

South African Pharmacy Council
Financial statements
for the year ended 31 December 2011

South African Pharmacy Council

Financial Statements for the year ended 31 December 2011

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Pharmacy industry regulator
Members	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 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 (JHB) Inc. Chartered Accountants (S.A.)

South African Pharmacy Council

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

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The following supplementary information does not form part of the financial statements and is unaudited:

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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 the South African Statement of Generally Accepted Accounting Practice. The external auditors are engaged to express an independent opinion on the financial statements.

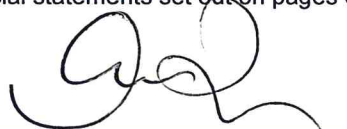
The financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice, requirements of the Pharmacy Act No 53 of 1974 and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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 standard of 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 21, were approved by councillors on 09 May 2012 and were signed on their behalf by:



Mr OMB Pharasi (President)



Mr TA Masango (Registrar)



Mr MS Choma (Treasurer)

Independent Auditors' Report

To the members of the 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 2011, 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 requirements of the Pharmacy Act No 53 of 1974, and for such internal control as the members determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

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 the South African Pharmacy Council as at 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with South African Generally Accepted Accounting Practice and the requirements of the Pharmacy Act No 53 of 1974.

Supplementary Information

Without qualifying our opinion, we draw attention to the fact that supplementary information set out on page 21 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 (JHB) Inc.
Chartered Accountants (S.A)
Director: Ephraem Sibanda
Registered Auditor
09 May 2012
Midrand**

South African Pharmacy Council

Financial Statements for the year ended 31 December 2011

Councillors' Report

This report presented by the councillors is a constituent of the South African Pharmacy Council's financial statements for the year ended 31 December 2011.

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 up to the date of this report were as follows:

Name	Changes
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	Member until 15 March 2012
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 2011

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 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 members during the year were: 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 (JHB) Incorporated.

Address:
Building 01
Midrand Business Park
563 Old Pretoria Road
Midrand
1685

South African Pharmacy Council

Financial Statements for the year ended 31 December 2011

Statement of Financial Position

Figures in Rand	Notes	2011	2010
Assets			
Non-Current Assets			
Property and equipment	2	9 301 322	9 571 668
Intangible assets	3	2 199 927	1 304 600
		11 501 249	10 876 268
Current Assets			
Trade and other receivables	5	3 711 111	1 208 878
Cash and cash equivalents	6	5 740 338	6 653 462
		9 451 449	7 862 340
Total Assets		20 952 698	18 738 608
Reserves and Liabilities			
Reserves			
Retained income		6 285 761	6 048 885
Liabilities			
Non-Current Liabilities			
Finance lease obligation	7	158 254	484 977
Retirement benefit obligation	4	1 947 000	1 092 000
		2 105 254	1 576 977
Current Liabilities			
Finance lease obligation	7	467 878	377 169
Trade and other payables	9	11 212 148	9 922 485
Provisions	8	881 657	813 092
		12 561 683	11 112 746
Total Liabilities		14 666 937	12 689 723
Total Equity and Liabilities		20 952 698	18 738 608

South African Pharmacy Council

Financial Statements for the year ended 31 December 2011

Statement of Comprehensive Income

Figures in Rand	Notes	2011	2010
Revenue	10	35 590 018	31 371 355
Other income	11	1 010 910	145 911
Operating expenses		(35 236 966)	(30 620 975)
Operating profit	12	1 363 962	896 291
Investment revenue	13	448 463	741 588
Finance costs	14	(1 575 549)	(1 454 232)
Profit for the year		236 876	183 647
Other comprehensive income		-	-
Total comprehensive income for the year		236 876	183 647

South African Pharmacy Council

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Statement of Changes in Equity

Figures in Rand	Retained income	Total equity
Balance at 01 January 2010	5 865 238	5 865 238
Changes in equity		
Total comprehensive income for the year	183 647	183 647
Total changes	183 647	183 647
Balance at 01 January 2011	6 048 885	6 048 885
Changes in equity		
Total comprehensive income for the year	236 876	236 876
Total changes	236 876	236 876
Balance at 31 December 2011	6 285 761	6 285 761

