

# 2012 ANNUAL REPORT



**NBCRFLI**

National Bargaining Council for the Road Freight and Logistics Industry

***Your Road Freight Partner.***

# Financials



## CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 29 FEBRUARY 2012

The reports and statements set out below comprise the consolidated annual financial statements presented to the members:

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# Council Members' Responsibilities and Approval

The Council members are required to maintain adequate accounting records and are responsible for the content and integrity of the consolidated annual financial statements and related financial information included in this report.

It is their responsibility to ensure that the consolidated annual financial statements fairly present the state of affairs of the fund as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with specific accounting policies adopted. The external auditors are engaged to express an independent opinion on the consolidated annual financial statements.

The consolidated annual financial statements are prepared in accordance with specific accounting policies adopted and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates. The Council members acknowledge that they are ultimately responsible for the system of internal financial control established by the fund and place considerable priority on maintaining a strong control environment. To enable management to meet these responsibilities, the Council members set standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the fund and all employees are required to maintain the



## COUNCIL MEMBERS' RESPONSIBILITIES AND APPROVAL (CONTINUED)

highest ethical standards in ensuring the fund's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the funds is on identifying, assessing, managing and monitoring all known forms of risk across the funds. While operating risk cannot be fully eliminated, the Council endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Council members are of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the consolidated annual financial statements.

However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The Council members have reviewed the fund's cash flow forecast for the year to 28 February 2013 and, in the light of this review and the current financial position, they are satisfied that the fund has access to adequate resources to continue in operational existence for the foreseeable future.

Although the Council members are primarily responsible for the financial affairs of the Council, they are supported by the Council external auditors.

The external auditors are responsible for independently reviewing and reporting on the Council's consolidated financial statements. The consolidated annual financial statements have been examined by the Council's external auditors and their report is presented on pages 60 to 61.

### King III Corporate Governance

The Board of the Council endorses the Recommendations and Principles as set out in the King III Report ("the Code") issued during 2009 and which became effective from 1 April 2010. By voluntarily supporting the Code, the Council members recognise the need to conduct the affairs of the Council in compliance with sound corporate governance principles, with integrity and accountability.

The Council's corporate governance processes which includes the appointment of auditors, a dedicated risk manager and independent external auditors, all of whom report to the Audit and Risk committee, which meets at least quarterly and reports to the Council members.

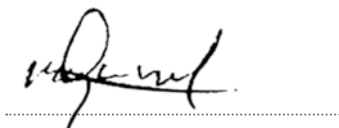
The Council Members together with management undertake to assess the level of application of the principles of the Code that is appropriate to the business during the 29 February 2013 financial year.

### Approval

The annual financial statements set out on pages 62 to 76, which have been prepared on the going concern basis, were approved by the Council members on 27 June 2012 and were signed on its behalf by:



Mr. J Letswalo



Mr. M Gwedashe



# Independent Auditor's Report

Report of the Independent Auditors to the members of the National Bargaining Council for the Road Freight and Logistics Industry (NBCRFLI).

We have audited the council and the consolidated annual financial statements of the National Bargaining Council for the Road Freight and Logistics Industry, which comprise:

- The consolidated and separate statements of net assets for the period ended 29 February 2012;
- The consolidated and separate statements of comprehensive income for period ended 29 February 2012;
- The consolidated and separate statements of changes in funds for the period ended 29 February 2012;
- The consolidated and separate statements of cash flows for the period ended 29 February 2012;
- A summary of significant accounting policies and other explanatory notes, as set on pages 62 to 76.

## **Management's Responsibility for the Financial Statements**

The council is responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with basis of accounting set out in pages 67 to 69, and in manner required by the Labour Relations Act of 1995 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### 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 judgment, 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 presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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 accompanying Group and Council annual financial statements of the National Bargaining Council for the Road Freight and Logistics Industry have been prepared in all material respects, in accordance with the basis of accounting as set out in Note 1 of the financial statements, and in a manner required by the provisions of its constitution relating to financial matters and Section 53(2) (b) of the Labour Relations Act.

### Emphasis of matter – Supporting Schedules

Without qualifying our opinion we draw attention to the fact that the supplementary information set out on page 77 does not form part of the annual financial statements and is presented as additional information. We have not audited this schedule and accordingly we do not express an opinion thereon.

### Restriction on use

The consolidated annual financial statements are prepared for regulatory purposes in accordance with the basis of preparation indicated above. Consequently, the consolidated annual financial statements and annual financial statements and related auditors report may not be suitable for another purpose.

*Deloitte & Touche*

### Deloitte & Touche

Registered Auditors  
Per D Munu  
Partner  
27 June 2012

**National Executive:** GG Gelink – Chief Executive; AE Swiegers – Chief Operating Officer; GM Pinnock – Audit; DL Kenney – Risk Advisory; NB Kader – Tax & Legal Services; L Geeringh – Consulting; L Bam – Corporate Finance; JK Mazzocco – Human Resources; CR Beukman – Finance; TJ Brown – Clients; NT Mtoba – Chairman of the Board; MJ Comber – Deputy Chairman of the Board.

