

# ANNUAL REPORT 2019



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**NBCRFLI**

National Bargaining Council for the Road Freight and Logistics Industry

*Your Road Freight Partner.*

# Financial *Statements*

YEAR ENDED 28 FEBRUARY 2019



# STATEMENT OF FINANCIAL POSITION

AS AT 28 FEBRUARY 2019

Figures in Rand	Note(s)	2019	2018
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	2	42,012,743	40,986,972
Intangible assets	3	6,625,212	7,141,619
		<b>48,637,955</b>	<b>48,128,591</b>
<b>Current Assets</b>			
Inventories	6	113,620	141,978
Trade and other receivables	5	8,295,210	4,204,107
Other financial assets	4	2,405,554,360	1,910,560,466
Cash and cash equivalents	7	80,017,054	330,298,808
		<b>2,493,980,244</b>	<b>2,245,205,359</b>
<b>Total Assets</b>		<b>2,542,618,199</b>	<b>2,293,333,950</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Reserves		8,494,136	8,494,136
Surplus Funds		524,391,112	454,935,806
		<b>532,885,248</b>	<b>463,429,942</b>
<b>Current Liabilities</b>			
Trade and other payables	9	46,659,543	34,744,045
Industry trust and unclaimed benefit liability	10	1,947,161,423	1,781,513,746
Provisions	11	15,911,985	13,646,217
		<b>2,009,732,951</b>	<b>1,829,904,008</b>
<b>Total Equity and Liabilities</b>		<b>2,542,618,199</b>	<b>2,293,333,950</b>

# STATEMENT OF COMPREHENSIVE INCOME

Figures in Rand	Note(s)	2019	2018
Revenue	12	542,305,364	502,649,220
Other income	13	5,798,354	5,351,182
Operating expenses	14	(478,648,412)	(422,588,153)
<b>Surplus for the year</b>		<b>69,455,306</b>	<b>85,412,249</b>
<b>Other comprehensive income:</b>			
<b>Items that will not be reclassified to surplus</b>			
Gains on revaluation of land and buildings		(4,600,000)	
<b>Other comprehensive income for the year</b>		<b>4,600,000</b>	
<b>Total comprehensive income for the year</b>		<b>69,455,306</b>	<b>90,012,249</b>

# STATEMENT OF CHANGES IN FUNDS

Figures in Rand	Revaluation reserve	Accumulated surplus	Total Funds
<b>Balance at 1 March 2017</b>	<b>3,894,136</b>	<b>369,523,557</b>	<b>373,417,693</b>
Surplus for the year	-	85,412,249	85,412,249
Gain on revaluation of Land and buildings	4,600,000		4,600,000
<b>Total comprehensive income for the year</b>	<b>4,600,000</b>	<b>85,412,249</b>	<b>90,012,249</b>
<b>Balance at 1 March 2018</b>	<b>8,494,136</b>	<b>454,935,806</b>	<b>463,429,942</b>
Surplus for the year	-	69,455,306	69,455,306
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>69,455,306</b>	<b>69,455,306</b>
<b>Balance at 28 February 2019</b>	<b>8,494,136</b>	<b>524,391,112</b>	<b>532,885,248</b>

# STATEMENT OF CASH FLOWS

Figures in Rand

	Note(s)	2019	2018
<b>Cash flows from operating activities</b>			
Cash generated from operations	17	86,725,729	94,877,931
<b>Cash flows to investing activities</b>			
Purchase of property, plant and equipment	2	(6,653,274)	(3,790,110)
Proceeds from disposal of assets	2	17,373	113,302
Purchase of intangible assets	3	(1,025,383)	(1,842,777)
Inflow of other financial assets	4	3,944,965,107	4,380,550,768
Outflow of other financial assets	4	{4,439,959,001)	(4,294,811,456)
Net cash from/in Investing activities		<b>(502,655,178)</b>	<b>80,219,725</b>
<b>Cash flows from financing activities</b>			
Inflow of industry trust liability	10	2,240,074,661	2,034,187,075
Outflow of industry trust liability	10	(2,074,426,965)	(1,925,437,560)
<b>Net cash from financing activities</b>		<b>165,647,695</b>	<b>108,749,515</b>
<b>Total cash movement for the year</b>		<b>(250,281,754)</b>	<b>283,847,171</b>
Cash at the beginning of the year		330,298,808	46,451,637
Total cash at end of the year	7	<b>80,017,054</b>	<b>330,298,808</b>

## Accounting Policies

### General information

The National Bargaining Council for the Road Freight and Logistics Industry (NBCRFLI) is an organisation registered as bargaining council in terms of section 29 (15)(a) of the Labour Relations Act 1995. The Act allows for registered employer and employee organisations to establish a bargaining council for an industry. The Council facilitates collective bargaining whereby unions and employer organisations, which are Party to the Council, are able to negotiate matters of mutual interest in the Road Freight and Logistics Industry.

