

## part 4 – audit report, financial statements

FOR THE YEAR ENDED 31 MARCH 2004

**Nedlac's core activities are funded by government through the Department of Labour's budget. Nedlac is also entitled to receive monies from private and public bodies other than the state.**

### FINANCIAL COMMITTEE

Nedlac's financial affairs are overseen by the Financial Committee, which is composed of representatives of the Nedlac constituencies and is a sub-committee of the Management Committee. This structure meets monthly to ensure that Nedlac's resources are used appropriately in pursuit of the institution's goals.

Operational budgets are prepared annually by the Nedlac secretariat and overseen by the Finance Committee. Budgets are taken to the Management Committee for their recommendation, and to the Executive Council for final approval. Audited financial statements are produced annually, and follow the same route of reporting, before being presented to the Minister of Labour for final approval and submission, with the Annual Report, to Parliament.

### Finance Committee Delegates

#### Government

Chris van der Merwe

#### Labour

Jan Scheepers /Moose Burger

#### Business

Nico Vermeulen

#### Community

Anna-Marie Nutt

## EXECUTIVE COUNCIL'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The preparation, integrity and objectivity of the annual financial statements is the responsibility of the Executive Council.

In order to discharge this responsibility the Executive Council maintains internal accounting and administrative control systems designed to provide reasonable assurance that assets are safeguarded and that transactions are executed and recorded in accordance with the Executive Council's policies and within the framework of South African Statements of Generally Accepted Accounting Practice.

The financial statements which appear on pages 77 to 89 were approved by the Executive Council on 20 August 2004.



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Herbert Mkhize  
Executive director  
Johannesburg  
20 August 2004



## REPORT OF THE INDEPENDENT AUDITORS TO THE EXECUTIVE COMMITTEE OF THE NATIONAL ECONOMIC DEVELOPMENT AND LABOUR COUNCIL

We have audited the annual financial statements of National Economic Development and Labour Council set out on pages 77 to 88 for the year ended 31 March 2004. These financial statements are the responsibility of the Executive Council. Our responsibility is to express an opinion on these financial statements based on our audit.

### SCOPE

We conducted our audit in accordance with statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. The audit was also planned and performed to obtain reasonable assurance that our duties in terms of sections 60 and 61 of the Public Finance Management Act, Act 1 of 1999, as amended, have been complied with. An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements,
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

### AUDIT OPINION

In our opinion, the financial statements fairly present, in all material respects, the financial position of the Council at 31 March 2004 and the results of its operations and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice and in the manner required by the Public Finance Management Act, Act 1 of 1999, as amended.

We have not been asked to report in terms of section 61(1)(b) of the Public Finance Management Act, Act 1 of 1999.

The transactions of the National Economic Development and Labour Council that had come to our attention during our audit were in all material respects in accordance with the mandatory functions of National Economic Development and Labour Council, as determined by law or otherwise.

### SUPPLEMENTARY INFORMATION

The supplementary schedule set out on page 89 does not form part of the annual financial statements and is presented as additional information. We have not audited this schedule and accordingly we do not express an opinion on it.

Gobodo Incorporated  
Johannesburg  
20 August 2004



## BALANCE SHEET

at 31 March 2004

	Notes	2004 R	2003 R
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	2	1 716 586	1 857 308
<b>Current assets</b>			
Accounts receivable		724 331	534 084
Cash and cash equivalents		3 335 474	2 792 463
<b>Total assets</b>		<u>5 776 391</u>	<u>5 183 855</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Accumulated funds		4 621 613	3 128 058
Constituency capacity funds	3	713 696	1 438 097
<b>Current liabilities</b>			
Accounts payable		441 082	617 700
<b>Total equity and liabilities</b>		<u>5 776 391</u>	<u>5 183 855</u>



