PUBLIC INVESTMENT CORPORATION®
Est. 1911

ANNUAL FINANCIAL STATEMENTS 2021

110

FORGING AHEAD

PUBLIC INVESTMENT CORPORATION INTEGRATED ANNUAL FINANCIAL STATEMENTS 2021

Celebrating 110 years of resilience


FORGING AHEAD
1911 – 2021
Celebrating
110 years of resilience

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* This Integrated Annual Report consists of two books:
The 2021 Integrated Annual Report and the 2021 Annual Financial Statements.

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ANNUAL FINANCIAL STATEMENTS

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ACCOUNTING / OFFICER'S STATEMENT

OF RESPONSIBILITY FOR ANNUAL FINANCIAL STATEMENTS

The statement of responsibility for the Annual Financial Statements for the year ended 31 March 2021 of the Chief Executive Officer, who constitutes the Accounting Officer.

1. INTEGRATED REPORT FOR THE 2021 FINANCIAL YEAR END

I hereby acknowledge that the integrated report of the Public Investment Corporation SOC Limited (the Company) has been submitted to the Auditor-General of South Africa (AGSA) for auditing in terms of Section 55(1)(c) of the Public Finance Management Act (PFMA).

I acknowledge my responsibility together with that of my team, for the accuracy of the accounting records, preparation and the fair presentation of the financial statements and confirm, to the best of my knowledge the following:

2. ANNUAL FINANCIAL STATEMENTS

The Board of Directors that constitute the Accounting Authority is responsible for the preparation of, fair presentation, and for the judgment made in the Company's Annual Financial Statements.

The Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS). All amounts and information appearing in the integrated report are consistent with the Annual Financial Statements submitted to the auditors for audit purposes.

3. PERFORMANCE INFORMATION

The performance information fairly reflects the operations and actual output against planned targets for performance indicators as per the corporate plan of the Company for the financial year ended 31 March 2021. This has been reported on in accordance with the requirements of the guidelines on annual reports as issued by National Treasury. A system of internal controls has been designed to provide reasonable assurance as to the integrity and reliability of performance information.

4. EXTERNAL AUDITOR

The external auditor is engaged to express an independent audit opinion on the Annual Financial Statements of the Company. There were no scope limitations placed on AGSA and it had unrestricted access to persons within the Company from whom it could obtain the necessary audit evidence to express an audit opinion.

The Annual Financial Statements of the Company set out on pages 16 to 76 have been approved by the Board of Directors.

Mr Abel Sithole
CHIEF EXECUTIVE OFFICER

COMPANY SECRETARY'S CERTIFICATE

In terms of Section 88(2) of the Companies Act of 2008, as amended, I certify that, to the best of my knowledge and belief, the PIC has lodged with the Registrar of Companies for the financial year ended 31 March 2021, all such returns and notices as are required of a state-owned company in terms of the Companies Act of 2008, as amended, and that all such returns and notices are true, correct and up to date.

Ms Bongani Mathebula
COMPANY SECRETARY

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RESPONSIBILITIES OF OUR BOARD OF DIRECTORS

The Board of Directors is required in terms of the Companies Act and the PFMA to maintain adequate accounting records and is responsible for the content and integrity of the Annual Financial Statements and related financial information included in this report. It is the Board of Director's responsibility to ensure that the Annual Financial Statements fairly present the state of affairs of the Public Investment Corporation SOC Limited's (the Company) financial position as at 31 March 2021 and the profit or loss and cash flows of the Company for the financial year ended 31 March 2021.

In preparing and in ensuring that these Annual Financial Statements are fairly presented, the Board of Directors is required to:

- Consistently apply accounting policies as defined in the Annual Financial Statements;
- Make judgments and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed; and
- Ensure that the Annual Financial Statements are prepared on a going concern basis unless it is inappropriate to presume that the Company will continue in business for the foreseeable future.

The Audit Committee (AC) has reviewed the Company's Annual Financial Statements and has recommended their approval to the Board of Directors. In preparing the Company's Annual Financial Statements, the Company has complied with IFRS and the Companies Act. In addition, the Company has complied with the reporting requirements of the Public Finance Management Act, 1999 (PFMA).

The Company used appropriate accounting policies supported by reasonable and prudent judgments and estimates. Judgments and estimates that are made in accordance with IFRS, which have a significant impact on the Annual Financial Statements, are disclosed in the notes to the Annual Financial Statements.

The Board of Directors has every reason to believe that the Company has adequate resources and facilities in place to be able to continue in operation for the foreseeable future. Therefore, the Board of Directors is satisfied that the Company is a going concern and has continued to adopt the going concern basis in preparing the Annual Financial Statements.

The internal audit activities are performed in accordance with the pre-approved internal audit plan. The internal audit plan is reviewed and approved by the AC annually. The Company's Internal Audit department executed the internal audit plan during the year and has provided assurance to the Board of Directors as to the state of the internal controls of the Company. Its assessment of the internal controls of the Company is included in the AC report. The AC has reviewed the effectiveness of the Company's internal controls and considers the systems appropriate for the effective operation of the Company.

The external auditor, AGSA is responsible for independently auditing and reporting on the Annual Financial Statements in conformity with International Standards on Auditing (ISAs). The unmodified audit report on the Annual Financial Statements, prepared in terms of ISAs, appears on pages 11 to 15.

The Board of Directors is of the opinion that the Company complied with applicable laws and regulations. The Board of Directors is of the opinion that these Annual Financial Statements fairly represent the financial position of the Company as at 31 March 2021 and the results of its operations and cash flow information for the year then ended.

Approval of Annual Financial Statements.

Dr Reuel Khoza
INTERIM CHAIRMAN

REPORT FROM / OUR BOARD OF DIRECTORS

The Board of Directors is pleased to present the Annual Financial Statements of the Public Investment Corporation SOC Limited for the financial year ended 31 March 2021.

1. NATURE OF BUSINESS

The PIC is incorporated and domiciled in the Republic of South Africa. It is a schedule 3B state-owned entity as defined in the PFMA. The Company provides asset management services primarily to public sector entities. It operates principally in South Africa, but also invests offshore and within the rest of the African continent.

The Company's Annual Financial Statements for the financial year ended 31 March 2021, were authorised for issue in accordance with a resolution passed by the Board of Directors on 27 August 2021.

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

2. FINANCIAL RESULTS

The Company's business model was designed and developed to focus on financial sustainability. The financial sustainability strategy is directly aligned to the three year corporate plan and there is monthly monitoring of financial targets, as well as cost containment measures implemented throughout the year.

In the financial year under review, the net operating profit increased compared to the prior financial year because all the unrealised losses that were accounted for through profit or loss in the prior year as a result of COVID-19 on the listed investments, were reversed in the current year resulting in an unrealised profit. The listed investment portfolio has since recovered.

Full details of the financial position, profit or loss and cash flows of the company are set out in these Annual Financial Statements.

3. SHARE CAPITAL

There have been no changes to the authorised or issued share capital during the year under review.

4. DIVIDENDS

The Company's dividend policy is to consider dividends each financial year. At its discretion, the Board of Directors may consider a special dividend, where appropriate. Depending on the perceived need to retain funds for expansion or operating purposes, the Board of Directors may pass on the payment of dividends. No dividends were declared in the current financial year. The Board of Directors declared a dividend of R99 million in the 2020 financial year and this dividend is yet to be paid.

5. DIRECTORATE

The composition and profiles of Board of Directors for the Company are set out on pages 128 to 134 of the Integrated Annual Report. Information of the Board of Directors and Board subcommittees, their activities, meetings, attendance and any other information, is set out in the corporate governance statement on pages 122 to 156.

Directors

Dr Khoza Reuel (Interim Chairman) (Non-executive director)
Ms Mabaso Koyana Sindisiwe (Deputy chairman) (Non-executive director)**
Ms More Matshepo (CFO)^
Ms Charnley Irene (Non-executive director)**
Dr de Bruyn Angelo (Non-executive director)
Prof Dumisa Bonke (Non-executive director)
Mr Fredericks Ivan (Non-executive director)**
Mr Gamedze Bhekithemba (Non-executive director)**
Mr Sithole Abel (CEO)*
Mr Maluleke Mongwena (Non-executive director)
Ms Morule Karabo (Non-executive director)*
Mr Mavuka Brian (Acting CFO)
Ms Moahloli Tshepiso (Non-executive director)
Mr Moloto Pitsi (Non-executive director)
Adv Ndaba Makhubalo (Non-executive director)
Ms Ramos Maria (Non-executive director)**
Mr Dolamo Sholto (Acting CIO)#
Ms Mtoba Ntombifuthi (Deputy Chairman) (Non-executive director)*
Ms Watson Barbara (Non-executive director)

^ Ms More Matshepo is currently under suspension.
* Mr Sithole Abel, Ms Morule Karabo and Ms Mtoba Ntombifuthi were appointed in the current financial year.
** Ms Mabaso Koyana Sindisiwe, Ms Charnley Irene, Mr Fredericks Ivan, Mr Gamedze Bhekithemba and Ms Ramos Maria resigned during the current financial year.
# Mr Dolamo Sholto was appointed and resigned in the current financial year as a director.

6. ASSOCIATES

The Company has a 46% (2020: 46%) shareholding in Harith Fund Managers (Pty) Limited, 30% (2020: 30%) shareholding in Harith General Partners (Pty) Limited, 30% (2020: 30%) in Bophelo Insurance Group (BIG) and 7.31% (2020: 7.65%) in the SA SME Fund Limited (SA SME). Harith Fund Managers (Pty) Limited and Harith General Partners (Pty) Limited both have a financial year-end consistent with that of the Company. BIG and SA SME have a February financial year end.

Harith Fund Managers (Pty) Limited's nature of business is the management of the funds of the Pan African Infrastructure Development Fund (PAIDF). Harith Fund Managers (Pty) Limited is also responsible, on behalf of the PAIDF, for the provision of specified administrative services relating to the operations of the PAIDF. Harith Fund Managers (Pty) Limited assists the Company in carrying out its mandate as it relates to infrastructure in South Africa and the rest of the continent.

Harith General Partners (Pty) Limited is a company established in South Africa, specialising in investments in infrastructure projects in energy, transport, rail, port and airports, information and communication technology, water and sanitation, energy and many others mainly on the African continent. Harith General Partners (Pty) Limited provides fund management and advisory services to the PAIDF.

BIG is a majority black-owned insurance group that holds two subsidiaries in the life and short-term insurance sector, namely Bophelo Life Insurance Limited (Bophelo Life) and Nzalo Insurance Service Limited (NIS). Bophelo Life is a wholly owned subsidiary of BIG and is an authorised financial services provider as prescribed by the FAIS Act, and a registered life insurer in terms of the Long-Term Insurance Act, No 52 of 1998. NIS is a short-term insurer licensed by the Financial Service Conduct Authority (FSCA) to underwrite all classes of business defined in the Short-Term Insurance Act of 1998. Nzalo Insurance Service Limited and Bophelo Life Insurance Limited are currently going through liquidation.

The SA SME Fund was established as part of the CEO initiative in conjunction with National Treasury and corporate South Africa. The Company's objective is to equity invest in high-potential entrepreneurial enterprises in the small and medium enterprises (SME) sector and to build a high-quality mentorship cohort to provide business and other forms of support to SMEs and entrepreneurs funded by the Company. In the current year, the PIC did not invest any additional funds.

The details of all the transactions in which the Company has entered with the associates are disclosed in note 6 of the Annual Financial Statements.

7. RELATED PARTY TRANSACTIONS

Details of related party transactions are disclosed in note 31 of the Annual Financial Statements.

8. INTERNAL FINANCIAL CONTROLS

During the year under review, the Board of Directors, through the AC, assessed the results of the formal documented review of the Company's system of internal controls and risk management, including the design, implementation and effectiveness of the internal financial controls conducted by Internal Audit, and considered the information and explanations given by management and discussions with the external auditors on the results of the audit.

Based on the results obtained, nothing has come to the attention of the Board of Directors that has caused it to believe that the Company's system of internal financial controls do not form a sound basis for the preparation of reliable financial statements.

According to Treasury Regulations, (paragraph 28), and the PFMA, (section 55), the Annual Financial Statements must include a report by the Accounting Authority, that discloses remuneration of all members of the Accounting Authority, who are the Company's non-executive and executive directors and senior management. As per the Companies Act 71 of 2008, (paragraph 30[5]), the Annual Financial Statements must show the amount of any remuneration or benefits paid or receivable by all members of the Accounting Authority. The details of the disclosure are included in the disclosure of remuneration on page 113 to 114 of the Integrated Annual Report.

9. CORPORATE GOVERNANCE

On 1 April 2017 King IV became effective and the Company has adopted the report effectively.

10. SPECIAL RESOLUTIONS

Two special resolutions were passed on 16 November 2020 at the AGM, the first one was ratification of the appointment of the Acting CIO, effective from 6 August 2020. The second one was to resolve that non-executive directors' fees be paid to directors in their capacities as non-executive directors effective from that day until the next AGM. The fees paid will remain unchanged from the fees approved in the previous AGM.

11. GOING CONCERN

The Board of Directors reviewed the financial budgets with their underlying business plans for the period up to 31 March 2022. When assessing the Company's ability to continue as a going concern, both quantitative and qualitative factors were taken into account. The two critical quantitative factors were liquidity and solvency requirements. Qualitative factors that may cast significant doubt about the going concern assumption, such as financial trends, external and internal matters, were assessed, taking into account the impact of the COVID-19 pandemic.

On the basis of the review performed and of the current financial position, the Board of Directors is satisfied that the Company has adequate resources to continue in operation for the foreseeable future. The Board of Directors, therefore, considers it appropriate that the Annual Financial Statements be prepared on a going concern basis.

COVID-19 pandemic

The impact of the COVID-19 pandemic has caused a significant deterioration in economic conditions and an increase in economic uncertainty. The pandemic is also affecting financial markets. The South African and world economy is slowly returning to normal with the availability of vaccines against the COVID-19 virus. Many businesses have been affected by the pandemic and some will not reopen after the majority of the population is vaccinated as they will not be able to absorb the cost of the halt in economic activity.

As the pandemic increases in both magnitude and duration, South Africa and the world are learning to live and operate with the probably permanent existence of the COVID-19 virus. Some entities are experiencing conditions often associated with a general economic downturn. This includes financial market volatility and erosion, deterioration in credit, liquidity concerns, further increases in government intervention, increasing unemployment, broad declines in consumer discretionary spending, reduction in production because of decreased demand and other restructuring activities.

The continuation of these circumstances could result in an even broader economic downturn, which could have a prolonged negative impact on the PIC's financial results in the future.

