PUBLIC INVESTMENT CORPORATION ANNUAL FINANCIAL STATEMENTS 2024

PUBLIC INVESTMENT
CORPORATION®
Est. 1911

CHARTING A COURSE OF EXCELLENCE:

NAVIGATING TR²A I²L VALUES

TRANSPARENCY

RESPECT | RESULTS-DRIVEN

ACCOUNTABILITY

INNOVATION | INTEGRITY

LEAD BY EXAMPLE

ANNUAL FINANCIAL STATEMENTS 2024

The proficiency and success of any organisation depends on its ability to adapt to ever-changing operating environments. Now more than ever, the demand for change has accelerated at a speed never imagined before.

The Public Investment Corporation (PIC) has successfully managed transitions of its core business processes. It must continue to evolve and embrace change and innovation to remain a market leader in a globally competitive asset management industry.

Readiness to change and the agility to adapt to the dynamic needs of stakeholders are traditions at the PIC, honed over 113 years of investment management since inception in 1911, when it was known as Public Debt Commissioners. Its historic journey of delivering sustainable growth and development traversed successive government administrations and unpredictable political and socio-economic settings over the years.

As a responsible and accountable corporate citizen, the PIC regularly assesses itself against evolving global and domestic economic, social and environmental factors. In many instances, self-assessment has necessitated changes in its value system.

For this reason, the organisation initiated a process of self-reflection to identify and adopt new value systems. After wide consultation with both internal and external stakeholders, the organisation adopted a set of new core values in January 2024 to ensure that ethics and integrity become fundamental principles of its future path.

Carefully considered, the selected values bear the acronym "TR^{2}AI^{2}L" with the essence of each value set out as follows...

- **Transparency**
- **Respect**
- **Results-driven**
- **Accountability**
- **Integrity**
- **Innovation**
- **Lead by example**

CONTENTS*

* This Integrated Annual Report consists of two books:
The **2024 Integrated Annual Report** and the **2024 Annual Financial Statements.**

CONFIRMATION OF ACCURACY AND FAIR PRESENTATION

1. Annual Financial Statements for the 2024 financial year-end

I hereby acknowledge that the Annual Financial Statements (AFS) of the Public Investment Corporation SOC Limited (the Company) have 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 of 1999 (PFMA).

The Board of Directors that constitutes the Accounting Authority is responsible for the fair presentation and judgments 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 Annual Financial Statements are consistent with the Annual Financial Statements submitted to the auditors for audit purposes.

2. 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 year ended 31 March 2024. This has been reported on in accordance with the requirements of the guidelines on annual reports 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.

3. 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 19 to 80 have been approved by the Board of Directors.

4. Human Resource Management

The human resources information contained in the tables in the integrated report fairly reflects the information of the Company for the financial year ended 31 March 2024.

5. Material issues

The Annual Financial Statements are complete, accurate and free from material omissions.

6. Preparation of the Annual Financial Statements

The financial results were prepared under the supervision of Ms Batandwa Damoyi CA(SA), the Chief Financial Officer.

Mr Abel Sithole
Chief Executive Officer

Ms Batandwa Damoyi
Chief Financial Officer

RESPONSIBILITIES OF THE BOARD OF DIRECTORS

The Board of Directors is required in terms of the Companies Act and the Public Finance Management Act (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 Directors' responsibility to ensure that the Annual Financial Statements fairly present the state of affairs of the Public Investment Corporation SOC Limited's financial position at 31 March 2024 and the profit or loss and other comprehensive income and cash flows of the Company for the financial year ended 31 March 2024.

In preparing and 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 will lead to fair presentation;
- 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 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 requirements of the PFMA.

The Company used appropriate accounting policies supported by reasonable 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 Audit Committee 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 Audit Committee report. The committee 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. The unqualified audit report was examined by the Company's external auditors and their report is presented on page 11.

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 at 31 March 2024 and the results of its operations and cash flow information for the financial period ended 31 March 2024.

Dr David Masondo
Chairperson

COMPANY SECRETARY'S CERTIFICATION

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 year ended 31 March 2024 all such returns and notices 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 Maserumule
Company Secretary

AUDIT COMMITTEE REPORT

The Audit Committee is a statutory committee constituted in terms of the Companies Act, 71 of 2008, as amended, and the Public Finance Management Act, 1 of 1999, as amended (PFMA). All members, including the Chairperson, are independent Non-Executive Directors.

The committee is pleased to present its 2023/24 report, which aligns with its obligations in terms of the Companies Act, the King Report on Corporate Governance in South Africa of 2016, (King IV™) and other regulatory requirements. The committee carried out its responsibilities and oversight functions independently, including those relating to the audit and financial reporting set out in its terms of reference. The terms of reference are approved by the Board and reviewed annually.

Composition, independence and governance

For the year under review, the Audit Committee, appointed by the shareholder, comprised four independent Non-Executive Directors. The Board is satisfied that the committee members have an appropriate mix of knowledge and experience to carry out their duties. Each member's qualifications and experience are set out in their profiles in the Integrated Annual report on pages 26 to 30.

The Chairperson of the Audit Committee, Ms Ntombifuthi, maintains regular contact with the CEO and CFO. The CEO, CFO, CRO, internal auditors, external auditors and other assurance providers attended all Audit Committee meetings ex-officio. Other members of the executive team and senior management representing areas relevant to discussions of the committee attend meetings either by invitation or as and when required.

The agenda allows for management and the internal and external auditors to meet independently with the Audit Committee. The head of internal audit and the external auditors have direct access to the committee to discuss any matter they regard as relevant to the fulfilment of the committee's responsibilities.

The Audit Committee Chairperson reports to the Board on the committee's activities and matters discussed at each meeting of the Board, highlighting key items that require action and providing recommendations for the Board's consideration.

Independent evaluation of the committee

The performance of the Board and all its committees is evaluated every second year. The most recent assessment was conducted by the Institute of Directors South Africa (IoDSA) in August 2023. The results of the independent evaluation were reviewed and considered by the Board at its meeting on 24 October 2023.

The committee adopted the recommendations of the IoDSA assessment at its meeting on 27 February 2024. Albeit the assessment identified areas of improvement, it concluded that the committee functions effectively. The committee resolved to implement remedial action plans to respond to the IoDSA recommendations.

Roles and responsibilities

The Audit Committee assists the Board in its oversight of the financial reporting processes, systems of internal financial controls and processes for monitoring compliance with laws and regulations. The roles and responsibilities of the committee are codified in a formal terms of reference, which are reviewed at least annually.

Key focus areas:

External auditors

During the year under review, the committee:

- Monitored the effectiveness, expertise and independence of the external auditors, AGSA;
- Approved the external auditors' audit plan and scope of work for 2023/24, confirming suitable reliance on internal audit and the appropriateness of key audit risks identified;
- Approved the external auditors' fees for 2023/24 in accordance with Section 94(7)(b) of the Companies Act;
- Confirmed that no reportable irregularities were identified nor reported by the external auditors in terms of the Auditing Profession Act, 26 of 2005, as amended; and
- Reviewed the findings and recommendations of the external auditors and confirmed that no material matters were unresolved.

The committee, recognises the importance of maintaining the independence of the external auditors, in both fact and appearance. Each year, the committee evaluates the qualifications, performance and independence of the external auditors. In doing so, the Audit Committee considers the quality and efficiency of the services provided by the auditors, the auditors' capabilities, technical expertise and knowledge of the Corporation's operations and industry. This assessment was made after considering the auditors' audit strategy document, continuous monitoring and approval of non-audit services and a formal partner rotation process.

To safeguard the external auditors' independence and eliminate perceptions of a conflict of interest, the external auditors did not perform any non-audit services for the PIC during the year under review.

Combined assurance model

The PIC has adopted a combined assurance approach in line with King IV™ to increase the evolution and effectiveness of assurance activities by functionaries in risk, audit, compliance and assurance. The Combined Assurance Forum ensures ongoing reviews of the approach, model and processes, as well as regular discussions, information sharing and coordination of efforts among assurance providers. This approach contributes significantly to an effective control environment and supports the integrity of information used for internal decision-making by management, the Board and Board committees.

Internal controls and systems

The system of internal financial controls is designed to ensure:

- Integrity and reliability of financial information;
- Compliance with laws and regulations;
- Achievement of objectives;
- Economy and efficiency of operations; and
- Safeguarding of assets.

The PIC maintains a strong risk culture and has implemented adequate and effective internal financial controls to ensure the integrity and reliability of the Annual Financial Statements. Deficiencies in design and operating effectiveness identified by the three lines of defence were reported to the Audit Committee.

The committee's role includes evaluating the company's internal financial controls and accounting systems. To fulfil this responsibility, the committee reviewed reports from management, the internal audit function and external auditors regarding the effectiveness of these systems.

The PIC, as a financial services provider, must subject its computer control environment to an International Standard on Assurance Engagement (ISAE 3402). Deloitte was appointed to perform this audit for PIC clients.

Internal audit

The head of internal audit reports functionally to the Audit Committee and administratively to the CEO. Internal audit is a key independent internal assurance provider, an integral part of the risk management process and forms the third line of defence. The Audit Committee uses reports on the activities of internal audit and those from other assurance providers to assess the adequacy and effectiveness of internal control and risk management.

During the period under review, the committee approved the Internal Audit Charter and Internal Audit Plan and monitored the implementation thereof.

Internal audit performed all its planned engagements for 2023/24. The Audit Committee is satisfied that internal audit is independent and appropriately resourced to provide objective assurance on the adequacy and effectiveness of the internal control environment. It is further satisfied that internal audit epitomises professional objectivity in gathering, evaluating and communicating information, and demonstrates the highest level of ethics.

Finance function and compliance

The Audit Committee received regular reports from the CFO on the financial performance, the tracking and monitoring of strategic objectives, details of budgets, forecasts, long-term plans and capital expenditures, financial reporting controls and processes, and the adequacy and reliability of management information used for financial reporting. The Audit Committee considered and is satisfied with the expertise and experience of the new CFO, Ms Batandwa Damoyi, in preparing the annual financial statements and believes that the finance function has the expertise and resources to support the CFO. The Audit Committee was satisfied with the handover process and the transition between the Acting CFO and the new CFO.

The head of compliance reports functionally to the Audit Committee and administratively to the CEO. The committee monitored and supervised the functioning, effectiveness and performance of the compliance function. This function is part of compliance risk management, internal control and of its combined assurance. The committee assessed compliance with all statutory requirements of the Companies Act, King IV™, the PFMA, the Financial Advisory and Intermediary Services Act, the Financial Intelligence Centre Act and other regulations, and confirmed that the PIC executed its responsibilities as a financial services provider, registered with the Financial Services Conduct Authority.

The Audit Committee approved the Compliance Charter and risk-based Compliance Annual Plan and monitored their implementation. The compliance function performed all planned compliance reviews and related activities during 2023/24. The committee considered reports on compliance reviews conducted by the compliance function and management's remedial actions on compliance risks identified during the reviews.

Going-concern

The committee evaluated management's assessment of the company's ability to continue operating as a going-concern. After considering the known facts and circumstances, the committee concluded that there is no significant uncertainty that could raise doubts about the company's capability to continue its operations. Acting on the committee's recommendation, the Board approved the preparation of the company's annual financial statements under the going-concern assumption.

Whistleblowing

Based on submissions received from the internal audit division and the ethics office, the Audit Committee is satisfied with the procedures to receive, evaluate, investigate and report on confidential and anonymous complaints on integrity and ethics.

Year-end investment valuations

As required by our clients' mandates, external valuations of the unlisted investments and property investments are performed by external service providers that are appointed through an open tender process. The mandates stipulate that external valuation experts perform and present year-end valuations, which are then recommended to the client through our governance structures.

The Audit Committee receives the year-end valuations from the external experts and after considering the methodologies, assumptions and judgments applied in determining the year-end values or the impairment of investments and assets, subsequently recommends them to our clients.

Conclusion

The Audit Committee is satisfied that it fulfilled its statutory obligations as prescribed by legislation and the functions outlined in its terms of reference. Therefore, it has complied with its legal, regulatory, oversight and other responsibilities.

The committee extends its gratitude to management and the Board for their support, as well as to the external auditor for its services, dedication, diligence and cooperation.

Ms Ntombifuthi Mtoba
Chairperson: Audit Committee

REPORT FROM THE BOARD OF DIRECTORS

The Board of Directors is pleased to present the Annual Financial Statements of the Public Investment Corporation SOC Limited for the period ended 31 March 2024.