A full list of partners and directors is available on request.

**B-BBEE rating:** Level 2 contributor/AAA (certified by Empowerdex).

Member of Deloitte Touche Tohmatsu Limited.

## STATEMENTS OF NET ASSETS AS AT 29 FEBRUARY 2012

	Notes	Group		Main Council	
Figures in Rands		2012	2011	2012	2011
<b>ASSETS</b>					
<b>Non Current Assets</b>		<b>1 119 035 969</b>	<b>868 013 126</b>	<b>152 522 960</b>	<b>154 076 478</b>
Property, plant and equipment	2	40 450 824	39 343 510	40 131 597	38 978 827
Other financial assets	3	1 078 585 145	828 669 616	112 391 363	115 097 651
<b>Current Assets</b>		<b>51 934 853</b>	<b>180 019 769</b>	<b>30 890 400</b>	<b>38 374 539</b>
Inventories		68 027	149 430	68 027	149 430
Trade and other receivables	4	4 925 734	10 681 499	4 925 734	2 620 998
Cash and cash equivalents	5	46 941 092	169 188 840	25 896 639	35 604 111
<b>Total assets</b>		<b>1 170 970 822</b>	<b>1 048 032 895</b>	<b>183 413 360</b>	<b>192 451 017</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>		<b>284 406 560</b>	<b>319 667 983</b>	<b>139 553 653</b>	<b>136 241 692</b>
Reserves		50 154 833	13 232 137	7 494 136	3 532 393
Surplus funds		234 251 727	306 435 846	132 059 517	132 709 299
<b>Non Current Liabilities</b>		<b>832 959 786</b>	<b>694 924 939</b>	<b>-</b>	<b>-</b>
Industry employees trust account		832 959 786	694 924 939	-	-
<b>Current Liabilities</b>		<b>53 604 476</b>	<b>33 439 973</b>	<b>43 859 707</b>	<b>56 209 325</b>
Other financial liabilities	6	4 952 181	6 074 056	(4 581 700)	30 337 979
Trade and other payables	7	48 652 295	27 365 917	48 441 407	25 871 346
<b>Total equity and liabilities</b>		<b>1 170 970 822</b>	<b>1 048 032 895</b>	<b>183 413 360</b>	<b>192 451 017</b>

**STATEMENTS OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED  
29 FEBRUARY 2012**

	Notes	Group	Main Council	
Figures in Rands		2012	2011	
		2012	2011	2012
Income	208 381 734	178 499 159	118 109 111	102 154 469
Other Income	6 763 171	5 493 023	6 533 197	5 373 023
Operating expenses	(273 346 306)	(102 520 204)	(111 883 494)	(89 715 810)
Operating surplus	(58 201 401)	81 471 978	12 758 813	17 811 682
Surplus for the year	(58 201 401)	81 471 978	12 758 813	17 811 682
<b>Other comprehensive income</b>				
Shortfall in staff pension fund	(13 408 596)	-	(13 408 596)	-
Gain on revaluation of properties	3 961 743	-	3 961 743	-
<b>Total comprehensive income for the period</b>				
	(67 648 254)	81 471 978	3 311 960	17 811 682

## STATEMENTS OF CHANGES IN FUNDS FOR PERIOD ENDED 29 FEBRUARY 2012

Figures in Rands	Notes	Revaluation Reserve	Forfeitures Reserve	Total Reserve	Surplus Funds	Total Funds
<b>GROUP</b>						
<b>Balance at 01 March 2010</b>		<b>3 532 393</b>	<b>6 287 865</b>	<b>9 820 258</b>	<b>224 963 868</b>	<b>234 784 126</b>
Surplus for the period		-	-	-	81 471 978	81 471 978
Other comprehensive income		-	-	-	-	-
Total comprehensive income for the period		-	-	-	81 471 978	81 471 978
Movement to forfeitures reserve		-	3 411 879	3 411 879	-	3 411 879
<b>Balance at 01 March 2011</b>		<b>3 532 393</b>	<b>9 699 744</b>	<b>13 232 137</b>	<b>306 435 846</b>	<b>319 667 983</b>
(Deficit)/Surplus for the period		-	-	-	(58 201 401)	(58 201 401)
Other comprehensive income		3 961 743	-	3 961 743	(13 408 596)	(9 446 853)
Total comprehensive income for the period		3 961 743	-	3 961 743	(71 609 997)	(67 648 254)
Surplus for the period to 28 February 2011 – AIDS SIDA		-	-	-	(574 122)	(574 122)
Movement to forfeitures reserve		-	32 960 953	32 960 953	-	32 960 953
<b>Balance at 29 February 2012</b>		<b>7 494 136</b>	<b>42 660 697</b>	<b>50 154 833</b>	<b>234 251 727</b>	<b>284 406 560</b>
<b>MAIN GROUP</b>						
<b>Balance at 01 March 2010</b>		<b>3 532 393</b>	<b>-</b>	<b>3 532 393</b>	<b>114 897 617</b>	<b>118 430 010</b>
Surplus for the period		-	-	-	17 811 682	17 811 682
Other comprehensive income		-	-	-	-	-
Total comprehensive income for the period		-	-	-	17 811 682	17 811 682
<b>Balance at 01 March 2011</b>		<b>3 532 393</b>	<b>-</b>	<b>3 532 393</b>	<b>132 709 299</b>	<b>136 241 692</b>
Surplus for the period		-	-	-	12 758 813	12 758 813
Other comprehensive income		3 961 743	-	3 961 743	(13 408 595)	(9 446 852)
Total comprehensive income for the period		3 961 743	-	3 961 743	(649 782)	3 311 961
<b>Balance at 29 February 2012</b>		<b>7 494 136</b>	<b>-</b>	<b>7 494 136</b>	<b>132 059 517</b>	<b>139 553 653</b>

