



# GUARDIAN'S FUND 2019/20

*Department of Justice and  
Constitutional Development*



**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

*FOR THE YEAR ENDED  
31 MARCH 2020*

## **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, (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 302 points of service throughout the country, to improve customer interaction and accessibility of services, thereby relieving the financial burden on the 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 2019/2020 financial year, which enhances the turnaround time in payment of benefits.

The GF embarked on a system modernisation project and the appointment process of the preferred service provider was initiated in the 2019/20 year. It is envisaged that the finalisation of the appointment of the service provider, development and testing of the system will commence during the 2020/21 year.

## **Unclaimed Monies**

As per the Administration of Estates Act, any beneficiary funds which remained 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.

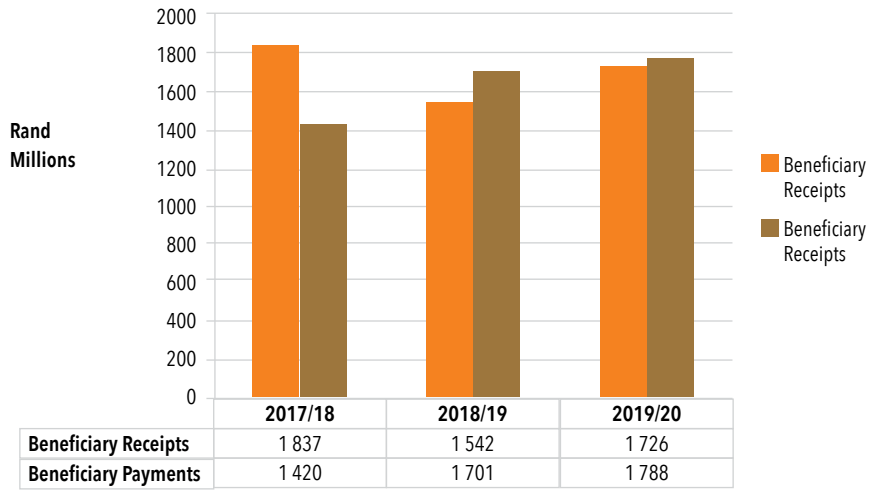
The Office of the Chief Master is committed to a project to further advance outreach and communication to the public to ensure that beneficiaries are traced and benefits paid.

Further extensive measures are to be effected in this regard in the 2020/21 year, to yield positive results and effective service delivery.

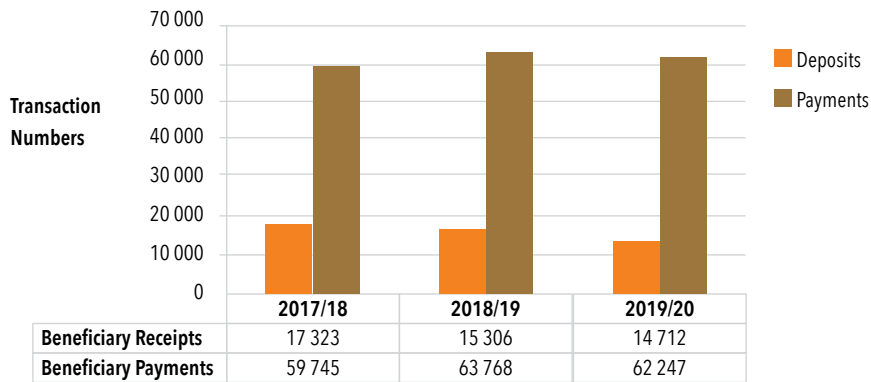
## **Growth of Beneficiary Liability**

As has been disclosed in more detail in the financials on pages 15 to 43, 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.

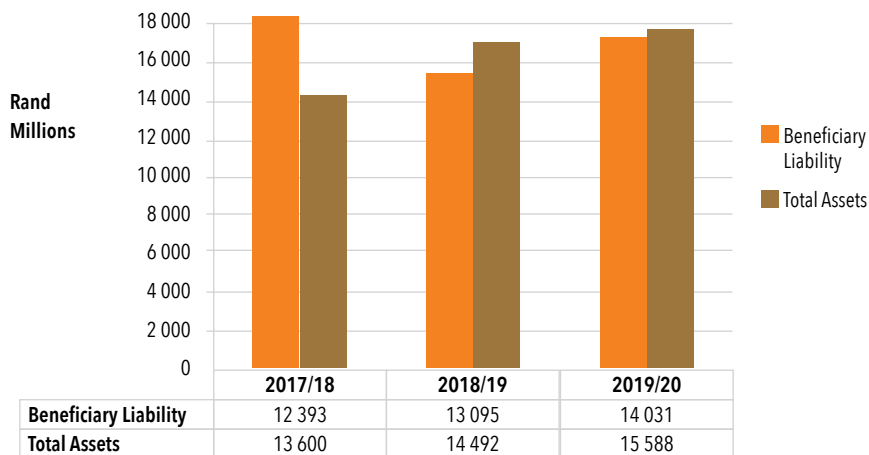
### Guardian's Fund Beneficiary Receipts and Payments



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



### Guardian's Fund - Total Assets vs Beneficiary Liabilities



### **Fraud Prevention and Detection**

Our Honourable President had issued a proclamation so that the Special Investigations Unit may investigate possible maladministration, fraud and loss at the Master's Branch. As the GF is within the Master's branch, the GF would be encompassed in these investigations.

The GF adopts a zero tolerance to fraud and corruption policy 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 are addressed pro-actively.

The GF also performs a risk assessment annually, to identify and address any emerging risk areas, 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 over R15,5 billion rand 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 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 while continuing to grow the return on investments.

The GF is pleased to report, that in the 2019/20 year, the Fund generated more than R1,1 billion in investment income and was able to pass an additional 50 basis points (above market interest rate) to the beneficiaries.

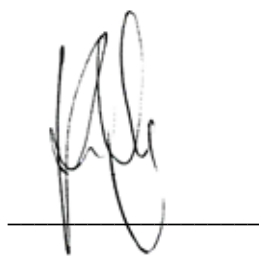
The rate of interest allocated to interest earning accounts within the GF was 8,50% per annum for the financial year under review.

### **Acknowledgement**

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

### **Approval**

The annual financial statements as set out on pages 15 to 43 have been approved by the Accounting Officer.



**MS K PILLAY**

ACTING DIRECTOR GENERAL  
DEPARTMENT OF JUSTICE AND CONSTITUTIONAL DEVELOPMENT  
DATE: 30 SEPTEMBER 2020



# REPORT OF THE AUDIT COMMITTEE ON GUARDIAN'S FUND



**1. REPORT OF THE AUDIT COMMITTEE**

We are pleased to present our final report for the financial year ended 31 March 2020.

**1.1 AUDIT COMMITTEE MEMBERS AND ATTENDANCE**

The Audit Committee consisted 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 year three (03) meetings were held.

| <b>Name of members</b>                   | <b>Numbers of meetings attended</b> | <b>Status</b>                |
|--|-------------------------------------|------------------------------|
| Mr. Motsamai Karedi (Former Chairperson) | 3                                   | Retired- 30 September 2019   |
| Mr. Cedric Boltman                       | 3                                   | Reappointed 24 February 2020 |
| Ms. Besky Ngunjiri (Chairperson)         | 3                                   | Reappointed 24 February 2020 |
| Mr. Wilson Ramabulana                    | 3                                   | Retired- 30 September 2019   |
| Mr Andy Sello                            | 3                                   | Retired- 30 September 2019   |
| Mr Freddy Sinthumule                     | -                                   | Appointed 24 February 2020   |
| Ms Linda Meyer                           | -                                   | Appointed 24 February 2020   |
| Mr Bheki Mkhabela                        | -                                   | Appointed 24 February 2020   |

**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, 1999 (Act No. 1 of 1999) and Treasury Regulations.

The end of term of the Audit Committee collided with the retirement of the Accounting Officer whose office would have been responsible for the recruitment of Audit Committees. As a result, a vacuum occurred for a period of four months from October 2019 to January 2020. The non-compliance was rectified during February 2020.

