

Integrated Annual Report 2016

investing for financial and social returns



Virtuous Cycle of Economic Growth & Assets



PUBLIC INVESTMENT
CORPORATION®
Est. 1911



**MTN CHIEF
TO TEAM ASHER
FINE REDUCE**
BDLIVE - DEC 04, 2015

**PUBLIC INVESTMENT
CORPORATION
LEADER IN ECONOMY**
Business Day, September 28, 2015

**'GOOD BANK' TO BE
LAUNCHED IN APRIL
AMID ABIL LOSSES**
DEC 15, 2015

**PIC HOLDS 30%
OF LONMIN AFTER DISCOUNTED
RIGHTS ISSUE**
BDLIVE - DEC, 2015

**PIC BUMPS UP
STAKE IN VODACOM**
LIVE - DEC, 2015

**PIC MEETS MTN BOSS
OVER HEFTY
NIGERIAN PENALTY**
10L, DEC 07, 2015

**PIC TO DRIVE
TRANSFORMATION
VISION 2030**

**PIC VOTES AGAINST
"EXCESSIVE"
CORPORATE PAY**
- Destiny Man, April 8, 2016

**AFRICA'S
INVESTMENT
CORPORATION
IFTS STRATEGY**
Financial Times, 22 May 2016

**PIC TO
BILLION
JOBS**
- Business

**PIC
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- Eng

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Day Live, 4 May 2016

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- Business Day, Sep

PUBLIC INVESTMENT
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LEADER IN ECONOMY

Day, September 28, 2015

HOLDS 30%

BACKS ALLIED
BILE IN R800M
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PIC TO INVEST
R70 BILLION
TO HELP STIMULATE

- SABC News, 4 May 2016

SOUTH AFRICA
PUBLIC INVESTMENT
CORPORATION
SHIFTS STRATEGY

Financial Times, 22 May 2016

PIC BUM
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24, DEC 02, 2015

PIC
VOTES AGAINST
"EXCESSIVE",
CORPORATE PAY

- Destiny Man, April 8, 2016

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MPs UP
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Highlights

Social Impact of Unlisted Investments since Inception



Employment

Total number of permanent employment opportunities sustained **88,606**

8,751 Total number of temporary employment opportunities created

Total number of jobs facilitated during construction **39,268**

23,879 Number of jobs created and facilitated through direct and indirect property investments

Total: 160,504

Total number of new jobs created/sustained 2015/16 (included under total) **10,998**



Education

Number of student loans disbursed **34,047**

31 Total number of student rental properties

Total number of student beds **11,824**

22 Number of schools supported

Number of benefiting students (basic education) **15,600**



Housing

Total number of properties **578**

Total number of units **59,155**



Environmental

Total MW committed **2,620.54 MW**
(both direct and indirect)



Community upliftment and economic benefits

Number of community groups supported (micro loans) **60,169**

1,097 Number of small and medium enterprises (SMEs) supported through the Isibaya Division

Number of Community Trust and Employee Share Schemes established and supported **14**



Healthcare: Direct

Total number of hospital projects **3**

Number of hospital projects in Gauteng **2**

Number of hospital projects in Mpumalanga **1**

436 Total number of hospital beds
(225 still under construction)



Healthcare: Indirect

Total number of investments **6**

Total number of hospital projects **10**

Number of hospitals – operating **5**

Number of hospitals – under construction **5**

820 Total number of beds available in hospital projects

Introduction

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Minister's Note to Parliament



Pravin J Gordhan, MP

Speaker of Parliament

In terms of Section 65 of the Public Finance Management Act, 1999 (Act 1 of 1999), I have the honour of presenting the Integrated Annual Report of the Public Investment Corporation SOC Limited (PIC), for the period 1 April 2015 to 31 March 2016.

Pravin J Gordhan, MP
Minister of Finance
September 2016

Corporate Profile

Overview

Founded in 1911 as the Public Debt Commissioners, the organisation was renamed the Public Investment Commissioners in 1984 and became the Public Investment Corporation (PIC) in 2005. This was following the promulgation of the Public Investment Corporation Act, 2004 (Act 23 of 2004), which came into effect on 1 April 2005. This transformed the PIC into a modern asset management company. The PIC is a registered financial services provider in terms of the Financial Advisory and Intermediary Services Act, 2002 (Act 37 of 2002) (FAIS). It is regulated by the Financial Services Board (FSB), with the South African Government as the sole shareholder, represented by the Minister of Finance.

The PIC provides asset management services to public sector entities. Our clients include pension funds, provident funds, social security and guardian funds. Although the PIC operates predominantly in South Africa, it has a mandate to invest offshore and in the rest of the African continent. In compliance with the FAIS Act, the PIC concluded FSB-approved mandates with each of its clients and invests

clients' funds in line with specified investment objectives and risk parameters.

The PIC can be classified as one of the most influential organisations in the South African economy as it is the largest asset manager in terms of Assets under Management (AuM). Moreover, the PIC has a strong focus on making investments that exceed its clients' benchmark returns, whilst contributing positively to the development of the economy.

Our Mission, Vision and Values

The PIC has adopted its Vision 2030, premised on thematic investing for economic growth. This approach supports South Africa's key developmental objectives and priorities that foster economic growth and drive socio-economic transformation.

The PIC's vision and mission, depicted in the diagram below, confirm its commitment to delivering on stakeholder expectations.

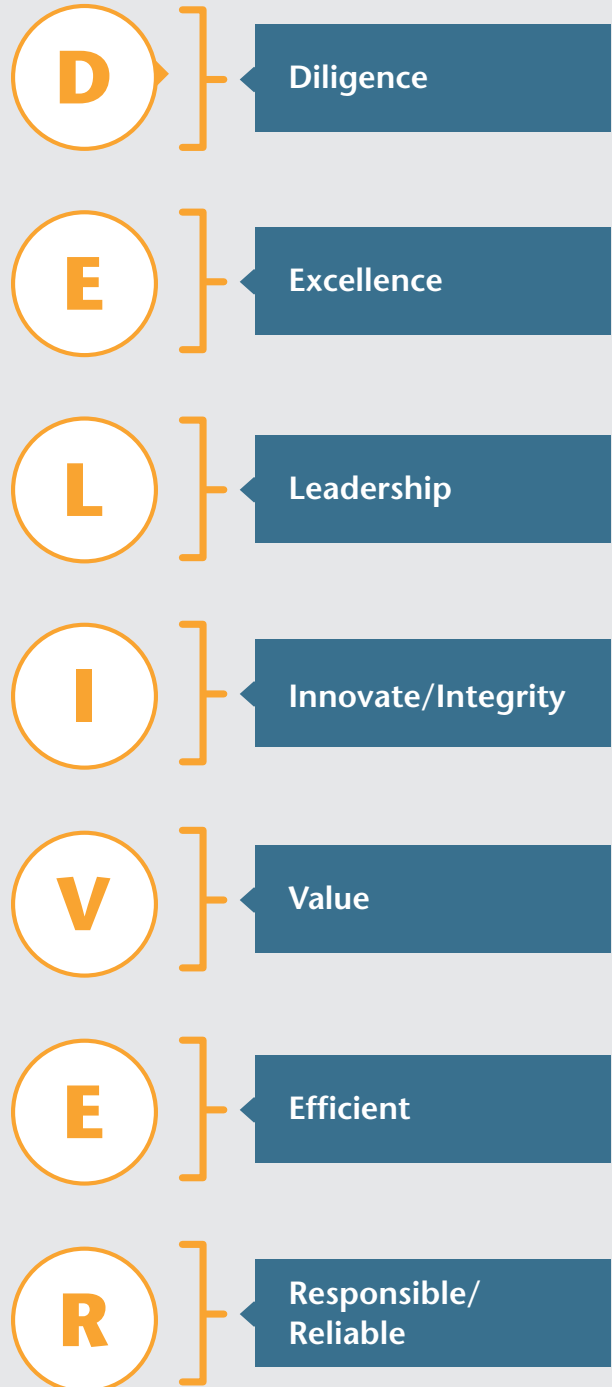


Our Values

We Care

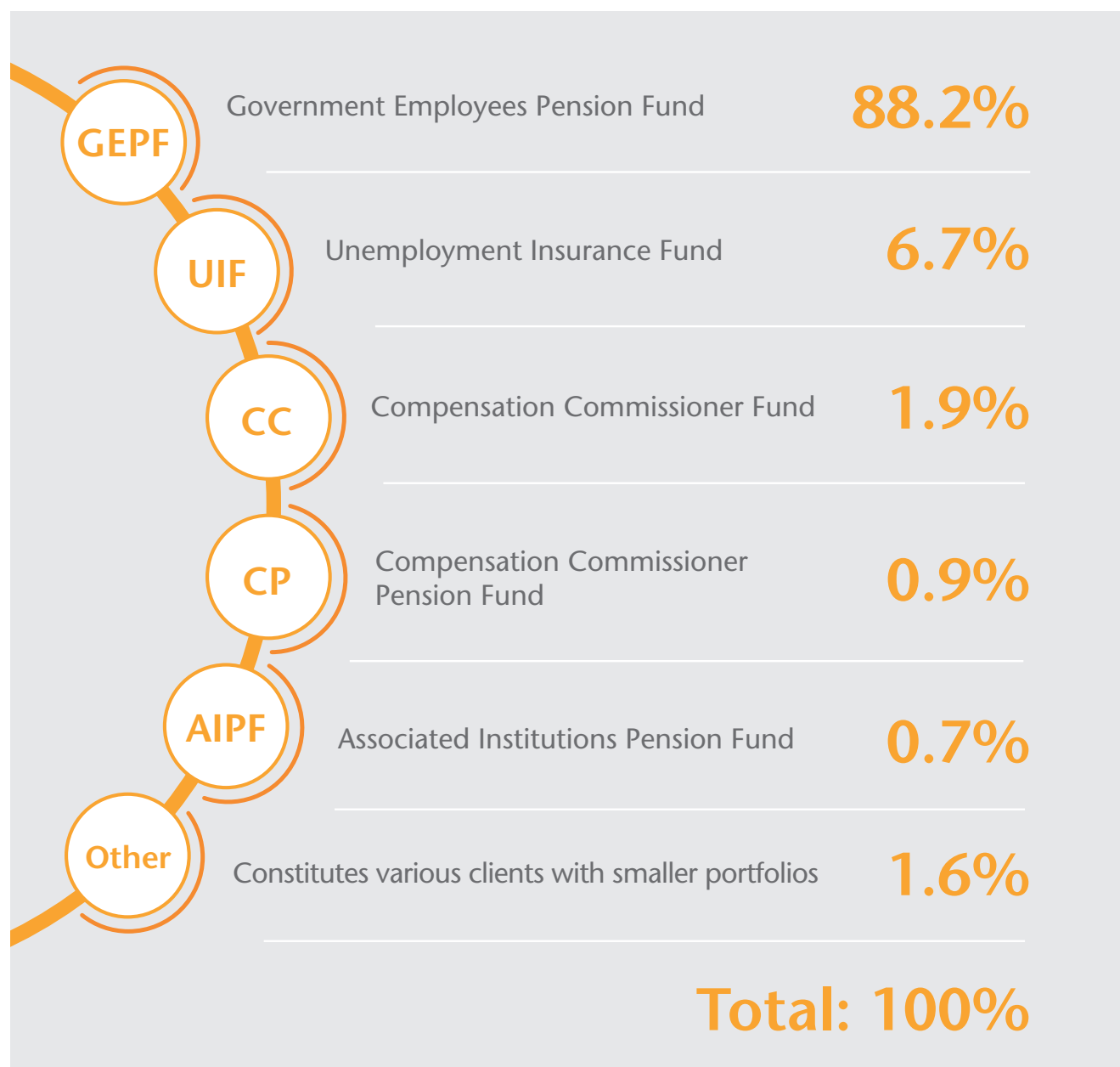


We Deliver



Our Clients

The PIC's client base is made up of public institutions. The Government Employees Pension Fund (GEPF) is the largest client, with a contribution of 88.2% to total AuM. Other major clients include the Unemployment Insurance Fund (UIF), Compensation Commissioner Fund (CC), Compensation Commissioner Pension Fund (CP) and Associated Institutions Pension Fund (AIPF). In addition, the PIC has relatively smaller portfolios, constituting 1.6% of total AuM and recently received mandates from the National Lotteries Commission as well as the Political Office Bearers Pension Fund.



The Board

The PIC reports to the Minister of Finance, who is the shareholder representative on behalf of the South African Government.

In terms of Section 6(1) of the PIC Act, 2004, the Minister, in consultation with Cabinet, appoints the Board members of the PIC and in terms of Section 7 of the PIC Act, 2004, the Board may establish such committees as it considers necessary.

Board of Directors



Mr Mcebisi Jonas,
Chairman (MP)



Mr Roshan Morar,
Deputy Chairman



Ms Sandra Beswick



Mr Trueman Goba



Ms Dudu Hlatshwayo



Dr Claudia Manning



Mr Patrick Mngconkola



Mr Pitsi Moloto



Ms Tantaswa Nyoka



Ms Lindiwe Toyi



Ms Sibusisiwe Zulu



Dr Daniel Matjila



Ms Matshepo More

Executive Committee

The Chief Executive Officer (CEO), who is also an Executive Director, is responsible for the day-to-day management of the PIC in line with the Board-approved Delegation of Authority Framework (DoA) and the strategic direction set by the Board. The CEO is assisted by an Executive Committee (EXCO), to effectively discharge his statutory duties in managing the PIC. The EXCO is governed by all applicable laws as well as Board-approved Terms of Reference (ToR).



Dr Daniel Matjila



Ms Matshepo More



Ms Petro Dekker*



Mr Sholto Dolamo



Mr Vuyani Hako



Mr Koketso Mabe



Mr Fidelis Madavo



Mr Paul Magula



Mr Ernest Nesane



Mr Luyanda Ntuane*



Mr Chris Pholwane

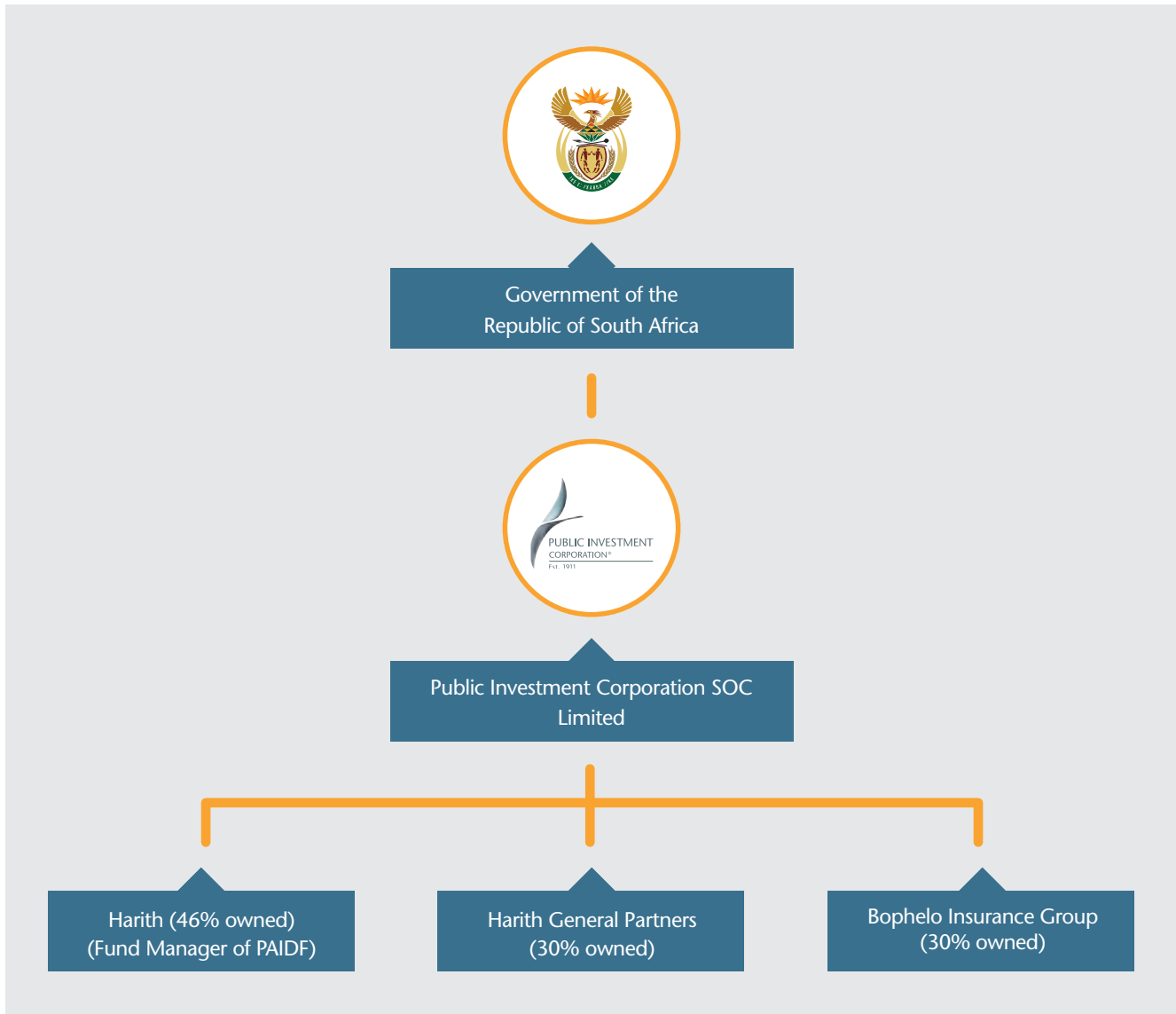


Mr Roy Rajdhar

*Resigned during May 2016

Group Structure

The ownership structure of the PIC is outlined in the diagram below.



The PIC has a 46% shareholding in Harith Fund Managers (Pty) Limited and a 30% shareholding in Harith General Partners. Harith Fund Managers manages the Pan African Infrastructure Development Fund (PAIDF) and is also responsible for the provision of specified administrative services relating to the operations of the PAIDF. Harith Fund Managers assists the PIC with carrying out its mandate as it relates to infrastructure development both in South Africa and the rest of the African continent.

Harith General Partners is the Pan-African fund manager for infrastructure development across the African continent. It invests in major projects in diversified sectors, such as, health, energy, transport, information and telecommunications, and water and sanitation. The PIC acquired 30% shareholding in Bophelo Insurance Group (Pty) Ltd, which is involved in the provision of financial services and insurance. The PIC aims to use this investment as a vehicle to develop financial products for its clients and its clients' members and dependents.

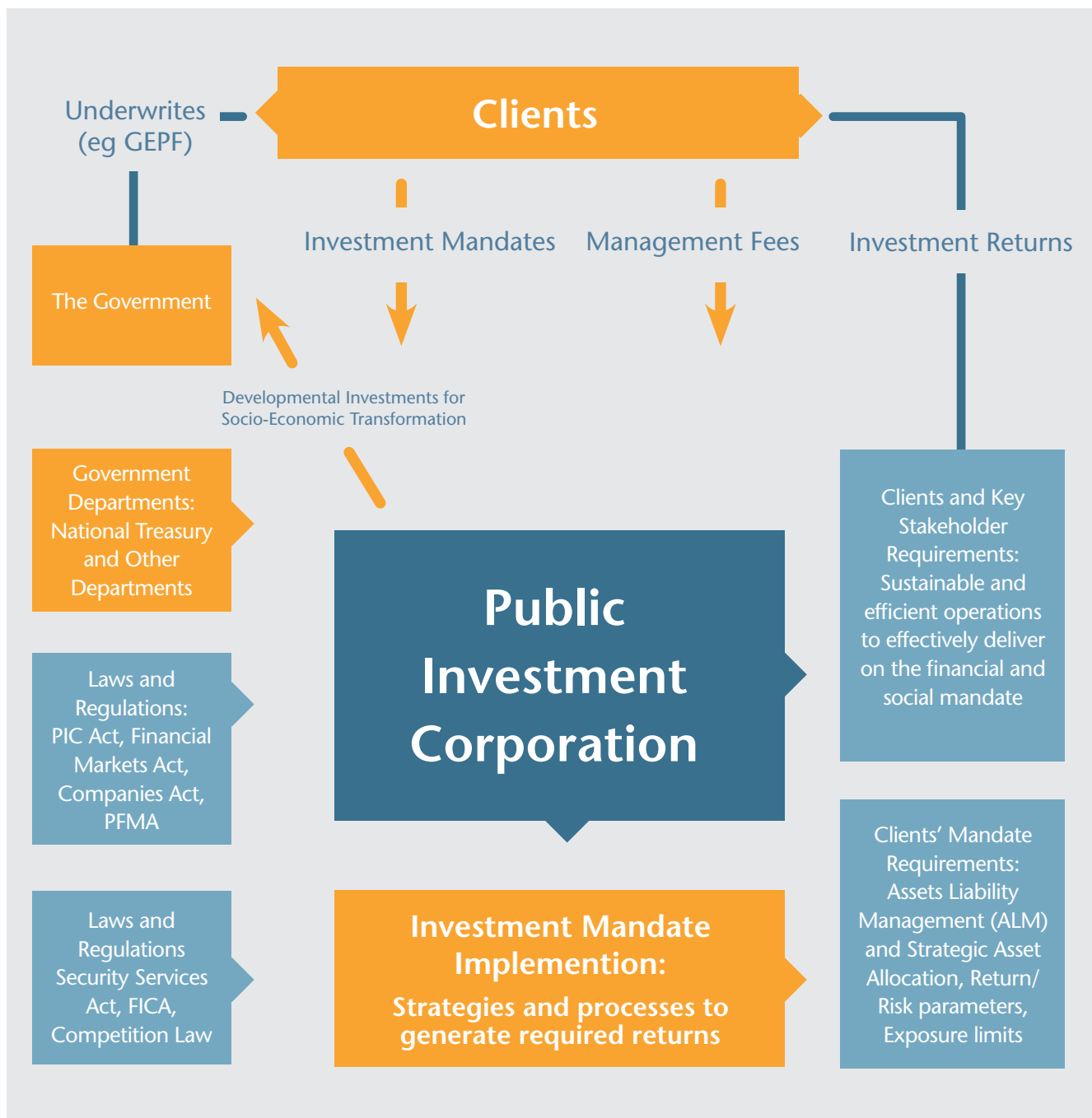
Our Business Model

The principal purpose of the PIC is to invest certain monies received or held by, for or on behalf of the Government of the Republic and certain bodies, councils, funds and accounts. As the custodian of substantial public assets, the PIC has a responsibility to conduct its affairs with integrity, transparency and accountability. The PIC is listed as a State-Owned Entity (SOE) in Schedule 3B of the Public Finance Management Act, 1999 (Act 1 of 1999) (PFMA).

The PIC has been regulated by the FSB since its inception in 2005. The Corporation has to operate in line with other legislation such as the Companies Act, 2008 (Act 71 of 2008) and the Financial Intelligence Centre Act (Act 38 of 2001) (FICA).

The PIC invests funds on both segregated and on an unithised basis. To cater for the varying investment developments in the marketplace, it continually explores new investment products and services.

The interaction between the PIC, its stakeholders and regulatory environment is depicted below:



Given its dual investment objective of achieving financial and social returns, the PIC sees itself as a strategic partner to Developmental Finance Institutions (DFIs) that can intervene in areas where there is a market failure. These institutions use their own funds to make investments and, in pursuit of ensuring sustainable developmental outcomes, they are willing and able to sacrifice financial returns. The PIC can augment these investments by providing additional capital and generating financial returns in line with its clients' mandates.

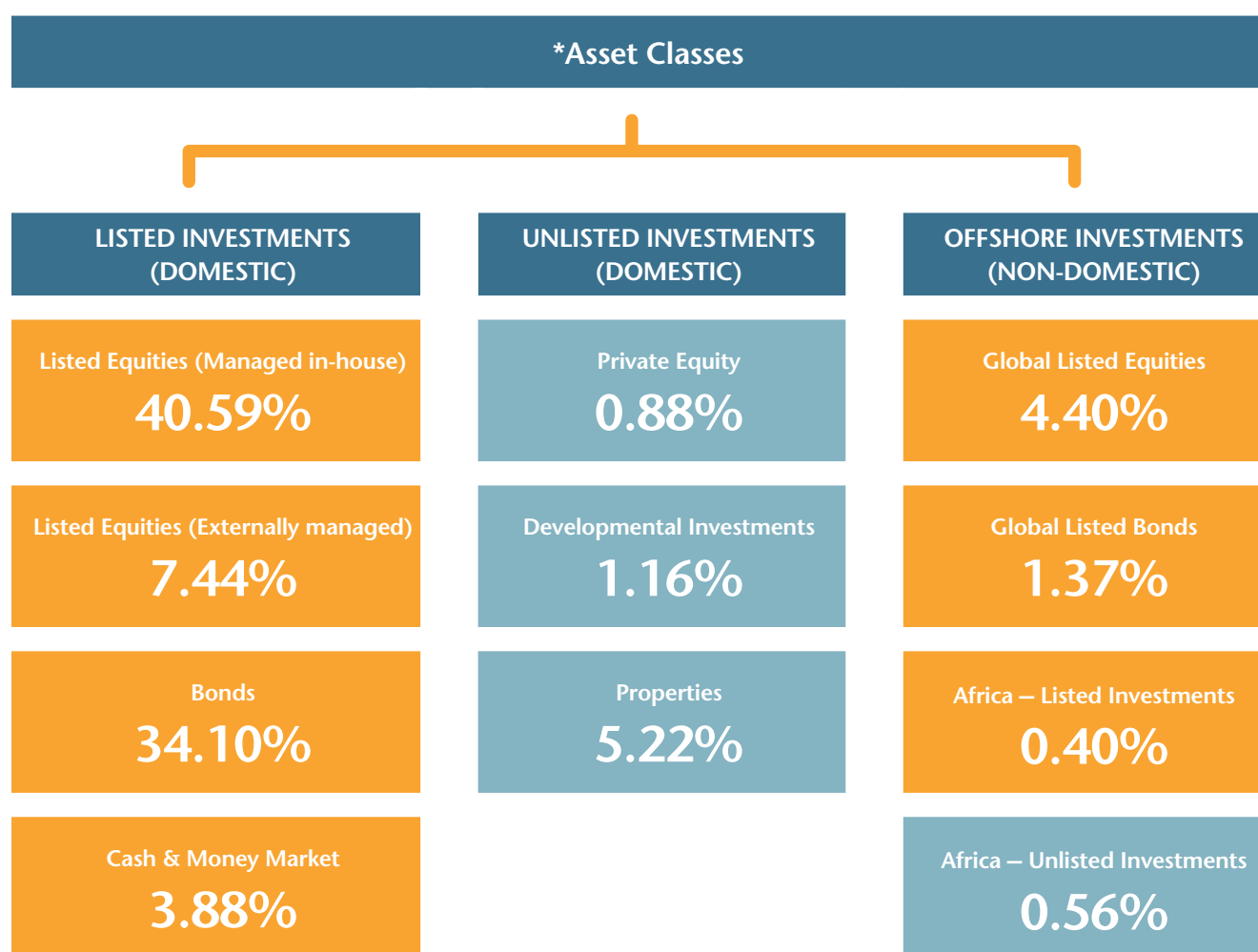
Client Investment Strategy Optimisation

As a long-term investor, the PIC understands that long-term value creation is not achievable through short-term solutions. The PIC remains committed to the implementation of sustainable practices from both operational and investment perspectives.

The PIC benchmarks its investment performance against market-driven indices, enabling its clients and shareholder to compare its returns to those achieved in the marketplace. To optimise clients' mandates, the PIC also considers the liability profile and current financial position of each client before any performance-enhancing asset allocation options are recommended.

The Collective Investment Scheme (CIS) product for the Reconstruction and Development Programme (RDP) Fund and other clients with smaller portfolios and the revised Private Placement Memorandums (PPMs) for the GEPP are examples of new products and services meant to achieve enhanced returns for the clients.

The Unemployment Insurance Fund and the Compensation Commissioner Fund have now diversified their portfolios by increasing allocations to property and socially responsible investments.



*Asset class as a percentage of AuM

Report by the Shareholder



Pravin J Gordhan, MP
Minister of Finance

Our own structural challenges and reforms are articulated in the National Development Plan (NDP). Our economic recovery depends on our ability to convert the plan into actions that deliver on the promise of a better life for all.

I highlighted in my Budget Speech on 24 February 2016 that the International Monetary Fund (IMF) significantly cut South Africa's economic growth outlook for 2016, from 1.3% to 0.7%. On 7 July 2016, the IMF further adjusted this figure downwards to a mere 0.1%. National Treasury (NT) remains slightly more optimistic and foresees a growth rate of 0.6% dependent on several structural reforms and targeted Government interventions. Whatever the figure, the reality remains that it is a far cry from the more than 5% economic growth needed to achieve the targets set by the NDP.

The low economic growth rate reflects both depressed global conditions and the impact of the drought. Our country's economic and social challenges are worsened by the fact that South Africa is characterised by certain socio-economic factors that increase its vulnerability. A large proportion of the population has low resilience to climate change events such as the current drought. To grow and meaningfully transform the economy, the

investment community, both asset managers and asset owners, must ensure that they invest in line with a long-term sustainable investment strategy. The focus can no longer be on short-term portfolio benchmarks; it must shift to sustainable returns over the longer term.

The PIC is an institution that plays a significant role in the economy through its investments by supporting the well-functioning of financial markets and SOEs, by financing infrastructure projects and investing in strategic sectors that have a huge developmental impact on the economy. These investments aim to drive job creation and transformation in various sectors of the economy. The PIC has a major role to play in expanding the South African economy. However, this role must be fulfilled taking full cognisance of its clients' asset and liability models, which specify strategic asset allocations, risk parameters and commensurate sustainable investment returns.

Set against this backdrop, my predecessor, Mr Nhlanhla Nene, in his capacity as shareholder representative for the PIC, set the following strategic objectives for the financial year 2015/16:

The PIC, as a wholly State Owned Company (SOC) is expected to:

- Contribute to the development and transformation of the South African economy and the financial services and asset management sectors in particular, within the prescripts of client mandates;

- Develop internal capacity to expand investment in economic infrastructure in key sectors of the South African economy within the prescripts of client mandates;
- Sustain internal capacity to make developmental investments, such as those undertaken through the PIC's Isibaya division, within the prescripts of the clients' Developmental Investment Policies;
- Continue to incorporate principles of Broad-Based Black Economic Empowerment (BBBEE) in its investment activities and promote the development of SMEs;
- Develop and document a clear Africa and global investment strategy and submit the document(s) to the Shareholder;
- Ensure that the PIC remains financially sustainable over the long term;
- Undertake any activities outside of the management of funds on behalf of Government on a ring-fenced and commercial basis;
- Ensure that the PIC executes its activities in an effective and efficient manner;
- Adapt to market changes and client needs by developing new investment capacity, products and services;
- Develop human resource skills and capacity to maintain, strengthen, transform and ensure the long-term sustainability of the PIC; and
- Ensure compliance with the relevant laws and regulations, including the PFMA, and adhere to the principles of good corporate governance.

“TO GROW AND MEANINGFULLY TRANSFORM THE ECONOMY, THE INVESTMENT COMMUNITY, BOTH ASSET MANAGERS AND ASSET OWNERS, MUST ENSURE THAT THEY INVEST IN LINE WITH A LONG-TERM SUSTAINABLE INVESTMENT STRATEGY.”

The PIC embraced these principles, as is evident from the achievements contained in this Integrated Annual Report and for that I would like to express my sincere appreciation to Deputy Minister Mcebisi Jonas, the Board and staff of the PIC. I challenge the PIC and the rest of the asset management industry, and specifically asset owners such as trade unions, to ensure that pension funds are invested in a way that will bring about a sustainable and growing economy for the benefit of all stakeholders. My message remains simple – we are strong enough, resilient enough and creative enough to overcome our economic challenges and ensure a better life for all.

Pravin J Gordhan, MP
Minister of Finance

Report by the Chairman



Mr Mcebisi Jonas, MP
Chairman

I am honoured to present my second Chairman's Report for the PIC. I am satisfied that assets under the PIC's management at 31 March 2016 grew to R1.857 trillion, which amounts to approximately 45% of South African Gross Domestic Product (GDP). This emphasises the huge role the PIC is playing in the local economy. Approximately 93.3% of the portfolio is invested in the domestic market, highlighting the need for the economy to grow at a higher rate to enable sustainable returns and growth in AuM.

The PIC contributes to the growth of the economy through our Vision 2030. Vision 2030 is anchored by our "DIRECT" investment approach – Developmental Investing for Radical Socio-Economic Transformation. The DIRECT approach is informed by the statistical evidence that shows a correlation between the GDP and the growth of PIC's AuM. Our DIRECT approach is congruent with key Government priorities of economic development such as the NDP, the Industrial Policy Action Plan (IPAP) and the New Growth Path.

The PIC cannot have an investment approach based purely on short-term benchmarks with little focus on economic growth. Our investments focus on sustainable returns over the longer term, whilst stimulating economic growth and bringing about socio-economic transformation. This approach is underpinned by robust risk management and ensures that the PIC remains a beacon for responsible investing by driving good corporate governance. As a corporate entity, the PIC is aware of the need to adhere

to corporate governance best practice and it also ensures that these are embedded in investee companies. We are aware of the effects of the current drought as well as climate change on our economy and food security. This emphasises the need for environmental sustainability, including investments in renewable energy and the agricultural and agro-processing sectors. We strive for good corporate citizenship and recognise the need for social transformation, prompting investments in education, healthcare and student accommodation.

During the financial year, we committed ourselves to a renewed focus on shareholder activism and responsible investing and we bolstered our Environmental, Social and Governance (ESG) frameworks, including policies for Listed Investments in equities and fixed income, SOEs and Unlisted Investments including properties.

Risk management remains a high focus area and the Audit and Risk Committee (ARC) continues to engage actively with management on various matters of potential risk. The Board is comfortable with the way in which risks are managed at both investment and corporate levels.

The PIC Board is well balanced and capacitated to provide strategic direction and oversight to enable the PIC to deliver on its mandate of value creation for its clients, whilst bringing about economic transformation. To assist in discharging its duties, the Board established various committees whose members have the appropriate skills, knowledge and

experience. Investment and corporate performance provides clear evidence that the Board is effectively discharging its oversight responsibility. The PIC remains a financially sustainable SOE that generates its own income.

During the 2015/16 financial year, Cabinet appointed five new independent Non-Executive Directors to the Board, who bring with them a wealth of knowledge and experience. Let me welcome Ms Sandra Beswick, Dr Claudia Manning, Mr Pitsi Moloto, Ms Tantaswa Nyoka and Ms Lindiwe Toyi to the PIC family. Mr Vuyo Jack and Ms Moira Moses retired from the Board on 30 November 2015. I want to use this opportunity to thank them for their valuable contributions over the years.

The Board of Directors displays the highest level of ethical standards in their deliberations and I want to commend them for this. I am humbled by their willingness to serve their country by contributing to our journey to ensure a better life for all. (For more information on the PIC governance structure and Board and EXCO members refer to pages 98 to 129 of this report.)

I want to express my appreciation to Minister Gordhan for his leadership and unwavering support. Let me also thank the former Finance Minister, Mr Nhlanhla Nene, for his commitment to and support for the country as well as the PIC where he served for many years as the Chairman of the Board. My gratitude goes to my Deputy Chairman, Mr Roshan Morar, for helping me to steer this ship. I would also like to extend my sincere gratitude to every Board member, the Chief Executive Officer, Dr Daniel Matjila, and all the PIC staff for their commitment and dedication to ensure that we deliver on our clients' mandates and contribute towards job creation and economic growth in our country.

In his 2016 Budget Speech, Minister Gordhan reminded us that:

"All of us want jobs, thriving businesses, engaged professionals, narrowing inequality and fewer people in poverty. All of us want a new values paradigm, a society at peace with itself, a nation energised by the task of building stronger foundations for our future society and economy. We want our Government to function effectively, our people to work in dignity, with resources for their families, decent homes and opportunities for their children. We want to see progress throughout our land, in agriculture, manufacturing, mining, construction, tourism, science and research, sport and leisure, trade and commerce. It is within our grasp to achieve this future."

On that note, I urge everyone to do their part to grow our economy for the benefit of all.



Mr Mcebisi Jonas, MP
Chairman

**"...WE COMMITTED OURSELVES TO A
RENEWED FOCUS ON SHAREHOLDER
ACTIVISM AND RESPONSIBLE INVESTING
AND WE BOLSTERED OUR ENVIRONMENTAL,
SOCIAL AND GOVERNANCE
FRAMEWORKS..."**

Report by the Chief Executive Officer



Dr Daniel M Matjila
Chief Executive Officer

The Business Operating Environment

I am pleased to present the report of the Chief Executive Officer of the PIC for the financial year ended 31 March 2016. This Integrated Annual Report sets out, among other information, the context and the environment within which the PIC operates, and high-level information on the performance of the organisation and its future outlook.

The PIC was faced with global growth that again disappointed in 2015 (at 3.1% from 3.4% in 2014), mainly reflecting a growth deceleration in developing economies amid post-crisis commodity price lows, weaker capital flows and subdued global trade. According to the IMF's latest World Economic Outlook report, global growth is projected to rise in the coming years, but forecasts were trimmed to 3.1% in 2016, with 3.4% for 2017-18. This mild growth projection remains fragile and is predicated upon continued gains in major high-income countries, a gradual tightening of financing conditions, a stabilisation of commodity prices and a gradual rebalancing in China.

The United States economy expanded by 2.4% in 2015, as household spending increased at a robust pace, whilst fixed investment growth moderated and export growth slowed sharply due to subdued global demand and a strong US dollar. A 25bp rate hike in December 2015 prompted dollar strength, alongside increased uncertainty about other key

developed economies. Market interest rate expectations have already been tempered by softer than expected first half of 2016 economic growth data. Growth and activity will slowly improve over the medium term and inflation (particularly core) has already begun to tick up, which indicates that the economy should continue to recover.

In the Eurozone, real GDP rose by 1.6% in 2015 (0.9% in 2014) and economic growth became more broad-based across its member states, with only Greece contracting. The economy is likely to continue to benefit from the European Central Bank (ECB) broad-based quantitative easing (QE) programme, and the growth outlook in Europe should start to improve steadily amid what should be a sustained period of low inflation. Therefore, this economy should continue along the path of slow recovery.

The United Kingdom (UK) economy grew by 2.2% in 2015 (2.9% in 2014). Britain's shock vote on 23 June 2016 to end 43 years of European Union (EU) membership added to financial market volatility and uncertainty. However, this boosted selected emerging market (EM) bond markets, including South Africa. It is too early to gauge the macro impacts, but the significant uncertainty should affect UK business confidence, especially for exporters to the EU, which should weigh on investment and spending. The impact on the South African economy is uncertain, but we do not expect any material negative impact on exports.

Having undergone serious challenges due to its structural adjustment programme and weaker global demand, the Chinese economy posted the lowest economic growth rate in 25 years, at 6.9% during 2015. The property market travails seem to have dissipated and the Chinese A-share market recovered after its collapse in Q3 last year, but overcapacity and the need to rebalance away from investment-led growth towards consumption-led growth remain significant challenges and risks. The clear need to rebalance indicates that growth will ultimately have to slow, keeping it in a mild contraction. The uncertain outlook for China should keep global industrial commodity prices such as steel, iron ore and platinum suppressed, as seen last year.

The Brazilian and Russian economies, in turn, remained in deep recession. In sharp contrast, the pace of expansion in India remained very robust. Sub-Saharan Africa (SSA) has been highly affected by the downturn in commodity markets and renewed uncertainty globally. SSA growth slowed to 3.5% in 2015 (5% in 2014), due largely to sharply lower commodity prices and export demand, which progressively affected the drivers of domestic expenditure.

South African growth slowed to 1.3% in 2015 (the lowest rate since 2009), suppressed by weak global demand, low commodity prices, investment downgrade worries, the drought and increased political uncertainty. Growth continues to be driven through the services and consumer sectors rather than the more primary-focused agriculture, mining and manufacturing sectors.

The severe and prolonged drought is weighing on GDP, net trade, employment and income, while lifting inflation. The climatic conditions for the coming season are forecast to be favourable, while indicators such as exports and the manufacturing Purchasing Managers' Index (PMI) seem to have bottomed out. Financial pressure on consumers from materially higher inflation and interest rates, as well as significant fiscal drag, is intensifying and is likely to rise further as inflation increases. The risk of further monetary policy tightening has subsided.

Key risks to the domestic growth outlook are structural constraints, electricity supply, the persistence of domestic drought conditions on the agriculture sector (and the broader labour market), a more significant slowdown in China (leading to low commodity prices and weaker demand for South Africa's key mineral exports) and a credit ratings downgrade to 'junk', which could further weigh on investment and confidence.

For investors, global growth concerns are likely to remain significant and keep commodity prices subdued over the medium term. Should the Fed hold off on raising rates for the foreseeable future, and with both the ECB and Bank of Japan likely to ease monetary policy further in 2016, the

search for yield should undoubtedly come back in vogue. The shortage of high-quality assets at attractive prices remains more acute than ever this year. This is not to say that this period will be spared from significant volatility.

Stimulating Economic Growth

The Minister of Finance during the 2016 Inclusive Growth Debate in Parliament on 26 May 2016 stated that:

"We have no choice but to seize the nettle, use our resilience, and dig deep to find the reservoirs of goodwill and common national interest to map a common road forward. Step-by-step building unity-in-action among Government, business and labour. Using our total resources to build sufficient trust and using our common concern about a further decline in our economic fortunes to defend our economy and build hope."

There is no doubt that we are experiencing difficult times and the road ahead will not be easy. The question is, how should the asset management industry react to our economic and social challenges to ensure a sustainable future? For us, the answer lies in our Vision 2030, underpinned by our DIRECT investment approach. In terms of this approach, we:

- No longer follow a passive investment strategy – we have adopted a more active investment approach through our developmental investments and alignment with Government economic priorities such as the NDP.
- No longer do we have an investment approach based purely on benchmarks with little focus on economic growth – we have a developmental investment approach where we focus on sectors that catalyse economic growth.
- We have changed from a moderate to average social impact focus to a very strong focus on socio-economic transformation and job creation.
- We do not focus on short-term benchmarks – we concentrate on long-term sustainable investment returns with strong emphasis on ESG issues.

Our developmental investment strategy is based on five pillars, namely:

- Economic infrastructure – with a focus on sectors such as transport, water, mining, energy, and telecommunications.
- Social infrastructure – with a focus on affordable housing, health and education.

- Priority sector investments, where the focus is on agriculture, agro-processing, manufacturing and beneficiation.
- A focus on small and medium-sized enterprises.
- Environmental sustainability – with a focus on renewable energy, clean technology and green buildings.

To further heighten the structural challenges facing the economy, growth has largely been in sectors that do not result in significant employment growth (ie what has been commonly called 'jobless growth'), thereby putting further pressure on the country's socio-economic challenges. It is becoming increasingly important for the PIC to invest directly in the key sectors of the economy that would have the benefit of contributing to inclusive economic growth. The PIC, as part of its organisational restructuring, created a dedicated Research and Project Development Division that

will conduct fundamental research, both internally and in partnership with various institutions, to identify investment opportunities across the sectors stipulated below, either singularly or in co-investment partnerships, to ensure the long-term sustainability of our clients' returns:

- Mining and beneficiation.
- Energy (renewable and conventional).
- Manufacturing.
- Agriculture and agro-processing.
- Financial services and Information and Communications Technology (ICT).
- Infrastructure (including property).
- Social infrastructure (including affordable housing, health and education).

Strategic Intent

The PIC met the objectives set by the Minister of Finance, as indicated in the table below:

Objective/Strategic Intent	Commentary
Contribute to the development and transformation of the South African economy and the financial services and asset management sectors in particular, within the prescripts of client mandates.	Achieved AuM at 31 March 2016 was R1.857 trillion, representing an increase of 2% since March 2015 and an annual absolute growth of approximately R43 billion. More than 85% of PIC procurement was directed to companies with BBBEE levels 1 to 4. Over R50 billion was allocated to black fund managers, while more than 60% of brokerage was allocated to BBBEE stock brokers levels 1 to 4.
Develop internal capacity to expand investment in economic infrastructure in key sectors of the South African economy within the prescripts of client mandates.	Achieved The PIC has developed a new model for Unlisted Investments, which was approved and implemented. This model has assisted in attracting and retaining appropriately skilled professionals. There are more than 100 investments professionals in the Unlisted Investments Divisions.
Sustain internal capacity to make developmental investments, such as those undertaken through the Isibaya Fund, within the prescripts of clients' Developmental Investment Policies.	Achieved The new model for Unlisted Investments has assisted in attracting the best talent for developmental investments.
Continue to incorporate principles of BBBEE in its investment activities and promote the development of SMEs.	Achieved More than 85% of PIC procurement was directed to companies with BBBEE levels 1 to 4. More than 60% of brokerage was allocated to BBBEE levels 1 to 4 brokers. Approximately 88% of the total procurement spent on investment support services was on service providers on BBBEE levels 1 to 4. More than 299 SMEs were funded, either directly and/or indirectly, contributing to downstream job creation during the financial year. The number of community groups supported (through micro loans) was 60,169, and 14 community trusts and employee share schemes were established and supported.

Objective/Strategic Intent	Commentary
Develop and document a clear Africa and global investment strategy and submit the document(s) to the Shareholder.	Achieved PIC management has developed both global and Africa investment strategies, which were presented to NT and the Minister of Finance. Total approvals amounted to R4.61 billion (USD354 million) for investments in the rest of the African continent through the Unlisted Investments Portfolio, exceeding by 45% the annual target.
Ensure that the PIC remains financially sustainable over the long-term.	Achieved Revenue for the period ended 31 March 2016 was up by 6% in comparison to 31 March 2015. Total expenses decreased by 3% for the period ended 31 March 2016 compared to the prior financial year.
Undertake any activities outside of the management of funds on behalf of Government on a ringfenced and commercial basis.	Should the PIC undertake any activities outside of the management of funds on behalf of Government they will be on a ringfenced and commercial basis.
Ensure that PIC executes its activities in an effective and efficient manner.	Achieved No fruitless and wasteful expenditure was incurred. The external audit report provided an unqualified opinion.
Adapt to market changes and client needs by developing new investment capacity, products and services.	Achieved R11 billion was invested in SA Home Loans for the benefit of GEPP members in accessing affordable end-user home finance. Socially Responsible Investment (SRI) products for UIF strategic asset allocation (SAA): 20%, Compensation Commissioner Fund (CC) and Compensation Commissioner Pension Fund (CP) up to 10% of SAA. Unit Trust products were developed for small clients.
Develop human resource skills and capacity to maintain, strengthen, transform and ensure the long-term sustainability of the PIC.	On track The PIC organisational structure restructuring was successfully implemented and vacancies are being filled.
Ensure compliance with the relevant laws and regulations, including the PFMA, and adhere to the principles of good corporate governance.	Ongoing The PIC, on a continuous basis, monitors compliance with laws, regulations and best corporate governance practice.

Investment Performance

The 2015/16 financial year was another successful year for the PIC, with AuM growing to R1.857 trillion at 31 March 2016. Our listed portfolio represents over 12.5% of the Johannesburg Stock Exchange (JSE) equities market capitalisation and we hold more than 42% and 50% of Government bonds and SOE bonds respectively. Over a three-year rolling period, our listed portfolio outperformed the benchmark. These successes move us closer to improving our competitiveness and creating shared value for all our stakeholders. The continuous implementation of the investment strategy and advancement of key strategic initiatives remained key priorities.

At a corporate level, we have successfully executed our control and regulatory agendas, strengthened our business processes and continued to invest in technology, infrastructure and talent (our people), critical to the

future of our business. Most notably, the PIC successfully implemented its revised organisational structure. Among other changes, the position of Chief Investment Officer (CIO) was split into four positions, namely: Executive Heads for Listed Investments, Property Investments, Developmental Investments and Private Equity and Structured Investments Products. This was done to ensure alignment with appropriate technical skills and expertise specific to each asset class. When compared to the private sector, the PIC, comprises five different asset managers in one. Splitting the CIO position will also assist in the continuous effective implementation of our investment strategy, and enhance succession and continuity planning, mitigating against key-man risks that were previously prevalent.

Detailed performance of each client, as well as investment highlights, are discussed under the investment report, starting on page 37 of this annual report.

Developmental Investments, Private Equity and Structured Investments Products (SIPS)

Our clients continue to see the real value and impact of Unlisted Investments, particularly in the developmental investments portfolio. The GEPIF has allocated a further R70 billion and UIF increased its allocation to R25 billion towards developmental investments. The allocated funds will be invested in projects that will ensure financial returns, whilst having a social impact, with job creation and transformation at the core.

The 2015/16 financial year saw a record-high number of Unlisted Investment approvals, totaling approximately R38.46 billion, exceeding the set target by 92%. At the same time, the overall unlisted portfolio grew to R44.58 billion, representing a 55% increase compared with the portfolio at 31 March 2015.

The PIC continued to make strides towards the implementation of the rest of Africa investment strategy. Total investment approvals for the rest of Africa amounted to approximately R4.61 billion (USD354 million) through the unlisted investment portfolio.

Key Developmental Highlights in Line with the NDP

The PIC investment objectives are based on the various client mandates, which are biased towards driving the developmental agenda and social responsibility that ensures that in addition to earning good financial returns, an investment should support positive, long-term economic, social and environmental outcomes that yield a good social return to the country.

The investments in this portfolio respond to Government initiatives such as the NDP, job creation, BBBEE, ensuring that rural communities are part of the mainstream economy, encouraging community participation and helping to drive the green economy.

The NDP outlines what South Africa should look like in 2030 and what needs to be done to get there. The plan outlines a path to achieve meaningful development in South Africa and a rise in per capita income. Acknowledging the variety of challenges South Africa faces, the NDP places at its nexus the aim to eliminate poverty and reduce inequality by 2030.

The NDP states that 11 million more jobs need to be created by 2030. The labour-intensive manufacturing and

export sectors need to be expanded, massive amounts of money have to be allocated to key infrastructure projects as an enabler to job creation, and the quality of education and skills development is crucial. By 2030, the economy should be close to full employment, with the ownership of production less concentrated and more diverse.

The PIC investment mandate is underpinned by facilitating job creation and sustaining current jobs in the market by ensuring that the company reduces the impact of retrenchments and job losses as a result of adverse economic pressures. The PIC is committed to investing in SRI opportunities that will assist in creating jobs and infrastructure development.

The PIC Unlisted Investments facilitated a total of 132,027 jobs during the year under review, among which include:

- New jobs: 10,998
- Youth employment: 14,755
- People living with disabilities: 169

Transformation

Transformation is one of our key objectives, with long-term benefits through both corporate and investment activities. Below is a summary of some of our transformation initiatives:

- Approximately 85% of the PIC corporate procurement went to BBBEE companies with level 4 or better;
- Over 60% of brokerage was directed towards brokers with BBBEE levels 1 to 4;
- Approximately 88% (R33.3 million) of the total procurement spend on investment support services was on service providers certified on BBBEE levels 1 to 4; and
- Over 59% (caR2.0 billion) of total Private Equity Funds of Funds commitments for investments was committed to BBBEE private equity firms.

Other Notable Achievements

The Centre for Evaluation and Monitoring Benchmarking (CEM) exercise performed on PIC was a major achievement for the Corporation. CEM, a Toronto-based company, provides international benchmarking services to more than 360 global funds managing more than USD 7 trillion in assets. GEPIF commissioned CEM at the end of May 2015 to benchmark GEPIF's investment and administration functions.

GEPIF specifically participated in the global leaders benchmarking exercise, which benchmarked the GEPIF against a peer universe of the largest funds globally.

The benchmarking compared GEPP's cost and return performance to 332 funds in CEM's pension database, with the following funds participating:

- 172 American Funds with assets totalling ZAR19.2 trillion.
- 85 Canadian Funds with assets totalling ZAR5,857 billion.
- 63 European Funds with aggregate assets of ZAR13.1 trillion.
- 10 Asia-Pacific Funds with aggregate assets of ZAR5,733 billion.
- 2 Gulf Region Funds.

