

**South African Pharmacy Council
Financial Statements
for the year ended 31 December 2010**



**NGUBANE
& CO.**

Chartered Accountants (SA)

South African Pharmacy Council

Financial Statements for the year ended 31 December 2010

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Pharmacy industry regulator
Councillors	Mr OMB Pharasi (President) Ms L Osman (Vice - President) Mr MS Choma (Treasurer) Mr S Ramasala Mr CJ Cawood Mr CB Shabalala Mr DJH Defty Dr JC Gouws Ms ME Sclanders Mr KA Johnson Mr L Moshiga Ms TL Mulovhedzi Mr LF Ambler Ms PB Santho Prof AGS Gous Prof CM Dangor Prof DW Oliver Ms SEN Skweyiya Ms SI Boschmans Ms S Mthiyane Mr MC Joubert Mr HT Mphaka Dr P Naidoo Mr W Jordaan Ms N Makunzi
Registered office	591 Belvedere Street Arcadia Pretoria 0083
Postal address	Private Bag X40040 Arcadia Pretoria 0007
Bankers	Standard Bank of South Africa Limited Investec Bank Limited
Auditors	Ngubane & Company Incorporated Chartered Accountants (S.A.)

South African Pharmacy Council

Financial Statements for the year ended 31 December 2010

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Independent Auditors' Report

To the members of South African Pharmacy Council

We have audited the financial statements of South African Pharmacy Council, which comprise the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the council members' report as set out on pages 6 to 20.

Councillors' Responsibility for the Financial Statements

The Councillors are responsible for the preparation and fair presentation of these financial statements in accordance with the South African Generally Accepted Accounting Practice, and in the manner required by the Pharmacy Act No 53 of 1974. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of South African Pharmacy Council as at 31 December 2010, and its financial performance and its cash flows for the year then ended in accordance with the South African Generally Accepted Accounting Practice, and in the manner required by the Pharmacy Act No 53 of 1974.

Supplementary Information

Without qualifying our opinion, we draw attention to the fact that the supplementary information set out on pages 21 to 22 does not form part of the financial statements and is presented as additional information. We have not audited this information and accordingly do not express an opinion thereon.

Ngubane & Co.

Ngubane & Company Incorporated
Chartered Accountants (S.A.)
Director: Ephraem Sibanda
Registered Auditor
10 May 2011

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South African Pharmacy Council

Financial Statements for the year ended 31 December 2010

Councillors' Responsibilities and Approval

The councillors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and related information. 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 South African Statements of Generally Accepted Accounting Practice. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The councillors 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 councillors to meet these responsibilities, the councillors 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.

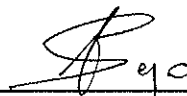
The councillors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss. Nothing has come to the attention of the councillors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The financial statements have been prepared on the going concern basis, since the councillors have every reason to believe that the council has adequate resources in place to continue in operation for the foreseeable future.

The financial statements set out on pages 6 to 22, were approved by the councillors on 10 May 2011 and were signed on their behalf by:



Mr OMB Pharasi (President)



Mr TA Masango (Registrar)



Mr MS Choma (Treasurer)

South African Pharmacy Council

Financial Statements for the year ended 31 December 2010

Councillors' Report

This report presented by the councillors is a constituent of the Pharmacy Council financial statements for the year ended 31 December 2010.

1. Review of activities

Main business and operations

The council is engaged in regulating the pharmacy industry and operates principally in South Africa.

The operating results and state of affairs of the council are fully set out in the attached financial statements and do not in our opinion require any further comment.

2. 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.

3. Events after the reporting period

The councillors are not aware of any matter or circumstance arising since the end of the financial year.

4. Councillors

The Councillors during the year and upto the date of this report were as follows:

	Appointment
Mr MS Choma (Treasurer)	
Mr OMB Pharasi (President)	
Ms L Osman (Vice - President)	
Mr S Ramasala	Member from 20 April 2010
Mr CJ Cawood	
Mr CB Shabalala	
Mr DJH Defty	
Dr JC Gouws	
Ms ME Sclanders	
Mr KA Johnson	
Mr L Moshiga	
Ms TL Mulovhedzi	
Mr LF Ambler	
Ms PB Santho	
Prof AGS Gous	
Prof CM Dangor	
Prof DW Oliver	
Ms SEN Skweyiya	
Ms SI Boschmans	
Ms S Mthiyane	
Mr MC Joubert	
Mr HT Mphaka	
Dr P Naidoo	
Mr W Jordaan	
Ms N Makunzi	

South African Pharmacy Council

Financial Statements for the year ended 31 December 2010

Councillors' Report

5. Audit committee

The audit committee is constituted in terms of the requirements of sound corporate governance practices and operates within that framework. The committee consists of five non-executive members of which two are councillors and three are independent accounting professionals. The committee meets at least three times a year.

