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PRESIDENT'S FUND

Annual Report

2011/12

DEPARTMENT OF JUSTICE AND CONSTITUTIONAL DEVELOPMENT



the doj & cd

Department:
Justice and Constitutional Development
REPUBLIC OF SOUTH AFRICA

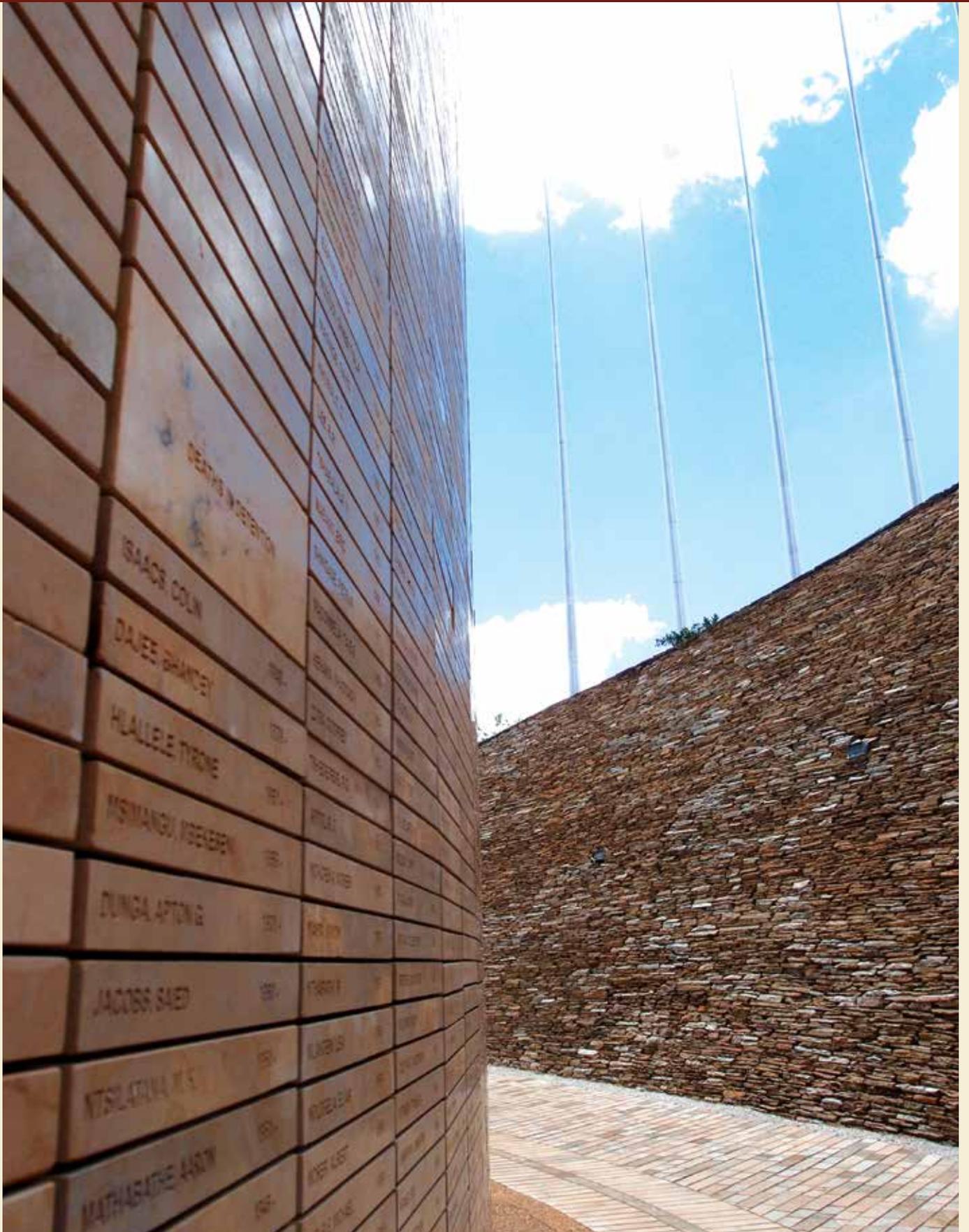
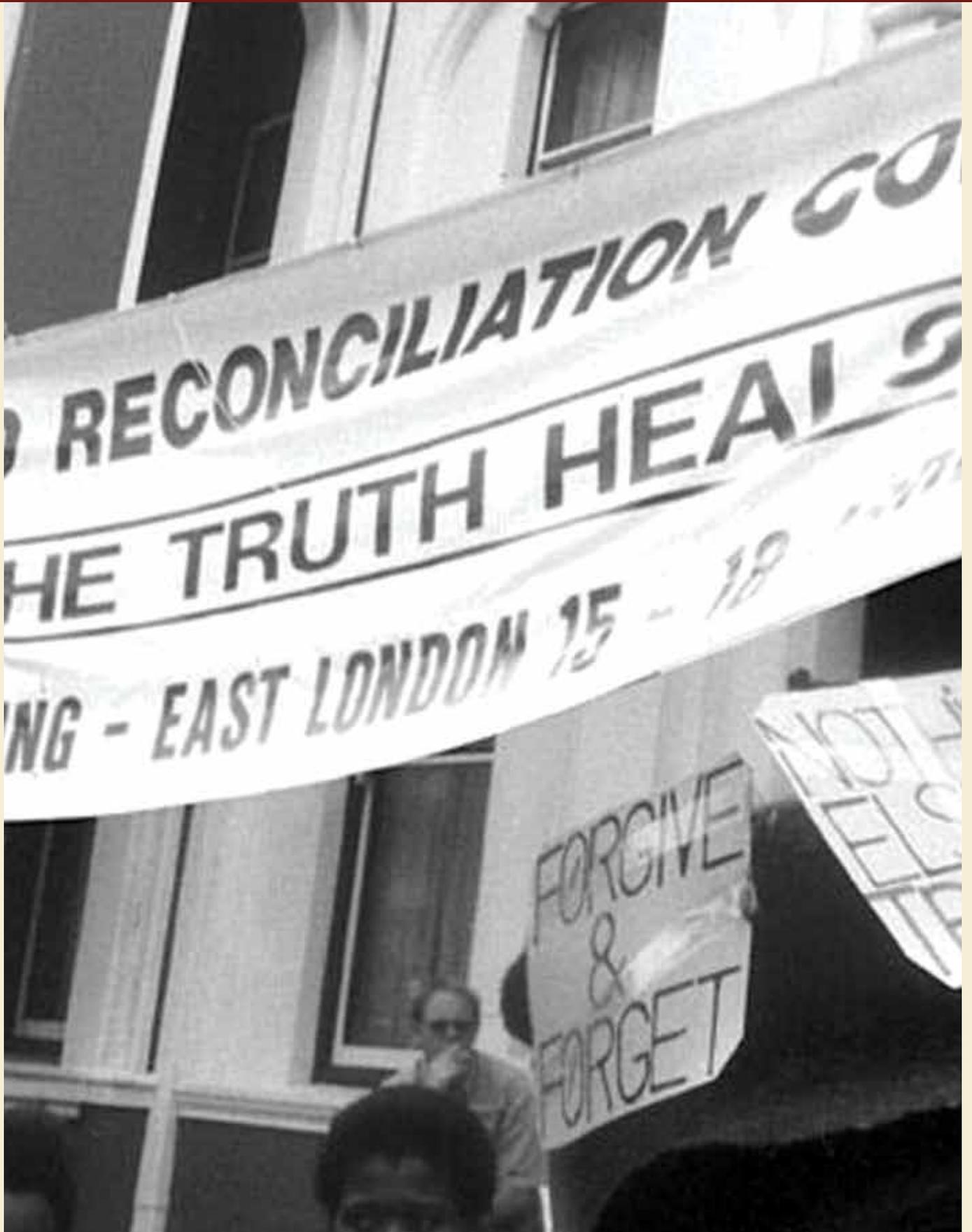


