



▶ 20<sup>18/19</sup>

GUARDIAN'S  
FUND

DEPARTMENT OF JUSTICE AND  
CONSTITUTIONAL DEVELOPMENT



**the doj & cd**

Department:  
Justice and Constitutional Development  
**REPUBLIC OF SOUTH AFRICA**





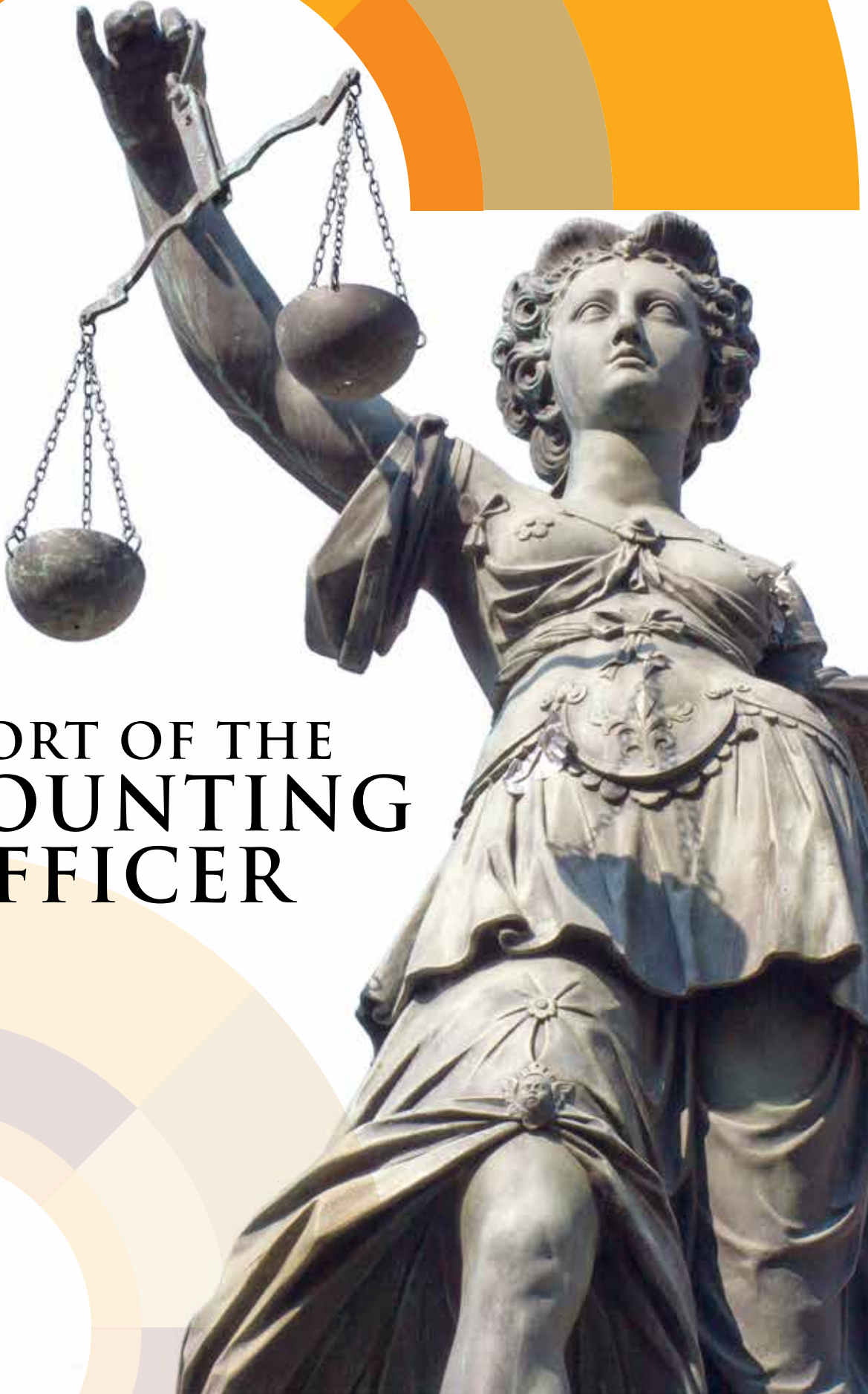
DEPARTMENT OF JUSTICE AND  
CONSTITUTIONAL DEVELOPMENT

BRANCH: MASTER OF THE HIGH COURT  
GUARDIAN'S FUND

FOR THE YEAR ENDED 31 MARCH 2019

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A bronze statue of Lady Justice, the personification of justice, holding a pair of scales. The statue is shown from the waist up, looking upwards and to the right. The scales are held in her right hand, and the pans are suspended by chains. The background features a large, stylized sun or moon with a grid pattern in shades of orange and yellow.

**REPORT OF THE  
ACCOUNTING  
OFFICER**

## REPORT OF THE ACCOUNTING OFFICER ON THE ACTIVITIES OF THE GUARDIAN'S FUND FOR THE YEAR ENDED 31 MARCH 2019

### Introduction

The Guardian's Fund (GF) is a statutory trust established in terms of Chapter V of the Administration of Estates Act, 1965 (Act No. 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, (s)/he 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 or of inadequate capacity to manage their own affairs as well as undetermined, unknown or absent heirs and untraceable persons.

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

Some of the functions performed within the prescripts of the said Act, *inter alia*, are to:

- Invest trust monies held with the Public Investment Corporation (PIC);
- Calculate interest accruing in respect of monies received on behalf of beneficiaries at the interest rate as determined by the Minister for Justice and Correctional Services 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, Makhanda, Bloemfontein and Kimberley.

The GF has a strong focus 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 292 points of service throughout the country in order to improve customer interaction and accessibility of services, thereby relieving the financial burden on vulnerable beneficiaries having to travel long distances to the Masters offices to submit their applications.
- All GF offices utilise an approved electronic payment system and have achieved 100% EFT payment transactions for the 2018/2019 financial year, which enhances the turnaround time in payment of benefits.
- The GF embarked on a system modernisation project during the 2018/2019 financial year and finalised the blueprint of the administration and financial module during the year. It is envisaged that procurement, development and testing of the system will commence during the 2019/20 year.

### Unclaimed funds

As per the Administration of Estates Act, any beneficiary funds which remain unclaimed for a period of 30 years, as from the date upon which the beneficiaries became entitled to the said monies, are to be forfeited to the National Revenue Fund.

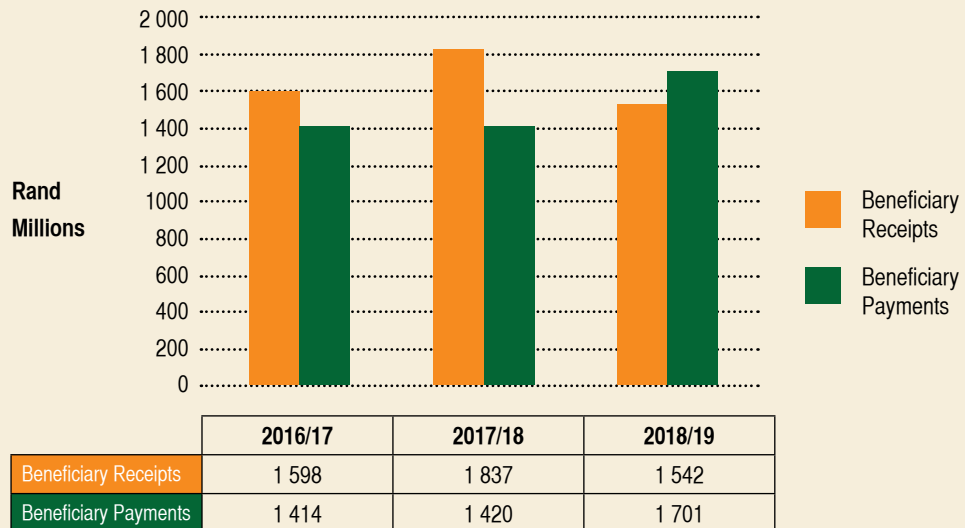
The Office of the Chief Master is committed to a project to further advance outreach and communication to the public to ensure that beneficiaries are traced and benefits paid.

Extensive measures are to be effected in this regard in the 2019/2020 year, to yield positive results and effective service delivery.