The Company has considered the impact of operating with the existence of COVID-19 by assessing the following elements of Annual Financial Statements:

- Impairment of non-financial assets due to idle and underutilised assets due to government restrictions;
- Impairment of non-financial assets i.e. associates due to general economic downturn;
- Financial impact on financial assets due to general economic downturn and financial market volatility;
- Impairment of financial assets, such as direct impact to the calculation of expected credit loss allowance;
- Impairment of right-of-use assets due to business closure;
- Any possible disruption associated with COVID-19 that may prevent entering into any customer agreement and its impact on the Company's revenue;

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- Decline in the Company's revenue as a result of the reduced economic activities, as fees are based on assets under management market values;
- Possible onerous contracts due to unavoidable costs of meeting obligations under the contract during the pandemic outbreak, which may exceed the benefits expected to be received;
- Consider any 'force majeure' clauses, that can be enacted by the COVID-19 pandemic;
- Assumptions used in the preparation of the Annual Financial Statements. For example, going concern assessment;
- Consideration of how profitability, liquidity and impairments triggered by the COVID-19 impact could affect income tax;
- Consideration of how the effect of the COVID-19 pandemic on the Annual Financial Statements may affect the ability of the company to declare dividends;
- New business way involving:
  - Workplace flexibility;
  - Protecting staff;
  - Reinforcing supply chain;
  - Restoring "business as usual";
  - Containing cost pressure; and
  - Reassessing impact on performance.

Although the COVID-19 impact assessment is an ongoing exercise, management has concluded that there are no material uncertainties that might cast significant doubt upon the Company's ability to continue as a going concern.

The impact of COVID-19 on the Company is an assessment that is conducted continuously throughout the year.

12. AUDITORS

AGSA is the registered auditor of the Company. The auditors of Harith Fund Managers (Pty) Limited and Harith General Partners (Pty) Limited are BDO South Africa Inc. BIG's subsidiaries, which are Nzalo Insurance Service Limited and Bophelo Life Insurance Limited are, currently going through liquidation, therefore, there is currently no planned audit for the aforementioned subsidiaries. The auditor of SA SME Fund Limited is Deloitte.

AGSA was given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the Board of Directors and committees of the Board. The Board of Directors believes that all representations made to the external auditor during the audit are valid and appropriate.

13. ULTIMATE HOLDING COMPANY

The Company's ultimate holding company is the National Government of the Republic of South Africa. The shareholder representative is the Minister of Finance. The Company's oversight department is National Treasury.

The Annual Financial Statements set out on pages 16 to 76, which have been prepared on the going concern basis, were approved by the Board of Directors on 27 August 2021, and were signed on its behalf by:

Approval of Annual Financial Statements.

Dr Reuel Khoza
(INTERIM CHAIRMAN)(NON-EXECUTIVE DIRECTOR)

INDEPENDENT AUDITOR'S REPORT

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE PUBLIC INVESTMENT CORPORATION SOC LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

1. I have audited the financial statements of the Public Investment Corporation SOC Limited (PIC) set out on pages 16 to 76, comprising the statement of financial position as at 31 March 2021, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the PIC as at 31 March 2021, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Public Finance Management Act of South Africa, 1 of 1999 (PFMA) and the Companies Act of South Africa, 71 of 2008 (Companies Act).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
4. I am independent of the entity in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matter

6. I draw attention to the matter below. My opinion is not modified in respect of this matter.

RESTATEMENT OF CORRESPONDING FIGURES

7. As disclosed in note 33 to the financial statements, the corresponding figures for 31 March 2020 were restated as a result of an error in the financial statements of the entity at, and for the year ended, 31 March 2021.

Responsibilities of the board of directors for the financial statements

8. The board of directors, which constitutes the accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the IFRS and the requirements of the PFMA and the Companies Act, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
9. In preparing the financial statements, the accounting authority is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

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Auditor-general's responsibilities for the audit of the financial statements

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

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

Introduction and scope

12. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
13. My procedures address the usefulness and reliability of the reported performance information, which must be based on the entity's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the entity enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
14. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objectives presented in the entity's annual performance report for the year ended 31 March 2021:

OBJECTIVES	PAGES IN THE ANNUAL PERFORMANCE REPORT*
Customers/stakeholders	18 – 23

** 2021 Integrated Annual Report*

15. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
16. I did not raise any material findings on the usefulness and reliability of the reported performance information for the selected objective.

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

Introduction and scope

17. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the entity's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
18. The material findings on compliance with specific matters in key legislation are as follows:

EXPENDITURE MANAGEMENT

19. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R8 097 000 disclosed in note 38 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The irregular expenditure of R370 000 incurred in the current financial year was as a result of the contravention of SCM prescripts. Further irregular expenditure incurred in previous years amounting to R7 727 000, was also identified in the current year.

ASSETS UNDER MANAGEMENT

20. Some of the investment activities performed did not in all instances comply with investment policies and guidelines, as required by section 10(1) and (2) of the Public Investment Corporation Act 23 of 2004 (PIC Act). The following are instances of non-compliance identified:

    - In some instances, an enhanced due diligence was not performed on politically exposed persons (PEPs) as required by established policy.

ANNUAL FINANCIAL STATEMENTS, PERFORMANCE AND ANNUAL REPORT

21. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework, as required by section 55(1)(b) of the PFMA.
22. Material misstatements of disclosure items (commitments and financial instruments) identified by the auditors in the submitted financial statement were corrected, resulting in the financial statements receiving an unqualified audit opinion.

OTHER INFORMATION

23. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the directors' report, audit committee's report and company secretary's certificate, as required by the Companies Act. The other information does not include the financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported in this auditor's report.
24. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.
25. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
26. I have nothing to report in this regard.

INTERNAL CONTROL DEFICIENCIES

27. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation included in this report.
28. In some instances, management did not implement effective financial systems of internal controls to ensure accurate disclosure notes to the financial statements. The preparation and review of the disclosure notes were not adequately reviewed.
29. In some instances, I noted that management did not implement adequate measures to ensure compliance with applicable legislations. The delegated officials did not implement an adequate system of internal control to prevent the entity from incurring irregular expenditure as required by section 51(1)(b)(ii) of the PFMA.
30. Management did not ensure that an enhanced due diligence is performed on the identified PEPs as required by applicable PEP policy. This is due to misalignment between the PEP policy and FICA Risk Management and Compliance Programme (guideline). The PEP policy requires EDD to be performed for all PEPs identified, whereas the guideline requires EDD to be performed when PEPs are identified as high risk.

OTHER REPORTS

31. I draw attention to the following engagements conducted by various parties which had, or could have, an impact on the matters reported in the entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

Audit-related services

32. At the request of the PIC, a limited assurance engagement was conducted by the Auditor-General of South Africa (AGSA) on a review of the Financial Advisory and Intermediary Services Act. The report covered the period 1 April 2020 to 31 March 2021 and was issued on 30 August 2021.

33. An engagement was conducted in terms of ISAE 3402 and the asset under management by private auditing firm. The private auditing firm reported on the description of controls, their design and operating effectiveness for the period 1 April 2020 to 31 March 2021. The report was tabled on 27 August 2021.

Auditor General

Pretoria
30 August 2021

AUDITOR-GENERAL
SOUTH AFRICA

ANNEXURE / AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

1. As part of an audit in accordance with the ISAs, I exercise professional judgment and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected objectives and on the entity's compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors, which constitutes the accounting authority
- conclude on the appropriateness of the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the Public Investment Corporation SOC Ltd to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause an entity to cease operating as a going concern
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication with those charged with governance

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

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STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2021

Figures in Rand thousand	Note(s)	2021	2020	2019
ASSETS				
Non-current Assets				
Property, plant and equipment	3	52,023	62,598	76,377
Right-of-use assets	4	203,363	238,977	-
Intangible assets	5	41,115	25,181	11,915
Investments in associates	6	272,679	251,205	158,916
Deferred tax	10	101,905	196,536	136,317
		671,085	**774,497**	**383,525**
Current Assets				
Trade and other receivables	12	135,209	100,087	153,302
Financial instruments at amortised cost	13	356,899	455,846	522,133
Financial assets at fair value through profit or loss	7	2,072,351	1,648,725	1,786,163
Current tax receivable	11	67,537	47,074	24,799
Cash and cash equivalents	14	608,541	462,631	318,061
		3,240,537	**2,714,363**	**2,804,458**
TOTAL ASSETS		**3,911,622**	**3,488,860**	**3,187,983**
EQUITY AND LIABILITIES				
Equity				
Share capital	15	1	1	1
Reserves	16 and 17	964,787	957,012	947,163
Retained income		2,406,476	1,878,323	1,798,963
		3,371,264	**2,835,336**	**2,746,127**
LIABILITIES				
Non-current Liabilities				
Lease liabilities	4	238,719	268,896	-
Operating lease liability	9	-	-	28,289
Provisions	18	41,665	101,642	121,256
		280,384	**370,538**	**149,545**
Current Liabilities				
Trade and other payables	19	32,520	48,582	42,087
Lease liabilities	4	30,177	24,640	-
Operating lease liability	9	-	-	95
Provisions	18	98,277	110,764	250,129
Dividend payable	29	99,000	99,000	-
		259,974	**282,986**	**292,311**
TOTAL LIABILITIES		**540,358**	**653,524**	**441,856**
TOTAL EQUITY AND LIABILITIES		**3,911,622**	**3,488,860**	**3,187,983**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2021

Figures in Rand thousand	Note(s)	2021	2020	2019
Revenue	20	1,119,768	1,130,757	1,205,714
Other operating income	21	9,350	8,032	11,583
Unrealised gain or (loss) on financial asset at fair value through profit/loss	22	274,305	(349,972)	(121,040)
Impairment (losses) or gains on financial assets at amortised cost		(460)	117	236
Other operating expenses	22	(851,153)	(742,642)	(919,576)
Operating profit	23	**551,810**	**46,292**	**176,917**
Investment income	23	176,867	200,255	198,052
Finance costs	24	(19,796)	(21,403)	(3)
Income from equity accounted investments	6	13,699	22,440	15,259
Profit before taxation		**722,580**	**247,584**	**390,225**
Taxation	25	(194,427)	(58,593)	(99,468)
Profit for the year		**528,153**	**188,991**	**290,757**
OTHER COMPREHENSIVE INCOME:				
Items that may be reclassified to profit or loss:				
Share of comprehensive income of equity accounted investments		7,775	9,849	11,571
Other comprehensive income for the year net of taxation		**7,775**	**9,849**	**11,571**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**535,928**	**198,840**	**302,328**

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2021

Figures in Rand thousand	Share Capital	Foreign Currency Translation Reserve	Non-distributable Reserves	Total Reserves	Retained Income	Total Equity
Opening balance as previously reported	1	11,571	935,592	947,163	1,842,145	2,789,309
Adjustments						
Prio-period error	-	-	-	-	(43,174)	(43,174)
Change in accounting policy	-	-	-	-	(10,639)	(10,639)
BALANCE AT 01 APRIL 2019 AS RESTATED	**1**	**11,571**	**935,592**	**947,163**	**1,788,332**	**2,735,496**
Profit for the year	-	-	-	-	188,991	188,991
Other comprehensive income	-	9,849	-	9,849	-	9,849
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**-**	**9,849**	**-**	**9,849**	**188,991**	**198,840**
Dividends	-	-	-	-	(99,000)	(99,000)
TOTAL CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS OF COMPANY RECOGNISED DIRECTLY IN EQUITY	**-**	**-**	**-**	**-**	**(99,000)**	**(99,000)**
Opening balance as previously reported	1	21,420	935,592	957,012	1,878,323	2,835,336
BALANCE AT 01 APRIL 2020 AS RESTATED	**1**	**21,420**	**935,592**	**957,012**	**1,878,323**	**2,835,336**
Profit for the year		-	-	-	528,153	528,153
Other comprehensive income	-	7,775	-	7,775	-	7,775
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**-**	**7,775**	**-**	**7,775**	**528,153**	**535,928**
BALANCE AT 31 MARCH 2021	**1**	**29,195**	**935,592**	**964,787**	**2,406,476**	**3,371,264**
Note(s)	15	16	17			

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2021

Figures in Rand thousand	Note(s)	2021	2020	2019
Cash flows from operating activities				
Cash generated from operations	26	202,214	354,792	281,447
Interest income		151,628	149,565	135,994
Dividends paid		-	-	(80,000)
Finance costs		(19,795)	(21,407)	(3)
Tax paid	27	(119,715)	(137,629)	(154,062)
Net cash from operating activities		**214,332**	**345,321**	**183,376**
Cash flows from investing activities				
Purchase of property, plant and equipment	3	(1,094)	(6,772)	(3,328)
Sale of property, plant and equipment	3	360	69	100
Purchase of intangible assets	5	(17,447)	(13,327)	(9,038)
Financial assets at amortised cost additions		(536,405)	(853,629)	(809,777)
Financial assets at amortised cost disposals		621,680	909,248	868,628
Purchase of financial assets		(235,408)	(209,757)	(373,381)
Sale of financial assets		105,779	29,384	160,552
Investment in associates		-	(60,000)	(30,000)
Dividend received from associates		-	-	2,760
Dividend received from listed investments		18,753	29,348	28,346
Net cash from investing activities		**(43,782)**	**(175,436)**	**(165,139)**
Cash flows from financing activities				
Payment on lease liabilities		(24,640)	(25,315)	-
Net cash from financing activities		**(24,640)**	**(25,315)**	**-**
TOTAL CASH MOVEMENT FOR THE YEAR		**145,910**	**144,570**	**18,237**
Cash at the beginning of the year		462,631	318,061	299,824
TOTAL CASH AT END OF THE YEAR	14	**608,541**	**462,631**	**318,061**

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ACCOUNTING POLICIES

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ACCOUNTING POLICIES

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

The principal accounting policies applied in the preparation of these financial statements are set out below.

1.1 Basis of preparation

The Public Investment Corporation SOC Limited's (the Company)/(the PIC) Annual Financial Statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC), and comply with the South African Institute of Chartered Accountants' (SAICA) Financial Reporting Guidelines issued by the Accounting Practices Committee (APC), financial pronouncements issued by the Financial Reporting Standards Council, the PFMA and the requirements of the Companies Act.

The Company's Annual Financial Statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair value. The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses.

Information about significant areas of estimates, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the Annual Financial Statements, have been disclosed.

1.2 Investments in associates

The Annual Financial Statements include the Company's share of the income and expenses and equity movements of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Company's share of losses exceeds its interest in an associate, the Company's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of an associate.

1.3 Significant judgments and sources of estimation uncertainty

The Company makes judgments, estimates and assumptions concerning the future when preparing the Annual Financial Statements. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The judgments, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

TRADE AND OTHER RECEIVABLES

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using effective interest method, less loss allowance (if any). See note 12 for further information on the PIC's accounting for trade receivables and impairment policies.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial instruments traded in active markets is based on quoted market prices at the financial year-end. The quoted market price used for financial assets held by the Company is the current bid price.

The fair value of financial instruments that are not traded in an active market (unlisted securities) is determined by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity specific inputs. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each financial year-end.

REVENUE RECOGNITION

In making its judgment, management considered the detailed criteria for the recognition of revenue set out in IFRS 15 and, in particular, whether the Company had transferred control of the services to the customer. Management is satisfied that control has been transferred and that the recognition of revenue in the current year is appropriate.

Revenue earned from the management of the underlying investment portfolio on behalf of clients by the PIC is recognised over time.

DEFERRED TAX ASSETS

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deferred tax assets can be utilised. When recognising deferred tax assets, the Company exercises judgment in determining whether sufficient taxable profits will be available. This is done by assessing the future financial performance of the underlying assets to which the deferred tax relates. The Company's deferred tax assets for the current year amounted to R102 million (2020: R197 million). Refer to note 10.