The Agreement concluded between the Parties to Council is called the Collective Agreement. The Agreement is applicable and binding to the Parties to Council who concluded the agreement as well as to non-parties, if the agreement has, in terms of provisions of section 32 of Labour Relations Act 1995, been extended to non-parties in the industry by the Minister of Labour. The parties signed a three-year agreement which was promulgated by Minister of Labour and was extended to non-parties in the Government Gazette No.42312 of 15 March 2019. The promulgated agreement came into effect from 25 March 2019.

### 1. Basis of preparation and summary of significant accounting policies

The financial statements have been prepared on a going concern basis in accordance with the International Financial Reporting Standards for Small and Medium-sized Entities, issued by the International Accounting Standards Board. The financial statements have been prepared on the historical cost basis, except for the revaluation of land and buildings, and incorporate the

principal accounting policies set out below. They are presented in South African Rands.

These accounting policies are consistent with the previous period.

### 1.1 Significant judgements and sources of estimation uncertainty

#### Key sources of estimation uncertainty

##### Useful lives of property, plant and equipment

The Council reviews the estimated useful lives of property, plant and equipment when changing circumstances indicate that they may have changed since the most recent reporting date. The residual values and useful lives of property, plant and equipment are based on management estimates.

##### Impairment testing

The Council reviews and tests the carrying value of property, plant and equipment and intangible assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. When such indicators exist, management determine the recoverable amount by performing value in use and fair value calculations. These calculations require the use of estimates and assumptions. When it is not possible to determine the recoverable amount for an individual asset, management assesses the recoverable amount for the cash generating unit to which the asset belongs.

##### Provisions

Provisions are inherently based on assumptions and estimates using the best information available.

Additional disclosure of these estimates of provisions are included in note 11 - Provisions.

### Trade and other receivables

The Council assesses its trade and other receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the Council makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

### 1.2 Property, plant and equipment

Property, plant and equipment are tangible assets which the Council holds for its own use or for rental to others and which are expected to be used for more than one period.

Property, plant and equipment is initially measured at cost.

Cost includes costs incurred initially to acquire or construct an item or property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Subsequent to initial recognition, property, plant and equipment is measured at cost less accumulated depreciation and any accumulated impairment losses, except for land and buildings which are stated at revalued amounts. The revalued amount is the fair value at the

date of revaluation less any subsequent accumulated depreciation and impairment losses.

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 end of the reporting period.

When an item of property, plant and equipment is revalued, the gross carrying amount is adjusted consistently with the carrying amount. The accumulated depreciation at that date is adjusted to equal the difference between the gross carrying amount and the net revalued carrying amount.

Any increase in an asset's carrying amount, as a result of a revaluation, is recognised in other comprehensive income and accumulated in the revaluation surplus in equity. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. Any remaining decrease in excess of such credit is recognised in surplus or deficit in the current year.

The revaluation surplus related to a specific item of property, plant and equipment is transferred directly to accumulated surplus when the asset is derecognised.



Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the Council.

Land is not depreciated.

The useful lives of items of property, plant and equipment have been assessed as follows:

The depreciation charge for each period is recognised

Item	Depreciation method	Average useful life
Buildings	Straight line	50
Motor vehicles	Straight line	5
Office equipment	Straight line	5
Furnitures & fixtures	Straight line	5
IT equipment	Straight line	3
Containers	Straight line	5

in surplus or deficit unless it is included in the carrying amount of another asset.

Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Where major components of an item of property, plant and equipment have significantly different patterns of consumption of economic benefits, the cost of the asset is allocated to the components and they are depreciated separately over each component's useful life.

When indicators are present that the useful lives and residual values of items of property, plant and equipment have changed since the most recent annual reporting date, they are reassessed. Any changes are accounted for prospectively as a change in accounting estimate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in deficit or when the item is derecognised.

### 1.3 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are initially recognised at cost and subsequently at cost less accumulated amortisation and accumulated impairment losses.

Research and development costs are recognised as an expense in the period incurred. Amortisation is provided to write down the intangible assets, on a straight-line basis, as follows:

### 1.4 Inventories

Inventories are measured at the lower of cost and estimated selling price less costs to complete and sell, on the first-in, first-out (FIFO) basis.

### 1.5 Trade and receivables

Trade and receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimate irrecoverable

amounts are recognised in the surplus or deficit when there is objective evidence that the asset is impaired.

### 1.6 Trade and other payables

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

Item	Average useful life
Computer Software	3

### 1.7 Industry trust accounts

The provisions of the agreement made and entered into by the Parties to the Council, promulgated under Government notice 15 January 1971 sub clause of Holiday Pay Bonus, Leave Pay and Sick Fund Pay Fund made the following provisions on the administration of benefits trust funds.

All the money paid into any of the benefit funds referred to in clause 24 must be deposited in a special bank account to be operated for and in the name of that benefit fund.

Income earned on invested money accrues to the Council.