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PART ONE

Report of the Accounting Officer

REPORT OF THE ACCOUNTING OFFICER ON THE ANNUAL FINANCIAL STATEMENTS OF THE PRESIDENT'S FUND FOR THE YEAR ENDED 31 MARCH 2012

I. 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 to 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 designated by the TRC.
- Systematic programmes to project academic and formal records of history, cultural 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 communities, other than individuals linked to the process, which suffered and are still in distress, therefore, 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:

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

It was reported in the Fund's Annual Report of 2010/11

that there were 875 outstanding beneficiaries who could not be traced via the database of a professional tracing agency and that the assistance of the Department of Home Affairs, Independent Electoral Commission (IEC) and the Social Security Agency (SASSA) were elicited to provide information regarding the current whereabouts of the unpaid beneficiaries.

The Department of Justice and Constitutional Development, through its regional offices, went on a door-to-door campaign to trace the unpaid beneficiaries within their respective Provinces. The regional teams were able to locate 435 beneficiaries or rightful next of kin of deceased beneficiaries who were entitled to the benefit, and who were paid during the financial year under review. A total amount of R491 million was paid to 16 397 beneficiaries to date.

Symbols and Monuments:

This aspect of the reparation measure is being undertaken under the auspices of the Department of Arts and Culture. Some of the symbolic memorial projects undertaken since the release of the TRC Report are:

- The Freedom Park: Pretoria, Gauteng.
- Luthuli Museum: Groutville, KwaZulu-Natal.
- Nelson Mandela Museum: Mthatha, Mveso and Qunu, Eastern Cape.
- Samora Machel Monument: Mbuzini, Mpumalanga.

No funds have been utilised from the President's Fund to date regarding this aspect of the reparation measure.

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 at the date of this report, 45 families who applied for contributions towards reburial expenses in terms of the regulations were paid a total amount of R748 000.

Draft regulations relating to education assistance and medical benefits in respect of the TRC victims were published in the Government Gazette for public comments in May 2011. Substantive comments were received in response to the invitation in the Gazette. Comments received were evaluated in conjunction with the departments involved

in implementing these regulations when approved. The comments necessitated additional research, obtaining legal opinions to clarify complex legal issues and further interaction with Cabinet regarding the possibility of applying the regulations with some form of flexibility in respect of persons whose names do not appear in the TRC Reports. A TRC Stakeholder Conference was held on 22 March 2012 to give the organisations representing victims an opportunity to discuss the comments they submitted regarding the draft regulations. One of the resolutions taken at the conference was the establishment of a task team representing the victim organisations to further deal with the draft regulations due to time constraints. The draft regulations must, after approval by the departments concerned, still be vetted by the State Law Advisers, and the Minister of Finance should be consulted prior to submission to the Cabinet and approval by the State President.

An agreement has been reached with the Department of Human Settlements relating to its role and responsibilities and that of the Department of Justice and Constitutional Development regarding housing assistance to TRC victims. The agreement formed the basis of the compilation of the draft regulations. The draft regulations, at the request of the Department of Human Settlements, have recently been presented to the provinces and metropolitan municipalities, who will implement the approved regulations. Further engagement with the Department of Human Settlements is ongoing.

Rehabilitation of Communities:

A memorandum of understanding has been concluded with the Independent Development Trust (IDT) engaging it to perform this aspect of the reparation measure. The IDT is currently finalising the framework for the selection criteria as well as the prioritisation of TRC-identified communities prior to submission to Cabinet for approval.

2. DONOR FUNDS:

No significant donations were received, except for an amount of R93 being proceeds from the sale of books by the publishers on TRC matters.

3. CORPORATE GOVERNANCE ARRANGEMENTS:

The Fund utilises the services of the Department of Justice and Constitutional Development for its risk management approach, fraud prevention policy, effectiveness of internal audit and Audit Committee services. It also utilises the governance structures, systems and management processes of the department.

4. 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.

