

NATIONAL CONSUMER COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2012

2. PROPERTY, PLANT AND EQUIPMENT

| Amount R | 2012 | | | 2011 | | |
|------------------------|------------------|---------------------------------|-----------------------|-------------|---------------------------------|-----------------------|
| SUMMARY | Cost | Accumulated Depreciation | Carrying Value | Cost | Accumulated Depreciation | Carrying Value |
| Furniture and fittings | 1,483,459 | 66,728 | 1,416,731 | - | - | - |
| Computer Equipment | 769,806 | 210,394 | 559,412 | - | - | - |
| Leasehold improvement | 2,916,385 | 251,249 | 2,665,137 | - | - | - |
| TOTAL | 5,169,650 | 528,371 | 4,641,280 | - | - | - |

| Reconciliation - 2011 | Opening Balance | Additions | Disposals | Write-off | Depreciation | Closing Balance |
|------------------------------|-----------------|------------------|-----------|--------------|----------------|------------------|
| Furniture and fittings | - | 1,483,459 | - | - | 66,728 | 1,416,731 |
| Computer Equipment | - | 775,306 | - | 4,648 | 211,246 | 559,412 |
| Leasehold improvement | - | 2,916,385 | - | - | 251,249 | 2,665,137 |
| Carrying Value - 2011 | - | 5,175,151 | - | 4,648 | 529,223 | 4,641,280 |

An asset with a cost of R5 499.95 and accumulated depreciation of R851.46 was written off in the current year.

3. INTANGIBLE ASSETS

| Amount R | 2012 | | | 2011 | | |
|-------------------|----------------|---------------------------------|-----------------------|-------------|---------------------------------|-----------------------|
| SUMMARY | Cost | Accumulated Amortisation | Carrying Value | Cost | Accumulated Amortisation | Carrying Value |
| Computer software | 328,831 | 54,495 | 274,336 | - | - | - |
| TOTAL | 328,831 | 54,495 | 274,336 | - | - | - |

| Reconciliation 2011 | Opening Balance | Additions | Disposals | Write-off | Amortisation | Closing Balance |
|------------------------------|-----------------|----------------|-----------|-----------|---------------|-----------------|
| Computer Software | - | 328,831 | - | - | 54,495 | 274,336 |
| Carrying Value - 2011 | - | 328,831 | - | - | 54,495 | 274,336 |

2012
R

4. CASH AND CASH EQUIVALENTS

| | |
|--------------------------------|---------------|
| Bank Balance - Current Account | 71,107 |
| Petty Cash | 294 |
| TOTAL | 71,401 |

Cash and cash equivalents consists of all cash balance of the current account held with Nedbank Limited and the balance of petty cash at year end.

5. Trade and Receivables from exchange transactions

| | |
|-------------------------|----------------|
| Accrued interest income | 6,332 |
| Capital prepayment | 215,937 |
| Other prepayments | 3,850 |
| Rental expense | 514,311 |
| Other receivables | 205,070 |
| TOTAL | 945,500 |

6. Trade and Receivables from non-exchange transaction

| | |
|--------------|---------------|
| Staff debtor | 37,712 |
| TOTAL | 37,712 |

7 RENTAL DEPOSIT

| | |
|--------------|----------------|
| Deposit | 514,311 |
| TOTAL | 514,311 |

Deposits consists of the rental deposit paid as per the lease agreement

8 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

| | |
|-------------------|------------------|
| Accounts Payable | 2,550,344 |
| Accrued expenses | 856,695 |
| Accrued leave pay | 534,075 |
| TOTAL | 3,941,114 |

The NCC Human Resources Policy stipulates that all officials are entitled to take accumulated annual leave days within the first six month period of the next annual leave cycle, failing which those leave days accrued to the official are forfeited.

