22 361 630
Bidvest Group Ltd	335 404 212	48 141 263	14	17 956 691	17 489 542
Aspen Pharmacare Holdings Ltd	456 403 819	50 995 459	11	16 327 726	19 514 890
Steinhoff International Holdings Ltd	–	–	–	–	31 677 112
Other				<b>282 409 152</b>	<b>322 868 423</b>
<b>2. Secondary listing on the JSE</b>				<b>255 675 922</b>	<b>187 173 607</b>
British American Tobacco Plc	2 026 973 157	51 357 201	3	44 196 980	35 179 350
SAB Miller Plc	1 680 094 500	46 891 323	3	42 042 291	30 590 113
Steinhoff International Holdings	3 921 551 251	428 617 088	11	41 511 565	–
Old Mutual Plc	4 928 572 643	506 056 599	10	20 738 199	20 429 169
Richmont Securities AG	5 220 000 000	183 797 271	4	17 918 396	19 892 207
Anglo American Plc	1 405 467 840	153 810 320	11	17 768 168	21 022 517
Mediclinic International Plc	737 243 810	53 568 515	7	10 165 161	–
BHP Billiton Plc	2 112 071 796	54 533 323	3	9 052 532	18 231 246
Brait SA Ltd	520 624 835	49 924 516	10	8 337 394	–
Reinet Investments S.C.A.	1 959 412 860	233 918 367	12	7 424 569	6 126 890
Investec Plc	–	–	–	–	5 922 664
Intu Properties Plc	–	–	–	–	5 745 996
Mondi Ltd	–	–	–	–	6 771 586
Other				<b>36 520 667</b>	<b>17 261 869</b>

	Total issued shares (number)	GEPF's shareholding (number)	GEPF's shareholding %	Fair value 2016 R'000	Fair value 2015 R'000
<b>3. Unlisted equities</b>				<b>41 118 133</b>	45 712 125
Pareto Ltd	3 459 251 062	3 459 251 062	100	<b>7 639 000</b>	14 796 000
Lexshell 44 General Trading (Pty) Ltd	1 000 000	500 000	50	<b>7 105 006</b>	6 293 000
Pan African Infrastructure Development Fund*	–	–	40/98	<b>3 360 356</b>	2 447 582
African Bank Ltd	487 500 000	121 875 000	25	<b>2 500 000</b>	–
Bayport Management Ltd	30 720 108	6 377 550	21	<b>2 183 372</b>	–
ADR International Airports SA (Pty) Ltd	166 000	166 000	100	<b>2 090 000</b>	2 270 000
MTN Nigeria Communications Ltd**	402 590 263	7 105 633	2	<b>1 978 325</b>	2 802 327
Opiconsivia Investments 230 (Pty) Ltd	100	66	66	<b>1 898 000</b>	4 794 000
Community Property Fund*	–	–	13/100	<b>1 428 600</b>	3 259 500
Libstar Holdings (Pty) Ltd	3 707 200	736 044	20	<b>866 165</b>	623 921
Smile Telecoms Holdings Ltd	490 591 977	39 123 064	8	–	606 740
Housing Impact Fund of SA*	–	–	–	–	641 992
Other				<b>10 069 309</b>	7 177 063

\* Information relating to the total shares issued and the GEPF's holding number and percentage is not disclosed, as the nature of these instruments is not pure equity.

\*\* The GEPF has a shareholding of 7 105 633 preference shares and 7 105 633 ordinary shares in MTN Nigeria Communications Ltd.

The preference shares and ordinary shares are linked. The ordinary and preference shares have not been valued separately. The total market value of both the preference and ordinary shares has been valued at R1,9 billion and is disclosed in the market value of unlisted equity.

### 3. INVESTMENTS (continued)

#### 3.1 Investment summary (continued)

##### 3.1.5 Equities (continued)

Included in the equity value on the previous page are the following scrip lending transactions:

Name of lender	Description	% of total assets	Fair value 2016 R'000
PIC on behalf of the GEPF	Anglo American Platinum Ltd	–	55 651
PIC on behalf of the GEPF	Astral Foods Ltd	–	45 193
PIC on behalf of the GEPF	Assore Ltd	–	87 683
PIC on behalf of the GEPF	Brait S E	–	163 487
PIC on behalf of the GEPF	Barloworld Ltd	–	35 364
PIC on behalf of the GEPF	Billiton Plc	–	577 829
PIC on behalf of the GEPF	Capital & Counties Properties Plc	–	178 991
PIC on behalf of the GEPF	Compagnie Fin Richmond	–	38 899
PIC on behalf of the GEPF	Clicks Group Ltd	–	188 882
PIC on behalf of the GEPF	Coronation Fund Managers Ltd	–	68 122
PIC on behalf of the GEPF	Capitec Holdings Ltd	–	59 721
PIC on behalf of the GEPF	Discovery Holdings Ltd	–	74 647
PIC on behalf of the GEPF	Datatec Ltd	–	6 246
PIC on behalf of the GEPF	Exxaro Resources Ltd	–	204 249
PIC on behalf of the GEPF	Gold Fields Ltd	–	11 690
PIC on behalf of the GEPF	Harmony Gold Mining Ltd	–	57 413
PIC on behalf of the GEPF	Impala Platinum Holdings Ltd	–	105 678
PIC on behalf of the GEPF	Kumba Iron Ore Ltd	–	271 233
PIC on behalf of the GEPF	Liberty Holdings Ltd	–	18 269
PIC on behalf of the GEPF	Lewis Group Ltd	–	38 475
PIC on behalf of the GEPF	Life Healthcare Group Ltd	–	20 841
PIC on behalf of the GEPF	MMI Holdings Ltd	–	74 700
PIC on behalf of the GEPF	Mondi Plc Pre	–	173 099
PIC on behalf of the GEPF	Mr Price Group Ltd	–	125 992
PIC on behalf of the GEPF	MTN Group Ltd	–	133 570
PIC on behalf of the GEPF	Murray & Roberts Holdings Ltd	–	6 300
PIC on behalf of the GEPF	Northam Platinum Ltd	–	62 963
PIC on behalf of the GEPF	Redefine Income Fund Ltd	–	123 666
PIC on behalf of the GEPF	Reunert Ltd	–	59 173
PIC on behalf of the GEPF	Royal Bafokeng Platinum Ltd	–	2 233
PIC on behalf of the GEPF	Sibanye Gold Ltd	–	176 937
PIC on behalf of the GEPF	Steinhoff Holdings Ltd	–	296 311
PIC on behalf of the GEPF	Tiger Brands Ltd	–	45 616
PIC on behalf of the GEPF	The Foschini Group Ltd	–	28 982
PIC on behalf of the GEPF	Zambezi Plat Rf Ltd Pref	–	6 853
<b>Total</b>			<b>3 624 958</b>

