

ANNUAL
REPORT
2013

OUR
FORMULA
FOR
SUCCESS...

THE EPPF BLUE PRINT – FORMULA FOR SUCCESS

The Formula for Success is the organisational 'blueprint' or method for creating and establishing the desired DNA of an organisation. This DNA will define the culture and standard by which the organisation has chosen to operate, and every stakeholder in that organisation will then live and breathe that blueprint to ensure success.

The Formula has been defined through a collaborative and participative process and, staff worked collectively to discover the core inspirational DNA of the EPPF. Through this process of discovery the EPPF defined its culture, strategy, identity, differentiators, people qualities and how it will deliver on its strategic objectives to our internal and external clients to maximise our success for the years to come.

The Formula responds to the following questions in order to define the EPPF's blueprint for success:

- What does the EPPF stand for?
- How can we, as EPPF staff streamline and simplify our services in order to impress and exceed the expectations of our internal and external customers?
- How do we provide truly superior experiences?
- What drives our business positively?
- What inhibits our success?

The Formula is presented as a visual mathematical formula comprising of eight "Top-line Enablers", which articulate those values and habits which the EPPF strives to do more of and eight "Bottom-line Disablers" which articulate the values and habits that are to be avoided in order to achieve the EPPF Formula for Success.

The process of establishing and implementing the Formula for Success has been completed and monitoring and evaluating mechanisms are now enabled to continually monitor and review progress along the road to success. EPPF staff have now become the custodians of the EPPF Formula for Success, the Blueprint of the organisation!

ESKOM PENSION AND PROVIDENT FUND

Abridged History

The Fund was established during 1950, registered on 21 April 1958 in terms of the Act as a privately administered fund and was from that date known as the Electricity Supply Commission Pension and Provident Fund.

The first Trustee meeting was held on Tuesday, 7 March 1950 at the then Escom House. The Fund then had three Trustees.

On 24 February 1988 the name of the Fund was changed to the Eskom Pension and Provident Fund.

Sixty Three Years Later

The Fund currently conducts its business at Hampton Park South, Bryanston East, with the following members as Trustees.

- Mr H C Mathebula (Chairman)
- Ms J L Kilani
- Ms S M Mamorare
- Mr M M Mojapelo
- Mr W E Green
- Dr W J Swart
- Ms B Smith
- Adv N K Tsholanku
- Mr G J Kruger
- Mr D Macatha
- Mr M S Abrahams
- Ms L M Khangala
- Mr I G Smith
- Ms T F Madlala

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THE FORMULA FOR SUCCESS

All employees were given the opportunity to have their say on what the organisation

Top line ENABLERS of success

EPPF employees identified and weighted the following enablers, which articulate the values and habits which the Fund strives to do more of.



Bottom line DISABLERS of success

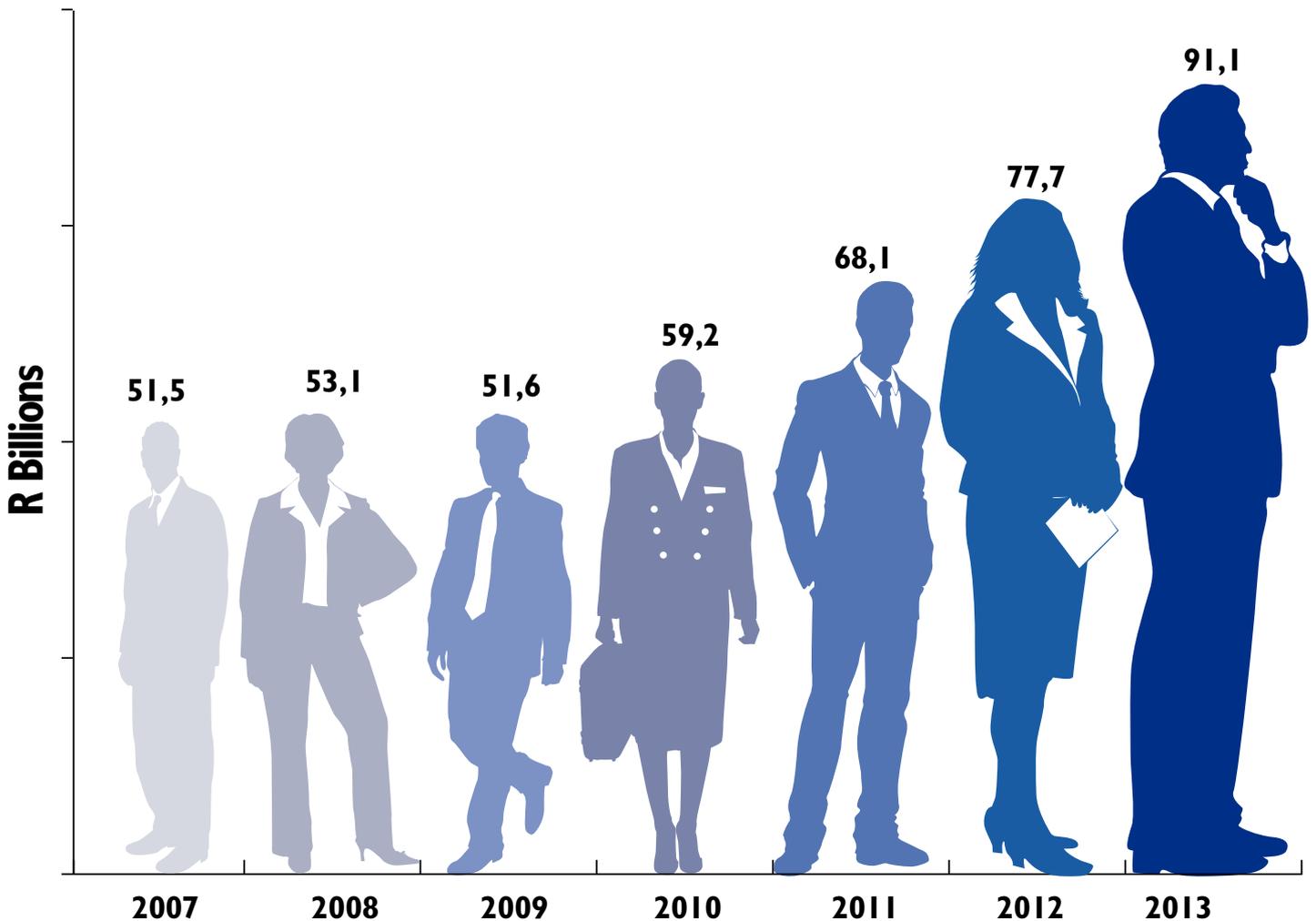
In contrast, EPPF employees identified and weighted the following disablers, which articulate the values and habits that are to be avoided in order to achieve the Fund's Formula for Success!

needs to do more of and less of to be more successful in future



GROWTH IN TOTAL INVESTMENTS

FOR THE 7 YEAR PERIOD ENDED 30 JUNE 2013

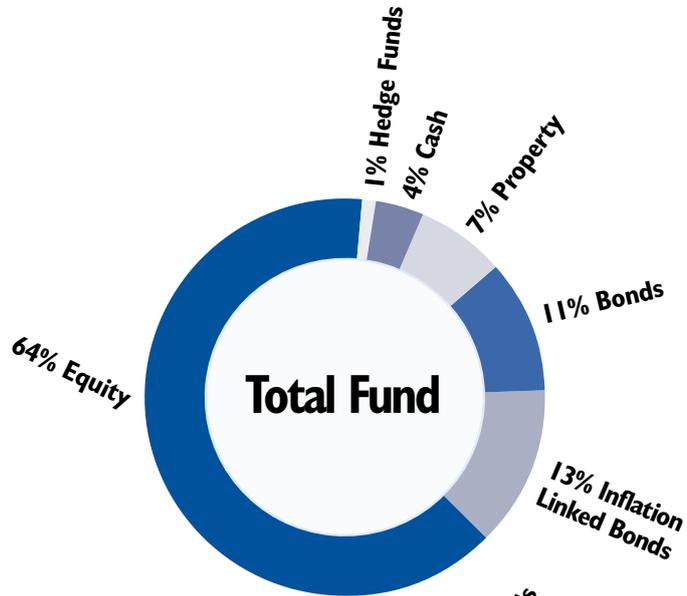


ASSET ALLOCATION

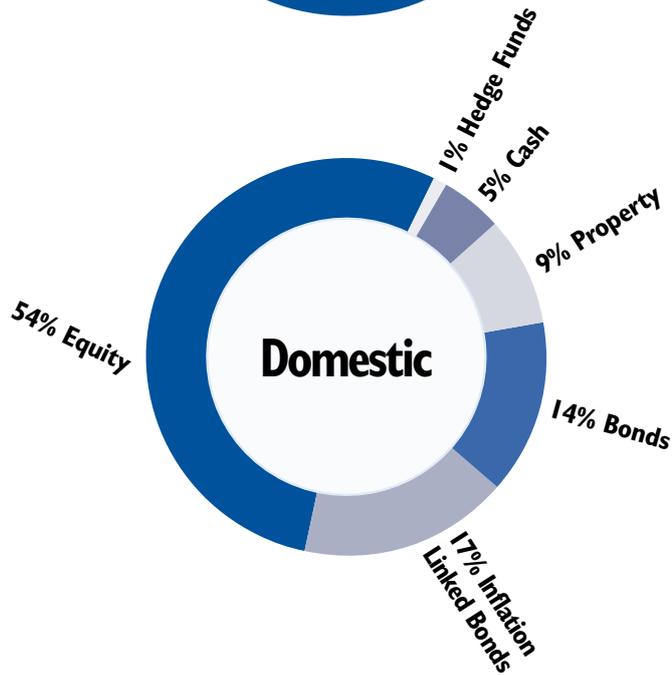
AS AT 30 JUNE 2013

R Billions

91,1



71,2



19,9



A professional portrait of Hlengani Mathebula, a Black man with short hair, wearing a white dress shirt and a pink and green striped tie. He is looking directly at the camera with a slight smile. He is wearing a silver watch on his left wrist. The background is a plain, light grey.

CHAIRMAN'S REPORT

Hlengani Mathebula

CHAIRMAN'S REPORT

Honored Members, Pensioners and Stakeholders; I have the privilege to present to you the Fund's annual report for the year ended 30 June 2013. The Fund has grown into one of the largest defined benefit retirement funds in the country and is a major influence in the industry. Despite onerous financial and industry conditions, the Fund continued to achieve satisfactory growth, both in terms of assets under management and membership base.

One of the most pressing issues during the year under consideration was the proposed restructuring of the Fund. The "hybrid" financial structure of the Fund, where the Fund has a Defined Benefit structure underpinned by a Defined Contribution funding structure, remains a major risk over the long term. Measures to address this situation are still being sought by all stakeholders. We are fortunate that, due to the positive factors created by strong membership growth, and the effects of strong investment performance, the financial viability of the Fund over the long term remains positive and we ended the year with an actuarial surplus of 10% after providing for contingency reserves.

However, the financial restructuring of the Fund remains a high priority and during the year under consideration significant progress has been made to address this situation. More details in this regard are provided later.

In terms of investment performance, the Fund continued to benefit from a sound investment foundation of the previous year and again this year I am delighted to report a significant outperformance of the Fund's investment targets. Assets under management on 30 June 2013 amounted to R91,1 Billion (R77,7 Billion in 2012). I am pleased to report that the Fund investment return for the year under consideration was 17,8% which is well above the target of 10% (CPI + 4,5%). Looking at the longer term the Fund has also exceeded its rolling targets over 3 and 10 years, with rolling returns of 6,2% and 6,9% respectively.

The membership base of the Fund (all categories) has increased to 89 962 beneficiaries (2012: 88 478) mainly caused by the expansion drive from the Principal Employer, Eskom, in preparing itself to provide the electricity demands of the economy for the next decade. In this regard it is noteworthy that the active membership base, those members that are in the employ of Eskom, has grown from 44 258 at the beginning of the financial year to 45 715 at year end. This category of membership remains significantly greater than the number of members that are in receipt of

"The Fund continued to benefit from a sound investment foundation, reporting an investment return of 17,8% for the year, well above the target."

pension benefits. At the Fund structural level this had a positive influence on the Fund's financial viability. Due to large infrastructure expansion programmes from Eskom, this trend is expected to continue into the next financial year and beyond.