## STATEMENTS OF CASH FLOWS FOR THE PERIOD ENDED 29 FEBRUARY 2012

	Notes	Group		Main Council	
Figures in Rands		2012	2011	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash generated from operations	A	(24 072 803)	88 734 603	39 940 704	27 477 404
Transfer of forfeitures /Increase in reserves		32 960 953	3 411 879	-	-
Shortfall in staff pension fund		(13 408 596)	-	(13 408 596)	-
Surplus for the period to 28 February 2011 – SIDA		(574 122)	-	-	-
<b>Net cash (outflow)/inflow from operating activities</b>		<b>(5 094 568)</b>	<b>92 146 482</b>	<b>26 532 109</b>	<b>27 477 404</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchase of property, plant and equipment		(4 197 965)	(14 870 894)	(4 073 532)	(14 870 894)
Proceeds from sale of property, plant and equipment		47 342	78 420	47 342	78 420
Increase in other financial assets		(249 915 529)	(146 292 902)	2 706 288	(17 642 682)
<b>Net cash outflow from investing activities</b>		<b>(254 066 152)</b>	<b>(161 085 376)</b>	<b>(1 319 902)</b>	<b>(32 435 156)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
(Decrease)/Increase in other financial liabilities		(1 121 875)	3 508 342	(34 919 679)	11 871 629
Increase in industry employees trust account		138 034 847	95 421 610	-	-
<b>Net inflow/(outflow) from financing activities</b>		<b>136 912 972</b>	<b>98 929 952</b>	<b>(34 919 679)</b>	<b>11 871 629</b>
Net increase/(decrease) in cash and cash equivalents		(122 247 748)	29 991 058	(9 707 472)	6 913 877
Cash and cash equivalents at beginning of year		169 188 840	139 197 782	35 604 111	28 690 234
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	B	<b>46 941 092</b>	<b>169 188 840</b>	<b>25 896 639</b>	<b>35 604 111</b>

## NOTES TO THE STATEMENTS OF CASH FLOWS FOR THE PERIOD ENDED 29 FEBRUARY 2012

Notes	Group		Main Council	
Figures in Rands	2012	2011	2012	2011

### A. RECONCILIATION OF OPERATING INCOME/(LOSS) TO CASH GENERATED FROM OPERATIONS

Operating surplus	(58 201 401)	81 471 978	12 758 814	17 811 682
<b>Adjustment for non cash items:</b>	7 005 052	6 238 407	6 835 163	6 123 360
Depreciation and amortisation	6 908 398	6 249 912	6 738 509	6 134 865
(Gain)/Loss on disposal of property, plant and equipment	96 654	(11 505)	96 654	(11 505)
<b>Adjustment for separately disclosable items:</b>				
Interest received	(75 084 176)	(69 223 249)	(13 006 595)	(11 612 625)
Operating cash inflow before working capital changes	(126 280 525)	18 487 136	6 587 382	12 322 418
Working capital changes	27 123 546	1 024 219	20 346 728	3 542 361
Changes in inventories	81 403	(62 633)	81 403	(62 633)
Changes in trade and other receivables	5 755 765	(2 855 240)	(2 304 736)	(704 524)
Changes in trade and other payables	21 286 378	3 942 092	22 570 061	4 309 518
<b>Cash generated from operations</b>	<b>(99 156 979)</b>	<b>19 511 354</b>	<b>26 934 109</b>	<b>15 864 779</b>
Interest received	75 084 176	69 223 249	13 006 595	11 612 625
<b>CASH GENERATED FROM OPERATING ACTIVITIES</b>	<b>(24 072 803)</b>	<b>88 734 603</b>	<b>39 940 704</b>	<b>27 477 404</b>

### B. CASH AND CASH EQUIVALENTS

Bank balances	46 941 092	169 188 840	25 896 639	35 604 111
	<b>46 941 092</b>	<b>169 188 840</b>	<b>25 896 639</b>	<b>35 604 111</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 29 FEBRUARY 2012

### Reporting Entity

The **National Bargaining Council for the Road Freight and Logistics Industry (NBCRFLI)** is an organisation registered as a bargaining council in terms of section 29(15)(a) of the Labour Relations Act 1995. The organisation changed its name from the National Bargaining Council for the Road Freight Industry (NBCRFI) to National Bargaining Council for the Road Freight and Logistics Industry (NBCRFLI) with effect from the 23 July 2010.