Furthermore, the Department is currently in the process of recruiting a long-term Audit Committee as the current arrangement ends February 2021.

**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 internal controls were identified; management implemented an audit action plan which was validated by Internal Audit and reviewed by the Audit Committee on ongoing basis.

However, Audit Committee has noted that the processes for tracing the Guardian's Fund beneficiaries is inadequate or not in place. The matter has been raised with the Accounting Officer for ensuring that effective measures are in place as the monies are exposed to the risk of fraud and also accessed by beneficiaries who may be in a vulnerable position.



#### **1.4 INTERNAL AUDIT**

The Department of Justice and Constitutional Development's Internal Audit Unit is responsible for the review of Guardian's Fund and the Unit has also discharged its responsibilities as per the Internal Audit plan.

#### **1.5 REPORTS**

##### **1.5.1 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 Department during the year under review

##### **1.5.2 Evaluation of financial statements**

We have reviewed and discussed the audited annual financial statements with management and also reviewed the Guardian's Fund's compliance with legal and regulatory provisions.

#### **1.6 AUDITOR-GENERAL SOUTH AFRICA**

We have reviewed the Auditor-General South Africa's report, management letter and management's responses to it and the Audit Committee is satisfied with the contents thereof.

The Audit committee accepts and concurs with the unqualified audit opinion of the AGSA on the Annual Financial Statements of Guardian's Fund for the year ended 31 March 2020.



**B NGUNJIRI**

CHAIRPERSON OF THE AUDIT COMMITTEE

DATE: 30 SEPTEMBER 2020



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

# 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 15 to 43, which comprise the statement of financial position as at 31 March 2020, 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 2020, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the general notice issued in terms of the Public Audit Act of South Africa 2004 (Act No. 25 of 2004) (PAA).

### 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 Code of ethics for professional accountants and parts 1 and 3 of the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA codes) as well as 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 codes.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Responsibilities of 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 Standards of GRAP and the general notice issued in terms of the PAA, 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 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.

### **Performance information reporting**

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 Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and such reporting is also not required in terms of the entity's specific legislation.

### **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 fund's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
12. I did not identify any 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 which includes the accounting officer's report and the audit committee's 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 do 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**

**30 September 2020**



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 relating to events or conditions that may cast significant doubt on the ability of the Guardian's Fund to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a fund to cease operating as a going concern
  - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

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

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, actions taken to eliminate threats or safeguards applied.



# FINANCIAL STATEMENTS

*FOR THE YEAR ENDED  
31 MARCH 2020*

# STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 MARCH 2020

|  | Notes | 2020<br>R            | 2019<br>R            |
|--|-------|----------------------|----------------------|
| <b>Revenue from exchange transactions</b>                                  |       |                      |                      |
| Investment revenue   | 3     | 1 169 185 231        | 1 060 809 819        |
|  |       | <b>1 169 185 231</b> | <b>1 060 809 819</b> |
| <b>Less: Expenditure</b>   |       |                      |                      |
| Management fees  | 11    | 4 324 583            | 4 018 016            |
| <b>Surplus/(deficit) for the year before distribution to beneficiaries</b> |       | <b>1 164 860 648</b> | <b>1 056 791 803</b> |
| Distribution to beneficiaries – Interest paid on beneficiary monies        | 4     | 1 003 960 290        | 864 984 757          |
| <b>Surplus/(deficit) for the year</b>                                      |       | <b>160 900 358</b>   | <b>191 807 046</b>   |

# STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020

|   | Notes | 2020<br>R             | 2019<br>R             |
|---|-------|-----------------------|-----------------------|
| <b>ASSETS</b>                           |       |                       |                       |
| <b>Current assets</b>                   |       | <b>15 588 394 930</b> | <b>14 491 683 179</b> |
| Receivables from exchange transactions  | 7     | 406 482               | 309 733               |
| Financial instruments                   | 5     | 15 017 390 946        | 14 202 206 549        |
| Cash and cash equivalents               | 6     | 570 597 502           | 289 166 897           |
| <b>Total assets</b>                     |       | <b>15 588 394 930</b> | <b>14 491 683 179</b> |
| <b>LIABILITIES</b>                      |       |                       |                       |
| <b>Current liabilities</b>              |       | <b>14 035 096 276</b> | <b>13 099 284 883</b> |
| Beneficiary liability                   | 8     | 14 031 080 511        | 13 094 680 067        |
| Payables from exchange transactions     | 9     | 4 015 765             | 4 604 817             |
| <b>Total liabilities</b>                |       | <b>14 035 096 276</b> | <b>13 099 284 883</b> |
| <b>CAPITAL AND RESERVES</b>             |       |                       |                       |
| Accumulated surplus                     | 10    | 1 553 298 654         | 1 392 398 296         |
| <b>Total net assets</b>                 |       | <b>1 553 298 654</b>  | <b>1 392 398 296</b>  |
| <b>Total net assets and liabilities</b> |       | <b>15 588 394 930</b> | <b>14 491 683 179</b> |



# STATEMENT OF CHANGES IN NET ASSETS FOR THE ENDED 31 MARCH 2020

|                                    | Accumulated Surplus<br>(Deficit) | Total Equity         |
|------------------------------------|----------------------------------|----------------------|
|                                    | R                                | R                    |
| <b>Balance as at 1 April 2019</b>  | <b>1 392 398 296</b>             | <b>1 392 398 296</b> |
| Surplus/(deficit) for the year     | 160 900 358                      | 160 900 358          |
| <b>Balance as at 31 March 2020</b> | <b>1 553 298 654</b>             | <b>1 553 298 654</b> |

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

|  |                      |                      |
|--|----------------------|----------------------|
| <b>Balance as at 1 April 2018</b>                  | <b>1 201 841 530</b> | <b>1 201 841 530</b> |
| Less: Restatement – (See Note 16.1)                | (1 250 280)          | (1 250 280)          |
| <b>Restated opening balance as at 1 April 2018</b> | <b>1 200 591 250</b> | <b>1 200 591 250</b> |
| Prior year surplus before restatement:             | 192 073 885          | 192 073 885          |
| Restated adjustment (See Note 16.1)                | (266 839)            | (266 839)            |
| <b>Balance as at 31 March 2019</b>                 | <b>1 392 398 296</b> | <b>1 392 398 296</b> |

# CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2020

|  | Notes | 2020<br>R            | 2019<br>R            |
|--|-------|----------------------|----------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                  |       |                      |                      |
| Cash receipts on behalf of beneficiaries                     |       | (1 167 123 744)      | (1 058 984 897)      |
| Cash paid to beneficiaries and creditors                     |       | 1 010 115 499        | 869 981 771          |
|  | 13    | <b>(157 008 245)</b> | <b>(189 003 126)</b> |
| Investment income received                                   |       | 1 168 778 749        | 1 060 500 086        |
| Interest paid to beneficiaries                               |       | (1 003 960 290)      | (864 984 757)        |
| Creditor payments  |       | (6 162 383)          | (5 003 708)          |
| <b>Net cash inflows/(outflows) from operating activities</b> |       | <b>1 647 831</b>     | <b>1 508 495</b>     |
| <b>Net cash flows from investing activities</b>              |       |                      |                      |
| Net investments of beneficiary monies in PIC                 |       | 347 931 672          | 115 585 474          |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                  |       |                      |                      |
| <b>Net cash flow financing activities</b>                    |       |                      |                      |
| Increase/(decrease) in beneficiary liability                 |       | (68 148 898)         | (164 736 801)        |
| <b>Net increase/(decrease) in cash and cash equivalents</b>  |       | <b>281 430 605</b>   | <b>(47 642 832)</b>  |
| Cash and cash equivalents at the beginning of the year       |       | 289 166 897          | 336 809 729          |
| <b>Cash and cash equivalents at end of the year</b>          | 6     | <b>570 597 502</b>   | <b>289 166 897</b>   |

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

## 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 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 Africa Standards of Generally Recognised Accounting Practice as required by the Public Audit Act of South Africa 2004 (Act No. 25 of 2004) (PAA).

### 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.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

## 2.2.1 Financial instruments (continued)

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 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 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 from exchange transactions

### 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.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

## 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, whom 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 Guardian's Fund Offices to the Departments forensic directorate for investigation, and they are not disclosed on the face of the balance sheet.

#### (ii) Subsequent Recognition and de-recognition

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.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

## **2.2.7 Allocation account (continued)**

### **(ii) Subsequent Recognition**

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

### **(iii) De-recognition**

The allocation account will be de-recognised when the financial benefit to or obligation by the fund is extinguished.

## **2.2.8 Receivables from exchange transactions**

### **(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) De-recognition**

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

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.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

|   | Total                 |  | Pretoria             |  | Pietermaritzburg    |  | Makhanda            |  | Cape Town          |  | Bloemfontein       |  | Kimberley          |  | Nat-Off Inv       |  |
|---|-----------------------|--|----------------------|--|---------------------|--|---------------------|--|--------------------|--|--------------------|--|--------------------|--|-------------------|--|
|   | R                     |  | R                    |  | R                   |  | R                   |  | R                  |  | R                  |  | R                  |  | R                 |  |
| <b>3. Investment revenue - 31/03/2020</b> |                       |  |                      |  |                     |  |                     |  |                    |  |                    |  |                    |  |                   |  |
| Interest revenue - PIC                    | -1 164 259 611        |  | -569 496 309         |  | -248 986 098        |  | -143 897 270        |  | -86 533 455        |  | -85 330 660        |  | -28 473 517        |  | -1 542 304        |  |
| <b>Cash and cash equivalents:</b>         |                       |  |                      |  |                     |  |                     |  |                    |  |                    |  |                    |  |                   |  |
| Interest revenue - PIC                    | -112 700              |  | -                    |  | -                   |  | -                   |  | -                  |  | -                  |  | -                  |  | -112 700          |  |
| Interest revenue - Current Acct           | -4 812 920            |  | -1 435 176           |  | -1 349 693          |  | -491 776            |  | -456 821           |  | -720 396           |  | -359 058           |  | -                 |  |
|   | <b>-1 169 185 231</b> |  | <b>-570 931 485</b>  |  | <b>-250 335 791</b> |  | <b>-144 389 046</b> |  | <b>-86 990 276</b> |  | <b>-86 051 056</b> |  | <b>-28 832 575</b> |  | <b>-1 655 004</b> |  |
| <b>3. Investment revenue - 31/03/2019</b> |                       |  |                      |  |                     |  |                     |  |                    |  |                    |  |                    |  |                   |  |
| Interest revenue - PIC                    | -1 056 053 429        |  | -5 10 914 368        |  | -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 Acct           | -4 647 566            |  | -1 532 954           |  | -1 348 660          |  | -481 606            |  | -329 020           |  | -670 703           |  | -284 623           |  | -                 |  |
|   | <b>-1 060 809 819</b> |  | <b>-5 12 447 322</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> |  |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

| Total                | Pretoria           |                    | Pietermaritzburg   |                   | Makhanda          |                   | Cape Town |   | Bloemfontein |   | Kimberley |   | Nat-Off Inv |   |
|----------------------|--------------------|--------------------|--------------------|-------------------|-------------------|-------------------|-----------|---|--------------|---|-----------|---|-------------|---|
|                      | R                  | R                  | R                  | R                 | R                 | R                 | R         | R | R            | R | R         | R | R           | R |
| 1 003 960 290        | 473 088 290        | 222 520 916        | 139 649 581        | 57 235 702        | 82 448 076        | 29 017 725        | -         |   |              |   |           |   |             |   |
| <b>1 003 960 290</b> | <b>473 088 290</b> | <b>222 520 916</b> | <b>139 649 581</b> | <b>57 235 702</b> | <b>82 448 076</b> | <b>29 017 725</b> | <b>-</b>  |   |              |   |           |   |             |   |
| 864 984 757          | 403 820 657        | 193 122 043        | 120 796 471        | 48 981 498        | 73 659 281        | 24 604 807        | -         |   |              |   |           |   |             |   |
| <b>864 984 757</b>   | <b>403 820 657</b> | <b>193 122 043</b> | <b>120 796 471</b> | <b>48 981 498</b> | <b>73 659 281</b> | <b>24 604 807</b> | <b>-</b>  |   |              |   |           |   |             |   |

#### 4. Interest paid - 31/03/2020

Interest paid to interest bearing beneficiaries  
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 - 31/03/2019

Interest paid to interest bearing beneficiaries  
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



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

|  | Total                 |  | Pretoria             |  | Pietermaritzburg     |  | Makhanda             |  | Cape Town            |  | Bloemfontein         |  | Kimberley          |  | Nat-Off Inv |  |  |
|--|-----------------------|--|----------------------|--|----------------------|--|----------------------|--|----------------------|--|----------------------|--|--------------------|--|-------------|--|--|
|  | R                     |  | R                    |  | R                    |  | R                    |  | R                    |  | R                    |  | R                  |  | R           |  |  |
| <b>5. Financial instruments - 31/03/2020</b>     |                       |  |                      |  |                      |  |                      |  |                      |  |                      |  |                    |  |             |  |  |
| PIC Investment                                   |                       |  |                      |  |                      |  |                      |  |                      |  |                      |  |                    |  |             |  |  |
| <b>Opening balance as at 1 April 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> |  |             |  |  |
| Investment income received during financial year | 1 162 717 307         |  | 569 496 309          |  | 248 986 098          |  | 143 897 270          |  | 86 533 455           |  | 85 330 660           |  | 28 473 517         |  |             |  |  |
| Additions during the year                        | 201 000 000           |  | 100 000 000          |  | 30 000 000           |  | 35 000 000           |  | 18 000 000           |  | 10 000 000           |  | 8 000 000          |  |             |  |  |
| Disposals during the year                        | -322 000 000          |  | -125 000 000         |  | -90 000 000          |  | -59 000 000          |  | -                    |  | -48 000 000          |  | -                  |  |             |  |  |
| Trading Cash Movement                            | -222 215 500          |  | -159 140 749         |  | -61 542 501          |  | -17 250 382          |  | -2 594 350           |  | 5 913 297            |  | 12 399 184         |  |             |  |  |
| Management expenses                              | -4 317 410            |  | -2 112 124           |  | -927 599             |  | -532 248             |  | -323 514             |  | -315 106             |  | -106 819           |  |             |  |  |
| <b>Closing Balance as at 31 March 2020</b>       | <b>15 017 390 946</b> |  | <b>7 328 689 067</b> |  | <b>3 204 609 153</b> |  | <b>1 848 402 937</b> |  | <b>1 150 701 393</b> |  | <b>1 102 225 657</b> |  | <b>382 762 739</b> |  |             |  |  |

