

**ANNUAL FINANCIAL STATEMENTS
IN TERMS SECTION 15 OF THE PENSION FUNDS ACT NO 24, 1956
AS AMENDED (PENSION FUNDS ACT)**

NAME OF RETIREMENT FUND: CAPE RETIREMENT FUND FOR LOCAL GOVERNMENT

**FINANCIAL SERVICES BOARD
REGISTRATION NUMBER:** 12/8/32689/2

FOR THE PERIOD: 1 JULY 2013 TO 30 JUNE 2014

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* Not subject to any engagement by an auditor

Name of Retirement Fund: Cape Retirement Fund for Local Government

**SCHEDULE A
REGULATORY INFORMATION**
For the period ended

30 JUNE 2014

Registered office of the Fund

Postal address: PO Box 4300
Tyger Valley
7536

Physical address: Belmont Office Park
Twist Street
Bellville
7535

Financial reporting periods

Current: 1 July 2013 to 30 June 2014

Previous: 1 July 2012 to 30 June 2013

Board of Fund

Full name	E-mail address	Capacity ^a	Date appointed or re-appointed date (for all Board members)	Date resigned (for all Board members)
Brian William Shepherd	bwshep@gmail.com	C	19-02-2010	01-Aug-14
Andreas Jacobus Smith	andres@caperf.co.za	AD	15-02-2013	
Willem Wouter van Gass	willem.van_gass@capetown.gov.za	M	15-02-2013	
Hester Annette Cawood	acawood@emthanjeni.co.za	M	19-02-2010	
Ian Ronald Iversen	ian.iversen@capetown.gov.za	E	20-02-2009	
Johannes Petrus Beukman	johannes@caperf.co.za	M	15-02-2013	
Soyisile Andreas Mokweni	smokweni@langeberg.gov.za	M + C	19-02-2010	
Edward Thornton Scott	eddie.scott@capetown.gov.za	M	19-02-2010	
Andile Phillip Gqabi	andile@caperf.co.za	E	17-02-2012	
Jacobus Louls Steyn	ksteyn@solplaalle.org.za	E	17-02-2012	30-11-2013
Hendrik Hermilas van der Merwe	vdm123@gmail.com	M	17-02-2012	31-07-2013
Clara Meyer	speaker@capewinelands.gov.za	E	15-02-2013	
Petrus Johannes Francois Louw	0825633884@vodamail.co.za	E	14-02-2014	

^a M = member elected, C = chairperson, I = independent, A = alternate, E = employer appointed, R = representative (section 26(2) appointment), S = sponsor appointed, AD = additional

BW Shepherd was appointed as Principal Officer and subsequently resigned on 01-Aug-2014 as Chairperson. As per Fund Rule 2.2.1(4) In the event of the Chairperson resigning before the expiry of his term, the Deputy Chairperson, being SA Mokweni, shall assume the role as Chairperson.

The Fund has appointed an Audit Committee as a sub-committee of the Board of Fund. The following persons are members of the Audit Committee as at 30 June 2014:

- Stefanus Lodewikus Venter (Independent Chairperson)
- Kenellwe Moloko (Independent Member)
- Marthin Grobler (Independent Member)
- Andreas Jacobus Smith (Additional Trustee)
- Johannes Petrus Beukman (Member Trustee)
- Willem Wouter van Gass (Alternate Member)

Governance note: schedule of meetings held by the Board of Fund in terms of the Rules of the Fund

Meeting date	Place of meeting	Quorum (yes/no)
18-07-2013	Verso Financial Services: Belmont Office Park, Twist Street, Bellville, 7535	Yes
19-07-2013	Verso Financial Services: Belmont Office Park, Twist Street, Bellville, 7535	Yes
12-09-2013	Verso Financial Services: Belmont Office Park, Twist Street, Bellville, 7535	Yes
13-09-2013	Verso Financial Services: Belmont Office Park, Twist Street, Bellville, 7535	Yes
31-10-2013	Verso Financial Services: Belmont Office Park, Twist Street, Bellville, 7535	Yes
01-11-2013	Verso Financial Services: Belmont Office Park, Twist Street, Bellville, 7535	Yes
05-12-2013	Verso Financial Services: Belmont Office Park, Twist Street, Bellville, 7535	Yes
08-12-2013	Verso Financial Services: Belmont Office Park, Twist Street, Bellville, 7535	Yes
16-01-2014	Verso Financial Services: Belmont Office Park, Twist Street, Bellville, 7535	Yes
13-02-2014	Verso Financial Services: Belmont Office Park, Twist Street, Bellville, 7535	Yes
27-03-2014	Verso Financial Services: Belmont Office Park, Twist Street, Bellville, 7535	Yes
28-03-2014	Verso Financial Services: Belmont Office Park, Twist Street, Bellville, 7535	Yes
23-04-2014	Verso Financial Services: Belmont Office Park, Twist Street, Bellville, 7535	Yes
15-05-2014	Verso Financial Services: Belmont Office Park, Twist Street, Bellville, 7535	Yes
18-05-2014	Verso Financial Services: Belmont Office Park, Twist Street, Bellville, 7535	Yes
19-06-2014	Verso Financial Services: Belmont Office Park, Twist Street, Bellville, 7535	Yes
20-06-2014	Verso Financial Services: Belmont Office Park, Twist Street, Bellville, 7535	Yes

Name of Retirement Fund: Cape Retirement Fund for Local Government

REGULATORY INFORMATION - Continued
For the period ended 30 JUNE 2014

Fund officers

	Principal Officer	Monitoring person*
Full name	Jan Frederik Koekemoer	Jan Frederik Koekemoer
Postal address	PO Box 4300, Tyger Valley, 7536	PO Box 4300, Tyger Valley, 7536
Physical address	Bellmont Office Park, Twist Street, Bellville, 7535	Bellmont Office Park, Twist Street, Bellville, 7535
Telephone number	021-943 5300	021-943 5300
E-mail address	jan@caperf.co.za	jan@caperf.co.za
Terminated:		Apr-14

	Principal Officer	Monitoring person*
Full name	Andreas Jacobus Smith	Andreas Jacobus Smith
Postal address	PO Box 4300, Tyger Valley, 7536	PO Box 4300, Tyger Valley, 7536
Physical address	Bellmont Office Park, Twist Street, Bellville, 7535	Bellmont Office Park, Twist Street, Bellville, 7535
Telephone number	021-943 5300	021-943 5300
E-mail address	andres@caperf.co.za	andres@caperf.co.za
Appointed:		May-14
Terminated:		Aug-14

	Principal Officer	Monitoring person*
Full name	Brian William Shepherd	Brian William Shepherd
Postal address	PO Box 4300, Tyger Valley, 7536	PO Box 4300, Tyger Valley, 7536
Physical address	Bellmont Office Park, Twist Street, Bellville, 7535	Bellmont Office Park, Twist Street, Bellville, 7535
Telephone number	021-943 5300	021-943 5300
E-mail address	brian@caperf.co.za	brian@caperf.co.za
Appointed:		Aug-14

*(In terms of Section 13A of the Pension Funds Act)

Professional service providers

(Indicate the date of appointment/resignation of any service provider during the reporting period)

	Actuary/Valuator	Auditor
Full name	Sean Neethling	Ernst & Young
Postal address	PO Box 2212, Bellville, 7535	PO Box 656, Cape Town, 8000
Physical address	Parc du Cap, Mispel Road, Bellville, 7530	35 Lower Long Street, Cape Town, 8000
Telephone number	021-940 4008	021-443 0200
E-mail address	sean.neethling@momentum.co.za	malcolm.rapson@za.ey.com

	Benefit administrator	Fund consultants
Full name	Verso Financial Services (Pty) Ltd	Brenda Krummeck
Postal address	PO Box 4300, Tyger Valley, 7536	PO Box 4300, Tyger Valley, 7536
Physical address	Bellmont Office Park, Twist Street, Bellville, 7535	Bellmont Office Park, Twist Street, Bellville, 7535
Telephone number	021-943 5300	021-943 5300
E-mail address	edward@verso.za.com	brenda@verso.za.com

Investment advisors	
Full name	GraySwan Financial Services (Pty) Ltd
Postal address	Private Bag X34, Suite 184, Somerset West, 7129
Physical address	A2 The Beachhead, 10 Niblick Road, Somerset West, 7130
Telephone number	021-852 9092
E-mail address	duncan@grayswan.co.za

Investment advisors	
Full name	Sukha & Associates (Pty) Ltd
Postal address	PO Box 955, Milnerton, 7435
Physical address	JFA House, 138 Democracy Way, Milnerton, 7441
Telephone number	021-551 1741
E-mail address	shahna@sukha.co.za

Benefit administrator's registration number in terms of Section 13B: Verso Financial Services	24/292
Fund consultant's FAIS registration number: Brenda Krummeck	14985
Investment advisor's FAIS registration number: GraySwan Financial Services	42290
Investment advisor's FAIS registration number: Sukha & Associates	42932

Name of Retirement Fund: Cape Retirement Fund for Local Government

REGULATORY INFORMATION - Continued

For the period ended 30 JUNE 2014

Investment administrators	
Full name	Stanlib Asset Management Ltd
Postal address	PO Box 202, Melrose Arch, 2076
Physical address	17 Melrose Boulevard, Melrose Arch, 2198
Telephone number	011-448 8401
E-mail address	stanlibinstitutional@stanlib.com
Investment administrator's FAIS registration number:	719

