

ANNUAL REPORT 2020



NBCRFLI

National Bargaining Council for the Road Freight and Logistics Industry

Your Road Freight Partner.

AUDITED FINANCIAL **STATEMENTS**

FOR THE YEAR ENDED 29 FEBRUARY 2020



COUNCIL RESPONSIBILITIES & 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, in conformity with the International Financial Reporting Standard for Small and Medium-sized Entities. The external auditor is engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with the International Financial Reporting Standard 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 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 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. As part of monitoring the impact of Covid-19, Council established the Crisis Management Committee for continuous monitoring of events around and resulting from Covid-19. The committee comprises representatives of Parties to Council who are mostly Exco members. In order to assist the employers and employees in the Road Freight Industry in minimising the negative impact of Covid-19, Council entered into the memorandum of understanding with the Unemployment Insurance Fund in order to assist with the process of facilitating payments for Temporary Employer-Employee Relief Scheme (TERS). Council also introduced the process of applying for advance leave from the trust fund administered by Council. The two processes assisted in maintaining stability for the industry and minimised the negative impact for the jobs in the Road Freight and Logistics Industry. The closure of companies in the Road Freight and Logistics Industry has been assessed at this stage and full assessment of this will be done in due course. We anticipate the drop in revenue due to reduced interest rates and drop in the contributions level. However, this is anticipated to only reduce future surplus and not create a deficit for the 2021 financial year. Our revised forecast still indicate that Council will be able to raise sufficient revenue to meet the expenditure requirements for the 2021 financial year. Council has a build-up reserves of over R628m to cushion against the negative impact on its liquidity and cash flow position. The financial statements have been examined by the Council's external auditor and their report is presented on pages 97 to 98.

The financial statements set out on pages 74 to 92 which have been prepared on the going concern basis, were approved by the Council members on 25 August 2020 and were signed on its behalf by:



Mr Musawenkosi Ndlovu
National Secretary



Mr Jack Mazibuko
Chairperson

STATEMENT OF FINANCIAL POSITION

AS AT 29 FEBRUARY 2020

FIGURES IN RAND	NOTE(S)	2020	2019
Assets			
Non-Current Assets			
Property, plant and equipment	2	40,834,254	42,012,743
Intangible assets	3	3,140,723	6,625,212
Other financial assets	4	2,612,753,969	2,405,554,360
		2,656,728,946	2,454,192,315

Current assets			
Inventories	6	163,883	113,620
Trade and other receivables	5	13,545,789	8,295,210
Cash and cash equivalents	7	90,364,603	80,017,054
		104,074,275	88,425,884
Total Assets		2,760,803,221	2,542,618,199

Equity and liabilities			
Equity			
Reserves		8,494,136	8,494,136
Surplus funds		628,336,780	524,391,112
		636,830,916	532,885,248

Current liabilities			
Trade and other payables	9	29,418,212	46,659,543
Industry trust and unclaimed benefit liability	10	2,077,727,978	1,947,161,423
Provisions	11	16,826,115	15,911,985
		2,123,972,305	2,009,732,951
TOTAL EQUITY AND LIABILITIES		2,760,803,221	2,542,618,199

STATEMENT OF COMPREHENSIVE INCOME

FIGURES IN RAND	NOTE(S)	2020	2019
Revenue	12	604,250,917	542,305,364
Other income	13	7,025,925	5,798,354
Operating expenses	14	(507,331,174)	(478,648,412)
Surplus for the year		103,945,668	69,485,306
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		103,945,668	69,455,306

STATEMENT OF CHANGES IN FUNDS

FIGURES IN RAND	REVALUATION RESERVE	ACCUMULATED SURPLUS	TOTAL FUNDS
Balance at 1 March 2018	8,494,136	454,935,806	463,429,942
Surplus for the year	-	69,455,306	69,455,306
Total comprehensive income for the year	-	69,455,306	69,455,306
Balance at 1 March 2019	8,494,136	524,391,112	532,885,248
Surplus for the year	-	103,945,668	103,945,668
Total comprehensive income for the year	-	103,945,668	103,945,668
Balance at 29 February 2020	8,494,136	628,336,780	636,830,916

