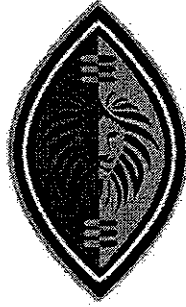


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PSIRA

Private Security Industry Regulatory Authority

Private Security Industry Regulatory Authority

Quarterly Financial Reports

For the period ended

30 June 2012

Table of contents**Page no**

1. Statement of Financial Performance	3
2. Statement of Financial Position	4
3. Cash flow Statement	5
4. Budget Variance Report	6
5. Forecast to year end	7
6. Financial Analysis and Interpretation	8

Private Security Industry Regulatory Authority
Statement of Financial Performance for the year ended 30 June 2012

	Note	Q1 2012-13	Q1 2011-12	2011-12	Variance Q1 2012 vs Q1 2013	%	Variance analysis
Revenue	1	90 256 426	21 831 692	98 227 752	68 424 734	313.42%	Billing model changed from monthly billing of fees to annually at beginning of year.
Other income	2	7 203 610	8 196 996	30 301 289	-893 386	-12%	
Total Revenue		97 460 036	30 028 688	128 529 041	67 431 348		
Operating expenses	3	-14 102 147	-9 433 010	-52 902 201	-4 669 137	49%	Increased rental expenditure due to move of Head office function from owned building in Arcadia to leased premises.
Employee related costs	4	-15 498 616	-15 068 501	-61 377 994	-430 115	3%	
Debt impairment	5	-48 004 073	371 949	-24 065 517	-48 376 022	-13006%	Annual fees dispute by members of SIA. Increased provision for Bad debts for first quarter.
Total Operating Expenses		-77 604 836	-24 129 561	-138 345 711	-53 475 275	222%	
Operating surplus / (deficit)		19 855 200	5 899 127	-9 816 671	-13 956 074	-237%	
Investment revenue	6	102 505	99 217	537 461	3 288	3%	
Loss on impairment and disposal of assets	7						
Finance costs	8	-229	-274	-1 440	-45		
Surplus / (Deficit)		19 957 476	5 998 070	-9 280 650	-13 959 406	-233%	

Operating Expenses- % of Total Revenue	14%	31%	41%
Employee costs - % of Total Revenue	16%	50%	48%
Employee Cost - % of total cost excl Debt Impairment	52%	62%	54%

PRIVATE SECURITY INDUSTRY REGULATORY AUTHORITY				
Statement of Financial Position				
for the period ended				
	Note	March-11	March-12	June-12
Assets				
Current Assets				
	9			
Trade and other Receivables	9.1	7 810 267	13 127 901	17 963 218
Cash and cash equivalents	9.2	13 326 054	11 689 031	28 992 001
		<u>21 136 321</u>	<u>24 816 932</u>	<u>46 955 219</u>
Non-Current Assets				
	10			
Property, Plant & Equipment		11 802 114	13 202 211	12 811 138
Intangible assets		2 228 316	1 775 267	1 498 851
		<u>14 030 430</u>	<u>14 977 478</u>	<u>14 309 990</u>
Total Assets		<u>35 166 752</u>	<u>39 794 409</u>	<u>61 265 208</u>
Liabilities				
Current Liabilities				
	11			
Trade and Other Payables		17 728 143	26 845 801	26 659 147
Retirement benefit obligations			1 542 339	999 000
Lease obligations		372 114	4 695 193	6 938 512
		<u>18 100 257</u>	<u>33 083 333</u>	<u>34 596 659</u>
Non-Current Liabilities				
Retirement benefit obligations	12	5 575 000	4 536 661	4 536 661
Total liabilities		<u>23 675 257</u>	<u>37 619 993</u>	<u>39 133 320</u>
Net Assets				
Accumulated surplus		<u>11 491 495</u>	<u>2 174 416</u>	<u>22 131 889</u>
Current ratio	13	1.17	0.75	1.36

PRIVATE SECURITY INDUSTRY REGULATORY AUTHORITY			
Cash flow Statement for the period ended	March-11	March-12	June-12
Cash flows from operating Activities			
Receipts			
Cash receipts from Customers	82 726 838	96 079 560	43 147 030
Interest Income	860 547	537 461	102 505
Payments			
Cash paid to employees	-52 680 477	-61 233 685	-15 339 631
Cash paid to Suppliers	-38 717 953	-29 598 043	-10 332 764
Finance Costs	-12 356	-1 440	-229
Net Cash from Operating Activities	-7 823 401	5 783 853	17 576 910
	5		
Cash Flows from Investing Activities			
Purchase of property , plant and Equipment	-1 453 555	-6 115 480	-273 941
Sale of Property, Plant & Equipment		479 610	
Purchase of Other Intangible assets	-1 491 587	-1 785 003	0
Net cash from investing Activities	-2 945 142	-7 420 873	-273 941
Total Cash movement for the period	-10 768 543	-1 637 020	17 302 970
Cash at beginning of period	24 094 597	13 326 051	11 689 031
Cash & Cash equivalents at the end of the period	13 326 054	11 689 031	28 992 000