The consolidated financial statements of the **NBCRFLI** for the reporting date 29 February 2012 comprise the Main Council and its subsidiary funds (Holiday Pay Fund, Leave Pay Fund and Sick Pay Fund) and the organisation's interest in the Wellness Fund.

### 1. Accounting Policies

The consolidated annual financial statements are prepared in accordance with the entity specific accounting policies adopted by the Council. The consolidated financial statements except for buildings and investments at fair value, have been prepared on the historical cost basis in accordance with the accounting policies set below.

The following are the principle accounting policies used by the Council which are consistent with those of the previous year.

#### 1.1 Basis of consolidation

The consolidated financial statements incorporate financial statements of the Main Council, its subsidiary funds and interests in the Wellness fund for the reporting date 29 February 2012. The financial statements are consolidated on the basis that the Main Council has control over the subsidiary funds and Wellness entities. Control exists when the Main Council has power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

All interfund transactions, balances and unrealised gains on transactions between the Main Council, the subsidiary funds and Wellness entities are eliminated on consolidation.

#### 1.2 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Land and Buildings are carried at revalued amount, being the fair value at the date of revaluation less any subsequent impairment losses and are not depreciated.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date.

Any increase in an asset's carrying amount, as a result of a revaluation is credited directly to equity in the revaluation reserve. The increase is recognised in the profit and loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in the profit or loss.

Any decrease in an asset's carrying amount, as result of a revaluation, is recognised in the profit or loss in the current period. The decrease is debited directly to equity in the revaluation reserve to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 29 FEBRUARY 2012 (CONTINUED)

### 1.2 Property, plant and equipment (continued)

Depreciation is calculated on cost, less residual value, using the straight-line method over their expected useful lives.

The useful lives applied are as follows:

▪ Motor Vehicles	5 years
▪ Furniture and Fittings	5 years
▪ Office Equipment	5 years
▪ IT Equipment	3 years
▪ Computer Software	3 years
▪ Containers	5 years

The gain or loss on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit and loss.

### 1.3 Financial Instruments

#### Initial Recognition

The funds classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial assets and financial liabilities are recognised on the fund's balance sheet when the fund becomes party to the contractual provisions of the instrument.

#### Loans

Loans are recognised initially at fair value plus direct transaction costs.

Subsequently these loans are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts.

#### Trade and Other Receivables

Trade receivables are measured initially at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

#### Trade and Other Payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 29 FEBRUARY 2012 (CONTINUED)

### 1.3 Financial Instruments (continued)

#### Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and 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. These are initially and subsequently recorded at fair value.

#### Held to Maturity and Loans and Receivables

These financial assets are initially recognised at fair value plus direct transaction costs.

### 1.4 Revenue

Revenue is recognised on both the accrual and cash basis.

#### Levies

Levies are charged to the industry for the services that the NBCRFLI provides to the industry. Levies are recognised on the cash basis based on amounts received for the returns submitted and processed.

#### Admin fees

Admin fees charged for the administration of the Holiday Pay Fund, Leave Pay Fund, Sick Pay Fund and the Provident Fund. The administration fee is recognised on the accrual basis.

### 1.5 Employee Benefits

#### Defined Contribution Plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the council's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

### 1.6 Outstanding Levies

In accordance with past practices, levies due but unpaid at the end of the financial period have not been brought into account.

### 1.7 Interest Income

Interest income is recognised on a time proportion basis taking into account the effective interest rate over the period of maturity when it is determined that such income will accrue to the Council.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 29 FEBRUARY 2012

### 2. Property, Plant and Equipment

Figures in Rands	2012			2011		
	Cost / Valuation	Accumulated Depreciation	Carrying Amount	Cost / Valuation	Accumulated Depreciation	Carrying Amount
<b>GROUP</b>						
Land and Buildings	29 600 000	-	29 600 000	25 114 799	-	25 114 799
Furniture & fittings	9 729 541	(6 870 302)	2 859 239	9 526 703	(5 165 816)	4 360 887
Motor vehicles	2 876 999	(1 756 686)	1 120 313	5 690 343	(5 092 954)	597 389
Office Equipment	2 803 412	(1 724 188)	1 079 224	2 395 465	(1 120 997)	1 274 468
IT Equipment	6 054 312	(5 364 073)	690 239	5 654 345	(4 216 504)	1 437 841
Computer Software	13 757 857	(8 750 977)	5 006 880	11 604 093	(5 140 044)	6 464 049
Containers	572 384	(477 455)	94 929	134 395	(40 318)	94 077
	<b>65 394 504</b>	<b>(24 943 680)</b>	<b>40 450 824</b>	<b>60 120 143</b>	<b>(20 776 633)</b>	<b>39 343 510</b>