Restructuring of the Fund

The Board had accepted the recommendations of a special Joint Restructuring Task Team, a joint endeavor with Eskom on the way forward, for the proposed move towards a Defined Contribution (DC) option in the Fund. Following this, the Board appointed a new Joint Planning Committee with representatives of the Fund and Eskom, to begin with preliminary planning for a project to introduce such a DC project, without pre-empting the outcome of the employer's engagement process at bargaining forum level. This Joint Planning Committee has made good progress towards planning the project for a possible DC restructuring of the Fund.

At bargaining forum level we have been advised by Eskom that engagement has started and that further work is being done in order to make progress in this phase, namely to seek a common understanding of the proposals. While there remain a number of challenges to overcome, we are confident on the way forward.

This is work in progress and will hopefully be concluded in the near future.

Financial performance of the Fund

The Fund continued to benefit from sound investment strategies and good management of investments in local and international asset markets. The Fund's investment return was 17,8% in the current year, thus achieving a real return of 7,8% (2012: 3,1%) for the year. The table below illustrates the investment return, growth in assets under management and a rolling 3-year investment return for the current year.

	2013	2012
Investment return	17,8%	13,6%
Assets under management	R91,1bn	R77,7bn
Three-year rolling return	16,0%	14,8%

As the table above shows, investment return for the year ended on 30 June 2013 was 17,8% (2012: 13,6%). Assets under management grew to R91,1 bn compared to R77,7 bn the previous year. Especially noteworthy is the 3-year rolling return which has now improved to 16,1% (annualized), providing an outperformance of the target (CPI + 4,5%) of 6,8% comfortably above the actuarial target of 4,5% real return.

The Fund continues to make progress with the implementation of the revised investment strategy to align assets with liabilities more closely. This remains work in progress as rebalancing the investment portfolio cannot be achieved within a short period of time in the relatively small South African market, given the size of the Fund's investment holdings.

Valuation of the Fund

We conduct a statutory valuation of the Fund on a three year basis. The previous statutory valuation was carried out for the year ended 30 June 2012, at which point in time the Fund showed an actuarial surplus of 8% or R5,7 billion. The next statutory valuation is due to be carried out as at 30 June 2015. An interim valuation as at 30 June 2013 has been carried out. The results indicated continued improvement in the financial health of the Fund, with an actuarial surplus of 10% or R8,5 billion.

The long-term sustainability of the Fund depends on various factors such as the rate of salary increases granted by the Employer and the performance of the investment markets. This situation will continue until the issues around the structure of the Fund are resolved which, as mentioned, are well underway towards a lasting solution.

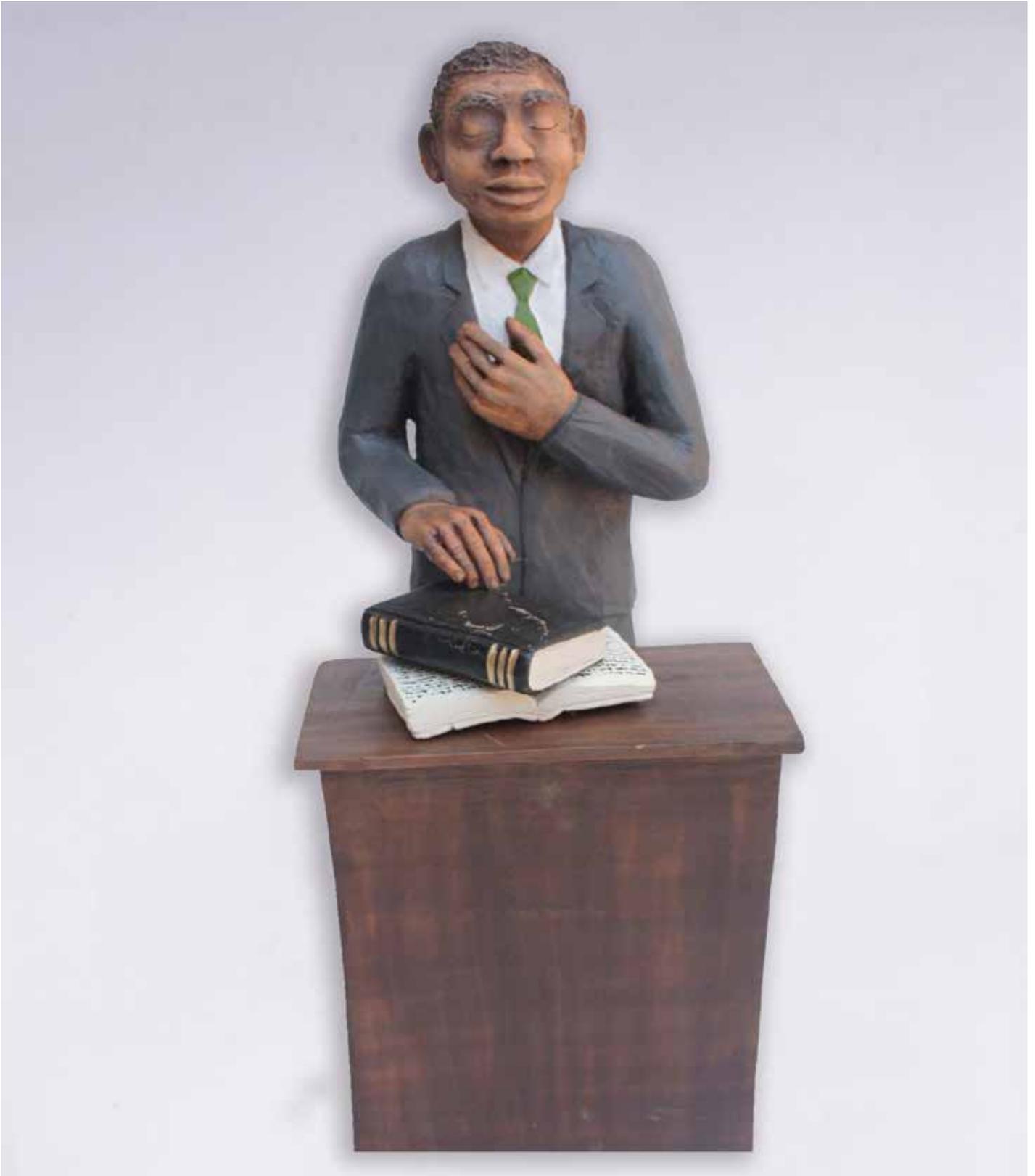
Pension increases and bonuses

When considering pension increases for 1 January 2013, the Board considered the strong investment returns for the preceding year and also took note of further improvement of the long-term financial condition of the Fund and the advice of the actuary.

Consequently, the Board was able to grant a pension increase in excess of the published inflation (CPI rate) and with effect from 1 January 2013 a general across-the-board increase of 8% was granted. The Board was also again in a position to approve the payment of an annual bonus to pensioners.

The Board remains acutely aware of the effect of real levels of inflation and the financial strains experienced by pensioners. This concern is aptly demonstrated by the fact that, for the past three years, the Board was able to grant increases in excess of the CPI benchmark to alleviate some of the financial strains experienced by our pensioners. However, this situation may change in line with financial performance of the Fund and should in no way be seen as a precedent, as the Board has to find the middle way to best meet the needs of our pensioners to maintain their living standards, but also to preserve the overall long-term financial soundness of the Fund.

My sincerest gratitude goes to the members of the Board for the manner in which they engaged and applied their minds to this item during our discussions.



INTEGRITY, HONESTY & RESPECT

- Transparency and authenticity in all activities
- Treat others as you want to be treated
- Business conduct always ethical and trustworthy



Looking forward it is evident that market volatility remains a characteristic of the investment markets, which is constantly considered in our investment approach. Our stakeholders must be aware that future increases will remain highly dependant on affordability and long-term financial stability.

Governance and Management

The Board continues to improve and review issues of governance and continues to strive towards maintaining the highest standards of corporate governance. Based on the principles contained in industry guidelines, such as Pension Fund Circulars, the King III Report on Corporate Governance in South Africa and various other guidelines, the Board and its Committees continued to perform well and coped with the increased demands brought about by special projects and responsibilities.

I am aware of the efforts and initiatives at management level to enhance our customer orientated service delivery with the introduction of the Blue Print program and corporate formula for success. The formula is presented in our reception areas and also forms the theme of this annual report and I encourage all that visit the Fund's offices, to pause and reflect on the vision for success. The launch day of the formula involved all the Fund's staff members and was an occasion to remember!

Strategic Initiatives

Towards the start of the previous financial year, the Board approved a project of a high strategic stature, namely to design, articulate and implement a holistic Information Technology Roadmap for the Fund. This project was designed to bring the Fund in line with IT Governance as recommended by King III, and also to make provision for the replacement of the Fund's ageing member and pensioner administration system.

The mainstream project under the banner of the IT Roadmap, was the replacement of the Fund's old mainframe based member and pensioner administration system with a modern system. This project went "live" in July 2012. While I am aware that there were various challenges and problems associated with deductions and re-instatement processes, I am satisfied that those problems were speedily and comprehensively dealt with by the administration.

I am pleased that the project on the whole was completed within the timelines determined and, significantly, a successful transition from the old "Legacy" administration system to a new state-of-the-art system was achieved. For an IT project of this nature and magnitude, this represented a significant achievement and I wish to congratulate the entire team who worked so hard to make the project a success.

In terms of general governance and compliance, I also wish to take this opportunity to thank the Fund's management and staff for working tirelessly in supporting the Board in meeting its mandate, while enhancing our compliance with all regulations and relevant legal requirements.

Economic Transformation

The Fund continues to pursue its strategic objective to support national economic transformation through selective investments in Socially Desirable and Broad Based Black Economic Empowerment instruments without compromising the principle of achieving acceptable investment returns. During the year under review Black owned asset management companies managed assets worth R16,2bn. This represents 45%, of all funds managed by South African managers (2012: 43%).

In terms of Socially Desirable Investments, the Fund has completed a process of re-evaluating and re-defining its role in this sector. Consequently, we have not been aggressively investing in this area. The Fund continues to support the United Nations Principles for Responsible Investing (UNPRI) and the code for responsible investment in South Africa (CRISA). These codes encourage funds to become responsible investors by taking Environmental, Social and Governance (ESG) issues into consideration when making investment decisions.

Notices and Acknowledgements

During the year the Board and its Committees performed at a high level with considerable sacrifice in terms of personal time and other responsibilities. The Chairpersons of the various Committees displayed commitment and leadership and to every member of the Board I extend, once again, my sincere appreciation for a job well done!

I would also like to extend my gratitude to the Chief Executive and his team for their sterling work.

During the course of the year we also worked closely with various other stakeholders who assisted us to carry out our responsibilities. In this regard, we acknowledge the valued contributions by the senior management team of Eskom under the leadership of the Chief Executive Officer of Eskom, Mr Brian Dames.

The past year was rewarding in the sense that the Fund made significant inroads to solve the various strategic issues that arose to challenge us and I am confident that the successes in this regard will equip us better for future growth and success. We experienced significant challenges during the year under consideration, but on reflection those were overcome and transformed into successes in the spirit of a team effort. I am certain that the new financial year will bring its own variety of challenges, but I remain confident that we shall overcome these challenges and that our commitment to serving our members will be our most important asset. We are always open to suggestions on how to improve our performance, please feel free to forward your comments and contributions to the various structures of the Fund.

Wishing you all the best for the future.

Hlengani Mathebula

Chairman

15 November 2013



PROACTIVE PLANNING & ORGANISING

- Optimal usage of all resources
- Preparation is a foundation for success
- Attention to detail creates confidence

A professional portrait of Sibusiso Luthuli, a Black man with a mustache, wearing a light blue dress shirt and a dark patterned tie. He is smiling slightly and has his right hand resting on his chin. He is wearing a silver watch on his left wrist and a ring on his right hand. The background is a plain, light grey.

CHIEF EXECUTIVE'S REPORT

Sibusiso Luthuli

CHIEF EXECUTIVE'S REPORT

“It's kind of fun to do the impossible...” by Walt Disney. During the year ending 30 June 2013, the Fund was able to achieve a number of significant milestones that could be considered impossible to achieve over a short period of time.

During the 2013 financial year, we engaged in a process of obtaining input from all staff into what they considered would make the Fund a better and excellent organisation, from this inclusive process we derived our formula for success. This formula for success is a uniquely created benchmark of future excellence that measurably raises consciousness organisation wide of the critical success factors and performance inhibitors that make you who you are as an organisation, an organisational culture, our own genetic code – DNA that makes us unique known as the “*EPPF formula for Success*”.

The formula has 8 enablers that are necessary to ensure our success and 8 disablers that can detract us from achieving excellence if not stamped out. Given the significance of this journey, we considered it appropriate to base the theme of this annual report on our formula for success.