## INCOME STATEMENT

for the year ended 31 March 2004

	Note	2004 R	2003 R
Grants received		7 673 001	7 366 000
Other income		264 000	172 160
Income		<u>7 937 001</u>	<u>7 538 160</u>
Operating costs		<u>(6 265 355)</u>	<u>(8 047 792)</u>
Operating surplus/(deficit)	5	1 671 646	(509 632)
Investment income		224 748	448 748
Finance costs		<u>(3 060)</u>	<u>-</u>
Surplus/(Deficit)for the year		1 893 334	(60 884)
Funds transferred from (to):		(399 779)	62 064
Community constituency fund		(96 213)	157 950
Labour constituency fund		(278 228)	(293 127)
Business constituency fund		(25 338)	197 241
Net surplus for the year		<u><u>1 493 555</u></u>	<u><u>1 180</u></u>



## STATEMENT OF CHANGES IN FUNDS

for the year ended 31 March 2004

	<b>Accumulated funds</b>
	<b>R</b>
Balance at 01 April 2002	3 126 878
Net surplus for the year	<u>1 180</u>
Balance at 01 April 2003	3 128 058
Net surplus for the year	<u>1 493 555</u>
Balance at 31 March 2004	<u><u>4 621 613</u></u>



## CASH FLOW STATEMENT

for the year ended 31 March 2004

	Notes	2004 R	2003 R
<b>Cash flows from operating activities</b>		1 881 632	1 160 800
Cash generated by operating activities	8.1	1 659 944	712 052
Interest received		224 748	448 748
Interest paid		(3 060)	-
<b>Cash flows from investing activities</b>			
<i>Expenditure to maintain operating capacity</i>			
Property, plant and equipment acquired		(214 441)	(10 327 343)
<b>Cash flows from financing activities</b>			
Constituency capacity fund		(1 124 180)	-
Increase/(decrease) in cash and cash equivalents		543 011	(9 166 543)
Cash and cash equivalents at beginning of the year	8.2	2 792 463	11 959 006
Cash and cash equivalents at end of the year	8.2	3 335 474	2 792 463



## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2004

### 1 Basis of preparation

The financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice. The financial statements are prepared under the historical cost basis and incorporate the following principal accounting policies, which have been consistently applied.

#### 1.1 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Government grants in respect of acquisition of capital assets are set off against the cost of the asset.

#### 1.2 Property, plant and equipment

Fixed assets are depreciated on the straight-line method at rates estimated to write off the cost of each asset to their residual values over their estimated useful lives. The depreciation rates applicable to each category of property, plant and equipment are as follows:

■ Buildings	5 %
■ Furniture and fittings	20 %
■ Office equipment	33.33 %
■ Computer equipment	33.33 %

Land is not depreciated as it is deemed to have an indefinite life.

#### 1.3 Leased assets

Assets acquired under finance leases are capitalised at their cash cost equivalent. Lease payments are allocated between lease finance costs and the capital repayment using the effective interest rate method. Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the period of the leases.



## 2. Property, plant and equipment

	Cost	2004 Accumulated depreciation	Carrying value	Cost	2003 Accumulated depreciation	Carrying value
<i>Owned assets</i>						
Land and buildings	1 087 537	106 187	981 350	1 049 037	52 452	996 585
Furniture and fittings	789 646	326 407	463 239	781 856	168 854	613 002
Office equipment	117 286	29 324	87 962	30 506	13 168	17 338
Computer equipment	445 971	261 936	184 035	364 600	134 217	230 383
	2 440 440	723 854	1 716 586	2 225 999	368 691	1 857 308



The carrying amounts of property, plant and equipment can be reconciled as follows:

	<b>Carrying value at beginning of year</b>	<b>Additions</b>	<b>Depreciation</b>	<b>Carrying value at end of year</b>
2004				
<i>Owned assets</i>				
Land and buildings	996 585	38 500	(53 735)	981 350
Furniture and fittings	613 002	7 790	(157 553)	463 239
Office equipment	17 338	86 780	(16 156)	87 962
Computer equipment	230 383	81 371	(127 719)	184 035
	<u>1 857 308</u>	<u>214 441</u>	<u>(355 163)</u>	<u>1 716 586</u>
		<b>2004</b>		<b>2003</b>
		<b>R</b>		<b>R</b>
Total cost of land and buildings		11 087 537		11 049 037
Less: Grant received		(10 000 000)		(10 000 000)
Net cost of land and buildings		<u>1 087 537</u>		<u>1 049 037</u>



