



The Guardian's Fund
**ANNUAL
REPORT**
2016/2017



the doj & cd

Department:
Justice and Constitutional Development
REPUBLIC OF SOUTH AFRICA



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**REPORT OF THE
ACCOUNTING
OFFICER ON THE
ACTIVITIES OF
THE GUARDIAN'S
FUND**

REPORT OF THE ACCOUNTING OFFICER ON THE ACTIVITIES OF THE GUARDIAN'S FUND FOR THE YEAR ENDED 31 MARCH 2017

INTRODUCTION

The Guardian's Fund (GF) is a statutory trust established in terms of Chapter V of the Administration of Estates Act, 1965 (Act 66 of 1965). The GF consists of all monies received by the Master of the High Court under the Administration of Estates Act, or any other law or pursuant to an order of court, or any money accepted by the Master in trust for any known or unknown person. Whenever any money is received or accepted by the Master, he or she must open an account in the books of the GF in the name of the person to whom the money belongs, or in the name of the estate of which the money forms part. The Master must, on application of any person who has become entitled to receive money from the Fund, pay that money to the applicant.

The purpose of the GF is therefore to protect and manage monies of persons deemed to be legally incapable of, or lacking the capacity to, manage their own affairs, as well as undetermined, unknown or absent heirs and untraceable persons.

The GF is held under the management of the Masters of the High Courts of South Africa.

Some of the functions of the GF performed with the prescripts of the said Act, *inter alia*, are to -

- Invest trust monies held with the Public Investment Corporation (PIC);
- Calculate interest accruing with regard to monies received on behalf of beneficiaries, at the interest rate as determined by the Minister of Justice and Constitutional Development annually; and
- Process inheritance applications and make the payments to persons entitled thereto.

Core Service Delivery Environment

The GF has representation in six Masters' offices, namely:

Pretoria, Cape Town, Pietermaritzburg, Grahamstown, Bloemfontein and Kimberley.

The GF has a strong focus on, and commitment to, excellence in service delivery and governance and, as such, the GF is pleased to report the following achievements:

The GF has now established 180 points of service throughout the country, to assist with customer interaction and making services easily accessible, thereby relieving the financial burden on vulnerable beneficiaries having to travel long distances to the Masters' offices to submit their applications.

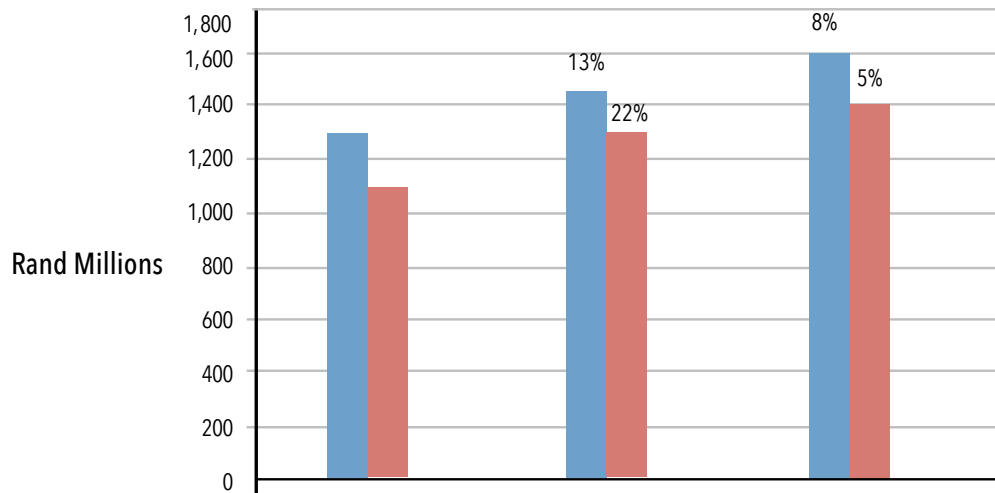
All GF Offices are utilising an approved electronic payment system, and have achieved 100% EFT payment transactions for the 2016/17 financial year, which enhances the turnaround time of payment of benefits.

The GF electronic system modernisation project has been adopted in the Departments ICT Plan for the 2017/18 Financial Year, and it is envisaged that design and implementation phases will commence during the 2017/18 year.

Growth of Beneficiary Liability

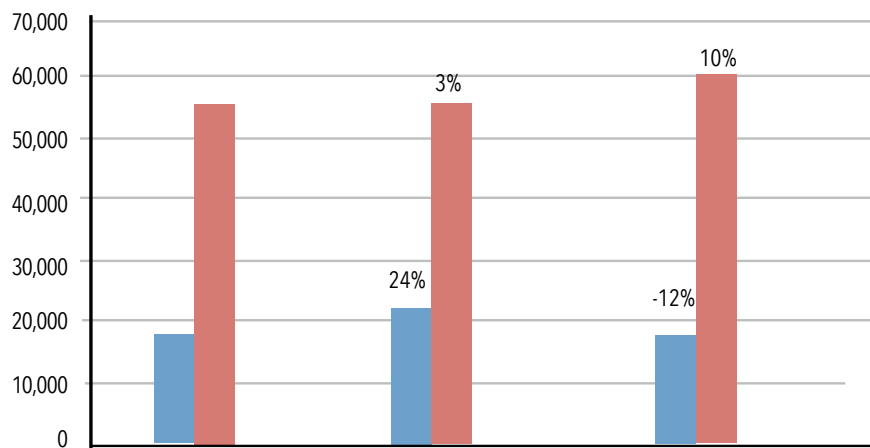
As has been disclosed in more detail in the financials on pages 16 to 42, we can see, as illustrated below that the Fund continues to show positive growth in the volume of transactions handled, as well as in the total funds under management.

Guardian's Fund Beneficiary Receipts and Payments



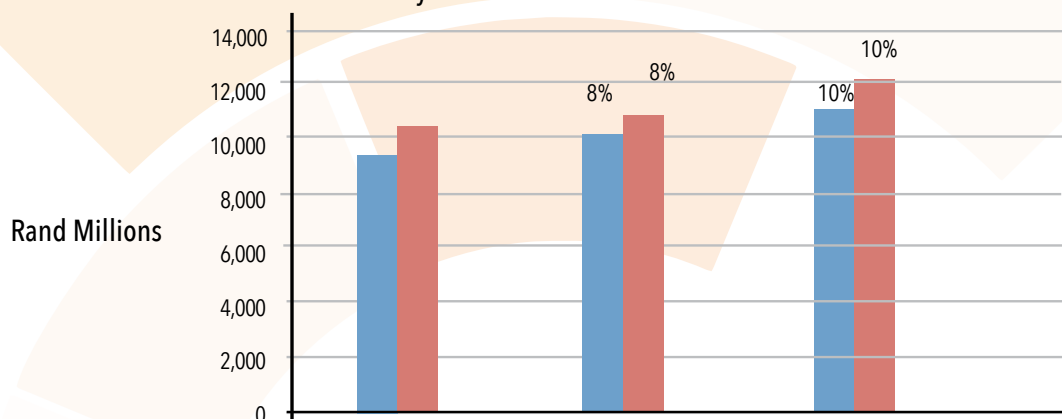
	2014/15	2015/16	2016/17
Beneficiary Receipts	1 318	1 486	1 598
Beneficiary Payments	1 105	1 352	1 414

Guardian's Fund - Transaction volumes (Receipts and Payments)



	2014/15	2015/16	2016/17
Receipts transactions	17 824	22 054	19 449
Payments transactions	56 924	58 531	64 162

Guardian's Fund- Total assets vs beneficiary liabilities



	2014/15	2015/16	2016/17
Beneficiary Liability	9 365	10 109	11 115
Total Assets	10 200	11 063	12 177

Fraud Prevention and Detection

The GF adopts a zero tolerance stance when it comes to fraud and corruption and, as such, has a fraud prevention strategy as well as a fully functional and capacitated forensic directorate in order to ensure that all fraud and loss matters, as well as any potential maladministration, is addressed pro-actively.