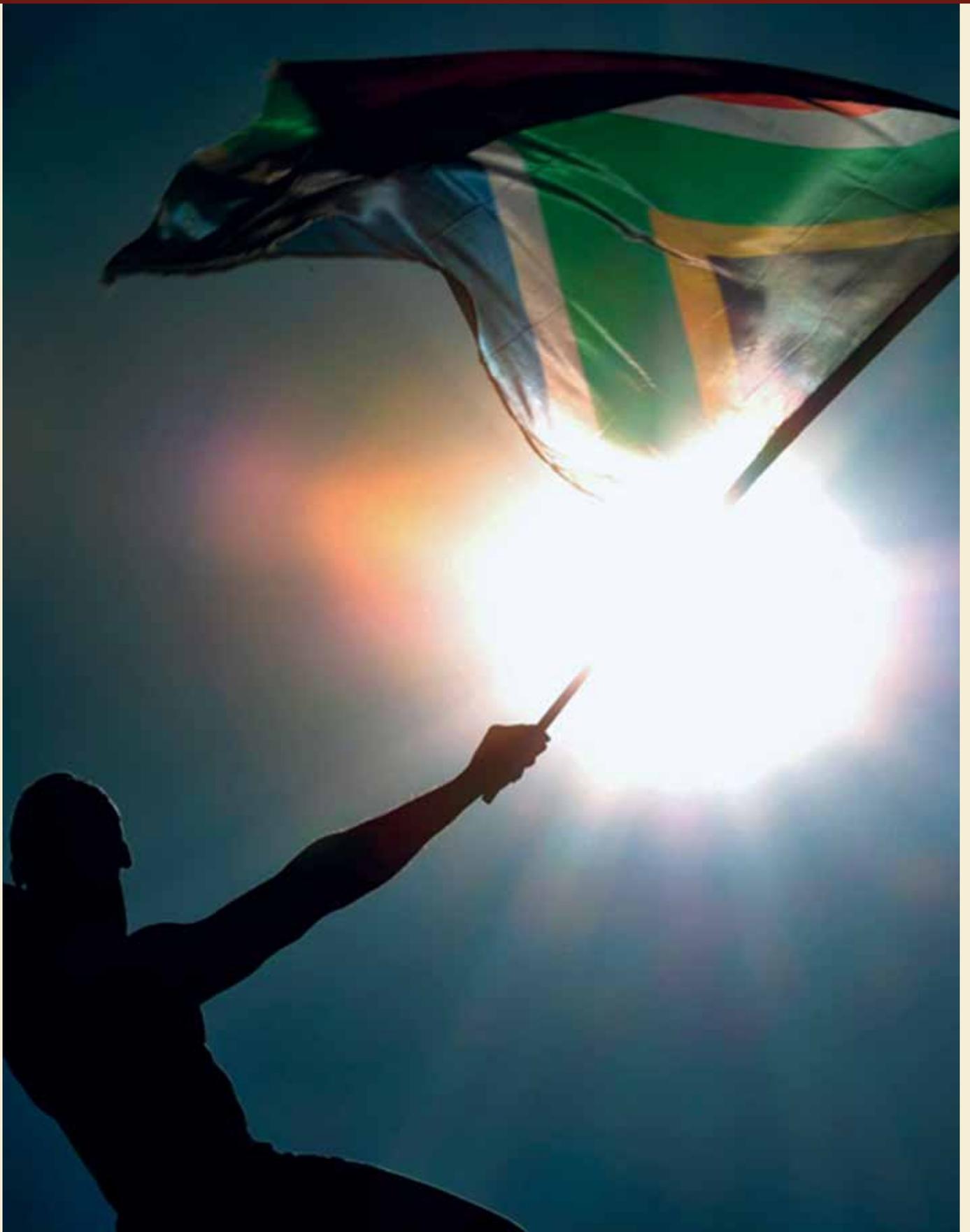
My appreciation and thanks are accorded to the related departments, agencies, stakeholders and the departmental regional heads as well as their respective teams who have assisted in attaining the reparation goals of the President's Fund.



MS N. SINDANE

DATE: 31 AUGUST 2012

ACCOUNTING OFFICER: PRESIDENT'S FUND



PART TWO

Report of the Audit Committee

REPORT OF THE AUDIT COMMITTEE ON THE PRESIDENT FUND

I. Report of the Audit Committee

We are pleased to present our report for the financial year ended 31 March 2012.

I.1 Audit Committee members and attendance

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

| Name of members | Numbers of meetings attended | Status |
|-----------------------------------|------------------------------|------------------------------|
| Mr. Motsamai Karede (Chairperson) | 6 | Reappointed 15 December 2009 |
| Mr. Cedric Boltman | 6 | Reappointed 15 December 2009 |
| Ms. Bajabulile Luthuli | 4 | Appointed 15 December 2009 |
| Ms. Matshego Ramagaga | 2 | Retired 24 February 2012 |
| Ms. Zodwa Manase | 0 | Retired 24 February 2012 |
| Mr. Wilson Ramabulana | 6 | Appointed 15 December 2009 |

I.2 Audit Committee responsibility

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

I.3 The effectiveness of internal control

There were no significant control weaknesses and risks reported to the Audit Committee and we are satisfied that key controls had remained in place throughout the year and where deficiencies in internal controls were identified management has demonstrated commitment in addressing them.

I.4 Internal Audit

The internal audit unit for the Department of Justice and Constitutional Development is responsible for the auditing of the President's Fund.

The internal audit unit has discharged its responsibilities as per the internal audit plan.

I.5 Auditor-General South Africa

We have met with the Auditor-General South Africa to ensure that there are no unresolved issues.

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 and issued by the Accounting Officer of the department during the year under review.