TAXATION

The Company is subject to income tax in South Africa. As a result, significant judgment is required in determining the Company's provision for income taxes. The Company recognises tax liabilities for anticipated tax issues based on estimates of whether additional taxes will be payable. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact on the current and deferred tax in the period in which such determination is made.

ESTIMATES OF USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment useful lives and residual values are reviewed on an annual basis with the effects of any changes in estimates accounted for on a prospective basis. In determining residual values, the Company uses historical sales or acquisitions and management's best estimate based on market prices of similar items. Useful lives of property, plant and equipment are based on management estimates and take into account historical experience with similar assets, the expected usage of the asset and physical wear and tear.

INTANGIBLE ASSETS, SOFTWARE AND OTHER INTANGIBLE ASSETS

The Company's intangible assets with finite useful lives make the judgments surrounding the estimated useful lives and residual values critical to the Company's financial position and performance. Useful lives are reviewed on an annual basis with the effects of any changes in estimate accounted for on a prospective basis. The useful life is determined with reference to the licence term of the computer software. For unique software products controlled by the Company, the useful life is based on historical experience with similar assets as well as anticipation of future events such as technological changes, that may impact the useful life.

Useful lives of other intangible assets are based on management's estimates and take into account historical experience as well as future events that may impact the useful lives.

LONG-TERM EMPLOYEE BENEFITS

Long-term employee benefits obligations are measured on a discounted basis when the effect of the time value of money is material, and are expensed when the service that gives rise to the obligation is rendered. Where the effect is not material, the obligation is measured on an undiscounted basis. The changes in the carrying value shall be recognised in profit or loss.

IMPAIRMENT OF FINANCIAL ASSETS

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, refer to the individual notes addressing financial assets.

The Company recognises 12-months expected credit loss (ECL) for stage 1 financial instruments. If the credit risk of the financial instrument deteriorates such that it poses a significant increase in credit risk since initial recognition, the Company recognises lifetime ECL and migrates the financial instrument to stage 2.

1.3 *Significant judgments and sources of estimation uncertainty (continued)*

When the instrument defaults, it moves to stage 3 as a credit-impaired financial instrument and lifetime ECL recognised.

The Company's investment mandates state that in order to diversify and to minimise excessive credit exposure to a single counterparty, the Company will invest only in institutions that have a credit rating of at least A or A3 from one of the recognised domestic and/or international credit rating agencies. If the issuer credit rating falls below the credit rating of A or A3, the Company will sell the instrument if there is a market.

At each reporting date the Company assesses whether there has been a significant increase in credit risk exposure since initial recognition by comparing the probability of default (PD), over the remaining expected life, at the reporting date with that on the date of initial recognition. There was a significant increase as at 31 March 2021 due to a change in probability of default since initial recognition to some financial instruments measured at amortised cost. Refer to note 13 for impairment.

1.4 Property, plant and equipment

Property, plant and equipment are defined as tangible items that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised only when:

- It is probable that future economic benefits associated with the item will flow to the Company; and
- The cost of the item can be measured reliably.

Items of property, plant and equipment are initially recognised at cost if it is probable that future economic benefits associated with the items will flow to the Company and they have a cost that can be measured reliably.

Property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Property, plant and equipment are depreciated on a straight-line basis at rates calculated to reduce the cost price of these assets to estimated residual values over their expected useful lives. Subsequent costs are included in the assets' carrying amount only when it is probable that future economic benefits associated with the line item will flow to the Company and the cost of the item can be reliably measured.

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

	AVERAGE
Furniture and fixtures	5 – 10 years
Motor vehicles	5 – 8 years
Office equipment	5 – 8 years
IT equipment	3 – 5 years
Leasehold improvements	2 – 10 years or lease term

The assets' residual value and useful lives are reviewed, and adjusted, if appropriate, at each reporting date. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recovered.

The carrying values of property, plant and equipment are written down to their estimated recoverable amounts, where the estimated recoverable amount is lower than the carrying value. The recoverable amount for property, plant and equipment is determined as the higher of the asset's fair value less costs to sell and the value in use.

All gains or losses arising on the disposal or scrapping of property, plant and equipment are recognised in profit or loss in the period of disposal or scrapping. Repairs and maintenance are charged to profit and loss when the expenditure is incurred.

1.5 Intangible assets

Intangible assets are defined as identifiable, non-monetary assets without physical substance. No intangible asset is recognised when arising from research. Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred. An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- It is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Subsequent expenditure relating to intangible assets is capitalised when it is probable that future economic benefits from the use of the assets will be increased and will be realised. All other subsequent expenditure is recognised as an expense in the year in which it is incurred.

Surpluses and deficits on the disposals of intangible assets are recognised in profit or loss. The surplus or deficit is the difference between the disposal proceeds and the carrying value of the asset at the date of sale.

The amortisation period and the amortisation method for intangible assets are reviewed every financial year. Amortisation is charged to profit or loss on a straight-line basis and is calculated to reduce the original costs to the expected residual values over the estimated useful lives. Useful lives and residual values are assessed on an annual basis.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

ITEM	DEPRECIATION METHOD	AVERAGE USEFUL LIFE
Computer software	Straight line	3 – 5 years
Other intangible assets	Straight line	Indefinite

1.6 Investments in associates

An associate is an entity over which the Company has the ability to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the entity. This is generally demonstrated by the Company holding in excess of 20%, but no more than 50%, of the voting rights. The existence of significant influence by the Company is usually evidenced in one or more of the following:

- representation on the board of directors or equivalent governing body of the investee.
- participation in the policymaking process, including participation in decisions about dividends or other distributions.
- material transactions between the entity and the investee;
- interchange of managerial personnel; or
- provision of essential technical information.

On initial recognition, the investment in associates is recognised at cost and the carrying amount is equity accounted. The Company's share of post-acquisition profit or loss and post-acquisition movements in other comprehensive income are recognised in the statement of profit or loss and other comprehensive income, respectively. The Company applies the equity method of accounting from the date significant influence commences until the date significant influence ceases (or the associate is classified as held for sale), i.e. when the Company's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil, inclusive of any long-term debt outstanding. The recognition of further losses is discontinued, except to the extent that the Company has incurred legal or constructive obligations, or guaranteed obligations, in respect of the associate.

1.6 Investments in associates (continued)

If the associates report profits, the Company resumes recognised its share of those profits only after its share of the profit equals the share of losses not recognised.

When the Company transacts with an associate, unrealised profits and losses are eliminated to the extent that there is no evidence of impairment. When the Company transacts with an associate, any instrument that contains potential voting rights is accounted for in accordance with IFRS 9.

In applying the equity method, the Company should use the financial statements of the associate as of the same date as the financial statements of the Company unless it is impracticable to do so. If it is impracticable, the most recent available financial statements of the associate or joint venture should be used, with adjustments made for the effects of any significant transactions or events occurring between the end of the two accounting periods. However, the difference between the reporting date of the associate and that of the investor cannot be longer than three months.

At each reporting date, the Company determines whether there is objective evidence that the investment in associates are impaired. Objective evidence of impairment for an associate investment includes information about significant changes resulting in adverse effects that have taken place in the technological, market, economic or legal environment in which the associate operates, and indicates that the cost of the associate investment may not be recoverable. A significant or prolonged decline in the fair value of an associate investment below its cost is also considered objective evidence of impairment. The carrying amount of such investments is then reduced to recognise any impairment by applying the impairment methodology.

The accounting is discontinued from the date that the Company ceases to have significant influence over the associate or joint control over the joint venture. The Company measures at fair value any investment it has retained in the entity when significant influence is lost and recognises the resulting gain or loss in profit or loss. The gain or loss is measured as the difference between the fair value of this retained investment and the carrying amount of the original investment at the date significant influence or joint control is lost.

1.7 Financial instruments

RECOGNITION AND INITIAL MEASUREMENT

The Company initially recognises financial assets on the trade date, which is the date on which the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. The fair value of a financial instrument at initial recognition is generally its transaction price

CLASSIFICATION

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost, fair value through other comprehensive income (FVOCI) or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI).

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in other comprehensive income.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at

FVOCI or at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment:

The Company assesses the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- objectives for the portfolio and the operation of those policies in practice.
- how the performance of the portfolio is evaluated and reported.
- the risks that affect the performance of the business model and its strategy for how those risks are managed.
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment of whether contractual cash flows are SPPI:

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money.

In assessing whether the contractual cash flows are SPPI, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Company considers:

- contingent events that would change the amount and timing of cash flows;
- prepayment and extension terms; and
- features that modify consideration of the time value of money.

Equity instruments have contractual cash flows that do not meet the SPPI criterion. Accordingly, all such financial assets are measured at FVTPL unless the FVOCI option is selected.

RECLASSIFICATION

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

DERECOGNITION:

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

The Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

1.7 Financial instruments (continued)

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

Impairment

The Company recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments; and
- trade receivables.

No impairment loss is recognised on equity investments.

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt instruments that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Company considers a debt instrument to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Company does not apply the low credit risk exemption to any other financial instruments.

Twelve-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within 12 months after the reporting date. Financial instruments for which 12-month ECL is recognised are referred to as stage 1 financial instruments. Financial instruments allocated to stage 1 have not undergone a significant increase in credit risk since initial recognition and are not credit impaired.

Lifetime ECL is the ECL that result from all possible default events over the expected life of the financial instrument or the maximum contractual period of exposure. Financial instruments for which lifetime ECL is recognised but that are not credit impaired are referred to as 'stage 2' financial instruments. Financial instruments allocated to stage 2 are those that have experienced a significant increase in credit risk since initial recognition but are not credit impaired.

Financial instruments for which lifetime ECL is recognised and that are credit impaired are referred to as 'stage 3' financial instruments.

Measurement of ECL

ECL is a probability weighted estimate of credit losses. It is measured as follows:

- financial assets that are not credit impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive); and
- financial assets that are credit impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows.

When discounting future cash flows, the following discount rates are used:

the original effective interest rate or an approximation thereof;

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit impaired (referred to as 'stage 3 financial assets'). A financial asset is 'credit impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event; and
- the disappearance of an active market because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position:

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets.

Write-off

Debt instruments are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Company determines that the borrower or issuer does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are recognised when cash is received and are included in 'impairment losses on financial instruments' in the statement of profit or loss and other comprehensive income.

Trade and other payables

CLASSIFICATION

Trade and other payables (note 19), excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

RECOGNITION AND MEASUREMENT

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

Trade and other payable are subsequently measured at amortised cost using the effective interest method.

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

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance costs (note 24).

Trade and other payables expose the Company to liquidity risk and possibly to interest rate risk. Refer to note 34 for details of risk exposure and management thereof.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand, demand deposits, bank balances and other short-term, highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Carrying values of cash and cash equivalents are considered a reasonable approximation of their fair values. Term deposits are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition. Term deposits measured at amortised cost are presented as cash equivalents if they have a maturity of three months or less from financial position date. Term deposits measured at amortised cost with three months or less to maturity as at the financial position date are held for the purpose of meeting short-term cash commitments rather than for investment or other purpose and are presented as cash equivalents.

1.8 Tax

CURRENT TAX ASSETS AND LIABILITIES

Current taxation is the expected tax payable on the taxable income for the year, using taxation rates enacted or substantively enacted at the reporting date, and any adjustment to taxation payable in respect of previous years (prior-period tax paid).

DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective taxation bases. The amount of deferred taxation provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, and is measured at the taxation rates (enacted or substantively enacted at the reporting date) that are expected to be applied to the temporary differences when they reverse.

1.8 Tax (continued)

Deferred tax is recognised in profit or loss for the period, except to the extent that it relates to a transaction that is recognised directly in equity or in other comprehensive income, or a business combination that is accounted for as an acquisition. The effect on deferred tax of any changes in taxation rates is recognised in profit or loss for the period, except to the extent that it relates to items previously charged or credited directly to equity.

Deferred tax liabilities are recognised for all taxable temporary differences, and deferred taxation assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related taxation benefits will be realised.

Deferred tax is not recognised for the following temporary differences:

- The initial recognition of goodwill;
- The initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; and
- Differences relating to investments in subsidiaries, associates and jointly controlled entities to the extent that the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related taxation benefits will be realised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different taxation entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

TAX EXPENSES

Current and deferred taxes are recognised as income or an expense and are included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

1.9 Right-of-use and operating lease

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

POLICY APPLIED FROM 1 APRIL 2019

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16. This is applied on contracts entered into (or changed) on or after 1 April 2019.

COMPANY ACTING AS A LESSEE

At commencement or on modification of a contract that contains a lease component, the Company allocates consideration in the contract to each lease component on the basis of its relative standalone price. However, for lease of head office premises and disaster recovery site the Company has elected not to separate non-lease components and accounts for the lease and non-lease components as a single-lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to office premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in substance fixed payments;
- variable lease payments that depend on a rate.

The lease liability is measured at amortised cost using the effective interest method.

The Company presents right-of-use assets separate from 'property and equipment' and lease liabilities in 'other liabilities' in the statement of financial position.

SHORT-TERM LEASES AND LEASES OF LOW-VALUE ASSETS

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

COMPANY ACTING AS A LESSOR

At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative standalone selling prices.

When the Company acts as a lessor, it determines at lease inception whether the lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset. The Company applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease.

POLICY APPLICABLE BEFORE 1 APRIL 2019

For contracts entered into before 1 April 2019, the Company determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset.

i. As a lessee

The Company did not have any finance leases under IAS 17.

Assets held under other leases were classified as operating leases and were not recognised in the Company's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

ii. As a lessor

When the Company acted as a lessor, it determined at lease inception whether each lease was a finance lease or an operating lease.

To classify each lease, the Company made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case, then the lease was a finance lease; if not, then it was an operating lease.

1.9 Right-of-use and operating lease (continued)

As part of this assessment, the Company considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

Company as lessee

RIGHT-OF-USE ASSETS

After the commencement date the right-of-use assets are measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any re measurement of the lease liability.

Depreciation is calculated using the straight-line method over the estimated useful lives, as follows:

ITEM	DEPRECIATION METHOD	AVERAGE USEFUL LIFE
Buildings	Straight line	Lease term
IT equipment	Straight line	Lease term

1.10 Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or cash-generating units (CGUs).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

The Company's corporate assets do not generate separate cash inflows and are used by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGUs to which the corporate assets are allocated.

Impairment losses are recognised in profit or loss.

For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.11 Share capital and equity

Ordinary shares are classified as equity. Share capital issued by the Company is recorded as the value of the proceeds received less the external costs directly attributable to the issue of the shares.

Dividends to equity holders are recognised as a liability in the period in which they are declared and are accounted for in the statement of changes in equity.

Ordinary shares are recognised at par value and classified as 'share capital' in equity. Any amounts received from the issue of shares in excess of par value is classified as 'share premium' in equity. Dividends are recognised as a liability in the year in which they are declared.