Figures in Rands	2012			2011		
	Cost / Valuation	Accumulated Depreciation	Carrying Amount	Cost / Valuation	Accumulated Depreciation	Carrying Amount
<b>MAIN COUNCIL</b>						
Land and Buildings	29 600 000	-	29 600 000	25 114 799	-	25 114 799
Furniture & fittings	9 691 826	(6 832 587)	2 859 239	9 526 703	(5 165 816)	4 360 887
Motor vehicles	1 546 798	(650 221)	896 577	1 072 351	(745 568)	326 783
Office Equipment	2 724 312	(1 645 650)	1 078 662	2 395 465	(1 120 997)	1 274 468
IT Equipment	5 860 910	(5 170 671)	690 239	5 654 345	(4 216 504)	1 437 841
Computer Software	13 493 057	(8 486 177)	5 006 880	11 604 092	(5 140 044)	6 464 048
	<b>62 916 903</b>	<b>(22 785 306)</b>	<b>40 131 597</b>	<b>55 367 755</b>	<b>(16 388 928)</b>	<b>38 978 827</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 29 FEBRUARY 2012

### 2. Property, Plant and Equipment (continued)

Reconciliation of Property, Plant and Equipment

Figures in Rands	Land & Buildings	Furniture & Fittings	Motor Vehicles	Office Equipment	IT Equipment	Computer Software	Containers	TOTAL
<b>GROUP</b>								
<b>29 FEBRUARY 2012</b>								
<b>Opening carrying amount</b>	<b>25 114 799</b>	<b>4 360 887</b>	<b>597 389</b>	<b>1 274 468</b>	<b>1 437 841</b>	<b>6 464 049</b>	<b>94 077</b>	<b>39 343 510</b>
Cost	25 114 799	9 526 703	5 690 343	2 395 465	5 654 345	11 604 093	134 395	60 120 143
Accumulated depreciation	-	(5 165 816)	(5 092 954)	(1 120 997)	(4 216 504)	(5 140 044)	(40 318)	(20 776 633)
Additions from AIDS SIDA at net book value	-	-	61 469	4 529	-	-	58 436	124 435
Additions	523 458	234 077	905 516	328 848	206 565	1 888 964	-	4 087 427
Revaluations through equity	3 961 743	-	-	-	-	-	-	3 961 743
Disposals at net book value	-	-	(13 886)	-	-	-	-	(13 886)
Current depreciation	-	(1 735 725)	(430 175)	(528 621)	(954 167)	(3 346 133)	(57 584)	(7 052 405)
<b>Closing carrying amount</b>	<b>29 600 000</b>	<b>2 859 239</b>	<b>1 120 313</b>	<b>1 079 224</b>	<b>690 239</b>	<b>5 006 880</b>	<b>94 929</b>	<b>40 450 824</b>
Cost	29 600 000	9 729 541	2 876 999	2 803 412	6 054 312	13 757 857	572 384	65 394 504
Accumulated depreciation	-	(6 870 302)	(1 756 686)	(1 724 188)	(5 364 073)	(8 750 977)	(477 455)	(24 943 680)

Figures in Rands	Land & Buildings	Furniture & Fittings	Motor Vehicles	Office Equipment	IT Equipment	Computer Software	Containers	TOTAL
<b>GROUP</b>								
<b>28 FEBRUARY 2011</b>								
<b>Opening carrying amount</b>	<b>18 647 019</b>	<b>5 843 535</b>	<b>827 586</b>	<b>1 499 932</b>	<b>2 042 117</b>	<b>1 808 296</b>	<b>120 956</b>	<b>30 789 441</b>
Cost	18 647 019	9 361 211	5 690 343	2 169 873	5 482 216	4 518 568	134 395	46 003 625
Accumulated depreciation	-	(3 517 676)	(4 862 756)	(669 941)	(3 440 099)	(2 710 272)	(13 439)	(15 214 184)
Additions	6 467 780	184 892	-	225 592	907 106	7 085 525	-	14 870 895
Disposals at net book value	-	(5 335)	-	-	(61 580)	-	-	(66 915)
Current depreciation	-	(1 662 205)	(230 198)	(451 056)	(1 449 801)	(2 429 772)	(26 879)	(6 249 912)
<b>Closing carrying amount</b>	<b>25 114 799</b>	<b>4 360 887</b>	<b>597 389</b>	<b>1 274 468</b>	<b>1 437 841</b>	<b>6 464 049</b>	<b>94 077</b>	<b>39 343 510</b>
Cost	25 114 799	9 526 703	5 690 343	2 395 465	5 654 345	11 604 093	134 395	60 120 143
Accumulated depreciation	-	(5 165 816)	(5 092 954)	(1 120 997)	(4 216 504)	(5 140 044)	(40 318)	(20 776 633)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 29 FEBRUARY 2012