The GF also performs an annual risk assessment to identify and address any emerging risk areas, in order to ensure the integrity and safety of the beneficiary funds within the GF.

Investment Management

The Office of the Chief Financial Officer, with assistance from the Office of the Chief Master, is responsible for formulation and supervision of the mandate given to the Investment Manager (the Public Investment Corporation).

With a balance sheet of R12 billion in investable assets, and growing, the stewardship of GF assets is a challenging and complex endeavour. I would like to take this opportunity to extend my sincere gratitude to our expert investment advisors, and also to colleagues at National Treasury who have ensured that the Department is able to discharge its obligations and match the expectations and the safeguarding of the GF assets, and continue growing the investments.

The GF is pleased to report that in the 2016/17 year,

the Fund generated more than R929 million in investment income, and was able to pass an additional 65 basis points (above the market interest rate) to the beneficiaries.

The rate of interest was 9.00% per annum for the financial year under review.

Acknowledgement

My appreciation for the loyal support and valuable contributions of the various stakeholders is hereby acknowledged.

Approval

The annual financial statements as set out on pages 16 to 42 have been approved by the Accounting Officer.

Mr V. MADONSELA
ACCOUNTING OFFICER
DEPARTMENT OF JUSTICE AND CONSTITUTIONAL DEVELOPMENT

Date: 31 July 2017



**REPORT OF
THE AUDIT
COMMITTEE ON
THE GUARDIAN'S
FUND**

REPORT OF THE AUDIT COMMITTEE ON THE GUARDIAN'S FUND

1. REPORT OF THE AUDIT COMMITTEE

We are pleased to present our report for the financial year ended 31 March 2017.

1.1 Audit Committee members and attendance

The Audit Committee consists of the members listed below, and is required to meet at least four times per annum as per its approved terms of reference. During the current year four meetings and three special meetings were held, as indicated below.

Name of members	Numbers of meetings attended	Number of special meetings attended	Status
Mr. Motsamai Karedi (Chairperson)	4	3	Reappointed- 25 November 2015
Mr. Cedric Boltman	4	3	Reappointed- 25 November 2015
Ms. Besky Ngunjiri	4	1	Reappointed - March 2015
Mr. Wilson Ramabulana	4	3	Reappointed- 25 November 2015
Mr. Andrew Sello	4	3	Reappointed- 25 November 2015

1.2 Audit Committee responsibility

1. The Audit Committee reports that it has complied with its responsibilities arising from Section 38 (1) (a) (ii) of the Public Finance Management Act and Treasury Regulation 3.1.13. The Audit Committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter, has regulated its affairs in compliance with this charter, and has discharged all its responsibilities as contained therein.

1.3 The effectiveness of internal control

The Audit Committee is satisfied that key controls remained in place throughout the year under review and, where shortcomings in the internal controls were identified, management has addressed them through implementation of audit action plans. Internal Audit validated the audit action plans, and the Audit Committee reviewed those same plans to ensure effective implementation by management. There has also been an improvement in the risk maturity level within the Guardian's Fund which has contributed to the effectiveness of controls.

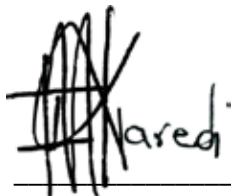
1.4 Internal Audit

The Department of Justice and Constitutional Development's Internal Audit is also responsible for the auditing of Guardians Fund.

The Internal Audit unit has discharged its responsibilities as per the internal audit charter and plan.

1.5 Auditor-General South Africa

The Audit Committee accepts and concurs with the unqualified audit opinion of the AGSA on the Annual Financial Statements of the Guardian's Fund for the year ended 31 March 2017.



M Karedi
Chairperson of the Audit Committee

Date: 31 July 2017

1.6 Reports

1.6.1 The quality of in-year management and monthly/quarterly reports submitted in terms of the PFMA

The Audit committee has reviewed the monthly and quarterly reports and, where concerns were raised, management acted on them, and the Audit Committee monitored progress throughout the year under review.

1.6.2 Evaluation of financial statements

We have reviewed and discussed the audited annual financial statements with management and also reviewed the Guardian's Fund compliance with legal and regulatory provisions. We have also reviewed the Auditor-General of South Africa's report, and management letter and management's responses to these, and the Audit Committee is satisfied with the contents thereof.



**REPORT OF
THE AUDITOR-
GENERAL TO
PARLIAMENT**

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON GUARDIAN'S FUND

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

1. I have audited the financial statements of the Guardian's Fund, set out on pages 16 to 42 which comprise of the statement of financial position as at 31 March 2017, and the statement of financial performance, the statement of changes in net assets, and the statement of cash flows for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Guardian's Fund as at 31 March 2017, and its financial performance and cash flows for the year then ended in accordance with Generally Recognised Accounting Practice and the requirements of the Administration of Estates Act.

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor-General's responsibilities for the audit of the financial statements section of my report.
4. I am independent of the Fund, in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA code), together with the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the accounting officer for the financial statements

6. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with Generally Recognised Accounting Practice and the requirements of the Administration of Estates Act, and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
7. In preparing the financial statements, the accounting officer is responsible for assessing the Guardian's Fund's ability to continue as a going concern, disclosing, as applicable, matters relating to a going concern and using the going concern basis of accounting unless the accounting officer either intends to liquidate the fund or to cease operations, or has no realistic alternative but to do so.

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

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

Report on the audit of the annual performance report

10. The fund is not required to prepare a report on its performance against predetermined objectives as it does not fall within the ambit of the PFMA, and such reporting is also not required in terms of the Administration of Estates Act.

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

Introduction and scope

11. In accordance with the PAA, and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the fund with specific matters in key legislation. I performed procedures to identify findings, but not to gather evidence to express assurance. I did not identify any instances of material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA.

Other information

12. The Guardian Fund's accounting officer is responsible for the other information. The other information comprises the information included in the annual report, which includes the director's report and the audit committee's report, as required by the Companies Act. The other information does not include the financial statements and the auditor's report thereon.
13. My opinion on the financial statements and compliance with legislation do not cover the other information, and I do not express an audit opinion or any form of assurance or conclusion thereon.
14. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed

on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Internal control deficiencies

15. I considered internal control relevant to my audit of the financial statements and compliance with applicable legislation; however, my objective was not to express any form of assurance thereon. I did not identify any significant deficiencies in internal control.

Auditor - General

Pretoria

31 July 2017



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-General's responsibility for the audit

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

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in the auditor's report, I also:
 - identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
 - evaluate the appropriateness of accounting policies used, and the reasonableness of accounting estimates and related disclosures made by the accounting authority.
 - conclude on the appropriateness of the accounting authority's use of the going concern basis of accounting in the

preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Guardian's Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of the auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, here applicable, related safeguards.



FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2017 R	2016 R
Revenue			
Investment revenue	3	929 771 735	737 137 012
Other income received	16	7 216 259	-
Less: Expenditure			
Management fees	11	3 260 564	3 003 967
Surplus/(deficit) for the year before distribution to beneficiaries		933 727 430	734 133 044
Distribution to beneficiaries - Interest paid on beneficiary monies	4	825 534 301	614 444 297
Surplus/(deficit) for the year		108 193 129	119 688 747

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017

	Notes	2017 R	2016 R
ASSETS			
		12 177 112 771	11 062 971 777
Other receivables	7	557 255	390 234
Financial instruments	5	11 839 380 731	10 626 438 573
Cash and cash equivalents	6	337 174 784	436 142 969
Total assets		12 177 112 771	11 062 971 777
LIABILITIES			
Total liabilities		11 115 388 788	10 109 440 923
Beneficiary liability	8	11 111 048 211	10 106 488 837
Other payables	9	4 340 577	2 952 086
Total liabilities		11 115 388 788	10 109 440 923
CAPITAL AND RESERVES			
		1 061 723 983	953 530 854
Accumulated surplus/(deficit)	10	1 061 723 983	953 530 854
Total net assets		1 061 723 983	953 530 854
Total net assets and liabilities		12 177 112 771	11 062 971 777

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 31 MARCH 2017

	Accumulated Surplus (Deficit)	Total Equity
Balance as at 1 April 2016	953 530 854	953 530 854
Surplus/(deficit) for the year	108 193 129	108 193 129
Balance as at 31 March 2017	<u>1 061 723 983</u>	<u>1 061 723 983</u>

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 31 MARCH 2016

	Accumulated Surplus (Deficit)	Total Equity
Balance as at 1 April 2015	835 032 315	835 032 315
Less: Restatement - Note 17.1	1 190 208	1 190 208
Restated Opening Balance as at 1 April 2015	833 842 107	833 842 107
Prior year surplus before restatement:	121 066 166	121 066 166
Restated adjustment - Note 17.1	1 377 419	1 377 419
Balance as at 31 March 2016	<u>953 530 854</u>	<u>953 530 854</u>

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2017 R	2016 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts on behalf of beneficiaries		-927 835 399	-735 642 162
Cash paid to beneficiaries and creditors		828 504 481	619 188 875
Cash generated from/(utilised in) operations	13	<u>-99 330 918</u>	<u>-116 453 287</u>
Investment income received		929 214 480	736 746 776
Interest paid to beneficiaries		-825 534 301	-614 444 297
Creditor payments		-2 975 991	-4 750 045
Net cash inflows/(outflows) from operating activities		<u>1 373 270</u>	<u>1 099 146</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash flows from investing activities		-280 755 018	9 981 470
Net investments of beneficiary monies in PIC		<u>-280 755 018</u>	<u>9 981 470</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash flow financing activities		180 413 562	128 708 486
Increase/(decrease) in beneficiary liability		<u>180 413 562</u>	<u>128 708 486</u>
Net increase/(decrease) in cash and cash equivalents		<u>-98 968 186</u>	<u>139 789 102</u>
Cash and cash equivalents at the beginning of the year		436 142 969	296 353 867
Cash and cash equivalents at end of the year	6	<u>337 174 784</u>	<u>436 142 969</u>

GUARDIAN'S FUND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

1. GENERAL INFORMATION

The Guardian's Fund is a statutory trust established in terms of Chapter V of the Administration of Estates Act, 1965 (Act 66 of 1965). The purpose of the Guardian's Fund is to protect and manage monies of persons deemed to be legally incapable of, or lacking the capacity to, manage their own affairs, as well as undetermined, unknown or absent heirs and untraceable persons.

The Guardian's Fund is held under the management of the Masters of the High Court of South Africa.

2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements have been prepared on the historical cost basis, except for investments that have been measured at fair value. The financial statements are presented in Rands. The financial statements have been prepared on a going concern basis.

Statement of compliance

The financial statements of the Guardian's Fund have been prepared in accordance with South African Standards of Generally Recognised Accounting Practice as required by the Public Finance Management Act (Act No. 1 of 1999) (PFMA).

2.2 Summary of significant accounting policies

2.2.1 Financial instruments

Financial instruments at Fair Value

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

financial assets. Financial instruments are classified at fair value and comprise of a portfolio of money market and debt instruments. Investments were designated at fair value as these instruments are non-derivative instruments and payments can be determined by the Fund.

Fair value financial assets are measured with the consideration that unrealised gains and losses are recognised directly in surplus or deficit. Interest earned whilst holding fair value financial investments is reported as interest income using the effective interest rate. Dividends earned whilst holding fair value financial investments are recognised in the statement of changes in net assets as "other operating income" when the right of the payment has been established. The losses arising from impairment of such investments are recognised in the statement of financial performance in "impairment losses on financial investments", and adjusted on a monthly basis.

Financial assets, other than those at Fair Value Through Profit or Loss (FVTPL), are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

(i) Date of recognition

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulations or convention in the marketplace are recognised on the date that the Guardian's Fund commits to purchase or sell the asset.

(ii) Initial recognition of financial instruments

The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value, and transaction costs on financial instruments at fair value through surplus or deficit are recognised in surplus or deficit.

(iii) Subsequent Measurement

Financial Instruments at fair value through surplus or deficit are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

(iv) Derecognition

The financial instrument is derecognised when the contractual agreement with regards to the financial assets is terminated

2.2.2 Cash and cash equivalents

Demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value are disclosed under another category of financial instrument, depending on their nature.

Cash and cash equivalents that do not have fixed and determined payments will be classified as available-for-sale financial assets. Cash and cash equivalents and bank borrowings are recorded at face value.

2.2.3 Revenue recognition

The Guardian's Fund recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity, and specific criteria in terms of the Estates Act, 1965 (Act 66 of 1965) have been met.

Interest Income

Interest revenue is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable, which is the rate

that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

2.2.4 Financial Liability

This includes Beneficiary Liability and Other Payables.

(i) Initial Recognition

The financial liability is initially recognised at historical cost at the date of receipt of the monies due to external parties by the Fund.

(ii) Subsequent Recognition

After initial recognition, the liability is measured at the value of the amount owing to the external parties, who have a right against the Fund, after taking into account the provisions of the Estates Act, 1965 (Act 66 of 1965).

(iii) Derecognition

The financial liability is derecognised, when the obligation of the Guardian's Fund to the external parties has been extinguished.

2.2.5 Related Party Disclosure

The Guardian's Fund was established in terms of the Administration of Estates Act, and operates within the Department of Justice and Constitutional Development. The Guardian's Fund resides in the Branch of the Office of the Chief Master, and all operating costs are funded by the Department.

The integration of the Guardian's Fund sections in the Office of the Chief Master creates a complex environment in which to estimate the values of the related party (the Department of Justice and Constitutional Development).

Other Related Party transactions are disclosed in terms of the requirements of the standards as in note 12

2.2.6 Fraud and losses

(i) Initial Recognition

Fraud is defined as the unlawful and intentional making of a misrepresentation resulting in actual or potential prejudice to the Fund, while losses result from any other cause that may not be intentional. Fraud and losses are administered in line with Section 12 of the Treasury Regulations, and are disclosed in note 14 on the financial statements as and when they are discovered and reported by the relevant GF Offices to the Department's forensic directorate for investigation, and they are not disclosed on the face of the balance sheet.

(ii) Subsequent Recognition and derecognition

A Loss Control Officer keeps a register in which particulars of all losses are recorded, For instance, steps taken, amount recovered, or not recovered and how the matter has been disposed of, must be recorded in this register. Every year the note is updated with the movement in the register.

2.2.7 Allocation account

(i) Initial Recognition

The Guardian's Fund operated in a manual environment prior to 31 March 2005. From 1 April 2005 an administrative electronic system called the Guardian's Fund System (GFS), from which the beneficiary liability figures are derived, was introduced. The allocation account is used primarily to apportion transactions that are received through the suspense account to deal with the various types of beneficiary liabilities and also to cater for verification difference.

