

South African Pharmacy Council
Financial statements
for the year ended 31 December 2012

South African Pharmacy Council

Financial Statements for the year ended 31 December 2012

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 Mr JT Meakings
Registered office	591 Belvedere Street Arcadia Pretoria 0083
Business address	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 and 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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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 International Financial Reporting Standard for Small and Medium-sized Entities. The external auditors are engaged to express an independent opinion on the financial statements.

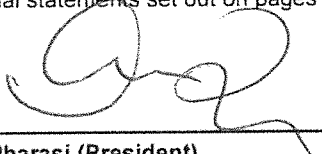
The financial statements are prepared in accordance with International Financial Reporting Standard for Small and Medium-sized Entities, requirements of the Pharmacy Act No 53 of 1974 and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements 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 24, were approved by councillors on 05 June 2013 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 South African Pharmacy Council

We have audited the financial statements of South African Pharmacy Council as set out on pages 8 to 22, which comprise the statement of financial position as at 31 December 2012, and the statement of comprehensive income and statement of cash flows for the year then ended, the notes, comprising a summary of significant accounting policies and other explanatory information.

Councillors' Responsibility for the Financial Statements

The Councillors are responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities, and requirements of the Pharmacy Act No 53 of 1974, and for such internal control as the Councillors 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 South African Pharmacy Council as at 31 December 2012, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities, 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 pages 23 to 24 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.

Other reports required by the Companies Act

As part of our audit of the financial statements for the year ended 31 December 2012, we have read the Councillors Report for the purpose of identifying whether there are material inconsistencies between this report and the audited financial statements. This report is the responsibility of the respective preparer. Based on reading this report we have not identified material inconsistencies between this report and the audited financial statements. However, we have not audited this report and accordingly do not express an opinion on this report.

Ngubane & Co.

Ngubane and Company (JHB) Inc.
Chartered Accountant (S.A)
Director: Ephraem Sibanda
Registered Auditor
Midrand
05 June 2013

South African Pharmacy Council

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Councillors' Report

The Councillors submit their report for the year ended 31 December 2012.

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 that has a material impact on the financial statements.

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	
Mr JT Meakings	Appointed 07 December 2012

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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 professionals with accounting, auditing and legal background. 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: Mr T Boltman; Mr KA Johnson; Ms L Osman; Advocate M Ralefatane and Mr C Kneale.

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

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Statement of Financial Position as at 31 December 2012

Figures in Rand	Notes	2012	2011 Restated
Assets			
Non-Current Assets			
Property and equipment	2	8 598 024	8 839 949
Intangible assets	3	1 902 302	2 199 927
		10 500 326	11 039 876
Current Assets			
Trade and other receivables	5	8 267 067	3 702 801
Cash and cash equivalents	6	7 091 931	5 740 338
		15 358 998	9 443 139
Total Assets		25 859 324	20 483 015
Reserves and Liabilities			
Reserves			
Retained income		4 270 855	6 218 999
Liabilities			
Non-Current Liabilities			
Finance lease obligation	7	116 837	-
Retirement benefit obligation	4	3 422 000	1 947 000
		3 538 837	1 947 000
Current Liabilities			
Finance lease obligation	7	23 876	-
Trade and other payables	9	16 833 727	11 435 359
Provisions	8	1 192 029	881 657
		18 049 632	12 317 016
Total Liabilities		21 588 469	14 264 016
Total Equity and Liabilities		25 859 324	20 483 015

South African Pharmacy Council

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Statement of Comprehensive Income

Figures in Rand	Notes	2012	2011 Restated
Revenue	10	37 847 423	35 590 018
Other income	11	921 123	1 010 910
		38 768 546	36 600 928
Operating expenses		(39 245 902)	(35 297 648)
Operating (loss) surplus	12	(477 356)	1 303 280
Investment revenue	13	392 408	448 463
Finance costs	14	(1 863 196)	(1 516 431)
(Loss) surplus for the year		(1 948 144)	235 312
Other comprehensive income		-	-
Total comprehensive (loss) income for the year		(1 948 144)	235 312

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Statement of Changes in Equity

Figures in Rand	Retained income	Total equity
Opening balance as previously reported	6 048 885	6 048 885
Adjustments		
Prior year adjustments	(65 198)	(65 198)
Balance at 01 January 2011 as restated	5 983 687	5 983 687
Surplus for the year	235 312	235 312
Other comprehensive income	-	-
Total comprehensive income for the year	235 312	235 312
Balance at 01 January 2012	6 218 999	6 218 999
Loss for the year	(1 948 144)	(1 948 144)
Other comprehensive income	-	-
Total comprehensive loss for the year	(1 948 144)	(1 948 144)
Balance at 31 December 2012	4 270 855	4 270 855