Investment administrators	
Full name	Coronation Asset Management (Pty) Ltd
Postal address	PO Box 44684, Claremont, 7735
Physical address	7th Floor, MontClare Place, Corner of Campground and Main Roads, Claremont, 7708
Telephone number	021-880 2219
E-mail address	Nkolzee@coronation.co.za
Investment administrator's FAIS registration number:	548

Investment administrators	
Full name	Allan Gray South Africa (Pty) Ltd
Postal address	PO Box 51318, V & A Waterfront, Cape Town, 8002
Physical address	Granger Bay Court, Beach Road, V & A Waterfront, Cape Town, 8001
Telephone number	021-415 4902
E-mail address	fatima.said-allye@allangray.co.za
Investment administrator's FAIS registration number:	27145

Investment administrators	
Full name	Investec Asset Management (Pty) Ltd
Postal address	PO Box 1855, Cape Town, 8000
Physical address	36 Hans Strijdom Avenue Foreshore, Cape Town, 8001
Telephone number	021-418 1781
E-mail address	jacques.ackerman@investecmail.com
Investment administrator's FAIS registration number:	587

Investment administrators	
Full name	Sanlam Investment Management (Pty) Ltd
Postal address	Private Bag X8, Tyger Valley, 7530
Physical address	55 Willie van Schoor Avenue, Bellville, 7530
Telephone number	021-950 4614
E-mail address	lvnn@sanlaminvestments.com
Investment administrator's FAIS registration number:	579

Investment administrators	
Full name	Verso Multi Manager (Pty) Ltd
Postal address	PO Box 4300, Tyger Valley, 7536
Physical address	Bellmont Office Park, Twist Street, Bellville, 7535
Telephone number	021-943 5300
E-mail address	diaan@versojs.co.za
Investment administrator's FAIS registration number:	381

Name of Retirement Fund: Cape Retirement Fund for Local Government

REGULATORY INFORMATION - Continued

For the period ended 30 JUNE 2014

Investment administrators	
Full name	Kagiso Asset Management (Pty) Ltd
Postal address	PO Box 1016, Cape Town, 8000
Physical address	6th Floor, MontClare Place, Cnr Campground & Main Roads, Claremont, 7708
Telephone number	021-673 6307
E-mail address	QGamlet@kagisoam.com
Investment administrator's FAIS registration number:	784

Investment administrators	
Full name	PIMCO Europe Ltd (Grindrod Asset Management)
Postal address	9 Queen Street, Durbanville, 7550
Physical address	9 Queen Street, Durbanville, 7550
Telephone number	021-970 2405
E-mail address	pauls@grindrodam.co.za
Investment administrator's FAIS registration number:	42071
Terminated:	Aug-13

Investment administrators	
Full name	Peregrine Equities (PTY) Ltd
Postal address	PO Box 850361, Benmore, 2010
Physical address	8A Sandown Valley Crescent, Sandown, 2010
Telephone number	011-722 7570
E-mail address	EdryO@peregrine.co.za
Investment administrator's FAIS registration number:	18828

Investment administrators	
Full name	Standard Bank Corporate and Investment Banking, a division of The Standard Bank of South Africa Ltd
Postal address	1st Floor, East Wing, 30 Baker Street, Rosebank, 2196
Physical address	1st Floor, East Wing, 30 Baker Street, Rosebank, 2196
Telephone number	011-415 7143
E-mail address	Anastasia.Halamandaris@standardbank.co.za
Investment administrator's FAIS registration number:	11287

Investment administrators	
Full name	ABSA Corporate and Investment Banking, a division of Absa Bank Ltd
Postal address	15 Alice Lane, Sandton, Johannesburg, 2196
Physical address	15 Alice Lane, Sandton, Johannesburg, 2196
Telephone number	011-895 8000
E-mail address	Bonga.Mdletshe@barclayscapital.com
Investment administrator's FAIS registration number:	292

Investment administrators	
Full name	All Seasons Capital Management Ltd
Postal address	PO Box 4188, Tygervalley, 7536
Physical address	3 Heuvelkruin Close, Belville, 7530
Telephone number	021-970 2613
E-mail address	EAurat@edqa.co.za
Investment administrator's FAIS registration number:	41387

Name of Retirement Fund: Cape Retirement Fund for Local Government

REGULATORY INFORMATION - Continued

For the period ended 30 JUNE 2014

Investment administrators	
Full name	Aberdeen Asset Managers Ltd
Postal address	Bow Bells House, 1 Bread Street, London, EC4M 9HH
Physical address	Bow Bells House, 1 Bread Street, London, EC4M 9HH
Telephone number	09 440 207 463 6338
E-mail address	CFCM@aberdien-asset.com
Investment administrator's FAIS registration number:	43675

Investment administrators	
Full name	Old Mutual Global Index Trackers (Pty) Ltd
Postal address	West Campus, Entrance 2, Second Floor, Mutualpark, Jan Smuts Drive Pinelands, 7405
Physical address	West Campus, Entrance 2, Second Floor, Mutualpark, Jan Smuts Drive Pinelands, 7405
Telephone number	021-509 6057
E-mail address	gdevillers@oldmutualinvest.com
Investment administrator's FAIS registration number:	721

Risk insurer		
Full name	Momentum Group Ltd (previously Metropolitan)	Sanlam Life Insurance Ltd
Postal address	PO Box 2212, Bellville, 7535	PO Box 1, Sanlamhof, 7532
Physical address	Parc du Cap, Mispel Street, Bellville, 7530	1 Strand Street, Bellville, 7530
Telephone number	086 002 2220	021-947 8650
E-mail address	roche.herman@momentum.co.za	washieja.harilall@sanlam.co.za
FSP approval number	3780	2759

Custodian and/or nominees	
Full name	Standard Bank of South Africa Ltd
Postal address	PO Box 2453, Marshalltown, 2107
Physical address	Standard Bank Investor Services, 3rd Floor, 25 Sauer Street, Jhb, 2001
Telephone number	021-441 4109
E-mail address	Stephan.VanRooyen@standardbank.co.za
FSP approval number	11287

Name of Retirement Fund: Cape Retirement Fund for Local Government

REGULATORY INFORMATION - Continued

For the period ended 30 JUNE 2014

Participating employers

The following employers participate in the Fund in terms of the Rules of the Fund:

IKheis Municipality	Knysna Municipality
Alfred Nzo District Municipality	Kouga Municipality
Amahlathi Municipality	Kou-Kamma Municipality
Amatole District Municipality	Laingsburg Municipality
Baviaans Municipality	Langeberg Municipality
Beaufort West Municipality	Lukhanji Municipality
Bergrivier Municipality	Magareng Municipality
Bitou Municipality	Makana Municipality
Blouberg Local Municipality (effective 01/09/2013)	Malethswai Municipality
Blue Crane Route Municipality	Matzikama Municipality
Booth Memorial Hospital	Matatiele Local Municipality
Breedee Vallei Municipality	Metropolitan Disability Claims
Buffalo City Municipality	Mhlonlo Municipality (effective 01/07/2013)
Cacadu District Municipality	Mnquma Municipality
Camdeboo Municipality	Mosselbay Municipality
Cape Agulhas Municipality	Naledi Municipality
Cederberg Municipality	Namakwa District Municipality
Central Karoo District Municipality	Nama Khoi Municipality
Chris Hani District Municipality	Ndlambe Municipality
City of Cape Town	Nelson Mandela Bay Metropolitan Municipality
Dikgatlong Municipality	Nkonkobe Municipality
Dr Ruth Segomotsi Mompati District Municipality	Nxuba Municipality
Drakenstein Municipality	Nyandeni Municipality
Eden District Municipality	Oudtshoorn Municipality
Elundini Municipality	Overberg District Municipality
Emalaheni Municipality	Overstrand Municipality
Emthanjeni Municipality	Phokwane Municipality
Frances Baard District Municipality	Pixley ka Seme District Municipality
Gamagara Municipality	Prince Albert Municipality
Gariep Municipality	Renosterberg Municipality
Ga-segonyana Municipality	Richtersveld Municipality
George Municipality	Sakhisizwe Municipality
Great Kei Municipality	Saldanha Bay Municipality
Greater Taung Municipality	Senqu Municipality
Hantam Municipality	Siyancuma Municipality
Hessequa Municipality	Siyathemba Municipality
Inkwanca Municipality	Sol Plaatjies Kimberley Municipality
Intsika Yethu Municipality	St. Josephs Home for Chronic Invalid
Inxuba Yethemba Municipality	Stellenbosch Municipality
Joe Gqabi District Municipality	Sunday River Valley Municipality
Joe Morolong Local Municipality	Swartland Municipality
John Taolo Gaetsewe District Municipality	Swellendam Municipality
Kaapse Wynland District Municipality	Theewaterskloof Municipality
Kagisano-Molopo Local Municipality	Thembelihle Municipality
KaifGarib Municipality	Tsantsabane Municipality
Kamiesberg Municipality	Tsolwana Municipality
Kannaland Municipality	Ubuntu Municipality
Kareeberg Municipality	Umsobomvu Municipality
Karoo Hoogland Municipality	West Coast District Municipality
Kgatelopele Municipality	Witzenberg Municipality
Khai-Ma Municipality	Umzimvubu Local Municipality (effective 01/03/2014)
//Khara Hals Municipality	Z.F. Mgcawu District Municipality (effective 01/07/2013 - previously Siyanda District Municipality)
King Sabata Municipality	

Name of Retirement Fund: Cape Retirement Fund for Local Government

SCHEDULE B

STATEMENT OF RESPONSIBILITY BY THE BOARD OF FUND

For the period ended 30 JUNE 2014

Responsibilities

The Board of Fund hereby confirm to the best of their knowledge and belief that, during the period under review, in the execution of their duties they have complied with the duties imposed by the Pension Funds Act legislation and the Rules of the Fund, including the following:

- ensured that the proper registers, books and records of the operations of the Fund were kept, inclusive of proper minutes of all resolutions passed by the Board of Fund;
- ensured that proper internal control systems were employed by or on behalf of the Fund;
- ensured that adequate and appropriate information was communicated to the members of the Fund, informing them of their rights, benefits and duties in terms of the Rules of the Fund;
- took all reasonable steps to ensure that contributions, where applicable, were paid timeously to the Fund or reported where necessary in accordance with Section 13A and regulation 33 of the Pension Funds Act;
- obtained expert advice on matters where they lacked sufficient expertise;
- ensured that the rules and the operation and administration of the Fund complied with the Pension Funds Act, and all applicable legislation;
- ensured that fidelity cover was maintained and that this cover was deemed adequate and in compliance with the Rules of the Fund; and
- ensured that investments of the Fund were implemented and maintained in accordance with the Fund's investment strategy.

