

**Southern Gauteng Branch of the
Pharmaceutical Society of South Africa
Annual Financial Statements
for the year ended 30 September 2018**

Draft (14-01-2019)

Southern Gauteng Branch of the Pharmaceutical Society of South Africa

Annual Financial Statements for the year ended 30 September 2018

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Non-profit organisation for the representation and protection of the interests of the pharmacists of South Africa
Branch Committee	L Terblanche (Chairman) V Beaumont (Vice-Chairman) J Meakings (Treasurer) D Boyce D Bayever C Cawood T Chicktay P Danckwerts S De Rapper G Köhn F Landman T Maitland-Stuart R Mulibana R Pogir T Rabali Dr S Seoka D Sieff H Stevens
Registered office	52 Glenhove Road Melrose 2196
Business address	52 Glenhove Road Melrose 2196
Postal address	PO Box 2467 Houghton 2041
Bankers	The Standard Bank of South Africa Limited
Auditor	BDO South Africa Incorporated Registered Auditors
Level of assurance	These annual financial statements have been audited in compliance with the applicable requirements of the Constitution of the Society.
Published	_____

Southern Gauteng Branch of the Pharmaceutical Society of South Africa

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Corporate governance report

The maintenance of effective corporate governance is a key priority for the Committee, which considers that the Society has made substantial efforts to comply with the recommendations of the King Committee's Code of Corporate Practices and Conduct.

Adherence to a code of good governance does not necessarily mean that a Society is well governed in practice. A Committee that works well together is a far better determinant of good governance.

Duties of Committee

The Committee is responsible and accountable for the Society's operations. The Committee at 30 September 2018 comprised the Non-executive Chairman and Non-Executive Committee members. The Society has no appointed Executive Committee member. The Non-Executive members bring individual judgement to Committee decisions. The Committee meets at least six times a year. The Committee reserves to itself certain matters but otherwise delegates specific responsibilities to the Society's outsourced management.

The day-to-day responsibility for the management of the Society rests with the general manager of the Southern Gauteng Branch of the Pharmaceutical Society of South Africa ("SGBPSSA").

Internal financial controls

The Committee is responsible for the Society's systems of internal financial control. Although no system of internal financial control can provide absolute assurance against material misstatement or loss, the Society's systems are designed to provide the Committee with reasonable assurance that problems are identified on a timely basis and dealt with appropriately. The Committee has reviewed the effectiveness of the systems of internal financial control for the accounting year and the period to the date of the approval of the accounts. It has considered the major business risks and the control environment.

The Committee is not aware of any material breakdowns in the system of internal financial control during the year.

Key procedures that have been established and are designed to provide effective internal financial control, can be described under the following headings:

1. Management structure

The Society operates through a clearly defined senior management team consisting of a general manager of the Southern Gauteng Branch of the Pharmaceutical Society of South Africa.

2. Financial reporting

There are comprehensive management reporting disciplines which include the preparation of an annual budget. The budgets are reviewed by executive management and subsequently passed to the Committee for approval.

Monthly results are reported against approved budget and prior year actual results.

3. Investment Appraisal

The Society holds investments in its subsidiary companies. The subsidiaries have appointed Investec during the year to manage certain of its capital investments operating within a clearly defined framework including approved budgets and appropriate authorisation levels.

4. Human resources management

The Society attempts to ensure a tight structure of human resources management is in place in its appointed management company.

5. Functional reporting

The Society has identified a number of key areas which are subject to annual or more frequent reporting to the Committee. These include information technology, risk management including insurance, investment appraisals and treasury management.

Southern Gauteng Branch of the Pharmaceutical Society of South Africa

Annual Financial Statements for the year ended 30 September 2018

Corporate governance report

6. Sustainability

The Society continually reviews all aspects of sustainability by ensuring it's investments are performing in line or better than the agreed mandate and that company, namely Pharmaceutical Management Services Proprietary Limited, is meeting the pre-approved budgets and targets.

Additionally the Society is developing a five year strategic plan to realise the capital currently invested in property into both working and investment capital, that way maintaining the future of the organisation sustainability.

7. Going Concern

The Society has achieved a deficit, however the Committee is confident that the Society has adequate resources to continue in operational existence for the foreseeable future. For this reason, the going concern basis has been adopted in preparing the accounts.

8. Statement of Committee's Responsibilities

The Society's Constitution requires the Committee to prepare accounts for each financial year, which fairly present the financial position, the results of operations and cash flow information for the Society.

The Committee is required to:

- Select suitable accounting policies and then to apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Society will continue in business.