The results, presented to GEPP in February 2016, revealed that:

- The GEPP five-year total return was 14.3%, above the global median of 9.9% and the peer group median of 10.1%.
- GEPP equities five-year average net returns were 17.3% compared to a global and peer average of 11.0%.
- GEPP fixed income five-year average net returns were 10.0% compared to a global average of 7.1% and peer average of 6.7%.
- GEPP real estate five-year average net returns were 10.5% compared to a global average of 9.7% and a peer average of 10.3%.
- GEPP's asset risk level was 7.7%, below the global median of 8.7%.
- GEPP's total investment costs of 6.2bp were among the lowest of the peers and substantially below the peer median of 43.4bp.

None of the other asset managers used in the peer group has a dual mandate such as the PIC. These peers invest only for monetary returns and not for socio-economical returns as well.

Other achievements include:

- The PIC was recognised as Africa Investor's 'Institutional Investor of the Year';
- The PIC won a 'Deal of the Year' award following the successful conclusion of a transaction involving a telecommunications company; and
- One of PIC's co-investments, was awarded the accolade 'Solar Deal of the Year' at the 2015 Project Finance International (PFI) Awards.

"WE HAVE CHANGED FROM A MODERATE TO AVERAGE SOCIAL IMPACT FOCUS TO A VERY STRONG FOCUS ON SOCIO-ECONOMIC TRANSFORMATION AND JOB CREATION."

Strategic Partnerships

To expedite the deployment of funds in sectors aligned to bolster economic growth, strategic partnerships are of utmost importance. The PIC values partnerships with both Government and private sector players. It has entered into various strategic partnerships with like-minded investors, including Developmental Finance Institutions (DFIs), to find solutions to investing in strategic economic sectors that have a developmental impact on the country. These solutions are targeted at public healthcare, student accommodation, affordable housing, agriculture, mining and beneficiation, among others. Strategic partnerships also play a huge role in ensuring regional integration and penetration into the rest of the African continent.

Conclusion

I would like to thank the PIC Board and our shareholder, the Minister of Finance, for their continued support. My appreciation, too, goes to our clients and our partners around the globe for their confidence in our organisation and our people. The achievements outlined in this Integrated Annual Report can be attributed to the tireless efforts of the entire PIC family and to our management team and employees who continue to demonstrate a commitment to our vision and mission.

Let me conclude by reiterating that the PIC is committed to delivering on its clients' mandates, whilst continuing on this road of investment to achieve radical economic transformation.



Dr Daniel M Matjila
Chief Executive Officer

Delivering on Client Expectations

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Client Expectations

Client Mandates

The PIC's clients are the cornerstone of the business and the PIC continues to strengthen existing client relations through structured interactions. The Treating Customers Fairly (TCF) programme, a regulatory and supervisory approach introduced by the FSB, is designed to ensure that regulated financial firms deliver specific, clearly articulated fairness outcomes to financial services consumers. The PIC is committed to embedding the principles set out by the FSB in the PIC corporate culture.

As custodian of substantial assets generated by the labour of generations of South Africa's public sector employees, the PIC has a responsibility to conduct its affairs with integrity, transparency and in an exemplary fashion.

The PIC is regulated by the FSB through the operation of the FAIS Act. Its clients are mostly pension, provident,

social security and guardian funds and its mandate is to invest funds on behalf of these clients, based on FSB-approved investment mandates, agreed with each client. All client mandates are compliant with the legislation and regulations set by the FSB. The detailed investment mandates articulate each client's investment objectives, risk appetite, risk parameters and desired asset allocation to meet liabilities. The mandate further prescribes the asset management fee payable to the PIC for its services. PIC fees are competitively priced below South African asset management industry standards and are designed to meet each client's affordability needs.

The PIC's client mandates provide for investing in listed and unlisted instruments, with the former allowing solely for investment grade instruments. By their nature, unlisted instruments are not rated. Below is a representation of the asset classes in which clients are invested.

Listed Investment Asset Classes

Clients	Listed Equities	Listed Bonds	Money Markets	SIPs	Offshore (Global)	Africa
GEPF	✓	✓	✓	✓	✓	✓
UIF	✓	✓	✓	✗	✓	✓
CC	✓	✓	✓	✗	✗	✗
CP	✓	✓	✓	✗	✗	✗
AIPF	✗	✓	✓	✗	✗	✗

Unlisted Investment Asset Classes

Clients	Private Equity	Real Estate	Development Investment	Offshore (Global)	Africa
GEPI	✓	✓	✓	✗	✓
UIF	✗	✓	✓	✗	✗
CC	✗	✗	✓	✗	✗
CP	✗	✗	✓	✗	✗
AIPF	✗	✗	✗	✗	✗

For debt instruments, the PIC will price according to the risk determined by its due diligence process. Key considerations on decisions to invest and terms and conditions thereof include character and credibility of borrower, historical and projected cash flows, market conditions, concentration risk (eg counterparty, industry, stage of development, location) and level of collateral. Security on loans includes mortgage bonds, general and notarial bonds, cession of receivables, pledge of shares, cession of insurances and cession of credit bank balances. In addition, the PIC includes, as part of its loan agreement, various protective covenants that prohibit the company from undertaking certain transactions and events without the prior written consent of the PIC.

Execution of Clients' Expectations

The PIC's investment strategy is based on its 'FRESG investment philosophy', supported by robust risk management. The FR is for financial returns – first and foremost the PIC invests to generate alpha for its clients in line with the benchmarks set out in client mandates. To ensure that these financial returns are long term and sustainable, focus is placed on risk management and ESG issues. This requires investee companies to incorporate ESG best practice to contribute to their long-term sustainability. The FRESG philosophy complements the DIRECT investment approach, which is equally concerned with long-term sustainability of companies and with

addressing social issues in the environment in which companies operate.

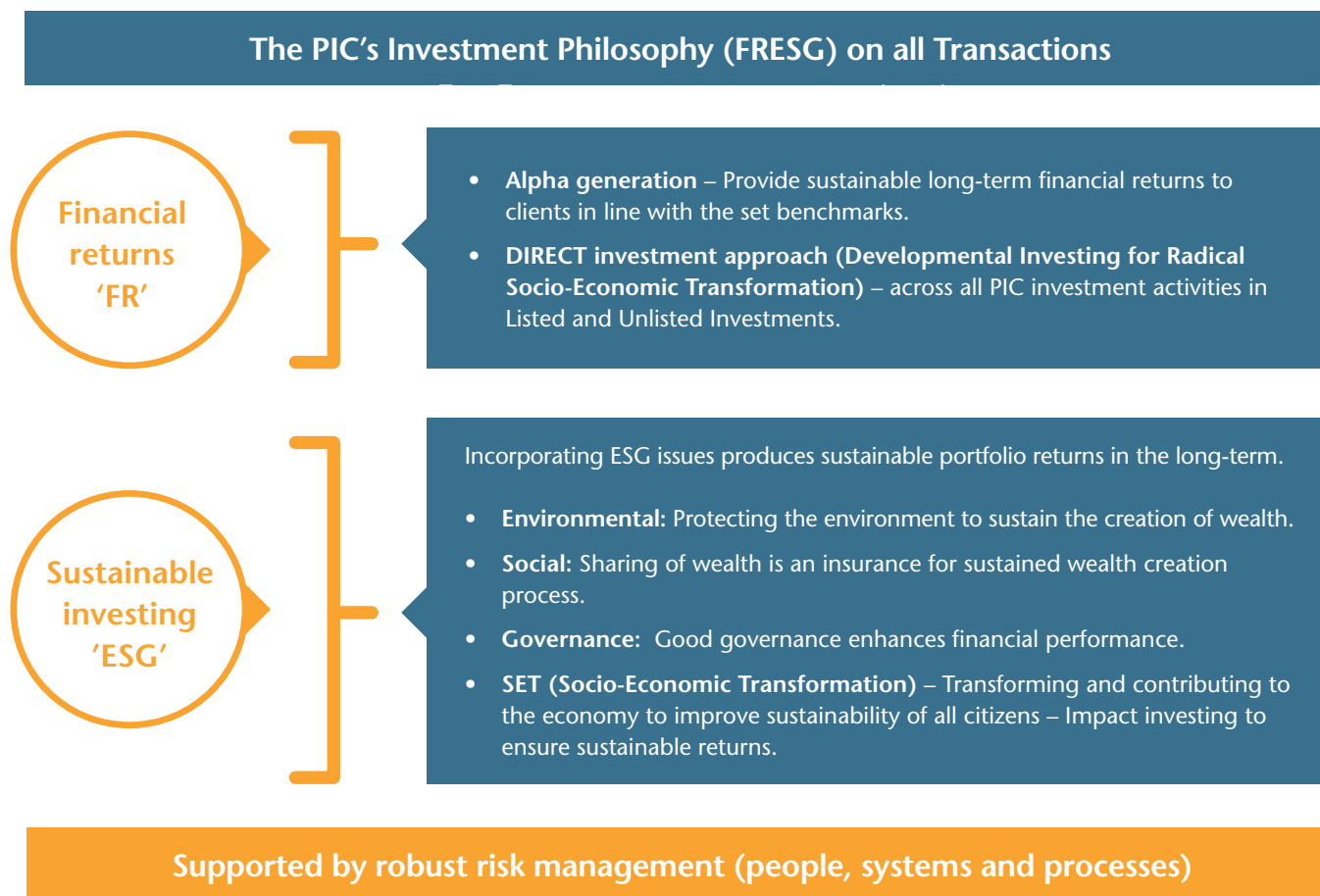
The investment philosophy is achieved through:

- Risk management: Avoiding risks that do not provide commensurate returns;
- Diversification: Well-diversified portfolios produce stable distribution of returns;
- Time horizon: The PIC is a long-term investor and believes that, in the long-term, markets revert to their mean. Investment strategies will generally be long-term in nature and will avoid ad hoc decision-making based on short-term factors; and
- Market efficiency: Markets differ in degree of efficiency at macro, sector and asset level, thus providing opportunities to generate excess returns over the related benchmarks through asset allocation.

Investment strategies will reflect a mix of active and passive investments, with passive investments being emphasised in the more efficient markets:

- Valuation and analysis: Valuation and analysis based upon fundamentals generally produce superior return/risk results. Investment strategies will focus on fundamentally based processes; and
- Cost: The PIC believes that managing the costs of investing adds significant value to the production of excess returns.

The investment philosophy can be summarised in the schematic representation below:



Investment Process

Mandates and Mandate Fit

The PIC's investment decisions are informed by the provisions of mandates entered into with clients.

Any transaction funded by the PIC must fit the mandate. Transactions that fit the mandate are subjected to a thorough due diligence process before an investment decision is taken.

Policies and Frameworks

All transactions are subject to various (Board-approved) PIC investment, compliance, risk and legal policies as well as ESG frameworks.

Transaction Approval Process

The approval of a transaction is done in line with the approved DoA framework. The framework delegates responsibilities for different transactions to a variety of

role-players in the investment divisions (ie listed, unlisted and property investments) as well as to employees in risk management, legal, compliance, corporate affairs and investment support. The DoA also sets out the powers of the Board and the management committees. Every transaction goes through an initial screening process to establish that it fits the mandate and is commercially viable.

Should the deal pass the screening stage, it undergoes preliminary due diligence by PIC's investment team. The process involves presentations by an investment professional to the portfolio management committees (PMCs), which are chaired by an Executive Director. At this stage, the aim is to seek approval to proceed to the first due diligence phase.

The outcomes of the preliminary due diligence are presented and discussed at a subsequent meeting of the relevant PMC. Should a PMC resolve that a transaction is worth pursuing, based on preliminary due diligence, then the committee approves another round of due diligence. The second round of due diligence involves, among others,

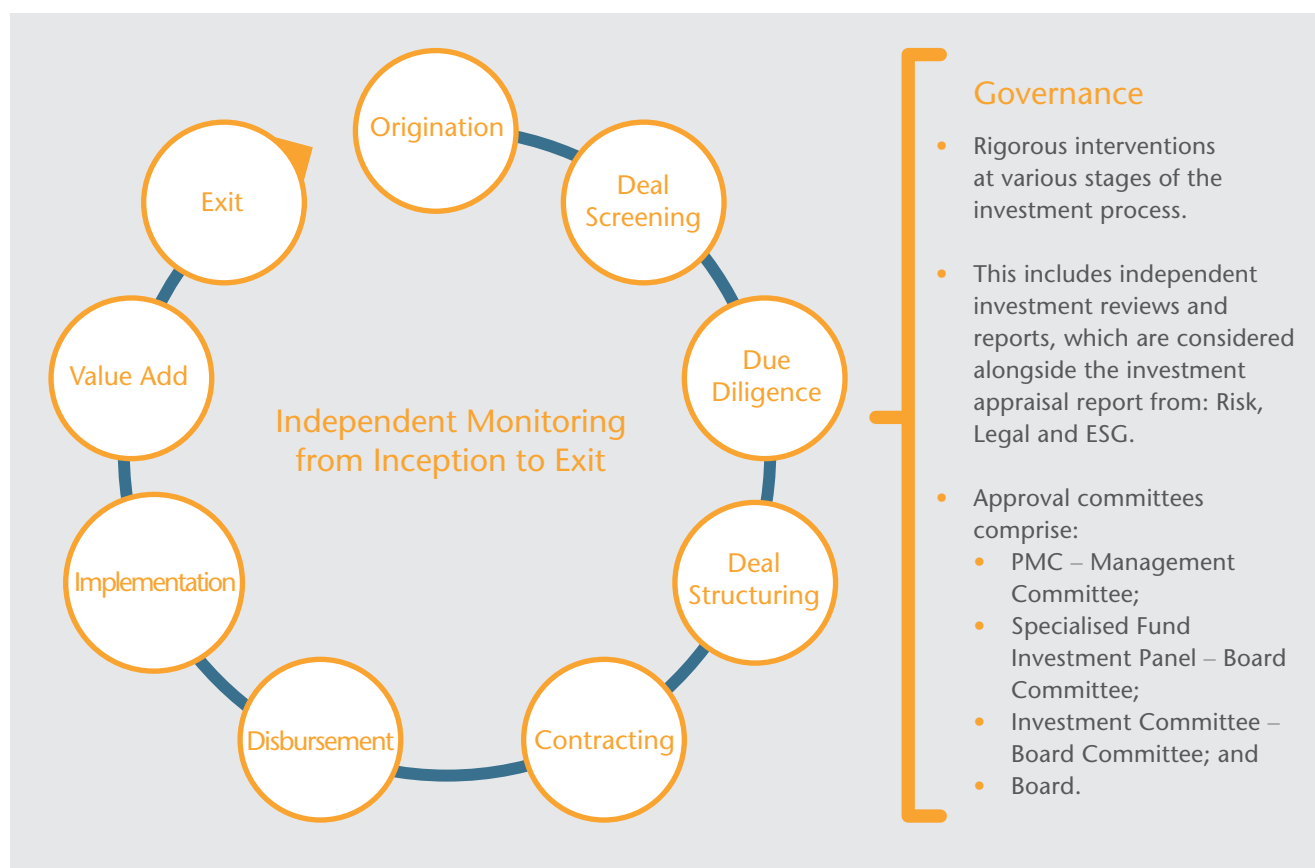
financial risk, legal risk, valuations, technical due diligence and the investee companies' position on ESG matters. Reputational risk is included in the list of issues to be considered during the second due diligence phase.

Based on the outcomes of the due diligence, the PMC may either approve the transaction, if it is within its approval limits in terms of the DoA, or decline it. Where the value of the transaction is beyond the PMC's approval authority, the PMC recommends it to the next level of approval. Depending on the type of investment (listed, unlisted or property

investment), the next level of approval could be the Fund Investment Panels (FIPs), which are subcommittees of the Investment Committee or the Board.

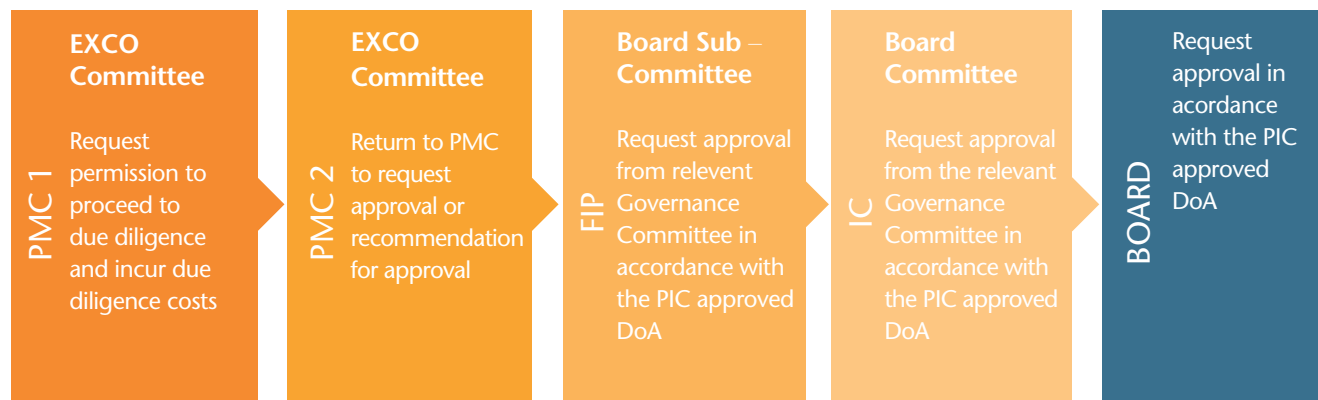
Transactions that present social, governance, environmental or reputational risks are further scrutinised by the Social and Ethics Committee (SEC), with the focus on ethical and sustainability matters.

Below is a schematic representation of the investment process:



The Approval Process

Below is a schematic representation of the committees involved in the investment approval process, from EXCO to the Board.



Risk Management

Risks Associated with Business Model Execution

Our strategic intent to achieve and ensure the growth of AuM and long-term sustainability underpins our strong commitment to implementing robust and relevant risk management systems. Risk management involves the identification, assessment, prioritisation and response to risks that may impact the achievement of strategic and business objectives. The management, monitoring and reporting of these risks ensure that resources are used to minimise the probability of negative events or to maximise the realisation of opportunities. The PIC recognises that, in a complex financial services environment, risk management processes and strategies are evolutionary and subject to ongoing review and modifications, taking into account the risk appetite and risk tolerance of the business, as defined by the Enterprise Risk Management Framework (ERMF).

The objectives of the risk management function are to:

- Integrate concerns for risk into the Corporation's daily decision-making and implementation processes.
- Identify and manage risks within risk appetite and risk tolerance parameters, which coincide with the Board's strategy and objectives.

- Improve the Corporation's ability to prevent, detect, correct, escalate and respond to critical risk issues by executing risk management plans and recommendations, and monitoring them effectively.
- Comply with appropriate risk management practices in terms of corporate governance guidelines and King III.
- Create awareness and understanding of risks at all levels of the Corporation by training employees.

Major Risk Categories

Various risks have been identified by the business as being of particular significance. The PIC has developed, implemented and continuously improves the ERMF to ensure that the management of risk is embedded in the Corporation's overall corporate governance structures, strategy, planning, reporting processes, policies, values and culture. In fulfilling its enterprise risk management responsibilities, the PIC uses both top-down and bottom-up approaches to risk identification, assessment and mitigation. The top-down approach entails risk workshops with the EXCO, ARC and Board. The focus of these workshops is to identify the key risks that may preclude the organisation from achieving its strategic objectives and control measures to mitigate the identified risks.

Risk type	Strategic objective	Risks	Controls
Strategic risk The risk that we will make inappropriate strategic choices or be unable to successfully execute selected strategies or adapt to changes in the external business, political or socio-economic environment.	<ul style="list-style-type: none"> • To be a leader in developmental investments • ESG principles for sustainable returns • Alpha generation, while maintaining average fee below market related fee • Sustainable financial performance • Drive transformation through allocation to BBBEE service providers 	<ul style="list-style-type: none"> • Inability to fulfil client mandates • Changes in policy that impact PIC business • Inability to implement a direct investment process • Inability to implement business plan • Imbalance between investment returns and socio-economic impact (financial sustainability of returns) • Corporate financial sustainability • Reporting (financial reporting) 	<ul style="list-style-type: none"> • Board-approved strategic plan • Shareholder compact and corporate plan aligned to national priorities • Strong governance to monitor implementation and reporting • DoA to ensure decisions are carried out responsibly • Quarterly reporting to Board (CEO's report) and NT • Client diversification

Risk type	Strategic objective	Risks	Controls
Investment risk The risk of loss due to participation in investment markets. It includes market risk and credit risk in both internally and externally managed portfolios.	<ul style="list-style-type: none"> • Generate excess returns over benchmarks with client risk parameters • Enhanced understanding of client and client requirements • Strategic partnerships • Optimise portfolio allocation 	<ul style="list-style-type: none"> • Market risk • ESG • Liquidity risk • Credit risk • Structuring of transactions • Country risk • Valuation • New products 	<ul style="list-style-type: none"> • The PIC governance, mandate and regulatory compliance framework • Robust investment process • In-depth research capacity • Strong post-investment management process • Proper performance management system • ESG embedded in the investment process
Regulatory and legal risk The risk of loss due to actual or proposed changes to and/or non-compliance with applicable laws, regulations, rules, mandatory industry practices, and internal policies and procedures.	<ul style="list-style-type: none"> • Implementation and maintenance of robust enterprise risk management practices 	<ul style="list-style-type: none"> • Non-compliance with laws and regulations 	<ul style="list-style-type: none"> • Ongoing tracking of changes to existing legislation and introduction of new legislation • Automated regulatory hub (Sentinel Services) in place, which generates automated daily alerts on changes to existing legislation and introduction of applicable legislation • Regulatory universe in place and reviewed annually • Annual internal and external training provided to staff in key pieces of legislation • Regular compliance audits of business units to assess compliance levels
Operational risk The risk of loss resulting from inadequate or failed processes, people and systems or from external events.	<ul style="list-style-type: none"> • Implement robust investment and research processes to enable alpha generation • Drive, monitor, measure and report on ESG achievements and transformation drive for clients and PIC corporate • Implementation and maintenance of robust enterprise risk management practices • Implement robust IT platforms and enable optimal business processes • Enhanced employee value proposition 	<ul style="list-style-type: none"> • Model risk • Lack of human capital management • Data integrity • Technology risk • Business continuity risk • Fraud • Financial crime – internal fraud • Financial crime – external fraud • Culture and ethics • Corporate ESG risk 	<ul style="list-style-type: none"> • Robust Operational Risk Management Framework (ORMF) in place • Monthly monitoring of operational risks via the Information Technology Risk Committee (ITRC) • Business continuity management planning and policy • Disaster recovery planning and testing • Data management reviews and enhancements • Annual model validations • Fraud policy
Reputational risk The risk of loss of credibility due to internal or external factors and often related to, or resulting from, other categories of risk.		<ul style="list-style-type: none"> • Negative perception of the PIC 	<ul style="list-style-type: none"> • Frequent improvement of the business environment and internal control indicators • Tracking of reputational Key Risk Indicators (KRIs) to assess reputational damage

Risk Profile

The PIC's corporate risk profile is a function of the inherent and residual risks of all the process-level business risks identified and assessed in the various business units. The corporate risk profile gives a panoramic view of the performance and rating of the PIC's principal risks. It provides a bird's-eye view of the Corporation's risk landscape

Below is an assessment of the PIC's principal risks.

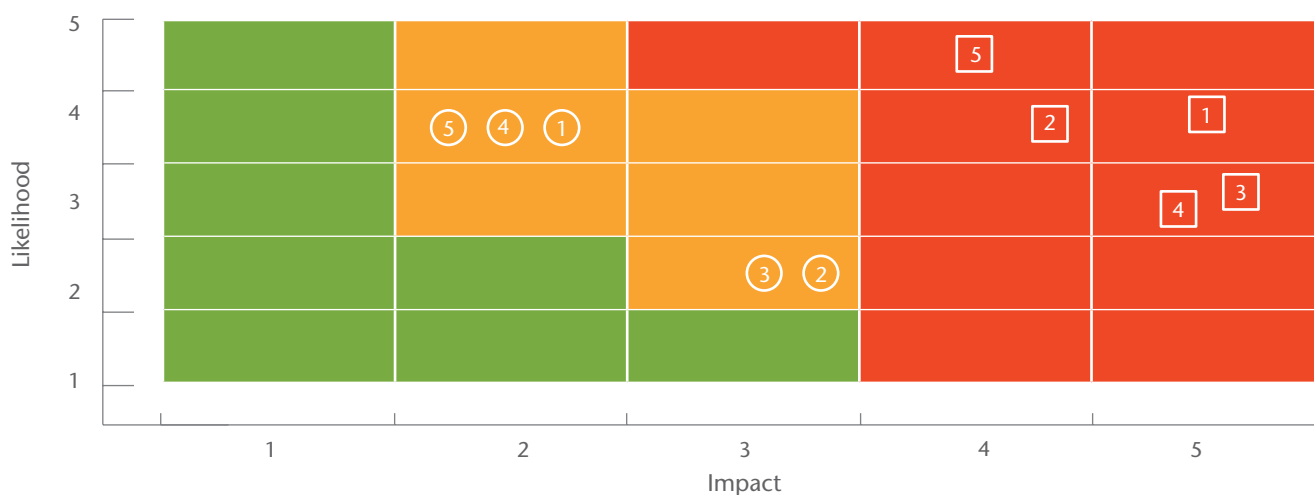
Principal Risks - Current Assessment			
No	Principal risk	Inherent risk	Residual risk
1	Strategic risk	17	8
2	Investment risk	16	6
3	Regulatory and legal risk	15	6
4	Operational risk	15	8
5	Reputational risk	20	8

Risk Grade and Score Rating



The heat map below reflects the Residual risk (○) and Inherent risk (□) levels of the above principal risks.

Principal Risks - Heat Map



Risk Grade and Score Rating

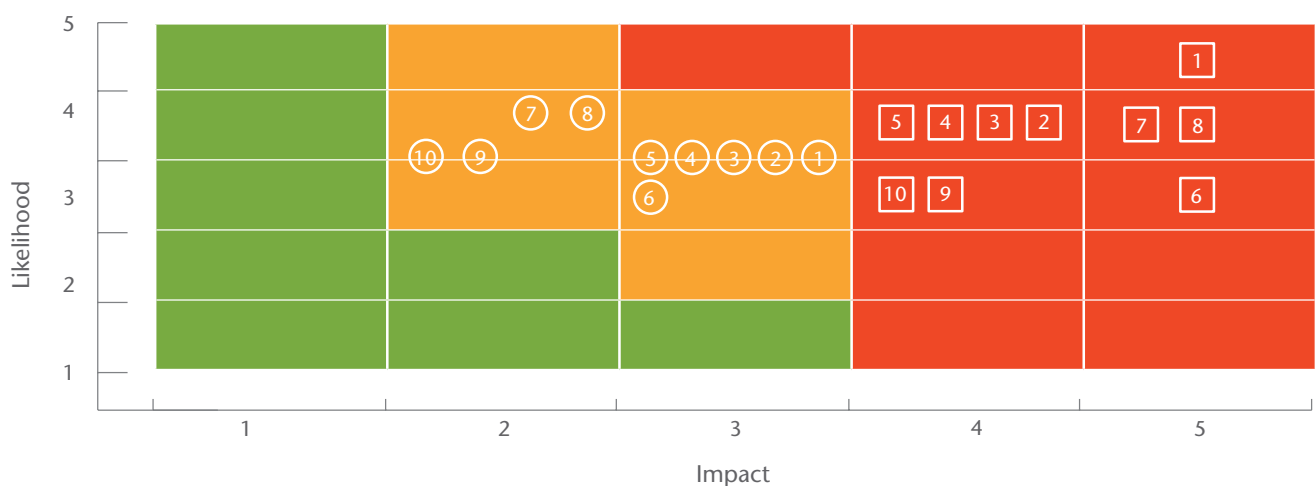


Identified risks are evaluated using the approved risk measurement methodology defined in the ERMF. Risk tolerance level has been determined by the business above which risks are immediately addressed. This process of risk evaluation determines the strategy of managing the identified risk, ranking and determining whether the risk should be terminated, tolerated, outsourced or managed. The table below reflects the PIC top ten risks.

Top 10 Risks				
No	Risk	Principal risk	Inherent risk	Residual risk
1	Inability to fulfil client mandates	Strategic risk	25	10
2	Financial sustainability of returns	Strategic risk	16	10
3	Data integrity	Operational risk	16	10
4	Technology risk	Operational risk	16	10
5	Business continuity risk	Operational risk	16	10
6	Changes in policy which impact PIC business	Strategic risk	15	9
7	Fraud	Operational risk	20	8
8	Negative perception of the PIC	Reputational risk	20	8
9	Culture and ethics	Operational risk	12	7
10	Corporate ESG risk	Operational risk	12	7

The heat map below reflects the Residual risk (○) and Inherent risk (□) levels of the ten most significant risks to which the PIC is exposed.

Residual Risk - Top 10 Risks Heat Map



Risk Grade and Score Rating

● Low (1 -5)
 ● Medium (6 - 14)
 ● High (15 - 25)

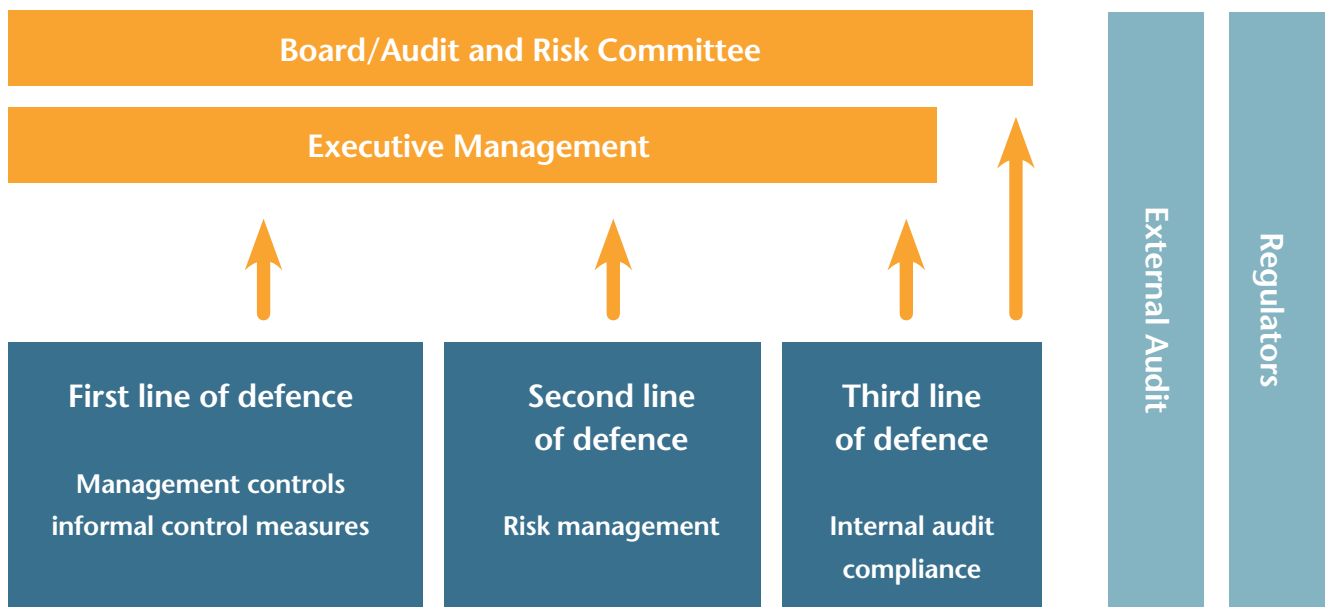
Combined Assurance

To ensure a more integrated approach to managing risks, the PIC follows a combined assurance methodology in line with the requirements of King III, a collaboration of management, risk, compliance and internal audit functions to ensure optimal use of resources. All internal risk and assurance providers take part in the annual review of the ERMF, and in the development and assessment of a single risk universe. This risk universe is useful for development of internal audit and regulatory review plans as well as risk and control assessment. The collaborative efforts of senior management, risk and internal and external assurance providers provide ARC with a holistic view of the organisation's risk profile and assurance activities.



The PIC Subscribes to the 'Three Lines of Defence' Approach to Risk Management

Line management, which is responsible for risk management in departments, is the first line of defence. This responsibility involves identification and assessment of risks to achieve business objectives in line with the ERMF. Line managers also coordinate the implementation of risk controls, and compile information on new and emerging risks, risk incidents, losses and near-misses, and Key Risk Indicators (KRI) performance as well as issues and actions. Finally, they must compile and maintain a risk management plan for the treatment of risks.



The Risk Management function provides the second line of defence and guides line management through risk identification, assessment, response and monitoring by developing frameworks that define the PIC's approach to risk management.

The risk management function further provides an independent assessment of exposures to specific risks and reports on these to various forums in the organisation. In addition, it expresses an opinion on the appropriateness of line management's responses to identified risks.

Internal audit and compliance functions form the third and last line of defence in the risk management process. These two functions perform regular reviews of adherence to the ERMF and policy. They independently assess the effectiveness of the Corporation's risk controls through combined planning with risk management and any other assurance provider to ensure maximum possible coverage of risks and minimal duplication of control testing. In essence, they provide assurance that all material risks have been identified and provide input on the control effectiveness of identified internal controls based on the results of their audits.

Environmental, Social and Governance

The PIC's business practices and investment thesis is underpinned by a strong commitment to ESG and ethical matters. Hence, it subscribes to the United Nations Principles of Responsible Investing (UNPRI), the United Nations Global Compact (UNGC) and the Principles of Responsible Investment's statement on ESG in credit ratings, and is a representative in the Code for Responsible Investment in South Africa (CRISA). The PIC believes that a strong commitment to the highest standards of business practices and ethics is essential and that ESG considerations in business decisions are important in creating value for clients.

During the financial year under review, the PIC implemented the following:

- ESG policy for listed equities
- ESG policy for fixed income
- ESG policy for public entities/SOEs
- ESG policy for Unlisted Investments

These policies are supplemented by ESG metrics that inform analysis and decision making and are specific to each of the following sectors:

- Financials
- Industrials
- Property
- Retailers
- Resources
- SOE

The PIC's responsible investing activities, which have been integrated with its investment process, include:

- Conducting ESG quality reviews: The ESG team delves into the core of an investee company's controls, its sustainability strategy, its social responsibility intent and, ultimately, its commitment to all stakeholders. Reviews are based on publicly available information, which includes the investee company's annual financial statements and sustainability reports, and its website. Reliance is placed on the audit and risk reports. The assessment includes

thorough interrogation of the investee company's business model, its practices and risks, the regulatory environment and obligations that require compliance. Best practice dictates appropriate disclosure on ESG issues by investee companies as well as timeous and appropriate reporting on activities and progress towards implementing responsible practices. This informs the ESG rating, calculated using the appropriate PIC ESG rating metrics, to measure investee companies' ESG compliance and identify areas for engagement.

- Exercising voting rights (proxy voting): The PIC makes its proxy voting reports available publicly on its website, in adherence to best practice and CRISA principles. Proxy voting reports are updated quarterly. Should the PIC not support a particular resolution and vote against it, the motion carries should other shareholders vote differently. The matter against which the PIC votes will then become an engagement item with the investee company.
- Liaison with investee companies: The ESG team participates in various meetings with the management teams of investee companies to address concerns.
- Influencing the ESG landscape through shareholder activism.

**THE PIC BELIEVES THAT A STRONG
COMMITMENT TO THE HIGHEST STANDARDS
OF BUSINESS PRACTICES AND ETHICS IS
ESSENTIAL AND THAT ESG CONSIDERATIONS
IN BUSINESS DECISIONS ARE IMPORTANT IN
CREATING VALUE FOR CLIENTS**

Proxy Voting

The PIC has a well-established approach to responsible investing, which is integrated within its investment process.

The PIC supports and enhances its investment rationale for a company through appropriate engagement and the subsequent exercise of voting rights. The PIC votes at all company meetings.

Below are the details of the proxy voting for the year ended 31 March 2016:

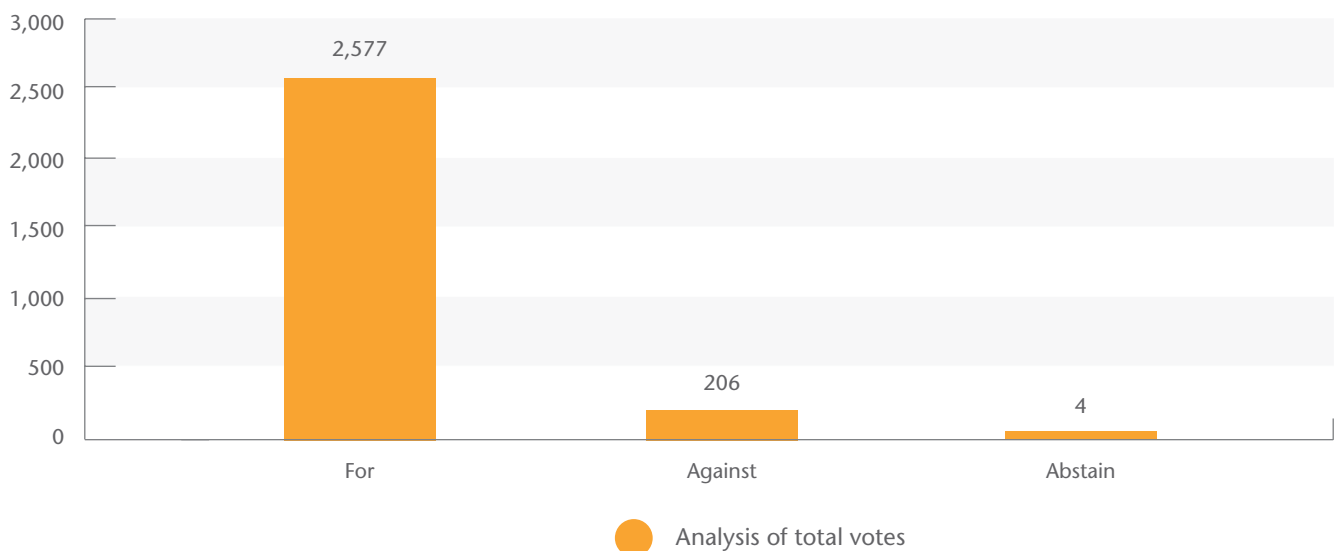


225
separate meetings voted at



- 140 annual general meetings (AGMs);
- 85 general meetings (GMs);
- 2,787 total resolutions voted on; and
- 206 resolutions were voted against and there were four abstentions.

Analysis of Total Votes



Total voting summary – 1 April 2015 to 31 March 2016

Sector	Meetings	AGM	GM	Resolutions	For	Against	Abstain
Property	84	25	59	628	602	26	-
Investment services	11	8	3	197	171	24	2
Consumer	33	28	5	471	421	50	2
Industrial	19	15	4	330	302	26	-
Insurance	10	8	2	251	238	13	-
Banks	9	8	1	107	98	9	-
Resources	37	31	6	564	517	47	-
Telecommunications	5	5	-	72	70	2	-
Construction and Engineering	9	8	1	94	91	3	-
Healthcare	8	4	4	73	67	6	-
TOTALS	225	140	85	2,787	2,577	206	4

ESG Policy for Public Entities/SOEs

SOEs are central to economic growth, job creation, building capability and technical capacity of the State, meeting the basic needs of people and ultimately building a prosperous society. The role of SOEs and DFIs is crucial to achieving the NDP goals. The PIC is currently one of the largest holders of domestic bonds issued under the Issuers' Domestic Medium-Term Note (DMTN) Programme and listed on the JSE.

The PIC governance framework includes the PIC's ESG policy for public entities/SOEs (supplemented by bespoke SOE ESG metrics), which outlines the ESG principles and practices expected of public entities in which it invests. The PIC uses these principles and the investment performance of SOEs in its decision-making processes when participating in an SOE's funding programmes.

SOE financial instruments are unique types of investment that do not afford investors the active ownership, engagement and investor collaboration opportunities of, for example, investments in listed equities. However, this does not relieve the PIC from attending to ESG matters in these entities.

Metrics are used to screen ESG practices of SOEs across all three ESG categories, which comprise 15 subcategories and indicators. They highlight the interaction of disclosure, compliance and performance, with the emphasis on performance. Scoring is done at least annually or when the PIC is alerted to concerns. The PIC will not immediately

disinvest from SOEs due to a poor ESG score, but will use the score to inform its interaction with the entity.

The metric results inform a SOE's ESG base score before investment and post-investment engagements. The PIC may request a SOE to comply with certain requirements.

ESG ratings are conducted using publicly available information such as annual reports, sustainability reports and websites, which, it is hoped, encourages information disclosure and transparency.

The PIC's view is that governance is a crucial component in ESG/responsible investing, as sound governance automatically drives and ensures achievement of the required environmental and social standards of the entity. The PIC expects that SOE boards have strong independent Non-Executive Directors, and display an appropriate balance of power and authority, with Board members preferably electing the chairperson. Board members are expected to discharge their fiduciary duties to the SOE, act independently with unfettered discretion, exercise independent judgment and not succumb to political interference (with clear distinction on the roles of the executive authority, Board and executive management). The PIC expects at least 75% attendance record by each director at all meetings.

The PIC remains committed to entrenching sound responsible investments in corporate and investee companies and continues to expand and strengthen its team to undertake detailed deep dive research and ESG reporting of investee companies.

Engagements with Unlisted Companies

The PIC has conducted site visits and monitoring meetings with its unlisted investee companies:

- 18 site visits, during which the partner company's ESG practices were reviewed to ensure compliance with regulations and best practice principles. These visits were mainly high - and medium ESG risk rated investments.
- 46 post-investment monitoring meetings, during which governance was a common theme for discussion, namely Board effectiveness, independence, policy, diversity, Board Committees, succession planning and diversity.

The boards of most of the investee companies in the unlisted investment division are in a development stage, with the key driver being compliance with minimum requirements. Almost 95% of the companies' boards are composed of Non-Executive Directors. The focus here is on developing the boards to be independent and objective.

Work was done to prepare companies to align their transformation strategies to amended BBBEE codes:

- Four external training sessions were conducted with unlisted investee companies to enhance their ESG practices. In addition, the PIC participated in the PRI working group committee developing the due diligence toolkit for limited partners.

**THE PIC REMAINS COMMITTED
TO ENTRENCHING SOUND
RESPONSIBLE INVESTMENT
IN CORPORATE AND INVESTEE
COMPANIES**

Generating Long-Term Sustainable Returns

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Creation of Financial Returns

Economic Review 2015/6

Global Economic Conditions and Outlook

Global growth again disappointed in 2015 (at 3.1% from 3.4% in 2014), mainly reflecting a growth deceleration in developing economies amid post-crisis commodity price lows, weaker capital flows and subdued global trade. According to the IMF's latest (July 2016) World Economic Outlook report, global growth is projected to rise in the coming years, but forecasts were trimmed to 3.1% in 2016 and 3.4% for 2017-18. This recovery remains fragile and is predicated upon continued gains in major high-income countries, a gradual tightening of financing conditions, a stabilisation of commodity prices and a gradual rebalancing in China.

The United States economy expanded by 2.4% in 2015, as household spending increased at a robust pace, while fixed investment growth moderated and export growth slowed sharply due to subdued global demand and a strong US dollar. Import demand increased briskly as foreign goods became cheaper on the back of an appreciating currency. A 25bp rate hike in December 2015 prompted dollar strength, alongside increased uncertainty about other key developed economies. The US Dollar strength may weigh on net exports, and this may, in turn, delay further monetary tightening. Market interest rate expectations have already been tempered by softer than expected 1Q16 economic growth data. Ultimately though, growth and activity will slowly improve over the medium term and inflation (particularly core) has already begun to tick up, which indicates that the economy should continue to transition from recovery to expansion in its business cycle.

In the Eurozone, real GDP rose by 1.6% in 2015 (0.9% in 2014) and economic growth became more broad-based across its member states, with only Greece contracting. The economy is likely to continue to benefit from the ECB's broad-based QE programme, and the growth outlook in Europe should steadily start to improve amid what should be a sustained period of low inflation. Therefore, this economy should continue along the path of slow recovery phase.

The UK economy grew by 2.2% in 2015 (2.9% in 2014). Britain's shock vote on 23 June 2016 to end 43 years of EU membership added to financial market volatility and uncertainty. However, this boosted selected EM bond

markets, including South Africa. It is too early to gauge the macro impacts, but the significant uncertainty should affect UK business confidence, especially for exporters to the EU, which should weigh on investment and spending. The impact on the South African economy is uncertain, but no material negative impact on exports is expected.

Although the Japanese economy expanded by 0.6% (0% in 2014), two quarters of negative growth (quarter-on-quarter) during 2015 highlighted the fragility of its recovery.

Undergoing serious challenges due to its structural adjustment programme and weaker global demand, the Chinese economy posted the lowest economic growth rate in 25 years, at 6.9% during 2015. The property market travails seem to have dissipated and the Chinese A-share market recovered after its collapse in Q3 last year, but overcapacity and the need to rebalance away from investment-led growth towards consumption-led growth remain a significant challenge and risk. The clear need to rebalance indicates that growth will ultimately have to slow, keeping it in a mild contractionary phase. The uncertain outlook for China should keep global industrial commodity prices such as those of steel, iron ore and platinum suppressed, as seen last year.

The Brazilian and Russian economies, in turn, remained in deep recession. In sharp contrast, the pace of expansion in India remained very robust. SSA has been highly affected by the downturn in commodity markets and renewed uncertainty globally. SSA growth slowed to 3.5% in 2015 (5% in 2014) due largely to sharply lower commodity prices and export demand, which progressively affected the drivers of domestic expenditure.

For investors, global growth concerns are likely to remain significant and keep commodity prices subdued over the medium term. Should the Fed hold off on raising rates for the foreseeable future and with both the ECB and Bank of Japan likely to ease monetary policy further in 2016, the search for yield should undoubtedly come back in vogue. The shortage of high-quality assets at attractive prices remains more acute than ever this year. This is not to say that this period will be spared significant volatility, though.

The table on the next page highlights downward trend of selected economies' GDP and inflation over the past three years.

Real GDP and inflation of selected economies

	Real GDP growth (%)			Inflation (%)		
	2013	2014	2015	2013	2014	2015
Emerging economies	4.9	4.6	4.0	5.5	4.7	4.7
Advanced economies	1.2	1.8	1.9	1.4	1.4	0.3
US	1.5	2.4	2.4	1.5	1.6	0.1
UK	2.2	2.9	2.3	2.6	1.5	0.05
Euro area	-0.3	0.9	1.6	1.4	0.4	0.03
Brazil	3.0	0.1	-3.8	6.2	6.3	9.0
Russian	1.3	0.8	-3.7	6.8	7.8	15.5
India	6.6	7.2	7.3	9.4	5.9	4.9
China	7.7	7.3	6.9	2.6	2.0	1.4
South Africa	2.3	1.7	1.3	5.8	6.1	4.6

Source: IMF WEO

Currencies and commodity prices

	2015Q1	2015Q2	2015Q3	2015Q4	2016Q1
Rand/\$	11.74	12.10	12.99	14.19	15.86
Euro/\$	1.13	1.10	1.11	1.10	1.10
Pound/\$	1.52	1.53	1.55	1.52	1.43
Yen/\$	119.1	121.4	122.2	121.4	115.3
Gold (\$/oz)	1219	1194	1125	1104	1184
Platinum (\$/oz)	1194	1129	991	908	917
Brent crude oil (\$/barrel)	55.1	63.5	51.3	44.7	35.2

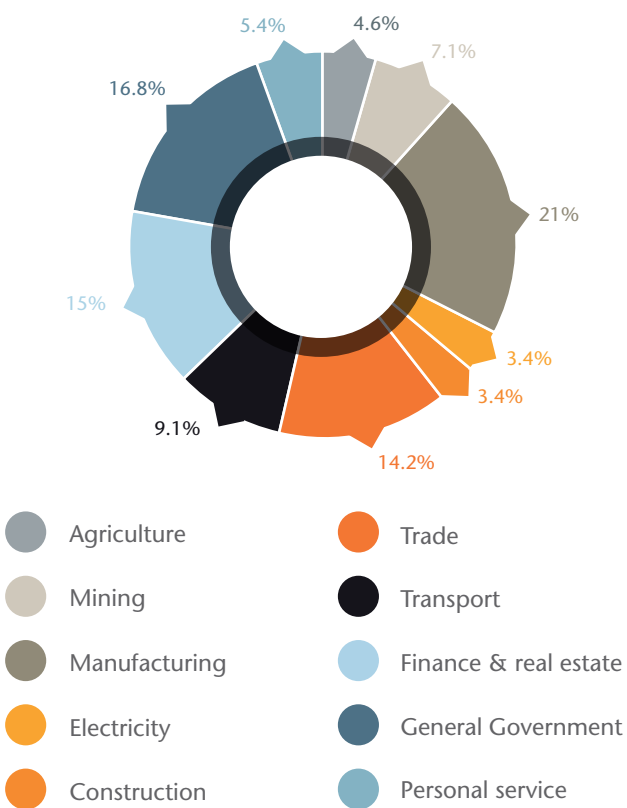
Source: Bloomberg

Developments in the South African Economy and Outlook

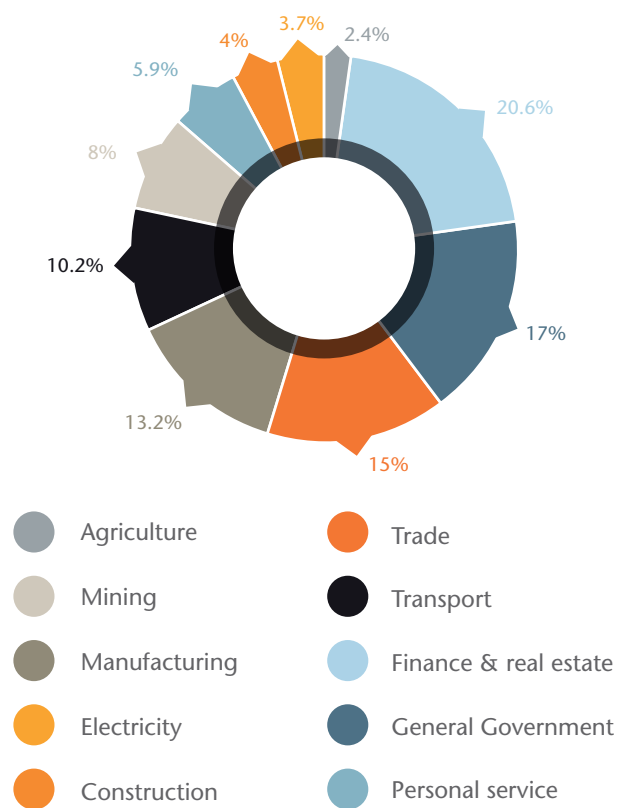
South African growth slowed to 1.3% in 2015 (the lowest rate since 2009), suppressed by weak global demand, low commodity prices, investment downgrade, the drought and increased political uncertainty. Growth continues to be driven through the services and consumer sectors rather than the more primary-focused mining and manufacturing sectors.