1.12 Non-distributable reserves and other reserves

FOREIGN CURRENCY RESERVE

The Company recognises foreign currency transactions initially at the rate of exchange at the date of the transaction. At each subsequent financial position date:

- Foreign currency monetary balances are reported using the closing rate;
- Non-monetary items carried at historical cost are reported using the exchange rate at the date of the transaction; and
- Non-monetary items carried at fair value are reported at the rate that existed when the fair values were determined.

Foreign exchange differences arising on translation are recognised in profit and loss.

NON-DISTRIBUTABLE RESERVES

The Company will make a transfer of profits to the non-distributable reserve (NDR) on an annual basis.

The directors may use the NDR funds to fund future capital expenditure of the Company, therefore ensuring the financial sustainability of the Company.

1.13 Operating expenses

Operating expenses reflect costs incurred during the reporting period and relate to operating activities of an entity. Expenses are recognised on the basis of the accrual and comparability principles in the reporting period during which the related income is earned, regardless of the time of spending the cash. Only that portion of costs of the previous reporting periods that is related to the income earned during the reporting period, is recognised as expenses.

Costs that are not related to income earned during the reporting period, but are expected to generate future economic benefits, are recorded in accounting and presented in the financial statements as assets. The portion of assets that are intended for earning income in future periods shall be recognised as expenses when the associated income is earned. When the use of certain assets will generate income over several future reporting periods and due to that, the association between income and expenses can be determined only approximately, expenses are recognised using indirect recognition methods, for example depreciation and amortisation of non-current assets.

1.14 Employee benefits

SHORT-TERM EMPLOYEE BENEFITS

Short-term benefits consist of salaries, accumulated leave payments, bonus and any non-monetary benefits such as medical aid contributions.

Short-term employee benefits obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under the short-term benefits if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

LONG-TERM INCENTIVES

On an annual basis, the long-term incentive provision will be remeasured taking into account the probability of payout at the end of the vesting period. The best estimate of the amount that will be paid will be determined by using the historical analysis of the payout made and also taking into consideration any special events that could have resulted in a significant event that could impact on the carrying amount. The changes in the carrying value shall be recognised in profit or loss.

TERMINATION BENEFITS

Termination benefits are recognised as an expense when the Company is committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Company has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptance can be estimated reliably.

DEFINED CONTRIBUTION PLANS

Under defined contribution plans:

(a) The Company's legal or constructive obligation is limited to the amount that it agrees to contribute to the fund. Thus, the amount of the post-employment benefits received by the employee is determined by the amount of contributions paid by both the employer and employee to a post-employment benefit plan, together with investment returns arising from the contributions; and

(b) In consequence, actuarial risk (that benefits will be less than expected) and investment risk (that assets invested will be insufficient to meet expected benefits) fall on the employee.

Defined benefit plans

Under defined benefit plans:

(a) The Company's legal or constructive obligation is not limited to the amount that it agrees to contribute to the fund; and

(b) In consequence, actuarial risk (that benefits will be less than expected) and investment risk (that assets invested will be insufficient to meet expected benefits) fall on the Company.

1.15 Provisions and contingencies

Provisions represent liabilities of uncertain timing or amount.

Provisions are recognised when:

- the Company has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation. The amount recognised as a provision is the reasonable estimate of the expenditure required to settle the obligation at the reporting date. Where the effect of discounting is material, the provision is discounted. The discount rate reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Gains from the expected disposal of assets are not taken into account in measuring provisions. Provisions are reviewed at each reporting date and adjusted to reflect the current reasonable estimate. If it is no longer probable that an outflow of resources will be required to settle the obligation, the provision is reversed.

ONEROUS CONTRACTS

The present obligations arising under any onerous contracts are recognised and measured as a provision. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits that are expected to be received by the Company under such contract.

REIMBURSEMENTS

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

1.16 Revenue from contracts with customers

Revenue is asset management fees, which comprise fees earned on equities, properties, fixed income and Isibaya asset classes.

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 establishes a comprehensive framework for determining whether, how much and when the revenue should be recognised.

Revenue comprises asset management fees activities, which consist of management fees and property development fees. In terms of IFRS 15, the Company is required to recognise revenue when or as the entity satisfies a performance obligation by transferring a promised service to a customer. The Company, therefore, assessed the impact of IFRS 15 based on the IFRS 15 five-step process as per below:

- The mandate is the contract signed between the customer and the Company and is the legally enforceable contract identifying the rights of each party.
- The performance obligation in the mandate is the promise by the Company to manage the clients' funds to generate an alpha.
  - Revenue is earned in the form of management fees, as management services are rendered i.e. ongoing management of the investment portfolio, as agreed in terms of the mandates with customers. IFRS 15.119(a).
  - Management fees are calculated based on market value of assets under management and billed in arrears or advance depending on the mandate with payment terms of 30 days. Any uncertainty related to the variable consideration will be resolved as of the end of each reporting period. No estimation is required for variable consideration when allocating the transaction price to the performance obligation. IFRS 15.119(b).

- Revenue earned from management fees is recognised over time based on the annual management fees percentage per contracts with customers and on direct measurement of the value to the customer of the services transferred i.e. output method.

- The mandate specifies the transaction price as the expected management fees and performance fee (if any) to be charged.
- The total management fees should be allocated to the single performance obligation, that of managing the portfolio of investments on behalf of customers. Due to the nature of the revenue earned (management fees and/or performance fees), no estimation is required for variable consideration when allocating the transaction price to the performance obligation.
- The Company recognises the revenue only when it has satisfied the promised obligation of providing the asset management service and the obligation has been monetised. Revenue of management fees is recognised over time.

The Company's revenue is measured based on the consideration received in the contract with the customer excluding value added taxation (VAT).

1.17 Investment income

Interest is recognised as part of investment income using the effective interest rate method.

Dividends are recognised as part of investment income when the company's right to receive payment has been established.

1.18 Commitments

A commitment is a state or quality of being dedicated to a cause or activity. The PIC commitments disclosure comprises four classes of commitments i.e. leases, future capital expenditures that are authorised by the Company's Board of Directors both contracted and uncontracted, future operating expenses that are authorised by the Company's Board of Directors (contracted expenses) and future investments that are authorised by the Company's Board of Directors.

1.19 Comparatives

The Company discloses comparative information for the previous period for all amounts reported in the financial statements, both on the face of the financial statements and in the notes, unless another standard requires otherwise.

1.20 Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Income and expense items are offset only to the extent that their related instruments have been offset in the statement of financial position.

The Company does not offset any assets and liabilities, and income and expenses, unless it is required or permitted by an IFRS.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

2. NEW STANDARDS AND INTERPRETATIONS

The principal accounting policies applied in the preparation of these financial statements are set out below.

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the Company adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

STANDARD/INTERPRETATION:	EFFECTIVE DATE: YEARS BEGINNING ON OR AFTER	EXPECTED IMPACT
• Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7	01 January 2020	The impact of the amendment is not material
• Definition of a Business: Amendments to IFRS 3	01 January 2020	The impact of the amendment is not material
• Presentation of Financial Statements: Disclosure initiative	01 January 2020	The impact of the amendment is not material
• Accounting Policies, Changes in Accounting Estimates and Errors: Disclosure initiative	01 January 2020	The impact of the amendment is not material

2.2 Standards and interpretations not yet effective

The Company has chosen not to early-adopt the following standards and interpretations, which have been published and are mandatory for the Company's accounting periods beginning on or after 01 April 2021 or later periods:

STANDARD/INTERPRETATION:	EFFECTIVE DATE: YEARS BEGINNING ON OR AFTER	EXPECTED IMPACT
• Classification of Liabilities as Current or Non-current: Amendment to IAS 1	01 January 2023	Unlikely there will be a material impact
• IFRS 17 Insurance Contracts	01 January 2023	Unlikely there will be a material impact
• Reference to the Conceptual Framework: Amendments to IFRS 3	01 January 2022	Unlikely there will be a material impact
• Property, Plant and Equipment: Proceeds before Intended Use: Amendments to IAS 16	01 January 2022	Unlikely there will be a material impact
• Onerous Contracts: Cost of Fulfilling a Contract: Amendments to IAS 37	01 January 2022	Unlikely there will be a material impact

3. PROPERTY, PLANT AND EQUIPMENT

Figures in Rand thousand	2021			2020		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Furniture and fixtures	17,234	(10,593)	6,641	20,885	(13,061)	7,824
Motor vehicles	409	(34)	375	885	(885)	-
Office equipment	18,026	(11,237)	6,789	18,006	(9,728)	8,278
IT equipment	19,513	(14,562)	4,951	26,264	(18,033)	8,231
Leasehold improvements	53,984	(20,717)	33,267	54,067	(15,802)	38,265
TOTAL	**109,166**	**(57,143)**	**52,023**	**120,107**	**(57,509)**	**62,598**

Figures in Rand thousand	2019		
	Cost or revaluation	Accumulated depreciation	Carrying value
Furniture and fixtures	20,411	(9,458)	10,953
Motor vehicles	885	(885)	-
Office equipment	17,990	(6,297)	11,693
IT equipment	28,749	(19,162)	9,587
Leasehold improvements	54,067	(9,923)	44,144
TOTAL	**122,102**	**(45,725)**	**76,377**

Changes in useful lives

The company reassesses the useful lives of items at the end of each reporting period, in line with the accounting policy and IAS 16 Property, plant and equipment. These assessments are based on historic analysis, benchmarking, and the latest available and reliable information.

Effect on change in estimate in the current year and in future periods provided below:

FURNITURE	
Furniture depreciation based on old rate	3,438
Furniture depreciation based on new rate	(1,054)
Decrease in depreciation	2,384
OFFICE EQUIPMENT	
Office equipment depreciation based on old rate	3,577
Office equipment depreciation based on new rate	(1,566)
Decrease in depreciation	2,011
COMPUTER EQUIPMENT	
Computer equipment depreciation based on old rate	5,139
Computer equipment depreciation based on new rate	3,256
Decrease in depreciation	1,883

3. Property, plant and equipment (continued)

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT – 2021	Opening balance	Additions	Write-off	Depreciation	Total
Furniture and fixtures	7,824	-	(8)	(1,175)	6,641
Motor vehicles	-	409	-	(34)	375
Office equipment	8,278	58	(3)	(1,544)	6,789
IT equipment	8,231	-	(170)	(3,110)	4,951
Leasehold improvements	38,265	627	(1)	(5,624)	33,267
	62,598	**1,094**	**(182)**	**(11,487)**	**52,023**

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT – 2020	Opening balance	Additions	Write-off	Depreciation	Total
Furniture and fixtures	10,953	508	(18)	(3,619)	7,824
Office equipment	11,693	323	(151)	(3,587)	8,278
IT equipment	9,587	5,966	(130)	(7,192)	8,231
Leasehold improvements	44,144	-	-	(5,879)	38,265
	76,377	**6,797**	**(299)**	**(20,277)**	**62,598**

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT – 2019	Opening balance	Additions	Write-off	Depreciation	Total
Furniture and fixtures	14,973	47	-	(4,067)	10,953
Office equipment	15,253	98	(25)	(3,633)	11,693
IT equipment	15,768	1,592	(191)	(7,582)	9,587
Leasehold improvements	49,820	1,699	(200)	(7,175)	44,144
	95,814	**3,436**	**(416)**	**(22,457)**	**76,377**

4. RIGHT-OF-USE

Details pertaining to leasing arrangements where the company is lessee are presented below:

Net carrying amounts of right-of-use assets

Figures in Rand thousand	2021	2020	2019
The carrying amounts of right-of-use assets are as follows:			
Office buildings – cost	341,556	345,528	-
Office buildings – accumulated depreciation	(139,041)	(108,248)	-
Building – net carrying amount	202,515	237,279	-
IT equipment – cost	4,242	4,242	-
IT equipment – accumulated depreciation	(3,393)	(2,544)	-
IT equipment – net carrying amount	849	1,698	-
TOTAL RIGHT-OF-USE ASSETS CARRYING AMOUNT	**203,364**	**238,977**	**-**

The Company has a lease for office buildings and IT equipment, with the exception of low value underlying asset. Each lease is reflected on the balance sheet as a right-of-use asset and lease liability.

The office buildings and IT equipment leases are subject to the following terms:

1. Menlyn Maine

- Office building leased by the PIC situated on corner Aramist Avenue and Corobay Avenue, Waterkloof Glen Extension 2, Gauteng.
- Lease term is nine years and ten months.
- Remaining term at 31 March 2021 is five years and ten months.
- No option to extend, option to purchase, the lease payments are not linked to an index and no termination option.

2. Konica Minolta printers

- Printers leased by the PIC for operations.
- Lease term three years.
- Lease ended at 31 March 2020 with an extension option of two years, an option that the PIC exercised in the current year.
- No option to purchase, the lease payments are not linked to an index and no termination option.

4. Right-of-use (continued)

Depreciation recognised on right-of-use assets

Depreciation recognised on each class of right-of-use assets is presented below. It includes depreciation that has been expensed in the total depreciation charge in profit or loss (note 22), as well as depreciation that has been capitalised to the cost of other assets.

Figures in Rand thousand	2021	2020	2019
Buildings	34,765	35,868	-
IT equipment	849	849	-
	35,614	**36,717**	**-**
Other disclosures			
Interest expense on lease liabilities	19,795	21,402	-
Total cash outflow from leases	(44,435)	46,721	-
Lease liabilities			
The maturity analysis of lease liabilities is as follows:			
Within one year	48,073	44,435	-
Two to five years	232,411	215,512	-
More than five years	51,716	116,687	-
	332,200	**376,634**	-
Less finance charges component	(63,304)	(83,098)	-
	268,896	**293,536**	**-**
Non-current liabilities	238,719	268,896	-
Current liabilities	30,177	24,640	-
	268,896	**293,536**	**-**

5. INTANGIBLE ASSETS

Figures in Rand thousand	2021			2020		
	Cost/ valuation	Accumulated amortisation	Carrying value	Cost/ valuation	Accumulated amortisation	Carrying value
Computer software	47,371	(6,735)	40,636	28,525	(3,823)	24,702
Other intangible assets	479	-	479	615	(136)	479
TOTAL	**47,850**	**(6,735)**	**41,115**	**29,140**	**(3,959)**	**25,181**

Figures in Rand thousand	2019		
	Cost/ valuation	Accumulated amortisation	Carrying value
Computer software	13,711	(1,796)	11,915
Other intangible assets	136	(136)	-
TOTAL	**13,847**	**(1,932)**	**11,915**

RECONCILIATION OF INTANGIBLE ASSETS – 2021

	Opening balance	Additions	Amortisation	Total
Computer software	24,702	20,436	(4,502)	40,636
Other intangible assets	479	-	-	479
	25,181	**20,436**	**(4,502)**	**41,115**

RECONCILIATION OF INTANGIBLE ASSETS – 2020

	Opening balance	Additions	Amortisation	Total
Computer software	11,915	15,003	(2,216)	24,702
Other intangible assets	-	479	-	479
	11,915	**15,482**	**(2,216)**	**25,181**

RECONCILIATION OF INTANGIBLE ASSETS – 2019

	Opening balance	Additions	Amortisation	Total
Computer software	2,999	10,158	(1,242)	11,915

6. INVESTMENTS IN ASSOCIATES

Investments in associates are investments in which the Company has significant influence, but not control over the financial and operating policies. Investment in associates are accounted for using the equity method in terms of IAS 28. The Company has four associates, namely Harith Fund Managers (Pty) Limited, Harith General Partners (Pty) Limited, Bophelo Insurance Group (BIG) and South African SME Fund Limited (SA SME).