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.

|                            | <b>15 017 390 946</b> | <b>7 328 689 067</b> | <b>3 204 609 153</b> | <b>1 848 402 937</b> | <b>1 150 701 393</b> | <b>1 102 225 657</b> | <b>382 762 738,90</b> |
|----------------------------|-----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|
| <b>PIC Investments</b>     |                       |                      |                      |                      |                      |                      |                       |
| Money Market 0 - 3 months  | 11 363 838 649        | 5 439 969 403        | 2 445 061 256        | 1 526 829 665        | 839 783 242          | 825 169 824          | 287 025 259           |
| Money Market 3 - 6 months  | 5 289 699             | -                    | -                    | -                    | -                    | 5 289 699            | -                     |
| Money Market 6 - 9 months  | -                     | -                    | -                    | -                    | -                    | -                    | -                     |
| Money Market 9 - 12 months | 3 643 011 449         | 1 888 719 664        | 756 602 942          | 320 850 795          | 310 918 151          | 270 682 418          | 95 237 479            |
| Isibaya                    | 5 251 149             | -                    | 2 944 955            | 722 478              | -                    | 1 083 716            | 500 000               |



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

|   | Total              |  | Pretoria           |  | Pietermaritzburg   |  | Makhanda          |  | Cape Town         |  | Bloemfontein      |  | Kimberley         |  | Nat-Off Inv       |  |  |
|---|--------------------|--|--------------------|--|--------------------|--|-------------------|--|-------------------|--|-------------------|--|-------------------|--|-------------------|--|--|
|   | R                  |  | R                  |  | R                  |  | R                 |  | R                 |  | R                 |  | R                 |  | R                 |  |  |
| <b>6. Cash and cash equivalents - 31/03/2020</b>    |                    |  |                    |  |                    |  |                   |  |                   |  |                   |  |                   |  |                   |  |  |
| Current bank account                                | 131 587 166        |  | 26 306 593         |  | 47 118 253         |  | 19 907 995        |  | 7 891 415         |  | 12 970 680        |  | 17 392 230        |  | -                 |  |  |
| PIC main and reserve accounts                       | 25 699 867         |  | -                  |  | -                  |  | -                 |  | -                 |  | -                 |  | -                 |  | 25 699 867        |  |  |
| Trading Cash - PIC                                  | 413 310 468        |  | 221 272 875        |  | 108 508 372        |  | 41 086 869        |  | 23 201 620        |  | 15 344 480        |  | 3 896 251         |  | -                 |  |  |
|   | <b>570 597 502</b> |  | <b>247 579 468</b> |  | <b>155 626 625</b> |  | <b>60 994 864</b> |  | <b>31 093 035</b> |  | <b>28 315 160</b> |  | <b>21 288 481</b> |  | <b>25 699 867</b> |  |  |
| <b>For the purposes of the cash flow statement:</b> |                    |  |                    |  |                    |  |                   |  |                   |  |                   |  |                   |  |                   |  |  |
| Disclosed as:                                       |                    |  |                    |  |                    |  |                   |  |                   |  |                   |  |                   |  |                   |  |  |
| Cash and Cash Equivalents                           | 131 587 166        |  | 26 306 593         |  | 47 118 253         |  | 19 907 995        |  | 7 891 415         |  | 12 970 680        |  | 17 392 230        |  | -                 |  |  |
| PIC main and reserve accounts                       | 25 699 867         |  | -                  |  | -                  |  | -                 |  | -                 |  | -                 |  | -                 |  | 25 699 867        |  |  |
| Trading Cash - PIC                                  | 413 310 468        |  | 221 272 875        |  | 108 508 372        |  | 41 086 869        |  | 23 201 620        |  | 15 344 480        |  | 3 896 251         |  | -                 |  |  |
| <b>Total cash and cash equivalents</b>              | <b>570 597 502</b> |  | <b>247 579 468</b> |  | <b>155 626 625</b> |  | <b>60 994 864</b> |  | <b>31 093 035</b> |  | <b>28 315 160</b> |  | <b>21 288 481</b> |  | <b>25 699 867</b> |  |  |

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

|   | Total              |  | Pretoria          |  | Pietermaritzburg  |  | Makhanda          |  | Cape Town         |  | Bloemfontein      |  | Kimberley         |  | Nat-Off Inv       |  |  |
|---|--------------------|--|-------------------|--|-------------------|--|-------------------|--|-------------------|--|-------------------|--|-------------------|--|-------------------|--|--|
|   | R                  |  | R                 |  | R                 |  | R                 |  | R                 |  | R                 |  | R                 |  | 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        |  | -                 |  |  |
| PLC main and reserve accounts                       | 24 052 035         |  | -                 |  | -                 |  | -                 |  | -                 |  | -                 |  | -                 |  | 24 052 035        |  |  |
| Trading Cash - PLC                                  | 191 094 966        |  | 62 132 125        |  | 46 965 871        |  | 23 836 487        |  | 20 607 271        |  | 21 257 778        |  | 16 295 435        |  | -                 |  |  |
|   | <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        |  | -                 |  |  |
| PLC main and reserve accounts                       | 24 052 035         |  | -                 |  | -                 |  | -                 |  | -                 |  | -                 |  | -                 |  | 24 052 035        |  |  |
| Trading Cash - PLC                                  | 191 094 966        |  | 62 132 125        |  | 46 965 871        |  | 23 836 487        |  | 20 607 271        |  | 21 257 778        |  | 16 295 435        |  | -                 |  |  |
|   | <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.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

| Total          | Pretoria      |                | Pietermaritzburg |               | Makhanda      |               | Cape Town |   | Bloemfontein |   | Kimberley |   | Nat-Off Inv |   |
|----------------|---------------|----------------|------------------|---------------|---------------|---------------|-----------|---|--------------|---|-----------|---|-------------|---|
|                | R             | R              | R                | R             | R             | R             | R         | R | R            | R | R         | R | R           | R |
| 406 482        | 98 788        | 120 634        | 54 005           | 30 372        | 54 315        | 48 370        | -         |   |              |   |           |   |             |   |
| <b>406 482</b> | <b>98 788</b> | <b>120 634</b> | <b>54 005</b>    | <b>30 372</b> | <b>54 315</b> | <b>48 370</b> | <b>-</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>  |   |              |   |           |   |             |   |

**7. Receivables from exchange transactions - 31/03/2020**

**Current Account Interest receivable**  
These amounts relate to interest that is receivable from Current Account for the month of March 2020

**7. Receivables from exchange transactions - 31/03/2019**

**Current Account Interest receivable**  
These amounts relate to interest that is receivable from Current Account of the month of March 2019