Approval of the annual financial statements

The annual financial statements of Cape Retirement Fund for Local Government are the responsibility of the Board of Fund. The Board of Fund fulfils this responsibility by ensuring the implementation and maintenance of accounting systems and practices adequately supported by internal financial controls. These controls, which are implemented and executed by the Fund and/or its benefit administrators, provide reasonable assurance that:

- the Fund's assets are safeguarded;
- transactions are properly authorized and executed; and
- the financial records are reliable.

The annual financial statements set out on pages 11 to 34 have been prepared for regulatory purposes in accordance with the Regulatory Reporting Requirements for Retirement Funds in South Africa, the Rules of the Fund and the Pension Funds Act.

These financial statements have been reported on by the independent auditors, Ernst & Young Inc, who were given unrestricted access to all financial records and related data, including minutes of all relevant meetings. The Board of Fund believes that all representations made to the independent auditors in the management representation letter during their audit were valid and appropriate. The report of the independent auditors is presented on page 10.

Instances of non-compliance

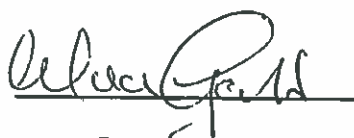
We are not aware of instances of non-compliance with laws and regulations, including the provisions of laws and regulations that determine the reported amounts and disclosures in the financial statements.

These financial statements:

- were approved by the Board of Fund on 5 December 2014;
- are to the best of the Board members knowledge and belief confirmed to be complete and correct;
- fairly represented the net assets of the Fund at 30 June 2014 as well as the results of its activities for the period then ended; and
- are signed on behalf of the Board of Fund by:



CHAIRPERSON
SA Mokweni
5 December 2014



BOARD-MEMBER
WW Van Gass
5 December 2014



BOARD MEMBER
IR Iversen
5 December 2014

Name of Retirement Fund: Cape Retirement Fund for Local Government

SCHEDULE C

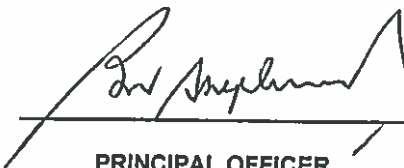
STATEMENT OF RESPONSIBILITY BY THE PRINCIPAL OFFICER

For the period ended

30 JUNE 2014

I confirm that for the period under review the Cape Retirement Fund for Local Government has timeously submitted all regulatory and other returns, statements, documents and any other information as required in terms of the Pension Funds Act and to the best of my knowledge all applicable legislation except for the following (where applicable):

Specific instances of non-compliances	Remedial action taken



PRINCIPAL OFFICER
Brian William Shepherd
5 December 2014

Name of Retirement Fund: Cape Retirement Fund for Local Government

SCHEDULE D

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF TRUSTEES OF THE CAPE RETIREMENT FUND FOR LOCAL GOVERNMENT AND THE REGISTRAR OF PENSION FUNDS

Report on the Annual Financial Statements

We have audited the annual financial statements of the Cape Retirement Fund for Local Government (the "Fund") which comprise the report of the Board of Trustees, the statement of net assets and funds as at 30 June 2014, the statement of changes in net assets and funds for 30 June 2014, and the notes to the financial statements which include the principal accounting policies and other explanatory information, as set out on pages 11 to 34. The financial statements are prepared for the purpose of reporting to the Registrar of Pension Funds.

Board of Trustees' Responsibility for the Annual Financial Statements

The Board of Trustees is responsible for the preparation of these financial statements in accordance with the Regulatory Reporting Requirements for Retirement Funds in South Africa. The Board of Trustees are also responsible for compliance with the requirements of the Rules of the Fund and the Pension Funds Act and for such internal control as the Board of Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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 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 presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion


In our opinion, the annual financial statements of the Cape Retirement Fund for Local Government for the year ended on 30 June 2014 have been prepared, in all material respects, in accordance with the Regulatory Reporting Requirements for Retirement Funds in South Africa.

Financial Reporting Framework

Without modifying our opinion, we draw attention to the note "Purpose and Basis of preparation of Financial Statements" on page 19 which describes the financial reporting framework prescribed by the Registrar to meet its own requirements. Consequently, the financial statements and related auditor's report may not be suitable for another purpose.

Other Matters

The supplementary information contained in Schedule IA as set out in pages 44 to 85 to these annual financial statements, has been extracted from the underlying Fund's accounting records that were the subject of our engagement. We have compared the totals reflected in Schedule IA to the totals reflected in the underlying Fund's accounting records to determine whether such totals have been correctly extracted. However, we have not performed any additional procedures to substantiate the disclosures of the individual totals included in Schedule IA. We do not express an audit opinion on this schedule.


Ernst & Young Inc.
Director – Malcolm Rapson
Registered Auditor
Chartered Accountant (SA)
Ernst & Young House
35 Lower Long Street
Cape Town

Date:

5 DECEMBER 2014.

Name of Retirement Fund: Cape Retirement Fund for Local Government

SCHEDULE E

REPORT OF THE BOARD OF FUND

For the period ended 30 JUNE 2014

1. DESCRIPTION OF FUND

1.1. Type of fund

In terms of section 1 of the Income Tax Act, 1962 the Fund is classified as a paragraph (a) Pension Fund. The Fund is a defined contribution fund.

1.2. Benefits

1.2.1. Summary in terms of the Rules of the Fund: On resignation a member is entitled to his or her member's share. On death, retirement or ill-health retirement a member/dependant is entitled to a lump sum (For the calculation of these you are referred to Sections 8 to 11 of the Rules of the Fund).

1.2.2. Unclaimed benefits

1.2.2.1. Strategy of Board of Fund adopted towards unclaimed benefits: Unclaimed benefits, prior to 01/03/2009 older than 2 years will remain in the Fund until the members have been traced. Effective 01/03/2009 all unclaimed benefits will be transferred to an Unclaimed Benefit Fund in terms of legislation.

1.2.2.2. In respect of unclaimed benefits, complete records, as prescribed are maintained as from 1 July 2002.

1.2.3. Beneficiary benefits

Strategy of Board of Fund adopted towards beneficiary benefits: Beneficiary payments are made in terms of Rules 14.1 and 14.2 of the Fund.

1.3. Contributions

1.3.1.1. Rule 7: Members contribute at a rate of 7.5% or 9% of pensionable salary. Members may make additional voluntary contributions as per the Rules of the Fund.

1.3.1.2. Participating employers contribute at a rate of 19.5% or 18% of pensionable salary. The Rules were amended during the current financial period to decrease the councillor employer contribution rate from 19.5% to 7.5% of the pensionable remuneration.

1.3.1.3. Contribution holiday: Not applicable

1.4. Rules/ amendments

1.4.1. Amendments

Rule	Motivation and description of rule amendment	Date of Board	Effective date	Date registered
1	Include a new risk option category G from 1 October 2013 which provides a basic and inexpensive level of risk benefit cover. Risk option D has been closed from 1 October 2013 for all new members under age 50 years who join the Fund to ensure that all new members have some form of death benefit cover. Existing members in category D will be given a once-off option to elect to change to another risk option category. Councillors, due to the nature of their appointment, will be allowed to belong to category D.	19-07-2013	01-10-2013	19-09-2013
2.1	Amend the reference in the rules relating to the office of a trustee becoming vacant due to a breach of the code of conduct, or in respect of a trustee / potential trustee not meeting specific fit and proper requirements to also apply at the time of the trustee elections and the potential trustee at that time not complying with the trustee code of conduct.	06-12-2013	01-03-2014	05-03-2014
2.2	Amend the reference to sub-committees to include the formation of ad-hoc committees which are established for a specific, short-term purpose.	06-12-2013	01-03-2014	05-03-2014
2.3	Amend the reference of Investment Reserve Account throughout the rules to the Processing Reserve Account in accordance with the request from the FSB in their letters dated 27 September 2013 and 22 November 2013.	06-12-2013	01-03-2014	05-03-2014
2.4	Amend the Participating Employer contribution rate in respect of councillors to comply with the legislation that is applicable to councillors in terms of the Pension Benefits for Councillors of Local Authorities Act 105 of 1987 read with the Determination of Upper Limits of Salaries, Allowances and Benefits of Different Members of Municipal Councils as gazetted.	06-12-2013	01-03-2014	05-03-2014
3	The rules were amended to make special provision for the terms on which a councillor may join or exit from the Fund.	16-05-2014	01-06-2014	06-06-2014

Name of Retirement Fund: Cape Retirement Fund for Local Government

REPORT OF THE BOARD OF FUND - Continued
For the period ended 30 JUNE 2014

1.4.2. Revised rules / Consolidated rules:

During the current financial period the Rules of the Fund were completely revised, effective 1 May 2013. The revised rules were approved by the Registrar on 31 July 2013.

