

FREEDOM

The President's Fund ANNUAL REPORT 2015/2016



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Department:
Justice and Constitutional Development
REPUBLIC OF SOUTH AFRICA

The President's Fund
**ANNUAL
REPORT**
2015/2016



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REPORT OF THE ACCOUNTING OFFICER ON THE ANNUAL FINANCIAL STATEMENTS OF THE PRESIDENT'S FUND FOR THE YEAR ENDED 31 MARCH 2016

1. GENERAL REVIEW

The President's Fund was established in terms of section 42 of the Promotion of National Unity and Reconciliation Act (Act No 34 of 1995).

Parliament approved the following measures for victims on the recommendation of the State President, and the subsequent consideration and recommendation of the ad hoc Joint Committee of both Houses of Parliament, on the tabling of the final two volumes of the Truth and Reconciliation Commission (TRC) reports:

- A once-off individual grant of R30, 000 to those individuals or survivors identified by the TRC.
- Systematic programmes to promote academic and formal records of history, culture and art forms, as well as erecting symbols and monuments that exalt the freedom struggle, including new geographic and place names.
- Medical and other forms of social assistance programmes to provide for medical benefits, education assistance and the provision of housing, as well as other social benefits to address the needs of victims identified by the TRC.
- Whole community rehabilitation, over and above individuals linked to the process, which suffered and are still in distress. Hence the need for such communities to be rehabilitated through various programmes initiated and supported by government.

Subsection 42(2) of the aforementioned Act states that "there shall be paid from the fund all amounts payable to victims by way of reparation in terms of regulations made by the President".

Once-off Individual Grant of R30, 000

To give effect to the payment of the once-off individual grant of R30, 000, regulations were promulgated and gazetted on 12 November 2003.

This aspect of the reparation measure has been completed, with the exception of 13 beneficiaries who could not be traced, nine of which are declared to be residing abroad. Funds for the outstanding beneficiaries have been reserved in the Fund, should the beneficiaries come forward to claim their reparation grants.

Symbols and Monuments

This aspect of the reparation measure is being implemented under the auspices of the Department of Arts and Culture and is continuing throughout the Republic, many projects of which are in line with TRC recommendations.

To date, no funds have been utilised from the President's Fund regarding this aspect of the reparation measure, and it is foreseen that this recommendation will not be funded by the President's Fund.

Medical and other forms of social assistance

Regulations on assistance to families of missing persons, whose remains were exhumed and reburied, were promulgated and gazetted on 7 May 2010. As of 31 March 2016, assistance was granted to 75 families who applied for contributions towards re-burial expenses in terms of the regulations, and a total amount of R1, 249, 500 was paid. Amendments to the regulations are being considered to extend the nature of services being provided.

Regulations for both Basic and Higher Education were promulgated on 3 November 2014, and the closing date for applications was 31 March 2015. Of the 750 applications received, 596 applicants were eligible.

The successful applicants, 331 for Basic Education and 265 for Higher Education, were administrated by the relevant education departments. A total amount of R3, 259, 648.08 was refunded to Basic Education, and an amount of R4, 307, 488.08 was refunded to Higher Education.

In the Accounting Officer's Report for the Financial Year 2013/2014, it was stated that the Department of Health is looking at possible amendments to the National Health Act, 2003, in order to provide free health services to the victims, their relatives and dependents. Changes were effected to the draft regulations to focus on special health services in line with the agreement reached between the Department of Justice and Constitutional Development and the Department of Health. The revised draft regulations were submitted to the said Department for comments. The draft regulations cannot be finalised before the Department of Health has amended the National Health Act, 2003. Both the Director General and the Minister of Health have been requested to expedite the matter.

In the previous Accounting Officer's report, it was indicated that a list of TRC identified victims in need of housing assistance (including repairs or renovations to existing infrastructure) is being compiled. This information was submitted to the Departments of Human Settlements and Military Veterans to compare with their database. We have recently received feedback from both Departments and are analysing the data in order to assess the housing needs of the victims. A policy on housing assistance for victims will be prepared and used to finalise the draft regulations in the new financial year.