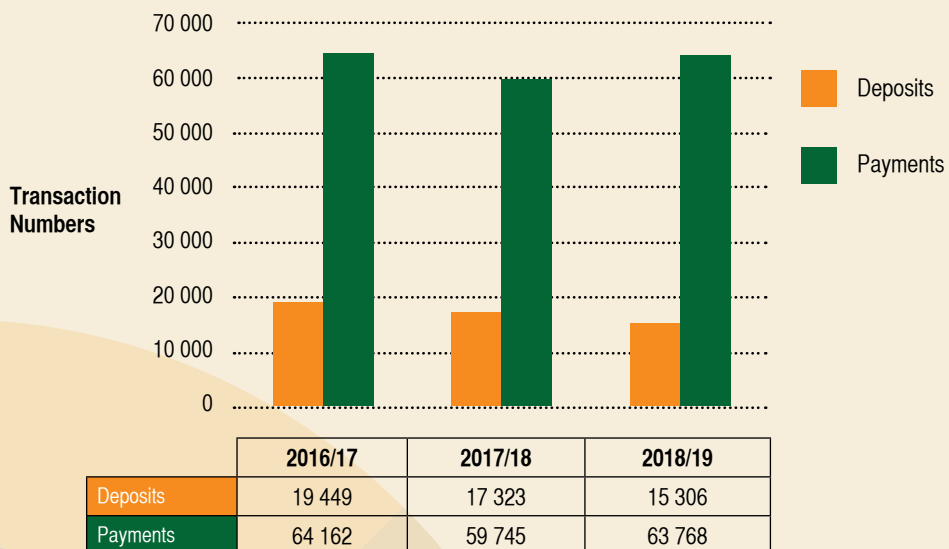
## Growth of beneficiary liability

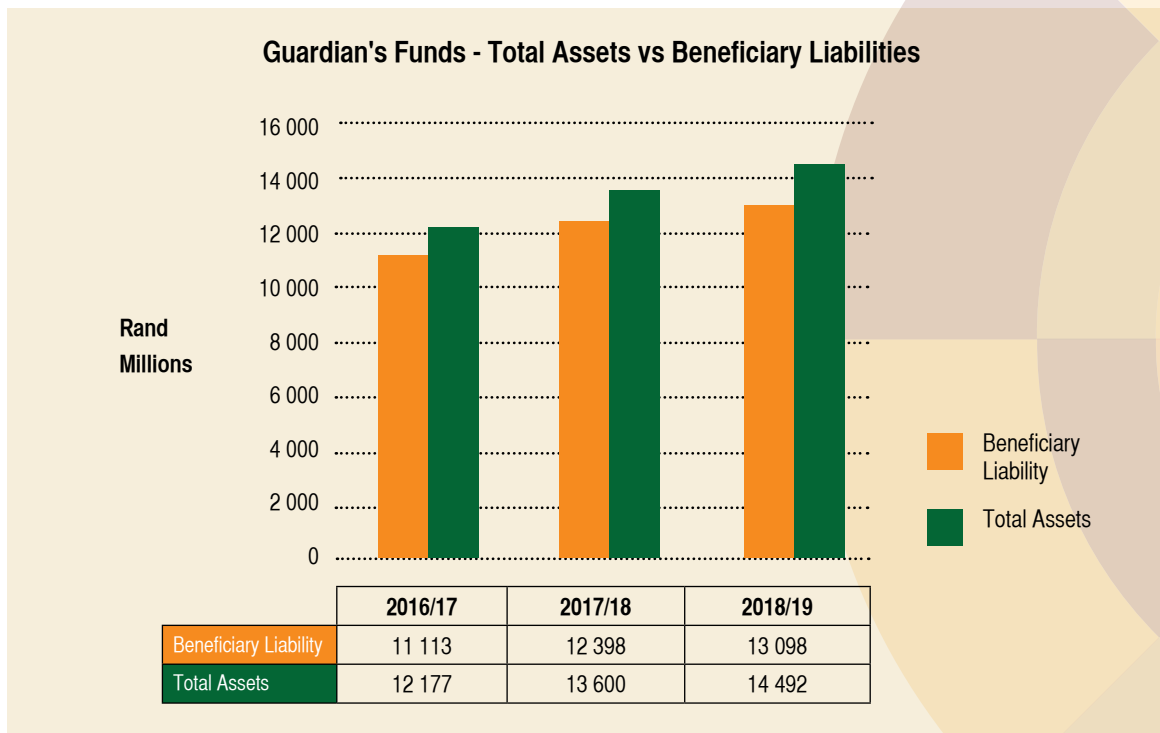
As has been disclosed in more detail in the financials on pages 16 to 42, it is illustrated below that the Fund continues to show positive growth in the volume of transactions handled as well as in the total funds under management.

### Guardian's Fund Beneficiary Receipts and Payments



### Guardian's Fund - Transaction Volumes (Deposits and Payments)





#### Fraud prevention and detection

The GF adopts a zero tolerance policy to fraud and corruption, and as such has a fraud prevention strategy as well as a fully functional and capacitated forensic directorate to ensure that all fraud and loss matters, as well as potential maladministration, is addressed proactively.

The GF also performs a risk assessment annually to identify and address any emerging risk areas and 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 the formulation and supervision of the mandate given to the Investment Manager (PIC).

With a balance sheet of over R14 billion in investable assets and still increasing, 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 our colleagues at the 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 while continuing to grow the return on investments.

The GF is pleased to report that in the 2018/2019 year, the Fund generated more than R1 billion in investment income and was able to pass an additional 50 basis points (above market interest rate) to the beneficiaries.

The rate of interest allocated to interest earning accounts within the GF was 7.80% 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 2019**



**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 2019.

#### 1.1 AUDIT COMMITTEE MEMBERS AND ATTENDANCE

The Audit Committee consists of the members listed below, and is required to meet at least four (4) times per annum as per its approved terms of reference. During the current year four (4) meetings were held and attendance was tabled.

Name of members	Number of meetings attended	Status
Mr. Motsamai Karedi (Chairperson)	4	Reappointed- 23 April 2019
Mr. Cedric Boltman	4	Reappointed- 23 April 2019
Ms. Besky Ngunjiri	4	Reappointed - March 2015
Mr. Wilson Ramabulana	4	Reappointed- 23 April 2019
Mr. Andrew Sello	4	Reappointed- 23 April 2019

#### 1.2 AUDIT COMMITTEE RESPONSIBILITY

We report that we have adopted appropriate formal terms of reference in our charter in line with the requirements of section 38(1)(a) of the Public Finance Management Act (Act No. 1 of 1999) and Treasury Regulation 3.1.

#### 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 implemented an audit action plan which was validated by Internal Audit and reviewed by the Audit Committee on an ongoing basis.

#### INTERNAL AUDIT

We are satisfied that the Internal Audit function is operating effectively and that it has addressed the risk pertinent to the entity in its audit. The Internal Audit completed their 2018/2019 audit plan as approved by the Audit Committee. We have met with Internal Audit during the year to ensure that the function is executed effectively and objectively.

#### 1.4 REPORTS

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


We are satisfied with the content and quality of monthly and quarterly reports prepared by the Accounting Officer of the Fund during the year under review.

##### 1.4.2 Evaluation of financial statements

We have reviewed and discussed the audited annual financial statements with management and also reviewed the Fund's compliance with legal and regulatory provisions. We have also reviewed the Auditor General South Africa's report and management letter, and management's responses to it.

### 1.5 AUDITOR GENERAL SOUTH AFRICA

The Audit Committee concurs and accepts the conclusions of the Auditor-General on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the Auditor-General.