The primary responsibility of the committee is to assist the councillors in carrying out their duties relating to the council's accounting policies, internal control systems, financial reporting and practices. The external auditors formally report to the committee on critical findings arising from audit activities.

The committee presently comprises: Major General O Thenga; Mr T Boltman; Ms R Xaba; Mr KA Johnson and Ms L Osman.

6. External Auditors

External auditors of the South African Pharmacy Council are Ngubane & Company Incorporated.

Address:

Building 1
Midrand Business Park
563 Old Pretoria Road
Midrand
1685

South African Pharmacy Council

Financial Statements for the year ended 31 December 2010

Statement of Financial Position

Figures in Rand	Notes	2010	2009
Assets			
Non-Current Assets			
Property and equipment	2	9 571 668	7 362 764
Intangible assets	3	1 304 600	1 075 935
		10 876 268	8 438 699
Current Assets			
Trade and other receivables	5	1 208 874	457 985
Cash and cash equivalents	6	6 653 462	12 912 594
		7 862 336	13 370 579
Total Assets		18 738 604	21 809 278
Reserves and Liabilities			
Reserves			
Retained income		6 048 884	5 865 237
Liabilities			
Non-Current Liabilities			
Finance lease obligation	7	484 977	811 551
Retirement benefit obligation	4	1 092 000	-
		1 576 977	811 551
Current Liabilities			
Finance lease obligation	7	377 169	297 185
Trade and other payables	9	9 922 482	14 085 522
Provisions	8	813 092	749 783
		11 112 743	15 132 490
Total Liabilities		12 689 720	15 944 041
Total Equity and Liabilities		18 738 604	21 809 278

South African Pharmacy Council

Financial Statements for the year ended 31 December 2010

Statement of Comprehensive Income

Figures in Rand	Notes	2010	2009
Revenue	10	31 371 355	26 361 750
Other income	11	145 911	183 609
Operating expenses		(30 620 975)	(27 063 695)
Operating surplus (deficit)	12	896 291	(518 336)
Investment revenue	13	741 588	1 535 437
Finance costs	14	(1 454 232)	(978 912)
Surplus for the year		183 647	38 189
Other comprehensive income		-	-
Total comprehensive income for the year		183 647	38 189

South African Pharmacy Council

Financial Statements for the year ended 31 December 2010

Statement of Changes in Equity

Figures in Rand	Retained income	Total
Balance at 01 January 2009	5 827 048	5 827 048
Changes in equity		
Total comprehensive income for the year	38 189	38 189
Total changes	38 189	38 189
Balance at 01 January 2010	5 865 237	5 865 237
Changes in equity		
Total comprehensive income for the year	183 647	183 647
Total changes	183 647	183 647
Balance at 31 December 2010	6 048 884	6 048 884

South African Pharmacy Council

Financial Statements for the year ended 31 December 2010

Statement of Cash Flows

Figures in Rand	Notes	2010	2009
Cash flows from operating activities			
Cash used in operations	16	(1 585 053)	(194 799)
Interest income		741 588	1 535 437
Finance costs		(1 262 106)	(807 486)
Net cash (outflows) inflows from operating activities		(2 105 571)	533 152
Cash flows from investing activities			
Purchase of property and equipment	2	(3 375 602)	(4 090 997)
Proceeds from disposal of property and equipment		5 494	53 511
Purchase of intangible assets	3	(344 737)	(1 055 025)
Net cash outflows from investing activities		(3 714 845)	(5 092 511)
Cash flows from financing activities			
Finance lease payments		(438 716)	(339 958)
Net decrease in cash and cash equivalents for the year		(6 259 132)	(4 899 317)
Cash and cash equivalents at the beginning of the year		12 912 594	17 811 911
Cash and cash equivalents at end of the year	6	6 653 462	12 912 594

South African Pharmacy Council

Financial Statements for the year ended 31 December 2010

Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the South African Generally Accepted Accounting Practice, and in the manner required by Pharmacy Act No 53 of 1974. The financial statements have been prepared on the historical cost basis, 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

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

Estimated value of employee benefit plan

Assumptions were made in the valuation of the Council's retirement benefit plan. Details of the assumptions and risk factors used are set out in note 4.