### 3. Constituency capacity funds

	<b>2004</b>	<b>2003</b>
	<b>R</b>	<b>R</b>
<b>3.1. Community constituency</b>		
Balance at beginning of year	9 884	167 834
Movement during year:		
- Grant received	346 356	320 700
- Utilised	(250 143)	(478 650)
Balance at end of year	<u>106 097</u>	<u>9 884</u>
<b>3.2. Labour constituency</b>		
Balance at beginning of year	1 124 180	831 053
Movement during year:		
- Grant received	346 356	320 700
- Transfer	(1 124 180)	-
- Utilised	(68 128)	(27 573)
Balance at end of year	<u>278 228</u>	<u>1 124 180</u>
<b>3.3. Business constituency</b>		
Balance at beginning of year	304 033	501 274
Movement during year:		
- Grant received	173 178	160 350
- Utilised	(147 840)	(357 591)
Balance at end of year	<u>329 371</u>	<u>304 033</u>
<b>Total Constituency Capacity Funds</b>	<u>713 696</u>	<u>1 438 097</u>



#### 4. Government grants

	2004	2003
	R	R
Community constituency	346 356	320 700
Labour constituency	346 356	320 700
Business constituency	173 178	160 350
Operating expenses	6 807 111	6 564 250
	<u>7 673 001</u>	<u>7 366 000</u>



# NEDLAC

## 5. Operating surplus/(deficit)

	<b>2004</b>	<b>2003</b>
	<b>R</b>	<b>R</b>
Operating surplus/(deficit) is stated after:		
Expenditure		
Auditors' remuneration		
- Audit fee	60 000	45 000
Depreciation		
- Property, plant and equipment	355 163	337 498
Lease rentals		
- Equipment	<u>230 999</u>	<u>462 397</u>



## 6. Director's emoluments

	2004 R	2003 R
Emoluments received		
Directors - executive		
P H Dexter (resigned 30 June 2003)		
- Salary	191 791	479 164
Herbert Mkhize (appointed 15 September 2003)		
- Salary	257 292	-
	<u>449 083</u>	<u>479 164</u>

## 7. Taxation

No provision is made for taxation as the Council is exempt from taxation.



# NEDLAC

## 8. Notes to the cash flow statement

### 8.1 Cash generated by operating activities

	<b>2004</b>	<b>2003</b>
	<b>R</b>	<b>R</b>
Net surplus/(deficit)	1 893 334	(60 884)
Adjustments for:		
Depreciation	355 163	337 498
Investment income	(224 748)	(448 748)
Finance costs	3 060	-
	<u>2 026 809</u>	<u>(172 134)</u>
Movements in working capital		
(Increase)/decrease in accounts receivable	(190 247)	734 936
(Decrease)/increase in accounts payable	(176 618)	149 250
	<u>1 659 944</u>	<u>712 052</u>

### 8.2 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks. Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

Cash and cash equivalents	<u>3 335 474</u>	<u>2 792 463</u>
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**Detailed income statement**

	<b>2004</b>	<b>2003</b>
	<b>R</b>	<b>R</b>
<b>Gross revenue</b>		
Grants received	7 673 001	7 366 000
<b>Other income</b>	488 748	620 908
Interest received	224 748	448 748
Rent received	264 000	172 160
<b>Total income</b>	8 161 749	7 986 908
<b>Expenditure</b>	6 268 415	8 047 792
Advertising	179 209	39 137
Auditors' remuneration	60 000	45 000
Bank charges	23 132	26 138
Constituency activities and events	466 681	250 000
Depreciation	355 163	337 498
General expenses	3 246	887
Gifts	280	-
Insurance	49 470	44 031
Interest	3 060	-
Lease rentals	230 999	462 397
Meetings and events	611 726	533 425
Postage	78 750	44 857
Printing and stationery	134 278	48 210
Professional fees	35 581	61 976
Relocation expenses	-	55 513
Repairs and maintenance	213 832	140 738
Research and publications	194 797	493 244
Salaries	2 191 837	3 332 224
Security	20 878	12 052
Subscriptions	23 403	6 439
Telephone and fax	321 561	377 064
Training	29 676	43 557
Travel - local	1 040 856	1 693 405
<b>Surplus/(deficit)</b>	1 893 334	(60 884)