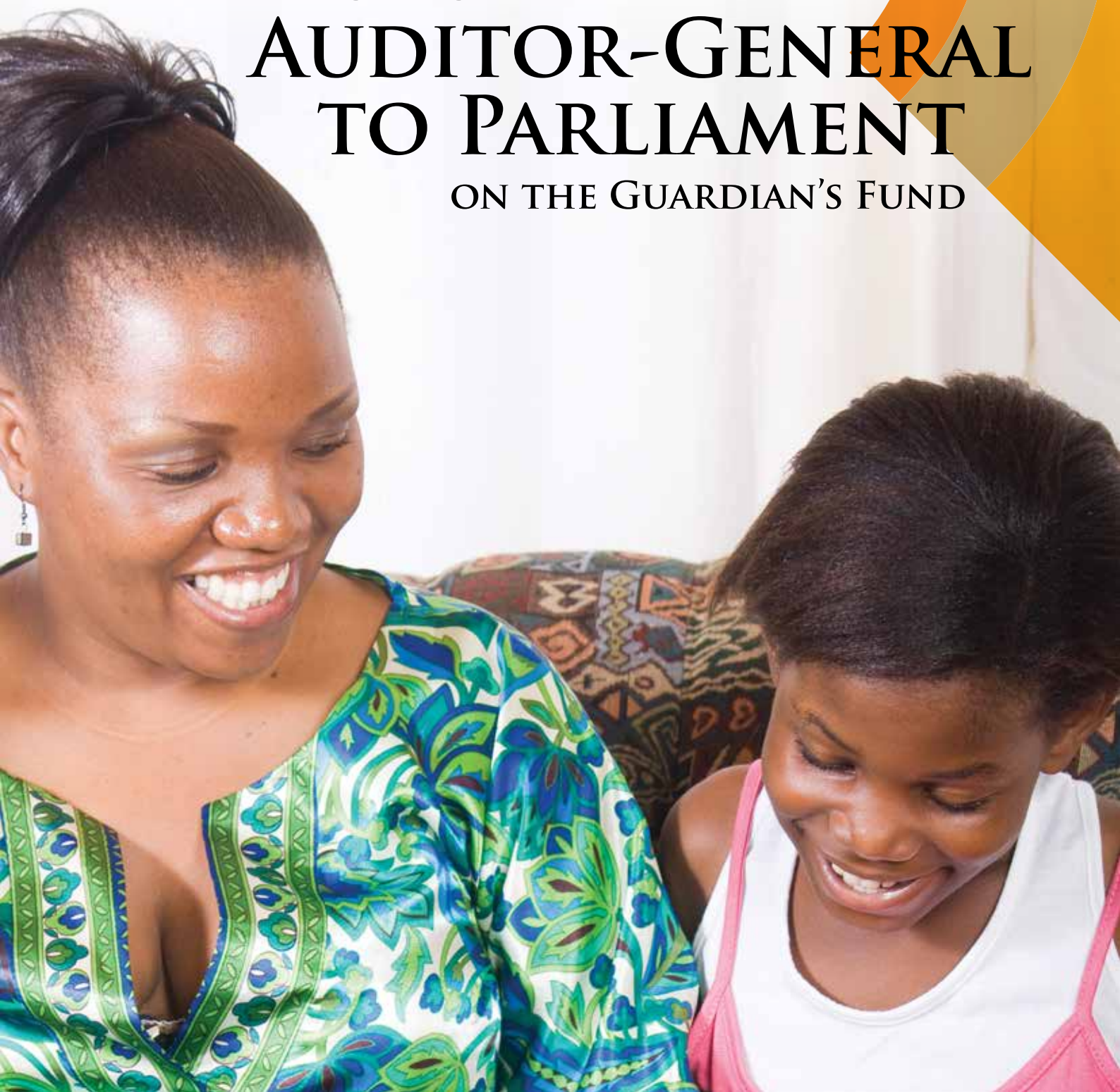


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**M Karedi**  
**Chairperson of the Audit Committee**  
**Date: 31 July 2019**



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



## REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE 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 the statement of financial position as at 31 March 2019, the statement of financial performance, statement of changes in net assets and cash flow statement 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 2019, and its financial performance and cash flows for the year then ended in accordance with South African Standards of the Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of section 86 of the Administration of Estates Act (Act No. 66 of 1965).

#### 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 this auditor's report.
4. I am independent of the fund in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA code), parts 1 and 3 of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards), and 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 SA Standards of GRAP and the requirements of the Administration of Estates Act (Act No. 66 of 1965), 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 going concern and using the going concern basis of accounting unless the appropriate governance structure 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 the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

9. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

#### **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 requirements of section 86 of the Administration of Estates Act (Act No. 66 of 1965).

#### **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.
12. I did not raise material findings on compliance with the specific matters in key legislation set out in the general notice issued in terms of the PAA.

##### **OTHER INFORMATION**

13. The Accounting Officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements and the auditor's report.
14. My opinion on the financial statements and compliance with legislation does not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
15. 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.
16. If, based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact. I have nothing to report in this regard.

##### **INTERNAL CONTROL DEFICIENCIES**

17. 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 on it. I did not identify any significant deficiencies in internal control.

*Auditor - General*

Pretoria  
31 July 2019



**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 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 this auditor’s report, I also:
  - Identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
  - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund’s internal control.
  - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Accounting Officer.
  - Conclude on the appropriateness of the Accounting Officer’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 this auditor’s report. However, future events or conditions may cause a fund to cease continuing as a going concern.
  - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and evaluate whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

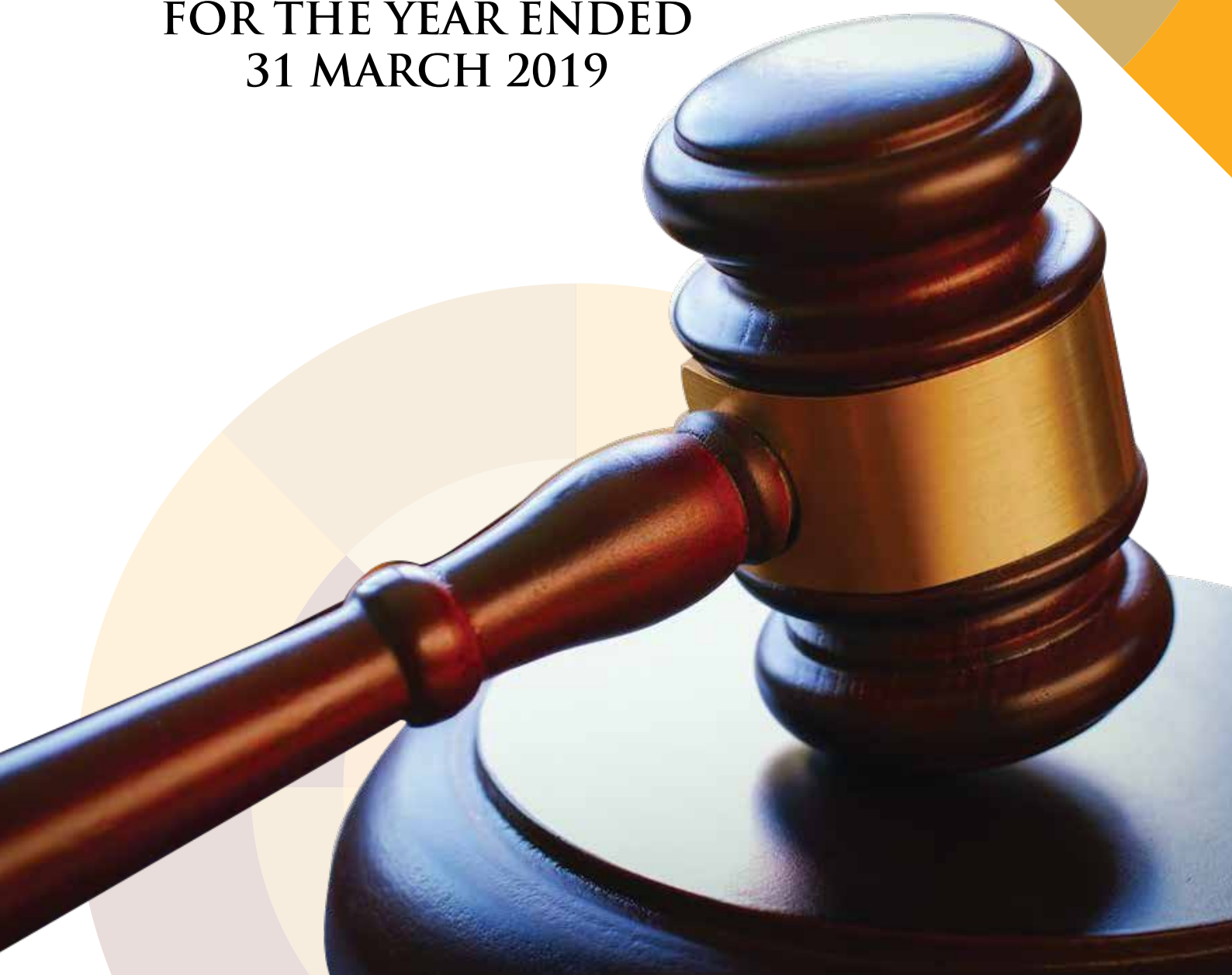
### **Communication with those charged with governance**

3. I communicate with the Accounting Officer 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 Officer 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, where applicable, related safeguards.