Other estimates made

The Council also makes estimates for:

- the calculation of finance lease present values; and
- the determination of useful lives and residual values of items of property and equipment.

Provisions

Provisions were raised and management determined an estimate based on the information available.

Taxation

In terms of section 10(1)(cA)(i) of the Income Tax Act, the Pharmacy Council is exempt from South African Normal Taxation.

1.2 Property and equipment

Property and equipment are tangible items that:

- are held for use in the supply of services; and
- are expected to be used during more than one period.

Costs include costs incurred initially to acquire or construct an item of property 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 and equipment, the carrying amount of the replaced part is derecognised.

Property and equipment is carried at cost less accumulated depreciation and any impairment losses.

Depreciation is provided using the straight-line method to write down the cost, less estimated residual value over the useful life of the property and equipment, which is as follows:

Item	Average useful life
Building	20 years
Furniture and fittings	10 years
Motor vehicle	4 years
Office equipment	5 years
Computer equipment	3 years

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

The carrying value of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recovered. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount. The residual values and useful lives of each asset are reviewed at each financial period.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss in the period.

South African Pharmacy Council

Financial Statements for the year ended 31 December 2010

Accounting Policies

1.3 Intangible assets

Intangible assets are initially recognised at cost.

All research and development costs are recognised as an expense unless they form part of the cost of another asset that meets the recognition criteria.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting period date if there are indicators present that there is a change from the previous estimate.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	2 years

1.4 Financial instruments

Financial instruments at amortised cost

Initial Recognition

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

Trade and other receivables

Trade 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 estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in the statement of comprehensive income.

Trade and other payables

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

Cash and cash equivalent

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

1.5 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases – lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

South African Pharmacy Council

Financial Statements for the year ended 31 December 2010

Accounting Policies

1.6 Employee benefits

Defined contribution plan

Under defined contribution plan the Council's legal or constructive obligation is limited to the amount that it agrees to contribute to the fund. Consequently, the actuarial risk that benefits will be less than expected and the investment risk that assets invested will be insufficient to meet expected benefits is borne by the employee.

Employee and employer contributions to defined contribution plans are recognised as an expense in the year in which incurred.

Defined benefit plan

Under defined benefit plan, the Council has an obligation to provide the agreed benefits to current and former employees. The actuarial and investment risks are borne by the Council. For defined benefit plan, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each reporting date.

The current service cost in respect of defined benefit plan is recognised as an expense in the year to which it relates.

Actuarial gain or losses are all recognised in the statement of comprehensive income immediately as per the choice of the council. The Council chose not to restrict recognition of these gains or losses in terms of the corridor approach.

Past service cost is recognised immediately to the extent that it relates to former employees or to active employees already vested. Otherwise, it is amortised on a straight-line basis over the average period until the amended benefits become vested.

Adjustments relating to retired employees are expensed in the year in which they arise. Deficits arising on this fund, if any, are recognised immediately. The defined benefit obligation recognised in the statement of financial position, if any, represents the present value of the defined benefit obligation as adjusted for unrecognised past service costs (if any) and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to past service cost (if any) plus the present value of available refunds and reductions in future contributions to the plan.

1.7 Provisions and contingencies

Provisions are recognised when:

- the council has an obligation at the reporting period 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.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation. Additional disclosure of these estimates of provisions are included in note 8.

Contingencies are disclosed in note 18.

1.8 Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for services provided in the normal course of business, net of value added tax.

Interest is recognised, in profit or loss, using the effective interest rate method.