Private Security Industry Regulatory Authority

Budget Variance Report period ended 30 June 2012

	Note	Q1 2013	Q1 Budget	Variance	%
Revenue	1	90 256 426	90 233 730	22 696	0.03%
Other income	2	7 203 610	7 442 857	-239 247	-3%
Total Revenue		97 460 036	97 676 587	-216 551	0%
Operating expenses	3	-14 102 147	-22 495 873	8 393 726	37%
Employee related costs	4	-15 498 616	-17 554 779	2 056 163	12%
Debt impairment	5	-48 004 073	-8 324 936	-39 679 137	-477%
Total Operating expenses		-77 604 836	-48 375 588	-29 229 248	-60%
Operating surplus		19 855 200	49 300 999	-29 445 799	60%
Investment revenue	6	102 505	118 005	-15 500	-13%
Loss on impairment and disposal of assets	7				
Finance costs	8	-229	0	229	
Surplus for the period		19 957 476	49 419 004	29 461 528	-60%

Operating Expenses- % of Total Revenue	14%	23%
Employee costs - % of Total Revenue	16%	18%
Employee Cost - % of total cost excl Debt Impairment)	52%	44%

Private Security Industry Regulatory Authority

Forecast for the period ended 30 June 2012

	2012/2013 Forecast	2012/2013 Budget	Variance	%
Revenue	136 625 863	142 880 418	-6 254 555	-4%
Other income	29 650 269	29 771 428	-121 159	0%
Total Revenue	166 276 132	172 651 846	-6 375 714	-4%
Operating expenses	-61 131 663	-81 890 736	20 759 073	25%
Employee related costs	-68 553 907	-75 955 934	7 402 027	10%
Debt impairment	-33 742 388	-11 494 295	-22 248 093	-194%
Total operating expenses	-163 427 958	-169 340 965	5 913 007	0
Operating surplus	2 848 174	3 310 881	-462 707	14%
Investment revenue	640 334	472 020	168 314	36%
Loss on impairment and disposal of assets				
Finance costs	-1 384	0	1 384	
Surplus for the year	3 487 124	3 782 901	295 777	-8%

Operating Expenses- % of Total Revenue 37%
 Employee costs - % of Total Revenue 41%
 Employee Cost - % of total cost excl Debt Impairment) 53%

Private Security Industry Regulatory Authority

Financial Analysis & Interpretation for the First Quarter of 2012-13

1. Revenue

1.1 Annual Fee Billing

In April 2012, method of billing was change from monthly to annually, per the 2011 Annual Fee Regulations. The Service Provider Business fee increased from R3,000 p.a. to R4,250 p.a. Fees paid by Service Providers for each security officer employed increased from R0.70 to R7.00.

There is a court case brought against the PSIRA by the SIA (Security Industry Alliance), challenging the increased fees. The court case is affecting the rate of collection as well as the provision for doubtful debt.

	April	May	June	Rand Value
<u>Security Officers</u>				
Budgeted Number of Security Officers	420 751	6 000	6 000	46 446 855
Actual Number of Security Officers billed	381 816	13 971	10 734	33 884 897
<u>Security Businesses</u>				
Budgeted Number of Security Businesses	8 505	75	75	36 802 500
Actual Number of Security Businesses billed	10 047	92	106	51 229 547

1.2 Registration fees billed

	April	May	June	Rand Value
<u>Security Officers registered per month</u>				
Security Officer registrations were budgeted at 6 000 registrations pm x R200.00	6 000	6 000	6 000	3 600 000
Total Security Officers registered-billed at R154.20 per registration	6 794	8 597	8 194	3 636 807
<u>Service Provider registered per month</u>				
Service Provider registrations were budgeted at 75 registrations pm x R5 000.00	75	75	75	1 125 000
Total Security Businesses Registered - billed at R4 650.00 per registration.	96	68	122	1 329 900

1.4 Fines

The number of cases finalized during the quarter is 336 at an average rate (fine amount) of R4 465. Cases finalized are below the estimated 723 cases for the quarter.