# FINANCIAL STATEMENTS

FOR THE YEAR ENDED  
31 MARCH 2019



**GUARDIAN'S FUND**

**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 MARCH 2019**

	Notes	2019 R	2018 R
<b>Revenue</b>			
Investment revenue	3	1,060,809,819	1,013,833,494
<b>Less: Expenditure</b>			
Management fees	11	4,018,016	3,644,039
<b>Surplus/(deficit) for the year before distribution to beneficiaries</b>		<b>1,056,791,803</b>	<b>1,010,189,455</b>
Distribution to beneficiaries – Interest paid on beneficiary monies	4	864,717,919	873,162,305
<b>Surplus/(deficit) for the year</b>		<b>192,073,885</b>	<b>137,027,150</b>



**GUARDIAN'S FUND**  
**STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019**

	<b>Notes</b>	<b>2019 R</b>	<b>2018 R</b>
<b>ASSETS</b>			
<b>Current assets</b>		<b>14,491,683,179</b>	<b>13,599,628,175</b>
Other receivables	7	309,733	605,764
Financial instruments	5	14,202,206,549	13,262,212,682
Cash and cash equivalents	6	289,166,897	336,809,729
<b>Total assets</b>		<b>14,491,683,179</b>	<b>13,599,628,175</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>		<b>13,097,767,763</b>	<b>12,397,786,645</b>
Beneficiary liability	8	13,091,748,303	12,393,486,632
Other payables	9	6,019,460	4,300,013
<b>Total liabilities</b>		<b>13,097,767,763</b>	<b>12,397,786,645</b>
<b>CAPITAL AND RESERVES</b>			
		<b>1,393,915,415</b>	<b>1,201,841,530</b>
Accumulated surplus	10	1,393,915,415	1,201,841,530
<b>Total net assets</b>		<b>1,393,915,415</b>	<b>1,201,841,530</b>
<b>Total net assets and liabilities</b>		<b>14,491,683,179</b>	<b>13,599,628,175</b>

**GUARDIAN'S FUND**

**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 31 MARCH 2019**

	Accumulated Surplus (Deficit)	Total Equity
<b>Balance as at 1 April 2018</b>	<b>1,201,841,530</b>	<b>1,201,841,530</b>
Surplus/(deficit) for the year	192,073,885	192,073,885
<b>Balance as at 31 March 2019</b>	<b>1,393,915,415</b>	<b>1,393,915,415</b>

**GUARDIAN'S FUND**

**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 31 MARCH 2018**

	Accumulated Surplus (Deficit)	Total Equity
<b>Balance as at 1 April 2017</b>	<b>1,059,470,864</b>	<b>1,059,470,864</b>
Less: Restatement – (See Note 17.1)	5,343,516	5,343,516
<b>Restated opening balance as at 1 April 2017</b>	<b>1,064,814,380</b>	<b>1,064,814,380</b>
Prior year surplus before restatement:	137,707,494	137,707,494
Restated adjustment (See Note 17.1)	680,344	680,344
<b>Balance as at 31 March 2018</b>	<b>1,201,841,530</b>	<b>1,201,841,530</b>

**GUARDIAN'S FUND**

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2019**

	Notes	2019 R	2018 R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts on behalf of beneficiaries		(1,058,984,897)	(1,011,755,764)
Cash paid to beneficiaries and creditors		869,714,932	877,489,134
<b>Cash generated from/(utilised in) operations</b>	<b>13</b>	<b>(189,269,965)</b>	<b>(134,266,630)</b>
Investment income received		1,060,500,086	1,013,227,729
Interest paid to beneficiaries		(864,717,919)	(873,162,305)
Creditor payments		(5,003,707)	(4,333,044)
<b>Net cash inflows/(outflows) from operating activities</b>		<b>1,508,495</b>	<b>1,465,749</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Net cash flows from investing activities</b>		<b>115,585,475</b>	<b>(414,483,948)</b>
Net investments of beneficiary monies in PIC		115,585,475	(414,483,948)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>Net cash flow financing activities</b>		<b>(164,736,802)</b>	<b>412,653,141</b>
Increase/(decrease) in beneficiary liability		(164,736,802)	412,653,141
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(47,642,832)</b>	<b>(365,057)</b>
Cash and cash equivalents at the beginning of the year		336,809,729	337,174,786
<b>Cash and cash equivalents at end of the year</b>	<b>6</b>	<b>289,166,897</b>	<b>336,809,729</b>

## GUARDIAN'S FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

#### 1. General information

The Guardian's Fund is a statutory trust established in terms of Chapter V of the Administration of Estates Act (Act No.66 of 1965).

The purpose of the Guardian's Fund is to protect and manage monies of persons deemed to be legally incapable 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 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 (SA Standards of GRAP) as required by the Public Finance Management Act (PFMA) (Act No. 1 of 1999).

##### 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 instruments. Money market 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 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.

## **2.2.1 Financial instruments (continued)**

### **(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 in respect of 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 and are disclosed under another category of financial instrument, depending on the 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 (Act No. 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 by the Fund to external parties.

### **(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 (Act No. 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 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 receipt date 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.

## **3. GRAP amendments and interpretations not yet effective**

GRAP 20: Related-party disclosures

This Standard of GRAP is effective for reporting periods beginning on or after 1 April 2019; we have, however, elected early adoption.

Parties are considered to be related to the Guardian's Fund if either one party directly or indirectly has the ability to control or jointly control or exercise significant influence over the other party in making financial and operational decisions or is a member of the key management of the Guardian's Fund.

**Guardian's Fund**  
Notes to the Financial Statement for the Year Ended 31 March 2019

	Total R	Pretoria R	Pietermaritzburg R	Makhanda R	Cape Town R	Bloemfontein R	Kimberley R	Nat-Off Inv R
<b>3. Investment revenue - 31/03/2019</b>								
Interest revenue - PIC	1,056,053,429	510,914,368	229,706,798	130,108,611	77,992,700	80,073,720	25,850,867	1,406,365
<b>Cash and cash equivalents:</b>								
Interest revenue - PIC	108,824	-	-	-	-	-	-	108,824
Interest revenue - Current Account	4,647,566	1,532,954	1,348,660	481,606	329,020	670,703	284,623	-
	<b>1,060,809,819</b>	<b>512,447,322</b>	<b>231,055,458</b>	<b>130,590,217</b>	<b>78,321,720</b>	<b>80,744,423</b>	<b>26,135,490</b>	<b>1,515,189</b>

**3. Investment revenue - 31/03/2018**

Interest revenue - PIC	1,008,146,768	491,560,587	217,794,587	122,996,250	73,980,385	76,019,353	24,431,846	1,363,760
<b>Cash and cash equivalents:</b>								
Interest revenue - PIC	108,204	-	-	-	-	-	-	108,204
Interest revenue - Current Account	5,578,522	1,967,613	1,695,114	487,065	476,158	687,135	265,437	-
	<b>1,013,833,494</b>	<b>493,528,200</b>	<b>219,489,701</b>	<b>123,483,315</b>	<b>74,456,543</b>	<b>76,706,488</b>	<b>24,697,283</b>	<b>1,471,964</b>

**4. Interest paid - 31/03/2019**

Interest paid to interest bearing beneficiaries:  
7.80% per annum

	864,717,919	403,868,828	193,075,824	120,793,385	48,731,759	73,623,123	24,625,000	-
	<b>864,717,919</b>	<b>403,868,828</b>	<b>193,075,824</b>	<b>120,793,385</b>	<b>48,731,759</b>	<b>73,623,123</b>	<b>24,625,000</b>	<b>-</b>

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

**4. Interest paid - 31/03/2018**

Interest paid to interest bearing beneficiaries: 8.50% per annum.

	873,162,305	408,641,958	196,531,211	119,854,892	48,524,034	75,258,718	24,351,493	-
	<b>873,162,305</b>	<b>408,641,958</b>	<b>196,531,211</b>	<b>119,854,892</b>	<b>48,524,034</b>	<b>75,258,718</b>	<b>24,351,493</b>	<b>-</b>

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.