The Fund has over the years grown to be one of the industry leaders in the Pension Fund Industry and continues to set high benchmark standards. I am privileged to present the Fund's organisational activities for the year ending 30 June 2013 and to highlight the milestones achieved during the year.

ENVIRONMENTAL OVERVIEW

Economic Outlook

Investment markets were volatile throughout most of the financial year, with a sharp sell-off in equities and bonds occurring in June 2013, following an announcement by the United States Federal Reserve Bank that it would not continue with its policy of

quantitative easing into the future. This created panic in the markets.

Earlier in the year, the South African All Share Index had reached record highs as international investors showed increased purchases of emerging market securities in their search for yield.

The annualised asset class returns for the financial year to 30 June 2013 were as follows:

Asset class	1 year	3 years	5 years
SA Equities (SWIX)	20,8%	19,4%	11,2%
SA Bonds (ALBI)	6,3%	10,7%	12,2%
Cash (STeFI)	5,3%	5,7%	7,2%
Listed Property (SAPY)	24,0%	23,6%	26,0%
Global Equities (MSCI) in Rand	41,3%	22,2%	7,2%
Headline CPI	5,6%	5,2%	5,7%

Internal Environment

The financial year ending 30 June 2013 proved to be another challenging but exciting year. The Fund began the year focusing on completing the implementation of Project E'novit (The Fund's IT Roadmap project). The flagship project of migrating the Fund member administration system from the mainframe into the new platform went live at the beginning of the financial year in July 2012. This was followed by the migration of historic data from the mainframe system into a SQL database.

The mainframe member administration system which the Fund has utilised for two decades was officially retired at the end of June 2013, finally signalling the closure of another chapter in the history of the Fund.

The Fund together with Eskom have established a joint DB/DC Implementation Planning Committee that is focusing on preliminary work on implementation planning.

CHIEF EXECUTIVE'S REPORT

In light of the significant changes that the Fund is undergoing, the Board has reviewed the Organisational Design to ensure that the Fund continues to function and perform efficiently.

KEY PRIORITIES FOR THE YEAR ENDING 30 JUNE 2013

The Fund had the following priorities as agreed to by the Board for the year ending 30 June 2013:

Key Priorities	Weighting
Investment Returns	40%
People Development	10%
BBBEE	10%
Target Operating Model	40%
Imbed and Optimise IT Road Map	15%
Operational Efficiency	10%
Fund Restructuring	15%

Investment Performance (Investment Management Unit)

The fixed term contract of employment of the Chief Investment Officer (CIO), Ms Linda Mateza expired at the end of September 2013. The Fund wishes to thank Ms Mateza for her stewardship as the Fund CIO for the past three years and the Fund wishes her well in her future endeavours. A recruitment process is underway to find a suitable replacement.

At year end, approximately 35% of the total assets of the Fund were managed in-house by the internal team. The spread of the mandate was in equities, bonds and money markets. The exceptional and above target investment returns achieved over this past year are testimony to the team's hard work and tenacity.

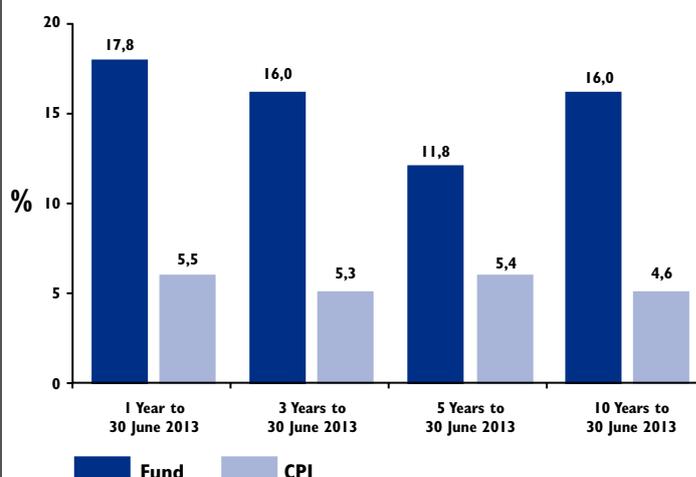
Investment Returns

The assets under management grew from R77,7 billion to R91,1 billion over the financial year ending 30 June 2013. This was in part due to gains from market performance and good tactical asset allocation on the part of the Fund.

The primary investment objective of the Fund is to earn a net real Rand investment return of 4,5% per annum over the long-term. For scorecard purposes the performance evaluation is based on a rolling three year period. However, markets are cyclical and a more meaningful assessment of the long-term performance can be derived from the 5- and 10-year rolling periods.

The investment return for the year to 30 June 2013 was 17,8%. This number compares very favorably to CPI of 5,5% for the same period, resulting in a positive real return of 7,8%.

The Fund's investment returns over various periods are reflected below:



The Fund outperformed the targeted 4,5% real return for the financial year ended 30 June 2013 and also outperformed the target over a rolling 3-year period by 6,2%.

Investment Strategy

The Fund revised its Investment Policy Statement during the year ending 30 June 2013. Significant changes have been incorporated to the Fund's Strategic Asset Allocation in order to better match the Fund's assets to its liabilities, and to maintain regulatory compliance following the revision of Regulation 28 of the Pension Funds Act.

The Fund's Strategic Asset Allocation (SAA) at 30 June 2013 compares as follows to the Actual Asset Allocation at 30 June 2012 and at 30 June 2013:

Asset class	Strategic allocation (Previous)	Strategic allocation (New)	Asset allocation 30 June 2012	Asset allocation 30 June 2013
Domestic				
Equities	45%	38,1%	44,2%	40,6%
Nominal bonds	10%	0%	12,3%	11,2%
Inflation-linked bonds	14%	25%	11,6%	13,2%
Property	10%	5%	5,3%	6,8%
Cash	2%	2%	8,5%	3,8%
Alternative investments	-	-	2,2%	2,4%
International				
Offshore equities	15%	24,9%	13,1%	21,8%
Offshore bonds	0%	0%	-	-
Africa equities	3%	5%	-	0,2%
Offshore cash	1%	0%	2,8%	0,0%
Hedge funds	-	-	-	-
Total	100%	100%	100%	100%

CHIEF EXECUTIVE'S REPORT

Given the significant shift from the previous SAA to the revised SAA, it was anticipated that it would take between 18 months and 24 months to fully align the portfolio.

The Fund appointed two new international/global equity asset managers during the year. This was partly necessitated by the need to replace one of the international/global asset managers and also to restructure the Fund's offshore equity portfolio to ensure better style complementarity and mandate fit of the composite.

Internally Managed Portfolios

The internally managed core equity portfolio surpassed the R10bn mark during the financial year. The internal portfolio outperformed the benchmark 8 (eight) times out of the 12 (twelve) months under review, despite the volatile market conditions. The internally managed core equity portfolio was one of the best performing portfolios when compared to the industry for the year ending 30 June 2013.

The Fund made significant progress in rebalancing its bond and money market portfolios in order to align with the Fund's revised SAA. The objective was to sell off nominal bonds at attractive valuations and replace these with inflation-linked bonds (ILBs) at fair values. This exercise was not always easy to achieve as ILBs are not easily available and usually the demand outstrips supply of these securities at auctions with other investors always willing to pay a premium. The Fund also participated at auctions in the secondary market. The ILB portfolio grew from R6,3bn at the beginning of the year to R10,2bn at 30 June 2013.

The deal flow on the private equity front is gradually improving and the Fund is seeing an increased number of proposals. The Fund made private equity commitments of around R460m during the year.

The Fund evaluated a number of potential SDI proposals during the year and it is anticipated that some of these proposals will be converted to investments in the near future.

Listed Property

Following the conclusion of the Pareto transaction in the previous financial year, the Fund received the proceeds in cash and in securities of listed property shares. The Fund has in line with the revised SAA fully invested the Pareto proceeds to build up its listed property portfolio and also to increase its offshore equity portfolio.

The listed property portfolio generated returns of 20,6% against the South African Property Index (SAPI) benchmark of 24,0% for the year under review. The total amount invested in this Portfolio stood at R6,1bn at year end. The below benchmark returns are mainly due to the fact that this is a newly constructed portfolio.

A more meaningful evaluation will be over a longer period of three years.

Responsible Investing

The Fund continues to subscribe to the principles of the United Nations Principles for Responsible Investment (UNPRI). The Fund has implemented processes to ensure that the Fund honours its responsibilities as an active asset owner and incorporates economic, social and governance (ESG) issues into its policies and practices. The focus for this financial year was on executive remuneration and board governance. The Fund was represented in the annual general meetings of all the companies it is a shareholder in and also engaged with the relevant companies directly where necessary.

Efficient Administration

Given the challenging prevailing economic conditions, the Fund continued to focus on constantly providing its stakeholders with quality service in a cost effective manner. This approach continued to be underpinned by a strong focus on cost management and streamlined operational excellence whilst not compromising on customer service.

Cost Management

The Finance Department consists mainly of two functions, namely, accounting services and investment administration services. The department continued to facilitate the process of downward cost management throughout the organisation. This process was facilitated by breaking down the annual budget into monthly budget benchmarks which were used by the individual departments to do a detailed analysis of their actual costs against the approved budget and to be able to account for any variances. The department also provided investment administration services to IMU.

The Finance team continued to play a pivotal role in Project E'novit, supporting the Retirement Fund Operations department in the stabilisation phase of the new member administration system. Finance also championed the review and update of the Fund's Governance Framework which was subsequently approved by the Board during the year.

A summary of the Fund Administration costs for the year ended 30 June 2013 is provided below:

	2013	2012
Personnel costs	53 244	50 387
Other Admin costs	60 329	66 963
Fund Administration costs	113 573	117 350

The main cost driver continued to be IT related costs as the Fund had to keep the mainframe system operational whilst also operating on the new member administration system.



Operational Excellence and Customer Service

Fund Operations

The Retirement Fund Operations (RFO) Department had an eventful year characterised by numerous challenges that had to be managed and addressed. For the migration from the mainframe into the new system to be successful it was required that the Fund implement a freeze period on processing. RFO was able to clear the backlog soon thereafter. The next challenge was the processing of the payment of the pensioner bonus and effecting the pensioner increase on the new system for the first time. Whilst there were minor isolated hiccups, again RFO was able to run these processes successfully and smoothly in conjunction with the Finance Department.

The other notable process that had to be effected on the new system for the first time was the Evidence of Survival (EOS) process. This process resulted in some pensioners having their payments suspended either because they had not submitted their EOS forms or these forms had been lost in transit during the Post Office strike. Again in this instance, the Fund attended to the issue and was able to reinstate those pensioners who subsequently completed their EOS forms in a timely manner.

The Fund has commissioned a Communications research project, which once complete will most likely necessitate the revision of its current Communications Strategy.

Retirement Fund Operations also managed to:

- i) Ensure that the monthly pensioner payrolls were always processed and paid on time.
- ii) Improve the death in-service processes through the work done by the Fund's social workers.
- iii) Communicate with our stakeholders through the regular newsletters, web-based communication, and site visits as part of the mobile office initiative.
- (iv) Completed the stabilisation of the new member administration system post implementation.
- (v) Compiled stakeholder communication during the implementation of project E'novit.
- (vi) Handled a vast number of enquiries and provided support through the call centre.

Human Resources

The Human Resources Department (HRD) played an important



TEAMWORK & COLLABORATION

- The team is more important than the individual
- Working together to achieve success
- Understand and use diversity of roles to achieve common goals

role during this financial year in supporting the organisation to deal with the changing operating landscape caused by Project E'novit. In response to this evolving operating landscape a detailed review of the organisational design was conducted to establish how people will work together in a more sustainable manner.

Following the recognition that the remuneration offering of the Fund was generally lagging behind especially in respect of certain specialist skills, the Fund investigated different options to address this short coming. After considering all the options the Board approved a revised incentive scheme which has somewhat bridged some of the gaps that exist. This is in line with the Fund's strategic objective to be able to attract, develop and retain talent.

The launch of the EPPF formula for success was one of the most eventful and memorable occasions of the year. All staff participated in deciphering the formula for success that would represent the future EPPF DNA.

Legal and Technical Services

Legal and Technical Services continued during the year to provide support to the Board and its Committees as well as to the entire

organisation. Legal Services also facilitated the registration of the Fund revised rules incorporating the Financial Services Board (FSB) recommendations following their previous compliance visit.