South African economy remains more consumption and services driven

SA GDP composition 1994 (%1994)



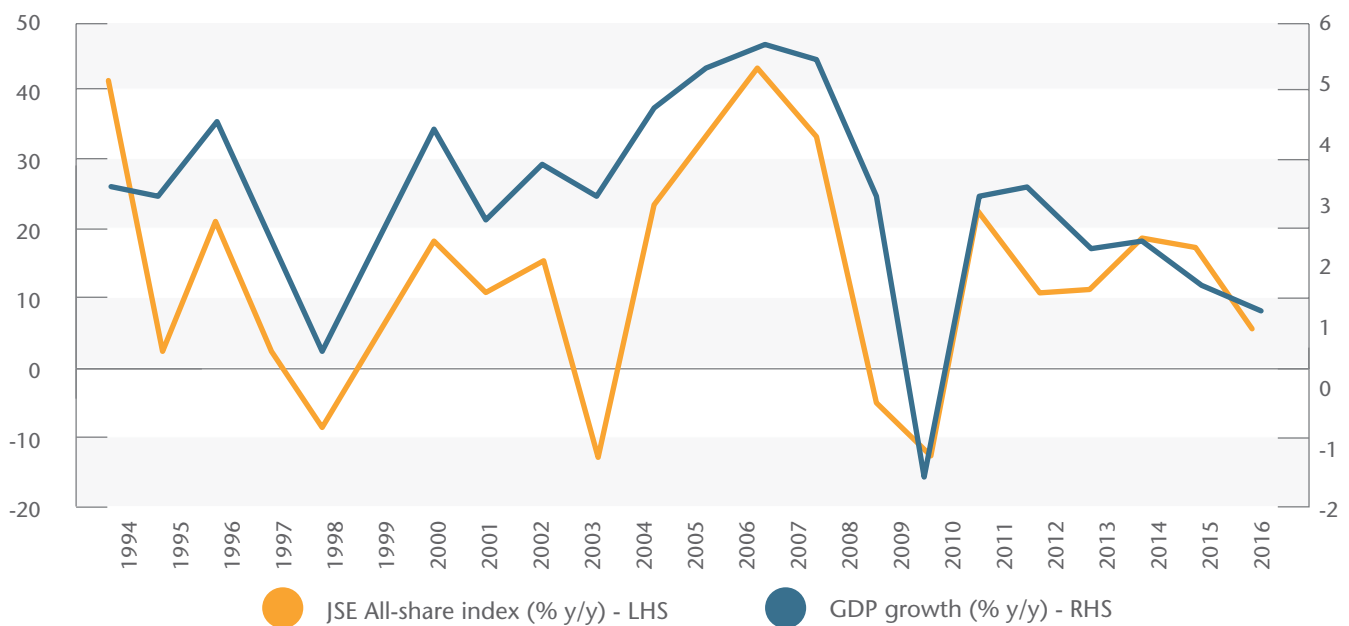
Sectoral contribution to SA GDP (%2015)



Source: SARB, Stats SA

Weaker economic growth also weighed on the performance of the JSE, given the relatively high correlation.

JSE equity returns and GDP growth



Source: Stats SA, JSE

The severe and prolonged drought is weighing on GDP, net trade, employment and income, while lifting inflation. The climatic conditions for the coming season are forecast to be favourable, while indicators such as exports and the manufacturing PMI seem to have bottomed out. Financial pressure on consumers from materially higher inflation and interest rates, as well as significant fiscal drag, is intensifying and will probably rise further as inflation increases. But at least the risk of further monetary policy tightening has subsided.

Private sector fixed investment expanded only 0.4% in 2015, contracting in many sectors on the back of weak business confidence, a poor growth outlook and structural constraints. Manufacturing sector investment rose modestly, largely reflecting replacement spending. The government's capital expenditure growth slowed to 5.9% in 2015 (10.3% in 2014), whilst that of public corporations remained subdued at 0.8%. The Government's multi-billion-Rand infrastructure drive (particularly in road, rail and ports) will remain a favourable backstop, but the prospects for private-sector fixed investment seem as dire as ever. Business confidence remains at near-crisis levels (Q1 2016: 36) and this weakness is broad-based across sectors.

Key risks to the domestic growth outlook include renewed electricity supply outages, the persistence of domestic drought conditions on the agriculture sector (and the broader labour market), a more significant slowdown in China (leading to low commodity prices and weaker demand for South Africa's key mineral exports) and a credit ratings downgrade to 'junk', which could further weigh on investment and confidence.

Meanwhile, the Rand recovered from very weak levels at the beginning of the year, benefiting mainly from improved global risk appetite, given expectations for persistent ultra-loose monetary policy in developed economies. Political uncertainty and weak fundamentals (including a wide current account deficit and weak growth), however, are likely to keep the currency relatively volatile in 2016. Although by historical standards, the Rand remains significantly 'undervalued', the fundamental picture for the currency indicates otherwise. Not much deterioration is expected in the current-account deficit this year, as subdued oil prices and weak domestic demand should help to keep a lid on the trade deficit despite falling commodity export receipts and weakening terms of trade. However, South Africa's current-account deficit is likely to remain structurally high, at about 4.3% of GDP in 2016 (4.1% in 2015). The external financing requirement is, therefore, not negligible and, in the face of already weak foreign direct investment (FDI) inflows and record FDI outflows, much of the financing of this deficit will rely on portfolio investment. This may keep the Rand vulnerable over the medium term.

The stagflationary phase in which the South African economy remains stuck continues to pose a dilemma for the South African Reserve Bank (SARB). Inflation averaged 6.5% in Q1, after having breached the SARB's upper 6% inflation target band in January. The Consumer Price Index (CPI) is expected to remain above target until at least 2017, according to the SARB's latest estimates. Rising food price pressures, a weaker Rand filtering through into higher core inflation and global oil prices that seem to have found a floor in recent months are all placing upward momentum on domestic prices.

Domestic Macro-economic Indicators

	2014	Q1	Q2	Q3	Q4	2015
Household consumption (% y/y)	0.7	1.8	1.6	1.5	2.0	1.7
Government consumption	1.8	-0.3	0.3	0.1	0.8	0.2
Gross fixed capital formation						
General Government (% y/y)	8.8	0.8	9.8	26.3	22.4	14.9
Public corporations	0.7	6.0	6.0	1.9	0.6	3.6
Private business enterprises	0.4	4.1	0.9	-1.6	-5.3	-0.5
Change in inventories (R billion)	9.0	10.4	8.5	-1.2	-5.7	12.0
Gross domestic expenditure (% y/y)	0.6	5.4	0.5	0.3	0.8	1.8
Exports of goods and services (% y/y)	3.4	0.4	8.6	5.1	1.3	3.9
Imports of goods and services	-0.4	7.0	6.4	4.0	4.1	5.4
GDP at market prices (% q/q)	1.7	1.4	-2.9	0.3	1.4	1.3

	2014	Q1	Q2	Q3	Q4	2015
C/A balance (% GDP)	-5.4	-5.0	-3.1	-4.3	-5.1	-4.4
Repo rate (%)	5.8	5.8	5.8	6.0	6.3	6.3
10y bond yield (%)	8.0	8.0	8.0	8.0	9.8	9.8

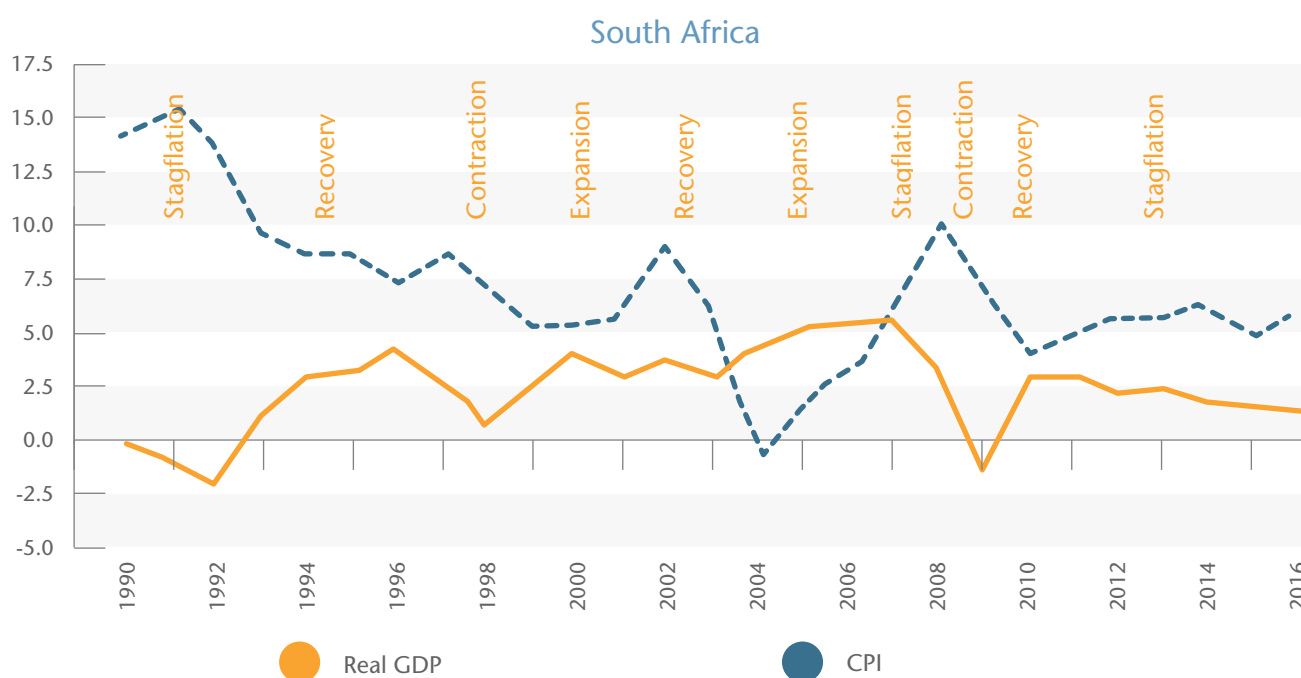
Source: Stats SA, SARB, Bloomberg

NT presented yet another market-friendly national budget in February. There remain downside risks to its revenue projections, however, with political risk factors surrounding embattled SOEs keeping investors and rating agencies cautious. It is unclear whether NT has done enough to avoid a credit rating downgrade into sub-investment grade later this year.

Financial and monetary conditions tightened gradually throughout 2015 and mirrored the deterioration in the

SARB's leading economic indicator. The South African economy is expected to grow by just 0.2% y/y in 2016, its worst performance since 2009. This is in line with the IMF growth forecast of 0.1% released in July 2016. GDP growth is likely to pick up modestly in 2017, but at just 0.9% year on year, it looks as though the economy will not close its negative output gap before 2018. There are significant downside risks to these forecasts.

South Africa Stagflation



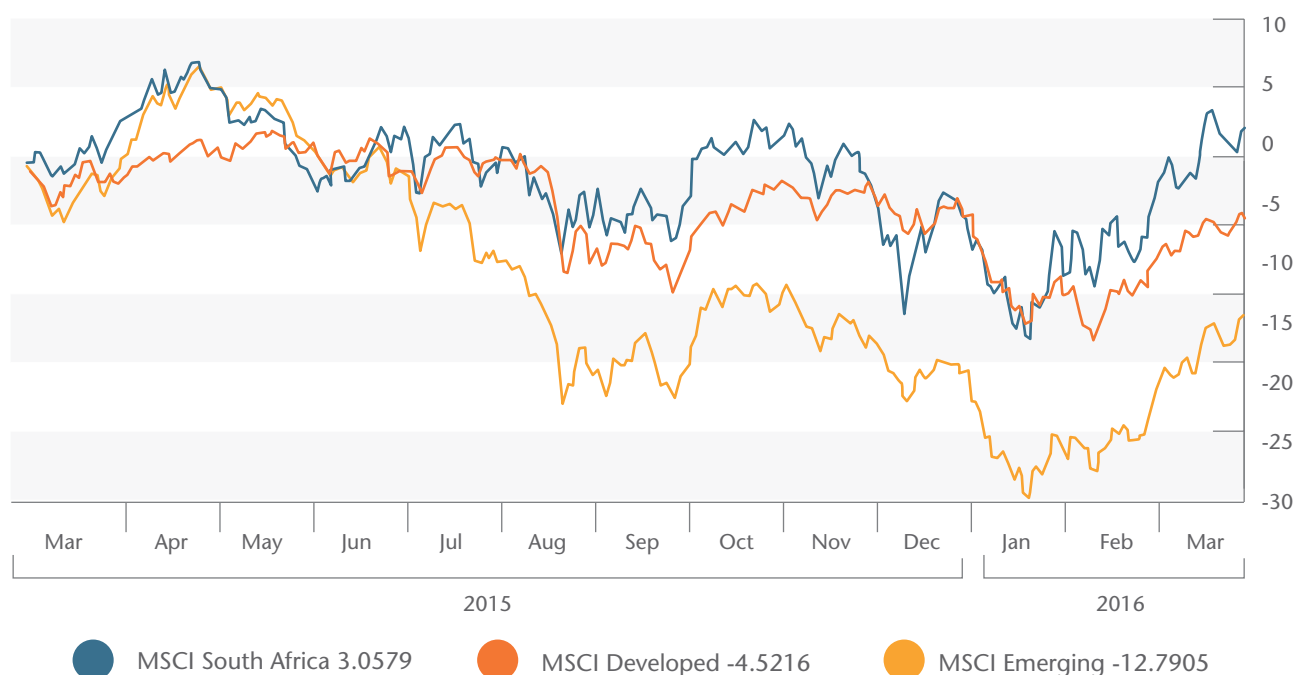
Source: SARB

Equity Market Performance

Markets across the world were negatively impacted by anaemic economic growth and by the Fed having increased the interest rate in December 2015. Confidence was further hurt by continued weakness in key economic zones such as the Euro area and the Americas, resulting in

a continuous downgrade in GDP forecasts. Commodity exporting countries were severely affected by the slowdown in the Chinese economy and subsequent pressure on commodity prices. Despite some reprieve in commodity prices in the last quarter to March 2016, there is strong evidence that it may be short-lived.

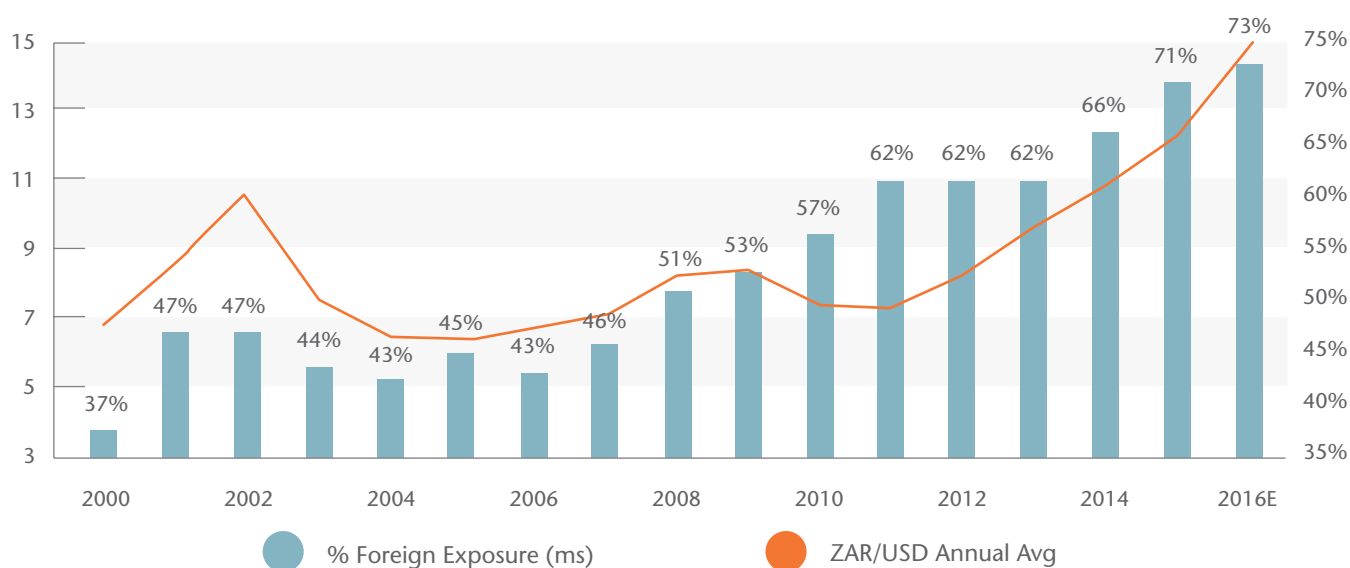
South Africa



Source: Bloomberg

Pleasingly, South African equities significantly outperformed those of other global markets over the period in US Dollar terms. On closer inspection, the reason was that earnings of the top 40 were heavily weighted by dual-listed stocks such as Naspers, Richemont and SABMiller. The chart below shows that the earnings exposure of the top 40 has grown from 37% in 2000 to 71% in 2015.

JSE Top 40 offshore exposure through time



Source: Bloomberg

In local currency terms, the ALSI index touched a record peak at 55,188 on 26 April 2015, before entering a turbulent period from December 2015 on the back of a few negative geopolitical surprises.

Sector	1 Month	3 Month	6 Month	1 year
JSE All Share	-3.42	-1.04	-2.71	2.82
JSE Mining	-28.33	-41.49	-28.02	-23.63
JSE Beverages	42.01	45.35	20.63	38.82
JSE Media	11.10	24.95	2.15	21.44
JSE Personal Goods	-0.73	10.51	6.55	-3.46
JSE Banks	-18.40	-17.35	-5.04	-6.56
JSE Telecommunications	-24.72	-25.09	-6.35	-19.04
JSE Life Assurance	-12.68	-3.51	-4.93	1.96
JSE General Industrial	-3.37	-4.52	-2.86	2.13
JSE Reits	-2.33	-0.13	4.21	5.79
JSE General Retail	-14.73	-3.23	-5.77	-3.88
USDZAR	-14.78	-10.23	-3.92	-5.90

Source: Factset

The beverages category (up 38.8%) was the overall winner, with the takeover bid from ABI Inbev for SABMiller. Media continued to benefit from the continued growth in Tencent (the largest contributor of the NAV of Naspers). The worst hit sector was mining (down 23.63%), which fell due to declining commodity prices and the slowdown in the Chinese economy. Telecommunications (down 19.04%) was dragged down by the imposing of a USD3.2 billion fine on MTN Nigeria by the regulator in that country. Banks were dragged down by the rising interest rates in South Africa and the weak consumer environment.

Equity Market Outlook

Equity markets globally remained expensive over the past year as continued loose monetary policy resulted in the hunt for higher yield. South Africa, in particular, has benefited given its relatively well-managed corporate sector. However, of concern was the possibility that this trade could end once there is a normalisation of interest rates by the Fed and the rating downgrade of the South African sovereign expected over the next 12 to 18 months.

FTSE JSE All-Share 1Y Forward P/E – March 2016



Source: Factset

The ALSI forward price/earnings (P/E) is currently trading at a 20% premium to its average value over the last ten years. As interest rates rise, P/E valuations should converge to the mean of 13.77 or even fall below that.

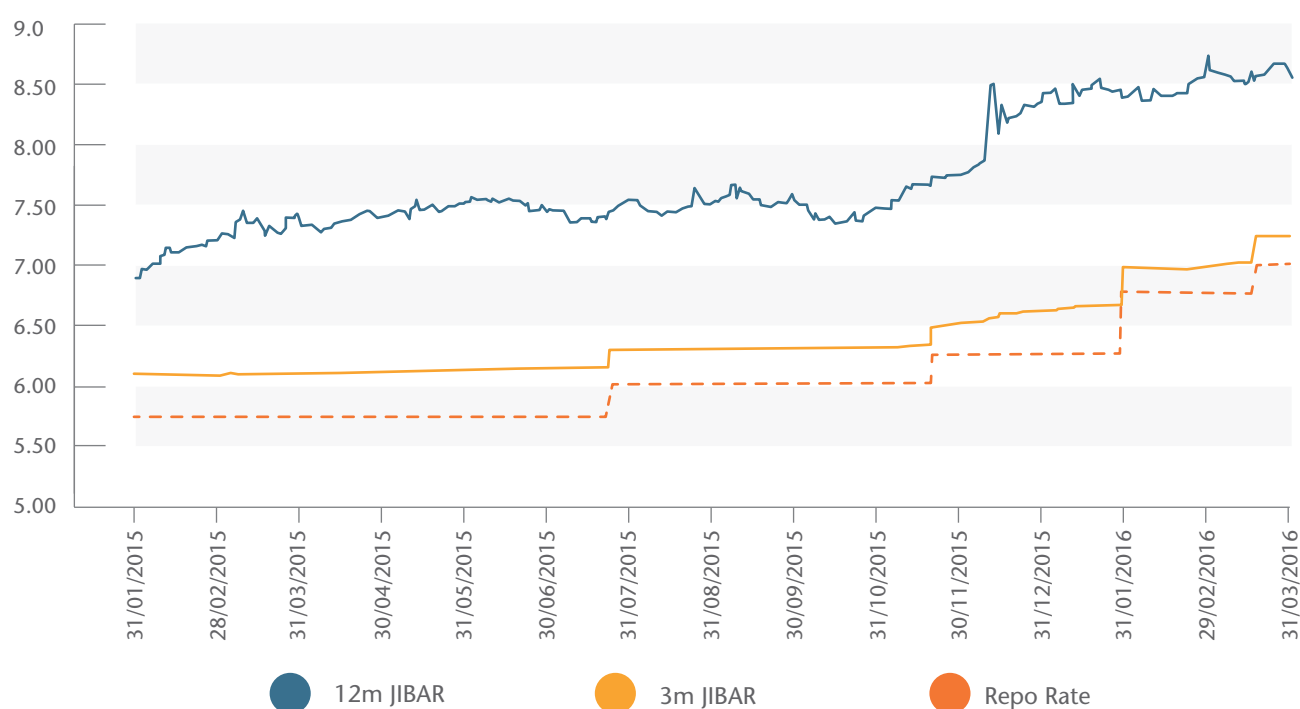
As a result, subdued returns from equities are forecast over the next 12 months at 4% to 8%.

Fixed Income Market Overview

Money Market

The SARB Monetary Policy Committee increased the repo rate from 5.75% to 7% during the period under review. This was mainly in response to higher inflation expectations triggered by the Rand, which weakened significantly to trade as high as R16.83/USD in January 2016 after having started the financial year at R12.13/USD. Subsequently, CPI inflation readings breached the upper end of the 3% to 6% SARB inflation target range since January 2016.

Three- and 12-month money market yields versus repo rate



Source: INET

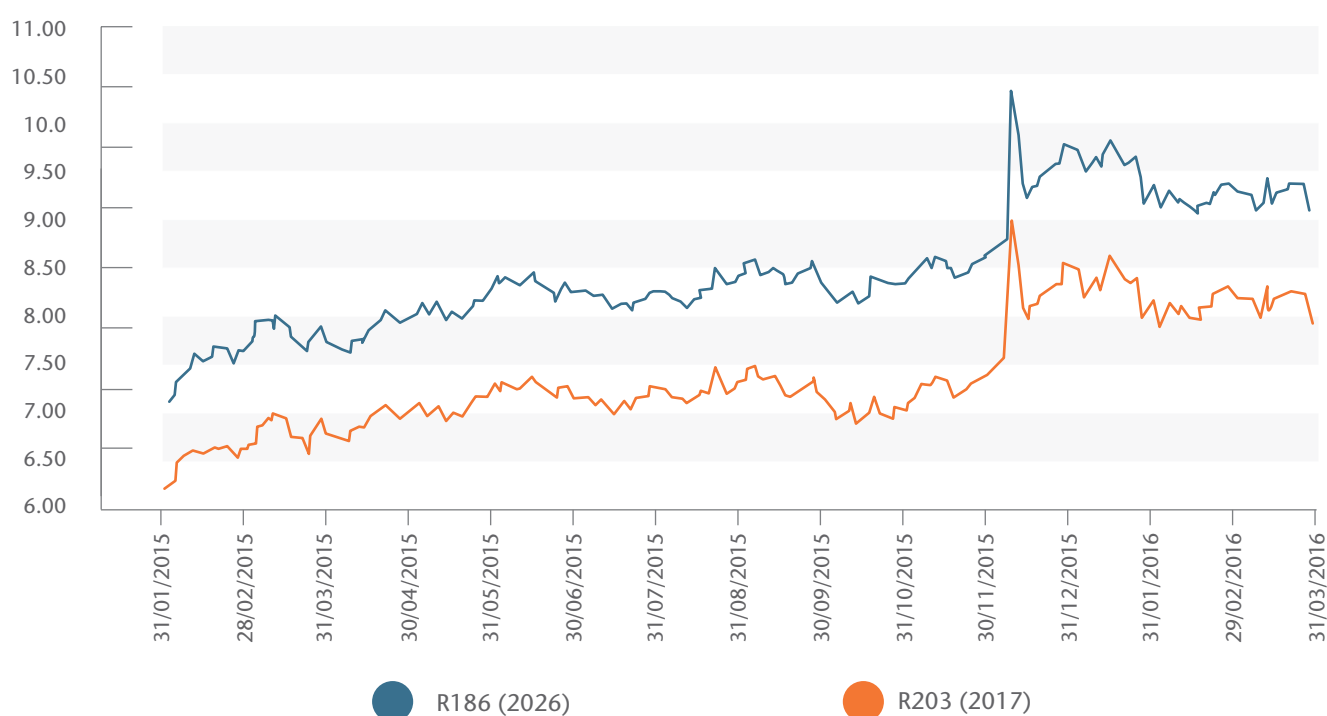
Money market rates trended upwards in response to higher inflation expectations. The three-month and 12-month Johannesburg Interbank Agreed Rate (JIBAR) traded as high as 7.23% and 8.65% respectively in March 2016.

The spread between the two rates started the financial year at 132bp, reaching a low of 106bp in October 2015 and ending at 136bp on 31 March 2016, after trading as high as 193bp in December 2015.

Bond Market

The period from 1 April 2015 to 31 March 2016 was characterised mainly by increasing bond yields in a repo rate increasing environment. Hence bonds became relatively cheaper. The benchmark bond, ie R186 (maturing 2026) started the financial year at 7.80%, traded as high as 10.40% during December 2015 and closed the financial year 2015/16 at 9.11%.

R203 (maturing 2017) and R186 (maturing 2026) bond yields



Source: INET

The spread (gap) between the R186 (maturing 2026) and the R203 (maturing 2017) bonds started the financial year at 94bp, traded as low as 88bp in April 2015 and ended the financial year trading at 110bp, after reaching a high of 140bp in December 2015.

During December 2015, there was increased volatility in bond yields as a result of the reshuffling of the Ministry of Finance, as can be seen from the chart above. South African bonds were generally stronger over Q1 2016 as investor sentiment towards the country improved somewhat after a disastrous Q4 2015 for the bond markets. South African

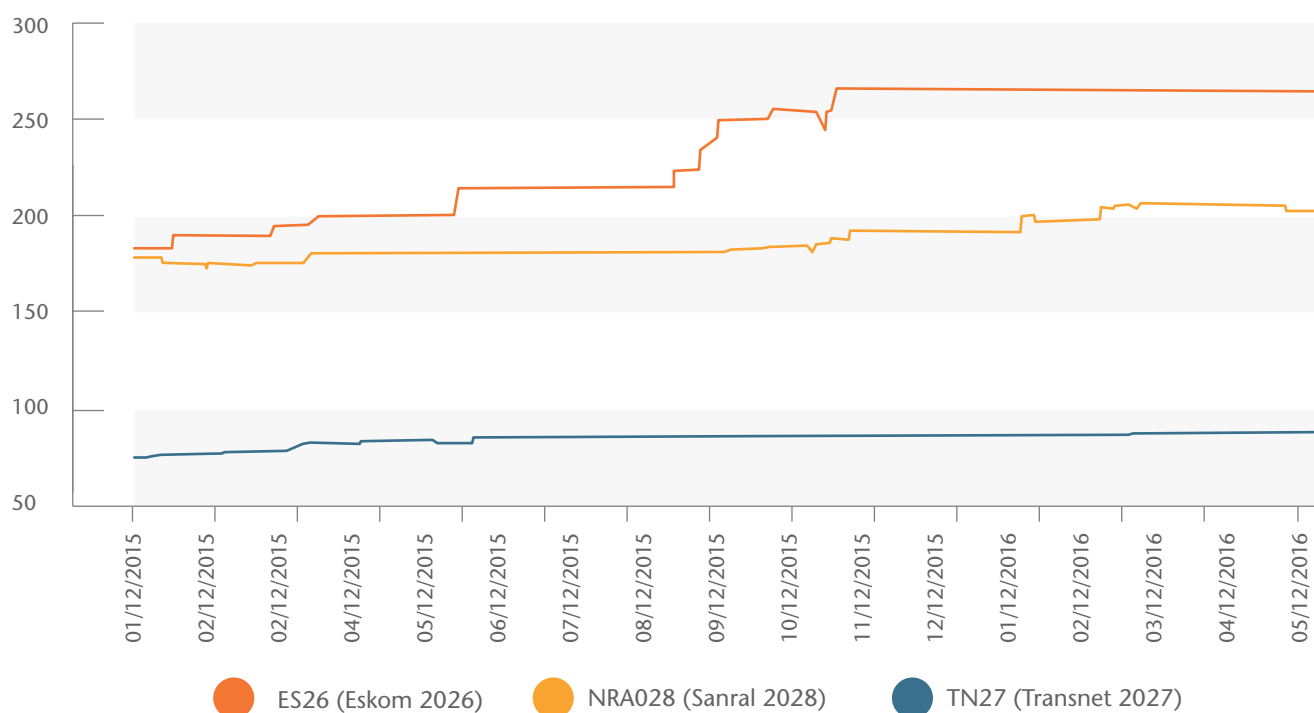
and other emerging bond markets were also buoyed by the gradual lower revision of global growth prospects by both the World Bank and the IMF.

During the year under review, the PIC participated in the NT bond switch auctions, during which it buys back Government short-dated bonds and issues longer-dated bonds to reduce its refinancing risk. Since NT introduced the switch auction programme in February 2015, the PIC has switched R79 billion worth of bonds, representing a 70% participation rate of switch auctions done to date.

Credit Market

Investor sentiment towards credit was generally negative, evidenced by less issuance and widening of credit spreads as seen in the chart below.

SOE credit spreads (bp) versus the South African Government benchmark (R186 bond)



Source: INET

The credit default of African Bank caused ripples throughout the South African bond market, resulting in a repricing of credit risk and heightened risk aversion among investors. SOE credit spreads were at record highs in December 2015 as news of credit rating downgrades gathered momentum. These have since stabilised as investors sit on the sidelines ahead of the rating reviews. During the period under review, the PIC was a significant player in SOEs, funding mainly through their regular bond auctions.

Fixed income Outlook

The bond portfolios remain short benchmark duration to cushion the portfolios against increases in interest rates, as the SARB is in an interest rate hiking cycle amid fears of sovereign credit rating downgrades. The persistent breach in the 3% to 6% inflation target range will probably keep the SARB on course to further tighten monetary policy. The pace and progress of fiscal consolidation, as well as concerns around GDP growth, usher the looming reality of a credit downgrade. South Africa faces a barrage of risks

over a 12-month time horizon and current yields are not believed to adequately reflect the extent of these risks. With foreign investors remaining the single largest holder of domestic debt outstanding of 34%, the risks posed to the bond market in the event of any further unexpected events are clear. The result in the short term may be negative for bond yields, further justifying the short-duration strategy in the short- to medium-term.

Offshore Bond Portfolios

The World Bank offshore fixed income portfolio was *neutral benchmark duration*, with the benchmark (Merrill Lynch 1 – 3 years G7 Excluding Italy Government Index) fully invested in sovereign Government bonds of the G7 countries. There is a continuous effort to enhance returns over and above the benchmark mainly from sovereign Government-guaranteed and high-quality agency bonds. The World Bank portfolio has outperformed the benchmark by 24bp since inception (-1.94% versus -2.18%) in USD terms. In Rand terms, the portfolio returned 15.80%

versus 15.51% for the benchmark, outperforming the benchmark by 29bp at 31 March 2016 (inception: 21 October 2013).

The Blackrock offshore fixed income portfolio also remained *neutral benchmark* (Barclays Capital Global Aggregate Ex Securitised 1 – 3 years Index) duration as this fund is mainly a passive tracker fund. The Blackrock portfolio has underperformed the benchmark by 13bp since inception (-1.63% versus -1.50%) in USD terms. In Rand terms the portfolio returned 15.04% versus 15.20%, underperforming the benchmark by 16bp at 31 March 2016 (inception: 20 April 2011).

Unlisted Investments Portfolio

The PIC's Unlisted Investments portfolio covers three broad areas: developmental investments, private equity and SIPS, and properties. These are investments in projects that earn good financial returns, whilst supporting positive, long-term economic, social and environmental outcomes and transformation in South African and the rest of the African continent.

During the year, the UIF increased its strategic asset allocation towards SRIs from 10% to 20% of its AuM, with a focus on SMEs and industries that have a high job creation intensity, such as agriculture, manufacturing and mining.

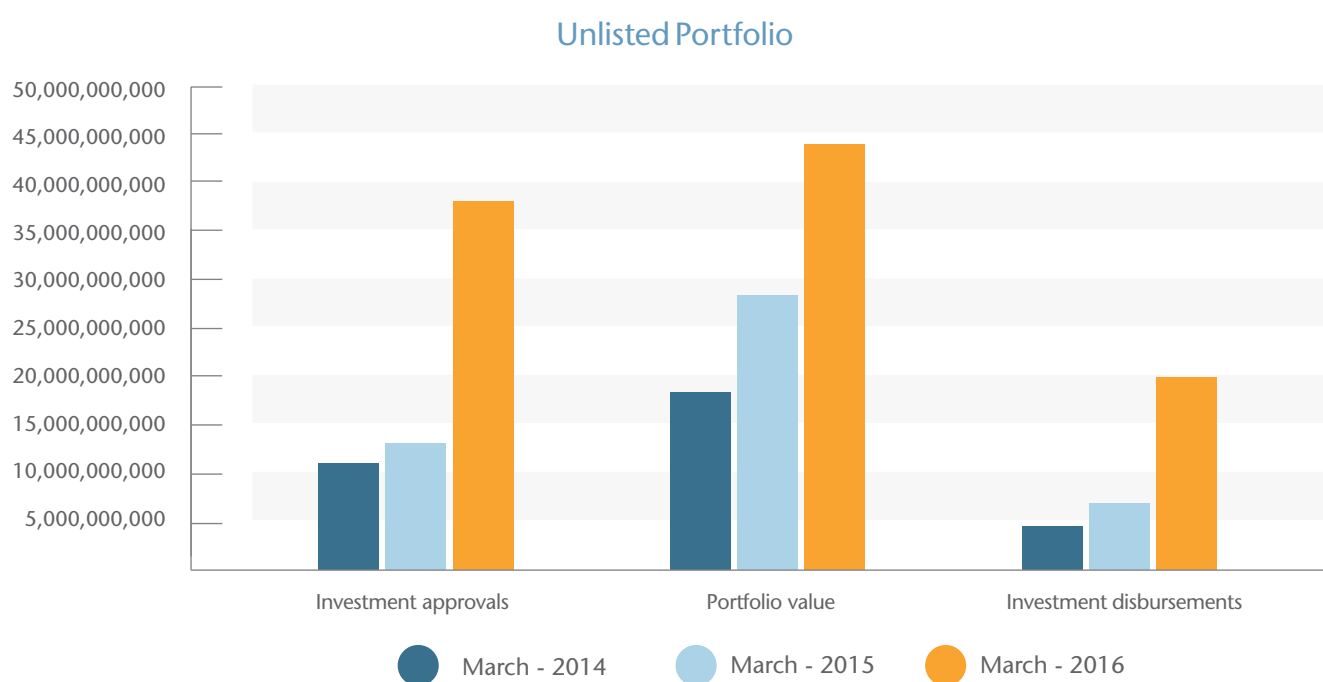
This development is quite encouraging, as our clients see the increasing importance of developmental investments and their impact on the economy.

The GEPIF approved a further allocation of R70 billion for investments in South Africa and the rest of the African continent through developmental and private equity investment pillars. The allocated funds will be invested over three to five years, with specific focus on social and economic infrastructure, SMEs and high labour intensive such as agriculture, agro-processing and manufacturing with transformation being a cross-cutting theme.

The Isibaya Fund continues to gain momentum in deploying the funds allocated, as evidenced by the approval of R38.46 billion (2015: R13.1 billion) worth of transactions during the year, exceeding the annual target by 92%. The approvals increased by 194% compared with the previous year's approvals.

Disbursements amounted to R20.12 billion (2015: R6.9 billion), representing 52% of the current year's approvals and an increase of 192% compared with the previous year's disbursements. The portfolio increased by R15.82 billion to R44.58 billion during the financial year, an increase of 55% compared with the previous financial year. The graphs below summarise key investment activities, progress against strategic asset allocation and portfolio sector exposure at 31 March 2016.

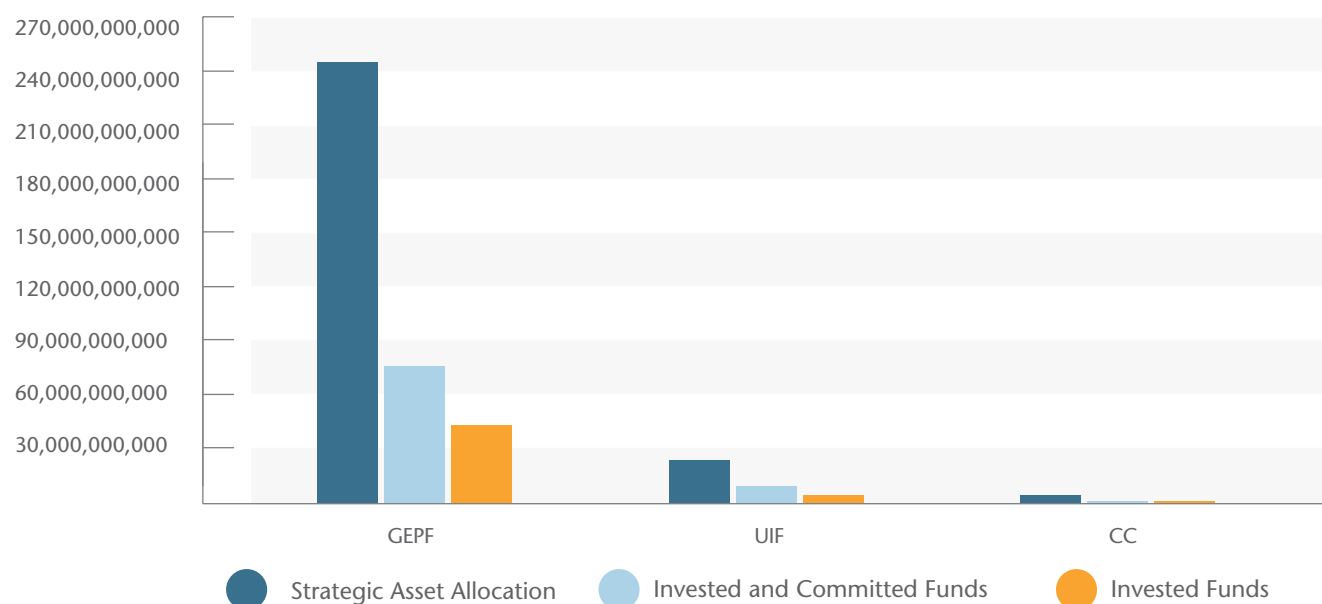
Investment activities



Source: PIC calculations

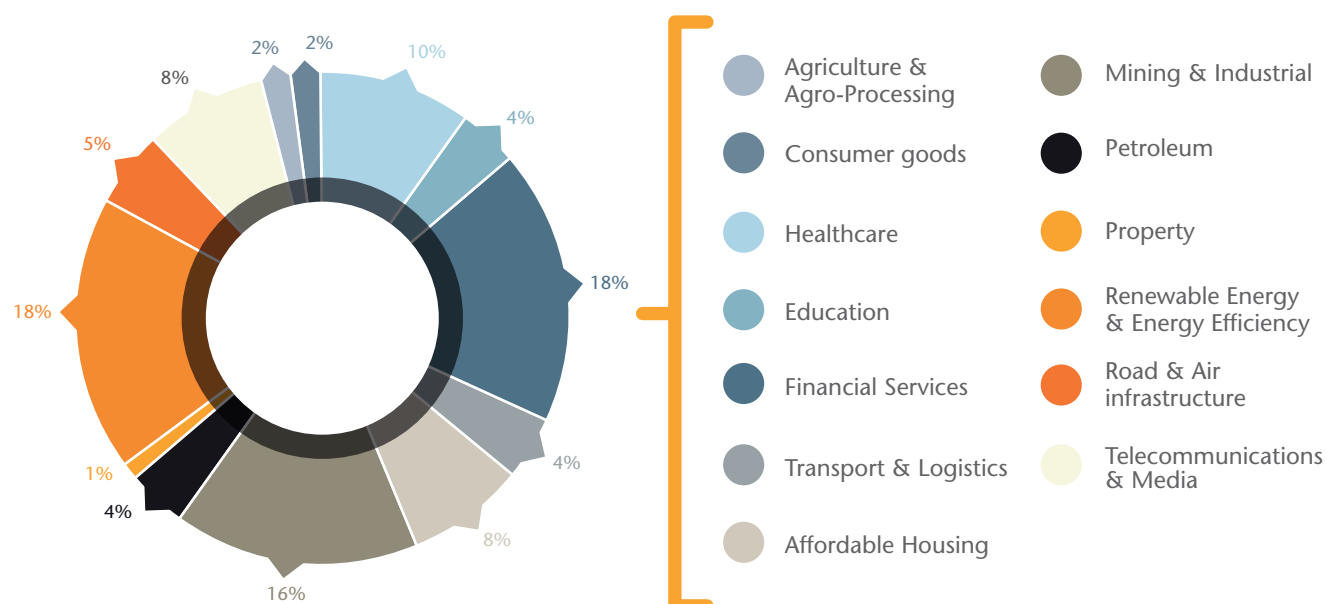
Progress against strategic asset allocation by client at 31 March 2016:

Unlisted Portfolio



Source: PIC calculations

Portfolio sector exposure at 31 March 2016



Source: PIC calculations

Strategic Partnerships

The PIC continues to explore strategic partnerships for possible areas of collaboration. During the financial year, it liaised with the Department of Higher Education and Training (DHET) on possible collaboration on the provision of student accommodation, the Department of Energy (DoE) on renewable energy projects and private sector companies on various projects. Other partnerships yielded co-investments amounting to R575 million (2015: R3.3 billion) and potential co-investments of R1.8 billion.

Developmental Investment Portfolio

Key Achievements

Levels of funding activity

- **R29.31 billion (2015: R11.3 billion)** worth of investments approved during the year;
- **R13.09 billion (2015: R4.4 billion)** disbursed during the year, representing 45% of current year approvals;
- **115%** increase in value of portfolio to R23.5 billion; and
- **82%** of procurement spend (caR22.7 million) on direct investment support services to service providers at BBBEE levels 1 to 4.

Impact on social returns

- In excess of **28,390 jobs** (directly and indirectly) were facilitated during the year;
- **299 (2015: 349)** SMEs funded and underwent entrepreneurship training; and
- The Corporation is emerging as a leader in the development of green industries by direct and indirect funding of renewable energy projects that will generate in excess of **302 MW** was approved.

Below are noteworthy projects, within various investment pillars, approved during the year under review:

• Priority sectors pillar

A R5 billion loan facility was advanced to Land Bank to accelerate the development of black emerging farmers. The PIC will have co-investment rights on transactions funded by Land Bank from the proceeds of the loan facility. The facility is expected to create more than 5 000 jobs over time and facilitate further rural development, skills transfer and, most importantly, ensure food security. This funding requires Land Bank to comply with specific BBBEE transformation targets.

In addition, the PIC provided a debt facility of caR1.2 billion to a consortium of black entrepreneurs to acquire 100% of a poultry business and the related feed production facilities. The transaction is in line with the mandates of PIC clients

in terms of returns and it will contribute to job creation and the establishment of rural entrepreneurs, as well as facilitate the entrance of more black poultry farmers into the industry. Currently, transformation in the agricultural industry lags behind other industries as there are no significant black-owned and managed poultry operations in the country and it is unlikely that any comparable transaction will materialise in the mid-term.

• Economic infrastructure pillar

An amount of R2.1 billion was committed to a mining, oil and gas services company for investment in energy infrastructure assets. An amount of R1.8 billion was approved to fund a BBBEE consortium to acquire an equity stake in a petroleum company and a further R300 million was approved for the rollout of a service station franchise.

• Social infrastructure pillar:

A loan of R11 billion was awarded to SA Home Loans to enable it to provide home loans to GEPIF members with a significantly reduced deposit. It also allows for the establishment of a housing development company to create housing stock, a significant portion of which will be made available to GEPIF members.

Also in terms of this pillar, the PIC approved funding of R50 million to black radiologists following their selection as

preferred bidders to provide radiology services to a 200-bed private hospital in Limpopo. This venture is expected to create 20 jobs. This investment fits well with SRI mandates for the provision of healthcare infrastructure and services, job creation and support to independent, black-owned health practices.

Lastly, in the health sector, funding of R387 million was approved for the development, design, construction and operation of a 220-bed private hospital in Modderfontein in the Ekurhuleni Metro. Once in operation, the hospital is expected to create 395 direct and 400 indirect jobs.

Private Equity and Structured Investment Portfolio

Key Achievements

Levels of funding activity

- **R9.15 billion (2015: R1.8 billion)** worth of investments approved during the year under review;
- **R7.03 billion (2015: R2.5 billion)** disbursed during the year, representing 77% of the current year approval; and
- **96%** of procurement spend (caR15.2 million) on direct investment support services on service providers at BBBEE levels 1 to 4.

Impact on social returns

- All transactions incorporated BBBEE, which included operational involvement by sponsors; and
- In excess of **68,978 jobs** (directly and indirectly) facilitated during the year.

During the year under review, the PIC approved USD149 million to acquire a direct equity stake in a non-banking financial institution that focuses on providing financial services to public sector employees in SSA. The institution has a niche in emerging markets and focuses on providing financial services to public sector employees in SSA and South America. The institution provides financial services to more than 500 000 customers through a network of approximately 400 branches and has a workforce of 6 700 employees.

The PIC provided a USD50 million debt facility to a high-growth telecommunications mobile network operator with a presence in Gambia, Sierra Leone, DRC and Uganda. The facility will be used mainly to upgrade the operator's cellular network infrastructure.

In addition, the PIC provided a USD55 million loan to a company providing logistics, end-to-end supply chain

management and technical services to mobile network operators, wholesalers and retailers, and distributes cellular devices and related products such as SIM cards and laptops. The company has operations across the fast-growing sub-Saharan telecommunications market and its addressable market comprises 26 countries in the Africa region, with a total population of more than 500 million people. The company employs more than 250 people directly and 675 employees are hired by third parties, eg courier companies performing services on its behalf. Part of the loan will fund expansion into the rest of Africa, which will create more jobs.

As part of its indirect investment strategy and to promote and facilitate African transformation in the private equity industry, the PIC has committed USD20 million to a fund with distinct focus on investing in retail and consumer goods, banking and insurance, oil and gas mining, energy, infrastructure, agribusiness and real estate sectors.

Outlook for the Year Ahead

The PIC will continue to accelerate the deployment of funds committed by clients, particularly the R70 billion committed by the GEPP for investments in infrastructure and high job facilitation projects.

To accelerate investment in developmental projects, the PIC's approach will be augmented by strategic investments in entities that can advance its objectives in key developmental investment areas. For strategic investments that were made in the year under review, the emphasis was on aligning strategies to identify and exploit synergies, where feasible. On the energy side, the PIC will venture into the Coal Base Load Programme, led by the DoE, designed to procure capacity and energy derived from 2 500 MW of coal-fired power generation.

The focus in priority sectors will be on further investments in agriculture and agro-processing, but the portfolio will be diversified with investments in areas such as manufacturing and beneficiation.

Investments in SMEs remain important, given that they are significant contributors to GDP, job facilitation, innovation and entrepreneurship. The PIC will continue its strategy of making direct investments in SMEs and providing wholesale facilities to intermediaries for on-lending to SMEs. Key initiatives will be enterprise and supplier development initiatives with the private sector, and a specific investment fund for the youth, particularly in the supplier development, franchising and entrepreneurship through buy-ins and buy-outs.

INVESTMENTS IN SMEs REMAIN IMPORTANT, GIVEN THAT THEY ARE SIGNIFICANT CONTRIBUTORS TO GDP, JOB FACILITATION, INNOVATION AND ENTREPRENEURSHIP

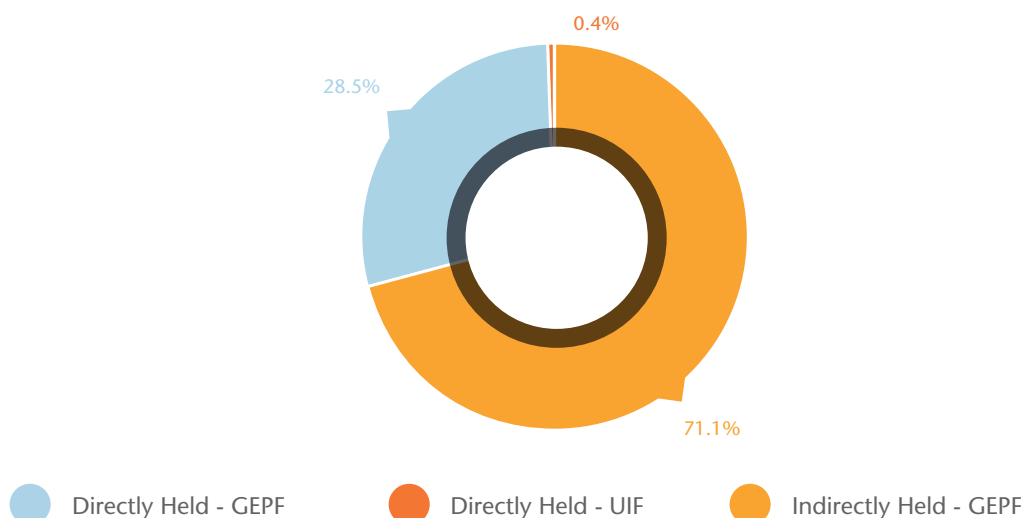
Unlisted Properties Overview

Properties are part of the Unlisted Investments portfolio that comprises an unlisted portfolio of R37.67 billion (mandates from GEPP and UIF).

The unlisted property target asset allocation of the GEPP is 3.5% of AuM, with the actual allocation equating 2.13%, which is within the 0% to 7% range of strategic asset allocation as per the mandate. For the UIF, the unlisted property target asset allocation is 5% of AuM, with the actual allocation equating 0.02%.