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Statement of Cash Flows

Figures in Rand	Notes	2012	2011 Restated
Cash flows from operating activities			
Cash generated from operations	16	4 392 502	1 928 941
Interest income		392 408	448 463
Finance costs		(1 859 559)	(1 516 431)
Net cash from operating activities		2 925 351	860 973
Cash flows from investing activities			
Acquisition of property and equipment	2	(1 077 774)	(654 528)
Sale of property and equipment	2	(275 152)	6 785
Development of intangible assets	3	(357 908)	(1 126 354)
Net cash from investing activities		(1 710 834)	(1 774 097)
Cash flows from financing activities			
Finance lease payments		137 076	-
Total cash movement for the year		1 351 593	(913 124)
Cash at the beginning of the year		5 740 338	6 653 462
Total cash at end of the year	6	7 091 931	5 740 338

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Financial Statements for the year ended 31 December 2012

Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities, and the Pharmacy Act No 53 of 1974. The financial statements have been prepared on the historical cost basis, except for certain financial instruments at fair value, 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, except for the changes set out in note Changes in accounting policy.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make judgements, estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results in the future could differ from these estimates which may be material to the financial statements.

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

1.2 Property and equipment

Property and equipment are tangible items that:

- are held for use in the production or supply of goods or services, for rental to others or for administrative purposes; 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

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.

South African Pharmacy Council

Financial Statements for the year ended 31 December 2012

Accounting Policies

1.3 Intangible assets (continued)

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 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	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 to the lessee. 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 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 expense on the remaining balance of the liability.

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Accounting Policies

1.5 Leases (continued)

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term except in cases where another systematic basis is representative of the time pattern of the benefit from the leased asset, even if the receipt of payments is not on that basis, or where the payments are structured to increase in line with expected general inflation.

1.6 Impairment of assets

The Council assesses at each reporting date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

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 profit or loss.

1.7 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

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In the statement of comprehensive income, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

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.

Accounting Policies

1.8 Provisions and contingencies

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.

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.

1.9 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.

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Notes to the Financial Statements

Figures in Rand 2012 2011
Restated

2. Property and equipment

	2012			2011 Restated		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Land	600 000	-	600 000	600 000	-	600 000
Buildings	9 673 292	(4 065 231)	5 608 061	9 523 923	(3 582 963)	5 940 960
Furniture and fixtures	1 917 961	(815 182)	1 102 779	1 807 337	(687 225)	1 120 112
Motor vehicles	155 220	(155 219)	1	155 220	(155 219)	1
Office equipment	1 458 389	(868 247)	590 142	1 183 163	(613 792)	569 371
IT equipment	1 924 514	(1 227 473)	697 041	1 709 969	(1 100 464)	609 505
Total	15 729 376	(7 131 352)	8 598 024	14 979 612	(6 139 663)	8 839 949

Reconciliation of property and equipment - 2012

	Opening balance	Additions	Disposals	Depreciation	Total
Land	600 000	-	-	-	600 000
Buildings	5 940 960	149 369	-	(482 268)	5 608 061
Furniture and fixtures	1 120 112	148 814	(2 848)	(163 299)	1 102 779
Motor vehicles	1	-	-	-	1
Office equipment	569 371	280 993	(2 600)	(257 622)	590 142
IT equipment	609 505	498 598	-	(411 062)	697 041
	8 839 949	1 077 774	(5 448)	(1 314 251)	8 598 024

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	596 371	86 259	(18 922)	(94 337)	569 371
IT equipment	550 527	403 334	(4 309)	(340 047)	609 505
	9 287 440	654 528	(29 352)	(1 072 667)	8 839 949

Assets subject to finance lease (Net carrying amount)

Office equipment	136 111	-
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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

	2012			2011 Restated		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	3 050 984	(1 148 682)	1 902 302	2 693 077	(493 150)	2 199 927

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Notes to the Financial Statements