During the year through the Legal and Technical Services Department the Fund maintained its relationship with the FSB and effectively dealt with all complaints from the Pension Fund Adjudicator and members.

The Legal and Technical Services Department also played a vital role in ensuring that legal agreements that were concluded with external parties, were reviewed and amended to protect the Fund's interests.

Risk and Compliance

Risk and Compliance continued to monitor asset manager compliance against the signed mandates and no significant instances of non-compliance were noted for the year.

During the year the Risk and Compliance Manager continued to represent the Fund on the Conflicts Committee of the Pan African Infrastructure Development Fund.

Risk and Compliance also continued to support the monitoring function of the Audit and Risk Committee and maintained the organisational risk register as well as monitoring compliance and risk management throughout the Fund. The Department participated extensively in the risk management of Project E'novit.

As part of the Fund's compliance initiative, training on ethics and fraud was conducted during the year to ensure that employees remain vigilant of the threats facing the Fund. In addition all staff have signed a code of ethics as well as declared personal interests to avoid any potential conflicts of interests.

Information Technology

In line with creating an enabling foundation for EPPF to achieve business strategic objectives, an IT Philosophy and Strategy was developed which fully describes the role of IT and how IT will support the organisation.

In line with the IT Philosophy and Strategy, during the year the department was able to achieve the following initiatives which were identified as quick wins:

- Migrated the email system to a new platform in order to enhance availability;
- Rolled-out iPads to create a paperless environment;
- Enabled remote accessibility of systems; and
- Rolled-out BoardPacks for electronic distribution of meeting packs;

CHIEF EXECUTIVE'S REPORT

The following IT projects which were part of the IT Roadmap were completed during the year:

- IT Services Catalog;
- IT Support Processes; and
- IT Risk Assessment

IT also supported the business during the new system stabilisation phase.

Corporate Secretary and Facilities Department

The Corporate Secretary and Facilities Department continued to provide support to the Board, its Committees and Management Committees. Corporate Secretary facilitated the smooth functioning of all these meetings and ensured that the Board and all its structures adhered to stringent governance at all times.

During the year Corporate Secretary facilitated the Occupational Health and Safety audit which was conducted on the Fund's premises. The Fund achieved a 97% compliance status. Corporate Secretary has also facilitated a number of training and educational activities for the Trustees as part of the Learning and Development plans of the Board.

Strategy and Projects

During the financial year ending 30 June 2013 the Fund identified 12 projects as being "Key Fund Projects" and in fulfilling its role as an internal project management advisory, the Strategy and Projects Department was involved over a broad spectrum in all the projects undertaken by the Fund.

One of the major project of importance involved the revival of the Fund Restructuring Project.

In addition, the Fund has embarked on a project to replace the Fund's investment administration system with a modern and more functional system and this project, known as the "Maitland Project" is well underway and scheduled for completion during the 2014 financial year.

Broad Based Black Economic Empowerment

The Fund continues to pride itself for being a champion and driver of Broad Based Black Economic Empowerment in the Asset Management Industry as well as in its normal procurement activities. In line with the Fund's BBBEE policy launched during February 2012, the portfolios of two managers were reduced by 10% as a penalty for non-compliance with the Funds policy.

As at 30 June 2013, 45% of the Fund's domestic external mandates were allocated to Black Asset Managers. Black Asset Managers are

defined in the Fund's policy as those having a minimum of 50% Black shareholding and 50% Black management. This is a slight improvement from the 43% achieved as at 30 June 2012.

Fund Restructuring

During this financial year the Board continued to engage Eskom on the important matter of the Fund Restructuring project. Subsequently both the Fund and Eskom have agreed to set up a Joint Implementation Planning Committee.

The mandate of this joint committee is to review all the preliminary work required to implement a DC scheme and prepare a draft project plan. All this work will then in future be handed over to the Implementation Committee once there is agreement from all stakeholders on all the outstanding issues. At year end, the work of the Joint Committee had commenced.

STAKEHOLDER ENGAGEMENT

The Fund has continued to engage with its various stakeholders. A number of pensioner functions were arranged for the Fund to interact with the pensioners. These have provided an invaluable mechanism to obtain first hand feedback from the pensioners on matters where the Fund is doing well as well as on matters where the Fund requires improvement. The Fund is also participating on Eskom road shows, where Eskom is creating awareness to its employees about retirement fund matters. This platform is also providing an opportunity for the Fund to obtain feedback from the active members.

The Fund continued to maintain its relationships with regulators, members and associated organizations.

KEY PRIORITIES FOR 2014

The Board approved the following key priorities for the 2014 financial year at its meeting in May 2013.

Key Priorities	Weighting
Investment Returns	45%
People Development	10%
BBBEE	5%
Target Operating Model	40%
Imbed and Optimise IT Road Map	10%
Operational Efficiency	15%
Fund Restructuring (DB/DC)	15%

PROJECT E'NOVIT

The IT Roadmap, known as Project E'novit has 15 initiatives, the majority of which were completed during the year. The major noteworthy initiatives during the year were the following:

(a.) Replacement of the PBB and PBS mainframe system

The Fund during the year successfully migrated from the mainframe system into the new system. This migration commenced with the initial migration of the pensioner data from the PBB system to ensure that all pensioners could be paid on time throughout the duration of the project.

This was followed by the migration of the active member data from the PBS system. When the decision to go-live on the new system was taken, it was accepted that certain processes would be activated post the go-live date (as part of stabilizing the new system) as long as the business of processing and paying benefits was not compromised by those processes.

Soon after the go-live date the Fund embarked on the Stabilization project. This project was concluded towards the end of the financial year. The next phase is to optimize the system i.e. streamlining processes to maximize system and operational efficiency.

(b.) Replacement of the Investment Administration and Management System

The current AIMS system is inflexible, not scalable, not real time and archaic with limited support. It no longer caters for the Fund's requirements and it is not integrated. During the year under review, the Fund issued an RFP for a state of the art system that will largely meet the needs of the Fund. The project has commenced and will be completed during the 2014 financial year.

(c.) Integrated Business Solution (IBS)

During the migration from the PBB and PBS mainframe system to the new system, it was decided to only migrate opening balances and leave behind historic data on the mainframe. The Fund embarked on the implementation of an IBS to migrate data from the mainframe into a SQL database platform. The project was approached in 4 phases.

Phase 1, which was completed during the 2013 financial year, was to migrate historic data from the mainframe into the SQL database. It was critical to complete this phase before 30 June 2013 in order to switch off the mainframe without incurring any penalties. The Fund achieved this milestone. Phase 2 also commenced but will be completed in the 2014 financial year. Phase 2 is to build a Data

Warehouse and dash board reports that will house and report on all the data in the various systems used by the Fund. Phase 3 will be to build a Content Management System and Phase 4 will be to implement an Archiving System.

As a result of Project E'novit the Fund has had to review its organizational design to establish how people will work together in a more sustainable manner. The Fund has also embarked on a cost segmentation and reduction exercise to segment, benchmark and analyze its costs structures.

CONCLUSION

The financial year ending 30 June 2013 presented the Fund with various highly demanding challenges other than those which could be categorised as "routine", but these challenges were met and the Fund emerged at the end of the financial year celebrating significant achievements in many areas.

Investment performance and investment returns remain a crucial point on the Fund's agenda and while the past financial year has seen severe volatility in this regard, management has coped well and with the support of the Board of Trustees, the Fund has again emerged stronger and exceeded its targets. The future will again present challenges and problems, but I am confident that the administration is well positioned to meet and deal with those as they may arise.

During the year the Fund rotated its internal auditors, KPMG and Sizwe Ntsaluba Gobodo (SNG) and appointed Nkonki Inc and EY. KPMG and SNG had been the Fund's internal auditor for some time and provided critical assurance function in the roll out of the IT Roadmap.

In conclusion, I want to take this opportunity to thank the Board for the guidance they have provided during this financial year under the leadership of the Chairman. I also want to thank my fellow executive members for the unwavering support they have continued to provide me in guiding the Fund through another tough and challenging but exciting year. I would also like to thank all EPPF staff for the commitment they have demonstrated in ensuring that the Fund enjoys another successful year.

Sibusiso Luthuli CA (SA)

Chief Executive
15 November 2013

CORPORATE GOVERNANCE

The Eskom Pension and Provident Fund conforms to the governance principles contained in the Code of Corporate Practices as reflected in the King III Report on Corporate Governance for South Africa and confirms, that in all material respects the Fund has complied with the Code's principles for the period under review.

CORPORATE PRACTICE AND CONDUCT

The Board of Trustees (BOT)

The Board of Trustees is comprised of fourteen Trustees and constituted as follows:

- A non-executive Chairman appointed by Eskom subject to the approval of the Board of Trustees.
- Six Trustees appointed by Eskom, one of whom shall be deemed by Eskom to be an expert.
- Two Pensioner Trustees elected by pensioners.
- Five Member Trustees elected by members, of whom at least two Trustees shall be non-bargaining unit members, with the other three Trustees being elected from the Labour organizations recognized by Eskom to be representing employees, provided that those Trustees as elected from the said Labour organizations, not being members of the Fund.

The Board of Trustees represents individuals with diverse backgrounds, skills and experience, each of whom adds value and brings

independent judgment to bear on the Board's deliberations and decision-making processes, all in the best interest of the Fund's membership and stakeholders.

Term of Office

The term of office for the Board of Trustees is four years. Trustees cannot serve for more than two consecutive terms of four years.

Board of Trustees Duties and Responsibilities

The Board of Trustees has a fiduciary duty to act in good faith, with due diligence and care, to avoid conflicts of interests and act with impartiality in respect of all its members or pensioners, being ultimately accountable and responsible for the performance and affairs of the Fund. The Board provides strategic guidance, direction and leadership, ensuring good corporate governance and ethics, determining policy, agreeing on performance criteria and delegating the detailed planning and implementation of policy and decisions to management.

The Board of Trustees is also responsible for managing a successful and productive relationship with Eskom and relevant stakeholders.

Board of Trustees Proceedings

The Board of Trustees convenes at least once a quarter and monitors management's compliance with policy and its achievements against pre-determined objectives. Additional meetings may

be called when issues arise that need to be resolved between scheduled meetings.

Five Board of Trustees meetings had been held during the period under review.

A structured approach is followed for delegation, reporting and accountability, which includes reliance on various Board of Trustees Committees. The Chairman guides and monitors the input and contribution of the Trustees. The Board of Trustees has approved a Board Charter which forms part of the Fund's Governance Framework that provides guidance to the Trustees in the discharging of their duties and responsibilities. They also have unrestricted access to Fund information.

Board of Trustees and Committee Performance Evaluations

Performance evaluations of the Board of Trustees and its committees are done on a bi-annual basis. The Chief Executive is appraised by the Chairman of the Board of Trustees in consultation with the Trustees, whilst the Board of Trustees assess the performance of the Chairman.

Board of Trustees and Committee Members Fees and Membership

Trustees and committee members are compensated for their contribution to the Board and the committees on which they serve. The fee structure is reviewed on an annual basis with the membership of committees being revised as and when a new Board of Trustees is appointed.

Board of Trustees and Committee Member Training

Trustee and committee member training are considered vital to enable them to execute their fiduciary duties and responsibilities in a knowledgeable and confident manner.

Trustees and Committee members attended a number of training sessions, conferences and seminars during the year under review.

Board of Trustees Committees

The Board of Trustees may establish committees that are responsive to the nature of the Fund's business, and which can help advance the Fund's business efficiently and may delegate authority to such committees. The Board of Trustees shall approve the terms of reference, life span, role and function of these committees.

The duties and responsibilities of the members of the committees are in addition to those duties and responsibilities that they have as Trustees.

Deliberations of the committees do not reduce the individual and collective responsibilities of the Trustees with regard to their fiduciary duties and responsibilities, and they must continue to exercise due care and judgment in accordance with their legal obligations.

A number of Board of Trustee committees exist to assist the Board with the management of its affairs in a structured way.

Each committee operates within the ambit of its defined terms of reference and delegated authority as approved by the Board of Trustees who review the performance and effectiveness of these committees on a continuous basis.

As indicated, the Board of Trustees determines whether there is a requirement for a committee to be established to focus on a specific area(s) of the Fund's activities, which resulted in the following Board committees being constituted:

- Audit and Risk Committee
- Benefits Committee
- Human Resources and Remuneration Committee
- Strategic Investment Committee

Audit and Risk Committee (ARC)

The Audit and Risk Committee consists of six Trustees which includes a Chairman. Six Audit and Risk Committee meetings had been held during the 2012/2013 financial

year. Meetings are normally attended by the External as well as the Internal Auditors, the Chief Executive, Chief Financial Officer, Chief Investment Officer, Executive Manager Strategy and Projects and the Risk and Compliance Manager. Other members of staff attend by invitation.