Rehabilitation of Communities

It was previously reported that the Department of Justice and Constitutional Development conducted a needs analysis in Alexandra and Mamelodi (Gauteng), as well as Bambayi and Mpophomeni (KwaZulu-Natal). During the year being reported on, further needs analyses were carried out in Tumahole, Thabong (Free State), Paballelo, Seoding (Northern Cape), Lulekani and Ga-Matlala (Limpopo). On completion of the needs analyses in the remainder of the provinces, the draft regulations will be reviewed in conjunction with the relevant stakeholders and finalised so as to guide the envisaged projects on community rehabilitation.

2. CORPORATE GOVERNANCE ARRANGEMENTS

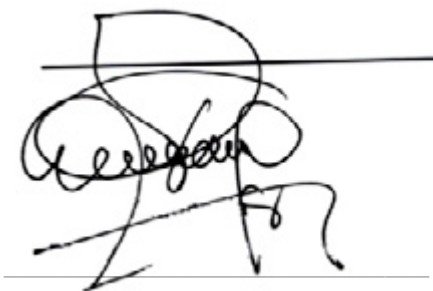
The administration cost for the Fund and associated resources is paid by the Department of Justice and Constitutional Development as a related party, and the Fund uses the Department's risk management approach, fraud prevention policy, and internal audit and Audit Committee services. It also utilised the governance structures, systems and management processes of the related party.

3. OTHER

We shall continue to utilise the funds available in the President's Fund, as well as any further contributions, for the purposes for which the Fund was established in terms of the founding legislation, and by direction of regulations assented to by the State President.

4. APPRECIATION

My appreciation and thanks are accorded to the related departments, agencies and stakeholders who are assisting in attaining the reparation goals of the President's Fund.

A handwritten signature in black ink, appearing to read 'V Madonsela', is written over a horizontal line. The signature is stylized and cursive.

Mr V Madonsela

Accounting Officer: President's Fund

Date: 31 May 2016

Report of the Audit Committee



REPORT OF THE AUDIT COMMITTEE ON PRESIDENT FUND

REPORT OF THE AUDIT COMMITTEE

We are pleased to present our final report for the financial year ended 31 March 2016.

AUDIT COMMITTEE MEMBERS AND ATTENDANCE

The Audit Committee consists of the members listed below and is required to meet at least four times per annum as per its approved terms of reference. During the current year 4 meetings and 2 special meetings were held as indicated below.

Name of members	Numbers of meetings attended	Number of special meetings attended	Status
Mr. Motsamai Karedi (Chairperson)	4	2	Reappointed- 25 November 2015
Mr. Cedric Boltman	4	2	Reappointed- 25 November 2015
Ms. Besky Ngunjiri	4	1	Reappointed - March 2015
Mr. Wilson Ramabulana	4	2	Reappointed- 25 November 2015
Mr Andy Sello	4	2	Reappointed- 25 November 2015

AUDIT COMMITTEE RESPONSIBILITY

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

THE EFFECTIVENESS OF INTERNAL CONTROL

The Audit Committee is satisfied that key controls remained in place throughout the year under review and where shortcomings in the internal controls were identified; management has addressed them through implementation of audit action plans. Internal Audit validated the audit action plans and the Audit Committee reviewed same to ensure effective implementation by management.

There has also been an improvement in the risk maturity level within the Department and that had contributed to the effectiveness of controls.

INTERNAL AUDIT

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

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

AUDITOR-GENERAL SOUTH AFRICA

The Audit committee accepts and concurs with the unqualified audit opinion of the AGSA on the Annual Financial Statements of President Fund for the year ended 31 March 2016.

REPORTS

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

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

Evaluation of financial statements

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

A handwritten signature in black ink, appearing to read 'M Karedi', is written over a horizontal line.

M Karedi
Chairperson of the Audit Committee

Report of the Auditor- General to Parliament



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

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the President's Fund set out on pages 14 to 25, which are comprised of a statement of financial position as at 31 March 2016, the statement of financial performance, the statement of changes in net assets, and the cash flow statement for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting Officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP), and for such internal control that the accounting officer determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures in order to obtain audit evidence regarding the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used, and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the President's Fund as at 31 March 2016 and financial performance and cash flows for the year ended, in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP).

Emphasis of matter

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

Material losses

8. As disclosed in note 14 to the financial statements, material losses to the amount of R6, 464, 531 were incurred in the comparative Annual Financial Statements as a result of impairment of the investments managed by the Public Investment Corporation which occurred in the prior year.