Figures in Rand	2012	2011		
3. Intangible assets (continued)				
Reconciliation of intangible assets - 2012				
	Opening balance	Additions	Amortisation	Total
Computer software	2 199 927	357 908	(655 533)	1 902 302
Reconciliation of intangible assets - 2011				
	Opening balance	Additions	Amortisation	Total
Computer software	1 304 600	1 126 354	(231 027)	2 199 927
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.				
The Council is yet to fully fund the defined benefit plan liability that arose before migration to defined contribution plan.				
The most recent actuarial valuation of the plan assets and the present value of the defined obligations were carried out on 31 December 2012 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		(26 095 000)		(19 888 000)
Fair value of plan assets		22 673 000		17 941 000
		(3 422 000)		(1 947 000)
Reconciliation of opening and closing balances of the defined benefit obligation				
Opening balance		1 947 000		1 092 000
Contributions by members and transfer values		(3 542 000)		(2 538 000)
Net expense recognised in profit or loss		5 127 000		3 393 000
		3 532 000		1 947 000
Net expense recognised in profit or loss				
Current service cost		2 758 000		2 321 000
Interest cost		1 841 000		1 512 000
Actuarial (gains) losses		2 541 000		1 186 000
Expected return on plan assets		(2 013 000)		(1 626 000)
		5 127 000		3 393 000

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 2012

Notes to the Financial Statements

Figures in Rand	2012	2011
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4. Retirement benefits (continued)

Key assumptions used

Assumptions used on last valuation on 31 December 2012.

Discount rates used	8,68 %	8,80 %
Expected rate of return on assets	10,60 %	10,40 %
Expected rate of general inflation	5,60 %	6,40 %
Expected increase in salaries	6,60 %	7,40 %

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

5. Trade and other receivables

Trade receivables	8 100 654	3 199 060
Deposits	119 180	29 556
Accrued income	47 233	83 797
Prepayment: City of Tshwane	-	390 388
	8 267 067	3 702 801

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	1 090	1 895
Bank balances	3 926 561	3 484 425
Short-term deposits	3 164 280	2 254 018
	7 091 931	5 740 338

The weighted average effective interest rate on short term deposits is 6.31% (2011 : 7.4%).

7. Finance lease obligation

Minimum lease payments due

- within one year	123 294	-
- in second to fifth year inclusive	25 195	-
	148 489	-
less: future finance charges	(7 776)	-
Present value of minimum lease payments	140 713	-
Non-current liabilities	116 837	-
Current liabilities	23 876	-
	140 713	-

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Notes to the Financial Statements

Figures in Rand	2012	2011
8. Provisions		
Reconciliation of provisions - 2012		
	Opening balance	Additions
Provision - leave	881 657	310 372
		Total 1 192 029
Reconciliation of provisions - 2011		
	Opening balance	Additions
Provision - leave	813 092	68 565
		Total 881 657
9. Trade and other payables		
Trade payables	877 694	1 861 099
VAT	316 004	223 212
Income received in advance - 2013 fees	15 471 710	9 308 655
Other payables- Department of Health	60 291	41 427
Deposits received	108 028	-
Accrued expenses	-	966
	16 833 727	11 435 359
The councillors consider carrying amounts of the trade and other payables to approximate their fair values.		
10. Revenue		
Annual and Registration fees	32 889 690	30 725 744
Examination fees	34 267	138 236
Other revenue	4 923 466	4 726 038
	37 847 423	35 590 018
11. Other income		
Sponsorship	250 175	343 999
VAT refund	670 948	242 075
Prepaid expense	-	424 836
	921 123	1 010 910
12. Operating (loss) surplus		
Operating (loss) surplus for the year is stated after accounting for the following:		
Operating lease charges		
Lease rentals on operating lease - 1		
• Contractual amounts	597 001	399 755
Loss (profit) on sale of property and equipment	(280 600)	(22 567)
Legal expenses	106 404	353 946
Amortisation on intangible assets	655 532	231 027
Depreciation on property and equipment	1 314 251	1 072 667
Employee costs	23 627 982	19 303 287
Research and development	215 387	708 128

South African Pharmacy Council

Financial Statements for the year ended 31 December 2012

Notes to the Financial Statements

Figures in Rand	2012	2011
13. Investment revenue		
Interest revenue		
Bank	392 408	448 463
14. Finance costs		
Finance leases	3 637	-
Retirement fund interest	1 841 000	1 512 000
Trade payables	18 559	4 431
	1 863 196	1 516 431
15. Auditors' remuneration		
Fees	152 952	131 269
16. Cash used in operations		
(Loss) surplus before taxation	(1 948 144)	235 312
Adjustments for:		
Depreciation and amortisation	1 969 783	1 303 694
(Loss) profit on sale of assets	280 600	22 567
Interest received	(392 408)	(448 463)
Finance costs	1 863 196	1 516 431
Movements in retirement benefit assets and liabilities	1 475 000	855 000
Movements in provisions	310 372	68 565
Changes in working capital:		
Trade and other receivables	(4 564 266)	(2 493 923)
Trade and other payables	5 398 369	869 758
	4 392 502	1 928 941
17. Commitments		
Authorised capital expenditure		
Committed but not contracted		
• Property and equipment	2 681 245	1 941 000
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	123 294	-
- in second to fifth year inclusive	25 195	-
	148 489	-
Finance lease payments represent rentals payable by the council for cellphones and tablets. Leases are negotiated for an average term of 2 years and rentals are fixed. No contingent rent is payable.		
Operating leases – as lessee (expense)		
Minimum lease payments due		
- within one year	753 990	67 680
- in second to fifth year inclusive	1 581 261	84 600
	2 335 251	152 280