9 OPERATING LEASE LIABILITY

| | |
|---------------------------|----------------|
| Operating lease liability | 410,405 |
| TOTAL | 410,405 |

10 REVENUE

| | |
|---|-------------------|
| Revenue from non- exchange transactions | 35,354,516 |
| Revenue from exchange transactions | 263,287 |
| TOTAL | 35,617,803 |

10.1 REVENUE FROM NON-EXCHANGE TRANSACTIONS

| | |
|---------------------------|-------------------|
| Transfers Received-Budget | 32,988,000 |
| Transfers Received- other | 1,817,427 |
| Transfer of Assets (DTI) | 549,089 |
| TOTAL | 35,354,516 |

10.2 REVENUE FROM EXCHANGE TRANSACTIONS

| | |
|-----------------|----------------|
| Interest Income | 183,362 |
| Refunds | 79,925 |
| TOTAL | 263,287 |

The other transfer received is from the sweep fund allocated to the NCC to utilise for its setup costs which includes the purchase of office furniture and IT equipment. The sweep fund is also utilised to pay the rentals cost for the first year of operations.

11 EMPLOYEE RELATED COSTS

| | |
|--|-------------------|
| Salaries, bonuses and allowances | 12,508,965 |
| Increase/(Decrease) in Leave Provision | 534,074 |
| Employee Contributions | 484,817 |
| Employer Contributions | 1,630,372 |
| TOTAL | 15,158,228 |

12 PENSION: DEFINED BENEFIT PLAN

NCC contributes to the Government Employees Pension Fund (GEPF) for all employees. Contributions to the pension plan in respect of service in a particular period are included in the employees' total cost of employment and are charged to statement of financial performance in the year to which they relate as part of the cost of employment. The NCC has no legal or constructive obligation in respect of normal retirements to pay further contributions if the GEPF does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

13 DEPRECIATION AND AMORTISATION COSTS

| | |
|-------------------------------|----------------|
| Property, Plant and Equipment | 529,223 |
| Intangible Assets | 54,495 |
| TOTAL | 583,718 |

14 TAXATION

The NCC is exempt from Income Tax in terms of section 10(1) (cA) of the Income Tax Act.

15 COMMITMENTS**Operating lease commitments**

At the statement of financial position date the NCC had outstanding commitments which relates to office building and Photocopiers and which falls due as follows:

| | Office Building | Photocopying Machines | Total |
|--|-------------------|--------------------------|-------------------|
| Due within one year | 7,143,696 | 194,820 | 7,338,516 |
| Due between one and five years | 30,270,168 | 366,387 | 30,636,555 |
| Total minimum future operating lease payments | 37,413,864 | 561,207 | 37,975,071 |

The NCC rents building under operating lease for a period of five years with a renewal option. The lease agreement for building was entered into effective 1 October 2011 and will be operational for period of five years, expiring on 30 September 2016. The Lessor allows for annual escalation of 10% per annum. The lease expense for the year ended 31 March 2012 is R3,708,306.00

NCC rents photocopying machines under operating lease for a period of three years from Minolta effective from 01 December 2012, expiring on 30 November 2014. Lease expense for the year amount to R62,845.16

Other Commitments

Approved and Contracted out

2,882,344

2,882,344

The other commitments relates to capital expenditure for procuring and installing a call center management system.

16 AUDIT AND RISK COMMITTEE REMUNERATION

| Name of Committee Members | 2012 | | |
|-----------------------------|----------------|-----------------|--------------------|
| | Committee Fees | Travel Expenses | Total Remuneration |
| Zamani Ntshiza- Chairperson | 6,110 | - | 6,110 |
| Tendani Rasilingwana | 1,855 | - | 1,855 |
| Phuthi Semenyana | 1,855 | - | 1,855 |
| TOTAL | 9,820 | - | 9,820 |