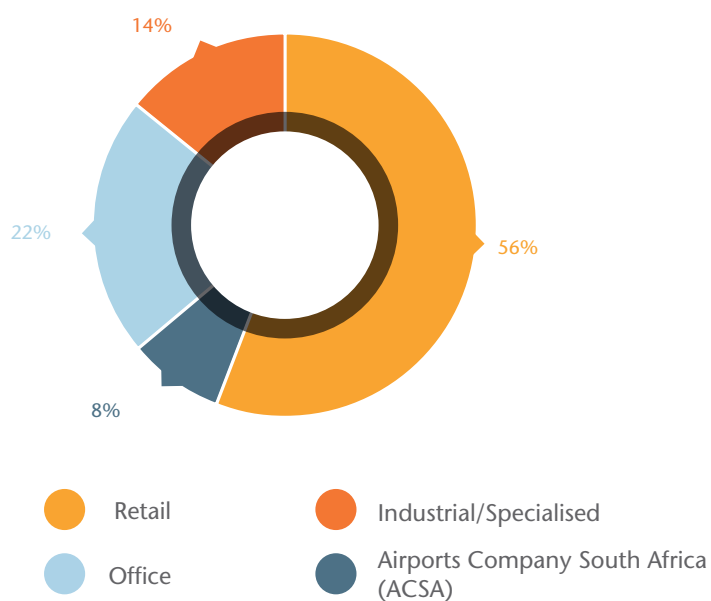
The following are the attributes of the unlisted property portfolio:

Asset Allocation: Property Portfolio Overview March 2016

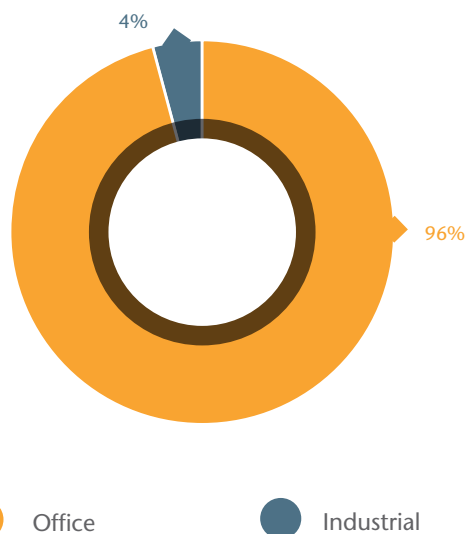


Source: PIC calculations

Portfolio Sectorial Split: GEPF

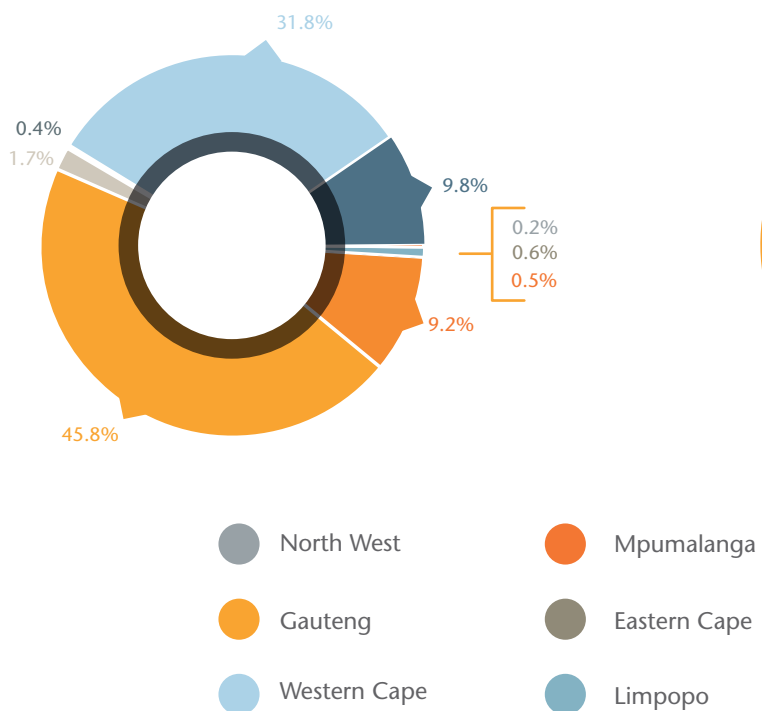


Portfolio Sectorial Split: UIF

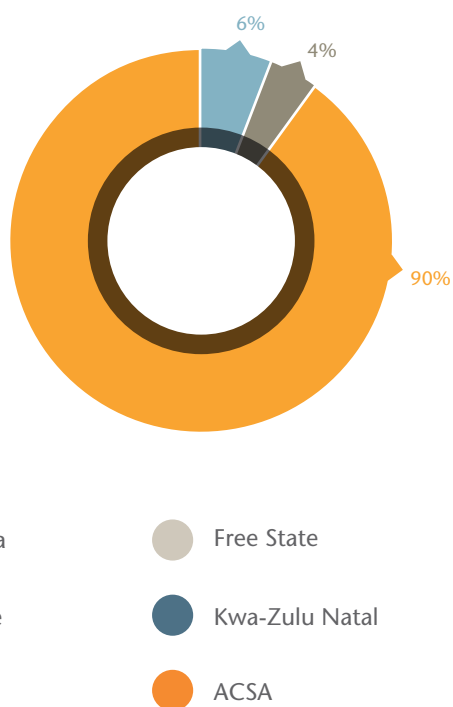


Source: PIC calculations

Geographical Split: GEPF



Geographical Split: UIF



Source: PIC calculations

Unlisted Property Portfolio Performance Overview

The property business continues to optimise the management of the existing portfolio to ensure continuous performance achievements.

The macro-economic climate has had a negative impact on the property and retail sectors. Rising interest rates and weakening exchange rates, as well as ongoing political uncertainty, took their toll on consumer spending and the retail sector in general. High levels of unemployment, muted credit growth, and depressed economic growth will continue to place strain on disposable income. The GEPF's

retail portfolio provides some resilience, as shopping centres continue to attract tenants and customers.

Looking ahead, a further increase in interest rates is likely, driving up the cost of debt. Consumer spending growth is expected to decrease and the depressed economy will increase potential business failure and tenant defaults, as well as lower market reversion on rental escalations, vacancies and arrears and rental renewals.

The PIC manages super-regional shopping centres for the GEPF in three indirectly held property investment companies, namely Pareto (100%), Business Venture Investments (100%) and V&A Waterfront (50%).

Indirectly Held Portfolio Highlights

Key Achievements and Milestones

- Establishment of Mowana Properties, a wholly owned subsidiary of Pareto that operates as a separate entity.
- Mowana houses all property management functions, and manages both Pareto and GEPF directly held property.
- Growth in market share and revenue as a result of recent development activity at the Pavilion and Cresta shopping centres.
- The 2015 South African Council of Shopping Centres (SACSC) Footprint Awards saw Pareto's centres winning three gold, seven silver and eight bronze awards, and Pareto Property Management (now Mowana) receiving a silver award for the Pareto Retail Tenant Support Programme.
- V&A Waterfront received heritage platinum status in recognition of its efforts to preserve the property's unique history.
- Transnet National Ports Authority awarded V&A Waterfront preferred bidder status for the development of a cruise terminal at the Port of Cape Town.
- The Watershed received prestigious awards from the Cape Institute for Architecture and SACSC, which both recognise exceptional shopping centre design combined with economic success in the South African property industry.
- Facilitation of jobs in excess of 20 000.
- Approved funding for BBBEE totaling R2 billion.

• Pareto and Business Ventures Investments (Pty) Ltd (BVI)

Pareto is valued at R13.6 billion and owns super-regional and regional shopping centres and hotels in primary metropolitan areas. Properties in the portfolio include Sandton City, Pavilion, Cresta and Westgate, and the Sandton Sun and Towers and Sandton Holiday Inn hotels. At 31 March 2016, GEPF owned 100% of Pareto.

BVI is a special purpose vehicle that is wholly owned by GEPF. It owns 100% of Menlyn Park, which is currently valued at R1.9 billion. BVI is managed under Pareto.

• V&A Waterfront

V&A Waterfront is a mixed-use property investment around the historic Victoria and Alfred basins which formed Cape Town's original harbour. The current value of 50% of the investment is R7.11 billion.

• Menlyn Maine Investments Holdings

The PIC's investment on behalf of GEPI in Menlyn Maine Investment Holdings (Pty) Ltd, owner of prime development land in Menlyn, Pretoria, is set to become Africa's first multi-use 'green city'. This mega-development, Central Square, will comprise 315 000 m² of gross lettable area (GLA). The current value of 50% of the investment is R478 million.

• ADR International Airports South Africa (ADRIASA)

The PIC, on behalf of GEPI, owns 20% shareholding of Airports Company South Africa (ACSA), worth R2.09 billion. This investment is held through a special purpose vehicle (SPV) that is ADRIASA. ACSA currently owns and operates six international airports and three regional airports in South Africa and has interests in international airports in Brazil and India.

Directly Held Portfolio Highlights

Key Achievements and Milestones

- The PIC successfully outsourced its property management business to Mowana Properties.
- At 31 March 2016, 100% of budgeted capital expenditure had been committed to and/or spent on various projects. R208 million capex spent and 3,879 jobs created.
- Tenant leasing and renewals continue to be Mowana's key focus areas to ensure that property vacancies are reduced to an acceptable level in line with the market.
- R4.7 billion worth of development and refurbishment projects that were approved and are currently underway.

The current value of the directly held portfolio is R10.76 billion and the investment focus is predominantly on the office market, which is weighted heavily at 64%, followed by retail and industrial, at 17% and 16% respectively. The retail component of the portfolio consists of various neighbourhood, community and regional shopping centres.

Operational capital expenditure (capex) on existing properties for the year under review was R208 million and developmental expenditure totaled R290 million. The capex was spent on maintaining and upgrading current properties, with retail allocated 2.7%, office 1.9% and industrial 2.7%.

Capex on new developments consisted primarily of ongoing developments at Central Square in Menlyn and the development of head offices for the Business Connexion Group in Centurion.

Outlook

In 2016/17, the unlisted property portfolio will focus on:

- Continued optimisation of the management of existing portfolio to ensure continuous performance achievements;
- Diversification to underserved markets such as rural towns and townships;
- Continued capital investment in the Pareto portfolio to improve quality of assets and tenant retention;
- Continuing to ensure that the portfolio contributes positively to the environments' sustainability through greening and spatial integration;
- Using the growth strategy in both directly held and indirectly held portfolios to impact aggressively on transformation;
- Positioning the GEPI as the preferred provider of office space accommodation for Government and related entities; and
- Focusing on improving operational efficiencies by developing more effective business systems that will serve as a cornerstone for operational excellence.

Client Portfolio Performance

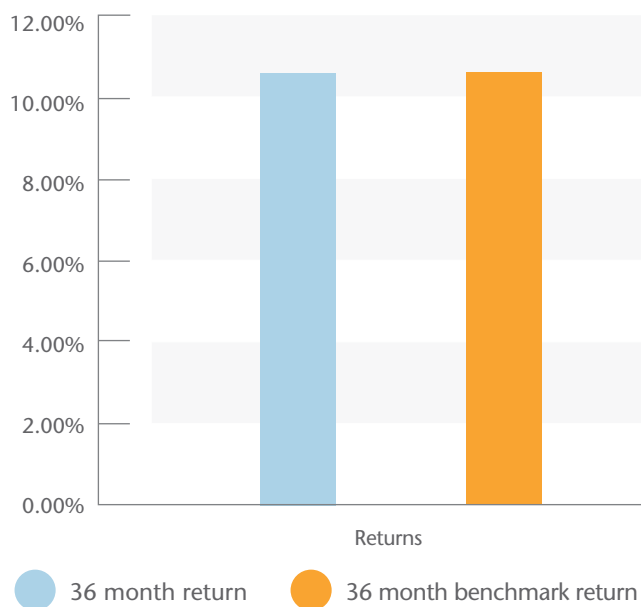
Government Employees Pension Fund

The GEPF returned 10.98% against the benchmark of 11.04% over three years, resulting in a slight underperformance of 0.06%. The fund's investments in local listed equity and global equity were the largest contributors to relative returns. The strength is attributable to both good asset allocation and stock selection. Money markets and cash exposure also added value. Underperformance in global bonds detracted the most from relative returns. Unlisted investment also hurt performance over the three years. Another detraction in performance came from local nominal and inflation-linked bonds.

Total Listed and Unlisted Investments performance

Fund	36 month return	36 month benchmark return	36 month relative
GEPF	10.98%	11.04%	-0.06%
Over the three year period, GEPF returned 10.98%, outperforming CPI of 5.45% by 5.53%.			

36 month Performance Government Employees Pension Fund



Unemployment Insurance Fund

The UIF outperformed its benchmark over the three-year period. Strong asset allocation across all other asset classes contributed to the fund's relative return, whereas listed equities and nominal bonds detracted from performance. Inflation-linked bonds were the most notable contributors

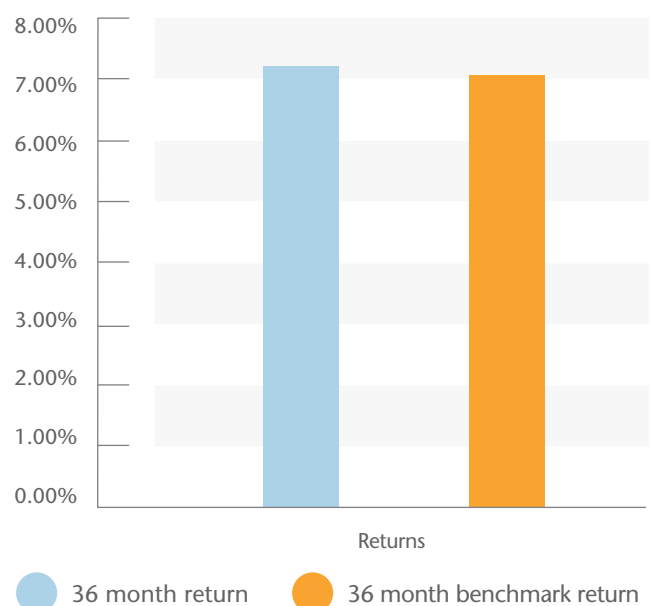
Relative returns may be affected by rounding

to performance. Money market and cash were other large contributors, followed by listed properties and SRIs.

Total Listed and Unlisted Investments performance

Fund	36 month return	36 month benchmark return	36 month relative
UIF	7.30%	7.09%	0.22%
Over the three year period, UIF returned 7.30%, outperforming CPI of 5.45% by 1.86%.			

36 month Performance Unemployment Insurance Fund

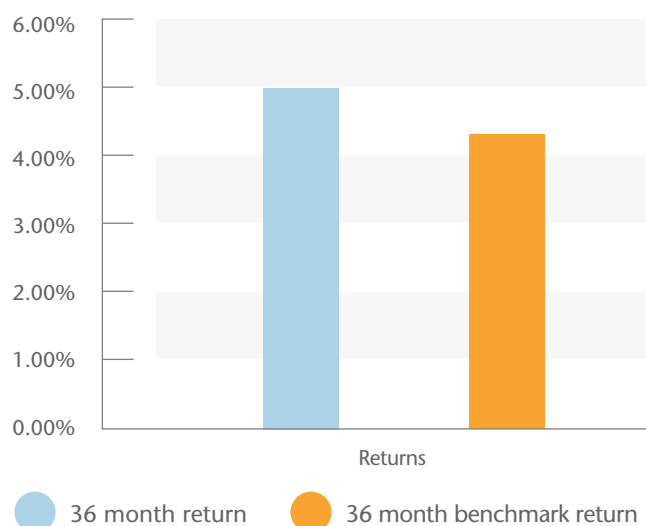


Compensation Commissioner Fund

The CC performed well by returning 5.02% against the benchmark of 4.30%, representing an outperformance of 0.73% over a rolling three-year period. The main asset class that contributed to the performance was the stock selection from the listed equities, which outperformed their benchmark. Selection in capital market investment also drove a positive contribution to relative returns. Allocation in money markets was another contributor to the positive alpha. The only asset class that pushed performance down was Unlisted Investments, which were entered into only during the period.

Total Listed and Unlisted Investments performance

Fund	36 month return	36 month benchmark return	36 month relative
CC	5.02%	4.30%	0.73%
Over the three year period, CC returned 5.02%, underperforming CPI of 5.45% by 0.42%.			

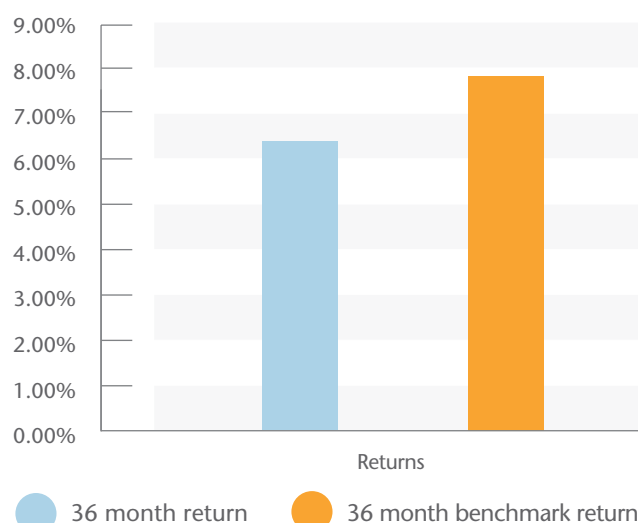
36 month Performance
Compensation Commissioner Fund

Compensation Commissioner Pension Fund

The CP underperformed the benchmark over the three years. The fund returned 6.52% against the benchmark of 8.04%, representing an underperformance of 1.53%. The underperformance was driven mostly by stock selection in the listed equities, which detracted from performance. Asset allocation in inflation-linked bonds was another negative relative return contributor. Nominal bonds and money markets were the primary positive contributors.

Total Listed Investments performance

Fund	36 month return	36 month benchmark return	36 month relative
CP	6.52%	8.04%	-1.53%
Over the three year period, CP returned 6.52%, outperforming CPI of 5.45% by 1.07%.			

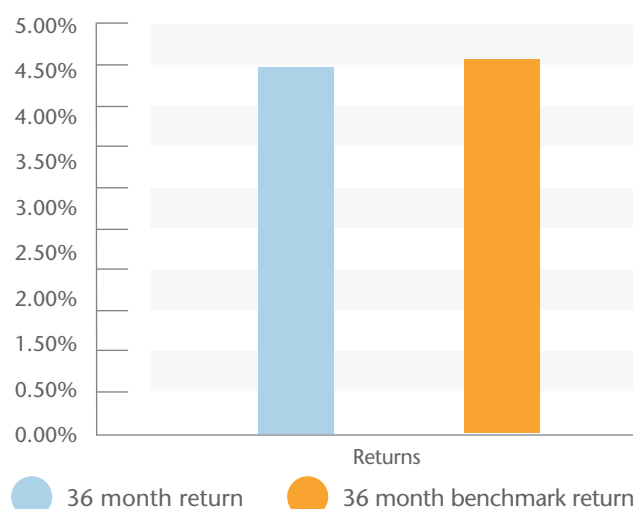
36 month Performance Compensation
Commissioner Pension Fund

Associated Institutions Pension Fund

The AIPF underperformed slightly by 0.05%, following a return of 4.49% against benchmark return of 4.55% over the three-year period. The underperformance was driven by negative asset allocation across all assets classes, which are nominal bonds and money markets.

Total Listed Investments performance

Fund	36 month return	36 month benchmark return	36 month relative
AIPF	4.49%	4.55%	-0.05%
Over the three year period, AIPF returned 4.49%, underperforming CPI of 5.45% by 0.95%.			

36 month Performance
Associated Institutions Fund

Relative returns may be affected by rounding

Other Funds

Over and above the funds already discussed, the PIC manages funds with small portfolios as well as collective scheme investment products.

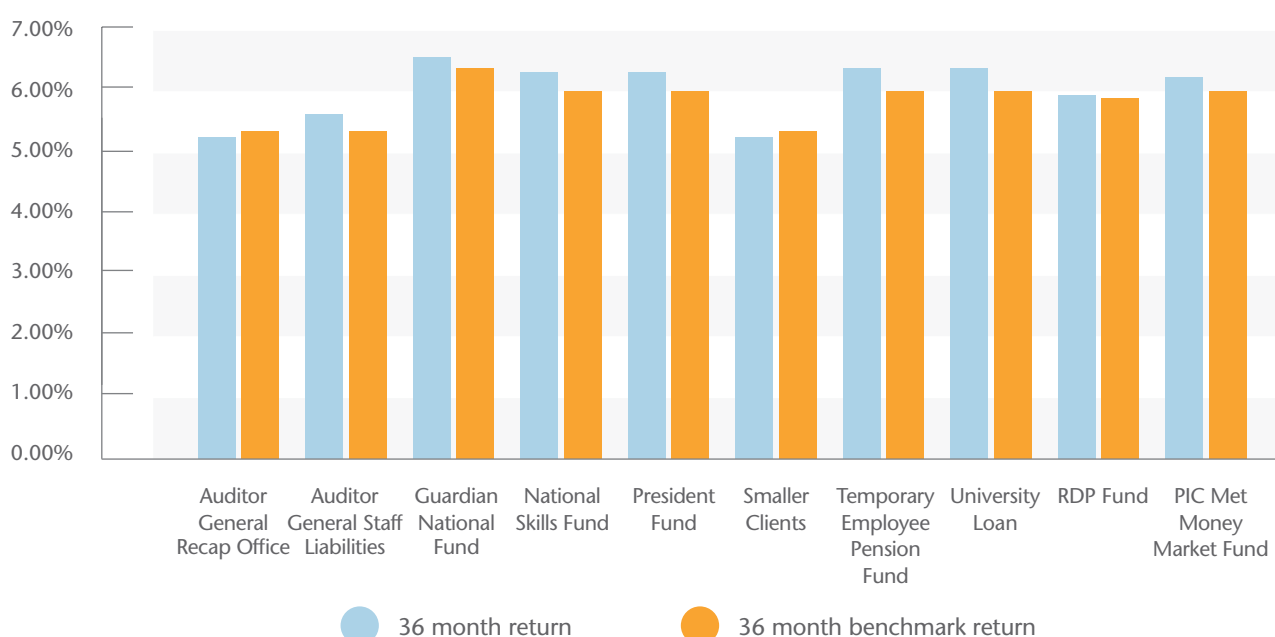
Over the three-year period, the majority of these portfolios outperformed their benchmarks with the exception of the Auditor General Recap Office and Smaller Clients' portfolios. These underperforming portfolios held predominantly only cash and overnight instruments for the entire 36 months. The other portfolios are mainly invested on money markets, with longer maturity than overnight, and they have outperformed the Stefi Composite Index.

Total Listed Investments performance

Funds	36 month return	36 month benchmark return	36 month relative
Auditor General Recap Office	5.25%	5.33%	-0.08%
Auditor General Staff Liabilities	5.60%	5.33%	0.27%
Guardian National Fund	6.56%	6.36%	0.21%
National Skills Fund	6.30%	5.99%	0.31%
President Fund	6.33%	5.99%	0.34%
Smaller Clients	5.25%	5.33%	-0.08%
Temporary Employee Pension Fund	6.36%	5.99%	0.37%
University Loan	6.36%	5.99%	0.37%
RDP Fund	5.92%	5.88%	0.04%
PIC Met Money Market Fund	6.20%	5.99%	0.22%

Over the three year period, most of the other funds outperformed CPI of 5.45%, except the Auditor General Recap Office and the Smaller Clients which are only invested in overnight cash instruments.

36 month Performance Other Clients



Relative returns may be affected by rounding

Creation of Social Returns

Enterprise Development


The PIC invests in SMEs that have proven to have high impact on job creation. Research conducted by the South African Institute of Chartered Accountants (SAICA) shows an increase in the number of people employed by SMEs depending on the size and the age. The PIC mandate is in line with the NDP chapter on economy and employment. Among the key focus areas have been sectors and clusters, which provide decent employment opportunities resulting in a skilled and capable workforce to support an inclusive growth path.

The PIC has supported 299 SMEs in different sectors. It is anticipated that the property developments and other infrastructure projects are playing a critical role to advance the enterprise development in the country through sub-contracting.

Skills Development

Training and capacity building of local communities, employees and SMEs have remained key priorities for a number of investments. The skills development element ensures long-term sustainability of projects and promotes ownership and accountability in the project as it instils a sense of recognition and value. The Skills Development Act has played a crucial role in addressing the skills development shortage and has helped to increased production in the workforce. Skills development has become a crucial aspect of economic development in South Africa.

The construction of renewable energy requires new skills sets not readily available in South Africa and young professionals currently involved in these projects are being exposed to new skills. Benefits extend to local unskilled labourers, who are learning new skills in the construction and maintenance of solar energy stations. These initiatives will help to alleviate skills shortages and bolster skills needed in South Africa.



**TRAINING AND CAPACITY BUILDING
OF LOCAL COMMUNITIES,
EMPLOYEES AND SMEs HAVE
REMAINED KEY PRIORITIES FOR
A NUMBER OF INVESTMENTS.**

An Inclusive and Integrated Rural Economy

By 2030, South Africa's rural communities should have greater opportunities to participate fully in the economic, social and political life of the country. These opportunities will need to be underpinned by good quality education, healthcare, transport and other basic services. Successful land reform, job creation and rising agricultural production (including agro-processing) will all contribute to the development of an inclusive rural economy.

The PIC investment in the agricultural sector, renewable energy and mining unlocks the rural economy through initiatives such as community trusts and employee share schemes, job creation, skill and enterprise development.

Economic Infrastructure

Vital to South Africa's development is its infrastructure. The NDP proposes that at least 90% of the population should have access to the electricity grid by 2030. The PIC investment in the construction of renewable energy projects with a capacity of 2,620.54 MW (solar and wind energy), will alleviate power shortages.

In addition, the PIC has invested in property developments, road infrastructure through a number of consortiums, ICT and airports facilities. Access to infrastructure provides access to the economy and to the rest of the world.

Improving the Quality of Education, Training and Innovation

Improving the quality of education requires careful management and accountability. Interventions are proposed across all levels of primary, secondary and tertiary education, in which performance is sometimes world-class and at other times mediocre.

The PIC has made a significant contribution to access to education through study loans to students, student accommodation, and financial support for study tools that include textbooks, technology and study equipment.

During the reporting period, the PIC achieved the following:

- Supported 34,047 students through financial support;
- Supported 22 private schools; and
- Provided accommodation for more than 15,600 students.

Quality Healthcare for All

Proposed key healthcare interventions include strengthening the health system and addressing health infrastructure backlogs; reducing the disease burden by provision of proper medical care; adequate financing of the health system, phasing-in of national health insurance, and addressing the human resource issues that plague healthcare (eg the re-opening of nursing colleges).

The PIC has achieved the following:

- Direct and indirect commitment for 13 hospitals, of which, seven are operational and six are under construction;
- This will contribute 1,256 beds to the market; and
- Investment in a pharmaceutical company that provides medication across the country, including rural areas.

Increasing Impact on Social Returns Through the Unlisted Property Portfolio

- The indirectly held portfolio has facilitated in excess of 20,000 jobs (directly and indirectly).
- Pareto's continued commitment to implementing sustainable energy-saving initiatives is evidenced by

new projects completed during the year under review. Photovoltaic (PV) solar panels are planned for Cresta, Mimosa, Westgate and Pavilion shopping centres.

- The Green Building Council of South Africa (GBCSA) awarded both Victoria Wharf and the property's BP Building four-star 'existing building' ratings, reflecting the buildings' high-level environment friendliness and sustainable operating efficiency.
- V&A Waterfront announced that more than 7 000 square metres of solar panels will be installed on the roofs of buildings across the precinct, significantly reducing the property's dependence on the electricity grid. The solar PV project will conserve an estimated 1,721,956 kWh annually – equivalent to the energy needed to power 574 households with four inhabitants, on average.
- More than 3,000 jobs (directly and indirectly) were facilitated during the year.
- Total BBBEE funding approvals for the year totaled R2 billion and were all funded in joint ventures with PIC clients.
- All funding was allocated to entities owned 50% or more by black individuals and three of the four funding initiatives were for 100% black-owned entities.
- With the approval of the PIC properties BBBEE policy, the PIC engages with BBBEE contributor level 4 enterprises.

Broad-Based Black Economic Empowerment (BBBEE)

The PIC's transformation drive is founded on the following:

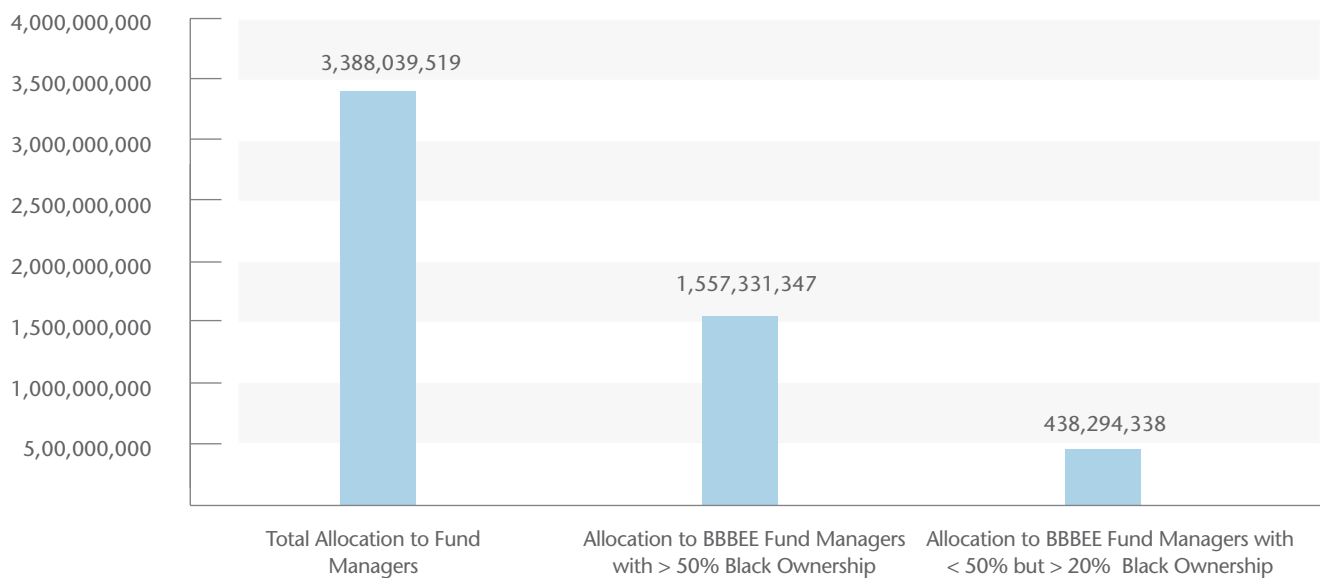
- The BBBEE Amendment Act, 2013 (Act No 46 of 2013); and
- The PIC BBBEE Policy.

Transformation is driven at both corporate and AuM levels. BBBEE procurement policies have been approved to ensure that transformation is entrenched in all procurement and investment processes.

BBBEE Asset Managers Allocation

Approximately 59% (caR2 billion) of total private equity (PE) funds of funds allocation was committed to BBBEE PE firms. Historically, PE funds committed to fund managers had at least 25% black ownership, but the emphasis over the last five years has switched to entities with more than 50% black ownership.

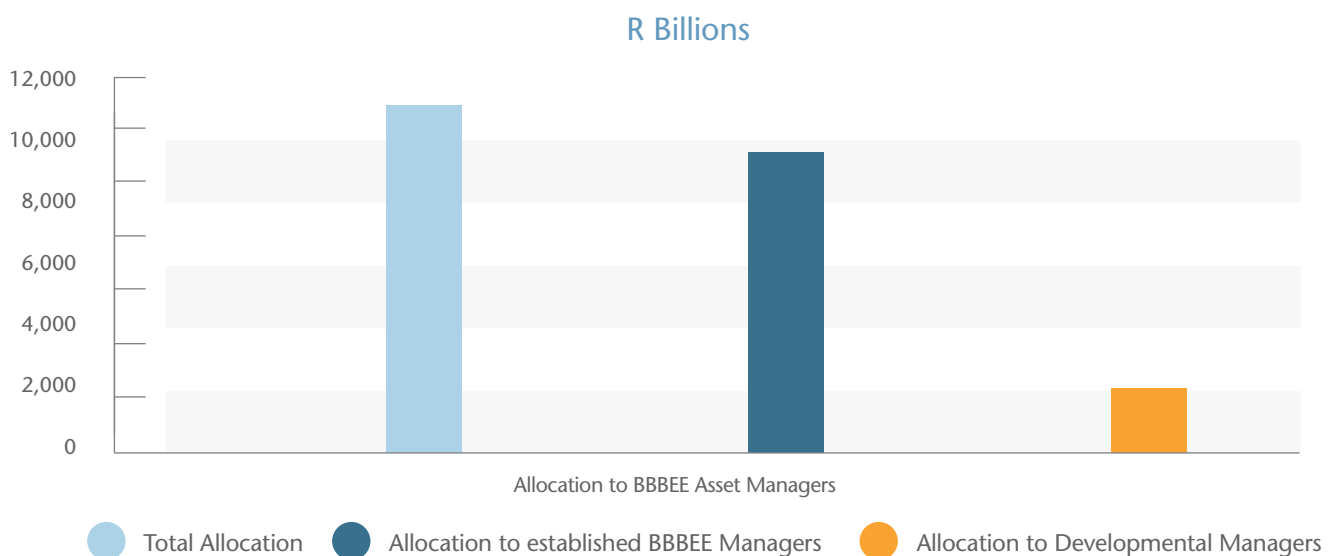
Below is a breakdown of allocation to fund managers by black ownership.



Emerging BBBEE Managers Developmental Programme

The PIC acknowledges that transformation in the asset management industry, particularly listed equities, has been slow and that much more needs to be done to alter the contours of this industry. For the past seven years, the PIC has allocated funds to black asset managers as part of its transformation objective, and to contribute to the skills development of the previously marginalised. Today, the allocation to black-owned firms is approximately R57 billion, with allocations across 14 asset management firms:

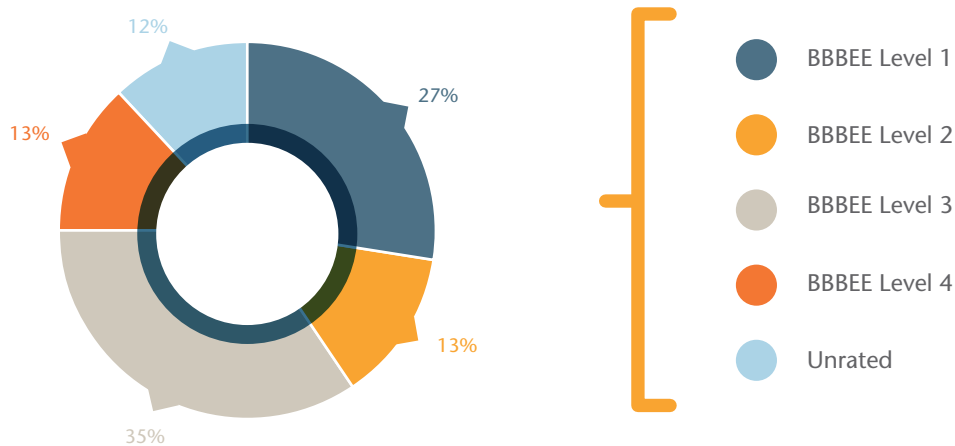
ten established BBBEE asset managers (local equity and property mandates) and four developmental BBBEE managers (local equity mandates). These BBBEE managers use their PIC fees to hire black investment professionals, increasing the number of black professionals in the market. They also manage and run internship programmes to provide training to inexperienced black graduates, empowering them to enter the job market. The 14 managers have created employment opportunities for 876 individuals across different skills sets. During the financial year ended March 2016, R11.5 billion was allocated to existing external managers, all of which were black-owned firms: R9.5 billion to four established BBBEE managers and R2 billion to a developmental BBBEE manager.



Driving Transformation Through Procurement Spend

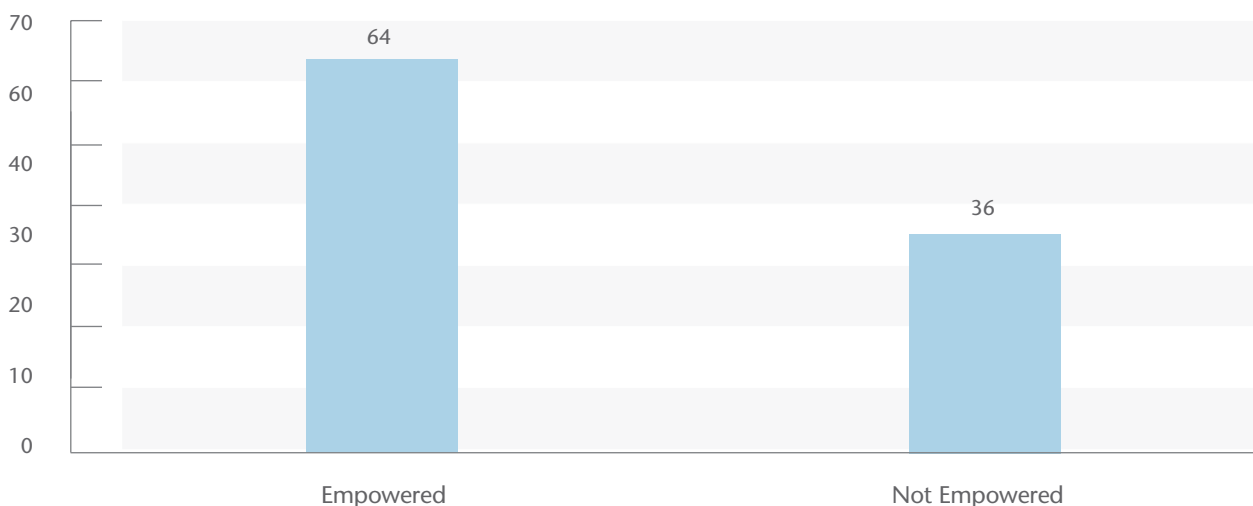
The portfolio continues to make significant strides in driving transformation through procurement spend. During the year, 88% of the total procurement spend on direct investment support services, approximately R33 million (2015:81% approximately R30.6 million) was on service providers with between levels 1 to 4 BBBEE status.

Below is a breakdown of direct investment support procurement spend by BBBEE status based on a total procurement spend of R38 million.



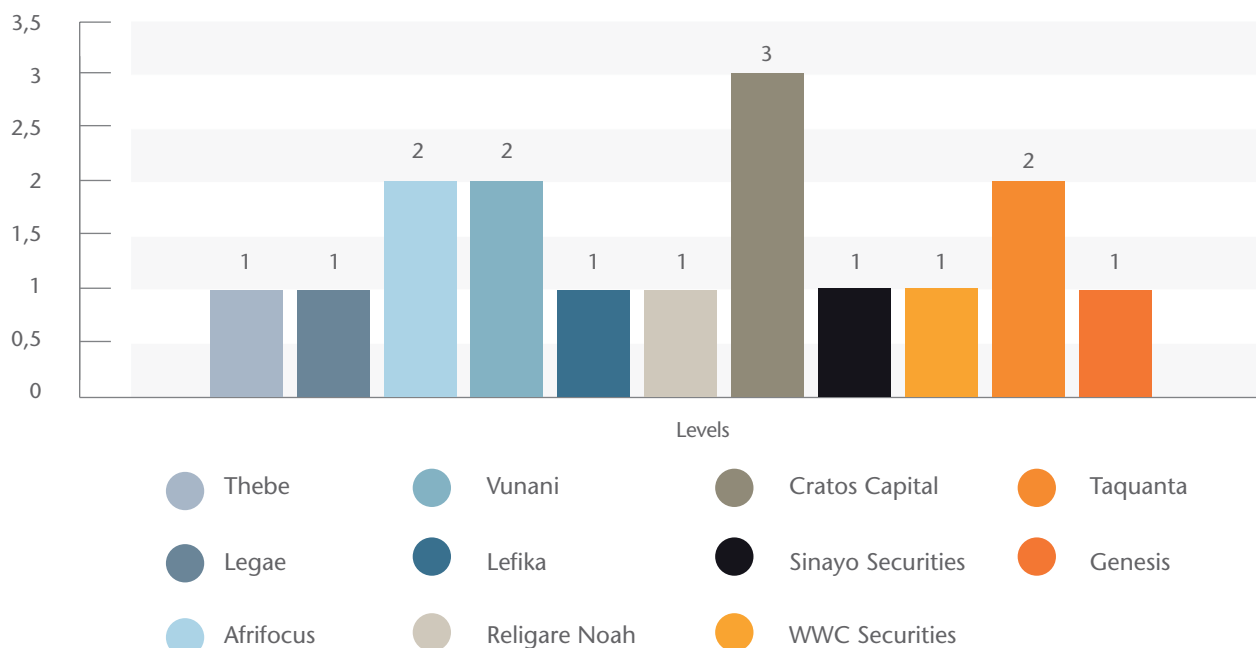
Broker Empowerment Programme

The stock brokerage industry plays an important role in asset management, as it provides a link between the PIC and the JSE. The size of the PIC and the volume of transactions concluded means that the PIC spends millions of Rands on stock brokerage services. During the year under review, the PIC made significant strides towards transforming this industry, with 64% of the almost R89 million spend having gone to empowered brokers.



Taking into account total BBBEE ownership, female BBBEE ownership and BBBEE management control, BBBEE levels for these brokers range between 1 and 3, level 1 being the highest score. The levels of empowered brokers who received brokerage fees from the PIC are shown in the graph below.

BBBEE Levels of Empowerment Brokers



Corporate BBBEE Spend

The PIC maintained its BBBEE level 2 rating and improved on or maintained most of its targets. Targets that could not be maintained were:

Management control

The increase in the number of people with disabilities recruited was not commensurate with the increase in the total headcount. The number of female employees in junior management also fell short of target. To remedy this, the organisation has prioritised the number of bursaries provided to female employees (40% of recipients) and will increase training and bursary numbers through its CSI/PICeeds programmes. This will create a larger pool of recruits for the future.

Preferential procurement

Although maximum points were achieved on corporate procurement spend on suppliers that are at least 50% black owned and others that are at least 30% women owned, there was a decrease in spend on qualifying small enterprises (QSEs) and exempt micro enterprises (EMEs). A supplier management strategy is being implemented that includes rotation of suppliers and encourages joint ventures on large-spend projects.

Transformation is a crucial component of the PIC's business and investment practices, given the dire need to address unequal distribution of wealth and access to the South African economy.



A photograph of a modern building at night. The building features a brick facade on the left and a glass facade on the right. The glass facade is illuminated from within, showing a warm orange glow. The brick facade has the company name and logo illuminated in white. The sky is a deep blue, and the building is set against a dark background.

 PUBLIC INVESTMENT
CORPORATION

Performance Against Key Strategic Objectives – 31 March 2016

	STRATEGIC INTENT OBJECTIVE	MEASURE	TARGET 2015/16	TARGET 2016/17	TARGET 2017/18	PERFORMANCE AS AT 31 MARCH 2016 (CUMULATIVE)	VARIANCE
Financial							
1	Grow revenue and control costs to run a financially sustainable investment management operation.	Cost to Income ratio;	<ul style="list-style-type: none"> CIR \leq 80% 	<ul style="list-style-type: none"> CIR \leq 75% 	<ul style="list-style-type: none"> CIR \leq 70% 	<ul style="list-style-type: none"> Cost to Income Ratio as at 31 March 2016 amounted to 56.61%. 	Achieved Cost containment measures were implemented and actual costs remain within the budgeted amounts.
		Net Income percentage	<ul style="list-style-type: none"> NI \geq 10% 	<ul style="list-style-type: none"> NI \geq 10% 	<ul style="list-style-type: none"> NI \geq 10% 	<ul style="list-style-type: none"> The Net Income percentage as at 31 March 2016 amounted to 41%. 	Achieved The main contributor to the achievement of the net income percentage target, is due to increased revenue, which was triggered by an increase in Assets Under Management compared to the prior financial year and cost savings due to cost containment measures which have been put in place by management.

STRATEGIC INTENT OBJECTIVE	MEASURE	TARGET 2015/16	TARGET 2016/17	TARGET 2017/18	PERFORMANCE AS AT 31 MARCH 2016 (CUMULATIVE)	VARIANCE
Internal Business Processes / Operational Efficiency						
2	Robust Enterprise Risk Management practices.	<ul style="list-style-type: none">Maintain the inherent risk level at 100% and reduce the residual risk level by 20% or until all residual risks are at an acceptable level. <p>(Acceptable risk level as approved by Board in the Enterprise Risk Management Framework)</p>	<ul style="list-style-type: none">Maintain the inherent risk level at 100% and reduce the residual risk level by 20% or until all residual risk are at an acceptable level. <p>(Acceptable risk level as approved by Board in the Enterprise Risk Management Framework)</p>	<ul style="list-style-type: none">Maintain the inherent risk level at 100% and reduce the residual risk level by 20% or until all residual risk are at an acceptable level. <p>(Acceptable risk level as approved by Board in the Enterprise Risk Management Framework)</p>	<ul style="list-style-type: none">The inherent risk level was maintained up until 31 March 2016.There was no movement on the residual risk.	<p>Achieved</p> <p>The inherent risk level was maintained for the financial year under review.</p> <p>Achieved</p> <p>All risks identified were actively managed over the period and residual risks were at acceptable levels.</p> <p>As the control effectiveness over key risks was already good at the beginning of the period, the active management thereof contributed to maintaining the current strong internal control environment within the organisation. There are currently no high rated residual risks within the PIC operating environment.</p>

STRATEGIC INTENT OBJECTIVE	MEASURE	TARGET 2015/16	TARGET 2016/17	TARGET 2017/18	PERFORMANCE AS AT 31 MARCH 2016 (CUMULATIVE)	VARIANCE
3	PIC is a responsible citizen, driving ESG initiatives on a Corporate level.	PIC rating of 75% on PIC Corporate ESG Matrix.	PIC rating of 80% on PIC Corporate ESG Matrix.	PIC rating of 85% on PIC Corporate ESG Matrix.	Based on the draft unaudited Annual Report for 2016, the PIC achieved a final overall ESG rating of 75%, which comprised: 75% for Environmental disclosures, 76% for Governance and 75% for Social.	Achieved This was the first measurement for PIC as a Corporate entity. Areas for improvement will continually be identified and shall be addressed in the Annual Report.
Customers / Stakeholders						
4	Generate excess returns over benchmark and compliance with Client Risk Parameters. (24 months rolling)	<p>= Total Individual Fund Return – Individual Fund Benchmark Return</p> <ul style="list-style-type: none"> Individual Top 5 Funds: ≥ 10 bps Other Individual Funds 	<ul style="list-style-type: none"> Individual Top 5 Funds: ≥ 15 bps Other Individual Funds 	<ul style="list-style-type: none"> Individual Top 5 Funds: ≥ 20 bps Other Individual Funds ≥ 5 bps 	The PIC delivered investment performance for the Government Employees Pension Fund (GEPF), which did not exceed the benchmark.	Not Achieved The Unlisted Property, Money Market and all Bond assets classes are the main contributors to the underperformance of the fund over the period under review. In the latter part of the financial year the market conditions were not favourable but nonetheless Equities (including Listed Property) added positively to the relative return as they recovered in the last quarter of the financial year.

STRATEGIC INTENT OBJECTIVE	MEASURE	TARGET 2015/16	TARGET 2016/17	TARGET 2017/18	PERFORMANCE AS AT 31 MARCH 2016 (CUMULATIVE)	VARIANCE
	(Returns will be measured on a 24 months rolling basis)	Funds ≥ 5 bps • TE within mandated range.	Funds ≥ 5 bps • TE within mandated range.	TE within mandated range.	<p>GEPF Return: 9.20% Benchmark Return: 9.15% GEPF was over by 0.05%¹ TE = 1.06 (Note 1 – Relative returns may be affected by rounding)</p> <p>(GEPF return calculations are based on a geometric method as specified in the mandate)</p>	<p>The GEPF fund was underweight in Unlisted Properties and Developmental Investments compared to the strategic benchmark. These segments also generated a lower return as most of the Investments are still at an early stage (j-curve). This had a negative contribution for both asset allocation and stock selection, and thus a detractor in fund performance. Global Bonds were also underweight and underperformed, contributing negatively to asset allocation and stock selection and a detractor in overall fund performance.</p> <p>Not Achieved The Conventional Bonds, Money Markets and Listed Equities contributed negatively to the fund performance compared to the benchmark.</p>
					<p>The PIC delivered investment performance for the Unemployment Insurance Fund (UIF), which did not exceed the benchmark.</p> <p>UIF Return: 7.61% Benchmark Return: 7.61%</p>	

STRATEGIC INTENT OBJECTIVE	MEASURE	TARGET 2015/16	TARGET 2016/17	TARGET 2017/18	PERFORMANCE AS AT 31 MARCH 2016 (CUMULATIVE)	VARIANCE
					<p>UIF returned the same as benchmark¹ TE = 0.65 (Note 1 – Relative returns may be affected by rounding)</p> <p>Listed Properties contributed positively, but not enough to affect the underperformance of the fund.</p> <p>The UIF fund was overweight in the Conventional Bonds and Money Market asset classes, which outperformed their benchmarks, but the segments' performance was lower than the overall benchmark and thus contributed to a negative asset allocation and a detraction in fund performance.</p> <p>Local Listed Equities, was underweight compared to the strategic benchmark, while the equities also underperformed their benchmark (which was changed from All SWIX to SWIX excluding Gambling & Property in February 2016).</p>	

STRATEGIC INTENT OBJECTIVE	MEASURE	TARGET 2015/16	TARGET 2016/17	TARGET 2017/18	PERFORMANCE AS AT 31 MARCH 2016 (CUMULATIVE)	VARIANCE
						This contributed to a negative asset allocation and stock selection effect, and thus a detraction in fund performance.
					<p>The PIC delivered investment performance for the Compensation Commissioner Fund (CC), which exceeded the benchmark.</p> <p>CC Return: 5.70%</p> <p>Benchmark Return: 5.36%¹</p> <p>CC was over by 0.33%¹</p>	<p>Achieved</p> <p>All asset classes contributed positively to the outperformance of the Fund, with the Money Market asset class being the biggest contributor to out- performance, followed by the Capital Market asset class.</p>

STRATEGIC INTENT OBJECTIVE	MEASURE	TARGET 2015/16	TARGET 2016/17	TARGET 2017/18	PERFORMANCE AS AT 31 MARCH 2016 (CUMULATIVE)	VARIANCE
					TE = 0.75 (Note 1 – Relative returns may be affected by rounding)	It should also be noted that in February 2015 there was a strategic asset allocation change to reduce money market allocation and increased both bonds and equity allocation. The benchmark for equities was changed from STEFI Composite to the SWIX Top 40. This change was favourable for the fund performance.
					The PIC delivered investment performance for the Compensation Commissioner Pension Fund (CP), which did not exceed the benchmark. CP Return: 6.88%	Not Achieved The Conventional Bond, Inflation Linked Bond as well as the Equity asset classes contributed more to the underperformance of the Fund, with the Money Market asset class being an insignificant positive contributor.