These Rules include rule amendments 1-14 which have been approved by the Board of Trustees since the last consolidation of the Rules which were effective from 1 March 2009 and were registered by the Registrar on 28 October 2009.

The Rules were brought up to date with all current legislation.

The Rules were restructured to ensure a better flow and easier reading of the document. No new benefits or changes to contribution rates were added. Any additions / alterations to the wording were to expand the understanding and the interpretation of the Rules and to ensure the inclusion of relevant legislative changes.

1.5. Reserves and specified accounts established in terms of the Rules of the Fund:

1.5.1. Reserves:

Reserve Account R19 081 090 (2013: R62 839 459)

The Reserve Account provides for contingencies and obligations of the Fund not covered by the Share Account or Pensions Account. The Reserve Account includes:

- (a) Risk reserve R22 344 984 (2013: R17 940 658). This reserve has been established to absorb the impact of an adverse experience in the uninsured risk benefits and to account for reinsurance payments to the Fund and insured death benefits transferred to the Share Account and the Pensions Account.
- (b) Data reserve R16 781 924 (2013: R13 474 110). This reserve has been established to absorb strains caused by erroneous data and other unforeseen contingencies.
- (c) Expense reserve. This reserve has been established to meet the ongoing Fund expenses. At the end of each Fund year, any remaining balance whether positive or negative shall be allocated to the Processing reserve.
- (d) Processing reserve (previously Investment reserve) negative R20 045 818 (2013: R31 424 691). This reserve has been established to account for differences between the actual net Fund returns and the returns allocated to the Share Account, the Pensions Account and the various Reserve Accounts.

1.5.2. Accounts:

- (a) Share Account R18 508 462 112 (2013: R12 948 998 147). The share account represents the values of all active members and deferred pensioners of the Fund.
- (b) Pensions Account R622 535 920 (2013: R577 241 283). The Pensions Account has been established to provide for all pensions in payment, including dependants of members or pensioners. The pensioner liability has been based on a target annual pensioner increase of 100% of CPI. During December 2010, the pensioner assets have been transferred to separate portfolios held via Sanlam. The Pensions Account has been included within the Reserve Accounts on the Statement of Net Assets and Fund, and an analysis of the movement for the period is reflected in note 21.
- (c) Preservation Pension Account R61 901 925 (2013: R50 149 505). The Preservation Pension Account was established to enable the Fund to accept transfers from a pension fund which allows a maximum commutation of one third of the retirement benefit, whereas the Fund allows full commutation.

Name of Retirement Fund: Cape Retirement Fund for Local Government

REPORT OF THE BOARD OF FUND - Continued
For the period ended 30 JUNE 2014

2. INVESTMENTS

2.1. Investment Strategy

The Board of the Fund has formulated an investment strategy (as part of the Fund's Investment Policy Statement) whereby the investments are managed according to the following principles:

- 2.1.1. **General:** The Trustees determine the most optimal strategic or long term asset allocation mix which should be applied to the investments of the Growth Portfolio (GP) in order to ensure a high degree of certainty that the Fund's primary goals and the GP's long-term investment objectives will be met.

The strategic asset allocation reflects the optimal long-term asset allocation range, taking into account the investment objective of the GP and hence the member profile of the GP, as well as the long-term real return and risk expectations for each asset class. The Trustees will review the GP's strategic asset allocation on an annual basis but at least every 3 years.

Over the short term, the Trustees may also implement tactical asset allocation decisions taking into account current market and economic environments in order to enhance the risk-adjusted returns of the GP.

The GP is appropriately diversified between domestic and offshore assets. The risk profile of the GP caters for the needs of members with a long-time horizon and those members who require long-term capital growth.

- 2.1.2. **Individual member choice:** All members over the age of 50 can choose to invest a portion of their investments in a lower risk portfolio called the Protection Portfolio ("ProP"), Moderate Portfolio or remain in the Growth Portfolio. The Trustees recommend that members obtain appropriate advice. These options give members over the age of 50 an appropriate mechanism to preserve capital as they reach retirement and/or the flexibility to change their risk profile according to their own needs.

The option to switch into or out of the ProP and MP is available three times in a financial year for the ProP and once a year for the MP. In order to assist members with their decision making, the Trustees have made available a regulated service provider that provides specialist individual investment advice.

The ProP and MP is separately managed by a regulated multi manager. The multi manager provides monthly strategy and asset allocation updates, which are monitored by the Trustees.

- 2.1.3. **Unclaimed benefits:** Benefits that are classified as unclaimed are held within the Fund for a period of two years, where after they are transferred to an Unclaimed Benefits Preservation Pension / Provident Fund in terms of legislation. Tracing agents are used in attempting to locate members during this two-year period.
- 2.1.4. **Surplus apportionment allocations:** Surplus distribution process completed and approved in terms of Section 15 B(9) of the Pension Funds Act.
- 2.1.5. **Reserve accounts:** Form part of the investment pool - refer to general 2.1.1, except for the Pensions Account which pension assets are managed in separate portfolios held via Sanlam. The assets of the Pensions Account are managed so as to better match the liability profile of the pensioners. A portion of the assets are used to explicitly match the pensioner liability cash flows within a Liability-Driven Investment (LDI) portfolio while the remaining assets are invested in an Absolute Return portfolio.
- 2.1.6. **Settlement income:** not applicable
- 2.1.7. **Derivative instruments:** The Board of Fund utilizes derivative instruments as part of their investment strategy. The Board of Fund ensures that the following have been complied with:
- (a) The exposure of the asset class does not exceed the maximum percentages as prescribed to the underlying asset as set out in Regulation 28.
 - (b) The investment mandate is in place and reviewed by the Board of Fund on a regular basis to ensure compliance with the requirements as prescribed by Regulation 28 and the relevant Notice.
 - (c) The investments are monitored for compliance with the provisions of Regulation 28 and adherence to the investment mandate.
- 2.1.8. **Hedge funds:** The Board of Fund utilizes hedge funds as part of their investment strategy. The Board of Fund ensures that the following have been complied with:
- (a) The exposure of the asset class does not exceed the maximum percentages as prescribed to the underlying asset as set out in Regulation 28.
 - (b) The investment mandate is in place and reviewed by the Board of Fund on a regular basis to ensure compliance with the requirements as prescribed by Regulation 28 and the relevant Notice.

Name of Retirement Fund: Cape Retirement Fund for Local Government

REPORT OF THE BOARD OF FUND - Continued
For the period ended 30 JUNE 2014

(c) The investments are monitored for compliance with the provisions of Regulation 28 and adherence to the investment mandate.

2.1.9. Private Equity Funds: The Board of Fund utilizes private equity Funds as part of their investment strategy. The Board of Fund ensures that the following have been complied with:

(a) The exposure of the asset class does not exceed the maximum percentages as prescribed to the underlying asset as set out in Regulation 28.

(b) The investment mandate is in place and reviewed by the Board of Fund on a regular basis to ensure compliance with the requirements as prescribed by Regulation 28 and the relevant Notice.

(c) The investments are monitored for compliance with the provisions of Regulation 28 and adherence to the investment mandate.

2.1.10. Securities Lending Transactions: The Board of Fund utilizes securities lending transactions as part of their investment strategy. The Board of Fund ensures that the securities lending transactions are in compliance with the relevant conditions as prescribed by Notice.

2.2. Management and performance of investments

Only appointed asset and multi manager/s will manage the Fund's assets. Each asset and multi manager is expected to pursue their own strategies provided that this is within the broad framework of the guidelines set out in the Investment Policy Statement, the investment agreement/mandate that has been set and/or any specific brief communicated to the asset and multi manager.

The asset and multi manager/s are granted full discretion in terms of asset class and stock selection as well as derivative strategies provided that these are within the guidelines, constraints and discretion described in the IPS as well as their investment mandates. Asset and multi manager/s are expected to take investment decisions within the appropriate regulatory and legal framework.

The appointed asset and multi manager/s solely determine the performance of their particular mandate. The Trustees, on the other hand, are responsible for determining performance at Fund level for the GP, MP, ProP and Pensioner Portfolio by monitoring and evaluating the individual mandate performances.

The Trustees evaluate the performance of the individual appointed asset and multi manager/s' mandates by means of:

(a) monthly information, which is combined and aggregated, for the monitoring, evaluation and analysis of investment performance and adherence to the Investment Policy of the Fund; and

(b) an analysis of quarterly manager reports; and

(c) quarterly presentations by the appointed asset and multi manager/s or more frequently as and when required by the Fund.

In order to assess the performance of the various asset and multi manager/s, each mandate is monitored against an appropriate benchmark.