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

|  | Total                 |  | Pretoria             |  | Pietermaritzburg     |  | Makhanda             |  | Cape Town          |  | Bloemfontein         |  | Kimberley          |  | Nat-Off Inv |  |  |
|--|-----------------------|--|----------------------|--|----------------------|--|----------------------|--|--------------------|--|----------------------|--|--------------------|--|-------------|--|--|
|  | R                     |  | R                    |  | R                    |  | R                    |  | R                  |  | R                    |  | R                  |  | R           |  |  |
| <b>8. Beneficiary liability - 31/03/2020</b>               |                       |  |                      |  |                      |  |                      |  |                    |  |                      |  |                    |  |             |  |  |
| <b>Opening balance as at 1 April 2019</b>                  | <b>13 094 680 067</b> |  | <b>6 187 897 220</b> |  | <b>2 885 275 107</b> |  | <b>1 749 486 737</b> |  | <b>870 913 943</b> |  | <b>1 046 192 834</b> |  | <b>354 914 226</b> |  |             |  |  |
| Monies received during financial year                      | 1 726 126 539         |  | 847 500 583          |  | 305 612 424          |  | 245 273 132          |  | 122 928 401        |  | 142 840 966          |  | 61 971 033         |  |             |  |  |
| Payments to Beneficiaries                                  | -1 788 120 227        |  | -858 560 866         |  | -338 867 381         |  | -265 073 437         |  | -103 706 461       |  | -173 637 918         |  | -48 274 165        |  |             |  |  |
| Transfer to NRF 30 year                                    | -5 554 915            |  | -3 515 769           |  | -763 284             |  | -308 021             |  | -859 121           |  | -68 953              |  | -39 768            |  |             |  |  |
| NRF Adjustment   | -                     |  | -                    |  | -                    |  | -                    |  | -                  |  | -                    |  | -                  |  |             |  |  |
| 5% Commission payable to NRF                               | -11 244               |  | -3 727               |  | -292                 |  | -                    |  | -7 004             |  | -221                 |  | -                  |  |             |  |  |
| Interest paid to beneficiaries                             | 1 003 960 291         |  | 473 088 290          |  | 222 520 916          |  | 139 649 582          |  | 57 235 702         |  | 82 448 076           |  | 29 017 725         |  |             |  |  |
| <b>Closing balance as at 31 March 2020</b>                 | <b>14 031 080 511</b> |  | <b>6 646 405 731</b> |  | <b>3 073 777 490</b> |  | <b>1 869 027 993</b> |  | <b>946 505 460</b> |  | <b>1 097 774 785</b> |  | <b>397 589 052</b> |  |             |  |  |
| <b>Beneficiary Liability</b>                               |                       |  |                      |  |                      |  |                      |  |                    |  |                      |  |                    |  |             |  |  |
| Interest Bearing Beneficiary monies                        | 12 902 556 209        |  | 6 038 866 361        |  | 2 917 446 905        |  | 1 778 682 073        |  | 752 186 538        |  | 1 043 420 305        |  | 371 954 026        |  |             |  |  |
| Non-Interest Bearing Beneficiary Monies (No Commission)    | 774 166 726           |  | 395 353 842          |  | 125 528 112          |  | 71 777 103           |  | 126 970 240        |  | 41 620 388           |  | 12 917 041         |  |             |  |  |
| Non-Interest Bearing Beneficiary Monies (Commission)       | 280 168 361           |  | 175 706 348          |  | 24 260 264           |  | 8 344 043            |  | 64 985 916         |  | 5 678 838            |  | 1 192 952          |  |             |  |  |
| Unallocated Beneficiary Monies                             | 75 041 032            |  | 37 296 436           |  | 6 733 050            |  | 10 263 197           |  | 2 363 083          |  | 6 854 943            |  | 11 530 323         |  |             |  |  |
| Beneficiary monies - Allocation account (refer to note 15) | -861 132              |  | -820 779             |  | -192 043             |  | -42 189              |  | -453               |  | 199 634              |  | -5 302             |  |             |  |  |
| Accrued Beneficiary Liability                              | 9 315                 |  | 3 523                |  | 1 202                |  | 3 766                |  | 136                |  | 676                  |  | 12                 |  |             |  |  |
| <b>Closing balance as at 31 March 2020</b>                 | <b>14 031 080 511</b> |  | <b>6 646 405 731</b> |  | <b>3 073 777 490</b> |  | <b>1 869 027 993</b> |  | <b>946 505 460</b> |  | <b>1 097 774 785</b> |  | <b>397 589 052</b> |  |             |  |  |

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

|  | Total                 |  | Pretoria             |  | Pietermaritzburg     |  | Makhanda             |  | Cape Town          |  | Bloemfontein         |  | Kimberley          |  | Nat-Off Inv |  |
|--|-----------------------|--|----------------------|--|----------------------|--|----------------------|--|--------------------|--|----------------------|--|--------------------|--|-------------|--|
|  | R                     |  | R                    |  | R                    |  | R                    |  | R                  |  | R                    |  | R                  |  | 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                      | 1 541 738 580         |  | 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                                    | -6 608 633            |  | -4 164 409           |  | -583 173             |  | -415 732             |  | -1 217 148         |  | -195 844             |  | -32 327            |  |             |  |
| Prior year adjustments                                     | 2 668 581             |  | 1 439 840            |  | 379 791              |  | 182 226              |  | 392 777            |  | 66 302               |  | 207 646            |  |             |  |
| 5% Commission payable to NRF                               | -111 481              |  | -104 253             |  | -                    |  | -241                 |  | -6 988             |  | -                    |  | -                  |  |             |  |
| Interest paid to beneficiaries                             | 864 984 757           |  | 403 820 657          |  | 193 122 043          |  | 120 796 471          |  | 48 981 498         |  | 73 659 281           |  | 24 604 807         |  |             |  |
| <b>Closing balance as at 31 March 2019</b>                 | <b>13 094 680 067</b> |  | <b>6 187 897 220</b> |  | <b>2 885 275 107</b> |  | <b>1 749 486 737</b> |  | <b>870 913 943</b> |  | <b>1 046 192 834</b> |  | <b>354 914 226</b> |  |             |  |
| <b>Beneficiary Liability</b>                               |                       |  |                      |  |                      |  |                      |  |                    |  |                      |  |                    |  |             |  |
| Interest Bearing Beneficiary monies                        | 12 034 649 826        |  | 5 606 349 707        |  | 2 732 750 296        |  | 1 672 687 143        |  | 684 707 133        |  | 1 005 454 131        |  | 332 701 416        |  |             |  |
| Non-Interest Bearing Beneficiary Monies (No Commission)    | 752 760 290           |  | 393 808 123          |  | 123 817 037          |  | 68 090 951           |  | 121 511 777        |  | 32 039 815           |  | 13 492 586         |  |             |  |
| Non-Interest Bearing Beneficiary Monies (Commission)       | 272 408 479           |  | 169 784 427          |  | 24 256 446           |  | 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 (refer to note 15) | -861 131              |  | -820 779             |  | -192 043             |  | -42 189              |  | -453               |  | 199 634              |  | -5 302             |  |             |  |
| Accrued Beneficiary Liability                              | -                     |  | -                    |  | -                    |  | -                    |  | -                  |  | -                    |  | -                  |  |             |  |
| <b>Closing balance as at 31 March 2019</b>                 | <b>13 094 680 067</b> |  | <b>6 187 897 220</b> |  | <b>2 885 275 107</b> |  | <b>1 749 486 737</b> |  | <b>870 913 943</b> |  | <b>1 046 192 834</b> |  | <b>354 914 226</b> |  |             |  |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