The Committee is responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the Society and to enable them to ensure that the financial statements comply with Generally Accepted Accounting Practice. The Committee has the general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

9. Risk management

Effective risk management is integral to the Society's objective of consistently adding value to the business. The focus of risk management is on identifying, assessing, managing and monitoring all forms of risk across the Society. At operational level, the Committee identifies critical major business risks, promotes awareness, introduces applicable control environments and procedures and applies risk-monitoring techniques.

Internal Risk Management - report back

It was reported that the appointed sub-committee had conducted an in depth review of all the internal controls, standard operating procedures, level of risk and the responsible persons in the Branch related to a management risk control chart. This review was conducted in November 2013. The Committee are comfortable with the existing controls and level of risk; however this was a living thing which will continue to be reviewed in the future.

It was noted that the "external risk analysis" has begun but is still to be completed.

10. Code of conduct

The Society's Committee and management are committed to maintaining the highest ethical standards in their dealings with each other and with The Southern Gauteng Branch of the Pharmaceutical Society of South Africa.

Southern Gauteng Branch of the Pharmaceutical Society of South Africa

Annual Financial Statements for the year ended 30 September 2018

Branch Committee's Responsibilities and Approval

The Committee is required in terms of the Constitution of the Society to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the Society 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 Entity specific basis of preparation. The external auditor is engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with Entity specific basis of preparation and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Committee acknowledge that they are ultimately responsible for the system of internal financial control established by the Society and place considerable importance on maintaining a strong control environment. To enable the Committee to meet these responsibilities, the Committee sets 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 Society and all employees are required to maintain the highest ethical standards in ensuring the Society's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Society is on identifying, assessing, managing and monitoring all known forms of risk across the Society. While operating risk cannot be fully eliminated, the Society endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Committee is 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 annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The Committee has reviewed the Society's cash flow forecast for the year from date of approval and, in the light of this review and the current financial position, they are satisfied that the Society has or has access to adequate resources to continue in operational existence for the foreseeable future.

The Branch's external auditor is responsible for independently auditing and reporting on the Society's annual financial statements. The annual financial statements have been examined by the Society's external auditor and the report is presented on pages 7 to 8.

The annual financial statements set out on pages 6 to 17, which have been prepared on the going concern basis, were approved by the Committee on _____ and were signed on its behalf by:

L Terblanche (Chairman)

J Meakings (Treasurer)

Southern Gauteng Branch of the Pharmaceutical Society of South Africa

Annual Financial Statements for the year ended 30 September 2018

Committee's Report

The Committee has pleasure in submitting their report on the annual financial statements of Southern Gauteng Branch of the Pharmaceutical Society of South Africa for the year ended 30 September 2018.

1. Nature of business

Southern Gauteng Branch of the Pharmaceutical Society of South Africa is incorporated in South Africa and is a non-profit organisation for the representation and protection of the interests of the pharmacists of South Africa. The Branch operates in Gauteng South Africa.

There have been no material changes to the nature of the Society's business from the prior year.

2. Review of financial results and activities

The annual financial statements have been prepared in accordance with Generally Accepted Accounting Practice and the requirements of the Constitution of the Society. The accounting policies have been applied consistently compared to the prior year.

Full details of the financial position, results of operations and cash flows of the Society are set out in these annual financial statements.

3. Events after the reporting period

The Committee is not aware of any significant matter or circumstance arising since the end of the financial year, not otherwise dealt with in this report or the annual financial statements, which significantly affect the financial position of the Society or the results of its operations to the date of this report.

4. Branch Committee

The Branch Committee members in office at the date of this report are as follows:

Branch Committee

L Terblanche (Chairman)
V Beaumont (Vice-Chairman)
J Meakings (Treasurer)
D Boyce
D Bayever
C Cawood
T Chicktay
P Danckwerts
S De Rapper
G Köhn
F Landman
T Maitland-Stuart
R Mulibana
R Pogir
T Rabali
Dr S Seoka
D Sieff
H Stevens

5. Auditor

BDO South Africa Incorporated continued in office as auditor for the Society in terms of the Constitution of the Society for 2018.