1.5.2 Evaluation of financial statements

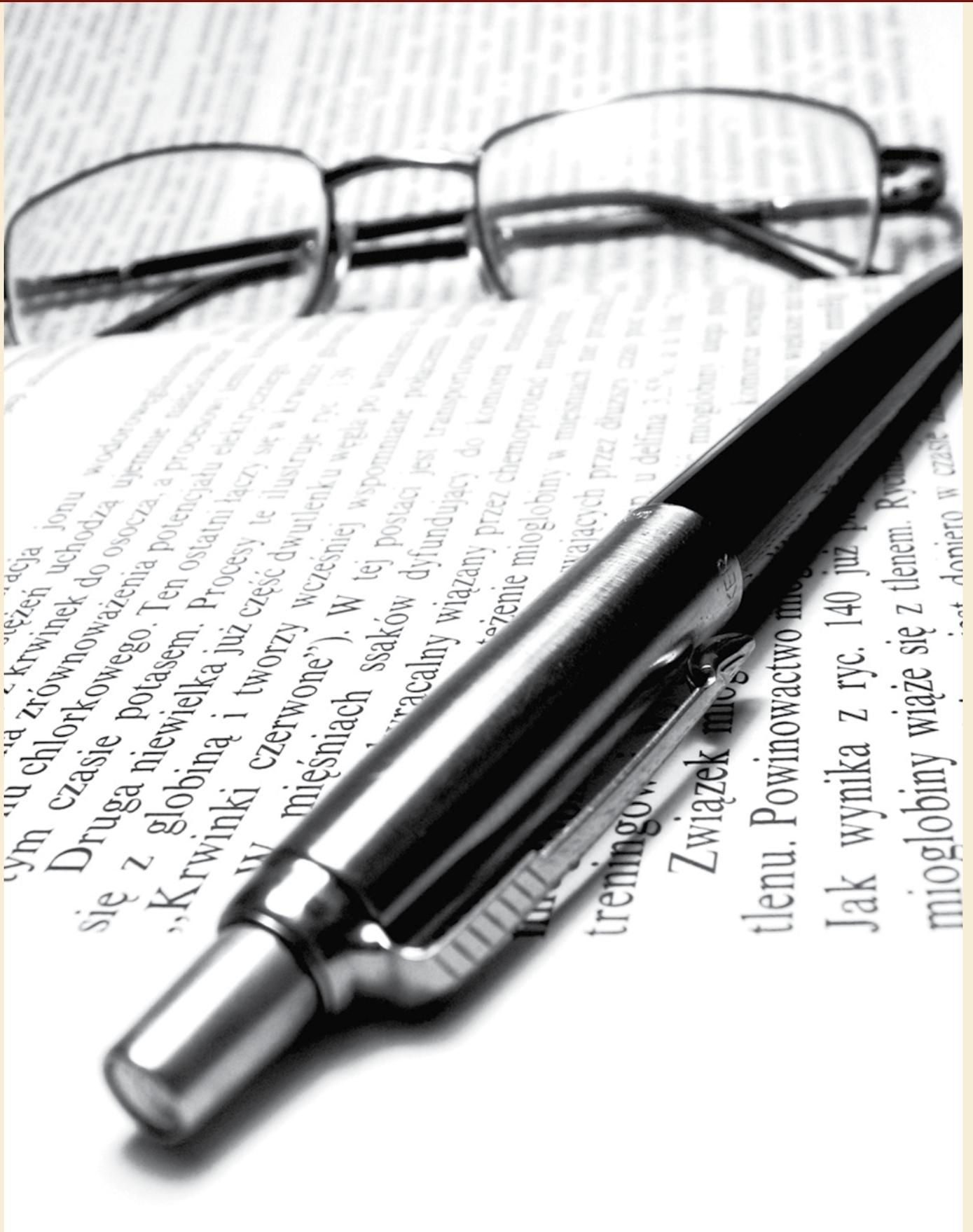
We have done the following:

- Reviewed and discussed the audited annual financial statements to be included in the annual report with the Auditor-General South Africa and the Accounting Officer;
- Reviewed the Auditor-General South Africa's management letter and management's response to it;
- Reviewed the department's compliance with legal and regulatory provisions; and
- Reviewed significant adjustments resulting from the audit.

We concur and accept the conclusions of the Auditor-General South Africa's report on the annual financial statements and are of the opinion that the audited annual financial statements should be accepted, read together with the report of the Auditor-General South Africa.



M Karedi
Chairperson of the Audit Committee
Date: 30 July 2012



PART THREE

Report of the Auditor-General to Parliament

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE 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 18 to 29, which comprise, statement of financial position as at 31 March 2012, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year ended, 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 the South African Standards of Generally Recognised Accounting Practice (SAS standards of GRAP), and for such internal control as accounting officer determines necessary to enable the preparation of 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 the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the General Notice issued in terms thereof and 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 to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the 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 and fair presentation of the financial statements in order to design the 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 2012, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP).

Report on other Legal and Regulatory Requirements

7. In accordance with the PAA and the General Notice issued in terms thereof, I report the following findings relevant with compliance laws and regulations and internal control, but not for the purpose of expressing an opinion. I include below my findings on material non-compliance with laws and regulations applicable to the entity.