Associates

Harith Fund Managers (Pty) Limited's nature of business is the management of the funds of the Pan-African Infrastructure Development Fund (PAIDF). Harith Fund Managers (Pty) Limited is also responsible, on behalf of the PAIDF, for the provision of specified administrative services relating to the operations of the PAIDF. Harith Fund Managers (Pty) Limited assists the Company in carrying out its mandate as it relates to infrastructure both in South Africa and the rest of the continent.

Harith General Partners (Pty) Limited is a company established in South Africa, specialising in investments in infrastructure projects in energy, transport, rail, port and airports, information and communication technology, water and sanitation, energy and many others mainly on the African continent. Harith General Partners (Pty) Limited provides fund management and advisory services to the PAIDF.

BIG is a majority black-owned insurance group. BIG holds two subsidiaries in the life and short-term insurance sector, namely Bophelo Life Insurance Limited (Bophelo Life) and Nzalo Insurance Service Limited (NIS). Bophelo Life is a wholly owned subsidiary of BIG and is an authorised financial services provider as prescribed by the FAIS Act, and a registered life insurer in terms of the Long-term Insurance Act, No 52 of 1998. NIS is a short-term insurer licensed by the FSCA to underwrite all classes of business as defined in the Short-term Insurance Act of 1998.

The SA SME Fund was established as part of the CEO Initiative in conjunction with National Treasury and corporate South Africa. The Company's objective is to equity invest in high-potential entrepreneurial enterprises in the SME sector and to build a high-quality mentorship cohort to provide business and other forms of support to SMEs and entrepreneurs funded by the Company. The Company has a right to elect a director in SA SME Fund.

Name of company	2021	2020	2019	2021	2020	2019
	% ownership interest			Carrying amount		
Harith Fund Managers (Pty) Limited	46.00%	46.00%	46.00%	(1,166)	(1,822)	(2,364)
Harith General Partners (Pty) Limited	30.00%	30.00%	30.00%	178,423	157,280	123,412
Bophelo Insurance Group	30.00%	30.00%	30.00%	-	-	-
South African SME Fund Limited	7.31%	7.65%	7.16%	95,421	95,747	37,868
				272,678	**251,205**	**158,916**

The PIC has significant influence in SA SME due to its Board representation.

The PIC is entitled to one seat on the Board of SA SME.

The SME Fund has a maximum of 12 board members.

Material associates

The following associates are material to the Company:

	Country of incorporation	Method	2021	2020	2019
			% Ownership interest		
Harith Fund Managers (Pty) Limited	South Africa	Equity accounting	46%	46%	46%
Harith General Partners (Pty) Limited	South Africa	Equity accounting	30%	30%	30%
Bophelo Insurance Group	South Africa	Equity accounting	30%	30%	30%
South African SME Fund Limited	South Africa	Equity accounting	7.31%	7.65%	7.16%

6. *Investments in associates (continued)*

Summarised financial information of material associates

Figures in Rand thousand					2021
Summarised statement of profit or loss and other comprehensive income	Revenue	Profit/(loss)	Other comprehensive income	Total comprehensive income	Profit/(loss) attributable to the Company
Harith Fund Managers (Pty) Limited	121,649	1,427	-	1,427	656
Harith General Partners (Pty) Limited	220,861	44,560	25,918	70,478	21,143
South African SME Fund Limited	53,448	(4,453)	-	(4,453)	(326)
	395,958	**41,534**	**25,918**	**67,452**	**21,473**

Summarised statement of financial position	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Total net assets
Harith Fund Managers (Pty) Limited	1,839	7,348	-	12	9,175
Harith General Partners (Pty) Limited	192,849	443,780	2,380	100,280	533,969
South African SME Fund Limited	481,655	848,762	32,651	9,567	1,288,199
	676,343	**1,299,890**	**35,031**	**109,859**	**1,831,343**

Reconciliation of net assets to equity accounted investments in associates	Total net assets
Harith Fund Managers (Pty) Limited	9,175
Harith General Partners (Pty) Limited	533,969
South African SME Fund Limited	1,288,199
	1,831,343

Reconciliation of movement in investments in associates	Investment at beginning of financial year	Share of profit	Share of other comprehensive income	Investment at end of the financial year
Harith Fund Managers (Pty) Limited	(1,822)	656	-	(1,166)
Harith General Partners (Pty) Limited	157,280	13,368	7,775	178,423
South African SME Fund Limited	95,747	(326)	-	95,421
	251,205	**13,698**	**7,775**	**272,678**

Figures in Rand thousand **2020**

Summarised statement of profit or loss and other comprehensive income	Revenue	Profit/(loss)	Other comprehensive income	Total comprehensive income	Profit/(loss) attributable to the Company
Harith Fund Managers (Pty) Limited	121,977	1,178	-	1,178	542
Harith General Partners (Pty) Limited	220,140	80,062	32,831	112,893	24,019
South African SME Fund Limited	-	(27,726)	-	(27,726)	(2,121)
	342,117	**53,514**	**32,831**	**86,345**	**22,440**

Summarised statement of financial position	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Total net assets
Harith Fund Managers (Pty) Limited	2,394	5,375	-	20	7,749
Harith General Partners (Pty) Limited	185,989	420,367	35,274	54,962	516,120
South African SME Fund Limited	271,069	986,467	-	26,520	1,231,016
	459,452	**1,412,209**	**35,274**	**81,502**	**1,754,885**

Reconciliation of net assets to equity accounted investments in associates	Total net assets
Harith Fund Managers (Pty) Limited	7,749
Harith General Partners (Pty) Limited	516,120
South African SME Fund Limited	1,231,016
	1,754,885

Reconciliation of movement in investments in associates	Investment at beginning of financial year	Investment	Share of profit	Share of other comprehensive income	Investment at end of the financial year
Harith Fund Managers (Pty) Limited	(2,364)	-	542	-	(1,822)
Harith General Partners (Pty) Limited	123,412	-	24,019	9,849	157,280
South African SME Fund Limited	37,868	60,000	(2,121)	-	95,747
	158,916	**60,000**	**22,440**	**9,849**	**251,205**

6. *Investments in associates (continued)*

Summarised financial information of material associates (continued)

Figures in Rand thousand **2019**

Summarised statement of profit or loss and other comprehensive income	Revenue	Profit/(loss)	Other comprehensive income	Total comprehensive income	Profit/(loss) attributable to the Company	Dividend received from associate
Harith Fund Managers (Pty) Limited	111,898	1,287	-	1,287	592	(2,760)
Harith General Partners (Pty) Limited	204,933	54,518	32,448	86,966	16,355	-
South African SME Fund Limited	-	(23,583)	-	(23,583)	(1,688)	-
	316,831	**32,222**	**32,448**	**64,670**	**15,259**	**(2,760)**

Summarised statement of financial position	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Total net assets
Harith Fund Managers (Pty) Limited	2,855	3,719	-	4	6,570
Harith General Partners (Pty) Limited	154,800	342,260	39,359	54,474	403,227
South African SME Fund Limited	54,120	444,800	24	9,721	489,175
	211,775	**790,779**	**39,383**	**64,199**	**898,972**

Reconciliation of net assets to equity accounted investments in associates	Total net assets
Harith Fund Managers (Pty) Limited	6,570
Harith General Partners (Pty) Limited	403,227
South African SME Fund Limited	489,175
	898,972

Reconciliation of movement in investments in associates	Investment at beginning of financial year	Investment	Share of profit	Share of other comprehensive income	Dividends received from associates	Investment at end of the financial year
Harith Fund Managers (Pty) Limited	(196)	-	592	-	(2,760)	(2,364)
Harith General Partners (Pty) Limited	97,323	-	16,355	9,734	-	123,412
South African SME Fund Limited	9,556	30,000	(1,688)	-	-	37,868
	106,683	**30,000**	**15,259**	**9,734**	**(2,760)**	**158,916**

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Figures in Rand thousand	2021	2020	2019
Current assets			
Listed shares	657,275	390,591	538,174
Bonds	1,415,076	1,258,134	1,247,989
	2,072,351	**1,648,725**	**1,786,163**
Financial assets at fair value through profit and loss	**2,072,351**	**1,648,725**	**1,786,163**

Financial assets at fair value through profit and loss

The fair values of the financial assets were determined as follows:

- The fair values of listed or quoted investments are based on the quoted market price at reporting date.
- The fair values on investments not listed or quoted are estimated using the yield curve valuation technique using the nominal rate of interest compounded continuously. The method is consistent with the prior year.

For debt securities classified at fair value through profit or loss, the maximum exposure to credit risk at the reporting date is the carrying amount.

The maximum exposure to credit risk at the reporting date is the fair value of each class of financial instrument mentioned above and the fair value of the trade and other receivable, is disclosed in note 13. The Company has not pledged any collateral as security.

Financial instruments measured at fair value shall be classified into a hierarchy that reflects the significance of the inputs used in making the measurements. The hierarchy of all the financial instruments is level 1. Level 1 inputs are quoted prices in active markets for identical assets, which are observable for the assets, either directly or indirectly.

Credit quality of other financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Financial assets at fair value through profit/loss

Credit rating	2021	2020	2019
A+	2,805	2,694	25,113
AA-	64,640	-	-
AA+	-	64,224	68,120
AA	10,028	9,856	3,573
AAA	1,200,560	1,057,345	1,015,720
B	137,044	124,015	135,463
Other	657,274	390,591	538,174
	2,072,351	**1,648,725**	**1,786,163**

8. FINANCIAL INSTRUMENTS BY CATEGORY

All financial assets at fair value through profit or loss are designated at initial recognition. The carrying value of the financial instruments approximates the fair value. All financial liabilities are carried at amortised cost.

The accounting policies for financial instruments have been applied to the line items below:

Figures in Rand thousand	2021	2020	2019
Fair value through profit or loss			
Bonds	1,415,076	1,258,134	1,247,989
Listed shares	657,275	390,591	538,174
	2,072,351	**1,648,725**	**1,786,163**
Carried at amortised cost			
Financial assets at amortised cost	356,899	455,846	522,133
Trade receivables	135,206	100,087	153,302
Bank balances	608,387	462,631	318,061
	1,100,492	**1,018,564**	**993,496**

9. OPERATING LEASE ASSET (LIABILITY)

Non-current liabilities	-	-	(28,289)
Current liabilities	-	-	(95)
	-	**-**	**(28,384)**
Amount expensed	-	-	(59,048)
Amount paid	-	-	47,595
	-	**-**	**(11,453)**

10. DEFERRED TAX

Figures in Rand thousand	2021	2020	2019
Deferred tax			
Leave pay	6,741	5,265	4,711
Prepayments	(2,655)	(2,064)	(1,471)
Unrealised (profit)/loss	47,024	123,830	25,837
Leases	-	-	7,948
Short-term incentive provision	9,293	16,977	45,572
Long-term incentive provision	23,151	37,231	53,705
Expected credit loss	2	20	15
Right-of-use	18,349	15,277	-
TOTAL DEFERRED TAX ASSET	**101,905**	**196,536**	**136,317**

The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the statement of financial position as follows:

Deferred tax asset	101,905	196,536	136,317

Reconciliation of deferred tax asset/(liability)			
At beginning of year	196,536	136,317	87,919
Opening balance adjustment	-	4,138	9
Leave pay	1,476	553	(45)
Prepayments	(591)	(592)	(102)
Unrealised (profit)/loss	(76,806)	97,992	33,891
Leases	-	(7,948)	3,287
Short-term incentive provision	(7,684)	(28,593)	6,075
Long-term incentive provision	(14,080)	(16,474)	5,361
Operating lease allowance	-	-	(80)
Expected credit loss	(18)	4	2
Right-of-use	3,072	11,139	-
	101,905	**196,536**	**136,317**

11. CURRENT TAX PAYABLE (RECEIVABLE)

Opening balance	(47,074)	(24,799)	(29,081)
Raised during the year	99,796	114,675	148,930
Tax paid during the year	(119,714)	(137,629)	(154,062)
Tax refunded from prior year	(544)	679	9,414
	(67,536)	**(47,074)**	**(24,799)**

12. TRADE AND OTHER RECEIVABLES

Figures in Rand thousand	2021	2020	2019
Financial instruments:			
Trade receivables	109,185	82,340	132,623
ECL	-	(30)	-
Trade receivables at amortised cost	109,185	82,310	132,623
Accrued interest	330	1,082	856
Sundry debtors	1,105	2,213	7,836
Non-financial instruments:			
VAT	-	1,336	-
Prepayments	24,589	13,146	11,987
Total trade and other receivables	**135,209**	**100,087**	**153,302**
Split between non-current and current portions			
Current assets	135,209	100,087	153,302
Financial instrument and non-financial instrument components of trade and other receivables			
At amortised cost	110,617	85,605	141,315
Non-financial instruments	24,589	14,482	11,987
	135,206	**100,087**	**153,302**

Exposure to credit risk

Trade receivables inherently expose the Company to credit risk, being the risk that the Company will incur financial loss if customers fail to make payments as they fall due. To mitigate the risk of financial loss from defaults, the Company deals only with reputable customers with consistent payment histories. The exposure to credit risk and the creditworthiness of customers are continuously monitored.

There have been no significant changes in credit risk management policies and processes since the prior reporting period. The average credit period on trade receivables is 30 days (2020: 30 days). No interest is charged on outstanding trade receivables.

A loss allowance is recognised for all trade receivables, in accordance with IFRS 9 Financial Instruments, and is monitored at the end of each reporting period. In addition to the loss allowance, trade receivables are written off when there is no reasonable expectation of recovery, for example, when a debtor has been placed under liquidation. Trade receivables that have been written off are not subject to enforcement activities.

The Company measures the loss allowance for trade receivables by applying the general approach as described by IFRS 9. In accordance with this approach, the loss allowance on trade receivables is determined as 12-month expected loss allowance. The approach has been developed by considering the following:

- Past default experience of the debtors;
- Information for estimating occurrence of default events within 12 months from the reporting date;
- Information for estimating occurrence of default events within the life of the instrument and their probable outcomes;
- If any, instrument credit risk and identifying its significant increase;
- % of financial instruments with related parties;
- % of financial instruments based on mandates with related parties and method of collection;
- Type of organisation where the financial instruments are held i.e. state owned or pension fund;
- For pension fund consider whether it is fully funded or not; and
- Consider all signed mandates with clients and method of collection as a fund manager.

Trade and other receivables are categorised as stage 1.

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

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

Reconciliation of loss allowances

The following table shows the movement in the loss allowance (lifetime expected credit losses) for Musa Group:

Figures in Rand thousand	2021	2020	2019
Opening balance in accordance with IFRS 9	(30)	-	(17)
Lifetime-ECL	-	(30)	-
Lifetime-ECL reversal	30	-	17
CLOSING BALANCE	**-**	**(30)**	**-**

In 2019, the company announced that it was going through liquidation. Provision for bad debts was raised for Musa Group in 2020. There is no prospect of recovering any money owed by Musa Group and it has been written off.