South African Pharmacy Council

Financial Statements for the year ended 31 December 2010

Notes to the Financial Statements

Figures in Rand 2010 2009

2. Property and equipment

	2010			2009		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Land	600 000	-	600 000	600 000	-	600 000
Buildings	9 433 336	(3 110 153)	6 323 183	7 028 705	(2 677 428)	4 351 277
Furniture and fittings	1 743 210	(541 851)	1 201 359	1 544 084	(441 876)	1 102 208
Motor vehicles	155 220	(139 220)	16 000	155 220	(123 220)	32 000
Office equipment	2 164 150	(1 283 551)	880 599	1 986 373	(937 909)	1 048 464
Computer equipment	1 495 250	(944 723)	550 527	944 238	(715 423)	228 815
Total	15 591 166	(6 019 498)	9 571 668	12 258 620	(4 895 856)	7 362 764

Reconciliation of property and equipment - 2010

	Opening Balance	Additions	Disposals	Depreciation	Total
Land	600 000	-	-	-	600 000
Buildings	4 351 277	2 404 631	-	(432 725)	6 323 183
Furniture and fittings	1 102 208	242 182	(4 127)	(138 904)	1 201 359
Motor vehicles	32 000	-	-	(16 000)	16 000
Office equipment	1 048 464	177 777	-	(345 642)	880 599
Computer equipment	228 815	551 012	-	(229 300)	550 527
	7 362 764	3 375 602	(4 127)	(1 162 571)	9 571 668

Reconciliation of property and equipment - 2009

	Opening Balance	Additions	Disposals	Depreciation	Total
Land	600 000	-	-	-	600 000
Buildings	1 867 204	2 858 866	(33 679)	(341 114)	4 351 277
Furniture and fittings	266 752	927 107	(5 839)	(85 812)	1 102 208
Motor vehicles	48 000	-	-	(16 000)	32 000
Office equipment	1 211 133	161 529	-	(324 198)	1 048 464
Computer equipment	268 984	143 495	(144)	(183 520)	228 815
	4 262 073	4 090 997	(39 662)	(950 644)	7 362 764

Assets subject to finance lease (Net carrying amount)

Office equipment	576 242	841 140
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Details of properties

Land and building is situated at 591 Belvedere street, Arcadia; Pretoria. The title deed number to the property is Erf 1470 Arcadia, Pretoria in the extent of 1708 sqm.

3. Intangible assets

	2010			2009		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	1 566 724	(262 124)	1 304 600	1 221 987	(146 052)	1 075 935

South African Pharmacy Council

Financial Statements for the year ended 31 December 2010

Notes to the Financial Statements

Figures in Rand 2010 2009

3. Intangible assets (continued)

Reconciliation of intangible assets - 2010

	Opening Balance	Additions	Amortisation	Total
Computer software	1 075 935	344 737	(116 072)	1 304 600

Reconciliation of intangible assets - 2009

	Opening Balance	Additions	Amortisation	Total
Computer software	137 250	1 055 025	(116 340)	1 075 935

4. Retirement benefits

Defined benefit plan

As at 01 July 2010 the structure of the Council pension fund changed from defined benefit plan to defined contribution plan. The rules of the fund states that a member is entitled to a benefit on the defined contribution basis, with a guarantee that it will not be less than the benefit the member was entitled to on the defined benefit basis.

The Council Pension Fund was established on 1 July 1977. The Rules of the fund were revised with effect from 1 July 2010.

Subsequent to the structural change, only one new member joined the Council. Consequently, based on substance over form, the guarantee provision and the fact that only one employee joined materially restricts the reporting of the plan to the bases of defined benefit.

The most recent actuarial valuation of the plan assets and the present value of the defined obligations were carried out on 31 December 2010 by Absa Consultants and Actuaries. The present value of the defined benefit obligation and the related current service costs were measured using the Projected Unit Credit Method.

Carrying value

Present value of the defined benefit obligation wholly funded	(18 427 000)	(13 001 000)
Fair value of plan assets	17 335 000	13 411 000
Asset not recognised	-	(410 000)
	(1 092 000)	-

Reconciliation of opening and closing balances of the defined benefit obligation

Opening balance	-	(312 000)
Contributions by members	(2 489 000)	(2 980 000)
Restriction on assets not recognised	-	410 000
Amounts recognised in the statement of comprehensive income	3 581 000	2 882 000
	1 092 000	-

The components of the statement of comprehensive income pension expense are:

Current service cost	2 027 000	1 851 000
Interest cost	1 261 000	806 000
Actuarial (gains) losses recognised	1 697 000	1 143 000
Expected return on plan assets	(1 404 000)	(918 000)
	3 581 000	2 882 000

The above cost for the year, are included in payroll cost (other operating expenses) and interest expense (note 14) in the statement of comprehensive income.