South African Pharmacy Council
Financial Statements for the year ended 31 December 2012

Notes to the Financial Statements

Figures in Rand	2012	2011
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18. Contingencies

There were no material contingent liabilities at year end.

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 balances and transactions with entities with control, joint control or significant influence over the close corporation

Related party transactions

Transaction with councillors

Councillors and Sub-committee member fees	247 732	222 644
Preparation fees	42 586	45 495
Allowances	163 003	160 396

Purchases from (sales to) related parties

Locum fees	73 686	111 659
Transport fees	672 322	605 763

20. Prior period errors

Leased printing and copying machines were erroneously capitalised as finance lease assets. Prior year financial statements were restated for the correction of the error.

The correction of the error results in adjustments as follows:

Statement of Financial Position

Property and equipment (Finance leased asset)	-	(435 145)
Finance lease Liability	-	474 572
VAT Liability	-	(231 522)
Opening retained earnings	-	65 197

Surplus or Loss

Depreciation expense	-	(307 136)
Rental expense	-	497 323
Interest expense	-	(63 289)

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.

22. Events after the reporting period

There were no adjusting events after reporting date.

South African Pharmacy Council

Financial Statements for the year ended 31 December 2012

Notes to the Financial Statements

Figures in Rand

2012

2011

23. 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 operating 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 2012, 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 2012

Detailed Statement of Comprehensive Income

Figures in Rand	Notes	2012	2011 Restated
Revenue			
Annual fees earned and registration fees		32 889 690	30 725 744
Examination fees		34 267	138 236
Other revenue		4 923 466	4 726 038
	10	37 847 423	35 590 018
Other income	11	921 123	1 010 910
Gross profit		38 768 546	36 600 928
Other income			
Interest received	13	392 408	448 463
Expenses (Refer to page 24)		(39 245 902)	(35 297 648)
Operating (loss) surplus	12	(84 948)	1 751 743
Finance costs	14	(1 863 196)	(1 516 431)
(Loss) surplus for the year		(1 948 144)	235 312
Other comprehensive income		-	-
Total comprehensive (loss) income for the year		(1 948 144)	235 312

South African Pharmacy Council

Financial Statements for the year ended 31 December 2012

Detailed Statement of Comprehensive Income

Figures in Rand	Notes	2012	2011
Operating expenses			
Advertising and promotions		(532 437)	(512 653)
Allowances		(163 003)	(160 396)
Auditors' remuneration	15	(152 952)	(131 269)
Bank charges		(327 067)	(266 601)
Committee meeting expenses		(188 468)	(111 505)
Computer expenses		(1 342 043)	(1 383 331)
Consumables		(87 612)	(78 004)
Council and Sub-committee member fees		(247 732)	(222 644)
Curriculum development		(828 010)	(870 632)
Depreciation, amortisation and impairments		(1 969 783)	(1 303 694)
Disciplinary fees		(87 504)	(55 870)
Employee costs		(23 627 982)	(19 303 287)
Entertainment		(20 507)	(4 223)
Legislation review		(47 368)	-
Inspection fees		(2 478 905)	(1 307 345)
Insurance		(177 577)	(128 252)
Lease rentals on operating lease		(597 001)	(399 755)
Legal expenses		(106 404)	(353 946)
Locum fees		(73 686)	(111 659)
Loss on disposal of assets		(280 600)	(22 567)
Office expenses		(1 057 253)	(1 139 129)
Pharmacy practice and CPD		-	(705 922)
Postage		(330 700)	(610 480)
Preparation fees		(42 586)	(45 495)
Printing and stationery		(403 822)	(1 024 599)
Provision for doubtful debts		(1 464 646)	(2 197 881)
Repairs and maintenance		(598 142)	(509 084)
Research and development costs		(215 387)	(708 128)
Security		(227 953)	(104 432)
Subscriptions		-	(440)
Telephone and fax		(484 130)	(536 317)
Training		(63 068)	(111 772)
Transport expenses		(672 322)	(605 763)
Utilities		(349 252)	(270 573)
		(39 245 902)	(35 297 648)