Measurement of trade receivable ECL

- 99.6% of trade receivables are PIC-related parties;
- Revenue from the related parties is mandate based;
- 100% of these related parties are state owned, with significantly low risk of cash flow problems;
- The PIC has control over the collection of fees; and
- Based on historical data, there has not been an impairment on any mainstream revenue trade debtor.

Based on the above and low risk of default, management will not recognise the ECL provision.

13. FINANCIAL INSTRUMENTS AT AMORTISED COST

Figures in Rand thousand	2021	2020	2019
Fixed deposit	344,798	441,404	512,301
Promissory notes	12,101	14,442	9,832
	356,899	**455,846**	**522,133**

Exposure to credit risk

Fixed deposit and promissory notes inherently expose the Company to credit risk, being the risk that the Company will incur financial loss if counterparties fail to make payments as they fall due.

Credit loss allowances

The following tables show the movement in the loss allowance for fixed deposit and promissory notes.

The increase of the loss allowance from 2020 is due to the PIC providing a higher probability of default than last year for financial instruments amortised held at Land Bank. The movement in the gross carrying amounts of the fixed deposit and promissory note is presented to assist in the explanation of movement in the allowance:

2021

Instrument	External credit rating (where applicable)	Rating agency	Internal credit rating (where applicable)	Basis of loss allowance	Gross carrying amount	Loss allowance	Amortised cost
Fixed deposit	AA	Fitch	N/A	12-month ECL	346,186	(1,388)	344,798
Promissory notes	CCC-	N/A	Performing	Lifetime ECL	13,200	(1,099)	12,101
					359,966	**(2,487)**	**356,899**

2020

Instrument	External credit rating (where applicable)	Rating agency	Internal credit rating (where applicable)	Basis of loss allowance	Gross carrying amount	Loss allowance	Amortised cost
Fixed deposit	AA	Fitch	N/A	12-month ECL	443,127	(1,723)	441,404
Promissory notes	CCC-	N/A	Performing	12-month ECL	14,746	(304)	14,442
					457,307	**(2,027)**	**455,846**

2019

Instrument	External credit rating (where applicable)	Rating agency	Internal credit rating (where applicable)	Basis of loss allowance	Gross carrying amount	Loss allowance	Amortised cost
Fixed deposit	AA	Fitch	N/A	12-month ECL	85,967	(357)	85,610
Fixed deposit	AA+	S&P	N/A	12-month ECL	428,508	(1,776)	426,732
Promissory notes	AA+	Moody's	N/A	12-month ECL	9,832	(41)	9,791
					524,307	**(2,174)**	**522,133**

Reconciliation of loss allowances

The following tables show the movement of the loss allowances for investments in debt instruments that are measured at amortised cost. The movement in the gross carrying amounts of the investments is also presented to assist in the explanation of movements in the loss allowance. The loss allowances do not reduce the carrying amount on the statement of financial position, but are recognised in profit or loss.

Fixed deposit: Loss allowance measured at 12-month ECL:

Figures in Rand thousand	2021	2020	2019
Opening balance in accordance with IAS 39 Financial Instruments: Recognition and measurement	1,723	2,133	-
Adjustments upon application of IFRS 9	-	-	2,390
Opening balance in accordance with IFRS 9	**1,723**	**2,133**	**2,390**
New investment purchased	1,388	1,723	2,133
Reversal	(1,723)	(2,133)	(2,390)
Gross carrying amount at end of reporting period	**1,388**	**1,723**	**2,133**

The decrease in ECL allowance was due to lower interest rate and lesser acquisitions as compared to prior year.

Promissory notes: Loss allowance measured at lifetime:

Opening balance in accordance with IAS 39 Financial Instruments: Recognition and measurement	304	41	-
Adjustments upon application of IFRS 9	-	-	20
Opening balance in accordance with IFRS 9	**304**	**41**	**20**
New investment purchased	1,099	304	41
Reversal	(304)	(41)	(20)
Gross carrying amount at end of reporting period	**1,099**	**304**	**41**

The increase in probability of default (PD) and loss given default (LGD) for the promissory note is due to Land Bank default that occurred when settling the interest and capital amounts of the instruments held was due. A thorough analysis and valuation was done by the Risk department that concluded that the PD for this instrument should be 19.75%.

Amount arising from ECL

Inputs, assumptions and techniques for estimating impairment.

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and credit assessment and including forward-looking information.

13. *Financial instrument at amortised cost (continued)*

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date, with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where appropriate for changes in prepayment expectations).

The Company uses three criteria for determining whether there has been a significant increase in credit risk:

- a quantitative test based on movement in PD;
- qualitative indicators; and
- a backstop of 30 days past due.

Credit risk grades

The Company allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of counterparty.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk grade deteriorates. Each exposure is allocated to a credit risk grade on initial recognition based on available information about the counterparties. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data:

- Data from credit reference agencies, press articles, changes in external credit ratings; and
- Actual and expected significant changes in the political, regulatory and technological environment of the counterparties.

Credit risk grades are a primary input into the determination of the term structure of PD for exposures.

The Company collects performance and default information about its credit risk exposures analysed by asset class as well as by credit risk grading. For the asset class financial assets, information purchased from external credit reference agencies is used.

The Company employs a methodology to analyse the data collected and generates estimates of the remaining lifetime PD of exposures and how these are expected to change over time.

As a general indicator, the credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Company's quantitative data:

- Credit risk grades are determined to have deteriorated by more than two notches; and
- The remaining lifetime PD is determined to have increased by more than 1% of the corresponding amount estimated on initial recognition.

Credit risk may also be deemed to have increased significantly since initial recognition based on qualitative factors linked to the Company's credit risk management processes that may not otherwise be fully reflected in its quantitative analysis on a timely basis.

As a backstop, the Company considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date on which full payment has not been received.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured at 12-month ECL.

Definition of default

The Company considers a financial asset to be in default when:

- the borrower or counterparty is unlikely to pay its credit obligations to the Company in full;
- the borrower or counterparty is more than 60 days past due on any material credit obligation to the Company; and
- it is becoming probable that the borrower or counterparty will restructure the asset as a result of bankruptcy due to inability to pay its obligations.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Incorporation of forward-looking information

The Company incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

The Company has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated if there are any significant effects as a result of change in key drivers i.e. GDP growth and interest rate.

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

ECL for exposures in stage 1 are calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

Credit rating methodology is used to estimate the PD.

LGD is the magnitude of the likely loss if there is a default. The LGD was set at 45% for senior unsecured debt. EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty. The EAD of a financial asset is its gross carrying amount at the time of default.

Exposure to liquidity risk

The key measure used by the Company for managing liquidity risk is the ratio of net liquid assets to short-term funding. For this purpose, 'net liquid assets' includes cash and cash equivalents and investment grade debt securities for which there is an active and liquid market divided by commitments maturing within the next month.

MATURITY ANALYSIS FOR FINANCIAL ASSETS:

Carrying amount	R678,505
Less than three months	R351,372
Three to nine months	R221,537
Nine to 12 months	R105,596

MARKET RISK:

Assets subjected to market risk

Cash and cash equivalent	R608,541
Trade receivable	R110,617

Liabilities subjected to market risk

Trade payable	R27,676 trading

14. CASH AND CASH EQUIVALENTS

Figures in Rand thousand	2021	2020	2019
Cash and cash equivalents consist of:			
Cash on hand	5	6	6
Bank balances	215,607	170,202	78,608
Short-term deposits	392,929	292,423	239,447
	608,541	**462,631**	**318,061**

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

The credit quality of cash at bank and short-term deposits, excluding cash on hand, that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

Credit rating			
AA	608,541	462,631	137,830
AA+	-	-	180,231
	608,541	**462,631**	**318,061**

Exposure to currency risk

- Management has concluded that the financial statements present fairly the Company's financial position, financial performance, and cash flows and has complied with applicable IFRSs.
- For fair presentation in reflecting the Company's short-term cash commitments, management has diversified regarding the application of IAS 7 paragraph 7 to present financial assets at amortised cost as cash equivalent on the basis of the three-month remaining period to maturity at the financial position date rather than from its acquisition date.
- Cash and cash equivalents have increased by R145,910 million: 2021 (R144,570 million: 2020) (R18,237 million 2019) and financial assets at amortised cost have decreased by R98,947 million: 2021 (R66,281 million: 2020) (R52,826 million 2019).

15. SHARE CAPITAL

Authorised			
100 ordinary shares of R10 each	1	1	1
Issued			
100 ordinary shares of R10 each	1	1	1

16. FOREIGN CURRENCY TRANSLATION RESERVE

Translation reserve comprises exchange differences on consolidation of foreign subsidiaries from associate.

Opening balance	21,420	11,571	1,837
Foreign currency translation reserves	7,775	9,849	9,734
	29,195	**21,420**	**11,571**

17. NON-DISTRIBUTABLE RESERVES

Figures in Rand thousand	2021	2020	2019
Opening balance	935,592	935,592	678,960
Transfer to NDR	-	-	256,632
	935,592	**935,592**	**935,592**

18. PROVISIONS

RECONCILIATION OF PROVISIONS 2021

Figures in Rand thousand	Opening balance	Raised	Utilised during the year	Reversed during the year	Total
Leave pay	18,805	37,642	(26,146)	(6,227)	24,074
Long-term incentives	132,968	12,382	(62,671)	-	82,679
Short-term incentives	60,633	28,589	(56,033)	-	33,189
	212,406	**78,613**	**(144,850)**	**(6,227)**	**139,942**

RECONCILIATION OF PROVISIONS 2020

Figures in Rand thousand	Opening balance	Raised	Utilised during the year	Reversed during the year	Total
Leave pay	16,827	37,835	(32,525)	(3,332)	18,805
Long-term incentives	191,804	24,764	(56,761)	(26,839)	132,968
Short-term incentives	162,754	57,178	(48,165)	(111,134)	60,633
	371,385	**119,777**	**(137,451)**	**(141,305)**	**212,406**

RECONCILIATION OF PROVISIONS 2019

Figures in Rand thousand	Opening balance	Raised	Utilised during the year	Reversed during the year	Total
Leave pay	16,986	35,261	(32,123)	(3,297)	16,827
Long-term incentives	172,658	60,160	(41,014)	-	191,804
Short-term incentives	141,059	138,898	(117,203)	-	162,754
	330,703	**234,319**	**(190,340)**	**(3,297)**	**371,385**

Figures in Rand thousand	2021	2020	2019
Non-current liabilities	41,665	101,642	121,256
Current liabilities	98,277	110,764	250,129
	139,942	**212,406**	**371,385**

18. Provisions (continued)

Leave provision

The company accrues in full the employees' rights to annual leave entitlement in respect of past service. This is expensed over the period the services are rendered. The leave provision is recognised as a liability and expected to be settled within 12 months after the end of the period in which the employees render the related services.

Short-term employee benefits

The short-term incentives (STI) scheme of R33 million (2020: R61 million) (2019: R163 million) has been recognised as a provision.

The STI is recognised and accrued in the year the service was rendered, but paid only after the financial statements are approved by the Board. The trigger for the payment of the STI is if the Company has made at least 10% of the net income over management fees and scores a performance rating of three.

Long-term employee benefits

The long-term incentives (LTI) scheme is R83 million (2020: R133 million).

The assumption used to calculate the LTI provision is based on % of probability of payment and considering time value of money (if material). The LTI is recognised and accrued in the year the service was rendered, but paid only after the vesting period. The trigger for the allocation of the LTI is if the Company has made at least 10% of the net income over management fees and scores a performance rating of three.

The scheme is to attract, retain and reward high-performing management. The Company management is eligible to participate in the LTI scheme only if the Company achieves an overall performance rating of three and if a manager achieves a minimum individual performance rating of 3.5.

The LTI scheme vests over a period of three years and payments have a lag time of three years. Out of the LTI total of R83 million, R46 million will be paid in the 2022 financial year, R25 million will be paid in the 2023 financial year and the balance of R12 million will be paid in 2024.

19. TRADE AND OTHER PAYABLES

Figures in Rand thousand	2021	2020	2019
Financial instruments:			
Trade payables	5,431	23,322	4,165
Accrued expenses	22,245	14,722	23,357
Non-financial instruments:			
Employee-related control account	-	10,538	10,632
VAT	4,844	-	3,932
	32,520	**48,582**	**42,087**

FINANCIAL INSTRUMENT AND NON-FINANCIAL INSTRUMENT COMPONENTS OF TRADE AND OTHER PAYABLES

	2021	2020	2019
At amortised cost	27,676	38,044	27,523
Non-financial instruments	4,844	10,538	14,564
	32,520	**48,582**	**42,087**

20. REVENUE

Figures in Rand thousand	2021	2020	2019
Revenue from contracts with customers			
Rendering of services	1,119,768	1,130,757	1,205,714

Disaggregation of revenue from contracts with customers

The company disaggregates revenue from customers as follows:

Revenue by customer			
Associated Institutions Pension Fund	3,820	4,090	4,699
Compensation Commissioner Fund	14,247	6,872	11,849
Compensation Commissioner Pension Fund	31,034	25,120	32,674
Futuregrowth Asset Manager (Pty) Ltd	-	5	5
Government Employees Pension Fund	846,077	934,038	949,329
Metropolitan Asset Managers Ltd	-	-	30
National Lotteries Board	-	-	6
National Skills Fund	2,136	1,910	1,660
PIC other clients	5,096	4,801	4,556
Political Office Bearers Pension Fund	112	125	775
RDP Fund	7,759	7,299	6,386
Temporary Employees Pension Fund	438	113	198
Unemployment Insurance Fund	209,049	146,384	193,547
	1,119,768	**1,130,757**	**1,205,714**

The following table indicates the revenue recognised per underlying investment asset class:

Equities	338,755	332,409	339,241
Fixed income	179,351	183,180	174,435
Properties	160,067	151,044	137,559
Unlisted debts and equities (excluding properties)	441,595	464,124	554,479
	1,119,768	**1,130,757**	**1,205,714**

21. OTHER OPERATING INCOME

Board fees	2,655	2,779	4,851
Other income	6,695	5,253	6,732
	9,350	**8,032**	**11,583**

22. OPERATING PROFIT (LOSS)

Operating profit for the year is stated after charging (crediting) the following, amongst others:

Figures in Rand thousand	2021	2020	2019
Auditor's remuneration – external			
Audit fees	12,893	11,295	2,796
Remuneration other than to employees			
Consulting and professional services	36,837	43,730	31,395
Employee costs			
Salaries, wages, bonuses and other benefits	466,818	363,129	533,773
Retirement benefit plans: defined contribution expense	30,472	29,607	27,809
Long-term incentive scheme	12,382	(2,074)	60,160
TOTAL EMPLOYEE COSTS	**509,672**	**390,662**	**621,742**
LEASES			
Operating lease charges			
Premises	1,692	285	56,838
Equipment	349	741	2,210
	2,041	**1,026**	**59,048**
Depreciation and amortisation			
Depreciation of property, plant and equipment	11,487	20,277	22,457
Depreciation of right-of-use assets	35,614	36,717	-
Amortisation of intangible assets	4,502	2,216	1,242
TOTAL DEPRECIATION AND AMORTISATION	**51,603**	**59,210**	**23,699**
Movement in credit loss allowances			
Trade and other receivables	-	30	-
Financial assets at amortised cost	461	(147)	(236)
	461	**(117)**	**(236)**