Total value of investments held	2014	2013
Coronation Asset Management (Pty) Ltd	3 810 405 772	3 063 183 237
Allan Gray South Africa (Pty) Ltd	3 273 851 383	2 886 159 897
Stanlib Asset Management Ltd	1 307 713 836	1 212 347 316
Investec Asset Management (Pty) Ltd	2 531 214 002	2 026 289 585
Sanlam Investment Management (Pty) Ltd	2 592 524 699	1 816 268 680
Verso Multi Manager (Pty) Ltd	972 160 980	653 590 123
Kagiso Asset Management (Pty) Ltd	598 121 448	257 402 829
Peregrine Equities (Pty) Ltd	207 029 768	37 238 125
PIMCO Europe Ltd	0	472 207 830
Aberdeen Asset Managers Ltd	751 636 490	586 982 791
Old Mutual Global Index Trackers(Pty) Ltd, trading as Dibanisa Fund Managers	754 442 729	409 630 741
All Seasons Capital Management Ltd	483 267 944	263 138 373
Other	19 003 437	37 322 837
Total	17 301 372 488	13 721 762 362

Name of Retirement Fund: Cape Retirement Fund for Local Government

REPORT OF THE BOARD OF FUND - Continued
For the period ended 30 JUNE 2014

3. MEMBERSHIP

	ACTIVE MEMBERS	DEFERRED PENSIONERS	PENSIONERS	BENEFICIARIES	UNCLAIMED BENEFITS
Numbers at the beginning of the period 01/07/2013	35 311	69	742	0	0
Adjustments	27	8	2	0	3
Additions	3 537	0	9	0	15
Transfers In	0		0	0	0
Transfers out	0	0	0	0	0
Withdrawals	-1 114	-2	-28	0	0
Retirements	-495	-8	0	n/a	n/a
Retrenchments	-1	0	0	n/a	n/a
Deaths	-178	0	0	0	n/a
Ill Health	-57	0	0	n/a	n/a
Transfers (from) / to pensioners	-2	2		0	0
Unclaimed benefits paid	0	0	0	0	-11
Numbers at the end of the period 30/06/2014	37 030	69	725	0	7
Numbers at the end of the period 30/06/2014 (South African citizen)	37 009	69	725	0	7
Numbers at the end of the period 30/06/2014 (non - South African citizen)	21	0	0	0	0

The 35 adjustments on the active members and deferred pensioners membership relates to 27 late exits and 62 new entrants that were not included in the previous period. The adjustments on the pensioners membership relates to 2 children - 1 study certificate and 1 outstanding COE received after June 2013, therefore re-instating the pensioners. The adjustments for the Unclaimed Benefits relates to 3 members whose benefits were paid to the Unclaimed Benefits Fund 28/6/2013, not previously taken into account.

4. ACTUARIAL VALUATION

The financial statements summarize the transactions and net assets of the Fund. The financial statements do not take account of liabilities to pay pensions and other benefits in the future. In accordance with the Rules of the Fund, the actuarial position of the Fund, which does take account of such liabilities, is examined and reported on by the actuary at intervals not exceeding three years. An interim actuarial valuation was performed as at 30 June 2014 and the Valuator reported that the Fund is in a sound financial position after allowing for an adjustment of -0.13% to Members' Shares.

5. SURPLUS APPORTIONMENT OR NIL SCHEME

The statutory actuarial valuation of the Fund as at 30 June 2003 (the surplus apportionment date), showed that there was no actuarial surplus available for distribution in terms of the Pension Funds Second Amendment Act, 2001. Following a detailed investigation, the Trustees certified that there was no improper use of surplus as defined in the Act.

A scheme for the apportionment of nil-surplus was submitted to the Financial Services Board on 8 April 2004. The Registrar noted the scheme on 8 August 2005 and issued a certificate to the Fund in terms of Section 15B(9)(i) of the Act.

Name of Retirement Fund: Cape Retirement Fund for Local Government

REPORT OF THE BOARD OF FUND - Continued
For the period ended 30 JUNE 2014

6. HOUSING LOAN FACILITIES

6.1. The Fund rules provide for the granting of housing loan guarantees

The Fund has a scheme in accordance with section 19(5) of the Pension Funds Act and Rule 15, in terms of which the Fund issues collateral only to First National Bank who grants housing loans to members. The borrowing member's member share acts as the collateral security issued to the financial institution. The total monetary value of the collateral security issued amounted to R520 627 935 (2013: R446 026 902). This represents 7 265 (2013: 7 080) housing loans. The guarantees are secured by pledges by the members concerned to the Fund in accordance with Section 19(5)(b)(i)(bb) of the Pension Funds Act. The amount of the guarantee may not exceed 60% of the cash benefit that a member would receive if he or she had to voluntarily terminate membership of the Fund.

7. INVESTMENTS IN PARTICIPATING EMPLOYERS

Investments in terms of section 19(4A) of the Act

Details of investments held in participating employers are provided in note 2.2. to the financial statements.

8. SIGNIFICANT MATTERS

Not applicable.

9. ADDITIONAL DISCLOSURE

Not applicable.

10. SUBSEQUENT EVENTS

Not applicable.

Name of Retirement Fund: Cape Retirement Fund for Local Government

SCHEDULE F

STATEMENT OF NET ASSETS AND FUNDS AT 30 JUNE 2014

	Notes	30 JUNE 2014 R	30 JUNE 2013 R
ASSETS			
Non-current assets			
Investments (incl investment & owner occupied properties)	2	17 301 372 488	13 721 762 362
Current assets			
Transfers receivable	5	246 876 541	206 139 999
Accounts receivable	4	0	0
Contributions receivable	4	34 338 913	16 985 363
Cash at bank	12	78 519 946	63 380 034
		134 017 682	125 774 602
Total assets		<u>17 548 249 029</u>	<u>13 927 902 362</u>
FUNDS AND LIABILITIES			
Members' Funds and surplus account			
Members' individual accounts		16 570 364 037	12 999 147 652
		<u>16 570 364 037</u>	<u>12 999 147 652</u>
Reserves			
Reserve accounts	21	641 617 010	640 080 722
		<u>641 617 010</u>	<u>640 080 722</u>
Total Funds and reserves		<u>17 211 981 047</u>	<u>13 639 228 374</u>
Non - current liabilities			
Unclaimed benefits	9	209 726	0
		<u>209 726</u>	<u>0</u>
Current liabilities			
Transfers payable	7	336 058 256	288 673 988
Benefits payable	8	0	0
Accounts payable	10	290 873 786	258 127 274
		45 184 470	30 546 714
Total Funds and liabilities		<u>17 548 249 029</u>	<u>13 927 902 362</u>

Name of Retirement Fund: Cape Retirement Fund for Local Government

SCHEDULE G
STATEMENT OF CHANGES IN NET ASSETS AND FUNDS
For the period ended 30 JUNE 2014

Notes	A+B		A		B		Totals
	Totals 30 June 2014		Members' individual accounts/ accumulated funds 30 June 2014		Reserves Refer note 21 30 June 2014		
	R	R	R	R	R	R	R
12	1 646 728 929	1 379 189 243	267 539 686	1 453 236 210			1 453 236 210
	162 074 488	158 471 252	3 603 236	125 737 137			125 737 137
13	3 198 606 441	0	3 198 606 441	1 959 840 726			1 959 840 726
13.1	2 361 447	0	2 361 447	15 545 700			15 545 700
	-213 225 078	0	-213 225 078	-187 133 110			-187 133 110
14	-54 612 192	0	-54 612 192	-45 400 473			-45 400 473
	4 741 934 035	1 537 660 495	3 204 273 540	3 321 826 169			3 321 826 169
5	-1 169 181 362	2 103 233 507	-3 272 414 869	-1 030 862 771			-1 030 862 771
7	9 015 863	9 015 863	0	27 497 168			27 497 168
8	0	0	0	0			0
	-1 178 197 225	2 094 217 644	-3 272 414 869	-1 058 379 939			-1 058 379 939
	3 572 752 673	3 640 894 002	-68 141 329	2 290 943 417			2 290 943 417
	13 639 228 374	12 999 147 652	640 080 722	11 348 284 956			11 348 284 956
	13 639 228 374	12 999 147 652	640 080 722	11 348 284 956			11 348 284 956
	17 211 981 047	16 640 041 654	571 939 393	13 639 228 374			13 639 228 374
21	0	0	0	0			0
	0	-69 677 618	69 677 618	0			0
	17 211 981 047	16 570 364 037	641 617 010	13 639 228 374			13 639 228 374

Name of Retirement Fund: Cape Retirement Fund for Local Government

SCHEDULE HA
NOTES TO THE FINANCIAL STATEMENTS
For the period ended 30 JUNE 2014

PRINCIPAL ACCOUNTING POLICIES

The following are the principle accounting policies used by the Fund. These policies have been applied to all years presented, unless otherwise specifically stated.

PURPOSE AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements are prepared in accordance with the Regulatory Reporting Requirements for Retirement Funds in South Africa, the Rules of the Fund and the provisions of the Pension Funds Act in South Africa.

The financial statements are prepared on the historical cost and going concern bases, except where specifically indicated in the accounting policies below:

FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of any other entity. A financial asset or a financial liability is recognized when its contractual arrangements become binding and is derecognized when the contractual rights to the cash flows of the instrument expire or when such rights are transferred in a transaction in which substantially all risks and rewards of ownership of the instrument are transferred.

Financial instruments carried on the statement of net assets and funds, include cash and bank balances, investments, housing loans, receivables and accounts payable.

Financial instruments are recognized on acquisition using trade date accounting, which includes transaction costs. Upon initial recognition financial instruments are designated at fair value through the statement of changes in net assets and funds as the assets or liabilities are managed, evaluated and reported internally on a fair value basis and/or the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise.

Subsequent to initial recognition, these instruments are measured as set out below.

INVESTMENTS

Investments are classified at fair value through the statement of changes in net assets and funds and are measured at fair value.

Loans (other than housing loans) – loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determined payments that are not quoted in an active market other than those that the Fund intends to sell in the short term or that is designated as at fair value through the statement of changes in net assets and Funds. Loans and receivables are measured at fair value.

Bills and bonds

Bills and bonds comprise investments in government or provincial administration, local authorities, participating employers, subsidiaries or holding companies and corporate bonds.