Any money in a benefit fund that it is not required for immediate use may be invested by the Council from time to time in terms of Section 53 (5) of the Act.

Any contribution paid to a benefit fund which is not claimed or otherwise legally disposed of within five years

of receipt of that contribution will be forfeited to the forfeiture liability of the contribution concerned.

### 1.8 Unclaimed Benefit Liability

Contributions not claimed or otherwise disposed of within five years after the date of receipt were forfeited to the general funds of the NBCRFLI in terms of the Main Collective Agreement. This policy was changed as of 1 March 2006 to transfer such receipts forfeited to forfeitures liability account in this fund and will be applied prospectively.

### 1.9 Financial Instruments

#### Initial measurement

Financial instruments are initially measured at the transaction price (including transaction costs except in the initial measurement of financial assets and liabilities that are measured at fair value through surplus or deficit) unless the arrangement constitutes, in effect, a financing transaction in which case it is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

#### Financial Instruments at amortised cost

These include other financial assets, cash and cash equivalents, industry trust liability, unclaimed benefit liability, trade receivables and trade payables. At each reporting date, the carrying amounts of assets held in this category are reviewed to determine whether there is any objective evidence of impairment. If there is objective evidence, the recoverable amount is estimated and compared with the carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount. An impairment loss is recognised in surplus or deficit.

### 1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the lessee. All other leases are operating leases.

#### Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term unless:

- another systematic basis is representative of the time pattern of the benefit from the leased asset, even if the payments are not on that basis, or
- the payments are structured to increase in line with expected general inflation (based on published indexes or statistics) to compensate for the lessor's expected inflationary cost increases.

Any contingent rents are expensed in the period in which they incurred.

### 1.11 Impairment of assets

The Council assesses at each reporting date whether there is any indication that property, plant and equipment or intangible assets may be impaired.

If there is any such indication, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in surplus or deficit.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets)

is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset (or group of assets) in prior years. A reversal of impairment is recognised immediately in surplus or deficit.

### 1.12 Provisions

Provisions are recognised when the Council has an obligation at the reporting date as a result of a past event, it is probable that the Council will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are not recognised for future operating losses.

### 1.13 Employee benefits

#### Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as leave pay and sick leave, bonuses, and non-monetary benefits such as medical aid), are recognised in the period in which the service is rendered and are not discounted.

#### Defined contribution plans

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

### 1.14 Revenue

Revenue is recognised, to the extent that the Council has rendered services under an agreement, provided the amount of revenue can be measured reliably and it is probable that economic benefits associated with the transaction will flow to the Council. Revenue is measured at the fair value of the consideration received or receivable.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

#### **1.15 Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits, other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to a significant risk of changes in value. These are initially recognised at fair value and subsequently at amortised cost.

#### **1.16 Other financial assets**

These financial assets are initially recognised at fair value plus direct transaction costs, and subsequently measured at amortised cost using effective interest rate method.



# NOTES TO THE FINANCIAL STATEMENTS

## 2. Property, plant and equipment

Figures in Rand	2019			2018		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Land and Buildings	31,234,573	-	31,234,573	30,600,000	-	30,600,000
Furniture and fixtures	14,775,788	(11,832,762)	2,943,026	15,176,671	(12,821,669)	2,355,002
Motor vehicles	4,534,366	(2,672,163)	1,862,203	4,004,692	(1,946,830)	2,057,862
Office equipment	4,282,407	(3,449,415)	832,992	3,944,256	(3,540,810)	403,446
IT equipment	19,160,101	(14,698,566)	4,461,535	17,658,554	(13,117,543)	4,541,011
Containers	2,347,669	(1,669,255)	678,414	2,347,669	(1,318,018)	1,029,651
<b>Total</b>	<b>76,334,904</b>	<b>(34,322,161)</b>	<b>42,012,743</b>	<b>73,731,842</b>	<b>(32,744,870)</b>	<b>40,986,972</b>

### Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Depreciation	Closing balance
Land and Buildings	30,600,000	634,573	-	-	31,234,573
Furniture and fixtures	2,355,002	1,543,005	-	(954,981)	2,943,026
Motor vehicles	2,057,862	529,694	-	(725,353)	1,862,203
Office equipment	403,446	804,335	-	(374,789)	832,992
IT equipment	4,541,011	3,141,667	(64,104)	(3,157,039)	4,461,535
Containers	1,029,651	-	-	(351,237)	678,414
<b>Total</b>	<b>40,986,972</b>	<b>6,653,274</b>	<b>(64,104)</b>	<b>(5,563,399)</b>	<b>42,012,743</b>

# NOTES TO THE FINANCIAL STATEMENTS

## Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Revaluations	Depreciation	Closing balance
Land and Buildings	26,000,000	-	-	4,600,000	-	30,600,000
Furniture and fixtures	2,483,632	750,343	-	-	(878,973)	2,355,002
Motor vehicles	2,171,707	566,730	-	-	(680,575)	2,057,862
Office equipment	589,498	300,210	-	-	(486,262)	403,446
IT equipment	5,055,441	2,172,827	(113,302)	-	(2,573,955)	4,541,011
Containers	1,380,894	-	-	-	(351,243)	1,029,651
<b>Total</b>	<b>37,681,172</b>	<b>3,790,110</b>	<b>(113,302)</b>	<b>4,600,000</b>	<b>(4,971,008)</b>	<b>40,986,972</b>