South African Pharmacy Council

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Statement of Cash Flows

Figures in Rand	Notes	2011	2010
Cash flows from operating activities			
Cash generated from (used in) operations	16	2 708 354	(1 585 053)
Interest income		448 463	741 588
Finance costs		(1 516 431)	(1 262 106)
Net cash from operating activities		1 640 386	(2 105 571)
Cash flows from investing activities			
Acquisition of property and equipment	2	(1 138 809)	(3 375 602)
Sale of property and equipment	2	6 785	5 494
Development of intangible assets	3	(1 126 354)	(344 737)
Net cash from investing activities		(2 258 378)	(3 714 845)
Cash flows from financing activities			
Finance lease payments		(295 132)	(438 716)
Total cash movement for the year		(913 124)	(6 259 132)
Cash at the beginning of the year		6 653 462	12 912 594
Total cash at end of the year	6	5 740 338	6 653 462

South African Pharmacy Council

Financial Statements for the year ended 31 December 2011

Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the South African Generally Accepted Accounting Practice, and the 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 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 goods or 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
Buildings	20 years
Furniture and fixtures	10 years
Motor vehicles	4 years
Office equipment	5 years
Computer software	3 years

South African Pharmacy Council

Financial Statements for the year ended 31 December 2011

Accounting Policies

1.2 Property and equipment (continued)

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.

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	Average Useful life
Computer software	5 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.

South African Pharmacy Council

Financial Statements for the year ended 31 December 2011

Accounting Policies

1.5 Leases (continued)

Finance leases – lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, 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.

1.6 Employee benefits

Defined contribution plans

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 plans

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 goods and services provided in the normal course of business, net of trade discounts and volume rebates, and 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 2011

Notes to the Financial Statements

Figures in Rand 2011 2010

2. Property and equipment

	2011			2010		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Land	600 000	-	600 000	600 000	-	600 000
Buildings	9 523 923	(3 582 963)	5 940 960	9 433 336	(3 110 153)	6 323 183
Furniture and fixtures	1 807 337	(687 225)	1 120 112	1 743 210	(541 851)	1 201 359
Motor vehicles	155 220	(155 219)	1	155 220	(139 220)	16 000
Office equipment	2 685 010	(1 654 266)	1 030 744	2 164 150	(1 283 551)	880 599
IT equipment	1 709 969	(1 100 464)	609 505	1 495 250	(944 723)	550 527
Total	16 481 459	(7 180 137)	9 301 322	15 591 166	(6 019 498)	9 571 668

Reconciliation of property and equipment - 2011

	Opening balance	Additions	Disposals	Depreciation	Total
Land	600 000	-	-	-	600 000
Buildings	6 323 183	90 587	-	(472 810)	5 940 960
Furniture and fixtures	1 201 359	74 348	(6 121)	(149 474)	1 120 112
Motor vehicles	16 000	-	-	(15 999)	1
Office equipment	880 599	570 540	(18 922)	(401 473)	1 030 744
IT equipment	550 527	403 334	(4 309)	(340 047)	609 505
	9 571 668	1 138 809	(29 352)	(1 379 803)	9 301 322

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 fixtures	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
IT equipment	228 815	551 012	-	(229 300)	550 527
	7 362 764	3 375 602	(4 127)	(1 162 571)	9 571 668

Assets subject to finance lease (Net carrying amount)

Office equipment	461 373	576 242
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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

	2011			2010		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	2 693 077	(493 150)	2 199 927	1 566 724	(262 124)	1 304 600

South African Pharmacy Council

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Notes to the Financial Statements

Figures in Rand 2011 2010

3. Intangible assets (continued)

Reconciliation of intangible assets - 2011

	Opening balance	Additions	Amortisation	Total
Computer software	1 304 600	1 126 354	(231 027)	2 199 927

Reconciliation of intangible assets - 2010

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

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 01 July 2010.