STATEMENT OF CASH FLOWS

FIGURES IN RAND	NOTE(S)	2020	2019
Cash flows from operating activities			
Cash generated from operations	17	94,057,339	86,725,729
Cash flows to investing activities			
Purchase of property, plant and equipment	2	(5,069,722)	(6,653,274)
Proceeds from disposal of assets	2	202,859	17,373
Purchase of intangible assets	3	(2,209,871)	(1,025,383)
Inflow of other financial assets	4	6,244,880,509	3,944,965,107
Outflow of other financial assets	4	(6,452,080,118)	(4,439,959,001)
Net cash outflow from investing activities		(214,276,343)	(502,655,178)
Cash flows from financing activities			
Inflow of industry trust liability	10	2,490,702,656	2,240,074,661
Outflow of industry trust liability	10	(2,360,136,103)	(2,074,426,965)
Net cash inflow from financing activities		130,566,553	165,647,695
Total cash movement for the year		10,347,549	(250,281,754)
Cash at the beginning of the year		80,017,054	330,298,808
TOTAL CASH AT END OF THE YEAR	7	90,364,603	80,017,054

ACCOUNTING POLICIES

General information

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 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 Parties to Council is called the Collective Agreement. The Agreement is applicable and binding to 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 the Labour Relations Act 1995, been extended to non-parties in the Industry by the Minister of Employment and 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 Standard 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 Rand.

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 of 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:

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

The depreciation charge for each period is recognised 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 the 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:

Item	Useful life
Computer software	3

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.

1.7 Industry trust accounts

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

All the money paid into any of the benefits 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 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 off within 5 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, and an impairment loss is recognised immediately 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 they are 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 transactions costs, and subsequently measured at amortised cost using the effective interest rate method.

NOTES TO THE FINANCIAL STATEMENTS

FIGURES IN RAND	2020			2019		
Property, plant and equipment						
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Land	12,000,000	-	12,000,000	31,234,573	-	31,234,573
Buildings	19,863,436	-	19,863,436	-	-	-
Furniture and fixtures	6,940,347	(4,202,858)	2,737,489	14,775,788	(11,832,762)	2,943,026
Motor vehicles	3,979,776	(2,913,529)	1,066,247	4,534,366	(2,672,163)	1,862,203
Office equipment	1,938,386	(802,230)	1,136,156	4,282,407	(3,449,415)	832,992
IT equipment	7,452,144	(3,748,387)	3,703,757	19,160,101	(14,698,566)	4,461,535
Containers	1,660,809	(1,333,640)	327,169	2,347,669	(1,669,255)	678,414
TOTAL	53,834,898	(13,000,644)	40,834,254	76,334,904	(34,322,161)	42,012,743

Reconciliation of property, plant and equipment - 2020							
	Opening balance	Additions	Disposals	Transfers from land	Transfers to buildings	Depreciation	Closing balance
Land	31,234,573	-	-	(19,234,573)	-	-	12,000,000
Buildings	-	628,863	-	-	19,234,573	-	19,863,436
Furniture and fixtures	2,943,026	1,350,364	-	-	-	(1,555,901)	2,737,489
Motor vehicles	1,862,203	-	-	-	-	(795,956)	1,066,247
Office equipment	832,992	719,611	(572)	-	-	(415,875)	1,136,156
IT equipment	4,461,535	2,370,884	(10,857)	-	-	(3,117,805)	3,703,757
Containers	678,414	-	-	-	-	(351,237)	327,169
TOTAL	42,012,743	5,069,722	(11,429)	(19,234,573)	19,234,573	(6,236,774)	40,834,254

Reconciliation of property, plant and equipment - 2019					
	Opening balance	Additions	Disposals	Depreciation	Closing balance
Land	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
TOTAL	40,986,972	6,653,274	(64,104)	(5,563,399)	42,012,743

FIGURES IN RAND	2020			2019		
Property, plant and equipment (continued)						
Movement in assets	Furniture and fixtures	Motor vehicles	IT equipment	Intangible assets	Office equipment	Total
Cost 2019	14,775,788	4,534,366	19,160,101	24,750,719	4,282,407	67,503,381
Retired/ impaired	(9,185,805)	(554,590)	(14,067,984)	(22,137,840)	(3,063,060)	(49,009,279)
Additions	1,350,364	-	2,370,884	2,209,871	719,611	6,650,730
Disposal	-	-	(10,857)	-	(572)	(11,429)
Cost 2020	6,940,347	3,979,776	7,452,144	4,822,750	1,938,386	25,133,403
COST PER AFS	6,940,347	3,979,776	7,452,144	4,822,750	1,938,386	25,133,403

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 3 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 29 February 2020 (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	7,463,436	6,834,573
	31,863,436	31,234,573