STRATEGIC INTENT OBJECTIVE	MEASURE	TARGET 2015/16	TARGET 2016/17	TARGET 2017/18	PERFORMANCE AS AT 31 MARCH 2016 (CUMULATIVE)	VARIANCE
					<p>Benchmark Return: 7.35% CP was under by - 0.47% TE = 0.59</p> <p>The CP fund was underweight in Conventional Bonds, which outperformed their benchmark, but the underweight contributed to a negative asset allocation effect, which detracted from fund performance.</p> <p>Inflation-linked Bonds and Listed Equities were overweight, but underperformed their benchmark. This contributed to a negative asset allocation and stock selection effect and thus a deduction in total fund performance.</p>	

STRATEGIC INTENT OBJECTIVE	MEASURE	TARGET 2015/16	TARGET 2016/17	TARGET 2017/18	PERFORMANCE AS AT 31 MARCH 2016 (CUMULATIVE)	VARIANCE
						It should also be noted that in February 2015 there was a strategic asset allocation change to reduce the Money Market allocation and increase both Bonds and Equity allocation.
					<p>The PIC delivered investment performance for the Associated Institutions Pension Fund (AIPF), which did not exceed the benchmark.</p> <p>AIPF Return: 5.94% Benchmark Return: 5.96% AIPF was under by - 0.02% TE = 0.36</p>	<p>Not Achieved</p> <p>The Fund slightly underperformed the benchmark, with the Money Market asset class being the biggest contributor to the underperformance.</p> <p>The AIPF fund was underweight in Money Markets compared to the benchmark and although the segment outperformed its benchmark, the underweight contributed to a negative asset allocation effect and thus a detractor in fund performance.</p>

STRATEGIC INTENT OBJECTIVE	MEASURE	TARGET 2015/16	TARGET 2016/17	TARGET 2017/18	PERFORMANCE AS AT 31 MARCH 2016 (CUMULATIVE)	VARIANCE
						The Conventional Bond asset class contributed positively but not enough to reverse the detracting from the Money Markets because the Bonds had a lower return.
					<p>The PIC delivered investment performance for the Guardian Funds, which exceeds the benchmark.</p> <p>Guardian Fund Return: 7.02%</p> <p>Benchmark Return: 6.89%</p> <p>Guardian Funds were over by 0.13%¹</p>	<p>Achieved</p> <p>The Guardian Fund is invested in Money Market Investments. The investment performance of the fund outperformed the promised rate of return to the Guardian Fund over the period under review.</p>

STRATEGIC INTENT OBJECTIVE	MEASURE	TARGET 2015/16	TARGET 2016/17	TARGET 2017/18	PERFORMANCE AS AT 31 MARCH 2016 (CUMULATIVE)	VARIANCE
					<p>TE = 0.10 <i>(Note 1 – Relative returns may be affected by rounding)</i></p> <p>The PIC delivered investment performance for the National Skills Fund, which exceeds the benchmark.</p> <p>National Skills Fund Return: 6.72%</p> <p>Benchmark Return: 6.36%</p> <p>National Skills Fund was over by 0.36%</p> <p>TE = 0.06</p>	<p>Achieved</p> <p>The National Skills Fund is invested in Money Market Investments, mostly in fixed deposits. The investment performance of the fund exceeded the mandated STEFI composite benchmark performance over the period.</p>
					<p>The PIC delivered investment performance for the RDP Fund is invested in the Reconstruction and</p>	<p>Achieved</p> <p>The RDP Fund is invested in Money Market</p>

STRATEGIC INTENT OBJECTIVE	MEASURE	TARGET 2015/16	TARGET 2016/17	TARGET 2017/18	PERFORMANCE AS AT 31 MARCH 2016 (CUMULATIVE)	VARIANCE
					<p>Development Fund (RDP), which exceeds the benchmark. RDP Return: 6.62% Benchmark Return: 6.36% RDP was over by 0.26%¹ TE = 0.05 (Note 1 – Relative returns may be affected by rounding)</p>	<p>investments through a Collective Investment Scheme structure, which exceeded the mandated STEFI composite benchmark performance over the period.</p>
					<p>The PIC delivered investment performance for the President Fund, which exceeds the benchmark. President Fund Return: 6.70% Benchmark Return: 6.36% President Fund was over by 0.34% TE = 0.07</p>	<p>Achieved The President Fund is invested in Money Market Investments, mostly in fixed deposits. The investment performance of the funds outperformed the mandated STEFI composite benchmark performance over the period under review.</p>

STRATEGIC INTENT OBJECTIVE	MEASURE	TARGET 2015/16	TARGET 2016/17	TARGET 2017/18	PERFORMANCE AS AT 31 MARCH 2016 (CUMULATIVE)	VARIANCE
					<p>The PIC delivered investment performance for the University Loans Fund, which exceeded the benchmark.</p> <p>University Loans Fund Return: 6.77%</p> <p>Benchmark Return: 6.36%</p> <p>University Loans Fund was over by 0.41%</p> <p>TE = 0.06</p>	<p>Achieved</p> <p>The University Loans Fund is invested in Money Market Investments, predominantly in fixed deposits. The investment performance of the fund outperformed the mandated STEFI composite benchmark performance over the period under review.</p>
					<p>The PIC delivered investment performance for the Temporary Employees Pension Fund (TEPF), which exceeds the benchmark.</p> <p>TEPF Return: 6.78%</p> <p>Benchmark Return: 6.36%</p> <p>TEPF was over by 0.42%</p> <p>TE = 0.06</p>	<p>Achieved</p> <p>The TEPF is invested in Money Market investments, mostly in fixed deposits. The investment performance of the funds outperformed the mandated STEFI composite benchmark performance over the period under review.</p>

STRATEGIC INTENT OBJECTIVE	MEASURE	TARGET 2015/16	TARGET 2016/17	TARGET 2017/18	PERFORMANCE AS AT 31 MARCH 2016 (CUMULATIVE)	VARIANCE
					<p>Achieved</p> <p>The Investments for this fund are invested in Money Market overnight call accounts performing more than the overnight call benchmark.</p> <p>AG Staff Liabilities Fund Return: 5.64% Benchmark Return: 5.61% AG Staff Liabilities Fund was over by 0.03% TE = 0.07</p>	
					<p>Not Achieved</p> <p>The Investment mandate for this fund determines that 100% of the assets should be invested in Overnight all investments.</p> <p>The PIC delivered investment performance for the Auditor General Office Fund, which did not exceed the benchmark.</p> <p>AG Office Fund Return: 5.53% Benchmark Return: 5.61% AG Office Fund was under by- 0.08%. TE = 0.05</p>	

STRATEGIC INTENT OBJECTIVE	MEASURE	TARGET 2015/16	TARGET 2016/17	TARGET 2017/18	PERFORMANCE AS AT 31 MARCH 2016 (CUMULATIVE)	VARIANCE
					<p>The Overnight call investments did not outperform the benchmark over the period under review.</p> <p>Not Achieved</p> <p>The other small clients are invested in Money Market overnight call accounts performing less than the overnight call benchmark.</p> <p>The PIC delivered investment performance for the other small clients, which did not exceed the benchmark.</p> <p>Other Small Clients Return: 5.53%</p> <p>Benchmark Return: 5.61%</p> <p>Other Small Clients' were under by - 0.08%</p> <p>TE = 0.05</p>	<p>The Overnight call investments did not outperform the benchmark over the period under review.</p> <p>Not Achieved</p> <p>The other small clients are invested in Money Market overnight call accounts performing less than the overnight call benchmark.</p>
5	Grow the economy through Developmental Investments (Isibaya, including Private Equity)	Contribution to Education, Health, Housing, Infrastructure and Environmental Sustainability, SME's and Priority Sector Investments and Transformation. (Isibaya, including Private Equity)	Isibaya approved transactions to the value of R10 billion annually.	Isibaya approved transactions to the value of R10 billion annually.	<p>As at 31 March 2016 the total approvals amounted to R33.9 billion with R1.9 billion approved during the last quarter of the year ending 31 March 2016 through SA Developmental, Private Equity and Structured Investments and Products Investment Pillars. These investments exceeded the target by 239%.</p>	<p>Achieved</p> <p>A strong deal pipeline contributed to the achievement of this target.</p>

STRATEGIC INTENT OBJECTIVE	MEASURE	TARGET 2015/16	TARGET 2016/17	TARGET 2017/18	PERFORMANCE AS AT 31 MARCH 2016 (CUMULATIVE)	VARIANCE
					<p>The R33.9 billion contributed to the following sectors:</p> <ul style="list-style-type: none"> • Priority Sector – R6.56 billion; • Economic Infrastructure – R7.04 billion; • Environmental Infrastructure – R0.896 billion; • Social Infrastructure – R12.36 billion; • Private Equity - Transformation – R2.02 billion; • Small Medium Enterprise – R0.174 billion; • Structured Investments Products – R4.5 billion; and • Property – R0.315 billion. 	

STRATEGIC INTENT OBJECTIVE	MEASURE	TARGET 2015/16	TARGET 2016/17	TARGET 2017/18	PERFORMANCE AS AT 31 MARCH 2016 (CUMULATIVE)	VARIANCE
6 Grow the economy through investments in Africa (Non-domestic) (Listed and Unlisted Investments)	Increase investments in Africa (Non-domestic).	Africa (Listed and Unlisted) approved transactions to the value of R10 billion annually.	Africa (Listed and Unlisted) approved transactions to the value of R10 billion annually.	Africa (Listed and Unlisted) approved transactions to the value of R10 billion annually.	As at 31 March 2016 total approvals amounted to caR4.61 billion (USD354 million) for investments in the rest of the African continent through the Unlisted Investment Portfolio, representing 45% of the annual target.	Not Achieved A good deal pipeline contributed to the partial achievement of this target as it relates to Listed as the sharp decline in commodity prices especially oil resulted in significant volatility in Africa equity markets. The achievement of this target was further dependent on approval of mandate allocations from the clients as it relates to unlisted. These approvals were, however not obtained in time for further investment during the 2015/16 financial year.

STRATEGIC INTENT OBJECTIVE	MEASURE	TARGET 2015/16	TARGET 2016/17	TARGET 2017/18	PERFORMANCE AS AT 31 MARCH 2016 (CUMULATIVE)	VARIANCE
7 Facilitate Broad-Based Economic Empowerment and Skills Development through Investment activities.	Allocation to Broad-Based Black Economic Empowerment Service providers. <ul style="list-style-type: none"> Listed Equities (Multi Management) – Allocation of Funds to enterprise development managers, including those who graduate. 	<ul style="list-style-type: none"> At least 50% of all new funds awarded to Listed Equity External Managers must be awarded to Developmental Managers. 	<ul style="list-style-type: none"> At least 50% of all new funds awarded to Listed Equity External Managers, must be awarded to Developmental Managers and 10% of the 50% must be allocated to Developmental Managers owned by female asset managers or people living with physical disabilities or Developmental Managers with a 50% female representation at Management level. 	<ul style="list-style-type: none"> At least 60% of all new funds awarded to Listed Equity External Managers, must be awarded to Developmental Managers and 20% of the 60% must be allocated to Developmental Managers owned by female asset managers or people living with physical disabilities or Developmental Managers with a 50% female representation at Management level. 	From 1 April 2015 to 31 March 2016, a total of R11.5 billion was allocated to BEE managers who graduated from the development programme. This is 100% of the allocation made in the 2015/2016 financial year.	Achieved Transformation of the Asset Management industry is a key strategic objective for the PIC. The PIC drives Broad Based Black Economic Empowerment actively.

STRATEGIC INTENT OBJECTIVE	MEASURE	TARGET 2015/16	TARGET 2016/17	TARGET 2017/18	PERFORMANCE AS AT 31 MARCH 2016 (CUMULATIVE)	VARIANCE
	<ul style="list-style-type: none"> Dealing (Listed Equity) – Percentage of brokerage paid to designated BEE broker firms used as a percentage of total brokerage paid. Focus to be placed on: <ul style="list-style-type: none"> ✓ BEE Level Certification ✓ Ownership ✓ Management Control ✓ Skills Development ✓ Enterprise and supplier development ✓ Socio-economic development 	<ul style="list-style-type: none"> Minimum 50% of total brokerage paid to brokers certified at least on Level 4 BEE rating, based on the new BBBEE Codes, 40% Ownership by previously disadvantaged individuals and 40% management control by previously disadvantaged individuals. 	<ul style="list-style-type: none"> Minimum 55% of total brokerage paid to brokers certified at least on Level 4 BEE rating, based on the new BBBEE Codes, 40% ownership by previously disadvantaged individuals and 40% management Control by previously disadvantaged individuals. 	<ul style="list-style-type: none"> Minimum 60% of total brokerage paid to brokers certified at least on Level 4 BEE rating, based on the new BBBEE Codes, 40% ownership by previously disadvantaged individuals and 40% management control by previously disadvantaged individuals. 	<p>98.61% was allocated to brokers certified on BEE level 1 - 4 for the year ending 31 March 2016.</p> <p>Note: The Services Providers mentioned above are still measured on the old BEE Codes as the Financial Sector Codes has not yet been finalised.</p> <p>64.94% (caR56.5 million) was allocated to service providers certified on BEE level 1 - 4, with an average ownership by previously disadvantaged individuals of 71.7% and an average management control of 73.5%.</p>	<p>Achieved</p> <p>Transformation is a key strategic objective for the PIC. Brokerage is mainly allocated to BEE Brokers certified on BEE Level 1 – 4. Engagement with brokers not meeting this requirement is underway to ensure transformation.</p>

STRATEGIC INTENT OBJECTIVE	MEASURE	TARGET 2015/16	TARGET 2016/17	TARGET 2017/18	PERFORMANCE AS AT 31 MARCH 2016 (CUMULATIVE)	VARIANCE
	<ul style="list-style-type: none"> Isibaya (Fund of Funds) – Funds (apportioned based on Black Ownership % In Fund Managers) committed through BEE Private Equity firms (Qualifying Small Enterprises) as a percentage of total private equity Funds of Funds commitments for investments. 	<ul style="list-style-type: none"> Achieve a cumulative allocation of 60% to BEE asset managers. 	<ul style="list-style-type: none"> Achieve a cumulative allocation of 70% to BEE asset managers. 	<ul style="list-style-type: none"> Achieve a cumulative allocation of 80% to BEE asset managers. 	<ul style="list-style-type: none"> 59% of total Private Equity Funds of Funds commitments for investments were committed to BEE Private Equity firms. 	<p>Not Achieved</p> <p>Over the last 12 years the PE funds committed to, had at least 25% BEE ownership.</p> <p>In the last five years, we have emphasised BBBEE with ownership above 50%. We plan to continue on this trend.</p> <p>The achievement of this target was further dependent on approval of mandate allocations from clients. These approvals were however, not obtained in time for further investment during the 2015/16 financial year.</p>

STRATEGIC INTENT OBJECTIVE	MEASURE	TARGET 2015/16	TARGET 2016/17	TARGET 2017/18	PERFORMANCE AS AT 31 MARCH 2016 (CUMULATIVE)	VARIANCE
Facilitate Broad-Based Economic Empowerment and Skills Development through Investment activities.	<ul style="list-style-type: none"> Unlisted Properties – Development of property investments (New developments, and rural developmental investments) 	<ul style="list-style-type: none"> Approved developments between R1 billion and R1.5 billion. Previously disadvantaged individuals must have at least 30% shareholding in each development. 	<ul style="list-style-type: none"> Approved developments between R1.5 billion and R2 billion. Previously disadvantaged individuals must have at least 40% shareholding in each development. 	<ul style="list-style-type: none"> Approved developments between R2 billion and R2.5 billion. Previously disadvantaged individuals must have at least 50% shareholding in each development. 	<p>Approved Developments as at 31 March 2016 amounted to R4.61 billion.</p> <p>Shareholding in these developments, by previously disadvantaged individuals is as follows:</p> <ul style="list-style-type: none"> ✓ 19% of the Funds allocated for Developments have a 50% and above shareholding; ✓ 16% of the Funds allocated for Developments have at least a 40% shareholding; and ✓ 65% of Funds allocated for Developments have at least a 30% shareholding. 	<p>Achieved</p> <p>A strong pipeline and continued focus on transformation led to outperformance of this objective.</p>
	<ul style="list-style-type: none"> Properties – Allocation of funds to BEE funds and property managers. 	<ul style="list-style-type: none"> Commit between R2 billion and R2.5 billion. 	<ul style="list-style-type: none"> Commit between R2.5 billion and R3 billion. 	<ul style="list-style-type: none"> Commit between R3.5 billion and R4 billion. 	<p>Up to 31 March 2016, debt funding amounting to R 6.6 billion was approved to be advanced to BEE Funds for Property Investments and Developments.</p>	<p>Achieved</p> <p>A strong pipeline and continued focus on transformation led to outperformance of this objective.</p>

STRATEGIC INTENT OBJECTIVE	MEASURE	TARGET 2015/16	TARGET 2016/17	TARGET 2017/18	PERFORMANCE AS AT 31 MARCH 2016 (CUMULATIVE)	VARIANCE
Human Capital / Knowledge Management						
8	The PIC staff demographics are reflective of the skilled segment of South Africa's economically active population.	Staff demographics to be reflective of the economically active population.	Staff demographics to be reflective of the skilled segment of the economically active population.	Staff demographics to be reflective of the skilled segment of the economically active population.	As at 31 March 2016, 88.2% of PIC staff are black as defined in the Employment Equity Act.	Achieved As at 31 March 2016, the PIC Economically active population, defined as black in terms of the Employment Equity Act amounted to 88.2% which exceeded the target of 86%.
		At least 86% of staff should be black, as defined in the Employment equity Act.	At least 88% of staff should be black, as defined in the Employment equity Act. (2% y/y)	At least 90% of staff should be black, as defined in the Employment equity Act. (2% y/y)		

Enablers of Sustainable Returns

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Human Resources and Remuneration Report

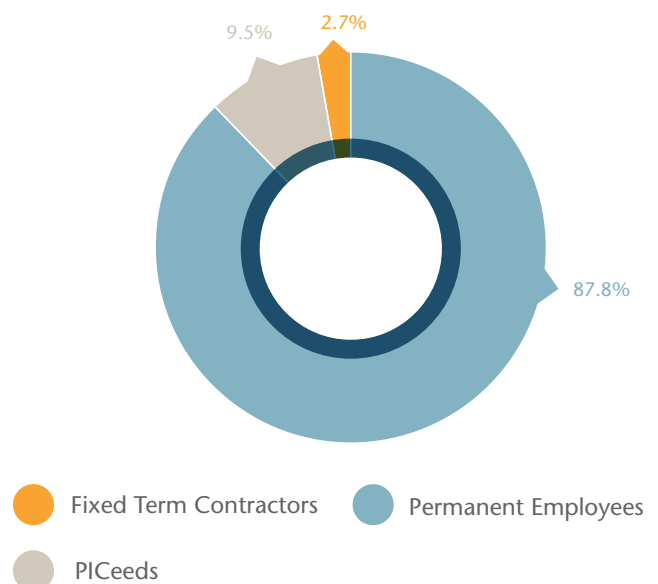
Vision 2030 is supported by the PIC's most treasured asset – its people. During the year under review, several meetings were held with staff, during which the organisation's strategic objectives and key changes were discussed.

The PIC understands that to meet and exceed its strategic objectives, its people are pivotal. Key changes during the year included the organisational restructure to align it to developmental investment objectives. The PIC senior management team was reconstituted to reflect the complexities of the PIC as an asset manager. In essence, the new structure combines about five different asset management organisations in one. Each investment function has an investment head focused on specialised segments. More than 80% of appointments were filled by existing staff, through promotions and lateral moves. This attests to the success not only of recruitment efforts, but of talent management and clear succession planning initiatives.

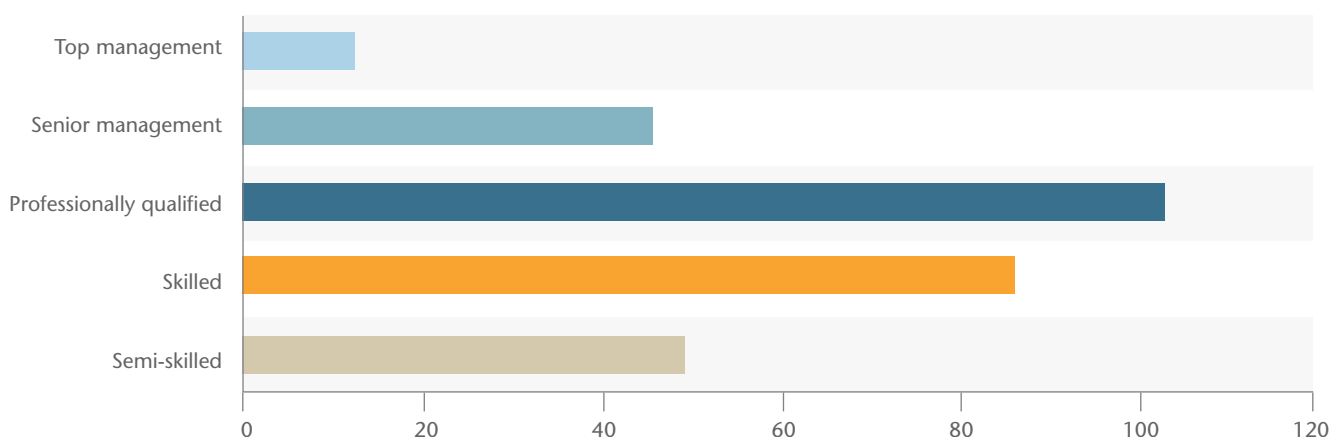
During the process, the PIC had to strike a balance between cost-consciousness and competitive remuneration commensurate with the risk and responsibilities associated with each role and function. Recruitment and succession planning extended to many levels of the organisation and employees with high potential and proven performance track record were placed in different roles and given personal development plans to ensure a continued pipeline of talent. The restructuring also involved leveraging expertise from the market by partnering with Mowana Properties for the property management portfolio.

The PIC staff complement for the year ended 31 March 2015 was 417 (including Property Management). The partnership with Mowana resulted in the transfer of 121 employees, representing a 29% decrease in staff complement. The total staff complement at 31 March 2016 was 296 – 260 permanent employees, eight contractors and 28 graduate trainees (PICeeds). Most employees are professionals, with a qualification of NQF level 7 and above.

Staff Complement

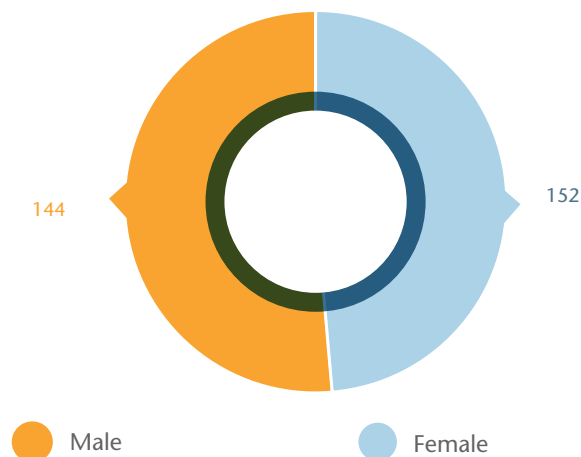


Employee Assistance Programme Skills Level

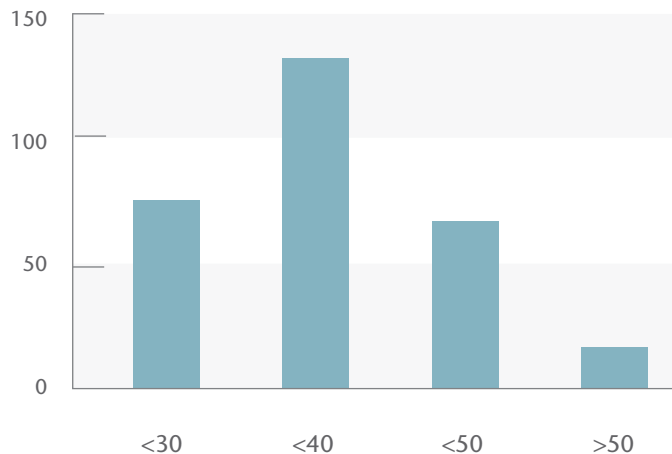


The PIC's employee gender profile is 51% females and 49% male.

Employee Gender Profile

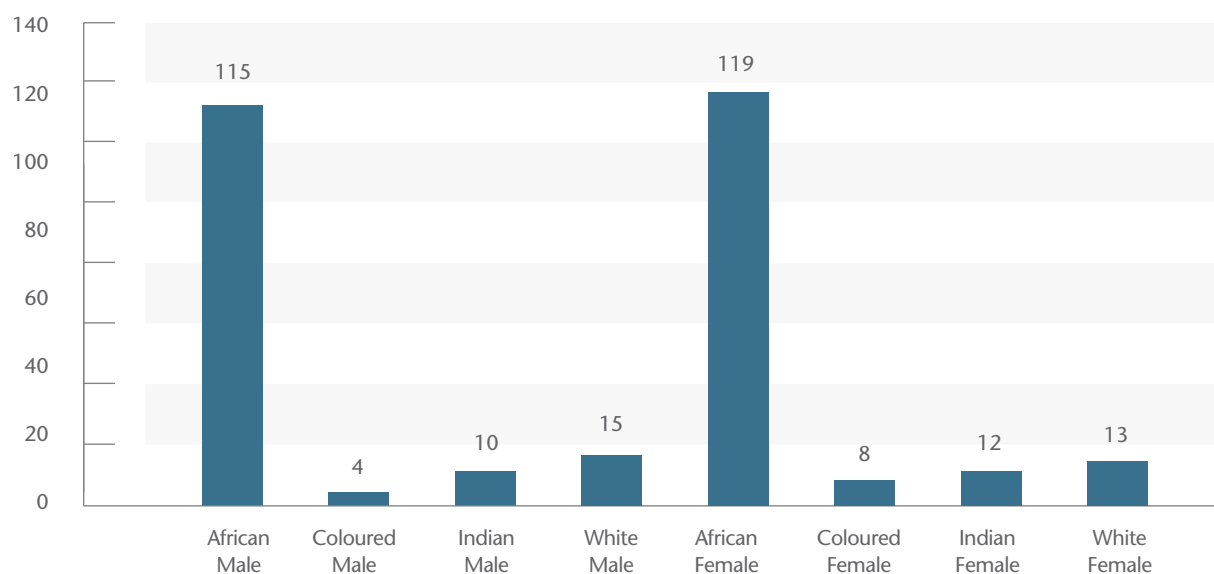


Employee Age Profile



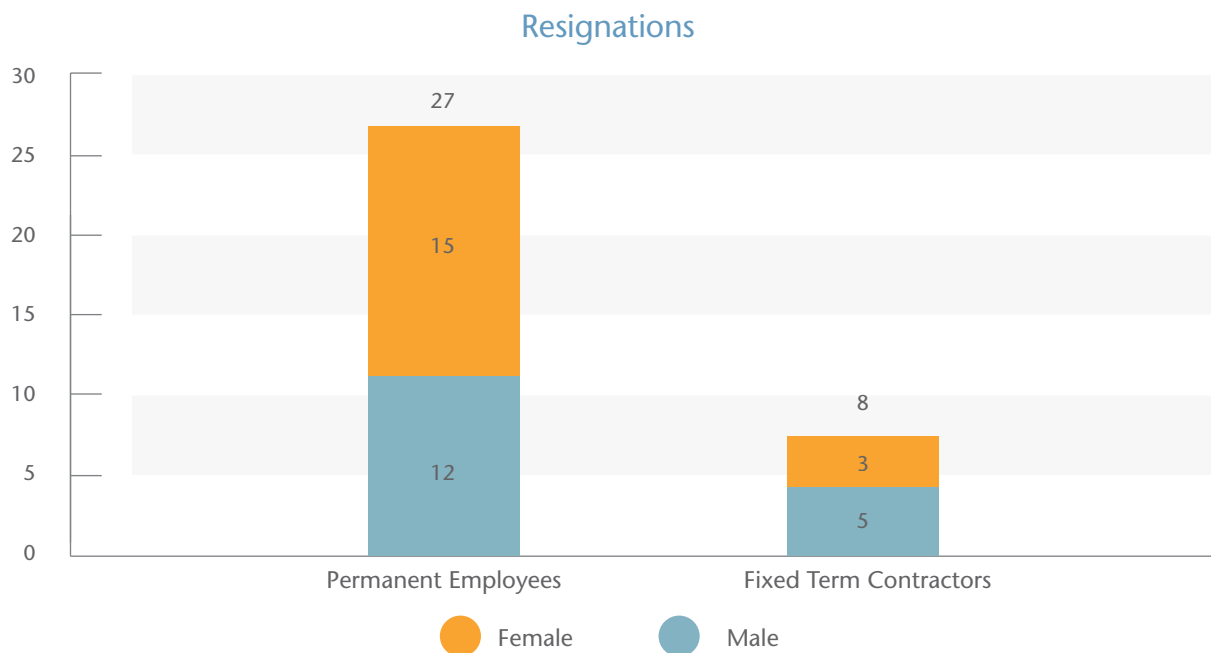
The majority of the PIC staff is Generation Y followed by Generation X, which reflects a dominant profile of a techno savvy, highly mobile skills set. The attraction and retention of PIC intergenerational profile will require a competitive employee value proposition. We continuously evaluate our employee value proposition to remain relevant and competitive and aligned to business strategy.

Employment Equity Profile



The PIC is generally progressing well in the achievement of employment equity targets across all occupational levels. The targets were met and exceeded in some areas. However, the representation of people with disabilities (currently at 0.7%) remains a challenge, which will be prioritised in the new financial year.

During the year under review, a total of 43 employees were appointed – 11 permanent, 28 PICeeds and four fixed-term contractors. A key focus area was to increase female representation at senior management, middle management and specialist levels. Currently, female representation in this band stands at 42%. There were 35 resignations during the financial year, representing an 11% turnover rate, which is within industry norms of 10% to 15% in the South African labour market.



Employee Relations

Six disciplinary cases involved misconduct and non-compliance and two grievances were lodged. The matters were resolved amicably.

Training and Development Programmes

The PIC values people development and a culture of lifelong learning. Over the year, 158 training programmes were conducted, with participation of African females the highest, followed by African males, then Indian females. This is in line with the PIC's commitment to meeting future skills needs and increase the representation of females, particularly African, at senior levels.

During 2014/15, 56 employees were granted bursaries. This was increased to 72 during the year under review, representing a total of 24% of employees receiving educational assistance. African females received just above 40% of bursaries, which highlights the organisation's commitment to the development

of women and creation of a pool of qualified women for succession planning.

The PIC is committed to ensuring that its employees remain globally competitive and as such has sponsored three (3) employees to participate in the University of Pretoria and Fordham University (USA) exchange program. Upon successful completion of the programme, the sponsored employees will earn an Advanced Certificate in Emerging Markets and Country Risk Analysis.

Five employees have been sponsored to participate in the Accelerated Professional Development programme (NQF level 7) offered by Wits Business School, which provides insights into team dynamics and new ways of learning and working within teams.

PICeeds, a structured graduate programme focused on skills development, establishes a strong talent pipeline within all divisions at the PIC and develops talented graduates who will aspire to be future leaders in the organisation.

The PIC maintains its accreditation as a workplace provider for learnership and structured internship programmes with Chartered Institute of Management Accountants (CIMA),

South African Institute of Chartered Accountants (SAICA), the Institute of Internal Auditors (IIA), Chartered Secretaries of Southern Africa (CSSA) and the South African Board of People Practices (SABPP). Eleven investment and investment support PICeeds are registered on the Chartered Financial Analyst (CFA) and Financial Markets learnership programme and will write the CFA level 1 exam in December 2016.

At 31 March 2016, the PIC had 34 graduates on the programme, which is a positive growth from the previous year. This demonstrates the organisation's dedication to providing employment opportunities to unemployed youth. A high retention rate has been achieved for graduates, with more than 80% having been offered permanent employment in the organisation.

The PIC is exceptionally proud of the 100% pass rate achieved by its CA PICeeds in the SAICA Assessment of Professional Competence (APC) exam and the 100% retention rate achieved in the CA programme.

2016 Remuneration Policy and Structure

Remuneration Policy

In a highly competitive asset management market for qualified and experienced skills, the PIC's remuneration philosophy is designed to attract and retain talented employees, reward performance and reinforce strategy execution behaviours. The PIC recognises the fundamental value of a highly engaged and committed team and strongly believes that the recruitment and retention of high-performing employees is crucial to achieving its objectives. To that end, during the 2015/16 financial year, the remuneration policy aligned to best market practice, positioning the organisation as an employer of choice. At the core of the remuneration philosophy is the reinforcement and rewarding of excellent performance that supports the values, vision and mission as well as strategic objectives of the PIC.

The remuneration policy guides and provides the framework for reward practices that enhance the employee value proposition. The PIC offers competitive and market-related remuneration. To remain relevant in the labour market, the PIC makes use of accredited service providers to conduct salary benchmarking. As a state-owned institution, shareholder interests are of outmost consideration in the remuneration of the senior management team.

2016 Remuneration Structure

The PIC remuneration structure comprises both guaranteed and variable pay, based on the total-cost-to-company, which combines total guaranteed pay and subsidised employee benefits such as medical aid and funeral cover.

The total guaranteed pay structure includes basic cash, 13th cheque (optional), retirement fund, medical aid and car allowance where applicable. Additional benefits include medical aid subsidy and funeral cover, but these do not form part of the permanent total guaranteed pay structure. Variable remuneration consists of short-term and long-term incentive schemes.

The short-term incentive scheme is awarded annually to employees who meet the minimum requirement of performance and is applicable to all qualifying employees. The PIC performance level is a trigger for payouts, thus PIC corporate performance targets have to be met and exceeded and all governance requirements observed through the PIC Board and shareholder.

The long-term incentive scheme rewards participants for the achievement of superior and sustained performance and helps to attract and retain high-calibre employees. Monetary awards are allocated over three years when minimum performance requirements are satisfied. For senior managers, the shareholder will approve the payout thereof in the period that the awards are vesting.

Senior management remuneration and incentives are compared to state-owned remuneration guidelines to the extent that they remain relevant to the skills market in which the PIC operates. Salary reviews and benchmarks are conducted annually by accredited consultants in financial services, the public sector and the asset management sector.

The current economic climate precipitated the need to review and adjust incentives payable for the year under review. Thus, The PIC Board and Shareholder ensured that cost containment measures extended to remuneration practices and incentives. The Shareholder approved the PIC bonus pool payable to 34% of the salary bill for the year ending 31st March 2016. The Executive Directors and Senior Management remuneration and incentives allocations are available on the financial statements. The total bonus pool for distribution and allocation was R85,081,269 (2015/16) which was less than the R100,308,384 allocated in 2014/15.

Process to Determine 2016 Incentives

Incentive Pool Funding and Individual Allocations

Management fees and the achievement of the corporate balanced scorecard determine the distributable bonus pool and all governance processes have to be observed before payout.

The PIC goes through a structured process to ensure that individual allocations are appropriate.

PIC incentive determination process

1.	Managers assess individual performance against individual objectives and align with the corporate balanced score card and values
2.	Consistency checks are conducted at entity, business unit or functional level
3.	The Human Resources and Remuneration Committee (HRRC) reviews and recommends incentive pool for corporate and senior management based on achievement of performance objectives
4.	The total incentive pool is approved by the Board and the Board determines the quantum of the incentive pool
5.	Executive Committee incentives are approved by shareholder

Corporate Report and Corporate Social Investment

Resource Efficiencies

Water and Electricity Usage

In line with its commitment to ESG principles, the PIC is implementing initiatives to monitor and reduce water and electricity usage, as well as its carbon footprint. Water infrastructure is maintained and leakages are monitored and

repaired immediately. The building management strategy now also includes proactive monitoring and maintenance to avoid any wastage through leakages.

Despite the implementation of a water and electricity usage monitoring strategy, the overall usage increased from 2014/15 to 2015/16. This is attributable to increased office space to provide for increased staff numbers over the next three years.

Utility	2014/15 consumption	2015/16 consumption	Average usage per square metre 2014/15	Average usage per square metre 2015/16	Movement	Average usage per staff member 2014/15	Average usage per staff member 2015/16	Movement
Water (KI)	3,173	3,858	0.50	0.62	▲	9.12	10.75	▲
Electricity (KWh)	2,057,678	2,043,716	323	316	▲	5,913	5,693	▼

Carbon Footprint

The PIC is sensitive to its impact on the environment and will implement measures to monitor and reduce its carbon footprint. The CO₂ tons relating to travelling decreased from 844.05 in 2014/15 to 325.98 in 2015/16.

Paper Recycling

The PIC collaborated with Mpact Recycling to recycle 9.14 tons of paper during the 2015/16 financial year. Service providers used for collections were all empowered small entrepreneurs benefiting from an enterprise development initiative, and proceeds from paper collected went to the Society for the Prevention of Cruelty to Animals (SPCA). The business also prints documentation double-sided and uses a board pack application to reduce paper usage.

Corporate Social Investment

Beyond AuM activities, the PIC runs a Corporate Social Investment (CSI) programme, which seeks to alleviate social ills in identified communities. During the year under review, R1,897 million was invested in CSI initiatives. In addition, employees invested their personal time and financial resources to better the lives of people in need.

The PIC's CSI policy focuses on five areas:

- Education and training;
- Socio-economic development;
- Agriculture, Conservation, Environment; and
- BBBEE.

The PIC recognises the need to maintain involvement in certain projects to realise long-term benefits. Over the past few years, it has been involved in the following initiatives:

Libraries

This initiative aims to provide prefabricated libraries to needy schools across the nine provinces. To date, the PIC has placed five libraries in the Eastern Cape, Free State, Limpopo, Northern Cape and North West. A container library benefits about 1 500 pupils a year.

During the year under review, a library was donated to Putuma Junior Secondary School in Mbashe village, Eastern Cape.

Solar Bags

This involves the donation of solar-energy-harvesting bags made from recycled plastic bags and fitted with solar panels that collect solar energy while the scholar walks to and from school. The solar panel is then fitted to a glass jar, to allow the scholar to study at home at night without electricity.

During the year under review, the PIC doubled its donations of solar bags to benefit 100 children from Tlakukani Primary School in Mamelodi. Employees supported the initiative by providing their used plastic bags.

Not only was this initiative an environmentally friendly initiative by promoting recycling of plastic bags, it was in support of a black female owned business, Rethaka Trading, which produces this original South African innovation, which has been recognised and commemorated internationally.

Investment in Education: Mathematics

For the fourth year, the PIC offered extra mathematics lessons to school pupils in Mamelodi. The initiative was driven by PIC employees, who dedicated their time to tutoring grades 11 and 12 pupils. Pupils from Nellmapius Secondary School received 24 weeks of tutorials from PIC employees. In addition, the PIC partnered with the South African Maths Foundation (SAMF) to support pupils from Nellmapius Secondary School and Phateng Secondary School to participate in the South African Mathematics Team Competition, which challenges pupils' problem-solving skills.

Teacher Training

Leveraging off its partnership with the SAMF, 68 primary- and high-school teachers, from some of the schools that received libraries, also received skills training in problem solving.

TutuDesk Campaign: Lap Desk

The PIC also responded to the underdevelopment of functional literacy in primary school children resulting from a deficit of three million classroom desks in South Africa.

In partnership with the Desmond Tutu Tutudesk campaign, the PIC delivered 1 335 portable Tutudesks to underprivileged pupils in Greytown, KwaZulu-Natal.

The Tutudesk campaign aims to provide 20 million African children with portable desks by the end of 2020.

Education for the Disabled

In the 2015/16 financial year, the PIC contributed to the training and development of persons with disabilities. Through an organisation, Action for the Blind and Disabled (Action), the PIC sponsored the training of 12 blind learners in IT skills as well as sponsored their accommodation. The learners received a certificate to enable them to seek employment as semi-skilled workers.

Employee Initiatives

As part of National Woman's Day celebrations, PIC staff donated professional work clothes and shoes to victims of abuse accommodated at Mercy House women's shelter in Pretoria North. The women were also treated to a lunch and attended a Curriculum Vitae preparation training session presented by PIC human resources staff.

In partnership with the Charities Aid Foundation Southern Africa (CAFSA), PIC employees provided soup to more than 1 000 Reshomile Primary school pupils and donated 500 food hampers to surrounding households, as part of the Mandela Day 67 Minutes initiative.

Fifty employees supported the Little Stars on Earth Christmas-in-a-Box campaign by donating Christmas gifts to underprivileged children at Bambino's Crèche in Danville.

PIC staff also participated in the South African Blood Services blood donation drive.

A Response to the Drought

Five provinces were declared disaster areas following the ravaging effects of drought. Communities that rely on farming for sustenance and economic activity suffered the most, with Senekal, Free State, one of the worst affected. With Operation Hydrate, which collects and distributes drinking water, the PIC donated 86 240 litres of water to the Senekal and Kroonstad communities.

Arbor Month

In support of agriculture, conservation and the environment, the PIC celebrated Arbor Month by sponsoring a farming initiative at Holy Cross village, Eastern Cape. The sponsorship involved the installation of an irrigation system that included JoJo tanks, a petrol pump and piping to pump water from a nearby river. Volunteers were trained in sustainable farming methods and will, in turn, train other community members. To ensure that the project is self-sustaining, the PIC funded the establishment of a worm farm, which will provide organic manure to fertilise the garden and generate income through sales of excess manure. The worm farm will be fuelled by organic waste, thus reducing waste in the community.

Supporting 16 Days of Activism Against Abuse

As part of the 16 Days of Activism against Abuse, the PIC partnered with Nonceba Family Counseling Centre to build two new homes for two women and their children who had been victims of abuse. Nonceba, in Khayelitsha, Cape Town, offers a safe house and counselling to abused women and children, and has introduced a rehousing project to give survivors new homes to rebuild their lives. The PIC also donated school supplies to the centre to assist other families.

Donation of Assets

The PIC donated 38 laptops that had been derecognised on its balance sheet but that were still usable, to needy schools in Limpopo, North West, Free State and Northern Cape. Furniture and office equipment were donated to several non-profit organisations.

Prospects

All focal areas of the PIC CSI drive are important, however, priority in future will be given to education-related initiatives, specifically those benefiting people with disabilities. Support for CSI will involve not only direct monetary contributions, but leveraging on the PIC's wide network of partners to collaborate on sustainable projects that make a difference.

Stakeholder Relations

Stakeholder Classification and Interests

Although not an exhaustive list, PIC stakeholders and their interests can be classified as follows:

Stakeholder	Interests
Shareholder	<ul style="list-style-type: none"> Sustainable growth, return on investment, risk mitigation, corporate governance, and catalysts in the implementation of the developmental agenda
Government (biggest bond portfolio)	<ul style="list-style-type: none"> Developmental agenda, implementation of the NDP Catalysts in the implementation of the developmental agenda, catalysts in implementation of the NDP; Transformation, and Sustainable operations (low-cost service provider for official sector funds)
Employees	<ul style="list-style-type: none"> Rewards and recognition, transformation, sustainability and reputation
Clients	<ul style="list-style-type: none"> Return on investment (meeting members' obligations), excellent service, mandate implementation (developmental investing and transformation), and impact on clients' reputation
Investee companies	<ul style="list-style-type: none"> Investment opportunities
External asset managers	<ul style="list-style-type: none"> Funds allocation Driving transformation
Regulators (FSB, JSE)	<ul style="list-style-type: none"> Compliance Networking
Public (civil society organisations, NGOs)	<ul style="list-style-type: none"> Developmental investing Transformation Social responsibility
Labour unions and employers	<ul style="list-style-type: none"> Member/employees' interests
Media	<ul style="list-style-type: none"> Information
Suppliers and service providers	<ul style="list-style-type: none"> Business opportunities Fair procurement practice
Business formations	<ul style="list-style-type: none"> Funding opportunities for members

Stakeholder Location

Internal	External
<ul style="list-style-type: none"> • Shareholder • Board • Employees 	<ul style="list-style-type: none"> • Clients • Government • Investee companies • External asset managers • Regulators • Public (civil society organisations, NGOs) • Government • Labour unions and employers • Media • Suppliers and service providers • Business formations

Communication with Stakeholders

The PIC communicates with its multiple stakeholders through various means. Communication is decentralised – it is carried out at different levels of the organisation. The PIC's engagement with stakeholders is premised on and guided by several frameworks, such as the enterprise-wide stakeholder engagement framework, media policy, ESG framework and Chapter 8 of the King III report.

General Communication

General communication with stakeholders is through the PIC's website: www.pic.gov.za. Stakeholders who seek information and clarity on the PIC and its services have an opportunity to do so through the general email info@pic.gov.za. These two platforms are monitored constantly by the communications team to ensure that information is up to date and that queries are responded to within a reasonable time.

Those Seeking Funding

Stakeholders seeking PIC funding are encouraged to submit their applications via a web portal, which is manned by the investment team. These stakeholders are given feedback after the investment team has analysed the submitted applications. Further to this, the PIC uses different platforms to communicate its products and services, including print and electronic, and seeks continually to enhance its communication effectiveness. Given that the PIC has limited geographical presence, it also invests via intermediaries that have a wider footprint and can enhance accessibility to PIC products and services (eg the Development Bank of South Africa – DBSA, the Industrial Development Corporation – IDC and business partners).

The Public and Media

The public hears of PIC's investments through proactive and reactive media engagements. The organisation has a

dedicated team that deals with communication, including media relations, and it proactively issues media releases and statements to announce investment initiatives and deal with PIC-specific issues. Besides proactive engagement, the PIC responds to media queries as and when they are received.

Communication with Investee Companies

The PIC communicates with investee companies through a shareholder activism programme, in terms of which portfolio managers for different sectors are in constant touch with investee companies to understand the issues in each. Their work is complemented by a focus on the companies' compliance with ESG requirements. In the unlisted investment environment, the ESG team often undertakes site visits of projects to which the PIC has committed funds, to verify the correctness of the information provided by investee companies. These teams prepare reports and use these as a basis for further engagements.

Communication with Clients

Communication is possibly the biggest activity at the PIC, from daily portfolio value reports to response to queries. In addition, the PIC delivers a physical presentation of portfolio performance to clients' investment committees at the end of each quarter, followed by question and answer sessions. And regular 'EXCO-to-EXCO' meetings are held between the management teams of the PIC and clients.

Communication with Regulators

The compliance division holds regular meetings with regulators to discuss PIC compliance and address any issues.

The PIC is reviewing its communication strategy, which includes redesigning its website to enhance communication with stakeholders.

Recognition

During the year under review, the PIC received several awards for its sterling work in the investment industry. Among these were:

Investor magazine's 'Institutional Investor of the Year 2015', presented at the African Investor CEO Institutional Investment Summit in New York. The award recognises the role of the PIC in the investment industry in South Africa and the rest of the continent. The PIC competed against the likes of Franklin Templeton, Oppenheimer, African Development Bank, United Nations Joint Staff Pension Fund, Goldman Sachs, Investec, Development Bank of Southern Africa, Satya-TPG and Overseas Private Investment Corporation.

New African magazine '100 Most Influential Africans of 2015', which recognised the PIC's CEO, Dr Daniel Matjila, for being one of continent's 'top game changers' in the business sphere.

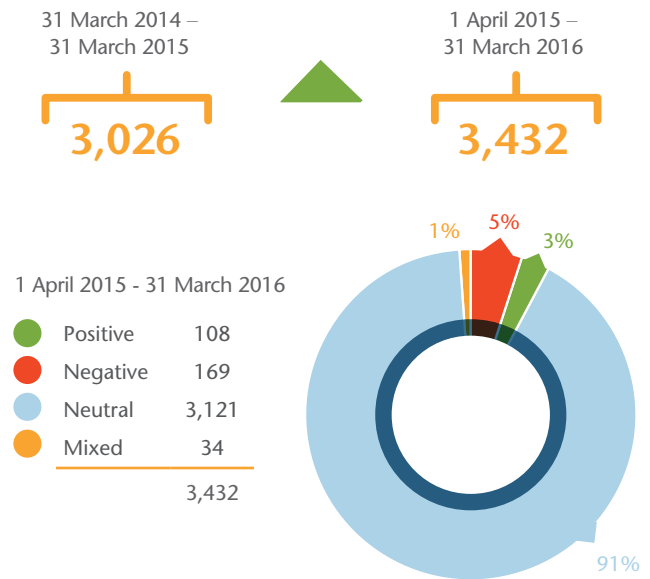
'Solar Deal of the Year' in the Middle East and Africa category awarded to PIC's co-investment, Ilanga1, at the 2015 Project Finance International (PFI) awards dinner in London. The awards honour achievement and ingenuity in the global project finance market. The Ilanga1 project forms part of the Karoshoek Solar Thermal Park in Upington, Northern Cape.

Other Engagements

The PIC's engagement with stakeholders is premised on the stakeholder engagement framework. The media, being the eyes and ears of broader society, are dealt with in terms of an approved media policy. Both documents maintain consistency in stakeholder dealings. The stakeholder engagement framework supports other guidelines, such as the proxy voting policy and framework on SOEs and listed companies.

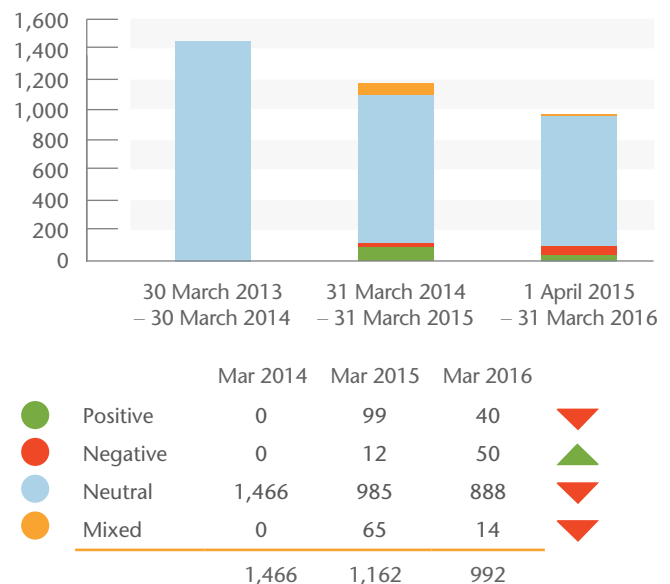
During the year, there was an increase in the number of PIC news items, with more than 90% of coverage neutral. Below is a statistical presentation of the media coverage during the year under review.

Total Media Coverage



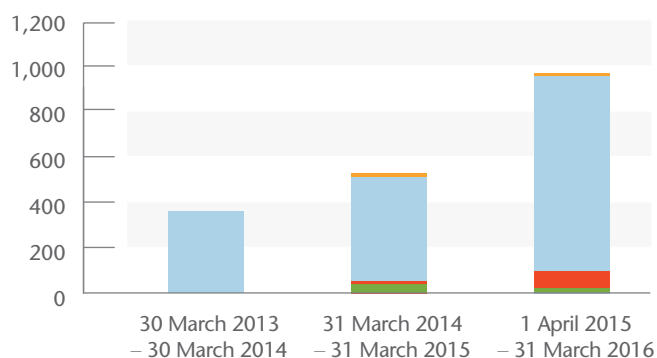
Source: Newsclip

Print



Source: Newsclip

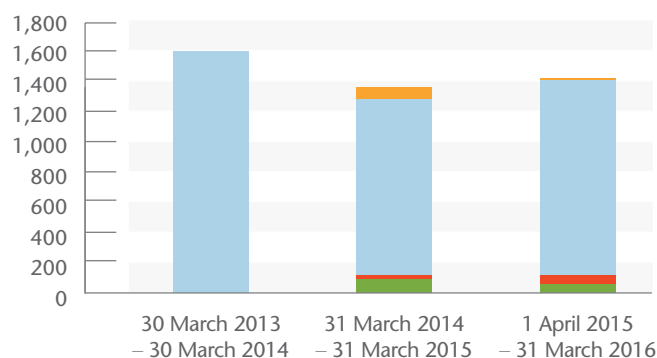
Broadcast



	Mar 2014	Mar 2015	Mar 2016	
Positive	0	24	13	▼
Negative	0	8	74	▲
Neutral	376	480	954	▲
Mixed	0	8	6	▼
	376	520	1,047	

Source: Newsclip

Online



	Mar 2014	Mar 2015	Mar 2016	
Positive	0	92	55	▼
Negative	0	22	45	▲
Neutral	1,598	1,157	1,279	▲
Mixed	0	73	14	▼
	1,598	1,344	1,393	

Source: Newsclip

Stakeholders are central to the PIC's success and it will devote much time in the coming year on communication with them. The PIC continues to view the media as a partner in teaching and informing the public about its role in the society.

Social and Ethics Committee Report

Chairman's Statement

My responsibility as Chairman of the PIC's Social and Ethics Committee (SEC) is to report on matters that fell within the committee's mandate for the year under review in accordance with the requirements of the Companies Act, as amended, and also to report on the additional duties assigned to the committee by the Board.

This report covers the activities of the SEC for the period 1 April 2015 to 31 March 2016 and highlights matters of significance importance before and after the period under review.

Establishment and Composition

The SEC was established in terms of Section 72(4) and Regulation 43 of the Companies Act, 71 of 2008 (Companies Act). The primary purpose and role of the SEC is to assist the Board in monitoring PIC activities, in terms of legislation and highlighted in Regulation 43(5) of the Companies Act Regulations:

- Social and economic development, including the Corporation's standing in terms of goals and purposes;
- Monitoring the PIC's compliance with the 10 principles set out in the United Nations Global Compact Principles;
- Monitoring the PIC's compliance with Organisation for Economic Cooperation and Development (OECD) recommendations on corruption;
- Monitoring the PIC's compliance with the Employment Equity Act (EEA);
- Monitoring the PIC's compliance with the BBBEE Act;
- Ensuring that the PIC is a good corporate citizen;
- The environment, health and public safety;
- Consumer relationships;
- Competition law issues;
- Labour and employment; and
- Bringing matters relating to the above activities to the attention of the Board;

- Discharging other duties mandated to the committee by the Board; and
- Reporting through the Chairman to the Shareholder at the PIC AGM on matters in its mandate.

The PIC SEC comprises four independent Non-Executive Directors, all of whom have the requisite competence. Their names and qualifications are detailed in the Board of Directors section of the Integrated Annual Report on pages 100 to 104.

The ToR, which comply with the Companies Act and King III requirements and are approved by the Board of Directors, provide for the SEC to meet at least twice a year. Details of attendance for the year are on pages 115 to 116.

During the period under review, as part of its duties, the SEC reviewed the PIC's progress in addressing the principles of the UN Global Compact Principles and OECD guidelines, discharged its regulatory obligations, and

- (i) Deliberated on reports provided by management on compliance with the BBBEE Act, specifically on procurement policies for AuM to ensure compliance with ethical norms and standards;
- (ii) Monitored complaints from Whistle Blowers (Pty) Ltd, an independent subscription service offering a 24/7 free call facility for employees or third parties to anonymously blow the whistle on irregularities within the organisation. All fraud and corruption allegations are investigated and reported to the ARC of the Board;
- (iii) Received reports on the ESG performance of a sample of listed and unlisted investee companies in line with the PIC system that incorporates ESG considerations into investment decisions. This approach to investment management is consistent with the increasing global concern and awareness of sustainability issues;
- (iv) We have as such reviewed the PIC's corporate governance rating matrix and approved a new, improved corporate governance rating matrix to measure ESG compliance of investee companies (both listed and Unlisted Investments);
- (v) Received reports on the organisation's employment equity performance against targets, and monitored disciplinary matters during the period under review;
- (vi) Received reports on occupational health and safety compliance; and
- (vii) Monitored the energy and water conservation efforts of the organisation. A process is underway to review

the company's carbon footprint and management has started a database to measure and reduce water and energy consumption. Water infrastructure is maintained and leakages are monitored and repaired immediately. The building management strategy now also includes proactive monitoring and maintenance to avoid wastage due to leakages. Despite the implementation of a water and electricity usage monitoring strategy, the overall usage increased from 2014/15 to 2015/16, attributable to increased office space to accommodate increased staff numbers over the next three years.