## Scrip lending

Transaction date	Scrip on lent	Security in place 2016 R'000	Fair value 2016 R'000	Number of shares on lent	Name of counterparty	Scrip custodian
31 March 2016	Anglo American Platinum Ltd	*	55 651	153 783	Deutsche Bank	Standard Bank Ltd
31 March 2016	Astral Foods Ltd	*	45 193	407 148	Deutsche Bank	Standard Bank Ltd
31 March 2016	Assore Ltd	*	87 683	544 613	Deutsche Bank	Standard Bank Ltd
31 March 2016	Brait S E	*	163 487	978 965	Deutsche Bank	Standard Bank Ltd
31 March 2016	Barloworld Ltd	*	35 364	467 784	Deutsche Bank	Standard Bank Ltd
31 March 2016	Billiton Plc	*	577 829	3 480 896	Deutsche Bank	Standard Bank Ltd
31 March 2016	Capital & Counties Properties Plc	*	178 991	2 557 021	Deutsche Bank	Standard Bank Ltd
31 March 2016	Compagnie Fin Richmond	*	38 899	399 002	Deutsche Bank	Standard Bank Ltd
31 March 2016	Clicks Group Ltd	*	188 882	1 943 632	Deutsche Bank	Standard Bank Ltd
31 March 2016	Coronation Fund Managers Ltd	*	68 122	928 091	Deutsche Bank	Standard Bank Ltd
31 March 2016	Capitec Holdings Ltd	*	59 721	104 220	Deutsche Bank	Standard Bank Ltd
31 March 2016	Discovery Holdings Ltd	*	74 647	614 378	Deutsche Bank	Standard Bank Ltd
31 March 2016	Datatec Ltd	*	6 246	135 879	Deutsche Bank	Standard Bank Ltd
31 March 2016	Exxaro Resources Ltd	*	204 249	2 836 785	Deutsche Bank	Standard Bank Ltd
31 March 2016	Gold Fields Ltd	*	11 690	200 000	Deutsche Bank	Standard Bank Ltd
31 March 2016	Harmony Gold Mining Ltd	*	57 413	1 082 649	Deutsche Bank	Standard Bank Ltd
31 March 2016	Impala Platinum Holdings Ltd	*	105 678	2 248 474	Deutsche Bank	Standard Bank Ltd
31 March 2016	Kumba Iron Ore Ltd	*	271 233	3 410 026	Deutsche Bank	Standard Bank Ltd
31 March 2016	Liberty Holdings Ltd	*	18 269	126 366	Deutsche Bank	Standard Bank Ltd
31 March 2016	Lewis Group Ltd	*	38 475	818 622	Deutsche Bank	Standard Bank Ltd
31 March 2016	Life Healthcare Group Ltd	*	20 841	584 114	Deutsche Bank	Standard Bank Ltd
31 March 2016	MMI Holdings Ltd	*	74 700	3 000 000	Deutsche Bank	Standard Bank Ltd
31 March 2016	Mondi Plc Pre	*	173 099	612 110	Deutsche Bank	Standard Bank Ltd
31 March 2016	Mr Price Group Ltd	*	125 992	710 095	Deutsche Bank	Standard Bank Ltd
31 March 2016	MTN Group Ltd	*	133 570	987 942	Deutsche Bank	Standard Bank Ltd
31 March 2016	Murray & Roberts Holdings Ltd	*	6 300	500 000	Deutsche Bank	Standard Bank Ltd
31 March 2016	Northam Platinum Ltd	*	62 963	1 496 616	Deutsche Bank	Standard Bank Ltd
31 March 2016	Redefine Income Fund Ltd	*	123 666	10 322 745	Deutsche Bank	Standard Bank Ltd
31 March 2016	Reunert Ltd	*	59 173	854 111	Deutsche Bank	Standard Bank Ltd
31 March 2016	Royal Bafokeng Platinum Ltd	*	2 233	58 342	Deutsche Bank	Standard Bank Ltd
31 March 2016	Sibanye Gold Ltd	*	176 937	3 123 886	Deutsche Bank	Standard Bank Ltd
31 March 2016	Steinhoff Holdings Ltd	*	296 311	3 059 481	Deutsche Bank	Standard Bank Ltd
31 March 2016	Tiger Brands Ltd	*	45 616	140 259	Deutsche Bank	Standard Bank Ltd
31 March 2016	The Foschini Group Ltd	*	28 982	204 909	Deutsche Bank	Standard Bank Ltd
31 March 2016	Zambezi Plat Rf Ltd Pref	*	6 853	165 128	Deutsche Bank	Standard Bank Ltd
<b>Total</b>			<b>4 080 522</b>	<b>3 624 958</b>		

\* Collateral is not done on an individual stock basis level. The security in place for the above shares lent is the equity and bond collateral which equals to 113% of the daily market value of the listed equity shares. This collateral amount is verified daily against the previous day's closing value of the listed equity shares. The collateral amount changes in accordance to the changes in the listed bond and equity share prices to ensure that the collateral is at any stage equal to 113% of the daily closing value of the listed equity shares.

### 3. INVESTMENTS (continued)

#### 3.1 Investment summary (continued)

##### 3.1.6 Preference shares

	Total issued shares (number)	GEPF's shareholding (number)	GEPF's shareholding %	Fair value 2016 R'000	Fair value 2015 R'000
BK One Ltd	24 492 823	1 200 000	5	120	–
MTN Nigeria Communications Ltd	402 590 263	7 105 633	2	**	–
Zambezi Platinum (RF) Ltd	159 905 453	72 882 077	46	3 024 607	–
<b>Total preference shares</b>				<b>3 024 727</b>	–

\*\* The GEPF has a shareholding of 7 105 633 preference shares and 7 105 633 ordinary shares in MTN Nigeria Communications Ltd.