Details of properties at cost

Erf 2914 29 De Korte Street, Johannesburg		
- Purchase price and date: 2003	10,752,259	10,752,259
Erf 2915 31 De Korte Street, Johannesburg		
- Purchase price and date: 1984	12,863,529	12,863,529
Erf 7498 Parrow 141 Voortrekker Road		
- Purchase price and date : 2010	6,618,785	6,618,785

FIGURES IN RAND	2020			2019		
3. Intangible assets						
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	4,822,750	(1,682,027)	3,140,723	24,750,719	(18,125,507)	6,625,212

Reconciliation of intangible assets - 2020

		Opening balance	Additions	Amortisation	Impairment of assets	Total
Computer software		6,625,212	2,209,871	(1,060,620)	(4,633,740)	3,140,723

Reconciliation of intangible assets - 2019

			Opening balance	Additions	Amortisation	Total
Computer software			7,141,619	1,025,383	(1,541,790)	6,625,212

FIGURES IN RAND	2020	2019
4. Other financial assets		
At amortised cost		
Wellness Fund Investment	17,040,943	15,870,952
Main Council Investment	516,521,795	477,178,870
Holiday Pay Fund Investment	456,645,547	406,786,394
Leave Fund Investment	713,315,639	636,464,126
Sick Fund Investment	909,230,045	869,254,018
	2,612,753,969	2,405,554,360
The investments are held at a variety of financial institutions. These investments bear interest between 7% and 7.92% (2019: 7% and 7.89% per annum.)		
Opening Balance	2,405,554,360	1,910,560,466
Inflow - interest accrued and investments made during the year	6,452,080,118	4,439,959,001
Outflow - investments matured during the year	(6,244,880,509)	(3,944,965,107)
	2,612,753,969	2,405,554,360
5. Trade and other receivables		
Deposits - utilities and rentals	580,782	574,402
Sundry debtors	257,532	21,075
Accrued income - SARS and trade unions	12,587,883	7,519,445
Current accounts - Main and Wellness	-	6,682
Prepaid expenses	119,592	173,606
	13,545,789	8,295,210
6. Inventories		
Inventory	163,883	113,620
7. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Bank balances	90,329,024	79,977,181
Petty cash	35,579	39,873
	90,364,603	80,017,054

FIGURES IN RAND	2020	2019
8. Revaluation		
Opening balance	8,494,136	8,494,136
9. Trade and other payables		
Trade payables	18,745,375	32,490,552
Vat VDP	-	3,228,743
Industry trade union and subscription fees	644,045	1,122,201
Leave pay accrual	4,033,520	4,007,997
Trust account	5,995,272	5,810,050
	29,418,212	46,659,543
Trust account relate 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.		
Included in the trade payables is an amount of R454 419 which relates to intercompany transactions between Main Council and Section 21 from 2018 to 2020. Section 21 was established in 2018.		
10. Industry trust and unclaimed benefit liability		
At amortised Cost		
Balance for the year	2,077,727,977	1,947,161,423
	2,077,727,977	1,947,161,423
Movements during the year contribution received		
Holiday Pay Fund	1,085,821,017	977,643,557
Leave Pay Fund	802,037,227	723,197,135
Sick Pay Fund	602,844,412	539,233,950
	2,490,702,656	2,240,074,642
Payout for the year		
Holiday Pay Fund	(1,067,487,629)	(945,467,291)
Leave Pay Fund	(727,269,906)	(652,298,988)
Sick Pay Fund	(565,378,568)	(476,660,686)
	(2,360,136,103)	(2,074,426,965)
Current liabilities		
At amortised cost	2,077,727,978	1,947,161,423

11. Provisions				
Reconciliation of provisions - 2020				
	Opening balance	Additions	Utilised during the year	Total
Incentive bonus	15,911,985	16,826,115	(15,911,985)	16,826,115

Reconciliation of intangible assets - 2019					
		Opening balance	Additions	Utilised during the year	Total
Incentive bonus		13,646,217	15,911,985	(13,646,145)	15,911,985

FIGURES IN RAND	2020	2019
12. Revenue		
Interest received	233,521,232	208,609,938
Wellness Fund contribution	261,668,166	236,153,236
Levies received	109,061,519	97,542,190
	604,250,917	542,305,364
13. Other income		
CCMA subsidy income	957,096	1,430,570
Legal fees recovered	454,648	42,079
Services SETA income	286,056	32,994
Rental income	365,166	406,615
Sheriff fees legal arbitration	21,107	31,229
Income arbitration costs	2,084,996	1,963,723
Sundry income - Wellness	-	167,374
Profit on sale of fixed assets	202,859	2,854
Income - arbitrations penalties	2,653,997	1,720,916
	7,025,925	5,798,354
14. Operating expenses		
Operating expenses for the year are stated after accounting for the following:		
Amortisation on intangible assets	5,694,361	1,541,790
Depreciation on property, plant and equipment	6,236,783	5,563,381
Employee costs	143,709,093	133,844,926
Pension fund contribution	5,302,179	4,436,510