### 2. Property, Plant and Equipment (continued)

#### Reconciliation of Property, Plant and Equipment

Figures in Rands	Land & Buildings	Furniture & Fittings	Motor Vehicles	Office Equipment	IT Equipment	Computer Software	TOTAL
<b>MAIN COUNCIL</b>							
<b>29 FEBRUARY 2012</b>							
<b>Opening carrying amount</b>	<b>25 114 799</b>	<b>4 360 887</b>	<b>326 783</b>	<b>1 274 468</b>	<b>1 437 841</b>	<b>6 464 048</b>	<b>38 978 827</b>
Cost	25 114 799	9 526 703	1 072 351	2 395 465	5 654 345	11 604 092	<b>55 367 755</b>
Accumulated depreciation	-	(5 165 816)	(745 568)	(1 120 997)	(4 216 504)	(5 140 044)	<b>(16 388 928)</b>
Additions	523 458	234 076	905 517	328 847	206 565	1 888 966	<b>4 087 429</b>
Revaluations through equity	3 961 743	-	-	-	-	-	<b>3 961 743</b>
Disposals at net book value	-	-	(13 886)	-	-	-	<b>(13 886)</b>
Current depreciation	-	(1 735 725)	(321 837)	(524 653)	(954 167)	(3 346 133)	<b>(6 882 515)</b>
<b>Closing carrying amount</b>	<b>29 600 000</b>	<b>2 859 239</b>	<b>896 577</b>	<b>1 078 662</b>	<b>690 239</b>	<b>5 006 880</b>	<b>40 131 597</b>
Cost	29 600 000	9 691 826	1 546 798	2 724 312	5 860 910	13 493 057	<b>62 916 903</b>
Accumulated depreciation	-	(6 832 587)	(650 221)	(1 645 650)	(5 170 671)	(8 486 177)	<b>(22 785 306)</b>
Figures in Rands	Land & Buildings	Furniture & Fittings	Motor Vehicles	Office Equipment	IT Equipment	Computer Software	TOTAL

#### MAIN COUNCIL

##### 28 FEBRUARY 2011

<b>Opening carrying amount</b>	<b>18 647 019</b>	<b>5 843 536</b>	<b>468 814</b>	<b>1 499 932</b>	<b>2 042 117</b>	<b>1 808 295</b>	<b>30 309 714</b>
Cost	18 647 019	9 361 212	1 279 366	2 169 873	5 482 216	4 518 567	<b>41 458 252</b>
Accumulated depreciation	-	(3 517 676)	(810 552)	(669 941)	(3 440 098)	(2 710 272)	<b>(11 148 539)</b>
Additions	6 467 780	184 891	-	225 592	907 106	7 085 526	<b>14 870 894</b>
Disposals at net book value	-	(5 335)	-	-	(61 580)	-	<b>(66 915)</b>
Current depreciation	-	(1 662 205)	(142 031)	(451 056)	(1 449 801)	(2 429 772)	<b>(6 134 865)</b>
<b>Closing carrying amount</b>	<b>25 114 799</b>	<b>4 360 887</b>	<b>326 783</b>	<b>1 274 468</b>	<b>1 437 841</b>	<b>6 464 048</b>	<b>38 978 827</b>
Cost	25 114 799	9 526 703	1 072 351	2 395 465	5 654 345	11 604 092	<b>55 367 755</b>
Accumulated depreciation	-	(5 165 816)	(745 568)	(1 120 997)	(4 216 504)	(5 140 044)	<b>(16 388 928)</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 29 FEBRUARY 2012

Notes	Group		Main Council	
Figures in Rands	2012	2011	2012	2011

### 2. Property, Plant and Equipment (continued)

#### Other Information

##### Details of properties

Erf 2915 Johannesburg measuring 496 square meters with office building erected thereon.

Erf 2914 Johannesburg portion 2

Erf 7498 Parrow, 141 Voortrekker Road, Parrow

▪ Balance at beginning of period	25 114 799	18 647 019	25 114 799	18 647 019
▪ Purchase of new building in Cape Town	-	5 981 444	-	5 981 444
▪ Improvements	523 458	486 336	523 457	486 336
<b>Total land and buildings before revaluation</b>	<b>25 638 257</b>	<b>25 114 799</b>	<b>25 638 257</b>	<b>25 114 799</b>
Revaluation of land and buildings	3 961 743	-	3 961 743	-
<b>Total land and buildings after revaluation</b>	<b>29 600 000</b>	<b>25 114 799</b>	<b>29 600 000</b>	<b>25 114 799</b>

Land and building are re-valued independently every three years.

Revaluation of the land and buildings is performed by an independent valuator Grant Fraser (MIV. SA) of G.C Fraser & Associate, who are not connected to the NBCRFLI.