Report on other legal and regulatory requirements

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

Predetermined objectives

10. I did not audit performances against predetermined objectives, as the Fund is not required to prepare a report on its performance against predetermined objectives. The Fund does not fall within the ambit of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and is not subject to entity-specific legislation that requires reporting on performance against predetermined objectives.

Compliance with legislation

11. I performed procedures to obtain evidence that the President's Fund had complied with applicable legislation regarding financial matters, financial management and other related matters. I did not identify any instances of material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA.

Internal control

12. I considered internal control relevant to my audit of the financial statements, and compliance with legislation. I did not identify any significant deficiencies in internal control.

Auditor-General

Auditor-General
Pretoria
29 July 2016



Financial report



STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 MARCH 2016

	Note	2016 R'000	2015 R'000
Revenue			
Investment revenue	3	86 174	78 762
		86 174	78 762
Less: Expenditure	4	30 637	7 484
Surplus for the year		55 537	71 278

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2016

	Note	2016 R'000	2015 R'000
ASSETS			
Non-current assets		1 229 115	1 223 163
Financial investments at fair value	6	1 229 115	1 223 163
Current assets		120 218	47 092
Cash and cash equivalents	8	120 218	47 092
Trade and other receivables - Non exchange transactions	5	0	0
Total assets		1 349 333	1 270 255
LIABILITIES			
Total liabilities		26 427	2 886
Trade and other payables - Non exchange transactions	7	1 514	1
Provision	13	24 913	2 885
CAPITAL AND RESERVES			
Total net assets		1 322 906	1 267 369
Accumulated surplus	9	1 322 906	1 267 369
Total net assets and liabilities		1 349 333	1 270 255

STATEMENT OF CHANGES IN NET ASSETS AS AT 31 MARCH 2016

	Note	2016 R'000	2015 R'000
Accumulated Surplus			
Opening balance		1 273 834	1 196 091
Plus: Surplus for the year		55 537	71 278
Closing balance	9	1 329 371	1 267 369
Total net assets		1 329 371	1 267 369

CASH FLOW STATEMENT AS AT 31 MARCH 2016

	Note	2016 R'000	2015 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		0	0
Interest received	3	86 174	78 762
Other receipts (Unidentified fund)		1	0
Losses: Financial Instruments		0	-6 465
Suppliers (Management fees)		-746	-705
Other payments	10	-6 351	-452
Net cash flows from operating activities		79 078	71 140
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of investments		-5 952	-70 744
Net cash flows from investing activities		-5 952	-70 744
CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash flows from financing activities		0	0
Net increase/ (decrease) in cash and cash equivalents		73 126	396
Cash and cash equivalents at beginning of period	8	47 092	46 691
Cash and cash equivalents at end of period	8	120 218	47 087

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2016

1. GENERAL INFORMATION

The President's Fund was established in terms of Section 42 of the Promotion of National Unity and Reconciliation Act (Act No. 34 of 1995), and domiciled in the Republic 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 financial 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 and accrual basis.

2.1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts presented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include the following:

2.1.2 Contingent liabilities

The basis for calculation of the contingent liability is R30, 000 being the fixed amount for final reparation and an average amount of R2, 932 being the provision for interim reparation, as the interim reparation varies from R2, 000 to R5, 705 due to the number of people in need within the family.

2.1.3 Compliance

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

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.2.1 Revenue recognition

The President'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 have been met for each of the President's Fund activities as described below.

(i) Interest income

Interest revenue is accrued on a time basis, by reference to the principal outstanding, and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

2.2.2 Expenditure

(i) Reparations

Reparations are initially recognised when a beneficiary's application is approved by the Committee on Reparation and Rehabilitation within the Truth and Reconciliation Commission.

Reparations are processed in terms of the regulations.

(ii) Administration expenditure

Disbursements in respect of administrative expenses: bank charges, management fees and service provider fees are recognised when received and are measured at cost.

(iii) Exhumation and reburials

Financial assistance provided to a relative of a missing person, reported to the Truth and Reconciliation Commission (TRC) as a deceased victim whose remains have been exhumed and handed to the family for reburial, or symbolic burial of persons whose physical remains cannot be found. The Exhumation and reburials are recognised on application and measured at cost.

(iv) Educational Assistance

Regulations relating to assistance for victims in respect of Basic and Higher education was gazetted on the 3 November 2014. Payments are made in accordance with the regulations.