Predetermined objectives

8. I was unable to conduct the audit of performance 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 PFMA and the entity-specific legislation does not require the reporting on performance against predetermined objectives.

Compliance with laws and regulations

9. I did not identify any instances of material non-compliance with specific matters in key applicable laws and regulations as set out in the General Notice issued in terms of the PAA.

Internal control

10. I did not identify any deficiencies in internal control which we considered sufficiently significant for inclusion in this report.

Auditor-General

Pretoria
31 July 2012



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence



PART FOUR

Financial Statements

STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 31 March 2012

| | Notes | 2012 R | 2011 R |
|---------------------------------------|----------|-------------------|-------------------|
| Revenue | | | |
| Non-exchange transactions - Donations | | 93 | 287 |
| Non-exchange transactions - Royalties | | 3 164 | 6 131 |
| Investment revenue | 3 | 61 774 828 | 66 813 011 |
| | | 61 778 085 | 66 819 429 |
| Less: expenditure | | 950 435 | 1 372 376 |
| Surplus/(deficit) for the year | 4 | 60 827 650 | 65 447 053 |

STATEMENT OF FINANCIAL POSITION

as at 31 March 2012

ASSETS**Non-current assets**

| | | | |
|--|---|---------------|---------------|
| Financial investments available-for-sale | 6 | 1 084 582 824 | 1 037 414 761 |
|--|---|---------------|---------------|

Current assets

| | | | |
|---------------------------|---|---------|---------|
| Cash and cash equivalents | 8 | 869 781 | 148 471 |
|---------------------------|---|---------|---------|

| | | | |
|---|---|---|---|
| Trade and other receivables - Non-exchange transactions | 5 | - | - |
|---|---|---|---|

Total assets

| | | | |
|--|--|----------------------|----------------------|
| | | 1 085 452 605 | 1 037 563 232 |
|--|--|----------------------|----------------------|

LIABILITIES**Total liabilities**

| | | | |
|--|---|------------|------------|
| Trade and other payables - Non-exchange transactions | 7 | 14 520 656 | 27 459 236 |
|--|---|------------|------------|

CAPITAL AND RESERVES**Total net assets**

| | | | |
|---------------------|---|---------------|---------------|
| Accumulated surplus | 9 | 1 070 931 646 | 1 010 103 996 |
|---------------------|---|---------------|---------------|

| | | | |
|--|----|-----|---|
| Accumulated other comprehensive income | 10 | 303 | - |
|--|----|-----|---|

Total net assets and liabilities

| | | | |
|--|--|----------------------|----------------------|
| | | 1 085 452 605 | 1 037 563 232 |
|--|--|----------------------|----------------------|

STATEMENT OF CHANGES IN NET ASSETS
for the year ended 31 March 2012

| | Notes | 2012 R | 2011 R |
|---|----------|----------------------|----------------------|
| Accumulated surplus | | | |
| Opening balance | | 1 010 103 996 | 944 746 943 |
| Plus: Surplus/(deficit) for the year | | 60 827 650 | 65 447 053 |
| | | 1 070 931 646 | 1 010 193 996 |
| Less: Prior year error | 14 | - | 90 000 |
| Closing balance | 9 | 1 070 931 646 | 1 010 103 996 |
| Accumulated other comprehensive income | | | |
| Opening balance | | - | 920 443 |
| Plus: Unrealised/realised gain/loss for the year | 10 | 303 | - |
| Less: Revaluation decrease in investments | | - | -920 443 |
| Closing balance | | 303 | - |
| Total net assets | | 1 070 931 949 | 1 010 103 996 |

CASH FLOW STATEMENT
for the year ended 31 March 2012

| | Notes | 2012 R | 2011 R |
|--|-----------|--------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash receipts on behalf of beneficiaries | | -1 897 613 | -2 738 334 |
| Cash paid to beneficiaries and creditors | | 950 435 | 1 372 376 |
| Cash generated from/(utilised in) operations | II | -947 178 | -1 365 958 |
| Investment income received | | 61 774 828 | 66 813 011 |
| Net cash inflows/(outflows) from operating activities | | 60 827 650 | 65 447 053 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Net cash flows from investing activities | | -47 167 760 | -65 232 262 |
| Net investments * | | 14 607 068 | 1 580 749 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Net cash flow financing activities | | -12 938 580 | -297 489 |
| Increase/(decrease) in beneficiary liability | | -12 938 580 | -297 489 |
| Decrease/(increase) in accounts receivable | | - | - |
| Net increase/(decrease) in cash and cash equivalents | | 721 310 | -82 698 |
| Cash and cash equivalents at the beginning of the year | | 148 471 | 231 169 |
| Cash and cash equivalents at end of the year | | 869 781 | 148 471 |

* Note: figures on net investments restated due to re-classification

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2012

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 available-for-sale investments that have been measured at fair value. The financial statements are presented in rands.