Human rights are central to the PIC's legitimacy and are addressed principally in the PIC's Code of Conduct and Ethics. The SEC confirms that there is no child, forced or compulsory, labour at the PIC.

During the period under review, the committee considered and recommended approval of the safety, health and environmental policy to the ARC and, following discussions on investments that may pose a reputational risk to the PIC, also reviewed the politically exposed persons policy.

As the PIC acts as an agent on behalf of its clients in making investments, BBBEE (transformation) is central to its investment activities. As such, Isibaya Fund and PIC Properties strive to identify companies with the potential for commercial and social improvement with the aim of procuring from or investing in these companies and generating both economic and social returns over a predefined investment period. A review of the BBBEE policies for both Isibaya Fund and PIC Properties began during the period under review, to ensure that these policies are structured to allow the PIC to promote transformational outcomes, whilst still advancing clients' interests.

Significant Events Post-31 March 2016

The SEC adopted a code of ethics policy for the Corporation, drafted following an extensive consultation process. The policy establishes a set of principles for acceptable employee behaviour and was benchmarked against codes of ethics of various professional bodies. It sets out the minimum ethical standards expected of Directors and staff in dealing with stakeholders.

The committee has recommended for Board approval a code of conduct for Directors and a separate code of conduct for PIC to reinforce specific value systems by the Board, management and staff, with emphasis on ethics, integrity and accountability.

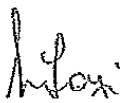
The committee revised its ToR to include providing guidance to the various Board sub-committees on transactions with a high reputational risk for the Corporation. The SEC provides independent guidance to the Board sub-committees in line with its mandate to ensure that Corporation acts as a responsible corporate citizen and conducts its business ethically.

The Board appointed Ms Tantaswa Nyoka (Chairman of ARC) an additional member of SEC to deal with the overlap in mandate between SEC and ARC.

Conclusion

I am satisfied that, in all material respects, the SEC fulfilled all its duties during the period under review. No items were reported that would indicate non-compliance with the requirements of the Companies Act (No 71 of 2008) as amended.

On behalf of the SEC.



Lindiwe Toyi
Chairman

The Board

The PIC reports to the Minister of Finance, who is the shareholder representative on behalf of the South African Government.

In terms of Section 6(1) of the PIC Act, 2004 the Minister, in consultation with Cabinet, appoints the Board members of the PIC and, in terms of Section 7 of the PIC Act, 2004 the Board may establish such committees as it considers necessary.

During December 2015, the PIC Board was strengthened with five additional members, enhancing the confluence of skills, diversity and gender and, thereby, ensuring appropriate succession and continuity. The gender diversity of the Board exceeds the norm at 50/50 representation males and females. The Board is well represented in terms of the racial demographics of the Republic.

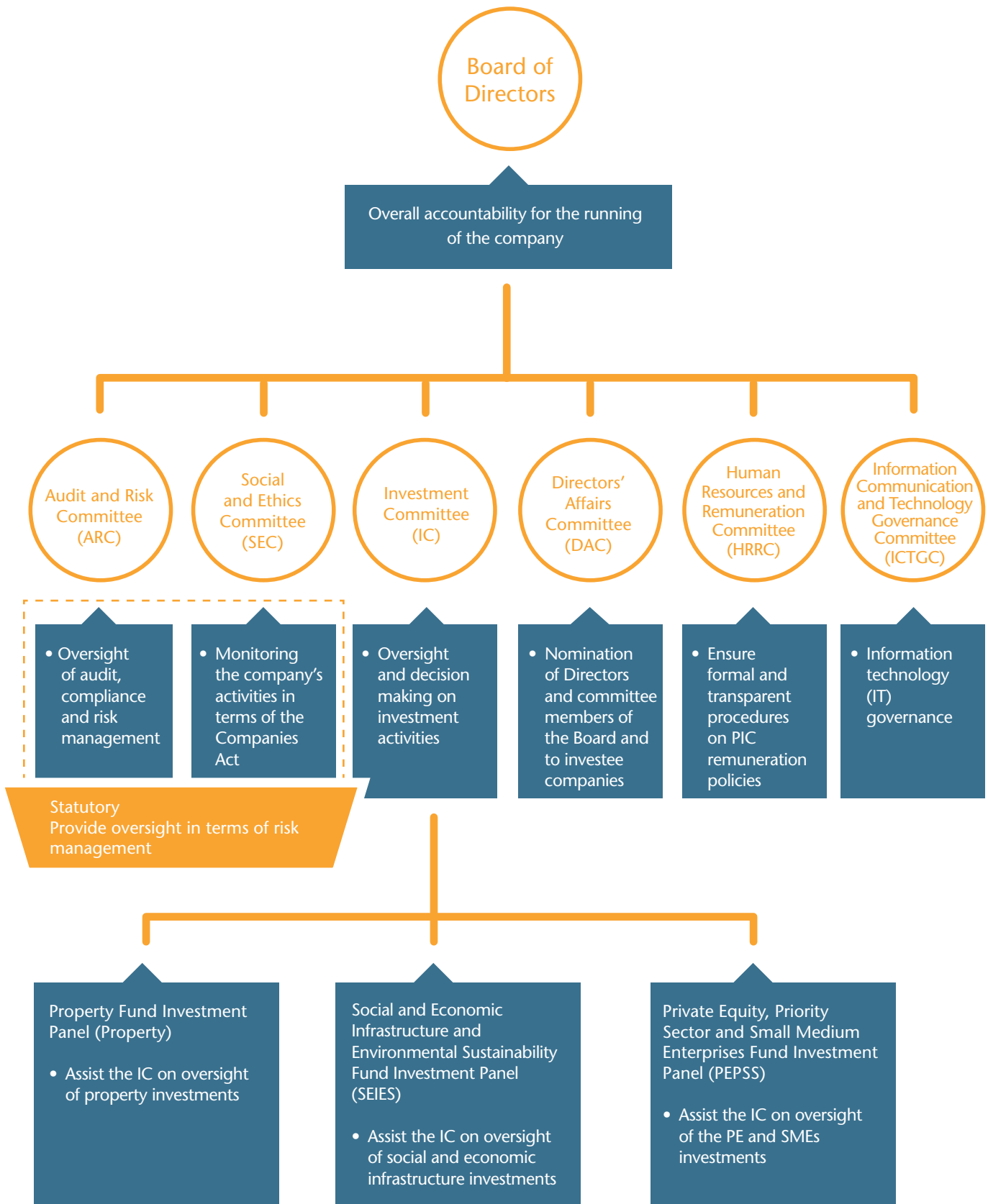
In terms of its Board Charter, the Board, as the focal point of corporate governance, is ultimately accountable and responsible to its shareholder for the performance and affairs of the PIC. The Board, therefore, retains full and effective control over the PIC, gives strategic direction to management and supervises business and affairs. The Board also ensures that the PIC complies with all relevant laws, regulations and codes of business practice.

In addition, the Board has a responsibility to clients, employees, shareholders and the broader public.

The Board Charter also clearly stipulates that the rights and duties of the individual Directors of the PIC, both Executive and Non-Executive, are governed by the PIC Act and the PIC's MoI, as well as the Companies Act, 2008, the Public Finance Management Act, 1999 and common law. Apart from duties imposed on the individual directors of the PIC in terms of the Companies Act, a director is, at common law, subject to fiduciary duties requiring him/her to exercise his/her powers bona fide and for the benefit of the PIC, and to display reasonable care and skill in carrying out his/her responsibilities.

The Board Charter provides for the Board to establish committees to assist it in the execution of its duties, powers and authorities. The Board may delegate to each of the committees established such authority as is required to enable such committees to fulfil their functions. Each committee has ToR approved by the Board and all Board Committees are chaired by Non-Executive Directors in line with corporate governance best practice.

The Board Committee structure is depicted below:



Board Profile

Non-Executive Directors



**Mr Mcebisi Jonas,
Chairman (MP)**

Positions

- Deputy Minister of Finance
- Non-Executive Director

Qualifications

- Bachelor of Arts in History and Sociology
- Higher Diploma in Education



**Mr Roshan Morar,
Deputy Chairman (CA) SA**

Positions

- Independent Non-Executive Director
- Deputy Chairman of the PIC Board
- Chairman of the PIC Investment Committee
- Chairman of the PIC Private Equity, Priority Sector and Small Medium Enterprises Fund Investment Panel

Qualifications

- Chartered Accountant (SA)
- Bachelor of Commerce (Accounting)
- Postgraduate Diploma in Accounting (CTA)
- Certified Fraud Examiner

Memberships

- Member of the PIC Directors' Affairs Committee
- Member of the PIC Property Fund Investment Panel
- Member of the Board of Airports Company South Africa (ACSA)
- Member of the Board of Adcock Ingram Limited
- Member of the Board of the SA National Roads Agency



*** Ms Sandra Beswick**

Position

- Independent Non-Executive Director

Qualifications

Bachelor of Commerce (Honours)

Memberships

- Member of the PIC Information, Communication and Technology Governance Committee
- Member of the PIC Private Equity, Priority Sector and Small Medium Enterprises Fund Investment Panel
- Member of the PIC Audit and Risk Committee

* Appointed to the PIC Board:
1 December 2015

Board Profile

Non-Executive Directors



Mr Trueman Goba

Positions

- Independent Non-Executive Director
- Chairman of the PIC Property Fund Investment Panel

Qualifications

- Registered Professional Engineer (SA)
- Master of Engineering (SA)
- Bachelor of Science (Eng)
- Survey Technician Diploma
- Diploma in Management (Public Policy and Development Administration)

Memberships

- Member of the PIC Human Resources and Remuneration Committee
- Member of the PIC Information, Communication and Technology Governance Committee
- Member of the Board of Hatch Goba (Pty) Ltd
- Member of the Board of Goba (Pty) Ltd
- Member of the Board of Independent News Media



Ms Dudu Hlatshwayo

Position

- Independent Non-Executive Director

Qualifications

- Master of Business Administration
- Bachelor of Social Science (Honours)
- Senior Executive Leadership Development Programme
- Diploma in Marketing Management
- Diploma for Successful Participation in the Owner Value Programme
- Certificate in Product Strategy and Brand Management

Memberships

- Member of the PIC Human Resources and Remuneration Committee
- Member of the PIC Investment Committee
- Member of the PIC Private Equity, Priority Sector and Small Medium Enterprises Fund Investment Panel
- Member of the Board of Lanseria International Airport
- Member of the Board of Land Bank
- Member of the Board of Afmetco
- Member of the Board of KZN Growth Fund
- Member of the Board of Erin Energy Corporation



***Dr Claudia Manning**

Position

- Independent Non-Executive Director
- Chairman of the PIC Information, Communication and Technology Governance Committee

Qualifications

- Doctor of Philosophy
- Master of Philosophy
- Bachelor of Arts (Honours) (Economic History)

Memberships

- Member of the PIC Directors' Affairs Committee
- Member of the PIC Investment Committee
- Member of the PIC Social and Ethics Committee
- Member of the Board of Basil Read Holdings (Pty) Ltd
- Member of the Board of Mondi Zimele (Pty) Ltd
- Member of the Board of Sangena Investments (Pty) Ltd
- Member of the Board of MSC Education Holdings

* Appointed to the PIC Board:
1 December 2015

Board Profile

Non-Executive Directors



Mr Patrick Mngconkola

Positions

- Independent Non-Executive Director
- Chairman of the PIC Human Resources and Remuneration Committee

Qualifications

- Bachelor of Technology in Business Administration
- Bachelor's Degree in Human Resources Management
- National Diploma in Police Administration
- Diploma in Personnel and Training Management

Memberships

- Member of the PIC Directors' Affairs Committee
- Member of the PIC Audit and Risk Committee
- Member of the PIC Investment Committee
- Member of the Board of V&A Waterfront
- Member of the Board of Growthpoint Properties Limited



***Mr Pitsi Moloto**

Position

- Independent Non-Executive Director

Qualifications

- Masters in Business Administration
- Masters in City Planning

Membership

- Member of the PIC Social and Ethics Committee
- Member of the PIC Information, Communication and Technology Governance Committee
- Member of the PIC Social and Economic Infrastructure and Environmental Sustainability Fund Investment Panel

* Appointed to the PIC Board:
1 December 2015



***Ms Tantaswa Nyoka**

Positions

- Independent Non-Executive Director
- Chairman of the PIC Audit and Risk Committee

Qualifications

- Chartered Accountant (SA)
- Higher Diploma in Banking Law
- Post-Graduate Diploma in Accounting (CTA)
- Bachelor of Administration (Honours)

Memberships

- Member of the PIC Directors' Affairs Committee
- Member of the PIC Human Resources and Remuneration Committee
- Member of the PIC Social and Ethics Committee
- Member of the PIC Property Fund Investment Panel

* Appointed to the PIC Board:
1 December 2015

Board Profile

Non-Executive Directors



*** Ms Lindiwe Toyi**

Position

- Independent Non-Executive Director
- Chairman of the PIC Social and Ethics Committee

Qualifications

- Masters of Business Administration
- B Social Science (Electrical Engineering)
- National Higher Grade Diploma in Electrical Engineering
- National Diploma in Electrical Engineering

Memberships

- Member of the PIC Directors' Affairs Committee
- Member of the PIC Investment Committee
- Member of the PIC Social and Economic Infrastructure and Environmental Sustainability Fund Investment Panel

* Appointed to the PIC Board:
1 December 2015



Ms Sibusisiwe Zulu

Positions

- Independent Non-Executive Director
- Chairman of the PIC Social and Economic Infrastructure and Environmental Sustainability Fund Investment Panel

Qualifications

- Admitted Attorney
- Bachelor of Law (LLB)
- Advanced Diploma in Corporate Law
- Certificate in Business Rescue
- Certificate in Practical Legal Training

Memberships

- Member of the PIC Audit and Risk Committee
- Member of the PIC Property Fund Investment Panel
- Member of the Board of Ngubane Wills Incorporated
- Member of the Board of Municipal Bid Appeals Tribunal
- Member of the Board of Umngeni Municipality

Board Profile

Executive Directors



Dr Daniel Matjila

Position

- Chief Executive Officer
- Executive Director

Qualifications

- Doctor of Philosophy (PhD) in Mathematics
- Master of Science in Applied Mathematics
- Postgraduate Diploma in Mathematical Finance
- Bachelor of Science (Honours) in Applied Mathematics
- Advanced Management Programme
- Senior Management Programme

Memberships

- Member of the PIC Directors' Affairs Committee
- Member of the PIC Investment Committee
- Member of the PIC Property Fund Investment Panel
- Member of the PIC Private Equity, Priority Sector and Small Medium Enterprises Fund Investment Panel
- Member of the PIC Social and Economic Infrastructure and Environmental Sustainability Fund Investment Panel
- Member of the PIC Information, Communication and Technology Governance Committee
- Member of the Board of Ecobank Transnational Incorporated
- Member of the Board of Community Property Company (Pty) Ltd
- Member of the Board of BVI (Pareto) Limited



Ms Matshepo More

Positions

- Chief Financial Officer
- Executive Director

Qualifications

- Chartered Accountant (SA)
- Certificate in Theory of Accounting
- Bachelor of Business Science (Finance)
- Accredited SAICA Assessor

Memberships

- Member of the PIC Investment Committee
- Member of the PIC Property Fund Investment Panel
- Member of the PIC Private Equity, Priority Sector and Small Medium Enterprises Fund Investment Panel
- Member of the PIC Social and Economic Infrastructure and Environmental Sustainability Fund Investment Panel
- Member of the PIC Information, Communication and Technology Governance Committee
- Member of the Board of Pareto Limited
- Member of the Board of BVI (Pareto) Limited
- Member of the Board of CBS Property Management (Pty) Ltd
- Member of the Board of ADR International Airport South Africa
- Member of the Board of Community Property Company (Pty) Ltd
- Member of the Board of Association of Black Accountants of South Africa

Board and Governance Objectives

The Board's Responsibilities

The responsibilities of the Board are separate and distinct from those of management. The Board exercises leadership, integrity and judgment in pursuit of strategic goals and objectives, to achieve long-term sustainability, growth and prosperity. The Board is accountable for the performance and affairs of the PIC. It provides leadership within a framework of prudent and effective controls, which allows identified risks to be assessed and managed.

The Board considers employee-related matters as well as key appointments and ensures that there is proper succession planning.

To discharge its responsibilities, the Board is assisted by six Board Committees, namely ARC, SEC, IC, HRRC, ICTGC and the DAC. The Board has also established three fund investment panels as sub-committees of the IC to assist the Board in discharging its statutory duties and responsibilities in relation to investments in South Africa, offshore and in the rest of the African continent.

The matrix below depicts the PIC Board's performance during the financial year:

Key responsibilities	Matrix	Achieved/ Not Achieved
Acting in the best interests of the Corporation (including managing conflicts and dealing in securities) subject to Section 75 of the Companies Act, No 71 of 2008	Governance	
	• Full disclosure of the nature of a director's interest in any matter before the PIC Board is required	Achieved
	• Submit declaration of interest form at the beginning of each financial year	Achieved
	• Receive report-backs on committee functions, decisions and recommendations	Achieved
	• Review CEO's report	Achieved
	• Review and update the PIC Board reserved powers and DoA	Achieved
	• Summary of ToR of all Board Committees to be disclosed in the annual report	Achieved
Reviewing the Board and committee mandates at least annually and approving recommended changes	Meetings	
	• Minimum of four meetings a year	Achieved
	Board Committees	
	• Assignment of Directors to various committees	Achieved
	• Review Board Committee compositions	Achieved
	• Review ToR for each Board Committee annually	Achieved
	• Review Board Charter annually	Achieved
Ensuring that each director adheres to his/her duties	• Review of Board composition and succession planning	Achieved
	Performance review	
	• Completion of anonymous self-assessment questionnaires by individual Directors	Achieved
	• Assessment of Chairman of the Board	Achieved
Reviewing and monitoring the performance of the Chief Executive Officer	• Evaluation of Board Committees	Achieved
	Executive performance	
	• Formal evaluation of the CEO and CFO	Achieved
	• Determine a succession plan for the CEO and executive management	Achieved
	• Approve goals and performance expectations for the CEO	Achieved
	• Review and set executive management's remuneration	Achieved

Key responsibilities	Matrix	Achieved/ Not Achieved
Ensuring that the Corporation complies with laws and considers rules, codes and standards	Risk management and internal control	
	• Review effectiveness of risk management process	Achieved
	• Review risk management reports and management actions	Achieved
	• Obtain assurance on the adequacy and effectiveness of internal control	Achieved
Reviewing, monitoring and reporting on the PIC's integrated sustainability management	Integrated sustainability issues	
	• The Board should identify, monitor and report at least annually, on the nature and extent of its social, transformation, ethical, safety, health and environmental management policies and practices	Achieved
Establishing the values of the PIC in support of its mission, and establishing principles and standards of ethical business practice in support of such values	Vision, mission and values	
	• Code of ethics and disciplinary action	Achieved
	• Human resources and human capital, including transformation	Achieved
	• Health and safety, including HIV/AIDS	Achieved
	• Communication policy and programme	Achieved
	• Environmental management	Achieved
Strategically directing, controlling, setting values, aligning management values and promoting the stakeholder-inclusive approach of governance	Strategy	
	• Monitoring and evaluating the implementation of strategies, policies and business plan, as a measure of operational performance and PIC management performance	Achieved
	• Review, challenge and approve strategic and business plans for the year	Achieved
Ensuring that an adequate budget and planning process exists, that performance is measured against budgets and that the annual budget is approved Considering and approving the annual financial statements, dividend announcements and notices to the shareholder, and considering and agreeing on the basis for assessing the going-concern status of the PIC	Operational and financial	
	• Approve goals and performance expectations for the CEO	Achieved
	• Review and approve financial budgets and plans	Achieved
	• Approve annual financial report content and format	Achieved
	• Review progress against budgets and plans and monitor financial performance	Achieved
	• Assess going-concern assumptions	Achieved
Annually reviewing and assessing achievements against set objectives	Shareholder's compact and corporate plan	
	• Annually enter into a shareholder's compact with the Government	Achieved
	• Submit to NT a three-year corporate plan in line with the PFMA	Achieved
	• Consider performance against key performance indicators	Achieved

Chairman

The Chairman, who is also the Deputy Minister of Finance, is appointed by the Minister of Finance in consultation with Cabinet. King III prescribes that Board chairmanship should preferably be held by Independent Directors. However, the appointment of the Deputy Minister as Chairman of the PIC Board is based on the fact that the GEPI, which constitutes approximately 90% of PIC-managed funds, is a defined benefit fund underwritten by Government and the Minister of Finance as shareholder representative. Mr Roshan Morar has been lead Independent Non-Executive Director since 27 June 2014, a lead director ensuring a proper balance of power.

Board Appointment and Integrity Test

The appointment of Board members is done with the Minister of Finance, in line with PIC's Mol. Appointments are made to ensure that, collectively, Board members possess a diverse range of skills, knowledge and expertise and have the requisite independence, and appropriate professional and industry knowledge necessary to meet the PIC's strategic objectives. Prospective Directors undergo an

integrity test conducted by the Shareholder to ensure that they are qualified for appointment as Directors in terms of the Companies Act. The Non-Executive Directors are selected for their skills, business experience, investment knowledge and qualifications.

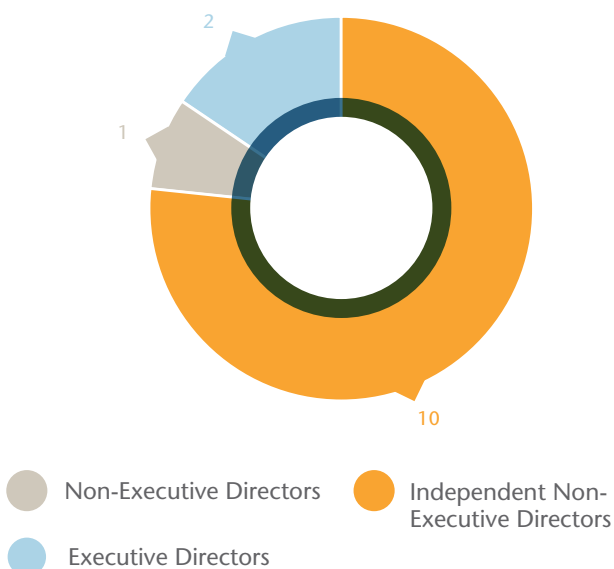
Changes to the Board During the Year Under Review

Two Independent Non-Executive Directors, namely Ms Moira Moses and Mr Vuyo Jack, retired from the Board on 30 November 2015, after service of eight years and three months, and three years respectively.

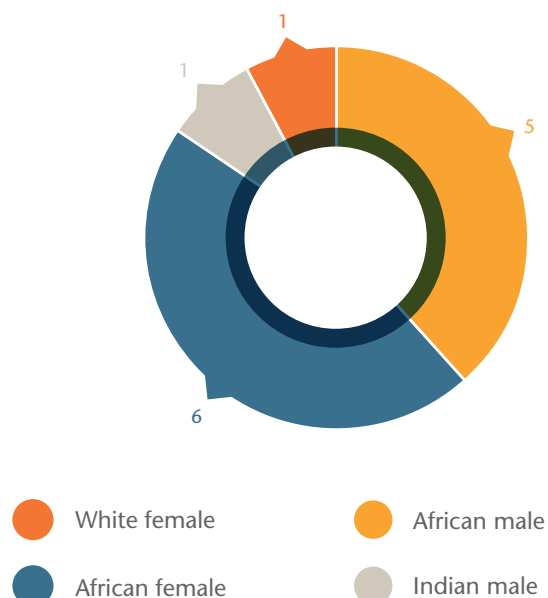
Five new Board members were appointed, namely Ms Lindiwe Toyi, Dr Claudia Manning, Ms Sandra Beswick, Mr Pitsi Moloto and Ms Tantaswa Nyoka, with effect from 1 December 2015. Board composition is in compliance with King III, the ESG policy on SOEs, the PIC Act and the PIC Mol.

Notably, the appointment of the new Board members has increased full representation, as well as increased the skill base of the Board.

Board profile after December 2015



The graph shows the balance of power between Non-Executive Directors, Independent Non-Executive Directors, and Executive Directors.



The graph shows the equity within the Board in terms of both race and gender.

Rotation of Directors

In terms of the PIC MoI, a Non-Executive Director in office for three years shall retire during the AGM. One-third of the Non-Executive Directors for the time being, or if their number is not a multiple of three, then the number nearest but not less than one-third, shall retire from office. The Non-Executive Directors so to retire shall be those who have been longest in office since their last appointment.

DoA, Board Charter and Committees' ToR

The Board retains effective control over the operations of the PIC through well-developed governance structures comprising various Board Committees and aligned with the strategy of the PIC. These committees report regularly to the Board in terms of their agreed mandates. A comprehensive DoA is in place to ensure timeous and effective implementation of the Board's strategy. However, it does not relieve the Board of its responsibilities.

A corporate governance review of the Board Charter and of the different Board Committees is conducted annually to ensure that they remain relevant, appropriate and in line with governance best practice.

Indemnification and Directors' Insurance

The PIC does not indemnify a director against liability arising from:

- Wilful misconduct or breach of trust by the director;
- Acting without the necessary authority;
- Reckless trading;
- Fraudulent acts; or
- A fine for an offence, unless based on strict liability.

The PIC has Director and Officer Liability Insurance in place to indemnify Directors for liabilities other than those above.

Shareholder's Compact and Key Highlights

The shareholder's compact represents an agreement between the Government, as the sole Shareholder, and the PIC, represented by the Board, and it outlines performance expectations and parameters.

The Shareholder monitors closely the extent to which the Board and individual Directors achieve objectives and specific performance targets, and when necessary, effect remedial action.

Reporting and Shareholder's Review

The PIC provides the Shareholder with quarterly performance reports, presented to the Minister of Finance or to designated NT officials. The PIC also reports to its clients monthly, quarterly and annually as well as to Parliament and regulators annually. The Board ensures that the Shareholder is given sufficient and timely information on the date, location and agenda of general meetings, and timely information on issues to be decided at meetings.

Internal Audit

The PIC has an internal audit function in place that reports to ARC quarterly. The PIC embraces the principle of combined assurance to ensure a more integrated approach to managing risks that threaten the organisation.

Code of Ethics

The Board has adopted a code of ethics to promote proper standards of conduct, sound and prudent practices for PIC employees and directors, and to guide them when dealing with stakeholders, including clients, suppliers and customers. The PIC's employees and Directors are committed to managing its affairs in an ethical and disciplined manner.

The code of ethics is enforced by the PIC's values and guide, and directs all business decisions and actions.

• Whistleblowing

Whilst the PIC seldom experiences incidents of fraud and corruption, it has proactively contracted an independent anti-fraud and corruption agency, Whistle Blowers. When incidents are reported, the PIC deals with them quickly and effectively. The following policies have been developed to minimise risk:

• Fraud Prevention Policy

The Fraud Prevention Policy aims to assist in the prevention and detection of fraudulent activities and to protect AuM from any form of dishonest or unethical conduct. This policy ensures that PIC management and all employees adopt the highest standards of honesty,

propriety, personal integrity and accountability, and are fully attentive in guarding against unlawful conduct. Disciplinary action is taken against any employee who contravenes the policy.

- **Anti-Money-Laundering Policy**

The Anti-Money-Laundering Policy is about legal controls that the PIC, as a regulated entity, must observe to prevent or report money-laundering activities. The policy ensures that the Corporation is not compromised by unlawful activities associated with money laundering and financing of transactions. Employees are trained in the fundamental responsibilities of verifying customers and reporting suspicious transactions.

- **Insider Trading Policy**

The PIC, as a significant shareholder on the JSE, has adopted a Staff Dealing and Insider Trading Policy applicable to all employees, Executive and Non-Executive Directors.

Pursuant to this Policy, employees and Board members are prohibited from buying and selling securities while in possession of material, non-public information about the issuer. Passing such information on to someone who may buy or sell securities, commonly known as 'tipping', is also prohibited. The policy also prohibits disclosure of confidential information and recommendations for safeguarding confidential and sensitive information. It also incorporates rules and procedures for the opening and operation of personal securities trading accounts by PIC employees.

The Directors' Personal Financial Interests Policy, deals with personal financial interests and conflicts of interest in line with the Companies Act and the PFMA. This policy applies to all Directors and employees of the PIC.

Directors must disclose with the PIC and at each Board and committee meeting: :

- All material facts, including those reasonably discoverable, which may influence his/her decisions or actions; and
- Any direct or indirect personal or private business interest that his/her spouse or other family members may have in any matter before the Board.

The Board and PIC employees sign an annual declaration of interests.

Prior to the commencement of any Board or committee meeting, members and invitees sign attendance and declaration of interest registers. Possible conflicts of interest of Board members are checked annually through the Companies and Intellectual Properties Commission (CIPC).

Board Composition

The PIC Board has 13 members, 10 of whom are independent Non-Executive Directors, including the traditionally Non-Executive Chairman and two Executive Directors, the Chief Executive Officer and Chief Financial Officer.

Summary of Committee Membership per Director

Directors	Directors' Affairs Committee	Investment Committee	Human Resources and Remuneration Committee	Audit and Risk Committee	Social and Ethics Committee	Information Communication and Technology Governance Committee	Private Equity, Priority Sector and Small Medium Enterprises Fund Investment Panel	Social and Economic Infrastructure and Environmental Sustainability Fund Investment Panel	Property Fund Investment Panel	Total Committees
Mcebisi Jonas	X									1
Roshan Morar	X	X					X		X	4
Patrick Mngconkola	X	X	X	X						4
Sibusisiwe Zulu				X				X	X	3
Dudu Hlatshwayo		X	X				X			3
Trueman Goba			X			X			X	3
Lindiwe Toyi	X	X			X			X		4
Sandra Beswick				X		X	X			3
Claudia Manning	X	X			X	X				4
Pitsi Moloto					X	X		X		3
Tantaswa Nyoka	X		X	X					X	5
Daniel Matjila	X	X				X	X	X	X	6
Matshepo More		X				X	X	X	X	5
Total members	7	7	4	4	3	6	5	6		

Years of Service as Directors and Attendance Summary

The table below show consecutive years of service at 31 March 2016 for PIC Directors and their attendance at Board meetings during 2015/16:

Director	Years of service	Attendance summary Meetings attended/held
Mcebisi Jonas	Appointed Chairman of the Board on 27 June 2014	8/10
Trueman Goba	2 years 4 months	10/10
Dudu Hlatshwayo	2 years 4 months	10/10
Vuyo Jack	3 years – retired on 1 December 2015	0/5
Patrick Mngconkola	5 years 6 months	10/10
Roshan Morar	5 years 6 months – Deputy Chairman	9/10
Moirá Moses	8 years 3 months – retired on 1 December 2015	5/5
Sibusisiwe Zulu	2 years 4 months	10/10
Lindiwe Toyi	4 months	4/4
Claudia Manning	4 months	4/4
Sandra Beswick	4 months	4/4
Pitsi Moloto	4 months	4/4
Tantaswa Nyoka	4 months	1/4
Daniel Matjila	Executive Director	10/10
Matshepo More	Executive Director	10/10

Board Committees

Audit and Risk Committee (ARC)

Member	Attendance summary Meetings attended/held
Tantaswa Nyoka (Chairman since 11 December 2015)	1/1
Sibusisiwe Zulu (Chairman until 11 December 2015)	7/7
Patrick Mngconkola	7/7
Sandra Beswick (from 11 December 2015)	1/1
Moirá Moses (resigned 30 November 2015)	6/6
Vuyo Jack (resigned 30 November 2015)	0/6

The matrix below depicts the ARC performance during the financial year.

Key responsibilities	Matrix	Achieved/ Not Achieved
Review mandates at least annually and approve recommended changes	Governance	
	• Meeting at least four times during financial year	Achieved
	• Annually reviewing ARC ToR	Achieved
	• Appointment, replacement, reassignment or dismissal of head of internal audit	Achieved
	• Effectiveness of the external audit process	Achieved
	• Liaising with internal and external auditors	Achieved
Monitor compliance with applicable legal and regulatory requirements	Compliance	
	• Legal requirements (Companies Act, PIC Act, PFMA, FICA, FAIS)	Achieved
	• Monitoring and exercising oversight role on risk management	Achieved
	• Taking due regard of the principles and codes of best practice in corporate governance when carrying out risk management duties	Achieved
	• Forming own opinion on the effectiveness of the risk management and internal control process in the PIC	Achieved
	• Risk management disclosure in the annual report	Achieved
Oversee the appointment of the external auditors and monitor the qualifications, independence and performance of the external auditors and the integrity of the audit process as a whole	Audit	
	• Approving audit fees and audit fee overruns, as determined by the Office of the Auditor-General	Achieved
	• Nature and scope of audit	Achieved
	• Audit fees	Achieved
	• Ensuring that management has responded appropriately to the findings raised by external audit	Achieved
	• Considering the effectiveness of the audit process at the end of the audit cycle	Achieved

Key responsibilities	Matrix	Achieved/ Not Achieved
<p>Ensure the integrity of the financial statements</p> <p>Review accounting policies and proposed changes there</p> <p>Review reports on material defalcations</p>	Review AFS before submission to the PIC Board, particularly:	
	• Completeness, quality and transparency of financial information	Achieved
	• Changes in accounting policies and significant changes in numbers from the previous year	Achieved
	• Judgmental areas and estimates that have a significant impact on the financial statements	Achieved
	• Significant adjustments resulting from the audit	Achieved
	• Significant or unusual transactions that are not part of the PIC's normal business	Achieved
	• Appropriateness of major adjustments processed at year end	Achieved
	• Outstanding litigation, contingencies and other claims and how these matters are reflected in the financial statements	Achieved
	• All significant proposed changes to the financial statements and annual report and any concerns regarding the adequacy of disclosure of any items with specific reference to and IFRS	Achieved
	• The extent to which the financial information accompanying the AFS has been audited	Achieved
	• Compliance with accounting standards	Achieved
	• Compliance with statutory requirements and, specifically, the disclosure requirements of the PFMA, Companies Act and best practice corporate governance guidelines	Achieved
	• Discussing problems, reservations and significant disagreements between management and the auditors, both internal and external	Achieved
	• Internal and external audit management letter and management's response	Achieved
	• Qualifications and emphasis of matters noted on draft financial statements, irrespective of their nature, materiality or subsequent clearance, and ensuring that the circumstances giving rise to the qualifications are fully explained	Achieved
	• With specific reference to the safeguarding of assets and the prevention and detection of fraud	Achieved
Assess and monitor the performance and leadership of the internal audit function	Continuously review the operations and effectiveness of the internal audit function by:	
	• Considering and approving the internal audit charter and the annual internal audit plan and ensure that the critical risk areas of the PIC's activities are addressed in line with the Institute of Internal Auditors' Standards for Professional Practice	Achieved
	• Confirming and ensuring the independence of the internal audit function and ensuring that the internal audit plan is not restricted in any way	Achieved
	• At least Consider quarterly reports from the internal audit function on the internal audit control structure and ensuring that significant findings during the year have been satisfactorily addressed by management	Achieved
	• Ensuring that the internal audit function is adequately resourced and has appropriate standing in the organisation	Achieved
	• Considering the internal audit function's annual report on the scope of reviews of corporate governance within PIC and any significant findings, and ensuring that these have been addressed by management	Achieved

Key responsibilities	Matrix	Achieved/ Not Achieved
Assess and monitor the performance and leadership of the internal audit function	Review continuously the operations and effectiveness of the internal audit function by:	
	• Considering the major findings of internal investigations and management's response and expressing an opinion on the appropriateness and adequacy of action taken	Achieved
	• Reviewing the annual report and the accounts taken as a whole to ensure that they present a balanced and understandable position and performance of the PIC	Achieved
	• Reviewing the findings of any examinations by regulating agencies	Achieved
	• Overseeing the appointment, replacement, reassignment or dismissal of the head of internal audit	Achieved
Assess and monitor the effectiveness of the system of internal controls and risk management	Perform specific risk management duties:	
	• Reviewing and assessing the integrity of the risk control systems and ensuring that the risk policies and strategies are effectively managed	Achieved
	• Setting out the nature, role, responsibility and authority of the risk management function within the PIC and outlining the scope of risk management work	Achieved
	• Monitoring external developments relating to risk management and the reporting of specifically associated risk, including emerging risks and their potential impacts	Achieved
	• Reviewing EXCO reports detailing the adequacy and overall effectiveness of the PIC's risk management process, and its implementation by management	Achieved
	• Reviewing the risk philosophy, strategy and policies recommended by EXCO and considering reports by EXCO	Achieved
	• Reviewing at a high-level, the risk identification and measurement methodologies applied	Achieved
	• Reviewing the risk management framework, and advising on the risk tolerance or level of acceptable risk for PIC	Achieved
	• Ensuring that management maintains a focus on 'upside risk'	Achieved
	• Monitoring the reporting of risk by management with particular emphasis on significant risks or exposures and the appropriateness of the steps management has taken to reduce the risk to an acceptable level	Achieved
	• Monitoring progress on action plans developed as part of the risk management process	Achieved
	• Reviewing any findings and recommendations of the external auditors, internal auditors or other parties on significant risks and ensuring that follow-up action has been taken	Achieved
	• Reviewing the impact of any changes in the business on the risk management process and the responding to these changes, including the update of the risk register/profile	Achieved
	• Reviewing legal and regulatory matters that may have a significant impact on risk, including compliance policies, programmes and reports received from regulators, together with the PIC's legal adviser	Achieved
	• Developing and subsequently reviewing the policy on fraud prevention, detection and investigation, and ensuring that an effective fraud prevention process exists	Achieved

Key responsibilities	Matrix	Achieved/ Not Achieved
Assess and monitor the effectiveness of the system of internal controls and risk management	<ul style="list-style-type: none"> Reviewing reports of significant incidents and frauds, including the evaluation of the effectiveness of the response in investigating any loss and preventing future occurrences 	Achieved
	<ul style="list-style-type: none"> Reviewing insurance arrangements and the appropriateness and adequacy of insurance cover 	Achieved
	<ul style="list-style-type: none"> Considering other risk management issues referred to it by the PIC Board 	Achieved
	<ul style="list-style-type: none"> Considering any other matter requested by the PIC Board 	Achieved
	<ul style="list-style-type: none"> Chairman ensuring that all ARC members perform annual self-assessments 	Achieved
	<ul style="list-style-type: none"> Submitting formal reports on its activities to the PIC Board 	Achieved
	<ul style="list-style-type: none"> Preparing a submission for inclusion in the annual report, according to the relevant statutory requirements and best practice corporate governance guidelines 	Achieved

Social and Ethics Committee (SEC)

Member	Attendance summary Meetings attended/held
Lindiwe Toyi (Chairman since 11 December 2015)	1/1
Dudu Hlatshwayo (Chairman until 11 December 2015)	3/3
Sibusisiwe Zulu (until 11 December 2015)	3/3
Claudia Manning (from 11 December 2015)	1/1
Pitsi Moloto (from 11 December 2015)	1/1
Vuyo Jack (resigned 30 November 2015)	0/3
Trueman Goba (between 1 August 2015 and 11 December 2015)	2/2
Petro Dekker (until 30 October 2015)	3/3
Paul Magula (until 30 October 2015)	3/3
Christopher Pholwane (until 30 October 2015)	3/3

The matrix below depicts the SEC performance during the financial year.

Key responsibilities	Matrix	Achieved/ Not Achieved
Transformation	<ul style="list-style-type: none"> Monitoring compliance with the Broad-Based Black Economic Empowerment Act, 2003 	Achieved
	<ul style="list-style-type: none"> Monitoring compliance with the Employment Equity Act, 1998 	Achieved
	<ul style="list-style-type: none"> Monitoring the company's promotion of equality, prevention of unfair discrimination and reduction of corruption 	Achieved

Key responsibilities	Matrix	Achieved/ Not Achieved
Social and economic development	<ul style="list-style-type: none"> Monitoring the company's contribution to development of the communities in which its activities are predominantly conducted or within which its products or services are predominantly marketed 	Achieved
Corporate social responsibility	<ul style="list-style-type: none"> Monitoring the company's record of sponsorship, donations and charitable giving 	Achieved
Ethical conduct	<ul style="list-style-type: none"> Ensuring that a code of conduct and code of ethics for both Non-Executive Directors and PIC employees are implemented 	Achieved
Good corporate citizenship	<ul style="list-style-type: none"> Ensuring that the company is a good corporate citizen and that it upholds the principles of good corporate citizenship 	Achieved
Implementation of governance and responsible investment codes and best practice	<ul style="list-style-type: none"> Receiving ESG reports on investee companies (including business rescue, insolvency, compliance by investee companies on SEC issues). The nominee Directors of the Corporation on the investee company's boards may be requested to report to the committee to the extent possible 	Achieved
Reputational risk management	<ul style="list-style-type: none"> Monitoring compliance with the following Organisation for Economic Cooperation and development (OECD) recommendations on corruption: 	Achieved
	<ul style="list-style-type: none"> OECD guidelines for managing conflict of interest in the public service (2003) 	Achieved
	<ul style="list-style-type: none"> OECD principles for managing ethics in the public service (1998) 	Achieved
	<ul style="list-style-type: none"> OECD principles for transparency and integrity in lobbying (2010) 	Achieved
	<ul style="list-style-type: none"> OECD principles for enhancing integrity in public procurement (2008) 	Achieved
	<ul style="list-style-type: none"> OECD convention on combatting bribery of foreign public officials in international business transactions 	Achieved
	<ul style="list-style-type: none"> OECD recommendation for further combatting bribery of foreign public officials in international business transactions 	Achieved
	<ul style="list-style-type: none"> Considering reputational issues applicable to the Corporation and developing plans to ensure minimal impact of negative reputational issues 	Achieved
	<ul style="list-style-type: none"> Monitoring and advising on competition law issues, ie price fixing, collusion etc and considering material national and international regulatory and technical developments in issues within the mandate of the committee 	Achieved
Sustainability	<ul style="list-style-type: none"> Monitoring compliance with the PIC's sustainability goals 	Achieved
Safety and security	<ul style="list-style-type: none"> Monitoring environment, health and public safety, including the impact of the Corporation's activities and of its products or services 	Achieved
	<ul style="list-style-type: none"> Monitoring the PIC's activities in the light of legislation, other legal requirements and prevailing codes of best practice, on matters relating to: 	Achieved
	<ul style="list-style-type: none"> Customer relationships, including the PIC's advertising, public relations and compliance with consumer protection laws 	Achieved
	<ul style="list-style-type: none"> The PIC's employment relationships, and the contribution towards the educational development of its employees 	Achieved

Directors' Affairs Committee (DAC)

Member	Attendance summary Meetings attended/held
Mcebisi Jonas (Chairman)	4/4
Roshan Morar	4/4
Patrick Mngconkola	4/4
Sibusisiwe Zulu (until 11 December 2015)	3/3
Dudu Hlatshwayo (29 May 2015 to 11 December 2015)	2/2
Moiria Moses (resigned 30 November 2015)	3/3
Lindiwe Toyi (from 11 December 2015)	1/1
Claudia Manning (from 11 December 2015)	1/1
Tantaswa Nyoka (from 11 December 2015)	0/1
Daniel Matjila	3/4

The matrix below depicts the DAC performance during the financial year.

Key responsibilities	Matrix	Achieved/ Not Achieved
Periodically review the format and composition of the Board and Board Committees	• Developing a long-term plan for the Board composition that takes into consideration the current strengths, personalities, skills, experience, demographic representation, retirement dates and strategic direction of the PIC	Achieved
	• Recommending to the Board a member of any Board Committee, the rotation of Directors and candidates to fill any Board and Board Committee vacancies	Achieved
	• Proposing to the Board the responsibilities of Non-Executive Directors, including membership and chairmanship of Board Committees	Achieved
Set criteria for the nomination of Directors and committee members of the Board	• Developing recommendations on the essential and desired criteria, and experiences and skills for potential new directors, taking into consideration the Board's short-term needs and long-term succession plans	Achieved
	• Identifying and proposing suitable candidates from a wide range of backgrounds to the Board, whether executive or Non-Executive Directors	Achieved
	• Reviewing the nominations received from Board members and the public, who wish to be appointed to the Board, taking into consideration the current strengths, skills, experience and demographic representation of the Board and Board Committees	Achieved
Conduct an annual assessment of the performance of the Board and review the effectiveness of the Board Committees	• Monitoring, together with the chairmen of other Board Committees, attendance of Directors at all Board and Board Committee meetings	Achieved
	• Performing an annual review and evaluation of the performance of the DAC and its members, including a review of the compliance of the DAC with these ToR	Achieved
Oversee the formal induction programme for new Directors	• Developing and ensuring the implementation of orientation processes for new Directors that assisting them to fully understand the role of the Board and Board Committees, the contribution expected of individual Directors and the nature and operation of the PIC's business	Achieved

Key responsibilities	Matrix	Achieved/ Not Achieved
Oversee the formal induction programme for new Directors	<ul style="list-style-type: none"> Developing and ensuring the implementation of ongoing programmes that will assist existing Directors to maintain or enhance their skills and abilities as Directors of the PIC, and their knowledge and understanding of the PIC's business 	Achieved
Identify, evaluate and nominate Directors and PIC employees to be appointed as the PIC's representatives on the boards of investee companies	<ul style="list-style-type: none"> Identifying and nominating suitable candidates as PIC representatives to the boards of investee companies 	Achieved
	<ul style="list-style-type: none"> Applying and monitoring the 'Policy on the nomination or appointment by the PIC of its employees, Non-Executive Directors and other persons to boards of directors of companies in which the PIC is invested/to which or to the shareholders of which it has made finance available' 	Achieved
Board remuneration	<ul style="list-style-type: none"> Reviewing the adequacy and form of compensation of Non-Executive Directors, including fees payable to Non-Executive Directors for their membership of the Board and any Board sub-committee and reimbursement of expenses, and making compensation recommendations to the Board. 	Achieved
Consider corporate governance best practice	<ul style="list-style-type: none"> Developing for PIC Board approval and review from time to time, the PIC's approach to corporate governance, including developing a set of governance principles and guidelines specifically applicable to the PIC 	Achieved
	<ul style="list-style-type: none"> Periodically reviewing and recommending to the Board the disclosure and communications policy of the PIC, including appropriate annual disclosure of its approach to corporate governance 	Achieved
	<ul style="list-style-type: none"> Receiving from management periodic reports on corporate governance developments relevant to the PIC and reporting to the Board 	Achieved
	<ul style="list-style-type: none"> Monitoring legislation affecting the duties, responsibilities and potential liability of Directors 	Achieved
	<ul style="list-style-type: none"> Evaluating annually the adequacy of the ToR and proposing changes to the Board 	Achieved
	<ul style="list-style-type: none"> Ensuring full disclosure in the annual report of individual Non-Executive Director remuneration, including details of earnings, share and incentive schemes, restraint payments and all other benefits 	Achieved

Human Resources and Remuneration Committee (HRRC)

Member	Attendance summary Meetings attended/held
Patrick Mngconkola (Chairman)	5/5
Dudu Hlatshwayo	4/5
Trueman Goba (from 29 May 2015)	4/4
Tantaswa Nyoka (from 11 December 2015)	1/1
Moirra Moses (resigned 30 November 2015)	4/4
Vuyo Jack (until 8 May 2015) (resigned 30 November 2015)	0/4

The matrix below depicts HRRC performance during the financial year.

Key responsibilities	Matrix	Achieved/ Not Achieved
Ensure a formal and transparent procedure for developing policies on executive remuneration and performance, and recommend remuneration packages for Executive Directors	<ul style="list-style-type: none"> Evaluating and approving the organisation's remuneration strategy and philosophy 	Achieved
	<ul style="list-style-type: none"> Ensuring alignment of the remuneration strategy and policy with the PIC's business strategy, desired culture, stakeholder interests and commercial wellbeing 	Achieved
	<ul style="list-style-type: none"> Determining remuneration packages needed to attract, retain and motivate high-performing directors and executive management, whilst avoiding paying more than is necessary for this purpose 	Achieved
	<ul style="list-style-type: none"> Approving remuneration levels and specific packages of Executive Directors, including all benefits, and, as appropriate, of other senior management 	Achieved
	<ul style="list-style-type: none"> Coordinating its activities with the Chairman of the PIC Board and the CEO, and consulting them in formulating the organisation's remuneration policy and specific remuneration packages 	Achieved
	<ul style="list-style-type: none"> Ensuring that remuneration levels of comparable organisations are taken into account, and include a balance between guaranteed and performance-based remuneration 	Achieved
	<ul style="list-style-type: none"> Being sensitive to the wider HR environment, including pay and employment conditions elsewhere in the organisation so that decisions, as far as possible, are consistent and fair, and are seen as such (ensuring that internal equity exists between remuneration of Executive Directors and senior management) 	Achieved
Consider policies on conditions of employment, remuneration and benefits of PIC employees and all related aspects	<ul style="list-style-type: none"> Ensuring that retirement and healthcare funding are in place for all employees 	Achieved
	<ul style="list-style-type: none"> Reviewing and recommending the annual maximum percentage increase for the PIC as a whole 	Achieved
	<ul style="list-style-type: none"> Reviewing and approving HR policies for the PIC 	Achieved
	<ul style="list-style-type: none"> Approving and monitoring the implementation of employment equity policy and compliance with applicable legislation 	Achieved
	<ul style="list-style-type: none"> Ensuring compliance with applicable labour laws and regulations 	Achieved
	<ul style="list-style-type: none"> Reviewing skills development, career path and succession planning, policies and procedures 	Achieved
Approve the policies and principles of the performance bonus scheme and criteria to be applied based on corporate and individual performance	<ul style="list-style-type: none"> Reviewing and approving performance-related incentive schemes, performance criteria and measurements. 	Achieved
	<ul style="list-style-type: none"> Determining criteria necessary to measure the performance of Executive Directors and senior management in discharging their duties and responsibilities. 	Achieved
	<ul style="list-style-type: none"> Communicating the remuneration philosophy, policies, strategic goals and objectives of the PIC to all relevant stakeholders 	Achieved
Good corporate governance	<ul style="list-style-type: none"> Reviewing the ToR annually 	Achieved
	<ul style="list-style-type: none"> Preparing and submitting formal reports on its activities to the Board at the following Board meeting, with HRRC recommendations as the HRRC may deem appropriate 	Achieved
	<ul style="list-style-type: none"> Preparing, for inclusion in the Integrated Annual Report, the PIC's remuneration philosophy, HRRC ToR and responsibilities, including how these responsibilities have been discharged, members' names, number of meetings held and any additional information 	Achieved
	<ul style="list-style-type: none"> Ensuring full disclosure in the Integrated Annual Report of individual director remuneration, including details of earnings, share and incentive schemes, restraint payments and all other benefits 	Achieved

Investment Committee (IC)

Member	Attendance summary Meetings attended/held
Roshan Morar (Chairman)	14/14
Patrick Mngconkola	13/14
Dudu Hlatshwayo (from 29 May 2015)	7/9
Lindiwe Toyi (from 11 December 2015)	2/2
Claudia Manning (from 11 December 2015)	2/2
Sibusisiwe Zulu (29 May 2015 to 11 December 2015)	5/6
Trueman Goba (until 11 December 2015)	8/11
Moirá Moses (retired 30 November 2015)	10/11
Vuyo Jack (until 8 May 2015) (retired 30 November 2015)	0/11
Daniel Matjila	10/14
Matshepo More	11/14

The Investment Committee and its sub-committees (FIPs) are responsible for overseeing the implementation of investment decisions, monitoring the performance of investments and reporting on the investments activities. As part of the monitoring responsibilities, the Investment Committee and its sub-committees met to workshop Investment Policies to ensure that a robust investment philosophy is entrenched in our investment decision processes.

The Committee also has a responsibility to consider year end valuations on an annual basis and make recommendations to clients. During the year under review, the IC and its sub-committees held more meetings to monitor and evaluate the investment portfolio's performance.

The matrix below depicts the IC performance during the financial year.