(ii) Subsequent Recognition

The allocation account is adjusted yearly with all financial adjustments made to beneficiary accounts that relate to prior financial periods.

(iii) Derecognition

The allocation account will be derecognised when the financial benefit to, or obligation by the Fund is extinguished.

2.2.8 Other Receivables

(i) Initial Recognition

These are various amounts that are owed to the Fund from its day to day operations. Other receivables are measured at initial recognition at fair value.

(ii) Subsequent Recognition

Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Subsequently, these are reported at their net realisable value.

(iii) Derecognition

Other receivables are derecognised when they are fully paid or when there is objective evidence that the amounts will not be collectible.

2.2.9 Interest paid to beneficiaries

(i) Initial Recognition

Interest paid is an expense that represents monies paid to the beneficiaries by the Fund. It is credited to the beneficiary accounts through the GFS. Interest is accrued from the next calendar month after date of receipt up to five years after it has become claimable, unless it is legally claimed before such expiration.

(ii) Subsequent Recognition

Interest paid is adjusted in retrospect every year because of the verification process and other adjustments to beneficiary balances.

GUARDIAN'S FUND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

	Total	Pretoria	Pietermaritzburg	Grahamstown	Cape Town	Bloemfontein	Kimberley	Nat-Off Inv
	R	R	R	R	R	R	R	
3. INVESTMENT REVENUE - 31/03/2017								
Interest revenue - PIC	-924 914 321	-439 606 678	-208 554 524	-114 326 012	-66 261 473	-71 791 478	-23 079 269	-1 294 887
Cash and cash equivalents:								
Interest revenue - PIC	-84 194	-	-	-	-	-	-	-84 194
Interest revenue - Current Account	-4 773 220	-1 659 103	-1 149 795	-451 496	-619 676	-679 118	-214 032	-
	-929 771 735	-441 265 781	-209 704 319	-114 777 508	-66 881 149	-72 470 596	-23 293 301	-1 379 081
3. INVESTMENT REVENUE - 31/03/2016								
Interest revenue - PIC	-733 081 665	-350 870 293	-165 917 950	-89 327 859	-52 142 620	-56 274 927	-17 526 683	-1 021 333
Cash and cash equivalents:								
Interest revenue - PIC	-83 280	-	-	-	-	-	-	-83 280
Interest revenue - Current Account	-3 972 068	-1 225 464	-1 237 016	-444 382	-364 416	-561 531	-139 259	-
	-737 137 012	-352 095 757	-167 154 966	-89 772 241	-52 507 036	-56 836 458	-17 665 942	-1 104 613

GUARDIAN'S FUND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

	Total	Pretoria	Pietermaritzburg	Grahamstown	Cape Town	Bloemfontein	Kimberley	Nat-Off Inv
	R	R	R	R	R	R	R	
4. INTEREST PAID - 31/03/2017								
Interest paid to interest bearing beneficiaries.	825 534 301	378 865 410	191 939 231	114 140 301	44 756 038	72 742 439	23 090 882	-
Interest is calculated at the gazette rate and capitalised at month end.								
Interest is accrued from the next calendar month after date of receipt up to five years after it has become claimable, unless it is legally claimed before such expiration.								
	825 534 301	378 865 410	191 939 231	114 140 301	44 756 038	72 742 439	23 090 882	-
4. INTEREST PAID - 31/03/2016								
Interest paid to interest bearing beneficiaries.	614 444 297	278 927 208	144 191 481	85 079 414	33 103 348	55 585 657	17 557 189	-
Interest is calculated at the gazette rate and capitalised at month end								
Interest is accrued from the next calendar month after receipt date up to five years after it has become claimable, unless it is legally claimed before such expiration.								
	614 444 297	278 927 208	144 191 481	85 079 414	33 103 348	55 585 657	17 557 189	-

GUARDIAN'S FUND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

	Total		Pretoria		Pietermaritzburg		Grahamstown		Cape Town		Bloemfontein		Kimberley		Nat-Off Inv	
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
5. FINANCIAL INSTRUMENTS-																
31/03/2017																
PIC Investment																
Opening balance as at 1 April 2016	10 626 438 573	5 164 201 390	2 405 810 347	1 291 890 982	735 967 962	790 153 822	238 414 071	-								
Investment income received during financial year	923 619 433	439 606 677	208 554 524	114 326 012	66 261 473	71 791 478	23 079 269	-								
Additions during the year	320 000 000	200 000 000	-	53 000 000	31 500 000	22 500 000	13 000 000	-								
Other Income received	7 216 259	-	3 949 105	1 129 764	-	1 574 037	563 353	-								
Disposals during the year	-171 000 000	-20 000 000	-95 000 000	-35 000 000	-	-17 000 000	-4 000 000	-								
Trading Cash Movement	136 361 218	4 492 156	40 677 115	28 482 094	20 278 834	24 413 437	18 017 582	-								
Management expenses	-3 254 752	-1 557 881	-727 674	-402 725	-235 209	-249 892	-81 371	-								
Closing Balance as at 31 March 2017	11 839 380 731	5 786 742 342	2 563 263 418	1 453 426 127	853 773 060	893 182 882	288 992 904	-								

In terms of section 87 of the Administration of Estates Act, No. 66 of 1965, beneficiary monies received in the Guardian's Fund should be invested with the PIC. All monies except for those required for immediate disbursements are invested with the PIC. The carrying amount of financial investments approximates their fair value.

PIC Investments	11 839 380 731	5 786 742 342	2 563 263 418	1 453 426 127	853 773 060	893 182 882	288 992 904	-
Money Market 0 - 3 months	5 000 668 397	2 535 779 067	1 132 595 483	587 886 078	259 177 012	321 643 415	163 587 342	-
Money Market 3 - 6 months	2 424 494 527	1 170 358 420	561 865 221	379 767 426	151 480 009	130 405 134	30 618 317	-
Money Market 6 - 9 months	1 112 688 548	487 023 696	218 666 056	146 122 975	70 701 306	149 288 768	40 885 748	-
Money Market 9 - 12 months	3 239 005 187	1 593 581 159	616 464 772	330 023 506	372 414 733	277 426 004	49 095 013	-
Money Market 1 - 3 Years	56 024 072	-	30 171 886	8 626 142	-	12 919 561	4 306 484	-
Isibaya	6 500 000	-	3 500 000	1 000 000	-	1 500 000	500 000	-

GUARDIAN'S FUND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

	Total		Pretoria		Pietermaritzburg		Grahamstown		Cape Town		Bloemfontein		Kimberley		Nat-Off Inv	
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
5. FINANCIAL INSTRUMENTS - 31/03/2016																
PIC Investment																
Opening balance as at 1 April 2015	9 903 520 851	4 739 580 942	2 290 479 050	1 191 034 447	679 267 119	775 527 425	227 631 868	-								
Investment income received during financial year	732 060 330	350 870 291	165 917 950	89 327 859	52 142 620	56 274 927	17 526 683	-								
Losses	-	-	-	-	-	-	-	-								
Additions during the year	250 500 000	140 000 000	30 000 000	37 000 000	18 500 000	13 000 000	12 000 000	-								
Disposals during the year	-135 000 000	-45 000 000	-45 000 000	-5 000 000	-	-32 000 000	-8 000 000	-								
Trading Cash Movement	-121 644 109	-19 825 614	-34 902 408	-20 103 749	-13 728 446	-22 413 857	-10 670 035	-								
Management expenses	-2 998 499	-1 424 230	-684 245	-367 575	-213 331	-234 673	-74 445	-								
Closing Balance as at 31 March 2016	10 626 438 573	5 164 201 390	2 405 810 347	1 291 890 982	735 967 962	790 153 822	238 414 071	-								

In terms of section 87 of the Administration of Estates Act, No. 66 of 1965, beneficiary monies received in the Guardian's Fund should be invested with the PIC. All monies except for those required for immediate disbursements are invested with the PIC. The carrying amount of financial investments approximates their fair value.