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 continent.

The Company's Annual Financial Statements for the year ended 31 March 2024 were authorised for issue in accordance with a resolution passed by the Board of Directors on 30 July 2024.

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

Financial results

The PIC performance for the period resulted in revenue increasing by 3% from R1,220 billion in the prior year to R1,262 billion in the current year due to growth in the PIC's assets under management (AuM) attributed largely to investment performance. AuM increased by R95 billion from R2,599 trillion in the prior year to R2,694 trillion in the current year due to the net of contributions, withdrawals and performance.

The PIC continues to manage operating costs although the total expenses increased by 6% from R1,070 billion in the prior year to R1,132 billion in the current year. The increase is mainly due to the increase in employee costs, which make up the majority of the operating expenses. The remuneration of the company is benchmarked to the market in the asset management sector.

Overall, the performance for the review year shows significant improvement as the net profit increased by 22% from R222 million in the prior year to R271 million due to the outperformance of the foreign listed, unlisted and fixed income portfolios. The increase in investment income is the result of reinvestment of available funds into PIC operating Fund, which earned interest and dividends.

The PIC's financial position has improved due to an increase in total assets by 2% from R4,531 billion in the prior year to R4,617 billion in the review year due to the reinvestment of the available funds into the PIC operating fund and Investment in associates. Total liabilities decreased by 8% from R635 million in the prior year to R582 million in the review year due to lower lease liabilities and the settlement of the dividend.

Full details of the financial position, profit or loss and other comprehensive income and cash flows of the company are set out in these Annual Financial Statements from pages 19 to 80.

Share capital

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

Dividends

In the review year, Board of directors, declared and paid a dividend of R141 million. The dividend was approved at the annual general meeting by the shareholder. The dividend of R99 million declared in the 2020 financial year was also paid in the review year.

Directorate

The directors in office at the date of this report are as follows:

Dr David Masondo (Chairperson) (Non-Executive Director)
Ms Ntombifuthi Mtoba (Deputy Chairperson) (Non-Executive Director)
Mr Abel Sithole (CEO) (Executive Director)
Mr Kabelo Rikhotso (CIO) (Executive Director)
*Mr Brian Mavuka (Acting CFO) (Executive Director)
Ms Barbara Watson (Non-Executive Director)
Ms Beverley Bouwer (Non-Executive Director)
Prof Bonke Dumisa (Non-Executive Director)
Mr Frans Baleni (Non-Executive Director)
Dr Lufuno Mulaudzi (Non-Executive Director)
Dr Mugwena Maluleke (Non-Executive Director)
Ms Tryphosa Ramano (Non-Executive Director)
Mr Walter Hlaise (Non-Executive Director)

Resignations and appointments

* Mr Brian Mavuka's acting CFO period ended on 31 March 2024.

Ms Batandwa Damoyi was appointed CFO on 01 April 2024.

Related party transactions

Details of related party transactions are disclosed in note 32 of the Annual Financial Statements.

Internal financial controls

During the year under review, the Board of Directors 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.

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 does 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 disclose 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, no 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 (refer to notes 22 and 33).

Corporate governance

The PIC's directors endorse the King IV™ Report on Corporate Governance in South Africa and implemented the principles contained therein during the review period.

The Company's business model was designed and developed to focus on financial sustainability as per the PIC's three-year corporate plan (2023/24 to 2025/26) and there is monthly monitoring of financial targets and cost containment measures implemented throughout the year. The corporate plan sets up short- to medium-term key strategic objectives to operationalise and implement the long-term strategy of the PIC.

Control weaknesses identified

During the 2023/24 financial year, the Board of Directors identified significant weaknesses in the company's payroll functions. These weaknesses resulted in irregular expenditure, as disclosed in notes 37 and 40 of the Annual Financial Statements.

The directors took immediate action to address these issues. A thorough review of payroll processes and internal controls was conducted. Necessary corrective measures were implemented to rectify the identified weaknesses. This included enhancing segregation of duties, implementing additional approval layers and strengthening system access controls.

The directors are pleased to report that the internal control environment relating to payroll has been significantly improved. Ongoing monitoring and periodic reviews will ensure the sustainability of these enhancements. The Board remains committed to maintaining robust financial controls and upholding the highest standards of corporate governance and accountability.

Special resolutions

In the review year, two special resolutions were passed regarding the alignment of PIC Board fees to the State-owned Entities Remuneration Guidelines.

Events after reporting period

The Board considered the need to review the investment portfolio for the PIC to effectively execute its mandate guided by the following key guiding principles:

- Sound governance;
- Balance of power;
- Effective risk management ;
- Optimal span of control;
- Encourage efficiencies in the investment decision-making process;
- Review concentration of power within the investment portfolio for distribution among the executive and senior management team and promote involvement of heads and investment specialists; and
- Promote oversight role of the investment committees.

The Board resolved to establish a group investment committee effective from 1 July 2024 and the following investment sub-committees (working committees) reporting to the group investment committee:

- Investment sub-committee: Listed investments;
- Investment sub-committee: Unlisted investments; and
- Investment sub-committee: Unlisted property investments.

For the details refer to the Integrated Annual Report governance section.

Going-concern

The Annual Financial Statements were prepared on the basis of accounting policies applicable to a going-concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the company is in a sound financial position and that it has access to sufficient resources to fund its liabilities. The directors are not aware of any new material changes that may adversely impact the Company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the Company.

Judicial proceedings

Three former PIC executives each lodged unfair labour practice disputes with the Commission for Conciliation, Mediation and Arbitration (CCMA) against the PIC. The CCMA ordered reinstatement of the two executives and dismissed the other executive's case. The PIC has applied to the labour court for review of the award made for the two executives.

The other executive, whose case was dismissed by the CCMA, has referred a case of breach of contract to the labour court. He filed a statement of case and, at the end of the financial year, the PIC was finalising its statement of defence.

Auditors

AGSA is the registered auditor of the Company. Harith Fund Managers (Pty) Ltd, Harith General Partners (Pty) Ltd, Bophelo Insurance Group and SA SME Fund Ltd are the company associates. The auditors of Harith Fund Managers (Pty) Ltd and Harith General Partners (Pty) Ltd are BDO South Africa Inc. Bophelo Insurance Group's subsidiaries are Nzalo Insurance Service Limited and Bophelo Life Insurance Limited. The two last-mentioned are currently going through liquidation and, therefore, there currently no planned audit for them. The auditor of SA SME Fund Ltd is Deloitte.

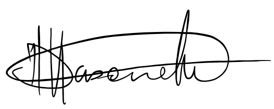
AGSA was given unrestricted access to all financial records and related data, including minutes of all meetings of the company. The Board of Directors believe that all representations made to the external auditor during the audit are valid and appropriate.

Holding company

The Company is 100% owned by 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, which were prepared on the going-concern basis, were approved by the Board of Directors on 30 July 2024, and were signed on its behalf by:

Approval of Annual Financial Statements



Dr David Masondo
Chairperson

INDEPENDENT AUDITOR'S REPORT

Report of the auditor-general to Parliament on 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 19 to 80, which comprise the statement of financial position as at 31 March 2024, 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 notes to the financial statements, including material accounting policy information.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the PIC as at 31 March 2024 and its financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Public Finance Management Act 1 of 1999 (PFMA) and the Companies Act 71 of 2008 (Companies Act of South Africa).

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 responsibilities of the auditor-general for the audit of the financial statements section of my report.
4. I am independent of the public 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.

Other matter

6. 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 of South Africa; 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.
7. In preparing the financial statements, the accounting authority is responsible for assessing the public 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 public entity or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the auditor-general for the audit of the financial statements

8. 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.
9. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report. This description, which is located on page 17, forms part of our auditor's report.

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

10. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for the selected objectives presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.
11. I selected the following objectives presented in the annual performance report for the year ended 31 March 2024 for auditing. I selected objectives that measure the public entity's performance on its primary mandated functions and that are of significant national, community or public interest.

OBJECTIVE	PAGE NUMBERS*	PURPOSE
Financial efficiency	36-41	To improve PIC`s financial sustainability and going concern through efficient operations and cost containment.
Customer/stakeholders	36-41	To meet and exceed client benchmark portfolio returns and compliance with client risk parameters. To drive and facilitate transformation through investment activities both in listed and unlisted investments.

* 2024 Integrated Annual Report

12. I evaluated the reported performance information for the selected objectives against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the public entity's planning and delivery on its mandate and objectives.
13. I performed procedures to test whether:
    - the indicators used for planning and reporting on performance can be linked directly to the public entity's mandate and the achievement of its planned objectives;
    - all the indicators relevant for measuring the public entity's performance against its primary mandated and prioritised functions and planned objectives are included;
    - the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements;
    - the targets can be linked directly to the achievement of the indicators and are specific, time-bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated;
    - the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents;
    - the reported performance information is presented in the annual performance report in the prescribed manner and is comparable and understandable; and
    - there is adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets.

14. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion or conclusion.
15. The material findings on the reported performance information for the selected objectives are as follows:

Customer/stakeholders

Objective 3b - Meet client benchmark portfolio returns (unlisted investments ex properties)(over period of 36 months)

16. Neither the indicator nor the target for objective 3b was clearly defined during the planning process. The corporate plan does not include the definition and explanation of how the GEPF hurdle return is calculated and further, does not indicate the unlisted investment portfolio that will be used for the GEPF hurdle return as the GEPF has more than one unlisted investment portfolio.

Objective 3e - Drive and facilitate transformation through investment activities both in listed and unlisted Investments

17. The approved planning documents included a commitment that a minimum of 90% of brokerage spend shall be to brokers on level 1 – 4 BEE rating and 50% of all approved listed transactions must be allocated to women participants. However, an achievement of 70.24% of total brokerage paid to brokers with at least 51% ownership by historically disadvantaged individuals and 30% management control by historically disadvantaged individuals was reported in the annual performance report. This discrepancy highlights misalignment between approved plans and operations, while inconsistent reporting undermines transparency and accountability.
18. Additionally, the approved planning documents included a commitment that 50% of all approved listed transactions must be allocated to women participants. However, an achievement of 63.67% allocated to brokers with female participation was reported in the annual performance report. This discrepancy highlights misalignment between approved plans and operations, while the incorrect reporting undermines transparency and accountability.
19. Furthermore, the target of 50% of all approved listed transactions must be allocated to women participants does not relate directly to the indicator, which measures percentage of brokerage allocated to designated BEE broker firms used as a percentage of total brokerage paid (BEE Brokers must be BEE Level 1 – 4 certification by an independent rating agency; at least 51% black ownership; and at least 30% black management control". This makes it difficult to plan for the achievement of the indicator. Consequently, the reported achievement does not provide useful information on the indicator's achievement.

Other matters

20. I draw attention to the matters below.

Achievement of planned targets

21. The annual performance report includes information on reported achievements against planned targets and provides explanations for over- or underachievements. This information should be considered in the context of the material findings on the reported performance information.
22. The tables that follow provide information on the achievement of planned targets and list the key indicators that were not achieved as reported in the annual performance report. The reasons for any underachievement of targets are included in the Integrated Annual Report on pages 36 to 41.

Financial efficiency

KEY INDICATOR NOT ACHIEVED	PLANNED TARGET	REPORTED ACHIEVEMENT
Targets achieved: 0%		
Financial efficiency	40%	42%
Customer/stakeholders	80%	94%
Targets achieved: 60%		
Meet client benchmark portfolio returns (unlisted investments ex properties) (over period of 36 months)	9.99%	6.07%
Meet client benchmark portfolio returns (measured as per IPD returns calculation = customised for the PIC unlisted properties portfolio structure) (over period of 36 months)	9.57%	9.14%
Minimum 90% of brokerage spend shall be to brokers on level 1 – 4 BEE rating	90%	70.24%
% of the approved unlisted property transactions for new developments/ acquisitions must be BEE	30%	28%

Material misstatements

23. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for the customers/stakeholders objective. Management corrected the misstatements.

REPORT ON COMPLIANCE WITH LEGISLATION

24. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting authority is responsible for the public entity's compliance with legislation.
25. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.
26. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the public entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.
27. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Expenditure management

28. Effective and appropriate steps were not taken to prevent irregular expenditure as disclosed in note 40 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the irregular expenditure was caused by acting allowances paid that were not in accordance with approved pay scales.