17 EXECUTIVE MANAGEMENT REMUNERATION

| Name of Executive Management | 2012 | | | |
|--|------------------|----------------|------------------|--------------------|
| | Basic Salary | Pension Fund | Other | Total Remuneration |
| Mamodupi Mohlala - Commissioner | 905,380 | 117,699 | 485,888 | 1,508,967 |
| Ebrahim Mohammed - Deputy Commissioner | 662,619 | 86,141 | 355,606 | 1,104,366 |
| Kgabo Mantsho - Chief Financial Officer | 415,251 | 53,983 | 222,851 | 692,085 |
| David Ngoako Railo - Head Of Research | 387,169 | 71,945 | 168,447 | 627,562 |
| Prudence Moliwa - Head of Investigations | 210,648 | 94,266 | 460,564 | 765,478 |
| TOTAL | 2,581,067 | 424,034 | 1,693,366 | 4,698,457 |

| | 2011 |
|---|------------------|
| | R |
| 18 RECONCILIATION OF NET CASH FLOWS FROM OPERATING ACTIVITIES TO SURPLUS | |
| Surplus/Deficit per Statement of financial Performance | 2,133,021 |
| Non-cash adjustments for: | |
| Depreciation and amortisation | 583,718 |
| Interest received | (263,287) |
| Finance costs | 135 |
| Loss on disposal of assets | 4,648 |
| Changes in working capital: | |
| Increase Trade and other receivables | (945,500) |
| Increase Trade and other payables | 4,351,519 |
| Net cash inflows from operating activities | 5,864,254 |

19 OTHER OPERATING EXPENDITURE

| | |
|--------------------------------------|------------|
| Administration costs | 13,034,557 |
| Other expenses | 2,972,500 |
| Travel & Subsistence - Domestic cost | 9,587,093 |
| Travel & Subsistence- Foreign | 391,497 |
| Interest Expense | 78,685 |
| Profit/loss on disposal | 135 |
| | 4,648 |

20 RELATED PARTY RELATIONSHIPS - NATURE

(a) Non-Executive : Audit and Risk Committee Members:

The name of the Audit and Risk Committee Member have been disclosed in Note No. 15 above.

(b) Executive Management:

The name of each Executive Manager have been disclosed in Note No. 16 above.

(c) Executive Authority: Department of Trade and Industry

The NCC is a National Public Entity reporting to the Minister of the Department of Trade and Industry. The Department of Trade and Industry and including their trading entities are related parties of the NCC.

21 RELATED PARTY TRANSACTIONS - AMOUNT

(a) Non-Executive Board Members and the Audit and Risk Committee Members:

The total value of all transactions in respect of the Audit and Risk Committee Members are disclosed in Note No. 15 above.

(b) Executive Management:

The total value of all transactions in respect of Executive Management are disclosed in Note No. 16.

(c) Executive Authority: Minister of the Department of Trade and Industry

The following amounts were received from the Department of Trade and Industry:

| | |
|--|------------|
| Grant Received | 35,354,516 |
| Expenditure paid by DTI on behalf of the NCC | 24,234,576 |
| Assets transferred from DTI | 8,753,424 |
| Other Transfers Received | 549,089 |
| | 1,817,427 |

The following balance exist at year end due to compensation expenditure paid by DTI on behalf of the NCC

| | |
|--|----------------|
| Compensation Expenditure paid by DTI on behalf of the NCC | (1,454,490.40) |
| Amount receivable for performance bonuses paid in respect of DTI employees | 178,070 |

22 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Agency's financial instruments consist mainly of cash at bank and cash equivalents, other receivables and other payables. All financial instruments are measured and recognised at fair value. The bank deposits and bank balances, receivables and payables approximate their fair value due to the short term nature of these instruments.

No financial instrument is carried at an amount in excess of its fair value.

The fair values together with the carrying amounts have been determined by using available market information and is shown in the Statement of Financial Position as detailed below.

Financial assets - at carrying value

| | |
|---------------------------|---------------|
| Cash and cash equivalents | 71,401 |
| Accrued income | 6,332 |
| TOTAL | 77,733 |

Financial liabilities - at carrying value

| | |
|-------------------|------------------|
| Accrued expenses | 410,405 |
| Other liabilities | 3,941,114 |
| TOTAL | 4,351,519 |

Fair value of financial instruments:**Financial assets by category - at fair value:**

| | |
|---------------------------|------------------|
| Cash and cash equivalents | 71,401 |
| Accrued income | 945,500 |
| TOTAL | 1,016,901 |

Financial liabilities held at amortised cost:

| | |
|-------------------|------------------|
| Other Liabilities | 3,941,114 |
| Accrued expenses | 410,405 |
| TOTAL | 4,351,519 |

The revenue and expenses that are included the Statement of Financial Performance are detailed below per category of financial instrument.