South African Pharmacy Council

Financial Statements for the year ended 31 December 2010

Notes to the Financial Statements

Figures in Rand 2010 2009

4. Retirement benefits (continued)

Key assumptions used

Assumptions used on last valuation on 31 December 2010.

Discount rates used	8,40 %	9,20 %
Expected rate of return on assets	9,50 %	9,80 %
Expected increase in general inflation	5,50 %	5,80 %
Expected increase in salaries	6,50 %	6,80 %

Assumptions regarding mortality are based on published tables and are consistent with previous statutory valuations.

5. Trade and other receivables

Trade receivables	1 021 260	370 215
Deposits	29 556	29 556
Accrued income	124 917	-
Other receivables - staff loans and advances	33 141	58 214
	1 208 874	457 985

The councillors consider carrying amounts of the trade and other receivables to approximate their fair values.

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	2 724	1 548
Bank balances	3 899 122	7 046 529
Short-term deposits	2 751 616	5 864 517
	6 653 462	12 912 594

The weighted average effective interest rate on short term deposits is 6,31% (2009 : 8,35%).

7. Finance lease obligation

Minimum lease payments due

- within one year	439 456	438 715
- in second to fifth year inclusive	512 698	950 550

	952 154	1 389 265
less: future finance charges	(90 008)	(280 529)

Present value of minimum lease payments	862 146	1 108 736
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Non-current liabilities	484 977	811 551
Current liabilities	377 169	297 185

	862 146	1 108 736
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It is council policy to lease office equipment such as photocopiers under finance leases.

The average lease term is 5 years and the average effective borrowing rate is 9% (2009: 14%).

Interest rates are linked to prime rate. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

South African Pharmacy Council

Financial Statements for the year ended 31 December 2010

Notes to the Financial Statements

Figures in Rand 2010 2009

8. Provisions

Reconciliation of provisions - 2010

	Opening Balance	Additions	Utilised during the year	Total
Provision - leave	749 783	65 705	(2 396)	813 092

Reconciliation of provisions - 2009

	Opening Balance	Additions	Total
Provision - leave	420 215	329 568	749 783

9. Trade and other payables

Trade payables	9 598 624	13 657 173
VAT	66 946	370 701
Accrued expenses	87 112	3 384
Other payables - Department of Health	169 800	54 264
	9 922 482	14 085 522

The councillors consider carrying amounts of the trade and other payables to approximate their fair values.

10. Revenue

Annual and registration fees	28 278 605	24 216 542
Examination fees	37 140	32 837
Other income	3 055 610	2 112 371
	31 371 355	26 361 750

11. Other income

Sponsorships	144 544	169 760
Profit on sale of assets	1 367	13 849
	145 911	183 609

12. Operating surplus

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

Profit on sale of property and equipment	1 367	13 849
Bad debts	-	457 812
Legal expenses	277 609	463 829
Amortisation on intangible assets	116 072	116 340
Depreciation on property, plant and equipment	1 162 569	950 645
Employee costs	19 096 063	14 354 499
Defined contribution funds	3 581 000	315 939
Research and development	36 062	216 079

13. Investment revenue

Interest revenue		
Bank	741 588	1 535 437

South African Pharmacy Council

Financial Statements for the year ended 31 December 2010

Notes to the Financial Statements

Figures in Rand	2010	2009
14. Finance costs		
Finance leases	192 126	171 426
Retirement fund interest cost	1 261 000	806 000
Trade payables	1 106	1 486
	1 454 232	978 912
15. Auditors' remuneration		
Fees	90 000	120 000
16. Cash used in operations		
Profit for the year	183 647	38 189
Adjustments for:		
Depreciation and amortisation	1 278 641	1 066 985
Profit on sale of assets	(1 367)	(13 849)
Interest received	(741 588)	(1 535 437)
Finance costs	1 454 232	978 912
Movements in retirement benefit assets and liabilities	1 092 000	(2 664 061)
Movements in provisions	63 309	(1 270 432)
Changes in working capital:		
Trade and other receivables	(750 889)	564 648
Trade and other payables	(4 163 038)	2 640 246
	(1 585 053)	(194 799)
17. Commitments		
Authorised capital expenditure		
Committed but not contracted for:		
• Property and equipment	1 881 510	-
This authorised expenditure relates to plant and equipment and will be financed by funds internally generated.		
Finance lease – as lessee payments		
Minimum lease payments due		
- within one year	439 456	438 715
- in second to fifth year inclusive	512 698	950 550
	952 154	1 389 265

Finance lease payments represent rentals payable by the council for photocopiers. Leases are negotiated for an average term of five years and rentals are fixed. No contingent rent is payable.