Revaluation on the land and buildings was performed as at 29 February 2012. (The previous revaluation was performed as at 28 February 2009). Details of the revaluation are as follows:

Figures in Rands	Revaluation 29 February 2012	Revaluation 28 February 2009
<b>LOCATION OF PROPERTY</b>		
Erf 2915 Johannesburg, 31 De Korte Street, Braamfontein	13 200 000	10 300 000
Erf 2915 Johannesburg, 31 De Korte Street, Braamfontein	9 500 000	7 000 000
Erf 7498 Parrow, 141 Voortrekker Road, Parrow (Purchased 21 June 2010)	6 900 000	6 000 000
<b>Total value as per evaluation report</b>	<b>29 600 000</b>	<b>23 300 000</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 29 FEBRUARY 2012

	Notes	Group		Main Council	
Figures in Rands		2012	2011	2012	2011

### 3. Other Financial Assets

#### HELD TO MATURITY

Fixed deposit and money market funds 1 082 919 347 825 692 170 115 536 976 99 485 058

The investments are held at a variety of financial institutions.

These investments bear interest at between 5.20% and 7.00% (2011: 5.20% and 8.06%) per annum.

#### Loans and Receivables

Aids Fund	-	5 877 701	-	9 732 093
Provident Fund	(3 145 612)	(2 900 255)	(3 145 612)	(2 900 255)
Wellness Fund	(1 188 590)	-	-	8 780 755

<b>Total other financial assets</b>	<b>1 078 585 145</b>	<b>828 669 616</b>	<b>112 391 363</b>	<b>115 097 651</b>
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### 4. Trade and Other Receivables

Sundry Debtors	3 761 822	3 404 276	4 014 454	1 679 550
Deposits	85 490	63 026	85 490	63 026
Receivable Accrued Interest	-	7 214 197	(252 632)	-
Aids Sida Fund	1 078 422	-	1 078 422	878 422

<b>Total trade and other receivables</b>	<b>4 925 734</b>	<b>10 681 499</b>	<b>4 925 734</b>	<b>2 620 998</b>
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### 5. Cash and Cash Equivalents

Cash and cash equivalents consist of:

<b>Bank Balances</b>	<b>46 941 092</b>	<b>169 188 840</b>	<b>25 896 639</b>	<b>35 604 11</b>
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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 29 FEBRUARY 2012

	Notes	Group	Main Council
Figures in Rands	2012	2011	2012
	2011		

### 6. Other Financial Liabilities

#### HELD AT AMORTISED COST

Holiday pay bonus fund	-	-	6 449 881	10 079 744
Leave pay fund	-	-	2 510 086	6 871 037
Sick fund	-	-	1 403 137	6 130 153
Provident fund	1 267 806	1 166 714	1 267 806	1 166 714
Unallocated funds received	3 684 374	4 907 342	3 684 374	4 907 342
Wellness fund	-	-	(19 896 985)	1 182 990
<b>Total other financial liabilities</b>	<b>4 952 181</b>	<b>6 074 056</b>	<b>(4 581 700)</b>	<b>30 337 979</b>

The unallocated funds received is represented by contributions received by the NBCRFLI on behalf of the fund which is unallocated due to pending reconciliation processes.

### 7. Trade and Other Payables

Trade Payables	39 819 607	23 186 241	39 594 910	21 691 670
VAT	1 248 762	583 100	1 262 571	583 100
Trust account	2 440 248	2 247 749	2 440 248	2 247 749
Refunds due	5 143 678	1 348 827	5 143 678	1 348 827
<b>Total trade and other payables</b>	<b>48 652 295</b>	<b>27 365 917</b>	<b>48 441 407</b>	<b>25 871 346</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 29 FEBRUARY 2012

	Notes	Group		Main Council	
Figures in Rands		2012	2011	2012	2011

### 8. Operating Expenses

Included in operating expenses  
is the following:

Employee costs	(58 493 611)	(48 957 119)	(58 493 611)	(48 957 119)
Wellness employee health insurance	(135 613 800)	-	-	-

### 9. Taxation

No provision has been made for taxation as the fund is currently exempt from income taxation.

### 10. Contingencies

- The provisions of Labour Relations Act of 1995 requires parties' representativity in bargaining council to be 50% plus one in order to qualify for full enforcement of agreement to the entire industry. The Department of Labour issued a certificate on 24 August 2010 stating that it is certified that the parties to Council's Collective Agreement are representative and this certificate is valid up until 31 August 2011.
- As at reporting period ended 29 February 2012, Council had a dispute against E-Prime Dynamix for breach of contract. The service provider was contracted to install and implement the SAP system. The contract was terminated when failures were discovered on the system and the service provider failed to rectify the system errors. Upon termination, E-Prime Dynamix instituted a claim against Council with a contingent liability of R3 569 129. However, Council is confident that the it has a strong case against the claimant.
- As at reporting period ended 29 February 2012, Council had an obligation to cover the shortfall which may arise from the Wellness Industry Health Insurance. The amount is estimated at R155 040 000.