	Q1 Actual	Q1 Budget	Variance
Fines	1 536 400	3 255 000	1 718 600

2. Other Income

	April	May	June	Rand Value
<u>2.1 Course Reports</u>				
Average Course report budgeted	29 241	29 241	29 241	4 386 150
Course reports processed	28 738	39 133	33 313	5 059 200

2.2 Penalties & Interest on late payment by Service Businesses

Billing of Penalties and interest on late payments has been suspended in the light of the Court case.

	Q1 Actual	Q1 Budget	Variance
Penalties & Interest	0	1 740 000	1 740 000

3. Operating Expenses.

Operating expenses are monitored strictly in light of uncertainties with the Court case. There exist a risk of repayment of the portion which has been increased, in the event that PSIRA is unsuccessful with the case.

Certain projects have been put on hold and include the Corporate Identity project that was meant to be rolled out in the current financial year with the new approved logo.

	Q1 Actual	Q1 Budget	Variance
Operating expenses	14 102 147	22 495 873	8 393 726

4. Employee related costs

The filling of budgeted positions have been put on hold, resulting in a short term saving.

	Q1 Actual	Q1 Budget	Variance
Head Count at end of Quarter	231	265	34

5. Debt Impairment

	Q1 Actual	Q1 Budget	Variance
Debt Impairment	48 004 073	8 324 936	-39 679 137

6. Investment Revenue

Funds are invested in a call account and term deposits at PSIRA's approved banker to earn interest at the maximum rate available.

Inflow of funds were not as projected resulting in a negative variance on Investment revenue

	Q1 Actual	Q1 Budget	Variance
Investment Revenue	102 505	118 005	15 500

7. Loss on Impairment and disposal of assets

No losses were incurred in the current Quarter.

8. Finance costs.

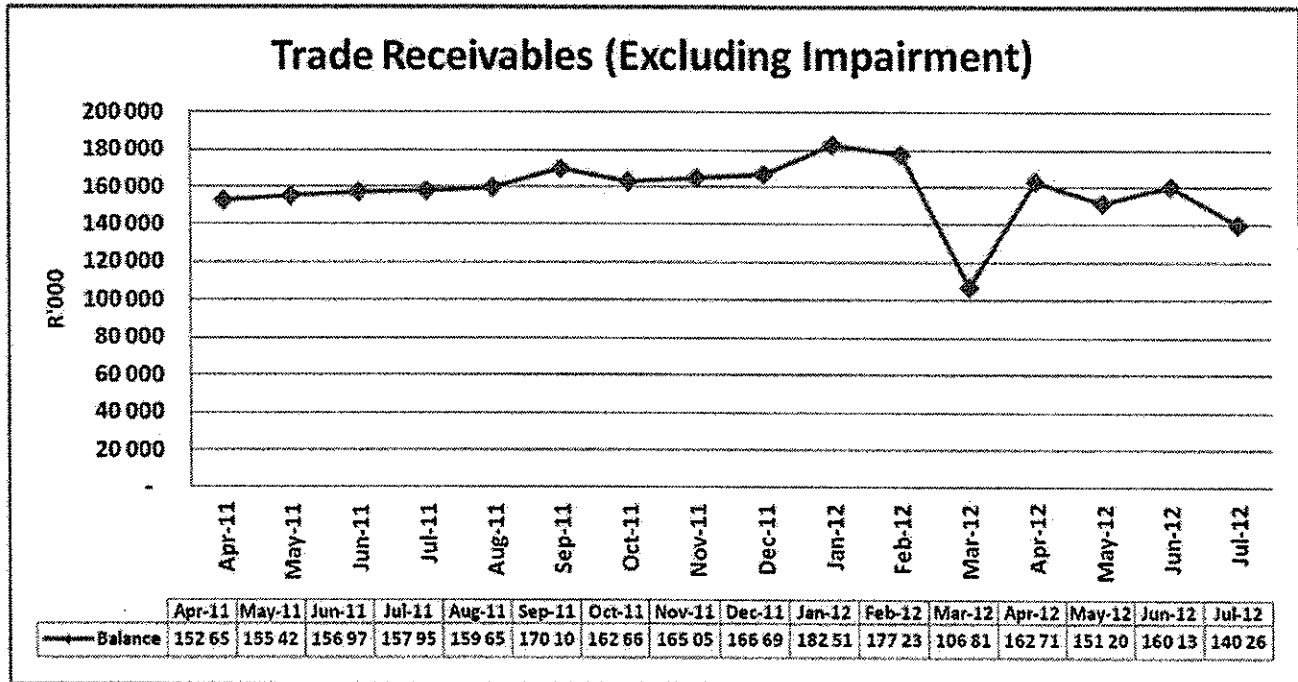
Finance costs are incurred on rental and telecommunication expenses.