Assets under management

29. Not all investment activities performed complied with investment policies, as required by section 10(1) of the Investment Corporation Amendment Act, 2019 (Act no. 14 of 2019) (PIC Amendment Act). The following are instances of the non-compliance identified:
    - An amendment to the approving committee conditions of an investment was not approved in terms of the approved delegation of authority.
    - Management did not perform a confirmatory due diligence in accordance with the approved delegation of authority, for an investment with a lapse in time of greater than six months since the last completed due diligence.

OTHER INFORMATION IN THE ANNUAL REPORT

30. The accounting authority is responsible for the other information included in the annual report, which includes the directors' report, the audit committee's report and the company secretary's certificate, as required by the Companies Act of South Africa. The other information referred to 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 on in this auditor's report.
31. My opinion on the financial statements, the report on the audit of the annual performance report and the report on compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.
32. My responsibility is to read this other information and, in doing so, consider whether it 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.
33. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

INTERNAL CONTROL DEFICIENCIES

34. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation. However, my objective was not to express any form of assurance on it.
35. The matters reported below are limited to the significant internal control deficiencies that resulted in the material findings on the annual performance report and the material findings on compliance with legislation included in this report.
36. Due to oversight, management did not ensure that the public entity has an approved technical indicator description document that details the definitions and technical standards of all the information collected for the purposes of the annual performance report as well as the processes for identifying, collecting, collating, verifying, and storing information. This is due to a slow management response in addressing prior year recommendation.
37. Management did not adequately review the corporate plan and the annual performance report to ensure that:
    - The targets for all strategic objectives express a specific level of performance that the auditee is aiming to achieve with this performance measure/indicator and the targets are relevant to the strategic objective; and
    - Reported achievement is consistent with the planned targets and indicators.
38. Management did not in all instances take reasonable steps to ensure the irregular expenditure is prevented by complying with the operational policies due to lack of oversight.
39. Management did not implement adequate measures to ensure compliance with investment policies to ensure compliance with section 10(1) of the PIC Amendment Act.

OTHER REPORTS

40. I draw attention to the following engagements conducted by various parties. 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.
41. At the request of the PIC, a limited assurance engagement was conducted by AGSA to review compliance with section 19(3) of the Financial Advisory and Intermediary Services Act 37 of 2002. The report covered the period 1 April 2023 to 31 March 2024 and was issued on 31 July 2024.
42. At the request of the PIC, a limited assurance engagement was conducted by AGSA on the assets under management quarterly assets allocation reports in terms of section B.2 (H) of the currency and exchange manual for authorised dealers. The report covered the quarters ended 30 June 2021, 30 September 2021, 31 December 2021 and 31 March 2022.

Auditor General

Pretoria
31 July 2024

AUDITOR-GENERAL
SOUTH AFRICA

ANNEXURE TO THE AUDITOR'S REPORT

The annexure includes the following:

- The Auditor-General's responsibility for the audit; and
- The selected legislative requirements for compliance testing.

Auditor-General's responsibility for the audit

Professional judgment and professional scepticism

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 public entity's compliance with selected requirements in key legislation.

Financial statements

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 public entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made;
- conclude on the appropriateness of the 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 entity 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 a public entity to cease operating as a going concern; and
- 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

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.

I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence and 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.

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

LEGISLATION	SECTIONS OR REGULATIONS
Public Finance Management Act No 1 of 1999 (PFMA)	Section 50(3)(b); 51(1)(a)(iii); 51(1)(b)(i); Section 51(1)(b)(ii); 51(1)(e)(iii); 52(b); Section 54(2)(c); 54(2)(d); 55(1)(a); 55(1)(b); Section 55(1)(c)(i); 56; 57(b); 57(d); 66(3)(b)
Treasury Regulations, 2005	Regulation 29.1.1; 29.1.1(a); 29.1.1(c); 29.2.1; Regulation 29.2.2; 29.3.1; 31.1.2(c); 31.2.5; Regulation 31.2.7(a); 33.1.1; 33.1.3
Companies Act 71 of 2088	Section 45(2); 45(3)(a)(ii); 45(3)(b)(i); 45(3)(b)(ii); Section 45(4); 46(1)(a); 46(1)(b); 46(1)(c); Section 112(2)(a); 129(7)
Construction Industry Development Board Act, 2000	Section 18(1)
Construction Industry Development Board Act Regulations	Regulation 17; 25(7A)
Erratum National Treasury Instruction Note 5 of 2020/21	Paragraph 1
Erratum National Treasury Instruction Note 5 of 2020/21	Paragraph 2
National Treasury Instruction Note 4 of 2015/16	Paragraph 3.4
National Treasury Instruction Note 5 of 2020/21	Paragraph 4.8; 4.9; 5.3
National Treasury Supply Chain Management Instruction Note 3 of 2021/22	Paragraph 4.2;
National Treasury Supply Chain Management Instruction Note 11 of 2020/21	Paragraph 3.1; 3.4(b); 3.9
Preferential Procurement Policy Framework Act, 2000 (Act No 5 of 2000)	Section 1; 2.1(a); 2.1(f)
Preferential Procurement Regulations 2022	Regulation 4.1; 4.2; 4.3; 4.4; 5.1; 5.2; 5.3; 5.4
Preferential Procurement Regulations 2017	Regulation 4.1; 4.2; 5.1; 5.3; 5.6; 5.7; 6.1; 6.2; Regulation 6.3; 6.5; 6.6; 6.8; 7.1; 7.2; 7.3; 7.5; Regulation 7.6; 7.8; 8.2; 8.5; 9.1; 10.1; 10.2; Regulation 11.1; 11.2
Prevention and Combatting of Corrupt Activities Act, 2004 (Act No 12 of 2004)	Section 34(1)
Public Investment Corporation Act, 2004 (Act No 23 of 2004) (PIC Act) and the Public Investment Corporation Amendment Act, 2019 (Act No 14 of 2019) (PIC Amendment Act)	Section 10(1), 10(2), 10(3) , 10(4) and 10(5)

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2024

Figures in Rand thousand	Note(s)	2024	2023
Assets			
Non-current Assets			
Property, plant and equipment	4	33,856	39,087
Right-of-use assets	5	70,247	87,030
Intangible assets	6	44,180	45,396
Investments in associates	7	366,235	356,328
Deferred tax	10	150,558	149,441
		665,076	**677,282**
Current Assets			
Trade and other receivables	12	361,902	337,021
Financial assets at fair value through profit or loss	8	2,841,779	2,327,797
Financial assets at amortised cost	13	171,425	38,165
Current tax receivable	11	-	16,258
Cash and cash equivalents	14	577,072	1,134,303
		3,952,178	**3,853,544**
Total Assets		**4,617,254**	**4,530,826**
Equity and Liabilities			
Equity			
Share capital	15	1	1
Reserves	16&17	972,330	962,980
Retained income		3,062,686	2,932,707
		4,035,017	**3,895,688**
Liabilities			
Non-current Liabilities			
Lease liabilities	5	100,808	129,323
Provisions	18	235,122	118,531
		335,930	**247,854**
Current Liabilities			
Trade and other payables	19	50,547	30,957
Lease liabilities	5	30,823	26,115
Current tax payable	11	67,861	-
Provisions	18	97,076	231,212
Dividend payable	29	-	99,000
		246,307	**387,284**
Total Liabilities		**582,237**	**635,138**
Total Equity and Liabilities		**4,617,254**	**4,530,826**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2024

Figures in Rand thousand	Note(s)	2024	2023
Revenue	20	1,261,755	1,220,432
Other operating income	21	7,796	3,420
Unrealised loss on financial assets at fair value through profit/loss	22	(35,870)	(125,135)
Impairment gain on financial assets at amortised cost	22	151	96
Other operating expenses	22	(1,132,319)	(1,070,212)
Operating profit	22	**101,513**	**28,601**
Investment income	23	265,803	253,397
Finance costs	24	(15,892)	(11,458)
Income from equity accounted investments	7	557	14,184
Profit before taxation		**351,981**	**284,724**
Taxation	25	(81,002)	(62,995)
Profit for the year		**270,979**	**221,729**
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Share of comprehensive income of equity accounted investments	7	9,350	-
Other comprehensive income for the year net of taxation		**9,350**	-
Total comprehensive income for the year		**280,329**	**221,729**

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2024

Figures in Rand thousand	Share capital	Foreign currency translation reserve	Non-distributable reserves	Retained income	Total equity
Balance at 01 April 2022	1	27,388	935,592	2,710,978	3,673,959
Profit for the year	-	-	-	221,729	221,729
Total comprehensive income for the year	-	-	-	221,729	221,729
Balance at 01 April 2023 as previously reported	1	27,388	935,592	2,932,707	3,895,688
Profit for the year	-	-	-	270,979	270,979
Other comprehensive income	-	9,350	-	-	9,350
Total comprehensive income for the year	-	9,350	-	270,979	280,329
Dividends declared	-	-	-	(141,000)	(141,000)
Total contributions by and distributions to owners of company recognised directly in equity	-	-	-	(141,000)	(141,000)
Balance at 31 March 2024	1	36,738	935,592	3,062,686	4,035,017
Note(s)	15	16	17		

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2024

Figures in Rand thousand	Note(s)	2024	2023
Cash flows from operating activities			
Cash generated from operations	26	218,757	128,455
Interest received	29	220,647	143,132
Dividends paid		(240,000)	-
Interest paid	5	(10,178)	(11,380)
Tax paid	27	(74,781)	(87,965)
Net cash from operating activities		**114,445**	**172,242**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(8,159)	(4,082)
Purchase of intangible assets	6	-	(1,677)
Financial assets at amortised cost – additions		(590,000)	(5,457)
Financial assets at amortised cost – disposals		446,999	67,276
Purchase of investments at fair value		(876,930)	(57,077)
Sale of investments at fair value		326,365	135,568
Dividends received from listed investments	23	55,762	52,899
Dividends received from associates		-	3,220
Net cash from investing activities		**(645,963)**	**190,670**
Cash flows from financing activities			
Payment on lease liabilities	5	(25,713)	(21,017)
Total cash movement for the year		**(557,231)**	**341,895**
Cash at the beginning of the year		1,134,303	792,408
Total cash and cash equivalents at the end of the year	14	**577,072**	**1,134,303**

ACCOUNTING POLICIES

1. Presentation of annual financial statements

The principal accounting policies applied in the preparation of these Annual Financial Statements are set out below.

1.1 Basis of preparation

The Annual Financial Statements were prepared on the going - concern basis in accordance with International Financial Reporting Standards (IFRS), International Financial Reporting Interpretations Committee (IFRIC) interpretations issued, South African Institute of Chartered Accountants Financial Reporting Guides issued by the Accounting Practices Committee, Financial Reporting Pronouncements issued by the Financial Reporting Standards Council, the Public Finance Management Act (PFMA) and effective at the time of preparing these Annual Financial Statements and the requirements of the Companies Act.

The Annual Financial Statements were prepared on the historic cost convention, unless otherwise stated in the accounting policies that follow and incorporate the principal accounting policies set out below. They are presented in Rands, which is the Company's functional currency.

These accounting policies are consistent with the previous period. No new standard nor amendment was adopted by the PIC in the review year. Refer to notes 2 and 3 for new IFRS standards and amendments.

1.2 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 in the next financial year are discussed below.

Revenue recognition

In making its judgment, management considered the detailed criteria for the recognition of revenue set out in IFRS 15 and, in particular, the committed capital and fees clawback.

The PIC has assessed the reduction of the fund size of the Isibaya Fund III with committed capital of R25 billion as lower and based on the assessment performed the PIC should be able to deploy the R25 billion within five years of the committed period. As such, the clawback risk was assessed as low at year-end. The PIC has not collected any performance fees to consider any clawback.

Long-term employee incentives

Long-term employee incentives are recognised and accrued in the year the service was rendered, but paid only after the vesting period. The trigger for the allocation is if the Company has made at least 10% of net income over management fees and achieved a performance rating of 3.

The scheme is to attract, retain and reward high-performing management. The Company's management is eligible to participate in the scheme only if the Company achieves an overall performance rating of 3 and if a manager achieves a minimum individual performance rating of 3.5.

The long-term incentive pool is measured at 36% of a certain percentage (based on the Company score as per the remuneration policy) of the profit before tax. The assumption includes a % of probability of payment based on payment history and considering the time value of money (if material). Refer to note 18.

Contingent liabilities

In terms of IAS 37 Provisions, Contingent Liabilities and Contingent Assets (IAS 37), contingent liabilities are possible obligations whose existence will be confirmed by uncertain future events that are not wholly within the control of the entity. Various judgments and assumptions are, therefore, required to determine the possible obligation and if contingent liabilities are required to be disclosed. To assess significant matters including potential litigation and claims, management relies on the advice of the Company's legal department. Refer to note 39 for details of contingencies disclosed.