Figures in Rand thousand	2021	2020	2019
Other			
Unrealised (gain) or loss	(274,305)	349,972	121,040
Loss/(profit) on forex	(2,546)	1,764	2,712
Bad debts written off	-	-	17
Expenses by nature			
Employee costs	509,672	390,662	621,742
Lease expenses	2,041	1,026	59,048
Depreciation and amortisation	51,603	59,210	23,699
Other expenses	287,837	291,664	215,087
	851,153	**742,562**	**919,577**

23. INVESTMENT INCOME

DIVIDEND INCOME			
Equity instruments at fair value through profit or loss:			
Listed investments - local	18,753	29,348	28,346
INTEREST INCOME			
Investments in financial assets:			
Bank and other cash	158,114	170,907	169,706
TOTAL INVESTMENT INCOME	**176,867**	**200,255**	**198,052**

24. FINANCE COSTS

Interest expense on lease liabilities	19,795	21,402	-
Other interest	1	1	3
TOTAL FINANCE COSTS	**19,796**	**21,403**	**3**

25. TAXATION

Figures in Rand thousand	2021	2020	2019
MAJOR COMPONENTS OF THE TAX EXPENSE			
Current			
Local income tax – current period	99,796	112,477	148,929
Local income tax – recognised in current tax for prior periods	-	2,198	(1,074)
	99,796	**114,675**	**147,855**
Deferred			
Deferred tax movement for the year	94,631	(56,082)	(48,378)
Arising from prior-period adjustments	-	-	(9)
	94,631	**(56,082)**	**(48,387)**
	194,427	**58,593**	**99,468**
RECONCILIATION OF THE TAX EXPENSE			
Reconciliation between accounting profit and tax expense			
Accounting profit	722,580	247,584	390,225
Tax at the applicable tax rate of 28% (2020: 28%)	202,322	69,324	109,263
Tax effect of adjustments on taxable income			
Prior-year overprovision/(underprovision)	-	2,198	(1,074)
Permanent differences	(7,895)	(12,929)	(8,712)
Previous-year adjustment	-	-	(9)
	194,427	**58,593**	**99,468**

26. CASH GENERATED FROM OPERATIONS

Figures in Rand thousand	2021	2020	2019
PROFIT BEFORE TAXATION	722,580	247,584	390,225
Adjustments for:			
Depreciation and amortisation	51,603	59,210	23,699
Write-off of property, plant and equipment and intangible assets	(180)	205	208
Fair value losses (gains)	(274,305)	349,972	121,040
Income from equity accounted investments	(13,699)	(22,440)	(15,259)
Dividends income	(18,753)	(29,348)	(28,346)
Interest income	(158,114)	(170,907)	(169,706)
Finance costs	19,796	21,403	3
Impairment loss/(gain) on financial assets at amortised cost	460	(143)	(236)
Movements in operating lease assets and accruals	-	-	11,453
Movements in provisions	(72,464)	(158,979)	40,682
Changes in working capital:			
Trade and other receivables	(35,122)	54,550	(126,066)
Trade and other payables	(19,044)	3,006	23,934
Tax refund/additional payment	(544)	679	10,488
	202,214	**354,792**	**281,447**

27. TAX PAID

Balance at beginning of the year	47,074	24,799	29,081
Current tax for the year recognised in profit or loss	(99,796)	(114,675)	(148,930)
(Tax refund/additional payment)	544	(679)	(9,414)
Balance at end of the year	(67,537)	(47,074)	(24,799)
	(119,715)	**(137,629)**	**(154,062)**

28. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES – 2021	Opening balance	Total non-cash movements	Closing balance
Lease liabilities	293,536	(24,640)	268,896
	293,536	**(24,640)**	**268,896**
TOTAL LIABILITIES FROM FINANCING ACTIVITIES	**293,536**	**(24,640)**	**268,896**

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES – 2020	Opening balance	New leases	Total non-cash movements	Cash flows	Closing balance
Lease liabilities	-	318,851	318,851	(25,315)	293,536
	-	**318,851**	**318,851**	**(25,315)**	**293,536**
TOTAL LIABILITIES FROM FINANCING ACTIVITIES	**-**	**318,851**	**318,851**	**(25,315)**	**293,536**

29. DIVIDENDS

Figures in Rand thousand	2021	2020	2019
Balance at beginning of the year	99,000	-	-
Dividend paid	-	-	(80,000)
Dividend declared	-	99,000	80,000
	99,000	**99,000**	**-**

30. COMMITMENTS

Figures in Rand thousand	2021	2020	2019
CAPITAL EXPENDITURE, INFORMATION TECHNOLOGY COST AND INVESTMENTS			
• **Contracted capex**	**99,858**	**109,132**	**152,976**
Within one year	48,291	47,822	118,656
In second to fifth year inclusive	51,567	61,310	34,320
• **Uncontracted capex**	**602,593**	**593,297**	**288,792**
Within one year	136,073	136,921	16,917
In second to fifth year inclusive	466,520	456,376	271,875
• **Uncontracted investments**	**-**	**-**	**460,000**
• **Contracted operation**	**193,600**	**132,791**	**3,328**
Within one year	92,957	-	-
In second to fifth year inclusive	100,643	-	-
• **Uncontracted operation**	**506**	**-**	**-**
Within one year	506	-	-
TOTAL	**896,557**	**835,220**	**905,096**

Commitments include all items of capital expenditure, information technology costs and investments for which specific Board approval has been obtained up to the reporting date.

Commitments			
- Within one year	277,827	295,376	598,901
- In second to fifth year inclusive	618,730	539,844	306,195
	896,557	**835,220**	**905,096**

31. RELATED PARTIES

Relationships

Ultimate holding company	National Government of the Republic of South Africa
Company	Public Investment Corporation SOC Limited

Figures in Rand thousand	2021	2020	2019
RELATED-PARTY BALANCES			
Amounts included in trade receivable (trade payable) regarding related parties			
Airports Company of South Africa	-	34	-
Associated Institutes Pension Fund	29	384	390
Compensation Commissioner Pension Fund	1,519	1,237	1,062
Compensation Commissioner Fund	5,651	(281)	964
Government Employees Pension Fund*	126,441	107,658	185,973
Government Employees Pension Fund	-	-	(93)
National Skill Fund	220	201	157
Harith General Partners	(1,976)	-	-
RDP	766	720	703
South African Revenue Service	-	30,322	8,009
Temporary Employees Pension Fund	383	11	21
Unemployment Insurance Fund	38,125	42,506	14,863
Services delivered	166,437	161,519	204,584
RELATED-PARTY TRANSACTIONS			
Services delivered			
State-controlled entities and national departments	1,119,768	1,130,757	1,205,714
Purchased services			
Financial Sector Conduct Authority	(1,949)	(1,894)	(1,774)
Telkom	-	-	(6)
South African Broadcasting Corporation	-	-	(8)
Compensation Commissioner	(164)	(147)	(87)
State Information Technology Agency	-	(67)	-
Auditor-General of South Africa	(12,893)	(12,390)	(2,796)
South African Revenue Service	(119,715)	(137,628)	(154,062)
Harith General Partners	(2,157)	(2,070)	(1,995)
Compensation to directors and other key management			
Short-term employee benefits	66,901	49,629	50,091
Benefits – pension	5,892	5,420	5,259
Long-term benefits – incentive scheme	14,824	17,500	24,642
	87,617	**72,549**	**79,992**

* There are funds that are due to GEPF and the nature has been disclosed in note 33, prior year error.

The PIC is part of the national sphere of government and its related parties include national departments, public entities as per National Treasury consolidation instruction relating to inter-entity and other institutions reporting to executive authority (National Treasury).

32. DIRECTORS' EMOLUMENTS

Figures in Rand thousand	Directors' fees	Total
EXECUTIVE		
For services as directors		
2021	27,208	27,208
2020	17,429	17,429
2019	20,595	20,595
NON-EXECUTIVE		
For services as directors		
2021	10,846	10,846
2020	9,065	9,065
2019	6,363	6,363

33. PRIOR-PERIOD ERRORS

In adhering to the principles of the PIC acting in the best interest of its clients, in good faith and in particular disclosing all material facts in relation to the transactions that the PIC executes on behalf of its clients, the Company is of the view that it is proper to disclose any fee income generated by the PIC over and above management fees earned by the PIC for asset management activities undertaken by the PIC as provided for in the investment management agreement concluded between the PIC and its clients.

Furthermore, consideration is given to the provisions of Financial Advisory and Intermediary Services Act No 37 of 2002 General Code of Conduct for Authorised Financial Services Providers and Representatives in particular clause Section 7(1)(c)(iv), which states that subject to the provisions of this Code, a provider other than a direct marketer must, in particular, at the earliest reasonable opportunity, provide, where applicable, full and appropriate information of the following:

- The nature, extent and frequency of any incentive, remuneration, consideration, commission, fee or brokerages ("valuable consideration"), which will or may become payable to the provider, directly or indirectly, by any product supplier or any person other than the client, or for which the provider may become eligible, as a result of rendering of the financial service, as well as the identity of the product supplier or other person providing or offering the valuable consideration; and
- Provided that where the maximum amount or rate of such valuable consideration is prescribed by any law, the provider may (subject to clause 3(l)(a)(vii)) elect to disclose either the actual amount applicable or such prescribed maximum amount or rate.

The PIC corporate revenue is earned from management fees for managing client's funds. The mandate between the PIC and clients gives right to the PIC to charge fees for services rendered. Included in the revenue for 2016 and 2018 financial years are fees from the unlisted transactions.

The abovementioned fees were charged directly to the investee companies by, and on behalf of, the PIC. During our review of GEPF mandate by management, management observed that there were no provision in the mandate that expressly states whether PIC, over and above charging the management fees, can charge fees (i.e. structuring fees and security fees) from transactions funded by the GEPF. Management concluded that the PIC was not justified to charge these fees and they need to be paid back.

33. Prior-period errors (continued)

Financials, including prior year's number, have restated to correct this prior-period error in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

IAS 8 define a prior-period error as an omissions from, and misstatements in, prior-period financial statements resulting from the failure to use, or the misuse of, reliable information that was available, or could be reasonably expected to have been obtained, at the time of preparation of those financial statements.

IAS 8 required that the material misstatement be retrospectively corrected and the disclosure of the nature of error.

The effect of the restatement on the financials as at 31 March 2021 is summarised below.

	STATEMENT OF FINANCIAL POSITION 31 MARCH 2020		
	31 March 2020 Reported balance	IAS 8 Adjustment	31 March 2020 Restated balance
Retained earnings	1,921,497	(43,174)	1,878,323
Trade and other receivables	167,090	(67,002)	100,087
Current tax receivables	30,284	16,790	47,074
Trade and other payables	55,620	7,039	48,581

	STATEMENT OF FINANCIAL POSITION 31 MARCH 2019		
	31 March 2019 Reported balance	IAS 8 Adjustment	31 March 2019 Restated balance
Retained earnings	1,842,137	(43,174)	1,798,963
Trade and other receivables	221,640	(68,338)	153,302
Current tax receivables	8,009	16,790	24,799
Trade and other payables	50,461	8,383	42,078

34. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company has exposure to the following risks from financial instruments:

- Credit risk;
- Liquidity risk;
- Market risk; and
- Interest risk.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Company's Risk Committee considers reports from the market and credit risk units. The other committee that provides risk management oversight is the Audit Committee. The Audit Committee considers reports from Internal Audit consisting of both regular and ad hoc reviews of risk management controls and procedure.

FINANCIAL RISK MANAGEMENT

Market risk

Market risk is the risk that the Company's earnings and capital will be adversely affected by movements in the level or volatility of market rates or prices such as interest rates and foreign exchange rates. The overarching objective of market risk management in the Company is to protect the Company's net earnings against adverse market movements through containing the innate interest rate and foreign currency risks within acceptable parameters.

The PIC's operating fund (PICOF) has exposure to interest rate sensitive instruments. Market risk is managed through adherence to mandate requirements such as a tracking error limit relative to a chosen benchmark and liquidity needs (see liquidity definition below).

Interest rate risk

Interest rate risk refers to the susceptibility of the Company's financial position to adverse fluctuations in market interest rates. Variations in market interest rates impact on the cash flows and income stream of the Company through their net effect on interest rate sensitive assets. At the same time movements in interest rates impact on the Company's capital through their net effect on the market value of assets. Interest rate risk in the Company arises naturally as a result of investments made in the PICOF account, which are investments on traded instruments and are impacted by interest rate fluctuations.

The table below shows the sensitivity analysis of the PICOF portfolio.

Figures in Rand thousand	2021	2020	2019
BASIS POINTS			
-100	109,046	96,534	118,060
-50	52,752	46,694	56,866
50	(49,520)	(43,825)	(52,956)
100	(96,083)	(85,027)	(102,370)
	16,195	**14,376**	**19,600**

Liquidity risk

'Liquidity risk' is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises from mismatches in the timing and amounts of cash flows, which are inherent to the Company's operations and investments.

In case of the Company, this risk specifically arises from the inability to honour commitments to borrowers, lenders and investors and operational expenditure.

Liquidity is held primarily in the form of money market instruments such as listed bonds, fixed deposits, listed shares and promissory notes as well as liquid debt issued from government, municipalities and approved issuers.

34. Financial instruments and risk management (continued)

Liquidity risk (continued)

In addition to holding a minimum level of liquidity in the form of cash and near cash equivalents, the Company uses cash flow forecasts and cumulative maturity gap analysis to assess and monitor its liquidity requirements and risk level.

The funding liquidity is managed by proper planning of cash flow needs.

					2021
		Fewer than 3 months	3 to 9 months	9 to 12 months	Total
Financial assets					
Promissory note		-	-	13,200	13,200
Fixed deposit		351,372	221,537	105,596	678,505
Cash and cash equivalents		216,038	-	-	216,038
Trade receivables		110,617	-	-	110,617
Current financial liabilities					
Trade and other payables	19	(27,676)	-	-	(27,676)
Lease liability		(7,043)	(14,771)	(8,363)	(30,177)
		(643,308)	**(206,766)**	**(110,433)**	**(960,507)**

					2020
		Fewer than 3 months	3 to 9 months	9 to 12 months	Total
Financial assets					
Promissory note		4,978	9,768	-	14,746
Fixed deposit		292,422	290,457	152,670	735,549
Cash and cash equivalents		170,208	-	-	170,208
Trade receivables		85,605	-	-	85,605
Current financial liabilities					
Trade and other payables	19	(38,043)	-	-	(38,043)
Lease liability		(5,705)	(12,013)	(6,922)	(24,640)
		(509,465)	**(288,212)**	**(145,748)**	**(943,425)**

					2019
		Fewer than 3 months	3 to 9 months	9 to 12 months	Total
Financial assets					
Promissory note		9,952	9,832	-	19,784
Fixed deposit		229,495	406,201	108,275	743,971
Cash and cash equivalents		78,614	-	-	78,614
Trade receivables		141,315	-	-	141,315
Current financial liabilities					
Trade and other payables	19	(27,514)	-	-	(27,514)
		(431,862)	**(416,033)**	**(108,275)**	**(956,170)**

CREDIT RISK

'Credit risk' is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, thus causing the holder of the claim to suffer a loss in cash flow or market value and arises principally from the Company's financial assets i.e. bonds, cash and cash equivalents, trade and other receivables, listed shares, fixed deposits and promissory notes.