Key responsibilities	Matrix	Achieved/ Not Achieved
Oversight and decision-making about investment activities Monitoring of investment mandates	Depositors' funds and funds under management	
	• Reviewing and recommending to the Board the investment policy and strategy for depositors' funds	Achieved
	• Overseeing the implementation of investment decisions	Achieved
	• Monitoring performance of the investment at least quarterly	Achieved
	• Reporting on the activities of the IC to the Board on the investment of depositors' funds	Achieved
	• Reviewing and evaluating policies and procedures that PIC management has implemented to monitor compliance with client mandates	Achieved
	• Overseeing the implementation of client mandates by receiving PIC management's quarterly reports, including the regulatory requirements under the FAIS, PFMA and Financial Markets Act, 2012 (Act No 19 of 2012)	Achieved
	• Reporting quarterly to the Board on issues relating to the investment of funds under management	Achieved
	• Ensuring that deal approvals are done in line with the approved DoA	Achieved
	• Reviewing and evaluating deals upon receipt of recommendations tabled by PIC management, supported by deal approvals in conformance with deal processes and strategies	Achieved
	• Reviewing annually the deal approval process, policies and criteria	Achieved

Key responsibilities	Matrix	Achieved/ Not Achieved
Oversight and decision-making about investment activities Monitoring of investment mandates	Risk management	
	• Reviewing and recommending annually to ARC the risk management framework and policies for investment management	Achieved
	• Considering the establishment, adjustment or deletion of limits and counterparty approvals, and the scope of financial instruments to be used in the management of the PIC's investments	Achieved
	• Reviewing credit limits with banks in line with client mandates	Achieved
	External managers	
	• Approving the criteria and process for the selection of external investment managers. Notification of approval to be submitted to the Board	Achieved
	• Approving the process for establishing the mandates of external investment managers	Achieved
	• Approving the process for monitoring external investment managers	Achieved
	• Evaluating performance of external investment managers	Achieved

IC Sub-Committees

Property Fund Investment Panel

Member	Attendance summary Meetings attended/held
Moira Moses (Chairman until resignation on 30 November 2015)	6/6
Trueman Goba (since 29 May 2015; Chairman since 11 December 2015)	6/6
Roshan Morar	5/8
Sibusisiwe Zulu (since 11 December 2015)	2/2
Tantaswa Nyoka (since 11 December 2015)	2/2
Daniel Matjila	2/8
Matshepo More	7/8

Private Equity, Priority Sector and Small Medium Enterprises Fund Investment Panel

Member	Attendance summary Meetings attended/held
Roshan Morar (Chairman)	10/10
Dudu Hlatshwayo (from 29 May 2015)	6/7
Sandra Beswick (FIP Expert until 30 November 2015) (member from 11 December 2015)	8/8 2/2
Daniel Matjila	6/10
Matshepo More	9/10

Social and Economic Infrastructure and Environmental Sustainability Fund Investment Panel

Member	Attendance summary Meetings attended/held
Patrick Mngconkola (Chairman until 11 December 2015)	4/4
Sibusisiwe Zulu (Chairman since 11 December 2015)	2/2
Pitsi Moloto (since 11 December 2015)	2/2
Trueman Goba (29 May 2015 to 11 December 2015)	4/4
Lindiwe Toyi (FIP Expert until 30 November 2015) (member from 11 December 2015)	3/4 2/2
Daniel Matjila	2/6
Matshepo More	3/6

The Fund Investment Panels have the authority to deliberate and make investment decisions on Unlisted Investments (including Properties) in accordance with the approved Unlisted Investment DoA and shall further act in accordance with, and subject to, the authority, directives and requirements that may be laid down by the Board and IC.

The matrix below depicts the Social and Economic Infrastructure and Environmental Sustainability Fund Investment Panel performance during the financial year.

Key responsibilities	Matrix	Achieved/ Not Achieved
Make investment decisions (approvals, acquisitions, disposals) for Unlisted Investments, including Properties	• Making investment decisions in line with the DoA for Unlisted Investments and for Property Investments	Achieved
	• Approving all property investments, acquisitions and/or disposals (including winding up), development and refurbishments on behalf of the PIC, in line with the approved DoA	Achieved
	• Reporting back at IC meetings	Achieved
	• Considering all proposals, together legal and risk reports	Achieved
Oversee the implementation of investment decisions Monitor performance of Unlisted Investments, including Properties, quarterly	• Reviewing and considering portfolio management and valuation reports quarterly	Achieved
Recommend to DAC the nomination of PIC employees to sit on the boards or any committee of investee companies, trustees in community trusts and members of the advisory boards in which the PIC is invested	• Submitting quarterly to DAC nominations of employees, PIC Directors and others for appointment to the boards of investee companies, in line with the PIC's framework	Achieved

Key responsibilities	Matrix	Achieved/ Not Achieved
Appoint and manage performance of third party fund managers (external investment managers), including property brokers	• Approving the criteria and process for the selection of external investment managers	Achieved
	• Approving the processes for establishing mandates and for monitoring external investment managers	Achieved
	• Evaluating performance of external investment managers	Achieved
	• Approving property brokerage allocations and any amendments thereto	Achieved
	• Approving the annual budgets for all property expenditure of the Properties department, including refurbishments	Achieved
Property budgets	• Considering and recommending to ARC: <ul style="list-style-type: none"> • All operational write offs (book value); • All property investment write offs (book value), eg for tenant arrears; and • All property asset write offs (book value) 	Achieved
	• Approving operational expenditure of the properties department in line with the approved DoA	Achieved

Information Communication and Technology Governance Committee (ICTGC)

Member	Attendance summary Meetings attended/held
Patrick Mngconkola (Chairman 30 October 2015 to 11 December 2015)	0/0
Claudia Manning (Chairman since 11 December 2015)	1/1
Trueman Goba	1/1
Sandra Beswick	1/1
Pitsi Moloto	1/1
Roshan Morar (30 October 2015 to 11 December 2015)	0/0
Dudu Hlatshwayo (30 October 2015 to 11 December 2015)	0/0
Daniel Matjila	1/1
Matshepo More	1/1

The Board established the ICTGC in October 2015, after identifying the need to deal with IT issues in more detail as recommended by King III. The ICTGC had its first meeting in January 2016. The Board is responsible for IT governance and ensuring that it is aligned to the performance objectives of the PIC. The ICTGC has no decision-making powers, except where expressly provided by the Board through the DoA framework and approved policies.

Key Responsibilities

- Assist the Board to oversee the development and implementation of an IT governance charter and policies
- that are integrated with the business strategy process and that sustain and enhance the PIC's strategic objectives, thereby improving performance and sustainability.
- Oversee the implementation of IT processes and governance mechanisms, IT frameworks, policies, and procedures and standards, ensuring IT governance alignment with corporate governance (King III).
- Review the information security strategy (including information security, information management and information privacy) and PIC management's implementation of the strategy.

- Ensure that there are processes in place to enable complete, timely, relevant, accurate and accessible IT reporting, firstly from PIC management to Board and secondly by the Board in the Integrated Annual Report.
- Ensure that appropriate processes are followed for the identification, assessment and management of IT risks as part of the Enterprise Wide Risk Management Framework.
- Monitor the IT Risk Management Plan.

The PIC did not perform an assessment for ICTGC performance as this is a newly established committee and met only once during the financial year.

Cross-Functional Responsibilities

The Board acknowledges the cross-functional responsibilities that exist between SEC and ARC. Each committee has developed a framework of monitoring its activities and responsibilities, by sharing information about matters discussed at each committee meeting.

Board Evaluation

The annual evaluation of the Board was performed at the end of the financial year, and covered the size and composition of the Board, Directors' induction and development effectiveness, Board meetings, relationship between the Board and management, flow of information, skills needed by the Board and its committees, and stakeholder relations. The Board reviewed the overall outcome of the evaluation

of the Board's effectiveness and agreed on a remedial action plan to address shortcomings.

Company Secretary

Ms Bongani Mathebula is the PIC company secretary, appointed by the Board in terms of the relevant legislative requirements. In addition to her statutory duties, she plays a key role in managing governance, secretariat and key stakeholder relationships affecting the Board. She also provides guidance and advice to the Board and its committees to ensure compliance with legislation, rules and regulations in conducting the affairs of the Board and ensures that all matters associated with its efficient operation are maintained.

Declaration by the Company Secretary

In terms of Section 88(1)(e) of the Companies Act, 2008, I hereby declare that, to the best of my knowledge and belief, the PIC has lodged with the Registrar of Companies, for the financial year ended 31 March 2016, all such returns and notices as are required of a SOC in terms of the Companies Act, and that all such returns and notices appear to be true, correct and up to date.



Ms Bongani Mathebula
Company Secretary

Executive Committee

The CEO, who is also an Executive Director, is responsible for the day-to-day management of the PIC in line with the Board-approved DoA and the strategic direction set by the Board. The CEO is assisted by an EXCO, to effectively discharge his statutory duties in managing the PIC. The EXCO is governed by all applicable laws as well as an approved ToR. The ToR, DoA and policies are reviewed annually.

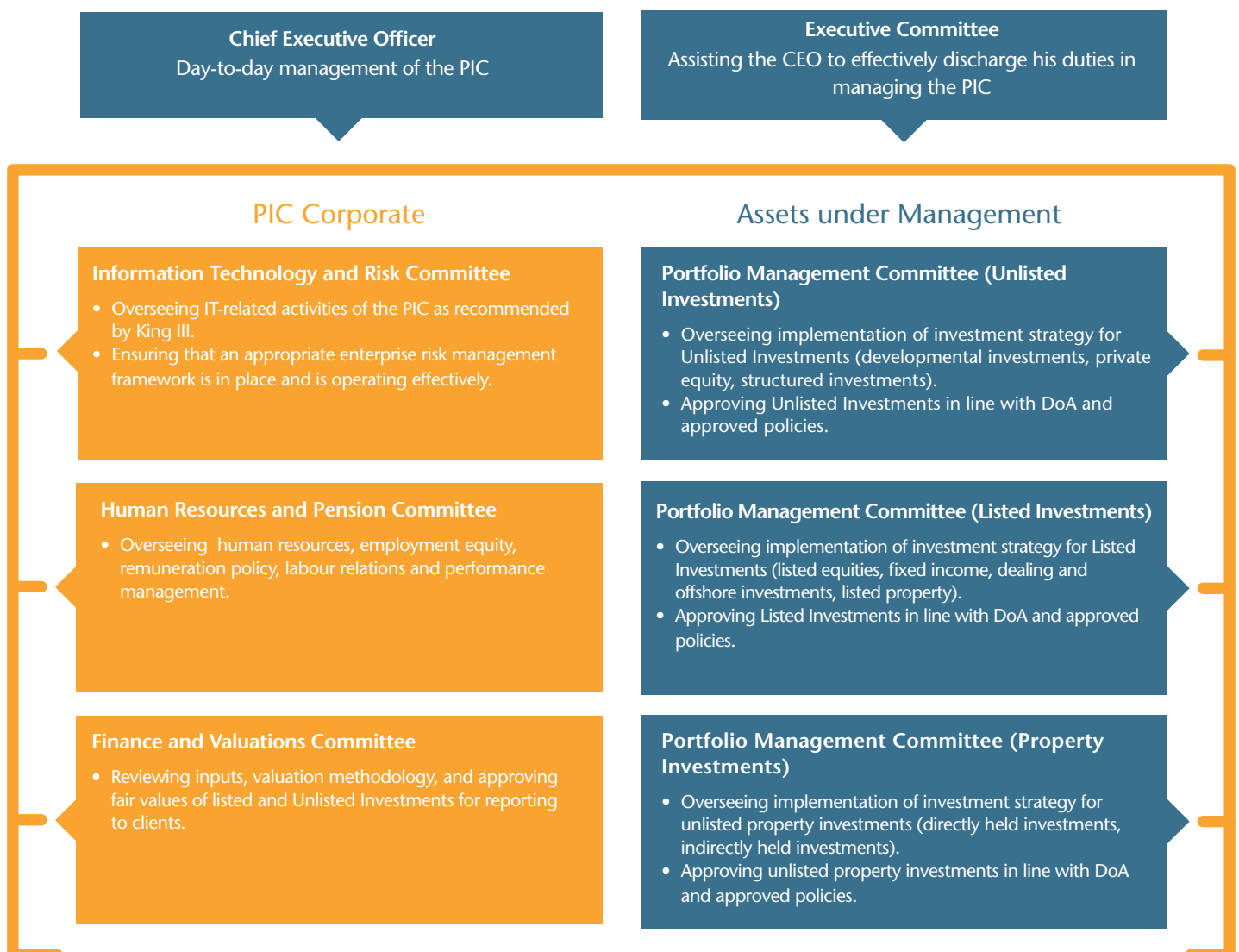
During the past financial year, the PIC organogram was restructured and, among other changes, the position of CIO was split into four positions, namely Executive Heads for Listed Investments, Property Investments, Developmental Investments and Private Equity. This was done to ensure alignment with appropriate technical skills and expertise to each asset class, as the PIC, compared to the private sector, comprises five different asset managers. This will also assist in effective implementation of the investment strategy. This structure also enhances succession and continuity planning

and mitigates against key-man risks that was previously prevalent.

EXCO has established structured committees in line with the investment strategy to instill a culture of compliance and good governance and to ensure that the PIC's governance processes and affairs are conducted with accountability, transparency, fairness and prudence. This ensures effective implementation of the PIC's mandate, and collective, robust decision making and management of the affairs of the PIC. The committees that support the investment strategy of the PIC are Portfolio Management Committee (PMC) Unlisted (for all Unlisted Investments), PMC Listed (for all Listed Investments) and PMC Properties (for all property investments).

Each EXCO committee operates in line with EXCO-approved ToR, DoA and approved policies. The ToR and DoA are reviewed annually.

The EXCO and its subcommittees' structure are depicted below:



Executive Committee Profile



Dr Daniel Matjila

Position

- Chief Executive Officer
- Executive Director

Qualifications

- Doctor of Philosophy (PhD) in Mathematics
- Master of Science in Applied Mathematics
- Postgraduate Diploma in Mathematical Finance
- Bachelor of Science (Honours) in Applied Mathematics
- Advanced Management Programme
- Senior Management Programme

Memberships

- Member of the PIC Directors' Affairs Committee
- Member of the PIC Investment Committee
- Member of the PIC Property Fund Investment Panel
- Member of the PIC Private Equity, Priority Sector and Small Medium Enterprise Fund Investment Panel
- Member of the PIC Social and Economic Infrastructure and Environmental Sustainability Fund Investment Panel
- Member of the PIC Information, Communication and Technology Governance Committee
- Member of the Board of Ecobank Transnational Incorporated
- Member of the Board of Community Property Company (Pty) Ltd
- Member of the Board of BVI (Pareto) Limited



Ms Matshepo More

Positions

- Chief Financial Officer
- Executive Director

Qualifications

- Chartered Accountant (SA)
- Certificate in Theory of Accounting
- Bachelor of Business Science (Finance)
- Accredited SAICA Assessor

Memberships

- Member of the PIC Investment Committee
- Member of the PIC Property Fund Investment Panel
- Member of the PIC Private Equity, Priority Sector and Small Medium Enterprise Fund Investment Panel
- Member of the PIC Social and Economic Infrastructure and Environmental Sustainability Fund Investment Panel
- Member of the PIC Information, Communication and Technology Governance Committee
- Member of the Board of Pareto Limited
- Member of the Board of BVI (Pareto) Limited
- Member of the Board of CBS Property Management (Pty) Ltd
- Member of the Board of ADR International Airport South Africa
- Member of the Board of Community Property Company (Pty) Ltd
- Member of the Board of Association of Black Accountants of South Africa



***Ms Petro Dekker**

Position

- Executive Head: Corporate Services

Qualifications

- Master in Business Leadership
- Bachelor of Commerce (Honours) Business Management
- Bachelor of Commerce (Accounting)
- Programme in Investment Analysis and Portfolio Management

Memberships

- Chairman of the Board of CBS Property Management (Pty) Ltd
- Member of the Board of Simons Town Quayside Hotel
- Member of Social and Ethic Committee
- Member of the Institute of Directors South Africa

*Resigned during May 2016

Executive Committee Profile



Mr Sholto Dolamo

Positions

- Executive Head: Research and Projects Development

Qualifications

- Master of Business Administration
- Master of Science (Engineering)
- Bachelor of Science (Chemistry)

Memberships

- Member of the Board of Bauba Platinum



Mr Vuyani Hako

Position

- Executive Head: Properties

Qualifications

- Master of Business Management and Administration
- Business Management and Administration (Honours)
- Bachelor of Science in Town and Regional Planning
- Property Development Programme
- Executive Leadership Programme

Memberships

- Member of the Board of V&A Waterfront



Mr Koketso Mabe

Position

- Executive Head: Private Equity and Structured Investment Products

Qualifications

- Bachelor of Actuarial Science

Memberships

- Member of the Board of Ethos
- Member of the Board of Harith General Partners (Pty) Ltd
- Member of the Board of Medu Capital
- Member of the Board of Agrigroupe Holdings (Pty) Ltd
- Member of the Board of Menlyn Maine Investment Holdings (Pty) Ltd
- Member of the Board of Independent News Media South Africa
- Member of the Board of Dikgosi Tailings (Pty) Ltd
- Member of the Board of Bayport Management Limited

Executive Committee Profile



Mr Fidelis Madavo

Position

- Executive Head: Listed Investments

Qualifications

- Master of Social Science in Industrial and Administrative Sciences
- Bachelor of Science (Honours) in Chemical Engineering
- International Executive Development Programme

Memberships

- Member of the Board of Dangote Cement PLC, Nigeria



Mr Paul Magula

Positions

- Executive Head: Risk Management

Qualifications

- Master of Philosophy in Development Finance
- Bachelor of Commerce (Honours) in Financial Management
- Bachelor of Commerce in Financial Accounting
- Registered Persons Exams – Future Market
- Bachelor of Science (Medical) (Honours)
- Bachelor of Science

Memberships

- Member of the Board of Trust for Urban Housing Finance (Pty) Ltd
- Member of the Board of Botshilu Hospital (Pty) Ltd
- Member of the Board of VBS Mutual Bank
- Member of the Board of ACWA Power Solafrica Bokpoort CSP Power Plant (Pty) Ltd



Mr Ernest Nesane

Position

- Executive Head: Legal Counsel, Governance and Compliance

Qualifications

- Bachelor of Law
- Admitted Attorney

Memberships

- Member of the Board of VBS Mutual Bank
- Member of the Board of Eduloan (Pty) Ltd

Executive Committee Profile



***Mr Luyanda Ntuane**

Positions

- Executive Head: Information Technology

Qualifications

- Bachelor of Commerce in Business Information Systems and Economics
- Postgraduate Diploma in Management (Distributed Commercial Information Systems)
- Advanced Diploma in Project Management
- Certificate in IT Project Management
- IT Certification: ITIL, PRINCE 2 and COBIT 5
- Professional Certificate in CIO Practice
- Certified Information Security Manager (CISM)

*Resigned during May 2016



Mr Roy Rajdhar

Position

- Executive Head: Developmental Investments

Qualifications

- Chartered Accountant (SA)
- Bachelor of Accounting Sciences
- Postgraduate Diploma in Accounting (CTA)
- Higher Diploma in Tax Law
- Certificate in Advanced Company Law

Memberships

- Member of the Board of SA Homeloans (Pty) Ltd
- Member of the Board of S&S Refineries De Oloeos LDA (Mozambique)
- Member of the Board of Just Veggies (Proprietary) Limited



Mr Chris Pholwane

Position

- Executive Head: Human Resources

Qualifications

- Bachelor of Administration
- Secondary Teachers Diploma
- International Executive Development Programme
- Certified Talent Economist

Report of the Audit and Risk Committee

Mandate and Terms of Reference

The Audit and Risk Committee (ARC) presents its report in terms of the requirements of the Public Finance Management Act (PFMA) and the Companies Act (Section 94[7][f]), and in accordance with the King Code of Governance Principles for South Africa for the financial year ended 31 March 2016.

The role of the ARC is defined in its terms of reference (ToR) approved by the Board of Directors of the PIC. It covers, among other things, its statutory duties and the assistance to the Board with the oversight of financial and non-financial information reporting and disclosures, internal control system, risk management, internal and external audit functions, and combined assurance, including information technology governance.

The PIC established an Information, Communication and Technology Governance Committee to oversee matters relating to the PIC's information technology governance.

The committee fulfilled all its statutory duties as required by section 94(7) of the Companies Act and Section 27.1 of the Treasury Regulations, as well as the responsibilities contained in its ToR.

The PIC adopted a combined assurance model to ensure optimal and coordinated assurance activities. ARC oversees the assurance activities and the establishment of effective systems of internal control to provide reasonable assurance that PIC's financial and non-financial objectives are achieved.

Composition and Meetings of The Committee

ARC members were elected as required by Section 94(2) of the Companies Act 71 of 2008 at the Annual General Meeting (AGM) of the PIC.

The PIC ARC comprises four independent Non-Executive Directors all of whom have the requisite competence. The Chairman of the Board is not a member of ARC. None of the members has any personal financial interest or non-manageable conflicts of interests arising from cross-directorships or day-to-day involvement in the running of the PIC. Their names and qualifications are detailed in the

Board of Directors section of the Integrated Annual Report on pages 100 to 104.

The ToR provide for the ARC to hold a minimum of four meetings per year and the details of the attendance to these meetings by the committee members are provided on pages 112 to 115 in the Integrated Annual Report. The Executive Directors, internal and external auditors, as well as relevant members of senior management, are required to attend ARC meetings as permanent invitees.

Execution of Functions

The PIC ARC fulfilled its duties and responsibilities, among others, as follows:

Going-Concern Assumption

The committee reviewed the following:

- Robustness of budgets and business results
- Cash flow projections for the year ended 31 March 2016
- Going-concern as the basis of preparation of the annual financial statements

Oversight of Financial and Non-Financial reporting and Disclosure Requirements

The committee reviewed the following:

- Annual Financial Statements for fair presentation with the relevant requirements of the PFMA, Companies Act and International Financial Reporting Standards (IFRS)
- Adequacy, reliability and accuracy of financial and non-financial information provided by management and risks that may impact the integrity of the integrated report
- Disclosure of sustainability information in the integrated report to ensure that it is reliable and it does not conflict with the financial information provided in the report
- The expertise, resources and experience of the finance function
- Internal control, management of risks and compliance with legal and regulatory provisions

- Effectiveness of internal control systems and governance processes
- Legal matters that could have a material impact on the entity
- Effectiveness of the systems and processes of risk management, including the following specific risks:
 - Financial reporting
 - Internal financial controls
 - Fraud risks relating to financial reporting
 - Information technology risks relating to financial reporting
 - The entity's compliance with legal and regulatory requirements
- The expertise, resources and experience of the finance function are adequate
- The system and process of risk management and compliance processes are adequate
- The internal accounting controls are adequate to ensure that the financial records may be relied upon for preparing the financial statements and that accountability for assets and liabilities is maintained
- The expertise, resources and experience of the Internal Audit and compliance functions are adequate
- The Internal Audit function operated effectively during the 2015/16 financial year
- The information contained in the integrated report and related information is reliable and does not contradict the financial information of the integrated report or the Annual Financial Statements
- The PIC has access to adequate resources to continue its operations for the foreseeable future, supporting the going-concern assumption
- The External Auditors are sufficiently independent and objective, having considered the matters set out in Section 94(8) of the Companies Act
- Based on the information provided to the Committee, there is nothing untoward that suggests that any material breakdown had occurred in the functioning of the PIC systems, procedures and controls that could lead to material losses, contingencies or uncertainties that would require disclosure in the financial statements

Internal and External Audit

The committee considered the following:

- Approved the Internal Audit Charter and Annual Audit Plan
- Internal Audit function independence, effectiveness, coordination with External Auditors and other assurance providers
- Appointment of the External Auditors in terms of the Companies Act and other applicable requirements
- External Audit Plan, audit budget, actual fees and terms of engagement of the External Auditors
- The independence and objectivity of the External Auditors
- Accounting, sustainability and auditing concerns identified as a result of the internal and external audits

Fraud and Corruption

ARC provides oversight over the fraud and corruption controls and mechanisms with the company in conjunction with the Social and Ethics Committee. The Committee had oversight of the development and subsequent review of the Policy on Fraud Prevention, Detection and Investigation.

No fraud incidents were brought to the Committee's attention during the 2015/16 financial year

Opinion

ARC is of the opinion, based on the information and explanations given by management and the assurance providers during the year and at year-end as well as discussions with the independent External Auditors that:

Recommendation of the Annual Financial Statements

ARC has evaluated the financial statements of the PIC for the year ended 31 March 2016 and based on the information provided, it has considered that the financial statements comply, in all material respects, with the requirements of the Companies Act, the PFMA and IFRS. ARC concurs with the Board and management that the adoption of the going-concern basis in the preparation of the financial statements is appropriate and has, therefore, at its meetings held on 11 May 2016 and 29 July 2016, recommended the adoption of the financial statements by the Board of Directors.



Ms Tantaswa Nyoka
Chairman: Audit Committee

CONTENTS

ACCOUNTABILITY

ANNUAL FINANCIAL STATEMENTS

The reports and statements set out below, comprise the PIC's Annual Financial Statements presented to the shareholder:

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The Company's Annual Financial Statements have been prepared under the supervision of the Company CFO, Ms Matshepo More.

Report of the Auditor-General to Parliament on the Public Investment Corporation SOC Limited (PIC)

Report on the financial statements

Introduction

1. I have audited the financial statements of the Public Investment Corporation SOC Ltd set out on pages 143 to 183, which comprise the statement of financial position as at 31 March 2016, the statement of comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

The Board of Directors' responsibility for the financial statements

2. The Board of Directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and Companies Act of South Africa, 2008 (Act No. 71 of 2008), 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.

Auditor-general's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the

assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Public Investment Corporation SOC Ltd as at 31 March 2016 and its financial performance and cash flows for the year then ended, in accordance with the IFRS and the requirements of the PFMA and the Companies Act of South Africa.

Emphasis of matter

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

Outsourcing of property management

8. As articulated in note 37 of the Annual Financial Statements, during the current year, the PIC outsourced its Property Management function to Mowana Properties, a wholly owned subsidiary of Pareto Limited.

Additional Matter

I draw attention to the matter on the next page. My opinion is not modified in respect of this matter.

Report of the Auditor-General to Parliament on the Public Investment Corporation SOC Limited (PIC)

Other reports required by the Companies Act

9. As part of my audit of the financial statements for the year ended 31 March 2016, I have read the directors' report, the audit committee's report and the company secretary's certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports I have not identified material inconsistencies between the reports and the audited financial statements. I have not audited the reports and accordingly do not express an opinion on them.

Report on other legal and regulatory requirements

10. In accordance with the Public Audit Act (PAA) of South Africa, 2004 (Act No. 25 of 2004) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives of selected objectives presented in the annual performance report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

11. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information of the following selected objectives presented in the annual performance report of the public entity for the year ended 31 March 2016:

- Objective 1: Grow the economy through Developmental Investments (Isibaya) contribution to education, health, housing, infrastructure and environmental.

- Objective 2: Grow the economy through investments in Africa (non-domestic)(listed and unlisted investments).
- Objective 3: Generate excess returns over benchmark and compliance with client risk parameters. (24 months rolling).
- Objective 4: Facilitate broad-based economic empowerment and skills development through Investment activities.
- Objective 5: Grow revenue and control costs to run a financially sustainable investment management operation.
- Objective 6: PIC is a responsible citizen, driving ESG initiatives on a corporate level.

12. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with National Treasury's annual reporting principles and whether the reported performance was consistent with the planned objectives. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by National Treasury's *Framework for managing programme performance information* (FMPPI).
13. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
14. I did not raise any material findings in respect of any of the selected objectives in paragraph 10 above.

Additional matters

15. Although I raised no material findings on the usefulness and reliability of the reported performance information for the selected objectives, I draw attention to the following matters:

Report of the Auditor-General to Parliament on the Public Investment Corporation SOC Limited (PIC)

Achievement of planned targets

16. Refer to the annual performance report on pages 64 to 85 for information on the achievement of the planned targets for the year.

Compliance with legislation

17. Included below are findings on compliance with selected specific requirements of applicable legislation, as set out in the general notice issued in terms of the PAA.

Annual financial statements

18. The Financial Statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework as required by section 55(1)(b) of the PFMA. Misstatements pertaining to the disclosure in the notes of the financial statements were identified by the auditors in the submitted financial statements but were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

Internal control

19. I considered internal controls relevant to my audit of the financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the internal control deficiencies that resulted in the findings on the annual performance report and Annual Financial Statements included in this report.

Leadership

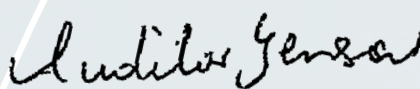
20. There is lack of oversight by management in addressing the deficiencies noted regarding financial reporting, compliance and related internal controls. This resulted in misstatements identified and non-compliance with the financial reporting framework.

Other reports

21. I draw attention to the following engagements that could potentially impact on the public entity's financial, performance and compliance related matters. My opinion is not modified in respect of these engagements that are either in progress or have been completed.

Audit-related services and special audits

22. An agreed-upon procedures engagement was performed on TOSACO investment deal that was concluded by the Public Investment Corporation SOC Ltd (PIC) during the 2015/16 financial year. The report will be issued in the 2016/17 financial year.
23. At the request of the Public Investment Corporation SOC Ltd, an audit was performed on review on compliance with Financial Advisory and Intermediary Services Act (FAIS Act). The report covered the period April 2015 to March 2016, and was issued to management in July 2016.



Pretoria
02 August 2016



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Accounting Officer's Statement of Responsibilities for Annual Financial Statements

The statement of responsibility for the Annual Financial Statements for the year ended 31 March 2016 of the Chief Executive Officer, who is the Accounting Officer.

Integrated Report for the 2016 financial year end

I hereby acknowledge that the Integrated Report of the Public Investment Corporation SOC Limited (PIC) has been submitted to the Auditor-General of South Africa for auditing in terms of section 55(1)(c) of the Public Finance Management Act (PFMA).

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

Annual Financial Statements

The Board of Directors that constitutes the Accounting Authority are responsible for the preparation of fair presentation and for the judgement made in the Company's Annual Financial Statements.

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

Performance information

The performance information fairly reflects the operations, actual output against planned targets for performance indicators as per the Corporate Plan of the PIC for the financial year ended 31 March 2016 and has been reported on in accordance with the requirements of the guidelines on annual reports as issued by National Treasury. A system of internal control has been designed to provide reasonable assurance as to the integrity and reliability of performance information.

The external auditors

The external auditors are engaged to express an independent audit opinion on the Annual Financial Statements of the PIC. There was no scope of limitation placed on the auditors and they had unrestricted access to persons within the company from whom to obtain the necessary audit evidence in order to express an audit opinion.

The annual financial statements of the PIC set out on pages 143 to 183 have been approved by the Board of Directors.



Dr Matjila, Daniel
(CEO)

Responsibilities of the Board of Directors

The Board of Directors is required, by the Companies Act, 2008 (Act No. 71 of 2008) of South Africa (Companies Act), and the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA) of South Africa, to maintain adequate accounting records and is responsible for the content and the integrity of the Annual Financial Statements and related financial information included in this report. It is the Board's responsibility to ensure that the Annual Financial Statements fairly present the state of affairs of Public Investment Corporation SOC Ltd (the Company) as at the end of the financial year, the profit or loss and cash flows of the Company for the financial year then ended.

In preparing and ensuring that these annual financial statements are fairly presented, the directors are required to:

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

The Audit and Risk Committee has reviewed the Company annual financial statements and has recommended their approval to the Board of Directors. In preparing the Company annual financial statements, the Company has complied with International Financial Reporting Standards (IFRS) and the Companies Act. In addition, the Company has complied with the reporting requirements of the PFMA.

The Company used appropriate accounting policies supported by reasonable and prudent judgements and estimates. Judgements 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 external auditor, Auditor-General of South Africa, is responsible for independently auditing and reporting on the Annual Financial Statements in conformity with International Standards on Auditing. Their unmodified audit report on the Annual Financial Statements, prepared in terms of the Public Audit Act of South Africa (Act No 25 of 2004) (PAA), appears on pages 134 to 136.

The internal audit activities are in accordance with the preapproved internal audit plan. The internal audit plan is reviewed and approved by the Audit and Risk Committee annually. The PIC's internal audit 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 and Risk Committee report. The Audit and Risk Committee has reviewed the effectiveness of the Company's internal controls and considers the systems appropriate for the effective operation of the Company.

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 present the financial position of the Company as at 31 March 2016 and the results of its operations and cash flow information for the year then ended.



Mr Jonas, Mcebisi
(Chairman)

Company Secretary's Certificate

Declaration of Company Secretary for the year ended 31 March 2016.

In my capacity as Company Secretary, I hereby confirm, to the best of my knowledge and belief, that in terms of section 88(2)(e) of the Companies Act, 2008 (Act 71 of 2008) of South Africa, for the year ended March 2016, the PIC has lodged with the Registrar of Companies, all such returns as are required in terms of this Act and that all such returns are true, correct and up to date.



Ms Mathebula, Bongani
(Company Secretary)

Report from the Board of Directors

The Board of Directors is pleased to present the Annual Financial Statements of Public Investment Corporation SOC Limited for the year ended 31 March 2016.

1. Nature of business

Main business and operations

The Public Investment Corporation SOC Limited is incorporated and domiciled in the Republic of South Africa. It is a schedule 3B state owned entity as defined in the Public Finance Management Act, 1999 (PFMA). The Company provides asset management services primarily to public sector entities. It operates principally in South Africa, invests offshore and within the rest of the African continent.

The Company financial statements for the year ended 31 March 2016 were authorised for issue in accordance with a resolution passed by the Board of Directors on 29 July 2016.

2. Going concern

The Board of Directors has reviewed the financial budgets with their underlying business plans for the period to 31 March 2017. On the basis of the review performed and in light of the current financial position, the Board of Directors is satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future. When assessing the Company's ability to continue as a going concern, both quantitative and qualitative factors were taken into account.

Two critical factors taken into account when assessing the quantitative factors are the liquidity and solvency requirements. Qualitative factors that may cast significant doubt about the going concern assumption, which were assessed are financial trends, as well as external and internal matters.

Based on the outcome, the quantitative and qualitative factors do not cast any significant doubt about the going concern assumption, therefore the Board of Directors considers it appropriate that the Annual Financial Statements be prepared on a going concern basis.

3. Financial results

The Company's business model was designed and developed to focus on sustainability, the financial strategy

is directly aligned to the three year Corporate Plan, there is monthly monitoring of financial targets as well as cost containment implemented throughout the year. Revenue for the period ended 31 March 2016 was 6% higher when compared to the previous financial year. When compared to the budget, revenue is below budget by 10%, mainly due to unapproved private placement memorandum which were budgeted for at the beginning of the financial year. Operating expenses for the period ended 31 March 2016 were 3% lower when compared to the previous financial year. When compared to the budget, total expenses were below budget by 34%, mainly due to more stringent controls being put in place to implement cost containment measures.

In this financial year, in order to ensure higher efficiency in the property management services "facilities management", the Board of Directors decided that the Company as it relates to asset management of the property portfolio should cease providing property management services directly, but concentrate on asset management services. This decision resulted in the outsourcing of the property management services to Mowana Pty Limited, "Mowana" a wholly owned subsidiary of Pareto Limited. As at 31 March 2016, the GEPE, the biggest client of the PIC owned 100% of Pareto Limited. The effective date of the outsourcing was 1 December 2015. The outsourcing of the property management business further resulted in some PIC employees being transferred in accordance with Sec 197 of the Labour Relations Act to Mowana. The detail of the disclosure is included in Note 37.

Full details of the financial results of the Company are set out on pages 143 to 183 of these Annual Financial Statements.

4. Subsequent events

There were no subsequent events for the year under review.

5. Equity reserves

There were no changes in the authorised or issued share capital of the Company during the year under review. There are no shares held in reserve.

In the current year some earnings were transferred to non-distributable reserves.

Report from the Board of Directors

6. Associates

The PIC has a 46% (2015: 46%) shareholding in Harith Fund Managers and has a 30% (2015: 30%) shareholding in Harith General Partners. Both associates have a financial year-end consistent with that of the Company.

Harith Fund Managers (Pty) Limited's nature of the business is the management of the Pan African Infrastructure Development Fund (PAIDF) funds. Harith Fund Managers is also responsible, on behalf of the PAIDF, for the provision of specified administrative services relating to the operations of the PAIDF. Harith Fund Managers (Pty) Limited has reached the end of the fund life and as a result a new fund was established, Harith General Partners, in the previous years to which all assets were transferred. Harith assists the PIC in carrying out its mandate as it relates to infrastructure both in South Africa and on the rest of the continent.

Harith General Partners is a company established in South Africa which invests and manages investments in infrastructure and project development throughout Africa, as a fund manager on behalf of PAIDF and other future funders. Harith Fund Managers (Pty) Limited has reached its useful life and all assets were transferred to Harith General Partners, hence incurring losses.

The PIC acquired a 30% shareholding in Bophelo Insurance Group during the current financial year. The financial year-end for Bophelo is 28 February. Bophelo Insurance Group (Pty) Limited's nature of the business is financial service – insurance.

The details of the associates in which the Company has a direct interest are disclosed in note 5 of the Annual Financial Statements.

7. Related party transactions

Details of related party transactions are disclosed in note 29 of the Annual Financial Statements.

8. Corporate governance

The Board of Directors endorses the King III Report on Corporate Governance and during the review period, endeavoured to adhere to those recommendations or

explain non-adherence. Performance is outlined in the Corporate Governance section of this annual report.

9. Dividends

No dividends were declared or paid to the shareholder during the year.

10. Directorate

The composition and profiles of the Board of Directors for the Company are set out on pages 100 to 104 of the integrated report and the information on the Board and Board sub-committees, its activities, meetings, attendance and any other information are set out on pages 105 to 124.

Details of directors' remuneration are set out in note 30 and disclosure of remuneration information on page 184 of the Annual Financial Statements.

The Directors are all of South African nationality. In terms of Section 6(1) of the Public Investment Corporation Act, the following Directors have been appointed for a three year term or retired from the PIC Board:

Retired

Mr Jack, Vuyo (Non-executive) retired 30 November 2015
Ms Moses, Moira (Non-executives) retired 30 November 2015

Appointed

Ms Beswick, Sandra
(Non-executive) appointed 1 December 2015
Dr Manning, Claudia
(Non-executive) appointed 1 December 2015
Mr Moloto, Pitso Paul
(Non-executive) appointed 1 December 2015
Ms Nyoka, Tantaswa
(Non-executive) appointed 1 December 2015
Ms Toyi, Lindiwe
(Non-executive) appointed 1 December 2015
Ms More, Matshepo
(Executive) reappointed 1 December 2015

There were no appointments, resignations or retirements except those mentioned above.

Report from the Board of Directors

11. Secretary

The secretary of the company is Ms Bongani Mathebula. She was appointed on 13 August 2015.

12. Ultimate holding company

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

Public Investment Corporation SOC Limited (PIC), registration number 2005/009094/30, is a licensed services provider, FSP 19777, approved by the Registrar of Financial Services Providers to provide intermediary services and advice in terms of the Financial Advisory and Intermediary Service Act, 2002 (Act No. 37 of 2002).

13. Special resolutions

There was one special resolution: Change of Company name from "Public Investment Corporation Limited" to "Public Investment Corporation SOC Limited" on 25 August 2015.

There were no other material resolutions passed by the Company during the year under review other than the one mentioned above.

14. Auditors

The Auditor-General of South Africa is the registered auditor of the PIC. The auditors of Harith Fund Managers and Harith General Partners are KPMG Inc. The auditor of Bophelo Insurance Group is Ernst & Young.

Auditor-General of South Africa was given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the Board of Directors and committees of the Board. The Board of Directors believes that all representations made to the independent auditors during its audit, are valid and appropriate.

15. Internal Financial Controls

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

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

16. Disclosure of Information

According to Treasury Regulations, paragraph 28, and the PFMA, section 55, the Annual Financial Statements must include a report by the Accounting Authority, which must include the disclosure of remuneration in respect of all members of the Accounting Authority, which is the PIC Non-executive and Executive directors and the senior management.

As per the Companies Act 71 of 2008, paragraph 30(5), the annual financial statements must show the amount of any remuneration or benefits paid or receivable by all members of the Accounting Authority, (the PIC Non-Executive Directors and Executive directors) and senior management. The detail of the disclosure is included in the disclosure of remuneration on pages 184 to 185.

17. Judicial proceedings

The Company is not involved in a litigation either as a plaintiff or defendant at the time of finalising the annual financial statements. The Company does not have any contingent liabilities relating to litigations.

In the prior year there was a contingent liability disclosed relating to a litigation in which the company was involved, this has been resolved therefore the implication is that no contingent liability has been disclosed in the current financial year.

Statement of Financial Position

as at 31 March 2016

Figures in Rand thousand	Note(s)	Accounting policies	2016	2015
Assets				
Non-Current Assets				
Property, plant and equipment	3	1.2	17,136	22,271
Intangible assets	4	1.3	1,938	2,047
Investments in associates	5	1.4	52,503	6,585
Deferred tax	8	1.6	89,821	83,491
			161,398	114,394
Current Assets				
Financial assets at fair value through profit or loss	6	1.5	778,015	184,637
Trade and other receivables	11	1.5	122,199	154,125
Other financial asset	10	1.5	407,817	358,341
Cash and cash equivalents	12	1.5	605,521	829,443
			1,913,552	1,526,546
Total Assets			2,074,950	1,640,940
Equity and Liabilities				
Equity				
Share capital	13	1.9	1	1
Non-distributable and other reserves	15	1.16	397,350	284,678
Retained income			1,309,585	998,078
			1,706,936	1,282,757
Liabilities				
Non-Current Liabilities				
Operating lease liability	9	1.7	-	3,818
Provisions	14	1.11	123,121	125,464
			123,121	129,282
Current Liabilities				
Current tax payable	16	1.6	4,590	13,457
Operating lease liability	9	1.7	595	294
Trade and other payables	17	1.5	51,213	46,131
Provisions	14	1.11	188,495	169,019
			244,893	228,901
Total Liabilities			368,014	358,183
Total Equity and Liabilities			2 074 950	1,640,940

Statement of Comprehensive Income

as at 31 March 2016

Figures in Rand thousand	Note(s)	Accounting policies	2016	2015
Revenue	18	1.12	1,010,733	955,232
Other income	19		5,047	14,335
Operating expenses		1.17	(564,970)	(583,492)
Operating profit	20		450,810	386,075
Investment income	21	1.13	99,385	74,178
Fair value adjustments	22	1.5	(7,239)	320
Share of profit/(loss) of associates	5	1.4	32,733	(1,607)
Finance costs	23		(13)	(15)
Profit before taxation			575,676	458,951
Taxation	24	1.6	(151,982)	(129,192)
Profit for the year			423,694	329,759
Other comprehensive income:				
Share of comprehensive income of associates		1.16	485	4,857
Total comprehensive income for the year			424,179	334,616

Statement of Changes in Equity

as at 31 March 2016

Figures in Rand thousand	Share capital	Foreign currency translation reserve	Non-distributable reserves	Capital reserve	Total reserves	Retained income	Total equity
Balance at April 1, 2014	1	1,821	-	278,000	279,821	668,319	948,141
Profit for the year	-	-	-	-	-	329,759	329,759
Other comprehensive income	-	4,857	-	-	4,857	-	4,857
Total comprehensive income for the year	-	4,857	-	-	4,857	329,759	334,616
Transfer between reserves	-	-	278,000	(278,000)	-	-	-
Total contributions by and distributions to owners of company recognised directly in equity	-	-	278,000	(278,000)	-	-	-
Balance at April 1, 2015	1	6,678	278,000	-	284,678	998,078	1,282,757
Profit for the year	-	-	-	-	-	423,694	423,694
Other comprehensive income	-	485	-	-	485	-	485
Total comprehensive income for the year	-	485	-	-	485	423,694	424,179
Transfer between reserves	-	-	112,187	-	112,187	(112,187)	-
Total contributions by and distributions to owners of company recognised directly in equity	-	-	112,187	-	112,187	(112,187)	-
Balance at March 31, 2016	1	7,163	390,187	-	397,350	1,309,585	1,706,936

13

Note(s)

Statement of Cash Flows

as at 31 March 2016

Figures in Rand thousand	Note(s)	2016	2015
Cash flows from operating activities			
Cash generated from operations	26	514,093	412,026
Interest income		85,831	71,513
Finance costs		(13)	(15)
Tax paid	27	(169,532)	(133,767)
Net cash from operating activities		430,379	349,757
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(4,428)	(13,945)
Purchase of other intangible assets	4	(637)	(1,094)
Other financial asset additions		(1,536,527)	(1,325,000)
Other financial asset disposals		1,490,000	1,427,868
Financial asset at fair value through profit and loss additions		(891,498)	(291,392)
Financial asset at fair value through profit and loss disposals		301,489	226,898
Investment in Associate		(15,000)	-
Dividends received		2,300	4,600
Net cash from investing activities		(654,301)	27,936
Cash flows from financing activities			
Total cash movement for the year		(223,922)	377,693
Cash at the beginning of the year		829,443	451,750
Total cash at end of the year	12	605,521	829,443

Accounting Policies

1. Basis of Preparation

The PIC's annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and comply with the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, financial pronouncements as issued by the Financial Reporting Standards Council, the Public Finance Management Act, 1999 (Act No. 1 of 1999) and the requirements of the Companies Act, 2008 (Act No. 71 of 2008) of South Africa (as amended).

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

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

An analysis of IFRS compliance has been performed and disclosed as part of Note 38. Significant new standards and interpretations issued and not yet effective are disclosed under General Information paragraph 2.1.

Going Concern

The Company's forecasts and projections, taking account of possible changes in performance, show that the Company is able to operate within the current operational mandate or level of funding.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company, therefore, continues to adopt the going concern basis in preparing the annual financial statements.

1.1 Critical accounting judgements, estimates and assumptions

The Company makes judgements, 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 judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Trade and other receivables

The Company determines impairment of trade and other receivables when objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the receivables. Management exercises judgement in assessing the impact of adverse indicators and events on the recoverability of receivables using the indicators disclosed in the accounting policy.

The impairment loss is determined as the difference between the carrying amount of the receivables and the present value of their estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the receivables' original effective-interest rate.

Fair value of financial instruments

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

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

Accounting Policies

Provisions

The Company exercises judgement in determining the expected cash outflows related to its provisions. Judgement is necessary in determining the timing of cash outflows as well as quantifying the possible range of the financial settlements that may occur.

The present value of the Company's provisions is based on management's best estimate of the future cash outflows expected to be required to settle the obligations, discounted using appropriate pre-tax discount rates that reflect current market assessment of the time value of money and the risks specific to each provision.

Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deferred tax assets can be utilised. When recognising deferred tax assets, the Company exercises judgement in determining whether sufficient taxable profits will be available. This is done by assessing the future financial performance of the underlying to which the deferred tax assets relate. The Company's deferred tax assets for the current year amounted to R90 million (2015: R83 million), refer to Note 8.

Taxation

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

Estimates of useful lives of property, plant and equipment

Property, plant and equipment represent the Company's asset base, therefore, the judgements made in determining their estimated useful lives and residual values are critical to the Company's financial position and performance. 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 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, physical wear and tear, technical or commercial.

Intangible assets, software and other intangible assets

The relative size of the Company's intangible assets with finite useful lives makes the judgements 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 residual values of intangible assets are assumed to be one rand. 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, which 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 which may impact the useful lives.

Long-term employee benefits

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

1.2 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.

Accounting Policies

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

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

Items of property, plant and equipment are initially recognised at cost if it is probable that future economic benefits associated with the items will flow to the group 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 book value 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 measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Useful lives have been determined to be as follows:

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

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

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

All gains or losses arising on the disposal or scrapping of property 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.

1.3 Intangible Assets

Intangible assets are defined as identifiable non-monetary assets without physical substance. No intangible asset is recognised 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.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

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

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

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

Surpluses and deficits on the disposals of intangible assets are recognised in profit or loss. The surplus or deficit is the

Accounting Policies

difference between the disposal proceeds and the carrying value of the asset at the date of sale.

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

	Average
Computer software	3 – 5 years
Other intangible assets	5 – 8 years

1.4 Basis of Consolidation

Subsidiaries

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Investments in subsidiaries are carried at fair value as available-for-sale financial assets.

The Company applies IFRS 10 Consolidated Financial Statements when the Company has control over another entity if all the following requirements are met:

- power over the relevant activities of the investee,
- exposure to, or rights to, variable returns from its involvement with the investee; and
- the ability to affect those returns through its power over the investee.

The assessment of controls is based on the consideration of all facts and circumstances. The Company has performed an assessment whether it controls an investee, if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Investment 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.

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 Comprehensive Income and Other Comprehensive Income (OCI), respectively. The Company applies the equity method of accounting from the date significant influence commences until the date significant influence ceases (or the associate is classified as held for sale), ie 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 group has incurred legal or constructive obligations, or guaranteed obligations, in respect of the associate.

In applying the equity method, the Company should use the financial statements of the associate as of the same date as the financial statements of the Company unless it is impracticable to do so. If it is impracticable, the most recent available financial statements of the associate or joint venture should be used, with adjustments made for the effects of any significant transactions or events occurring between the ends 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.

Where an entity within the Company transacts with an associate, unrealised profits and losses are eliminated to the extent that there is no evidence of impairment.

At each reporting date, the Company determines whether there is objective evidence that the investments in associates are impaired. Objective evidence of impairment for an associate investment includes information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the associate investment may not be recovered. A significant or prolonged decline in the fair value of an associate investment below its cost is also considered objective evidence of impairment.

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The carrying amounts of such investments are then reduced to recognise any impairment by applying the impairment methodology.

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

1.5 Financial Instruments

Initial recognition and measurement

Financial assets

Financial instruments, as recognised in the statement of financial position, include all financial assets and financial liabilities, including derivative instruments, but exclude investments in subsidiaries, associate companies and joint arrangements and employee benefit plans and leases. Financial instruments are accounted for under IAS 32 Financial Instruments: Presentation, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures and IFRS 13 Fair-value Measurement.

Initial recognition

Financial instruments that are categorised and designated at initial recognition as being at fair value through profit or loss are recognised at fair value. Transaction costs, which are directly attributable to the acquisition or on issue of these financial instruments, are recognised immediately in profit and loss.

Financial instruments that are not carried at fair value through profit or loss are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial instruments.

Categories of financial instrument

Subsequent to initial recognition, financial instruments are measured at fair value or amortised cost, depending on their classification and whether fair value can be measured reliably:

Financial instruments at fair value through profit and loss

Financial instruments at fair value through profit or loss consist of instruments that are held for trading and instruments that the Company has designated, at the initial recognition date, as at fair value through profit or loss.

The Company classifies instruments as held for trading if they have been acquired or incurred principally for the purpose of sale or repurchase in the near term, they are part of a portfolio of identified financial instruments for which there is evidence of a recent actual pattern of short-term profit taking or they are derivatives.

Financial instruments that the Company has elected, at the initial recognition date, to designate as at fair value through profit or loss are those that meet any one of the following conditions:

- the designation of fair value through profit or loss eliminates or significantly reduce a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on assets and liabilities on different bases;
- the instrument forms part of a Company of financial instruments that is managed and its performance is evaluated on a fair-value basis, in accordance with a documented risk management or investment strategy, and information about the Company is provided internally on that basis to key management personnel, using a fair-value basis; or
- a contract contains one or more embedded derivatives that require separation from the host.

Gains or losses on financial instruments at fair value through profit or loss (excluding interest income and interest expense calculated on the amortised-cost basis relating to interest-bearing instruments that have been designated as at fair value through profit or loss) are reported in fair

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value through profit and loss in the period in which they arise. Interest income and interest expense calculated in accordance with the effective-interest rate method are reported in interest income and expense, except for interest income and interest expense on instruments held for trading, which are recognised in non-interest revenue.

Non-trading financial liabilities

All financial liabilities, other than those at fair value through profit or loss, are classified as non-trading financial liabilities and are measured at amortised cost. The interest expense is recorded in interest expense and similar charges.

Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and a fixed maturity that the Company has the positive intention and ability to hold to maturity, other than those that meet the definition of loans and receivables or those that were designated as at fair value through profit or loss or available for sale. Held-to-maturity financial assets are measured at amortised cost, with interest income recognised in interest and similar income.