Independent Auditor's Report

To be inserted by auditor

Auditor to insert

Independent Auditor's Report

Southern Gauteng Branch of the Pharmaceutical Society of South Africa

Annual Financial Statements for the year ended 30 September 2018

Statement of Financial Position as at 30 September 2018

Figures in Rand	Notes	2018	2017
Assets			
Non-Current Assets			
Investments in subsidiaries	2	1 052 440	1 052 440
Current Assets			
Trade and other receivables	3	40 700	-
Cash and cash equivalents	4	234 946	225 137
		275 646	225 137
Total Assets		1 328 086	1 277 577
Equity and Liabilities			
Equity			
Accumulated grant		12 274 915	11 819 648
Accumulated deficit		(10 977 625)	(10 575 889)
		1 297 290	1 243 759
Liabilities			
Current Liabilities			
Other payables	6	30 796	33 818
Total Equity and Liabilities		1 328 086	1 277 577

Southern Gauteng Branch of the Pharmaceutical Society of South Africa

Annual Financial Statements for the year ended 30 September 2018

Statement of Profit or Loss and Other Comprehensive Income

Figures in Rand	Note	2018	2017
Revenue		143 312	82 425
Grant received		455 267	547 487
Operating expenses		(558 382)	(649 135)
Surplus (deficit)		40 197	(19 223)
Investment revenue	7	13 334	12 868
Surplus (deficit) for the year		53 531	(6 355)

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Southern Gauteng Branch of the Pharmaceutical Society of South Africa

Annual Financial Statements for the year ended 30 September 2018

Statement of Changes in Funds and Reserves

Figures in Rand	Accumulated grant	Accumulated deficit	Total equity
Balance at 01 October 2016	11 272 161	(10 022 047)	1 250 114
Total comprehensive deficit for the year	-	(6 355)	(6 355)
Grant received	547 487	(547 487)	-
Total contributions recognised directly in funds and reserves	547 487	(547 487)	-
Balance at 01 October 2017	11 819 648	(10 575 889)	1 243 759
Total comprehensive surplus for the year	-	53 531	53 531
Grant received	455 267	(455 267)	-
Total contributions recognised directly in funds and reserves	455 267	(455 267)	-
Balance at 30 September 2018	12 274 915	(10 977 625)	1 297 290

Note

5

Draft (14-01-2019)

Southern Gauteng Branch of the Pharmaceutical Society of South Africa

Annual Financial Statements for the year ended 30 September 2018

Statement of Cash Flows

Figures in Rand	Notes	2018	2017
Cash flows from operating activities			
Cash generated from (used in) operations	9	(3 525)	(10 291)
Interest income		13 334	12 868
Net cash from operating activities		9 809	2 577
Total cash movement for the year			
Cash at the beginning of the year		225 137	222 560
Total cash at end of the year	4	234 946	225 137

Draft (14-01-2019)

Southern Gauteng Branch of the Pharmaceutical Society of South Africa

Annual Financial Statements for the year ended 30 September 2018

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with Entity specific basis of preparation, and the Constitution of the Society. The annual 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 Investments in subsidiaries

Investments in subsidiaries are carried at cost less any accumulated impairment.

The cost of an investment in a subsidiary is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Society; plus
- any costs directly attributable to the purchase of the subsidiary.

1.2 Financial instruments

Classification

The Society classifies financial assets and financial liabilities into the following categories:

- Loans and receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis.

Initial recognition and measurement

Financial instruments are recognised initially when the Society becomes a party to the contractual provisions of the instruments.

The Society 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.

Financial instruments are measured initially at fair value.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

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.

Southern Gauteng Branch of the Pharmaceutical Society of South Africa

Annual Financial Statements for the year ended 30 September 2018

Accounting Policies

1.2 Financial instruments (continued)

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

Trade and other receivables are classified as loans and receivables.

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.

Trade and other payables are classified as financial liabilities at amortised cost.

Cash

Cash comprises cash on hand and demand deposits. These are initially recorded at fair value and subsequently recorded at amortised cost.

Cash is classified as loans and receivables.

1.3 Revenue

Revenue comprise of:

- sale of museum artifact replicas;
- Golden Mortar subsidy, and advertisement revenue; and
- sponsorship and registration related to the rendering of Continued Professional Development.

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 its operations, net of trade discounts and volume rebates, and value added tax.

Revenue related to sales of museum artifacts is measured at the fair value of the consideration received or receivable.

Golden Mortar sponsorship is a voluntary contribution by a sector of the Branch and the advertising is measured at the consideration received or receivable billed annually

Sponsorship is measured based on the number of attendees at the Continued Professional Development seminars.

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

Dividends are recognised, in profit or loss, when the Society's right to receive payment has been established.

1.4 Surpluses

In terms of the Constitution of the Society, funds and surpluses' may not be distributed unless they are used in the furtherance of the objectives of the Society.