PIC Investments	10 626 438 573	5 164 201 390	2 405 810 347	1 291 890 982	735 967 962	790 153 822	238 414 071	-
Money Market 0 - 3 months	3 762 180 446	1 955 825 202	809 739 232	421 734 834	209 648 584	256 796 415	108 436 179	-
Money Market 3 - 6 months	2 168 263 770	1 053 611 490	505 080 206	325 151 884	132 494 430	127 042 078	24 883 684	-
Money Market 6 - 9 months	1 052 484 012	416 445 387	272 494 813	135 189 963	49 705 344	143 025 093	35 623 412	-
Money Market 9 - 12 months	3 643 510 345	1 738 319 311	818 496 096	409 814 302	344 119 604	263 290 236	69 470 796	-

GUARDIAN'S FUND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

	Total		Pretoria		Pietermaritzburg		Grahamstown		Cape Town		Bloemfontein		Kimberley		Nat-Off Inv		
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	
6. CASH AND CASH EQUIVALENTS - 31/03/2017																	
Current bank account	126 129 945	42 070 044	45 572 286	12 976 402	8 161 809	13 391 630	3 957 774	-	-	-	-	-	-	-	-	-	-
PIC main and reserve accounts	21 077 792	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	21 077 792
Trading Cash - PIC	189 967 047	52 077 781	46 132 365	26 584 950	24 512 784	23 928 907	16 730 260	-	-	-	-	-	-	-	-	-	-
	337 174 784	94 147 825	91 704 651	39 561 352	32 674 593	37 320 537	20 688 034										
For the purposes of the cash flow statement:																	
Disclosed as:																	
Cash and Cash Equivalents	126 129 945	42 070 044	45 572 286	12 976 402	8 161 809	13 391 630	3 957 774	-	-	-	-	-	-	-	-	-	-
PIC main and reserve accounts	21 077 792	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	21 077 792
Trading Cash - PIC	189 967 047	52 077 781	46 132 365	26 584 950	24 512 784	23 928 907	16 730 260	-	-	-	-	-	-	-	-	-	-
Total cash and cash equivalents	337 174 784	94 147 825	91 704 651	39 561 352	32 674 593	37 320 537	20 688 034										

The carrying amount of cash and cash equivalents approximates their fair value due to their short-term maturity.

GUARDIAN'S FUND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

	Total		Pretoria		Pietermaritzburg		Grahamstown		Cape Town		Bloemfontein		Kimberley		Nat-Off Inv	
	R		R		R		R		R		R		R		R	
6. CASH AND CASH EQUIVALENTS - 31/03/2016																
Current bank account	90 110 182		27 985 268		19 733 222		7 372 764		17 134 560		15 249 204		2 635 164		-	
PIC main and reserve accounts	19 704 522														19 704 522	
Trading Cash - PIC	326 328 264		56 569 937		86 809 479		55 067 044		44 791 618		48 342 344		34 747 842		-	
	436 142 969		84 555 205		106 542 701		62 439 808		61 926 178		63 591 548		37 383 006		19 704 522	
For the purposes of the cash flow statement:																
Disclosed as:																
Cash and Cash Equivalents	90 110 182		27 985 268		19 733 222		7 372 764		17 134 560		15 249 204		2 635 164		-	
PIC main and reserve accounts	19 704 522		-		-		-		-		-		-		19 704 522	
Trading Cash - PIC	326 328 264		56 569 937		86 809 479		55 067 044		44 791 618		48 342 344		34 747 842		-	
Total cash and cash equivalents	436 142 969		84 555 205		106 542 701		62 439 808		61 926 178		63 591 548		37 383 006		19 704 522	

The carrying amount of cash and cash equivalents approximates their fair value due to their short-term maturity.

GUARDIAN'S FUND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

Total	Pretoria	Pietermaritzburg	Grahamstown	Cape Town	Bloemfontein	Kimberley	Nat-Off Inv
R	R	R	R	R	R	R	
557 255	179 561	172 276	51 010	52 922	74 250	27 236	-
557 255	179 561	172 276	51 010	52 922	74 250	27 236	-
390 234	144 449	84 658	27 488	44 508	62 485	26 646	-
390 234	144 449	84 658	27 488	44 508	62 485	26 646	-

7. OTHER RECEIVABLES - 31/03/2017

Current Account Interest receivable
 These amounts relate to interest that is receivable from Current Account for the month of March 2017

7. OTHER RECEIVABLES - 31/03/2016

Current Account Interest receivable
 These amounts relate to interest that is receivable from Absa for the month on March 2016.

GUARDIAN'S FUND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

	Total		Pretoria		Pietermaritzburg		Grahamstown		Cape Town		Bloemfontein		Kimberley		Nat-Off Inv			
	R		R		R		R		R		R		R		R			
8. BENEFICIARY LIABILITY - 31/03/2017																		
Opening balance as at 1 April 2016	10 106 488 837		4 666 224 853		2 333 938 157		1 332 614 504		669 049 629		833 469 556		271 192 137		-		-	
Monies received during financial year	1 597 805 732		770 541 466		303 093 623		242 617 691		99 101 491		127 694 249		54 757 212		-		-	
Payments to Beneficiaries	-1 414 421 988		-576 163 491		-373 009 495		-219 324 188		-76 739 566		-124 555 639		-44 629 609		-		-	
Transfer to SARS 30 year	-3 272 426		-1 906 072		-483 514		-274 169		-429 123		-161 114		-18 434		-		-	
5% Commission payable to NRF	-70 614		-42 754		-425		-		-26 940		-495		-		-		-	
Interest paid to beneficiaries	825 534 301		378 865 410		191 939 231		114 140 301		44 756 038		72 742 439		23 090 882		-		-	
Closing balance as at 31 March 2017	11 111 048 211		5 236 359 677		2 455 788 595		1 469 792 148		735 495 657		909 249 985		304 362 149		-		-	
8. Beneficiary Liability																		
Interest-Bearing Beneficiary monies	10 011 160 710		4 585 137 434		2 308 721 840		1 403 794 322		560 446 398		869 633 098		283 427 618		-		-	
Non-Interest Bearing Beneficiary Monies (No Commission)	711 571 824		379 541 401		115 610 559		57 835 166		114 501 397		27 802 530		16 280 771		-		-	
Non-Interest Bearing Beneficiary Monies (Commission)	259 466 808		163 089 200		21 639 590		7 998 288		59 916 586		5 595 144		1 228 000		-		-	
Unallocated Beneficiary Monies (Suspense account)	128 507 365		108 677 444		9 694 335		156 124		611 160		6 008 496		3 359 806		-		-	
Beneficiary monies - Allocation account (refer to note 15)	-52 933		-282 539		62 403		-22 305		-453		195 263		-5 302		-		-	
Accrued Beneficiary Liability	394 437		196 738		59 868		30 553		20 569		15 454		71 256		-		-	
Closing balance as at 31 March 2017	11 111 048 211		5 236 359 677		2 455 788 595		1 469 792 148		735 495 657		909 249 985		304 362 149		-		-	