|  | Total            |  | Pretoria         |  | Pietermaritzburg  |  | Makhanda       |  | Cape Town        |  | Bloemfontein    |  | Kimberley      |  | Nat-Off Inv |  |
|--|------------------|--|------------------|--|-------------------|--|----------------|--|------------------|--|-----------------|--|----------------|--|-------------|--|
|  | R                |  | R                |  | R                 |  | R              |  | R                |  | R               |  | R              |  | R           |  |
| <b>9. Payables from exchange transactions - 31/03/2020</b> |                  |  |                  |  |                   |  |                |  |                  |  |                 |  |                |  |             |  |
| <b>NRF payable</b>   |                  |  |                  |  |                   |  |                |  |                  |  |                 |  |                |  |             |  |
| <b>Opening balance as at 1 April 2019</b>                  | <b>4 604 817</b> |  | <b>6 155 308</b> |  | <b>-3 041 273</b> |  | <b>232 291</b> |  | <b>1 240 208</b> |  | <b>-112 574</b> |  | <b>130 857</b> |  |             |  |
| 5% commission  | 11 244           |  | 3 727            |  | 292               |  | -              |  | 7 004            |  | 221             |  | -              |  |             |  |
| NRF adjustment   | -                |  | -                |  | -                 |  | -              |  | -                |  | -               |  | -              |  |             |  |
| 30 year - Beneficiary monies                               | 5 554 915        |  | 3 515 769        |  | 763 284           |  | 308 021        |  | 859 121          |  | 68 953          |  | 39 768         |  |             |  |
|  | 10 170 975       |  | 9 674 804        |  | -2 277 697        |  | 540 312        |  | 2 106 332        |  | -43 401         |  | 170 625        |  |             |  |
| Less: NRF liability paid during financial year             | -6 155 210       |  | -4 014 812       |  | -583 173          |  | -104 918       |  | -1 224 136       |  | -195 844        |  | -32 327        |  |             |  |
| <b>Closing Balance as at 31 March 2020</b>                 | <b>4 015 765</b> |  | <b>5 659 992</b> |  | <b>-2 860 870</b> |  | <b>435 394</b> |  | <b>882 196</b>   |  | <b>-239 245</b> |  | <b>138 298</b> |  |             |  |
| <b>9. Payables from exchange transactions - 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> |  |             |  |
| 5% commission  | 111 481          |  | 104 253          |  | -                 |  | 241            |  | 6 988            |  | -               |  | -              |  |             |  |
| Prior year NRF adjustments                                 | -1 418 297       |  | -1 338 681       |  | -41 990           |  | -37 626        |  | -                |  | -               |  | -              |  |             |  |
| 30 year - Beneficiary monies                               | 6 608 633        |  | 4 164 409        |  | 583 173           |  | 415 732        |  | 1 217 148        |  | 195 844         |  | 32 327         |  |             |  |
|  | 9 601 830        |  | 9 256 543        |  | -2 278 893        |  | 339 513        |  | 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>4 604 817</b> |  | <b>6 155 308</b> |  | <b>-3 041 273</b> |  | <b>232 291</b> |  | <b>1 240 208</b> |  | <b>-112 574</b> |  | <b>130 857</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 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



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

|   | Total                |  | Pretoria           |  | Pietermaritzburg   |  | Makhanda          |  | Cape Town          |  | Bloemfontein      |  | Kimberley        |  | Nat-Off Inv       |  |  |
|---|----------------------|--|--------------------|--|--------------------|--|-------------------|--|--------------------|--|-------------------|--|------------------|--|-------------------|--|--|
|   | R                    |  | R                  |  | R                  |  | R                 |  | R                  |  | R                 |  | R                |  | R                 |  |  |
| <b>10. Accumulated surplus/(deficit) - 31/03/2020</b> |                      |  |                    |  |                    |  |                   |  |                    |  |                   |  |                  |  |                   |  |  |
| <b>Opening balance as at 1 April 2019</b>             | 1 392 398 296        |  | 828 570 529        |  | 262 552 516        |  | 35 781 201        |  | 205 006 086        |  | 29 771 719        |  | 6 664 208        |  | 24 052 036        |  |  |
| Surplus for the year                                  | 160 900 358          |  | 95 731 071         |  | 26 887 276         |  | 4 207 217         |  | 29 431 060         |  | 3 287 873         |  | -291 970         |  | 1 647 831         |  |  |
| <b>Balance as at 31 March 2020</b>                    | <b>1 553 298 654</b> |  | <b>924 301 600</b> |  | <b>289 439 793</b> |  | <b>39 988 418</b> |  | <b>234 437 146</b> |  | <b>33 059 592</b> |  | <b>6 372 238</b> |  | <b>25 699 867</b> |  |  |
| <b>10. Accumulated surplus/(deficit) - 31/03/2019</b> |                      |  |                    |  |                    |  |                   |  |                    |  |                   |  |                  |  |                   |  |  |
| <b>Opening balance as at 1 April 2018</b>             | 1 200 591 250        |  | 721 891 255        |  | 225 489 863        |  | 26 481 718        |  | 175 964 024        |  | 22 987 809        |  | 5 233 038        |  | 22 543 542        |  |  |
| Surplus for the year                                  | 191 807 046          |  | 106 679 274        |  | 37 062 653         |  | 9 299 483         |  | 29 042 062         |  | 6 783 910         |  | 1 431 170        |  | 1 508 494         |  |  |
| <b>Balance as at 31 March 2019</b>                    | <b>1 392 398 296</b> |  | <b>828 570 529</b> |  | <b>262 552 516</b> |  | <b>35 781 201</b> |  | <b>205 006 086</b> |  | <b>29 771 718</b> |  | <b>6 664 207</b> |  | <b>24 052 036</b> |  |  |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

|   | Pretoria         |                  | Pietermaritzburg |                | Makhandha      |                | Cape Town      |              | Bloemfontein |   | Kimberley |   | Nat-Off Inv |   |
|---|------------------|------------------|------------------|----------------|----------------|----------------|----------------|--------------|--------------|---|-----------|---|-------------|---|
|   | R                | R                | R                | R              | R              | R              | R              | R            | R            | R | R         | R | R           | R |
| <b>11. Management Fees - 31/03/2020</b>   |                  |                  |                  |                |                |                |                |              |              |   |           |   |             |   |
| Investment Management Fees - PIC Investment   | 4 324 583        | 2 112 124        | 927 599          | 532 248        | 323 514        | 315 106        | 106 819        | 7 173        |              |   |           |   |             |   |
| Fees are payable to The Public Investment Corporation Limited for managing the Guardian's Fund investments in terms of the Investment management agreement. |                  |                  |                  |                |                |                |                |              |              |   |           |   |             |   |
|   | <b>4 324 583</b> | <b>2 112 124</b> | <b>927 599</b>   | <b>532 248</b> | <b>323 514</b> | <b>315 106</b> | <b>106 819</b> | <b>7 173</b> |              |   |           |   |             |   |
| <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        |              |   |           |   |             |   |
| Fees are payable to The Public Investment Corporation Limited for managing the Guardian's Fund investments in terms of the Investment management agreement. |                  |                  |                  |                |                |                |                |              |              |   |           |   |             |   |
|   | <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> |              |   |           |   |             |   |

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

## 12. Related party transactions - 31/03/2020

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:

**90 641 725**

Office of the Chief Master

83 073 525

Office of the CFO

7 568 200

### Key personnel costs disclosed as:

**12 592 102**

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

1 765 801

Level 14 - Chief Director (3)

3 360 564

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

7 465 737

### 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 President's Fund/Justice Administered Fund/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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

### 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:**

**83 965 636**

Office of the Chief Master

76 799 496

Office of the CFO

7 166 140

**Key personnel costs disclosed as:**

**11 542 556**

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

1 697 475

Level 14 - Chief Director (3)

3 376 332

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

6 468 749

**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 President's Fund/Justice Administered Fund/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

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

|  | Total               |  | Pretoria            |  | Pietermaritzburg   |  | Makhanda          |  | Cape Town          |  | Bloemfontein      |  | Kimberley         |  | Nat-Off Inv |  |
|--|---------------------|--|---------------------|--|--------------------|--|-------------------|--|--------------------|--|-------------------|--|-------------------|--|-------------|--|
|  | R                   |  | R                   |  | R                  |  | R                 |  | R                  |  | R                 |  | R                 |  | R           |  |
| <b>13. Cash generated from/(utilized in) operations - 31/03/2020</b> |                     |  |                     |  |                    |  |                   |  |                    |  |                   |  |                   |  |             |  |
| Surplus/(deficit) before interest                                    | 6 155 208           |  | 4 014 811           |  | 583 172            |  | 104 918           |  | 1 224 136          |  | 195 844           |  | 32 327            |  | -           |  |
| Plus: NRF paid   |                     |  |                     |  |                    |  |                   |  |                    |  |                   |  |                   |  |             |  |
| Less: Investment income received                                     | -1 167 123 744      |  | -570 832 697        |  | -250 215 156       |  | -144 335 042      |  | -86 959 904        |  | -85 996 741       |  | -28 784 205       |  | -           |  |
| Plus: Interest paid  | 1 003 960 290       |  | 473 088 290         |  | 222 520 916        |  | 139 649 581       |  | 57 235 702         |  | 82 448 076        |  | 29 017 725        |  | -           |  |
| <b>Net cash flows from operating activities</b>                      | <b>-157 008 245</b> |  | <b>-93 729 596</b>  |  | <b>-27 111 068</b> |  | <b>-4 580 542</b> |  | <b>-28 500 066</b> |  | <b>-3 352 820</b> |  | <b>265 847</b>    |  | <b>-</b>    |  |
| <b>13. Cash generated from/(utilized in) operations - 31/03/2019</b> |                     |  |                     |  |                    |  |                   |  |                    |  |                   |  |                   |  |             |  |
| Surplus/(deficit) before interest                                    | 4 997 014           |  | 3 101 236           |  | 762 380            |  | 107 222           |  | 891 469            |  | 79 732            |  | 54 976            |  | -           |  |
| Plus: NRF paid   |                     |  |                     |  |                    |  |                   |  |                    |  |                   |  |                   |  |             |  |
| 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  | 864 984 757         |  | 403 820 657         |  | 193 122 043        |  | 120 796 471       |  | 48 981 498         |  | 73 659 281        |  | 24 604 807        |  | -           |  |
| <b>Net cash flows from operating activities</b>                      | <b>-189 003 126</b> |  | <b>-105 455 338</b> |  | <b>-37 104 986</b> |  | <b>-9 636 742</b> |  | <b>-28 410 194</b> |  | <b>-6 962 087</b> |  | <b>-1 433 778</b> |  | <b>-</b>    |  |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

|   | Total             |  | Pretoria         |  | Pietermaritzburg |  | Makhanda       |  | Cape Town     |  | Bloemfontein   |  | Kimberley      |  | Nat-Off Inv |  |
|---|-------------------|--|------------------|--|------------------|--|----------------|--|---------------|--|----------------|--|----------------|--|-------------|--|
|   | R                 |  | R                |  | R                |  | R              |  | R             |  | R              |  | R              |  | R           |  |
| <b>14. Disallowance account (Fraud and losses) - 31/03/2020</b> |                   |  |                  |  |                  |  |                |  |               |  |                |  |                |  |             |  |
| <b>Opening Balance at at 1 April 2019</b>                       | 9 950 288         |  | 6 278 147        |  | 3 030 537        |  | 102 760        |  | 84 282        |  | 291 648        |  | 162 914        |  | -           |  |
| Current year fraud cases  | 528 021           |  | -                |  | 528 021          |  | -              |  | -             |  | -              |  | -              |  | -           |  |
| Current year losses   | 3 225             |  | -                |  | -                |  | -              |  | -             |  | -              |  | 3 225          |  | -           |  |
| Finalised cases - Investigation finalised                       | -378 140          |  | -41              |  | -310 455         |  | -17 831        |  | -2            |  | -49 810        |  | -              |  | -           |  |
| <b>Cases still under investigation as at 31 March 2020</b>      | <b>10 103 394</b> |  | <b>6 278 105</b> |  | <b>3 248 102</b> |  | <b>84 929</b>  |  | <b>84 280</b> |  | <b>241 838</b> |  | <b>166 139</b> |  | <b>-</b>    |  |
| <b>14. Disallowance account (Fraud and losses) - 31/03/2019</b> |                   |  |                  |  |                  |  |                |  |               |  |                |  |                |  |             |  |
| <b>Opening Balance at at 1 April 2018</b>                       | 9 928 554         |  | 6 560 662        |  | 2 683 515        |  | 106 593        |  | 84 280        |  | 330 589        |  | 162 914        |  | -           |  |
| Restatement movement  | -                 |  | -                |  | -                |  | -              |  | -             |  | -              |  | -              |  | -           |  |
| Current year fraud cases  | 243 327           |  | -                |  | 191 452          |  | 51 875         |  | -             |  | -              |  | -              |  | -           |  |
| Current year losses   | 325 972           |  | 4 727            |  | 320 302          |  | 739            |  | 2             |  | 202            |  | -              |  | -           |  |
| Finalised cases - Investigation finalised                       | -547 565          |  | -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>291 648</b> |  | <b>162 914</b> |  | <b>-</b>    |  |

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

|  | Total           |  | Pretoria        |  | Pietermaritzburg |  | Makhanda       |  | Cape Town   |  | Bloemfontein   |  | Kimberley     |  | Nat-Off Inv |  |  |
|--|-----------------|--|-----------------|--|------------------|--|----------------|--|-------------|--|----------------|--|---------------|--|-------------|--|--|
|  | R               |  | R               |  | R                |  | R              |  | R           |  | R              |  | R             |  | R           |  |  |
| <b>15. Beneficiary monies - Allocation account</b> |                 |  |                 |  |                  |  |                |  |             |  |                |  |               |  |             |  |  |
| <b>- 31/03/2020</b>                                |                 |  |                 |  |                  |  |                |  |             |  |                |  |               |  |             |  |  |
| <b>Balance as at 31 March 2020</b>                 | -861 132        |  | -820 779        |  | -192 043         |  | -42 189        |  | -453        |  | 199 634        |  | -5 302        |  |             |  |  |
|  | <b>-861 132</b> |  | <b>-820 779</b> |  | <b>-192 043</b>  |  | <b>-42 189</b> |  | <b>-453</b> |  | <b>199 634</b> |  | <b>-5 302</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.