Listed bills and bonds:

The fair value of listed bills and bonds traded on active liquid markets is based on regulated exchange quoted ruling closing prices at the close of business on the last trading day on or before the statements of net assets and Funds date.

Unlisted bills and bonds:

A market yield is determined by using appropriate yields of existing bonds and bills that best fit the profile of the instrument being measured and based on the term to maturity of the instrument. Adjusting for credit risk, where appropriate, a discounted cash flow model is then applied, using the determined yield, in order to calculate the fair value.

Name of Retirement Fund: Cape Retirement Fund for Local Government

NOTES TO THE FINANCIAL STATEMENTS - Continued
For the period ended 30 JUNE 2014

Equities

Equity instruments consist of equities with primary listing on the JSE, equities with secondary listing on the JSE, foreign listed equities and unlisted equities.

Listed equities:

Equity instruments are subsequently measured at fair value and the fair value adjustments are recognized in the statement of changes in net assets and funds. The fair value of equity instruments with standard terms and conditions and traded on active liquid markets is based on regulated exchange quoted ruling closing prices at the close of business on the last trading day on or before the statements of net assets and funds date.

Unlisted equities:

If a quoted closing price is not available i.e. for unlisted instruments, the fair value is estimated using pricing models, or by applying appropriate valuation techniques such as discounted cash flow analysis or recent arm's length market transactions in respect of equity instruments.

Preference shares

Listed preference shares:

The fair value of listed preference shares traded on active liquid markets is based on regulated exchanged quoted ruling closing prices at the close of business on the last trading day on or before the statement of net assets and funds date.

Unlisted preference shares:

In respect of unlisted preference shares, the fair value is determined by applying appropriate valuation techniques such as discounted cash flow analysis or recent arm's length market transactions in respect of preference shares.

Collective investment scheme

Investments in collective investment schemes are valued at fair value which is the quoted unit values, as derived by the collective investment scheme manager with reference to the rules of each particular collective investment scheme, multiplied by the number of units.

Investment in participating employers

Investments in participating employer(s) comprise loans, investments in listed and unlisted equities and other investments. Refer to respective policies for basis of accounting.

Hedge funds

Hedge fund investments are designated as fair value through the statement of changes in net assets and funds by the Fund and are initially recognized at fair value on trade date.

Listed hedge funds:

Hedge fund investments are subsequently measured at fair value and the fair value adjustments are recognized in the statement of changes in net assets and funds. The fair value of hedge fund investments traded on active liquid markets is based on regulated exchange quoted ruling closing prices at the close of business on the last trading day on or before the statement of net assets and funds date.

Unlisted – where investor (fund) has no right to the underlying instrument - investment partners:

Hedge fund investments are subsequently measured at fair value and the fair value adjustments are recognized in the statement of changes in net assets and funds. The value of the financial asset owned by the Fund is measured in relation to the percentage holdings by each investment partner in the total fair value of the hedge fund. The fair value is estimated using pricing models or by applying appropriate valuation techniques such as discounted cash flow analysis or recent arm's length market transactions in respect of hedge fund instruments.

Name of Retirement Fund: Cape Retirement Fund for Local Government

NOTES TO THE FINANCIAL STATEMENTS - Continued
For the period ended 30 JUNE 2014

Unlisted – where investor (fund) has a right to the underlying instrument:

Hedge fund investments are subsequently measured at fair value and the fair value adjustments are recognized in the statement of changes in net assets and funds. As the Fund has the right to the underlying instrument, a look through principle is applied, and the underlying instrument are separately measured and disclosed. The fair value is estimated using pricing models or by applying appropriate valuation techniques such as discounted cash flow analysis or recent arm's length market transactions in respect of the hedge fund instrument.

CASH AND CASH EQUIVALENTS

Cash and deposits comprise cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are measured at fair value.

RESERVES

Reserve accounts comprise particular amounts of designated income and expenses as set out in the Rules of the Fund and are recognized in the year in which such income and expenses accrue to the Fund.

SURPLUS

Surplus apportionments are recognized on the date of approval of the surplus apportionment scheme by the Registrar. Surplus is measured at the values contained in the approved surplus apportionment scheme, adjusted for investment return or late payment interest until date of approval of the scheme as determined by the Rules of the Fund.

TRANSFERS TO AND FROM THE FUND

Section 14 and 15B transfers to or from the Fund are recognized on the date of approval of the scheme/arrangement of transfer of business by the Financial Services Board, as contained in the approval certificate from the Registrar.

Individual transfers (Section 13A(5) transfers) are recognized on the earlier of receipt of the written notice of transfer (Recognition of Transfer) or receipt of the actual transfer value.

All the above transfers are measured at the values as per the section 14 application or the value of the transfer at effective date of transfer adjusted for investment return or late payment interest as guided by the application.

ACCOUNTS RECEIVABLE

Accounts receivable are financial assets measured initially at fair value and subsequently measured at amortized cost using the effective interest rate method, less any allowance for impairment.

ACCOUNTS PAYABLE

Accounts payable are financial liabilities measured initially at fair value, net of transaction costs that are directly attributable to the liability and subsequently measured at amortized cost using the effective interest method.

IMPAIRMENT

Financial assets carried at amortized cost:

The Fund assesses at each statement of net assets and funds date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Fund first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Fund determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

Name of Retirement Fund: Cape Retirement Fund for Local Government

NOTES TO THE FINANCIAL STATEMENTS - Continued
For the period ended 30 JUNE 2014

If there is objective evidence that an impairment loss has been incurred on loans and receivables or held to maturity investments carried at amortized cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flow (excluding future credit losses that have been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the statement of changes in net assets and funds. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under contract. As a practical expedient, the Fund may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as improved credit rating), the previously recognized impairment loss is reversed in the statement of changes in net assets and funds.

Impairment of loans and receivables:

A provision for impairment of loans and receivables is established when there is objective evidence that the Fund will not be able to collect all amounts due according to their original terms.

PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions:

Provisions are recognized when the Fund has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the statement of net assets and funds date, as determined by the judgment of the Board of Trustees of the Fund.

Contingent liabilities:

A contingent liability is not recognized in the statement of net assets and funds, but disclosed in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets:

A contingent asset is not recognized in the statement of net assets and funds, but disclosed in the notes to the financial statements when an inflow of economic benefits is probable.

CONTRIBUTIONS

Contributions are measured at the fair value of the consideration received or receivable.

Contributions are accrued and recognized as income in accordance with the actuarial recommendations, and the Rules of the Retirement Fund. Contributions received are apportioned between retirement funding and funding for risk and other expenses. The apportionment is governed by the Rules of the Fund and actuarial recommendations.

Voluntary contributions are recognized when they are received from annual payments or accrued where monthly recurring payments are made.

Any contributions outstanding at the end of the reporting year are recognized as a current asset – contribution receivable. Any contributions received in advance at the end of the reporting year are recognized as a current liability – accounts payable.

Contributions transferred from surplus accounts:

Contributions transferred from surplus accounts include any contributions that are funded from the surplus accounts and relates to contribution holiday after surplus apportionment has been approved and the corresponding approval of the utilization of the employer and member surplus accounts.

Name of Retirement Fund: Cape Retirement Fund for Local Government

NOTES TO THE FINANCIAL STATEMENTS - Continued
For the period ended 30 JUNE 2014

Interest charged on late payment of contributions:

Compound interest on late payments or unpaid amounts and values shall be calculated for the year from the first day of the month following the expiration for the year in respect of which the relevant amounts or values are payable or transferable until the date of receipt by the Fund.

BENEFITS

Benefits payable and pensions are measured in terms of the Rules of the Fund.

Benefit payments and monthly pension payments are recognized as an expense when they are due and payable in terms of the Rules of the Fund. Any benefits not paid at the end of the reporting year are recognized as a current liability – benefits payable / due.

Reinsurance proceeds

Reinsurance proceeds are measured at the fair value of the consideration received or receivable and are accrued and recognised as income at the same time as the recognition of the related claim.

INVESTMENT INCOME

Dividends:

Dividend income is recognized in the statement of changes in net assets and funds when the right to receive payment is established – this is the last date to trade for equity securities. For financial assets designated at fair value through the statement of changes in net assets and funds, the dividend income forms part of the fair value adjustment.

Interest:

Interest income in respect of financial assets held at amortized cost is accounted for in the statement of changes in net assets and funds using the effective interest rate method. Collective investment schemes' distribution:

Collective investment schemes' distribution:

Distribution from collective investment schemes are recognized when the right to receive payment is established.

Income from policies with insurance companies:

Income from investment policies from insurance companies is included in the adjustment to the movement of the financial asset.

Interest on late payment of contributions and / or loans and receivables:

Interest on late payment of contributions, surplus improperly utilized and / loans and receivables is accounted for in the statement of changes in net assets and funds using the effective interest method.

Adjustment to fair value:

Gains or losses arising from changes in the fair value of financial assets at fair value through the statement of changes in net assets and funds are presented in the statement of changes in net assets and funds in the year in which they arise.

Expenses incurred in managing investments:

Expenses in respect of the management of investments are recognized as the service is rendered.

ADMINISTRATION EXPENSES

Expenses incurred in the administration of Retirement Funds are recognized in the statement of changes in net assets and funds in the reporting year to which they relate.

In the event that an expense has not been paid at the end of a reporting year the liability will be reflected in the accounts payable note. If the expense was paid in advance or overpayment occurred, the applicable amount will be disclosed under the accounts receivable note.