Expected credit loss

The expected credit loss (ECL) for financial assets is 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 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. 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 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.

1.3 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:

- 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.

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.

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
Information technology (IT) equipment	3 – 5 years
Leasehold improvements	2 – 10 years or lease term

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.

1.4 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.

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 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 affect the useful lives.

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.

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

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

1.5 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 by 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 (OCI). 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). 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. If the associates reports profits, the Company resumes recognising 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.

In applying the equity method, the Company uses 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 will 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. 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.

1.6 Financial instruments

Recognition and initial measurement

Financial assets or financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument.

Except for trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, at initial recognition, the Company shall measure a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Classification

Financial assets

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

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Company may irrevocably designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an 'accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

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; and
- 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.

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

Financial liabilities

An entity shall classify all financial liabilities as subsequently measured at amortised cost, except for:

- financial liabilities at FVTPL. Such liabilities, including derivatives that are liabilities, shall be subsequently measured at fair value;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies;
- financial guarantee contracts;
- commitments to provide a loan at a below market interest rate; and
- contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies.

Reclassification:

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

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.

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 at 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 instruments 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 results 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

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 payables and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

Trade and other payables 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 payables 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.

1.7 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.

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 or OCI.

A deferred tax liability shall be recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

- the initial recognition of goodwill; or
- the initial recognition of an asset or liability in a transaction that:
    - is not a business combination;
    - at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss); and
    - at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.

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.

A transaction that is not a business combination may lead to the initial recognition of an asset and a liability and, at the time of the transaction, affect neither accounting profit nor taxable profit. For example, at the commencement date of a lease, a lessee typically recognises a lease liability and the corresponding amount as part of the cost of a right-of-use asset. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of the asset and liability in such a transaction. The exemption provided by paragraphs 15 and 24 of IAS 12 does not apply to such temporary differences and an entity recognises any resulting deferred tax liability and asset.

A deferred tax asset shall be recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that:

- is not a business combination;
- at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss); and
- at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.

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 that is recognised, in the same or a different period, directly to equity or 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.

1.8 Leases

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 the consideration in the contract to each lease component on the basis of its relative stand alone price. However, for the lease of head office premises 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; and
- variable lease payments that depend on a rate or index.

After the commencement date, a lessee shall measure the lease liability by:

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made; and
- remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in substance fixed lease payments.

The Company presents lease assets under right-of-use assets and the related liabilities under lease liabilities on the face of 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 their relative stand alone 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.

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 remeasurement of the lease liability.

Depreciation is calculated using the straight-line method over the lease term, as follows:

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

1.9 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.

1.10 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 (if unpaid) 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.

1.11 Non-distributable reserves and other reserves

Foreign currency reserve

The Company has associates that have foreign operations that are based outside of South Africa, and the foreign operation has a functional currency that is different from the Company's presentation currency (that is, the Rand). A foreign operation is a subsidiary, associate, joint venture, or branch whose activities are based in a country or currency other than that of the reporting entity. The functional currency is the currency of the primary economic environment in which the entity operates.

Prior to equity accounting, the assets and liabilities of non-Rand operations are translated at the closing rate and items of income, expense and OCI are translated into Rand at the rate on the date of the transactions. Exchange differences arising on the translation of foreign operations are recognised in OCI and accumulated in the foreign currency translation reserve. The amount recognised in such reserve is transferred to profit or loss when the company loses significant influence over the foreign operation or upon partial disposal of the operation.

Non-distributable reserves

The Company makes a transfer of profits to the non-distributable reserve on an annual basis. These reserves are not available for distribution.

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

1.12 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 accrual, regardless of the time of paying those expenses.

1.13 Employee benefits

Short-term employee benefits

Short-term employee 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 services provided by the employee and the obligation can be estimated reliably.

Long-term incentives

On an annual basis, the long-term Incentive (LTI) 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 affect 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 lower than expected) and investment risk (that assets invested will be insufficient to meet expected benefits) fall on the employee.

1.14 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.

Provisions are not recognised for future operating losses.

1.15 Irregular, fruitless and wasteful expenditure

Irregular expenditure

When confirmed, irregular expenditure must be recorded in the notes to the financial statements. The amount to be recorded in the notes must be equal to the value of the irregular expenditure incurred unless it is impracticable to determine the value thereof.

Where such impracticality exists, the reasons must be provided in the notes. Irregular expenditure must be removed from the notes when it is:

- condoned by National Treasury or the relevant authority;
- it is transferred to receivables for recovery; or
- it is not condoned and is irrecoverable.

A receivable related to irregular expenditure is measured at the amount that is expected to be recovered and must be derecognised when the receivable is settled or subsequently written off as irrecoverable.

Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is incurred when the resulting expenditure is made in vain and would have been avoided had reasonable care been exercised.

The financial statements of the public entity must include the following related to fruitless and wasteful expenditure for that financial year:

- any material losses through criminal conduct and any fruitless and wasteful expenditure that occurred during the financial year;
- any criminal or disciplinary steps taken as a consequence of fruitless and wasteful; and
- any losses recovered or written off.

1.16 Revenue from contracts with customers

Revenue relates to asset management fees, which comprise fees earned on equities, properties, fixed income, and unlisted debt and equities 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 client 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 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 client;
    - 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; and
    - Revenue earned from management fees is recognised over time based on the annual management fees percentage per contract with clients and on direct measurement of the value to the client of the services transferred i.e. output method. The Company has elected to apply the practical expedient and therefore it does not adjust the promised amount of consideration for the effect of significant financing components since the payment will be within one year.
- 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 of managing the portfolio of investments on behalf of clients. 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 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 client 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 Company's 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 Related party

The entity operates in an economic sector currently dominated by entities directly or indirectly owned by the South African government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, management in their dealings with the entity.

1.20 Subsequent events

Events after the reporting period

It is an event, which could be favourable or unfavourable, that occurs between the end of the reporting period and the date that the financial statements are authorised for issue. The Company adjusts its financial statements for events after the reporting period that provide further evidence of conditions that existed at the end of the reporting period, including events that indicate that the going-concern assumption in relation to the whole or part of the enterprise is not appropriate. If the Company receives information after the reporting period about conditions that existed at the end of the reporting period, it shall update amounts and disclosures that relate to those conditions in light of the new information.

The Company does not adjust its financial statements for events or conditions that are indicative of conditions that arose after the reporting period. If the events are material, they will be disclosed in the Annual Financial Statements. If the Company declares dividends after the reporting period, the entity shall not recognise those dividends as a liability at the end of the reporting period but shall disclose those dividends (and related amount per share).

1.21 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.

1.22 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 standard.

1.23 Rounding

Figures disclosed in the tables of the Annual Financial Statements are in Rand thousands and the ones in the notes are in the actual Rand amounts.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2024

2. Adoption of new standard and amendments

The new standard and amendments had no impact on the PIC. Refer to note 3.

3. New standards and interpretations

3.1 Standards and interpretations that are effective in the current year

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

Standard/interpretation:	Changes and effective date	Expected impact:
› IFRS 17 Insurance Contracts	IFRS 17 creates one accounting model for all insurance contracts in all jurisdictions that apply IFRS. IFRS 17 requires an entity to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and take into account any uncertainty relating to insurance contracts. The financial statements of an entity will reflect the time value of money in estimated payments required to settle incurred claims. Insurance contracts are required to be measured based only on the obligations created by the contracts. An entity will be required to recognise profits as an insurance service is delivered, rather than on receipt of premiums. This standard replaces IFRS 4 Insurance Contracts. Aside from this general model, the standard provides, as a simplification, the premium allocation approach. This simplified approach is applicable for certain types of contract, including those with a coverage period of one year or less. For insurance contracts with direct participation features, the variable fee approach applies. The variable fee approach is a variation on the general model. When applying the variable fee approach, the entity's share of the fair value changes if the underlying items are included in the contractual service margin. As a consequence, the fair value changes are not recognised in profit or loss in the period in which they occur but over the remaining life of the contract. Annual periods beginning on or after 1 January 2023.	There is no impact on the PIC financial statements as the PIC is not in the insurance business. This standard does not apply to the PIC and will not be part of note 2 of the Annual Financial Statements.

Standard/interpretation:	Changes and effective date	Expected impact:
IFRS 17 Insurance Contracts, amendments	In response to some of the concerns and challenges raised, the IASB developed targeted amendments and a number of proposed clarifications intended to ease implementation of IFRS 17 and simplify some requirements of the standard and ease transition. The amendments relate to eight areas of IFRS 17, and they are not intended to change the fundamental principles of the standard or unduly disrupt implementation already underway. Annual periods beginning on or after 1 January 2023.	There is no impact on the PIC financial statements as the PIC is not in the insurance business. This standard does not apply to the PIC and will not be part of note 2 of the Annual Financial Statements.
IFRS 17 Insurance Contracts, amendments to initial application of IFRS 17 and IFRS 9, comparative information	For entities that apply IFRS 17 and IFRS 9 at the same time, the amendment relates to financial assets for which comparative information presented on initial application of IFRS 17 and IFRS 9 has not been restated for IFRS 9 (including financial assets that have been derecognised in the comparative period). Applying the amendment, an entity is permitted to present comparative information about such financial assets as if the classification and measurement requirements of IFRS 9 had been applied to the financial assets. The option is available on an instrument-by-instrument basis. In applying the classification overlay to a financial asset, an entity is not required to apply the impairment requirements of IFRS 9. The amendment is also available for entities that have applied IFRS 9 before they apply IFRS 17. For these entities, the classification overlay applies to financial assets that have been derecognised in the comparative period and permit an entity to apply the redesignation requirements of IFRS 17 based on how the entity expects the asset would have been designated at initial application of IFRS 17. Effective for annual reporting periods beginning on or after 1 January 2023.	There is no impact on the PIC financial statements as the PIC is not in the insurance business. This standard does not apply to the PIC and will not be part of note 2 of the Annual Financial Statements.

3.1 Standards and interpretations that are effective in the current year (continued)

Standard/interpretation:	Changes and effective date	Expected impact:
› IFRS 4 extension of the temporary exemption from applying IFRS 9	The Board has issued amendments to IFRS 17, which make targeted amendments to the following aspects of IFRS 17: Deferral to 1 January 2023 of the effective date of IFRS 17 and the fixed expiry date for the temporary exception in IFRS 4 from applying IFRS 9. Scope exclusion for credit card contracts and similar contracts and optional scope exclusion for loan contracts with insurance coverage limited to the loan amount. Recognition of insurance acquisition cash flows relating to expected contract renewals, including guidance for insurance acquisition cash flows recognised in a business combination. Application of IFRS 17 in interim financial statements. Allocation of contractual service margin attributable to investment return service and investment-related service. The Board has issued amendments to IFRS 17, which makes targeted amendments to the following aspects of IFRS 17: › Risk mitigation option using instruments other than derivatives. › Recovery of losses from underlying insurance contracts through reinsurance contracts held. › Presentation in the statement of financial position. › Transition issues: classification of contracts acquired in their settlement period. › Guidance on the restatement of the risk mitigation option applied in prior periods. › Minor application issues. The amendments are effective for annual periods beginning on or after 1 January 2023 with earlier application permitted. They are applied retrospectively in accordance with IAS 8. Effective for annual periods beginning on or after 01 January 2023.	There is no impact on the PIC financial statements for the year ended 31 March 2024 as PIC does not have any supplier finance arrangements.

Standard/interpretation:	Changes and effective date	Expected impact:
IAS 1 and IFRS Practices Statement 2, amendments to disclosure of accounting policies	The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2. Effective for annual periods beginning on or after 01 January 2023.	There is no impact on the PIC financial statements for the year ended 31 March 2024 as the PIC discloses its material accounting policy information in its Annual Financial Statements.
IAS 8, amendments to the definition of accounting estimates	The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are 'monetary amounts in financial statements that are subject to measurement uncertainty'. Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error. Effective for annual periods beginning on or after 01 January 2023.	There is no impact on the PIC financial statements as this is a change in definition.
IAS 12 Amendments, Deferred Tax related to Assets and Liabilities arising from a Single Transaction	The amendment clarifies how a company accounts for income tax, including deferred tax, which represents tax payable or recoverable in the future. In specified circumstances, companies are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations by clarifying when the exemption from recognising deferred tax would apply to the initial recognition of such items. Effective for annual periods beginning on or after 01 January 2023.	There is no impact on the PIC financial statements as PIC early adopted the amendments in the prior year.