18. Contingencies

Litigation is in the process against the council relating to a dispute with an employee for contravention of the confidentiality clauses. The council's lawyers and management consider the likelihood of the action against the council being successful as unlikely, and the case should be resolved within the next year.

South African Pharmacy Council

Financial Statements for the year ended 31 December 2010

Notes to the Financial Statements

Figures in Rand	2010	2009
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19. Related parties

Relationships

Councillors

Refer to councillors' report note 4

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Council. Key management personnel include the councillors, committee members and the registrar.

Related party transactions

Transactions with councillors

Councillors and Sub-committee member fees	174 659	184 685
Preparation fees	30 069	41 296
Allowances	151 979	201 397
Locum fees	87 911	63 948
Transport expenses	395 540	500 433

20. Events after the reporting period

The financial statements were authorised for issue on 10 May 2011 by the councillors.

21. Financial risk management

The council's activities expose it to a variety of financial risks including interest rate risk, credit risk and liquidity risk. The council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance.

Risk management is carried out by the senior management under finance policies approved by the council members.

Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding from an adequate amount of committed credit facilities. The council manages liquidity risk through the compilation and monitoring of cash forecasts, as well as ensuring that adequate borrowing facilities are maintained. The maturity profile of the council's financial instruments is less than 12 months.

Interest rate risk

The council's interest rate risk arises from the interest payable on finance leases. Interest rate is based on prime.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The council only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

As at 31 December 2010, the carrying values of trade payables, cash and accrued expenses are assumed to approximate their fair values due to the short term maturities of these financial instruments.

South African Pharmacy Council

Financial Statements for the year ended 31 December 2010

Detailed Statement of Comprehensive Income

Figures in Rand	Notes	2010	2009
Revenue			
Annual fees earned and registration fees		31 371 355	26 361 750
Other income			
Sponsorships		144 544	169 760
Interest received	13	741 588	1 535 437
Gains on disposal of assets		1 367	13 849
		887 499	1 719 046
Expenses (Refer to page 22)		(30 620 975)	(27 063 695)
Operating profit	12	1 637 879	1 017 101
Finance costs	14	(1 454 232)	(978 912)
Profit for the year		183 647	38 189

South African Pharmacy Council

Financial Statements for the year ended 31 December 2010

Detailed Statement of Comprehensive Income

Figures in Rand	Notes	2010	2009
Operating expenses			
Actuarial gain(loss)		-	1 660 280
Advertising and promotions		(564 335)	(762 479)
Allowances		(151 979)	(201 397)
Auditors' remuneration	15	(90 000)	(120 000)
Bad debts		-	(457 812)
Bank charges		(291 396)	(330 269)
Committee meeting expenses		(85 649)	(149 652)
Computer expenses		(759 684)	(594 291)
Consumables		(70 154)	(45 128)
Council and Sub-committee member fees		(174 659)	(184 685)
Curriculum development		(449 116)	(479 977)
Depreciation, amortisation and impairments		(1 278 641)	(1 066 985)
Disciplinary fees		(52 719)	(53 465)
Employee costs		(19 037 831)	(16 014 779)
Entertainment		(306)	-
Inspection fees		(1 134 185)	(1 050 509)
Insurance		(105 643)	(146 588)
Legal expenses		(277 609)	(463 829)
Locum fees		(87 911)	(63 948)
Office expenses		(965 159)	(1 280 417)
Pension plan expenses		(58 232)	-
Pharmacy practice and CPD		(689 217)	(672 986)
Postage		(489 468)	(444 282)
Preparation fees		(30 069)	(41 296)
Printing and stationery		(569 587)	(511 189)
Provision for doubtful debts		(1 029 855)	(1 356 246)
Repairs and maintenance		(522 555)	(385 129)
Research and development costs		(36 062)	(216 079)
Security		(137 823)	(130 142)
Subscriptions		(629)	-
Telephone and fax		(454 563)	(402 581)
Training		(188 622)	(68 910)
Transport expenses		(395 540)	(500 433)
Utilities		(441 777)	(396 387)
Vat adjustment		-	(132 105)
		(30 620 975)	(27 063 695)