## Revaluations

The Council's land and buildings are stated at revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and accumulated impairment losses. Revaluations are performed every three years and in intervening years if the carrying amount of the land and buildings differs materially from their fair value. There was no revaluation of the land and buildings for the period ended 28 February 2019 (The previous revaluation was performed as at 28 February 2018). The revaluation on the land and buildings was performed by an independent valuer, Mr. Grant Fraser, who is not related to the Council. The valuation stated was on the basis that the properties would be sold on the assumption of vacant possession.

The carrying value of the revalued assets are as follows:

Erf 2915 Johannesburg 31 De Korte Street Braamfontein	13,400,000	13,400,000
Erf 2914 Johannesburg 29 De Korte Street Braamfontein	11,000,000	11,000,000
Erf 7498 Parrow 141 Voortrekker Road Parrow	6,834,573	6,200,000
	<b>31,234,573</b>	<b>30,600,000</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 3. Intangible assets

Figures in Rand	2019			2018		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	24,750,719	(18,125,507)	6,625,212	24,155,686	(17,014,067)	7,141,619
<b>Reconciliation of tangible assets - 2019</b>						
			Opening balance	Additions	Amortisation	Total
Computer software			7,141,619	1,025,383	(1,541,790)	6,625,212
<b>Reconciliation of tangible assets - 2018</b>						
			Opening balance	Additions	Amortisation	Total
Computer software			7,039,430	1,842,777	(1,740,588)	7,141,619

# NOTES TO THE FINANCIAL STATEMENTS

Figures in Rand	2019	2018
<b>4. Other financial assets</b>		
<b>At amortised cost</b>		
Wellness Fund Investment	15,870,952	-
Main Council Investment	477,178,870	334,434,898
Holiday Pay Fund Investment	406,786,394	387,541,800
Leave Fund Investment	636,454,126	469,197,169
Sick Fund Investment	869,254,018	719,386,599
	<b>2,405,554,360</b>	<b>1,910,550,466</b>

The investments are held at a variety of financial institutions. These investments bear interest between 7% and 7.89%. (2018:7% and 8.02% per annum.)

<b>Current assets</b>	<b>2,405,554,360</b>	<b>1,910,560,466</b>
At amortised cost		
<b>5. Trade and other receivables</b>		
Deposits-Utilities and Rentals		
Sundry Debtors	574, 402	395,188
Accrued Income and PAYE SARS payment	21,075	2,202,587
Current Accounts-Main and Wellness	7,519,445	1,439,012
Prepaid Expenses	6,682	26,858
	<b>173,606</b>	<b>140,462</b>
	<b>8,295,210</b>	<b>4,204,107</b>

# NOTES TO THE FINANCIAL STATEMENTS

Figures in Rand	2019	2018
<b>6. Inventories</b>		
Inventory	113,620	141,978
<b>7. Cash and cash equivalents</b>		
Cash and cash equivalents consist of.		
Bank balances	79,977,181	330,253,491
Petty cash	39,873	45,317
	<b>80,017,054</b>	<b>330,298,808</b>
<b>8. Revaluation</b>		
Opening balance	8,494,136	3,894,136
Gains on revaluations of land and building	-	4,600,000
	<b>8,494,136</b>	<b>8,494,136</b>
<b>9. Trade and other payables</b>		
Trade payables	32,490,552	24,797,652
Vat VDP	3,228,743	2,015,481
Leave pay accrual	4,007,997	2,815,828
Industry Trade Unions and Subscription fees	1,122,201	-
Trust account	5,810,050	5,115,084
	<b>46,659,543</b>	<b>34,744,045</b>

# NOTES TO THE FINANCIAL STATEMENTS

Figures in Rand	2019	2018
<b>9. Trade and other payables (continued)</b>		
Trust account relates to the enforcement cases by the industry employees against the employer. The funds paid by the employer after the award by the Commissioner and settlement between Council and the employer regarding the enforcement cases are allocated to the trust account.		
<b>10. Industry trust and unclaimed benefit liability</b>		
<b>At amortised Cost</b>		
Balance for the year	1,947,161,423	1,781,513,746
	<b>1,947,161,423</b>	<b>1,781,513,746</b>
<b>Movements during the year</b>		
<b>Contribution received</b>		
Holiday Pay Fund	977,643,557	887,464,000
Leave Pay Fund	723,197,135	654,417,567
Sick Leave Fund	539,233,950	492,305,509
	<b>2,240,074,642</b>	<b>2,034,187,076</b>
<b>Payout for the year</b>		
Holiday Pay Fund	(945,467,291)	(863,351,981)
Leave Pay Fund	(652,298,988)	(611,452,884)
Sick Leave Fund	(476,660,686)	(450,632,695)
	<b>2,074,426,965</b>	<b>1,925,437,560</b>
<b>Current liabilities</b>		
At amortised cost	1,947,161,423	1,781,513,746