Guardian's Fund  
Notes to the Financial Statement for the Year Ended 31 March 2019

	Total R	Pretoria R	Pietermaritzburg R	Makhanda R	Cape Town R	Bloemfontein R	Kimberley R	Nat-Off Inv R
<b>5. Financial instruments - 31/03/2019</b>								
PIC Investment								
<b>Opening balance as at 1 April 2018</b>	<b>13,262,212,682</b>	<b>6,474,472,417</b>	<b>2,884,848,249</b>	<b>1,623,361,745</b>	<b>977,088,984</b>	<b>991,104,263</b>	<b>311,337,024</b>	-
Investment income received during financial year	1,054,647,065	510,914,369	229,706,798	130,108,611	77,992,700	80,073,720	25,850,867	-
Additions during the year	121,000,000	45,000,000	15,000,000	26,000,000	12,000,000	13,000,000	10,000,000	-
Disposals during the year	-219,000,000	-55,000,000	-55,000,000	-33,000,000	-24,000,000	-38,000,000	-14,000,000	-
Trading cash movement	-12,641,879	-27,993,764	4,408,870	312,204	6,302,277	3,420,056	908,478	-
Management expenses	-4,011,320	-1,947,391	-870,762	-494,263	-298,160	-301,232	-99,513	-
<b>Closing balance as at 31 March 2019</b>	<b>14,202,206,549</b>	<b>6,945,445,631</b>	<b>3,078,093,155</b>	<b>1,746,288,297</b>	<b>1,049,085,802</b>	<b>1,049,296,806</b>	<b>333,996,857</b>	-

In terms of section 87 of the Administration of Estates Act (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	Money Market 0 - 3 months	Money Market 3 - 6 months	Money Market 6 - 9 months	Money Market 9 - 12 months	Isibaya
<b>14,202,206,549</b>	<b>6,945,445,631</b>	<b>3,078,093,155</b>	<b>1,746,288,297</b>	<b>1,049,085,802</b>	<b>1,049,296,806</b>	<b>333,996,857</b>
10,779,401,239	5,173,840,167	2,331,567,463	1,445,041,294	783,261,528	792,372,353	253,318,435
346,509,725	209,832,451	120,815,514	-	5,258,507	5,301,627	5,301,627
-	-	-	-	-	-	-
3,069,795,584	1,561,773,012	622,210,179	300,247,003	260,565,767	250,122,827	74,876,796
6,500,000	-	3,500,000	1,000,000	-	1,500,000	500,000

Guardian's Fund  
Notes to the Financial Statement for the Year Ended 31 March 2019

	Total R	Pretoria R	Pietermaritzburg R	Makhandha R	Cape Town R	Bloemfontein R	Kimberley R	Nat-Off Inv R
<b>5. Financial instruments - 31/03/2018</b>								
PIC Investment								
<b>Opening balance as at 1 April 2017</b>	<b>11,839,053,538</b>	<b>5,786,742,341</b>	<b>2,563,086,381</b>	<b>1,453,374,648</b>	<b>853,773,062</b>	<b>893,108,845</b>	<b>288,968,262</b>	-
Investment income received during financial year	1,006,783,007	491,560,588	217,794,586	122,996,249	73,980,385	76,019,353	24,431,846	-
Additions during the year	555,000,000	265,000,000	125,000,000	63,000,000	58,000,000	38,000,000	6,000,000	-
Disposals during the year	-146,500,000	-85,000,000	-15,000,000	-18,000,000	-6,000,000	-15,000,000	-7,500,000	-
Trading cash movement	11,513,959	17,939,419	-5,242,375	2,436,260	-2,396,765	-748,927	-473,653	-
Management expenses	-3,637,822	-1,769,931	-790,343	-445,412	-267,698	-275,008	-89,430	-
<b>Closing balance as at 31 March 2018</b>	<b>13,262,212,682</b>	<b>6,474,472,417</b>	<b>2,884,848,249</b>	<b>1,623,361,745</b>	<b>977,088,984</b>	<b>991,104,263</b>	<b>311,337,024</b>	-

In terms of section 87 of the Administration of Estates Act (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.

	<b>13,262,212,682</b>	<b>6,474,472,417</b>	<b>2,884,848,249</b>	<b>1,623,361,745</b>	<b>977,088,984</b>	<b>991,104,263</b>	<b>311,337,024</b>	-
<b>PIC Investments</b>								
Money Market 0 - 3 months	6,767,434,910	3,297,945,729	1,597,008,177	784,216,085	466,889,528	430,660,350	190,715,040	-
Money Market 3 - 6 months	2,907,610,478	1,423,801,216	661,952,952	441,728,009	183,262,231	181,244,533	15,621,538	-
Money Market 6 - 9 months	1,219,340,553	534,818,620	213,709,503	176,179,162	92,061,516	157,616,641	44,955,112	-
Money Market 9 - 12 months	2,361,326,741	1,217,906,852	408,677,617	220,238,490	234,875,709	220,082,738	59,545,335	-
Isibaya	6,500,000	-	3,500,000	1,000,000	-	1,500,000	500,000	-

Guardian's Fund  
Notes to the Financial Statement for the Year Ended 31 March 2019

	Total R	Pretoria R	Pietermaritzburg R	Makhanda R	Cape Town R	Bloemfontein R	Kimberley R	Nat-Off Inv R
<b>6. Cash and cash equivalents - 31/03/2019</b>								
Current bank account	74,019,896	14,975,209	19,661,274	15,325,665	7,428,604	5,254,072	11,375,070	-
PIC main and reserve accounts	24,052,035	-	-	-	-	-	-	24,052,035
Trading Cash - PIC	191,094,966	62,132,125	46,965,871	23,836,487	20,607,271	21,257,778	16,295,435	-
<b>Total cash and cash equivalents</b>	<b>289,166,897</b>	<b>77,107,334</b>	<b>66,627,145</b>	<b>39,162,152</b>	<b>28,035,875</b>	<b>26,511,850</b>	<b>27,670,505</b>	<b>24,052,035</b>
<b>For the purposes of the cash flow statement:</b>								
Disclosed as:								
Cash and cash equivalents	74,019,896	14,975,209	19,661,274	15,325,665	7,428,604	5,254,072	11,375,070	-
PIC main and reserve accounts	24,052,035	-	-	-	-	-	-	24,052,035
Trading cash - PIC	191,094,966	62,132,125	46,965,871	23,836,487	20,607,271	21,257,778	16,295,435	-
<b>Total cash and cash equivalents</b>	<b>289,166,897</b>	<b>77,107,334</b>	<b>66,627,145</b>	<b>39,162,152</b>	<b>28,035,875</b>	<b>26,511,850</b>	<b>27,670,505</b>	<b>24,052,035</b>
The carrying amount of cash and cash equivalents approximates their fair value due to their short-term maturity.								
<b>6. Cash and cash equivalents - 31/03/2018</b>								
Current bank account	135,813,100	64,939,795	20,231,808	13,060,516	10,052,282	18,423,368	9,105,331	-
PIC main and reserve accounts	22,543,542	-	-	-	-	-	-	22,543,542
Trading cash - PIC	178,453,087	34,138,362	51,374,741	24,148,690	26,909,547	24,677,834	17,203,913	-
<b>Total cash and cash equivalents</b>	<b>336,809,729</b>	<b>99,078,157</b>	<b>71,606,549</b>	<b>37,209,207</b>	<b>36,961,829</b>	<b>43,101,202</b>	<b>26,309,244</b>	<b>22,543,542</b>
<b>For the purposes of the cash flow statement:</b>								
Disclosed as:								
Cash and cash equivalents	135,813,100	64,939,795	20,231,808	13,060,516	10,052,282	18,423,368	9,105,331	-
PIC main and reserve accounts	22,543,542	-	-	-	-	-	-	22,543,542
Trading cash - PIC	178,453,087	34,138,362	51,374,741	24,148,690	26,909,547	24,677,834	17,203,913	-
<b>Total cash and cash equivalents</b>	<b>336,809,729</b>	<b>99,078,157</b>	<b>71,606,549</b>	<b>37,209,207</b>	<b>36,961,829</b>	<b>43,101,202</b>	<b>26,309,244</b>	<b>22,543,542</b>
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 Statement for the Year Ended 31 March 2019

	Total R	Pretoria R	Pietermaritzburg R	Makhanda R	Cape Town R	Bloemfontein R	Kimberley R	Nat-Off Inv R
<b>7. Other receivables - 31/03/2019</b>								
<b>Current account interest receivable</b>	309,733	70,091	66,049	49,782	38,558	43,323	41,930	-
	<b>309,733</b>	<b>70,091</b>	<b>66,049</b>	<b>49,782</b>	<b>38,558</b>	<b>43,323</b>	<b>41,930</b>	<b>-</b>

These amounts relate to interest that is receivable from current account for the month of March 2019.

<b>7. Other receivables - 31/03/2018</b>								
<b>Current account interest receivable</b>	605,764	258,601	155,341	41,156	42,556	69,680	38,430	-
	<b>605,764</b>	<b>258,601</b>	<b>155,341</b>	<b>41,156</b>	<b>42,556</b>	<b>69,680</b>	<b>38,430</b>	<b>-</b>

These amounts relate to interest that is receivable from current account for the month of March 2018.