External and Internal Auditors have unrestricted access to the Chairperson of this Committee as well as to the Chairman of the Board of Trustees.

The Committee is constituted as a committee of the Board of Trustees and serves in an advisory capacity thereto. It assists the Board of Trustees to discharge its duties relating to the safeguarding of Fund assets, monitoring the operation of systems and controls, review of financial information and the preparation of annual financial statements.

The Committee is also responsible for the evaluation of the independence, objectivity and effectiveness of the External and Internal Auditors, as well as for the review of accounting and auditing concerns identified by the External and Internal Audit. It reviews the activities of Internal Audit, the function of which has been outsourced.

Risk management processes are detailed in the risk management framework. The risk framework endorsed by the Board is fundamental to the management of the risk within the Fund and across its operations.

The Committee assumes the responsibility for the governance of the Fund's Information Technology (IT), aligning it with the performance and sustainability objectives of the Fund.

Risk Matter Benefits Committee (BC)

The Benefits Committee consists of six Trustees inclusive of a Chairman.

Six Benefits Committee meetings had been held during the 2012/2013 financial year. Meetings are normally attended by the Chief Executive, Retirement Fund Operations Manager, Executive Manager



COMPLIANCE & GOVERNANCE

- Effective financial control environment
- Approach to embrace the letter and spirit of compliance
- Best practice operational approach



Strategy and Projects, Legal and Technical Services Manager, Customer Services Manager as well as other members of staff who are invited to attend meetings from time to time.

The Benefits Committee is delegated the authority to oversee and direct the retirement fund operations on behalf of the Board of Trustees.

Human Resources and Remuneration Committee (HRRC)

The Human Resources and Remuneration Committee consists of five Trustees and two external experts which includes a Chairperson, with the Chief Executive and Human Resources Manager in attendance.

Five Human Resources and Remuneration Committee meetings had been held during the period under review.

The Human Resources and Remuneration Committee:

- Influences and approves Human

Resource policies and strategies and monitors compliance with all relevant legislation, statutory requirements and best corporate practices.

- Determines Executive Management remuneration and the remuneration policy framework and makes recommendations to the Board of Trustees in this regard.
- Ensures the Executive Management remuneration policy and practices are in accordance with best corporate practices.

Strategic Investment Committee (SIC)

The Strategic Investment Committee consists of five Trustees and five external experts which also includes a Chairman. Meetings are normally attended by the Chief Executive, Chief Investment Officer, Chief Financial Officer, Risk and Compliance Manager and Investment Multi-Manager.

Five Strategic Investment Committee meetings had been held during the 2012/2013 financial year. The Strategic

Investment Committee's key responsibility is to attend to the investment affairs of the Fund in accordance with the Fund's Rules, Investment Policy Statement and the relevant statutory requirements e.g. Regulation 28 of the Pension Funds Act No 24 of 1956.

Management Committees

The following Management Committees are active in the Fund:

- Executive Committee
- Health and Safety Committee
- Information Technology Steering Committee
- Medical Panel
- Procurement Committee
- Risk Management Committee
- Sub-Committee of the Benefits Committee

Executive Management Committee (EXCO)

The Exco comprises of the Chief Executive, Chief Investment Officer, Retirement Fund

Operations Manager, Human Resources Manager, Legal and Technical Services Manager, Information Technology Manager, Chief Financial Officer, Executive Manager Strategy and Projects, Risk and Compliance Manager and the Corporate Secretary.

The Committee is chaired by the Chief Executive and meetings are held on a monthly basis with ad hoc meetings called when necessary.

The Committee assists the Chief Executive in exercising executive oversight and is also responsible for ensuring the effective management of the daily operations of the Fund.

Exco is authorized to form management sub-committees and in particular administration committees, to assist with the execution of its duties. In exercising the powers and authorities delegated to it, Exco shall act in accordance with, and subject to, the directives and requirements as may be laid down from time to time by the Board of Trustees.

Health and Safety Committee (HAS)

The Health and Safety Committee consists of the Corporate Secretary, Legal and Technical Services Manager, Facilities Manager, Principal Clerk: Corporate Services, Facilities Co-ordinator, Management Accountant and representatives from Human Resources and Risk and Compliance.

The Committee is chaired by the Corporate Secretary and convenes on a quarterly basis. The purpose of the Committee is to initiate, promote, maintain and review measures of ensuring the health and safety of staff.

Information Technology Steering Committee (ITSC)

The IT Steering Committee consists of the

Chief Financial Officer, Information Technology Manager, Retirement Fund Operations Manager, Executive Manager Strategy and Projects, Risk and Compliance Manager and an Outside Expert Member with other members of staff attending by invitation.

The Committee is chaired by the Chief Financial Officer and convenes on a quarterly basis with ad hoc meetings called as and when required.

The primary focus of the Committee is the promoting of improved communication and IT services and recognizing the partnership(s) required for successful IT deployment in the Fund.

Medical Panel (MP)

The Medical Panel comprises of three independent medical practitioners, one Eskom Medical Advisor who also has an Alternate, the Fund's Legal and Technical Services Manager and the Retirement Fund Operations Manager, as well as other members of staff who are invited to attend meetings from time to time.

The monthly Medical Panel meetings are chaired by one of the independent medical practitioners.

The role of the Medical Panel is to, in accordance with the provisions stipulated in Rule 25(4) of the Fund and all amendments thereto, assess the health condition of members of the Fund applying for ill-health retirement benefits, and to make recommendations to the Benefits Committee and Board of Trustees on the status of these members.

Procurement Committee (PC)

The Procurement Committee comprises of the Chief Financial Officer, Legal and Technical Services Manager, Risk and Compliance Manager and the Corporate Secretary.

It is chaired by the Chief Financial Officer with committee meetings being held at least every quarter.

The Committee is responsible for the promotion of good practice, transparency and ethical behaviour in the Fund's procurement activities in terms of the objectives of the Fund's Procurement and B-BBEE Policies.

Risk Management Committee (RMC)

The Risk Management Committee comprises of the Chief Executive, Chief Financial Officer, Chief Investment Officer, Risk and Compliance Manager, Retirement Fund Operations Manager, Information Technology Manager, Executive Manager Strategy and Projects, Legal and Technical Services Manager, one Board member and one Internal Audit member.

It is chaired by the Fund's Chief Executive with committee meetings held on a quarterly basis.

The Committee is responsible for ensuring that an effective and integrated risk management process is functional and maintained for the Fund.

Sub-Committee of the Benefits Committee (SCBC)

The Sub-Committee of the Benefits Committee comprises of the Chief Executive, Retirement Fund Operations Manager, Legal Advisor, Executive Manager Strategy and Projects and Benefits Processing Manager.

The Sub-Committee is chaired by the Chief Executive with meetings being held on a monthly basis.

The Sub-Committee is responsible for approving advances on installment lump-sums registered with the Fund on behalf of the Benefits Committee and the Board of Trustees.

EMPLOYER APPOINTED TRUSTEES



Mr. H.C. Mathebula
Banker
South African Reserve Bank

Chairman of the Board
Strategic Investment Committee
(Chairman) Appointed: Nov 2010



Ms. J. L. Kilani CA(SA)
General Manager Group Tax
Eskom

Audit and Risk Committee
(Chairperson)
Human Resources and Remuneration
Committee (Member)
Appointed: June 2012



Ms. S.M. Mamorare
General Manager
Chief Learning Officer Eskom

Benefits Committee (Member)
Human Resources and Remuneration
Committee (Chairperson)
Appointed: May 2010

Ms. B. Smith CA(SA)
Internal Consulting
Eskom

Audit and Risk Committee
(Member) Strategic
Investment Committee
(Member)
Appointed: May 2010



Adv. N.K. Tsholanku
General Manager -
Office of the Chairman
Eskom

Audit and Risk
Committee (Member)
Strategic Investment
Committee (Member)
Appointed: June 2008



Mr. M. S. Abrahams CA(SA)
Finance Business
Partner Wires
Eskom

Audit and Risk Committee
(Member)
Strategic Investment
Committee
(Member)
Appointed: June 2012



Ms. L.M. Khangala
Independent Trustee

Benefits Committee
(Member) Human
Resources and
Remuneration
Committee (Member)
Appointed: June 2012

THE BOARD OF TRUSTEES

MEMBER ELECTED TRUSTEES



Mr. M.M. Mojapelo
NUMSA Part-Time Shop Steward
Officer Acquire
Eskom

Benefits Committee (Chairman)
Strategic Investment Committee
Appointed: June 2012



Mr. W.E. Green
Pensioner Elected

Audit and Risk Committee
(Member)
Appointed: June 2008



Dr. W.J. Swart Pr Eng
Pensioner Elected

Benefits Committee (Member)
Appointed: June 2008

Mr. G.J. Kruger
Financial Manager
Eskom

Audit and Risk Committee (Member)
Appointed: June 2008



Mr. D.Macatha
NUM -Treasury
General

Benefits Committee
(Member)
Appointed: June 2008



Mr. I.G. Smith
Shop Steward- Full Time
Solidarity

Benefits Committee
(Member)
Human Resources and
Remuneration Committee
(Member)
Appointed: June 2012



Ms. T.F. Madlala
Electrical Engineering
M&V Project Manager
Eskom

Human Resources and
Remuneration Committee
(Member)
Appointed: June 2012





STRONG LEADERSHIP & MANAGEMENT

- Management by providing clear vision, strategy and direction
- Empowering and inspiring leadership team
- Leading by example

SUMMARY OF BENEFITS

The benefits reflected below are in terms of the Rules of the Fund applied in 2013 financial year. The Rules are and registered by the Financial Services Board and approved by the South African Revenue Services for income tax purposes. In the event of a conflict between this summary and the Rules of the Fund, the relevant provisions of the Rules will apply.

I. ELIGIBILITY CONDITIONS

All permanent employees of participating employers who are under the age of 65, are eligible for membership of the Fund.

2. RETIREMENT BENEFITS

2.1 Ill-Health Retirement:

A member may retire at any age as a result of ill-health, provided that the Board approves a recommendation by the Medical Panel in this regard. The benefit is calculated by making provision for a pension based on the member's pensionable emoluments and pensionable service accrued up to the actual retirement date plus 75% of the service that would have been completed from that date to the pensionable age.

2.2 Early Retirement:

A member may retire early after reaching age 55. The benefit is a pension calculated in terms of the pension formula, reduced by the penalty factor of 3,9% per year for each year before age 63.

2.3 Normal Retirement:

The compulsory retirement age is 65, however, members may retire early from age 63 without penalties, subject to the employer's conditions of service. The benefit is based on 2,17% of annual average pensionable emoluments over the last year before retirement, for each year of pensionable service.

2.4 Commutation

A member may commute up to one-third of his/her annual pension at the retirement date. The lump sum amount is calculated using fixed commutation factors. The remainder of the pension benefit will be used to pay a monthly pension to the pensioner for the rest of his/her life and after his/her death, a reduced pension for the rest of the life of the remaining spouse.

3. PENSION INCREASES

Pensions are increased on 1 January in each year in accordance with the Fund's Pension Increase Policy.

4. DEATH BENEFITS

4.1 Death before retirement:

On the death of a member a lump sum equal to twice the member's annual pensionable emoluments is payable and distributed in terms of the provisions of Section 37C of the Pension Funds Act.

Plus

A widow's/widower's pension of the first 60% of the member's potential pension is payable. This pension is calculated as if the deceased member had remained in service and attained age 65, based on current pensionable emoluments.

Plus

A child's pension of 30% of the pension to which the deceased member would have been entitled if he/she had remained in service to the normal retirement date, in respect of a single eligible child. The child's pension will increase to 40% in respect of two or more eligible children.

If there are no spouse's or children's benefits payable, there shall be paid to the member's estate, the greater of:

- a lump sum equal to the member's annual pensionable emoluments.

Plus

10% of the final average pensionable emoluments per year of pensionable service.

Or

Twice the member's annual pensionable emoluments.

4.2 Death after retirement:

On the death of a pensioner, a lump sum equal of R3 000 is paid to the surviving spouse or the estate.

Plus

A pension to the surviving spouse/s equal to 60% of the deceased pensioner's pension at retirement before commutation, including any subsequent increases.

Plus

A further pension of 30% (one child) or 40% (two or

more children) of the deceased pensioner's pension at retirement before commutation (including any subsequent increases) in respect of any eligible children.