### 11. Staff Pension Fund

The NBCRFLI has changed its policy on staff pension fund due to the financial risk that the Council has been exposed to. The Council converted from the Defined Benefit Fund to the Defined Contribution Fund. The conversion was effective on the 1 March 2012. At the date of conversion, the shortfall due to the fund was R13 408 595.61. The shortfall has been paid out of the **NBCRFLI** reserves and no loss was suffered by the employees.

## DETAILED CONSOLIDATED INCOME STATEMENTS FOR THE PERIOD ENDED 29 FEBRUARY 2012

Notes	Group		Main Council	
Figures in Rands	2012	2011	2012	2011
<b>REVENUE</b>				
Levies Received	45 468 694	39 976 813	45 468 694	39 976 813
Wellness fund contributions	82 716 312	69 224 223	-	-
Interest Received	75 084 176	69 223 249	13 006 595	11 612 625
Admin Fees Received	5 112 553	74 874	59 633 823	50 565 032
	<b>208 381 734</b>	<b>178 499 159</b>	<b>118 109 111</b>	<b>102 154 469</b>
<b>OTHER INCOME</b>				
Gains on disposal of assets	-	11 505	-	11 505
Rental Income	306 886	1 047 098	306 886	1 047 098
Sponsorship	-	120 000	-	-
Sundry Income	6 456 284	4 314 421	6 226 310	4 314 421
	<b>6 763 171</b>	<b>5 493 023</b>	<b>6 533 197</b>	<b>5 373 023</b>
<b>OPERATING EXPENSES</b>				
Advertising	(2 172 346)	(1 303 780)	(2 068 637)	(1 303 780)
Arbitration Expenses	(11 729 908)	(10 152 076)	(11 729 908)	(10 152 076)
Attendance fees	(2 076 201)	(2 054 514)	(2 066 073)	(2 049 708)
Auditor's remuneration	(490 500)	(396 738)	(490 500)	(396 738)
Bad debts	(1 185 640)	(4 428)	(1 185 640)	(4 428)
Bank charges	(978 692)	(935 376)	(971 488)	(926 671)
Bursary expense	(176 532)	(41 485)	(176 532)	(41 485)
Complex agreement	(109 037)	(40 317)	(109 037)	(40 317)
Consulting and Professional fees	(2 030 090)	(1 650 608)	(1 383 568)	(1 101 312)
Computer Hardware Leasing and Software Maintenance	(7 466 025)	(4 026 831)	(7 464 960)	(4 026 831)
Depreciation, amortisation and impairments	(6 908 398)	(6 249 912)	(6 738 509)	(6 134 865)
Employee costs	(67 956 243)	(48 957 119)	(58 493 611)	(48 957 119)
Equipment hire	(953 423)	(1 293 875)	(953 423)	(1 293 875)
Extension expenses	(531 861)	(310 548)	(531 861)	(310 548)
Insurance	(136 217 124)	(501 577)	(495 881)	(483 427)
Loss on disposal of assets	(96 654)	-	(96 654)	-
Legal expenses	(3 043 029)	(1 671 794)	(3 006 015)	(1 270 732)
Lease rentals on operating lease	(2 073 904)	(1 995 119)	(2 073 904)	(1 995 119)
Management fee – Wellness Clinics	(7 260 888)	(2 113 332)	-	-
Medical expenses	-	(939 588)	-	-
Motor vehicle expenses	(1 523 818)	(848 135)	(1 238 143)	(800 679)
Non-reclaimable VAT	(7 609 042)	(7 068 621)	-	-
Postage	(352 446)	(355 788)	(352 446)	(355 788)
Printing and stationery	(1 626 874)	(1 076 079)	(1 598 557)	(1 058 179)
Recruitment fees	-	(6 720)	-	(6 720)
Repairs and maintenance	(1 872 392)	(1 690 269)	(1 872 392)	(1 690 268)
Security	(992 390)	(838 941)	(992 390)	(838 941)
Seminars	(346 909)	(63 723)	(346 909)	(63 723)
Staff Welfare	(1 066 648)	(1 051 250)	(1 050 143)	(1 047 331)
Telephone and fax	(1 599 384)	(1 552 446)	(1 511 845)	(1 494 735)
Training	(911 301)	(332 556)	(911 301)	(332 556)
Travel – local	(1 018 829)	(631 227)	(1 003 389)	(408 058)
Utilities	(969 780)	(1 129 787)	(969 780)	(1 129 787)
Penalties and interest	-	(15)	-	(15)
Special events (AIDS Conference in Vienna)	-	(1 235 631)	-	-
	<b>(273 346 306)</b>	<b>(102 520 205)</b>	<b>(111 883 494)</b>	<b>(89 715 810)</b>
Operating Surplus	<b>(58 201 401)</b>	<b>81 471 978</b>	<b>12 758 814</b>	<b>17 811 682</b>
<b>Surplus for the period</b>	<b>(58 201 401)</b>	<b>81 471 978</b>	<b>12 758 814</b>	<b>17 811 682</b>