Guardian's Fund  
Notes to the Financial Statement for the Year Ended 31 March 2019

	Total R	Pretoria R	Pietermaritzburg R	Makhanda R	Cape Town R	Bloemfontein R	Kimberley R	Nat-Off Inv R
<b>8. Beneficiary liability - 31/03/2019</b>								
<b>Opening balance as at 1 April 2018</b>	<b>12,393,486,632</b>	<b>5,845,490,201</b>	<b>2,733,602,554</b>	<b>1,634,024,622</b>	<b>836,829,029</b>	<b>1,011,449,719</b>	<b>332,090,510</b>	-
Monies received during financial year	1,541,738,581	773,671,970	291,919,146	211,964,762	94,191,091	120,680,293	49,311,319	-
Payments to beneficiaries	-1,701,478,371	-832,256,786	-333,165,253	-217,065,371	-108,256,317	-159,466,917	-51,267,728	-
Transfer to NRF 30 year	-6,608,634	-4,164,411	-583,173	-415,732	-1,217,148	-195,844	-32,327	-
NRF adjustment	3,658	-	3,658	-	-	-	-	-
5% Commission payable to NRF	-111,481	-104,253	-	-241	-6,988	-	-	-
Interest paid to beneficiaries	864,717,919	403,868,828	193,075,824	120,793,385	48,731,759	73,623,123	24,625,000	-
<b>Closing balance as at 31 March 2019</b>	<b>13,091,748,303</b>	<b>6,186,505,549</b>	<b>2,884,852,755</b>	<b>1,749,301,425</b>	<b>870,271,426</b>	<b>1,046,090,374</b>	<b>354,726,774</b>	-
<b>Beneficiary liability</b>								
Interest bearing beneficiary monies	12,031,858,797	5,604,873,377	2,732,310,271	1,672,669,371	684,127,974	1,005,362,332	332,515,472	-
Non-interest bearing beneficiary monies (no commission)	752,577,435	393,858,466	123,812,889	67,926,860	121,446,819	32,039,815	13,492,586	-
Non-interest bearing beneficiary monies (commission)	272,404,229	169,784,427	24,252,195	8,066,001	63,685,347	5,414,916	1,201,343	-
Unallocated beneficiary monies	35,722,603	18,775,741	4,643,371	684,832	1,010,138	3,084,338	7,524,183	-
Beneficiary monies - allocation account (See Note 15)	-787,310	-783,813	-151,483	-42,189	-453	195,930	-5,302	-
Accrued beneficiary liability	-27,451	-2,649	-14,489	-3,450	1,601	-6,957	-1,508	-
<b>Closing balance as at 31 March 2019</b>	<b>13,091,748,303</b>	<b>6,186,505,549</b>	<b>2,884,852,755</b>	<b>1,749,301,425</b>	<b>870,271,426</b>	<b>1,046,090,374</b>	<b>354,726,774</b>	-

Guardian's Fund  
Notes to the Financial Statement for the Year Ended 31 March 2019

	Total R	Pretoria R	Pietermaritzburg R	Makhanda R	Cape Town R	Bloemfontein R	Kimberley R	Nat-Off Inv R
<b>8. Beneficiary liability - 31/03/2018</b>								
<b>Opening balance as at 1 April 2017</b>	<b>11,113,005,981</b>	<b>5,237,156,325</b>	<b>2,456,664,262</b>	<b>1,469,858,632</b>	<b>735,797,240</b>	<b>909,135,531</b>	<b>304,393,991</b>	-
Monies received during financial year	1,837,370,706	826,087,331	384,729,315	255,350,060	143,329,731	166,261,921	61,612,346	-
Payments to beneficiaries	-1,420,390,755	-621,997,592	-301,608,941	-210,506,704	-89,253,849	-138,821,268	-58,202,402	-
Transfer to NRF 30 year	-5,469,003	-3,096,143	-1,075,258	-294,311	-856,429	-79,732	-67,130	-
Prior year adjustments	-4,152,468	-1,296,585	-1,638,037	-237,947	-676,658	-305,453	2,211	-
5% Commission payable to NRF	-40,134	-5,093	-	-	-35,041	-	-	-
Interest paid to beneficiaries	873,162,305	408,641,958	196,531,211	119,854,892	48,524,034	75,258,718	24,351,493	-
<b>Closing balance as at 31 March 2018</b>	<b>12,393,486,632</b>	<b>5,845,490,201</b>	<b>2,733,602,554</b>	<b>1,634,024,622</b>	<b>836,829,029</b>	<b>1,011,449,719</b>	<b>332,090,510</b>	-
<b>Beneficiary liability</b>								
Interest bearing beneficiary monies	11,369,696,680	5,273,231,885	2,589,845,670	1,565,592,022	653,718,139	975,678,663	311,630,302	-
Non-interest bearing beneficiary monies (no commission)	724,411,646	388,951,180	115,296,114	60,124,298	117,611,529	27,904,865	14,523,660	-
Non-interest bearing beneficiary monies (commission)	269,404,509	167,614,636	22,431,647	8,112,176	64,611,250	5,427,690	1,207,111	-
Unallocated beneficiary monies	30,739,977	16,476,312	6,159,476	238,315	888,564	2,242,571	4,734,739	-
Beneficiary monies - allocation account (See Note 15)	-766,182	-783,813	-130,355	-42,189	-453	195,930	-5,302	-
Accrued beneficiary liability	-	-	-	-	-	-	-	-
<b>Closing balance as at 31 March 2018</b>	<b>12,393,486,632</b>	<b>5,845,490,201</b>	<b>2,733,602,554</b>	<b>1,634,024,622</b>	<b>836,829,029</b>	<b>1,011,449,719</b>	<b>332,090,510</b>	-

Guardian's Fund  
Notes to the Financial Statement for the Year Ended 31 March 2019

	Total R	Pretoria R	Pietermaritzburg R	Makhanda R	Cape Town R	Bloemfontein R	Kimberley R	Nat-Off Inv R
<b>9. Trade and other payables - 31/03/2019</b>								
<b>NRF payable</b>								
<b>Opening balance as at 1 April 2018</b>	<b>4,300,013</b>	<b>6,326,562</b>	<b>-2,820,077</b>	<b>-38,834</b>	<b>907,542</b>	<b>-228,687</b>	<b>153,506</b>	<b>-</b>
5% commission	111,481	104,253	-	241	6,988	-	-	-
NRF adjustment	-3,658	-	-3,658	-	-	-	-	-
30 year - beneficiary monies	6,608,633	4,164,410	583,173	415,732	1,217,148	195,844	32,327	-
	11,016,470	10,595,225	-2,240,562	377,139	2,131,677	-32,842	185,833	-
Less: NRF liability paid during financial year	-4,997,013	-3,101,235	-762,380	-107,222	-891,469	-79,732	-54,976	-
<b>Closing balance as at 31 March 2019</b>	<b>6,019,460</b>	<b>7,493,991</b>	<b>-3,002,940</b>	<b>269,918</b>	<b>1,240,208</b>	<b>-112,574</b>	<b>130,858</b>	<b>-</b>

**9. Trade and other payables - 31/03/2018**

<b>NRF payable</b>								
<b>Opening balance as at 1 April 2017</b>	<b>4,308,734</b>	<b>6,849,947</b>	<b>-3,335,804</b>	<b>139,310</b>	<b>747,918</b>	<b>-207,798</b>	<b>115,162</b>	<b>-</b>
5% commission	40,134	5,093	-	-	35,041	-	-	-
Prior year NRF adjustments	-1,191,030	-516,060	-386,610	-216,294	-59,911	-	-12,155	-
30 year - beneficiary monies	5,469,003	3,096,143	1,075,258	294,311	856,429	79,732	67,130	-
	8,626,841	9,435,123	-2,647,155	217,327	1,579,476	-128,066	170,137	-
Less: NRF liability paid during financial year	-4,326,828	-3,108,561	-172,922	-256,160	-671,935	-100,620	-16,631	-
<b>Closing balance as at 31 March 2018</b>	<b>4,300,013</b>	<b>6,326,562</b>	<b>-2,820,077</b>	<b>-38,834</b>	<b>907,542</b>	<b>-228,687</b>	<b>153,506</b>	<b>-</b>

These payables relate to monies which has remained unclaimed for a period of thirty years as from the date upon which the beneficiaries became entitled to said monies, as well as a 5% admin fee that is deducted from all insolvent or liquidated estates whereby creditor payment is 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 Statement for the Year Ended 31 March 2019