Statement of 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) Grants received

Grants from the Department of Justice and Constitutional Development are accounted for in the period to which the allocations relate.

(ii) Donations received

Donations are accounted for on receipt.

(iii) Royalties

Royalties are recognised on an accrual basis in accordance with the substance of the relevant agreement.

(iv) 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 accrued on approval by the Committee on Reparation and Rehabilitation Commission.

(ii) Administration expenditure

Administration expenses do not form part of grants as stated in subparagraph 2.2.1. Disbursements in respect of administrative expenses are borne by the Department of Justice and Constitutional Development, except for bank charges and service provider fees that are borne by the Fund itself.

(iii) Exhumation and reburials

Financial assistance provided to the 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.

2.2.3 Financial instruments

Initial recognition and subsequent measurement - Continue date of recognition of financial instrument.

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.

Initial recognition of financial instrument

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 plus, in the case of financial assets not at fair value through profit or loss, any directly attributable incremental cost of acquisition or issue.

i) Trade and other receivables

Trade and other receivables originated by the Fund are stated at fair value less provision for doubtful debts.

ii) Trade and other payables

Trade and other payables incurred by the Fund are stated at present liability.

iii) Cash and cash equivalents

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

Cash and cash equivalents that do not have fixed and determined payments will be classified as Available-for-sale financial assets.

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

Financial instruments - initial recognition and subsequent measurement
Available-for-sale financial investments

Available-for-sale financial investments are those which are designated as such or do not qualify to be classified at fair value through profit or loss, held-to-maturity or loans and advances. They include equity instruments, investments in money markets and other debit instruments.

After initial measurement, availability-for-sale financial investments are subsequently measured at fair value. Unrealised gains and losses are recognised directly in equity as "Accumulated other comprehensive income". When the security is disposed of, the cumulative gain or loss previously recognised in equity is recognised in the income statement in "other operating income" or "other operating expenses". Interest earned whilst holding available-for-sale financial investments is reported as interest income using the effective interest rate. Dividends earned whilst holding available-for-sale financial investments are recognised in the income statement 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 in "impairment losses on financial investments" and removed from the available-for-sale reserve.

2.4 Contingent liabilities

A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the President's Fund. 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.

2.5 Cash Flow statement

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

2.6 Write-off Policy

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.

3. Investment revenue

Interest received (available-for-sale investments) - PIC

| 2012 | 2011 |
|-------------------|-------------------|
| R | R |
| 61 774 828 | 66 813 011 |
| 61 774 828 | 66 813 011 |

4. Surplus/(deficit) for the year

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

Revenue

Non-Exchange transactions - Donations

Non-Exchange transactions - Royalties

Investment Revenue - See note 3

Less: Expenditure

Interim reparations

Management fees - Public Investment Corporation

Final reparations

Exhumation and reburials

Service provider - BDB Data Bureau

Bank charges

Surplus/(deficit) for the year
5. Trade and other receivables - Non-exchange transactions

Reparation payments recoverable:

Accounts receivable

Less: Provision for bad debts

6. Financial investments available-for-sale
6.1 Public Investment Corporation
Opening balance as originally stated

Cost

Unrealised profit/(losses)

Investment income received during financial year

Disposals during the year

Management expenses

Closing balance

Fair value at acquisition date

Unrealised profit/(losses)

| | 2012 R | 2011 R |
|---|----------------------|----------------------|
| Revenue | 61 778 085 | 66 819 429 |
| Non-Exchange transactions - Donations | 93 | 287 |
| Non-Exchange transactions - Royalties | 3 164 | 6 131 |
| Investment Revenue - See note 3 | 61 774 828 | 66 813 011 |
| Less: Expenditure | 950 435 | 1 372 376 |
| Interim reparations | 13 600 | 18 680 |
| Management fees - Public Investment Corporation | 607 068 | 580 748 |
| Final reparations | 150 000 | 150 000 |
| Exhumation and reburials | 167 048 | 612 000 |
| Service provider - BDB Data Bureau | 9 553 | 8 199 |
| Bank charges | 3 166 | 2 749 |
| Surplus/(deficit) for the year | 60 827 650 | 65 447 053 |
| 5. Trade and other receivables - Non-exchange transactions | | |
| Reparation payments recoverable: | - | - |
| Accounts receivable | 273 264 | 273 264 |
| Less: Provision for bad debts | -273 264 | -273 264 |
| | - | - |
| 6. Financial investments available-for-sale | | |
| 6.1 Public Investment Corporation | | |
| Opening balance as originally stated | 1 037 414 761 | 973 102 942 |
| Cost | 1 037 414 761 | 972 182 499 |
| Unrealised profit/(losses) | - | 920 443 |
| Investment income received during financial year | 61 774 828 | 66 813 011 |
| Disposals during the year | -13 999 697 | -1 920 444 |
| Management expenses | -607 068 | -580 748 |
| Closing balance | 1 084 582 824 | 1 037 414 761 |
| Fair value at acquisition date | 1 084 582 824 | 1 037 414 761 |
| Unrealised profit/(losses) | - | - |