# NOTES TO THE FINANCIAL STATEMENTS

Figures in Rand	2019	2018		
11. Provisions - 2019				
<b>Reconciliation of provisions - 2019</b>				
	Opening balance	Additions	Utilised during year	Total
Incentive Bonus	13,646,217	15,911,985	(13,646,217)	15,911,985
<b>Reconciliation of provisions - 2018</b>				
	Opening balance	Additions	Utilised during year	Total
Incentive Bonus	11,330,145	13,646,217	(11,330,145)	13,646,217
<b>12. Revenue</b>				
Interest Received		208,609,938	197,066,567	
Wellness Fund Contribution		236,153,236	217,660,543	
Levies Received		97,542,190	87,922,110	
		<b>542,305,364</b>	<b>502,649,220</b>	

# NOTES TO THE FINANCIAL STATEMENTS

Figures in Rand	2019	2018
<b>13. Other Income</b>		
CCMA Subsidy Income	1,430,570	993,860
Legal Fees Recovered	42,079	13,876
Services Seta Income	32,994	273,275
Rental Income	406,615	395,362
Sheriff Fees Legal Arbitration	31,229	79,788
Income Arbitration Costs	1,963,723	1,750,458
Sundry Income-Wellness	167,374	-
Profit on Sale of Fixed Assets	2,854	107,570
Income - Arbitrations Penalties	1,720,916	1,736,993
	<b>5,798,354</b>	<b>5,351,182</b>

## 14. Operating expenses

Operating Expenses for the year is stated after accounting for the following:

Amortisation on intangible assets	1,541,790	1,740,588
Depreciation on property, plant and equipment	5,563,381	4,971,008
Employee costs	133,844,926	112,434,553
Pension Fund Contribution	4,436,510	3,732,385

## 15. Taxation

No provision has been made for taxation as the fund is currently exempt from income taxation in terms of section 10(1)cA)(l) of the Income Tax (Confirmed on 17 February 2003).

# NOTES TO THE FINANCIAL STATEMENTS

Figures in Rand	2019	2018
<b>16. Auditor's remuneration</b>		
Audit Fees	772,397	816,687
<b>17. Cash generated from operations</b>		
Profit before taxation	69,455,306	85,412,249
<b>Adjustments for:</b>		
Depreciation and amortisation	7,105,171	6,711,596
Loss on scrapping of assets	49,585	-
Profit on sale of assets	(2,854)	-
Movements in provisions	2,265,768	2,316,072
<b>Changes in working capital:</b>		
Inventories	28,358	(45,167)
Trade and other receivables	(4,091,103)	(352,843)
Trade and other payables	11,915,498	836,024
	<b>86,725,729</b>	<b>94,877,931</b>

# NOTES TO THE FINANCIAL STATEMENTS

Figures in Rand

	2019	2018
<b>18. Commitments</b>		
<b>Operating leases - as lessee (expense)</b>		
Minimum lease payments due		
- within one year	3,017,873	3,864,806
- in second to fifth year inclusive	6,296,556	1,036,534
	<b>9,314,429</b>	<b>4,901,340</b>

Operating lease payments represent rentals payable by the Council for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

## 19. Key Executive Management Remuneration

2019	Remuneration	Total
Executive Management and Council Members Remuneration	17,173,002	17,173,002
2018	Remuneration	Total
Executive Management and Council Members Remuneration	15,389,069	15,389,069

Key executive management personnel include 24 Council members who serve on Council board and various sub committees, 7 senior managers and the National Secretary who is the head of Council administration. The remuneration of senior managers was not disclosed in 2018, therefore has been restated.

# NOTES TO THE FINANCIAL STATEMENTS

## 20. Categories of financial instruments

		Notes	2019		2018		
			Financial assets at amortised cost	Financial liabilities at amortised cost	Leases	Equity and non financial assets and liabilities	Total
<b>Assets</b>							
Non-Current Assets							
Property, plant and equipment	2		-	-	-	42,012,742	42,012,743
Intangible assets	3		-	-	-	6,625,212	6,625,212
			-	-	-	<b>48,637,955</b>	<b>48,637,955</b>
<b>Assets</b>							
Current Assets							
Inventories	6		-	-	-	113,620	113,620
Other financial assets	4		2,405,554,360	-	-	-	2,405,554,360
Trade and other receivables	5		8,121,604	-	-	173,606	8,295,210
Cash and cash equivalents	7		80,017,054	-	-	-	80,017,054
			<b>2,493,693,018</b>	-	-	<b>287,226</b>	<b>2,493,980,224</b>
<b>Total Assets</b>			<b>2,493,693,018</b>	-	-	<b>48,925,181</b>	<b>2,542,618,199</b>
<b>Equity and Liabilities</b>							
<b>Equity</b>							
Reserves			-	-	-	8,494,136	8,494,136
Accumulated surplus			-	-	-	524,391,112	524,391,112
			-	-	-	<b>532,885,248</b>	<b>532,885,248</b>
<b>Total Assets</b>			<b>-</b>	<b>-</b>	<b>-</b>	<b>532,885,248</b>	<b>532,885,248</b>