BENEFICIARY LIABILITY - 31/03/2016

Opening balance as at 1 April 2015	9 359 808 888	4 284 730 896	2 202 907 726	1 224 104 906	606 988 689	792 661 832	248 414 839
Monies received during financial year	1 486 094 340	698 219 698	295 876 577	219 895 335	101 429 269	119 249 613	51 423 848
Payments to Beneficiaries	-1 352 226 160	-594 902 441	-308 673 964	-196 568 061	-72 034 554	-133 861 836	-46 185 304
Transfer to NRF 30 year	-3 272 427	-1 906 072	-483 514	-274 170	-429 123	-161 114	-18 434
Prior year adjustments	1 681 005	1 166 684	130 302	377 378	8 816	-2 175	-
5% Commission payable to NRF	-41 106	-11 120	-10 451	-298	-16 816	-2 421	-
Interest paid to beneficiaries	614 444 297	278 927 208	144 191 481	85 079 414	33 103 348	55 585 657	17 557 189
Closing balance as at 31 March 2016	10 106 488 837	4 666 224 853	2 333 938 157	1 332 614 504	669 049 629	833 469 556	271 192 137

8. Beneficiary Liability

Interest Bearing Beneficiary monies	9 153 310 568	4 144 122 077	2 196 320 629	1 265 643 685	495 477 367	794 214 887	257 531 923
Non-Interest Bearing Beneficiary Monies (No Commission)	660 519 776	348 512 274	111 827 259	58 371 705	103 808 129	26 870 872	11 129 537
Non-Interest Bearing Beneficiary Monies (Commission)	252 902 967	160 832 406	20 424 331	7 875 612	57 413 941	5 130 557	1 226 120
Unallocated Beneficiary Monies	40 174 050	13 309 517	5 401 691	744 361	12 350 645	7 057 977	1 309 859
Beneficiary monies - Allocation account (refer to note 15)	-418 525	-551 421	-35 753	-20 859	-453	195 263	-5 302
Accrued Beneficiary Liability	-	-	-	-	-	-	-
Closing balance as at 31 March 2016	10 106 488 837	4 666 224 853	2 333 938 157	1 332 614 504	669 049 629	833 469 556	271 192 137

GUARDIAN'S FUND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

	Total		Pretoria		Pietermaritzburg		Grahamstown		Cape Town		Bloemfontein		Kimberley		Nat-Off Inv	
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
9. TRADE AND OTHER PAYABLES - 31/03/2017																
NRF payable																
Opening balance as at 1 April 2016	2 952 086	5 658 577	-3 201 486	988	521 922	-144 882	116 966	-	-	-	-	-	-	-	-	-
5% commission	70 614	42 754	425	-	26 940	495	-	-	-	-	-	-	-	-	-	-
NRF adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
30 year - Beneficiary monies	4 288 056	3 065 806	172 497	256 160	644 995	100 125	48 473	-	-	-	-	-	-	-	-	-
	8 187 463	8 203 470	-2 396 802	295 289	1 760 350	188 184	136 972	-	-	-	-	-	-	-	-	-
Less: NRF liability paid during financial year	-2 970 179	-1 917 193	-307 240	-117 838	-445 939	-163 535	-18 434	-	-	-	-	-	-	-	-	-
Closing Balance as at 31 March 2017	4 340 577	6 849 944	-3 335 804	139 310	747 918	-207 797	147 005	-	-	-	-	-	-	-	-	-
9. TRADE AND OTHER PAYABLES - 31/03/2016																
NRF payable																
Opening balance as at 1 April 2015	5 289 046	6 286 278	-2 890 766	20 822	1 314 412	439 762	118 538	-	-	-	-	-	-	-	-	-
5% commission	41 104	11 120	10 450	298	16 815	2 421	-	-	-	-	-	-	-	-	-	-
30 year - Beneficiary monies	3 272 427	1 906 072	483 514	274 170	429 123	161 114	18 434	-	-	-	-	-	-	-	-	-
Prior year NRF adjustments	-905 916	-90 502	-170 298	-230 003	-	-415 113	-	-	-	-	-	-	-	-	-	-
	7 696 661	8 112 968	-2 567 100	65 287	1 760 350	188 184	136 972	-	-	-	-	-	-	-	-	-
Less: NRF liability paid during financial year	-4 744 577	-2 454 391	-634 386	-64 300	-1 238 428	-333 066	-20 006	-	-	-	-	-	-	-	-	-
Closing Balance as at 31 March 2016	2 952 086	5 658 577	-3 201 486	988	521 922	-144 882	116 966	-	-	-	-	-	-	-	-	-

These payables relate to monies which have remained unclaimed for a period of thirty years as from the date upon which the beneficiaries became entitled to the said monies, as well as a 5% admin fee that is deducted from all insolvent or liquidated estates whereby creditor payment are needed to be made. The said monies are forfeited to the state and payment is made from the Guardian's Fund to the National Revenue Fund via the Department of Justice Vote Account.

GUARDIAN'S FUND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

	Total	Pretoria	Pietermaritzburg	Grahamstown	Cape Town	Bloemfontein	Kimberley	Nat-Off Inv
	R	R	R	R	R	R	R	R
10. ACCUMULATED SURPLUS/(DEFICIT) - 31/03/2017								
Opening balance as at 1 April 2016	953 530 854	-577 017 615	181 701 030	21 742 788	128 367 099	20 483 179	4 514 621	19 704 522
Surplus for the year	108 193 129	60 842 489	21 007 594	1 364 245	21 889 903	1 052 302	684 401	1 352 195
Balance as at 31 March 2017	1 061 723 983	637 860 104	202 708 624	23 107 033	150 257 002	21 535 481	5 199 022	21 056 717
10. ACCUMULATED SURPLUS/(DEFICIT) - 31/03/2016								
Opening balance as at 1 April 2015	833 842 107	505 273 300	159 421 789	17 417 536	109 176 742	19 467 052	4 480 312	18 605 376
Surplus for the year	119 688 747	71 744 315	22 279 241	4 325 252	19 190 357	1 016 127	34 309	1 099 146
Balance as at 31 March 2016	953 530 854	577 017 615	181 701 030	21 742 788	128 367 099	20 483 179	4 514 621	19 704 522

GUARDIAN'S FUND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

	Total	Pretoria	Pietermaritzburg	Grahamstown	Cape Town	Bloemfontein	Kimberley	Nat-Off Inv
	R	R	R	R	R	R	R	R
11. MANAGEMENT FEES - 31/03/2017								
Investment Management Fees - PIC Investment	3 260 564	1 557 882	727 674	402 725	235 209	249 892	81 371	5 811
Fees are payable to The Public Investment Corporation Limited for managing the Guardian's Fund investments in terms of the investment management agreement.								
	3 260 564	1 557 882	727 674	402 725	235 209	249 892	81 371	5 811
11. MANAGEMENT FEES - 31/03/2016								
Investment Management Fees - PIC Investment	3 003 967	1 424 231	684 245	367 575	213 331	234 673	74 445	5 467
Fees are payable to The Public Investment Corporation Limited for managing the Guardian's Fund investments in terms of the investment management agreement.								
	3 003 967	1 424 231	684 245	367 575	213 331	234 673	74 445	5 467

12. RELATED PARTY TRANSACTIONS - 31/03/2017

Name of related party:
Department of Justice and Constitutional Development.

Relationship:
Department under common Ministry. All administration costs of the Guardian's Fund are paid for by the Department of Justice and Constitutional Development.