3.1 Standards and interpretations that are effective in the current year (continued)

Standard/interpretation:	Changes and effective date	Expected impact:
› IAS 12 Amendments, International Tax Reform — Pillar Two Model Rules	The IASB published amendments to IAS 12 to introduce a temporary exception from accounting for deferred taxes arising from the implementation of the Organisation for Economic Cooperation and Development Pillar Two model rules, together with targeted disclosure requirements for affected entities. Applying the exception, an entity does not recognise deferred tax assets and liabilities related to the Pillar Two income taxes. It also does not disclose any information about these deferred tax assets and liabilities. In periods in which Pillar Two legislation is enacted or substantively enacted, but not yet in effect, an entity is required to disclose known or reasonably estimable information that helps users of financial statements understand the entity's exposure to Pillar Two income taxes arising from that legislation. The amendments require that an entity applies the exception – and the requirement to disclose that it has applied the exception – immediately upon issuance of the amendments and retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Effective for annual periods beginning on or after 01 January 2023.	The amendment will not have an impact on the PIC financial statements for the year ended 31 March 2024 as the PIC is not a multinational entity.

3.2 Standards and interpretations not yet effective in the current year

Standard/interpretation:	Changes and effective date	Expected impact:
› IFRS 7 Financial Instruments: Disclosures	Supplier finance arrangements: The amendment supplements existing disclosure requirements by requiring a company to disclose specific information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the company's liabilities and cash flows and on the company's exposure to liquidity risk. Effective for annual periods beginning on or after 01 January 2024.	There is no impact on the PIC financial statements for the year ended 31 March 2024 as PIC does not have any supplier finance arrangements.

Standard/interpretation:	Changes and effective date	Expected impact:
IFRS 16 Leases	Lease liability in a sale and leaseback: The narrow scope amendment requires a seller lessee in a sale and leaseback transaction to determine 'lease payments' or 'revised lease payments' in a way that the seller lessee would not recognise any amount of a gain or loss relating to the right of use retained by the seller lessee. The new requirement does not prevent the seller lessee from recognising in profit or loss any gain or loss relating to the partial or full termination of a lease. Effective for annual periods beginning on or after 01 January 2024.	There is no impact on the PIC financial statements as the PIC does not have sale and leaseback transactions.
IAS 1 Presentation of Financial Statements	Classification of liabilities as current or non-current: Narrow scope amendments to IAS 1 to clarify how to classify debt and other liabilities as current or non-current. Effective for annual periods beginning on or after 01 January 2024.	There is no impact on the PIC financial statements as the PIC does not have long-term debt.
IAS 1 Presentation of Financial Statements	Non current liabilities with covenants: The amendment clarifies that only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current, with additional guidance to explain how an entity should disclose information in the notes to understand the risk that non-current liabilities with covenants could become repayable within 12-months. Effective for annual periods beginning on or after 01 January 2024.	There is no impact on the PIC financial statements as the PIC does not have debt.
IAS 7 Statement of Cash Flows	Supplier finance arrangements: The amendment supplements existing disclosure requirements by requiring a company to disclose specific information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the company's liabilities and cash flows and on the company's exposure to liquidity risk. Effective for annual periods beginning on or after 01 January 2024.	There is no impact on the PIC financial statements as the PIC does not have supplier finance arrangements.
IAS 21 The Effects of Changes in Foreign Exchange Rates	Lack of exchangeability: The amendments require an entity to apply a consistent approach to assessing whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide. Effective for annual periods beginning on or after 01 January 2025.	There is no impact on the PIC financial statements as the PIC does not deal with currencies that are not exchangeable.

3.2 Standards and interpretations not yet effective in the current year (continued)

Standard/interpretation:	Changes and effective date	Expected impact:
› IFRS S1 General requirements for disclosure of Sustainability-related financial information	The objective of IFRS S1 is to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to the primary users of general purpose financial reports in making decisions relating to providing resources to the entity. Information about sustainability-related risks and opportunities is useful to primary users because an entity's ability to generate cash flows over the short-, medium- and long term is inextricably linked to the interactions between the entity and its stakeholders, society, the economy and the natural environment throughout the entity's value chain. Together, the entity and the resources and relationships throughout its value chain form an interdependent system in which the entity operates. The entity's dependencies on those resources and relationships and its impacts on those resources and relationships give rise to sustainability-related risks and opportunities for the entity. Effective for annual periods beginning on or after 01 January 2024.	Sustainability-related financial information assessment is underway.
› IFRS S2 Climate-related disclosures	The objective of IFRS S2 is to require an entity to disclose information about its climate-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity. IFRS S2 applies to: › Climate-related risks to which the entity is exposed, which are climate-related physical risks and climate-related transition risks; and › Climate-related opportunities available to the entity. Effective for annual periods beginning on or after 01 January 2025.	Sustainability-related financial information assessment is underway.

4. Property, plant and equipment

Figures in Rand thousand			2024			2023
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Furniture and fixtures	16,906	(13,432)	3,474	16,929	(12,407)	4,522
Motor vehicles	409	(188)	221	409	(137)	272
Office equipment	20,820	(16,099)	4,721	17,908	(14,198)	3,710
IT equipment	22,926	(13,846)	9,080	19,809	(11,104)	8,705
Leasehold improvements	54,081	(37,721)	16,360	53,874	(31,996)	21,878
TOTAL	**115,142**	**(81,286)**	**33,856**	**108,929**	**(69,842)**	**39,087**

Reconciliation of property, plant and equipment – 2024

	Opening balance	Additions	Write-off	Depreciation	Total
Furniture and fixtures**	4,522	-	(5)	(1,043)	3,474
Motor vehicles	272	-	-	(51)	221
Office equipment	3,710	3,037	-	(2,026)	4,721
IT equipment**	8,705	4,914	(128)	(4,411)	9,080
Leasehold improvements	21,878	208	-	(5,726)	16,360
	39,087	**8,159**	**(133)**	**(13,257)**	**33,856**

**Write-off relates to stolen laptops and broken furniture.

Reconciliation of property, plant and equipment – 2023

	Opening balance	Additions	Write-off	Depreciation	Total
Furniture and fixtures	5,554	9	-	(1,041)	4,522
Motor vehicles	324	-	-	(52)	272
Office equipment	5,379	2	(75)	(1,596)	3,710
IT equipment*	8,804	4,071	(70)	(4,100)	8,705
Leasehold improvements	27,575	-	-	(5,697)	21,878
	47,636	**4,082**	**(145)**	**(12,486)**	**39,087**

*The IT equipment write-off relates to stolen laptops.

5. Right of use

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

Net carrying amounts of right-of-use assets

The carrying amounts of right-of-use assets are as follows:

Figures in Rand thousand	2024	2023
Office buildings – cost	269,766	269,766
Office buildings – accumulated depreciation	(204,435)	(187,012)
IT equipment – cost	4,501	4,501
IT equipment – accumulated depreciation	(1,125)	(225)
Office equipment – cost	1,907	-
Office equipment – accumulated depreciation	(367)	-
Total right of use assets carrying amount	**70,247**	**87,030**

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

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 2024 is three years and nine months; and
- No option to extend, no option to purchase, the lease payments are not linked to an index and no termination option.

Printers

- Printers leased by the PIC for operations;
- Lease term three years and two years extension period;
- Remaining term at 31 March 2024 is one year and nine months and two years extension period; and
- No option to purchase, the lease payments are not linked to an index and no termination option.

Security scanners

- Security scanners leased by the PIC for operations;
- Lease term 5 years with no option for an extension period;
- Remaining term at 31 March 2024 is four years and one month; and
- No option to purchase, the lease payments are not linked to an index and no termination option.

Additions to right-of-use assets

Figures in Rand thousand	2024	2023
Office equipment	1,907	4,501

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	2024	2023
Buildings	17,422	17,422
Office equipment	367	-
IT equipment	900	225
	18,689	**17,647**

Other disclosures		
Interest expense on lease liabilities	10,178	11,457
Lease interest paid	10,178	11,380
Lease liability capital paid	25,713	21,017
Total cash outflow from leases	35,890	32,397

Lease liabilities		
The maturity analysis of lease liabilities is as follows:		
Within one year	39,049	36,170
Two to five years	111,011	147,516
	150,060	**183,686**
Less finance charges component	(18,429)	(28,248)
	131,631	**155,438**
Non-current liabilities	100,808	129,323
Current liabilities	30,823	26,115
	131,631	**155,438**

6. Intangible assets

Figures in Rand thousand			2024			2023
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	44,644	(943)	43,701	49,469	(4,552)	44,917
Other intangible assets	479	-	479	479	-	479
Total	**45,123**	**(943)**	**44,180**	**49,948**	**(4,552)**	**45,396**

Reconciliation of intangible assets – 2024

	Opening balance	Amortisation	Total
Computer software	44,917	(1,216)	43,701
Other intangible assets	479	-	479
	45,396	**(1,216)**	**44,180**

This relates to externally generated intangible assets.

Included in other intangible assets is an enterprise content management application. This application has an indefinite useful life.

The company will continue to use this application for as long as it continues its operations. This application is not amortised but is tested for impairment annually.

Reconciliation of intangible assets – 2023

	Opening balance	Additions	Amortisation	Total
Computer software	46,864	1,677	(3,624)	44,917
Other intangible assets	479	-	-	479
	47,343	**1,677**	**(3,624)**	**45,396**

7. 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) (Pty) Limited 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 1). Harith Fund Managers (Pty) Limited is also responsible, on behalf of PAIDF 1, for the provision of specified administrative services relating to the operations of the PAIDF 1. Harith Fund Managers (Pty) Limited assists the Company in carrying out its mandate as it relates to infrastructure in both South Africa and the rest of the continent. The life-cycle of PAIDF 1 fund came to an end. The financial year-end of Harith Fund Managers (Pty) Limited is 31 March.

Harith General Partners (Pty) Limited is a company established in South Africa in 2006, 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 PAIDF 2. PAIDF 2 is still operational. The financial year end of Harith General Partners (Pty) Limited is 31 March.

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 Financial Advisory and Intermediary Services 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 Sector Conduct Authority to underwrite all classes of business as defined in the Short-term Insurance Act of 1998. Bophelo Life and NIS are currently going through liquidation. The financial year-end of BIG is 28 February.

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. The Company has a right to elect a director in SA SME Fund. The financial year-end of the SA SME Fund is 28 February.

7. Investments in associates (continued)

Equity accounting of associates

The associates' equity accounting is based on the draft trial balance of the associates. When the PIC receives the final signed Annual Financial Statements of the associates it will consider if the differences between the draft trial balance and the final signed statements are material and it will then process the necessary adjustment if material.

Included in the review year, associates' equity accounting are adjustments that relate to prior year differences between the draft 2023 trial balance and the final signed associates' 2023 Annual Financial Statements.

	2024	2023	2024	2023
Name of company	% ownership interest		Carrying amount	
Harith Fund Managers (Pty) Limited	46.00%	46.00%	(1,937)	(2,849)
Harith General Partners (Pty) Limited	30.00%	30.00%	272,819	266,234
Bophelo Insurance Group	30.00%	30.00%	-	-
South African SME Fund Limited	7.21%	7.21%	95,353	92,943
			366,235	**356,328**

The PIC has significant influence in SA SME due to the following:

- The PIC is entitled to one seat on the board of SA SME;
- The SME Fund has a maximum of 12 board members; and
- The PIC (as the asset manager) is involved in decisions about dividends or other distributions.