4.2.1 But

If no spouse's pension is payable, the percentage in respect of a single eligible child is increased to 60% of the deceased pensioner's pension at retirement before commutation including any subsequent increases. For two or more children, the total percentage is increased to 100% of the deceased pensioner's pension at retirement before commutation including any subsequent increases.

4.2.2 And

If there are no spouse's or children's benefits payable, a benefit equal to the excess of the amount of a lump sum (as specified below) over the total benefits paid to the pensioner until the time of death is paid to the estate.

The lump sum consists of the following:

An amount of R3 000

Plus

The greater of the following two calculations:

1. Twice the annual pensionable emoluments at retirement less pension benefits received since retirement.

Or

2. Annual pensionable emoluments at retirement plus 10% of the final average pensionable emoluments per year of pensionable service, less pension benefits already received.

4.3 Death of a deferred pensioner:

The death benefit of a deferred pensioner differs materially from the above and interested parties can contact the Fund for more details.

5. WITHDRAWAL BENEFITS

5.1 Withdrawal due to Voluntary Resignation, Abscondment or Dismissal:

In case of a withdrawal benefit due to resignation,

“The EPPF has grown into one of the largest Defined Benefit retirement funds in the country.”



OUTSTANDING CUSTOMER FOCUS

- Service to delight approach
- The customer is first
- Customer expectations are exceeded

SUMMARY OF BENEFITS

abscndment or dismissal a cash benefit is payable. This is the prescribed minimum benefit in terms of the Pension Fund Second Amendment Act.

The benefit is the greater of:

First calculation - The capital value of the member's accumulated past contributions plus interest after December 2001. The interest rate must compare reasonably with the actual rate of investment return, net of fees and costs, that the Fund has earned on its assets.

Or

Second calculation - The Fair Value.

The Fair Value pension is the amount of pension that a member has earned for past service up to the date of leaving the Fund, based on the member's pensionable emoluments at the date of leaving the Fund. The capital value of the amount is calculated using financial assumptions, approved by the Registrar of Pension Funds.

5.2 Withdrawal due to retrenchment (before age 50):

In the event of retrenchment, the benefit payable is the greater of:

- Either of the two calculations in 5.1; or

Third calculation - In the event of a negotiated cash settlement or retrenchment of a member, a benefit of three times the member's own annual contributions

becomes payable. The Fund must then pay to the member the greater of the first, second, or third calculations.

5.3 Retrenchment (aged 50 or older):

If a member has 10 years continuous service, he/she qualifies to receive a pension instead of a lump-sum benefit as approved by the employer. The employer compensates the Fund accordingly.

6. DEFERRED PENSION OPTION

A member may, instead of taking cash benefit, elect to become a deferred pensioner and may be granted a benefit equal to the actuarial value, as determined by the Actuary, in respect of completed service.

This deferred benefit reverts to the deferred benefit scheme and may only be accessed from age 55.

7. CONTRIBUTION RATES

Currently, all members contribute at a rate of 7,3% of pensionable emoluments except in the case of certain categories of members who still contribute at lower rates.

A member may undertake to pay additional voluntary contributions to the Fund for the purposes of adding such additional benefits as the Fund may determine.

The employer contributes at a rate of 13,5% of pensionable emoluments in respect of members.

“The Fund continues to focus on always providing its stakeholders with quality service in a cost effective manner.”





ATTRACT, DEVELOP AND RETAIN TALENT

- Transparency and authenticity in all activities
- Treat others as you want to be treated
- Business conduct always ethical and trustworthy

EXECUTIVE MANAGEMENT



**Mr. Sibusiso Luthuli (CA) SA
Chief Executive and Principal Officer**

- B.Com Accounting (University of Zululand)
- Post Graduate Diploma in Accounting (University of Durban Westville)
- Chartered Accountant (SA)

Mr Sibusiso Luthuli is the Chief Executive and the Principal Officer and joined the Fund in April 2010.



**Ms. Nopasika Lila (CA) SA
Chief Financial Officer**

- Chartered Accountant (SA)
- Post Graduate Certificate in Corporate Governance (Rand Afrikaans University)
- Management Development Programme (Gordon Institute of Business Science (GIBS))
- Higher Certificate in Financial Markets & Instruments (Academy of Financial Markets)

Ms Nopasika Lila is the Chief Financial Officer. She joined the Fund in December 2010.



**Ms. Fagmeedah Petersen-Lurie
Acting Chief Investment Officer**

- Postgraduate Diploma (Management Practice) (University of Cape Town Graduate School of Business)
- (University of Cape Town) Bachelor of Business Science (Actuarial Science)
- Accredited Member of the Institute of Directors

Fellow of the Actuarial Society of South Africa. Fellow of the Institute of Actuaries, United Kingdom

**Mr. Jerry Buthane
Retirement Fund
Operations Manager**

- BProc (University of the North);
- HDip Tax Law (RAU)

Mr Jerry Buthane is the Retirement Fund Operations Manager. He joined the Fund in September 2005.



**Ms. Sinikiwe Dube
Human Resources Manager**

- BA Law (University of the Witwatersrand)
- BA Hons (University of the Witwatersrand)

Ms Sinikiwe Dube is the Human Resources Manager. She joined the Fund in August 2009.



EXECUTIVE MANAGEMENT



Ms. Annie Mosiane
Information Technology Manager

- BSc Appl. Comp. Sc. (University of Fort Hare)
- BSc Honours Appl. Comp. Sc. (University of Fort Hare)
- Management Development Programme (University of Bophuthatswana)

Ms Annie Mosiane is the Information Technology Manager. She joined the Fund in October 2002.



Mr. Ben Steyn CFP®
Executive Manager
Strategy and Projects

- BAdmin Hons (University of the Free State)
- MBA (University of North West)
- Certified Financial Planner

Mr Ben Steyn is the Executive Manager Strategy and Projects. He joined the Fund in July 1999.



Ms. Lyverne Wenman
Legal and Technical Services Manager

- BComm (Law) (University of Pretoria)
- LLB (University of Pretoria)
- Admitted as an attorney
- ILPA (Life) – Certificate of Competence (University of the Free State)

Ms Lyverne Wenman is the Legal and Technical Manager. She joined the Fund in August 2012.



Mr. Ayanda Gaqa CFP®
Risk and Compliance Manager

- BTech (Internal Auditing)
- Post Graduate Diploma in Financial Planning (University of Free State)
- Certified Financial Planner®
- Certified Compliance Professional (Compliance Institute of SA)

Mr Ayanda Gaqa is the Risk and Compliance Manager. He joined the Fund in July 2007.



Mr. Johann Hattingh
Corporate Secretary

Mr Johann Hattingh is the Fund Secretary. He joined the Fund in November 1992.

ANNUAL FINANCIAL STATEMENTS

The annual financial statements of the Eskom Pension and Provident Fund “the Fund” are the responsibility of the Board of Trustees. The Board of Trustees fulfils this responsibility by ensuring the implementation and maintenance of accounting systems and practices adequately supported by internal financial controls. These controls, which are implemented and executed by the Fund, provide reasonable assurance that:

- The Fund's assets are safeguarded;
- transactions are properly authorised and executed; and
- the financial records are reliable.

The summarised annual financial statements set out on pages 36 to 49 have been prepared for communication purposes with limited disclosure compared to the regulatory financial statements, which are compiled in terms of the Regulatory Reporting Requirements for Retirement Funds in South Africa. The regulatory financial statements have been prepared and reported to the Financial Services Board (FSB). The summarised financial statements set out on pages 36 to 49 have been prepared in accordance with the criteria set out on page 40 of the notes of the summarised financial statements.

The regulatory financial statements have been reported on by the independent auditors, PricewaterhouseCoopers Inc. who were given unrestricted access to all financial records and related data, including minutes of all relevant meetings. In addition the independent auditors, PricewaterhouseCoopers Inc, reported on whether the summarised financial statements derived from the regulatory financial statements that the Board of Trustees believes that all representations made to the independent auditors during their audit were valid and appropriate. The report of the independent auditors is presented on page 50.

These financial statements:

- Were approved by the Board of Trustees on 15 November 2013;
- are certified by them to the best of their knowledge and belief to be correct;
- fairly represent the net assets of the Fund at 30 June 2013 as well as the results of its activities for the period then ended; and
- are signed on behalf of the Board of Trustees by the Chairman and two Trustees on behalf of the Board of Trustees.

FINANCIAL STATEMENTS

STATISTICAL REVIEW AT 30 JUNE 2013

Investment performance

Description	1 Year	2 Years	3 Years	5 Years	10 Years
	%	%	%	%	%
Interest-bearing	7,6	9,9	9,6	10,5	9,1
Equity	22,8	16,5	19,0	11,2	19,1
Property	20,6	28,1	20,9	15,9	21,5
Total assets	17,8	15,7	16,1	11,9	16,1

Net assets (Rm)

Description	2013		2012		2011		2010		2009	
	%	%	%	%	%	%	%	%	%	
Interest-bearing	27 712	31	30 353	40	24 557	36	22 563	39	21 994	44
Equity	62 746	69	47 100	61	37 537	56	31 424	54	24 503	48
Property	655	1	318	0	5 993	9	5 205	9	5 136	10
Other	(871)	(1)	(834)	(1)	(599)	(1)	(1 349)	(2)	(967)	(2)
Net assets	90 242	100	76 937	100	67 488	100	57 843	100	50 665	100
Contributions received (Rm)	2 740		2 532		2 276		2 132		1 618	
Benefits awarded (Rm)	2 620		2 189		2 266		2 350		1 833	
Members (number)	45 715		44 258		41 808		39 671		38 223	
Pensioners (number)	34 823		34 771		34 294		34 243		33 867	
Ratio of members to Pensioners	1,31		1,27		1,22		1,16		1,13	

• Note: The number of pensioners includes children receiving pensions

FINANCIAL STATEMENTS

STATEMENT OF NET ASSETS AND FUNDS AT 30 JUNE 2013

	Notes	2013 R'000	2012 R'000
Assets			
Non-current assets		91,115,267	77,772,446
Office furniture and equipment		2,407	1,272
Investments	1	91,112,860	77,771,174
Current assets		1,622,899	1,277,685
Accounts receivable		1,216,528	883,268
Contributions receivable		393,015	392,698
Cash at bank		13,356	1,719
Total assets		92,738,166	79,050,131
Funds and Liabilities			
Funds and surplus account			
Accumulated funds		69,672,972	59,842,257
- Normal retirement		66,118,489	56,898,038
- Additional voluntary contribution scheme		294,375	245,581
- Performance bonus scheme		3,260,108	2,698,638
Reserves			
Reserve accounts		20,569,000	17,095,000
Total funds and reserves		90,241,972	76,937,257
Noncurrent liabilities		56,349	45,539
Unclaimed benefits		56,349	45,539
Current Liabilities		2,439,845	2,067,335
Benefits payable		590,599	496,777
Transfers payable		162	-
Accounts payable		1,838,012	1,555,847
Accruals		11,072	14,711
Total funds and liabilities		92,738,166	79,050,131

FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN NET ASSETS AND FUNDS FOR THE YEAR ENDED 30 JUNE 2013

Description	Notes	Normal retirement R'000	Additional Voluntary Contribution Scheme R'000	Performance Bonus Scheme R'000	Accumulated Funds R'000	Reserve accounts R'000	Total 2013 R'000	Total 2012 R'000
Contributions received and accrued	2	2,446,886	19,804	273,675	2,740,365	-	2,740,365	2,531,572
Net investment income	3	13,330,714	-	-	13,330,714	-	13,330,714	9,224,408
Return allocated to schemes		(418,312)	35,139	383,173	-	-	-	-
Less:								
Administration expenses		(145,921)	-	-	(145,921)	-	(145,921)	(117,350)
Net income before transfers and benefits		15,213,967	54,943	656,848	15,925,158	-	15,925,158	11,638,630
Transfers and benefits		(2,518,916)	(6,149)	(95,378)	(2,620,443)	-	(2,620,443)	(2,189,163)
Transfers from other funds		-	4,823	-	4,823	-	4,823	6,241
Transfers to other funds		(39,968)	(934)	(6,041)	(46,943)	-	(46,943)	(55,073)
Benefits		(2,478,948)	(10,038)	(89,337)	(2,578,323)	-	(2,578,323)	(2,140,331)
Net income after transfers and benefits		12,694,451	48,794	561,470	13,304,715	-	13,304,715	9,449,467
Funds and reserves								
Balance at beginning of year		56,898,038	245,581	2,698,638	59,842,257	17,095,000	76,937,257	67,487,790
Transfer between reserve accounts		(3,474,000)	-	-	(3,474,000)	3,474,000	-	15,715,035
Balance at end of year		66,118,489	294,375	3,260,108	69,672,972	20,569,000	90,241,972	76,937,257

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

PRINCIPAL ACCOUNTING POLICIES

The following are the principal accounting policies used by the Fund, which are, consistent with those of the previous period.