2.2.3 Financial instruments

Financial instruments at fair value

Fair value financial assets are measured with the consideration that unrealised gains and losses are recognised directly in surplus or deficit. Interest earned whilst holding fair value financial investments is reported as interest income using the effective interest rate. Dividends earned whilst holding fair value financial investments are recognised in the statement of comprehensive income 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 income statement as "impairment losses on financial investments".

Financial assets 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 President's Fund commits to purchase or sell the asset.

(ii) Initial recognition of financial statements

The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired as well as 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) De-recognition

The financial instrument is de-recognised when the contractual agreement in respect of the financial assets is terminated.

2.3 Trade and other receivables

The trade and other receivables are recognised when beneficiaries are overpaid, and are measured by the amount of the overpayment. The trade and other receivables originated by the Fund are stated at fair value.

The de-recognition of the trade and other receivable is when recoveries are made, or write-off is approved.

2.3.1 Write-off and provision of irrecoverable debts policy

Provision for bad debts are made when write-off has not been approved but the debt seems irrecoverable.

The President's Fund utilises the Policy: Writing-off of Debt as applicable to the Department of Justice and Constitutional Development and approved by the Director-General on 31 March 2011.

2.4 Trade and other payables

Trade and other payables are recognised when creditors are identified, and measured by the amount owing.

The de-recognition of other payables occurs when monies are paid to the creditors.

2.5 Provisions

Represent amounts owing to victims who have applied for reparation but could not be located at their given addresses. The timing of these payments are uncertain.

The recognition of the provision is made when interim and final reparation is paid to beneficiaries. The measurement is in terms of regulations governing the payment of interim and final reparation, and the amounts remain at an initial recognition.

An advance was paid by the Department of Higher Education to the National Students Financial Aid Scheme (NSFAS), and a claim was submitted to the President's Fund. The advance was for 314 students for the 2016 academic year. The full claim was raised as a provision.

2.6 Cash and cash equivalents

Cash and cash equivalents demand deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value, and are disclosed under another category of financial instruments, depending on their nature as well as amounts included in commercial bank accounts.

Cash and cash equivalents and bank borrowings are recorded at face value at which they remain.

The de-recognition of the cash and cash equivalents is when cash has been finally used.

2.7 Contingent liabilities

A contingent liability is a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation. The President's Fund classifies its contingent liability as people who were declared victims by the TRC and have not applied for reparation. It is uncertain whether these people will apply for reparation. Contingent liabilities are included in the disclosure notes.

The basis for calculation of the contingent liability is R30, 000 being the fixed amount for final reparation, and an average amount of R2, 932 being the provision for interim reparation as the interim reparation varies from R2, 000 to R5, 705 due to the number of people in need within the family.

The subsequent measurement of the contingent liabilities reduces on application for interim and final reparation. It will be de-recognised when the President's Fund is dissolved and the money transferred to the Disaster Relief fund, as per the Promotion of National Unity and Reconciliation Act (Act No.34 of 1995).

2.8 Related parties

Related parties are recognised when the President's Fund is being controlled by another entity and other entities are subject to common control. It includes key management personnel which exercise significant influence in making decisions on financial investment.

Related party transactions are measured at actual cost and de-recognised when the President's Fund is dissolved.

2.9 Cash flow statement

The cash flow statement is prepared according to the direct method.

- 2.10** GRAP 1 and GRAP 24 requires the Fund to present budgets against actual information in the annual financial statements. Due to the nature of the President's Fund, and the Fund not having a budget, this disclosure has not been made.

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2016

	2016 R'000	2015 R'000
3. INVESTMENT REVENUE		
Interest received (Fair value investments) - PIC	86 174	78 762
	<u>86 174</u>	<u>78 762</u>

4. SURPLUS FOR THE YEAR

Operating profit has been determined after taking into account the following revenue and expenditure items:

Revenue	86 174	78 762
Investment Revenue - See note 3	<u>86 174</u>	<u>78 762</u>
Less: Expenditure	<u>30 637</u>	<u>7 484</u>
Bank Charges	4	3
Basic Educational Assistance	3 260	0
Exhumation and Reburials	170	34
Final Reparation-(New Applications)	90	240
Higher Educational Assistance*	26 350	0
Interim Reparation-(New Applications)	8	25
Management fees-PIC	746	705
Losses: Financial Instruments**	0	6 465
Database Management Fees	9	8
Provision for bad debts -Expense	<u>0</u>	<u>4</u>
Surplus for the year	<u><u>55 537</u></u>	<u><u>71 278</u></u>

*The amount for Higher Education includes an amount of R22'043 provision, resulting from an advance paid by the Department of Higher Education, to the National Student Financial Aid Scheme.