	Total R	Pretoria R	Pietermaritzburg R	Makhanda R	Cape Town R	Bloemfontein R	Kimberley R	Nat-Off Inv R
<b>10. Accumulated surplus/(deficit) - 31/03/2019</b>								
<b>Opening balance as at 1 April 2018</b>	1,201,841,530	721,992,413	225,827,662	26,626,317	176,356,801	23,054,112	5,440,684	22,543,542
Surplus for the year	192,073,885	106,631,104	37,108,873	9,302,569	29,291,801	6,820,067	1,410,978	1,508,494
<b>Balance as at 31 March 2019</b>	<b>1,393,915,415</b>	<b>828,623,517</b>	<b>262,936,535</b>	<b>35,928,886</b>	<b>205,648,602</b>	<b>29,874,178</b>	<b>6,851,661</b>	<b>24,052,036</b>
<b>10. Accumulated surplus/(deficit) - 31/03/2018</b>								
<b>Opening balance as at 1 April 2017</b>	1,064,814,380	638,876,101	203,659,516	23,443,307	150,691,990	21,881,350	5,184,324	21,077,793
Surplus for the year	137,027,150	83,116,312	22,168,147	3,183,010	25,664,811	1,172,762	256,360	1,465,749
<b>Balance as at 31 March 2018</b>	<b>1,201,841,530</b>	<b>721,992,413</b>	<b>225,827,662</b>	<b>26,626,317</b>	<b>176,356,801</b>	<b>23,054,112</b>	<b>5,440,684</b>	<b>22,543,542</b>



Guardian's Fund  
Notes to the Financial Statement for the Year Ended 31 March 2019

	Total R	Pretoria R	Pietermaritzburg R	Makhanda R	Cape Town R	Bloemfontein R	Kimberley R	Nat-Off Inv R
<b>11. Management fees - 31/03/2019</b>								
Investment management fees - PIC Investment	4,018,016	1,947,391	870,762	494,263	298,160	301,232	99,513	6,695
	<b>4,018,016</b>	<b>1,947,391</b>	<b>870,762</b>	<b>494,263</b>	<b>298,160</b>	<b>301,232</b>	<b>99,513</b>	<b>6,695</b>

Fees are payable to the Public Investment Corporation Limited for managing the Guardian's Fund investments in terms of the investment management agreement.

**11. Management fees - 31/03/2018**

Investment management fees - PIC Investment	3,644,039	1,769,931	790,343	445,412	267,698	275,008	89,430	6,216
	<b>3,644,039</b>	<b>1,769,931</b>	<b>790,343</b>	<b>445,412</b>	<b>267,698</b>	<b>275,008</b>	<b>89,430</b>	<b>6,216</b>

Fees are payable to the Public Investment Corporation Limited for managing the Guardian's Fund investments in terms of the investment management agreement.

**Guardian's Fund**  
**Notes to the Financial Statement for the Year Ended 31 March 2019**

**12. Related party transactions - 31/03/2019**

**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:**

	<b>83,965,636</b>
Office of the Chief Master	76,799,496
Office of the CFO	7,166,140

**Key personnel costs disclosed as:**

	<b>11,542,556</b>
Level 15 - Chief Master/Chief Financial Officer (1)	1,697,475
Level 14 - Chief Director (3)	3,376,332
Level 13 - Directors (1) and Masters (5)	6,468,749

**Name of related party:**

The Public Investment Corporation Limited

**Relationship:**

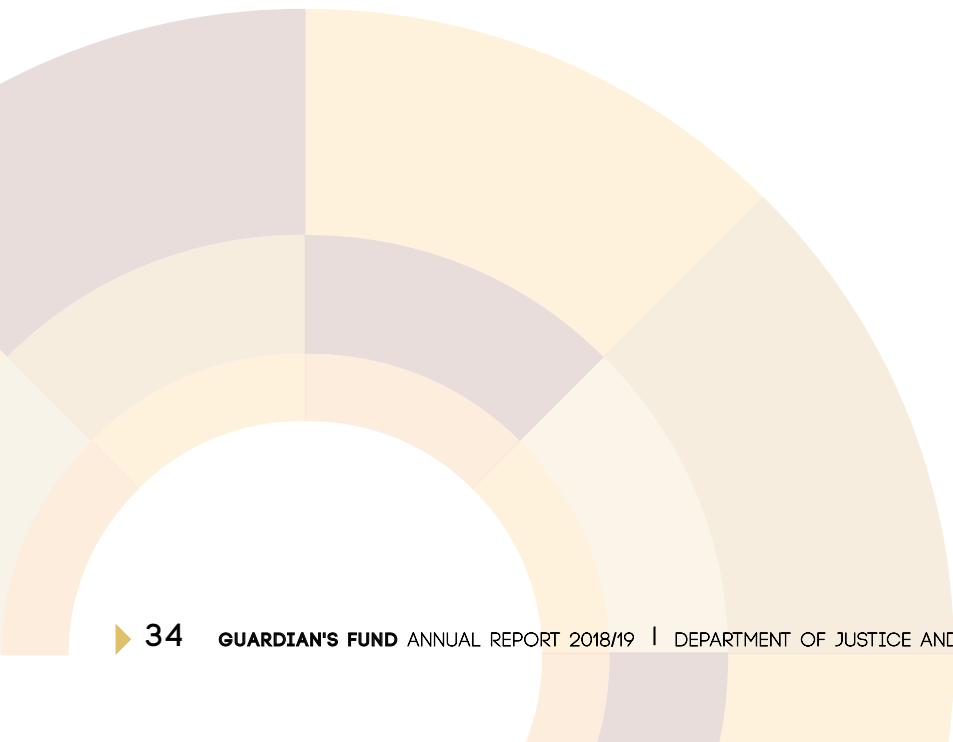
In terms of section 87 of the Administration of Estates Act (Act No. 66 of 1965), beneficiary monies received in the Guardian's Fund should be invested with the PIC. Details of transaction values as stated in **Notes 3, 5 & 11**.

**Name of related party:**

The President's 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 Statement for the Year Ended 31 March 2019**

**12. Related party transactions - 31/03/2018**

**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

**87,659,671**

81,922,957

5,736,714

**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)

**14,210,343**

2,636,192

4,384,967

7,189,184

**Name of related party:**

The Public Investment Corporation Limited

**Relationship:**

In terms of section 87 of the Administration of Estates Act (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 President's 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 Statement for the Year Ended 31 March 2019

	Total R	Pretoria R	Pietermaritzburg R	Makhanda R	Cape Town R	Bloemfontein R	Kimberley R	Nat-Off Inv R
<b>13. Cash generated from/(utilized in) operations - 31/03/2019</b>								
Surplus/(deficit) before interest								
Plus: NRF paid	4,997,013	3,101,235	762,380	107,222	891,469	79,732	54,976	-
Less: Investment income received	-1,058,984,897	-512,377,232	-230,989,409	-130,540,435	-78,283,162	-80,701,100	-26,093,560	-
Plus: Interest paid	864,717,919	403,868,828	193,075,824	120,793,385	48,731,759	73,623,123	24,625,000	-
<b>Net cash flows from operating activities</b>	<b>-189,269,965</b>	<b>-105,407,168</b>	<b>-37,151,205</b>	<b>-9,639,828</b>	<b>-28,659,934</b>	<b>-6,998,245</b>	<b>-1,413,584</b>	<b>-</b>
<b>13. Cash generated from/(utilized in) operations - 31/03/2018</b>								
Surplus/(deficit) before interest								
Plus: NRF paid	4,326,828	3,108,561	172,922	256,160	671,935	100,620	16,631	-
Less: Investment income received	-1,011,755,764	-493,269,598	-219,334,359	-123,442,158	-74,413,987	-76,636,808	-24,658,853	-
Plus: Interest paid	873,162,305	408,641,958	196,531,211	119,854,892	48,524,034	75,258,718	24,351,493	-
<b>Net cash flows from operating activities</b>	<b>-134,266,630</b>	<b>-81,519,080</b>	<b>-22,630,226</b>	<b>-3,331,106</b>	<b>-25,218,019</b>	<b>-1,277,470</b>	<b>-290,729</b>	<b>-</b>

Guardian's Fund  
Notes to the Financial Statement for the Year Ended 31 March 2019

	Total R	Pretoria R	Pietermaritzburg R	Makhanda R	Cape Town R	Bloemfontein R	Kimberley R	Nat-Off Inv R
<b>14. Disallowance account (fraud and losses)</b> <b>- 31/03/2019</b>								
<b>Opening balance at at 1 April 2018</b>	<b>9,928,553</b>	<b>6,560,662</b>	<b>2,683,515</b>	<b>106,593</b>	<b>84,280</b>	<b>330,589</b>	<b>162,914</b>	-
Current year fraud cases	243,327	-	191,452	51,875	-	-	-	-
Current year losses	325,973	4,727	320,303	739	2	202	-	-
Finalised cases - Investigation finalised	-547,566	-287,242	-164,733	-56,447	-	-39,143	-	-
<b>Cases still under investigation as at 31 March 2019</b>	<b>9,950,288</b>	<b>6,278,147</b>	<b>3,030,537</b>	<b>102,760</b>	<b>84,282</b>	<b>291,647</b>	<b>162,914</b>	-