Associates

The following are the associates of the Company:

			2024	2023
	Country of incorporation	Method	% Ownership interest	
Harith Fund Managers (Pty) Limited	South Africa	Equity accounting	46%	46%
Harith General Partners (Pty) Limited	South Africa	Equity accounting	30%	30%
Bophelo Insurance Group	South Africa	Equity accounting	30%	30%
South African SME Fund Limited	South Africa	Equity accounting	7.21%	7.21%

Summarised financial information of material associates

Figures in Rand thousand **2024**

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	Other comprehensive income attributable to the Company
Harith Fund Managers (Pty) Limited	94,391	1,983	-	1,983	912	-
Harith General Partners (Pty) Limited	200,607	(9,701)	31,165	21,464	(2,765)	9,350
South African SME Fund Limited	82,638	26,551	-	26,551	2,410	-
	377,636	**18,833**	**31,165**	**49,998**	**557**	**9,350**

Summarised statement of financial position	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Total net assets
Harith Fund Managers (Pty) Limited	-	7,445	-	181	7,264
Harith General Partners (Pty) Limited	536,542	394,132	29,700	66,753	834,221
South African SME Fund Limited	1,132,097	554,400	365,283	10,911	1,310,303
	1,668,639	**955,977**	**394,983**	**77,845**	**2,151,788**

Reconciliation of net assets to equity accounted investments in associates	Total net assets
Harith Fund Managers (Pty) Limited	7,264
Harith General Partners (Pty) Limited	834,221
South African SME Fund Limited	1,310,303
	2,151,788

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	(2,849)	912	-	(1,937)
Harith General Partners (Pty) Limited	266,234	(2,765)	9,350	272,819
South African SME Fund Limited	92,943	2,410	-	95,353
	356,328	**557**	**9,350**	**366,235**

7. Investments in associates (continued)

Summarised financial information of material associates

Figures in Rand thousand					2023
Summarised statement of profit or loss and other comprehensive income	Revenue	Profit/(loss)	Total comprehensive income	Profit/(loss) attributable to the Company	Dividend received from associate
Harith Fund Managers (Pty) Limited	110,934	2,007	2,007	923	3,220
Harith General Partners (Pty) Limited	205,201	46,609	46,609	13,983	-
South African SME Fund Limited	76,453	(10,018)	(10,018)	(722)	-
	392,588	**38,598**	**38,598**	**14,184**	**3,220**

Summarised statement of financial position	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Total net assets
Harith Fund Managers (Pty) Limited	578	4,952	-	15	5,515
Harith General Partners (Pty) Limited	420,942	512,108	22,684	55,891	854,475
South African SME Fund Limited	896,572	556,951	167,263	10,382	1,275,878
	1,318,092	**1,074,011**	**189,947**	**66,288**	**2,135,868**

Reconciliation of net assets to equity accounted investments in associates	Total net assets
Harith Fund Managers (Pty) Limited	5,515
Harith General Partners (Pty) Limited	854,475
South African SME Fund Limited	1,275,878
	2,135,868

Reconciliation of movement in investments in associates	Investment at beginning of financial year	Share of profit	Dividends received from associates	Investment at end of the financial year
Harith Fund Managers (Pty) Limited	(552)	923	(3,220)	(2,849)
Harith General Partners (Pty) Limited	252,251	13,983	-	266,234
South African SME Fund Limited	93,665	(722)	-	92,943
	345,364	**14,184**	**(3,220)**	**356,328**

8. Financial assets at fair value through profit or loss

All financial assets at fair value through profit or loss are designated at initial recognition and subsequently measured at fair value through profit or loss.

Figures in Rand thousand	2024	2023
Current assets		
Listed shares	1,206,936	940,101
Bonds	1,634,843	1,387,696
	2,841,779	**2,327,797**

Financial assets at fair value through profit or 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; and
- 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. This method is consistent with the prior year.

For investment in 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 and is disclosed in note 12. The Company has not pledged any of the financial assets at fair value as security.

Financial instruments measured at fair value are 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 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 or loss

Credit rating	2024	2023
A+	1,492	1,615
AA-	9,412	-
AA	-	9,758
AAA	1,491,270	1,243,092
B	-	133,231
BBB	132,669	-
Other	1,206,936	940,101
	2,841,779	**2,327,797**

9. Financial assets and liabilities at amortised cost

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

Figures in Rand thousand	2024	2023
Financial assets and liabilities		
Carried at amortised cost		
The carrying amount of financial assets and liabilities at amortised cost are approximately fair value		
Financial assets at amortised cost	171,425	38,165
Trade receivables	334,530	317,874
Bank balances	577,072	1,134,303
Trade and other payables	(23,453)	(23,673)
Lease liabilities	(131,631)	(155,438)
	927,943	**1,311,231**

10. Deferred tax

Figures in Rand thousand	2024	2023
Deferred tax		
Leave pay	7,491	6,769
Prepayments	(4,284)	(2,350)
Unrealised (profit)/loss on fair value financial instrument	48,575	38,890
Short-term incentive provision	32,077	36,607
Long-term incentive provision	50,125	51,054
Expected credit loss	-	1
Right of use	(18,966)	(23,498)
Lease liability	35,540	41,968
Total deferred tax asset	**150,558**	**149,441**

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	**150,558**	**149,441**
Reconciliation of deferred tax asset/(liability)		
At beginning of year	149,441	98,334
Leave pay	722	321
Prepayments	(1,934)	313
Unrealised (profit)/loss on fair value financial instrument	9,685	33,598
Short-term incentive provision	(4,530)	13,152
Long-term incentive provision	(929)	5,329
Right of use	4,531	4,551
Lease liability	(6,428)	(6,157)
	150,558	**149,441**

11. Current tax payable (receivable)

Opening balance	(16,258)	(95,146)
Raised during the year	82,119	114,102
Tax paid during the year	(74,781)	(87,965)
Tax refunded from prior year	76,781	52,751
	67,861	**(16,258)**

12. Trade and other receivables

Figures in Rand thousand	2024	2023
Financial instruments:		
Trade receivables	325,353	305,595
Bank account accrued interest	2,129	5,886
Sundry debtors	7,048	6,393
Non-financial instruments:		
Employee-related control account	1,318	-
Prepayments	26,054	19,147
Total trade and other receivables	**361,902**	**337,021**
Financial instrument and non-financial instrument components of trade and other receivables		
At amortised cost	334,530	317,874
Non-financial instruments	27,372	19,147
	361,902	**337,021**

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 clients with consistent payment histories. The exposure to credit risk and the creditworthiness of customers is continuously monitored.

IFRS 9 requires an assessment to be performed of the credit risk of a financial asset at the valuation date, compared to the credit risk at inception to determine whether a significant increase in credit risk has occurred.

The significant increase in credit risk assessment is done at a client level.

A client is considered to have experienced significant increase in credit risk assessment and will transition to stage 2 when:

- Amounts past due (arrears) exceed 30 days (rebuttable presumption);
- The client is on the PIC watchlist and is categorised as a high risk; or
- A deterioration in probability of default occurred.

A financial asset is considered in default when the amount is in arrears for more than 60 days.

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 (2023: 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 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 of 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;
- Whether pension fund is fully funded or not; and
- All signed mandates with clients and method of collection as a fund manager.

Trade and other receivables are categorised as stage 1.

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

Reconciliation of loss allowances

The was no ECL recognised in the review and prior year.

Measurement of trade receivable ECL:

- 99.45% of trade receivables are PIC clients that are also related parties;
- Revenue from the related parties is based on mandate agreements with clients;
- 100% of these related parties are state-owned, with significantly low risk of cash flow problems;
- The PIC has control over the collection of management fees; and
- Based on historical data, there has not been an impairment on any revenue due from clients.

Based on the above and low risk of default, management has not recognised the ECL provision on trade receivables.

13. Financial instruments at amortised cost

Figures in Rand thousand	2024	2023
Fixed deposit	165,385	30,120
Promissory notes	6,040	8,045
	171,425	**38,165**

Exposure to credit risk

Fixed deposits 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 deposits and promissory notes.

The movement in the gross carrying amounts of the fixed deposits and promissory notes is presented to assist in the explanation of the movement.

2024

Instrument	Basis of loss allowance	External credit rating (where applicable)	Rating agency	Internal credit rating (where applicable)	Weighted average loss rate	Gross carrying amount	Loss allowance	Amortised cost
Fixed deposit	12-month ECL	AAA	Fitch	N/A	0%	45,169	-	45,169
Fixed deposit	12-month ECL	AA	Fitch	N/A	0%	109,796	-	109,796
Fixed deposit	12-month ECL	AA+	Fitch	N/A	0%	10,420	-	10,420
Promissory notes	Lifetime	CCC-	N/A	Not performing	7%	6,494	(454)	6,040
						171,879	**(454)**	**171,425**

2023

Instrument	Basis of loss allowance	External credit rating (where applicable)	Rating agency	Internal credit rating (where applicable)	Weighted average loss rate	Gross carrying amount	Loss allowance	Amortised cost
Fixed deposit	12-month ECL	AA	Fitch	N/A	0%	26,738	-	26,738
Fixed deposit	12-month ECL	AA+	Fitch	N/A	0%	3,382	-	3,382
Promissory notes	Lifetime	CCC-	N/A	Not performing	7%	8,650	(605)	8,045
						38,770	**(605)**	**38,165**

Reconciliation of loss allowances

The following tables show the movement in the loss allowances for investments in financial assets, which 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.

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

Figures in Rand thousand	2024	2023
Opening balance	-	23
Movement for the year	-	(23)
Closing balance	**-**	**-**

Promissory notes: Loss allowance measured at lifetime:

Opening balance	605	678
Movement for the year	(151)	(73)
Closing balance	**454**	**605**

The decrease in ECL allowance in the prior year was due to matured instruments and Land Bank payments default capital.

The decrease in ECL allowance in the current year was due to Land Bank payments of defaulted capital.

Land Bank

The PD for this instrument is 100% as Land Bank has defaulted.

The loss given default (LGD) range of 0% to 25% is considered in line with the range suggested by the foundation internal ratings based approach in Basel (CRE32 – internal ratings-based approach: risk components).

An LGD of 10% is deemed appropriate given the following:

- The improved financial performance of Land Bank compared to 2023;
- More than 50% of the defaulted capital has been paid;
- The bank has been making mora interest payment (compensation for loss as a result of the contract breach) on a monthly basis since default; and
- The South African government has pledged more than R7 billion to recapitalise the bank over three years since 2021.

Future mora interest is proxied by a forward looking 6 Months JIBAR curve and discount rates are derived from the Bond Zero curve on 31 March 2024.

After the reporting date of 31 March 2024, Land Bank has made significant progress in addressing its default on debt repayment obligations through the finalisation of Liability Solution 5 (LS5). The LS5, which has received approval from National Treasury and all lenders, involves converting all outstanding debt into an amortising note with a maturity period extending to March 2028, at an interest base rate of three-month JIBAR plus a margin of 3.1%. As of 10 July 2024, all lenders had signed the LS5 long form agreements and the necessary administrative steps are in progress for implementation by 5 September 2024. Consequently, while the default status remains, notable progress has been made post the reporting date, marking it as a significant subsequent event to be disclosed.

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.

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 at the reporting date, with
- The remaining lifetime PD for this 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 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 its inability to pay its obligations.

Inputs into the assessment of whether a financial instrument is in default and its 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 changes 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:

- PD;
- 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' include 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.

14. Cash and cash equivalents

Figures in Rand thousand	2024	2023
Cash and cash equivalents consist of:		
Cash on hand	6	2
Bank balances	230,704	1,083,952
Short-term deposits	324,844	36,349
Other cash and cash equivalents	21,518	14,000
	577,072	**1,134,303**

14. Cash and cash equivalents (continued)

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:

Figures in Rand thousand	2024	2023
Credit rating		
AAA	63,056	-
AA	165,400	30,144
AA+	348,610	1,104,157
	577,066	**1,134,301**

Cash and cash equivalents pledged as security

Cash and cash equivalents pledged as security	21,518	**14,000**

The PIC is involved in a labour dispute with two former executives. The Labour Relations Act (Section 145(7)) requires that the PIC provides security (guarantee) to the satisfaction of the labour court, in accordance with subsection (8). Subsection (8) states that security furnished should be equivalent to 24 months' remuneration or equivalent to the amount of compensation awarded. The security provided by the PIC is equivalent to 24 months' remuneration and is kept in a separate account that is not part of PIC operations.

Short-term deposits

- For fair presentation in reflecting the Company's short-term cash commitments, management has diverged regarding the application of IAS 7, paragraph 7, to present financial assets at amortised cost as cash equivalents on the basis of the three-month remaining period to maturity at the financial position date rather than from its acquisition date.