Subsequent to the structural change, only four new members joined the Council. Consequently, based on substance over form, the guarantee provision and the fact that only four employees 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 2011 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	(19 888 000)	(18 427 000)
Fair value of plan assets	17 941 000	17 335 000
	(1 947 000)	(1 092 000)

Reconciliation of opening and closing balances of the defined benefit obligation

Opening balance	1 092 000	-
Contributions by members	(2 538 000)	(2 489 000)
Net expense recognised in profit or loss	3 393 000	3 581 000
	1 947 000	1 092 000

Net expense recognised in profit or loss

Current service cost	2 321 000	2 027 000
Interest cost	1 512 000	1 261 000
Actuarial (gains) losses	1 186 000	1 697 000
Expected return on plan assets	(1 626 000)	(1 404 000)
	3 393 000	3 581 000

The above cost for the year, are included in payroll costs and interest expense in the statement of comprehensive income.

South African Pharmacy Council

Financial Statements for the year ended 31 December 2011

Notes to the Financial Statements

Figures in Rand 2011 2010

4. Retirement benefits (continued)

Key assumptions used

Assumptions used on last valuation on 31 December 2011.

Discount rates used	8,80 %	8,40 %
Expected rate of return on assets	10,40 %	9,50 %
Expected rate of general inflation	6,40 %	5,50 %
Expected increase in salaries	7,40 %	6,50 %

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

5. Trade and other receivables

Trade receivables	3 199 060	1 021 263
Deposits	29 556	29 556
VAT	8 310	-
Accrued income	83 797	158 059
Prepayment: City of Tshwane	390 388	-
	3 711 111	1 208 878

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	1 895	2 724
Bank balances	3 484 425	3 899 122
Short-term deposits	2 254 018	2 751 616
	5 740 338	6 653 462

The weighted average effective interest rate on short term deposits is 7,4% (2010 : 6,31%).

7. Finance lease obligation

Minimum lease payments due

- within one year	516 612	439 456
- in second to fifth year inclusive	169 687	512 698
	686 299	952 154
less: future finance charges	(29 231)	(90 008)
Present value of minimum lease payments	657 068	862 146
Non-current liabilities	158 254	484 977
Current liabilities	467 878	377 169
	626 132	862 146

It is council policy to lease office equipment such as photocopiers under finance leases.

The average lease term is five years and the average effective borrowing rate is 9% (2010: 9%).

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 2011

Notes to the Financial Statements

Figures in Rand 2011 2010

8. Provisions

Reconciliation of provisions - 2011

	Opening balance	Additions	Total
Provision - leave	813 092	68 565	881 657

Reconciliation of provisions - 2010

	Opening balance	Additions	Utilised during the year	Total
Provision - leave	749 776	65 712	(2 396)	813 092

9. Trade and other payables

Trade payables		11 169 755	9 598 626
VAT		-	66 946
Other payables- Department of Health		41 427	169 800
Accrued expenses		966	87 113
		11 212 148	9 922 485

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

10. Revenue

Annual and Registration fees	30 091 959	28 278 605
Examination fees	138 236	37 140
Other revenue	5 359 822	3 055 610
	35 590 017	31 371 355

11. Other income

Sponsorship	343 999	144 544
Profit on sale of assets	22 567	1 367
VAT refund	242 075	-

12. Operating profit

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

Loss (profit) on sale of property and equipment	(22 567)	1 367
Legal expenses	353 946	277 609
Amortisation on intangible assets	231 027	116 072
Depreciation on property and equipment	1 379 803	1 162 569
Employee costs	19 303 287	19 096 063
Research and development	708 128	36 062