The preference shares and ordinary shares are linked. The ordinary and preference shares have not been valued separately. The total market value of both the preference and ordinary shares has been valued at R1,9 billion and is disclosed in the market value of unlisted equity.

##### 3.1.7 Collective investment schemes

Description	GEPF's shareholding (number)	Fair value 2016 R'000	Fair value 2015 R'000
Black Rock Advisors (UK)	*	81 787 947	70 990 568
Investec Africa Unit Trust	305 038 829	760 736	902 688
Mazi Capital (Pty) Ltd	79 115 494	79 116	–
Coronation African Frontiers Unit Trust	4 006 531	795 399	834 409
Sanlam Ltd	*	134 147	113 528
<b>Total</b>		<b>83 557 345</b>	72 841 193

\* The GEPF has a shareholding in the underlying investments. The shareholding in the underlying investments varies per investment.

### 3.1.8 Risk management

#### Credit/counterparty risk

Counterparty	Direct investment in counterparty R'000	Deposit/liquid asset with counterparty R'000	Guarantees	Any other instrument R'000	Total per counterparty R'000	Exposure to counterparty (% of the fair value of assets)
<b>Banks</b>						
ABSA Group Ltd	–	323 749	No	935 342	1 259 091	–
African Bank Ltd	2 500 000	–	No	854 294	3 354 294	–
Bank of America Merrill Lynch	–	–	No	(4 767 721)	(4 767 721)	–
Barclays Africa Group Ltd	7 252 911	–	No	3 376 855	10 629 766	1
Capitec Holdings Ltd	4 696 373	–	No	140 658	4 837 031	–
China Construction Bank	–	11 461	No	197 440	208 901	–
Development Bank SA Ltd	–	–	No	12 892 543	12 892 543	1
Ecobank Transnational Inc	3 403 537	1 437 432	No	–	4 840 969	–
FirstRand Ltd	24 671 630	–	No	6 386 336	31 057 966	2
Investec Ltd	10 343 199	28 425	No	1 698 490	12 070 114	1
Land and Agricultural Development Bank	–	–	No	5 745 594	5 745 594	–
Nedbank Ltd	6 316 849	392 113	No	3 258 137	9 967 099	1
Rand Merchant Bank	10 936 435	250 559	No	–	11 186 994	1
South African Reserve Bank	19	93 957	No	351 480	445 456	–
Standard Bank Group Ltd	26 329 580	6 251 933	No	10 542 476	43 123 989	3
Venda Building Society Ltd	4 123	–	No	304 401	308 524	–
<b>Asset managers</b>						
Black Rock Advisors (UK)	–	–	No	101 889 944	101 889 944	6
Coronation Asset Management (Pty) Ltd	2 821 939	–	No	795 399	3 617 338	–
International Bank for Reconstruction and Development	–	–	No	5 396 431	5 396 431	–
<b>Insurance companies</b>						
Alexander Forbes Ltd	742 018	–	No	–	742 018	–
Discovery Holdings Ltd	6 528 651	–	No	–	6 528 651	–
Liberty Group Ltd	1 798 255	–	No	–	1 798 255	–
MMI Holdings Ltd	3 314 119	–	No	207 411	3 521 530	–
Old Mutual Ltd	20 738 199	–	No	531 011	21 269 210	1
Sanlam Ltd	18 277 152	–	No	438 556	18 715 708	1
Santam Ltd	1 364 056	–	No	213 518	1 577 574	–

### 3. INVESTMENTS (continued)

#### 3.1 Investment summary (continued)

##### 3.1.9 Market risk

###### Equity holdings

	Total fair value holdings and open instruments R'000	Market movement by 5% R'000
<b>Ten largest Rand-value equity holdings</b>		
Naspers Ltd	140 916 592	7 045 830
British American Tobacco Plc Shares	44 196 980	2 209 849
SA Breweries Ltd	42 042 291	2 102 115
Steinhoff International Holdings Ltd	41 511 565	2 075 578
MTN Group Ltd	38 856 448	1 942 822
Sasol Ltd	38 306 970	1 915 349
Vodacom Group Ltd	36 300 139	1 815 007
Standard Bank Group Ltd	26 329 580	1 316 479
FirstRand Ltd	24 671 630	1 233 582
Old Mutual Plc	20 738 199	1 036 910
<b>Total value of 10 largest equity holdings</b>	<b>453 870 394</b>	<b>22 693 521</b>
<b>As a percentage of total investment plus bank balances</b>	<b>28</b>	<b>1</b>

##### 3.1.10 Other financial instruments

	Total fair value holdings and open instruments R'000	Market movement by 5% R'000
<b>Ten largest Rand-value other financial instruments</b>		
Black Rock Global Equity Fund	64 744 686	3 237 234
RSA 186	50 703 728	2 535 186
RSA 197	49 057 297	2 452 865
RSA 210	26 712 050	1 335 603
RSA 202	25 190 214	1 259 511
RSA 2030	21 138 132	1 056 907
Blackrock Global Short Bonds	20 101 997	1 005 100
RSA 212	18 184 807	909 240
RSA 2037	17 836 466	891 823
Black Rock Emerging Market Fund	17 043 261	852 163
<b>Total value of 10 largest other instruments</b>	<b>310 712 638</b>	<b>15 535 632</b>
<b>As a percentage of total investments plus bank balances</b>	<b>19</b>	<b>1</b>

### 3.1.11 Foreign currency exposure

Description	Fair value 31 March 2016 USD'000	Fair value 31 March 2016 R'000	Market movement by 5% R'000
Black Rock Advisors UK Ltd	6 953 284	101 889 944	5 094 497
International Bank for Reconstruction and Development	368 269	5 396 431	269 822
Ecobank Transnational Inc	330 363	4 840 969	242 049
Pan African Infrastructure Development Fund	229 321	3 360 356	168 018
Dangote Cement Plc	215 511	3 157 987	157 899
Bayport Management Ltd	149 000	2 183 372	109 169
MTN Nigeria Communications Ltd	135 007	1 978 325	98 916
Republic of Angola	123 420	1 808 535	90 427
Tanga Cement Company Ltd	92 973	1 362 383	68 119
Smile Telecoms Holdings Ltd	64 635	947 126	47 356
Coronation Africa Trust	54 280	795 399	39 770
S&S Refinery Holdings Ltd	51 947	761 212	38 061
Investec Africa Unit Trust	51 915	760 736	38 037
Africell Holdings Ltd	42 527	623 169	31 158
Kuvenco 1 Ltd	13 341	195 488	9 774
West Africa Emerging Fund	12 621	184 939	9 247
Convergence Partners Communications Infrastructure Fund	9 140	133 933	6 697
Abraaj Africa Fund III	7 063	103 501	5 175
African Development Partners II LP	6 441	94 386	4 719
South Suez African Fund II LP	5 681	83 252	4 163
Verod Capital Growth Fund II LP	3 888	56 977	2 849
<b>Total value of foreign instruments</b>	<b>8 920 627</b>	<b>130 718 420</b>	6 535 922
<b>As a percentage of total investments plus bank balances</b>		<b>8</b>	–