|  |                 |  |                 |  |                 |  |                |  |             |  |                |  |               |  |  |  |  |
|--|-----------------|--|-----------------|--|-----------------|--|----------------|--|-------------|--|----------------|--|---------------|--|--|--|--|
| <b>15. Beneficiary monies - Allocation account</b> |                 |  |                 |  |                 |  |                |  |             |  |                |  |               |  |  |  |  |
| <b>- 31/03/2019</b>                                |                 |  |                 |  |                 |  |                |  |             |  |                |  |               |  |  |  |  |
| <b>Balance as at 31 March 2019</b>                 | -861 131        |  | -820 779        |  | -192 043        |  | -42 189        |  | -453        |  | 199 634        |  | -5 302        |  |  |  |  |
|  | <b>-861 131</b> |  | <b>-820 779</b> |  | <b>-192 043</b> |  | <b>-42 189</b> |  | <b>-453</b> |  | <b>199 634</b> |  | <b>-5 302</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.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

| As disclosed in 2019 | As restated in 2020 | Prior year errors for the financial years ending 31 March 2019 | Pre-prior period error for the financial years ending 31 March 2018 | Nature of restatement |
|----------------------|---------------------|--|---|-----------------------|
| R                    | R                   | R  | R   |                       |

## 16. Restatement of comparatives

The financial statements for 31 March 2019 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) | 14 202 206 549        | 14 202 206 549        | -        | -        |
| Cash and cash equivalents                                  | 289 166 897           | 289 166 897           | -        | -        |
| Other receivables - ABSA Interest                          | 309 733               | 309 733               | -        | -        |
| <b>Total assets</b>  | <b>14 491 683 179</b> | <b>14 491 683 179</b> | <b>-</b> | <b>-</b> |

#### LIABILITIES

|  |                       |                       |                |                  |
|--|-----------------------|-----------------------|----------------|------------------|
| <b>Total liabilities</b>                               | <b>13 097 767 763</b> | <b>13 099 284 883</b> | <b>266 839</b> | <b>1 250 280</b> |
| Beneficiary Liability                                  | 13 091 748 303        | 13 094 680 067        | 266 839        | 1 250 280        |
| <b>Restatement of Interest and Capital adjustments</b> |                       |                       |                |                  |
| NRF Adjustment   |                       |                       | 1 414 643      | -                |
| Other Payables   | 6 019 460             | 4 604 817             | -1 414 643     | -                |

Prior Year adjustments due to RFS data changes submitted by Guardian's Fund Offices

Reversal of NRF Transfers

Reversal of NRF Transfers



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

|   | As disclosed in<br>2019 | As restated in<br>2020 | Prior year errors<br>for the financial<br>years ending<br>31 March 2019 | Pre-prior period<br>error for the<br>financial years<br>ending<br>31 March 2018 | Nature of restatement   |
|---|-------------------------|------------------------|---|---|---|
|   | R                       | R                      | R   | R   |   |
| <b>16.1 Restatement of Financial Position - (Continued)</b> |                         |                        |   |   |   |
| <b>CAPITAL AND RESERVES</b>                                 |                         |                        |   |   |   |
| <b>Total liabilities</b>                                    | <b>13 097 767 763</b>   | <b>13 099 284 883</b>  | <b>266 839</b>  | <b>1 250 280</b>  |   |
| <b>Total net assets</b>                                     | <b>1 393 915 415</b>    | <b>1 392 398 296</b>   | <b>-266 839</b>   | <b>-1 250 280</b>   |   |
| Accumulated surplus/(deficit)                               | 1 393 915 415           | 1 392 398 296          | -266 839  | -1 250 280  |   |
| Prior Year adjustments                                      |                         |                        |   |   | Prior Year adjustments due to RFS data changes submitted by Guardian's Fund Offices                     |
| <b>Total net assets and liabilities</b>                     | <b>14 491 683 179</b>   | <b>14 491 683 179</b>  | <b>-</b>  | <b>-</b>  |   |
| <b>16.2 Restatement of Performance</b>                      |                         |                        |   |   |   |
| <b>Revenue</b>  |                         |                        |   |   |   |
| Investment revenue  | 1 060 809 819           | 1 060 809 819          | -   | -   |   |
| <b>Less: Expenditure</b>                                    | <b>868 735 935</b>      | <b>869 002 773</b>     | <b>-266 838</b>   | <b>-</b>  |   |
| Management fees   | 4 018 016               | 4 018 016              | -   | -   |   |
| Interest paid to beneficiaries                              | 864 717 919             | 864 984 757            | -266 838  | -   |   |
| <b>Surplus/(deficit) for the year</b>                       | <b>192 073 884</b>      | <b>191 807 046</b>     | <b>266 838</b>  | <b>-</b>  | Increase in interest payable to beneficiaries due to decrease of beneficiary liability at 31 March 2019 |

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

## 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 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.

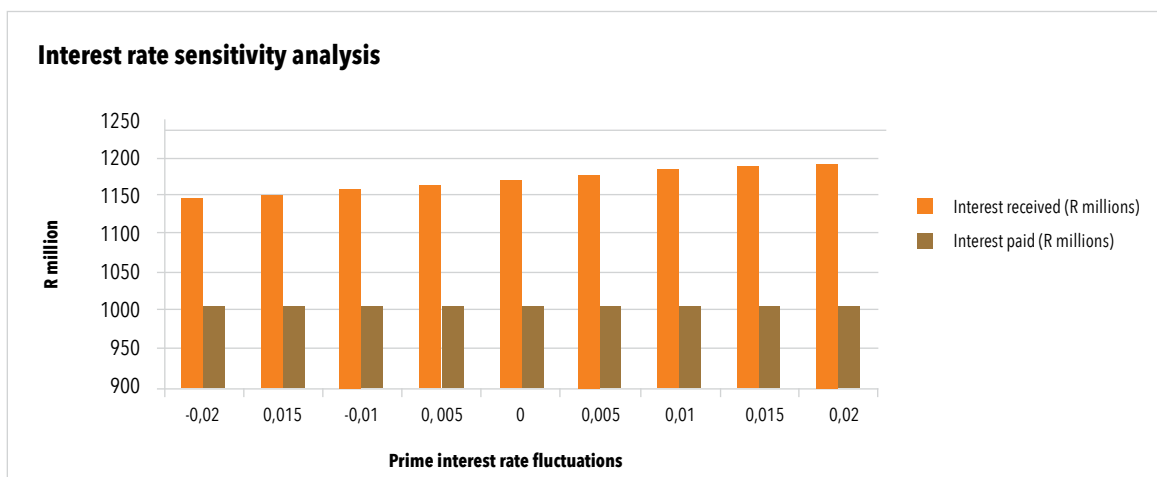
Furthermore, these investment mandates prescribe how the assets should be managed by PIC, in line with Guardian's Fund liquidity needs and its liability profile.

### 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 interests 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 represent 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 - R1.169 Billion and Interest paid - R1.004 Billion)

### 17.5 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 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.

### 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 client's 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 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 R15 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 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.



**MS K PILLAY**

ACTING DIRECTOR GENERAL

DEPARTMENT OF JUSTICE AND CONSTITUTIONAL DEVELOPMENT

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DEPARTMENT OF JUSTICE AND CONSTITUTIONAL DEVELOPMENT  
BRANCH: MASTER OF THE HIGH COURT  
GUARDIAN'S FUND

Tel: 012 315 1111

Private Bag X81, Pretoria, 0001

Momentum Centre, 329 Pretorius Street, Pretoria

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