Income from Cash and cash equivalents

| | |
|----------------|----------------|
| Finance Income | 183,362 |
| TOTAL | 183,362 |

Financial Instruments

Potential concentrations of credit risk consist mainly of cash and cash equivalents, trade receivables and other receivables. Other receivables consist of accrued interest and prepayments, upon which credit risk is limited as interest is receivable from banks and prepayments are minimal.

At 31 March 2012, NCC did not consider there to be any significant concentration of credit risk which had not been insured or adequately provided for.

Risk Management**Credit Risk**

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

Interest rate risk management

As the entity has no significant interest-bearing assets, the entity's income and operating cash flows are substantially independent of changes in market interest rates.

Foreign exchange risk management

The Agency is not exposed to any foreign exchange risk.

Liquidity risk management

The entity manages liquidity risk through the compilation and monitoring of cash flow forecasts as well as ensuring that there are adequate banking facilities.

The maturity profiles of the financial instruments are summarised as follows:

| MATURITY PERIOD | 0 - 12 Months | 1 - 5 Years | > 5 Years |
|------------------------------|------------------|-------------|-----------|
| Financial Liabilities | | | |
| Other Liabilities | 3,941,114 | | |
| Accrued expenses | 410,405 | | |
| NET EFFECT | 4,351,519 | - | - |

23 Reconciliation of budget surplus/ deficit with statement of financial performance

| | Actual receipts and payments | Amounts per Statement of Financial performance | Difference | Reasons |
|-----------------|------------------------------|--|------------------|---|
| Receipts | 26,052,004 | 35,354,516 | 9,302,512 | Payments made by DTI in respect of assets and compensation expenditure. |
| Payments | -26,270,596 | -33,484,782 | (7,214,185.86) | Non cash expenditure & Capex |
| Other | 289,993 | 263,287 | (26,705.81) | Other income consist of non-cash item of receivables |
| Surplus | 71,401 | 2,133,021 | 2,061,621 | |

24 FRUITLESS AND WASTEFUL EXPENDITURE

Finance expense 135

TOTAL **135**

This amount relates to interest charged on late payment to the Government Pension Fund.

25 Contingent Liability

As at 31 March 2012, NCC had a surplus of R2,133,021 per the statement of financial performance and a cash surplus of R71,401 in the cashflow statement. Management has submitted a request to National treasury to retain the funds available at year end. The requested had not been granted by the time of submission of the financial statement on the 31 May 2012.

26 Irregular Expenditure

| | |
|---|------------------|
| Opening Balance | - |
| Add: Irregular Expenditure -Current year | - |
| Less: Amounts condoned | 8,533,591 |
| | - |
| Less: Amounts recoverable (not condoned) | - |
| Less: Amounts not recoverable (not condoned) | - |
| Irregular Expenditure awaiting condonation | 8,533,591 |

Analysis of expenditure awaiting condonation per age classification

| | |
|--------------|------------------|
| Current year | 8,533,591 |
| Prior years | - |
| Total | 8,533,591 |

Details of Irregular Expenditure not recoverable (not condoned)

Goods and service with a transaction value between R10 000 and R500 000 were procure without obtaining written quotations from three different prospective suppliers.
Two supplier with no valid tax clearance certificate
One invitations from competitive bids not advertised withing 21 days as per Treasury Regulaton
Irregular Expenditure not condoned by relevant Authority

8,533,591

| |
|-----------|
| 517,434 |
| 125,590 |
| 7,479,461 |
| 411,106 |

The commissioner has committed to investigate the above irregular expenditure and will take necessary steps to prevent it from happening in the near future