Management of credit risk

Credit risk is managed according to the mandate parameters and the Company's internal credit risk policy. Credit mitigation techniques are transaction dependent but may include, where appropriate, the right to be furnished with collateral or an equity injection by counterparties.

No collateral was held on PICOF for the period under review. The Company also utilises various models to guide limit setting as well as credit ratings from external rating agencies. Limits are approved by the relevant committees, in accordance with the Board-approved delegation of authority.

Risk reports on these exposures are regularly submitted to the Portfolio Management Committee, Investment Committee, Audit Committee, Risk Committee and Board.

Management of credit risk includes developing and maintaining the Company's processes for measurement of ECL for:

- Initial approval, regular validation and back testing of the model used;
- Determining and monitoring significant increase in credit risk; and
- Incorporation of forward-looking information.

34. Financial instruments and risk management (continued)

Credit risk (continued)

Financial assets exposed to credit risk at year end were as follows:

Figures in Rand thousand	2021	2020	2019
Assets			
Bonds	1,415,076	1,258,134	1,247,989
Cash and cash equivalents	608,541	462,631	318,061
Trade and other receivables	135,206	171,613	153,302
Listed shares	657,275	390,591	538,174
Fixed deposits	344,798	440,952	522,133
Promissory notes	12,101	14,746	-
	3,172,997	**2,738,667**	**2,779,659**

35. GOING CONCERN

The Board of Directors reviewed the financial budgets with their underlying business plans for the period up to 31 March 2022. When assessing the Company's ability to continue as a going concern, both quantitative and qualitative factors were taken into account. The two critical quantitative factors were liquidity and solvency requirements. Qualitative factors that may cast significant doubt about the going concern assumption, such as financial trends, external and internal matters, were assessed, taking into account the impact of the reduced COVID-19 pandemic levels and existence of vaccines for the virus.

On the basis of the review performed and of the current financial position, the Board of Directors is satisfied that the Company has adequate resources to continue in operation for the foreseeable future. The Board of Directors, therefore considers it appropriate that the Annual Financial Statements be prepared on a going concern basis.

36. CAPITAL MANAGEMENT

The Company is licensed as a financial services provider under the FSCA formerly known as the Financial Service Board (FSB). The FSCA licence requirements are monitored and adhere to. There is no regulatory capital management ratio imposed on the Company.

The Company's objectives when managing capital are to:

- Safeguard its ability to continue as a going concern, so that it can continue to pay its obligations as they fall due and provide return for the shareholder.
- The company uses internally generated income to finance new projects, as a result, any dividend amount must come out of the residual profits after excluding all projected capital requirements.
- The capital reserves are not available to be declared as a dividend to the shareholder and are used to fund future capital expenditure.

The Company has satisfied its capital adequacy requirements for the period under review, i.e, it has at all times maintained:

- Liquid assets equal to or greater than 8/52 weeks of annual expenditure;
- Assets that exceed liabilities; and
- Current assets that were at least sufficient to meet current liabilities.

37. CONTINGENT LIABILITY

The company had contingent liability at 31 March 2021 in respect of:

Associates

Based on Mpati Commission, there is a concern for unspecified amount, of Harith ownership shares. This has triggered a proper examination of the PAIDF initiative to determine the right shares ownership, if any monies due to both parties were paid and correctly accounted for, determine any overcharges (if any) and irregularities.

Such examination may result in a remedial action to correct any incorrectness on the PAIDF initiative. It is not practical to estimate the potential effect of this concern and the timing thereof, as the examination is still underway.

38. IRREGULAR EXPENDITURE

Figures in Rand thousand	2021	2020	2019
Reconciliation of irregular expenditure			
Opening balance	14,166	4,349	-
Add: Irregular expenditure – current year	1,879	9,817	4,349
Add: Irregular expenditure incurred in prior year but identified in current year	7,727	-	-
Less: Amount condoned	(15,676)	-	-
Irregular expenditure awaiting condonement	**8,096**	**14,166**	**4,349**
Total expenditure, excluding employee cost	341,481	351,900	297,835
Irregular expenditure	8,096	9,817	4,349

The irregular expenditure identified in the financial year under review relates to transactions that took place with three suppliers and one employee, R841,770 of which is irregular expenditure due to non-compliance with PIC procurement policy and R1,513,843 is irregular due to non-compliance with Treasury instruction note 3. R7,250 000 paid to a former employee is irregular due to non-compliance with PFMA section 56.

39. EMPLOYEE BENEFITS

Pension fund

The pension fund had 376 active members at 31 March 2021. During the current year, 25 employees joined, 37 employees withdrew, one employee is deceased and there were no transfers from the Company.

The contribution for the year amounted to R51 million. The pension fund is a defined contribution plan. The result is that the risk of any decline in fair value lies with the employee and not the employer.

There are 10 employees on the GEPF. There were no changes in the current year from the pension fund.

Short-term employee benefits

Short-term incentives (STI) scheme of R33 million (2020: R61 million) has been recognised as a provision.

The STI is recognised and accrued in the year the service was rendered, but paid only after the financial statements are approved by the Board. The trigger for the payment of the STI is if the Company has made at least 10% of the net income over management fees and scores a performance rating of three.

Long-term employee benefits

The long-term incentives (LTI) scheme is R83 million (2020: R133 million).

The scheme is to attract, retain and reward high-performing management. Company management is eligible to participate in the LTI scheme only if the minimum Company score of 3 has been met and if a manager achieves a minimum individual performance rating of 3.5.

The LTI scheme vests over a period of three years and payments have a lag time of three years. Out of the total LTI of R83 million, R46 million will be paid in the 2022 financial year, R25 million will be paid in the 2023 financial year and the balance of R12 million will be paid in 2024.

GENERAL INFORMATION

COUNTRY OF INCORPORATION AND DOMICILE	South Africa
NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES	Asset Management
DIRECTORS	Dr Reuel Khoza (Chairperson) (Non-Executive Director) Ms Futhi Mtoba (Deputy Chairperson) (Non-Executive Director) Dr Angelo David Sabelo de Bruyn (Non-Executive Director) Prof Bonke Dumisa (Non-Executive Director) Mr Mugwena Maluleke (Non-Executive Director) Ms Tshepiso Moahloli (Non-Executive Director) Mr Pitsi Moloto (Non-Executive Director) Ms Karabo Morule (Non-Executive Director) Adv Makhubalo Ndaba (Non-Executive Director) Ms Barbara Watson (Non-Executive Director) Mr Abel Sithole (Chief Executive Officer) (Executive Director) Mr Brian Mavuka (Acting Chief Financial Officer) (Executive Director)
REGISTERED OFFICE AND BUSINESS ADDRESS	Menlyn Maine Central Square Corner Aramist Avenue and Corobay Avenue Waterkloof Glen Extension 2 Pretoria 0181
POSTAL ADDRESS	Private Bag X187 Pretoria South Africa 0001
HOLDING AND ULTIMATE HOLDING COMPANY	Public Investment Corporation SOC Limited incorporated in the Republic of South Africa
AUDITORS	Office of the Auditor-General of South Africa Registered Auditors
COMPANY SECRETARY	Ms Bongani Mathebula
COMPANY REGISTRATION NUMBER	2005/009094/30
COMPANY ANNUAL FINANCIAL STATEMENTS	The Company's Annual Financial Statements were prepared under the supervision of the Company Acting CFO, Mr Brian Mavuka
ADDRESS OF SECRETARY	Menlyn Maine Central Square Corner Aramist Avenue and Corobay Avenue Waterkloof Glen Extension 2 Pretoria 0181

PUBLIC INVESTMENT CORPORATION SOC LIMITED DISCLAIMER

The Public Investment Corporation SOC Limited (PIC), Registration number 2005/009094/30, is a licensed financial services provider, FSP 19777, approved by the Financial Sector Conduct Authority (FSCA) (www.fsca.co.za) to provide intermediary services and advice in terms of the Financial Advisory and Intermediary Services Act, 2002 (Act No. 37 of 2002).

The PIC is wholly owned by the South African Government, with the Minister of Finance as the Shareholder representative.

Products offered by the PIC do not provide any guarantees against capital losses. Market fluctuations and changes in rates of exchange or taxation may have an effect on the value, price or income of investments. Since the performance of financial markets fluctuates, an investor may not get back the full invested amount. Past performance is not necessarily a guide to future investment performance.

Personal trading by staff is regulated to ensure that there is no conflict of interest. All Directors and employees who are likely to have access to price-sensitive and unpublished information in relation to the Public Investment Corporation are further regulated in their dealings. All employees are remunerated with salaries and standard short-term and long-term incentives. No commission or incentive is paid by the PIC to any persons and all inter-group transactions are done on an arm's length basis. The PIC has comprehensive crime and professional indemnity insurance.

Directors: Dr Reuel Khoza (Chairperson), Ms Futhi Mtoba (Deputy Chairperson) | Dr Angelo David Sabelo de Bruyn, Prof Bonke Dumisa, Mr Mugwena Maluleke, Ms Tshepiso Moahloli, Mr Pitsi Moloto, Ms Karabo Morule, Adv Makhubalo Ndaba, Ms Barbara Watson, Mr Abel Sithole (Chief Executive Officer), Mr Brian Mavuka (Acting Chief Financial Officer) | Company Secretary: Ms Bongani Mathebula

For more details as well as for information on how to contact the PIC and how to access information, please visit www.pic.gov.za.

ACRONYMS

ABET	Adult Basic Education Training
Abraaj	Abraaj Investment Management Limited
AC	Audit Committee
ACSA	Airports Company South Africa
ADRIASA	ADR International Airports South Africa
AEs	Advanced Economies
AFS	Annual Financial Statements
AGM	Annual General Meeting
Agrigroupe	Agrigroupe Holdings (Pty) Ltd.
Ai	Africa investors
AIPF	Associated Institutions Pension Fund
AuM	Assets under Management
ARC	Audit and Risk Committee
Bafepi	Bafepi Agri (Pty) Ltd
B-BBEE	Broad-Based Black Economic Empowerment
BCM	Business Continuity Management
BEE	Black Economic Empowerment
BIP	Black Industrialist Programme
BOE	Bank of England
BVI	Business Ventures Investments (Pty) Ltd
CBOs	Community-based Organisations
CC	Compensation Commissioner Fund
C2C	Coast to Coast Proprietary Limited
CD	Childhood Development
CEO	Chief Executive Officer
CIPC	Companies and Intellectual Properties Commission
CP	Compensation Commissioner Pension Fund
CSR	Corporate Social Responsibility
CTC	Community Training Centre
DAC	Directors' Affairs Committee
DBE	Department of Basic Education
Dti	Department of Trade and Industry
DOA	Delegation of Authority
DOI	Declaration of Interest
DPSA	Department of Public Service and Administration
EAP	Economically Active Population
EBIDTA	Earnings before interest, tax, depreciation and amortisation
ECB	European Central Bank
ECL	Expected Credit Loss
ED	Enterprise Development
EEA	Employment Equity Act
EDD	Enhanced Due Diligence
EIHL	ETG Input Holdings
EMs	Emerging Markets
ERMF	Enterprise Risk Management Framework
ESG	Environmental, Social and Governance
ETG	Export Trading Group
EXCO	Executive Committee
FAIS Act	Financial Advisory and Intermediary Services Act, 2002
FDI	Foreign Direct Investment
Fed	Federal Reserve
FIPs	Fund Investment Panels
FMCG	Fast Moving Consumer Goods
FSCA	Financial Sector Conduct Authority
GEHS	Government Employees Housing Scheme
GEPF	Government Employees Pension Fund
GDE	Gross Domestic Expenditure
GDP	Gross Domestic Product
HEIs	Higher Education Institutions
HDIs	Historically Disadvantaged Individuals
HRRC	Human Resources and Remuneration Committee
I&B	Infrastructure and Building
IC	Investment Committee
IC-LI	Investment Committee - Listed Investments
ICTGC	Information Communication and Technology Governance Committee
IC-UI	Investment Committee - Unlisted Investments
IMF	International Monetary Fund
IMSS	International Maths and Science Study

IoDSA	Institute of Directors of Southern Africa
IRR	Internal Rate of Return
IT	Information Technology
ITRC	Information Technology Risk Committee
JIBAR	Johannesburg Interbank Average Rate
JSE	Johannesburg Stock Exchange
KENGEN	Kenya Electricity Generating Company
KRIs	Key Risk Indicators
LIA	Lanseria International Airport
Libstar	Liberty Star Consumer Holdings
M&A	Merger and Acquisition
MMIH	Menlyn Maine Investment Holdings (Pty) Ltd
MPRDA	Mineral and Petroleum Resources Development Act
MOCAA	Museum of Contemporary Art Africa
MOI	Memorandum of Incorporation
MST	Mobile Specialised Technologies
NGOs	Non-governmental Organisations
NSFAS	National Student Financial Aid Scheme
NDP	National Development Plan
NT	National Treasury
OECD	Organisation for Economic Cooperation and Development
OLG	Open Learning Group
ORMF	Operational Risk Management Framework
PAA	Public Audit Act of South Africa
PAIDF	Pan Africa Infrastructure Development Fund
PE	Private Equity
PE SA II	Private Equity South Africa Fund II
PE RoA II	Private Equity Rest of Africa Fund II
PFMA	Public Finance Management Act, 1999
PIC	Public Investment Corporation SOC Limited
PIC Act	Public Investment Corporation Act, 2004
PL	Private Label
PMC	Portfolio Management Committee
PMC-LI	Portfolio Management Committee - Listed Investments
PMC-UI	Portfolio Management Committee - Unlisted Investments
POPI	Protection of Personal Information Act, 2013
PPAs	Power Purchase Agreements
PPMs	Private Placement Memorandums
QSRs	Quick Service Restaurants
QAR	Quality Assessment Review
RC	Risk Committee
Resultant	Resultant Finance (Pty) Limited
RFPs	Request for Proposals
SAA	Strategic Asset Allocation
SAICA	South African Institute of Chartered Accountants
SCM	Supply Chain Management
SDGs	Sustainable Development Goals
SEC	Social and Ethics Committee
SED	Socio-economic Development
SETCO	Social, Ethics and Transformation Committee
SIPs	Structured Investment Products
SOEs	State-Owned Entities
SMEs	Small and Medium Enterprises
SNG	Sizwe Ntsaluba Gobodo
SPAC	Special Purpose Acquisition Company
Sphere	Sphere Holdings (Pty) Limited
SPMS	South Point Management Services
SRI	Socially Responsible Investment
S&P	Standard and Poor's
ToR	Terms of Reference
UIF	Unemployment Insurance Fund
US	United States
VC	Valuations Committee
WHO	World Health Organisation

FORGING *AHEAD*

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