**These losses relate to the economic situation with African Bank Limited, where the JSE Instruction was a 10% haircut on all instruments. The loss was related to the 2014/15 financial year and resulted in a restatement of the expenditure.

5. TRADE AND OTHER RECEIVABLES - NON EXCHANGE TRANSACTIONS

Reparation payments recoverable:	0	0
Accounts receivable#	<u>277</u>	<u>277</u>
Less: Provision for bad debts	<u>-277</u>	<u>-277</u>
<i>#The monies to be written of during the 2016-2017 financial year</i>	<u><u>0</u></u>	<u><u>0</u></u>

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2016

6. FINANCIAL INVESTMENTS AT FAIR VALUE

6.1 Public Investment Corporation

	2016 R'000	2015 R'000
Opening balance as originally stated	1 269 896	1 198 304
Cost	1 269 896	1 198 304
Investment income received during financial year	86 174	78 762
Losses: Financial Instruments**	0	-6 465
Drawings during the year	-10 000	0
Management Expenses	-746	-705
Trading cash(classified as cash and cash equivalent)	-116 209	-46 733
Closing balance	1 229 115	1 223 163
Fair value at acquisition date	1 229 115	1 223 163

***These losses relate to the economic situation with African Bank Limited, where the JSE Instruction was a 10% haircut on all instruments.*

Unrealised profit/(losses) is the difference between "All-in market values" and the "Clean book value" plus "Market value interest".

All Market Value	-1 229 116	-1 223 163
Clean Book Value	1 197 693	1 189 162
Difference	-31 423	-34 001
Plus: Market Value Interest	31 423	34 001
Unrealised Profit/ Losses	0	0

PIC Investments

Money Market 0 - 3 months	552 719	609 360
Money Market 3 - 6 months	390 731	260 876
Money Market 6 - 9 months	0	143 974
Money Market 9 - 12 months	285 665	208 953
	1 229 115	1 223 163

6.2 Total financial investments at Fair value

	1 229 115	1 223 163
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NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2016

	2016 R'000	2015 R'000
7. TRADE AND OTHER PAYABLES - NON EXCHANGE TRANSACTIONS		
Accruals	1 512	1
Unidentified	2	0
	<u>1 514</u>	<u>1</u>

8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand and balances with banks and investments in money market instruments. Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position:

Cash on hand and balances with bank	4 009	359
Short-term investments- Trading cash	116 209	46 733
	<u>120 218</u>	<u>47 092</u>

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

9. ACCUMULATED SURPLUS

Opening balance at the beginning of the year	1 267 369	1 196 091
Surplus for the year	55 537	71 278
Balance at the end of the year	<u>1 322 906</u>	<u>1 267 369</u>

10. CASH GENERATED FROM/(UTILIZED IN) OPERATIONS

Cash receipts on behalf of beneficiaries	0	0
Cash paid to beneficiaries (Other Payments)	6 351	-447
Net cash flows from operating activities	<u>6 351</u>	<u>-447</u>

11. RELATED PARTY TRANSACTIONS

The Department of Justice and Constitutional Development is the principal related party and has under its control the President's Fund, Third Party Fund, Guardian's Fund and the Criminal Asset Recovery Account (CARA), National Prosecuting Authority (NPA), Special Investigating Unit and Legal Aid Board as entities.

11.1 Department of Justice and Constitutional Development

Relationship:

All administration costs for the President's Fund are paid for by the Department of Justice and Constitutional Development.

Compensation of employees	1 382	1 297
Goods and services	34	32
	<u>1 416</u>	<u>1 329</u>

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2016

	2016 R'000	2015 R'000
11.2 Key management personnel		
Compensation of employees	629	631
Households	62	0
	691	631

11.3 Public Investment Corporation

Relationship:

In terms of Section 42 of the Promotion of National Unity and Reconciliation Act 34 of 1995, President's Fund invests their monies with PIC. Details of the transaction values as stated in note 3, 4, 6 and 8.