Total administration costs (salaries) disclosed as:

Office of the Chief Master
Office of the CFO

84 322 641
78 897 816
5 424 825

Key personnel costs disclosed as:

Level 15 - Chief Master/Chief Financial Officer (2)
Level 14 - Chief Director (3)
Level 13 - Directors (1) and Masters (6)

14 032 758
3 035 241
3 903 127
7 094 390

Name of related party:
The Public Investment Corporation Limited

Relationship:
In terms of section 87 of the Administration of Estates Act, No. 66 of 1965, beneficiary monies received in the Guardian's Fund should be invested with the PIC. Details of transaction values as stated in Notes 3, 5 & 11.

Name of related party:
The Presidents Fund/Third Party Funds/National Prosecuting Authority/Special Investigation Unit/Legal Aid Board/Criminal Asset Recovery Account

Relationship:
All parties above are under the common control of the Department of Justice and Constitutional Development, but there is no flow of transactions between these parties and the Guardian's Fund.

12. RELATED PARTY TRANSACTIONS - 31/03/2016**Name of related party:**

Department of Justice and Constitutional Development.

Relationship:

Department under common Ministry. All administration costs of the Guardian's Fund are paid for by the Department of Justice and Constitutional Development.

Total administration costs (salaries) disclosed as:

Office of the Chief Master

Office of the CFO

77 395 588

71 259 509

6 136 079

Key personnel costs disclosed as:

Level 15 - Chief Master/Chief Financial Officer (2)

Level 14 - Chief Director (3)

Level 13 - Directors (1) and Masters (6)

13 242 619

2 941 269

3 642 348

6 659 002

Name of related party:

The Public Investment Corporation Limited

Relationship:

In terms of section 87 of the Administration of Estates Act, No. 66 of 1965, beneficiary monies received in the Guardian's Fund should be invested with the PIC. Details of transaction values as stated in Notes 3, 5 & 11.

Name of related party:

The Presidents Fund/Third Party Funds/National Prosecuting Authority/Special Investigation Unit/Legal Aid Board/Criminal Asset Recovery Account

Relationship:

All parties above are under the common control of the Department of Justice and Constitutional Development, but there is no flow of transactions between these parties and the Guardian's Fund.

GUARDIAN'S FUND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

	Total	Pretoria	Pietermaritzburg	Grahamstown	Cape Town	Bloemfontein	Kimberley	Nat-Off Inv
	R	R	R	R	R	R	R	R
13. CASH GENERATED FROM/(UTILIZED IN) OPERATIONS - 31/03/2017								
Surplus/(deficit) before interest	-	-	-	-	-	-	-	-
Plus: NRF paid	2 970 180	1 917 194	307 240	117 838	445 939	163 535	18 434	-
Less: Investment income received	-927 835 399	-441 086 218	-209 532 043	-114 726 498	-66 828 228	-72 396 347	-23 266 065	-
Plus: Interest paid	825 534 301	378 865 410	191 939 231	114 140 301	44 756 038	72 742 439	23 090 882	-
Net cash flows from operating activities	-99 330 918	-60 303 614	-17 285 572	-468 359	-21 626 251	509 627	-156 749	-
13. CASH GENERATED FROM/(UTILIZED IN) OPERATIONS - 31/03/2016								
Surplus/(deficit) before interest	-	-	-	-	-	-	-	-
Plus: NRF paid	4 744 578	2 454 392	634 386	64 300	1 238 428	333 066	20 006	-
Less: Investment income received	-735 642 162	-351 951 309	-167 070 308	-89 744 753	-52 462 528	-56 773 973	-17 639 291	-
Plus: Interest paid	614 444 297	278 927 208	144 191 481	85 079 414	33 103 348	55 585 657	17 557 189	-
Net cash flows from operating activities	-116 453 287	-70 569 709	-22 244 441	-4 601 039	-18 120 752	-855 250	-62 096	-

GUARDIAN'S FUND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

	Total	Pretoria	Pietermaritzburg	Grahamstown	Cape Town	Bloemfontein	Kimberley	Nat-Off Inv
	R	R	R	R	R	R	R	R
14. DISALLOWANCE ACCOUNT (FRAUD AND LOSSES) - 31/03/2017								
Opening Balance at 1 April 2016	7 816 466	5 962 203	986 807	-275 940	84 280	322 414	736 702	-
Current year fraud cases	646 149	-	592 382	-	-	-	53 767	-
Current year losses	241 258	81 697	116 334	35 812	-	7 415	-	-
Finalised cases - Investigation finalised	-658 213	-	-	-	-	-	-658 213	-
Cases still under investigation as at 31 March 2017	8 045 660	6 043 900	1 695 523	-240 128	84 280	329 829	132 256	-
14. DISALLOWANCE ACCOUNT (FRAUD AND LOSSES) - 31/03/2016								
Opening Balance at 1 April 2015	9 166 051	6 350 080	811 688	354 446	239 925	1 361 593	48 319	-
Restatement movement	-	-	-	-	-	-	-	-
Current year fraud cases	1 158 251	-	-	-	-	450 421	707 830	-
Current year losses	6 389 130	6 158 121	175 119	44 534	161	7 449	3 746	-
Finalised cases - Investigation finalised	-8 896 965	-6 545 997	-	-674 919	-155 806	-1 497 050	-23 192	-
Cases still under investigation as at 31 March 2016	7 816 466	5 962 203	986 807	-275 940	84 280	322 414	736 702	-

GUARDIAN'S FUND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

Total	Pretoria	Pietermaritzburg	Grahamstown	Cape Town	Bloemfontein	Kimberley	Nat-Off Inv
R	R	R	R	R	R	R	R
-52 933	-282 539	62 403	-22 305	-453	195 263	-5 302	-
-52 933	-282 539	62 403	-22 305	-453	195 263	-5 302	-
-418 525	-551 421	-35 753	-20 859	-453	195 263	-5 302	-
-418 525	-551 421	-35 753	-20 859	-453	195 263	-5 302	-

15. BENEFICIARY MONIES - ALLOCATION ACCOUNT - 31/03/2017

Balance as at 31 March 2017

These transactions originate from year differences between the Guardians Fund System and the cash book which will be adjusted through a controlled monitored RFS Process.

15. BENEFICIARY MONIES - ALLOCATION ACCOUNT - 31/03/2016

Balance as at 31 March 2016

GUARDIAN'S FUND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

	Total		Pretoria		Pietermaritzburg		Grahamstown		Cape Town		Bloemfontein		Kimberley		Nat-Off Inv		
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	
16. INCOME: FINANCIAL INSTRUMENTS																	
This income relates to the recovery of the losses that occurred in 2015 relating to the economic situation of African Bank Limited and the 10% haircut instruction by the JSE. This income reflects the full recovery.	6 889 066	-	3 772 070	1 078 285	-	1 500 000	538 711	-	-	-	-	-	-	-	-	-	-
This relates to Fair Value Gains on the ABIL instruments as at year-end	327 193	-	177 035	51 479	-	74 037	24 642	-	-	-	-	-	-	-	-	-	-
Balance as at 31 March 2017	7 216 259	-	3 949 105	1 129 764	-	1 574 037	563 353	-	-	-	-	-	-	-	-	-	-

GUARDIAN'S FUND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

	As disclosed in 2016	As restated in 2017	Prior period errors for the financial years ending 31 March 2016	Pre-prior period error for the financial year ending 31 March 2006 to 31 March 2015	Nature of restatement
2016/03/31	R	R	R	R	
17 RESTATEMENT OF COMPARATIVES					
The financial statements for 31 March 2016 were restated due to more accurate financial information becoming available and as historical issues were addressed.					
17.1 RESTATEMENT OF FINANCIAL POSITION					
ASSETS					
Financial investments available-for-sale (PIC investments)	10 626 438 574	10 626 438 574	-	-	
Cash and cash equivalents	436 142 971	436 142 971	-	-	
Other receivables - Current Account Interest	390 231	390 231	-	-	
Total assets	11 062 971 776	11 062 971 776	-	-	
LIABILITIES					
Total liabilities	10 106 873 295	10 109 440 922	1 377 421	1 190 208	
Beneficiary Liability	10 103 430 409	10 106 488 836	1 377 421	1 190 208	Prior Year adjustments due to RFS data changes submitted by GF Offices
- Restatement of Interest and Capital adjustments			417 912	72 888	Reversal of NRF Transfers
NRF Adjustment	3 442 886	2 952 086	-417 912	-72 888	Reversal of previous years NRF Transfers
Other Payables					