15. Share capital

Figures in Rand thousand	2024	2023
Authorised		
100 ordinary shares of R10 each	1	1
Issued		
100 ordinary shares of R10 each	1	1

16. Foreign currency translation reserve

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

Figures in Rand thousand	2024	2023
Opening balance	27,388	27,388
Foreign currency translation	9,350	-
Closing balance	**36,738**	**27,388**

17. Non-distributable reserves

Figures in Rand thousand	2024	2023
Reserves	**935,592**	935,592

18. Provisions

Reconciliation of provisions 2024

Figures in Rand thousand	Opening balance	Raised	Utilised during the year	Reversed/ adjustment during the year	Accrued interest	Total
Leave pay	25,070	43,700	(35,879)	(5,147)	-	27,744
Long-term incentives	189,092	58,553	(83,013)	15,304	5,713	185,649
Short-term incentives	135,581	118,991	(135,767)	-	-	118,805
	349,743	**221,244**	**(254,659)**	**10,157**	**5,713**	**332,198**

Reconciliation of provisions 2023

Figures in Rand thousand	Opening balance	Raised	Utilised during the year	Reversed/adjustment during the year	Total
Leave pay	23,026	40,246	(33,525)	(4,677	25,070
Long-term incentives	163,307	76,019	(32,162)	(18,072)	189,092
Short-term incentives	83,769	156,603	(104,791)	-	135,581
	270,102	272,868	(170,478)	(22,749)	349,743

Figures in Rand thousand	2024	2023
Non-current liabilities	235,122	118,531
Current liabilities	97,076	231,212
	332,198	349,743

Leave provision

The company accrues in full the employees' rights to annual leave entitlement for 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 of the end of the period in which the employees render the related services.

Short-term employee benefits

The short-term incentive (STI) scheme of R119 million (2023: R136 million) has been recognised as a provision.

The STI pool is measured at 64% of a certain percentage (based on the company score as per the remuneration policy) of the profit before tax.

The incentive pool must be approved by the Board after year-end before payout. At year-end there is uncertainty regarding the bonus pool since this is at the discretion of the Board.

18. Provisions (continued)

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 achieves a performance rating of three.

Long-term employee benefits

The long-term incentive (LTI) scheme is R186 million (2023: R189 million).

The LTI pool is measured at 36% of a certain percentage (based on the company score as per the remuneration policy) of the profit before tax. The assumption includes a % of probability of payment and considers time value of money (if material).

The LTI pool must be approved by the Board after year-end before payout. At year-end there is uncertainty regarding the bonus pool since this is at the discretion of the Board.

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 achieves a performance rating of three.

The scheme is to attract, retain and reward high-performing management. The Company's 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 time value of money was not considered when raising the provision since the impact of discounting is immaterial based on management's assessment.

19. Trade and other payables

Figures in Rand thousand	2024	2023
Financial instruments:		
Trade payables	10,746	3,902
Accrued expenses	12,707	19,767
Non-financial instruments:		
Employee-related control account	2,473	1,385
VAT	24,621	5,903
	50,547	**30,957**

Financial instruments and non-financial instruments components of trade and other payables

At amortised cost	23,453	23,669
Non-financial instruments	27,094	7,288
	50,547	**30,957**

20. Revenue

Figures in Rand thousand	2024	2023
Revenue from contracts with customers		
Management fees	**1,261,755**	1,220,432

Disaggregation of revenue from contracts with clients

The Company disaggregates revenue from clients as follows:

Revenue by clients		
Associated Institution Pension Fund	4,497	4,350
Compensation Commissioner Fund	18,877	17,261
Compensation Commissioner Pension Fund	32,686	30,101
Government Employees Pension Fund	998,207	970,953
Old Mutual Ltd	538	1,509
National Skills Fund	3,404	2,865
PIC other clients	6,265	5,316
Political Office Bearers Pension Fund	342	319
RDP Fund	7,370	6,853
Temporary Employees Pension Fund	117	114
Unemployment Insurance Fund	189,452	180,791
	1,261,755	**1,220,432**

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

Equities	418,634	401,285
Fixed income	215,143	205,593
Properties	174,678	174,921
Unlisted debts and equities (excluding properties)	453,300	438,633
	1,261,755	**1,220,432**

21. Other operating income

Board fees	6,143	2,322
Other income	1,653	1,098
	7,796	**3,420**

22. Operating profit (loss)

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

Figures in Rand thousand	2024	2023
Auditor's remuneration – external		
Audit fees	14,269	12,053
Remuneration other than to employees		
Consulting and professional services	40,535	32,014
Employee costs		
Salaries, wages, bonuses and other benefits	625,175	623,349
Retirement benefit plans: Defined contribution expense	35,070	32,165
Long-term employee incentive scheme	73,856	57,948
Total employee costs	**734,101**	**713,462**
Leases		
Short-term leases	324	834
Total lease expenses	**324**	**834**
Depreciation and amortisation		
Depreciation of property, plant and equipment	13,257	12,486
Depreciation of right-of-use assets	18,689	17,647
Amortisation of intangible assets	1,216	3,624
Total depreciation and amortisation	**33,162**	**33,757**
Movement in credit loss allowances		
Financial assets at amortised cost	(151)	(96)
Other		
Unrealised (gain) or loss on fair value investments	35,870	125,135
Loss/(profit) on foreign payment	1,310	3,958
Expenses by nature		
Employee costs	734,101	713,462
Lease expenses	324	834
Depreciation and amortisation	33,162	33,757
Other expenses	364,732	322,159
	1,132,319	**1,070,212**

Executive Committee 2024 (Exco)

Figures in Rand thousand	Emoluments	Short-term incentive allocation	Long-term incentive allocation	Other	Total
Letlape E*	4,046	809	405	1	5,261
Mosidi M	5,074	1,015	508	12	6,609
Hako V	6,012	1,202	601	12	7,827
Solomon R**	934	1,491	745	2	3,172
Van Heerden A	7,208	1,442	721	12	9,383
	23,274	**5,959**	**2,980**	**39**	**32,252**

*Ms Letlape's acting COO period ended on 8 February 2024.
**Ms Solomon was appointed acting COO on 9 February 2024.

Executive Committee 2023 (Exco)

Figures in Rand thousand	Emoluments	Short-term incentive allocation	Long-term incentive allocation	Other	Total
Letlape E***	485	-	-	-	485
Rikhotso K**	5,873	1,175	587	9	7,644
Mosidi M*	599	120	60	2	781
Hako V	5,706	1,141	571	12	7,430
Van Heerden A	6,824	1,365	682	12	8,883
	19,487	3,801	1,900	35	25,223

*M Mosidi resigned on 15 February 2023 from the PIC Board but she is still part of Exco.
**K Rikhotso appointed on 15 February 2023 to the PIC Board.
***E Letlape appointed Acting COO on 9 February 2023.

23. Investment income

Figures in Rand thousand	2024	2023
Dividend income		
Equity instruments at fair value through profit or loss:		
Listed investments – local	55,762	52,899
Interest income		
Investments in financial assets:		
Bank and other cash	210,041	200,498
Total investment income	**265,803**	253,397

24. Finance costs

Figures in Rand thousand	2024	2023
Interest expense on lease liabilities	10,178	11,457
Other interest	5,714	1
Total finance costs	**15,892**	**11,458**

25. Taxation

Figures in Rand thousand	2024	2023
Major components of the tax expense		
Current		
Local income tax – current period	**82,119**	**114,102**
Deferred		
Deferred tax movement for the year	(1,117)	(51,107)
	81,002	**62,995**
Reconciliation of the tax expense		
Reconciliation between accounting profit and tax expense		
Accounting profit	351,981	284,724
Tax at the applicable tax rate of 27% (2022: 28%)	95,035	76,875
Tax effect of adjustments on taxable income		
Effect of tax rate change to the deferred tax opening balance	-	3,511
Non-deductible expenses	1,173	1,590
Tax-exempt income	(15,206)	(18,981)
	81,002	**62,995**

26. Cash generated from operations

Figures in Rand thousand	Note(s)	2024	2023
Profit before taxation		351,981	284,724
Adjustments for:			
Depreciation and amortisation	22	33,162	33,757
Write-off of property, plant, equipment and intangible assets	4	134	145
Fair-value losses (gains) on fair-value investments	22	35,870	125,135
Income from equity-accounted investments	7	(557)	(14,184)
Dividends income	23	(55,762)	(52,899)
Interest income	23	(210,041)	(200,498)
Interest paid	24	10,178	11,458
Expected credit loss allowances	22	(151)	(96)
Movements in provisions		(17,545)	79,641
Changes in working capital:			
Trade and other receivables		(24,881)	(170,733)
Trade and other payables		19,588	(20,747)
Tax refund	11	76,781	52,752
		218,757	**128,455**

27. Tax paid

Figures in Rand thousand	2024	2023
Balance at beginning of the year	16,258	95,147
Current tax for the year recognised in profit or loss	(82,119)	(114,102)
(Tax refund)/additional payment	(76,781)	(52,752)
Balance at end of the year	67,861	(16,258)
	(74,781)	**(87,965)**

28. Changes in liabilities arising from financing activities

Reconciliation of liabilities arising from financing activities – 2024

Figures in Rand thousand	Opening balance	Fair-value changes	Interest accrued	Total non-cash movements	Cash flows	Closing balance
Lease liabilities	155,438	1,905	10,178	12,083	(35,890)	131,631
Total liabilities from financing activities	**155,438**	**1,905**	**10,178**	**12,083**	**(35,890)**	**131,631**

Reconciliation of liabilities arising from financing activities – 2023

	Opening balance	Fair-value changes	Interest accrued	Total non-cash movements	Cash flows	Closing balance
Finance lease liabilities	171,877	4,501	11,457	15,958	(32,397)	155,438
Total liabilities from financing activities	**171,877**	**4,501**	**11,457**	**15,958**	**(32,397)**	**155,438**

29. Dividends payable

Figures in Rand thousand	2024	2023
Balance at the end of the year	99,000	99,000
Dividend declared	141,000	-
Dividend paid	(240,000)	-
Balance at the end of the year	-	99,000

30. Dividends proposed

On 28 July 2023, the PIC Board of Directors proposed a dividend of R141 million. The dividend proposed was authorised by the shareholder at the annual general meeting on 28 November 2023.

31. Commitments

Figures in Rand thousand	2024	2023
Capital expenditure, information technology cost and investments		
• Contracted capex	**2,792**	**105,133**
Within one year	2,792	39,932
In second to fifth year inclusive	-	65,201
• Uncontracted capex	**370,685**	**309,746**
Within one year	142,299	152,372
In second to fifth year inclusive	228,386	157,374
• Contracted operation	**256,321**	**190,278**
Within one year	176,178	139,562
In second to fifth year inclusive	80,143	50,716
Total	**629,798**	**605,157**

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	321,268	331,866
- In second to fifth year inclusive	308,530	273,291
	629,798	**605,157**

32. Related parties

Relationships

Ultimate shareholder	National Government of the Republic of South Africa
Shareholder	National Government of the Republic of South Africa

Figures in Rand thousand	2024	2023
Related-party balances		
Amounts included in trade receivable (trade payable) regarding related parties		
Associated Institutes Pension Fund	448	435
Compensation Commissioner Pension Fund	1,930	1,744
Compensation Commissioner Fund	6,229	5,299
Government Employees Pension Fund	269,863	203,267
National Skill Fund	321	324
Other PIC clients	626	587
Political Office Bearers Pension Fund	35	32
RDP Fund	678	677
Temporary Employees Pension Fund	12	11
Unemployment Insurance Fund	47,373	48,747
Services delivered	327,514	261,124
Related-party transactions		
Services delivered		
State-controlled entities and national departments	1,261,755	1,220,432
Purchased services		
Financial Sector Conduct Authority	(2,920)	(2,112)
South African Broadcasting Corporation	(19)	(14)
Compensation Commissioner	(356)	(276)
South African Revenue Service	(74,781)	(87,965)
Compensation to directors and other key management		
Short-term employee benefits – salaries and incentive scheme	54,692	44,393
Benefits – pension, defined contribution plan. Six key managers under this plan	5,082	4,392
Long-term benefits – incentive scheme	5,900	4,019
	65,674	**52,804**

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 the Executive Authority (National Treasury).

33. Directors' emoluments

Executive Directors 2024

Figures in Rand thousand	Emoluments	Short-term incentive allocation	Long-term incentive allocation	Other	Total
A Sithole	10,184	2,546	1,273	12	14,015
B Mavuka*	6,300	1,260	630	12	8,202
K Rikhotso	8,139	2,035	1,017	12	11,203
	24,623	**5,841**	**2,920**	**36**	**33,420**

*Mr B Mavuka's acting period ended on 31 March 2024.

Executive Directors 2023

Figures in Rand thousand	Emoluments	Short-term incentive allocation	Long-term incentive allocation	Other	Total
A Sithole	10,245	2,049	1,025	12	13,331
B Mavuka	5,785	1,157	578	12	7,532
K Rikhotso**	955	190	95	2	1,242
M Mosidi*	4,203	841	420	10	5,474
	21,188	4,237	2,118	36	27,579

*M Mosidi resigned on 15 February 2023 from the PIC Board but she is still part of Exco.
**K Rikhotso appointed on 15 February 2023 to the PIC Board.