Name of Retirement Fund: Cape Retirement Fund for Local Government

NOTES TO THE FINANCIAL STATEMENTS - Continued
For the period ended 30 JUNE 2014

ACCOUNTING POLICIES, CHANGING IN ACCOUNTING ESTIMATES AND ERRORS

The Fund applies adjustments arising from changes in accounting policies and errors prospectively. The adjustment relating to a change in the accounting policy or error is therefore recognized in the current and future years affected by the change.

RELATED PARTIES

In considering each possible related-party relationship, attention is directed to the substance of the relationship and not merely the legal form.

If there have been transactions between related parties, the Fund shall disclose the nature of the related party relationship as well as the following information for each related party relationship:

- The amount of the transactions;
- The amount of outstanding balances;
- Their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in the settlement;
- Details of guarantees given or received;
- Provisions for doubtful debts related to the amount of outstanding balances; and
- The expense recognized during the year in respect of bad or doubtful debts due from related parties.

Name of Retirement Fund: Cape Retirement Fund for Local Government

NOTES TO THE FINANCIAL STATEMENTS - Continued
For the period ended 30 JUNE 2014

2. Investments

2.1. Investment summary	Note	A Local R	B Foreign R	A+B 30 June 2014 R	Total 30 June 2013 R	Fair value 30 June 2014 R	Amortized cost 30 June 2014 R
Cash		1 326 568 319	10 505 577	1 337 073 896	694 175 873	1 337 073 896	0
Commodities		129 397 557	0	129 397 557	33 912 341	129 397 557	0
Debt Instruments including Islamic debt instruments		2 123 710 215	99 775 744	2 223 485 959	2 072 342 745	2 223 485 959	0
Investment properties and owner occupied properties	2.3	0	0	0	0	0	0
Equities (including demutualization shares)		7 748 293 343	0	7 748 293 343	6 659 924 124	7 748 293 343	0
Insurance policies		0	0	0	0	0	0
Collective Investment Schemes		1 845 157 871	3 977 581 373	5 822 739 244	4 131 638 892	5 822 739 244	0
Hedge Funds		0	50 860 010	50 860 010	102 707 593	50 860 010	0
Private equity Funds		0	0	0	1 735 140	0	0
Investment in participating employer(s)	2.2	0	0	0	0	0	0
Derivative market instruments		-14 745 392	0	-14 745 392	20 724 156	-14 745 392	0
Other assets		4 267 871	0	4 267 871	4 601 498	4 267 871	0
Total		13 162 649 784	4 138 722 704	17 301 372 488	13 721 762 362	17 301 372 488	0

Name of Retirement Fund:

NOTES TO THE FINANCIAL STATEMENTS - Continued
For the period ended

2. Investments - Continued

2.2 Investments in Participating Employer	A		B		C		D		E		A+B-C+D+/-E	
	Fair value 30 June 2013		Additions		Repaid/ Disposals		Interest capitalized		Other adjustments		Fair value 30 June 2014	
	R		R	R	R	R	R	R	R	R	R	R
not applicable	0		0	0	0	0	0	0	0	0	0	0
	0		0	0	0	0	0	0	0	0	0	0

3.2 Housing loan guarantees

- The Fund has granted guarantees to First National Bank for loans granted to 7 265 members of the Fund. The guarantees amounted to R520 627 935.
- The amount of the guarantee may not exceed 60% of the benefit that a member would receive in terms of the Rules of the Fund and section 19(5) of the Pension Funds Act if he or she had to terminate membership of the Fund voluntarily.
- The total housing loan guarantee facility available to the Fund is R530 000 000.00 and is renewable on 30/06/2015.

4. Accounts receivable

	30 June 2014	30 June 2013
	R	R
Accrued interest: call and fixed deposits	99 520	90 131
Cape Joint Properties loan payments	664 849	664 849
Interest on late payment of contributions	213 467	133 155
Reinsurance recoveries	32 607 884	15 505 586
Scrap lending fee	601 542	510 842
Prepaid expenses	74 205	78 424
Admin fees	0	683
SARS VDP Penalties and Interest	71 610	0
Other	5 836	1 693
Total	34 338 913	16 985 363

Name of Retirement Fund: Cape Retirement Fund for Local Government

NOTES TO THE FINANCIAL STATEMENTS - Continued
For the period ended 30 JUNE 2014

5. Transfers from other funds

	Effective date	Number of members	Applied for not yet approved (contingency)	A		B		C		D		A+B+C-D Accrual 30 June 2014
				Accrual 30 June 2013	Accrual 30 June 2014	Transfers Approved	Return on transfers	Assets transferred	R	R	R	
Total transfers in terms of Section 14*												
- Graaff-Reinet Voorsorgfonds	01-12-2000	4	0	0	0	42 905	117 436	160 341	0	0	0	0
Individual transfers			0	0	0	8 855 522	0	8 855 522	0	0	0	0
Total		4	0	0	0	8 898 427	117 436	9 015 863	0	0	0	0
Transfers approved (B)												
Return on transfers (C)												
Statement of changes in net assets and funds												
						8 898 427	117 436	9 015 863				0

Name of Retirement Fund: Cape Retirement Fund for Local Government

NOTES TO THE FINANCIAL STATEMENTS - Continued
For the period ended 30 JUNE 2014

8. Benefits

8.1. Benefits - current members	A		B		C		D		E		A+B+C-D-E	
	Benefits due 30 June 2013	R	Benefits for 30 June 2014	R	Return allocated	R	Payments	R	Transferred to unclaimed benefits	R	Benefits due	30 June 2014
Monthly pension	1 307 834		30 804 995		0		30 457 612		0		1 655 217	
Lump sums on retirements	70 897 903		532 500 463		3 628 424		516 804 140		259 110		89 963 540	
Full benefit	70 897 903		532 500 463		3 628 424		516 804 140		259 110		89 963 540	
Pensions commuted	0		0		0		0		0		0	
Lump sums before retirement	179 523 312		576 913 127		4 159 858		564 117 747		331 544		196 147 006	
Disability benefits	16 893 196		58 965 611		503 738		58 847 092		0		17 515 453	
Death benefits	80 696 964		188 153 711		164 148		161 190 898		116 220		107 707 705	
Withdrawal benefits	81 748 190		329 468 083		3 495 464		343 572 565		215 324		70 923 848	
Retrenchment benefits	184 952		325 722		-3 492		507 192		0		0	
Minimum benefit payments made in terms of Section 15	0		0		0		0		0		0	
Defaults - housing loan facilities	0		0		0		0		0		0	
Other (provide details)	6 398 225		30 190 358		0		33 480 560		0		3 108 023	
Defaults - divorce grants	6 398 225		30 190 358		0		33 480 560		0		3 108 023	
Total	258 127 274		1 170 408 943		7 788 282		1 144 860 058		590 654		290 873 786	
Benefits for 30 June 2014 (B)	1 170 408 943											
Return allocated (C)	7 788 282											
Statement of changes in net assets and funds	1 178 197 225											

Name of Retirement Cape Retirement Fund for Local Government

NOTES TO THE FINANCIAL STATEMENTS - Continued
For the period er 30 JUNE 2014

9. Unclaimed benefits	30 June 2014	30 June 2013
	R	R
Balance at the beginning of the period	0	31 297
Transferred from benefits payable	590 654	0
Adjustments	90 980	
Investment income allocated	0	0
Less:	471 907	31 297
Tracing expenses	0	0
Administration expenses	0	0
Other expenses	0	0
Benefits paid	0	0
Transferred to unclaimed benefits Fund	471 907	31 297
Balance at the end of the period	209 726	0

10. Accounts payable	30 June 2014	30 June 2013
	R	R
Audit fees	327 362	288 420
Admin fees	418 360	339 592
Legal fees	22 515	0
Other expenses	32 536	11 783
Performance fees for asset managers	16 332 507	5 782 014
Management expenses	159 166	0
SARS (PAYE - includes tax recovered from benefits paid)	9 071 799	5 258 910
SARS (VAT)	73 874	2 088 711
Regulation 28 reporting fees	121 581	0
Reinsurance control funeral	596	596
Reinsurance premiums	18 624 174	16 776 688
Balance at the end of the period	45 184 470	30 546 714

Name of Retirement Fund: Cape Retirement Fund for Local Government

NOTES TO THE FINANCIAL STATEMENTS - Continued
For the period ended 30 JUNE 2014

12. Contributions	A		B		C		D		A+B+C-D	
	Arrear 30 June 2013		Towards retirement		Towards reinsurance and expenses		Contributions received		Arrear 30 June 2014	
	R	R	R	R	R	R	R	R	R	R
Member contributions - received and accrued	21 126 678		545 871 125		0		540 824 488		26 173 315	
Employer contributions received and accrued	42 253 356		826 883 056		267 539 686		1 084 329 467		52 346 631	
Additional contribution in respect of actuarial shortfall	0		0		0		0		0	
Additional voluntary contributions - employer	0		0		0		0		0	
Additional voluntary contributions - members	0		6 435 063		0		6 435 063		0	
Other (provide details)	0		0		0		0		0	
Total	63 380 034		1 379 189 244		267 539 686		1 631 589 017		78 519 946	

Towards retirement	1 379 189 244
Towards reinsurance and expenses	267 539 686
Statement of changes in net assets and funds	1 646 728 929