## 4. FUNDING LOAN

	2016 R'000	2015 R'000
Sefalana Employee Benefits Organisation (SEBO)	6 716	6 716

This is an unsecured, interest-free loan utilised to fund SEBO's property, plant and equipment. Recovery is dependent on the fair value of SEBO's assets upon liquidation.

Liquidators were appointed to liquidate SEBO during the 2005 financial year. The liquidation was dependent upon the registration of all the title deeds in respect of investment properties. Subsequent to the registration of all the title deeds in respect of investment properties in the name of the GEPF, the liquidators would then finalise the liquidation of SEBO. The liquidators have used three different scenarios to estimate the amount which will be due to the GEPF on the final liquidation of SEBO. The GEPF has followed a conservative approach by adopting the lowest estimate provided by the liquidators.



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2016

## 5. ACCOUNTS RECEIVABLE

	2016 R'000	2015 R'000
Accrued interest	28 895	36 215
Accrued dividend	5 454 257	2 153 424
Estates debt	31 728	30 837
Total estates debt	<b>81 132</b>	77 951
Less: provision for doubtful debts	<b>(49 404)</b>	(47 114)
Fraud cases debt	–	–
Total fraud cases debt	<b>55 165</b>	46 869
Less: provision for doubtful debts	<b>(55 165)</b>	(46 869)
Investment debtors	<b>1 360 726</b>	764 974
Lease debtor	<b>232 032</b>	263 287
Government Pensions Administration Agency	–	–
Purchased service	<b>59 591</b>	53 871
Purchased service not recovered at retirement or death	<b>871</b>	951
Divorce debt	<b>4 415 342</b>	2 847 924
South African Post Office	<b>2 924</b>	1 837
Sundry debtors	<b>3 034</b>	2 962
Associated Institutions Pension Fund	–	769
Prepayments	<b>878</b>	–
Overpayments	<b>34 806</b>	35 222
Total overpayments	<b>48 321</b>	45 999
Less: provision for doubtful debts	<b>(13 515)</b>	(10 777)
	<b>11 625 084</b>	6 192 273

## 6. CONTRIBUTIONS

### 6.1 Contributions receivable

Participating employers	<b>114 632</b>	105 693
Additional employer contributions*	<b>1 447 756</b>	1 319 753
Additional NSF employer contributions**	<b>2 773 665</b>	3 026 146
Interest on outstanding contributions	<b>48</b>	35
<b>Statement of net assets and funds</b>	<b>4 336 101</b>	4 451 627

\* This is an amount owing to the GEPF in respect of additional liabilities placed on the GEPF resultant from decisions by the employers to afford exiting members' enhanced benefits as per section 17.4 of the GEP Law (eg voluntary severance packages/early retirement without downscaling).

\*\* This is an amount owing to the GEPF in respect of additional liabilities arising out of the revised NSF pension dispensation. The additional cost will have to be met by each individual employer.

	Contributions accrued 2016 R'000	Contributions received 2016 R'000	Contributions receivable 2016 R'000	Contributions receivable 2015 R'000
<b>6.2 Reconciliation of contributions receivable</b>				
Member contributions	21 657 988	(21 657 988)	–	–
Employer contributions	38 725 086	(38 840 625)	4 336 053	4 451 592
Interest on outstanding contributions	261	(248)	48	35
	<b>60 383 335</b>	<b>(60 498 861)</b>	<b>4 336 101</b>	4 451 627
<b>Statement of changes in net assets and funds</b>				60 383 335

## 7. CASH AND CASH EQUIVALENTS

	2016 R'000	2015 R'000
Cash resources	2 823 251	1 055 353
Short-term investments	7 440 371	15 253 822
	<b>10 263 622</b>	16 309 175

The money market instruments with original maturities of three months or less are classified as cash and cash equivalents.

## 8. RESERVES

In terms of a collective agreement negotiated and agreed to in the PSCBC, an actuarial reserve was set aside to address past discriminatory practices.

This note illustrates the detailed split of that reserve balance between Ciskei strikers, general assistants and other past discriminatory practices.

	Ciskei strikers' reserve 2016 R'000	General assistants' reserve 2016 R'000	Other past discriminatory practices' reserve 2016 R'000	Total reserve accounts 2016 R'000
<b>Balance at beginning of the year</b>	154 961	100 282	7 286 926	7 542 169
<b>Transfers and benefits</b>	(7 951)	–	–	(7 951)
Benefits paid	(7 951)	–	–	(7 951)
<b>Net loss after transfers and benefits</b>	(7 951)	–	–	(7 951)
Transfer from net investment return to reserves	10 204	6 603	300 726	317 533
<b>Balance at end of year</b>	157 214	106 885	7 587 652	7 851 751

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2016

## 9. UNCLAIMED BENEFITS

	2016 R'000	2015 R'000
<b>Balance at the beginning of the year</b>	<b>546 236</b>	574 270
Transferred from benefits	<b>1 677 988</b>	1 138 304
Benefits paid	<b>(1 726 763)</b>	(1 270 735)
Interest provision	<b>155 602</b>	104 397
<b>Balance at the end of the period</b>	<b>653 063</b>	546 236

### Reconciliation of number of cases

	Cases	Amount 2016 R'000	Cases	Amount 2015 R'000
Bank rejections	6 243	180 822	6 191	163 568
Benefits directly transferred to unclaimed upon exit	4 952	245 640	4 245	168 560
Unclaimed funeral benefits	383	2 446	352	2 313
Benefits transferred to unclaimed without complete documents	366	14 178	631	35 553
Benefits payments with a tax directive declined	121	6 525	231	9 942
Dispute cases	216	34 344	167	26 366
Untraced transfer to external service provider	4 667	151 401	4 334	139 934
Unpaid untraceable cases	234	17 707	–	–
<b>Balance at the end of the period</b>	<b>17 182</b>	<b>653 063</b>	16 151	546 236