FIGURES IN RAND	2020	2019
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 Act (Confirmed on 17 February 2003).		
16. Auditor's remuneration		
Audit fees	930,170	772,397
17. Cash generated from operations		
Profit before taxation	103,945,668	69,455,306
Adjustments for:		
Depreciation and amortisation	11,931,144	7,105,171
Loss on scrapping of assets	11,427	49,585
Profit on sale of assets	(202,859)	(2,854)
Movements in provisions	914,130	2,265,768
Changes in working capital:		
Inventories	(50,263)	28,358
Trade and other receivables	(5,250,577)	(4,091,103)
Trade and other payables	(17,241,331)	11,915,498
	94,057,339	86,725,729
18. Commitments		
Operating leases – as lessee (expense)		
Minimum lease payments due		
- within one year	3,378,358	3,017,873
- in second to fifth year inclusive	5,602,600	6,296,556
	8,980,958	9,314,429
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 2020		
	Remuneration	Total
Executive Management and Council Members Remuneration	17,992,837	17,992,837
Key Executive Management Remuneration 2019		
	Remuneration	Total
Executive Management and Council Members Remuneration	17,173,002	17,173,002
Key executive management personnel include 24 Council members who serve on the Council board and various sub committees, 7 Senior Managers and the National Secretary who is the head of Council Administration.		

20. Categories of financial instruments						
	Note(s)	Financial assets at amortised cost	Financial liabilities at amortised cost	Leases	Equity and non financial assets and liabilities	Total
Categories of financial instruments - 2020						
Assets						
Non-current assets						
Property, plant and equipment	2	-	-	-	40,834,254	40,834,254
Intangible assets	3	-	-	-	3,140,723	3,140,723
		-	-	-	43,974,977	43,974,977
Current assets						
Inventories	6	-	-	-	163,883	163,883
Other financial assets	4	2,612,753,969	-	-	-	2,612,753,969
Trade and other receivables	5	13,545,789	-	-	-	13,545,789
Cash and cash equivalents	7	90,364,603	-	-	-	90,364,603
		2,716,664,361	-	-	163,883	2,716,828,244
Total assets		2,716,664,361	-	-	44,138,860	2,760,803,221
Equity and liabilities						
Equity		-	-	-	8,494,136	8,494,136
Reserves		-	-	-	628,336,780	628,336,780
Accumulated surplus		-	-	-	636,830,916	636,830,916
		-	-	-	636,830,916	636,830,916
Total equity					636,830,916	636,830,916
Current liabilities						
Industry trust and Unclaimed benefit liability	10	-	2,077,727,978	-	-	2,077,727,978
Trade and other payables	9	-	29,418,212	-	-	29,418,212
Provisions	11	-	-	-	16,826,115	16,826,115
		-	2,107,146,190	-	16,826,115	2,123,972,305
Total liabilities		-	2,107,146,190	-	16,826,115	2,123,972,305
Total equity and liabilities		-	2,107,146,190	-	653,657,031	2,760,803,221

20. Categories of financial instruments						
	Note(s)	Financial assets at amortised cost	Financial liabilities at amortised cost	Leases	Equity and non-financial assets and liabilities	Total
Categories of financial instruments - 2019						
Assets						
Non-current assets						
Property, plant and equipment	2	-	-	-	42,012,743	42,012,743
Intangible assets	3	-	-	-	6,625,212	6,625,212
		-	-	-	48,637,955	48,637,955
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
		2,493,693,018	-	-	287,226	2,493,980,244
Total assets		2,493,693,018	-	-	48,925,181	2,542,618,199
Equity and liabilities						
Equity						
Reserves		-	-	-	8,494,136	8,494,136
Accumulated surplus		-	-	-	524,391,112	524,391,112
		-	-	-	532,885,248	532,885,248
Total equity				-	532,885,248	532,885,248
Current 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
		-	1,990,592,223	-	19,140,728	2,009,732,951
Total liabilities		-	1,990,592,223	-	19,140,728	2,009,732,951
Total equity and liabilities		-	1,990,592,223	-	552,025,976	2,542,618,199

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

Council anticipates a drop in revenue due to the Covid-19 impact. The reduced interest rates and drop in the contribution level will have an impact on revenue. However, this is anticipated to only reduce future surplus and not create a deficit for the 2021 financial year. The revised forecast indicates that Council will be able to raise sufficient revenue to meet the expenditure requirements for the 2021 financial year. Council has also built-up reserves of over R628m to cushion against negative impact on its liquidity and cashflow position.