Name of Retirement Fund: Cape Retirement Fund for Local Government

NOTES TO THE FINANCIAL STATEMENTS - Continued
For the period ended 30 JUNE 2014

13. Net Investment Income	30 June 2014	30 June 2013
	R	R
Income from Investments		
Dividends	256 434 571	205 810 056
Interest	272 121 135	194 487 232
Rentals	0	0
Collective investment schemes distribution	32 763 579	30 020 394
Income from insurance policies	0	0
Interest on late payment of contributions	176 057	167 286
Interest levied on surplus improperly utilized	0	0
Adjustment to fair value		
Adjustment to fair value (realized income)	880 093 205	742 701 578
Adjustment to fair value (unrealized income)	1 828 655 548	862 392 824
	<u>3 268 244 095</u>	<u>2 035 579 470</u>
Less: Expenses incurred in managing investments	-69 637 655	-75 738 744
Total	<u><u>3 198 606 441</u></u>	<u><u>1 959 840 726</u></u>

13.1. Other Income	30 June 2014	30 June 2013
	R	R
Bad debts recovered	0	0
Other	2 381 447	15 545 700
Scrip lending fee	5 535 751	5 273 890
Other	-3 174 304	10 271 810
Total	<u><u>2 381 447</u></u>	<u><u>15 545 700</u></u>

14. Administration expenses	Notes	30 June 2014	30 June 2013
		R	R
Actuarial fees		426 501	402 739
Administration fees		34 054 180	30 127 178
Audit fees			
Audit services		308 609	288 420
Expenses		0	0
Other		243 903	91 200
Consultancy fees		66 814	3 482
Depreciation - at cost		0	0
Depreciation - at revaluation		0	0
Fidelity Insurance		231 708	232 933
Levies		548 245	487 738
Other			
Bank charges		38 295	41 027
Communication and client service		7 301 984	6 759 380
Communication and client service - other		1 234 081	905 799
Document storage fees		148 910	130 201
Legal costs		158 933	144 935
Post Retirement Medical Aid contributions		70 495	81 557
Printing & Stationery		21 552	27 337
Telephone		13 321	15 215
Subscriptions		48 038	43 665
Sundry expenses		211 796	49 429
Subsistence & Travel		145 985	170 095
Office expenses		114 879	108 938
Operating lease payments		0	0
Penalties		0	0
Principal officer expenses	14.3	3 477 036	1 897 273
Staff expenses	14.2	231 977	216 395
Secretarial fees		0	0
Board of Fund expenses	14.1	5 516 953	3 175 539
Total		<u><u>54 612 192</u></u>	<u><u>45 400 473</u></u>

Name of Retirement Fund: **Capa Retirement Fund for Local Government**

NOTES TO THE FINANCIAL STATEMENTS - Continued
For the period ended **30 JUNE 2014**

14.1. Board of Fund expenses

	30 June 2014 R	30 June 2013 R
Remuneration	2 547 845	792 500
Meeting allowances	833 159	436 941
Expenses - subsistence and travel	1 359 966	1 056 222
Other payments		
- AGM	33 180	27 281
- Year end function	126 671	51 267
- Catering	36 693	26 806
- Institute of Retirement Funds conference fees	13 099	10 180
- Overseas trips	408 860	540 798
- Training	148 265	231 545
- Risk cover premium	12 215	0
Total	5 516 953	3 175 539

14.2. Staff expenses

	30 June 2014 R	30 June 2013 R
Remuneration	197 568	184 235
Contributions to retirement fund	34 411	32 160
Training expenses	0	0
Other payments	0	0
Total	231 977	216 395

14.3. Principal Officer expenses

	30 June 2014 R	30 June 2013 R
Fees as Board member	0	0
Remuneration	2 940 888	1 565 148
Allowances	0	0
Contributions to retirement fund	536 148	332 125
Bonus	0	0
Other payments	0	0
Total	3 477 036	1 897 273

17. Risk management policies

The Board of Fund has overall responsibility for the establishment and oversight of the fund's risk management policies.

The Fund's risk management policies are established to identify and analyze the risks faced by the Fund, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Fund's activities.

• **Solvency risk**

Solvency risk is the risk that the investment returns on assets will not be sufficient to meet the Fund's contractual obligations to members.

Continuous monitoring by the Board and the Fund's actuary takes place to ensure that appropriate assets are held where the Fund's obligation to members are dependant upon the performance of specific portfolio assets and that a suitable match of assets exist for all other liabilities.

• **Credit risk**

Credit risk is the risk that a counter-party to a financial instrument will fail to discharge an obligation, and cause the Fund to incur a financial loss. The Board monitors receivable balances on an on-going basis with the result that the Fund's exposure to bad debts is not significant. An appropriate level of provision is maintained.

• **Legal risk**

Legal risk is the risk that the Fund will be exposed to contractual obligations which have not been provided for. Legal representatives of the Fund monitor the drafting of contracts to ensure that rights and obligations of all parties are clearly set out.

• **Cash flow risk**

Cash flow risk is the risk that future cash flows associated with monetary financial instrument will fluctuate in amount. In the case of a floating rate debt instrument, for example, such fluctuations result in a change in the effective interest rate of the financial instrument, usually without a corresponding change in its fair value.

The Board of Fund monitors cash flows by using monthly cash flow projections.

Name of Retirement Fund: Cape Retirement Fund for Local Government

NOTES TO THE FINANCIAL STATEMENTS - Continued
For the period ended 30 JUNE 2014

- **Currency risk**
Currency risk is the risk that the value of an instrument will fluctuate in Rands owing to changes in foreign exchange rates. The Fund's exposure to currency risk is mainly in respect of foreign investments made on behalf of members of the Fund for the purpose of seeking desirable international diversification of investments.

The Board of Fund monitors this aspect of the Fund's investments and limits it to SARB limits of total assets.

- **Liquidity risk**
Liquidity risk is the risk that the Fund will encounter difficulty in raising funds to meet commitments associated with financial instruments.

The Fund's liabilities are backed by appropriate assets and it has significant liquid resources.

- **Market risk**
Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices of market interest rates.

- **Investments**
Investments in equities are valued at fair value and therefore susceptible to market fluctuations. Investments are managed with the aim of maximizing the Fund's returns while limiting risk to acceptable levels within the framework of statutory requirements.

Continuous monitoring takes place to ensure that appropriate assets are held where the liabilities are dependent upon the performance of specific portfolios of assets and that a suitable match of assets exists for all non-market related liabilities.

18. Promised retirement benefits

The actuarial present value of promised retirement benefits, distinguishing between vested benefits and non-vested benefits is set out in the report of the valuator.

19. Related party transactions

Related party	Relationship	Description	Transactions
Cape Joint Properties (Pty) Ltd	50% Shareholding	Loan	R4,267,871

The following trustees are directors of related parties:

- WW van Gass Cape Joint Properties (Pty) Ltd
- JP Beukman Cape Joint Properties (Pty) Ltd

No remuneration was paid to these directors by the company.

Principal officer fees

During the current financial period, fees amounting to R3 477 036 were paid to the Principal Officer.

Service provider, Consulting, Investment and Actuarial fees

Administration fees of R34 054 180 were paid to the administrator of the Fund, Vero Financial Services (Pty) Ltd.

Board of Fund

The following Board members of the Fund make contributions to the Fund and receive benefits from the Fund:

Active members of the Fund:

- SA Mokweni
- JP Beukman
- HA Cawood
- C Meyer
- ET Scott
- WW van Gass
- PJF Louw

Deferred members of the Fund:

- BW Shepherd

The Board members of the Fund incurred expenses to the amount of R5 516 953 during the current financial period.

The following transactions between the participating employers and the Fund occurred during the period:

- The participating employers made contributions to the Fund for members' retirement and towards the Fund's expenses to the value of R1 379 189 244 and R267 539 686 respectively (Refer note 12 of the financial statements).
- Premiums to unapproved policies amounting to R2 646 248.86 and funeral premiums amounting to R7 872 390 were settled against the contributions towards risk and expenses (Refer note 12 of the financial statements).

Name of Retirement Fund: Cape Retirement Fund for Local Government

NOTES TO THE FINANCIAL STATEMENTS - Continued
For the period ended 30 JUNE 2014

21. Surplus and reserve accounts	A+B+C+D+E+F					
	A	B	C	D	E	F
	Employer protection reserve	Contingency reserve	Processing reserve	Risk reserve	Pensioner reserve	Other reserves
	R	R	R	R	R	R
At beginning of the period 1 July 2013						
Contributions received and accrued	640 080 722	0	31 424 691	17 940 658	577 241 263	13 474 110
Reinsurance proceeds	267 539 686	0	0	0	0	267 539 686
Allocated to unclaimed benefits	3 603 236	0	0	0	3 603 236	0
Net investment income	0	0	0	0	0	0
Other income (incl retrenchment proceeds)	3 198 606 441	0	3 198 606 441	0	0	0
Less:	2 361 447	0	2 267 816	0	93 631	0
Administration expenses (incl notional pensioner expense)	-54 612 192	0	0	0	-1 100 602	-53 511 590
Reinsurance premiums	-213 225 078	0	0	0	0	-213 225 078
Net income before transfers and benefits	3 844 354 262	0	3 232 298 948	17 940 658	579 837 528	14 277 127
Transfers and benefits						
Benefits (incl pensions)	-3 272 414 869	0	-3 245 359 501	0	-27 055 368	0
Transfers from other funds	0	0	0	0	0	0
Transfers to other funds	0	0	0	0	0	0
Net income after transfers and benefits	571 939 393	0	-13 060 553	17 940 658	552 782 160	14 277 127
Transfer between reserve accounts	0	0	803 017	0	0	-803 017
Net investment return (incl int allocated active members & LPI)	69 677 618	0	-7 788 282	4 404 326	69 753 760	3 307 814
At end of period 30 June 2014	641 617 010	0	-20 045 818	22 344 984	622 535 920	16 781 924