## 10. BENEFITS

	Benefits payable 2015 R'000	Benefits accrued current year 2016 R'000	Benefits paid during year 2016 R'000	Benefits transferred to unclaimed benefits 2016 R'000	Benefits payable 2016 R'000
Net benefit payments	27 531 953	83 088 223	(85 196 350)	(1 672 059)	23 751 767
Gratuities	2 869 160	11 536 470	(11 695 291)	(102 854)	2 607 485
Withdrawal benefits	17 304 197	34 621 822	(36 732 587)	(1 035 208)	14 158 224
Monthly pensions	1 272 117	32 006 970	(31 806 153)	(42 710)	1 430 224
Retrenchment benefits	7 268	131 110	(109 739)	–	28 639
Death benefits	6 034 356	4 563 622	(4 628 864)	(487 197)	5 481 917
Funeral benefits	26 188	184 341	(179 281)	(3 248)	28 000
Orphan benefits**	18 667	37 459	(38 006)	(842)	17 278
Unclaimed benefits***	–	6 429	(6 429)	–	–
Interest to members	2 719 335	2 501 427	(1 845 820)	(5 929)	3 369 013
Benefits payable****	30 251 288	85 589 650	(87 042 170)	(1 677 988)	27 120 780
Statement of changes in net assets and funds					83 088 223

\*\* Orphans' benefits are payable in terms of the provisions of Rule 14.6.3 of the GEP Law, which was introduced during the 2003 financial year. The benefit offered was reviewed as a result of difficulties experienced with the implementation thereof and referred back to the PSCBC to be renegotiated.

\*\*\* Unclaimed benefits are not written back to income as per the Prescription Act but will remain in the Fund as unclaimed until the member has been traced. Legitimate claims received subsequent to write-offs are paid as the records are maintained.

\*\*\*\* Benefits payable as at 31 March 2016 and benefits accrued during the year includes an amount of R8,4 billion (2015: R10,9 billion) representing exit cases that were not fully processed at year-end.

Benefits payable age analysis is summarised as follows:

	2016		2015	
	Cases	R'000	Cases	R'000
<b>Current</b>				
<2 years	32 702	17 265 169	40 163	21 946 351
<b>Unpaid benefits</b>				
2–5 years	28 268	2 587 586	26 087	3 382 578
>5 years	74 216	5 951 831	77 421	3 466 534
<b>Contingency provision</b>	–	1 283 645	–	1 432 198
<b>Orphans' benefits</b>	239	17 278	293	18 667
<b>Interest on NSF benefits</b>	142	15 271	63	4 960
<b>Total</b>	<b>135 567</b>	<b>27 120 780</b>	<b>144 027</b>	<b>30 251 288</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2016

## 11. TRANSFERS

	Effective date	Number of members	Transfers payable 2015 R'000	Transfers approved 2016 R'000	Return on transfer 2016 R'000	Transfers paid 2016 R'000	Transfers payable 2016 R'000
<b>11.1 Transfers to other funds</b>							
Bulk transfers in terms of Rule 12 of the GEP Law Municipal transfers	2015/2016	416	2 000	256 389	10 880	(268 263)	1 006
		416	2 000	256 389	10 880	(268 263)	1 006
Transfers approved							256 389
Return on transfers							10 880
<b>Statement of changes in net assets and funds</b>							<b>267 269</b>

### 11.2 Transfers from other funds

	Effective date	Number of members	Transfers receivable 2015 R'000	Transfers approved 2016 R'000	Return on transfers 2016 R'000	Transfer received 2016 R'000	Transfers receivable 2016 R'000
Transfers in terms of Rule 12 of the GEP Law Individual transfers	2015/2016	24	1 521	4 850	131	(4 522)	1 980
		24	1 521	4 850	131	(4 522)	1 980
Transfer approved							4 850
Return on transfers							131
<b>Statement of changes in net assets and funds</b>							<b>4 981</b>

## 12. ACCOUNTS PAYABLE

	2016 R'000	2015 R'000
Administrative creditors	6 126	7 997
Operating lease accrual	1 131	1 012
Child maintenance (court orders)	1 398	4 018
Contributions (employers)	3 072	2 337
Dormant members	1 360	1 304
Associated Institutions Pension Fund	3 032	–
Temporary Employees Pension Fund	196	5
Government Pensions Administration Agency	106 310	23 004
Investment creditors	1 355 624	835 453
Income received in advance	10 000	210 144
National Treasury	292	1 044
Outstanding SA Post Office vouchers	2 550	1 691
Portfolio management fees payable	218 236	190 677
Sundry creditors	217 514	41 925
	<b>1 926 841</b>	<b>1 320 611</b>

## 13. FINANCIAL LIABILITIES AND PROVISIONS

### 13.1 Financial liabilities

Bank of America Merrill Lynch (BAML)*	4 198 468	–
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\* The GEPF entered into funded equity collar finance with Bank of America Merrill Lynch on 13 July 2015 (the Collar) with a notional size of R5,0 billion. The initial financing amount, after prepaid interest and a premium of R347,5 million, amounted to R4,2 billion. The underlying share is Vodacom Group Limited (VOD) and the number of VOD shares pledged to BAML is 37 391 561. The put strike/floor price per share is R120,95 and the call strike/cap per share is R153,78. All funded collar transactions unwinds in tranches with weekly expiries commencing on 15 January 2016 and ending on 22 December 2017. Each expiry consists of 366 583 shares with a repayment amount of R44,3 million.