12. CONTINGENT LIABILITIES

Victims identified by the TRC need to apply for reparations before they are recognised as creditors. An uncertainty exist as to how many victims may apply in the future. At 31 March 2016 the estimated amount is R140,883,081 in respect of 4278 beneficiaries whereas as at 31 March 2015 the estimated amount was R140,947,081 in respect of 4,280 beneficiaries.

13. PROVISIONS

Carrying amount at the beginning of the year	2 885	3022
Movement for the year	-15	-137
Higher Education****	22 043	0
Carrying amount at the end of the year	24 913	2 885

The provisions are made in terms of Section 47 of the Promotion of National Unity and Reconciliation Act (Act No 34 of 1995)

****The provision for Higher Education is as a result of an advance paid by Department of Higher Education to NSFAS to enable NSFAS to make payments to Higher Education Institutions on behalf of victims or their dependants who qualify for educational assistance.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2016

14. RESTATEMENT OF COMPARATIVES

2016 R'000	2015 R'000	R'000
As disclosed in 2015	As Restated in 2016	Prior period errors for the financial years ending 31 March

The financial statements for 31 March 2015 were restated due to more accurate financial information becoming available and as historical issues were addressed.

14.1 Restatement of Financial Position

ASSETS

Financial investments at fair value	1 229 628	1 223 163	-6 465	Loss on PIC - ABIL
Cash and cash equivalents	47 092	47 092	0	
Total assets	1 276 720	1 270 255	-6 465	

LIABILITIES

Total liabilities	2 886	2 886	
Trade and other payables - Non exchange transactions	1	1	
Provision	2 885	2 885	

CAPITAL AND RESERVES

Total net assets	1 273 834	1 267 369	-6 465	Loss on PIC - ABIL
Accumulated surplus	1 273 834	1 267 369	-6 465	
Total net assets and liabilities	1 276 720	1 270 255	-6 465	

14.2 Restatement of Financial Performance

Revenue	78 762	78 762	
Investment revenue	78 762	78 762	
Less: Expenditure	1 019	7 484	6 465
Surplus for the year	77 743	71 278	-6 465

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2016

15 RISK ASSESSMENT

15.1 Introduction

As a client of the PIC, the President'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 President's Fund.

15.2 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 entity's activities expose it primarily to the risks of fluctuations in interest rates.

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.

The President's Fund was exposed to market risk in relation to the economic position of African Bank Limited, which resulted in impairment losses (see Notes 6.1). However, due to the President's Fund managing market and concentration risk, this did not have a significant impact on the President's Fund, as displayed by the healthy profit gained in 2015 and 2016 (see Statement of Financial Performance).

15.3 Interest rate risk

The President's Fund interest rate profile consists of money market accounts and bank balances which expose the entity to fair value interest rate risk and cash flow interest rate risk, and can be summarised as follows:

15.4 Financial Assets

Bank balances linked to South African prime rate.

Money Market linked to South African prime rate.

The management of the money market interest rate risk is done by the PIC.

15.5 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, President'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 President'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 President's Fund liquidity needs and its liability profile.

15.6 Credit risk

President'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 minimise excessive credit exposure to one single counterparty, the President'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.

15.7 Liquidity risk

Liquidity risk arises when there are insufficient liquid assets available to enable the President's Fund to meet its obligations when due.

The President's Fund current liquid asset holdings of less than 3 months maturity amount to R553 million of the total portfolio, which ensures sufficient liquidity to pay out monies due to beneficiaries.

15.8 Operational risk

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

15.9 Concentration risk

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

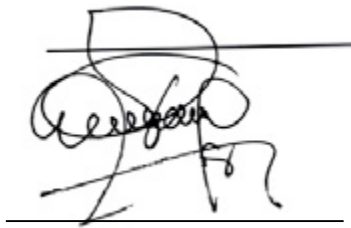
The President's Fund manages this risk through the PIC investment mandate, which dictates the level of concentration. Money market investments are spread across banks to reduce and diversify the client's concentration risk.

15.10 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, its code of conduct, and standards of best/ good practice. Compliance is managed through the DFI and Procedure Manual which are updated regularly.

Our appreciation of the loyal support and valuable contributions of the various stakeholders is hereby noted.

The financial statements set out on pages 14 to 25 have been approved by the Accounting Officer.

A handwritten signature in black ink, appearing to read 'V Madonsela', is written over a horizontal line.

Mr V Madonsela
Accounting Officer
President's Fund

NOTES


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NOTES

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NOTES

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