## Current Liabilities

# NOTES TO THE FINANCIAL STATEMENTS

## 20. Categories of financial instruments (continued)

	Notes	2019		Leases	2018		Total
		Financial assets at amortised cost	Financial liabilities at amortised cost		Equity and non financial assets and liabilities		
Industry trust and Unclaimed benefit liability	10	-	1,947,161,423	-	-	1,947,161,423	
Trade and other payables	9	-	43,430,800	-	3,228,743	46,659,543	
Provisions	11	-	-	-	15,911,985	15,911,985	
<b>Total Liabilities</b>		-	1,990,592,223	-	<b>19,140,728</b>	<b>2,009,732,951</b>	
<b>Total Equity and Liabilities</b>		-	1,990,592,223	-	<b>19,140,728</b>	<b>2,009,732,951</b>	
		-	1,990,592,223	-	<b>552,025,976</b>	<b>2,542,618,199</b>	

## Categories of financial instruments - 2018

### Assets

#### Non-Current Assets

Property, plant and equipment	2	-	-	-	40,986,972	40,986,972
Intangible assets	3	-	-	-	7,141,619	7,141,619
		-	-	-	<b>48,128,591</b>	<b>48,128,591</b>

#### Current Assets

Inventories	6	-	-	-	141,978	141,978
Other financial assets	4	1,910,560,466	-	-	-	1,910,560,466
Trade and other receivables	5	4,063,645	-	-	140,462	4,204,107
Cash and cash equivalents	7	330,298,808	-	-	-	330,298,808
<b>Total Assets</b>		<b>2,244,922,919</b>	-	-	<b>282,440</b>	<b>2,245,205,359</b>
		<b>2,244,922,919</b>	-	-	<b>48,411,031</b>	<b>2,293,333,950</b>

### Equity and Liabilities

#### Equity

# NOTES TO THE FINANCIAL STATEMENTS

## 20. Categories of financial instruments (continued)

	Notes	2019		Leases	2018	
		Financial assets at amortised cost	Financial liabilities at amortised cost		Equity and non financial assets and liabilities	Total
Reserves		-	-	-	8,494,136	8,494,136
Accumulated surplus		-	-	-	454,935,806	454,935,806
<b>Total Equity</b>		-	-	-	<b>463,429,942</b>	<b>463,429,942</b>
Current Liabilities						
Industry trust and Unclaimed benefit liability	10	-	1,781,513,746	-	-	1,781,513,746
Trade and other payables	9	-	32,728,564	-	2,015,481	34,744,045
Provisions	11	-	-	-	13,646,217	13,646,217
		-	<b>1,814,242,310</b>	-	<b>15,661,698</b>	<b>1,829,904,008</b>
<b>Total Liabilities</b>		-	<b>1,814,242,310</b>	-	<b>15,661,698</b>	<b>1,829,904,008</b>
<b>Total Equity and Liabilities</b>		-	<b>1,814,242,310</b>	-	<b>479,091,640</b>	<b>2,293,333,950</b>

## 21. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The Council has reviewed the cash flow forecast and in light of this review and the current financial position, they are satisfied that Council has access to adequate resources to continue in operational existence for the foreseeable future.

## 22. Events after the reporting period

There are no material subsequent events to report on.

# DETAILED INCOME STATEMENT

Figures in Rand	Note(s)	2019	2018
<b>4. Other financial assets</b>			
<b>Revenue</b>			
Interest Received		208,609,938	197,066,567
Wellness Fund Contribution		236,153,236	217,660,543
Levies Received		97,542,190	87,922,110
	12	<b>542,305,364</b>	<b>502,649,220</b>
<b>Other Income</b>			
CCMA Subsidy Income		1,430,570	993,860
Legal fees recovered		42,079	13,876
Services Seta Income		32,994	273,275
Rental Income		406,615	395,362
Sheriff fees arbitration		31,229	79,788
Income arbitration costs		1,963,723	1,750,458
Sundry Income		167,374	-
Profit on sale of assets		2,854	107,570
Income - arbitration penalties		1,720,916	1,736,993
		<b>5,798,354</b>	<b>5,351,182</b>
<b>Expenses (Refer to note 15)</b>		<b>(478,648,412)</b>	<b>(422,588,153)</b>
<b>Surplus for the year</b>		<b>69,455,306</b>	<b>85,412,249</b>
Other comprehensive Income (revaluation of land and buildings		-	4,600,000
Surplus for the year		<b>69,455,306</b>	<b>90,012,249</b>
<b>Operating expenses</b>			
Advertising		(6,092,993)	(8,635,762)
Non-Reclaimable Vat		(1,215,690)	-
Auditors remuneration		(772,397)	(816,687)
Bad debts written off		(138,971)	-
Bank charges		(2,453,765)	(2,168,302)
Computer Hardware, Leasing and Software Maintenance		(27,545,547)	(21,225,847)