### 13.2 Provisions

Provision for accumulated leave pay	665	203
Balance at beginning of year	203	446
Provided	1 684	1 032
Utilised	(1 222)	(1 275)
Provision for bonuses	3 922	2 900
Balance at beginning of year	2 900	2 036
Provided	3 995	1 477
Utilised	(3 973)	(613)
<b>Balance at end of year</b>	<b>4 587</b>	<b>3 103</b>
<b>Financial liabilities and provisions</b>	<b>4 203 055</b>	<b>3 103</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2016

## 14. PURCHASE OF PERIODS OF SERVICE

	2016 R'000	2015 R'000
GEPP members	37 221	31 510
Past discriminatory members	7 951	4 790
	<b>45 172</b>	36 300

## 15. NET INVESTMENT INCOME

Income from investments	73 471 046	64 108 832
Dividend received <sup>2</sup>	30 817 781	26 896 388
Interest received	39 824 602	34 851 629
Other income	1 393 417	941 098
Reversal of impairment <sup>3</sup>	–	9 600
Property income	1 435 296	1 410 117
Net profit on sale of investments <sup>1</sup>	34 272 641	61 166 387
Adjustment to fair value <sup>2</sup>	(39 556 586)	75 179 230
Impairment of investments <sup>4</sup>	(699 171)	(366 171)
Total investment income	67 487 980	200 088 278
Less: expenses incurred in managing investments		
– Management fees – externally managed	(1 560 569)	(1 404 444)
– Management fees and other expenses – internally managed	(197 862)	(127 278)
– Property expenses	(693 544)	(582 673)
– Transaction costs and other expenses	(799 995)	(545 145)
Total investment expenses	(3 251 970)	(2 659 540)
Net investment income	64 236 010	197 428 738
1 Profit on sale of investments	36 570 740	62 822 209
Loss on sale of investments	(2 298 099)	(1 655 822)
Net profit on sale of investments	34 272 641	61 166 387

2 In the prior year financial statements, dividend income amounting to R26,9 billion was included in the adjustment to fair value, in line with the requirements of the RRR for Retirement Funds in South Africa as issued by the FSB. In the current year, dividend income is not included in the adjustment to fair value, but has been separately disclosed. For comparative purposes, the prior year figures have been adjusted to disclose dividend income and the adjustment to fair value separately. The separate disclosure of dividend and the adjustment of fair value is in accordance with a decision made by the Finance and Audit Committee on 9 September 2016.

3 In the current year, there was no reversal of impairment (2015: R9,6 million). The reversal in the prior year related to Legend Lodges (Pty) Ltd and was due to an increase in the expected market value of the company as a result of a sales offer.

4 Some of the loans entered into by the PIC on behalf of the GEPP in their capacity as the Fund's asset manager have been impaired based on the independent valuation as stated on the following page:

### Reconciliation of impairment

	2016 R'000	2015 R'000
Afgri Poultry (Pty) Ltd	537 706	–
Friedshelf 1511 (Pty) Ltd	71 061	–
Friedshelf 1518 (Pty) Ltd	33 849	–
Zamalwandle Transport Logistics (Pty) Ltd	56 555	–
CBS Property Portfolio Ltd	–	366 171
<b>Total</b>	<b>699 171</b>	366 171

In arriving at the impairment figures, the GEPF took the following impairment triggers into account which were considered on all of its impaired investments:

- Uncertainties on the going concern on audited financial statements of its investees.
- Actual breaches of any original funding agreements, that resulted in renegotiation of those agreements.
- Where cash flow projections have been revised downwards, it resulted in a decrease in enterprise values of investees.
- Anticipated pressure on investees in servicing their debt obligations.

## 16. OTHER INCOME

	<b>2016</b>	2015
	<b>R'000</b>	R'000
<b>Interest received</b>		
Arrear contributions	<b>5 453</b>	3 555
Purchase of service	<b>3 491</b>	2 894
Additional employer contributions – early retirement	<b>119 971</b>	102 483
Additional employer contributions – NSF	<b>322 519</b>	364 443
Divorce debt	<b>290 929</b>	159 201
Operating bank account	<b>27 647</b>	19 357
Other	<b>378</b>	212
	<b>770 388</b>	652 145

## 17. ADMINISTRATIVE EXPENDITURE

### 17.1 Total administrative expenditure

Administration expenses	<b>885 442</b>	879 762
Actuarial fees	<b>2 614</b>	3 782
Investment accounting fees	<b>11 686</b>	10 212
Investment performance analysis	<b>4 984</b>	3 898
Audit fees	<b>2 996</b>	2 774
Depreciation	<b>1 619</b>	1 909
Foreign currency loss	<b>43</b>	43
Legal costs	<b>3 416</b>	5 600
Bad debts	<b>5 085</b>	6 369
Operating expenses	<b>26 995</b>	21 661
Operating lease payments	<b>5 839</b>	5 697
Operating lease smoothing adjustment	<b>119</b>	471
Personnel expenses	<b>29 289</b>	26 791
Personnel expenditure (refer to note 17.2)	<b>15 785</b>	13 371
Executive officer expenditure (refer to note 17.3)	<b>3 686</b>	5 020
Principal officer expenditure (refer to note 17.4)	<b>3 773</b>	2 686
Trustee expenditure (refer to note 17.5)	<b>6 045</b>	5 714
Increase in provision for doubtful debt	<b>13 323</b>	1 044
	<b>993 450</b>	970 013

### 17.2 Personnel remuneration and expenses

Remuneration to permanent and contract employees	<b>12 526</b>	10 796
Retirement fund contributions	<b>1 745</b>	1 804
Training expenses	<b>516</b>	435
Other benefits (housing, medical, etc)	<b>998</b>	336
	<b>15 785</b>	13 371



**NOTES TO THE ANNUAL  
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for the year ended 31 March 2016

**17. ADMINISTRATIVE EXPENDITURE (continued)**

	<b>2016 R'000</b>	2015 R'000
<b>17.3 Executive officers' remuneration and expenses</b>		
Remuneration and allowances	<b>3 092</b>	4 053
Bonuses	<b>594</b>	967
	<b>3 686</b>	5 020
<b>17.4 Principal officer's remuneration and expenses</b>		
Remuneration and allowances	<b>3 224</b>	1 930
Acting allowance	<b>63</b>	756
Bonuses	<b>486</b>	–
	<b>3 773</b>	2 686
<b>17.5 Board of Trustees' remuneration and expenses</b>		
Meeting allowances	<b>5 631</b>	5 520
Expenses	<b>414</b>	194
	<b>6 045</b>	5 714
<b>18. INTEREST PAID</b>		
Interest paid to members	<b>2 501 427</b>	1 954 550
Interest paid to members exited from the GEPF	<b>2 253 719</b>	1 744 190
Interest paid to external funds in respect of members exited from the GEPF	<b>195 726</b>	144 562
Interest paid to NSF members	<b>51 982</b>	65 798
Interest paid to dormant members	<b>124</b>	118
	<b>2 501 551</b>	1 954 668
<b>19. OPERATING LEASE</b>		
<b>Income</b>		
Future minimum lease payments receivable under non-cancellable operating leases:		
Receivable within one year	<b>928 379</b>	857 229
Receivable between two and five years	<b>1 765 647</b>	1 805 564
Receivable after five years	<b>346 816</b>	286 320
	<b>3 040 842</b>	2 949 113
<b>Expenses</b>		
Future minimum lease payments under non-cancellable operating leases:		
Payable within one year	<b>5 143</b>	4 762
Payable between two and five years	<b>6 969</b>	12 112
	<b>12 112</b>	16 874