| | 2012 | 2011 |
|---|----------------------|----------------------|
| | R | R |
| <p>Unrealised profit/(losses) is the difference between "All-in market values" and the "Clean book value" plus "Market value interest".</p> | | |
| All market value | -1 084 582 824 | -968 167 043 |
| Clean book value | 1 065 268 318 | 941 779 453 |
| Difference | -19 314 506 | -26 387 590 |
| Plus: Market value interest | 19 314 506 | 25 467 147 |
| Unrealised profit/ losses | - | 920 443 |
| PIC Investments | | |
| Money Market 0 - 3 months | 362 752 863 | 427 820 625 |
| Money Market 3 - 6 months | 483 445 421 | 381 209 504 |
| Money Market 6 - 9 months | 208 159 267 | - |
| Money Market 9 - 12 months | - | 157 893 707 |
| Trading cash | 30 225 273 | 70 490 924 |
| | 1 084 582 824 | 1 037 414 760 |
| 6.2 Total financial investments available-for-sale | 1 084 582 824 | 1 037 414 760 |
| 7. Trade and other payables - Non-exchange transactions | | |
| Reparation payments approved | 14 520 267 | 27 459 099 |
| Accruals | 389 | 137 |
| | 14 520 656 | 27 459 236 |
| 8. Cash and cash equivalents | | |
| Standard Bank account | 869 781 | 148 471 |
| | 869 781 | 148 471 |
| <p>The carrying amount of cash and cash equivalents approximates their fair value due to their short-term maturity.</p> | | |
| 9. Accumulated surplus/(deficit) | | |
| Opening balance at the begin of the year | 1 010 103 996 | 944 746 943 |
| Less: Prior year error - see note 14 | - | 90 000 |
| Restated opening balance at the beginning of the year | 1 010 103 996 | 944 656 943 |
| Surplus/(deficit) for the year | 60 827 650 | 65 447 053 |
| Balance at the end of the year | 1 070 931 646 | 1 010 103 996 |

| | 2012 | 2011 |
|---|-----------------|-------------------|
| | R | R |
| 10. Accumulated other comprehensive income | | |
| Opening balance at the begin of the year | - | 920 443 |
| Unrealised/ realised profit/(losses) for the year | 303 | - |
| Revaluation increase/(decrease) in investments | - | -920 443 |
| Balance at the end of the year | 303 | - |
| 11. Cash generated from/(utilised in) operations | | |
| Surplus/(deficit) before interest | 60 827 650 | 65 447 053 |
| Less: Investment income received | -61 774 828 | -66 813 011 |
| Net cash flows from operating activities | -947 178 | -1 365 958 |

12. Related party transactions

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

13. 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 2012 the estimated amount was R77 058 700 in respect of 2 340 beneficiaries.

14. Prior year error

Prior year error due to under provision of creditors for the 2010/11 financial year.

Increase in creditors

Decrease in accumulated surplus

| 2011 |
|---------------|
| R |
| 90 000 |
| 90 000 |

RISK MANAGEMENT STATEMENT

for the year 31 March 2012

I Risk Assessment

I.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 ultimate responsibility for investment risk management oversight lies with the PIC and not with the President's Fund.

I.2 Market risk

Market risk is the potential loss due to adverse movement in the market value of assets.

The Entity's activities expose it primarily to the risks of fluctuations in interest rates risk.

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.

I.3 Interest rate risk management

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:

I.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.

I.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.

1.6 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 honor 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.

1.7 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 R363 million of the total portfolio which ensures sufficient liquidity to pay out monies due to beneficiaries.

1.8 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.

Acknowledgement

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

The financial statements set out on pages 18 to 29 have been approved by the Accounting Officer.



Ms. N. Sindane

Director-General: Department of Justice and Constitutional Development