	Note(s)	2019	2018
Consulting and professional fees		(4,603,191)	(4,238,541)
Depreciation, amortisation and impairments		(7,105,171)	(6,711,596)
Employee costs		(133,844,926)	(112,434,553)
Attendance fees		(3,929,304)	(3,338,839)
Pay card		(6,971)	(324,059)
Trucking Wellness Funding		(14,989,546)	(12,168,768)
Arbitration expense		(21,781,984)	(19,396,569)
Bursary expense		(970,778)	(547,919)
Equipment hire		(3,549,303)	(3,068,225)
Exemption body expense		(689,576)	(847,445)
Lease rentals		(4,833,081)	(3,864,806)
Loss on scrapped assets		(49,585)	(27,784)
Penalties and interest		(511)	(114)
Treatment program costs		(28,650,091)	(30,377,378)
Beneficiary verification		(86,505)	(19,363)
Insurance		(1,100,313)	(1,001,002)
Legal expenses		(3,963,874)	(2,926,227)
Medical expenses		(184,126,906)	(167,075,640)
Motor vehicle expenses		(1,533,995)	(1,760,661)
Management fee - Wellness		(581,889)	(530,100)
Negotiation Paradigm		(5,457,232)	-
Postage		(645,417)	(469,129)
Printing and stationery		802,806	(2,061,571)
Seminars		(203,323)	(250,920)
Meeting expenses		(582,597)	(682,769)
Repairs and maintenance		(4,076,559)	(2,851,817)
Security		(2,240,800)	(2,072,195)
Chairman allowance		(19,076)	(56,259)
Staff welfare		(1,872,050)	(1,691,776)
Utilities		(3,722,956)	(3,396,837)
Telephone and fax		(2,414,864)	(2,062,520)
Staff Training		(821,249)	(1,107,351)
Training - Councillors		(78,502)	(138,599)
Travel - local		(2,090,963)	(1,637,863)
Travel - Councillors		(608,767)	(602,360)
		<b>(478,648,412)</b>	<b>(422,588,153)</b>

## Council Responsibilities and Approval

The Council members are required to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the Council as at the end of the financial year and the results of its operations and cash flows for the period then ended.

The financial statements are prepared in accordance with the International Financial Reporting Standards for Small and Medium sized Entities and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates. The external auditor is engaged to express an independent opinion on the financial statements.

The Council members acknowledge that they are ultimately responsible for the system of internal financial control established by the Council and place considerable importance on maintaining a strong control environment. To enable the Council members 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 Council and all employees are required to maintain the highest ethical standards in ensuring the Council's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Council is on identifying, assessing, managing, and monitoring all known forms of

risk across the Council. 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 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 Council's cash flow forecast and, in the light of this review and the current financial position, they are satisfied that the Council has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditor is responsible for independently auditing and reporting on the Council's financial statements. The financial statements have been examined by the Council's external auditor. The financial statements which have been prepared on the going concern basis, were approved by the Council members on July 25, 2019 and were signed on its behalf by:



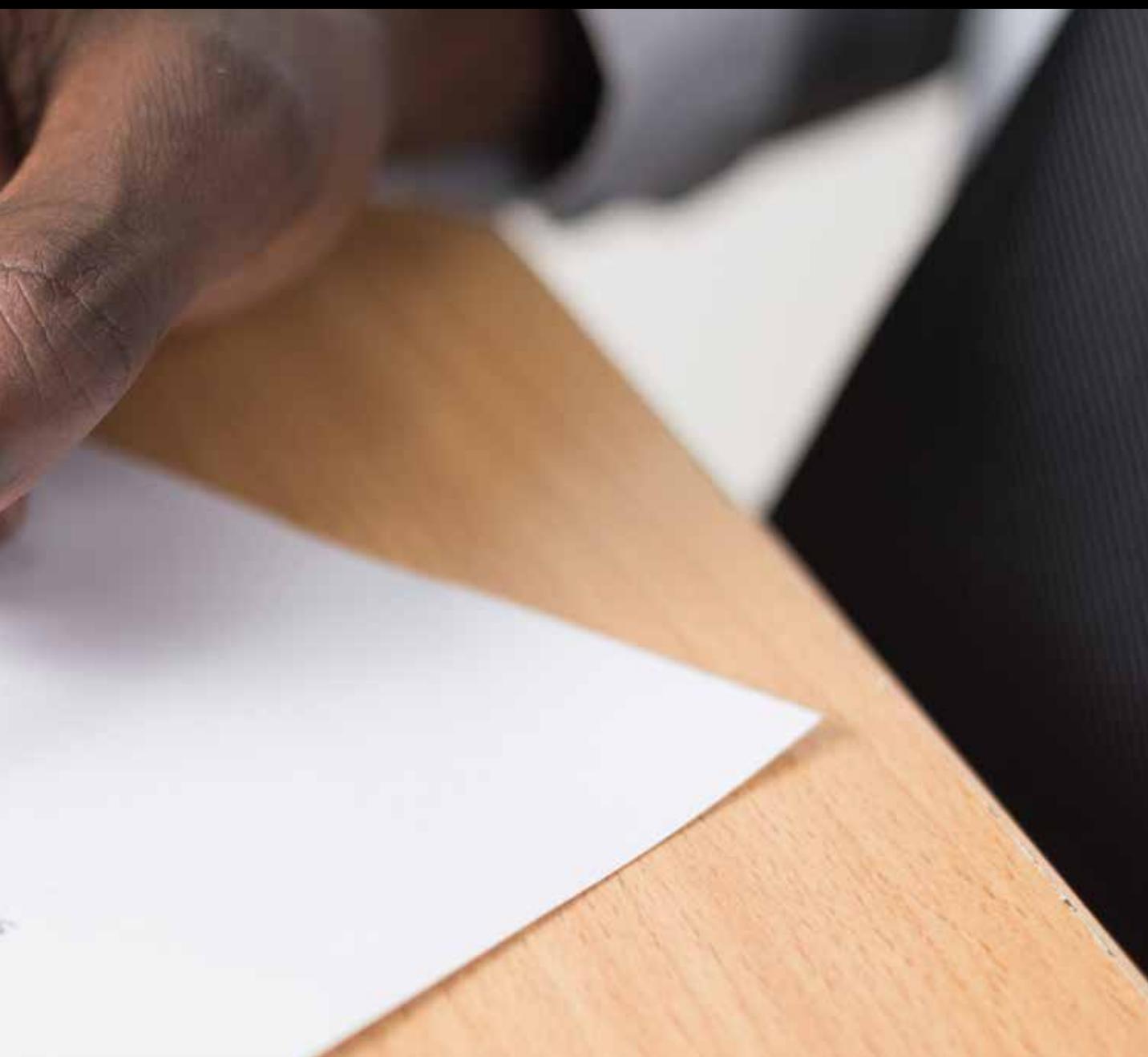

Mr Musawenkosi Ndlovu  
National Secretary

Mr Fred Meier  
Chairperson

***The financial statements are prepared in accordance with the International Financial Reporting Standards for Small and Medium sized Entities***

# **Signed** *Independent* **Audit Report**





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*Report of the  
Independent Auditors  
to the Members of the  
National Bargaining  
Council for the Road  
Freight and Logistics  
Industry*

”

## Independent Auditor's Report

### Opinion

We have audited the financial statements of National Bargaining Council for Road Freight and Logistic Industry which comprise the statement of financial position as at 28 February 2019, and the statement of comprehensive income, statement of changes in funds and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of National Bargaining Council for Road Freight and Logistics Industry as at 28 February 2019, and its financial performance and cash flows for the year then ended.

In accordance with International Financial Reporting Standards for Small and Medium-sized Entities and the requirements of section 29(15) (a) of the Labour Relations Act of 1995.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the ***Auditor's Responsibilities for the Audit of the Financial Statements*** section of our report. We are independent of the Council in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' ***Code of Professional Conduct for Registered Auditors*** (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' ***Code of Professional Conduct for Registered Auditors*** (Revised November 2018) (with the IRBA Codes) and other independence

requirements applicable to performing audits of financial statements in South Africa.

We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa.

The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' ***Code of Ethics for Professional Accountants*** and the International Ethics Standards Board for Accountants' ***International Code of Ethics for Professional Accountants (including International Independence Standards)*** respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Information

The Council members are responsible for the other information, which includes the Detailed Income Statement. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the information obtained prior to the date of this auditor's

report, we conclude that there is a material misstatement of this information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Council Members for the Financial Statements

The Council members are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards for Small and Medium-sized Entities and the requirements of section 29(15) (a) of the Labour Relations Act of 1995, and for such internal control as the council board determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Council members are responsible for assessing the council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council members either intend to liquidate the council or to cease operations, or have no realistic alternative but to do so.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a

material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Council.
- Conclude on the appropriateness of the Council's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Council's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are

required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Council to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Council members regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Nexia SAB&T

Nexia SAB&T  
Per: A Darmalingam  
Director  
Registered Auditor

***We have fulfilled  
our ethical  
responsibilities,  
as applicable, in  
accordance with the  
IRBA Codes and in  
accordance with other  
ethical requirements  
applicable to  
performing audits in  
South Africa***



**NBCRF LI**

National Bargaining Council for the Road Freight and Logistics Industry

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