	2016 R'000	2015 R'000
<b>20. CASH GENERATED FROM OPERATIONS</b>		
<b>Net income after transfers and benefits</b>	<b>38 581 442</b>	165 623 243
Adjusted for:	<b>(67 367 171)</b>	(204 400 093)
Interest received	<b>(40 594 990)</b>	(35 503 774)
Interest paid	<b>2 501 551</b>	1 954 668
Dividends received	<b>(30 817 781)</b>	(26 896 388)
Adjustment to fair values of investments	<b>39 556 586</b>	(75 179 229)
Profit on sale of investments and property	<b>(34 272 641)</b>	(61 166 387)
Impairment of investments	<b>699 171</b>	366 171
Reversal of impairment	–	(9 600)
Foreign currency loss/(income)	<b>(1 004 454)</b>	(780 824)
Depreciation	<b>1 619</b>	1 909
Lease smoothing	<b>119</b>	471
Bad debt written off	<b>5 085</b>	6 369
Increase in doubtful debt provision	<b>13 323</b>	1 044
Movement in provisions	<b>(3 671 875)</b>	(7 420 254)
Net transfers (in)/out	<b>217 116</b>	225 731
<b>Adjusted net income after transfers and benefits</b>	<b>(28 785 729)</b>	(38 776 850)
<b>Changes in working capital</b>	<b>(1 208 422)</b>	794 178
Decrease/(increase) in accounts receivable	<b>(1 466 946)</b>	925 966
Increase/(decrease) in accounts payable	<b>258 524</b>	(131 788)
<b>Cash flow generated from operations</b>	<b>(29 994 151)</b>	(37 982 672)

## 21. FINANCIAL MANAGEMENT AND ASSOCIATED RISKS

Investment activities expose the GEPF to various types of risks that are associated with the financial instruments and markets in which they are invested. The nature and extent of financial instruments as at financial year-end and the risk management policies employed by the GEPF and its investment administrator are discussed below.

### 21.1 Market risk and interest rate risk

Market risk is the risk that the value of a financial instrument or investment will fluctuate due to changes in market prices, irrespective of whether those changes are caused by circumstances particular to the investment or to the investment market in general. Interest rate risk is the risk that the value of a financial instrument or the income received from such instruments will fluctuate due to movements in market interest rates. Exposure to market and interest risk is for the account of the GEPF due to it being a defined benefit arrangement, and is managed primarily by setting strategic asset allocation percentages for the various asset classes, which are designed to match the inflation risk that impacts both the liabilities and assets, as well as market and interest risk.

The investment managers are required to diversify the investments of the GEPF and disperse investments within classes of assets such that exposure to any single investment is limited and the performance of the asset classes are similar to the performance of the corresponding sections of the market as a whole.

## 21. FINANCIAL MANAGEMENT AND ASSOCIATED RISKS (continued)

### 21.1 Market risk and interest rate risk (continued)

Equities are the most volatile asset class and therefore the biggest source of short-term risk for the portfolio. The Investment Committee, on behalf of the Board, monitors this risk against predetermined benchmarks. The investment manager outsources the management of approximately 25% of the equity portfolio to other external fund managers who possess both the resources and expertise to adequately address any potential equity market risk. The fair value of the equity portfolio at 31 March 2016 was R956,6 billion (2015: R953,5 billion).

### 21.2 Credit risk

Credit risk is the risk that a counterparty to a financial instrument or investment will default on its obligation, in part or in total, thereby causing financial loss to the GEPF.

This risk is managed by the investment manager through models developed in-house and by external credit rating agencies.

Money is placed with A-rated obligors (excluding loans and advances) within limits set by the investment manager on behalf of the Board.

The credit risk pertaining to loans and advances is managed partially through a combination of derivative structures and guarantees for the credit exposure as appropriate. Loans and advances are approved by the relevant governance structures within the investment manager.

### 21.3 Liquidity risk

Liquidity risk is the risk that the investments will not readily convert into cash should the need for funds arise.

Liquidity risk is managed by investing the majority of assets in government stocks and equities within an active market, enabling the investments to be efficiently liquidated if necessary to satisfy cash flow requirements. In addition, substantial cash holdings mitigate this risk.

### 21.4 Currency risk

Currency risk is the risk that the value of a financial instrument denominated in a currency other than the reporting currency may fluctuate due to changes in foreign currency exchange rates, between the reporting currency and the currency in which the instrument is denominated. The Fund's exposure to currency risk is mainly in respect of the foreign investments made in the Pan African Infrastructure Development Fund, International Bank for Reconstruction and Development and Black Rock Advisors UK Limited, which are denominated in US Dollars (refer to note 3.1.11).

Currency risk is managed primarily by setting limits to strategic asset allocation percentages for foreign asset classes and hedging in other instances.

### 21.5 Solvency risk

Solvency risk is the risk that the investment returns on assets will not be sufficient to meet the GEPF's contractual obligations to members. An undertaking by the government, as employer, to ensure that the funding level remains above 90% and the setting of strategic asset allocation percentages following an asset-liability modelling exercise, mitigates this risk. Such an exercise will be repeated regularly to ensure that the employer contribution rate, solvency reserve and strategic asset allocation percentages are managed to constrain the solvency risk within levels acceptable to the stakeholders.

## 22. RELATED PARTIES

With regards to the Fund, the majority of the participating employers relate to the entire government and the predominant numbers of GEPF transactions are with related government entities. This would result in an exorbitant amount of related party disclosure, which in the opinion of the Trustees would not necessarily add value to the users of the financial statements.