FIGURES IN RAND	Note(s)	2020	2019
Revenue			
Interest received		233,521,232	208,609,938
Wellness fund contribution		261,668,166	236,153,236
Levies received		109,061,519	97,542,190
	12	604,250,917	542,305,364
Other income			
CCMA subsidy income		957,096	1,430,570
Legal fees recovered		454,648	42,079
Services SETA income		286,056	32,994
Rental income		365,166	406,615
Sheriff fees arbitration		21,107	31,229
Income arbitration costs		2,084,996	1,963,723
Sundry income		-	167,374
Profit on sale of assets		202,859	2,854
Income - arbitration penalties		2,653,997	1,720,916
		7,025,925	5,798,354
Expenses		(507,331,174)	(478,648,412)
Surplus for the year		103,945,668	69,455,306

The supplementary information presented does not form part of the financial statements and is unaudited.

DETAILED INCOME STATEMENT			
FIGURES IN RAND	Note(s)	2020	2019
Operating expenses			
Advertising		(6,192,006)	(6,092,993)
Non-reclaimable Vat		(583,811)	(1,215,690)
Auditors remuneration	16	(930,170)	(772,397)
Bad debts written off		-	(138,971)
Bank charges		(2,305,740)	(2,453,765)
Computer hardware, leasing and software maintenance		(25,415,185)	(27,545,547)
Consulting and professional fees		(4,406,360)	(4,603,191)
Depreciation, amortisation and impairments		(11,931,144)	(7,105,171)
Employee costs		(143,709,093)	(133,844,926)
Attendance fees		(3,380,559)	(3,929,304)
Paycard		(185,813)	(6,971)
Trucking Wellness funding		(14,259,906)	(14,989,546)
Arbitration expense		(21,127,494)	(21,781,984)
Bursary expense		(713,580)	(970,778)
Equipment hire		(3,721,731)	(3,549,303)
Exemption body expense		(465,538)	(689,576)
Lease rentals		(4,085,379)	(4,833,081)
Loss on scrapped assets		-	(49,585)
Penalties and interest		-	(511)
Treatment program costs		(30,332,850)	(28,650,091)
Beneficiary verification		(79,935)	(86,505)
Insurance		(982,842)	(1,100,313)
Legal expenses		(4,077,512)	(3,963,874)
Medical expenses		(195,435,877)	(184,126,906)
Motor vehicle expenses		(2,443,463)	(1,533,995)
Management fee - Wellness		(492,780)	(581,889)
Negotiation paradigm		(217,032)	(5,457,232)
Representativity campaign expenses		(1,775,000)	-
Postage		(245,227)	(645,417)
Printing and stationery		(6,330,861)	802,806
Seminars		(1,145,918)	(203,323)
Meeting expenses		(1,011,371)	(582,597)
Repairs and maintenance		(3,537,572)	(4,076,559)
Security		(3,058,605)	(2,240,800)
Chairman's allowance		(33,754)	(19,076)
Staff welfare		(2,480,577)	(1,872,050)
Electricity and water		(4,278,176)	(3,722,956)
Telephone and fax		(2,379,531)	(2,414,864)
Staff training		(1,524,772)	(821,249)
Training - Councillors		-	(78,502)
Travel - local		(1,446,721)	(2,090,963)
Travel - Councillors		(607,289)	(608,767)
		(507,331,174)	(478,648,412)



SIGNED INDEPENDENT **AUDITOR'S REPORT**



We have audited the financial statements of the National Bargaining Council for Road Freight and Logistics Industry set out on pages 75 to 96, which comprise the statement of financial position as at 29 February 2020, and the statement of comprehensive income, statement of changes in equity 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 the National Bargaining Council for Road Freight and Logistics Industry as at 29 February 2020, 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 in the manner required by the provisions of the constitution relating to financial matters and in terms of section 53 (2) (b) of the Labour Relations Act.

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

Responsibilities of the Council 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 53 (2) (b) of the Labour Relations Act, and for such internal control as the Council members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



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



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As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit

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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, design 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: C Chigora

Director

Registered Auditors

21 September 2020



NBCRFLI
National Bargaining Council for the Road Freight and Logistics Industry
Your Road Freight Partner.