Non-Executive Directors 2024

Figures in Rand thousand	Meeting attendance	Retainer fees	Total
Directors' emoluments			
T Ramano	1,356	401	1,757
B Bouwer	1,472	393	1,865
M Maluleke	958	393	1,351
B Dumisa	1,216	224	1,440
B Watson	717	402	1,119
F Mtoba	689	579	1,268
F Baleni	865	393	1,258
W Hlaise	839	224	1,063
L Mulaudzi	687	224	911
	8,799	**3,233**	**12,032**

Non-Executive Directors 2023

Figures in Rand thousand	Directors' fees Meeting attendance	Retainer fees	Total
Directors' emoluments			
F Mtoba	599	134	733
F Baleni	559	134	693
B Dumisa	854	134	988
B Bouwer	672	134	806
L Mulaudzi	485	134	619
M Maluleke	865	134	999
W Hlaise	580	134	714
B Watson	506	134	640
T Ramano	1,129	134	1,263
	6,249	1,206	7,455

34. Financial instruments and risk management

Financial 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 business 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 procedures.

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 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 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 under the liquidity section).

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 have an 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 affected by interest rate fluctuations.

The table below shows the 2024 sensitivity analysis of the PICOF and MET portfolio.

Figures in Rand thousand	Profit/loss R'000
CAPITAL MARKET PICOF FUNDS SPREAD IN BASIS POINTS	
-200	368,159
-150	255,204
-100	152,427
-50	58,737
50	-105,131
100	-176,913
150	-242,846
200	-303,522
MONEY MARKET PICOF FUNDS SPREAD IN BASIS POINTS	
-200	7,980
-150	5,971
-100	3,972
-50	1,981
50	-1,972
100	-3,936
150	-5,890
200	-7,836
CAPITAL MARKET MET FUNDS SPREAD IN BASIS POINTS	
-200	11,396
-150	8,337
-100	5,423
-50	2,647
50	-2,527
100	-4,940
150	-7,247
200	-9,453
MONEY MARKET MET FUNDS SPREAD IN BASIS POINTS	
-200	352
-150	264
-100	176
-50	88
50	-87
100	-175
150	-261
200	-347

34. Financial instruments and risk management (continued)

The table below shows the 2023 sensitivity analysis of the PICOF portfolio

Figures in Rand thousand	Profit/loss R'000
CAPITAL MARKET PICOF FUNDS SPREAD IN BASIS POINTS	
-200	193,447
-150	140,169
-100	90,365
-50	43,734
50	-41,080
100	-79,728
150	-116,140
200	-150,495
CAPITAL MARKET MET FUNDS SPREAD IN BASIS POINTS	
-200	12,043
-150	8,790
-100	5,705
-50	2,779
50	-2,641
100	-5,153
150	-7,545
200	-9,825
MONEY MARKET MET FUNDS SPREAD IN BASIS POINTS	
-200	358
-150	268
-100	179
-50	89
50	-88
100	-177
150	-265
200	-353

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.

This risk arises specifically 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.

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.

34. Financial instruments and risk management (continued)

					2024
Figures in Rand thousand	Less than 3 months	More than 3 months up to 9 months	More than 9 months up to 12 months	More than 1 year	Total
Assets					
Promissory note	-	-	6,494	-	6,494
Fixed deposit	324,844	135,952	29,433	-	490,229
Cash and cash equivalents	252,228	-	-	-	252,228
Trade receivables	334,530	-	-	-	334,530
Bonds	-	-	-	1,634,843	1,634,843
Liabilities					
Trade and other payables	(23,453)	-	-	-	(23,453)
Lease liability	(10,133)	(18,980)	(9,936)	(111,011)	(150,060)
	878,016	**120,984**	**25,991**	**1,523,832**	**2,544,811**

The above disclosure balances are before impairment.

					2023
Figures in Rand thousand	Less than 3 months	More than 3 months up to 9 months	More than 9 months up to 12 months	More than 1 year	Total
Assets					
Promissory note	-	-	8,650	-	8,650
Fixed deposit	36,349	26,757	3,363	-	66,469
Cash and cash equivalents	1,097,954	-	-	-	1,097,954
Trade and other receivables	317,874	-	-	-	317,874
Bonds	-	-	-	1,387,696	1,387,696
Liabilities					
Trade and other payables	(23,673)	-	-	-	(23,673)
Lease liability	(6,470)	(12,701)	(6,943)	(129,323)	(155,437)
	1,422,034	14,056	5,070	1,258,373	2,699,533

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. It 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. A total of R21 million of cash and cash equivalent is pledged as security (refer to note 14). The Company also uses 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.

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

Figures in Rand thousand	2024	2023
Assets		
Bonds	1,634,843	1,387,696
Cash and cash equivalents	577,072	1,134,303
Trade and other receivables	334,530	317,874
Listed shares	1,206,936	940,101
Fixed deposits	165,385	30,120
Promissory notes	6,494	8,650
	3,925,260	**3,818,744**

35. Going-concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The directors believe that the Company has adequate financial resources to continue in operation for the foreseeable future and accordingly the financial statements have been prepared on a going-concern basis. The directors have satisfied themselves that the Company is in a sound financial position and that it has access to sufficient resources to fund its liabilities. The directors are not aware of any new material changes that may adversely affect the Company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation that may affect the Company.

36. Events after the reporting period

No events after reporting period.

37. Fruitless and wasteful expenditure

Figures in Rand thousand	2024	2023
Reconciliation of fruitless and wasteful expenditure		
Add: Fruitless and wasteful expenditure – current year*	349	-
Closing balance	**349**	**-**

*During the 2022/23 consumer price index increment process, increases for three employees were calculated using an incorrect base salary. This led to an overstatement of the employees' cost to company and subsequently an overpayment in salaries. The cost-to-company amounts for each of the three employees were overstated by R102,452, R103,414 and R119,175 respectively.

*One employee whose salary was above the tolerance band prior to the implementation of the annual salary increase and who received a counteroffer post-31 March 2023, was incorrectly calculated using the counteroffer as a base instead of the pre-counteroffer cost to company. The employee was given a once-off payment of R40,880 instead of R34,287, resulting in a net difference of R6,592.

*Four terminated employees were overpaid their leave due to inaccurate leave calculations, resulting in fruitless and wasteful expenditure and overpayment of R16,996.

The fruitless and wasteful expenditure resulted from overpayments to some employees. The PIC is recovering the excess amounts from the employees. It is also strengthening the control environment and addressing management shortcomings.

38. Capital management

The Company is licensed as a financial services provider under the Financial Services Conduct Authority. The licence requirements are monitored and adhered to. There is no regulatory capital management ratio imposed on the Company.

The Company's objectives when managing capital are to:

- Safeguard their ability to continue as a going concern so that they can continue to pay their obligations as they fall due and provide a return for the shareholder;
- The company uses internally generated income to finance new projects, thus any dividend amount must come out of the residual profits after excluding all projected capital requirements; and
- 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, namely that it has at all times maintained:

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

39. Contingent liability

The company has contingent liabilities at 31 March 2024 in respect of:

South African Revenue Service (SARS)

In the 2022 financial year, the PIC applied to SARS for approval to apply an appropriate apportionment method. In the prior year (2022/23), SARS issued a VAT ruling approving that the PIC may apply the transaction-based VAT apportionment method effective from 1 April 2021, the start of the financial year in which the PIC applied for the ruling. The assessment by the PIC and engagement with SARS on the impact of this ruling to the prior year are ongoing.

Litigation

Three former PIC executives lodged an unfair labour practice dispute with the CCMA against the PIC. CCMA ordered reinstatement of two former executives. In both cases, the PIC applied for a review of the award with the labour court.

The other former executive's case was dismissed by the CCMA. He then referred a case of breach of contract to the labour court and filed a statement of case. The PIC is preparing a statement of defence.

40. Irregular expenditure

Figures in Rand thousand	2024	2023
Reconciliation of irregular expenditure		
Irregular expenditure*	1,151	89
Closing balance	**1,151**	**89**

*R77,064 overpayment of one employee for the STI scheme with a qualifying score of 3.00 contrary to the provisions of the approved remuneration policy, which required a qualification score of 3.01, was based on the non-approved remuneration policy. The overpayment was not duly approved by the authorised officer.

*R1,077,711 overpayment of employees' acting allowances that was based on unapproved payscales.

The irregular expenditure incurred was identified and addressed by the Board through its governance structures during the financial year. The new pay scales were regularised, the control environment was improved and management shortcomings were addressed.

41. Employee benefits

Pension fund

The pension fund had 374 active members at 31 March 2024. During the review year, 28 employees joined, 29 employees withdrew and two members transferred out of the PIC member group into the ROL Paid Up (Default preservation) member group and two members transferred out of the PIC member group to the ROL Paid Up (Elected preservation) member group.

The contributions for the year amounted to R33.6 million. The pension fund is a defined contribution plan. The results is that the risk of any decline in fair value lies with the employee and not the employer.

There are nine employees on the GEPF. The contributions for the year amounted to R1.4 million. No employee withdrew from the fund during the review year.

GENERAL **INFORMATION**

Country of incorporation and domicile

South Africa

Nature of business and principal activities

Asset Management

Directors

Dr David Masondo (Chairperson) (Non-Executive Director)
Ms Ntombifuthi Mtoba (Deputy Chairperson) (Non-Executive Director)
Mr Abel Sithole (Chief Executive Officer) (Executive Director)
Mr Kabelo Rikhotso (Chief Investment Officer) (Executive Director)
Mr Brian Mavuka (Acting Chief Financial Officer) (Executive Director)*
Ms Barbara Watson (Non-Executive Director)
Ms Beverley Bouwer (Non-Executive Director)
Prof Bonke Dumisa (Non-Executive Director)
Mr Frans Baleni (Non-Executive Director)
Dr Lufuno Mulaudzi (Non-Executive Director)
Dr Mugwena Maluleke (Non-Executive Director)
Ms Tryphosa Ramano (Non-Executive Director)
Mr Walter Hlaise (Non-Executive Director)

* Mr Brian Mavuka's acting CFO period ended on 31 March 2024.

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

Auditor-General of South Africa

Company Secretary

Ms Bongani Maserumule

Company registration number

2005/009094/30

Company Annual Financial Statements

The Company's Annual Financial Statements were prepared under the supervision of the Company's CFO, Ms Batandwa Damoyi.

Ms Damoyi was appointed CFO on 01 April 2024.

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 (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 PIC 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 David Masondo (Chairperson), Ms Futhi Mtoba (Deputy Chairperson) | Mr Frans Baleni, Ms Beverley Bouwer, Prof Bonke Dumisa, Mr Walter Hlaise, Dr Mugwena Maluleke, Dr Lufuno Mulaudzi, Ms Tryphosa Ramano, Ms Barbara Watson | Mr Abel Sithole (Chief Executive Officer), Mr Kabelo Rikhotso (Chief Investment Officer) | Company Secretary: Ms Bongani Maserumule.

For more information, visit www.pic.gov.za.

ACRONYMS

AuM	Assets under Management
BEE	Black economic empowerment
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGU	Cash-generating unit
CRO	Chief Risk Officer
COO	Chief Operating Officer
EAD	Exposure at default
ECL	Expected credit loss
Exco	Executive Committee
FAIS Act	Financial Advisory and Intermediary Services Act, 2002
FSCA	Financial Sector Conduct Authority
FVOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss
GEPF	Government Employees Pension Fund
GDP	Gross domestic product
HDIs	Historically disadvantaged individuals
HRRC	Human Resources and Remuneration Committee
LGD	Loss given default
LTI	Long-term incentive
IASB	International Accounting Standards Board
IC	Investment Committee
IC-LI	Investment Committee - Listed Investments
ICTGC	Information, Communication and Technology Governance Committee
IC-UI	Investment Committee - Unlisted Investments
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IoDSA	Institute of Directors of Southern Africa
IT	Information technology
JIBAR	Johannesburg Interbank Average Rate
OCI	Other comprehensive income
PD	Probability of default
PFMA	Public Finance Management Act, 1999
PIC	Public Investment Corporation SOC Limited
PICOF	PIC Operating Fund
SARS	South African Revenue Service
SOC	State-owned company
SPPI	Solely payments of principal and interest
STI	Short-term incentive

NOTES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