GUARDIAN'S FUND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

	As disclosed in 2016	As restated in 2017	Prior period errors for the financial years ending 31 March 2016	Pre-prior period error for the financial year ending 31 March 2006 to 31 March 2015	Nature of restatement
	R	R	R	R	
17.1					
RESTATEMENT OF FINANCIAL POSITION - CONTINUES					
CAPITAL AND RESERVES					
Total liabilities	10 106 873 295	10 109 440 922	1 377 421	1 190 208	
Total net assets	956 098 481	953 530 854	-1 377 421	-1 190 208	
Accumulated surplus/(deficit)	956 098 481	953 530 854			
- Prior Year adjustments			-1 377 421	-1 190 208	Prior Year adjustments due to RFS data changes submitted by GF Offices
- NRF adjustments					Reversal of previous years NRF Transfers
Total net assets and liabilities	11 062 971 776	11 062 971 776	-	-	
17.2					
RESTATEMENT OF PERFORMANCE					
Revenue					
Investment revenue	737 137 008	737 137 012	-4	-	
Less: Expenditure	616 070 842	617 448 264	-1 377 421	-	
Management fees	3 003 967	3 003 967	-	-	
Losses : Financial Instruments					
Interest paid to beneficiaries	613 066 875	614 444 297	-1 377 421	-	Increase in interest payable to beneficiaries due to decrease of beneficiary liability at 31 March 2016
Surplus/(deficit) for the year	121 066 166	119 688 748	1 377 417	-	

18. Risk Management Statement

18.1 Introduction

As a client of the PIC, the Guardian's Fund specifies its desirable risk parameters in accordance with its own risk appetite. This risk appetite informs the formal investment mandate given to the PIC. The mandate consciously promotes a responsible approach to risk to ensure the long term sustainability of the Fund and to protect the reputation of the Fund. The ultimate responsibility for investment risk management oversight lies with the PIC and not with the Guardian's Fund.

18.2 Market risk

Market risk is the exposure to adverse change in the market value of our investment position caused by changes in prices and rates. The Fund's activities expose it primarily to the risks of fluctuations in the interest rate.

Interest rate risk refers to the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Market risk exposures are measured using sensitivity analysis. A sensitivity analysis shows how net surplus, and/or net assets would have been affected by changes in the relevant risk variable that were reasonably possible at the reporting date.

18.3 Interest rate risk

This risk is the potential financial loss as a result of adverse movements in interest rates that affect the value of money market instruments. As a PIC client,

Guardian's Fund has exposure to interest rate risk through investments in money markets.

Sensitivity to interest rate movements is measured by the duration of the fixed interest exposure. Such duration is dictated in the Guardian's Fund client investment mandate to PIC, relative to the appropriate benchmark.

Furthermore, these investment mandates prescribe how the assets should be managed by PIC, in line with the Guardian's Fund liquidity needs and its liability profile.

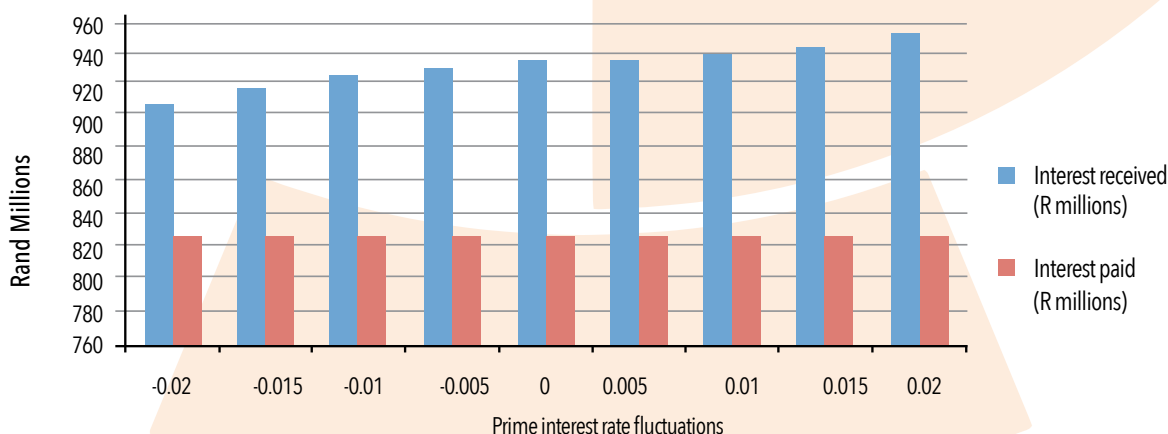
18.4 Interest rate risk sensitivity analysis

The sensitivity analysis below has been determined based upon financial instruments exposure to interest rates at the Statement of Financial Position date.

The basis points increase or decrease, as detailed in the table below, were determined by management, and represent management's assessment of a reasonable change in interest rates. A positive number indicates an increase in net surplus and a negative number indicates a decrease in net surplus.

There is no change in the methods and assumptions used in preparing the sensitivity analysis from one year to the next. In the graph, the zero interest rate represents the base - as disclosed in the Audited Financial Statements.

Interest rate sensitivity analysis



The above sensitivity analysis shows that even with a 2% change (both ways) in the interest rate, the Guardian's Fund would have earned sufficient interest investment income to cover the interest paid to fund beneficiaries at the gazetted rate of interest. (Base figures are as follows: Interest received - R929 million and Interest paid - R825 million)

18.5 Credit risk

Guardian's Fund investment portfolios are exposed to the potential for credit-related losses that can result due to an individual, counterparty or issuer being unable or unwilling to honour contractual obligations.

To mitigate this risk and minimize excessive credit exposure to one single counterparty, the Guardian's Fund's mandate to PIC states that PIC will only invest with local commercial banks or institutions that have a credit rating of at least "A" from one of the recognised domestic and/or international credit rating agencies.

18.6 Concentration risk

Concentration risk is the risk of losses arising due to poor diversification within funds, which can result in undesirable risk exposures.

The Guardian's Fund manages this risk through the PIC investment mandate, which dictates the level of concentration. Money market investments are spread across banks to reduce and diversify the client's concentration risk.

18.7 Liquidity risk

Liquidity risk is the potential that there will not be adequate liquid assets available to meet the obligations of the Guardian's Fund when they fall due.

The Guardian's Fund manages this risk through the investment mandate that is signed with PIC. The mandate is in line with the Fund's liquidity needs and liability profile of the Fund. Currently, the Guardian's Fund liquid assets holding is R10.6 billion.

18.8 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems and external events. The Fund recognises the significance of the operational risk inherent in all the Fund's activities. Operational risk is managed within acceptable levels through an appropriate level of management focus and resource allocation.

18.9 Compliance Risk

Compliance risk is defined as the risk of legal sanctions, material financial loss, or loss to reputation the Fund may suffer as a result of its failure to comply with laws, its own regulations, code of conduct, and standards of best/good practice. Compliance is managed through the DFI and Procedure Manual which are updated regularly.



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