Trade and other receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those financial assets classified by the Company on initial recognition as at fair value through profit or loss, available for sale or loans and receivables that are held for trading. Financial assets that are classified as loans and receivables are carried at amortised cost, with interest income recognised in interest and similar income. Gains or losses arising on disposal are recognised in non-interest revenue.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that the Company has designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets as at fair value through profit or loss. Available-for-sale financial assets are measured at fair value, with fair-value gains or losses recognised in other comprehensive income, unless

the asset has been designated as a hedged item in a fair-value hedging relationship subject to hedge accounting. In a fair-value hedging relationship the portion of the fair value gain or loss of the asset attributable to the hedged risk is recorded in profit and loss to offset changes in the fair value of the hedging instrument. Any other changes in the fair value of the asset attributable to aspects other than the hedged risk are recognised in other comprehensive income. Foreign currency translation gains or losses on monetary items, impairment losses and interest income calculated using the effective-interest rate method, are reported in profit or loss.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective-interest rate method.

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. Cash and cash equivalents are initially and subsequently recorded at amortised cost.

Measurement Basis of Financial Instruments

Amortised cost

The amortised cost of a financial instrument is the amount at which the financial instrument is measured on initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective-interest rate method of any difference between the initial contractual amount and the maturity amount, less any cumulative impairment losses.

The effective-interest rate method is a method of calculating the amortised cost of a financial instrument and of allocating the interest income and expense over the relevant period. The effective-interest rate method is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to

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the net carrying amount of the financial instrument. When calculating the effective-interest rate, cashflows are estimated considering all contractual terms of the financial instrument, but future credit losses are not considered. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective-interest rate, transaction costs, and all other premiums or discounts.

Fair value

The fair value of a financial instrument is the amount that would be received to sell the asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of instruments that are quoted in an active market is determined using quoted prices where they represent those at which regularly and recently occurring transactions take place. The Company uses valuation techniques to establish the fair value of instruments where quoted prices in active markets are not available.

Impairment of financial assets

The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event has (or events have) an impact on the estimated future cashflows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the group about the following loss events:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in respect of interest or principal payments;
- the Company granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the Company would not otherwise consider;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that

financial asset because of financial difficulties; or

- observable data indicating that there is a measurable decrease in the estimated future cashflows from a Company of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Company, including: adverse changes in the payment status of borrowers in the Company; or national or local economic conditions that correlate with defaults on the assets in the Company.

Derecognition

The Company derecognises a financial asset (or group of financial assets) or a part of a financial asset (or part of a group of financial assets) when, and only when:

- the contractual rights to the cashflows arising from the financial asset have expired; or
- it transfers the financial asset, including substantially all the risks and rewards of ownership of the asset; or
- it transfers the financial asset, neither retaining nor transferring substantially all the risks and rewards of ownership of the asset, but no longer retaining control of the asset.

A financial liability (or part of a financial liability) is derecognised when, and only when, the liability is extinguished, ie when the obligation specified in the contract is discharged, cancelled or has expired. The difference between the carrying amount of a financial asset or financial liability (or part thereof) that is derecognised and the consideration paid or received, including any non-cash assets transferred or liabilities assumed, is recognised in non-interest revenue for the period.

Offsetting financial instruments and related income

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when the Company has a legally enforceable right to set off the financial asset and financial liability and the Company has an intention of settling the asset and liability on a net basis or realising the asset and settling 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.

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

Deferred taxation liabilities are recognised for all taxable temporary differences, and deferred taxation assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Deferred taxation 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 taxation is not recognised for the following temporary differences:

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

Deferred taxation 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 taxation assets and liabilities are offset if there is a legally enforceable right to offset current taxation liabilities against current taxation 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 taxation assets and liabilities will be realised simultaneously.

1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risk and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risk and rewards incidental to ownership.

Finance leases – lessee

Leases in respect of which the Company bears substantially all risks and rewards incidental to ownership are classified as finance leases. Finance leases are capitalised at the commencement of the lease at the lower of the fair value of the lease property and the present value of the minimum lease payments. Directly attributable costs, such as commission paid, incurred by the Company are added to the carrying amount of the asset. Each lease payment is allocated between the liability and finance charges to achieve a constant periodic rate of interest on the balance outstanding. Contingent rentals are expensed in the period they are incurred. The depreciation policy for leased assets is consistent with that of depreciable assets owned. If the Company does not have reasonable certainty that it will

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obtain ownership of the leased asset by the end of the lease term, the asset is depreciated over the shorter of the lease term and its useful life.

Operating leases - lessee

Leases that are not classified as finance leases are classified as operating leases. Payments made under operating leases, net of any incentives received from the lessor, are recognised in profit or loss on a straight-line basis over the term of the lease. When another systematic basis is more representative of the time pattern of the user's benefit, then that method is used.

1.8 Impairment of Assets

The Company assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset.

If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss cannot exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.9 Share capital and equity

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

Dividends to equity holders are recognised as a liability in the period in which they are declared and are accounted for in the statement of changes in equity. Dividends declared after the financial year end date are disclosed in the dividends note.

1.10 Employee benefits

Short-term benefits

Short-term benefits consists 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 PIC has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Long-term incentives

On an annual basis, the LTI Provision will be re-measured taking into account the probability of payout at the end of

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the vesting period. The best estimate of the amount that will be paid will be determined using the historical analysis of the payout made, also taking into consideration any special events that could have resulted in a significant event that could impact on the carrying amount. The changes in the carrying value shall be recognised in profit or loss.

Termination benefits

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

Defined contribution plans

Under defined contribution plans:

- (a) the Company's legal or constructive obligation is limited to the amount that it agrees to contribute to the fund. Thus, the amount of the post-employment benefits received by the employee is determined by the amount of contributions paid by both the employer and employee to a post-employment benefit plan, together with investment returns arising from the contributions; and
- (b) in consequence, actuarial risk (that benefits will be less than expected) and investment risk (that assets invested will be insufficient to meet expected benefits) fall on the employee.

Defined benefit plans

Under defined benefit plans:

- (a) the Company's legal or constructive obligation is not limited to the amount that it agrees to contribute to the fund; and
- (b) in consequence, actuarial risk (that benefits will be less than expected) and investment risk (that assets invested will be insufficient to meet expected benefits) fall on the PIC.

1.11 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.
- 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.

Onerous contracts

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

Reimbursements

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

Provisions are not recognised for future operating losses.

1.12 Revenue

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

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- the amount of revenue can be measured reliably.
- it is probable that the economic benefits associated with the transaction will flow to the Company.
- the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

Revenue comprises management fees and letting commission charged to parties on whose behalf the assets are managed and rental income collected.

Management fee income

The management fee income is recognised as the services are provided by the Company:

- providing asset management service is charged at an agreed percentage of the market value.
- providing alternative asset management services, a portion is charged at an agreed percentage of the value of client funds committed to the alternative investments, which after the term of the fund commitment period is based on invested capital.
- providing property asset management services is charged at an agreed percentage of the market value of the portfolio.
- providing property management services is charged at an agreed percentage of the gross rental income collected.

1.13 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.

The Company capitalises borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset up to the date on which construction or installation of the assets is substantially completed. Other borrowing costs are expensed in the period incurred.

1.14 Subsequent Events

Events after the reporting period

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 balance sheet date 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.

The Company does not adjust its financial statements for events or conditions that arise after the end of 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. If the Company receives information after the reporting period about conditions that existed at the end of the reporting period, it shall update disclosures that relate to those conditions, in the light of the new information.

1.15 Comparatives

The Company discloses comparative information in respect of 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.

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

Accounting Policies

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.

1.16 Non-Distributable Reserves and other Foreign Currency Reserves

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

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

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

Non-distributable reserves

The PIC will make a transfer of profits to the Non-Distributable Reserve (NDR) on an annual basis.

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

1.17 Operating Expenses

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

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

General Information

2. New Standards and Interpretations

2.1 Significant standards and interpretations issued and not yet effective

IFRS 5, Non-current Assets Held for Sale and Discontinued Operations

Annual Improvements 2012-2014 Cycle: Amendments clarifying that a change in the manner of disposal of a non-current asset or disposal group held for sale is considered to be a continuation of the original plan of disposal, and accordingly, the date of classification as held for sale does not change.

There will be no impact to the PIC financial statements as there are no non-current assets held for sale or discounted operations.

This standard is effective for financial years commencing on or after 1 January 2016.

IFRS 7, Financial Instruments: Disclosures

Annual Improvements 2012-2014 Cycle:

Amendment clarifying under what circumstances an entity will have continuing involvement in a transferred financial asset as a result of servicing contracts.

Annual Improvements 2012-2014 Cycle:

Amendment clarifying the applicability of previous amendments to IFRS 7 issued in December 2011 with regard to offsetting financial assets and financial liabilities in relation to interim financial statements prepared under IAS 34.

There will be no impact to the PIC financial statements as there is no offsetting of financial assets and liabilities. This standard is effective for financial years commencing on or after 1 January 2016.

IFRS 9, Financial Instruments (2014)

A finalised version of IFRS 9, which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas:

Classification and measurement: Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however, there are differences in the requirements applying to the measurement of an entity's own credit risk.

Impairment: The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised.

Hedge accounting: Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.

Derecognition: The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

The impact on the PIC's annual financial statements will not be material. The PIC financial assets are classified at fair value through profit or loss under IAS 39, which will be the same classification when applying IFRS 9 (2014).

The new impairment model does not apply to financial assets classified at fair value through profit or loss and, therefore, does not affect PIC's financial assets.

This standard is effective for financial years commencing on or after 1 January 2018.

Amendments to IFRS 10 and IAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Amends IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) to clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:

- require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations).
- require the partial recognition of gains and losses where the assets do not constitute a business, ie a gain or loss is

General Information

recognised only to the extent of the unrelated investors' interests in that associate or joint venture.

These requirements apply regardless of the legal form of the transaction, eg whether the sale or contribution of assets occurs by an investor transferring shares in an subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.

There will be no impact on the PIC as there are no sale or contribution of assets between PIC and the associates, Harith General Partners, Harith Fund Managers and Bophelo Insurance Group.

This standard is effective for financial years commencing on or after 1 January 2018.

Amendments to IFRS 10, IFRS 12 and IAS 28, Investment Entities: Applying the Consolidation Exception

Amends IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures (2011) to address issues that have arisen in the context of applying the consolidation exception for investment entities by clarifying the following points:

The exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value.

A subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity.

When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.

An investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by IFRS 12. There will be no impact on the PIC as it is not an investment entity.

This standard is effective for financial years commencing on or after 1 January 2016.

Amendments to IFRS 11, Accounting for Acquisitions of Interests in Joint Operations

Amends IFRS 11 Joint Arrangements to require, an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 Business Combinations) to apply all of the business combinations accounting principles in IFRS 3 and other IFRS, except for those principles that conflict with the guidance in IFRS 11 disclose the information required by IFRS 3 and other IFRS for business combinations.

The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not remeasured).

Note: The amendments apply prospectively to acquisitions of interests in joint operations in which the activities of the joint operations constitute businesses, as defined in IFRS 3, for those acquisitions occurring from the beginning of the first period in which the amendments apply. Amounts recognised for acquisitions of interests in joint operations occurring in prior periods are not adjusted.

There will be no impact to the PIC's financial statements as there are no joint operations acquired. This standard is effective for financial years commencing on or after 1 January 2016.

IFRS 15, Revenue from Contracts with Customers

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are as follows:

- Identify the contract with the customer.
- Identify the performance obligations in the contract.
- Determine the transaction price.
- Allocate the transaction price to the performance obligations in the contracts.
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.

Impact on the PIC financial statements will not be material.

General Information

The timing of the revenue recognition is expected to be unchanged since the five steps are already being met.

Should any of the five steps not be met, the disclosure of revenue from contracts with customers will differ:

Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment.

The incremental costs of obtaining a contract must be recognised as an asset if the entity expects to recover those costs. However, those incremental costs are limited to the costs that the entity would not have incurred if the contract had not been successfully obtained.

This standard is effective for financial years commencing on or after 1 January 2018.

IFRS 16, Leases

New standard that introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying IAS 7 Statement of Cash Flows.

The PIC leases IT equipment and office accommodation, which are currently recognised as operating leases. The PIC will implement the adoption of the new standards in 2019.

The most significant effect of the new requirements will be an increase in lease assets and financial liabilities.

Leases are 'capitalised' by recognising the present value of the lease payments and showing them either as lease assets (right-of-use assets) or together with property, plant and

equipment. If lease payments are made over time, a company also recognises a financial liability representing its obligation to make future lease payments.

IFRS 16 replaces the straight-line operating lease expense for those leases applying IAS 17 with a depreciation charge for the lease asset (included within operating costs) and an interest expense on the lease liability (included within finance costs). Although the depreciation charge is typically even, the interest expense reduces over the life of the lease as lease payments are made. This results in a reducing total expense as an individual lease matures.

This standard is effective for financial years commencing on or after 1 January 2019.

IAS 1, Presentation of Financial Statements

Disclosure Initiative: Amendments designed to encourage entities to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that entities should use professional judgement in determining where and in what order information is presented in the financial disclosures.

There will be no material impact on the PIC's financial statements.

This standard is effective for financial years commencing on or after 1 January 2016.

IAS 7, Statement of Cash Flows

Disclosure Initiative: Amendments requiring entities to disclose information about changes in their financing liabilities. The additional disclosures will help investors to evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes (such as foreign exchange gains or losses).

There will be no material impact on the PIC's financial statements as the PIC's only financial liability is trade payables, which include foreign exchange transactions for which the disclosure will be presented.

General Information

This standard is effective for financial years commencing on or after 1 January 2017.

IAS 12, Income Taxes

Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12): Narrow-scope amendment to clarify the requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value.

There will be no material impact on the PIC's financial statements as deferred tax is accounted for on unrealised losses. This standard is effective for financial years commencing on or after 1 January 2017.

Amendments to IAS 16 and IAS 38, Clarification of Acceptable Methods of Depreciation and Amortisation

Amends IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets to:

- clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment.
- introduce a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.
- add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

There will be no impact on the PIC's financial statements as Property, Plant and Equipment are depreciated on a straight-line basis over their expected useful life and Intangibles are amortised on a straight-line basis over their expected useful life.

This standard is effective for financial years commencing on or after 1 January 2017.

IAS 16 and IAS 41, Agriculture: Bearer Plants

Amends IAS 16 Property, Plant and Equipment and IAS 41 Agriculture to:

- include 'bearer plants' within the scope of IAS 16 rather than IAS 41, allowing such assets to be accounted for as property, plant and equipment and measured after initial recognition on a cost or revaluation basis in accordance with IAS 16.
- introduce a definition of 'bearer plants' as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales clarify that produce growing on bearer plants remains within the scope of IAS 41.

There will be no impact on the PIC's financial statements as the PIC is not involved in agricultural production. This standard is effective for financial years commencing on or after 1 January 2016.

IAS 19, Employee Benefits

Annual Improvements 2012-2014 Cycle: Clarification of the requirements to determine the discount rate in a regional market sharing the same currency (for example, the Eurozone).

This improvement will not impact the PIC as it does not operate in the EuroZone.

This standard is effective for financial years commencing on or after 1 January 2016.

IAS 27, Equity Method in Separate Financial Statements

Amends IAS 27 Separate Financial Statements to permit investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.

The impact on the PIC financial statements will not be material.

The PIC presents consolidated financial statements, which are accounted for in accordance with IFRS 10.

This standard is effective for financial years commencing on or after 1 January 2016.

Notes to the Annual Financial Statements

for the year ended 31 March 2016

3. Property, plant and equipment

Figures in Rand thousand	2016			2015		
	Cost Valuation	Accumulated depreciation	Carrying value	Cost Valuation	Accumulated depreciation	Carrying value
Furniture and fixtures	5,312	(2,348)	2,964	4,928	(2,285)	2,643
Motor vehicles	885	(746)	139	885	(569)	316
Office equipment	6,836	(5,402)	1,434	8,107	(5,833)	2,274
IT equipment	24,014	(16,302)	7,712	24,079	(12,624)	11,455
Leasehold improvements	8,823	(3,936)	4,887	7,941	(2,358)	5,583
Total	45,870	(28,734)	17,136	45,940	(23,669)	22,271

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Write-off	Disposals	Depreciation	Total
Furniture and fixtures	2,643	1,174	-	(66)	(787)	2,964
Motor vehicles	316	-	-	-	(177)	139
Office equipment	2,274	160	-	(204)	(796)	1,434
IT equipment	11,455	2,212	(64)	(581)	(5,310)	7,712
Leasehold improvements	5,583	882	-	-	(1,578)	4,887
	22,271	4,428	(64)	(851)	(8,648)	17,136

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Other changes, movements	Depreciation	Total
Furniture and fixtures	2,907	634	-	(898)	2,643
Motor vehicles	492	-	-	(176)	316
Office equipment	3,093	345	-	(1,164)	2,274
IT equipment	6,115	9,791	(81)	(4,370)	11,455
Leasehold improvements	3,729	3,175	-	(1,321)	5,583
	16,336	13,945	(81)	(7,929)	22,271

Notes to the Annual Financial Statements

for the year ended 31 March 2016

4. Intangible Assets

	Cost / Valuation	Accumulated amortisation	2016 Carrying value	Cost / Valuation	Accumulated amortisation	2015 Carrying value
Computer software	29,469	(27,533)	1,936	28,832	(26,797)	2,035
Other intangible assets	2,869	(2,867)	2	2,869	(2,857)	12
Total	32,338	(30,400)	1,938	31,701	(29,654)	2,047

Reconciliation of intangible assets - 2016

	Opening Balance	Additions	Amortisation	Total
Computer Software	2,035	637	(736)	1,936
Other Intangible Assets	12	-	(10)	2
	2,047	637	(746)	1,938

Reconciliation of intangible assets - 2015

	Opening Balance	Additions	Other Changes, Movements	Amortisation	Total
Computer software	2,592	1,094	(171)	(1,480)	2,035
Other intangible assets	283	-	-	(271)	12
	2,875	1,094	(171)	(1,751)	2,047

Notes to the Annual Financial Statements

for the year ended 31 March 2016

Figures in Rand thousand

2016

2015

5. Investments accounted for using the equity method

Investments in associates are investments in which PIC 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 PIC has three associates, namely: Harith fund Manager, Harith General Partners and Bophelo Insurance Group.

Investment in associates

	Holding %		
Harith Fund Managers	46%	(1,684)	24
Harith General Partners	30%	39,460	6,561
Bophelo Insurance Group	30%	14,727	-
Total fair value		52,503	6,585

Share of profits of associates

Harith Fund Managers (Pty) Ltd	592	669
Harith General Partners (Pty) Ltd	32,414	(2,276)
Bophelo Insurance Group (Pty) Ltd	(273)	-
	32,733	(1,607)

Harith Fund Managers (Pty) Limited's nature of business is the management of the Pan African Infrastructure Development Fund (PAIDF) funds. Harith Fund Managers is also responsible, on behalf of the PAIDF, for the provision of specified administrative services relating to the operations of the PAIDF. Harith General Partners is a company established in South Africa which invests and manages investments in infrastructure and project development throughout Africa, as a fund manager on behalf of PAIDF and other future funders.

Bophelo Insurance Group (Pty) Limited's nature of business is financial service – insurance. Bophelo Insurance Group owns two subsidiaries, namely Bophelo Life Insurance and Nzalo Insurance Services Limited. Bophelo Life Insurance was granted its own operational licence by the Financial Service Board (FSB) in May 2014 to offer long-term insurance services.

Harith Fund Manager (Pty) Limited

Balance at the beginning of the year	24	3,956
Earnings from Associates	592	668
Dividend income	(2,300)	(4,600)
	(1,684)	24

Harith General Partner (Pty) Limited

Balance at the beginning of the year	6,561	3,980
Earnings from Associates	32,414	(2,276)
Earnings from Associates: Exchange difference on translation of foreign operation	485	4,857
	39,460	6,561

Bophelo Insurance Group (Pty) Limited

Cost	15,000	-
Earnings from Associates	(273)	-
	14,727	-

Notes to the Annual Financial Statements

for the year ended 31 March 2016

Figures in Rand thousand

2016

2015

Harith Fund Manager (Pty) Limited*Summarised Financial Information of Financial Position and Financial Performance:*

Assets	8,047	11,760
Revenue	126,842	130,692
Profit/(loss)	1,287	1,454
Profit/(loss) attributable to the Company	592	668
Dividend received	2,300	4,600

Harith General Partners (Pty) Limited*Summarised Financial Information of Financial Position and Financial Performance:*

Assets	360,552	213,271
Liabilities	236,742	199,125
Revenue	491,188	318,597
Profit or loss attributable to the company	32,414	(2,276)
Other comprehensive income	1,618	16,189
Other comprehensive income attributable to exchange differences on translation of foreign operation	485	4,857

Bophelo Insurance Group (Pty) Limited*Summarised Financial Information of Financial Position and Financial Performance:*

Assets	25,473	-
Liabilities	848	-
Revenue	8,462	-
Profit/(loss)	(910)	-
Profit/(loss) attributable to the Company	(273)	-

6. Financial assets at fair value through profit or loss

At fair value through profit or loss - designated

Bonds	758,644	16,670
Promissory Notes	19,371	123,627
Bills	-	44,340
	778,015	184,637

Current assets

Designated at fair value through profit or loss	778,015	184,637
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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.
- The fair values on investments not listed or quoted are estimated using the yield curve valuation technique using the nominal rate of interest compounded continuously. The method is consistent with the prior year.

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

Notes to the Annual Financial Statements

for the year ended 31 March 2016

The company has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

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 receivables disclosed in note 11. The Company has not pledged any collateral as security.

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

Credit quality of other financial assets

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

Designated at fair value through profit/loss

Figures in Rand thousand	2016	2015
Credit rating		
AAA	592,448	-
AA+	149,406	52,234
AA	24,764	129,109
A-	10,297	3,294
A3	1,100	-
	778,015	184,637

Notes to the Annual Financial Statements

for the year ended 31 March 2016

7. Financial instruments by category

The carrying value of the financial instruments approximates the fair value. All financial liabilities are carried at amortised cost. The accounting policies for financial instruments have been applied to the line items below:

2016

	Carried at amortised cost	Fair value through profit or loss - designated	Total
Bills, promissory notes, bonds	-	778,015	778,015
Other financial assets	407,817	-	407,817
Trade and other receivables	122,199	-	122,199
Cash and cash equivalents	605,521	-	605,521
	1,135,537	778,015	1,913,552

2015

	Carried at amortised cost	Fair value through profit or loss - designated	Total
Bills, promissory notes, bonds	-	184,637	184,637
Other financial assets	358,341	-	358,341
Trade and other receivables	154,125	-	154,125
Cash and cash equivalents	829,443	-	829,443
	1,341,909	184,637	1,526,546

Notes to the Annual Financial Statements

for the year ended 31 March 2016

Figures in Rand thousand

2016

2015

8. Deferred tax

Deferred tax asset

Leave pay	2,413	3,115
Prepayments	(223)	(515)
Unrealised (profit)/loss	2,415	388
Leases	10	808
Short-term incentive provision	36,225	34,140
Long-term incentive provision	48,614	45,200
Other provision	367	355
	89,821	83,491

Reconciliation of deferred tax asset (liability)

At beginning of the year	83,491	64,155
Leave pay	(702)	722
Prepayments	(798)	54
Fixed assets	-	457
Unrealised (profit)/loss	2,027	125
Leases	292	225
Short-term incentive provision	2,085	4,930
Long-term incentive provision	3,414	13,374
Other provision	12	(551)
	89,821	83,491

9. Operating lease asset (accrual)

Non-current liabilities	-	(3,818)
Current liabilities	(595)	(294)
	(595)	(4,112)
Amount expensed	(16,782)	(22,106)
Amount paid	17,331	20,076
	549	(2,030)

10. Other financial assets

Other financial assets consist of interest bearing fixed deposits.
Current asset

407,817	358,341
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Notes to the Annual Financial Statements

for the year ended 31 March 2016

Figures in Rand thousand

2016

2015

11. Trade and other receivables

Trade receivables	111,783	148,572
Prepayments	3,778	4,368
Deposits	47	47
Accrued interest	1,937	806
Sundry debtors	4,654	332
	122,199	154,125

Trade and other receivables past due but not impaired

60 to 90 days	-	14,653
90 days plus	8,238	786

Reconciliation of the allowance for doubtful debts (trade and other receivables)

Opening balance	76	76
Amounts written off as uncollectible	(76)	-
	-	76

12. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	3	-
Bank balances	400,391	170,913
Short-term deposits	205,127	658,530
	605,521	829,443

Credit quality of cash at bank and short term deposits

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

Credit rating

AAA	51,518	134,843
AA	520,814	621,607
AA+	-	2,085
A1/A+	33,186	66,254
Other	3	4,654
	605,521	829,443

Notes to the Annual Financial Statements

for the year ended 31 March 2016

Figures in Rand thousand

2016

2015

13. Share capital

Authorised

100 Ordinary shares of R10 each

Issued

100 Ordinary shares of R10 each

1	1
1	1

14. Provisions

Reconciliation of provisions - 2016

Figures in Rand thousand	Opening balance	Raised	Utilised during the year	Reversed during the year	Total
Leave pay	11,126	23,772	(24,477)	(1,802)	8,619
Long-term Incentive	161,427	54,580	(29,630)	(12,754)	173,623
Short-term Incentive	121,930	129,374	(100,259)	(21,671)	129,374
	294,483	207,726	(154,366)	(36,227)	311,616

Leave pay provision:

The provision represents annual leave entitlements accrued to the employees for the financial period.

Long-term incentives provision:

The provision for long-term incentive relates to the scheme by the Company to attract, retain and reward high-performing management of the PIC. The PIC management is eligible to participate in the LTI. If the Company achieves an overall performance rating of 3 and if a manager achieves a minimum individual performance rating of 3.5. The scheme vests over a period of three years and payment has a lag time of three years.

Short-term incentives provision:

The provision for short-term incentive consists of a performance-based bonus, which is determined by reference to the overall company performance with regards to a set predetermined key performance measures. Bonuses are payable annually after the Board approves the Company's annual results and the incentives. The PIC employees are eligible to participate in the STI. If the Company achieves an overall performance rating of 3 and if an employee achieves a minimum individual performance rating of 3.

Reconciliation of provisions - 2015

Figures in Rand thousand	Opening balance	Raised	Utilised during the year	Total
Other employee-related provision	3,188	-	(3,188)	-
Leave pay	8,546	19,757	(17,177)	11,126
Long-term Incentive	113,664	68,586	(20,823)	161,427
Short-term Incentives	104,321	121,930	(104,321)	121,930
	229,719	210,273	(145,509)	294,483

Notes to the Annual Financial Statements

for the year ended 31 March 2016

Figures in Rand thousand

2016

2015

Non-current liabilities
Current liabilities

123,121

125,464

188,495

169,019

311,616**294,483**

15. Non-Distributable Reserves and other reserves

The PIC makes a transfer of profits to the Non-Distributable Reserve (NDR) on an annual basis.

Foreign currency translation reserve was raised due to the exchange differences on translation of foreign operation.

Opening balance
Foreign currency translation reserve
Transfer to Non-distributable reserve

284,678

278,000

485

6,678

112,187

-

397,350**284,678**

16. Current tax payable (receivable)

Opening balance
Raised during the year
Tax refundable/(Tax payable)
Tax paid during the year

13,457

(3,608)

158,312

148,528

2,353

2,304

(169,532)

(133,767)

4,590**13,457**

17. Trade and other payables

Trade payables
VAT
Loan account
Accrued expenses
Employee-related control account

11,120

11,965

12,497

12,145

5,174

33

16,174

8,403

6,248

13,585

51,213**46,131**

18. Revenue

Management fees

1,010,733

955,232

19. Other income

Other income consists of:

Board fees
Sundry income
Other

4,590

2,992

-

10,769

457

574

5,047**14,335**

Notes to the Annual Financial Statements

for the year ended 31 March 2016

Figures in Rand thousand

2016

2015

20. Operating profit

Operating profit for the year is stated after accounting for the following:

Operating lease charges

Premises

- Contractual amounts

Equipment

- Contractual amounts

Write-off of Property, Plant and Equipment (PPE) and intangible assets

Loss/(profit) on exchange differences

Amortisation on intangible assets

Depreciation on property, plant and equipment

Employee costs

12,579

19,437

3,046

2,669

15,625**22,106**

64

253

804

482

746

1,751

8,648

7,929

411,136

422,447

21. Investment income

Interest income

Financial assets

Bank

95,731

71,881

3,654

2,297

99,385**74,178**

22. Fair-value adjustments

Financial assets at fair value through profit/(loss)

Fair value through profit or loss

Unrealised profit or loss on financial assets

(7,239)

320

(7,239)

320

23. Finance costs

Other interest

13

15

Notes to the Annual Financial Statements

for the year ended 31 March 2016

Figures in Rand thousand

2016

2015

24. Taxation

Major components of the tax expense

Current

Local income tax - current period

158,312

148,528

Deferred

Deferred tax movement for the year

(6,330)

(19,336)

151,982**129,192**

Reconciliation of the tax expense

Reconciliation between accounting profit and tax expense

Accounting profit

575,676

458,951

Tax at the applicable tax rate of 28% (2015: 28%)

161,189

128,506

Tax effect of adjustments on taxable income

Permanent differences

(9,207)

686

151,982**129,192**

25. Auditors' remuneration

Fees

2,763

3,112

26. Cash generated from operation

Profit before taxation

575,676

458,951

Adjustments for:

Depreciation and amortisation

9,394

9,680

Write-off of PPE and intangible assets

166

253

Income from equity-accounted investments

(32,733)

1,607

Interest received

(99,385)

(74,178)

Finance costs

13

15

Fair-value adjustments

7,239

(320)

Impairment loss of financial assets

-

517

Movements in operating lease assets and accruals

(3,517)

2,030

Movements in provisions

17,133

64,764

Changes in working capital:

Trade and other receivables

31,926

(72,694)

Trade and other payables

5,828

19,097

Tax refund

2,353

2,304

514,093**412,026**

Notes to the Annual Financial Statements

for the year ended 31 March 2016

Figures in Rand thousand

2016

2015

27. Tax paid

Balance at beginning of the year
 Current tax for the year recognised in profit or loss
 Tax refundable/(Refund)
 Balance at end of the year

(13,457)	3,608
(158,312)	(148,528)
(2,353)	(2,304)
4,590	13,457
(169,532)	(133,767)

28. Commitments

Operating leases – as lessee (expense)

Minimum lease payments due

- within one year
 - in second to fifth year inclusive

18,567	17,709
159,306	60,376
177,873	78,085

Operating lease payments represent rentals payable by the Company for office premises and printing equipment. Leases are negotiated for terms ranging from two to five years for the Company.

Notes to the Annual Financial Statements

for the year ended 31 March 2016

Figures in Rand thousand

2016

2015

29. Related parties

Relationships

Associates

Refer to note 5

Members of key management

Refer to the disclosure of remuneration on pages 184 to 185

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

Related party balances

Amounts included in Trade receivable (Trade payable) regarding related parties

CBS Property Management (Proprietary) Limited Loan

-

(33)

Mowana (Proprietary) Limited

(5,174)

-

Services delivered

State-controlled entities and national departments

(71,068)

(86,154)

Related party transactions

Services delivered

State entities and national departments

1,010,733

955,232

Purchased services

Financial Service Board

(1,637)

(1,602)

Telkom

(746)

(1,046)

Government Employees Pension Fund

(16,113)

(22,057)

South African Broadcasting Corporation

(3)

(6)

Compensation Commissioner

(175)

(132)

SITA Government Technology

(8)

(43)

Auditor General South Africa

(2,763)

(3,112)

South African Revenue Service

(169,532)

(133,768)

Disposal of assets

Proceed from Mowana (Proprietary) Limited

907

-

Compensation to executive directors and senior management

Short-term employee benefits^

44,273

45,484

Benefits - Pension

4,660

3,046

Long-term incentive scheme*

9,206

6,722

58,139**55,252**

*Long-term incentive paid.

Notes to the Annual Financial Statements

for the year ended 31 March 2016

30. Directors' fees

Executive

2016

Figures in Rand thousand	Emoluments	Pension paid or receivable	Total
For services as employees	17,841	598	18,439

2015

Figures in Rand thousand	Emoluments	Pension paid or receivable	Total
For services as employees	19,628	747	20,375

Non-executive

2016

	Directors' fees	Total
For service as Directors	4,478	4,478

2015

	Directors' fees	Total
For service as Directors	4,130	4,130

31. Risk management

Market risk

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

Public Investment Corporation Operating Fund (PICO) 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.

Interest-rate risk

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

Notes to the Annual Financial Statements

for the year ended 31 March 2016

The Company's primary interest rate risk management objective is to protect its investment income from adverse fluctuations in market interest rates. The management of interest rate risk against these limits is supplemented by scenario analysis, which measures the sensitivity of the Company's investment interest income and market value of the portfolio to extreme interest rate movements. At a minimum, scenarios include hypothetical interest rate shocks, both up and down, of at least 50 and 100 basis points.

The table below shows the sensitivity analysis of the PICO portfolio. The unrealised profit/loss is obtained by changing the market interest rates of the fixed-income instruments in the portfolio by the specified amounts, revalue the portfolio of the fixed income instruments, and then take the difference between the new portfolio value and the old portfolio value, which was determined using unperturbed market interest rates.

Basis points

Figures in Rand thousand	2016	2015
-100	80,028	3,229
-50	38,253	1,606
50	(35,127)	(1,589)
100	(67,473)	(3,161)

Liquidity risk

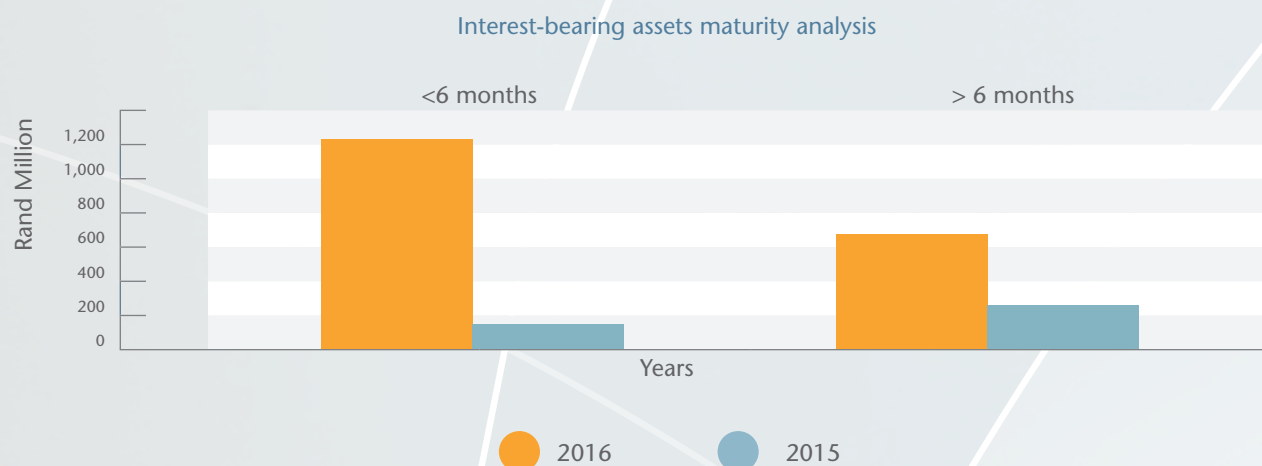
Asset liquidity risk

Liquidity risk is defined as the risk of failure to meet all financial obligations on a timely basis, when due, and in the currency due without incurring above normal costs. In the case of the PIC, this risk specifically arises from the inability to honour obligations with respect to commitments to borrowers, lenders and investors and operational expenditure

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

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

The funding liquidity is managed by proper planning of cash flow needs. The maturity bucket analysis for interest-bearing assets at year-end was as follows:



Notes to the Annual Financial Statements

for the year ended 31 March 2016

Capital Adequacy Requirements

Over the period under review, the PIC has satisfied the capital adequacy requirements, namely that PIC has at all times maintained:

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

Credit risk

The risk that a borrower or counterparty to a financial transaction will fail to perform according to the terms and conditions of the contract, thus causing the holder of the claim to suffer a loss in cash flow or market value.

Factors that influence the PIC's credit decisions include credit rating, assessments of the general operating environment, the competitive market position of a counterparty or issuer, reputation, deal tenure, the level and volatility of earnings, corporate governance, risk management policies, liquidity and capital management.

Credit risk is managed according to the mandate parameters and the PIC'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, particularly in unlisted investments. No collateral was held on PICO for the period under review.

The PIC also utilises various models to guide limit setting as well as credit ratings from external rating agencies. Limits are approved by the relevant committees, in accordance with the Board-approved delegation of authority. Risk reports on these exposures are regularly submitted to the Portfolio Committee, Investment Committee, Audit and Risk Committee and Board. Impairment tests are undertaken according to PIC approved guidelines, and are approved in accordance with the delegation of authority.

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

Figures in Rand thousand	2016	2015
Financial instrument		
Bonds [^]	758,644	16,670
Cash and cash equivalents	605,521	829,443
Trade and other receivables	122,199	154,125
Bills	-	44,340
Other financial asset	407,817	358,341
Promissory Notes	19,371	123,627

[^] During the current financial year, the PIC has signed a new mandate, which increases investments in Government and parastatals bonds.

Notes to the Annual Financial Statements

for the year ended 31 March 2016

Other risk

Concentration risk

Concentration risk is the risk of losses arising due to poor diversification within funds. This relates to both credit and market risk as excessive concentrations in a particular or correlated asset class, sector, issuer, term structure or financial instrument type can result in undesirable risk exposures. The PIC manages this risk in accordance with investment mandates and approved policies, which dictate the level of concentration.

The fixed-income portfolio was mainly invested in cash and money market instruments, which are spread across local banks with required minimum credit quality to reduce and diversify the risk.

Operational Risk

Operational risk is defined as the direct or indirect loss resulting from inadequate or failed internal processes, people and systems from external events.

Risk of this nature is managed through systems of internal control, annual external audits and continual internal audits to review the effectiveness of the control environment, risk management programmes and adequacy of insurance policies.

The annual 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.

32. Capital management

The PIC is licensed as a financial services provider in terms of section 8 of the Financial Advisory and Intermediary Services Act, 2002 (Act No. 37 of 2002). FSB requirements are monitored and adhered to. There are no regulatory capital management ratios imposed on the PIC.

33. Commitments

Commitments include all items of capital expenditure and Information Technology costs for which specific Board approval was obtained up to the reporting date.

Figures in Rand thousand	2016	2015
Authorised capital expenditure	63,971	109,956
Increase/(Decrease)	222,386	(45,985)
	286,357	63,971
Within 1 year	104,948	32,374
2 to 5 years	181,409	31,597
	286,357	63,971

Notes to the Annual Financial Statements

for the year ended 31 March 2016

34. Fruitless and Wasteful Expenditure

Figures in Rand thousand	2016	2015
Opening balance	-	-
Fruitless and wasteful expenditure - relating to prior year	-	-
Fruitless and wasteful expenditure - relating to current year	-	16
Less: Amount transferred to receivables for recovery	-	-
	-	16

The fruitless and wasteful expenditure in the prior year relates to interest charges incurred due to late payment of suppliers. Sections 51 and 55 of the PFMA impose certain obligations on the Company relating to the prevention, identification and reporting of fruitless and wasteful expenditure; irregular expenditure; expenditure that does not comply with operational policies; losses through criminal conduct and the collection of all revenue. To comply with the PFMA's obligations, the Board has a materiality framework, which was approved by the Minister of Public Enterprises, subject to certain conditions.

35. Irregular expenditure

Figures in Rand thousand	2016	2015
Reconciliation of irregular expenditure		
Opening balance	-	-
Add: Irregular expenditure-current year	-	1,856
Less: Amount condoned	-	(1,856)
Current expenditure	-	1,856
Irregular expenditure awaiting condonement	-	-

The irregular expenditure identified in the prior year relates to expenditure that did not go through all procurement stages, as defined in the approved PIC procurement policy. The reason for the deviation was not approved by the accounting officer (CEO) prior to appointment of the service provider. The expenditure was approved as per the delegation of authority when it was incurred and three incidents were recorded.

36. Employee Benefits

Provident Fund

The provident fund had 283 active members as at 31 March 2016. During the current year, 60 employees joined, 37 employees withdrew from the provident fund, 119 transfers and zero retired from the Company.

The contributions for the year amount to R27.7 million. The provident fund is a defined contribution plan. The result is that the risk of any decline in fair value lies with the employee and not the employer.

Defined benefit plan

There are 11 employees on the Government Employee Pension Fund (GEPPF).

Notes to the Annual Financial Statements

for the year ended 31 March 2016

Short-term employee benefits

The short-term incentives (STI) scheme of R129 million (2015: R121.9 million) was recognised as provision.

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

Long-term employee benefits

The long-term incentive (LTI) scheme is R174 million (2015: R161.4 million). The scheme, is to attract, retain and reward high-performing management of the PIC. The PIC management is eligible to participate in the LTI if the company achieves an overall performance rating of 3 and if a manager achieves a minimum individual performance rating of 3.5.

The LTI scheme vests over a period of three years and payments have a lag time of three years. Out of the total long-term incentive of R174 million, R60 million will be paid in the 2017 financial year, R58 million will be paid in the 2018 financial year and the balance of R56 million will be paid in 2019.

37. Outsourcing of Property Management

In this financial year, in order to ensure higher efficiency in the property management services “facilities management”, the Board of Directors decided that the Company, as it relates to asset management of the property portfolio, should cease providing property management services directly but concentrate on its core business of asset management services. This decision resulted in the outsourcing of the property management services to Mowana Pty Limited (Mowana) a wholly owned subsidiary of Pareto Limited. As at 31 March 2016, the GEPIF, the biggest client of the PIC, owned 100% of Pareto Limited. The effective date of the outsourcing was 1 December 2015. The outsourcing of the property management business further resulted in 120 PIC employees being transferred in accordance with Section 197 of Labour Relations Act to Mowana, which amounted to 29% of the PIC staff complement at effective date of the outsourcing. The following is the impact to the financial performance of the PIC operations as a result of outsourcing: (1) Property Management Fees “facilities management” for direct management of properties will no longer being earned R42 million (2015: R60 million) i.e. 6% decrease in total revenue; (2) Decrease in staff costs of R26 million ie 6% decrease in staff costs. Only the items that have more than 2% but less than 10% impact on the financial performance of the PIC operations have been disclosed in this note.

Notes to the Annual Financial Statements

for the year ended 31 March 2016

38. Compliance with IFRS-financial statement notes

Principal accounting policies	IAS 1
Standards and interpretations	IAS 1 and IAS 8
Critical accounting judgements, estimates and assumptions	IAS 1
Investment income	IAS 18, IAS 32, IAS39, IFRS 7and IFRS 13
Revenue	IAS 18
Operating expenses	IAS 1 and IAS 19
Indirect taxation	IAS 18
Dividends	IAS 1 and IAS 10
Cash and cash equivalents	IAS 1, IAS 7 and IFRS 7
Other financial assets	IAS 1, IAS 39, IFRS 7, IFRS 8 and IFRS 13
Financial assets at fair value through profit and loss	IAS 32, IAS 39, IFRS 7 and IFRS 13
Impairment of loans and advances	IAS 32, IAS 39 and IFRS 7
Investments in associates	IAS 28, IFRS 12 and IFRS 13
Deferred taxation	IAS 12
Property and equipment	IAS 16, IAS 36 and IFRS 13
Employee benefits	IAS 19 and IFRIC 14
Intangible assets	IAS 38 and IAS 36
Share capital	IAS 1
Provisions and other liabilities	IAS 37, IAS 32, IAS 39, IFRS 7 and IFRS 13
Cashflow information	IAS 7
Offsetting financial assets and financial liabilities	IFRS 7 and IAS 32
Credit analysis of other short-term deposits	IFRS 7
Liquidity risk	IFRS 7
Contractual maturity analysis for financial liabilities	IFRS 7
Foreign exchange	IAS 21
Commitments	IAS 37, IAS 10, IAS 17
Related parties	IAS 24

Disclosure of remuneration

for the year ended 31 March 2016

1. Non-executive directors

Names	Meeting attendance	Retainer (1)	Total
Beswick, S^	116,107	-	116,107
Goba, T	458,076	134,350	592,426
Hlatshwayo, D	447,521	134,350	581,871
Manning, C^	137,217	-	137,217
Mngconkola, SP	553,074	134,350	687,424
Moloto, P^	126,662	-	126,662
Morar, R	629,600	134,350	763,950
Moses, MA*	405,300	134,350	539,650
Nyoka, T^	87,081	-	87,081
Toyi, L^	158,328	-	158,328
Zulu, S	553,074	134,350	687,424
	3,672,040	806,100	4,478,140

(1) Retainers are paid for the attendance of four Board meetings and approved at the Annual General Meeting.

* Retired on 30 November 2015.

^ Appointed on 1 December 2015.

2. Executive directors

Names	Cost to Company	Short-term Incentive Allocation	#Long-term Incentive paid	Total
Matjila, D (CEO)	4,959,707	3,036,383	2,677,354	10,673,444
More, M (CFO)~*	3,665,884	2,297,439	1,802,040	7,765,363
	8,625,591	5,333,822	4,479,394	18,438,807

Disclosure of remuneration

for the year ended 31 March 2016

3. Senior management

Names	Cost to Company	Short-term Incentive Allocations	#Long-term Incentive paid	Total
Dolamo, S [^]	2,170,800	1,736,640	-	3,907,440
Dekker, P ^{**}	2,491,338	-	1,520,000	4,011,338
Hako, V [~]	2,655,120	943,661	-	3,598,781
Mabe, K [~]	2,701,027	2,083,580	1,064,545	5,849,152
Madavo, F [~]	2,695,449	1,736,987	-	4,432,436
Magula, P [~]	2,453,373	946,529	329,000	3,728,902
Nesane, E [~]	2,090,539	959,202	303,854	3,353,595
Ntuane, L ^{~**}	2,431,851	-	-	2,431,851
Pholwane, C [~]	2,109,926	187,740	-	2,297,666
Rajdhar, R [~]	2,699,739	1,879,701	1,508,794	6,088,234
	24,499,162	10,474,040	4,726,193	39,699,395

[^] Appointed on 1 September 2015.

^{*} Re-appointed as an Executive Director on 1 December 2015.

^{**} Resigned during May 2016.

[#] Long-term incentive paid in the current year relates to service that was rendered in 2012/13 but was only earned by the employee upon achievement of an average rating of 3.5 over a period of three years ie 31 March 2015 and being an employee of the PIC at date of payment. The amount paid as LTI is based on the employees cost to company on the date that the service was rendered and not date of payment ie the allocation does not accrue interest over the three years. If an employee does not achieve an average rating of 3.5 over three years or no longer an employee of the PIC at date of payment, this amount will not be paid but will revert back to the PIC therefore all the risks and rewards associated with entitlement of the LTI only pass over to the employee at date of payment.

[~] In the current financial year, successful candidates were appointed to their new roles on 1 April 2015 post the restructuring. The restructuring resulted in material changes to responsibility.

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Asset Management
Directors	Mr Jonas, Mcebisi (Chairman) (Non-executive) Mr Morar, Roshan (Deputy Chairman)(Non-executive) Dr Matjila, Daniel (Executive) (CEO) Ms More, Matshepo (Executive) (CFO) Ms Beswick, Sandra (Non-executive) Mr Goba, Trueman (Non-executive) Ms Hlatshwayo, Dudu (Non-executive) Dr Manning, Claudia (Non-executive) Mr Moloto, Pitso (Non-executive) Ms Nyoka, Tantaswa (Non-executive) Ms Toyi, Lindiwe (Non-executive) Ms Zulu, Sibusisiwe (Non-executive)
Registered office and Business address	Block C Riverwalk Office Park 41 Matroosberg Road Menlo Park 0081
Postal address	Private Bag X187 Pretoria South Africa 0001
Auditors	Office of the Auditor General of South Africa Registered Auditors
Secretary	Bongani Mathebula
Company registration number	2005/009094/30

Public Investment Corporation SOC Limited Disclaimer

Public Investment Corporation SOC Limited (PIC), Registration number 2005/009094/30, is a licensed financial services provider, FSP 19777, approved by the Registrar of Financial Services Providers (www.fsb.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 a shareholder representative. Products offered by the PIC do not provide any guarantees against capital losses. Market fluctuations and changes in rates of exchange or taxation may have an effect on the value, price or income of investments. Since the performance of financial markets fluctuates, an investor may not get back the full invested amount. Past performance is not necessarily a guide to future investment performance. Personal trading by staff is regulated to ensure that there is no conflict of interest. All directors and employees who are likely to have access to price sensitive and unpublished information in relation to the Public Investment Corporation are further regulated in their dealings. All employees are remunerated with salaries and standard short-term and long-term incentives. No commission or incentives 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: Mr Mcebisi Jonas (Chairperson), Mr Roshan Morar (Deputy Chairperson) | Dr Daniel Matjila (Chief Executive Officer), Ms Matshepo More (Chief Financial Officer) | Ms Sandra Beswick, Mr Trueman Goba, Ms Dudu Hlatshwayo, Dr Claudia Manning, Mr Sebenzile Mngconkole, Mr Pitso Moloto, Ms Tantaswa Nyoka, Ms Lindiwe Toyi, Ms Sibusisiwe Zulu | Company Secretary: Ms Bongani Mathebula.

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

Abbreviations

ACSA	Airports Company South Africa
ADRIASA	ADR International Airports South Africa
AIPF	Associated Institution Pension Fund
ARC	Audit and Risk Committee
AuM	Assets under management
BEE	Black economic empowerment
BBBEE	Broad-based black economic empowerment
CAFSA	Charities Age Foundation Southern Africa
CAGR	Compound annual growth rate
CC	Compensation Commissioner Fund
CEM	Centre for Evaluation and Monitoring
CGT	Capital gains tax
CIO	Chief Investment Officer
CIPC	Companies and Intellectual Properties Commission
CIS	Collective Investment Scheme
CP	Compensation Commissioner Pension Fund
CPC	Community Property Company
CPI	Consumer Price Index
CRISA	Code for Responsible Investing in South Africa
CSI	Corporate Social Investment
DBSA	Development Bank of Southern Africa
DFI	Development finance institution
DMTN	Domestic Medium Term Note
DoA	Delegation of authority
DoE	Department of Energy
DHET	Department of Higher Education and Training
DR	Disaster recovery
ECB	European Central Bank
EM	Emerging markets
EME	Exempt micro enterprise
ERMF	Enterprise Risk Management Framework
ESG	Environmental, social and governance
EU	European Union
EXCO	Executive Committee
FAIS	Financial Advisory and Intermediary Services
FED	Federal Reserve Bank
FDI	Foreign direct investment
FIP	Fund Investment Panels
FSB	Financial Services Board
GBCSA	Green Building Council of South Africa
GDP	Gross Domestic Product

GEPF	Government Employees Pension Fund
GLA	Gross lettable area
IASB	International Accounting Standards Board
ICT	Information and communications technology
IDC	Industrial Development Corporation
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IPAP	Industrial Policy Action Plan
IT	Information technology
ITRC	Information Communication and Technology Governance Committee
JSE	Johannesburg Stock Exchange
KRI	Key risk indicator
MPC	Monetary Policy Committee
NDP	National Development Plan
NGP	New Growth Path
NT	National Treasury
OECD	Organisation for Economic Co-operation and Development
ORMF	Operational Risk Management Framework
PAIDF	Pan African Infrastructure Development Fund
PFI	Project Finance International
PFMA	Public Finance Management Act
PIC	Public Investment Corporation
PICOF	Public Investment Corporation Operating Fund
PMI	Purchaser's Managers Index
QE	Quantitative easing
QSE	Qualifying small enterprise
RDP	Reconstruction and Development Programme
SAICA	South African Institute for Chartered Accountants
SARB	South African Reserve Bank
SEC	Social and Ethics Committee
SIPS	Structured investment products
SMME	Small, medium and micro enterprise
SOC	State-owned company
SOE	State-owned enterprise
SPV	Special purpose vehicle
SRI	Socially responsible investments
SSA	Sub-Saharan Africa
UIF	Unemployment Insurance Fund
UNGC	United Nations Global Compact
UNPRI	United Nations Principles for Responsible Investment



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