Southern Gauteng Branch of the Pharmaceutical Society of South Africa

Annual Financial Statements for the year ended 30 September 2018

Notes to the Annual Financial Statements

Figures in Rand 2018 2017

2. Investments in subsidiaries

Name of company	% holding 2018	% holding 2017	Carrying amount 2018	Carrying amount 2017
Pharmacy Mutual Proprietary Limited	80.58 %	80.58 %	1 052 430	1 052 430
Pharmaceutical Management Services Proprietary Limited	100.00 %	100.00 %	10	10
			1 052 440	1 052 440

The net asset value of the investments are as follows based on attributed shareholding:

The net asset value of the investments are as follows:

Pharmacy Mutual Proprietary Limited	58 775 445	58 628 587
Pharmaceutical Management Services Proprietary Limited	35 041 539	40 183 688
	93 816 984	98 812 275

3. Trade and other receivables

Trade receivables	40 700	-
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4. Cash and cash equivalents

Bank balances	8 159	11 683
Short-term deposits	226 787	213 454
	234 946	225 137

Credit quality of cash at bank and short term deposits, excluding cash on hand

The Society only banks with reputable credit institutions, therefore credit quality of cash and cash equivalents is assessed as high.

5. Accumulated grant

Grant - Pharmacy Mutual Proprietary Limited	1 086 576	1 086 576
Grant - Monty Rubenstein Bursary	17 315	17 315
Grant - Pharmaceutical Management Services Proprietary Limited	11 171 024	10 715 757
	12 274 915	11 819 648

6. Other payables

Accrual for audit fees	12 200	25 988
Other payables	18 596	7 830
	30 796	33 818

7. Investment revenue

Interest revenue		
Bank	13 334	12 868

8. Taxation

The Society is exempt from normal taxation in terms of section 10(1)(cn) of the Income Tax Act.

Southern Gauteng Branch of the Pharmaceutical Society of South Africa

Annual Financial Statements for the year ended 30 September 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
9. Cash generated from (used in) operations		
Loss before taxation	53 531	(6 355)
Adjustments for:		
Interest received	(13 334)	(12 868)
Changes in working capital:		
Trade and other receivables	(40 700)	-
Other payables	(3 022)	8 932
	(3 525)	(10 291)

10. Related parties

Relationships

Subsidiaries
Pharmaceutical Management Services Proprietary Limited
Pharmacy Mutual Proprietary Limited

Associate of a member of the group
54 Glenhove Proprietary Limited

Related party transactions

Grant awarded from related party

Pharmaceutical Management Services Proprietary Limited 455 267 547 487

11. Going concern

The Committee is confident that the Society has adequate resources to continue in operational existence for the foreseeable future. For this reason, the going concern basis has been adopted in preparing the accounts.

12. Events after the reporting period

The Committee is not aware of any significant matter or circumstance arising since the end of the financial year, not otherwise dealt with in the annual financial statements, which significantly affect the financial position of the Society or the results of its operations to the date of this report.

Southern Gauteng Branch of the Pharmaceutical Society of South Africa

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Detailed Income Statement

Figures in Rand	Note(s)	2018	2017
Revenue			
CPD sponsorship and registration		49 870	20 925
Golden Mortar subsidy and income		48 000	48 000
Museum sponsorship		1 112	12 000
Sale of museum artifact replicas		3 350	1 500
Mini Symposium		40 980	-
		143 312	82 425
Other income			
Grant received		455 267	547 487
Interest received	7	13 334	12 868
		468 601	560 355
Operating expenses			
AGM & Election expenses		7 420	3 164
Annual Conference - Including Recoveries		70 059	67 695
Audit fees		14 580	19 895
Bank charges		2 362	2 405
Branch meetings		18 249	15 101
Chairman honorarium		9 000	9 000
Chairman's dinner		11 645	13 470
Donations - FPE		50 000	50 000
Exco Reps expenses		-	11 513
Farewell Dinner		30 083	-
Fellows dinner		-	16 695
General expenses		-	979
Golden Mortar expenses		78 776	35 616
Insurance		8 325	10 608
Museum curator costs		56 500	145 184
Pharmacy week/health days		37 079	4 560
SMS bundle		25 034	30 681
Secretarial fees		6 946	8 533
Sectors - Hospitality & Institutional (SAAHIP)		2 554	2 754
Strategic planning - NHI		11 002	16 806
Strategic planning - Special Projects		-	29 506
Student awards		15 000	15 000
Student liaison		7 166	19 785
Students ball		-	15 000
Sub committee - CPD		89 790	93 573
Subscriptions - Lexis Nexis		6 598	8 167
Travel - local		214	3 445
		558 382	649 135
Surplus (deficit) for the year		53 531	(6 355)