PURPOSE AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The summarised annual financial statements were derived from the regulatory annual financial statements which were compiled in terms of the Regulatory Reporting Requirements for Retirement Funds in South Africa.

The purpose of the summarised annual financial statements is to give a broad overview of the financial position of the Fund without providing the level of detail as per the regulatory financial statements as indicated below:

- The summarised information contained in the statement of net assets and funds and notes thereto, reflects a snapshot view of the Fund's investments highlighting the different classes of assets held.
- The statement of changes in net assets and funds highlights return on investments for enhanced understanding and provides a summary of contributions received and benefits expensed for the financial year.

FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of any other entity. A financial asset or a financial liability is recognised when its contractual arrangements become binding and is derecognised when the contractual rights to the cash flows of the instrument expire or when such rights are transferred in a transaction in which substantially all risks and rewards of ownership of the instrument are transferred.

Financial instruments carried on the statement of net assets and funds, include cash and bank balances, investment, receivables and accounts payable.

Financial instruments are recognised on acquisition using trade date accounting, which includes transaction costs. Upon initial recognition financial instruments are designated at fair value through the statement of changes in net assets and funds as the

assets or liabilities are managed, evaluated and reported internally on a fair value basis and/or the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise.

Subsequent to initial recognition, these instruments are measured as set out below.

INVESTMENTS

Investments are classified at fair value through the statement of changes in net assets and funds and are measured at fair value.

Loans (other than housing loans) – loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determined payments that are not quoted in an active market other than those that the Fund intends to sell in the short term or that is designated as at fair value through the statement of changes in net assets and funds. Loans and receivables are measured at fair value.

Debentures

Debentures comprise investments in listed and unlisted debentures.

Listed debentures

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

Unlisted debentures

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

Bills and bonds

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

Listed bills and bonds

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

FINANCIAL STATEMENTS

Unlisted bills and bonds

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

Investment property

A property held for long-term yields or capital appreciation that is not occupied by the Fund is classified as investment property. Investment properties comprise freehold land and buildings and are carried at fair value.

Investment properties are reflected at valuation on the basis of open-market fair value at the statement of net assets and funds date. In the open-market valuation information cannot be reliably determined; the Fund uses alternative valuation method such as discounted cash flow projections or recent prices on active markets for transactions of similar nature.

The fair values are the estimated amounts for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction.

The open-market fair value is determined annually by independent professional valuers.

Changes in fair value are recorded by the Fund in the statement of net changes in assets and funds.

Equities

Equity instruments consist of equities with primary listing on the JSE, equities with secondary listing on the JSE, foreign listed equities and unlisted equities.

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

Listed equities

Equity instruments are subsequently measured at fair value and the fair value adjustments are recognised in the statement of net changes in assets and funds. The fair value of equity instruments with standard terms and conditions and traded on active liquid

markets is based on regulated exchange quoted ruling closing prices at the close of business on the last trading day on or before the statements of net assets and funds date.

Unlisted equities

If a quoted closing price is not available i.e. for unlisted instruments, the fair value is estimated using pricing models, or by applying appropriate valuation techniques such as discounted cash flow analysis or recent arm's length market transactions in respect of equity instruments.

Preference shares

Listed preference shares

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

Unlisted preference shares

In respect of unlisted preference shares, the fair value is determined by applying appropriate valuation techniques such as discounted cash flow analysis or recent arm's length market transactions in respect of preference shares.

Insurance policies

Non - linked insurance policies

Non – linked insurance policies with insurers are valued on the basis of the policyholder's retrospective contribution to assets (i.e. accumulation at the actual investment return achieved on gross premiums).

Linked or market-related policies

If the policy is unithised, the value is equal to the market value of the underlying units. Other linked or market related policies are valued at the market value of the underlying assets of each policy, in line with the insurer's valuation practices.

Collective investment scheme

Investments in collective investment schemes are valued at fair value which is the quoted unit values, as derived by the collective investment scheme administrator with reference to the rules of each particular collective investment scheme, multiplied by the number of units.

Derivatives

Derivative market instruments consist of options, equity linked

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instruments, futures/forwards – SAFEX/foreign, currency swaps and interest rate swaps.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value.

Fair values are obtained from regulated exchange quoted market prices in active markets, including discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. The Fund does not classify any derivatives as hedges in a hedging relationship.

The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidence by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) based on a valuation technique whose variables include only data from observable markets.

Options

Options are valued using option pricing model.

Futures/forwards

The fair value of publicly traded derivatives is based on quoted closing prices for assets held or liabilities issued, and current offer prices for assets to be acquired and liabilities held.

Swaps

Swaps are valued by means of discounted cash flow models, using the swap curve from a regulated exchange (BESA) to discount fixed and variable rate cash flows, as well as to calculate implied forward rates used to determine the floating interest rate amounts. The net present values of the fixed leg and variable leg of the swap are offset to calculate the fair value of the swap.

INVESTMENT IN PARTICIPATING EMPLOYER

Investments in participating employer(s) comprise bonds.

CASH AND CASH EQUIVALENTS

Cash and deposits comprise cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are measured at fair value.

RESERVES

Reserve accounts comprise particular amounts of designated income and expenses as set out in the rules of the Fund and are recognised in the period in which such income and expenses accrue to the Fund.

TRANSFER TO AND FROM THE FUND

Section 14 and 15B transfers to or from the Fund are recognised on the date of approval of the scheme or arrangement of transfer of business by the Financial Services Board, as contained in the approval certificate from the Registrar.

Individual transfers (Section 13A(5) transfers) are recognised on the earlier of receipt of the written notice of transfer (Recognition of Transfer) or receipt of the actual transfer value.

All the above transfers are measured at the values as per the Section 14 application or the value of the transfer at effective date of transfer adjusted for investment return or late payment interest as guided by the application.

ACCOUNTS RECEIVABLE

Accounts receivable are financial assets measured initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less any allowance for impairment.

ACCOUNTS PAYABLE

Accounts payable are financial liabilities measured initially at fair value, net of transaction costs that are directly attributable to the liability and subsequently measured at amortised cost using the effective interest rate method.

IMPAIRMENT

Impairment of loans and receivables

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

PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions

Provisions are recognised when the Fund has a present legal or

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constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the statement of net assets and funds date, as determined by the judgment of the Board of Trustees of the Fund.

Contingent liabilities

A contingent liability is not recognised in the statement of net assets and funds, but disclosed in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets

A contingent asset is not recognised in the statement of net assets and funds, but disclosed in the notes to the financial statements when an inflow of economic benefits is probable.

CONTRIBUTIONS

Contributions are measured at the fair value of the consideration received or receivable

Contributions are accrued and recognised as income in accordance with the actuarial recommendations, and the rules of the retirement fund.

Contributions received are apportioned between retirement funding and funding for risk and other expenses. The apportionment is governed by the rules of the Fund and actuarial recommendations.

Voluntary contributions are recognised when they are received from annual payments or accrued where monthly recurring payments are made.

Any contributions outstanding at the end of the reporting period are recognised as a current asset – contribution receivable. Any contributions received in advance at the end of the reporting period are recognised as a current liability – accounts payable.

Interest charged on late payment of contributions

Compound interest on late payments or unpaid amounts and values shall be calculated for the period from the first day of the month following the expiration for the period in respect of which the relevant amounts or values are payable or transferable until the date of receipt by the Fund.

BENEFITS

Benefits payable and pensions are measured in terms of the rules of the Fund. Benefit payments and monthly pension payments are recognised as an expense when they are due and payable in terms of the rules of the Fund. Any benefits not paid at the end of the reporting period are recognised as a current liability – benefits payable / due.

INVESTMENT INCOME

Dividends

Dividend income is recognised in the statement of changes in net assets and funds when the right to receive payment is established – this is the last date to trade for equity securities. For financial assets designated at fair value through the statement of changes in net assets and funds, the dividend income forms part of the fair value adjustment.

Interest

Interest income in respect of financial assets held at amortised cost is accounted for in the statement of changes in net assets and funds using the effective interest rate method.

Rentals

Rental income is accounted for in the statement of changes in net assets and funds on a straight-line basis over the period of the rental agreement, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Property expenses shall be recognised in the statement of changes in net assets and funds under net investment income.

Collective investment schemes' distribution

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

Income from policies with insurance companies

Income from investment policies from insurance companies is included in the adjustment to the movement of the financial asset.

Interest on late payment of contributions and / or loans and receivables

Interest on late payment of contributions and / loans and receivables is accounted for in the statement of changes in net assets and funds using the effective interest rate method.

Adjustment to fair value

Gains or losses arising from changes in the fair value of financial assets at fair value through the statement of changes in net assets

FINANCIAL STATEMENTS

and funds are presented in the statement of changes in net assets and funds in the period in which they arise.

Expenses incurred in managing investments

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

ADMINISTRATION EXPENSES

An expense is recognised if it is probable that any future economic benefit associated with the item will flow to or from the Fund and the item has a cost or value that can be measured with reliability.

Expenses incurred in the administration of retirement funds are recognised in the statement of changes in net assets and funds in the reporting period to which they relate.

In the event that an expense has not been paid at the end of a reporting period the liability will be reflected in the accounts payable note. If the expense was paid in advance or overpayment occurred, the applicable amount will be disclosed under the accounts receivable note.

LEASES

Leases in which significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentive received from the lessor) are charged to the statement of changes in net assets and funds on a straight-line basis over the period of the lease.

ACCOUNTING POLICIES, CHANGING IN ACCOUNTING ESTIMATES AND ERRORS

The Fund applies adjustments arising from changes in accounting policies and errors prospectively. The adjustment relating to a change in the accounting policy or error is therefore recognised in the current and future periods affected by the change.

RELATED PARTIES

In considering each possible related-party relationship, attention is directed to the substance of the relationship and not merely the legal form.

If there have been transactions between related parties, the Fund shall disclose the nature of the related party relationship as well as the following information for each related party relationship:

- The amount of the transactions;
- The amount of outstanding balances;
- Their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in the settlement;
- Details of guarantees given or received;
- Provisions for doubtful debts related to the amount of outstanding balances; and
- The expense recognised during the period in respect of bad or doubtful debts due from related parties.

DEPRECIATION

The Fund carries assets at historical cost less depreciation and impairment, except for land which is carried at cost less impairment. Historical cost includes expenses that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Fund and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of changes in net assets and funds during the financial period in which they are incurred.

Assets are depreciated on a straight-line basis at rates calculated to reduce the book value of these assets to estimated residual values over their expected useful lives.

The periods of depreciation used are as follows:

Computer equipment	3 years
Furniture and fittings	5 years
Office equipment	5 years
Motor Vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of net assets and funds date. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. Gains or losses on disposals are determined by reference to the carrying amount of the asset and the net proceeds received, and are recorded in statement of changes in net assets and funds on disposal.