13. Investment revenue

Interest revenue		
Bank	448 463	741 588

South African Pharmacy Council

Financial Statements for the year ended 31 December 2011

Notes to the Financial Statements

Figures in Rand	2011	2010
14. Finance costs		
Finance leases	59 118	192 126
Retirement fund interest	1 512 000	1 261 000
Trade payables	4 431	1 106
	1 575 549	1 454 232
15. Auditors' remuneration		
Fees	131 269	90 000
16. Cash used in operations		
Profit before taxation	236 876	183 647
Adjustments for:		
Depreciation and amortisation	1 610 830	1 278 641
(Loss) profit on sale of assets	22 567	(1 367)
Interest received	(448 463)	(741 588)
Finance costs	1 575 549	1 454 232
Movements in retirement benefit assets and liabilities	855 000	1 092 000
Movements in provisions	68 565	63 309
Changes in working capital:		
Trade and other receivables	(2 502 233)	(750 889)
Trade and other payables	1 289 663	(4 163 038)
	2 708 354	(1 585 053)
17. Commitments		
Authorised capital expenditure		
Committed but not contracted		
• Property and equipment	1 941 000	1 881 510
This authorised expenditure relates to property and equipment and will be financed by funds internally generated.		
Finance leases – as lessee payments		
Minimum lease payments due		
- within one year	516 612	439 456
- in second to fifth year inclusive	169 687	512 698
	686 299	952 154

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

18. Contingencies

There were no material contingent liabilities at year end.

South African Pharmacy Council

Financial Statements for the year ended 31 December 2011

Notes to the Financial Statements

Figures in Rand	2011	2010
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19. Related parties

Relationships

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

Transaction with councillors

Councillors and Sub-committee member fees	222 644	174 659
Preparation fees	45 495	30 069
Allowances	160 396	151 979
	428 535	356 707

Purchases from (sales to) related parties

Locum fees	111 659	87 911
Transport fees	605 763	395 540
	717 422	483 451

20. Events after the reporting period

There were no adjusting events after reporting date.

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 2011, 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 2011

Detailed Statement of Comprehensive Income

Figures in Rand	Notes	2011	2010
Revenue			
Annual fees earned and registration fees		35 590 018	31 371 355
Other income			
Sponsorships		1 010 910	144 544
Interest received	13	448 463	741 588
Gains on disposal of assets		-	1 367
		1 459 373	887 499
Operating expenses			
Advertising and promotions		(512 653)	(564 335)
Allowances		(160 396)	(151 979)
Auditors' remuneration	15	(131 269)	(90 000)
Bank charges		(266 601)	(291 396)
Committee meeting expenses		(111 505)	(85 649)
Computer expenses		(1 383 331)	(759 684)
Consumables		(78 004)	(70 154)
Council and Sub-committee member fees		(222 644)	(174 659)
Curriculum development		(870 632)	(449 116)
Depreciation, amortisation and impairments		(1 610 830)	(1 278 641)
Disciplinary fees		(55 870)	(52 719)
Employee costs		(19 303 287)	(19 096 063)
Entertainment		(4 223)	(306)
Inspection fees		(1 307 345)	(1 134 185)
Insurance		(128 252)	(105 643)
Legal expenses		(353 946)	(277 609)
Locum fees		(111 659)	(87 911)
Loss on disposal of assets		(22 567)	-
Office expenses		(1 139 129)	(965 159)
Pharmacy practice and CPD		(705 922)	(689 217)
Postage		(610 480)	(489 468)
Preparation fees		(45 495)	(30 069)
Printing and stationery		(1 052 364)	(569 587)
Provision for doubtful debts		(2 197 881)	(1 029 855)
Repairs and maintenance		(509 084)	(522 555)
Research and development costs		(708 128)	(36 062)
Security		(104 432)	(137 823)
Subscriptions		(440)	(629)
Telephone and fax		(540 489)	(454 563)
Training		(111 772)	(188 622)
Transport expenses		(605 763)	(395 540)
Utilities		(270 573)	(441 777)
		(35 236 966)	(30 620 975)
Operating profit	12	1 812 425	1 637 879
Finance costs	14	(1 575 549)	(1 454 232)
Profit for the year		236 876	183 647