<b>14. Disallowance account (fraud and losses)</b> <b>- 31/03/2018</b>								
<b>Opening balance at at 1 April 2017</b>	<b>8,425,682</b>	<b>6,043,900</b>	<b>1,840,763</b>	<b>-5,346</b>	<b>84,280</b>	<b>329,829</b>	<b>132,256</b>	-
Restatement movement	1,045,688	319,874	-	-	-	695,155	30,659	-
Current year fraud cases	867,159	-	837,169	29,990	-	-	-	-
Current year losses	467,182	374,847	5,583	84,175	-	2,577	-	-
Finalised cases - Investigation finalised	-877,158	-177,959	-	-2,226	-	-696,972	-	-
<b>Cases still under investigation as at 31 March 2018</b>	<b>9,928,553</b>	<b>6,560,662</b>	<b>2,683,515</b>	<b>106,593</b>	<b>84,280</b>	<b>330,589</b>	<b>162,914</b>	-

Guardian's Fund  
Notes to the Financial Statement for the Year Ended 31 March 2019

	Total R	Pretoria R	Pietermaritzburg R	Makhanda R	Cape Town R	Bloemfontein R	Kimberley R	Nat-Off Inv R
15. Beneficiary monies Allocation account - 31/03/2019	-787,310	-783,813	-151,483	-42,189	-453	195,930	-5,302	-
Balance as at 31 March 2019	<b>-787,310</b>	<b>-783,813</b>	<b>-151,483</b>	<b>-42,189</b>	<b>-453</b>	<b>195,930</b>	<b>-5,302</b>	<b>-</b>

These transactions originate from year differences between the Guardian's Fund System and the cash book which will be adjusted through a controlled monitored RFS process.

15. Beneficiary monies Allocation account - 31/03/2018	-766,182	-783,813	-130,355	-42,189	-453	195,930	-5,302	-
Balance as at 31 March 2018	<b>-766,182</b>	<b>-783,813</b>	<b>-130,355</b>	<b>-42,189</b>	<b>-453</b>	<b>195,930</b>	<b>-5,302</b>	<b>-</b>

These transactions originate from year differences between the Guardian's Fund System and the cash book which will be adjusted through a controlled monitored RFS process.

Guardian's Fund  
Notes to the Financial Statement for the Year Ended 31 March 2019

As disclosed in 2018	As restated in 2019	Prior year errors for the financial years ending 31 March 2018	Pre-prior period error for the financial years ending 31 March 2017	Nature of restatement
R	R	R	R	

### 16. Restatement of comparatives

The financial statements for 31 March 2018 were restated due to more accurate financial information becoming available and as historical issues were addressed.

#### 16.1 Restatement of Financial Position

##### ASSETS

Financial investments available-for-sale (PIC Investments)	13,262,515,496	13,262,212,682	-302,814	-	Unrealised Profit Adjustment
Cash and cash equivalents	336,809,713	336,809,729	16	-	Interest Adj on Current Account
Other receivables - ABSA Interest	605,764	605,764	-	-	
<b>Total assets</b>	<b>13,599,930,973</b>	<b>13,599,628,175</b>	<b>-302,798</b>		

##### LIABILITIES

##### Total liabilities

Beneficiary Liability	12,402,752,615	12,397,786,645	377,546	-5,343,516	Prior year adjustments due to RFS data changes submitted by GF Offices
Restatement of interest and capital adjustments	12,397,482,212	12,393,486,632	377,546	-	Reversal of NRF Transfers
NRF adjustment			970,390	-	Reversal of NRF Transfers
Other payables	5,270,403	4,300,013	-970,390	-	

Guardian's Fund  
Notes to the Financial Statement for the Year Ended 31 March 2019

	As disclosed in 2018 R	As restated in 2019 R	Prior year errors for the financial years ending 31 March 2018 R	Pre-prior period error for the financial years ending 31 March 2017 R	Nature of restatement
<b>16.1 Restatement of Financial Position - Continues</b>					
<b>CAPITAL AND RESERVES</b>					
Total liabilities	12,402,752,615	12,397,786,645	377,546	-5,343,516	
Total net assets	1,197,178,358	1,201,841,530	-680,344	5,343,516	
Accumulated surplus/(deficit)- Prior year adjustments	1,197,178,358	1,201,841,530	-377,546	5,343,516	Prior year adjustments due to RFS data changes submitted by GF Offices
Other adjustments			16	-	Interest Adj on Current Account
SARS adjustments			-302,814	-	Unrealised Profit Adjustment
<b>Total net assets and liabilities</b>	<b>13,599,930,973</b>	<b>13,599,628,175</b>	<b>-302,798</b>	<b>-</b>	
<b>16.2 Restatement of Performance</b>					
<b>Revenue</b>					
Investment revenue	1,013,833,478	1,013,833,494	16	-	Interest Adj on Current Account
Other income	302,814	-	-302,814	-	Unrealised Profit Adjustment
<b>Less: Expenditure</b>	<b>876,428,798</b>	<b>876,806,344</b>	<b>-377,546</b>	<b>-</b>	
Management fees	3,644,039	3,644,039	-	-	
Interest paid to beneficiaries	872,784,759	873,162,305	-377,546	-	Increase in interest payable to beneficiaries due to decrease of beneficiary liability at 31 March 2018
<b>Surplus/(deficit) for the year</b>	<b>137,707,494</b>	<b>137,027,150</b>	<b>-680,344</b>	<b>-</b>	



## 17. Risk Management Statement

### 17.1 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.

### 17.2 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.

### 17.3 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 client of the PIC, the 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 the PIC, relative to the appropriate benchmark.

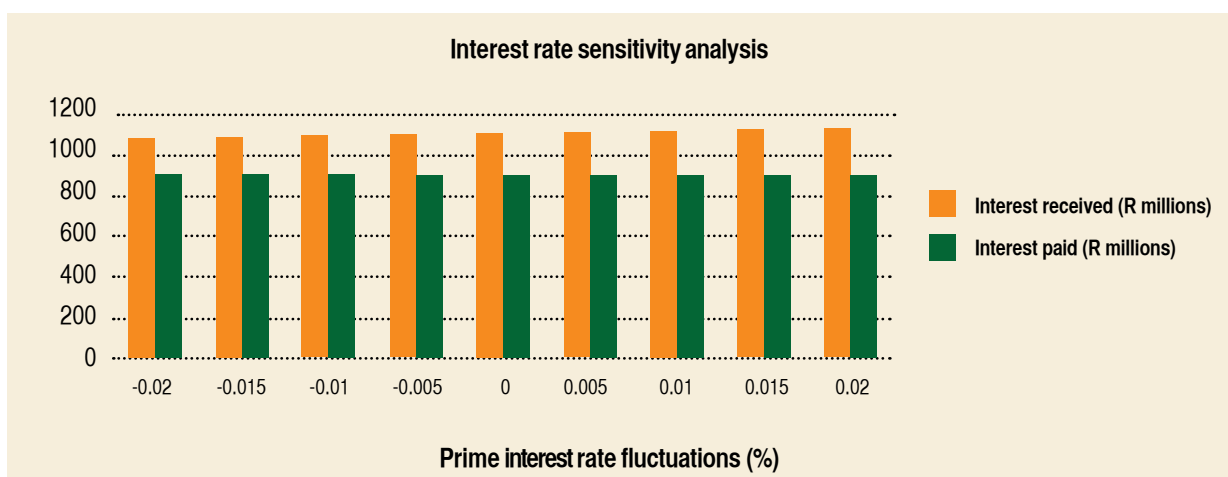
Furthermore, these investment mandates prescribe how the assets should be managed by PIC, in line with Guardian's Fund liquidity needs and its liability profile.

### 17.4 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. The 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.



The 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 - R1.060 billion, and interest paid - R864 million).

### 17.5 Credit risk

The 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 mandate to the PIC states that the 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.

### 17.6 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 clients' concentration risk.

### 17.7 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 are due.

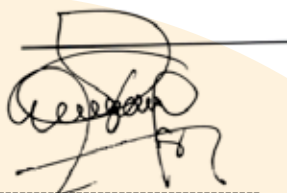
The Guardian's Fund manages this risk through the investment mandate that is signed with the PIC. The mandate is in line with the Fund's liquidity needs and liability profile of the Fund. Currently, the Guardian's Fund liquid assets holding is R14.2 billion.

### 17.8 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.

### 17.9 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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