- Contributions received of R38,8 billion (2015: R37,2 billion) and contributions receivable of R208 million (2015: R189 million) are from the employer which is the government of the Republic of South Africa.
- Trustees of the Fund who are also members of the Fund contribute to the Fund and may receive benefits upon exit from the Fund in terms of the Fund rules.
- Remuneration and expenses of key management personnel is disclosed in note 17 to the annual financial statements.
- The PIC is wholly-owned by the government of the Republic of South Africa. Management fees amounting to R906,8 million (2015: R855,8 million) was paid from the Fund to the PIC for investment management services in terms of the approved investment mandate.

## 23. CONTINGENT LIABILITIES

### 23.1 Benefits

A contingent liability exists for members that exited from the GEPF prior to 31 March 2016, for whom no duly completed exit documentation have been received. The GEPF cannot estimate the benefits payable to such members exactly, because the quantum of the liability is dependent on:

- the reason for exit from service;
- the final salary of the respective members upon exit; and
- the period of pensionable service, which period may be altered by means of added service, dependent on the exit reason, eg ill-health.

A provision has been made in the financial statements for the actuarial estimate of the above liability, but the benefits owing cannot be calculated exactly.

### 23.2 Pending liability

No contingent liability exists in respect of a legal claim against the GEPF on the date on which the financial statements were approved.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2016

## 24. CAPITAL COMMITMENTS

### 24.1 Capital commitments current year

Name of fund	Total commitment	Drawn commitment	Undrawn commitment	Total commitment	Drawn commitment	Undrawn commitment	Estimated repayable period
	USD'000 2016	USD'000 2016	USD'000 2016	R'000 2016	R'000 2016	R'000 2016	
ADPI II	30 000	8 381	21 619	439 605	122 810	316 795	3 years
Cape IV	20 000	–	20 000	293 070	–	293 070	7 years
PAIDF I	250 000	223 759	26 241	3 663 375	3 278 853	384 522	1 year
PAIDF II	350 000	50 400	299 600	5 128 725	738 533	4 390 192	4 years
South Suez	25 000	6 897	18 103	366 338	101 067	265 271	9 years
Verod	10 000	3 619	6 381	146 535	53 035	93 500	4 years
<b>Total</b>	<b>685 000</b>	<b>293 056</b>	<b>391 944</b>	<b>10 037 648</b>	<b>4 294 298</b>	<b>5 743 350</b>	

### 24.2 Capital commitments previous year

Name of fund	Total commitment	Drawn commitment	Undrawn commitment	Total commitment	Drawn commitment	Undrawn commitment	Estimated repayable period
	USD'000 2015	USD'000 2015	USD'000 2015	R'000 2015	R'000 2015	R'000 2015	
ADPI II	30 000	–	30 000	364 044	–	364 044	4 years
PAIDF I	250 000	212 163	37 837	3 033 700	2 574 555	459 145	2 years
PAIDF II	350 000	6 516	343 484	4 247 180	79 070	4 168 110	5 years
South Suez	25 000	–	25 000	303 370	–	303 370	10 years
<b>Total</b>	<b>655 000</b>	<b>218 679</b>	<b>436 321</b>	<b>7 948 294</b>	<b>2 653 625</b>	<b>5 294 669</b>	

## 1. TRUSTEES AND SUBSTITUTE TRUSTEES

Name	Meeting attendance and retainer fee	Subsistence and travel	Total
Mr Prabir Badal	R282 586	R10 153	R292 739
Ms Lindy Bodewig	–	–	–
Mr Cornelius Booyens	R119 958	R14 187	R134 145
Col Johan Coetzer	R144 475	R15 666	R160 141
Major General Dries de Wit	R355 753	R14 841	R370 594
Mr Themba Gamedze	R219 467	R18 235	R237 702
Brig Johan Griesel	–	R12 733	R12 733
Ms Jennifer Jeftha*	R351 566	R26 235	R377 801
Mr Eddie Kekana	R211 908	R15 710	R227 618
Dr Barry Kistnasamy	–	–	–
Mr Mpho Kwinika	R162 885	R10 195	R173 080
Dr Frans Le Roux	R301 133	R14 312	R315 445
Mr Ronny Meapa	R159 869	R58 882	R218 751
Dr Alex Mahapa	R104 350	R200	R104 550
Ms Mantuka Maisela*	R223 294	R4 714	R228 008
Mr Seth Makhani	R231 368	R2 750	R234 118
Ms Kgomotso Makhupola	R20 904	R300	R21 204
Mr Success Mataitsane	R142 759	R200	R142 959
Dr Lese Matlhape*	R140 996	–	R140 996
Mr Stadi Mngomezulu	–	R12 680	R12 680
Ms Gladys Modise	R167 382	R18 203	R185 585
Ms Edith Mogotsi	R296 184	R800	R296 984
Dr Renosi Mokate	R295 555	R39 342	R334 897
Mr Richard Morris**	R153 584	R739	R154 323
Ms Moira Moses	R266 920	R25 453	R292 373
Advocate Makhubalo Ndaba	R278 789	R29 118	R307 907
Ms Dorothy Ndhlovu	R202 280	R29 435	R231 715
Mr Peter Ntsime	R144 075	R11 309	R155 384
Dr Morgan Pillay	R88 602	R6 953	R95 555
Dr Anban Pillay	–	–	–
Mr John Raphela**	R96 258	R3 801	R100 059
Mr Pierre Snyman	R194 241	R16 096	R210 337
Advocate Lindiwe Nkosi-Thomas	–	–	–
Ms Barbara Watson	R274 387	R600	R274 987
<b>Total</b>	<b>R5 631 528</b>	<b>R413 842</b>	<b>R6 045 370</b>

\* Independent specialists appointed to the Remco.

\*\* Independent specialists appointed to the FA-C.

## DISCLOSURE OF REMUNERATION (continued)

### 2. EXECUTIVE MANAGEMENT

<b>Name</b>	<b>Total cost-to-company</b>	<b>Performance bonuses</b>
Abel Sithole	R3 224 140	R486 198
Linda Mateza*	R1 041 414	R153 513
Adri van Niekerk	R1 168 933	R440 092
Hemal Naran**	R698 483	–
Joelene Moodley***	R246 163	–
<b>Total</b>	<b>R6 379 133</b>	<b>R1 079 803</b>

\* Appointed on 1 October 2015.

\*\* Resigned on 31 July 2015.

\*\*\* Resigned on 30 April 2015.









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