FINANCIAL STATEMENTS

I. INVESTMENTS

I.1 Investment summary

Description	Notes	Local R'000	Foreign R'000	Total 2013 R'000	Total 2012 R'000	Fair value 2013 R'000
Cash and deposits		4,499,784	339,401	4,839,185	13,210,920	4,839,185
Debentures		487,933	-	487,933	469,059	487,933
Bills, bonds and securities		20,340,899	-	20,340,899	15,665,409	20,340,899
Investment properties	1.3	85,100	-	85,100	89,700	85,100
Equities:						
- Equities with primary listing on JSE		32,553,817	-	32,553,817	28,621,333	32,553,817
- Equities with secondary listing on JSE		8,875,774	-	8,875,774	7,434,802	8,875,774
- Foreign listed equities		-	19,326,218	19,326,218	9,221,593	19,326,218
- Unlisted equities		20,260	-	20,260	18,636	20,260
Linked insurance policies		937,930	-	937,930	817,543	937,930
Private equity		846,267	207,260	1,053,527	940,624	1,053,527
Specialist Securities		613,618	-	613,618	163,302	613,618
Collective investment schemes		367,910	-	367,910	466,868	367,910
Derivative market instruments		(29,640)	-	(29,640)	(25,478)	(29,640)
Investment in participating employer(s)	1.2	1,640,329	-	1,640,329	676,863	1,640,329
Total		71,239,981	19,872,879	91,112,860	77,771,174	91,112,860

I.2 Investments in participating employer(s)

Description	At beginning of year R'000	Disposals R'000	Additions R'000	Fair value adjustments R'000	At end of year R'000
Eskom Holdings (SOC) Limited	676,863	42,107	455,000	550,573	1,640,329
Total	676,863	42,107	455,000	550,573	1,640,329

FINANCIAL STATEMENTS

I. Investments (continued)

I.3 Investment properties

Description	At beginning of year R'000	Disposals R'000	Additions R'000	Fair value adjustments R'000	At end of year R'000
Office complexes	89,700	-	-	(4,600)	85,100
Total	89,700	-	-	(4,600)	85,100

2. Contributions received and accrued

Description	At beginning of year R'000	Towards retirement R'000	Contributions received R'000	At end of year R'000
Member contributions - received and accrued	137,822	845,659	919,198	64,283
Employer contributions - received and accrued	254,876	1,601,227	1,722,618	133,485
Money Purchase Schemes				
- Additional voluntary contribution	-	19,804	19,801	3
- Performance Bonus	-	273,675	78,431	195,244
Total	392,698	2,740,365	2,740,048	393,015
Towards retirement	2,740,365			
Towards re-insurance	-			
Statement of changes in net assets and funds	2,740,365			

FINANCIAL STATEMENTS

3. Net investment income

	2013 R'000	2012 R'000
Income from property investments	17,487	258,096
Interest	-	240,167
Rental	17,487	17,929
Interest	1,372,638	1,472,516
Profit on sale/ redemption of investments	12,909,180	15,248,840
- Equities	5,401,112	3,847,554
- Futures	958,503	3,491,956
- Gilts and Semi gilts	264,443	216,298
- Foreign exchange	6,280,093	2,746,719
- Properties (Pareto and BVI)	-	1,157,523
- Other (money market and carries)	5,030	3,788,790
Loss on sale/ redemption of investments	(4,090,978)	(5,175,256)
- Equities	(824,444)	(521,929)
- Futures	(897,474)	(3,393,193)
- Gilts and Semi gilts	(185,090)	(61,626)
- Foreign exchange	(2,167,692)	(1,197,076)
- Other (money market, properties and carries)	(16,277)	(1,422)
Securities lending fee	16,161	12,499
Other income	6,539	5,734
Less: Expenses incurred to manage investments	(231,254)	(194,660)
Rental expense	(15,281)	(10,433)
Futures booking fees	(114)	(349)
Lending expenses	(540)	(528)
Portfolio management fees	(198,436)	(161,490)
Private equity management fees	(16,883)	(21,860)
Fair value adjustment on investments (a)	3,330,941	(2,403,371)
Total	13,330,714	9,224,408

(a) Included in fair value adjustment is dividend income amounting to R1,643,179 (2012: R1,346,465) (R'000) in terms of Regulatory Reporting Requirement for Retirement Funds in South Africa.

FINANCIAL STATEMENTS

4. Benefits

Description	At beginning of year R'000	Benefits for current period R'000	Return allocated R'000	Payments/ (Transfers) R'000	At end of year R'000
Monthly pensions	15,527	1,765,146	-	(1,687,054)	93,619
Lump sums on retirement					
Pensions commuted	61,305	345,591	-	(351,559)	55,337
Lump sums before retirement					
Death and disability benefits	29,679	73,382	-	(5,110)	97,951
Withdrawal benefits	75,975	237,386	-	(291,718)	21,643
Divorce benefits	1,427	24,794	-	(24,131)	2,090
Retrenchment benefits	(116)	-	-	-	(116)
Schemes					
Additional voluntary benefits	-	10,038	-	(10,038)	-
Performance Bonus benefits	-	89,337	-	(89,337)	-
Trust monies	312,980	-	32,649	(25,554)	320,075
Total	496,777	2,545,674	32,649	(2,484,501)	590,599
Benefits for current year	2,545,674				
Return allocated	32,649				
Statement of changes in net assets and funds	2,578,323				

5. Risk management policies

Solvency risk

Solvency risk is the risk that the investment returns on assets will not be sufficient to meet the Fund's contractual obligations to members. Solvency risk also relates to the inability of the Fund to pay its debts in full and not being able to cover losses regardless of the source, type or size of the losses.

Continuous monitoring by the Fund and the Fund's actuary takes place to ensure that appropriate assets are held where the Funds obligation to members are dependent upon the performance of specific portfolio assets and that a suitable match of assets exists for all other liabilities.

Credit risk

Credit risk is the risk that counter-party to a financial instrument will fail to discharge an obligation, and cause the Fund to incur a financial loss.

The Fund monitors receivable balances on an ongoing basis with the result that the Fund's exposure to bad debts is not significant.

The Funds assets are only invested through investment managers who are section 13B compliant. Investment managers must report regularly on the steps taken to identify and manage the credit risk. The Fund monitors the Funds exposure to credit risk.

Legal risk

Legal risk is the risk that the Fund will be exposed to contractual obligations which have not been provided for. Legal representatives of the Fund monitor the drafting of contracts to ensure that rights and obligations of all parties are clearly set out.

Cash flow risk

Cash flow risk is the risk that future cash flows associated with monetary financial instruments will fluctuate in amount. In

the case of a floating rate debt instrument, for example, such fluctuations result in a change in the effective interest rate of the financial instrument, usually without a corresponding change in its fair value. The Fund monitors its cash flows on a monthly basis.

Currency risk

Currency risk is the risk that the value of an instrument will fluctuate in Rands due to changes in foreign exchange rates. The Fund's exposure to currency risk is mainly in respect of foreign investments made on behalf of members of the Fund for the purpose of seeking desirable international diversification of investments. The Fund monitors this aspect of the Fund's investments.

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Fund's liabilities are backed by appropriate assets and it has significant liquid resources.

Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices or market interest rates.

Investments

Investments in equities are valued at fair value and therefore susceptible to market fluctuations. Investments are managed with the aim of maximising the Fund's returns while limiting risk to acceptable levels within the framework of statutory requirements.

Continuous monitoring takes place to ensure that appropriate assets are held where the liabilities are dependent upon the performance of specific portfolios of assets and that a suitable match of assets exists for all non-market related liabilities.

AUDITOR'S REPORT

Report of the Independent Auditor on the summarised financial statements to the Trustees of the Eskom Pension and Provident Fund

The summarised financial statements, which comprise the summary statement of funds and net assets as at 30 June 2013, and the summary statements of net assets and funds, statement of changes in net assets and funds for the year then ended, and related notes, as set out on pages 36 to 49 are derived from the audited regulatory financial statements of the Eskom Pension and Provident Fund for the year ended 30 June 2013. We expressed an unmodified audit opinion on those audited regulatory financial statements in our report dated 18 November 2013.

The summarised financial statements do not contain all the disclosures required by the Regulatory Reporting Requirements for Retirement Funds in South Africa. Reading the summarised financial statements, therefore, is not a substitute for reading the audited regulatory financial statements of the Eskom Pension and Provident Fund.

Trustees' Responsibility for the Summarised Financial Statements

The Fund's trustees are responsible for the preparation of the summarised financial statements in accordance with the basis described on pages 36 to 49.

Auditor's Responsibility

Our responsibility is to express an opinion on the summarised financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, "Engagements to Report on Summary Financial Statements."

Opinion

In our opinion, the summarised financial statements derived from the audited regulatory financial statements of the Eskom Pension and Provident Fund for the year ended 30 June 2013 are consistent, in all material respects, with those financial statements, on the basis described on pages 36 to 49.

Restriction on use

The audited regulatory financial statements are prepared for regulatory purposes in accordance with the basis of preparation indicated in the notes of the audited financial statements of the funds. Consequently, the audited regulatory financial statements and related auditor's report as well as the summarised financial statements and related auditor's report, may not be suitable for another purpose.



PricewaterhouseCoopers Inc.

Director: G.J. Kapp

Registered Auditor

Johannesburg

18 November 2013

ACTUARIAL REPORT

Particulars of financial condition of the Fund as at 30 June 2013

An interim actuarial valuation was carried out as at 30 June 2013. In respect of this valuation, I can comment as follows:

1. The fair value of the net assets of the Fund after deduction of current liabilities and any liabilities arising from the pledging, hypothecation or other encumbering of the assets of the Fund – R90 213 million.
2. The actuarial value of the net assets for the purposes of comparison with the accrued liabilities of the Fund – R90 006 million.
3. The actuarial present value of promised retirement benefits – R60 903 million vested, and R0 non-vested.
4. Contingency reserve account balances – R20 569 million.
5. The projected unit method was adopted for the valuation, which is unchanged from the method used at the last valuation. The contingency reserves comprise a solvency reserve calculated as the estimated additional amount required, to the extent that sufficient assets are available, to ensure that the liabilities and assets are matched on a substantially risk-free basis, a contribution reserve equal to the expected present value of the future contribution shortfall for the current membership, and a pension increase affordability reserve equal to the excess (if any) of the notional pensioner account over the pensioner liability and solvency reserve. This approach is unchanged from the last statutory valuation.
6. The key financial assumptions are that investment returns will exceed salary inflation by 4,2% per annum (4,5% at the previous valuation) before allowing for an age-related promotional scale. Future pension increases were assumed to be equal to the assumed consumer price inflation rate of 5,7% per annum (5,5% at the previous statutory valuation). The yield used to calculate the solvency reserve was equal to the assumed yield on index-linked bonds at the valuation date, adjusted for real salary increases and asset management fees. The approach is unchanged from the previous valuation.
7. Members contribute at 7,3% of pensionable salaries and the employers contribute 13,5% . There is a small contribution deficit relative to the fixed contribution rate payable in terms of the rules. At the valuation date this deficit amounted to 1,09% of the pensionable salaries (0,07% surplus at the previous statutory valuation)
8. In my opinion the Fund was in a sound financial condition as at 30 June 2013 for the purposes of the Pension Funds Act, 1956.

Prepared by me:



David K Little
VALUATOR
Fellow of the Faculty of Actuaries

In my capacity as the valuator of the Fund and as an Associate of Towers Waston (Pty) Ltd
15 November 2013

FUND ADMINISTRATION DETAILS

Eskom Pension and Provident Fund

Fund registration number 12/8/564/2

Registered office

Moorgate House, Hampton Park South,
24 Georgian Crescent East, Bryanston East, 2191

Postal address

Private Bag X50, Bryanston, 2021, South Africa

Contact details

Telephone: +27 11 709 7400

Fax: +27 11 709 7554

Website address

www.eppf.co.za

Benefit administrator

Self-administered

External Auditors

PricewaterhouseCoopers Inc.,
Private Bag x36, Sunninghill, 2157

Internal Auditors

KPMG, Private Bag x9, Parkview, 2122.
Sizwe Ntsaluba Gobodo,
P.O. Box 2930, Saxonwold, 2132

Actuaries

Towers Watson (Pty) Ltd
Private BagX30, Rondebosch, 7701

Investment administrators

During the year under review, approximately 65% of the total assets were managed by external asset managers, while the balance was managed in-house.

Domestic asset managers:

27Four Investment Managers (Proprietary) Limited
Afena Capital (Proprietary) Limited
Argon Asset Management (Proprietary) Limited
Blue Ink Investment (Proprietary) Limited
Brait Capital Management (RF) (Proprietary) Limited
Catalyst Fund Managers SA (Proprietary) Limited
Coronation Asset Management (Proprietary) Limited
Element Investment Managers (Proprietary) Limited
Investec Asset Management (Proprietary) Limited
Kagiso Asset Management (Proprietary) Limited
Mazi Capital (Proprietary) Limited
Meago Trading (Proprietary) Limited
Momentum Asset Management (Proprietary) Limited
Oasis Asset Managers Limited
Old Mutual Investment Group (South Africa)(Proprietary) Limited
Pan-African Asset Management (Proprietary) Limited
Sanlam Investment management (Proprietary) Limited
Stanlib Asset Management (Proprietary) Limited
Sygnia Asset Management (Proprietary) Limited
Taquanta Asset Management (Proprietary) Limited

International asset managers:

Aberdeen Fund Management Limited
BlackRock Investment Management (UK) Limited
Independent Franchise Partners LLP
Morgan Stanley Investment Management Limited
MSCI World Index Exchange Traded Funds and Other
RCM Global Investors (UK) Limited
SEI Investment Management Corporation