Telkom charges interest irrespective of non-delivery or late delivery of invoice. All effort is made to obtain invoices in time as payment days remains the same per month.

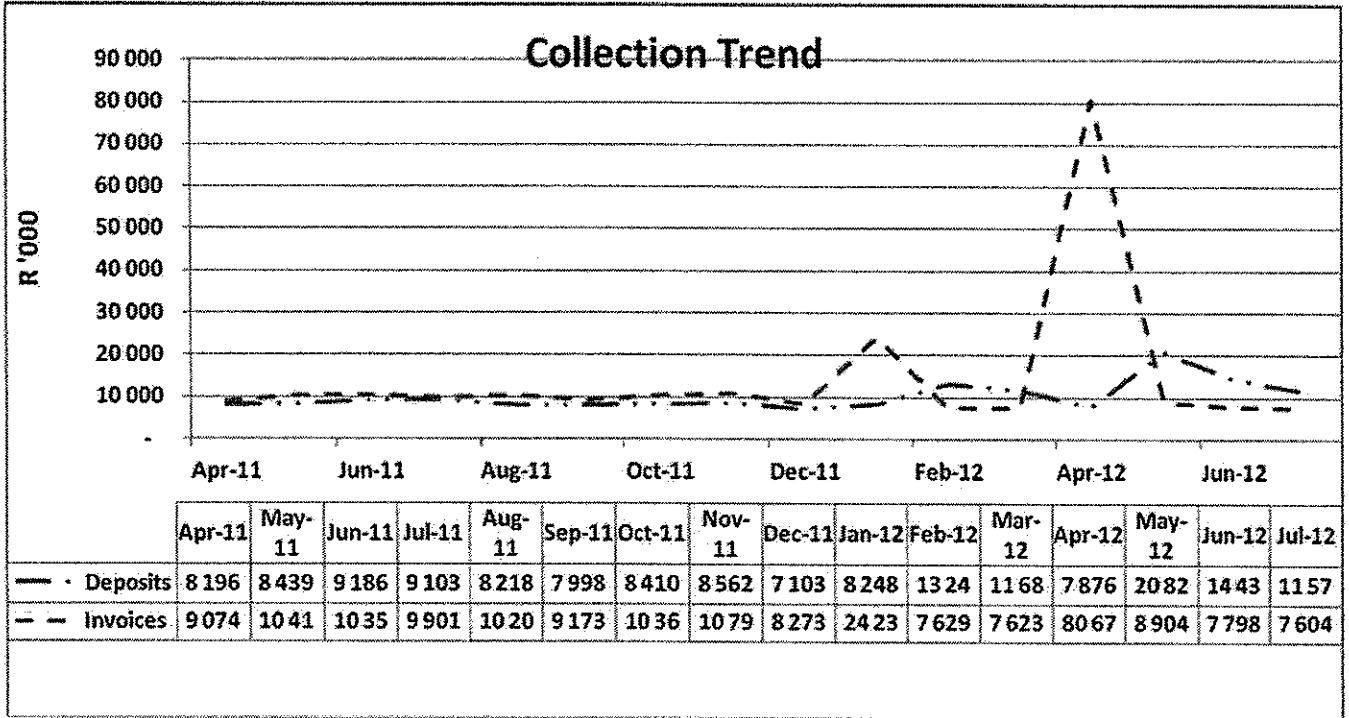
9. Current Assets

9.1 Trade & other Receivables

The increase in Trade and other Receivables is directly linked to the increased annual fees as well as change in billing from monthly to annually. Due to the Court case, members of SIA are making payment in terms of the old fee rates (per the Court Interdict. These amounts are impaired if payments has not been received within 60 days



As can be seen from the graph below the collection trend averaged between 80 % and 90%, this changed significantly with the implementation of Annual billing of fees from January 2012. This trend will continue until the Court case has been finalised.



9.2. Cash and cash equivalents

Cash reserves increased due to collection annually.

10. Non Current Assets

Capital expenditure has been put on hold and only critical capital purchases are approved. This is to ensure that funding is available to continue operations given uncertainties with legal challenge.

11. Current Liabilities

Liabilities are monitored and payments made in terms of the PFMA where applicable.

12. Non-Current Liabilities

Pension fund deficit will be funded by additional employer contributions in the next three years.

Options to move from a Defined benefit to a Defined contributions fund is being investigate to reduce the risk in the long term.

13. Ratio Analysis

	March-11	March-12	June-12
13.1 Current Ratio	1.17	0.75	1.36

The Current ratio of 1.36:1 is an improvement on prior years and is mostly due to increased collections after implementation of 2011 Annual fee regulations.

There however, exist uncertainty on liability should the Court rule in favor of SIA.